

# Returning to Work After Retirement

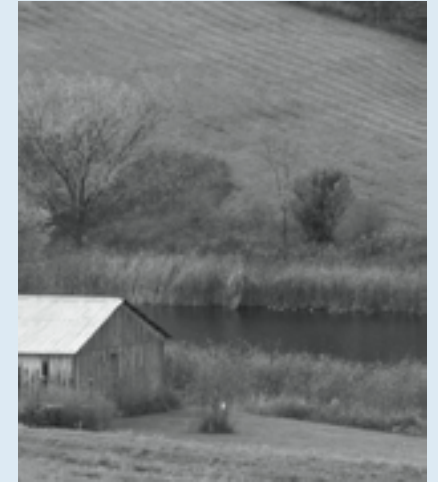
How Your IPERS Benefits  
Are Affected by Reemployment



**IPERS**

*Working Today for Your Tomorrow*

**P**eople work after their initial retirement for many reasons. It's important to understand if, and how, your retirement benefits may be affected if you decide to return to work after you retire. This brochure is designed to provide you with the information you need.



Clay Smith, Iowa Department of Natural Resources

*One of 80,000 Iowa farm ponds sits serenely among the fall trees in northeast Iowa. The Department of Natural Resources stocks about 600 acres of ponds. Licensed anglers take some 1.6 million fishing trips a year hosted by farm pond owners. One thousand ponds are added yearly.*

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## IF YOU DECIDE TO RETURN TO WORK AFTER YOU RETIRE

After retirement, you may decide that you're ready to return to the workforce. People decide to return to work after retirement for various reasons – to try a new career, to have more interaction with others, or for financial concerns. Whatever the reason, it's important to understand how your retirement benefits may be affected, based on:

- Your age.
- The type of employer for whom you work.
- How much you earn.

It's a good idea to contact IPERS before beginning any postretirement employment.



### Stop and Make the Call

Before returning to work, call IPERS and the Social Security Administration to make sure you understand the effect of reemployment on your benefits.

## WHERE YOU WORK MAKES A DIFFERENCE

If you are retired and return to work with an employer that is not covered by IPERS, there are no employment restrictions – you can work as soon and as much as you wish with no effect on your IPERS benefits. However, please keep in mind that Social Security has certain income limitations that apply to your social security benefit (see page 11).

If you are retired, younger than age 70, and return to work for an IPERS-covered employer, there are certain restrictions you should understand before beginning any employment. You must have a bona fide retirement that meets both of these conditions:


- End all service with an IPERS-covered employer, regardless of whether your position with that employer is covered by IPERS.
- Not return to work with an IPERS-covered employer for 1 month or to IPERS-covered employment for 3 additional months.

The bona fide retirement period begins with your first month of entitlement for retirement benefits as approved by IPERS.

Bona Fide Retirement Example*			
If your first month of entitlement to benefits is...	January	February	March
You may begin employment with a covered employer in a noncovered position in...	February	March	April
You may begin employment with a covered employer in a covered position in...	May	June	July
You can begin employment with a noncovered employer at...	Any time		

\*Example assumes you are between ages 55 and 70.

You are not eligible for retirement benefits if you end and then return to covered employment before filing a completed application for benefits. In addition, you cannot enter into any employment agreement (verbal or written) with an IPERS-covered employer until you have received at least 1 benefit payment from IPERS.




## What Is a Bona Fide Retirement?

To have a bona fide retirement, you must meet all of the following conditions:

- Terminate employment with all IPERS-covered employers, including noncovered service with covered employers.
- Apply for and begin receiving monthly benefit payments.
- Remain unemployed with all covered employers for 1 month, and not work in covered employment for 3 additional months.

The bona fide retirement period begins with your first month of entitlement for retirement benefits as approved by IPERS.

If you are a licensed health care professional or part-time elected official, please contact IPERS. Special, less restrictive, rules may apply to you.



## Important

It's important that you follow bona fide retirement rules; otherwise, your benefits could be suspended or revoked and all previously paid pension payments recouped with interest. If you have questions regarding reemployment, please contact IPERS.

## Exceptions to Bona Fide Retirement

**Licensed Health Care Professionals:** Licensed health care professionals may return to IPERS-covered employment in certain public hospitals after their first month of entitlement rather than the 4-month period described above (effective July 1, 2004–June 30, 2010).

**Members Age 70 and Older:** Members who are age 70 and older may begin receiving benefits without ending their IPERS-covered employment. However, you must end all employment with covered employers for at least 30 days in order to have your retirement benefit recalculated. Please keep in mind that you must begin receiving your IPERS retirement benefits when you are age 70½ if you are no longer employed by an IPERS-covered employer.

**Part-Time Elected Officials:** Part-time elected officials may retire and retain their office if IPERS is notified in writing of the intent to retire, end all covered employment, and end IPERS coverage for the elected position.

