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6 **SENATE BILL No. 47**

7  
8 By Committee on Ways and Means

9  
10 1-22

11  
12 AN ACT concerning retirement and pensions; relating to the Kansas  
13 public employees retirement system and systems thereunder; death  
14 and disability benefits; amending K.S.A. 74-4927 and 74-4927f and  
15 repealing the existing sections.

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

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

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

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

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

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

1 any other reasonable provisions as established by rule and regulation of  
2 uniform application adopted by the board.

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

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

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

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

43 (C) In the event that a member eligible for a long-term disability

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

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

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

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

1 lished by such company under any such canceled policy returned to the  
2 system for deposit in the group insurance reserve of the fund.

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

14 (4) (A) There is hereby created in the state treasury the group in-  
15 surance reserve fund. Investment income of the fund shall be added or  
16 credited to the fund as provided by law. The cost of the plan of death  
17 and long-term disability benefits shall be paid from the group insurance  
18 reserve fund, which shall be administered by the board. Except as oth-  
19 erwise provided by this subsection, each participating employer shall ap-  
20 propriate and pay to the system in such manner as the board shall pre-  
21 scribe in addition to the employee and employer retirement contributions  
22 an amount equal to .6% of the amount of compensation on which the  
23 members' contributions to the Kansas public employees retirement sys-  
24 tem are based for deposit in the group insurance reserve fund. Notwith-  
25 standing the provisions of this subsection, no participating employer shall  
26 appropriate and pay to the system any amount provided for by this sub-  
27 section for deposit in the group insurance reserve fund for the period  
28 commencing on April 1, 2000, and ending on December 31, 2001, ~~or~~ for  
29 the period commencing July 1, 2002, and ending December 31, 2002, *or*  
30 *for the period commencing April 1, 2003, and ending on June 30, 2003*  
31 **[2004]**.

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

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

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

1 section.

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

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

40 (7) Any employer other than the state of Kansas which is currently a  
41 participating employer of the Kansas public employees retirement system  
42 or is in the process of affiliating with the Kansas public employees retire-  
43 ment system may also elect to affiliate for the purposes of subsection (6).

1 All such employers shall make application for affiliation with such system,  
2 to be effective on January 1 next following application. Such optional  
3 death benefit plan shall not be available for employees of employers spec-  
4 ified under this subsection until after July 1, 1988.

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

11 (b) Except as otherwise provided by this subsection, the employer of  
12 any member who is a member of the retirement system for judges shall  
13 pay to the Kansas public employees retirement system in such manner as  
14 the board of trustees shall prescribe, an amount equal to .4% of the  
15 amount of compensation on which the member’s contributions to the  
16 retirement system for judges are based for deposit in the group insurance  
17 reserve of the Kansas public employees retirement fund, in lieu of the  
18 amount required to be paid under subsection (4) of K.S.A. 74-4927 and  
19 amendments thereto. Notwithstanding the provisions of this subsection,  
20 no employer shall pay to the system any amount provided for by this  
21 subsection for deposit in the group insurance reserve fund for the period  
22 commencing on April 1, 2000, and ending on December 31, 2001, ~~or~~ for  
23 the period commencing July 1, 2002, and ending on December 31, 2002,  
24 *or for the period commencing on April 1, 2003, and ending on June 30,*  
25 ~~2003~~ **[2004]**.

26 Sec. 3. K.S.A. 74-4927 and 74-4927f are hereby repealed.

27 Sec. 4. This act shall take effect and be in force from and after its  
28 publication in the ~~statute book~~ **Kansas register**.

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