

Working After Retirement for a Colorado PERA Employer



If you are receiving a Colorado PERA retirement benefit and choose to return to work for a PERA employer, there are restrictions and conditions that apply to you. The following is a brief overview of PERA's working after retirement rules. See the *Working After Retirement* booklet for more detailed information.

What are the limits?

When thinking about working after retirement, the first step is to consider PERA's rules about retirement eligibility and any limits to returning to work.

Work Limit Definition

You may not be employed or perform work for a PERA employer on the first business day of the month in which your retirement is effective. If you work the first business day of the month, you have not terminated employment. This termination is necessary for retirement eligibility.

If you work during your effective month of retirement, outside the first business day of the month, every day or partial day you work in that month will result in a one-time reduction of your benefits. **It is best not to work in your effective month of retirement to avoid these reductions.**

Working After Your Effective Month of Retirement

Generally, you may perform services in exchange for compensation up to 110 days or 720 hours per calendar year without affecting your benefit. There are some circumstances that allow for more days to be worked without a one-time reduction (see page 3).

What are the penalties?

Working In Your Effective Month of Retirement

If you are employed or perform services for a PERA employer on the first business day of your effective month of retirement, and PERA determines that you

did not terminate all of your PERA-covered employment correctly for retirement eligibility, your retirement will be canceled or delayed until a valid termination occurs. If you are not employed or perform services on that first business day but do work in that month, all days you work will result in a one-time reduction of your retirement benefit. This reduction is calculated at 5% for each day or partial day worked and will be applied immediately to your next benefit payment. Days worked in this month also count toward the 110-days/720-hours working after retirement annual limits.

Working After Your Effective Month of Retirement

If you exceed the 110-days/720-hours limit, PERA must reduce your benefit in a future month by 5% for each day worked over the limit. You are responsible to track those days and submit any excess days worked by March 31 of the next calendar year. If you fail to disclose to PERA by March 31 that you exceeded the working after retirement limits in the previous calendar year, you will be subject to an additional penalty for nondisclosure above the 5% for each working day. This nondisclosure penalty will be applied for each day of nondisclosure and is assessed at PERA's actuarial assumed rate of return.

How Do I Track My Time?

Keep a record of all days and hours you work for a PERA employer each calendar year to be able to easily report any days you worked over the limit to PERA. Even if you do not exceed the limit, you should keep a record of your time worked because PERA may request information about your employment during our annual review process.

(Continued on reverse)

Work Limit Definition

You may not be employed or perform work for a PERA employer on the first business day of the month in which your retirement is effective. If you work the first business day of the month, you have not terminated employment. This termination is necessary for retirement eligibility.

Example: Doug worked 4.5 hours per day, three days a week, in 2017. Each day that Doug worked more than four hours is counted as one day toward the 110-day limit. Although Doug's hours only totaled 702 (4.5 × 3 × 52), he exceeded the limit because he worked over four hours per day, exceeding the 110-day limit by working 156 days (3 × 52).

How Do I Report My Work?

Before you start working, know that it is your responsibility to submit the appropriate forms to PERA when reporting work after retirement. All necessary forms are included in the *Working After Retirement* booklet.

Forms to Complete

You must complete and submit to PERA the following forms that apply to your specific work arrangement:

- *Retiree Working for a PERA Employer* – must be completed and submitted at the time of hire.
- *Effective Month of Retirement Work Report* – must be completed and submitted immediately after the end of your effective month of retirement if you work in that month.
- *Working After Retirement Limit Worksheet* – must be completed only if you exceed the limit and submitted as soon as possible, but no later than March 31 of the next calendar year after the work is performed.
- *Disclosure of Compensation* – must be completed and submitted with each payment received for services rendered to a PERA employer when not a hired employee. (See the *Independent Contractors and Affiliated Parties* section.)

Working Retiree Contribution

All retirees working after retirement must pay a working retiree contribution rate for that employer. The contribution is applicable to all pay that is subject to employer contributions. If you are hired as an employee of the PERA employer, the working retiree contribution will be taken directly from your pay as a pre-tax contribution, which will reduce your taxable income. This contribution will be paid differently if you work as an independent contractor or through an affiliated party (see below). **The working retiree contribution does not accrue an additional benefit and retirees are not eligible for a refund of these contributions.**

Independent Contractors and Affiliated Parties

If you are a retiree working for a PERA employer as an independent contractor, through a business you own or operate, or through a business owned or operated by an affiliated party, you are required to pay the working retiree contribution, and your PERA monthly benefit will be reduced by this amount. Should the amount of your working retiree contribution exceed the amount of your PERA monthly benefit, the excess amount will be spread into future benefits until fully recovered.

