

# How Returning to Work Will Impact Your Retirement Benefits



Retirement might not mean the end of work. If you think you may return to a job covered by the South Carolina Retirement System (SCRS) or Police Officers Retirement System (PORS) after retiring from one of those systems, there are some rules you need to understand before retiring. A member's receipt of service retirement benefits is not affected by employment outside of the retirement systems. Disability retirees are subject to different rules.

## You must be retired for at least 30 days

To retire, you must completely terminate from all covered employment. To receive retirement benefits, you must also be retired for at least 30 consecutive days before you return to covered employment. If you return sooner, PEBA will suspend your monthly retirement benefit, and you will not be eligible to receive benefits again until you terminate from all covered employment. This 30-day requirement relates to retirement benefits only, not health insurance coverage. See the back page for details on contacting PEBA for information about how retirement will affect your insurance coverage.

## Impacts on your monthly retirement benefit

### \$10,000 earnings limitation

This rule does not limit the amount you can earn from covered employment. Instead, it limits your retirement benefit once your earnings from covered employment exceed the \$10,000 limit. There are exceptions to the earnings limitation:

- Members who retired before January 2, 2013, regardless of age at retirement.
- SCRS members who retired on or after January 2, 2013, but were age 62 or older on their date of retirement.
- PORS members who retired on or after January 2, 2013, but were age 57 or older on their date of retirement.
- Teachers who meet a critical needs exception. The S.C. Department of Education must annually certify that a member is working in a critical needs area, either academic or geographic.
- Class One law enforcement officers who retired under PORS prior to January 1, 2018, and are employed as critical needs school resource officers. PEBA must be notified of the officer's exemption, and this exemption is contingent on continued approval in each year's budget.
- An SCRS or PORS member who has had a period of at least 12 consecutive months after retirement during which the member did not work for any covered employer in any capacity. The member must certify with PEBA that he has not worked for a covered employer for at least 12 consecutive months, and this exemption is contingent on continued approval in each year's budget.
- Members who receive compensation for service as an elected official, service as an appointee of the Governor with confirmation by the South Carolina Senate or service by appointment or election by the General Assembly.

Unless you meet an exception to the limitation, you will receive your retirement benefit until you earn \$10,000 from employment in a covered position during a calendar year. Once you reach this amount, your monthly retirement benefit stops for the rest of the year. The limit resets the following calendar year. The limit remains in effect for as long as you have covered employment.



## \$50,000 earnings limitation

Senate bill 704 increased the earnings limitation to \$50,000 for some retired SCRS members who work in the state's public schools. SCRS members who retired on or before April 1, 2019, and return to covered employment in the K-12 public education system are eligible. If a retired member is otherwise subject to the earnings limitation, all other employment remains subject to the regular \$10,000 earnings limitation. A retiree may only qualify for this increased earnings limitation for a maximum period of 36 consecutive months of employment.

## Return-to-work retirees and retirement system contributions

If you return to work, you must contribute a percentage of your pay into the system. The contribution rate will be the same as it is for active employees. However, you will no longer earn service credit or receive interest on your account.

Under current law, the test for determining whether compensation you receive from a covered employer is subject to working retiree contributions and counts toward the earnings limitation is whether you received the compensation as an employee of the covered employer. In other words, whether you are in an employee-employer relationship with the employer. If you are not an employee of the employer and receive compensation in some other capacity—for example, as a bona fide independent contractor or bona fide employee of a private contractor—the compensation would not be subject to working retiree contributions or count toward the earnings limitation.

In determining whether you are an employee of a covered employer or are working in some other capacity, PEBA relies on the usual indications of employment under South Carolina law. This is a fact-intensive test that takes into account a number of factors, most importantly, whether the covered employer has the right to control the work you perform. PEBA, like the IRS, doesn't just look at the form of the relationship—for example, how the employment contract is labeled or how the employment is reported—but goes further to examine the underlying substance of the relationship. Simply put, we look at how the employment is actually being carried out to make a determination of employment status.

It's also important to emphasize that there can be significant consequences if you are rehired as an employee but are not appropriately reported to PEBA in a timely manner. In particular, you and your employer will be required to pay the working retiree contributions that should have been remitted from the employment, including accumulated interest on delinquent contributions; and any retirement benefits that should not have been paid because you exceeded the earnings limitation must be repaid to the retirement systems.

### Insurance coverage when you return to work

You may be eligible for retiree group insurance when you retire. Generally, if you return to work in an insurance-eligible position with the State Health Plan, you must enroll in active employee insurance coverage or refuse State Health Plan coverage. If you are on Medicare while working (or covering a dependent who is eligible for Medicare), and you are covered by the State Health Plan, the State Health Plan will be your primary payer; Medicare will be secondary.<sup>1</sup> If your employer does not participate in the State Health Plan, then any coverage it offers will determine your options. Learn more in the [Insurance Benefits Guide](#).

<sup>1</sup>If you (and your dependents) are not eligible for Medicare and you did not retire from a state agency, public higher education institution or school district, you may remain on retiree coverage upon returning to employment.

### Learn more

Visit [peba.sc.gov](http://peba.sc.gov), or call PEBA's Customer Service at 803.737.6800 or 888.260.9430. You can also contact Medicare at [www.medicare.com](http://www.medicare.com) or 1.800.633.4227.