

3
4 **Substitute for SENATE BILL No. 365**

5
6 By Committee on Ways and Means

7
8 4-26

9
10 AN ACT concerning certain employer contributions; amending K.S.A.
11 2000 Supp. 74-4927 and 74-4927f and repealing the existing sections.

12
13 *Be it enacted by the Legislature of the State of Kansas:*

14 Section 1. K.S.A. 2000 Supp. 74-4927 is hereby amended to read as
15 follows: 74-4927. (1) The board may establish a plan of death and long-
16 term disability benefits to be paid to the members of the retirement
17 system as provided by this section. The long-term disability benefit shall
18 not be payable until the member has been prevented from carrying out
19 each and every duty pertaining to the member's employment as a result
20 of sickness or injury for a period of 180 days and the annual benefit shall
21 not exceed an amount equal to 66 $\frac{2}{3}$ % of the member's annual rate of
22 compensation on the date such disability commenced and shall be payable
23 in equal monthly installments. In the event that a member's compensation
24 is not fixed at an annual rate but on an hourly, weekly, biweekly, monthly
25 or any other basis than annual, the board shall prescribe by rule and
26 regulation a formula for establishing a reasonable rate of annual compen-
27 sation to be used in determining the amount of the death or long-term
28 disability benefit for such member. Such plan shall provide that:

29 (A) For deaths occurring prior to January 1, 1987, the right to receive
30 such death benefit shall cease upon the member's attainment of age 70
31 or date of retirement whichever first occurs. The right to receive such
32 long-term disability benefit shall cease (i) for a member who becomes
33 eligible for such benefit before attaining age 60, upon the date that such
34 member attains age 65 or the date of such member's retirement, which-
35 ever first occurs, (ii) for a member who becomes eligible for such benefit
36 at or after attaining age 60, the date that such member has received such
37 benefit for a period of five years, upon the date that such member attains
38 age 70, or upon the date of such member's retirement, whichever first
39 occurs, (iii) for all disabilities incurred on or after January 1, 1987, for a
40 member who becomes eligible for such benefit at or after attaining age
41 70, the date that such member has received such benefit for a period of
42 12 months or upon the date of such member's retirement, whichever first
43 occurs, and (iv) for all disabilities incurred on or after January 1, 1987,

1 for a member who becomes eligible for such benefit at or after attaining
2 age 75, the date that such member has received such benefit for a period
3 of six months or upon the date of such member's retirement, whichever
4 first occurs.

5 (B) Long-term disability benefit payments shall be in lieu of any ac-
6 cidental total disability benefit that a member may be eligible to receive
7 under subsection (3) of K.S.A. 74-4916 and amendments thereto. The
8 member must make an initial application for social security disability ben-
9 efits and, if denied such benefits, the member must pursue and exhaust
10 all administrative remedies of the social security administration which
11 include, but are not limited to, reconsideration and hearings. Such plan
12 may provide that any amount which a member receives as a social security
13 benefit or a disability benefit or compensation from any source by reason
14 of any employment including, but not limited to, workers compensation
15 benefits may be deducted from the amount of long-term disability benefit
16 payments under such plan. During the period in which such member is
17 pursuing such administrative remedies prior to a final decision of the
18 social security administration, social security disability benefits may be
19 estimated and may be deducted from the amount of long-term disability
20 benefit payments under such plan. Such long-term disability payments
21 shall accrue from the later of the 181st day of total disability or the first
22 day upon which the member ceases to draw compensation from the em-
23 ployer. If the social security benefit, workers compensation benefit, other
24 income or wages or other disability benefit by reason of employment, or
25 any part thereof, is paid in a lump-sum, the amount of the reduction shall
26 be calculated on a monthly basis over the period of time for which the
27 lump-sum is given. In no case shall a member who is entitled to receive
28 long-term disability benefits receive less than \$50 per month. As used in
29 this section, "workers compensation benefits" means the total award of
30 disability benefit payments under the workers compensation act notwith-
31 standing any payment of attorney fees from such benefits as provided in
32 the workers compensation act.

