

Select Committee on Pension Policy



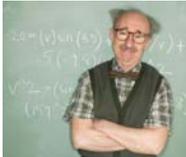
Retire-Rehire Options

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Issue

- SCPP briefed on higher education retire-rehire rules and recent newspaper article
- Article stated
 - Procedural safeguards allegedly not being followed
 - Some PERS retirees working in higher education are not subject to the same restrictions
- Executive Committee instructed staff to prepare options for possible legislation to address these issues




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Today's Presentation

- Recap of Retire-Rehire Rules
 - Generally
 - Higher Education
- Identifying concerns
- Options
- Next steps



Retire-Rehire Rules Only Apply To Pensions

- Rules do not regulate whether a retiree can go back to work
 - They restrict when retirees can return to work and collect pension benefits
 - Not adhering to rules can result in suspension or reduction in benefits
- Rules are targeted to retirees from DRS-administered systems going back to work in a position that qualifies for a DRS-administered benefits
 - Retirees may go to work in private sector unrestricted
 - Retirees may go to work in a position ineligible for DRS-administered benefits after a separation in service
- Rules establish restrictions and procedural safeguards



What Are The Restrictions?

- Can work up to 867 hours per year without suspension of benefits
 - Plans 1 retirees can work longer subject to additional procedural safeguards
- Retirees of Plans 2/3 who retire under the alternate early retirement factors may not return to work until age 65



What Are The Procedural Safeguards?

- Separation from service
 - Minimum 30 days
- Retirees of PERS and TRS may not have a prior agreement with their employer for reemployment
- For Plans 1 members using the expanded hours, the retiree can only be rehired
 - After a longer separation of service
 - Using the established hiring process for the position
 - With the approval of appropriate authority
 - Pursuant to a documented justifiable need to rehire

Recent Newspaper Article Addressed Two Things

- Procedural safeguards are not being followed
- Some PERS retirees in higher education are subject to fewer restrictions
- Additional details in September briefing



How Are Higher Education Retire-Rehire Rules Different?

- PERS retirees can go to work in higher education without yearly limit on hours
 - Only applies to PERS retirees who are offered a HERP
 - Retirees of other systems are subject to normal rules, even if they go to work in higher education
- Some procedural safeguards still apply
 - Must be a valid separation from service
 - PERS and TRS retirees must not have prior agreement

Example Of Higher Education Retire-Rehire Process

- Member retires from PERS
- Retiree begins collecting PERS benefits
- Retiree waits at least 30 days
- Retiree goes to work at a public higher education institution
 - Could be same job retiree just retired from
- Retiree's new job offers retirement benefits through a HERP
 - HERPs are not administered by DRS
 - Treated as ineligible for PERS benefits
- Thus, retiree is working full time, collecting PERS benefits, and accruing new benefits in a HERP



Recap

- Retirees can go back to work any time
 - If they don't adhere to the retire-rehire rules, they may have their benefits suspended or reduced
- Rules contain restrictions and procedural safeguards
- Procedural safeguards allegedly not followed
- PERS retirees working in higher education are not subject to yearly limit on hours
- Staff directed to prepare options for possible legislation to address these issues

Areas Of Possible Concern

- PERS retirees are treated differently from retirees in other systems when returning to work in higher education
- PERS retirees can work in higher education full time while receiving full benefits, and earning new benefits in a HERP
- Members can retire and return to the same job or employer
- Separation of service requirements
- Current safeguards are allegedly not being enforced, or do not go far enough
- Public perception or perceived lack of transparency in rehiring retirees



Sample Options

- Prepared by staff in consultation with HR/benefits personnel in higher education
- Not an exhaustive list, and not mutually exclusive
- Options are high-level
 - May be several ways to approach each option
 - Additional input from members would be required to fully develop
- Each option could address one or more of the listed concerns
- Options may present contractual rights issues
 - May wish to involve counsel

Option 1 – Prohibit Retirees From Receiving Pension Benefits While Earning New Benefits In A HERP

- Similar concept to HECB rule
- More than one approach
 - Retirees may not earn new benefits in a HERP; or
 - Retirees can earn benefits in a HERP, so long as their pension benefits are suspended
- Comparatively narrow option
- Reaches into higher education policy



Option 2 – Establish Consistency Between PERS And Other Retirees In Higher Education

- Require PERS retirees working in higher education to be subject to same rules as retirees of other systems working in higher education
- PERS retirees could still earn new benefits in a HERP, subject to normal retirement rules
 - Yearly hour limits
 - Safeguards for Plans 1 members working additional hours
- Would treat retirees in higher education the same

Option 3 – Ensure A Valid Retirement

- Reevaluate restrictions and procedural safeguards
- Sample questions
 - Should additional safeguards be enacted?
 - Should Plans 1 safeguards apply to all rehired retirees in all scenarios?
 - How can they be enforced?
 - Who is in best position to enforce?
- Could help eliminate or expose abuses and combat negative public perceptions of retire-rehire
- Would open up possibility of system-wide revision rather than just higher education retire-rehire

Option 4 – System-Wide Reorganization Of Retire-Rehire Rules

- Start with a clean slate
- Would allow reevaluation of underlying policy and assessment of whether conditions that gave rise to reform in 2001 are still present
- Would require time to develop



Option 5 – Study Of Retire-Rehire Rules

- Could be conducted at one of several levels
 - OSA, at the direction of the SCPP
 - Prior OSA studies in 2005 and 2003
 - Multi-agency, at the direction of the Legislature
- Could be narrowly tailored to address one or more of the concerns, or it could review the entire system
- Sample questions
 - Is current policy adequate from both business management and workforce management perspectives?
 - Is restructuring necessary?
- Could help form a comprehensive strategy
- Would require time to develop

Next Steps

- Nothing further at this time
- Identify the concerns to be addressed
 - Pursue one or more of the options listed
 - Ask staff to develop additional options