

**SENATE BILL No. 381**

By Senator Buntin

1-28

10 AN ACT concerning retirement and pensions; relating to the Kansas  
11 public employees retirement system and systems thereunder; benefi-  
12 ciaries; amending K.S.A. 2003 Supp. 74-4902 and 74-4927 and re-  
13 pealing the existing sections.

14

15 *Be it enacted by the Legislature of the State of Kansas:*

16 Section 1. K.S.A. 2003 Supp. 74-4902 is hereby amended to read as  
17 follows: 74-4902. As used in articles 49 and 49a of chapter 74 and amend-  
18 ments thereto, unless otherwise provided or the context otherwise  
19 requires:

20 (1) "Accumulated contributions" means the sum of all contributions  
21 by a member to the system which are credited to the member's account,  
22 with interest allowed thereon;

23 (2) "acts" means the provisions of articles 49 and 49a of the Kansas  
24 Statutes Annotated and amendments thereto;

25 (3) "actuarial equivalent" means an annuity or benefit of equal value  
26 to the accumulated contributions, annuity or benefit, when computed  
27 upon the basis of the actuarial tables in use by the system. Whenever the  
28 amount of any benefit is to be determined on the basis of actuarial as-  
29 sumptions, the assumptions shall be specified in a way that precludes  
30 employer discretion;

31 (4) "actuarial tables" means the actuarial tables approved and in use  
32 by the board at any given time;

33 (5) "actuary" means the actuary or firm of actuaries employed or  
34 retained by the board at any given time;

35 (6) "agent" means the individual designated by each participating em-  
36 ployer through whom system transactions and communication are  
37 directed;

38 (7) "beneficiary" means, *subject to the provisions of K.S.A. 74-4927,*  
39 *and amendments thereto,* any natural person or persons or estate named  
40 by a member to receive any benefits as provided for by this act. Desig-  
41 nations of beneficiaries by a member who is a member of more than one  
42 retirement system made on or after July 1, 1987, shall be the basis of any  
43 benefits payable under all systems unless otherwise provided by law. Ex-

1 cept as otherwise provided by subsection (33) of this section, if there is  
2 no named beneficiary living at time of member's death, any benefits pro-  
3 vided for by this act shall be paid to: (A) The member's surviving spouse;  
4 (B) the member's dependent child or children; (C) the member's de-  
5 pendent parent or parents; (D) the member's nondependent child or  
6 children; (E) the member's nondependent parent or parents; (F) the es-  
7 tate of the deceased member; in the order of preference as specified in  
8 this subsection.

9 (8) "board of trustees," "board" or "trustees" means the managing  
10 body of the system which is known as the Kansas public employees re-  
11 tirement system board of trustees;

12 (9) "compensation" means, except as otherwise provided, all salary,  
13 wages and other remuneration payable to a member for personal services  
14 performed for a participating employer, including maintenance or any  
15 allowance in lieu thereof provided a member as part of compensation,  
16 but not including reimbursement for travel or moving expenses or on and  
17 after July 1, 1994, payment pursuant to an early retirement incentive  
18 program made prior to the retirement of the member. Beginning with  
19 the employer's fiscal year which begins in calendar year 1991 or for em-  
20 ployers other than the state of Kansas, beginning with the fiscal year  
21 which begins in calendar year 1992, when the compensation of a member  
22 who remains in substantially the same position during any two consecutive  
23 years of participating service used in calculating final average salary is  
24 increased by an amount which exceeds 15%, then the amount of such  
25 increase which exceeds 15% shall not be included in compensation, ex-  
26 cept that (A) any amount of compensation for accumulated sick leave or  
27 vacation or annual leave paid to the member, (B) any increase in com-  
28 pensation for any member due to a reclassification or reallocation of such  
29 member's position or a reassignment of such member's job classification  
30 to a higher range or level and (C) any increase in compensation as pro-  
31 vided in any contract entered into prior to January 1, 1991, and still in  
32 force on the effective date of this act, pursuant to an early retirement  
33 incentive program as provided in K.S.A. 72-5395 *et seq.* and amendments  
34 thereto, shall be included in the amount of compensation of such member  
35 used in determining such member's final average salary and shall not be  
36 subject to the 15% limitation provided in this subsection. Any contribu-  
37 tions by such member on the amount of such increase which exceeds  
38 15% which is not included in compensation shall be returned to the mem-  
39 ber. Unless otherwise provided by law, beginning with the employer's  
40 fiscal year coinciding with or following July 1, 1985, compensation shall  
41 include any amounts for tax sheltered annuities or deferred compensation  
42 plans. Beginning with the employer's fiscal year which begins in calendar  
43 year 1991, compensation shall include amounts under sections 403b, 457

