

WORKING RETIREMENT/PAY BACK PLAN

Current Law: Post-Retirement Employment

Current law allows Tier 1 and 2 retirees to be employed for up to 1,040 hours per year while collecting retirement benefits (with exceptions for certain low-population counties). Such retirees earn a salary for their positions and continue to collect their retirement benefits. During such periods of employment, they do not accrue further retirement benefits and their employers do not pay into the PERS system for these employees.

Proposed Change

Employees enrolled in Tier 1 and 2 of the PERS pension plans who are eligible to retire may qualify for a program whereby they continue to work in their current positions, begin to draw the retirement benefit to which they are entitled, but no longer accrue retirement benefits thereafter, provided:

- The employee earns no more than the salary for his/her pre-retirement position and contributes 6% of salary to the employing jurisdiction's PERS Liability Reduction Fund;
- The employing jurisdiction contributes the applicable PERS employer pension contribution rate to its PERS Liability Reduction Fund; and,
- Participation is subject to annual approval by the employing jurisdiction and is consistent with IRS rules for early retirement programs for qualified plans.
- The program is limited to employment by the jurisdiction from which the employee retired;
- Employment contracts are subject to annual renewal;
- Employment is limited to no more than five years after retirement.

Analysis of Effects

Buy Down of Employer Liabilities: Employers would generate as much as 30% of salary for each such position to be applied to the reduction of its unfunded actuarial liability for PERS – compared to no UAL reduction for Tier 1 and 2 retirees under current law and roughly 10% reductions for the continued employment of Tier 1 and 2 employees.

Employee Benefits: Participating employees would secure compensation (in salary and pension benefits) that would exceed what they would otherwise receive from delaying their retirement to a later age.

Staffing Needs: Employers would be able to retain experienced employees where needed and avoid a “rush to the exits” with changes made to the Tier 1 and 2 benefit system.