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**CORRESPONDENCE MEMORANDUM**

**DATE:** February 10, 2011  
**TO:** Employee Trust Funds Board  
Teachers Retirement Board  
Wisconsin Retirement Board  
**FROM:** Shawn Smith, Director, Member and Employer Services Bureau  
Division of Retirement Services  
**SUBJECT:** Rehired Annuitants: Additional Information

**This memo is for informational purposes only. No Board action is required.**

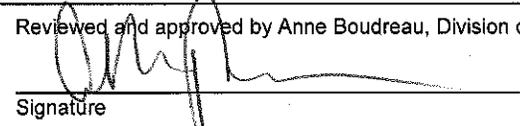
**INTRODUCTION**

This memorandum is in response to a request made at the December 2, 2010, Joint Informational meeting for additional information about rehired Wisconsin Retirement System (WRS) annuitants. It includes an administrative data match of rehired annuitant members and employers, relevant policy information, and rehired annuitant scenarios.

**REHIRED ANNUITANTS**

When a rehired annuitant takes a position that is eligible for enrollment in the WRS, members and employers are to complete and submit the *Rehired Annuitant Election* form (ET-2319). This is true whether or not the annuitant member elects WRS participation.

During the timeframe from January 2005 to December 2010, there were 5,729 annuitants who submitted a *Rehired Annuitant Election* form, indicating they were rehired into WRS-eligible positions, but who did not elect WRS participation.

Reviewed and approved by Anne Boudreau, Division of Retirement Services.  
  
Signature \_\_\_\_\_ Date 02-18-2011

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Jl	3.10.11	3F

Because this group of 5,729 rehired annuitants had previously been covered by the WRS, some administrative data was available through the Wisconsin Employee Benefits System (WEBS). A summary of rehired annuitant characteristics follows below ("Administrative Data Findings").

Since these rehired annuitants did *not* elect to rejoin the WRS, however, data about their current employment was not available. In addition, we wondered about their motivations to return to work.

To obtain this additional information, a survey was conducted of 200 randomly-selected individuals from the group of 5,729 rehired annuitants. We received 115 responses (a 58% response rate) as of the date of this memo. Although anecdotal, the survey responses below ("Member Survey Findings") do provide some insight into what kinds of work are causing annuitants to re-enter the workforce.

### **Administrative Data Findings**

**The vast majority of rehired annuitants are relatively young.** The date of birth ranges from 1923 to 1960.

- 16 are in their 80's,
- 305 (5%) are in their 70's,
- 3,720 (65%) are in their 60's, and
- 1,688 (29%) are in their 50's.

**There are more female than male rehired annuitants.**

- 3,119 (54%) are female and
- 2,609 (46%) are male.

**The majority originally retired within the last five years.**

- 10 terminated employment in the 1970's,
- 18 terminated in the 1980's,
- 162 terminated in the 1990's,
- 2,054 (36%) terminated between 2000 and 2005, and
- 3,485 (61%) terminated between 2006 and 2010.

**Many employers re-employ rehired annuitants.**

- A total of 524 unique employers rehired annuitants during this time period.

**Half of rehired annuitants were formerly employed by school districts.** Of all 5,729 rehires:

- 2,843 (50%) were rehired by school districts,
- 783 (14%) were rehired by state agencies,
- 684 (12%) were rehired by the University of Wisconsin,
- 559 (10%) were rehired by counties,
- 519 (9%) were rehired by municipalities (towns, villages, cities),
- 277 (5%) were rehired by technical schools,
- 57 (1%) were rehired by CESA's, and
- The remaining 7 (less than 1%) were rehired by other kinds of employers.

**These rehired annuitants had varied wages at termination. However, more than 40% had gross earnings of more than the equivalent of \$60,000 per year.** Final average monthly earnings (FAE) at termination:

- 7 had an FAE of more than \$15,000 (4 of them UW employees),
- 64 had an FAE of between \$10,000 and \$15,000 (30 of them UW employees),
- 2,390 (42%) had an FAE of between \$5,000 and \$10,000,
- 3,225 (56%) had an FAE of between \$1,000 and \$5,000, and
- 43 had an FAE of less than \$1,000.

### **Member Survey Findings**

**54% of those surveyed had stopped working.** The survey population was any member who retired between January 2005 and December 2010 and filed notification with ETF that they were rehired by a WRS employer. More than half had stopped working for a WRS employer by the time of the survey.

