

THINKING OF
RETURNING
TO WORK?
————— KNOW THE
REQUIREMENTS!

Many people retire and later decide to return to the workplace. However, state and federal laws provide specific employment restrictions for retirees who return to work with an employer in the same public retirement system from which they receive a benefit.

Houston Municipal Employees Pension System (HMEPS) retirees who have returned, or plan to return, to employment with an HMEPS-participating employer are subject to the post-retirement restrictions in effect at the time of their reemployment. An HMEPS-participating employer is the City of Houston, any entity controlled directly or indirectly by the City of Houston, and HMEPS. You and the employer share equal responsibility to ensure your reemployment complies with the pension law when hired and during the entire course of your employment.

The reemployment laws are very complex, and returning to work for an HMEPS-participating employer after you have retired may have significant financial consequences. Before you retire, return to work for an HMEPS-participating employer after you have retired, or are unsure whether your reemployment would be with an HMEPS-participating employer, we strongly recommend you call or make an appointment with your benefit counselor at HMEPS at 713-595-0100.

REEMPLOYMENT REQUIREMENTS FOR HMEPS PARTICIPANTS

If you are a retiree or deferred retiree and you are employed with a private employer and your employment does not involve providing services for an HMEPS-participating employer, there are no restrictions on your HMEPS benefit.

If you are a retiree or deferred retiree and you are reemployed with an HMEPS-participating employer or are employed by a private employer and your position involves providing services for an HMEPS-participating employer, the following is an overview of the applicable restrictions with respect to your HMEPS benefit.

Returning to work in an HMEPS-covered position with an HMEPS-participating employer

If you retire with a normal, deferred, or early retirement benefit and you are subsequently reemployed in a covered position by the City or HMEPS, your retirement pension ceases the day preceding the date you are reemployed. It is your responsibility to contact HMEPS prior to your reemployment in a covered position. Reemployment in a covered position means you are eligible to be a member of HMEPS. See the HMEPS Benefits Handbook (as of July 2017), “After Separation or Retirement” for more information.

Returning to work in a non-HMEPS-covered position with an HMEPS-participating employer

To comply with IRS regulations and state law regarding in-service distributions and to protect the retirement fund’s tax-qualified status, an HMEPS retiree must have a bona fide separation from service, which means:

- **There was no formal or informal verbal or written agreement to return to work as a rehired retiree**

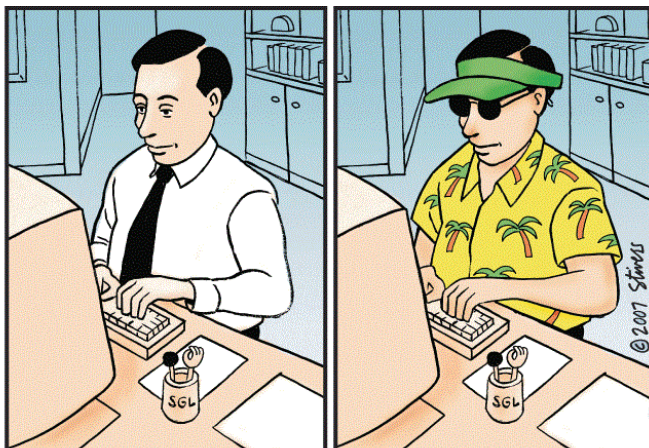
between you and the employer before your retirement date.

NOTE: Your retirement date is your HMEPS effective retirement date, which is the first day of the month retirement begins for a member or deferred participant who is eligible for retirement. Additionally, a member is not considered to be retired until HMEPS has received termination notice and final contributions from the employer.

- **Beginning January 1, 2019, if there is an unplanned return to work, there must be a termination of employment (separation from service) for 4 months between your retirement date and the date your employment as a rehired retiree will begin.**

You cannot be employed as a rehired retiree unless both of the above conditions are met. A termination is not considered bona fide if there is an expectation, understanding or agreement that the termination is temporary or that the person will be rehired in the future. This applies even if the position that the rehired retiree will occupy:

- Is different from his or her current position
- Pays more or less than the current position
- Is in a different department
- Requires different hours (for example, going full time to part time)
- Is a contract employee, leased employee, or independent contractor position that has the individual providing paid services to the employer
- Is an employee of a third party providing services for the employer
- Is an elected position.



WORK

RETIREMENT

CAUTION!

If you violate the reemployment requirements (i.e., the required minimum continuous 4 months' separation from service and no pre-existing agreement with the employer to return to work after retirement), your retirement will be voided and you will have to repay the gross amount of all retirement benefits distributed to you or on your behalf, including DROP distributions, the cost of any health, dental, and life insurance premiums, and any payments under a QDRO, including dependent child payments, with interest ("Required Repayments").

In order to begin receiving a retirement benefit thereafter, you will be deemed to have retired the month after the month you ceased to perform services for the employer, and you must repay all Required Repayments.

POTENTIAL TAX PENALTY

Even in cases where a retiree is eligible to work for an HMEPS-participating employer while receiving HMEPS benefits without violating federal or state law, those pension benefits could be subject to a 10 percent additional federal tax under Internal Revenue Code 72(t). The additional taxes apply to retirees under the age of 59 ½ unless, among other potential exceptions, their distributions occurred in connection with a bona fide separation in service on or after the year in which the retiree reaches age 55. A participant who is subject to the 10 percent additional tax shall be responsible for the additional tax and any related penalties, fines, fees and reporting requirements.

In summary, making the decision to return to work after retirement should be considered carefully as it may have a significant effect on your pension benefit.

QUESTIONS?

Once you are an HMEPS retiree, be sure you understand the impact of returning to employment with an HMEPS-participating employer before choosing to do so. If you have questions, call HMEPS at (713) 595-0100 from 8:00 am to 5:00 pm CT, Monday through Friday, except holidays.

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