

Understanding Your Retirement Plan

Retirement Planning Seminar
2011

What plans are administered by the Retirement Systems?

- South Carolina Retirement System (SCRS)
- Police Officers Retirement System (PORS)
- Judges and Solicitors Retirement System (JSRS)
- General Assembly Retirement System (GARS)
- National Guard Retirement System (NGRS)
- State Optional Retirement Program (State ORP)

Who participates in the Retirement Systems?

- Approximately 850 South Carolina public employers
- Approximately 220,000 active members, and 23,000 return-to-work retirees

Economic Impact of Our Plans

- We disburse more than \$2 billion in benefits annually.*
- Approximately 94 percent of our annuitants reside in South Carolina.

*Based on U.S. Bureau of Economic Analysis data for 2007.

How much does it cost to be a member?

- You contribute 6.5 percent of your earnable compensation (pre-tax) to your account.
- The contributions that you make to your account accrue interest at a rate of 4 percent compounded annually.
- PORS employers contribute 11.363 percent and SCRS employers contribute 9.385 percent to a separate account.

What do members receive?

- A monthly benefit not dependent on the amount of money you have contributed to your account
- Disability protection
- Option to purchase additional service
- Option to leave a monthly benefit to your beneficiary after your death
- Cost-of-living adjustments (COLAs) after you retire

In-Service Death Benefit

- If you have five or more years of earned service, have reached age 60 (age 55 in PORS) or have 15 years or more of total service credit, and die while in service as an employee of a participating employer, your designated beneficiary may be entitled to choose either a monthly benefit or a refund of your employee contributions plus interest.
- If you are younger than age 60 (age 55 in PORS) and have fewer than 15 years of service credit, your beneficiary would receive a refund of your employee contributions plus interest.



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When can I retire in SCRS? (Five Years Earned Service Required)

Normal Retirement (Unreduced Benefit)

- 28 years of service credit on date of retirement
- Age 65 on date of retirement with at least five years of combined earned service



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When can I retire in SCRS? (Continued)

Early Retirement

- Age 60 on date of retirement with at least five years of earned service. Benefit is permanently reduced 5 percent for each year of age less than 65 years.
- Age 55 on date of retirement and at least 25 years of service credit. Benefit is permanently reduced 4 percent for each year of service less than 28 years.



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When can I retire in PORS? (Five Years Earned Service Required)

- 25 years of service credit on date of retirement
- Age 55 on date of retirement with at least five years of earned service



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Cost-of-Living Adjustments (COLAs)

- State law provides that each July 1, eligible SCRS and PORS retirees should receive an automatic COLA equal to the percentage of the annual increase in the Consumer Price Index for Wage Earners and Clerical Workers (CPI-W) as of the previous December 31 up to an increase of 2 percent.
- If the CPI-W is less than 2 percent, the COLA would equal the actual increase in the CPI-W.
- COLAs are triggered only during periods of inflation.



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Cost-of-Living Adjustments (COLAs) (Continued)

- Retired PORS members are eligible for COLAs the second July 1 after their date of retirement.
- Retired SCRS members who retire with 28 years of service or on or after their 65th birthday are eligible for COLAs the second July 1 after their date of retirement.



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Cost-of-Living Adjustments (COLAs) (Continued)

- SCRS members who retire under early retirement provisions at age 55 with 25 years of service are not eligible for COLAs until the second July 1 after they reach age 60 or the second July 1 after the date they would have attained 28 years of service credit had they not retired.

Your Monthly Retirement Benefit

- After you retire, you will receive a monthly benefit based on a formula that includes your average final compensation (AFC), your service credit, and a benefit multiplier.

The Retirement Benefit Formula

- Your AFC is the average of your 12 highest consecutive quarters of earnable compensation as an active contributing member.
- Multiply your AFC by 1.82 percent (SCRS members) or by 2.14 percent (PORS members), then multiply the result by the amount of your service credit.
- This formula provides you with the amount of your annual retirement benefit. Divide by 12 to arrive at your monthly benefit.

Payment Plan Option A Retirement Formula Example

- Step 1 • Total 12 highest consecutive quarters of earnable compensation and divide by 3 to determine your average final compensation (also referred to as AFC).
- Step 2 • SCRS members multiply the result of Step 1 by 1.82%.
• PORS members multiply the result of Step 1 by 2.14%
- Step 3 • Multiply the result of Step 2 by years, months, and days of creditable service.
- Step 4 • Divide the result of Step 3 by 12 for your gross monthly Option A benefit amount.

