

**SENATE BILL No. 658**

By Committee on Ways and Means

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AN ACT concerning retirement and pensions; relating to the Kansas public employees retirement system and systems thereunder; death and disability benefits; employer contributions; amending K.S.A. 2001 Supp. 74-4927 and 74-4927f and repealing the existing sections.

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

Section 1. K.S.A. 2001 Supp. 74-4927 is hereby amended to read as follows: 74-4927. (1) The board may establish a plan of death and long-term disability benefits to be paid to the members of the retirement system as provided by this section. The long-term disability benefit shall not be payable until the member has been prevented from carrying out each and every duty pertaining to the member's employment as a result of sickness or injury for a period of 180 days and the annual benefit shall not exceed an amount equal to 66 $\frac{2}{3}$ % of the member's annual rate of compensation on the date such disability commenced and shall be payable in equal monthly installments. In the event that a member's compensation is not fixed at an annual rate but on an hourly, weekly, biweekly, monthly or any other basis than annual, the board shall prescribe by rule and regulation a formula for establishing a reasonable rate of annual compensation to be used in determining the amount of the death or long-term disability benefit for such member. Such plan shall provide that:

(A) For deaths occurring prior to January 1, 1987, the right to receive such death benefit shall cease upon the member's attainment of age 70 or date of retirement whichever first occurs. The right to receive such long-term disability benefit shall cease (i) for a member who becomes eligible for such benefit before attaining age 60, upon the date that such member attains age 65 or the date of such member's retirement, whichever first occurs, (ii) for a member who becomes eligible for such benefit at or after attaining age 60, the date that such member has received such benefit for a period of five years, upon the date that such member attains age 70, or upon the date of such member's retirement, whichever first occurs, (iii) for all disabilities incurred on or after January 1, 1987, for a member who becomes eligible for such benefit at or after attaining age 70, the date that such member has received such benefit for a period of 12 months or upon the date of such member's retirement, whichever first

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

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

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

43 (D) On and after April 30, 1981, the board may provide under the

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

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

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

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

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

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

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

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

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

43 (ii) In addition, the board shall have the authority to cancel any policy

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

11 (4) (A) There is hereby created in the state treasury the group in-  
12 surance reserve fund. Investment income of the fund shall be added or  
13 credited to the fund as provided by law. The cost of the plan of death  
14 and long-term disability benefits shall be paid from the group insurance  
15 reserve fund, which shall be administered by the board. Except as oth-  
16 erwise provided by this subsection, each participating employer shall ap-  
17 propriate and pay to the system in such manner as the board shall pre-  
18 scribe in addition to the employee and employer retirement contributions  
19 an amount equal to .6% of the amount of compensation on which the  
20 members' contributions to the Kansas public employees retirement sys-  
21 tem are based for deposit in the group insurance reserve fund. Notwith-  
22 standing the provisions of this subsection, no participating employer shall  
23 appropriate and pay to the system any amount provided for by this sub-  
24 section for deposit in the group insurance reserve fund for the period  
25 commencing on April 1, 2000, and ending on December 31, 2001, *or for*  
26 *the period commencing July 1, 2002, and ending December 31, 2002.*

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

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

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

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

1 by this section shall be known and referred to as long-term disability  
2 benefit.

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

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

43 Sec. 2. K.S.A. 2001 Supp. 74-4927f is hereby amended to read as

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

7 (b) Except as otherwise provided by this subsection, the employer of  
8 any member who is a member of the retirement system for judges shall  
9 pay to the Kansas public employees retirement system in such manner as  
10 the board of trustees shall prescribe, an amount equal to .4% of the  
11 amount of compensation on which the member’s contributions to the  
12 retirement system for judges are based for deposit in the group insurance  
13 reserve of the Kansas public employees retirement fund, in lieu of the  
14 amount required to be paid under subsection (4) of K.S.A. 74-4927 and  
15 amendments thereto. Notwithstanding the provisions of this subsection,  
16 no employer shall pay to the system any amount provided for by this  
17 subsection for deposit in the group insurance reserve fund for the period  
18 commencing on April 1, 2000, and ending on December 31, 2001, *or for*  
19 *the period commencing July 1, 2002, and ending on December 31, 2002.*

20 Sec. 3. K.S.A. 2001 Supp. 74-4927 and 74-4927f are hereby  
21 repealed.

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

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