



Kansas Public Employees Retirement System

KPERS Working After Retirement Update

Joint Committee on Pensions, Investments and Benefits

▪ November 21, 2011

Legislative History

KPERS working after retirement restrictions are provided in Kansas statutes. They are subject to IRS regulations because KPERS is a qualified, tax-exempt retirement plan.

Since KPERS' inception in 1962, there have been statutory restrictions on retirees returning to work for KPERS-affiliated employers. The earnings limitation on returning to work for the retiree's previous employer was first adopted in its current form in 1988.

Recent statutory changes include:

2006 House Sub. for SB 270

- Raised the earnings limitation for retirees returning to work for their previous employer from \$15,000 to \$20,000.
- Required employers hiring a retiree who did not previously work for that employer to pay KPERS the actuarial employer and employee contribution rate.

Legislative History (Continued)

2008 House Sub. for SB 309

- Removed the June 30, 2008, sunset provision for the earnings limitation exception for state nurse retirees reemployed by certain SRS institutions.
- Expanded the exemption to include state nurse retirees reemployed by state juvenile justice institutions.
- Participating employers pay the actuarial employer contribution rate.

The Joint Committee introduced SB 196 in the 2009 Session, to apply the same working-after-retirement provisions to employees returning to work either as individuals or as employees of third-party entities that contract with a KPERS employer.

- The 2009 Legislature ultimately passed 2009 Senate Substitute for HB 2072, which incorporated SB 196 and made a number of additional changes to working-after-retirement restrictions.

2009 Senate Substitute for HB 2072

The final legislation included the following major provisions:

- **Break in Service.** Extended the minimum break in service from any employment with any KPERS participating employer from 30 days to 60 days for all KPERS retirees.
- **Licensed School Professional Retirement Date.** Amended school law provisions to allow licensed professionals (teachers, administrators, and certain other professionals, such as social workers and dietitians) to retire before June 30 of a calendar year.
- **Earnings Limit for Licensed School Employees.** Lifted the \$20,000 earnings limit for retired licensed professionals returning to work for the same school district from which they retired, for a three-year period (through June 30, 2012), if they retired either:
 - Under a normal retirement option (e.g., with 85 points)
 - Under an early retirement option more than 60 days before the effective date of the bill (March 28, 2009).
- **Employer Contribution Rates.** Established a special employer contribution rate for public school employers who employ retired licensed professionals, for a three-year period (through June 30, 2012).
 - The rate is the employer actuarial rate plus 8 percent (22.96% in FY 2012).

2009 Senate Substitute for HB 2072 (Continued)

- The employer rate applies to:
 - Retirees returning to work for the same or a different school district.
 - All positions for which a license is required, regardless of the number of hours worked.
- This employer rate does not apply to retirees employed only as substitute teachers.
- This employer rate does not apply to retirees who were first employed by a different school district before July 1, 2006.
- **Third-Party Contractors.** Applies working-after-retirement restrictions to retirees who provide licensed professional services to a participating employer through a third-party contractor. Contracts taking effect on or after April 1, 2009, are covered by the bill.
 - Each employer contracting with a third party for licensed professional services must include in the contract a provision requiring the third party to report the retiree's compensation, so that the employer can comply with reporting and employer contribution requirements.

2009 Senate Substitute for HB 2072 (Continued)

- During the three-year exemption for licensed professionals, retirees returning to work through a third-party contract for the same or a different employer would not have an earnings limitation (if they would otherwise have been eligible for the exemption), but the employer would be required to pay the special employer contribution on the retiree's compensation (22.96% in FY 2012).
- **Report to Joint Committee.** Requires KPEERS to report to the Joint Committee on Pensions, Investments and Benefits on the results of the provisions for licensed school professionals when they expire on June 30, 2012.

Working After Retirement Utilization

- Employers are required to submit an annual working-after-retirement report in December, with data regarding the number of retirees, by category, who were rehired during any part of that calendar year.
 - The CY 2009 working-after-retirement report reflected data from only the first six months in which HB 2072 was in effect.
 - Therefore, the CY 2010 report is the first report that includes a full 12 months of data while HB 2072 has been in effect.
- During CY 2010, 3,771 KPERS retirees worked for a KPERS employer for some portion of the year, compared to –
 - 3,302 in CY 2009 – a year-over-year increase of 14.2%.
 - 2,678 in CY 2008 – an increase of 40.8% over two years.
- By way of contrast, the number of retirements in CY 2010 increased by 24% over CY 2009, and the number of KPERS retirees increased by 4.8%.

Working After Retirement Utilization (Continued)

- Of the retirees working during CY 2010, 57.2% were hired by the same employer and 42.9% for a different KPERS employer.
- School Group employers reported 2,834 rehired retirees in CY 2010, which represents 7.3% of all School Group retirees – up from 6.1% in CY 2008.
- The number of KPERS retirees hired by the State and by Local Group employers in CY 2010 was equivalent to 2.3% of State and 4.5% of Local Group retirees.

For more detail from the report see Appendix A.

Appendix A

KPERS Retirees Returning to Work*

	Same Employer	Different Employer Before 07/01/06	Different Employer After 07/01/06	Total
Local	386	57	158	604
School	1,470	371	993	2,834
State	299	13	24	336
	2,155	441	1,175	3,771

*Reflects reemployment at any point in Calendar Year 2010

School Group: Working After Retirement Categories*

	CY 2009	CY 2010
Same Employer Licensed Position	427	548
Same Employer Non-licensed Position	821	919
Same Employer Third Party - Licensed Position	2	3
Different Employer Licensed Position	682	666
Different Employer Non-licensed Position	249	325
Different Employer Third Party Licensed Position	1	2
Total	2,182	2,463

*Excludes retirees rehired by different employer before 7/1/06.

Historical Working After Retirement Data

