

**HOUSE BILL No. 2404**

By Committee on Appropriations

2-18

1 AN ACT concerning the Kansas public employees retirement system;  
2 relating to death and long-term disability benefits; providing a  
3 moratorium on employer contributions to the group insurance reserve  
4 fund; amending K.S.A. 74-4927 and repealing the existing section.

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

7 Section 1. K.S.A. 74-4927 is hereby amended to read as follows: 74-  
8 4927. (1) The board may establish a plan of death and long-term disability  
9 benefits to be paid to the members of the retirement system as provided by  
10 this section. The long-term disability benefit shall be payable in  
11 accordance with the terms of such plan as established by the board, except  
12 that for any member who is disabled prior to the effective date of this act,  
13 the annual disability benefit amount shall be an amount equal to  $66\frac{2}{3}\%$  of  
14 the member's annual rate of compensation on the date such disability  
15 commenced. Such plan shall provide that:

16 (A) The right to receive such long-term disability benefit shall cease:  
17 (i) For a member who becomes eligible for such benefit before attaining  
18 age 60, upon the date that such member attains age 65 or the date of such  
19 member's retirement, whichever first occurs; and (ii) for a member who  
20 becomes eligible for such benefit at or after attaining age 60, the date that  
21 such member has received such benefit for a period of five years, or upon  
22 the date of such member's retirement, whichever first occurs.

23 (B) Long-term disability benefit payments shall be in lieu of any  
24 accidental total disability benefit that a member may be eligible to receive  
25 under K.S.A. 74-4916(3), and amendments thereto. The member must  
26 make an initial application for social security disability benefits and, if  
27 denied such benefits, the member must pursue and exhaust all  
28 administrative remedies of the social security administration which  
29 include, but are not limited to, reconsideration and hearings. Such plan  
30 may provide that any amount which a member receives as a social security  
31 benefit or a disability benefit or compensation from any source by reason  
32 of any employment including, but not limited to, workers compensation  
33 benefits may be deducted from the amount of long-term disability benefit  
34 payments under such plan. However, in no event shall the amount of long-  
35 term disability benefit payments under such plan be reduced by any  
36 amounts a member receives as a supplemental disability benefit or

1 compensation from any source by reason of the member's employment,  
2 provided such supplemental disability benefit or compensation is based  
3 solely upon the portion of the member's monthly compensation that  
4 exceeds the maximum monthly compensation taken into account under  
5 such plan. As used in this paragraph, "maximum monthly compensation"  
6 means the dollar amount that results from dividing the maximum monthly  
7 disability benefit payable under such plan by the percentage of  
8 compensation that is used to calculate disability benefit payments under  
9 such plan. During the period in which such member is pursuing such  
10 administrative remedies prior to a final decision of the social security  
11 administration, social security disability benefits may be estimated and  
12 may be deducted from the amount of long-term disability benefit payments  
13 under such plan. If the social security benefit, workers compensation  
14 benefit, other income or wages or other disability benefit by reason of  
15 employment other than a supplemental benefit based solely on  
16 compensation in excess of the maximum monthly compensation taken into  
17 account under such plan, or any part thereof, is paid in a lump-sum, the  
18 amount of the reduction shall be calculated on a monthly basis over the  
19 period of time for which the lump-sum is given. As used in this section,  
20 "workers compensation benefits" means the total award of disability  
21 benefit payments under the workers compensation act notwithstanding any  
22 payment of attorney fees from such benefits as provided in the workers  
23 compensation act.

24 (C) The plan may include other provisions relating to qualifications  
25 for benefits; schedules and graduation of benefits; limitations of eligibility  
26 for benefits by reason of termination of employment or membership;  
27 conversion privileges; limitations of eligibility for benefits by reason of  
28 leaves of absence, military service or other interruptions in service;  
29 limitations on the condition of long-term disability benefit payment by  
30 reason of improved health; requirements for medical examinations or  
31 reports; or any other reasonable provisions as established by rule and  
32 regulation of uniform application adopted by the board.

33 (D) Any visually impaired person who is in training at and employed  
34 by a sheltered workshop for the blind operated by the secretary for  
35 children and families and who would otherwise be eligible for the long-  
36 term disability benefit as described in this section shall not be eligible to  
37 receive such benefit due to visual impairment as such impairment shall be  
38 determined to be a preexisting condition.

39 (2) (A) In the event that a member becomes eligible for a long-term  
40 disability benefit under the plan authorized by this section such member  
41 shall be given participating service credit for the entire period of such  
42 disability. Such member's final average salary shall be computed in  
43 accordance with K.S.A. 74-4902(17), and amendments thereto, except that

1 the years of participating service used in such computation shall be the  
2 years of salaried participating service.

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

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

27 (3) (A) To carry out the legislative intent to provide, within the funds  
28 made available therefor, the broadest possible coverage for members who  
29 are in active employment or involuntarily absent from such active  
30 employment, the plan of death and long-term disability benefits shall be  
31 subject to adjustment from time to time by the board within the limitations  
32 of this section. The plan may include terms and provisions which are  
33 consistent with the terms and provisions of group life and long-term  
34 disability policies usually issued to those employers who employ a large  
35 number of employees. The board shall have the authority to establish and  
36 adjust from time to time the procedures for financing and administering  
37 the plan of death and long-term disability benefits authorized by this  
38 section. Either the insured death benefit or the insured disability benefit or  
39 both such benefits may be financed directly by the system or by one or  
40 more insurance companies authorized and licensed to transact group life  
41 and group accident and health insurance in this state.

