

Retirees who returned to work for city get tax penalty

By LARRY BARSZEWSKI
Staff writer

FORT LAUDERDALE — As Angelisa Slagle was getting ready to retire from her job with the city, her supervisor asked if she would be willing to return part-time at a later date to help finish a project.

Slagle learned this month her helpfulness came at cost: a \$19,550 tax penalty for running afoul of Internal Revenue Service rules. Seventeen other current and former city employees are in the same boat, owing a total of \$398,000 for the past three tax years — and more penalties are coming for those still employed this year.

Among those being penalized are Police Chief Frank Adderley, former Fire Rescue Chief Jeff Justinak and former Department of Sustainable Services Director Greg Brewton. The 18 individual penalties range from \$1,414 to \$69,424.

Now, city commissioners must decide if the city bears any responsibility because it didn't warn the employees who retired and soon returned to take new jobs with the city. The way the IRS sees it, the 18 workers never really retired from the city before returning. The penalty amounts to 10 percent of the pensions the retirees received while continuing to work for the city.

The IRS allows people under the age of 59 1/2 to work for a different employer and receive a pension without penalty, but not retirees who get another job from the same employer unless there's a clear "separation" that shows they actually left. The pension money is considered an early distribution, just like if it came from a 401k prior to turning 59 1/2.

Slagle, 58, retired as an administrative assistant in 2013 after 24 years with the city and returned in a part-time position a month-and-a-half later. She's upset that city officials knew about potential tax consequences in February 2014 and didn't notify her and others until June, almost 2 1/2 years later. She quit June 27 to keep the penalty from getting even worse.

"I was never informed by anyone — the department head, my supervisor, the timekeeper or Human Re-

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sources — that my pension would be penalized due to this conversation about possibly coming back to assist in a part-time capacity if I was needed," Slagle told commissioners earlier this month.

As a part-time worker, Slagle saved the city money by not having any sick or vacation benefits and she came back at a lower salary.

Officials say they didn't know about the IRS implications for the retirees until they began investigating problems with way the city's employee retirement plans were written.

City Manager Lee Feldman said the city didn't know who would be affected and has been reviewing information on hundreds of rehired retirees. Many were at retirement age and not impacted, he said, while others could legitimately say they had retired, separated and only later come back to

city employment.

William Coleman, a tax attorney contracted by the city, said there is no clear definition of what qualifies as a separation. Some governments that allow retired employees to be rehired require a separation of several months or more first.

But Coleman said the length of time doesn't make a difference if there was an understanding when the person left that they would be returning.

The affected city employees were notified over the last several weeks about the tax rule interpretation and received updated IRS Form 1099s that showed the pension dollars subject to the 10 percent penalty. They were able to retire based on years of service, not how old they were.

Commissioners are divided on what to do about the affected individuals. They plan to discuss the matter again in August or September.

Commissioners

Robert McKinzie and Bruce Roberts leaned toward assisting the employees.

"No one knew this thing existed," Roberts said. "Everybody was fat, dumb and happy ... Now these people are being hit with a liability that they have to pay back. I'm not so sure it was their total responsibility."

But Commissioners Romney Rogers and Dean Trantalis, along with Mayor Jack Seiler, said employees should have discussed their retirement situations with a tax accountant before taking a new job and called it a "personal tax responsibility."

"It's an IRS deal. It has nothing to do with us," Trantalis said.

Slagle disagrees.

"I care about the city, and I came back because I was asked to help," Slagle said. "I was here for you. I respectfully request you be here for me now."

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