

## MEMORANDUM

To: House Financial Institutions and Pensions

From: Alan D. Conroy, Executive Director

Date: February 10, 2020

Subject: House Bill 2452

During the hearing on House Bill 2452, the Committee requested additional information on the rates of disability for KP&F members and on how benefit payments are made in the absence of a surviving spouse.

### **Disability Rates**

KPERS' consulting actuary develops assumptions for rates of disability for all systems within KPERS. These assumptions are based on the historical experience of the System and reflect that public safety positions are inherently more dangerous than most public employee positions. The actuarial assumptions are age based, but in general KP&F members are assumed to be 1.5 to 3 times more likely to become disabled.

Each year the actuary includes a summary of the changes in membership. During 2018 (the most recent valuation available) there were 20 new disability designations in KP&F. Compared to the 7,481 active members this is an overall disability rate in CY 2018 of 0.27%.

For KPERS State/School, KPERS Local and Judges, there were 130 new disability designations during 2018 and 144,206 active members for a disability rate of 0.09%. Comparing the CY 2018 disability rates, KP&F experienced a disability rate 3 times higher than the other retirement plans combined.

### **Who Receives Benefit Payments**

Under HB 2452, when a disabled KP&F Tier II member dies due to a service-connected cause, the surviving spouse receives the higher of:

- A lifetime benefit equal to 50% of the member's final average salary plus 10% for each dependent child up to a 75% maximum; or
- If there are no dependent children, the member's retirement benefit if the member had been eligible to retire.

If there is no surviving spouse, any dependent children evenly split the spousal benefit and receive 10% per child in addition to the spousal benefit up to a maximum of 75% of final average salary. The payments will continue until the dependent children reach age



18 (or 23 if a full-time student). All benefits payable to minor children must be paid to a legally appointed conservator.

As an example, if a disabled KP&F Tier II member dies from a service-connected cause and has two dependent children but no spouse the dependent children will receive a benefit equal to 70% of the member's final average salary (50% spousal benefit plus 10% per child). The children will continue receiving that benefit until they reach age 18 (or age 23 if a full-time student). When one of the children reaches the end of the benefit period, the remaining dependent children would continue to receive 60% of the member's final average salary (50% spouse benefit plus 10% for one remaining dependent child) until they reach the age threshold.

If there is no surviving spouse or dependent children, the member's beneficiary receives a one-time lump sum payment of 100% of the member's current annual salary, less any refundable contributions and interest.

I hope this information is responsive to the Committee's requests. I would be pleased to answer any additional questions the Committee has.