

AUDIT PROPOSAL

Evaluating the Deferred Retirement Option Program

SOURCE

This audit proposal was suggested by staff to satisfy a requirement in K.S.A. 46-1136.

BACKGROUND

In 2015, the Legislature passed a bill establishing a deferred retirement option for certain members of the Highway Patrol. This program allows troopers of retirement age to continue working and receive their monthly KPERS benefit. One of the primary goals was to keep troopers in service longer. For three to five years, the monthly retirement benefit is deposited into an account that draws interest. During those years, the employee continues to work but does not earn any additional service credit. At the end of the period, the money can be rolled over into a retirement account or given to the employee in a lump-sum. As of March 2019, 13 employees have enrolled in the program. In 2019, the Legislature also allowed agents of the Kansas Bureau of Investigation to begin participating in this program.

AUDIT OBJECTIVES AND TENTATIVE METHODOLOGY

The audit objective listed below represent the question that we would answer through our audit work. The proposed steps for the objective are intended to convey the type of work we would do but are subject to change as we learn more about the audit issues and are able to refine our methodology.

Objective 1: How does the deferred retirement option program affect state agencies? Our tentative methodology would include the following:

- Review state law and KPERS guidelines to understand who is currently eligible for the program and any other rules that govern it.
- Work with KPERS staff to determine how many individuals participate in the program currently and how many are likely to be eligible for the program in the future. Additionally, determine how much the program costs KPERS. This would include any additional staff needed to administer it.
- Work with KHP and other participating agencies to determine how much the program costs that agency.
- Talk to agency staff to understand any effects the program has on the retirement decisions of employees. Collect their opinions on whether the primary goal of resolving staffing issues is being accomplished.

- Survey or interview members who have entered the program to see if they are working longer or simply entered the program 3-5 years before they originally intended to retire.
- Work with KPERS officials to estimate the potential effect on program cost and the state's liability if other law enforcement agencies were allowed to participate.

Objective 2: How does Kansas' deferred retirement program compare to similar programs in other public pension plans? Our tentative methodology would include the following:

- Work with KPERS staff, Legislative Research and others as needed to identify other states with pension plans like KPERS and a deferred retirement program.
- Compare information from those states to Kansas in terms of who is eligible, program structure, program costs, the number of enrollees, and program timelines.
- Discuss any areas of difference in terms of structure, costs, or timelines with KPERS staff.
- If other states have more public service agencies participate than Kansas (local entities, or more state agencies) talk with KPERS officials, as well as representatives from those entities in Kansas about their interest in expanding the program, as well as the benefits and drawbacks to doing so.

ESTIMATED RESOURCES

We estimate this audit would require a team of **3 auditors** for a total of **4 months** (from the time the audit starts to our best estimate of when it would be ready for the committee).