



Commission on Government Forecasting and Accountability

PENSION IMPACT NOTE *104th General Assembly*

BILL NO: SB 1374

March 7, 2025

SPONSOR (S): Rose

SYSTEM: State Universities Retirement Systems (SURS)

FISCAL IMPACT

According to SURS, SB 1374 would increase costs to the State by making it easier for employers to hire affected annuitants (retirees who return to work and exceed earnings limits), leading to fewer penalty payments and encouraging earlier retirements. This would reduce employer contributions and increase pension liabilities. Additionally, retroactively adjusting employer penalties to January 1, 2021, could raise the unfunded liability since State contributions were already calculated with those payments included.

Since the original “affected annuitant” law took effect, SURS has issued 45 penalty bills totaling \$1.1 million as of March 1, 2025.

SUBJECT MATTER: SB 1374 amends the State Universities Retirement System (SURS) Article of the Pension Code. This legislation reduces employer penalty payments for hiring an “affected annuitant” (retirees who return to work) to the lesser of 3 times the annuitant’s gross monthly annuity or \$100,000, replacing the current requirement of 12 times the annuity. The bill also adds an additional exception to the “affected annuitant” classification. The details are provided in the Comment section below.

COMMENT:*Current Law*

Under P.A. 97-0968, effective August 16, 2012, an SURS-covered employer who hires an “affected annuitant” must pay SURS a penalty equal to 12 times the annuitant’s monthly pension. This rule, in effect since August 1, 2013, was meant to discourage employers from rehiring retirees.

A SURS retiree becomes an affected annuitant if they:

1. Earn more than 40% of their highest pre-retirement salary, and
2. Receive at least \$10,000 annually in pension benefits (\$833.33/month).

Exceptions:

- Earnings from federal, corporate, foundation, or trust funds, or state-funded grants that name the retiree, do not count toward the salary calculation.
- A retiree loses affected annuitant status if they either:
 - Return to active service and suspend their pension, or
 - Receive less than \$10,000 annually in benefits.

Before this law, retirees could collect both a pension and a paycheck, while employers saved costs by rehiring retirees at lower salaries—shifting some costs to SURS. The law was enacted to discourage this practice.

SB 1374

SB 1374 would reduce the employer penalty for rehiring affected annuitants from 12 times the annuitant’s monthly pension to the lesser of 3 times the annuity or \$100,000. This change would apply retroactively to employer payments made on or after January 1, 2021.

Additionally, SB 1374 creates a new exemption: an affected annuitant who earns up to 40% of their highest pre-retirement salary would no longer be considered an affected annuitant.

This revision lowers the financial penalty for employers and allows more flexibility for rehiring retirees.

JB:bs

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