Members Brief

An informational brief prepared by the LSC staff for members and staff of the Ohio General Assembly

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"Double Dipping" by Retired Government Employees in Ohio: Q&A

Members of the General Assembly and their constituents periodically have questions regarding the practice of "double dipping." A retired government employee who double dips receives a public pension and a salary for reemployment with a public employer at the same time. The practice of double dipping may be viewed as unfair and potentially costly for taxpayers. Ohio law permits double dipping for retired government employees in four of the five state retirement systems.

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What is "double dipping"?

The term "double dipping" refers to the practice of a retired government employee collecting a benefit from a state retirement system while simultaneously receiving a salary for reemployment with a public employer. An employee who double dips is called a "reemployed retirant." Four of Ohio's five state retirement systems – Public Employees Retirement System (PERS), Ohio Police & Fire Pension Fund (OP&F), State Teachers Retirement System (STRS), and School Employees Retirement System (SERS) – allow double dipping.[1] The law governing the State

[1] R.C. 145.38, 742.26, 3307.35, and 3309.341.

Highway Patrol Retirement System (SHPRS) does not include any provisions regarding double dipping.

In 2018, there were 12,260 reemployed retirants who worked for a public employer covered by PERS, OP&F, STRS, or SERS and earned an annual salary of more than $20,000 for the reemployed position.[2]

A retired government employee who is employed by a private sector employer is not considered to be double dipping.

Why do retirants double dip, and what effect does double dipping have on employers and the retirement systems?

There are a number of factors that could influence a retirant's decision to return to public employment. A public employer's decision to employ a retirant also affects the employer and the retirement system. Both financial considerations and other factors, such as flexible scheduling or labor shortages, may prompt a retirant to double dip.

Financial considerations

A retirant may return to employment because of financial need during retirement, whether due to rising prices, loss of savings, or costs of health care coverage, or simply the desire to increase the retirant's income.[3] An employer who hires a retirant often experiences minimal or no financial impact, and in some cases, the employer realizes savings because the retirant is working fewer hours or takes a reduced salary to return to the position. The employer also may save money by not conducting a search for and going through the process of interviewing new candidates.[4] However, an employer whose employees are covered by PERS or STRS who fails to notify the retirement system when the employer hires a retirant must repay the system for any overpayment of benefits the retirant received.[5]

A retirement system may see a minimal positive financial impact from double dipping because, as discussed below, the system may not be responsible for providing health care coverage to reemployed retirants. Additionally, employer contributions made during the reemployment period are not returned to either the retirant or employer when the retirant leaves the reemployed position but remain with the system, as described below. However, there may be some increased costs to the system if a retirant retires early with a reduced initial benefit

[2] Legislative Budget Office email correspondence with PERS, OP&F, STRS, and SERS.

[3] See Balancing Objectives in Public Employee Post-Retirement Employment Policies (PDF) (November 2018), which may be accessed by conducting a keyword "Post-retirement" search on the National Association of State Retirement Administrators (NASRA) website: nasra.org; and 5 Unexpected Reasons Retirees are Returning to Work (May 31, 2022), which may be accessed by conducting a keyword "Returning to work" search on the American Association of Retired Persons website: aarp.org.

[4] See, for example, New Albany-Plain Local Superintendent Michael Sawyers looks to become rehired retiree (March 29, 2022, updated May 17, 2022), which may be accessed by conducting a keyword "Rehired retiree" search on the Columbus Dispatch website: dispatch.com.

[5] R.C. 145.38(B)(2) and 3307.35(D).

because the retirant receives the initial benefit for a longer period of time but has not paid into the system to reflect that.[6]

Nonmonetary factors

A retirant may intend to resume working after retirement, either by returning to employment with reduced hours or more flexibility and autonomy or in a new job following a planned break. Other unexpected factors may cause a retirant to double dip, such as if the retirant does not enjoy the experience of being retired, to assist an employer when asked, or to combat feelings of social isolation. At other times, the retirant's retirement was unplanned, such as when dealing with a personal health issue or family emergency, and the retirant returns to employment when the situation is resolved.[7]

Employers often hire retirants for critical positions that are difficult to fill, either due to the specialized skills needed or because of a shortage of other available workers. By hiring a retirant, the employer is able to retain the retirant's skill and experience without needing to invest time and money into training someone new. This may be an attractive option when the employer is experiencing a transition in how it conducts business or to ensure new employees are able to learn from experienced staff.[8] However, an employer who hires a retirant to fill such a role may reduce the opportunities for new and different perspectives to be brought into the workplace and younger workers to achieve career advancement.[9]

Are there any penalties for a public employee who double dips?

Potentially. A retirant generally may be reemployed by a public employer and continue to receive the retirant's retirement benefit with no penalty. However, a retirant is subject to a penalty if reemployed by a public employer after receiving the retirement benefit for less than two months. The retirant forfeits the retirement benefit for any month of reemployment during the two-month period, as shown in the following graphic.[10]

[6] See NASRA, Balancing Objectives in Public Employee Post-Retirement Employment Policies (PDF).

[7] See NASRA, Balancing Objectives in Public Employee Post-Retirement Employment Policies (PDF).

