

## MEMORANDUM

To: Senate Financial Institutions and Insurance Committee  
From: Alan D. Conroy, Executive Director <sup>A.D.C.</sup>  
Date: February 16, 2017  
Subject: SB 137: KP&F Service-Related Death Benefit

### Current Statutes

Currently, if a member dies due to service-connected causes, the surviving spouse is entitled to 50% of the final average salary at the time of the member's death. In addition, any surviving dependent children are entitled to 10% of the member's final average salary for each child. However, the total benefit cannot exceed 75% of the final average salary.

Over the past 5 years, there have been approximately 2-3 occurrences of service-connected deaths annually.

### Proposed Changes

Under SB 137, the surviving spouse benefit would be the greater of 50% of the member's final average salary or the amount that the member's retirement benefit would have been had the member elected to retire on the 1st of the month following the date of death and elected the joint and 100% survivor benefit option.

There is no change to the benefits of the surviving children. SB 137 increases the total cap on benefits to 90% of final average salary.

### Projected Costs

KPERS' consulting actuary estimated the cost of the proposed change based on the 12/31/2014 actuarial valuation for 2016 HB 2709. Based on the actual service-connected death experience of the System, the actuary estimated that the changes proposed in SB 137 would increase the KP&F unfunded actuarial liability by \$605,000, resulting in a 0.01% increase in the unfunded actuarial liability portion of the employer contribution rate. In addition, the normal cost of benefits would also increase by 0.01%, for a total increase in the employer contribution rate of 0.02%. The impact of 0.02% on total contributions for all KP&F employers would be a very small increase of less than \$100,000. This increase in the employer contribution rate would result in additional revenue to the Trust Fund.

The actuary expects that the costs of implementing SB 137 will be similar to the estimate that was completed based on the 12/31/2014 valuation.

SB 137 would require some upgrades to existing information technology systems. However, the upgrades would not require significant changes and can be absorbed within existing resources.

I would be happy to respond to any questions the Committee may have.