1 and 125 of the federal internal revenue code of 1986 and, as the board  
2 deems appropriate, any other section of the federal internal revenue code  
3 of 1986 which defers or excludes amounts from inclusion in income. For  
4 purposes of applying limits under the federal internal revenue code “com-  
5 pensation” shall have the meaning as provided in K.S.A. 74-49,123 and  
6 amendments thereto;

7 (10) “credited service” means the sum of participating service and  
8 prior service and in no event shall credited service include any service  
9 which is credited under another retirement plan authorized under any  
10 law of this state;

11 (11) “dependent” means a parent or child of a member who is de-  
12 pendent upon the member for at least  $\frac{1}{2}$  of such parent or child’s support;

13 (12) “effective date” means the date upon which the system becomes  
14 effective by operation of law;

15 (13) “eligible employer” means the state of Kansas, and any county,  
16 city, township, special district or any instrumentality of any one or several  
17 of the aforementioned or any noncommercial public television or radio  
18 station located in this state which receives state funds allocated by the  
19 Kansas public broadcasting commission whose employees are covered by  
20 social security. If a class or several classes of employees of any above  
21 defined employer are not covered by social security, such employer shall  
22 be deemed an eligible employer only with respect to such class or those  
23 classes of employees who are covered by social security;

24 (14) “employee” means any appointed or elective officer or employee  
25 of a participating employer whose employment is not seasonal or tem-  
26 porary and whose employment requires at least 1,000 hours of work per  
27 year, and any such officer or employee who is concurrently employed  
28 performing similar or related tasks by two or more participating employ-  
29 ers, who each remit employer and employee contributions on behalf of  
30 such officer or employee to the system, and whose combined employment  
31 is not seasonal or temporary, and whose combined employment requires  
32 at least 1,000 hours of work per year, but not including: (A) Any employee  
33 who is a contributing member of the United States civil service retirement  
34 system; (B) any employee who is a contributing member of the federal  
35 employees retirement system; (C) any employee who is a leased employee  
36 as provided in section 414 of the federal internal revenue code of a par-  
37 ticipating employer; and (D) any employee or class of employees specifi-  
38 cally exempted by law. After June 30, 1975, no person who is otherwise  
39 eligible for membership in the Kansas public employees retirement sys-  
40 tem shall be barred from such membership by reason of coverage by,  
41 eligibility for or future eligibility for a retirement annuity under the pro-  
42 visions of K.S.A. 74-4925 and amendments thereto, except that no person  
43 shall receive service credit under the Kansas public employees retirement

1 system for any period of service for which benefits accrue or are granted  
2 under a retirement annuity plan under the provisions of K.S.A. 74-4925  
3 and amendments thereto. After June 30, 1982, no person who is otherwise  
4 eligible for membership in the Kansas public employees retirement sys-  
5 tem shall be barred from such membership by reason of coverage by,  
6 eligibility for or future eligibility for any benefit under another retirement  
7 plan authorized under any law of this state, except that no such person  
8 shall receive service credit under the Kansas public employees retirement  
9 system for any period of service for which any benefit accrues or is  
10 granted under any such retirement plan. Employee shall include persons  
11 who are in training at or employed by, or both, a sheltered workshop for  
12 the blind operated by the secretary of social and rehabilitation services.  
13 The entry date for such persons shall be the beginning of the first pay  
14 period of the fiscal year commencing in calendar year 1986. Such persons  
15 shall be granted prior service credit in accordance with K.S.A. 74-4913  
16 and amendments thereto. However, such persons classified as home in-  
17 dustry employees shall not be covered by the retirement system. Em-  
18 ployees shall include any member of a board of county commissioners of  
19 any county and any council member or commissioner of a city whose  
20 compensation is equal to or exceeds \$5,000 per year;

