Work Session 2
Retiree Return to Work

Issue Summary

Employment arrangements that allow LEOFF Plan 2 retirees to continue drawing their pension when they return to work in LEOFF management positions undermines public confidence that the plan is well-designed and professionally managed. However, these same arrangements facilitate employers hiring desired personnel.

Background

Some employers have hired LEOFF Plan 2 retirees into LEOFF management positions but have not reported those employees in LEOFF Plan 2. Employers have turn LEOFF management positions that were historically reported in LEOFF into PERS positions by modifying the job requirements. This practice allows the retiree to continue drawing their LEOFF Plan 2 pension.

LEOFF Plan 2 retirees who are rehired into positions covered by the Public Employees' Retirement System (PERS) have the option to continue to receive their LEOFF Plan 2 pension pursuant to "Career Change" legislation sponsored by the Board in 2005. There are financial penalties for an employer if the employer improperly reports a LEOFF Plan 2 retiree as working in a PERS position when they are actually working in a LEOFF position. A number of employers have received such penalties since 2013 resulting in some public outcry to repeal the Career Change program.

The Board proposed legislation in 2014 (HB 2479) that would put LEOFF Plan 2 retirees back into LEOFF membership if they were hired into what would otherwise be LEOFF jobs except that the position is:
   a. less than full time;
   b. less than fully compensated;
   c. not fully commissioned;
   d. includes additional non-LEOFF duties; or
   e. filled by an independent contractor.

The House passed HB 2479. Due to opposition from some stakeholder groups, it died in the Senate.

Strategic Questions

(1) What is the value to employers and members of leaving the current practice open? What is the cost to employers, members and the plan?

(2) HB 2479 did not pass in 2014. How likely is it to pass in 2016 if stakeholder opposition remains?