

What is the current policy on retirees returning to work?

Under certain circumstances, a retiree may return to state or local government employment, once the retiree has been retired for a sufficient period of time. For TSERS members, that waiting period is six months. For LGERS members, that waiting period is one month. Retirees who return to work under the required conditions continue to collect their retirement benefits, subject to restrictions, but they are not eligible to earn additional service credits toward their benefits. For more information on specific regulations, please refer to <http://www.nctreasurer.com/NR/ronlyres/BC1AA177-8F65-4FD8-8F07-5203F5D39D32/0/RTWGuidanceTSERS1052010.pdf> (TSERS) or <http://www.nctreasurer.com/NR/ronlyres/3929A2D3-9663-49BD-8BC0-880BB04521A9/0/RTWGuidanceLGERS1052010.pdf> (LGERS).

How did this policy develop?

Return to work policies first appeared in 1951. These policies have gradually changed to address the changing needs of North Carolina's governments. As North Carolina has grown and become more diverse, the needs of its people have also grown and become more diverse. In some cases, the ability of governments to hire new workers to address these needs has been unable to keep up with the demands of state residents. Return to work policies attempt to help bridge the gap in hiring.

What changes were made in 2009?

Nursing Instructor Exception:

During the most recent legislative session, the General Assembly passed Senate Bill 204, which permits a retiree from the Teachers' and State Employees' Retirement System (TSERS) to return to work as a nursing instructor at a community college or university under certain circumstances and continue receiving his or her TSERS benefit. Under the bill, which became effective July 1, 2009, and which will expire in 2013, a retiree can return to work as a nursing instructor in a permanent full-time position, or a part-time position that exceeds 50 percent of the workweek, in a certified nursing program for a maximum of three years. A retiree who meets the following qualifications will not be subject to the earnable allowance:

- A retiree is not allowed to work for a university or a community college in any capacity for the six months prior to the new employment.
- If retired after July 1, 2009, the retiree must have retired with a service (unreduced) retirement benefit.
- The employer must certify to the Retirement System that it has a shortage of nursing instructors, that it has made every effort to fill positions with qualified nursing instructors who are not retirees, and that it has complied with several other conditions required in Senate Bill 204.
- Employers are required to contribute 11.7% of the retiree's salary to the Retirement System

Classroom Teacher Reemployment Exception:

The Classroom Teacher Reemployment Exception expires on October 1, 2009. It was not renewed during the recent General Assembly session. Effective on October 1, 2009, classroom teachers will revert back to standard return to work regulations.

How does a rehired retiree have a cost to the retirement system since they are already getting a benefit and they are not earning additional service?

As an example, let's consider a teacher who is currently age 55 and has 30 years of service, so she is eligible to retire. However, she enjoys teaching and plans to work for another 5 years, until she is age 60. If the state does not allow retirees to work, she will simply continue teaching and wait to collect her benefit until age 60. If the state were to create a new exemption for classroom teachers, then she might start her benefit now, wait out six months and then come back to teach the remaining years until age 60. Except for the 6 month waiting period, she still gets to do what she enjoys (teaching) and gets to collect both a paycheck and a pension check. Those extra 5 years of benefit payments are what generate the cost to the state.

What are the pros and cons of a more lenient policy?

Pros:

- Less administrative work for government and participants.
- More responsive to short-term workforce needs.

Cons:

- Potentially illegal. A more lenient policy could violate IRS regulations, which could cause the federal government to intervene and possibly shut down the entire North Carolina Retirement System.
- Very expensive. Some estimates show that a more lenient return to work policy could cost the state \$100s of millions.

Do return to work policies relieve workforce shortages?

Data on the effectiveness of return to work policies in relieving workforce shortages are limited and mixed in their conclusions. In some cases, return to work policies have relieved workforce shortages. In other cases, they have been less successful. Therefore, it is difficult to predict how any particular change to return to work policies will impact workforce shortages.