

January 13, 2016

Tina Harrison
803 Cedar Rock Road
Ridgeway, SC 29130

Dear Ms. Harrison:

I am in receipt of the copy of your letter to Governor Haley regarding the limitation on the benefits retirees of the South Carolina Retirement System ("SCRS") may receive if they return to covered employment after retirement. I am writing you today to address the concerns you raise in your letter about that limitation.

For most of its history, SCRS has had a provision that limits the benefits a retired member may receive if he or she returns to covered employment after retirement. It is important to note that, while this provision is commonly referred to as an "earnings limitation," the provision does not actually limit the ability of an SCRS retiree to return to covered employment or restrict the amount of compensation an SCRS retiree may receive from such a return to covered employment. Rather, the limitation simply provides that a retired member may not continue to draw retirement benefits after the member's earnings from covered employment exceed a certain threshold for the year. The intent of such limitations is to help ensure that benefits from SCRS are paid as true retirement benefits when an eligible member is ready to end his or her career in covered employment.

If those limitations are relaxed, as they were in the early 2000s, members are incentivized to begin drawing benefits before they are ready to end their careers in covered employment. And, when members draw benefits at first eligibility, rather than at the end of their working careers, it results in greater liabilities to the system. To help curb those liabilities, the General Assembly reestablished an earnings limitation as part of the retirement reform legislation in 2012. Under this limitation, a member who retires from SCRS before age 62 and later returns to covered employment may only receive retirement benefits until the member's earnings for the year reach \$10,000, at which point the member's retirement benefit is suspended for the remainder of the year. The member would, however, continue to receive his or her full compensation for the covered employment for the year. Notably, if a member retires after age 62 (or retired before January 2, 2013), the member is permitted to receive his or her full benefit regardless of any earnings from a return to covered employment.

Executive Director Peggy G. Boykin, CPA
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I hope this letter has helped explain how the SCRS earnings limitation works and the basis for the limitation. If you have any questions about your retirement benefits, please feel free to contact PEBA at (803) 737-6800 or (888) 260-9430.

Sincerely,



Peggy G. Boykin, CPA
Executive Director

cc: ✓ The Honorable Nikki R. Haley
The Honorable Creighton B. Coleman
The Honorable MaryGail K. Douglas