SESSION OF 2009

SUPPLEMENTAL NOTE ON SENATE BILL NO. 196

As Amended by Senate Committee on
Ways and Means

Brief*

SB 196, as amended, would clarify that on or after July 1, 2009, current law pertaining to retirees of the Kansas Public Employees Retirement System (KPERS) who return to work after retirement as contracted employees will be subject to the same state policies as other KPERS retirees. The bill would apply current law regardless of whether KPERS retirees return to work under individual contracts, or return to work as employees of a third-party company which contracts their services to any participating KPERS employer. A provision would require the third-party companies to provide information about the salaries of its contract employees in order for KPERS and participating employers to apply current law regarding salary caps and employer actuarially assessed contributions.

Background

In recent years, a number of KPERS retirees have become contracted employees of third-party companies and either returned to work for the same participating KPERS employer from which they retired, or went to work for a different participating KPERS employer. In both instances, neither KPERS nor the State Department of Education were able to impose current state policies about working after retirement. Numerous examples of such situations were reported by state officials when the subject was reviewed by the Joint Committee on Pensions, Investments and Benefits during the 2008 Interim. The Joint Committee recommended introduction of SB 196 to make the state policies apply uniformly.

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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

For KPERS retirees returning to work, either as individuals under contract or as contracted employees of third-party companies, for the same participating KPERS employer from which they retired, a $20,000 annual cap on their earnings will be applied in all cases. For KPERS retirees going to work, either as individuals under contract or as contracted employees, for a different participating KPERS employer, an actuarial assessment shall be paid by the new participating employer.

Proponents included representatives of the Kansas Public Employees Retirement System, the Kansas Department of Education, and the Kansas Association of School Boards.

The fiscal note indicates that a survey by the Kansas Department of Education in 2007 found that of 638 retired teachers reemployed with salaries over $20,000, 33 were under private contractor arrangements. Most of the 33 had returned to work for the school district from which they retired, and therefore were not subjected to the $20,000 annual earnings cap. If SB 196 were enacted, the financial incentive that creates the contractor arrangements with school districts may no longer exist since the third-party companies will have to report salaries of their employees to KPERS and the school district in order for current state policies to be applied regarding salary caps and actuarial assessments paid by the participating employer.