



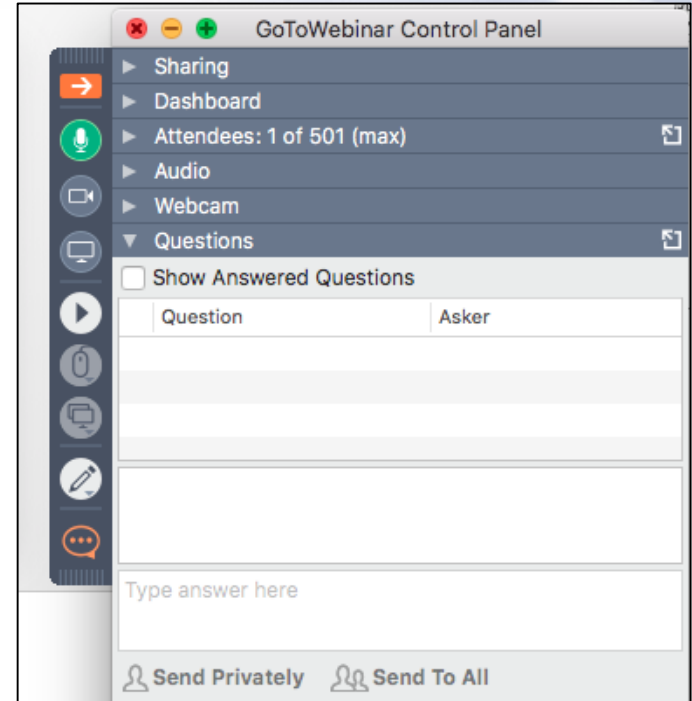
Public Pension Policies - Reassessing Barriers to Continued Work

A Data Briefing for Academic
Researchers

November 28, 2018

SLGE Webinar Logistics

- Attendees are in listen only mode during the webinar, but we encourage your questions.
- During the presentation, please type any questions using your control panel. We will answer questions via a twitter chat following this webinar @4GovtExcellence.
- We are recording this webinar. A replay and this slide deck will be posted at **slge.org**.
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Webinar Presenters



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Center for State and Local Government Excellence

The background of the slide features a stylized, light blue and white pattern of stars and stripes, reminiscent of the American flag, positioned in the upper half of the page.

Center for State and Local Government Excellence

Promote excellence in local and state governments so they can attract and retain talented public servants.

A solid orange horizontal bar spans the width of the slide at the bottom.

The background of the slide features a stylized American flag with white stars on a blue field and white stripes on a light blue background. The stars are arranged in a pattern that suggests the flag's design, with some stars appearing larger and more prominent than others.

National Association of State Retirement Administrators

To serve the members of the National Association of State Retirement Administrators in managing sustainable public employee retirement systems through research, education, and collaboration.

SLGE / NASRA Project on Public Employee Post-Retirement Employment

- Review of related research in the field
- **Collection of data on the post-retirement employment policies of large retirement systems across the United States**
- Development of case studies on three pension systems that have taken varying approaches to re-employment

SLGE gratefully acknowledges the support from The Alfred P. Sloan Foundation to undertake this research project.

About the Data

- Data is culled and analyzed from public retirement system websites, benefits guides, policy documents, and state statutes
- Each data point is a numeric or descriptive element pertaining to a specific feature of a system's post-retirement employment policy

Break in Service

- Federal and state laws require a separation from employment for all retirees before returning to work - for an employer participating in the same retirement system from which they retired - while continuing to receive their retirement benefit.
 - Break in service must be bona fide and there must be no agreement for future employment
 - Break in service requirements vary in length, from one day to one year or longer
 - Two-thirds of the systems analyzed require a break in service of six months or less
 - Break in service requirements may differ within the same system depending on factors such as occupation, age at retirement, or other factors

Restrictions on Terms of Re-employment

- Most states impose restrictions on the amount of earnings, the level of work, or both, during retirees' period of reemployment.
 - Thirty-five systems impose earnings limitations, which can be expressed as a fixed-dollar limit, percentage of the retiree's benefit or final salary at retirement, or tied to the salary for the position to which the retiree becomes reemployed.
 - Forty-two systems impose restrictions on the hours or days that a reemployed retiree may work in a given period. These restrictions can be expressed as a fixed number of hours or days, or a specified level of employment below full-time.

Penalties and Exemptions

- If restrictions on earnings, hours, or days worked are exceeded, benefits can be frozen and suspended, and in some cases, required to be repaid to the retirement system, until compliance with post-retirement employment rules is restored or the retiree elects to re-enroll as an active, contributing member of the system.
- Nearly every state exempts some occupations or employee groups from re-employment restrictions, or provides for exemptions – sometimes termed “critical shortage exemptions” – based on employer need.

Contributions and Benefits

- Thirty-five systems require employers and 16 systems require both employers and employees to make contributions during the period of re-employment, to mitigate the potential for an adverse actuarial impact on the pension plan.
- In some cases, these employee contributions are associated with the accrual of an additional benefit, which could be a second pension benefit, a defined contribution plan, or a refund of contributions with interest.

