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Shawn Sullivan, Director of the Budget

Sam Brownback, Governor

March 13, 2017

The Honorable Jeff Longbine, Chairperson
Senate Committee on Financial Institutions and Insurance
Statehouse, Room 341-E
Topeka, Kansas 66612

Dear Senator Longbine:

SUBJECT: Fiscal Note for SB 138 by Senate Committee on Ways and Means

In accordance with KSA 75-3715a, the following fiscal note concerning SB 138 is respectfully submitted to your committee.

SB 138 would make several changes to working after retirement rules for licensed school professionals. The bill would allow any licensed school professional retiree who (1) was hired on or after July 1, 2009, and who (2) retired under normal retirement or retired under early retirement at least 60 days prior to July 1, 2017, to be rehired in a licensed position at a school district with no earnings limitation. Retirees who retire under early retirement on or after July 1, 2017, would be ineligible for the earnings limitation exemption. Under current law, this rule applies to retirees who retired early on or after May 28, 2009.

The working after retirement rules exemptions would be eliminated for hard-to-fill and special education positions. Employers would no longer be required to submit assurance protocols documenting efforts to recruit permanent replacements and the Joint Committee on Pensions, Investments, and Benefits would no longer be required to review the assurance protocols. The bill would also exempt all retirees hired under KSA 74-4937(3) from the general working after retirement rules.

According to KPERS, the ability to return to work for a KPERS-affiliated employer after retirement can have multiple actuarial implications. For this reason, the state has long maintained limitations on working after retirement rules. Generally, working after retirement policies that could incent members to retire at a younger age have an actuarial cost to the system. For example, the ability to work without an earnings limitation as a licensed school professional could create an incentive for a member to retire earlier but continue working in a same or similar position and receive both a pension and salary. SB 138 could affect retirement decisions of KPERS members and create an actuarial cost to the system. However, KPERS is unable to determine the exact costs of the changes in SB 138 because the retirement behavior of members affected by the working after retirement changes cannot be predicted.

Data regarding the use of the licensed school professional exemption since 2009 indicates that retirees made use of the exemption and retired at younger ages compared to the general population of retirees. This caused increases in the actuarial liability for those licensed school professional members. KPERS indicates that the bill would eliminate the 30.0 percent contribution rate that employers are required to pay if they hire certain retirees that are eligible for current working after retirement exemptions. Under SB 138, the contribution rate would be the actuarial rate plus 8.0 percent.

KPERS would incur additional administrative costs but they could be funded within existing resources. Any fiscal effect associated with SB 138 is not reflected in *The FY 2018 Governor's Budget Report*.

Sincerely,

Shawn Sullivan,
Director of the Budget

cc: Faith Loretto, KPERS