HOUSE BILL No. 2228

By Committee on Appropriations

AN ACT concerning the Kansas public employees retirement system; relating to death and long-term disability benefits; employer payments to group insurance reserve fund; amending K.S.A. 2012 Supp. 74-4927 and repealing the existing section.

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

Section 1. K.S.A. 2012 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 be payable in accordance with the terms of such plan as established by the board, except that for any member who is disabled prior to the effective date of this act, the annual disability benefit amount shall be an amount equal to $66 2/3% of the member's annual rate of compensation on the date such disability commenced. 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, and (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, or upon the date of such member's retirement, whichever first occurs.

(B) Long-term disability benefit payments shall be in lieu of any accidental total disability benefit that a member may be eligible to receive under subsection (3) of K.S.A. 74-4916, and amendments thereto. The member must make an initial application for social security disability benefits and, if denied such benefits, the member must pursue and exhaust all administrative remedies of the social security administration which include, but are not limited to, reconsideration and hearings. Such plan may provide that any amount which a member receives as a social security benefit or a disability benefit or compensation from any source by reason of any employment including, but not limited to, workers compensation benefits may be deducted from the amount of long-term disability benefit.
payments under such plan. However, in no event shall the amount of long-
term disability benefit payments under such plan be reduced by any
amounts a member receives as a supplemental disability benefit or
compensation from any source by reason of the member's employment,
provided such supplemental disability benefit or compensation is based
solely upon the portion of the member's monthly compensation that
exceeds the maximum monthly compensation taken into account under
such plan. As used in this paragraph, "maximum monthly compensation"
means the dollar amount that results from dividing the maximum monthly
disability benefit payable under such plan by the percentage of
compensation that is used to calculate disability benefit payments under
such plan. During the period in which such member is pursuing such
administrative remedies prior to a final decision of the social security
administration, social security disability benefits may be estimated and
may be deducted from the amount of long-term disability benefit payments
under such plan. If the social security benefit, workers compensation
benefit, other income or wages or other disability benefit by reason of
employment other than a supplemental benefit based solely on
compensation in excess of the maximum monthly compensation taken into
account under such plan, or any part thereof, is paid in a lump-sum, the
amount of the reduction shall be calculated on a monthly basis over the
period of time for which the lump-sum is given. As used in this section,
"workers compensation benefits" means the total award of disability
benefit payments under the workers compensation act notwithstanding any
payment of attorney fees from such benefits as provided in the workers
compensation act.

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

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

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

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

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

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

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

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

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

(4) (A) There is hereby created in the state treasury the group insurance reserve fund. Investment income of the fund shall be added or credited to the fund as provided by law. The cost of the plan of death and long-term disability benefits shall be paid from the group insurance reserve fund, which shall be administered by the board. Except as otherwise provided by this subsection, For the period commencing July 1, 2005 2013, and ending June 30, 2006 2015, each participating employer shall appropriate and pay to the system in such manner as the board shall prescribe in addition to the employee and employer retirement
contributions an amount equal to .85% of the amount of compensation on which the members' contributions to the Kansas public employees retirement system are based for deposit in the group insurance reserve fund. For the period commencing July 1, 2006, and all periods thereafter, each participating employer shall appropriate and pay to the system in such manner as the board shall prescribe in addition to the employee and employer retirement contributions an amount equal to 1.0% of the amount of compensation on which the members' contributions to the Kansas public employees retirement system are based for deposit in the group insurance reserve fund.

Notwithstanding the provisions of this subsection, no participating employer shall appropriate and pay to the system any amount provided for by this subsection for deposit in the group insurance reserve fund for the period commencing on April 1, 2012, and ending on June 30, 2012.

Notwithstanding the provisions of this subsection, no participating employer shall appropriate and pay to the system any amount provided for by this subsection for deposit in the group insurance reserve fund for the period commencing on April 1, 2013, and ending on June 30, 2013.

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

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

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

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

(6) The board is hereby authorized to establish an optional death benefit plan for employees and spouses and dependents of employees. Except as provided in subsection (7), such optional death benefit plan shall be made available to all employees who are covered or may hereafter become covered by the plan of death and long-term disability benefits authorized by this section. The cost of the optional death benefit plan shall
be paid by the applicant either by means of a system of payroll deductions
or direct payment to the board. The board shall have the authority and
discretion to establish such terms, conditions, specifications and coverages
as it may deem to be in the best interest of the state of Kansas and its
employees which should include term death benefits for the person's
period of active state employment regardless of age, but in no case, shall
the maximum allowable coverage be less than $200,000. The cost of the
optional death benefit plan shall not be established on such a basis as to
unreasonably discriminate against any particular age group. The board
shall have full administrative responsibility, discretion and authority to
establish and continue such optional death benefit plan and the director of
accounts and reports of the department of administration shall when
requested by the board and from funds appropriated or available for such
purpose establish a system to make periodic deductions from state payrolls
to cover the cost of the optional death benefit plan coverage under the
provisions of this subsection (6) and shall remit all deductions together
with appropriate accounting reports to the system. There is hereby created
in the state treasury the optional death benefit plan reserve fund.
Investment income of the fund shall be added or credited to the fund as
provided by law. All funds received by the board, whether in the form of
direct payments, payroll deductions or otherwise, shall be accounted for
separately from all other funds of the retirement system and shall be paid
into the optional death benefit plan reserve fund, from which the board is
authorized to make the appropriate payments and to pay the ongoing costs
of administration of such optional death benefit plan as may be incurred in
carrying out the provisions of this subsection (6).

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

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

Sec. 2. K.S.A. 2012 Supp. 74-4927 is hereby repealed.

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