Early retirement penalties and/or reductions may apply to SCRS members.
Reduction factors will apply to members who select a joint retiree/survivor payment plan (Option B or Option C).

Payment Plan Option A Example (Continued)

AFC = \$30,000		
SCRS	$\$30,000 \times 1.82\% =$	\$ 546
	$\$546 \times 28 \text{ years} =$	\$ 15,288
	$\$15,288 \div 12 =$	\$ 1,274.00
PORS	$\$30,000 \times 2.14\% =$	\$ 642
	$\$642 \times 25 \text{ years} =$	\$ 16,050
	$\$16,050 \div 12 =$	\$ 1,337.50

Unused Annual Leave

- Only an amount of up to and including 45 days' pay for unused annual leave from last termination payment may be included before averaging 12 highest consecutive quarters of earnable compensation.
- Upon termination of employment and after the end of TERI participation, benefit will be recalculated to include payment for up to 45 days of unused annual leave paid at termination.

Unused Sick Leave

- Credit for up to 90 days of unused sick leave from last employer.
- One month of service credit is granted for each 20 days of sick leave
 - 90 days = 4.5 months service



Payment Plan Options

- You may select one of three payment plans.
- Two of the three provide a lifetime monthly benefit to your beneficiary after your death.
 - **Option A** – Maximum Retiree-Only Monthly Benefit Payment Plan
 - **Option B** – 100%-100% Joint Retiree-Survivor Monthly Benefit Payment Plan (*non-spousal restrictions may apply*)
 - **Option C** – 100%-50% Joint Retiree-Survivor Monthly Benefit Payment Plan



Post-Retirement Payment Plan Changes

- If you choose Options B or C and all of your beneficiaries predecease you, your benefit will revert to Option A effective on the date the last beneficiary died.
 - You must notify the Retirement Systems upon the death of your beneficiary.
- If you have a change in marital status, you will have the opportunity to change your payment option within one year of the qualifying event.
- You can only change your payment plan twice regardless of the number of qualifying events that may occur.



TERI Program

(Teacher and Employee Retention Incentive Program)

- Any active SCRS member eligible to retire may participate in TERI program. (*TERI is not available to PORS members.*)
- Technically, you retire but continue to work for up to 60 months.
- Monthly payments are held in escrow without interest and distributed at end of your TERI period.
- You do not receive additional service credit during TERI participation.



TERI Program

(Continued)

- You must make contributions as a working retiree while participating in TERI.
- After termination, you receive your accumulated TERI account balance and begin receiving your monthly benefit.
- Your AFC is recalculated at the end of TERI to include payment for unused annual leave paid at termination.
- You must terminate employment at end of your TERI participation period.



TERI Program

(Continued)

- You may change employers and continue TERI participation provided no break in service occurs and you are employed by a covered employer.
- Contact our Customer Services Department with your early termination date if ending TERI participation early so that we may mail the necessary forms and information to you.



TERI Program (Continued)

- TERI participants employed by agencies that adhere to state personnel policies are exempt from the State Employee Grievance Procedure Act (employment is **at will**).
- TERI participants whose employers are not governed by state personnel policies are subject to their employer's policies regarding employment status and rights.



TERI Distribution and Tax Liability

- Options for payment of accumulated TERI account balance are:
 - Single-sum distribution;
 - Tax-sheltered rollover; or
 - Combination of both.
- Mandatory 20 percent federal tax withholding on taxable portion of distribution that is not rolled over.



TERI Distribution and Tax Liability (Continued)

- If you separate from service prior to the year in which you reach age 55, you may be subject to an additional 10 percent federal early withdrawal penalty.
- Consult with a tax and/or financial advisor about your TERI distribution.



Disability Retirement Benefit

- Must have at least five years of earned service if the injury is not job-related.
- You may apply for disability retirement if you become physically or mentally incapable of performing the regular duties of your job and your disability is likely to be permanent.
- The Retirement Systems must receive your application for disability retirement within 90 days of your date of termination from covered employment.



Disability Retirement Benefit (Continued)

- Calendar year earnings limitation applies to all public and private employment. Your earnings limitation is the difference between your adjusted AFC and your annual retirement benefit.
- Approval does not guarantee payment for life. Continuing disability reviews may be scheduled periodically.
- Approval does not automatically guarantee retiree health insurance.
- All service purchases must be completed prior to your retirement date.



