

SESSION OF 2015

**CONFERENCE COMMITTEE REPORT BRIEF
SENATE SUBSTITUTE FOR HOUSE BILL NO. 2095**

As Agreed to May 13, 2015

Brief*

Senate Sub. for HB 2095 would make revisions to the state's retirement system, pertaining to working-after-retirement provisions, and it would authorize the creation of a deferred retirement pilot program for the Kansas Highway Patrol (KHP).

Working After Retirement

The bill would extend the current working-after-retirement provisions of the Kansas Public Employees Retirement System (KPERs) for one year, from June 30, 2015, to June 30, 2016. Starting on July 1, 2016, and ending on July 1, 2021, a retiree would be allowed to receive up to \$25,000 in compensation annually from a contributing KPERs employer, regardless of whether the retiree is returning to work for the same or a different employer, before the retiree would be required either to terminate employment or forgo monthly KPERs benefits until the end of the calendar year. Under current law, most retirees who return to work for the same participating employer may receive up to \$20,000 in compensation before either terminating employment or forgoing monthly KPERs benefits until the end of the calendar year. The Joint Committee on Pensions, Investments and Benefits (Joint Committee) would be

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required periodically to study the compensation limit, taking into account the effect of inflation and retirement data.

The compensation limit would not apply to the following retirees:

- Professional or practical licensed nurses who are employed at a state institution, including the Kansas Soldiers' Home or the Kansas Veterans' Home;
- Certain licensed school district employees (described in more detail below);
- Certified law enforcement officers who are employed by the Law Enforcement Training Center;
- Members of the Kansas Police and Firemen's Retirement System or the Retirement System for Judges;
- Substitute teachers or legislative officers, employees, or appointees;
- Elected city or county officers; and
- Individuals who are employed or have accepted employment by a participating employer prior to May 1, 2015.

A participating employer that hires a retiree would be required to pay to the Retirement System the employer contribution rate. However, employers of licensed nurses or certified law enforcement officers, as described above, also would be required to pay the statutorily prescribed employee contribution rate, which is based on the retiree's compensation during the period of employment. Retirees would not receive additional credit for service while employed under the provisions of the bill. For retirees who are employed prior to May 1, 2015, any break in continuous

employment or a move to a different position during the period July 1, 2016, to July 1, 2021, would be deemed new employment and would subject the retiree to the provisions of the bill.

A participating employer would be permitted to appeal to the Joint Committee for a one-year hardship exemption for an unexpected vacant position with no active KPERS member to fill the vacancy. The bill would authorize the Joint Committee to grant extensions. The Joint Committee also would be granted the authority to examine an employer's recruitment documentation.

Certain Licensed School District Employees Also Exempt

A school district would be permitted to hire a retiree to fill a special teacher position or any of the top five hard-to-fill positions, which the State Board of Education would determine annually. Re-employed retirees would continue to receive full retirement benefits for up to three school years or 36 months, whichever would be less. During this period the school district would pay to KPERS the actuarially determined employer contribution plus 8 percent. School districts would be required to maintain documentation describing recruiting efforts to employ non-retirees in hard-to-fill positions.

A school district would be permitted to appeal to the Joint Committee for a one-year extension of the exemption. The bill would authorize the Joint Committee to grant extensions. The Joint Committee also would be granted the authority to examine a school district's recruitment documentation. If a school district was found to have made insufficient efforts to hire non-retirees or if evidence was found of pre-arrangement between the school district and the retiree, the Joint Committee could revoke the exemption.

Pilot DROP Plan for Kansas Highway Patrol

The bill would enact the Kansas Deferred Retirement Option Program (DROP) within the Kansas Police and Firemen's (KP&F) Retirement System for members of the KHP. Upon attaining normal retirement age, troopers, examiners, or officers of the KHP would have the option of participating in the DROP plan for a minimum of three years and no more than five years. This would be a one-time, irrevocable election. Participation in the DROP plan would not guarantee continued employment.

