

## Trends in Working After Retirement

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### Restrictions Apply

Most systems allow members to begin receiving retirement benefits and then go back to covered employment, but nearly all place restrictions on these situations. Common types of restrictions are:

- A waiting period. (IPERS' waiting period, or "bona fide retirement" requirement, is one month before working for an IPERS-covered employer and four months before working in an IPERS-covered position.)
- A limit on reemployment earnings. (IPERS' limit is \$30,000 for each calendar year.)
- A limit on reemployment hours. (IPERS does not limit hours.)

You'll often find the restrictions apply only to certain members. In IPERS' case, members over age 65 do not have the earnings limit, and members over age 70 are not required to have a bona fide retirement. Other systems have one set of rules for members who took an early retirement and another set for those who reached normal retirement age before retiring. Still others have different rules depending on whether the retiree has reached Social Security's retirement age.

In addition, working in a particular position or for a certain employer may invalidate or change the restrictions. Nearly all systems have exceptions such as these written into the law. The law gives some IPERS members exceptions to the bona fide retirement period: for example, people elected to a new office, and, through June 30, 2012, licensed health care professionals in certain hospitals.

### When Limits Are Broken

When a member does not follow the waiting period rule, most systems cancel the member's retirement application and require the person to pay back all benefits received. This is the policy IPERS follows.

When a member exceeds the earnings or time limits of reemployment, systems usually reduce or temporarily suspend benefits. IPERS reduces the benefit \$0.50 for every dollar earned over \$30,000. Other systems reduce the benefit dollar for dollar.

### Contributions During Reemployment

Almost all systems require contributions to be paid while a member is reemployed. However, how much is paid (compared to amounts paid for a never-retired employee), and what is done with the contributions, is highly variable across systems.

Almost two-thirds of the systems who responded to the June 2008 NASRA survey allow members to earn benefits of some kind during reemployment. Contributions may be placed in a separate money purchase account or defined contribution account, or commingled with defined benefit plan assets. Some systems allow members to earn additional benefits under the defined benefit plan, in certain circumstances—usually depending on how long the member works in reemployment.

Other systems do not allow members to earn benefits during reemployment. These systems may or may not take contributions as a result of reemployment. If they do, the contributions may be from members only or employers only. (No systems have yet been found to take contributions from *both* parties without providing any money back to the member.) The contributions are used to improve the overall funding of the plan. Colorado requires members to contribute 8 percent of wages to the system but does not allow any further benefits to accrue.

In the cases where a further defined benefit amount is not earnable, the contribution rates are often different from those usually paid. When the system uses employer contributions to bolster plan funding, rates may be based on the portion of the usual rate that is used for UAL amortization.

In IPERS' case, reemployed members and their employers pay the usual contribution rate and the funds are commingled with the rest of the IPERS Trust Fund. When the member stops working again, a lump-sum benefit will be payable, unless the member became vested during reemployment. In that case, the member can choose between a lump sum and an increased monthly benefit.