**Nearly 21% of respondents identified themselves as substitute teachers.** Respondents were asked to complete a text field with their job title for the position for which they were rehired. Twenty-four indicated they were substitute teachers.

**84% indicated they had either previously worked for the same employer before they retired, or had done a similar kind of work prior to becoming a rehired annuitant.** This is consistent with the results of the employer survey which indicated that the vast majority of rehired annuitants were former employees.

**Almost 40% of survey respondents cited non-monetary reasons for why they chose to go back to work.** The member survey asked each respondent to indicate the single most important factor in their decision to go back to work.

- 39% said they were “needed by their employer; possess skills and experience others do not”,
- 22% said the reason was “more money”,
- 11% “missed the challenge and intellectual engagement of the work itself”,
- 10% “wanted to use time and talents more wisely”,
- 4% “needed the insurance the position provided”,
- 4% “missed co-workers, the engagement of the workplace”,
- 4% “never wanted to retire to begin with, always wanted to return to work (laid off, downsized)”, and
- The remainder cited other reasons (a chance to try something new, a change in life circumstances, etc.).

**Most rehired annuitants worked part-time.** When asked to indicate the amount of time spent working as a rehired annuitant, the responses were as follows:

- 22% work full-time (35-40 hours per week),
- 33% have a regular part-time schedule (between 15 and 34 hours per week),
- 23% have an irregular, part-time schedule (set their own hours, or only work when they want to), and
- 21% only work occasionally or seasonally.

**More than half earned less than \$1,000 per month in wages from their jobs as a rehired annuitant.**

- 27% earned less than \$500 per month 24% earned between \$500 and \$1,000 per month,
- 37% earned between \$1,000 and \$3,000 per month,
- 6% earned between \$3,000 and \$5,000 per month, and
- 6% earned more than \$5,000 per month.

## POLICY

Federal law requires a “good-faith” termination of employment to qualify for a benefit distribution from a qualified retirement plan such as the WRS. A good-faith termination from WRS employment has two requirements:

1. Fulfill a minimum break in service and
2. Meet all required conditions for a valid termination.

Employees who terminate WRS-covered employment are ineligible for any benefit (including retirement annuities, lump sum retirement benefits, and separation benefits) per Wis. Stat. § 40.23 (1) (a) 1, if they return to WRS-eligible employment before the minimum break in service, which is the latest of the following dates:

- The day after the annuity effective date,
- The thirty-first day after the benefit application is received by ETF, or
- The thirty-first day after termination of employment.

The second requirement is that the termination must be valid. A valid termination meets all of the following six conditions:

1. The employee ceases to render compensable services.
2. The employee and employer comply with the employer's policies for voluntary termination.
3. As of the termination date, the employer has no "rights" to any future services to be rendered by the employee that meet the qualifications for WRS coverage for which compensation has or will be paid. This means the rule:
  - a. Prohibits an enforceable agreement as of the termination date for any future WRS compensable employment with the same WRS employer, regardless of whether that employment would meet WRS participation standards.
  - b. Prohibits an enforceable agreement as of the termination date for future employment with a different WRS employer that would meet WRS participation standards.
4. The employee is treated consistently with the status of a former employee.
5. The terminated employee has no authority to act as a representative of the employer or exercise any authority/control over employees of the employer except as provided above.
6. The employer has paid the employee any accumulated benefits that are customarily paid to employees at the time of termination.

Included are some charts with situational scenarios. These charts are currently included in the *WRS Administration Manual* used by employers.

I will be available at the meeting to answer any questions you may have.



