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Adam Proffitt, Director

Laura Kelly, Governor

February 11, 2022

The Honorable Steven Johnson, Chairperson
House Committee on Insurance and Pensions
Statehouse, Room 218-N
Topeka, Kansas 66612

Dear Representative Johnson:

SUBJECT: Fiscal Note for HB 2593 by House Committee on Insurance and Pensions

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2593 is respectfully submitted to your committee.

Under current law, when a KPERS member retires, the following rules are in place regarding when a retiree can return to work for a KPERS employer:

1. Members who retire before the age of 62 have a 180-day waiting period before being rehired by a KPERS employer, while members who retire at the age of 62 or later have a 60-day waiting period;
2. Before retirement and during the waiting period, retirees and employers cannot communicate in any way about returning to work; and
3. If a retiree would return to work in a KPERS-covered position, the employer is required to make contributions to KPERS at the statutory employer contribution rate (currently 13.11 percent for KPERS State and School employers) up to the first $25,000 of employee earnings in a calendar year, and then a 30.0 percent employer contribution rate for employee earnings over $25,000.

HB 2593 would establish a 60-day waiting period for all retirees hired by a school district, ending on June 30, 2024. For these employees, the employer contribution rate would be at the statutory rate for all compensation. The existing rules would remain the same for all non-School KPERS employers.

KPERS indicates that HB 2593 would require administrative work to implement, including updating print materials and minor changes to the KPERS database. However, the fiscal effect of these requirements would be negligible.

In addition, the KPERS actuary indicates that the bill would permit members who retire under age 62 to return to work sooner than under current law and would reduce the employer contribution rate if the retiree is earning more than $25,000. Changing the working after retirement rules for KPERS School employers has the potential to affect member behavior and could increase retirement system costs. For example, if a member can retire and begin receiving benefits and then return to work in the same job, it could create an incentive for members to retire at a younger age, which would increase actuarial costs. However, the KPERS actuary states that it cannot reliably calculate a cost for this change in behavior because it is dependent on individual retirement decisions.

The actuarial cost concerns are at least partially mitigated by the fact that the change in HB 2593 is limited to KPERS School employers and the provisions would end at the end of FY 2024. The changes to the current working after retirement rules proposed by HB 2593 are not without funding risk; however, guardrails are included to reduce the risk of significant ongoing increased actuarial funding costs. Any fiscal effect associated with HB 2593 is not reflected in *The FY 2023 Governor's Budget Report*.

Sincerely,

Adam Proffitt
Director of the Budget

cc: Jarod Waltner, KPERS
Craig Neuenswander, Education