

Proposed Senate Earnings Limitation - H4967

How the Limitation Works

Under current law, a retired member of the South Carolina Retirement System or the South Carolina Police Officers' Retirement System who has been retired for at least fifteen (15) days may return to employment covered by the Retirement Systems and continue to receive a retirement benefit without limitation.

Under the proposed Senate Amendments to H.4967, the existing law would be amended such that, with certain exceptions, the amount of retirement benefits payable to retirees who have returned to covered employment will be limited by a \$10,000 earnings limitation.

Pursuant to this limitation, once a working retiree has earned more than \$10,000 in a calendar year from covered employment, the retiree's monthly retirement benefit will be discontinued for the remainder of the calendar year.

Notably, this limitation does not prohibit a retired member of SCRS or PORS from being rehired by a covered employer or limit the amount of compensation that a covered employer may pay to a rehired retiree. Rather, this limitation simply provides that a retiree may no longer receive his or her monthly retirement benefit in a calendar year after the point at which the retiree's earnings reach \$10,000 for the year.

As noted above, this limitation is applied on a calendar year basis. Accordingly, a retired member whose monthly benefit was discontinued in one year because the retiree's earnings exceeded \$10,000 in that year would begin receiving his or her normal monthly benefit at the beginning of the following calendar year and continue to receive that benefit until the retiree reached \$10,000 in earnings for that year.

Who is Subject to the Limitation

The earnings limitation would apply to all current and future retirees as of the effective date of the act, except for (1) members who retired prior to July 1, 2012 (including members who began TERI participation prior to that date), (2) members who were at least 62 years of age on their retirement date for SCRS members (or 57 years of age on their retirement date for PORS members), and (3) retired members who have been rehired in a position that is appointed by the Governor and confirmed by the Senate, elected or appointed by the General Assembly, or elected by the general electorate of a jurisdiction.

It is important to note that a member who retires after June 30, 2012, and who is less than 62 years old on his or her retirement date (or less than 57 years old for a PORS member) would be subject to an earnings limitation in all future covered employment (unless the member becomes employed in one of the elected and appointed positions cited above). The limitation would not cease to apply merely because the retired member reaches age 62 in SCRS or 57 in PORS after retirement.

The following flowchart explains who is subject to the proposed earnings limitation:



