

Select Committee on Pension Policy



Retire-Rehire: Higher Education

Aaron Gutierrez, Policy Analyst



December 14, 2010

Issue

- Some retirees can collect retirement benefits, work full time in higher education, and earn benefits in a HERP at the same time

Procedural Update

- SCPP has reviewed the issue at last three meetings
- Executive Committee requested a public hearing and possible executive session
 - Focused on higher education aspects of retire-rehire
 - Additional review of bill draft prepared by staff
 - Input from higher education personnel
- Draft fiscal note for bill draft



Today's Presentation

- Quick recap
- Bill draft
 - Provisions
 - How it fits in broader framework
 - Change from last version
- Next steps

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

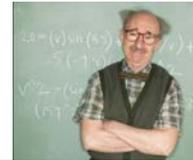


Retiree Could Go Back To Work Without Adhering To Any Rules And Safeguards

- 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

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



Bill Draft Attached

- SCPP was presented with five options
 - Executive Committee requested bill draft incorporating option 1
 - SCPP briefed on bill draft at November meeting
- Draft prohibits retirees and those eligible to retire 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



Bill Draft Is A Complete Bar To HERP Benefits For Public Employees Who Are Retired, Or Eligible To Retire

- In addition to higher-level administrators, this prohibition would be applied to employees in situations such as the following
 - Retiree who is receiving comparatively small benefits, for example
 - Retiree worked less than full time throughout the retiree's career
 - Retiree started public service late in life (e.g. an employee who retires at age 65, with only five years of service credit)
 - Employee who is eligible to retire, but changes jobs or employers without officially retiring and collecting benefits.

Change To draft

- Change closes procedural loophole that would have allowed current practice to continue
- Scenario
 - PERS employee eligible to retire leaves employment without officially retiring
 - Employee begins working in higher education and is offered a HERP
 - Not prohibited, because not a retiree
 - Once in HERP, employee officially retires from PERS
- Change is to page 3, line 11 of draft
 - “retired, or are eligible to retire”



Draft Actuarial Fiscal Note

- Indeterminate savings
- Likely small
- Potential magnitude provided below

Potential Budget Impacts			
<i>(Dollars in Millions)</i>	2011-2013	2013-2015	25-Year
General Fund-State	\$0.0	\$0.0	(\$0.1)
Total Employer	\$0.0	(\$0.1)	(\$0.3)

Recent Activity

- Governor's proposal
 - Prohibit retirees from participating in HERPs
 - Press release and policy brief handed out
- HB 1022 (pre-filed by Representative Carlyle)
 - Focus on safeguards
 - Signed affidavits
 - At least nine-month separation of service
 - Enforcement and investigation provisions
 - Copy of bill handed out

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