

## **KCPERS Policy**

### **Policy #001 – Workers’ Compensation Offset**

**Adopted: December 12, 1983**

**Amended: August 16, 1991; October 11, 2000**

Whereas the Missouri Revised Statutes sections 86.460 and 287.100 provide that retirement system benefits paid by the Police Retirement System of Kansas City and the Civilian Employees’ Retirement System of the Police Department of Kansas City (herein after collectively called “Retirement System”) shall be reduced by amounts payable by the City of Kansas City to a member of the Retirement System or his dependents or surviving spouse pursuant to Workers’ Compensation laws because of disability or death, the Board of Trustees adopts the following policy to provide for such offsets of retirement system benefits in the situations addressed herein. For all purposes of this policy, the term “Member’s Percentage” shall refer in general to that percentage of any benefits under the Retirement System which are deemed to have been provided by the relevant member’s own contributions, and shall be the fraction of which the numerator is the percentage of compensation contributed by a working member to the Retirement System during the pay period immediately preceding such member’s death or disability and the denominator is the sum of the percentages of a member’s compensation contributed by a working member and the City to the Retirement System during such pay period.

1. Death Benefits Payable Under Sections 86.447 and 86.453 or 86.690 when Workers Compensation Payments are made on a periodic basis. When an accident or occupational disease causes the death of a retirement system member such that Workers Compensation benefits are paid to the dependents or surviving spouse of that member on a periodic basis, and such payments made under the Workers’ Compensation statute, excluding payments for medical treatment, shall be deducted from any benefits payable under section 86.447 and 86.453 or 86.690. The funeral benefit payable under section 86.447 shall be offset by any funeral benefit provided by Workers’ Compensation. Each monthly payment by the retirement system shall be reduced by the amount, converted to a monthly equivalent, paid to the beneficiaries, dependents, or surviving spouse under Workers’ Compensation; each benefit payable under sections 86.447 and 86.453 to a beneficiary receiving Workers’ Compensation benefits except the funeral benefit shall bear a proportionate share of the Workers’ Compensation offset. Notwithstanding the foregoing, the appropriate beneficiary under sections 86.447 and 86.453 or 86.690 shall receive at least an amount equal to the benefit payable under sections 86.447 and 86.453 or 86.690 times the Member’s Percentage. No retroactive adjustments shall be made because of any overpayment or underpayment of retirement system benefits in the past; however, future payments shall be adjusted to conform to this paragraph, whether the member’s death occurred before or after the adoption of this policy.

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2. Death Benefits Payable under 86.447 and 86.453 or 86.690 when Workers' Compensation Payments are made in a lump sum settlement. When an accident or occupational disease causes the death of a retirement system member such that Workers Compensation benefits are paid to the dependents or surviving spouse of that member in a lump sum settlement payment, any such payments made under the Workers' Compensation statute, excluding payments for medical treatment, shall be deducted from any benefits payable under section 86.447 and 86.453 or 86.690. The amount of the monthly deduction from the retirement system benefit paid to a beneficiary receiving Workers' Compensation benefits shall be the monthly amount necessary to amortize as an annuity due the total amount of the lump sum settlement paid to that beneficiary over the expected payout period for the respective benefits and beneficiaries as provided by actuarial tables or by the actuary employed by the retirement system with the same interest rate and mortality assumptions as those used by the actuary employed by the retirement system for the retirement system at the time of such death. For purposes of the foregoing computations, it shall be assumed that a surviving spouse will not remarry. Notwithstanding the foregoing, the appropriate beneficiary under sections 86.447 and 86.453 or 86.690 shall receive at least an amount equal to the benefit payable under sections 86.447 and 86.453 or 86.690 times the Member's Percentage. No retroactive adjustments shall be made because of any overpayment or underpayment of retirement system benefits in the past; however, future payments shall be adjusted to conform to this paragraph, whether the member's death occurred before or after the adoption of this policy.
3. Retirement of a member for a service connected disability under 86.450 or 86.670 when Workers' Compensation benefits for permanent total disability are made on a periodic basis. When an accident or occupational disease causes the retirement of a retirement system member such that Workers Compensation benefits for a permanent total disability, as defined in 287.200 are paid to a member on a periodic basis, any such payments made under Workers' Compensation statutes, excluding payments for medical treatment, shall be deducted from any benefits payable under 86.450 or 86.670 for the same accident or illness. The monthly payments by the retirement system shall be reduced by the amount, converted to a monthly equivalent, paid to the retired member under Workers' Compensation. Notwithstanding the foregoing, the retired member shall receive at least an amount equal to the benefit payable under sections 86.447 and 86.453 or 86.690 times the Member's Percentage. No retroactive adjustments shall be made because of any overpayment or underpayment of retirement system benefits in the past; however, future payments shall be adjusted to conform to this paragraph, whether the member's injury or retirement occurred before or after the adoption of this policy.
4. Retirement of a member for a service connected disability under 86.450 or 86.670 when workers compensation benefits for permanent total disability are made in a lump sum settlement. When an accident or occupational disease causes the retirement of a retirement system member such that Workers Compensation

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benefits for a permanent total disability, as defined in 287.200 are paid to that retired member in a lump sum settlement, any such payments made under Workers' Compensation statutes, excluding payments for medical treatment, shall be deducted from any benefits payable under 86.450 or 86.670 for the same accident or illness. The amount of monthly deductions from retirement system benefits shall be the monthly amount necessary to amortize as an annuity due the total amount of the lump sum settlement over the remaining life expectancy of the retired member. The retirement system will consult its actuary or use actuarial tables to determine the retired member's life expectancy if none is given in the Workers' Compensation settlement agreement or other documents relative to the agreement; the discount rate and mortality assumptions used in the computations shall be those used by the retirement system at the time of the member's retirement. Such reduction shall be made for the life of the retired member. Notwithstanding the foregoing, the retired member shall receive at least a monthly amount equal to the benefit payable under sections 86.447 and 86.453 or 86.690 times the Member's Percentage. This paragraph shall apply to all retirement system members receiving any retirement system benefits from the date this policy is adopted, whether the injury and Workers' Compensation lump sum settlement occurred before or after this policy is adopted. The amount of monthly reduction shall be computed as if this policy were in effect on the date of the member's retirement. No retroactive adjustments shall be made because of any overpayment or underpayment of retirement system benefits in the past.

