WORKING AFTER RETIREMENT POLICY OPTION: "UNRETIRE"

PLAN DESIGN ELEMENTS AND POLICY ISSUES

Basic concept: KPERS retirees who return to work may become active, contributing members and begin earning a new benefit. Retirement benefits are suspended during re-employment.

Plan Design Element	Policy Issue	Comments
Waiting Period	Should the current 60-day waiting period following retirement before ANY re-employment be maintained or modified?	Under IRS rules, a bona fide separation of service is needed to begin receiving benefits. The three components of the IRS "facts and circumstances" test to determine a bona fide separation are: 1. Whether there was a true severance of the employment relationship 2. The amount of time that a retiree was off work 3. Whether there was a prearranged agreement for reemployment Therefore, a 60-day waiting period would still be compatible with the option of "unretiring." Could consider a longer period, such as 90 days.
Employer Coverage	Should the same working after retirement restrictions and the option of "unretiring" apply whether returning to work for the same employer or a different employer?	Applying the same policies on working after retirement -- • Eliminates the potential for one employer to be disadvantaged relative to other employers in the same system • Recognizes that the impact of returning to work after retirement on the system whether the retiree is rehired by the same or a different employer; and • Is simpler administratively.

KPERS

Plan Design Element	Policy Issue	Comments
Criteria for "unretiring"	What conditions would apply to suspension of benefits and re-establishment of active membership? • Are positions designated by the employer at the time of re-employment? • Who is making contributions?	**Type of position.** Currently, covered positions are those identified as non-seasonal or temporary and require at least 1,000 hours of work per year (630 hours of work per year or 3.5 hours of work per day for at least 180 days for school employees) It would be inconsistent with current plan design to permit new benefits to be earned if the job does not meet the criteria for a covered position. **Contributions.** Normal employer and employee contributions should apply to a covered position filled by a retiree who may be earning additional benefits. This could be accomplished under the current working after retirement rule, in which the employer makes the full contribution, the retiree could be treated as a regular contributing member, or some other mechanism of contribution.
Conditions in which benefits continue while working after retirement	Under what conditions can an employee return to work and continue to receive retirement benefits? • "Daily call" substitute teachers? • Legislative staff? • Nurses at State hospitals? • Positions designated at the time of reemployment as earning less than a stated earnings limit? o What would happen if the earnings limit is exceeded – e.g., require re-employment to end? Suspend benefit? • Retirees above age 62?	If positions are designated as subject to the earnings limit, the earnings limit should be set so that it is representative of part-time work in a non-covered position. The current earnings limitation has been set at $20,000 since 2006. Could consider a higher earnings limitation to account for inflation, for example $25,000. Would need to confirm whether any limitations other than a 60-day waiting period would be advisable or needed from the standpoint of the IRS for retirees age 62 and over. Note: Consideration would have to be given to the current provisions regarding State hospital nurses.

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Parameters for earning additional benefits when unretired	Would the "unretired" member's original benefit be **recalculated** upon terminating re-employment -OR- Would he or she be considered a "**new member**" for purposes of earning benefits? • If a new member, would the employee be in KPERS 3?	While either approach could be selected, there may be different considerations around administration, actuarial impact, and ease of communication. • KPERS' IT systems currently have some capability to recalculate a benefit. • Similar rules that are familiar to the participant could apply, to the extent permitted, if benefit is recalculated • Recalculating the benefit has fewer "steps" than calculating a second benefit and adding it to the original benefit • Under a final average pay defined benefit plan, there is a higher actuarial liability associated with members' service at older ages. If the employee becomes a KPERS 3 member, actuarial impact is reduced as that plan design has a different benefit accrual pattern. Starting as a new member could simplify how to handle partial lump sum options and joint and annuitant payment options – those selected at original retirement could remain in place for the new benefit.

Plan Design Element	Policy Issue	Comments
Minimum period of time before new benefit is earned	**If benefit is recalculated:** What minimum period of time should be served before additional benefit is earned? **If a new member:** What vesting requirement should apply? Five years? Under either approach, what does a member who does not serve the minimum period of time receive at termination?	If benefits are simply recalculated, it should be for a sufficient block of service to provide more than a de minimus benefit increase and to avoid multiple recalculations from intermittent employment. If the employee becomes a new member of KPERS 3, KPERS 3 provisions regarding vesting could apply. The vesting period for KPERS 3 is set at 5 years. In either case, member contributions and interest could be withdrawn upon separation from service, at which time all service under the re-employment would be forfeited. (Note: The state of Iowa requires the member work the full vesting period to earn a new benefit. If the member does not reach the vesting requirements they receive their contributions back when they leave employment.)
Compensation used in determining benefit	If the benefit is recalculated, what would be used as the final average salary for the recalculation?	
Benefit payment options	Should partial lump sum payouts be permitted only at first retirement? In conjunction with the new benefit? Would the original joint annuitant selections be applied to any new benefit earned? Could a new option be selected	Administration of benefit payment options would appear to be simpler if the "unretired" member is considered a new member, particularly if they are in KPERS 3.
Service purchase	Should a member who has unretired be permitted to purchase service during re-employment	The value of service purchases is not clear under these circumstances.
Portability-service in multiple plans (i.e. KPERS and KP&F)	How should existing portability provisions apply to or be modified with respect to members who "unretired?"	

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Contract arrangements	How should these working after retirement parameters apply to a retiree who contracts directly with an employer or who is hired by a third party contractor?	Requires further development and analysis. The option of "unretiring" would not fit with contractors or employees of contractors. Provisions exist in the current special exemption that require employer contributions for licensed school professionals working for a school district but employed by a third-party.
Death and disability benefits	Should normal death and disability benefits apply to members who unretired?	Further analysis and discussion on potential actuarial and administrative issues would be needed.
Effective date	Should the current exemption expire and be replaced with new working after retirement provisions as currently scheduled or should it be extended for a period of time (i.e. 1 year) to permit a delayed effective date for new provisions?	Delayed implementation would permit adequate time for necessary administrative changes.