33 (C) The plan may include other provisions relating to qualifications
34 for benefits; schedules and graduation of benefits; limitations of eligibility
35 for benefits by reason of termination of employment or membership;
36 conversion privileges; limitations of eligibility for benefits by reason of
37 leaves of absence, military service or other interruptions in service; lim-
38 itations on the condition of long-term disability benefit payment by reason
39 of improved health; requirements for medical examinations or reports; or
40 any other reasonable provisions as established by rule and regulation of
41 uniform application adopted by the board.

42 (D) On and after April 30, 1981, the board may provide under the
43 plan for the continuation of long-term disability benefit payments to any

1 former member who forfeits the entitlement to continued service credit
2 under the retirement system or continued assistance in the purchase of
3 retirement annuities under K.S.A. 74-4925 and amendments thereto and
4 to continued long-term disability benefit payments and continued death
5 benefit coverage, by reason of the member's withdrawal of contributions
6 from the retirement system or the repurchase of retirement annuities
7 which were purchased with assistance received under K.S.A. 74-4925 and
8 amendments thereto. Such long-term disability benefit payments may be
9 continued until such individual dies, attains age 65 or is no longer dis-
10 abled, whichever occurs first.

11 (E) Any visually impaired person who is in training at and employed
12 by a sheltered workshop for the blind operated by the secretary of social
13 and rehabilitation services and who would otherwise be eligible for the
14 long-term disability benefit as described in this section shall not be eli-
15 gible to receive such benefit due to visual impairment as such impairment
16 shall be determined to be a preexisting condition.

17 (2) (A) In the event that a member becomes eligible for a long-term
18 disability benefit under the plan authorized by this section such member
19 shall be given participating service credit for the entire period of such
20 disability. Such member's final average salary shall be computed in ac-
21 cordance with subsection (17) of K.S.A. 74-4902 and amendments thereto
22 except that the years of participating service used in such computation
23 shall be the years of salaried participating service.

24 (B) In the event that a member eligible for a long-term disability
25 benefit under the plan authorized by this section shall be disabled for a
26 period of five years or more immediately preceding retirement, such
27 member's final average salary shall be adjusted upon retirement by the
28 actuarial salary assumption rates in existence during such period of dis-
29 ability. Effective July 1, 1993, such member's final average salary shall be
30 adjusted upon retirement by 5% for each year of disability after July 1,
31 1993, but before July 1, 1998. Effective July 1, 1998, such member's final
32 average salary shall be adjusted upon retirement by an amount equal to
33 the lesser of: (i) The percentage increase in the consumer price index for
34 all urban consumers as published by the bureau of labor statistics of the
35 United States department of labor minus 1%; or (ii) four percent per
36 annum, measured from the member's last day on the payroll to the month
37 that is two months prior to the month of retirement, for each year of
38 disability after July 1, 1998.

39 (C) In the event that a member eligible for a long-term disability
40 benefit under the plan authorized by this section shall be disabled for a
41 period of five years or more immediately preceding death, such member's
42 current annual rate shall be adjusted by the actuarial salary assumption
43 rates in existence during such period of disability. Effective July 1, 1993,

1 such member's current annual rate shall be adjusted upon death by 5%
2 for each year of disability after July 1, 1993, but before July 1, 1998.
3 Effective July 1, 1998, such member's current annual rate shall be ad-
4 justed upon death by an amount equal to the lesser of: (i) The percentage
5 increase in the consumer price index for all urban consumers published
6 by the bureau of labor statistics of the United States department of labor
7 minus 1%; or (ii) four percent per annum, measured from the member's
8 last day on the payroll to the month that is two months prior to the month
9 of death, for each year of disability after July 1, 1998.