21 (15) “entry date” means the date as of which an eligible employer  
22 joins the system. The first entry date pursuant to this act is January 1,  
23 1962;

24 (16) “executive director” means the managing officer of the system  
25 employed by the board under this act;

26 (17) “final average salary” means in the case of a member who retires  
27 prior to January 1, 1977, and in the case of a member who retires after  
28 January 1, 1977, and who has less than five years of participating service  
29 after January 1, 1967, the average highest annual compensation paid to  
30 such member for any five years of the last 10 years of participating service  
31 immediately preceding retirement or termination of employment, or in  
32 the case of a member who retires on or after January 1, 1977, and who  
33 has five or more years of participating service after January 1, 1967, the  
34 average highest annual compensation paid to such member on or after  
35 January 1, 1967, for any five years of participating service preceding re-  
36 tirement or termination of employment, or, in any case, if participating  
37 service is less than five years, then the average annual compensation paid  
38 to the member during the full period of participating service, or, in any  
39 case, if the member has less than one calendar year of participating service  
40 such member’s final average salary shall be computed by multiplying such  
41 member’s highest monthly salary received in that year by 12; in the case  
42 of a member who became a member under subsection (3) of K.S.A. 74-  
43 4925 and amendments thereto, or who became a member with a partic-

1 ipating employer as defined in subsection (3) of K.S.A. 74-4931 and  
2 amendments thereto and who elects to have compensation paid in other  
3 than 12 equal installments, such compensation shall be annualized as if  
4 the member had elected to receive 12 equal installments for any such  
5 periods preceding retirement; in the case of a member who retires after  
6 July 1, 1987, the average highest annual compensation paid to such mem-  
7 ber for any four years of participating service preceding retirement or  
8 termination of employment; in the case of a member who retires on or  
9 after July 1, 1993, whose date of membership in the system is prior to  
10 July 1, 1993, and any member who is in such member's membership  
11 waiting period on July 1, 1993, and whose date of membership in the  
12 system is on or after July 1, 1993, the average highest annual compen-  
13 sation, as defined in subsection (9), paid to such member for any four  
14 years of participating service preceding retirement or termination of em-  
15 ployment or the average highest annual salary, as defined in subsection  
16 (34), paid to such member for any three years of participating service  
17 preceding retirement or termination of employment, whichever is  
18 greater; and in the case of a member who retires on or after July 1, 1993,  
19 and whose date of membership in the system is on or after July 1, 1993,  
20 the average highest annual salary, as defined in subsection (34), paid to  
21 such member for any three years of participating service preceding re-  
22 tirement or termination of employment. Final average salary shall not  
23 include any purchase of participating service credit by a member as pro-  
24 vided in subsection (2) of K.S.A. 74-4919h and amendments thereto  
25 which is completed within five years of retirement. For any application  
26 to purchase or repurchase service credit for a certain period of service as  
27 provided by law received by the system after May 17, 1994, for any mem-  
28 ber who will have contributions deducted from such member's compen-  
29 sation at a percentage rate equal to two or three times the employee's  
30 rate of contribution or will begin paying to the system a lump-sum amount  
31 for such member's purchase or repurchase and such deductions or lump-  
32 sum payment commences after the commencement of the first payroll  
33 period in the third quarter, "final average salary" shall not include any  
34 amount of compensation or salary which is based on such member's pur-  
35 chase or repurchase. Any application to purchase or repurchase multiple  
36 periods of service shall be treated as multiple applications. For purposes  
37 of this subsection, the date that such member is first hired as an employee  
38 for members who are employees of employers that elected to participate  
39 in the system on or after January 1, 1994, shall be the date that such  
40 employee's employer elected to participate in the system. In the case of  
41 any former member who was eligible for assistance pursuant to K.S.A.  
42 74-4925 and amendments thereto prior to July 1, 1998, for the purpose  
43 of calculating final average salary of such member, such member's final

