## Working After Retirement; DROP Plan; Senate Sub. for HB 2095

**Senate Sub. for HB 2095** makes revisions to the state's retirement system, pertaining to working-after-retirement provisions, and it authorizes the creation of a deferred retirement pilot program for the Kansas Highway Patrol (KHP).

### *Working After Retirement*

The bill extends the working-after-retirement provisions of the Kansas Public Employees Retirement System (KPERS) for one year, from June 30, 2015, to June 30, 2016. Starting on July 1, 2016, and ending on July 1, 2021, a retiree may receive up to $25,000 in compensation annually from a contributing KPERS employer, regardless of whether the retiree is returning to work for the same or a different employer, before the retiree must either terminate employment or forgo monthly KPERS benefits until the end of the calendar year. Under previous law, most retirees who returned to work for the same participating employer received up to $20,000 in compensation before either terminating employment or forgoing monthly KPERS benefits until the end of the calendar year. The Joint Committee on Pensions, Investments and Benefits (Joint Committee) must periodically study the compensation limit, taking into account the effect of inflation and retirement data.

The compensation limit does not apply to the following retirees:

- Professional or practical licensed nurses who are employed at a state institution, including the Kansas Soldiers' Home or the Kansas Veterans' Home;
- Certain licensed school district employees (described in more detail below);
- Certified law enforcement officers who are employed by the Law Enforcement Training Center;
- Members of the Kansas Police and Firemen's Retirement System (KP&F) or the Retirement System for Judges;
- Substitute teachers or legislative officers, employees, or appointees;
- Elected city or county officers; and
- Individuals who are employed by or have accepted employment with a participating employer prior to May 1, 2015.

A participating employer that hires a retiree must pay to the Retirement System the employer contribution rate. However, employers of licensed nurses or certified law enforcement officers, as described above, also must pay the statutorily prescribed employee contribution rate, which is based on the retiree's compensation during the period of employment. Retirees may not receive additional credit for service while employed under the provisions of the bill. For retirees who are employed prior to May 1, 2015, any break in continuous employment or a move to a different position during the period July 1, 2016, to July 1, 2021, is deemed new employment and subjects the retiree to the provisions of the bill.

A participating employer is permitted to appeal to the Joint Committee for a one-year hardship exemption for an unexpected vacant position with no active KPERS member to fill the vacancy. The bill authorizes the Joint Committee to grant extensions. The Joint Committee also may examine an employer's recruitment documentation.

*Certain Licensed School District Employees Also Exempt*

A school district may hire a retiree to fill a special teacher position or any of the top five hard-to-fill positions, which the State Board of Education determines. Re-employed retirees may receive full retirement benefits for up to 3 school years or 36 months, whichever would be less. During this period the school district pays to KPERS the actuarially determined employer contribution plus 8.0 percent. School districts must maintain documentation describing recruiting efforts to employ non-retirees in hard-to-fill positions.

A school district may appeal to the Joint Committee for a one-year extension of the exemption, which the Joint Committee is authorized to grant. The Joint Committee also may examine a school district's recruitment documentation. If a school district was found to have made insufficient efforts to hire non-retirees or if evidence was found of pre-arrangement between the school district and the retiree, the Joint Committee may revoke the exemption.

***Pilot DROP Plan for Kansas Highway Patrol***

The bill enacts the Kansas Deferred Retirement Option Program (DROP) within the KP&F for members of the KHP. Upon attaining normal retirement age, troopers, examiners, or officers of the KHP have the option of participating in the DROP plan for a minimum of three years and no more than five years. This is a one-time, irrevocable election. Participation in the DROP plan does not guarantee continued employment.

After electing to participate, a member's monthly retirement benefit, as determined by continuing law, is deposited into the member's DROP account for the duration of the DROP period. The DROP account accrues interest on an annual basis, ranging from 0 percent to 3.0 percent, subject to certain investment rate of return requirements. During the member's DROP period, the member remains in active service. Employer and employee contributions continue to be made to KP&F, but the member does not earn any additional service credit after the effective date of the DROP election. If a member fails to subsequently participate in the DROP plan for a minimum of three years, all of the member's interest credits are forfeited. However, a disabled member does not forfeit interest earned. At the end of the DROP period, a member is entitled to a distribution from the DROP account, which either may be rolled over into an eligible retirement plan or taken out as a lump-sum distribution.

The DROP Plan takes effect on January 1, 2016, and sunsets on January 1, 2020.