<b>REHIRED ANNUITANT SITUATIONS</b>			
<b>Employee terminates WRS-covered employment, applies for retirement annuity and returns to work for a WRS-covered employer. One of the following situations may apply:</b>	<b>Is employee entitled to the Annuity? [Wis. Stat. § 40.23 (1) (a) 1. and § 40.26 (5)]</b>	<b>Is the new period of employment considered participating employment? [Wis. Stat. § 40.22 (3m) and § 40.26 (5)]</b>	<b>Does a WRS Enrollment (ET-2316) or Rehired Annuitant Election (ET-2319) apply? [Wis. Stat. § 40.22 and § 40.26 (1)]</b>
1. Employee returns to work for the <u>same</u> employer without fulfilling the minimum break in service and employment is <u>not</u> expected to require at least 600 hours per year (440 hours for teachers and school district educational support staff) and to last at least one year.	No	Yes*	ET-2316
2. Employee returns to work for the <u>same</u> employer without fulfilling the minimum break in service and works less than 30 calendar days.	No	Yes*	ET-2316 (Or complete an <i>Employee Transaction Report</i> , ET-2533, with the new term date.)
3. Employee returns to work for the <u>same</u> employer without fulfilling the minimum break in service and employment is expected to require at least 600 hours per year (440 hours for teachers and school district educational support staff) and to last at least one year.	No	Yes	ET-2316
4. Employee returns to work for the <u>same</u> employer after fulfilling the minimum required break in service and employment is <u>not</u> expected to require at least 600 hours per year (440 hours for teachers and school district educational support staff) and to last at least one year.	Yes	No	Neither
5. Employee returns to work for the <u>same</u> employer after fulfilling the minimum required break in service and employment is expected to require at least 600 hours per year (440 hours for teachers and school district educational support staff) and to last at least one year.	Yes	1. Yes, if employee elects coverage (annuity will be discontinued). 2. No, if employee declines coverage.	1. ET-2319  2. ET-2319
6. Employee returns to work for a <u>different</u> employer without fulfilling the minimum break in service and employment is <u>not</u> expected to require at least 600 hours per year (440 hours for teachers and school district educational support staff) and to last at least one year.	Yes	No	Neither
7. Employee returns to work for a <u>different</u> employer without fulfilling the minimum break in service and employment is expected to require at least 600 hours per year (440 hours for teachers and school district educational support staff) and to last at least one year.	No	Yes	ET-2316
8. Employee returns to work for a <u>different</u> employer after fulfilling the minimum required break in service and employment is <u>not</u> expected to require at least 600 hours per year (440 hours for teachers and school district educational support staff) and to last at least one year.	Yes	No	Neither

<b>REHIRED ANNUITANT SITUATIONS</b>			
<b>Employee terminates WRS-covered employment, applies for retirement annuity and returns to work for a WRS-covered employer. One of the following situations may apply:</b>	<b>Is employee entitled to the Annuity? [Wis. Stat. § 40.23 (1) (a) 1. and § 40.26 (5)]</b>	<b>Is the new period of employment considered participating employment? [Wis. Stat. § 40.22 (3m) and § 40.26 (5)]</b>	<b>Does a WRS Enrollment (ET-2316) or Rehired Annuitant Election (ET-2319) apply? [Wis. Stat. § 40.22 and § 40.26 (1)]</b>
9. Employee returns to work for a <u>different</u> employer after fulfilling the minimum required break in service and employment is expected to require at least 600 hours per year (440 hours for teachers and school district educational support staff) and to last at least one year.	Yes	1. Yes, if employee elects coverage (annuity is discontinued). 2. No, if employee declines coverage.	1. ET-2319  2. ET-2319
10. Employee returns to work for the <u>same</u> or a <u>different</u> employer within the minimum required break in service after receiving a minimum annuity benefit (lump sum). Employment is expected to require at least 600 hours per year (440 hours for teachers and school district educational support staff) and to last at least one year.	No	Yes	ET-2316
11. Employee returns to work for the <u>same</u> or <u>different</u> employer after receiving a minimum annuity benefit (lump sum) and after fulfilling the minimum 30-day break in service. Employment is expected to require at least 600 hours per year (440 hours for teachers and school district educational support staff) and to last at least one year.	Yes	Yes	ET-2316
12. Employee returns to work for the <u>same</u> or a <u>different</u> employer after receiving a minimum annuity benefit (lump sum) but without meeting the minimum 30-day break in service. Employment is expected to require at least 600 hours per year (440 hours for teachers and school district educational support staff) and to last at least one year.	No	Yes	ET-2316

# WRS REHIRED ANNUITANTS

## *EDUCATIONAL DISCUSSION JOINT INFORMATIONAL MEETING*

*MARCH 10, 2011*

1

Board	Mtg Date	Item #
Jl	3.10.11	3F

# WHAT WILL THIS PRESENTATION COVER?

- More information about WRS rehired annuitants
  - Administrative data:
    - Demographics
    - Employers
    - Wages
  - Survey data:
    - Reasons for returning to work
    - Re-employment indicators
    - Earnings
- Status update on WRS rehired annuitants