1 average salary shall be based on such member's salary while a member  
2 of the system or while eligible for assistance pursuant to K.S.A. 74-4925  
3 and amendments thereto, whichever is greater;

4 (18) "fiscal year" means, for the Kansas public employees retirement  
5 system, the period commencing July 1 of any year and ending June 30 of  
6 the next;

7 (19) "Kansas public employees retirement fund" means the fund cre-  
8 ated by this act for payment of expenses and benefits under the system  
9 and referred to as the fund;

10 (20) "leave of absence" means a period of absence from employment  
11 without pay, authorized and approved by the employer, and which after  
12 the effective date does not exceed one year;

13 (21) "member" means an eligible employee who is in the system and  
14 is making the required employee contributions; any former employee who  
15 has made the required contributions to the system and has not received  
16 a refund if such member is within five years of termination of employment  
17 with a participating employer; or any former employee who has made the  
18 required contributions to the system, has not yet received a refund and  
19 has been granted a vested benefit;

20 (22) "military service" means service in the uniformed forces of the  
21 United States, for which retirement benefit credit must be given under  
22 the provisions of USERRA or service in the armed forces of the United  
23 States or in the commissioned corps of the United States public health  
24 service, which service is immediately preceded by a period of employ-  
25 ment as an employee or by the entering into of an employment contract  
26 with a participating employer and is followed by return to employment  
27 as an employee with the same or another participating employer within  
28 12 months immediately following discharge from such military service,  
29 except that if the board determines that such return within 12 months  
30 was made impossible by reason of a service-connected disability, the pe-  
31 riod within which the employee must return to employment with a par-  
32 ticipating employer shall be extended not more than two years from the  
33 date of discharge or separation from military service;

34 (23) "normal retirement date" means the date on or after which a  
35 member may retire with full retirement benefits pursuant to K.S.A. 74-  
36 4914 and amendments thereto;

37 (24) "participating employer" means an eligible employer who has  
38 agreed to make contributions to the system on behalf of its employees;

39 (25) "participating service" means the period of employment after  
40 the entry date for which credit is granted a member;

41 (26) "prior service" means the period of employment of a member  
42 prior to the entry date for which credit is granted a member under this  
43 act;

1 (27) “prior service annual salary” means the highest annual salary,  
2 not including any amounts received as payment for overtime or as re-  
3 imbursement for travel or moving expense, received for personal services  
4 by the member from the current employer in any one of the three cal-  
5 endar years immediately preceding January 1, 1962, or the entry date of  
6 the employer, whichever is later, except that if a member entered the  
7 employment of the state during the calendar year 1961, the prior service  
8 annual salary shall be computed by multiplying such member’s highest  
9 monthly salary received in that year by 12;

10 (28) “retirant” means a member who has retired under this system;

11 (29) “retirement benefit” means a monthly income or the actuarial  
12 equivalent thereof paid in such manner as specified by the member pur-  
13 suant to this act or as otherwise allowed to be paid at the discretion of  
14 the board, with benefits accruing from the first day of the month coin-  
15 ciding with or following retirement and ending on the last day of the  
16 month in which death occurs. Upon proper identification a surviving  
17 spouse may negotiate the warrant issued in the name of the retirant. If  
18 there is no surviving spouse, the last warrant shall be payable to the des-  
19 ignated beneficiary;

20 (30) “retirement system” or “system” means the Kansas public em-  
21 ployees retirement system as established by this act and as it may be  
22 amended;

23 (31) “social security” means the old age, survivors and disability in-  
24 surance section of the federal social security act;

25 (32) “total disability” means a physical or mental disability which pre-  
26 vents the member from engaging, for remuneration or profit, in any oc-  
27 cupation for which the member is reasonably suited by education, training  
28 or experience;

