

## MEMORANDUM

To: Senate Financial Institutions and Insurance Committee  
From: <sup>A.D.C.</sup> Alan D. Conroy, Executive Director  
Date: March 11, 2021  
Subject: Senate Bill 265

As part of the June 29, 2020 State General Fund allotment, the Governor included a moratorium on State employer contributions to the KPERS' death and disability fund for all of FY 2021. This allotment covers both State and School employers.

The Governor's allotment authority does not apply to Local employers. In order for the moratorium to be applied consistently to the entire KPERS group consistent with past moratoria additional statutory language is needed.

### **KPERS Death and Disability Plan**

The Death and Disability plan provides basic life insurance and long-term disability insurance to all KPERS members. The basic life insurance is equal to 150% of the member's annual salary. Disability benefits are equal to 60% of the member's annual salary with a minimum of \$100 and a maximum of \$5,000 per month.

All KPERS employers contribute a statutory 1% of pay for the Death and Disability Plan. There is no employee contribution for the Death and Disability Plan. The Death and Disability Plan has a separate trust fund and the plan is administered separately from KPERS retirement benefits.

### **Employer Contribution Moratorium**

This is the eleventh time a moratorium on employer contributions to the Death and Disability Plan since 2000. The Death and Disability plan is currently funded as a pay-as-you-go plan. However, the 1% statutory employer contribution rate generates enough contributions for the balance of the Death and Disability Trust Fund to slowly increase over time, which allows the Trust Fund to maintain a balance during periods of employer contribution moratoria.

In each of the previous ten moratoria, there has been legislation passed so state statute reflected actual employer contributions. For this reason, we believe that legislation would be required during the 2021 Legislative Session so state statute accurately reflects the employer contributions required in FY 2021. A table summarizing the previous moratoria is attached.

SB 265 codifies the current death and disability contribution moratorium for both State and Local employers. For State employers the moratorium covers July 1, 2020 through June 30, 2021 (FY 2021) consistent with the Governor's allotment. For Local employers the moratorium period is July 1, 2021 through June 30, 2022.

I would be pleased to answer any questions the Committee has regarding Senate Bill 265.



## Historical Moratoriums on Employer Contributions

### Death and Disability Fund

<u>Year</u>	<u>Length of Moratorium</u>
2000	3 Months
2001	12 Months
2002	6 Months
2003	6 Months
2009	4 Months
2010	3 Months
2011	3 Months
2012	3 Months
2013	3 Months
2016	7 Pay Periods
2017	7 Pay Periods
2021	12 Month