After electing to participate, a member's monthly retirement benefit, as determined by existing law, would be deposited into the member's DROP account for the duration of the DROP period. The DROP account would accrue interest on an annual basis in the range of 0 percent to 3 percent, subject to certain investment rate of return requirements. During the member's DROP period, the member would remain in active service. Employer and employee contributions would continue to be made to KP&F, but the member would not earn any additional service credit after the effective date of the DROP election. If a member were to fail to participate in the DROP plan for a minimum of three years, all of the member's interest credits would be forfeited. However, a disabled member would not forfeit interest earned. At the end of the DROP period, a member would be entitled to a distribution from the DROP account, which either could be rolled over into an eligible retirement plan or taken out as a lump-sum distribution.

The DROP Plan would take effect on January 1, 2016, and sunset on January 1, 2020.

Conference Committee Action

The Conference Committee agreed to:

- Make technical amendments to the language contained in Senate Sub. for HB 2095, as amended by the Senate Committee of the Whole, clarifying the existing intent of the bill; and
- Authorize a DROP plan for certain KHP personnel for four years.

Background

Senate Sub. for HB 2095

The Senate Select Committee on KPERS deleted the language of HB 2095, which pertained to the authorization of \$1.5 billion of bonds for KPERS, and inserted a substitute bill relating to working after retirement provisions. Previously, the Select Committee heard testimony on SB 299, which would extend the working-after-retirement sunset provision pertaining to licensed school personnel for one year, until June 30, 2016.

SB 299 was introduced by the Select Committee and heard initially on March 31, 2015. Language for a substitute bill was proposed to the Select Committee on April 29, 2015. There were no proponents or opponents to the substitute bill. Representatives of KPERS, the Kansas National Education Association, the Kansas Association of School Boards, the Elk Valley School District (USD 283), the Wichita Public Schools, the League of Kansas Municipalities, the Kansas Associations of Chiefs of Police, Sheriffs, and Peace Officers, along with individual teachers and school administrators, provided neutral testimony. Neutral education conferees stated any changes to the current working-after-retirement

provisions should not diminish a school district's ability to fill positions with qualified individuals.

The Senate Committee of the Whole amended the bill to clarify the revised working-after-retirement provisions would take effect in 2016, rather than in 2017.

A revised fiscal note was not available when the Select Committee recommended a substitute bill.

Senate Sub. for HB 2101

The Senate Select Committee on KPERS deleted the contents of HB 2101, which would have added a provision to the Uniform Trust Code, and inserted the amended contents of SB 284 and recommended a substitute bill be passed. The following provides the background of SB 284.

The bill was introduced at the request of the Kansas Highway Patrol (KHP). The Interim Superintendent of the KHP spoke in favor of the bill, stating it would be a means to lower the retirement rate. In 2006, KHP had 501 troopers; currently there are 408 troopers. Representatives of the Kansas State Troopers Association, the Kansas State Council of Fire Fighters, and the Kansas Associations of Chiefs of Police, Sheriffs, and Peace Officers spoke in support of the bill as well.

There was no opponent testimony.

A representative of KPERS provided neutral testimony, explaining it is difficult to determine the number of participants that would be in a DROP plan. Members would have to decide whether it would be advantageous to receive a higher benefit for a shorter period of time compared to a lower benefit for a longer period of time.

The Senate Select Committee on KPERS amended the bill to increase the eligibility to all KP&F members and to

reduce the maximum amount of interest a DROP account could earn, from 7 percent to 3 percent.

Representatives of KPERS estimate the DROP portion of the bill would increase participating KP&F employer contribution rates by 0.04 percent, from 20.42 percent to 20.46 percent. Starting midway through FY 2016, participating employer contributions to KP&F would increase by \$195,957; in FY 2017, participating employer contributions would increase by \$203,796. Administrative costs associated with the DROP plan would be negligible and could be funded from within existing resources.

KPERS; working after retirement; Kansas Highway Patrol

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