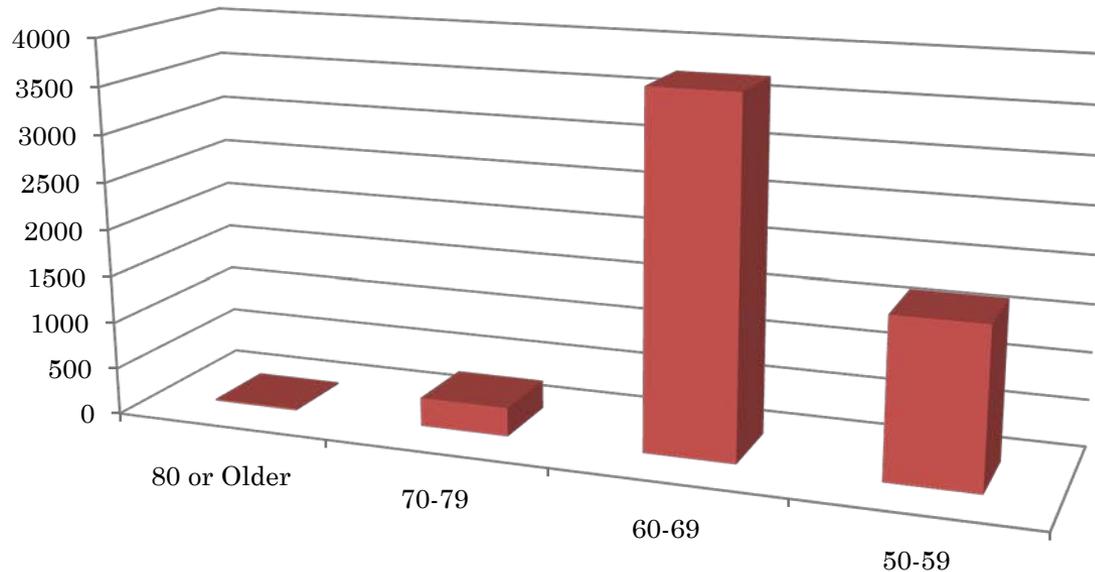
# DATA SOURCES

- Administrative data
  - All members who terminated employment any time between January 2005 and December 2010, and who submitted a Rehired Annuitant Election Form.
  - 5,729 members in total
- Survey data
  - Follow-up mail-in survey to a random subset of 5,729 rehired annuitants identified above
    - 200 surveys sent
    - 115 responses received (58% response rate)