29 (33) “trust” means an express trust, created by a trust instrument,  
30 including a will, designated by a member to receive payment of the in-  
31 sured death benefit under K.S.A. 74-4927 and amendments thereto and  
32 payment of the member’s accumulated contributions under subsection  
33 (1) of K.S.A. 74-4916 and amendments thereto. A designation of a trust  
34 shall be filed with the board. If there is a designated trust at the time of  
35 the member’s death, the insured death benefit for the member under  
36 K.S.A. 74-4927 and amendments thereto and the member’s accumulated  
37 contributions under subsection (1) of K.S.A. 74-4916 and amendments  
38 thereto shall be paid to the trust in lieu of the member’s beneficiary. If  
39 no will is admitted to probate within six months after the death of the  
40 member or no trustee qualifies within such six months or if the designated  
41 trust fails, for any reason whatsoever, the insured death benefit under  
42 K.S.A. 74-4927 and amendments thereto and the member’s accumulated  
43 contributions under subsection (1) of K.S.A. 74-4916 and amendments

1 thereto shall be paid in accordance with the provisions of subsection (7)  
2 of this section as in other cases where there is no named beneficiary living  
3 at the time of the member's death and any payments so made shall be a  
4 full discharge and release to the system from any further claims;

5 (34) "salary" means all salary and wages payable to a member for  
6 personal services performed for a participating employer, including main-  
7 tenance or any allowance in lieu thereof provided a member as part of  
8 salary. Salary shall not include reimbursement for travel or moving ex-  
9 penses, payment for accumulated sick leave or vacation or annual leave,  
10 severance pay or any other payments to the member determined by the  
11 board to not be payments for personal services performed for a partici-  
12 pating employer constituting salary or on and after July 1, 1994, payment  
13 pursuant to an early retirement incentive program made prior to the  
14 retirement of the member. When the salary of a member who remains  
15 in substantially the same position during any two consecutive years of  
16 participating service used in calculating final average salary is increased  
17 by an amount which exceeds 15%, then the amount of such increase  
18 which exceeds 15% shall not be included in salary. Any contributions by  
19 such member on the amount of such increase which exceeds 15% which  
20 is not included in compensation shall be returned to the member. Unless  
21 otherwise provided by law, salary shall include any amounts for tax shel-  
22 tered annuities or deferred compensation plans. Salary shall include  
23 amounts under sections 403b, 457 and 125 of the federal internal revenue  
24 code of 1986 and, as the board deems appropriate, any other section of  
25 the federal internal revenue code of 1986 which defers or excludes  
26 amounts from inclusion in income. For purposes of applying limits under  
27 the federal internal revenue code "salary" shall have the meaning as pro-  
28 vided in K.S.A. 74-49,123 and amendments thereto. In any case, if par-  
29 ticipating service is less than three years, then the average annual salary  
30 paid to the member during the full period of participating service, or, in  
31 any case, if the member has less than one calendar year of participating  
32 service such member's final average salary shall be computed by multi-  
33 plying such member's highest monthly salary received in that year by 12;

34 (35) "federal internal revenue code" means the federal internal rev-  
35 enue code of 1954 or 1986, as in effect on July 1, 2002, and as applicable  
36 to a governmental plan; and

37 (36) "USERRA" means the federal uniformed services employment  
38 and reemployment rights act of 1994 as in effect on July 1, 1998.

