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Shawn Sullivan, Director of the Budget

Sam Brownback, Governor

February 15, 2016

The Honorable Steven Johnson, Chairperson
House Committee on Pensions and Benefits
Statehouse, Room 286-N
Topeka, Kansas 66612

Dear Representative Johnson:

SUBJECT: Fiscal Note for HB 2656 by House Committee on Pensions and Benefits

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2656 is respectfully submitted to your committee.

Under current law, retirees employed in licensed school professional positions have not been subject to an earnings limitation. However, under current law, beginning July 1, 2016, these retirees will have an earnings limitation of $25,000 unless the position qualifies for a hardship, special education, or hard-to-fill exemption or the retiree is grandfathered through June 30, 2017.

Under HB 2656, any retiree who retired at or after age 62 and who is subsequently employed by a school district in a position that requires a license under KSA 72-1388 would be exempt from any earnings limitation while receiving their retirement benefit and working for a school district. The employing school district would be required to contribute the full actuarial required contribution rate plus 8.0 percent.

According to KPERS, the specific dollar effect from HB 2656 on the retirement system is difficult to determine. However, the bill would affect employer working after retirement contribution rates. Under current law, employers who hire a KPERS retiree would pay the statutory employer contribution rate for active members (unless the retiree is hired under an exemption from the earnings limitation or has grandfathered status). In FY 2017, the current law rate will be 10.81 percent for State/School Group employers. Under HB 2653, employers using the new earnings limit exemption for retirees age 62 and older would pay the actuarial rate plus 8.0 percent (24.03 percent in FY 2017 for school employers).

KPERS is not able to anticipate how the new rules would change working after retirement patterns, and cannot estimate how the rate changes may impact expected revenues into the KPERS trust fund.

KPERS indicates that the bill would require expenses to modify the agency's information technology system and database for the purposes of tracking employment by same and different employment separately, receiving and maintain assurance protocols, and tracking grandfathered retirees in licensed school professionals indefinitely. However, KPERS estimates that these costs can be funded within existing resources.

KPERS expects the bill would create additional staff responsibilities for communications and services to retirees and employers subject to working after retirement provisions, reporting and payment functions, and other administrative duties. While KPERS anticipates absorbing the additional workload, further consideration of appropriate staffing levels may be required in the future as the agency gains experience with the administrative impact of the new rules. Any fiscal effect associated with HB 2653 is not reflected in *The FY 2017 Governor's Budget Report*.

Sincerely,

Shawn Sullivan,
Director of the Budget

cc: Faith Loretto, KPERS