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Steven J. Anderson, CPA, MBA, Director

Sam Brownback, Governor

March 2, 2011

The Honorable Mitch Holmes, Chairperson
House Committee on Pensions and Benefits
Statehouse, Room 166-W
Topeka, Kansas 66612

Dear Representative Mitch Holmes:

SUBJECT: Fiscal Note for HB 2310 by House Committee on Pensions and Benefits

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2310 is respectfully submitted to your committee.

HB 2310 would change current law regarding working after retirement for KPERS retirees. As of July 1 2011, KPERS retirees who work for an employer that participates in KPERS would be ineligible to receive KPERS pension benefits in any month in which they receive compensation from a KPERS employer. This limitation would not apply to a retiree who performs services for a KPERS employer under a contract that was entered into before July 1, 2011. However, once that contract expires, the prohibition would apply to those retirees as well.

Under current law, KPERS employers are required to pay special contributions for certain retirees returning to work. A summary of contributions from FY 2007, which was the first fiscal year any working after retirement contributions were required, through year-to-date FY 2011 is provided below, by employer:

Working After Retirement Contributions to KPERS
by Coverage Group
July 1, 2006 – February 18, 2011

	State	School	Local	Total
FY 2007	$10,981	$1,237,569	$52,339	$1,300,889
FY 2008	$31,511	$2,997,902	$176,700	$3,206,113
FY 2009	$60,477	$4,494,563	$302,459	$4,857,499
FY 2010	$83,377	$8,144,395	$398,374	$8,626,146
FY 2011	$44,544	$5,029,239	$301,143	$5,374,926

Because retirees are not eligible to earn additional KPERS service credit or benefits, the working after retirement contributions are not required to fund future liabilities. As a result, the contributions are applied to KPERS' unfunded actuarial liability. With the enactment of HB 2310, these contributions would no longer be made to KPERS, which would reduce revenue to the KPERS Trust Fund. Based on previous contributions, reduced revenue would total at least $5.0 million, beginning in FY 2012.

KPERS notes that by precluding retirees from simultaneously receiving both KPERS retirement benefits and compensation from KPERS employers, HB 2310 may affect behavior of KPERS retirees and active KPERS members making retirement decisions based on working after retirement opportunities. However, any fiscal effect resulting from this change in retirement behavior is not known.

In addition, enactment of HB 2310 would require modifications to the KPERS information system, such as software design and development to track retiree reemployment by KPERS employers, processing suspension of benefits and notifying the retiree, tracking termination of employment and reinstating benefits. The one-time cost for such modifications is estimated to be approximately $25,200. Any fiscal effect associated with HB 2310 is not reflected in *The FY 2012 Governor's Budget Report*.

Sincerely,

Steven J. Anderson, CPA, MBA
Director of the Budget

cc: Faith Loretto, KPERS