Working After Retirement; New Provisions; House Sub. for SB 21

House Sub. for SB 21 makes changes to the Kansas Public Employees Retirement System (KPERS or Retirement System) pertaining to working after retirement.

The bill establishes a new working-after-retirement rule, which takes effect on January 1, 2018. For retirees under the age of 62, there is a 180-day waiting period before returning to work. If the retiree is 62 or older, the current 60-day waiting period applies. The current prohibition placed upon prearrangement for employment continues to apply. For covered positions, the employer pays the statutory contribution rate on the first $25,000 of compensation and, for that portion of compensation greater than $25,000, the contribution rate is 30 percent of the compensation. Covered positions for non-school employees are those that are not seasonal or temporary and whose employment requires at least 1,000 hours of work per year; covered positions for school employees are those that are not seasonal or temporary and whose employment requires at least 630 hours of work per year or at least 3.5 hours a day for at least 180 days. For non-covered positions, the employer makes no contributions. None of the above provisions sunset.

Starting on January 1, 2018, all retirees who had retired prior to that date in state, local, and licensed or unlicensed school positions are not subject to an earnings limitation. Employers will pay the statutory contribution rate on the first $25,000 of compensation and, for that portion of compensation greater than $25,000, the contribution rate will be equal to 30 percent for retirees employed in covered positions. The employer makes no contributions for non-covered positions. This provision applies to:

- Retirees who returned to work on or after May 1, 2015, or who have lost grandfathered status since that date due to a break in service or a change of jobs or employers;

- Retirees in licensed school positions who retire after May 1, 2015, or took early retirement after March 2009;

- Retirees who are currently covered by a grandfathering provision (*i.e.*, returned to work before May 1, 2015, and have not lost grandfather status);

- Retirees in licensed school professional positions who are currently covered by a grandfathering provision (*i.e.*, retired before May 1, 2015, or took early retirement before March 2009); and

- "Great-grandfathered" retirees who returned to work for either the same or different employer before July 1, 2006.

Exemption Changes, Effective July 1, 2017

The bill clarifies the working-after-retirement exemption covers any substitute teacher working without a contract. Retirees who retired before January 1, 2018, and who returned to work in licensed school professional positions are covered by the current provisions for

grandfathered licensed school professionals. The exemption is expanded to include statewide elected officials and legislators, exempting them from both earnings limits and employer contributions; there is a 30-day waiting period following retirement before taking office, which does not apply in the case of filling a vacant office. Working-after-retirement provisions apply to retirees employed as independent contractors or employed by third parties; however, retirees who are independent contractors or are employed by third parties are excluded from the working-after-retirement provisions if:

- The contractual relationship was not created to allow the retiree to continue employment in a position similar to the one the retiree held before retiring;

- The retiree's activities are not normally performed exclusively by employees of the KPERS participating employer; and

- The retiree meets the statutory criteria for an independent contractor or, if employed by a third-party contractor, the activities are on a limited-term basis and the third party is not itself a KPERS participating employer.

Exemption Changes, Effective January 1, 2018

The exemptions for licensed school professionals and hardship, hard-to-fill, and special education positions are eliminated.