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PSERS; RETIREE EARNINGS LIMIT

House Bill 6039
Sponsor: Rep. Kirk A. Profit
Committee: Public Retirement

Complete to 9-16-98

A SUMMARY OF HOUSE BILL 6039 AS INTRODUCED 9-15-98

Under the Public School Employee Retirement Act, certain restrictions are placed on the practice of retirees becoming re-employed by a "reporting unit" (generally, a public school or other institutional participant in the retirement system). These include a limit on the amount that can be earned without affecting the retiree's pension. If a retiree becomes employed by a reporting unit, the retiree's pension is reduced if earnings exceed either: a) 1/3 of the retiree's final average compensation, or b) the maximum earnings permitted under the federal Social Security Act. The pension is reduced by the full amount that earnings exceed the greater of the two limitations.

These restrictions apply only to re-employment with a PSERS "reporting unit" (but not to employment with other employers). Prior to the passage of Public Act 272 of 1995, certain public universities (though not all) were participants in the Public School Employees Retirement System. The 1995 legislation exempted those universities and their future employees from participation in the system. After January 1, 1996, the term "reporting unit" in the statute does not include a university unless it has pre-1996 employees who are members of the retirement system.

House Bill 6039 would amend the act to specify that the earnings limit would not apply to a retiree who returns to work after retirement for a university who is a "reporting unit", if the retiree does not again become a member of the retirement system by virtue of the employment. (That is, the earnings limit would not apply in cases where the employment was with a university that is no longer a member of the system, but for having employees who were members before the 1995 legislation took effect.)

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