

SESSION OF 2008

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2673

As Amended by House Committee of the Whole

Brief*

HB 2673, as amended, would modify various statutes pertaining to the Kansas Public Employees Retirement System (KPERs) and the Kansas Expanded Lottery Act in the following manner:

- Authorize a 3.0 percent permanent cost-of-living adjustment (COLA) for retirees and beneficiaries;
- Modify the purposes for which money in the Expanded Lottery Act Revenues Fund may be used to include payment for KPERs benefits;
- Increase the working after retirement salary cap to \$25,000;
- Exempt retired nurses who return to work from the \$25,000 salary cap if they are employed from a KPERs participating employer; and
- Authorize service credit purchases for apprenticeship experience.

The bill would grant a postretirement benefit adjustment for KPERs retirees and beneficiaries who retired on or before July 1, 2007, that would be equal to 3.0 percent of their retirement benefit. The benefit increase would take effect on July 1, 2008. In order to finance the actuarial cost of the

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

enhancement, the bill would authorize monthly transfers, beginning on or before August 15, 2009, of 30.0 percent of money credited in the prior month to the Expanded Lottery Act Revenues Fund. Money transferred to the KPERS Fund could be used only for postretirement benefit payments.

HB 2673, as amended, would increase from \$20,000 to \$25,000 the amount of salary that retired KPERS members may earn in a calendar year after retiring from a KPERS participating employer and returning to work for the same participating KPERS employer.

The bill also would remove a June 30, 2008, sunset date and would make permanent an exemption in the Kansas Public Employees Retirement System (KPERS) working after retirement law. The exemption would apply to nurses at certain state institutions who would be exempt from the statutory \$20,000 salary cap on retirees who return to work for the same KPERS participating employer from whom they retired. The state institutions that currently are participating employers and would continue to be included are Osawatomie State Hospital, Larned State Hospital, Parsons State Hospital, Rainbow Mental Health Facility, Kansas Neurological Institute, the Kansas Soldiers Home, and the Kansas Veterans Home. The bill also would add other participating state institutions, including juvenile correctional facilities at Atchison, Beloit, Larned, and Topeka.

Finally, HB 2673, as amended, would allow KPERS members to purchase at actuarial cost up to two years of participating service credit for journeyman experience obtained on or after January 1, 1962, that was necessary to obtain technical or vocational teacher certification.

Background

The 2005 Legislature approved a four-year exemption to the earnings limitation for certain KPERS members who retired and returned to work for the same participating employer from

whom they retired. At that time, the limit on earnings after retirement was \$15,000. The 2006 Legislature raised the cap to \$20,000 which is the current KPERS limit on working after retirement.

Representatives of the Department of Social and Rehabilitation Services, Owawatomie State Hospital, and the Juvenile Justice Authority appeared in support of the bill.

The fiscal note indicates that participating employers who rehire KPERS retirees will continue to be required to pay an actuarial amount to KPERS in order to reduce the impact on the financing of the retirement plan. The actuarial rate that will be paid in FY 2008 is 6.99 percent, compared with the statutory contribution rate of 6.37 percent for participating employers such as state institutions pay for regular state employees who have not retired. The retired KPERS members will make no employee contributions to KPERS after retirement, nor do they gain additional retirement benefits or years of service credit.

The House Committee of the Whole added three amendments: the COLA and Expanded Lottery Act Revenues Fund financing; the salary cap increase to \$25,000; and the purchase of participating service credit for journeyman experience. The only fiscal note available from KPERS concerning a 3.0 percent COLA was based on December 31, 2006 data. No estimates are available at this time regarding the amount of monthly transfers that might be made from the Expanded Lottery Act Revenues Fund based on the 30.0 percent rate.

KPERS estimates for a 3.0 percent COLA would project an actuarial cost of \$222.2 million. The estimate includes the state and school group with an actuarial liability of \$170.6 million and the local group with an actuarial liability of \$51.6 million. Based on a 15-year amortization of the actuarial cost, transfers totaling \$19.8 million each fiscal year would need to be made to fully fund the COLA. If a 10-year or five-year amortization were made possible by money accruing to the Expanded Lottery Act

Revenues Fund, then annual payments of \$27.4 million (10-year) or \$49.8 million (five-year) would need to be made.