[8] See, for example, Strongsville Law Director Neal Jamison to retire, double-dip as part-timer, (December 7, 2021), and Three Brecksville-Broadview Heights teachers will double-dip, receive both district salaries & state pensions, (September 3, 2021), both of which may be accessed by conducting a keyword "Double-dip" search on the Plain Dealer website: cleveland.com.

[9] See NASRA, Balancing Objectives in Public Employee Post-Retirement Employment Policies (PDF).

[10] R.C. 145.38(B)(4), 742.26(D), 3307.35(F), and 3309.341(C).

Penalty for PERS retirants who hold elective office

A PERS retirant who holds an elective office at the time of retirement is subject to a penalty if the retirant is elected or appointed to the same office, unless the retirant meets one of the following conditions:

- The retirant retired at least 90 days before the general election date.
- The retirant files a written notice of intent to retire with the county board of elections at least 90 days before the primary election date for the term or the date the primary election would have been held.
- The retirant notifies the appointing authority of the retirant's retirement or intent to retire before the term's end.

During the term of office, the retirant forfeits the employer-funded portion of the retirement benefit, while the employee-funded portion is suspended and paid as a single payment after employment terminates.[11]

Penalty for PERS retirants employed as independent contractors

A PERS retirant who enters into a contract as an independent contractor with an employer covered by PERS is subject to a penalty if the retirant (1) was employed by the employer at the time of retirement or (2) enters into a contract with another employer less than two months after retirement. The retirant forfeits the employer-funded portion of the retirement benefit for the length of the contract, and the employee-funded portion is suspended during that time and refunded when the contract terminates.[12]

Does double dipping affect a retirant's health care coverage?

Yes. A reemployed retirant who is receiving health care coverage through a state retirement system loses eligibility for that coverage during the period of reemployment.[13] When an STRS, SERS, or OP&F retirant leaves the reemployed position, the retirant may reapply to the appropriate system for coverage.[14]

While working in the reemployed position, a PERS, STRS, or SERS retirant must enroll in the employer's health care coverage if the employer provides coverage to similar employees in comparable positions.[15] PERS provides a stipend to fund a retirant's health reimbursement arrangement (HRA) provided through PERS if the retirant is enrolled in a Medicare plan offered through PERS, or if the retirant is not eligible for Medicare, opts into the HRA. If a PERS retirant receives a stipend to pay for health care expenses and is employed in a position covered by PERS,

[11] R.C. 145.38(C). See also Re-employment and Your Benefits, which may be accessed by conducting a keyword "Re-employment" search on the PERS website: opers.org.

[12] R.C. 145.38(B)(6).

[13] R.C. 145.38(D), 742.26(J), 3307.35(C), and 3309.341(E).

[14] Ohio Administrative Code (O.A.C.) 742-7-11, 3307:1-11-03(B)(2)(b)(i), and 3309-1-35(I)(3).

[15] R.C. 145.38(D) and O.A.C. 3307:1-11-03(A)(8) and 3309-1-35(B)(3).

the retirant continues to receive the stipend during the period of reemployment. However, these funds cannot be used while the retirant is reemployed and are released to the retirant after leaving the reemployed position. The retirant cannot use any HRA funds for health care expenses incurred while the retirant was reemployed, but may use the funds for expenses incurred before or after the reemployment period.[16]

What happens to a retirant's benefit when the retirant leaves reemployment?

A retirant continues to receive the retirant's retirement benefit after leaving the reemployed position. If a retirant was subject to the early reemployment penalty described above, the retirant receives a refund of any contributions the retirant made during that two-month period.[17]

A retirant who is 65 or older, or 60 or older if employed in a position covered by OP&F, receives an additional benefit consisting of a monthly annuity or lump sum payment of the retirant's contributions made during the period of reemployment. Depending on which system covers the reemployed position, the retirant may also receive one or more of the following as part of the benefit:

- A portion of the employer's contributions determined by the system board (PERS and SERS);[18]
- An additional amount equal to the retirant's contributions (OP&F);
- Interest at a rate determined by the appropriate board (STRS, SERS, and OP&F).

If the retirant is under age 65, or age 60 if employed in a position covered by OP&F, the retirant receives a return of the retirant's contributions and interest if the position was covered by PERS, STRS, or OP&F. The employer's contributions remain with the system. The retirant must wait until two months after terminating employment in a position covered by PERS, or three months if the position is covered by OP&F, to receive the retirant's contributions.

If a retirant dies while working in the reemployed position, the retirant's beneficiary receives a lump sum payment of the retirant's contributions made during the period of reemployment plus interest. The lump sum payment also includes the employer's contributions if the retirant was 65 or older at the time of death.[19]

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[16] See page 15 of 2022 OPERS Health Care Program Guide (PDF), which may be accessed by conducting a keyword "Health care" search on the PERS website: opers.org.

[17] R.C. 145.38(B)(4), 742.26(D), 3307.35(F), and 3309.341(C).

[18] The STRS Board is authorized to include a portion of employer contributions in a retirant's additional benefit but has not done so since July 1, 2013. See Employment after Retirement (PDF), which may be accessed by conducting a keyword "Employment after retirement" search on the STRS website: strsoh.org.

[19] R.C. 145.384, 742.26(F) to (H), 3307.352, and 3309.344.