39 Sec. 2. K.S.A. 2003 Supp. 74-4927 is hereby amended to read as  
40 follows: 74-4927. (1) The board may establish a plan of death and long-  
41 term disability benefits to be paid to the members of the retirement  
42 system as provided by this section. The long-term disability benefit shall  
43 not be payable until the member has been prevented from carrying out



1 each and every duty pertaining to the member's employment as a result  
2 of sickness or injury for a period of 180 days and the annual benefit shall  
3 not exceed an amount equal to 66 2/3% of the member's annual rate of  
4 compensation on the date such disability commenced and shall be payable  
5 in equal monthly installments. In the event that a member's compensation  
6 is not fixed at an annual rate but on an hourly, weekly, biweekly, monthly  
7 or any other basis than annual, the board shall prescribe by rule and  
8 regulation a formula for establishing a reasonable rate of annual compen-  
9 sation to be used in determining the amount of the death or long-term  
10 disability benefit for such member. Such plan shall provide that:

11 (A) For deaths occurring prior to January 1, 1987, the right to receive  
12 such death benefit shall cease upon the member's attainment of age 70  
13 or date of retirement whichever first occurs. The right to receive such  
14 long-term disability benefit shall cease (i) for a member who becomes  
15 eligible for such benefit before attaining age 60, upon the date that such  
16 member attains age 65 or the date of such member's retirement, which-  
17 ever first occurs, (ii) for a member who becomes eligible for such benefit  
18 at or after attaining age 60, the date that such member has received such  
19 benefit for a period of five years, upon the date that such member attains  
20 age 70, or upon the date of such member's retirement, whichever first  
21 occurs, (iii) for all disabilities incurred on or after January 1, 1987, for a  
22 member who becomes eligible for such benefit at or after attaining age  
23 70, the date that such member has received such benefit for a period of  
24 12 months or upon the date of such member's retirement, whichever first  
25 occurs, and (iv) for all disabilities incurred on or after January 1, 1987,  
26 for a member who becomes eligible for such benefit at or after attaining  
27 age 75, the date that such member has received such benefit for a period  
28 of six months or upon the date of such member's retirement, whichever  
29 first occurs.

30 (B) Long-term disability benefit payments shall be in lieu of any ac-  
31 cidental total disability benefit that a member may be eligible to receive  
32 under subsection (3) of K.S.A. 74-4916 and amendments thereto. The  
33 member must make an initial application for social security disability ben-  
34 efits and, if denied such benefits, the member must pursue and exhaust  
35 all administrative remedies of the social security administration which  
36 include, but are not limited to, reconsideration and hearings. Such plan  
37 may provide that any amount which a member receives as a social security  
38 benefit or a disability benefit or compensation from any source by reason  
39 of any employment including, but not limited to, workers compensation  
40 benefits may be deducted from the amount of long-term disability benefit  
41 payments under such plan. During the period in which such member is  
42 pursuing such administrative remedies prior to a final decision of the  
43 social security administration, social security disability benefits may be

1 estimated and may be deducted from the amount of long-term disability  
2 benefit payments under such plan. Such long-term disability payments  
3 shall accrue from the later of the 181st day of total disability or the first  
4 day upon which the member ceases to draw compensation from the em-  
5 ployer. If the social security benefit, workers compensation benefit, other  
6 income or wages or other disability benefit by reason of employment, or  
7 any part thereof, is paid in a lump-sum, the amount of the reduction shall  
8 be calculated on a monthly basis over the period of time for which the  
9 lump-sum is given. In no case shall a member who is entitled to receive  
10 long-term disability benefits receive less than \$50 per month. As used in  
11 this section, “workers compensation benefits” means the total award of  
12 disability benefit payments under the workers compensation act notwith-  
13 standing any payment of attorney fees from such benefits as provided in  
14 the workers compensation act.

15 (C) The plan may include other provisions relating to qualifications  
16 for benefits; schedules and graduation of benefits; limitations of eligibility  
17 for benefits by reason of termination of employment or membership;  
18 conversion privileges; limitations of eligibility for benefits by reason of  
19 leaves of absence, military service or other interruptions in service; lim-  
20 itations on the condition of long-term disability benefit payment by reason  
21 of improved health; requirements for medical examinations or reports; or  
22 any other reasonable provisions as established by rule and regulation of  
23 uniform application adopted by the board.

