

SYSTEMS UPDATE



Vol. 20, No. 1-R20

RETIREE ISSUE

MARCH 1999

No Y2K problems anticipated

As the year 2000 fast approaches, the South Carolina Retirement Systems continues its efforts to ensure the integrity of your membership data and to provide uninterrupted service when the last second of 1999 passes.

Our Data Processing staff started planning for this event in 1994 when our computer re-engineering project began. They are making sure all hardware, software, and systems are Year 2000 (Y2K) compliant. All applications developed by agency staff meet the requirements. All hardware, software, and integral systems obtained from outside vendors are verified and documented as Y2K compliant before we purchase them.

We do not anticipate any Y2K problems, and we expect to complete our final testing this summer with weekend test runs. ✍

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SOUTH CAROLINA DEFERRED COMPENSATION UPDATE

—from Bob Toomey, Director, S.C. Retirement Systems

Congratulations to Kirke Van Orsdel (KVI), a division of Seabury & Smith, Inc., and Great West Life on the renewal of their contracts as the Administrator and Recordkeeper for the South Carolina Deferred Compensation plans. As many of you probably know, KVI and Great West Life have held these positions for the last five years under their recently expired contract. The Deferred Compensation Commission is pleased to have them still on board. Thanks to their history with the program, participants will experience a very smooth transition—which is an even bigger plus!

Wondering what prompted the renewal of the contracts? State law requires that all government contracts be reviewed and bid every few years. Last May, the Commission issued a request for proposal (RFP) in anticipation of the fast-approaching December 1998 contract termination date. This RFP solicited responses from those companies that were interested in bidding on the new contracts. The Commission reviewed responses to the RFP, rated these responses according to established criteria, met with finalists, and made their final selection in August. The evaluation committee selected KVI and Great West Life based on their scores in five categories: experience and reliability, method of performance, cost and cost efficiency, expertise of personnel, and systems capabilities. The contract went into effect January 1, 1999.

What does this process mean to participants in the program? The process illustrated the benefit of reviewing contractual relationships and helped the Commission achieve its goal of improving services to plan participants. The Commission attained a 12.5 basis point reduction in fees charged against the plan's assets—a savings of approximately \$1.5 million a year to the plan, which benefits all participants. Also is the intention to provide participants with more timely newsletters updating them on their investments and other pertinent deferred compensation issues. Always dedicated to providing the best services possible, the Deferred Compensation Commission is pleased with these positive changes.

In other news, the Administrator of the Deferred Compensation Program recently developed a website (www.sc.hrbenefits.com) which is available to all participants. This site provides information regarding investments, yields, asset allocation, and related data, as well as offering on-line individual

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1999 SOCIAL SECURITY CHANGES

MAXIMUM TAXABLE EARNINGS. The maximum earnings on which Social Security taxes (6.2%) are withheld increased to **\$72,600**. There is no limit for Medicare (1.45%).

QUARTER OF COVERAGE. The amount of wages needed to earn a Social Security credit (a quarter of coverage) is now **\$740**. Forty quarters are needed to be able to receive benefits upon eligibility. However, in calculating benefits, Social Security will look at the individual's entire work record and select the highest 35 years of earnings.

RETIREMENT EARNINGS LIMIT. The amounts recipients may earn as wages during 1999 without affecting their benefits are:

up to age 65	\$9,600/yr. (\$800/mo.)
age 65-69	\$15,500/yr. (\$1,292/mo.)
age 70+	no limit

NOTE: For people under age 65, \$1 in benefits will be withheld for every \$2 in earnings above the limit. For people age 65 through 69, \$1 in benefits will be withheld for every \$3 in earnings above the limit.

COLA. The 1999 Social Security cost-of-living adjustment is **1.3%**.

HOSPITAL INSURANCE PART A. The monthly premium remains \$309. *NOTE: This premium is paid only by individuals who are not eligible for Social Security benefits or who are not otherwise eligible for premium-free hospital insurance.* The Part A deductible is now **\$768**.

SUPPLEMENTAL MEDICARE INSURANCE PART B. The Part B deductible remains \$100. The monthly premium is now **\$45.50**.

If you have any questions, call the Social Security Administration toll-free at 1-800-772-1213 or call the local office nearest you. You may also access Social Security and Medicare information on-line at: www.ssa.gov.

Taxpayers find relief in retirement deduction

One change on South Carolina income tax returns benefits retirees. For 1998, retirees no longer have to choose between taking the \$3,000 or \$10,000 deduction from retirement income; retirees will receive both. Beginning with the first year retirement income is received from a qualified plan, taxpayers may take a deduction of up to \$3,000 each year until they turn 65 at which time they may begin taking a deduction of up to \$10,000 from retirement income.

Previously taxpayers had to make a choice. They could begin taking a \$3,000 deduction in the first year they received retirement income and continue that deduction for life. Or they could choose to claim no deduction until they turned 65 at which point they could begin taking a \$10,000 annual deduction for life. This choice created confusion for taxpayers and placed them in a difficult dilemma. The administration of the deduction and keeping up with taxpayer elections also created difficulty for the Department of Revenue.

All taxpayers age 65 or older are allowed a deduction of up to \$11,500 from any source of income. The \$11,500 deduction must be offset by any retirement deduction claimed so that the maximum deduction may not exceed \$11,500. The reason for maintaining the \$10,000 retirement deduction along with the \$11,500 age 65 deduction is in the tax treatment of the deduction when one spouse dies. A surviving spouse may continue taking the \$10,000 retirement deduction if the surviving spouse is receiving income from the deceased spouse's

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Deferred Compensation Update

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account information and transactions. If you haven't already, please be sure to check it out.

