

Memorandum

To: House Pensions and Benefits Committee
From: ^{AD.C.} Alan D. Conroy, Executive Director
Date: February 4, 2015
Subject: Working After Retirement (WAR) Policy Options

As requested, we have outlined a range of potential policy goals and options for managing issues around working after retirement by KPERS members. They are presented simply as illustrations of the diverse approaches to working after retirement that can be found in public pension systems. Further analysis would be required for any that are of particular interest to you or other members of the Joint Committee.

Fundamental policy questions

- What are the potential goals of WAR policies?
 - **Legal.** Establish adequate restrictions conforming to IRS principles relating to bona fide terminations, in-plan distributions and normal retirement age
 - **Funding.** Avoid establishing incentives that lead to modifications in employee/retiree/employer behavior adverse to plan funding
 - Can add disincentives such as higher employer contribution rates, but can never truly know whether they "offset" adverse impacts on funding since the "cost" can't be known
 - **Public perception.** Minimize public perception of public employee advantage at public's expense through "double dipping"
 - **Fairness.** Promote equity across subgroups of KPERS in opportunities and limitations available to retirees and active members actively planning when to draw their benefit
 - **Workforce management flexibility.** Provide adequate flexibility for employers to effectively hire, retain, and manage a high quality workforce
 - **Simpler set of restrictions and exceptions.** Minimize complexity in communicating and administering WAR policies
- Is KPERS intended to be a benefit for someone who has retired from public service or a retirement benefit that is available for members so long as qualifications are met (earned)?
- Based on answers to above questions, begin crafting policies identifying circumstances under which a retiree can work for a participating employer without affecting benefit
 - Who can return to work?
 - In what type(s) of positions?
 - For which employers?
 - At what point in time?
 - For how long?



- For what pay?
- What are the consequences of returning to work outside the limitations?
- What contributions are required, if any, and who pays them?

A Few Options for Managing Working after Retirement

Limit *length of time off work* before returning to work

- Currently require 60 days before returning to work for any KPERS members
- Phase limits in or out based on length of time from retirement before returning to work

Limit on *benefits*

- Suspend benefits
- Require repayment of benefits
- Restart membership and contributions, with potential for new or higher benefit once re-retired
- Limit benefits plus wages to no more than “X” percent of final average salary

Limit by *age of retiree*

- Stricter limits for younger retirees
- More lenient limits for retirees over a certain age

Limit by *earnings*

- Currently have \$20,000 annual earnings limit when working for former employer (with exception for licensed school professionals, substitute teachers)
- Limit earnings as a percent of benefit or final average salary

Limit by *hours worked*

- Restrict number of hours per year or month

Limit by *length of position*

- Limit number of months or years retiree can be re-employed in a position or in total)

Limit by *employer*

- Currently apply different rules when returning to work for former (same) employer than a different

Limit by *FAS or benefit level*

- Eliminate or relax limitations for retirees with low final average salary or benefit
- Phase in more restrictive limits for retirees with higher final average salary or benefit

Limit by *type of position* (e.g., exempt substitute teachers or selected “hard-to-fill positions”)

- What are criteria for “hard to fill positions” – blanket exemption for certain positions or require documentation of attempts to fill without using retiree
- Decentralized employer “certification” or centralized approval by position

Establish *employer contribution* requirements