SESSION OF 2006

CONFERENCE COMMITTEE REPORT BRIEF
HOUSE SUBSTITUTE FOR SENATE BILL NO. 270

As Agreed to March 28, 2006

Brief*

House Sub. for SB 270 – the KPERS Omnibus Bill -- includes items related to retirement benefits and contributions of the Kansas Public Employees Retirement System (KPERS), working after retirement, early retirement plans, and technical changes in several retirement plans, including KPERS, the Kansas Police and Firemen's Retirement System and the Kansas Retirement System for Judges. Included in the bill are the following items:

- **Kansas School Retirement System Retirees**. One provision in the bill would increase the minimum retirement benefit from $500 to $625 beginning July 1, 2006, and to $750 beginning July 1, 2007, for retired members of the Kansas School Retirement System with at least 20 years of service credit. The fiscal note for this benefit enhancement is $300,000 for the actuarial cost of the program administered by KPERS.

- **Working After Retirement – KPERS Cap**. Another provision in the bill would raise the working after retirement salary limitation from $15,000 to $20,000 for retired KPERS members who return to work after retirement for the same participating employer from which they retired. There is no salary limitation if a retiree returns to work for a different KPERS participating employer. For local elected officials and legislators who retire from a KPERS participating employer while serving in elected office and participating in KPERS as an elected official with a different participating employer, the bill would raise the salary limitation from $15,000 to $20,000 per year while serving in public office and drawing a KPERS retirement benefit. The fiscal note indicates that the actuarial impact on KPERS will likely result in some additional unfunded actuarial liability, but that the added cost is not expected to be significant.

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*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

- **Additional KPERS Contributions**. The bill would require any KPERS participating employer who hires a KPERS retired member to pay the KPERS actuarially-determined employer and employee contributions on behalf of the retired member. There would be no payment required if a KPERS retiree returns to work for the same KPERS participating employer that employed the individual before retirement. The fiscal note indicates that this provision would increase contributions to KPERS, with the following FY 2007 (CY 2007 for the local group) rates attributed the members of the three principal KPERS groups of participating employers: Participating employers from all groups would pay the statutory employee rate of 4.0 percent. For FY 2007, those employers in the state group would pay an additional employer rate of 5.84 percent, the school group 9.75 percent, and the local group 7.69 percent.

- **Working After Retirement – School Teachers**. A provision in the bill would change the statutory definition of a professional employee to exclude, beginning in the 2006-2007 school year, any person who retires from school employment as a KPERS member, regardless of whether an agreement on terms and conditions of professional service between a board of education and an exclusive representative of professional employees provides to the contrary. Another provision in the bill would change the statutory definition of teacher to exclude, beginning in the 2006-2007 school year, any person who retires from school employment as a KPERS member. No fiscal note was available for this provision.

- **School District Early Retirement Incentive Plans**. The bill would replace a statutory reference to the normal retirement age of 65 with a reference to the federal Social Security Act that provides for increasing the retirement age for full Social Security benefits through a birth year referenced schedule. The amendment would apply to early retirement incentive programs established by school district boards of education for the benefit of school district employees prior to retirement. No fiscal note was available for this provision.

- **KPERS Correctional Officers Rate Cap**. The bill would establish a statutory rate cap on annual employer contribution rate increases for the corrections officer group in the Kansas Public Employers Retirement System (KPERS). The cap would be identical to the current statutory cap on annual rate increases for all other members in KPERS State, School, and Local groups.

In addition, House Sub. for SB 270 would provide for five technical amendments to the KPERS Act and the administration of the Retirement System.

- The first change would clarify terminology describing Tier II members of the Kansas Police and Firemen's (KP&F) Retirement System who become disabled.

- The second change would allow members of KPERS, KP&F, and the Retirement System for Judges to name individuals and trusts as co-primary beneficiaries for death benefits.

- The third change would make service purchase cost calculations reflect actual costs by specifying that such costs will be based on the higher of the current annual rate of pay or current final average salary.

- The fourth change would change a statutory reference for compensation and expense reimbursement for members of the KPERS Board of Trustees. The statutory reference would be changed from KSA 75-3212 (which is the legislative compensation and expense statute) to KSA 75-3223 which is the general governing board provision for compensation and expense reimbursement.

- The fifth change would delete an obsolete purchase of service credit provision pertaining to legislators and their 1983 to 1985 legislative expenses. In addition, an amendment would clarify that one irrevocable election shall determine each legislator's basis of compensation for KPERS participation. Each serving legislator shall make an election no later than August 1, 2006, if a change is desired for the basis of determining the employee KPERS contribution, beginning October 1, 2006. Future members of the Legislature would have only an initial election of the basis upon choosing membership in KPERS.