24 (D) On and after April 30, 1981, the board may provide under the  
25 plan for the continuation of long-term disability benefit payments to any  
26 former member who forfeits the entitlement to continued service credit  
27 under the retirement system or continued assistance in the purchase of  
28 retirement annuities under K.S.A. 74-4925 and amendments thereto and  
29 to continued long-term disability benefit payments and continued death  
30 benefit coverage, by reason of the member’s withdrawal of contributions  
31 from the retirement system or the repurchase of retirement annuities  
32 which were purchased with assistance received under K.S.A. 74-4925 and  
33 amendments thereto. Such long-term disability benefit payments may be  
34 continued until such individual dies, attains age 65 or is no longer disa-  
35 bled, whichever occurs first.

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

42 (2) (A) In the event that a member becomes eligible for a long-term  
43 disability benefit under the plan authorized by this section such member

1 shall be given participating service credit for the entire period of such  
2 disability. Such member's final average salary shall be computed in ac-  
3 cordance with subsection (17) of K.S.A. 74-4902 and amendments thereto  
4 except that the years of participating service used in such computation  
5 shall be the years of salaried participating service.

6 (B) In the event that a member eligible for a long-term disability  
7 benefit under the plan authorized by this section shall be disabled for a  
8 period of five years or more immediately preceding retirement, such  
9 member's final average salary shall be adjusted upon retirement by the  
10 actuarial salary assumption rates in existence during such period of dis-  
11 ability. Effective July 1, 1993, such member's final average salary shall be  
12 adjusted upon retirement by 5% for each year of disability after July 1,  
13 1993, but before July 1, 1998. Effective July 1, 1998, such member's final  
14 average salary shall be adjusted upon retirement by an amount equal to  
15 the lesser of: (i) The percentage increase in the consumer price index for  
16 all urban consumers as published by the bureau of labor statistics of the  
17 United States department of labor minus 1%; or (ii) four percent per  
18 annum, measured from the member's last day on the payroll to the month  
19 that is two months prior to the month of retirement, for each year of  
20 disability after July 1, 1998.

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

35 (3) (A) To carry out the legislative intent to provide, within the funds  
36 made available therefor, the broadest possible coverage for members who  
37 are in active employment or involuntarily absent from such active em-  
38 ployment, the plan of death and long-term disability benefits shall be  
39 subject to adjustment from time to time by the board within the limita-  
40 tions of this section. The plan may include terms and provisions which  
41 are consistent with the terms and provisions of group life and long-term  
42 disability policies usually issued to those employers who employ a large  
43 number of employees. The board shall have the authority to establish and

1 adjust from time to time the procedures for financing and administering  
2 the plan of death and long-term disability benefits authorized by this  
3 section. Either the insured death benefit or the insured disability benefit  
4 or both such benefits may be financed directly by the system or by one  
5 or more insurance companies authorized and licensed to transact group  
6 life and group accident and health insurance in this state.

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

15 (i) In the event the board purchases one or more policies of group  
16 insurance from such company or companies to provide either the insured  
17 death benefit or the long-term disability benefit or both such benefits,  
18 the board shall have the authority to subsequently cancel one or more of  
19 such policies and, notwithstanding any other provision of law, to release  
20 each company which issued any such canceled policy from any liability  
21 for future benefits under any such policy and to have the reserves estab-  
22 lished by such company under any such canceled policy returned to the  
23 system for deposit in the group insurance reserve of the fund.

24 (ii) In addition, the board shall have the authority to cancel any policy  
25 or policies of group life and long-term disability insurance in existence  
26 on the effective date of this act and, notwithstanding any other provision  
27 of law, to release each company which issued any such canceled policy  
28 from any liability for future benefits under any such policy and to have  
29 the reserves established by such company under any such canceled policy  
30 returned to the system for deposit in the group insurance reserve of the  
31 fund. Notwithstanding any other provision of law, no premium tax shall  
32 be due or payable by any such company or companies on any such policy  
33 or policies purchased by the board nor shall any brokerage fees or com-  
34 missions be paid thereon.

