

## Select Committee on Pension Policy



### Retire-Rehire Options

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## Procedural Update

- SCPP briefed on higher education retire-rehire rules at the last two meetings
- Last meeting, SCPP was presented with five options
- Executive Committee requested work session and bill draft incorporating Option 1
  - Prohibit retirees from receiving pension benefits while earning new benefits in a HERP
    - Higher Education Retirement Plan
  - For reference, other options listed in Executive Summary




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## Today's Work Session

- Recap of normal rules and safeguards
- Bill draft attached
  - Bill draft provisions
  - How bill fits in broader retire-rehire framework
- Next steps



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## Normal Rules And Safeguards

- Rules not intended to stop retirees from going back to work full time
- Rules control whether or not retiree can collect benefits at the same time
- Most rules are focused on employer actions
- Legislature allowed retirees to work and collect benefits on part time basis
  - Details have changed, but principle in statute long before expansion in 2001



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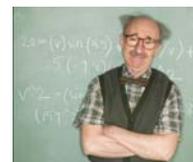
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## Retiree Could Go Back To Work Without Adhering To Any Rules And Safeguards

- DRS will reduce or suspend benefits
- Alternatively, retiree can reestablish normal plan membership
  - Resume making normal contributions
  - Benefits are suspended until retirement
  - "Un-retiring"

## Retire-Rehire Rules

- Retirees collecting benefits must adhere to the following
  - Up to 867 hours
    - Additional hours for Plans 1
  - Must be at least 30 day separation of service
    - Additional time for Plans 1 retirees working additional hours
  - No prior agreement for reemployment
  - Plans 2/3 retirees using alternate early retirement factors may not return to work until age 65
  - Some differences for public safety plans



## Plans 1 Retirees Working Additional Hours Are Subject To Additional Safeguards

- Option created in 2001 expansion
- Can work up to 1,500 hours per year
  - Lifetime limit of 1,900 hours earned in excess of 867 per year
- Retiree working additional hours must 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



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## Retiree Could Go Back To Work Without Adhering To Safeguards

- Safeguards intended to minimize opportunity to make deals
- Only apply to Plans 1 retirees who want to work additional hours and continue to receive benefits
- If safeguards not adhered to
  - DRS will reduce or suspend benefits
  - DRS may collect contributions for time worked



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## Bill Draft Attached

- Incorporates Option 1
  - Prohibit retirees from receiving pension benefits while earning new benefits in a HERP

## Bill Draft Provisions

- Applies to all public higher education entities
  - Universities
  - Colleges
  - SBCTC
  - HECB
- Entities can continue to offer HERPs
- Cannot offer HERP to someone who has retired from a DRS-administered system
- Prospective only
  - Does not affect retirees who are currently in a HERP
- Applies to all retirees of DRS-administered systems, including public safety plans

### Bill Draft Retains Provision From 2010 “HECB Bill”

- HECB can only offer HERPs to employees who have previously paid into a similar plan
- Provision was enacted last session
- Does not apply to other higher education entities
- Intended to allow HECB to offer HERPs to employees recruited from higher education
  - HECB could not offer HERPs to general employees, or retirees of DRS-administered systems



### How The Bill Fits Into Complex Retire-rehire Framework

- Under current law
  - Employee working in higher education is in PERS, unless exempted
    - E.g., exempt due to participation in a HERP
  - If rehired PERS retiree participates in a HERP, then some current retire-rehire rules do not apply
- Under bill draft, rehired retiree is not eligible for a HERP
  - Thus, employee is NOT exempt from any retire-rehire rules

### What Does That Mean From A Practical Standpoint?

- Higher education entities can still offer HERPs to new employees
  - HECB can still offer HERPs to employees who have paid into similar plan before
- Retirees could not collect benefits, go back to work, and accrue new benefits at the same time
- No difference between retiree going to work in higher education and any other public employer
- Rules and safeguards will be determined by current law for plan the member retired from



### Actuarial Fiscal Note For Bill Draft Not Yet Available

- OSA analysis should be complete in December
- Difficult to quantify retirement behavior change for small group
- If SCPP chooses to recommend bill draft
  - OSA anticipates either no cost or small savings
  - If analysis changes we will notify SCPP

## Next Steps

- Nothing further at this time
- Recommend the bill draft
  - Sample motion
    - I move that the Committee recommend the attached bill draft to the 2011 Legislature
- Request amendments or additions



## DRS Administration

- Current limitations understood/administered
  - Monthly reporting
  - Audit item
- Proposal before the committee is supported
  - DRS worked with OSA on the bill draft
  - Standardizes administration across employers
  - Standardizes communications to retirees

*Source: Department of Retirement Systems*