SESSION OF 2006

SUPPLEMENTAL NOTE ON HOUSE SUBSTITUTE FOR SENATE BILL NO. 270

As Amended by House Committee of the Whole

Brief*

House Sub. for SB 270 includes five items related to retirement benefits of the Kansas Public Employees Retirement System (KPERS), working after retirement, and early retirement plans. 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.

- **Additional KPERS Contributions**. The bill would require any KPERS participating employer who hires a KPERS retired member

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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 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 9.84 percent, the school group 13.75 percent, and the local group 11.69 percent.

- **Working After Retirement – School Teachers**. A provision in the bill would change the statutory definition of a professional employee employed by a school district board of education 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 employment 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.

Background

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.