Service Purchase

- The cost to purchase most types of service is based on a percentage of your career highest earnable compensation.
- The percentage is how much it costs to purchase one year of the applicable service type.



Service Purchase Types and Cost

- Public service
 - Educational service
 - Military service
 - Leave of absence
 - State ORP participation
 - Non-qualified service
 - Previously withdrawn service
 - Transfer from SCRS to PORS
 - Workers' compensation
- 16%
- 35%
- see next two slides



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Cost to Purchase Service

- **Previously withdrawn service**
 - Cost to purchase previously withdrawn service is based on repaying the amount withdrawn plus interest to the date request is received.
- **Transfer from SCRS to PORS**
 - Cost to transfer from SCRS to PORS is based on 5 percent of current earnable compensation for each year of non-concurrent service being transferred.



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Cost to Purchase Service

- **Workers' compensation**
 - Cost is based on contributions plus interest based on earnable compensation at the time of injury.
 - May arrange in advance with employer to continue contributing while receiving workers' compensation benefits.



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Service Purchase Requirements

- Must be an active contributing member
- No duplication of benefits in another defined benefit plan (excludes military)
- No overlapping service credit
- Must have five years of earned service to purchase non-qualified time
- All service purchases must be completed before you submit your retirement application



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Service Purchase Payment Options

- Personal check or money order
- Roll money over from your 401(k), 401(a), 403(b), 457, or IRA
- Service Purchase Installment Program
 - Tax-deferred or after-tax
 - 5.25 percent interest rate for any installment purchase activated July 1, 2011 - June 30, 2012
 - Payments may be spread out for twice the amount of years/months purchased
 - Purchase must be completed prior to your date of retirement



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Why Purchase Service?

- Purchasing service may help you retire sooner by providing you with more years of service.
- Purchasing service may help increase the amount of your retirement benefit since your years of service are part of the retirement benefit formula.



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Incidental Death Benefit

- **Active members, TERI participants, and working retirees**
 - If your employer offers the incidental death benefit and you die in service with at least one year of earned service, a payment equal to your current annual earnable compensation will be paid to your designated beneficiary or trustee.

Incidental Death Benefit

Retired Members

SCRS Service Credit	Benefit	PORS Service Credit
10-19 years	\$2,000	10-19 years
20-27 years	\$4,000	20-24 years
28 or more years	\$6,000	25 or more years

Your employer immediately prior to retirement must offer the incidental death benefit for your beneficiary to receive this benefit.

Returning to Covered Employment after Retirement

- No earnings limitation for service retirees.
- You must be retired for 15 consecutive calendar days before returning to covered employment (TERI participation counts toward this requirement).
- If you're employed by an agency that adheres to state personnel policies, you will be exempt from the State Employee Grievance Procedure Act (employment is **at will**).
- If your employer is not governed by state personnel policies, you would be subject to your employer's policies regarding employment status and rights.

Returning to Covered Employment after Retirement (Continued)

- Incidental death benefit equal to one year's earnable compensation (in lieu of \$2,000, \$4,000, or \$6,000 based on service credit) if death occurs prior to leaving covered payroll.
- Contribution rate is 6.5 percent of gross earnable compensation, paid pre-tax through payroll deduction.
- You receive your contributions back in the form of your monthly benefit.

Retirement Planning

- Use the benefits calculator on our website at www.retirement.sc.gov
- Request a benefit estimate by contacting Customer Services:
 - By phone: 803-737-6800 or 800-868-9002 (within S.C. only)
 - In writing: P.O. Box 11960, Columbia, SC 29211
 - In person: 8:30 a.m.-5:00 p.m.
202 Arbor Lake Drive, Columbia, SC 29223
- By email: access www.retirement.sc.gov and select "Contact Us"
 - When emailing Customer Services, please include your full name, the last four digits of your Social Security number for account identification, and your daytime telephone number.

Ready to start the process?

- How to apply:
 - Call or email Customer Services for an application package;
 - Visit our office and meet with a benefits consultant; or,
 - Download the forms from our website.
- Apply within six months prior to your date of retirement

What to Include with Your Application

- Copy of your birth certificate
- Copy of your driver's license or state-issued identification card
- Copy of birth certificate for each beneficiary if you are selecting a survivor option

Retirement Is a Special Time in Your Life!

- Carefully consider all options prior to purchasing any service and/or submitting your retirement application.
- Get help from our knowledgeable staff in understanding any of these retirement benefits or processes.
- Review the more detailed information and publications on our website, or contact Customer Services to request additional information.

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