10 (3) (A) To carry out the legislative intent to provide, within the funds
11 made available therefor, the broadest possible coverage for members who
12 are in active employment or involuntarily absent from such active em-
13 ployment, the plan of death and long-term disability benefits shall be
14 subject to adjustment from time to time by the board within the limita-
15 tions of this section. The plan may include terms and provisions which
16 are consistent with the terms and provisions of group life and long-term
17 disability policies usually issued to those employers who employ a large
18 number of employees. The board shall have the authority to establish and
19 adjust from time to time the procedures for financing and administering
20 the plan of death and long-term disability benefits authorized by this
21 section. Either the insured death benefit or the insured disability benefit
22 or both such benefits may be financed directly by the system or by one
23 or more insurance companies authorized and licensed to transact group
24 life and group accident and health insurance in this state.

25 (B) The board may contract with one or more insurance companies,
26 which are authorized and licensed to transact group life and group acci-
27 dent and health insurance in Kansas, to underwrite or to administer or
28 to both underwrite and administer either the insured death benefit or the
29 long-term disability benefit or both such benefits. Each such contract with
30 an insurance company under this subsection shall be entered into on the
31 basis of competitive bids solicited and administered by the board. Such
32 competitive bids shall be based on specifications prepared by the board.

33 (i) In the event the board purchases one or more policies of group
34 insurance from such company or companies to provide either the insured
35 death benefit or the long-term disability benefit or both such benefits,
36 the board shall have the authority to subsequently cancel one or more of
37 such policies and, notwithstanding any other provision of law, to release
38 each company which issued any such canceled policy from any liability
39 for future benefits under any such policy and to have the reserves estab-
40 lished by such company under any such canceled policy returned to the
41 system for deposit in the group insurance reserve of the fund.

42 (ii) In addition, the board shall have the authority to cancel any policy
43 or policies of group life and long-term disability insurance in existence

1 on the effective date of this act and, notwithstanding any other provision
2 of law, to release each company which issued any such canceled policy
3 from any liability for future benefits under any such policy and to have
4 the reserves established by such company under any such canceled policy
5 returned to the system for deposit in the group insurance reserve of the
6 fund. Notwithstanding any other provision of law, no premium tax shall
7 be due or payable by any such company or companies on any such policy
8 or policies purchased by the board nor shall any brokerage fees or com-
9 missions be paid thereon.

10 (4) (A) There is hereby created in the state treasury the group in-
11 surance reserve fund. Investment income of the fund shall be added or
12 credited to the fund as provided by law. The cost of the plan of death
13 and long-term disability benefits shall be paid from the group insurance
14 reserve fund, which shall be administered by the board. Except as oth-
15 erwise provided by this subsection, each participating employer shall ap-
16 propriate and pay to the system in such manner as the board shall pre-
17 scribe in addition to the employee and employer retirement contributions
18 an amount equal to .6% of the amount of compensation on which the
19 members' contributions to the Kansas public employees retirement sys-
20 tem are based for deposit in the group insurance reserve fund. Notwith-
21 standing the provisions of this subsection, no participating employer shall
22 appropriate and pay to the system any amount provided for by this sub-
23 section for deposit in the group insurance reserve fund for the period
24 commencing on April 1, 2000, and ending on ~~June 30, 2001~~ *December*
25 *31, 2001*.

26 (B) The director of the budget and the governor shall include in the
27 budget and in the budget request for appropriations for personal services
28 a sum to pay the state's contribution to the group insurance reserve fund
29 as provided by this section and shall present the same to the legislature
30 for allowances and appropriation.

31 (C) The provisions of subsection (4) of K.S.A. 74-4920 and amend-
32 ments thereto shall apply for the purpose of providing the funds to make
33 the contributions to be deposited to the group insurance reserve fund.

34 (D) Any dividend or retrospective rate credit allowed by an insurance
35 company or companies shall be credited to the group insurance reserve
36 fund and the board may take such amounts into consideration in deter-
37 mining the amounts of the benefits under the plan authorized by this
38 section.

39 (5) The death benefit provided under the plan of death and long-
40 term disability benefits authorized by this section shall be known and
41 referred to as insured death benefit. The long-term disability benefit pro-
42 vided under the plan of death and long-term disability benefits authorized
43 by this section shall be known and referred to as long-term disability

1 benefit.

