SESSION OF 2022

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2639

As Amended by House Committee on Insurance and Pensions

Brief*

HB 2639, as amended, would make changes to working-after-retirement law as follows.

Statutory Employer Contribution Rate

Under current law (effective January 1, 2018), a Kansas Public Employee Retirement System (KPERS) participating employer pays the statutory contribution rate (currently 13.11 percent for the KPERS-Schools Group) on the first $25,000 of employee compensation and, for that portion of compensation greater than $25,000, the contribution rate is 30.0 percent.

The bill would increase this compensation threshold amount from $25,000 to $27,500.

Temporary Exception, Earnings Above Compensation Threshold

The bill would further set, on a limited basis, the employer contribution rate for all KPERS covered positions at the statutory rate for all compensation when participating employers hire retirants who have been retired for at least one year. This provision would commence on the effective date of the bill and end on June 30, 2023.

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*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at http://www.kslegislature.org

[*Note:* Employers pay contributions on the salaries of retirees who return to work in positions that are covered by KPERS benefits. KPERS covered positions would not be seasonal or temporary and must meet other membership requirements.]

Technical amendments

The bill would remove language from prior working-after-retirement exceptions that expired January 1, 2018, and make other technical changes.

Effective date

The bill would be in effect upon publication in the *Kansas Register.*

Background

The bill was introduced by the House Committee on Insurance and Pensions at the request of Representative Hoye. As introduced, the bill would have established a 30-day waiting period for all retirees hired by a KPERS employer, ending June 30, 2023. The bill, as amended by House Committee, would not make changes to the existing waiting period provisions in law.

[*Note:* Under current law, KPERS members who retire before age 62 are subject to a 180-day waiting period before being rehired by a KPERS participating employer. Members who retire at age 62 or later have a 60-day waiting period.]

House Committee on Insurance and Pensions

On February 14, 2022, the House Committee held a joint hearing on the bill and another bill that also proposed working-after-retirement exceptions and temporary waiting period changes (HB 2593). In the House Committee hearing on HB 2639, Representative Hoye provided **proponent** testimony, stating HB 2639 could help address the workforce shortage crisis impacting public employers by making changes to the KPERS waiting period. A representative of USA-Kansas and the Kansas School Superintendents Association supported the temporary reduction in the waiting period time requirements, noting that current law will not allow a retired educator to return to school employment for 180 days (if that educator retires before age 62), and once the educator returns to school employment, the employer must pay the statutory contribution rate and a penalty on earnings over $25,000.

Written-only proponent testimony was submitted by representatives of the Kansas National Education Association and the Kansas Association of the Chiefs of Police, Kansas Sheriffs Association, and the Kansas Peace Officers Association. Several private citizens also submitted testimony on the topic of HB 2639 and HB 2593, supporting the ability for retired teachers to return to employment as substitute teachers.

The Kansas Commissioner of Education provided neutral testimony, highlighting information on the effect of the COVID-19 pandemic on the number of licensed teachers, substitutes, staff, principals, and superintendents and emergency action taken by the State Board of Education to allow certain professionals to work with a temporary emergency authorized license. The Commissioner further noted it is anticipated the greatest retirement of all types of staff will occur at the end of this school year.

The Executive Director of KPERS provided information on the current statutory rules in place for retirees returning to work for a KPERS employer in a covered position (*e.g.,* waiting period of 180-days or 60-days, based on age at time of retirement; prohibition on prearrangements; and employer contributions). The Executive Director noted, as reported in the most recent KPERS actuarial valuation, there were about

5,500 retirees reported as having returned to work for a KPERS-affiliated employer. Since the current working-after-retirement rules went into effect on January 1, 2018, 37.0 percent of members retired before age 62 and were subject to the 180-day waiting period. The Executive Director also discussed actuarial cost implications associated with changing working-after-retirement rules and impact on member behavior and costs (*e.g.,* the opportunity to retire and begin receiving benefits while continuing to work at the same job could create an incentive for members to retire at a younger age, which increases costs). It would be difficult to reliably calculate a cost for this behavioral change because it is dependent on individual retirement decisions. The Executive Director further noted that actuarial costs are partially mitigated by the fact that the bill would limit the waiting period changes to a one-year window.

No other testimony was provided.

On February 23, 2022, the bill was withdrawn from the Committee and referred to the House Committee on Appropriations. On March 1, 2022, the bill was withdrawn from the House Committee on Appropriations and rereferred to the Committee.

On March 16, 2022, the House Committee held discussion and considered amendments on the working-after-retirement topic and amended HB 2639 to:

- Remove language that would have established a blanket 30-day waiting period for all retirees hired by a KPERS participating employer, ending June 30, 2023 (this amendment would restore existing law pertaining to the 60-day and 180-day waiting periods);
- Increase the retirant compensation threshold subject to the statutory employer contribution rate from $25,000 to $27,500; and

- Decrease, for any retirant who has been retired for one or more years when hired by the participating employer, the required employer contribution rate to only the statutorily prescribed rate on all compensation earned by the retirant in a calendar year.

Fiscal Information

According to the fiscal note prepared by the Division of the Budget on HB 2639, as introduced, KPERS indicates the bill 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 fiscal note also addresses actuarial costs and implications associated with changes to the prescribed waiting periods (removed by House Committee amendment; discussed above in neutral hearing information presented by KPERS).

Retirement; KPERS; working after retirement; compensation threshold; employer contribution rate; participating employers; retirants