42 (B) The board may contract with one or more insurance companies,  
43 which are authorized and licensed to transact group life and group accident

1 and health insurance in Kansas, to underwrite or to administer or to both  
2 underwrite and administer either the insured death benefit or the long-term  
3 disability benefit or both such benefits. Each such contract with an  
4 insurance company under this subsection shall be entered into on the basis  
5 of competitive bids solicited and administered by the board. Such  
6 competitive bids shall be based on specifications prepared by the board.

7 (i) In the event the board purchases one or more policies of group  
8 insurance from such company or companies to provide either the insured  
9 death benefit or the long-term disability benefit or both such benefits, the  
10 board shall have the authority to subsequently cancel one or more of such  
11 policies and, notwithstanding any other provision of law, to release each  
12 company which issued any such canceled policy from any liability for  
13 future benefits under any such policy and to have the reserves established  
14 by such company under any such canceled policy returned to the system  
15 for deposit in the group insurance reserve of the fund.

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

27 (4) (A) There is hereby created in the state treasury the group  
28 insurance reserve fund. Investment income of the fund shall be added or  
29 credited to the fund as provided by law. The cost of the plan of death and  
30 long-term disability benefits shall be paid from the group insurance  
31 reserve fund, which shall be administered by the board. Each participating  
32 employer shall appropriate and pay to the system in such manner as the  
33 board shall prescribe in addition to the employee and employer retirement  
34 contributions an amount equal to 1.0% of the amount of compensation on  
35 which the members' contributions to the Kansas public employees  
36 retirement system are based for deposit in the group insurance reserve  
37 fund. Notwithstanding the provisions of this subsection, no participating  
38 employer other than the state of Kansas shall appropriate and pay to the  
39 system any amount provided for by this subsection for deposit in the group  
40 insurance reserve fund for the period commencing on ~~April 1, 2016~~ *July 1,*  
41 *2021*, and ending on June 30, ~~2017~~ *2022*. Notwithstanding the provisions  
42 of this subsection, the state of Kansas shall not appropriate and pay to the  
43 system any amount provided for by this subsection for deposit in the group

1 insurance reserve fund for the period commencing on ~~March 25, 2016~~ *July*  
2 *I, 2020*, and ending on June 30, ~~2017~~ *2021*.

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

8 (C) The provisions of K.S.A. 74-4920(4), and amendments thereto,  
9 shall apply for the purpose of providing the funds to make the  
10 contributions to be deposited to the group insurance reserve fund.

11 (D) Any dividend or retrospective rate credit allowed by an insurance  
12 company or companies shall be credited to the group insurance reserve  
13 fund and the board may take such amounts into consideration in  
14 determining the amounts of the benefits under the plan authorized by this  
15 section.

16 (5) The death benefit provided under the plan of death and long-term  
17 disability benefits authorized by this section shall be known and referred to  
18 as insured death benefit. The long-term disability benefit provided under  
19 the plan of death and long-term disability benefits authorized by this  
20 section shall be known and referred to as long-term disability benefit.

21 (6) The board is hereby authorized to establish an optional death  
22 benefit plan for employees and spouses and dependents of employees.  
23 Except as provided in subsection (7), such optional death benefit plan shall  
24 be made available to all employees who are covered or may hereafter  
25 become covered by the plan of death and long-term disability benefits  
26 authorized by this section. The cost of the optional death benefit plan shall  
27 be paid by the applicant either by means of a system of payroll deductions  
28 or direct payment to the board. The board shall have the authority and  
29 discretion to establish such terms, conditions, specifications and coverages  
30 as it may deem to be in the best interest of the state of Kansas and its  
31 employees which should include term death benefits for the person's  
32 period of active state employment regardless of age, but in no case, shall  
33 the maximum allowable coverage be less than \$200,000. The cost of the  
34 optional death benefit plan shall not be established on such a basis as to  
35 unreasonably discriminate against any particular age group. The board  
36 shall have full administrative responsibility, discretion and authority to  
37 establish and continue such optional death benefit plan and the director of  
38 accounts and reports of the department of administration shall when  
39 requested by the board and from funds appropriated or available for such  
40 purpose establish a system to make periodic deductions from state payrolls  
41 to cover the cost of the optional death benefit plan coverage under the  
42 provisions of this subsection (6) and shall remit all deductions together  
43 with appropriate accounting reports to the system. There is hereby created

1 in the state treasury the optional death benefit plan reserve fund.  
2 Investment income of the fund shall be added or credited to the fund as  
3 provided by law. All funds received by the board, whether in the form of  
4 direct payments, payroll deductions or otherwise, shall be accounted for  
5 separately from all other funds of the retirement system and shall be paid  
6 into the optional death benefit plan reserve fund, from which the board is  
7 authorized to make the appropriate payments and to pay the ongoing costs  
8 of administration of such optional death benefit plan as may be incurred in  
9 carrying out the provisions of this subsection (6).

10 (7) Any employer other than the state of Kansas which is currently a  
11 participating employer of the Kansas public employees retirement system  
12 or is in the process of affiliating with the Kansas public employees  
13 retirement system may also elect to affiliate for the purposes of subsection  
14 (6). All such employers shall make application for affiliation with such  
15 system, to be effective on January 1 or July 1 next following application.

16 (8) For purposes of the death benefit provided under the plan of death  
17 and long-term disability benefits authorized by this section and the  
18 optional death benefit plan authorized by subsection (6), commencing on  
19 the effective date of this act, in the case of medical or financial hardship of  
20 the member as determined by the executive director, or otherwise  
21 commencing January 1, 2005, the member may name a beneficiary or  
22 beneficiaries other than the beneficiary or beneficiaries named by the  
23 member to receive other benefits as provided by the provisions of K.S.A.  
24 74-4901 et seq., and amendments thereto.

25 Sec. 2. K.S.A. 74-4927 is hereby repealed.

26 Sec. 3. This act shall take effect and be in force from and after its  
27 publication in the statute book.