35 (4) (A) There is hereby created in the state treasury the group in-  
36 surance reserve fund. Investment income of the fund shall be added or  
37 credited to the fund as provided by law. The cost of the plan of death  
38 and long-term disability benefits shall be paid from the group insurance  
39 reserve fund, which shall be administered by the board. Except as oth-  
40 erwise provided by this subsection, each participating employer shall ap-  
41 propriate and pay to the system in such manner as the board shall pre-  
42 scribe in addition to the employee and employer retirement contributions  
43 an amount equal to .6% of the amount of compensation on which the

1 members' contributions to the Kansas public employees retirement sys-  
2 tem are based for deposit in the group insurance reserve fund. Notwith-  
3 standing the provisions of this subsection, no participating employer shall  
4 appropriate and pay to the system any amount provided for by this sub-  
5 section for deposit in the group insurance reserve fund for the period  
6 commencing on April 1, 2000, and ending on December 31, 2001, for  
7 the period commencing July 1, 2002, and ending December 31, 2002, or  
8 for the period commencing April 1, 2003, and ending on June 30, 2004.

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

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

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

22 (5) The death benefit provided under the plan of death and long-  
23 term disability benefits authorized by this section shall be known and  
24 referred to as insured death benefit. The long-term disability benefit pro-  
25 vided under the plan of death and long-term disability benefits authorized  
26 by this section shall be known and referred to as long-term disability  
27 benefit.

28 (6) The board is hereby authorized to establish an optional death  
29 benefit plan. Except as provided in subsection (7), such optional death  
30 benefit plan shall be made available to all employees who are covered or  
31 may hereafter become covered by the plan of death and long-term disa-  
32 bility benefits authorized by this section. The cost of the optional death  
33 benefit plan shall be paid by the applicant either by means of a system  
34 of payroll deductions or direct payment to the board. The board shall  
35 have the authority and discretion to establish such terms, conditions, spec-  
36 ifications and coverages as it may deem to be in the best interest of the  
37 state of Kansas and its employees which should include term death ben-  
38 efits for the person's period of active state employment regardless of age,  
39 but in no case, ~~on and after January 1, 1989,~~ shall the maximum allowable  
40 coverage be less than \$200,000. The cost of the optional death benefit  
41 plan shall not be established on such a basis as to unreasonably discrim-  
42 inate against any particular age group. The board shall have full admin-  
43 istrative responsibility, discretion and authority to establish and continue

1 such optional death benefit plan and the director of accounts and reports  
2 of the department of administration shall when requested by the board  
3 and from funds appropriated or available for such purpose establish a  
4 system to make periodic deductions from state payrolls to cover the cost  
5 of the optional death benefit plan coverage under the provisions of this  
6 subsection (6) and shall remit all deductions together with appropriate  
7 accounting reports to the system. There is hereby created in the state  
8 treasury the optional death benefit plan reserve fund. Investment income  
9 of the fund shall be added or credited to the fund as provided by law. All  
10 funds received by the board, whether in the form of direct payments,  
11 payroll deductions or otherwise, shall be accounted for separately from  
12 all other funds of the retirement system and shall be paid into the optional  
13 death benefit plan reserve fund, from which the board is authorized to  
14 make the appropriate payments and to pay the ongoing costs of admin-  
15 istration of such optional death benefit plan as may be incurred in carrying  
16 out the provisions of this subsection (6).

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

25 (8) *For purposes of the death benefit provided under the plan of death*  
26 *and long-term disability benefits authorized by this section and the op-*  
27 *tional death benefit plan authorized by subsection (6), **commencing on***  
28 ***the effective date of this act, in the case of medical or financial***  
29 ***hardship of the member as determined by the executive director, or***  
30 ***otherwise commencing January 1, 2005, the member may name a ben-***  
31 *eficiary or beneficiaries other than the beneficiary or beneficiaries named*  
32 *by the member to receive other benefits as provided by the provisions of*  
33 *K.S.A. 74-4901 et seq., and amendments thereto.*

34 Sec. 3. K.S.A. 2003 Supp. 74-4902 and 74-4927 are hereby repealed.

35 Sec. 4. This act shall take effect and be in force from and after its  
36 publication in the Kansas register.