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Adam Proffitt, Director

Laura Kelly, Governor

February 14, 2022

The Honorable Steven Johnson, Chairperson
House Committee on Insurance and Pensions
Statehouse, Room 218-N
Topeka, Kansas 66612

Dear Representative Johnson:

SUBJECT: Fiscal Note for HB 2639 by House Committee on Insurance and Pensions

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2639 is respectfully submitted to your committee.

Under current law, when a KPERS member retires, the following rules are in place regarding when a retiree can return to work for a KPERS employer:

1. Members who retire before the age of 62 have a 180-day waiting period before being rehired by a KPERS employer, while members who retire at the age of 62 or later have a 60-day waiting period;
2. Before retirement and during the waiting period, retirees and employers cannot communicate in any way about returning to work; and
3. If a retiree would return to work in a KPERS-covered position, the employer is required to make contributions to KPERS at the statutory employer contribution rate (currently 13.11 percent for KPERS State and School employers) up to the first $25,000 of employee earnings in a calendar year, and then a 30.0 percent employer contribution rate for employee earnings over $25,000.

HB 2639 would establish a 30-day waiting period for all retirees hired by a KPERS employer before June 30, 2023. The existing KPERS employer contribution rate and prearrangement rules would remain the same.

KPERS indicates that HB 2639 would require administrative work to implement, including updating print materials and minor changes to the KPERS database. However, the fiscal effect of these requirements would be negligible.

The KPERS actuary reports that HB 2639 would permit members who retire under age 62 to return to work sooner than under current law. Changing the working after retirement rules for KPERS employers has the potential to affect member behavior and could increase the system's actuarial costs. For example, if a member has the opportunity to retire and would begin receiving benefits and then return to work in the same job, the bill could create an incentive for members to retire at a younger age, which would increase actuarial costs. However, the actuary cannot reliably calculate a cost for this change in behavior as it would be dependent on individual retirement decisions.

The KPERS notes that any actuarial cost concerns would be partially mitigated by the fact that the change in HB 2639 is scheduled to sunset at the end of FY 2023 and would maintain the employer contributions and prearrangement rules. The changes to the current working after retirement rules proposed by the bill are not without risk, but guardrails would be included to reduce the risk of significant increased actuarial costs to the KPERS system. Any fiscal effect associated with HB 2639 is not reflected in *The FY 2023 Governor's Budget Report*.

Sincerely,

Adam Proffitt
Director of the Budget

cc: Jarod Waltner, KPERS