

To: House Pensions and Benefits Committee
From: Chairperson Steven Johnson
Date: March 18, 2015
Subject: Outline of working after retirement proposal

Proposed plan design considerations for “unretiring” retirees who want to return to work for a KPERS affiliated employer are as follows:

- 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.
- Covered positions/Earnings limitation
 - Positions would be designated at the time a retiree is hired as either covered or noncovered, based on existing statutory definitions of “employee.”
 - Basic eligibility criteria for non-school positions: the position is not seasonal or temporary and requires at least 1,000 hours of work per year. (KSA 74-4902(14)).
 - Basic eligibility criteria for school positions: the position is not seasonal or temporary and requires at least 630 hours of work per year or 3.5 hours of work a day for at least 180 days. (KSA 74-4932(4))
 - A retiree returning to work in a covered position (a position that meets the statutory definition of employee) would become an active member of KPERS, and his or her original retirement benefit would be suspended for the duration of reemployment.
 - A retiree returning to work for any KPERS employer in a non-covered position (a position that does not meet the statutory definition of “employee”) and earning less than \$20,000 in a calendar year would not be “unretired” 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.
- Only exemptions
 - State hospital nurses. Retain the existing exemption and employer contribution rate (actuarial required contribution rate) for retired state nurses returning to work at state hospitals -- i.e., retired nurses who return to work for a state hospital could continue to receive their pension benefit without an earnings limitation.
 - Hard to fill special education positions. Retirees returning to work in licensed special education positions that are certified by the Kansas Department of Education as "hard to fill" could continue to receive their pension benefit without an earnings limitation.
 - The Department of Education would review and determine by January 1 of each year which special education certifications or licenses constitute "hard-to-fill" positions for the following school year.
 - Retirees hired into such a position would remain eligible for the exemption for the duration of their employment, even if that type of position is no longer considered "hard-to-fill" in a subsequent year.
 - Employers would be required to pay the actuarial rate plus 8% on the pay of retirees hired under the "hard-to-fill" exemption.
 - This exemption is not subject to a sunset.
- Coverage group for retirees employed in covered positions
 - Retirees returning to work in a covered position enter the KPERS 3 cash balance plan regardless of the tier from which they retired.
- Contributions for retirees employed in covered positions
 - Contributions are made by both employer and employee at the rates applicable to all other active KPERS members for that group (State/School or Local).
- Vesting
 - Retirees returning to work in covered positions are immediately vested in the KPERS 3 cash balance plan.
- Retirement credits (employer pay credits)
 - The retiree's previous years of service are used to establish retirement credits, which are:

Years of Service	Retirement Credit
0-5	3% of pay
6-11	4% of pay
12-23	5% of pay
24+	6% of pay

- Service purchases
 - No service purchases would be allowed by a retiree who returns to work in a covered position.
- Benefit option
 - Benefit payment options for the original benefit remain unchanged.
 - The retiree could elect from the KPERS 3 cash balance plan benefit options at retirement (i.e., partial or full lump sum option, as described below; joint and survivor benefit options; or life-certain options) for any KPERS 3 benefits earned during the return to work.
 - A minimum account balance of \$6,000 (combination of pay credits and employee contributions) is required before a retiree who returns to active membership receives a monthly benefit annuity, as opposed to receiving their total account balance in a lump sum (in cash or as a rollover to another qualified plan).
 - The retiree could elect to take a full lump sum withdrawal. A partial lump sum withdrawal may be elected so long as the remaining account balance to be annuitized is no less than \$6,000.
- Death and disability coverage
 - Retirees returning to work in a covered position would not be eligible for disability benefits. Currently, a member who is receiving disability is eligible for benefits until retired. Since a retiree returning to work is already retired, disability coverage does not have direct application.
 - A retiree returning to work in covered position would receive the active member death benefit (1.5 times their annual salary).
- Multiple periods of re-employment in a covered position
 - Members who have multiple periods of reemployment in a covered position may earn a benefit for each instance of reemployment.
- 3rd party contractors
 - Continue to apply all working after retirement provisions to retirees who are hired by a third-party contractor and, under that third-party contract, work for an affiliated employer, with the following exception.
 - A retiree hired by a third party contractor would not be eligible to be an active member of KPERS 3. Where a retiree performs services under the third party contract that would otherwise constitute a covered position, the employer would be required to pay the actuarial contribution rate plus 8% on the retiree's compensation from the third-party contractor.
- Effective date
 - Extend existing exemption for one year and delay effective date of new working after retirement provisions until July 1, 2016.