

## MEMORANDUM

To: Senate Financial Institutions and Insurance Committee

From: Alan D. Conroy, Executive Director

Date: March 14, 2017

Subject: HB 2111: KP&F Service-Related Death Benefit

HB 2111, as amended by House Committee on Financial Institutions and Pensions, affects service-connected death benefits for KP&F members by providing for 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.

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. HB 2111 increases the cap on total benefits to 90% of the member's final average salary.

Over the past 5 years, there have been approximately 2-3 annual occurrences of service-connected deaths. The House Committee amended the bill to apply retroactively to July 1, 2016. With the retroactive effective date, it appears at this time that one members' beneficiaries may be advantaged by the change.

HB 2111, as amended is identical to SB 137, as amended by Senate Committee on Financial Institutions and Insurance. SB 137 is currently on the Senate floor.

### **Projected Costs**

KPERS' consulting actuary estimated the cost of the proposed change based on based on 2016 HB 2709 and the 12/31/2014 actuarial valuation. 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 HB 2111 will be similar to the estimate that was completed based on the 12/31/2014 valuation.

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