2 (6) The board is hereby authorized to establish an optional death
3 benefit plan. Except as provided in subsection (7), such optional death
4 benefit plan shall be made available to all employees who are covered or
5 may hereafter become covered by the plan of death and long-term disa-
6 bility benefits authorized by this section. The cost of the optional death
7 benefit plan shall be paid by the applicant either by means of a system
8 of payroll deductions or direct payment to the board. The board shall
9 have the authority and discretion to establish such terms, conditions, spec-
10 ifications and coverages as it may deem to be in the best interest of the
11 state of Kansas and its employees which should include term death ben-
12 efits for the person's period of active state employment regardless of age,
13 but in no case, on and after January 1, 1989, shall the maximum allowable
14 coverage be less than \$200,000. The cost of the optional death benefit
15 plan shall not be established on such a basis as to unreasonably discrim-
16 inate against any particular age group. The board shall have full admin-
17 istrative responsibility, discretion and authority to establish and continue
18 such optional death benefit plan and the director of accounts and reports
19 of the department of administration shall when requested by the board
20 and from funds appropriated or available for such purpose establish a
21 system to make periodic deductions from state payrolls to cover the cost
22 of the optional death benefit plan coverage under the provisions of this
23 subsection (6) and shall remit all deductions together with appropriate
24 accounting reports to the system. There is hereby created in the state
25 treasury the optional death benefit plan reserve fund. Investment income
26 of the fund shall be added or credited to the fund as provided by law. All
27 funds received by the board, whether in the form of direct payments,
28 payroll deductions or otherwise, shall be accounted for separately from
29 all other funds of the retirement system and shall be paid into the optional
30 death benefit plan reserve fund, from which the board is authorized to
31 make the appropriate payments and to pay the ongoing costs of admin-
32 istration of such optional death benefit plan as may be incurred in carrying
33 out the provisions of this subsection (6).

34 (7) Any employer other than the state of Kansas which is currently a
35 participating employer of the Kansas public employees retirement system
36 or is in the process of affiliating with the Kansas public employees retire-
37 ment system may also elect to affiliate for the purposes of subsection (6).
38 All such employers shall make application for affiliation with such system,
39 to be effective on January 1 next following application. Such optional
40 death benefit plan shall not be available for employees of employers spec-
41 ified under this subsection until after July 1, 1988.

42 Sec. 2. K.S.A. 2000 Supp. 74-4927f is hereby amended to read as
43 follows: 74-4927f. (a) For the purposes of providing the "insured death

1 benefit” as prescribed in K.S.A. 74-4927 and amendments thereto, to all
2 persons who are members of the retirement system for judges, the term
3 “member” as used in K.S.A. 74-4927 and amendments thereto, and as
4 used in this section shall include members of the retirement system for
5 judges.

6 (b) Except as otherwise provided by this subsection, the employer of
7 any member who is a member of the retirement system for judges shall
8 pay to the Kansas public employees retirement system in such manner as
9 the board of trustees shall prescribe, an amount equal to .4% of the
10 amount of compensation on which the member’s contributions to the
11 retirement system for judges are based for deposit in the group insurance
12 reserve of the Kansas public employees retirement fund, in lieu of the
13 amount required to be paid under subsection (4) of K.S.A. 74-4927 and
14 amendments thereto. Notwithstanding the provisions of this subsection,
15 no employer shall pay to the system any amount provided for by this
16 subsection for deposit in the group insurance reserve fund for the ~~fiscal~~
17 ~~year ending June 30, 2001~~ *period commencing on July 1, 2001 [April 1,*
18 *2000] , and ending on December 31, 2001.*

19 Sec. 3. K.S.A. 2000 Supp. 74-4927 and 74-4927f are hereby
20 repealed.

21 Sec. 4. This act shall take effect and be in force from and after its
22 publication in the statute book.

23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43