Conference Committee Action

The Conference Committee agreed to all items in House Sub. for SB 270, as amended by the House Committee of the Whole. The Conference Committee agree to include in House Sub. for SB 270 all of the provisions from HB 2583 dealing with KPERS technical changes and the correctional officer rate cap, as amended by the Senate Committee on Ways and Means. In addition, the Conference Committee agreed to a clarification concerning each legislator's election of a basis of compensation for determining the employee KPERS contribution.

Background

House Sub. for SB 270 contains provisions of other bills as described below.

House Sub. for SB 270 contains three provisions from HB 2996 and two other amendments added by the House Committee on Appropriations. A House Subcommittee on KPERS Issues recommended introduction of HB 2996. That bill included increasing in Kansas School Retirement System benefits, raising the working after KPERS retirement earnings limitation, and requiring KPERS employer to make contributions if hiring retired members that did not retire from that employer. The House Committee on Appropriations held hearings on HB 2996 and conferees included representatives of the Kansas Association of School Boards, Wichita Public Schools – USD 259, the Kansas Hospital Association, and the Kansas National Education Association.

The House Committee on Appropriations amended the bill to include provisions related to the changing the definition of a “professional employee” and “teacher” to allow school districts to hire retired KPERS members without being subjected to the restrictions of current statutory requirements in school law. The Committee also included an amendment at the request of Representative John Edmonds to change the age of normal retirement referenced in the enabling legislation for school district early retirement incentive programs. The amendment references age defined in federal law for Social Security benefits. Federal law provides for an increasing retirement age for full Social Security benefits, with those born in 1937 or earlier eligible for unreduced Social Security benefits at age 65. A series of subsequent years of birth categories define other full retirement ages, depending upon the year of birth. The categories conclude with one for those born in 1960 or later, increasing the retirement age to 67.

The House Committee of the Whole amended House Sub. for SB 270 to make the adjustment to the annual income limitation apply to elected public officials, including local elected officers and legislators, who participate in KPERS and retire from a KPERS participating employer other than the one associated with the elected position. Under current law, an elected public official may retire from a participating KPERS employer and continue to serve in public office without having to retire if that public officer also participates in KPERS as an elected official. However, a salary cap applies to the elected public official who continues to serve in public office and who does not retire under KPERS from the covered public position. This amendment would raise the salary cap to $20,000 for elected public officials while serving in elective office and receiving a KPERS benefit.

The Conference Committee on House Sub. for SB 270 recommends including HB 2583, as amended by the Senate Committee. That bill includes two types of changes to current law, one of a substantive nature and the others of a technical nature.

Substantive Change. The corrections officer group rate increase cap previously was addressed by the Senate during the 2006 Session. The provisions originally passed in 2006 SB 340 earlier this Session. A Senate Subcommittee on KPERS Issues recommended adding this provision to the House-passed bill. The Senate Committee amended this change into HB 2583. The change was recommended for introduction by the Joint Committee on Pensions, Investments and Benefits. The Secretary of Administration, in his capacity as Budget Director, recommended the legislation during the 2005 Interim after the magnitude of the rate increase and its budget impact in FY 2007 were determined. Under current law, KPERS State, School, and Local groups have a statutory employer retirement contribution rate cap of 0.5 percent for FY 2007, increasing to 0.6 percent for FY 2008 and for subsequent years. When these rate caps were adjusted two years ago, the corrections officer group of KPERS was not included under the caps. As a result, the employer retirement contribution rate for correctional officers has been certified by KPERS to increase from 5.74 percent in FY 2006 to 7.72 percent in FY 2007.

Without the rate cap, the Department of Corrections estimates that $1,498,224 of additional expenditures from the State General Fund would be required in FY 2007. With the passage of SB 340, the FY 2007 increase would be limited to $281,378 from the State General Fund. The fiscal effect of passing this bill has been included in the *Governor's Budget Report* for FY 2007. If this bill does not pass, an additional $1,498,224 from the State General Fund will be due KPERS in FY 2007 for the corrections officer group employer contributions.

Technical Changes. The KPERS Board of Trustees requested three technical amendments and the Joint Committee on Pensions, Investments and Benefits recommended three technical amendments during the 2005 Interim. A representative of KPERS appeared in support of the amendments and indicated that provisions could be implemented within current budget resources. The three amendments were described by the KPERS representative as technical in nature and intended to either correct or clarify several areas of current law.

The Senate Subcommittee on KPERS Issues recommended the last two technical amendments after reviewing HB 2583 and hearing from KPERS staff about the additional changes in current law that might be addressed this Session. The Senate Committee added the two other technical amendments to the bill.