

FREQUENTLY ASKED QUESTIONS
RETURN TO WORK (CORP LOCAL BOARDS)
(REVISED DECEMBER 2011)

Our employer is considering hiring someone who is retired and receiving pension benefits from CORP, what is the responsibility of our local board?

A.R.S 38-884.K puts limitations on a retired member's pension benefit. Local boards must review all reemployment decisions made by the employer to determine if the reemployment of the retired CORP member warrants suspension of their pension benefit.

Under what conditions would our local board be required to suspend a retired CORP member's pension if they become reemployed?

A local board would be required to take action and suspend a retired member's pension when the retired member's reemployment occurred under the following condition:

- The retired member was reemployed by an employer in a CORP designated position, and the reemployment occurred within 12 months of the member's retirement.

If our employer reemploys a retired CORP member, but that individual did not retire from our employer, is the local board still required to make a reemployment determination?

Yes. However, this is a two-step process for your Local board and the local board from which the member retired. First, your employer should contact the employer and the local board from which the member retired from notifying them of the reemployment. The Local Board from which the member retired from should be reviewing the retiree's reemployment to ensure it is in compliance with A.R.S. 38-884.K.

Additionally, as the local board for the new employer you should be acknowledging that your employer has hired a CORP retiree and as such should acknowledge whether or not your employer is responsible for submitting the Alternate Contribution on behalf of that reemployed retiree. For further guidance on Alternate Contribution, please contact our office 602-255-5575.

Does the System have specific requirements or documentation that a local board must provide, when making reemployment decisions?

Yes, statutes require that the System review all reemployment determinations made by a local board. In order to fully review those decisions, the system requires some key documents from local boards:

If the reemployment determination concluded that the retired member was reemployed in a non-designated CORP position, then the minutes submitted need to clearly state that fact.

If the reemployment determination concluded that the retired member was reemployed in a CORP designated position, then minutes submitted need to clearly state that fact. Additionally, the board needs to address the date of reemployment as well as indicate the effective date in which the pension should be suspended.

Our Local Board reviewed a reemployment of a retired CORP member and determined that the rehire decision made by the employer is in compliance with statutes and does not require suspension of the retiree's pension. However, the CORP retiree is working in a covered CORP position; will the Alternate Contribution be required?

Yes, if an employer rehires a CORP retiree into a CORP designated position that traditionally would be filled by an individual who would contribute to the plan, then the employer is required to pay the Alternate Contribution. For further guidance on Alternate Contribution, please contact our office 602-255-5575.

Why is there a 12-month rule before a retiree can return to work?

CORP is considered a tax-qualified plan under Section 401(a) of the Internal Revenue Code. In order to maintain its tax qualified status, benefits must be provided in accordance to CORP pension statutes as well as within the provisions of the IRS Code. The IRS requires a bona fide separation from service to occur for a member to be eligible to receive a pension. In order to comply with IRS requirements, enabling legislation requires members to serve a 12-month period before seeking reemployment in order to maintain pension payments.

When does the 12-month rule for return to work begin?

The statutes state that a member cannot be reemployed by an employer before 12 months after a member's date of retirement. Retirement is defined as being effective the 1st of the month following the date of retirement which is typically a member's last day of employment or authorized leave of absence.

Please submit any additional suggested questions you may have to Robert Ortega or Don Mineer and we will be glad to review them for inclusion at a future time.