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Shawn Sullivan, Director of the Budget

Sam Brownback, Governor

February 17, 2016

The Honorable Steven Johnson, Chairperson
House Committee on Pensions and Benefits
Statehouse, Room 286-N
Topeka, Kansas 66612

Dear Representative Johnson:

SUBJECT: Fiscal Note for HB 2654 by House Committee on Pensions and Benefits

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2654 is respectfully submitted to your committee.

HB 2654 would create a new exemption from the current KPERS working after retirement rules. Any retiree who is licensed by the Board of Nursing or the Board of Healing Arts and employed by a hospital or county health department would be allowed to return to work without an earnings limitation while also receiving their retirement benefit. Employers hiring these retirees would be required to contribute the actuarial required contribution rate plus the statutory employee contribution rate.

Because employers would be required to pay the actuarial required employer contribution rate, plus the employee contribution rate for each rehired public health employee, KPERS indicates that HB 2654 would have the potential to increase revenues to the KPERS Trust Fund. Additional revenue would also be received from the higher earnings permitted each calendar year. However, the specific dollar effect from increased revenues is unknown because KPERS does not have data to identify how many positions would be affected by the changes proposed in the bill.

Under current law, a similar exemption from the earnings limitation for KPERS retirees rehired as licensed professional nurses and licensed practical nurses employees exists for Osawatomie State Hospital, Larned State Hospital, Parsons State Hospital and Training Center, Kansas Neurological Institute, Larned Juvenile Correctional Facility, Kansas Juvenile Correctional Complex, Kansas Soldiers’ Home and Kansas Veterans’ Home. KPERS indicates that HB 2654 would expand the number of affiliated employers eligible for the exemption to include all KPERS-affiliated hospitals (including the University of Kansas Medical Center) and all county health departments.

HB 2654 would also expand the types of positions that would be covered by the exemption. A KPERS retiree could be employed by a KPERS-affiliated hospital or county health department without an earnings limit in any position for which a license is required from the Board of Healing Arts or the Board of Nursing. In addition to registered nurses and licensed practical nurses, eligibility would be expanded to include such professions as licensed mental health technicians, doctors of medicine and surgery, osteopathic physicians, chiropractors, podiatrists, physical therapists, physical therapist assistants, occupational therapists, occupational therapist assistants, respiratory therapists, physician assistants, naturopaths, athletic trainers, radiological technologist and contact lens distributors.

However, KPERS notes that it has only limited data available about the number of active employees hired by state hospitals in these types of professions and no data about the number of licensed health professionals employed by county health departments. According to KPERS, that type of data does not provide any indications about the extent to which the proposed exemption would be used by eligible employees and retirees.

Local hospitals and health centers would be affected by HB 2654. The fiscal effect would be dependent by employer and the number of retirees hired in licensed positions by those employers.

Exemptions from the earnings limitation for retirees returning to work can affect the cost of retirement benefits from (1) changes in retirement patterns and behavior stemming from incentives for members to retire earlier than they would have absent the exemption; and (2) reductions in employee and employer contributions that occur when positions historically filled by active, contributing members are instead filled by noncontributing retirees. However, KPERS states that it is not possible to project the extent of changes in retirement patterns among the group of employees eligible for reemployment by hospitals or county health departments under HB 2654. As a result, KPERS is unable to estimate a fiscal effect and whether the actuarial rate plus the employee contribution rate would be sufficient to cover the increased liability of any change in retirement patterns.

KPERS indicates that the changes in HB 2654 would require some modifications to the agency's information technology systems to update existing functions to accommodate the new exemption. However, KPERS estimates that the cost to complete these upgrades would be negligible. Any fiscal effect associated with HB 2654 is not reflected in *The FY 2017 Governor's Budget Report*.

Sincerely,

Shawn Sullivan,
Director of the Budget

cc: Faith Loretto, KPERS