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PSERS: POST-RETIREMENT EARNINGS LIMIT

House Bill 4340
Sponsor: Rep. Bruce Caswell
Committee: Senior Health, Security and Retirement

Complete to 6-2-03

A SUMMARY OF HOUSE BILL 4340 AS INTRODUCED 3-13-03

Under the Public School Employees Retirement Act, certain restrictions are placed on the practice of retirees becoming re-employed by a "reporting unit" (a public school, intermediate school district, charter school, community college, etc.). 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 (increased 5 percent per year), or b) the maximum earnings permitted under the federal Social Security Act. The pension is reduced by the full amount that earnings exceed the lesser of the two limitations. [Retirement systems typically impose post-retirement earnings limitations (as does the IRS) to prevent the abuse of the system by what is sometimes called "double-dipping", i.e., allowing a person to retire, collect a full pension, and immediately return to work for the same employer in some form, such as a contractual employee, and to simultaneously be paid both a salary and a pension.]

This provision of the Public School Employee Retirement Act was amended in 1999 and again in 2001 to make certain exceptions to the earnings limitations described above. Generally speaking, the exceptions apply to employment in a reporting unit:

- experiencing an approved emergency situation that necessitates the hiring of a retiree in the capacity of a teacher, principal, stationary engineer, or administrator in order to prevent depriving students of an education; or

- that needs to hire a retiree to teach in a "critical shortage discipline" as determined by the state superintendent of public instruction.

These exceptions apply until July 1, 2006, and only apply to retirees who retired on or before July 1, 2000. House Bill 4340 would amend the act so that these exceptions would apply, instead, to retirees who retired on or before July 1, 2002. Further, the bill specifies that:

- beginning July 1, 2004, the exceptions would apply only to retirees who retired on or before July 1, 2003, and

- beginning July 1, 2005, the exceptions would apply only to retirees who retired on or before July 1, 2004, and

- beginning July 1, 2006, the exceptions would apply only to retirees who retired on or before July 1, 2005.

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