

## **Retire-Rehire Correction (DRS Bill Draft)**

In the 2011 Session, the Legislature enacted ESHB 1981. This bill made several changes to retiree return-to-work rules, as well as changes to the Higher Education Retirement Plans.

The Department of Retirement Systems (DRS) has approached the SCPP stating that the changes to the return-to-work rules resulted in inconsistencies between retirement systems. In response, DRS has prepared a proposed bill draft for the SCPP's consideration that would restore the prior policy for these limited circumstances.

The Executive Committee scheduled a work session on DRS' bill draft.

### **Background**

Prior to ESHB 1981, a retiree could work in public employment up to 867 hours per year without a suspension of that retiree's pension benefits. This general rule typically applied whether or not the retiree was hired into a position covered by the same retirement system the member retired from.

Exceptions to the general rule existed, for example, when the retiree returned to work in a position that was not eligible for membership in any DRS-administered retirement system. In other words, retirees working in ineligible positions could work full time without a suspension of benefits.

### **Current Situation**

ESHB 1981 removed the 867-hour option for PERS Plans 2/3 members who return to work in other systems (e.g. TRS, SERS, etc.), meaning these retirees will experience an immediate suspension of benefits so long as they continue working. PERS retirees who return to work in PERS-covered positions may continue to work up to 867 hours per year without a suspension of benefits.

ESHB 1981 also applied the 867-hour limit to PERS retirees working in ineligible positions.

DRS reports that it is not administering these changes yet.

## Effects Of Bill Draft

The bill draft provided by DRS reapplies the 867-hour option to PERS retirees who return to work in positions covered by other DRS-administered retirement systems. The draft also states that the return-to-work rules apply only to retirees hired into eligible positions.

## Side-By-Side Comparison

	Before ESHB 1981	After ESHB 1981	DRS Bill Draft
<b>PERS retiree hired for ineligible position</b>	No Limit	867	No Limit
<b>PERS retiree hired for PERS position</b>	867*	867	867
<b>PERS retiree hired for OTHER position</b>	867*	Imm. Susp.**	867
<b>OTHER retiree hired for ineligible position</b>	No Limit	No Limit	No Limit
<b>OTHER retiree hired for PERS position</b>	867	867	867
<b>OTHER retiree hired for OTHER position</b>	867	867	867

*\*Plans 1 retirees also had option to work additional hours without suspension. Please see the fiscal note for ESHB 1981 for more information.*

*\*\*PERS 1 retirees working in OTHER positions were not affected by ESHB 1981 and remain eligible for the 867-hour limit.*

*No Limit: Retiree can work full time with no suspension of benefits.*

*Imm. Susp: The retiree's pension payments are immediately suspended so long as the retiree continues to work.*

*867: Retiree's pension payments will be suspended if retiree works more than 867 hours per year.*

*Other: Systems other than the Public Employees' Retirement System or the Law Enforcement Officers' and Fire Fighters' Plan that are administered by DRS.*

## Next Steps

The SCPP will hold a work session with possible public hearing at the November 20, 2012, meeting.

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An act related to restrictions on collecting a pension in the public employees' retirement system for retirees returning to work in an ineligible position or a position covered by another state retirement system and amending RCW 41.40.037.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

**Sec (1).** RCW 41.40.037 and 2011 1st sp.s. c 47§ 19 are each amended to read as follows:

(1) If a retiree enters employment with an employer sooner than one calendar month after his or her accrual date, the retiree's monthly retirement allowance will be reduced by five and one-half percent for every eight hours worked during that month. This reduction will be applied each month until the retiree remains absent from employment with an employer for one full calendar month.

(b) The benefit reduction provided in (a) of this subsection will accrue for a maximum of one hundred sixty hours per month. Any benefit reduction over one hundred percent will be applied to the benefit the retiree is eligible to receive in subsequent months.

(2) A retiree from plan 1, plan 2, or plan 3 who ~~enters employment with an employer at least one calendar month after his or her accrual date~~ has satisfied the break in employment requirement of subsection (1) of this section ~~may continue to receive pension payments while engaged in such service for~~ work up to eight hundred sixty-seven hours of service in a per calendar year in an eligible position, as defined in RCW 41.32.010, 41.35.010, 41.37.010, or 41.40.010, or as a firefighter or law enforcement officer, as defined in RCW 41.26.030, or in a position covered by annuity and retirement income plans offered by institutions of higher education pursuant to RCW 28B.10.400, without suspension of his or her benefit. ~~without a reduction of pension. For purposes of this section, employment includes positions covered by annuity and retirement income plans offered by institutions of higher education pursuant to RCW 28B.10.400.~~

(3) If the retiree opts to reestablish membership under RCW 41.40.023(12), he or she terminates his or her retirement status and becomes a member. Retirement benefits shall not accrue during the period of membership and the individual shall make contributions and receive membership credit. Such a member shall have the right to again retire if eligible in accordance with RCW 41.40.180. However, if the right to retire is exercised to become effective before the member has rendered two uninterrupted years of service, the retirement formula and survivor options the member had at the time of the member's previous retirement shall be reinstated.

(4) The department shall collect and provide the state actuary with information relevant to the use of this section for the select committee on pension policy.

(5) The legislature reserves the right to amend or repeal this section in the future and no member or beneficiary has a contractual right to be employed for more than five months in a calendar year without a reduction of his or her pension.

[2011 1st sp.s.; 2007 c 50 § 5; 2005 c 319 § 103; 2004 c 242 § 63. Prior: 2003 c 412 § 5; 2003 c 295 § 7; 2001 2nd sp.s. c 10 § 4; (2001 2nd sp.s. c 10 § 12 repealed by 2002 c 26 § 9); 1997 c 254 § 14.]