As an independent contractor, you are only required to complete a *Disclosure of Compensation* form if the PERA employer reports compensation paid to you or your company under a tax identification number different from your Social Security number or if you are performing services through an affiliated party. An affiliated party includes:

- Any person who is your named beneficiary or cobeneficiary on your PERA account.
- Any person who is your relative by blood or adoption (includes parents, siblings, half-siblings, children, and grandchildren).
- Any person who is your relative by marriage or civil union (includes spouse, spouse's parents, stepparents, stepchildren, stepsiblings, and spouse's siblings).
- Any person or entity with whom you have an agreement to share or profit from the performance of services for a PERA employer in addition to your regular salary or compensation.

Are There Circumstances That I Can Work More Than the Limit Without a Penalty?

There are circumstances that allow a PERA retiree to work more than the 110-days/720-hours limit without a reduction:

Special Exemptions

There are several exempt positions to the working after retirement limit:

- Retirees serving as state legislators (also exempt from retiree contributions).
- Retired judges participating in the Senior Judge Program (also exempt from retiree contributions).
- Retirees who terminated membership prior to June 3, 1994, who have had continuous employment with the same employer in a position covered by an Optional Retirement Plan (ORP) pursuant to C.R.S. § 24-54.5-101, *et seq.* (also exempt from retiree contributions).
- Retirees working in positions temporarily vacated by employees called into active military duty.
- Independent contractors.
- Retirees grandfathered under Denver Public Schools Retirement System (DPSRS) merger legislation.

140-Days/916-Hours Work Limit for Certain Retirees Employed by School Districts and Institutions of Higher Education

Each employer in the School Division and the DPS Division, as well as each state college or university, may designate up to 10 retirees who can work up to 140 days or 916 hours per calendar year without a reduction in their benefits.

If you are a designated retiree but work for multiple PERA employers, the 110-days/720 hours standard limit applies to all but the employer who designated you. That means if you reach the standard 110-days/720-hours limit, you may only work the remaining 30 days or 196 hours for the employer that designated you as a 140-days/916 hours retiree without incurring a reduction in your PERA benefit.

Employers must submit designations by March 31 of the applicable year, or upon hire. Any late designations will not be recognized.

If you are designated as a retiree under the 140-days/916-hours limit by your employer, PERA will send you a letter confirming your designation. If you believe you should have been designated but have not received written confirmation from PERA, please contact your employer to clarify your status prior to working any additional days beyond the 110 days allowed by state law.

Critical Shortage for Retirees Employed by Rural School Districts, Charter Schools, or BOCES

Rural school districts and charter schools or Boards of Cooperative Educational Services (BOCES) within rural school districts may declare a critical shortage of qualified teachers, school bus drivers, food service workers, school nurses, or paraprofessionals. If you are hired to work in a critical shortage position in one of these rural districts:

- You will not be subject to the working after retirement limits.
- You cannot work for any employer during the effective month of retirement.
- Your employer will be required to make employer contributions and you will be required to pay working retiree contributions.
- You are eligible to participate in your employer's health insurance programs or the PERACare program; however, **no subsidy will be applied toward payment of PERACare premiums.**
- You are limited to six consecutive years without a reduction in benefits, starting the year you become a critical shortage retiree.
- If you retired with a reduced service benefit, you must also wait two years after retirement to return to work in a critical shortage position for the same school district, charter school, or BOCES from which you retired.

If you are designated as a critical shortage retiree by your employer, PERA will send you a letter confirming your designation. If you believe you should have been designated but have not received written confirmation from PERA, please contact your employer to clarify your status prior to working any additional days beyond the 110 days allowed by state law.

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Critical Shortage for Retirees Employed by BOCES

Board of Cooperative Educational Services (BOCES) may declared a critical shortage of Special Services Providers (SSP) and hire retirees to provide services for rural school districts. The same information applies to this critical shortage designation as was outlined above except for the following differences:

- You must perform services for at least two rural school districts concurrently through a BOCES to be eligible.
- If hired into this critical shortage position, you are limited to five consecutive years without a reduction in benefits, starting the year you become a critical shortage retiree.
- Only 40 retirees total can ever be designated in this critical shortage category.

Substitute Teachers

During the period of March 17, 2022, through June 30, 2025, PERA retirees who hold a **valid Colorado teaching license** working as a substitute teacher may be temporarily exempt from the working after retirement limits. This includes substitutes in any school district or charter school authorized by the Colorado Charter School Institute (CSI) who have declared a critical shortage of qualified substitute teachers. (Note: Holding only a substitute teaching license or authorization is not sufficient for this temporary exemption.)

Employers must submit designations by March 31 of the applicable year, or upon hire. Any late designations will not be recognized.

For More Information

Please refer to the *Working After Retirement* booklet found on the Booklets and Fact Sheets page at copera.org.