

MEMORANDUM

To: House Financial Institutions and Pension

From: Alan D. Conroy, Executive Director

Date: February 13, 2019

Subject: HB 2203; Working after retirement exemption for STARBASE

House Bill 2203 changes working after retirement rules by adding the STARBASE program to the list of positions exempted from working after retirement rules.

Current Law

When a member retires from KPERS and begins receiving benefits, they cannot return to work for a KPERS affiliated employer for 180 days if they retired before age 62 or for 60 days if they were age 62 or older.

After their waiting period, a KPERS retiree can return to work for KPERS affiliated employer as long as there was no prearranged agreement for the retiree to return. However, the KPERS retiree cannot be re-enrolled in KPERS as an active member. When a KPERS retiree returns to work for a KPERS affiliated employer, they continue receiving their KPERS benefit. They also have no earnings limitation and are not required to make any contributions to KPERS.

Statutory working after retirement rules require KPERS affiliated employers who hire KPERS retirees to make contributions on the payroll of KPERS retirees. Employers contribute the statutory employer contribution rate (13.21% in FY 2019 for State employers) on the first \$25,000 of retiree salary and 30% for salary above \$25,000. This contribution is intended to help offset the actuarial cost of a non-contributing retiree filling a position that could be filled by an active, contributing member.

Existing Exemptions

There are several existing exemptions included in statute from the employer contribution rate applied when hiring a KPERS retiree. Some of the exemptions include daily call substitute teachers, poll workers, local elected officials and Regents institutions.

Actuarial Impact

The potential actuarial cost associated with working after retirement is the loss of contributions if positions that would otherwise be filled by an active member are filled by retirees. House Bill 2203 adds to the number of positions that are exempt from making working after retirement contributions. However the number of retirees employed by STARBASE is very small and the cost impact to the System is not expected to have any actuarial impact or cost.

I would be pleased to answer any questions the Committee may have.

