Returning to Work After Retirement

How Your IPERS Benefits Are Affected by Re-Employment
Returning to Work After Retirement

If you decide to return to work after you retire, it’s important to understand how your retirement benefits may be affected. The information in this booklet will help you decide when and where to go back to work.

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 on the IPERS website.
If You Start Employment While Receiving IPERS Benefits

After retirement, you may decide to go back to work. People decide to work during retirement for various reasons — to try a new career, to have more interaction with others, or for financial concerns.

It’s a good idea to contact IPERS before starting any employment while receiving IPERS benefits.

Where You Work Matters

If you are retired (receiving IPERS benefits) and start employment with an employer that is not covered by IPERS, there are no employment restrictions — you can work whenever and however much you wish with no effect on your IPERS benefits. However, keep in mind that Social Security has certain earnings limits that apply to your Social Security benefit (see page 10).

If you start or return to work with an IPERS-covered employer, there are a few rules to follow.

STOP AND MAKE THE CALL

Before returning to work, call IPERS and the Social Security Administration to make sure you understand how employment may affect your benefits.
Before Returning to Work for an IPERS-Covered Employer

Bona Fide Retirement
All retirees who begin receiving benefits before age 70 must have a bona fide retirement.

Your bona fide retirement period is a legally required time of separation from IPERS-covered employment and IPERS-covered employers. The following rules apply during your bona fide retirement period — the first four months you receive IPERS benefits.

TO HAVE A BONA FIDE RETIREMENT, YOU MUST:

- Apply for benefits.
- Leave employment with all IPERS-covered employers, including noncovered service with covered employers.
- Begin receiving benefits.
- Follow the time restrictions on providing services for an IPERS-covered employer (described below).

<table>
<thead>
<tr>
<th>Action</th>
<th>Time Restriction</th>
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<tbody>
<tr>
<td>Entering into an agreement (written or verbal) to perform services (as an employee, independent contractor, or volunteer) for an IPERS-covered employer</td>
<td>Not until the first of the month after you receive your 1st benefit</td>
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<tr>
<td>Non-IPERS-covered employment with an IPERS-covered employer</td>
<td>Not until the first of the month after you receive your 1st benefit</td>
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<td>Independent contracting for your former IPERS-covered employer(s)</td>
<td>Not until the first of the month after you receive your 4th benefit</td>
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<tr>
<td>Covered employment with or volunteering for an IPERS-covered employer</td>
<td>Not until the first of the month after you receive your 4th benefit</td>
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See the exceptions that follow. Less restrictive rules may apply.
Bona Fide Retirement Example
For New Retirees Ages 55 to 70
If you receive your first benefit in January (also known as your first month of entitlement):

- Employment in a noncovered position with an IPERS-covered employer can begin in February.
- Employment in a covered position or independent contracting with your former covered employer can begin in May.
- Employment with a non-IPERS-covered employer can begin or continue anytime.

Exceptions to Bona Fide Retirement Rules

Over Age 70: If you are 70, you may begin receiving benefits without ending IPERS-covered employment. (When you stop working, IPERS may adjust your benefit to account for your additional years of service and salary. To have your retirement benefit recalculated, you must end all employment with covered employers for at least 30 days.)

Over Age 70½: If you are no longer employed by an IPERS-covered employer, you must begin receiving your IPERS retirement benefits when you reach age 70½.

Iowa National Guard Members: You can be called to state duty during the bona fide retirement period without any benefit penalty.

Part-Time Elected Officials: You may start receiving benefits without giving up your elected office if you notify IPERS in writing of your intent to retire, end all covered employment, and end IPERS coverage for your elected position.

IMPORTANT! Be sure to follow bona fide retirement rules; otherwise, your benefits will be suspended or canceled and you’ll have to pay back all benefits you have received. If you have questions about re-employment, contact IPERS.
Will You Have to Pay Back Some of Your IPERS Benefits?

Age 55 up to Age 65
If you are age 55 up to age 65, and return to work in an IPERS-covered position, you will be subject to an earnings limit. You are required to pay back a portion of your IPERS benefits if you earn more than $30,000 a year or the annual Social Security wage limit, whichever is higher. (For more information, visit the Social Security Administration website at www.ssa.gov.) These limits may change each year.

The following types of compensation are considered earnings, although they are not IPERS-covered:
- Bonuses
- Allowances
- Contributions your employer makes to a defined contribution or deferred compensation retirement plan in your name

Earnings related to being elected to public office do not count toward the earnings limit amount.

When Your Earnings Exceed the Limit
When your earnings exceed the amount of the limit, it will cause an overpayment of your IPERS benefits. The following calendar year, IPERS will send you a letter stating how much you received in benefits that you were not entitled to (known as the amount of overpayment). The amount of your overpayment is 50 cents for every dollar you earn beyond the limit.

At that point, you can choose to have your monthly retirement benefit reduced until you have paid back the overpayment, or to make other repayment arrangements acceptable to IPERS.

Or, instead of building up an overpayment as described above, if you know you have earned (or will earn) more than the limit, you may contact IPERS to have your benefit suspended for the rest of the year.
Over Age 65
If you are 65 or older, you are not subject to IPERS’ earnings limit described above. However, see page 10 for information about limits on Social Security benefits.

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 55 or older,* your benefit amount will be reduced to the amount you would have received without the disability provision applied to your benefit.

For further information, see the IPERS Member Handbook, available at www.ipers.org.

*Age 50 for sheriffs and deputies who would be eligible for retirement benefits before age 55.
Recalculating Your Benefits

Ready to Retire Again?
When you’ve decided to stop working and are ready to retire again, contact IPERS and apply for a recomputation of benefits. The recomputation will help to ensure you receive any additional retirement benefits you have earned.

Your re-employment period (the period you work after you retire) is considered a separate period of service from your preretirement employment. All benefits you receive for re-employment will be calculated as a separate benefit. However, your total years of service cannot exceed 30* for purposes of this calculation.

If you are eligible for additional monthly benefits as a result of your re-employment, you may add that monthly payment to your original benefit, or you can receive a lump-sum payment. If you end re-employment and do not request a monthly payment or lump-sum payment within a year, IPERS will automatically pay a one-time lump-sum payment to you if the amount is less than the applicable IRS limit (currently $1,000).

If your re-employment lasts less than seven years, the formula used to calculate your additional benefits is different from the standard formula. Your benefits will be determined using a money purchase formula based on the amount of contributions you made while re-employed.

*22 for Special service members (sheriffs, deputies, and members in protection occupations).
Re-employment does not always increase your original monthly benefit. If it does not, you will receive a one-time lump-sum payment as your benefit from re-employment.

This example shows how retirement benefits are recalculated as a result of re-employment.

EXAMPLE:
Returning to Work After Retirement

Julie retired with 20 years of service and was drawing a monthly pension. She returned to work for seven years at an average wage of $10,000 each year, ending her re-employment at age 65. She earns a monthly benefit increase of $116.67 or a one-time lump-sum benefit of $9,415.
If You Die While Re-Employed

If you retire, go back to IPERS-covered employment, and die before your benefits are recalculated, your beneficiary may receive additional death benefits as a result of your re-employment earnings. Be sure your beneficiary knows to contact IPERS as soon as possible after your death.

A NOTE ABOUT SOCIAL SECURITY

If you are receiving Social Security benefits, it is important to be aware of Social Security’s limits on earnings. Your Social Security benefits could be reduced or even eliminated if you exceed certain income limits. Contact the Social Security Administration (www.ssa.gov) for more information.