BILL SUMMARY

KPERS WORKING AFTER RETIREMENT AND KHP DEFERRED RETIREMENT OPTION PROGRAM

Senate Substitute for HB2095 with Conference Committee Amendments

Prepared by Ed Klumpp, 5/16/15
Based on Senate Substitute for HB2095 as passed by the Senate and Conference Committee Report

Also see Conference Committee Report Brief at:
http://www.kslegislature.org/li/b2015_16/measures/documents/ccrb_hb2095_01_0000.pdf

Section 1 Amends KSA 46-2201

> Subsection (f)(5): New subsection giving authority to the Joint Committee on Pensions, Investments, and Benefits authority to review reports and to deny or approve appeals regarding working after retirement exceptions. Also authorizes the committee to appoint a subcommittee to perform these duties.

Section 2 Amends KSA 74-4914

> Subsection (5) Increases earnings cap from $20,000 a year to $25,000 a year beginning July 1, 2016 and ending July 1, 2021.
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> All of subsection (7) is new and implements the new provisions for regular KPERS members working after retirement.
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> > Subsection (7)(a) delays effective date for new working after retirement provisions to July 1, 2017, and expire on July 1, 2021. It also makes these provision applicable to legislators.
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> > Subsection (7)(b) exempts the new rules for (i) certain state nurses; (ii) school employees, (iii) certified law enforcement officers employed by KLETC; (iv) members of the KP&F or Judges retirement systems; (v) substitute teachers and officers, employees, and appointees of the legislature; (vi) retirees holding a KPERS position prior to May 1, 2015. The last exemption, for current retirees, is lost for an employee who changes positions or has a break in employment.
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> > Subsection (7)(c) requires any KPERS employer who hires a retiree to report to KPERS the hiring and compensation paid. It also requires the employer to provide any relevant information KPERS requests that is needed to administer the new provisions. It requires the employer to pay the actuarial rate to KPERS. And it prohibits the employee from receiving any service credits while holding the position.
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> > Subsection (7)(d) allows a KPERS employer to hire a retiree without the compensation limit for up to one year if all of the listed requirements are met. The requirements include: (i) An employer certification the filled position has been vacated due to an unexpected emergency or the employer has been unsuccessful in filling the position; (ii) the employer pays the actuarial required employer contribution plus 8%; and (iii) the employer maintains documentation on the effort to fill the position with a non-retiree. The documentation in (iii) must be provided to the Joint Committee on Pensions, Investments and Benefits if requested.

Subsection (7)(e) provides an appeal process to the Joint Committee on Pensions, Investments and Benefits requesting to extend the provision in subsection (7)(d) for up to one additional year.

Subsection (7)(f) requires the salary cap to be reviewed every five years beginning July 1, 2016, for needed adjustment.

Subsection (7)(g) reserves the legislative right to amend subsection (7) provisions or application in the future.

Section 3 Amends KSA 74-4937 Applies to School Members Only

Subsection (3) makes technical amendments to dates and provides the provisions of subsection (3) only apply to persons who retired prior to May 1, 2015. It also requires any KPERS employer who hires a retiree to report to KPERS the hiring and compensation paid. It also requires the employer to provide any relevant information KPERS requests that is needed to administer the new provisions. These provisions expire on July 1, 2017.

Subsection (4) contains all new provisions.

Since none of these provisions apply to non-school employees, I am not going to attempt to explain these sections since they are out of my area of expertise.

Sections 4-11 are new provisions all related to the Deferred Retirement Option Program

Section 4 names the DROP act and is not effective until January 1, 2016.

Section 5 provides definitions applicable to the DROP act. Of particular note is definition (6) which restricts DROP membership to “a trooper, examiner, or officer of the Kansas Highway Patrol” and requires such person to meet all qualifications and elect to participate in DROP. Also definition (8) which restricts the DROP program to only KP&F. So with (6) and (8) combined, DROP is only available to KP&F positions within the KHP.

Section 6

Subsection (a) establishes the program.

Subsection (b) provides the funds held in the DROP accounts will receive interest payments only if the actual rate of return for those funds meets or exceeds the assumed rate of return and in no case will exceed 50% of the actual rate of return and never more than 3%.

Section 7

Subsection (a)(1) Members appointed or employed prior to July 1, 1989, who remained in KP&F tier I, may enter DROP at age 55 and completion of 20 years of service or at completion of 32 years of service regardless of age.

Subsection (a)(2) Members appointed on or after July 1, 1989, or employees hired prior to that date who opted to move to KP&F tier II may apply for DROP at age 55 with 20 years of service; age 50 with 25 years of service, or age 60 with 15 years of service.

Subsection (b) establishes the application options and requirements. The member can choose to participate in DROP for 3 to 5 years. A member cannot participate in DROP more than once. The election to participate is irrevocable. If the member enters DROP and fails to participate for at least three years, the member loses any interest paid unless the member retires due to a disability.

Subsection (c) provides the DROP member continues to work in their position but does not gain any additional service credit and also prohibits purchasing any service credit after entering DROP.

Subsection (d) provides entering DROP does not guarantee continued employment and requires the employee to continue to pay the KP&F contribution. None of those contributions nor the employer contributions add anything to the DROP account.

Section 8

Subsection (a) establishes the retirement benefit payments are based on the years of service and final average salary at the time of entry into the DROP. All options for benefits and calculation of final average salary apply, but a person entering DROP is not eligible for a lump sum payment [until the end of the DROP period, see section 10]. The accrual is calculated based on those benefits and the age of the member and any beneficiary if a joint and survivor option is taken. That accrual is placed into the members DROP account.

Subsection (b) No retirement benefits are paid to the member until the end of the DROP period selected.

Section 9

Subsection (a) Establishes when participation in DROP ceases which is the earliest of the listed conditions: (1) Termination of service with KHP; (2) the last day of the elected DROP period the member agreed to when entering DROP; (3) the member's disability retirement; or (4) death of the member.

Subsection (b) provides the distribution of the DROP account in the event of the member's death follows joint DROP joint or survivor option or the existing retirement distribution options.

Section 10 covers the distribution of the DROP account at the end of the DROP period which includes the options of (1) rollover to an eligible retirement account; (2) a lump-sum distribution;

Section 11 provides the DROP program expires on January 1, 2020.

Section 12 Repeals the existing statutes amended by this bill.

Section 13 provides the bill is effective July 1, 2015, [except where other effective dates are specified throughout the bill].

Created by Ed Klumpp, May 16, 2015
Based on Senate Substitute for HB2095 as amended by the Conference Committee Report.
The Summary prepared by the Legislative Research Department is available at this link.
(http://www.kslegislature.org/li/b2015_16/measures/documents/ccrb_hb2095_01_0000.pdf)