

3
4 **HOUSE Substitute for SENATE BILL No. 52**

5
6 By Committee on Appropriations

7
8 4-25

9
10 AN ACT concerning compensation and benefits for certain state officers
11 and employees; relating to the Kansas public employees retirement
12 system and systems thereunder; employer contributions; amending
13 K.S.A. 75-3120l and K.S.A. 2000 Supp. 74-4927 and 74-4927f and re-
14 pealing the existing sections.

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

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

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

1 70, the date that such member has received such benefit for a period of
2 12 months or upon the date of such member's retirement, whichever first
3 occurs, and (iv) for all disabilities incurred on or after January 1, 1987,
4 for a member who becomes eligible for such benefit at or after attaining
5 age 75, the date that such member has received such benefit for a period
6 of six months or upon the date of such member's retirement, whichever
7 first occurs.

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

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

1 uniform application adopted by the board.

2 (D) On and after April 30, 1981, the board may provide under the
3 plan for the continuation of long-term disability benefit payments to any
4 former member who forfeits the entitlement to continued service credit
5 under the retirement system or continued assistance in the purchase of
6 retirement annuities under K.S.A. 74-4925 and amendments thereto and
7 to continued long-term disability benefit payments and continued death
8 benefit coverage, by reason of the member's withdrawal of contributions
9 from the retirement system or the repurchase of retirement annuities
10 which were purchased with assistance received under K.S.A. 74-4925 and
11 amendments thereto. Such long-term disability benefit payments may be
12 continued until such individual dies, attains age 65 or is no longer dis-
13 abled, whichever occurs first.

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

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

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

42 (C) In the event that a member eligible for a long-term disability
43 benefit under the plan authorized by this section shall be disabled for a

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

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

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

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

1 system for deposit in the group insurance reserve of the fund.

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

13 (4) (A) There is hereby created in the state treasury the group in-
14 surance reserve fund. Investment income of the fund shall be added or
15 credited to the fund as provided by law. The cost of the plan of death
16 and long-term disability benefits shall be paid from the group insurance
17 reserve fund, which shall be administered by the board. Except as oth-
18 erwise provided by this subsection, each participating employer shall ap-
19 propriate and pay to the system in such manner as the board shall pre-
20 scribe in addition to the employee and employer retirement contributions
21 an amount equal to .6% of the amount of compensation on which the
22 members' contributions to the Kansas public employees retirement sys-
23 tem are based for deposit in the group insurance reserve fund. Notwith-
24 standing the provisions of this subsection, no participating employer shall
25 appropriate and pay to the system any amount provided for by this sub-
26 section for deposit in the group insurance reserve fund for the period
27 commencing on April 1, 2000, and ending on ~~June 30, 2001~~ *December*
28 *31, 2001*.

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

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

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

42 (5) The death benefit provided under the plan of death and long-
43 term disability benefits authorized by this section shall be known and

1 referred to as insured death benefit. The long-term disability benefit pro-
2 vided under the plan of death and long-term disability benefits authorized
3 by this section shall be known and referred to as long-term disability
4 benefit.

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

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

1 ified under this subsection until after July 1, 1988.

2 Sec. 2. K.S.A. 2000 Supp. 74-4927f is hereby amended to read as
3 follows: 74-4927f. (a) For the purposes of providing the “insured death
4 benefit” as prescribed in K.S.A. 74-4927 and amendments thereto, to all
5 persons who are members of the retirement system for judges, the term
6 “member” as used in K.S.A. 74-4927 and amendments thereto, and as
7 used in this section shall include members of the retirement system for
8 judges.

