



Protecting Rehired Retirees Issue Brief

Background

School districts statewide struggle to fill open teaching positions in part because of teacher shortages. LEAs have been relying more and more on retired teachers to fill vacant positions or fill in as long-term substitutes for teachers who are on medical leave, maternity leave, or other types of extended leave. These rehired retirees are employed on a temporary full-time basis (30 hours or more per week for a period of less than six months). The arrangement creates a win/win for everybody. LEAs get an experienced educator in the classroom to fill staffing gaps while the retiree, because the status is considered temporary (less than six months), can work and continue to receive retirement income and retiree health benefits from the State Health Plan (SHP). This option to rehire retirees on a temporary full-time basis is now in jeopardy due to new federal and state laws.

A provision in the federal Affordable Care Act (ACA) levies penalties on large employers who do not offer qualified health coverage to employees reasonably expected to work full time – at least 30 hours per week. This includes employees working 30 hours per week on a temporary basis, such as rehired retirees. Under this language, LEAs would have to enroll rehired retirees in the SHP as active employees during their time of employment, which would include a contribution estimated at roughly \$450/month per employee. To avoid the ACA penalties, but at a much lower cost, the General Assembly in the 2014 budget established a new health benefit category called the High Deductible Health Plan (HDHP) for all temporary full-time employees who were previously not eligible for SHP benefits. The HDHP meets all the basic minimum coverage requirements of the ACA to qualify as “health coverage” but is far less generous than the active employee/retiree coverage provided through the SHP. A separate provision in the budget *disqualified rehired retirees working on a temporary full-time basis from SHP retiree group coverage during their time of employment*. While those individuals would not be required to enroll in the HDHP, they will not be able to access their retiree SHP health coverage during their time of employment effective August 7, 2014. The HDHP is available beginning January 1, 2015.

Once rehired retirees end their temporary full-time employment, they will be covered by COBRA and have 30 days to re-enroll in their SHP retiree coverage. If they fail to re-enroll within 30 days, they will have to wait until the next enrollment period to return to their old Plan.

NCSBA Position

Rehired retirees are an essential talent pool for school districts facing staffing needs. But retirees faced with the prospect of losing their retiree health coverage during their employment will think twice about taking a temporary position in a public school. By discouraging retirees from taking temporary full-time positions, this new law will make it more difficult for LEAs to find qualified individuals to fill vacant positions or long-term substitute needs. Retired teachers have earned their retiree health coverage and should be able to retain it while they serve in temporary full-time positions in public schools.