

Select Committee on Pension Policy



Retire-Rehire

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Recent Article

- A recent news article has brought attention to certain aspects of the retire-rehire rules
- The article stated
 - Some retirees can go back to work full time while earning full benefits and accruing new benefits
 - Some retirees are returning to work “within weeks” of retirement and have a prior agreement with the employer



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Today's Presentation

- Brief history of work already done on retire-rehire
 - Contrasting views
 - Current law
- Recent article
- Next steps

Contrasting Views On Retire-Rehire Generally

- "They've earned it, and the benefit is paid for, so why not?"
- "If it's not restricted, it leads to double dipping and abuse of the system."



Contrasting Views On Coordination Of Retire-Rehire Rules

- Retire-rehire rules should apply evenly to all public employees
- Different plans have different needs and rules should reflect that



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4

Over Time, Washington Balanced These Views In Structuring Retire-Rehire Policy

- Retirees can return to work part time without reduction in benefits
 - Plans with age-based retirement (Plans 2/3) limited to 867 hours per year
 - Plans with service-based retirement (Plans 1) allow more hours
 - Members in Plans 1 cannot earn more than 30 years of service credit, no matter how long they work
- Retirees returning to work are subject to restrictions and procedural safeguards
 - SCPP helped craft these over several years



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5

What Are The Restrictions?

- When a retiree can return to work
 - Minimum 30-day separation of service
 - Longer under some circumstances
 - At least age 65 for Plans 2/3 members using recently enhanced Early Retirement Factors (ERFs)
- How many hours the retiree can work
 - 867 hours per year
 - Up to 1,500 hours per year for Plans 1
 - Lifetime limit of 1,900 hours earned in excess of 867 yearly hour limit
- Not all restrictions apply in all circumstances
 - Fewer restrictions apply for retiree in position ineligible for benefits
 - No restrictions apply if retiree goes to work in private sector



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6

What Are The Procedural Safeguards?

- Retirees from PERS and TRS may not have a prior agreement with their former employer for reemployment
 - Violations may be subject to prosecution
- For Plans 1 members working up to 1,500 hours, the retiree must be hired
 - After a longer separation of service
 - Using the established process for the position
 - With the approval of appropriate authority
 - Pursuant to a documented justifiable need to rehire



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7

Recent Article Stated Procedures Are Not Being Followed

- Employees are retiring with a prior agreement for reemployment
 - Either directly stated or heavily implied
- Rehired "within weeks" of retirement
 - Does not explicitly state that any members came back prior to completion of minimum separation of service
 - However, it does imply there was no valid retirement



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8

Recent Article Mainly Focused On Higher Education Retire-Rehire Policy

- Specifically, the yearly limit on hours does not apply to some PERS retirees in higher education
- Higher Education Retirement Plans (HERPs) are optional retirement plans not administered by DRS
 - Can only be offered by state institutions of higher education
- PERS retirees who come back to work utilizing a HERP are treated as though their position was ineligible for PERS benefits, so no yearly hour limit applies
- For all plans other than PERS, a retiree accepting a HERP is subject to the yearly limit on hours, as defined in the plan from which they retired



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9

Recent Legislation On Higher Education Retire-Rehire Rules

- Prior to 2010 session, all state institutions except the Higher Education Coordinating Board (HECB) could offer HERPs
- SCPP-sponsored bill allowed HECB to offer HERPs, under two requirements
 - Employee has previously paid into a similar plan
 - Employee is not receiving or accruing benefits in a DRS-administered plan
- New conditions do not apply to other institutions offering HERPs

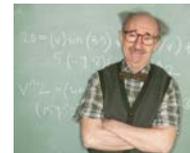


How Many PERS Retirees Are Working In A HERP-Covered Position?

- Can only provide a high-water mark at this time
 - 716 retirees are in a position where they *might* be utilizing a HERP
- Actual number is likely to be lower
- Obtaining a precise count would require special data collection

Higher Education Retire-Rehire Rules In Washington's Peer States

- Five peer states (CA, CO, IA, MI, OR) have a higher education rule similar to Washington
- Four peer states (FL, MO, OH, WI) do not have a similar rule
- One state (ID) has a similar rule, but with an added condition
 - The employee must be moving to a position that is not related to the one he or she had previously held
 - This option is intended to allow retirees to utilize their expertise in teaching
 - For example, an accountant for the state could retire, then go to work teaching accounting at the university
 - That person could not work for the university as an accountant



Recap

- SCPP has addressed several aspects of retire-rehire over the years
 - Valid separation from service
 - Procedural safeguards
 - Yearly limits on hours
 - Limits and restrictions to expanded hours for Plans 1
- Recent article spoke of two things
 - Restrictions and safeguards allegedly not being followed
 - Some retirees in higher education are not subject to yearly hour limits

Next Steps

- Are there retire-rehire issues the SCPP would like to revisit or reevaluate?
 - Full issue of retire-rehire
 - Procedural safeguards
 - Higher education retire-rehire rules
- If not, then nothing beyond this briefing and work session
- If so, the SCPP may direct staff to study options