Next on the Commission's slate is a review of the fixed income options. And, in the state legislature, there is great interest and discussion on the possibility of matching contributions for participants in the plan. Look for more information on this and other deferred compensation news in future *Systems Updates*. If you have any questions or want more information about the S.C. Deferred Compensation Program, contact them at 1-803-734-9700 or toll free at 1-800-922-1380. Also, visit the new website (www.sc.hrbenefits.com). The Commission looks forward to hearing from you!

Meet your advisory board

Though it's been around since 1976, you may not know the S.C. Code of Laws established a *Retirement and Pre-retirement Advisory Board* to advise the Retirement Systems' director on retirement and pre-retirement policies and programs. The board reviews programs and policies, proposes recommendations, and identifies major issues for consideration.

The advisory board consists of eight members appointed by the State Budget and Control Board. Members may serve up to two consecutive four-year terms or until their successors are appointed and qualified to serve (the chairman, vice chairman, and secretary serve for two-year terms). Recommendations for prospective advisory board members come from associations, groups, and individuals. Current members and their representative groups are listed in the table at the bottom of this page.

The advisory board meets once a year with the Retirement Systems' director, once a year with the Office of Human Resources director, and once

HELP US FIND THEM!



We cannot locate these former members who are eligible for lifetime benefit payments. And, because we cannot pay benefits going back beyond 90 days, these folks are losing money every month! So, we need your help. Please call us at 803-737-6800 or toll-free, within S.C. at 1-800-868-9002 if you can help us locate these individuals.

NAME	LAST KNOWN EMPLOYER
DONALD D. AARON	CITY OF CAYCE
LUCIUS BACOTE	DARLINGTON COUNTY COUNCIL
W. J. BELLAMY	HORRY COUNTY COUNCIL
SARAH M. CAPPS	SCHOOL DISTRICT OF GREENVILLE COUNTY
ROBERT L. CLEMENT, JR.	COUNTY OF CHARLESTON
HAROLD B. COOK	NEWBERRY COUNTY COUNCIL
RUTH W. DAVIDSON	FORT MILL PUBLIC SCHOOLS DISTRICT
EMMA L. DONALD	DARLINGTON COUNTY DEPT. OF EDUCATION
JULIUS R. EARLE	OCONEE COUNTY BOARD OF COMMISSIONERS
TILLIE B. FOGLE	TOWN OF LIVINGSTON
CHRISTINE H. GREENE	CHEROKEE COUNTY SCHOOL DISTRICT
JAMES E. HENDRIX	TOWN OF NORTH
HELEN HOOPER	CHESTER COUNTY SCHOOL DISTRICT
GLADYS JACKSON	SPARTANBURG COUNTY SCHOOL DISTRICT 7

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a year with the Budget and Control Board. They are empowered to seek staff assistance from the Retirement Systems, Office of Human Resources, and other agencies. They may also use such resources as faculty and students at state-supported universities, colleges, and technical schools.

The advisory board also brings comments and feedback from employees

and retirees across the state. At their last meeting December 17, 1998, they discussed matters relating to the customer service, legal, imaging, and service purchase departments at the Retirement Systems. In addition, they presented concerns regarding the issue of earnings limitations for retirees (currently being reviewed by the Retirement Systems). More information will be in future issues of *Systems Update*. ✍

Advisory Board Members

One representing <i>municipal employees</i>	L. C. Greene , <i>Town of Lexington</i> (term ends 9/1/99)
One representing <i>county employees</i>	Katleen K. Williams , <i>S.C. Association of Counties, Columbia</i> (term ends 4/14/02)
Three representing <i>state employees</i> (one of whom must be retired)	William C. Gibson , <i>S.C. Criminal Justice Academy, Columbia</i> (Chairman—term ends 9/1/99) Alfonso J. Evans , <i>Retired, Charleston</i> (Vice Chairman—term ends 9/1/99) Marimac Saxon , <i>S.C. Department of Corrections, Columbia</i> (term ends 4/14/02)
Two representing <i>public school teachers</i> (one of whom must be retired)	Lynda Leonard , <i>Cleveland Elementary School, Spartanburg</i> (Secretary—term ends (9/1/99) Linda L. Bush , <i>Retired, SCEAR, Columbia</i> (term ends 4/14/02)
One representing <i>higher education teachers</i>	Alan S. Krech , <i>S.C. Commission on Higher Education, Columbia</i> (term ends 4/14/02)

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HELP US FIND THEM!

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DEWITT M. NORWOOD, JR. .. **BARNWELL COUNTY COUNCIL**
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LARLES SPEED **OCONEE COUNTY SCHOOL DISTRICT**
JOHN W. THOMAS **GREENVILLE COUNTY COUNCIL**
RUTH S. WANNAMAKER **DARLINGTON COUNTY DEPT. OF EDUCATION**
EVELYN M. WELBORN **ANDERSON COUNTY COUNCIL**
CHARLIE B. WILSON **MARION COUNTY COUNCIL** ✍

Retirement deduction

Continued from Page 2

retirement plan. A surviving spouse may not continue taking the deceased spouse's \$11,500 age 65 deduction. Married couples with one spouse younger than 65 and one older no longer have to allocate their income. This simplifies the tax filing requirements for taxpayers in this situation and recognizes that income to a married couple is usually considered owned by both. Previously taxpayers had to determine who actually earned the income and make an allocation of the deduction based on those calculations. The deduction for children under age six is increased to \$2,700, and the tax brackets have been adjusted for inflation, creating a tax savings for everyone.

For more information, call the South Carolina Department of Revenue at 803-898-5709 or visit the local office nearest you. ✍

South Carolina State Budget and Control Board

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