# DEMOGRAPHICS

- 55% are female, 45% are male
- 94% are under age 70

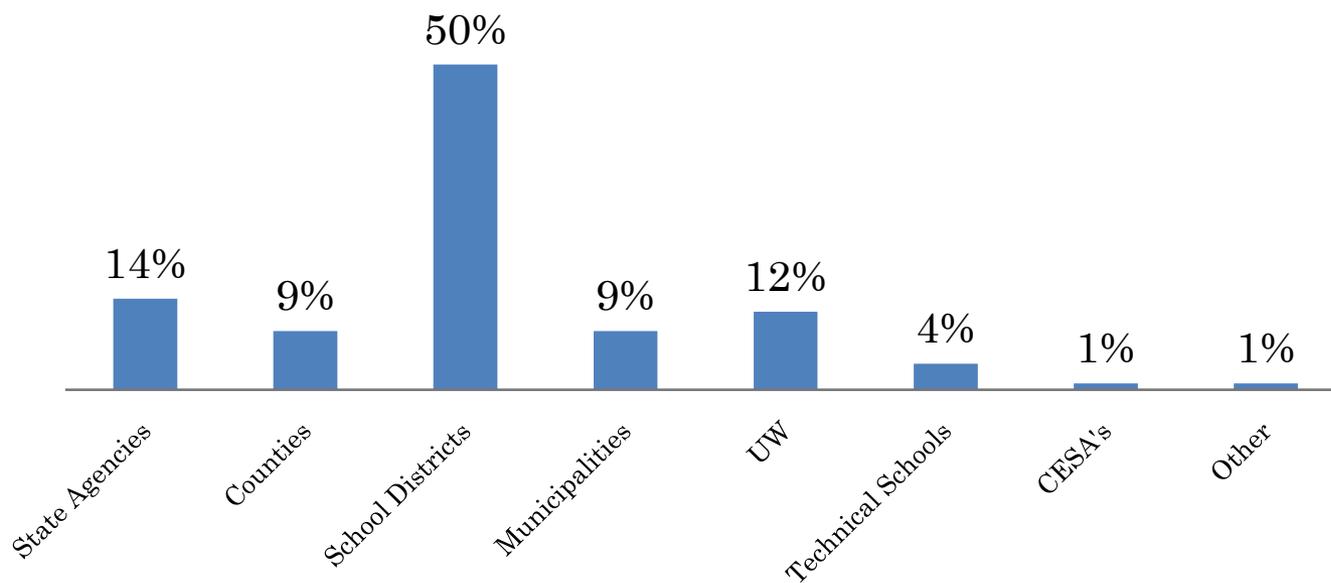
**Age of WRS Rehired Annuitants**



# EMPLOYERS

- 95% retired in the last 10 years
- 524 employers rehired annuitants

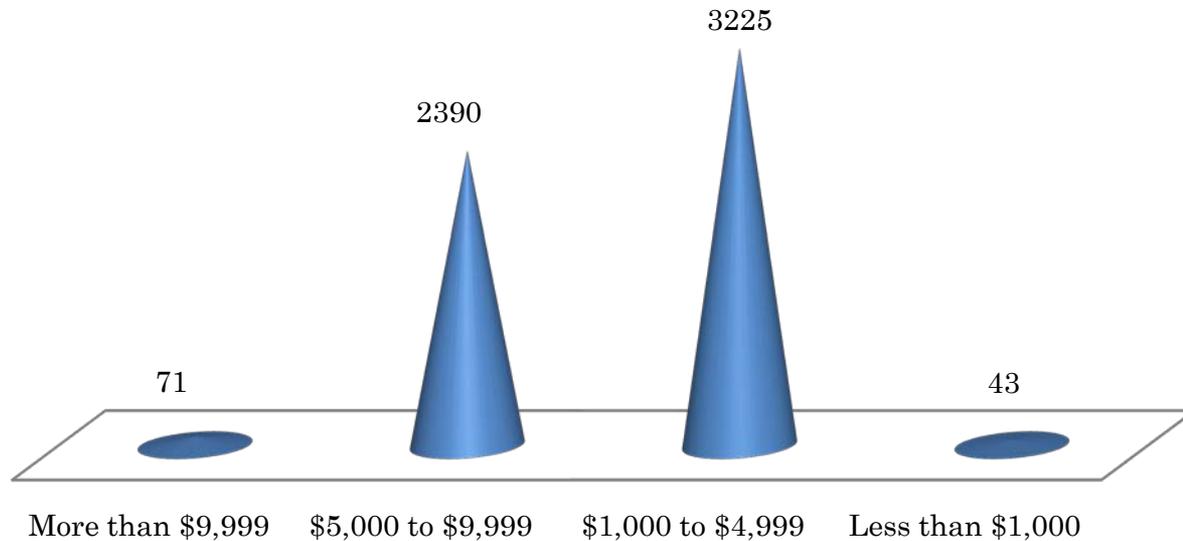
## WRS Employers Rehiring Annuitants



# WAGES AND ANNUITIES

- Wages at termination for WRS rehired annuitants vary.