## LIMITS ON REEMPLOYMENT EARNINGS

### If You Are Age 55 up to Age 65

If you are age 55 up to age 65, and return to work, you cannot earn more than \$30,000 per year or the annual social security wage limit (visit <[www.ssa.gov](http://www.ssa.gov)>), whichever is higher. These wage limits may change each year. The wage limit does not apply if you are reemployed as an elected official.

Employer contributions made to qualified and nonqualified retirement and deferred compensation plans and arrangements will be counted as wages when determining the earnings limitation, even though they will not be treated as IPERS-covered wages.

If you exceed the annual earnings limit after returning to work, your monthly retirement benefit for the remainder of the calendar year will be reduced by 50 cents for each dollar you earn over the earnings limitation.

IPERS will notify you annually of any overpayment you received while you were reemployed. You have the option to have your monthly retirement benefit reduced or to repay IPERS in a lump sum. If the monthly recovery amount exceeds your monthly IPERS benefit, IPERS will withhold your entire monthly benefit until the overpayment is recovered. You may contact IPERS prior to exceeding the earnings limitation to have your benefit suspended to limit the amount of overpayment.



### If You Are Age 65 or Older

If you are age 65 or older, IPERS does not impose a limit on the amount of wages you can earn (see page 11 for information about social security limitations).

### Receiving an IPERS Disability Benefit

If you are receiving an IPERS disability benefit and return to covered employment after completing a bona fide retirement, your IPERS benefit will be suspended if you are **under age 55**.

If you are **over age 55**, your benefit amount will be reduced to the amount you would have received without the disability provision applied to your benefit.



### RECALCULATING YOUR BENEFITS

When you are ready to retire again, you should contact IPERS to apply for a recomputation of benefits to provide any additional benefits you earned during your reemployment.

Your reemployment period (the period you work after you retire) is considered a separate period of service. Any benefits you receive for reemployment will be calculated as a separate

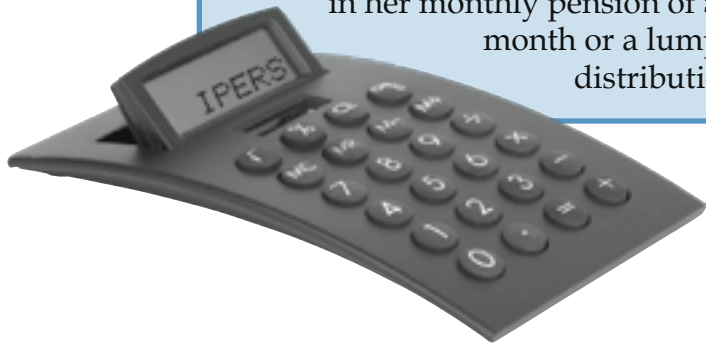
benefit (or annuity). However, the total years of service in both annuities cannot exceed 30 for purposes of this calculation. You may elect to add this monthly payment to your original benefit or to receive a lump-sum payment. If you end reemployment and do not request a monthly payment or lump-sum payment within a year, a lump-sum payment will automatically be paid to you.

If your reemployment period is less than 4 years, the formula used to recalculate your additional benefits is different from the standard formula. Your benefits will be determined using a money purchase formula that is based on the amount of contributions you made while reemployed. Reemployment does not always increase monthly benefits, in which case, a lump-sum payment is made.

Let's take a look at an example of how retirement benefits are recalculated.

### Example: Returning to Work After Retirement

Julie retired with 26 years of service and was drawing a monthly pension. She returned to work for 4 years at an average wage of \$10,000 each year. Since her total years of service is 30 or less, she would accrue an increase in her monthly pension of \$66.67 per month or a lump-sum distribution of \$3,980.



### Are You Ready to Retire Again?

When you've decided to stop working and are ready to retire again, it's important to contact IPERS and apply for a recomputation of benefits. The recomputation of retirement benefits will help to ensure you receive any additional retirement benefits you have earned.

Please note that reemployment does not always increase your monthly benefit, in which case, a lump-sum payment is made.

### IF YOU DIE WHILE REEMPLOYED

If you retire, become reemployed, and die before your benefits are recalculated, your beneficiary may receive additional death benefits based on your wages earned during your reemployment. In the event of your death, it's important that your beneficiary contact IPERS as soon as possible.

### A NOTE ABOUT SOCIAL SECURITY

Please keep in mind that Social Security also has certain income limits. Your social security benefits could be reduced or even withheld if you exceed certain income limits. Contact the Social Security Administration (<[www.ssa.gov](http://www.ssa.gov)>) for more information.



### Important

This booklet briefly explains certain rights and benefits of IPERS membership. It is not a substitute for federal and state laws governing IPERS, which provide complete information and are subject to change. Although IPERS makes every attempt to ensure its materials are accurate and up to date, any conflict between the contents of the booklet and law must be resolved in favor of the law. The Member Handbook provides a more detailed description of IPERS benefits. It is available electronically on the IPERS Web site or in print by contacting IPERS.

## CONTACT US

We're here to help you! If you have questions about IPERS, please don't hesitate to contact us.



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### **Web site**

[www.ipers.org](http://www.ipers.org)

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