

MEMORANDUM

To: Senate Select Committee on KPERS

From: Alan D. Conroy, Executive Director

Date: March 31, 2015

Subject: Outline of SB 299

We have prepared the following outline of SB 299, which would implement a new plan design for retirees who want to return to work for a KPERS affiliated employer.

As we understand the working after retirement proposal in SB 299, the plan to put pension benefits into an account during re-employment would apply to members who have already had a bona fide retirement (under IRS rules, pre-arranged return to work is prohibited in a bona fide retirement), and it would begin at any point they are employed in a covered position.

Summary of SB 299

- Employers
 - The provisions would apply to all KPERS affiliated employers (State, School, and Local). It would not apply to KP&F or Judges.
 - There would be no difference for returning to a same employer or different employer or for a licensed position or unlicensed position.
- Waiting period
 - Maintain the current 60-day waiting period before returning to work for any KPERS employer.
- Pre-arranged return to work
 - Pre-arrangement would continue to be prohibited for any retiree.

- Benefits while reemployed
 - The retirement benefit for any retiree returning to work in a covered position would be diverted into a notional account while the retiree is reemployed.
 - No earnings limitation while reemployed.
 - Benefit accumulates in notional account during reemployment period.
 - Interest is credited to the account based on a formula: 50% of the System's return of 8% or above, but not to exceed 3%.
 - Member receives a lump sum payment of the accumulated balance of notional account upon leaving reemployment.
 - A retiree returning to work for any KPERS employer in a non-covered position and earning less than \$20,000 in a calendar year would not be affected and would receive full KPERS benefits and salary up to the earnings limitation.
 - Continue the current requirement that, upon reaching the \$20,000 cap, the retiree must cease reemployment for the rest of the calendar year, or the pension benefit is suspended until the beginning of the next calendar year.
 - Daily call substitutes and legislative staff would be subject to the criteria above.
- Contributions for retirees employed in covered positions
 - Employer pays a contribution rate equal to the actuarial required rate, plus the employee contribution rate, plus 2%.
- Death and disability coverage
 - Retirees returning to work would not be covered by the death and disability program.
- 3rd party contractors
 - Apply all working after retirement provisions outlined above to retirees who are hired by a third-party contractor and, under that third-party contract, work for an affiliated employer.
- No grandfathering
 - Retirees who have previously returned to work are subject to the new working provisions
- Death during reemployment
 - Retirants designate the beneficiary(ies) specifically for the notional account balance
- Effective date
 - Effective date of new working after retirement provisions until July 1, 2016. Current rules remain in effect until that date.

I hope this information is helpful to the Committee. I would be happy to respond further to any questions the Committee may have.