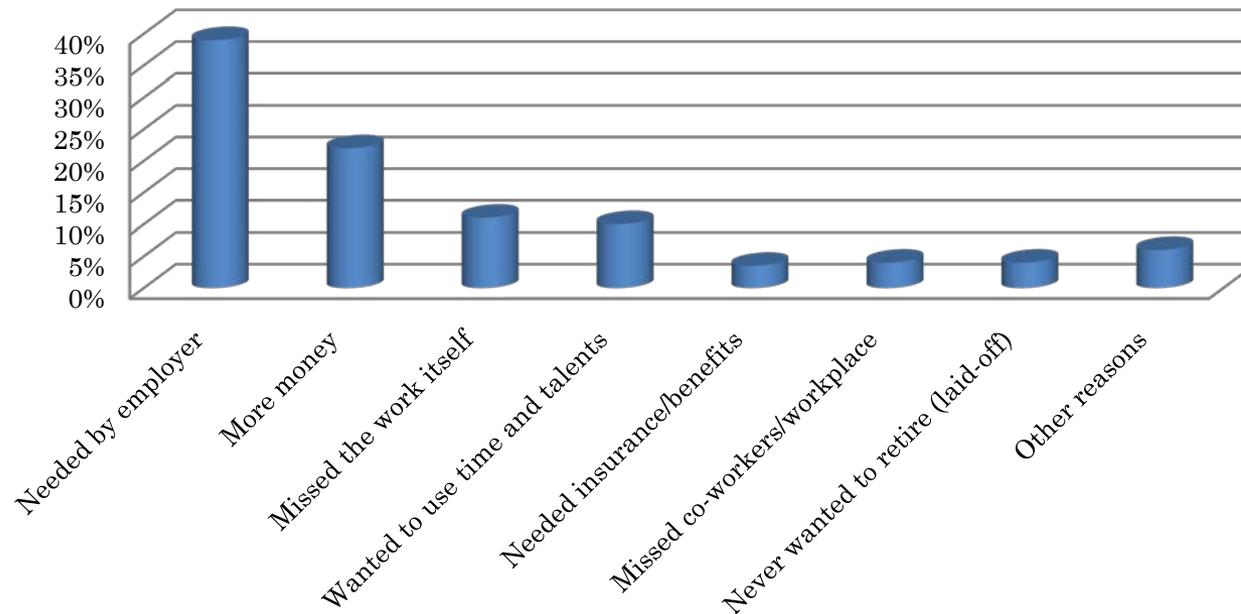
## Wages at Termination



# REASONS FOR RETURNING TO WORK

- Members were asked to select the single most important reason they decided to return to work after retiring. Here are their responses:

**Reasons for Returning to Work**



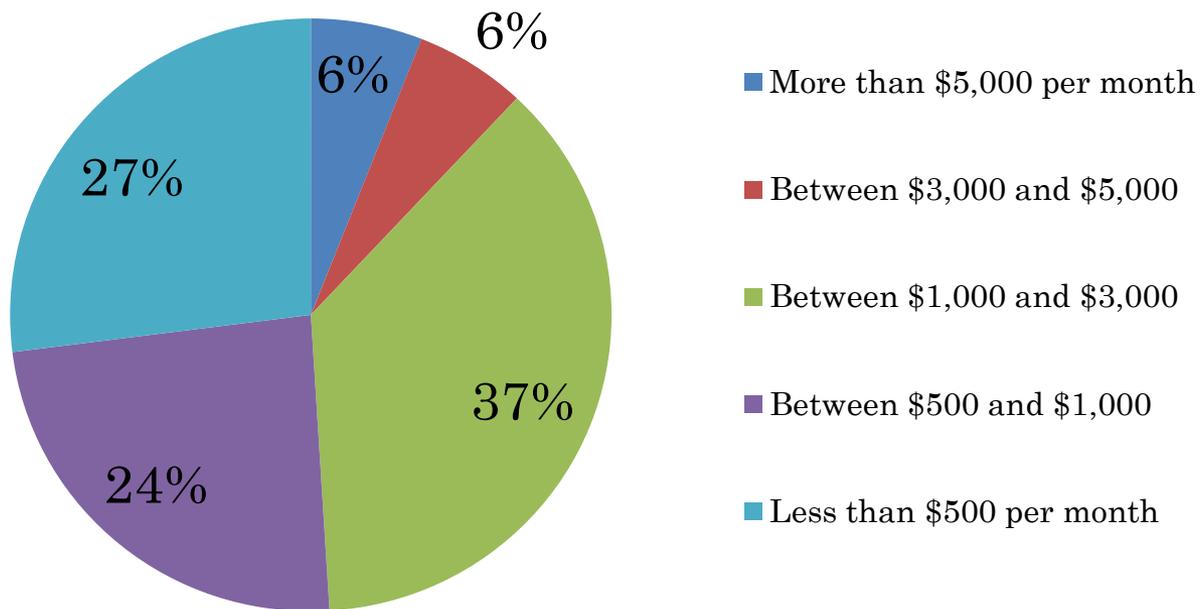
## RE-EMPLOYMENT INDICATORS

- 84% indicated that they returned for work for the same employer they worked for prior to retirement, and/or had the same kind of job.
- Almost one-quarter of respondents identified themselves as substitute teachers.
- About half work “regularly,” half work more sporadically, and 22% work “full-time.”
- Returning to work may or may not be a long-term issue: 54% had stopped working again by the time they were surveyed.

# EARNINGS

- Most earnings from work are less than \$3,000 per month.

**Rehired Annuitant Earnings from Work**



# STATUS UPDATE

- Statement of scope for rule changes
- Employer training
- More and more questions
- New investigations

# THANKS AND DISCUSSION

- Questions?