

MEMORANDUM

To: Senate Committee on Financial Institutions and Insurance

From: Alan D. Conroy, Executive Director ^{A.D.C.}

Date: March 14, 2018

Subject: SB 242; Changing the definition of "service-connected" for the Kansas Policemen and Firemen's (KP&F) retirement system

SB 242 would add to the definition of "service-connected" as it pertains to a death or any physical or mental disability of a KP&F members by adding hepatitis C and specifying cancers of the brain, skin, digestive system, hematological system and genitourinary system.

SB 242 also creates the basis for establishing if the contraction of hepatitis C or the specified cancers is service-connected.

Current Law

Current statutory language includes cancer as service-connected if the cancer that caused the death or disability is a type of cancer that "may, in general, result from exposure to heat, radiation, or a known carcinogen."

The changes in SB 242 would specify the list of cancers considered service-connected as cancers of the brain, skin, digestive system, hematological system or genitourinary system. The bill also specifies that at the time of becoming a policeman or firemen, a physical examination must have been completed that failed to reveal substantial evidence of such cancer that preexisted employment.

SB 242 also lays out the requirements for hepatitis C to be considered service connected, which include:

1. The member must report the exposure within 2 days when the member knew or reasonably should have known of exposure.
2. The employer provides a baseline test within 5 days of the member reporting exposure. The test must establish that the employee was not infected with hepatitis C at the time of the reported exposure.
3. The member must comply with all "reasonable and necessary" medical procedures.
4. The member is determined to have hepatitis C within 24 months after the reported exposure.

The language being stricken on page 4 of the bill, which was added to statute in 1993, is used to protect the System from potential abuse in extreme situations. For instance, a



department hiring a police officer or firefighter with a hereditary cancer that is not at all related to a KP&F position and therefore not eligible for the cancer to be considered "service-connected." Removing the language would probably affect only a small number of members, but there would be some, likely minimal, cost impact due to removing the language.

For most KP&F members there is no difference between service connected and non-service connected benefits. For any disability, these members receive 50% of their final average salary each year until the member is eligible for retirement. Their final average salary may be recalculated to the benefit of the member if they have been disabled for a long period of time.

For about 2% of members who joined KP&F before July 1, 1989 there is a difference between service connected and non-service connected disability. These members receive the higher of 50% of their final average salary or their final average salary X 2.5% X years of service for service connected death. For non-service connected death the disability benefit is final average salary X 2.5% X years of service with a minimum of 25% and a maximum of 90% of final average salary.

Cost Impact

KP&F death and disability benefits are a part of the pension plan design. Any changes to the number of KP&F members who become eligible for service connected death or disability benefits could impact the overall cost of benefits.

Over the time period from FY 2014 to FY 2016, there were 3 KP&F non-service connected deaths and 25 KP&F non-service connected disabilities each year. This is the pool of members who would potentially be impacted by SB 242. However, KPERS is not aware of any instances where hepatitis C was the sole cause of the non-service connected death or disability. In addition, cancer is already included in the definition of service connected death or disability under K.S.A. 74-4952, so the overall impact is estimated to be very small.

Any change in the cost of benefits would be reflected in the actuarial required contributions. Since KP&F employers are required by statute to pay the full actuarial required contribution rate, SB 242 could affect future employer contributions. However, SB 242 is narrowly focused and would be estimated to affect a small number of KP&F members. Therefore, SB 242 is expected to have no meaningful actuarial impact.

I would be pleased to respond to any questions the Committee may have on SB 242.