

Retire-Rehire: Higher Education

Issue

Retirees returning to work in a position covered by a plan that is not administered by the Department of Retirement Systems (DRS) are subject to fewer pension restrictions than employees returning to a position that is covered by a DRS-administered plan.

Background

Institutions of higher education are authorized to offer Higher Education Retirement Plans (HERPs) to their faculty and certain other employees. HERPs are administered by the institutions, not DRS.

Public Employees' Retirement System (PERS) retirees who return to work in state institutions of higher education may receive PERS retirement benefits while working full time and simultaneously earning additional retirement benefits in a HERP. In contrast, retirees who return to work for public employers in a position covered by a DRS-administered plan are generally limited in how many hours they can work without having their pension reduced or suspended and may not earn additional benefits.

Policy Highlights

- ❖ Supporters of current higher education retire-rehire rules may feel they are necessary for recruitment and retention. Opponents have argued that this is an abuse of the system and is not genuine retirement.
- ❖ Higher education institutions have traditionally had the option of providing retirement benefits outside the DRS-administered systems.
- ❖ In recent years the SCPP has weighed in on this issue regarding the Higher Education Coordinating Board (HECB). The committee recommended authorizing the HECB to offer HERPs only to employees who were not receiving or accruing benefits in a DRS-administered retirement system.

Committee Activity

The committee considered this issue at the September, October, November, and December meetings. At the December meeting, the committee recommended legislation as detailed below.

Recommendation To 2011 Legislature

- ❖ Limit who can be offered a HERP.
- ❖ Prohibit HERP supplemental payments to higher education employees hired after the effective date of the act.
- ❖ Add the SCPP to the committees responsible for determining when and how periodic review of HERPs will occur and whether to adjust HERP contribution rates.
- ❖ Amend separation of service requirements for rehired members of PERS.
- ❖ Apply the PERS post-retirement employment rules to PERS retirees receiving or accruing benefits in a HERP.

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