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300 SW TENTH AVENUE ▪ SUITE 24-E ▪ TOPEKA, KS 66612 ▪ (785) 296-2321

MEMORANDUM

To: The Senate Select committee on KPERS

From: Daniel Yoza, Assistant Revisor

Date: 3/30/2015

Subject: SB 299; Working after retirement

Summary:

Senate Bill 299 does two things. First, it creates an exception to the current prohibition on working after retirement, by allowing retirants to defer the receipt of their retirement benefits for a period while working. The retirement benefits they would have received will be placed in a notional account which may receive interest credits. Second, it extends the sunset of K.S.A. 74-4937 for one year. This provision of law allows licensed teachers to continue working after retirement while receiving their retirement benefit. The effective date of the bill is July 1, 2015.

Working after retirement:

Retirants covered by this bill would not receive their retirement benefit while working after retirement after July 1, 2016. Rather, their retirement benefit would be recorded in a notional account. The notional account would receive an interest credit of 50% of the actual rate of return in any year the actual rate of return on the market value of the investments reaches the system's assumed investment rate of return. The interest credit will not exceed 3%. This bill covers the state and school retirants within KPERS.

Employers who hire employees working after retirement would pay the actuarially required employer contribution plus 2% and the statutorily prescribed employee contribution. The employer and employee contributions will not be credited to the retirant's notional account.

Retirants working after retirement would not be eligible to purchase service credits or death and disability benefits.

After retiring, employees covered by this bill would receive the benefit in the notional account, plus the interest credits. The payout may be by a direct rollover to an eligible retirement plan or a lump-sum distribution. Upon the death of a retirant employed as provided in this bill, a distribution of the retirant's notional account would be paid to the retirant's beneficiary.

The KPERS board may specify minimum account balances for purposes of allowing benefit payment options and rollovers in accordance with federal law.

Extending K.S.A. 74-4937 for one year

Current law provides that licensed teachers may exceed the $20,000 earnings cap while still receiving their retirement benefit. The participating employer is required to pay the actuarially determined employer contribution based on the retirant's compensation plus 8%. The provisions of this law do not apply to substitute teachers. This statute is set to sunset on July 1, 2015. This bill extends the sunset to July 1, 2016.