



## MEMORANDUM

TO: Teachers' and State Employees' Retirement System (TSERS) and Local Governmental Employees' Retirement System (LGERS) Boards of Trustees

FROM: Patrick Kinlaw, Director of Policy, Planning and Compliance

DATE: January 29, 2020

SUBJECT: Increase in Permitted Reemployment Earnings Before Suspension of Retirement Allowance

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### Question

What is the increase, effective January 1, 2020, in the amount of compensation a reemployed beneficiary may earn from an employer that participates in the same retirement system under which the beneficiary is retired?

### Background

N.C.G.S. § 135-3(8)c. and § 128-24(5)c. provide for TSERS and LGERS, respectively: "Should a beneficiary who retired on an early or service retirement allowance be reemployed by, or otherwise engaged to perform services for, an employer participating in the Retirement System on a part time, temporary, interim, or on a fee-for-service basis, whether contractual or otherwise, and if such beneficiary earns an amount during the 12-month period immediately following the effective date of retirement or in any calendar year which exceeds fifty percent (50%) of the reported compensation, excluding terminal payments, during the 12 months of service preceding the effective date of retirement, or twenty thousand dollars (\$20,000), whichever is greater, as hereinafter indexed, then the retirement allowance shall be suspended as of the first day of the month following the month in which the reemployment earnings exceed the amount above, for the balance of the calendar year, except when the reemployment earnings exceed the amount above in the month of December, in which case the retirement allowance shall not be suspended. The retirement allowance of the beneficiary shall be reinstated as of January 1 of each year following suspension. The amount that may be earned before suspension shall be increased on January 1 of each year by the percentage change between the December Consumer Price Index in the year prior to retirement and the December Consumer Price Index in the year most recently ended, calculated to the nearest tenth of a percent (1/10 of 1%), provided that this percentage change is positive." (Emphasis added. The quotation above is from the LGERS statute; the TSERS statute differs only in that it includes the words "under this Chapter" after "early or service retirement allowance," and the phrases "fee-for-service" and "12-month" are not hyphenated.) "Consumer Price Index" (CPI) is defined in both N.C.G.S. § 135-1(7c) and § 128-21(7c) as "the Consumer Price Index for All Urban Consumers (CPI-U), U.S. City Average, all items, not seasonally adjusted, standard reference base, as published by the Bureau of Labor Statistics of the U.S. Department of Labor."

These provisions were effective January 1, 1995, as required by Session Law 1993-769. The \$20,000 limit on reemployment earnings, which was effective January 1, 1995, has been increased over time as required by the underlined sentence. Most recently, it was increased by 1.9% effective January 1, 2019, corresponding to the percentage increase in CPI from December 2017 to December 2018. The dollar amount of the limit was \$33,560 for 2019.

The CPI, as published by the Bureau of Labor Statistics, increased by 2.3% from December 2018 to December 2019.

### **Recommendation**

Staff recommends that the Boards authorize an increase in the amounts provided for in N.C.G.S. § 135-3(8)c. and § 128-24(5)c., effective as of January 1, 2020, equal to the increase in CPI as published by the Bureau of Labor Statistics, and authorize an increase in the 50% of compensation limit for each member equal to the same percentage increase in CPI effective January 1, 2020. Under this recommendation, the 50% of compensation amounts would increase by 2.3%, and the adjusted dollar amount would increase from \$33,560 to \$34,340, both effective January 1, 2020.