Finding Balance

- A successful post-retirement employment program must balance multiple, sometimes competing human resources objectives, such as:
 - Facilitating the ability of public employers to attract and retain the workers they need
 - Enabling public employees to work after retirement
 - Preserving the actuarial integrity of the pension plan and managing retirement benefit costs
- A key policy challenge surrounding post-retirement employment is finding the right balance among these multiple objectives

Finding Balance

- For any retirement plan, a fundamental equation underlies its long-term ability to pay benefits:

$$\mathbf{C + I = B + E}$$

- **C**ontributions plus **I**nterest earnings equals **B**enefits plus **E**xpenses
- That is: the revenue a retirement plan receives must, over time, equal the cost of the benefits and expenses the plan pays.

Finding Balance

- Complying with this mathematical reality requires actuarial balance
- Actuarial assumptions about future events—used to assess the cost of the plan—must be approximately correct over time
- Post-retirement employment can affect a pension plan's actuarial experience and assumptions

Finding Balance

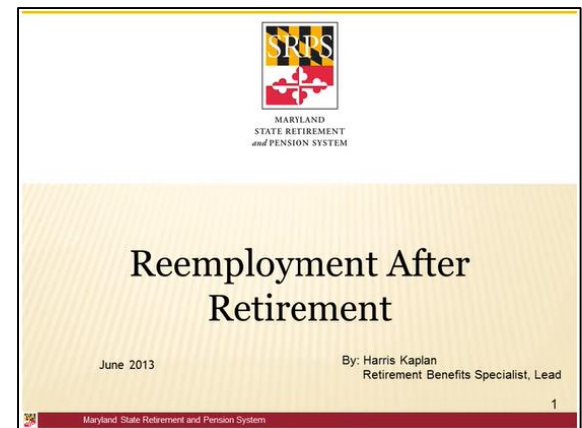
- A post-retirement employment policy that makes it too easy to retire and return to work can
 - negatively affect the actuarial condition of a pension plan, or raise the cost of the plan, and
 - complicate employers' ability to retain experienced workers
- A policy that is too stringent can
 - impair the ability of employers to attract workers needed to perform essential public services, and
 - impede the ability of older workers to find gainful employment

Finding Balance

- This balance is affected by multiple factors, including shifting:
 - workforce dynamics
 - employer needs for labor, and
 - economic conditions
- Multiple objectives interacting with shifting factors are why state post-retirement employment policies are frequently discussed and modified

Case Studies: Maryland

- 45 day break in service
- Earnings cap: Final pay minus annual pension payment
- Waiver available for some in-demand positions, or 5 years after retirement



Case Studies: Maryland

- No second pension
- Option for those re-hired to contribute to a supplemental plan
- Each agency is required to report data to the Department of Legislative Services

Case Studies: Maryland

Results

- Reduced incentive for talented retirees to seek out-of-state opportunities
- 77 have exceeded earnings limits; 124 qualified for exemptions
- Administrative costs are incurred, but not considered a burden on pension fund's actuarial position

Case Studies: Nebraska Schools

- 180 day break in service
- Pension payments continue
- Both employers and employees contribute to a second retirement benefit
- No limits on hours or earnings

Case Studies: Nebraska Schools

Results

- Smaller/rural districts have additional options to fill vacancies
- Currently 300 people drawing a secondary retirement benefit (for which full contributions were collected)
- Some ambiguity around “intermittent” employment still to be clarified

Case Studies: Texas ERS

- 90 day break in service
- Pension benefits continue
- Employer contributes to pension fund at regular rate
- No limits on hours or earnings

Case Studies: Texas ERS

- No second pension
- Option for those re-hired to contribute to a supplemental plan (Texa\$aver)

Case Studies: Texas ERS

Results

- Approximately 6,000 rehired retirees
- Costs are covered by employer contributions
- Policies are informed by Auditor's Office workforce reviews and agency strategic staffing plans

The screenshot shows the top section of the Public Plans Data website. On the left is the logo with the text "PUBLIC PLANS DATA". To the right is a search bar with the word "Search" and a right-pointing arrow, with "ADVANCED SEARCH" written below it. Further right are three colored buttons: a blue button with a laptop icon labeled "CONTACT US", an orange button with an envelope icon labeled "EMAIL SIGN-UP", and a green button with a Twitter bird icon labeled "TWITTER". Below these is a horizontal navigation menu with the items "DATA", "QUICK FACTS", "RESOURCES", "RESEARCH", and "ABOUT US". The "DATA" item is highlighted with a blue shield icon. Below the navigation menu is a large white box with a blue border containing the text "DOWNLOADABLE DATA".

Post-Retirement Employment Policies

This data set reflects postretirement employment policies for 82 public retirement systems in all 50 states. It includes information on who is eligible to return to work after retiring; rules and restrictions on postretirement employment; and exemptions set forth for general or specific employee groups. This material will be updated as statutes and retirement system policies addressing postretirement employment are modified.

[View and Download Post-Retirement Employment Policy Data](#) →

<http://publicplansdata.org/public-plans-database/download-full-data-set/>

Balancing Objectives in Public Employee Post-Retirement Employment Policies: Reassessing Barriers to Continued Work



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