5. Retirement of a member for a service connected disability under 86.450 or 86.670 when workers' compensation benefits for permanent partial disability are made on a periodic basis. When an accident or occupational disease causes the retirement of a retirement system member such that Workers Compensation benefits for a permanent partial disability, as defined in 287.190 are paid to a member on a periodic basis, any such payments made under Workers' Compensation statutes, excluding payments for medical treatment, shall be deducted from any benefits payable under 86.450 or 86.670 for the same accident or illness. The monthly payments by the retirement system shall be reduced by the amount, converted to a monthly equivalent, paid to the retired member under Workers' Compensation. Notwithstanding the foregoing, the retired member shall receive at least an amount equal to the benefit payable under sections 86.447 and 86.453 or 86.690 times the Member's Percentage. Such reduced retirement system benefits shall be made until the retired member no longer receives Workers' Compensation payments for permanent partial disability; at that time the retired member's retirement system payment shall be the amount computed under section 86.450 or 86.670 with no offset. No retroactive adjustments shall be made because of any overpayment or underpayment of retirement system benefits in the past; however, future payments shall be adjusted to conform to this paragraph, whether the member's injury or retirement occurred before or after the adoption of this policy.
6. Retirement of a member for a service connected disability under 86.450 or 86.670 when workers' compensation benefits for permanent partial disability are made in

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a lump sum settlement. When an accident or occupational disease causes the retirement of a retirement system member such that Workers Compensation benefits for a permanent partial disability, as defined in 287.190 are paid to that retired member in a lump sum settlement, any such payments made under Workers' Compensation statute, excluding payments for medical treatment, shall be deducted from any benefits payable under 86.450 or 86.670 for the same accident or illness. The amount of monthly deductions from retirement system benefits shall be the amount shown in the settlement agreement or other documents relative to the agreement as the agreed rate of weekly compensation, adjusted to an equivalent monthly amount. If an agreed rate of compensation cannot be determined from such agreement or other relevant documents, the amount of the deduction shall be the weekly compensation as defined in 287.190.5 RSMo. 1978, or such comparable section in effect at the time of determination, adjusted to an equivalent monthly amount. The monthly retirement system payment to the retired member shall be reduced for the number of months necessary to amortize as an annuity due the lump sum settlement with payments equal to the monthly reduction as computed above; the discount rate used in the computations shall be the interest rate used by the retirement system actuary as the interest earnings assumption at the time of the member's retirement. After the retirement system benefits have been reduced for the required number of months, the retired member's retirement system payment shall be the amount computed under 86.450 or 86.670 with no offset. Notwithstanding the foregoing, the retired member shall receive at least a monthly amount equal to the benefit payable under sections 86.447 and 86.453 or 86.690 times the Member's Percentage. This paragraph shall apply to all retirement system members receiving any retirement system benefits from the date this policy is adopted, whether the injury and Workers' Compensation lump sum settlement occurred before or after this policy is adopted. The amount of monthly reduction shall be computed as if this policy were in effect on the date of the member's retirement. No retroactive adjustments shall be made because of any overpayment or underpayment of retirement system benefits in the past.

7. Cost of Living Adjustments. Whenever the Trustees shall increase or decrease the retirement system benefits of retired members or their dependents and beneficiaries with a cost of living adjustment, the adjustment to the retirement system benefits of a member or his dependents or beneficiaries whose benefits are reduced because of Worker's Compensation payments shall be applied to the Retirement System payments due before any reduction is made for Worker's Compensation payments. The new monthly amount paid shall be the adjusted retirement system benefit less the monthly payment attributed to Workers' Compensation payments as originally computed under sections 1 through 6. In any event, however, a member, his dependent, or beneficiary, shall receive at least an amount equal to the benefit payable by the retirement system before any offset or reduction times the member's percentage.

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The trustees of the Police Retirement System of Kansas City hereby clarify and amend the policy of said system with respect to offsets to disability pension benefits in the amount of workers' compensation awards, as required by statute. The amount of offset required shall be determined to accomplish the recovery to the system, insofar as otherwise permissible under the statute, of all amounts paid as workers' compensation award for the injury for which a disability pension is being paid, but only such amounts as are paid solely because of the workers' compensation claim. Such recovery shall not include amounts which the recipient would have received even in the absence of a workers' compensation claim, such as sick pay or other wage continuation plan under Department policy, whether or not such amounts may be nominally included in the gross award under workers' compensation for purpose of allowing credit therefore (except to such extent as such inclusion in such gross award shall operate to increase the net amount received by the recipient and his attorney, if any, because of the workers' compensation claim.)

In calculating offsets to benefits under the Police and Civilian Retirement Systems because of receiving relevant workers' compensation benefits, each month's benefits and offsets shall be calculated without regard to the amounts of offsets in prior months.

Thus wherein a given month the amount offset from a beneficiary's entitlement under the retirement systems is less than the workers' compensation benefit received by that beneficiary for that month (because of the beneficiary's right to receive at least the "member's percentage" of the beneficiary's entitlement under the retirement system), there shall be no "carry over" of the amount by which the total workers' compensation benefit for that month exceeds the actual offset. Offsets in subsequent months shall be calculated without regard to the results of any prior month.