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Adam C. Proffitt, Director

Laura Kelly, Governor

February 15, 2024

The Honorable Nick Hoheisel, Chairperson
House Committee on Financial Institutions and Pensions
300 SW 10th Avenue, Room 582-N
Topeka, Kansas 66612

Dear Representative Hoheisel:

SUBJECT: Fiscal Note for HB 2711 by House Committee on Financial Institutions and Pensions

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2711 is respectfully submitted to your committee.

HB 2711 would change the working after retirement law for KPERS retirees. When a member retires from KPERS, there are statutes governing the return to work for a KPERS employer. The law requires having: (1) a 180-day waiting period before being rehired by a KPERS employer, or a 60-day waiting period for members who retire at age 62 or later; (2) no prearrangements about returning to work; and (3) a special KPERS employer contribution for the employee for certain employee compensation.

For the special employer contribution, the employer makes contributions at the statutory rate (12.57 percent in FY 2024), up to $25,000 in earnings. Any employee earnings above $25,000 are subject to a 30.0 percent employer contribution rate. HB 2711 would increase the threshold for the 30.0 percent employer contribution to $50,000.

KPERS indicates that the provisions from the enactment of HB 2711 could be implemented within its existing staffing levels and any costs would be negligible.

For the actuarial cost and based upon data provided during calendar year 2022, there were approximately 4,400 KPERS retirees working whose employer were subject to the special employer contribution rate. Based upon this data, the total employer contributions for these KPERS retirees were $13.1 million, including $6.3 million for compensation up to $25,000 and $6.9 million for compensation above $25,000. If the provisions of the bill would have been implemented, the employer contributions would have been reduced to $10.4 million, including

$8.4 million for compensation up to $50,000 and $2.0 million for compensation above $50,000. This would result in a net reduction of revenue of approximately $2.7 million for the KPERS system. KPERS reports that the employer contribution loss of $2.7 million would be considered negligible to the long-term funding of the KPERS system and would not affect overall employer contribution rates, other than for the proposed threshold change.

KPERS notes that if retirement behavior would change and members would retire earlier than without HB 2711, the policy could cause an increase to the unfunded actuarial liability of the retirement system, as the system would be paying more benefits than is currently estimated by the actuary. However, this cost cannot be estimated. Any fiscal effect associated with HB 2711 is not reflected in *The FY 2025 Governor's Budget Report*.

Sincerely,

Adam C. Proffitt
Director of the Budget

cc: Jarod Waltner, KPERS