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Shawn Sullivan, Director of the Budget

Sam Brownback, Governor

February 17, 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 2700 by House Committee on Pensions and Benefits

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2700 is respectfully submitted to your committee.

HB 2700 would require members to certify on their application for retirement that they will not be employed with any participating employer within 60 days of retirement and that they have no prearrangement to return to work with any KPERS affiliated employer.

The bill would also require any employer who rehires a KPERS retiree to have the employer's appointing authority and the retiree sign an affirmation that the retiree has not been employed by the participating employer within 60 days of the retirement and that there was no prearranged agreement for employment.

If a member is found to have entered into a prearranged agreement to return to work before retirement, the retiree's benefit would be suspended starting in the month the retiree returned to work and ending six months after the retiree ends employment.

According to KPERS, HB 2700 has the potential to change the retirement behavior of some retirees, particularly if the timing of their retirement is delayed due to inability to arrange re-employment in advance without violating the bill's provisions. To the extent that HB 2700 changes the retirement patterns of KPERS members, there could be an actuarial impact on the retirement system, which would be reflected in future employer contribution rates.

KPERS indicates that the bill would require some modifications to the agency's information technology system and database to assist employers and archive new forms. However, it is anticipated that these costs would be negligible. KPERS also expects 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. KPERS notes that the administration of working after retirement rules is growing in complexity from the recent changes to current law and from proposed legislation. While KPERS anticipates absorbing the additional workload, further consideration of appropriate staffing levels may be required in the future as KPERS' gains experience with the administrative impact of the new rules. Any fiscal effect associated with HB 2700 is not reflected in *The FY 2017 Governor's Budget Report*.

Sincerely,

Shawn Sullivan,
Director of the Budget

cc: Faith Loretto, KPERS