9 (b) Except as otherwise provided by this subsection, the employer of
10 any member who is a member of the retirement system for judges shall
11 pay to the Kansas public employees retirement system in such manner as
12 the board of trustees shall prescribe, an amount equal to .4% of the
13 amount of compensation on which the member’s contributions to the
14 retirement system for judges are based for deposit in the group insurance
15 reserve of the Kansas public employees retirement fund, in lieu of the
16 amount required to be paid under subsection (4) of K.S.A. 74-4927 and
17 amendments thereto. Notwithstanding the provisions of this subsection,
18 no employer shall pay to the system any amount provided for by this
19 subsection for deposit in the group insurance reserve fund for the ~~fiscal~~
20 ~~year ending June 30, 2001~~ *period commencing on ~~July 1, 2001~~ [April 1,*
21 **2001], and ending on December 31, 2001.**

22 Sec. 3. K.S.A. 75-3120l is hereby amended to read as follows: 75-
23 3120l.(a) Whenever the rates of compensation of the pay plan for persons
24 in the classified service under the Kansas civil service act are increased
25 for payroll periods chargeable to fiscal years commencing after June 30,
26 1993, the annual salary of the chief justice of the supreme court, each
27 other justice of the supreme court, the chief judge of the court of appeals,
28 each other judge of the court of appeals, each district judge and each
29 district magistrate judge shall be increased by an amount, ~~adjusted to the~~
30 ~~nearest dollar~~, computed by multiplying the average of the percentage
31 increases in all monthly steps of such pay plan by the annual salary of the
32 justice or judge which is being received as provided by law and which is
33 in effect prior to the effective date of such increase in the rates of com-
34 pensation of the pay plan for persons in the classified service under the
35 Kansas civil service act, *except that, for payroll periods chargeable to the*
36 *fiscal year ending June 30, 2002, (1) the rates of compensation for payroll*
37 *periods commencing on or after June 10, 2001, and ending prior to De-*
38 *cember 9, 2001, shall not be increased pursuant to this subsection by more*
39 *than 1%, and (2) the rates of compensation for payroll periods commenc-*
40 *ing on or after December 9, 2001, and which are chargeable to fiscal year*
41 *2002, shall not be increased pursuant to this subsection by more than 1%,*
42 *in addition to any other increase for fiscal year 2002 pursuant to this*
43 *subsection.*

1 (b) If increases in the monthly rates of compensation from step move-
2 ments of the pay plan for persons in the classified service under the
3 Kansas civil service act are authorized for the fiscal year ending June 30,
4 1995, or any fiscal year thereafter, the annual salary of the chief justice
5 of the supreme court, each other justice of the supreme court, the chief
6 judge of the court of appeals, each other judge of the court of appeals,
7 each district judge and each district magistrate judge shall be increased
8 by an amount, ~~adjusted to the nearest dollar~~, computed by multiplying
9 the average percentage increase in the monthly rate of compensation
10 from step movements on the pay plan for persons in the classified service
11 under the Kansas civil service act determined under subsection (c) by the
12 annual salary of the justice or judge which is being received as provided
13 by law and which is in effect prior to the effective date of such increase.
14 The increase in the annual salary of each justice or judge pursuant to this
15 subsection shall take effect on the first day of the first payroll period which
16 is chargeable to the fiscal year in which such step movements on the pay
17 plan are authorized to take effect.

18 (c) For purposes of subsection (b), the average percentage increase
19 in the monthly rate of compensation from step movements on the pay
20 plan for persons in the classified service under the Kansas civil service
21 act shall be equal to the percentage certified by the secretary of admin-
22 istration which equals the estimated average of the percentage increases
23 in all monthly rates of compensation from step movements on the pay
24 plan for persons in the classified service under the Kansas civil service
25 act which are authorized to take effect during the fiscal year in which
26 such step movements on the pay plan are authorized to take effect.

27 (d) If the increase under subsection (a) takes effect on the first day
28 of the first payroll period of the fiscal year, the percentage rate increases
29 determined under subsections (a) and (b) shall be added together and
30 such aggregate percentage increase of compensation under this section
31 shall be used to increase the rate of compensation of each justice or judge
32 instead of applying the increases under subsections (a) and (b) separately.

33 Sec. 4. K.S.A. 75-3120l and K.S.A. 2000 Supp. 74-4927 and 74-4927f
34 are hereby repealed.

35 Sec. 5. This act shall take effect and be in force from and after its
36 publication in the Kansas register.

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