

MEMORANDUM

To: Joint Committee on Pensions, Investments, and Benefits

From: Alan D. Conroy, Executive Director

Date: October 29, 2018

Subject: KP&F Retirement Cap; KP&F Disability

KP&F Benefit Cap

KP&F has had a cap on benefits since the creation of the plan by the 1965 Legislature. The initial cap on benefits was 66%, which at the time was equal to 33 years of service. The cap and benefit multiplier have changed over the years and are summarized in the following table:

Year	Benefit Cap (% of final average salary)	Multiplier	Years of service to reach benefit cap
1965	66%	2.0%	33
1979	70%	2.0%	35
1993	80%	2.5%	32
2013	90%	2.5%	36

The most recent change to the benefit cap was passed by the 2013 Legislature. The 2013 legislation (2013 HB 2352) also increase employee contributions to fund the actuarial cost of increasing the benefits cap. The employee contribution increase from 7% for the first 32 years of service and 2% thereafter to 7.15% for all years of service.

The Judges Retirement System also has a maximum benefit cap, which is currently 70% of final average salary (20 years of service). KPERS members do not have a maximum cap on benefits. However, due to the lower multiplier in the KPERS plan design, KPERS members rarely reach 70% of final average salary or higher.

It is not uncommon for public pension plans to have a maximum benefit cap, particularly for public safety plans, which tend to have higher multipliers. Benefit caps are part of the plan design and ultimately a policy decision for the Legislature.

In the latest actuarial valuation (12/31/2017) there were 14 KP&F members with at least 35 years of service that could be affected. A cost estimate of this change was provided last legislative session for SB 242. At the time, the change was estimated to increase the employer contribution rate by 0.6%, or about \$300,000, spread across all KP&F employers.

KP&F Disability Definition

KP&F disability is defined as an inability for the member to perform the duties of the position of a police officer or firefighter. Existing statutory language includes cancer as service-connected disability if the cancer that caused the death or disability is a type of cancer that “may, in general, result from exposure to heat, radiation, or a known carcinogen.”

Adding Hepatitis C to the definition of disability would simply specify that Hepatitis C is considered service-connected for KP&F members if the Hepatitis C is contracted due to work related circumstances.

KPERS reviewed claims decisions over 2015, 2016 and 2017. During that period of time there were 69 total KP&F claims. 64 claims were approved, 2 members returned to work, and 3 members did not complete the disability application process.

None of the 69 claims included contraction of Hepatitis C as the cause of disability.

The administration of the proposed change would have minimal impact on KPERS. Document would have to be updated to reflect the new definition, but no major changes to KPERS information technology systems or staff would be required.

In a review of other state definition of disability, KPERS found that term “blood-borne illnesses” was used instead of specifically Hepatitis C. Blood-borne illnesses would include all strains of Hepatitis as well as HIV and other illnesses.

I would be pleased to respond to any questions the Joint Committee may have.

KP&F Disability Claim Decisions

Calendar Years 2015-2017

Unaudited

