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MEMORANDUM

Subject: Disclosure of Pension Information as of June 30, 2005

From: Tammy B. Davis, CPA
Assistant Director of Financial Services

The Governmental Accounting Standards Board issued Statement No. 27 entitled "Accounting for Pensions by State and Local Governmental Employers" in November 1994.

The disclosure requirements applicable to employers participating in the South Carolina Retirement System or the Police Officers Retirement System are prescribed in paragraph 20 of GASB 27.

The following information is provided in order to meet these disclosure requirements.

a. Plan description

1. The South Carolina Retirement System (SCRS) and the Police Officers Retirement System (PORS) are cost sharing, multi-employer defined benefit pension plans administered by the South Carolina Retirement Systems, a Division of the State Budget and Control Board.
2. Both the South Carolina Retirement System and Police Officers Retirement System offer retirement and disability benefits, group life insurance benefits and survivor benefits. Cost of living adjustments are granted on an ad hoc basis, subject to approval by the State Budget and Control Board. The Plans' provisions are established under Title 9 of the SC Code of Laws.
3. A Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the South Carolina Retirement System and Police Officers Retirement System is publicly available on our website at www.retirement.sc.gov, or a copy may be obtained by submitting a request to the South Carolina Retirement Systems, P. O. Box 11960, Columbia, SC 29211-1960.

b. Funding policy

1. Both employees and employers are required to contribute to the Plans under authority of Title 9 of the SC Code of Laws.

2. Required employee contributions to the Plans are as follows:

SCRS Class I	5% of earnable compensation
SCRS Class II	6% of earnable compensation
PORS Class I	\$21 per month
PORS Class II	6.5% of earnable compensation

3. Required employer contributions are as follows:

SCRS

Class I	4.25% of earnable compensation
Class II	
<i>State Agencies & Public</i>	
<i>Schools</i>	7.55% of earnable compensation
<i>Local Government</i>	6.70% of earnable compensation
Group Life Insurance	0.15% of earnable compensation

PORS

Class I	7.80% of earnable compensation
Class II	10.30% of earnable compensation
Group Life Insurance	0.20% of earnable compensation
Accidental Death Program	0.20% of earnable compensation

All employers contribute at the actuarially required contribution rates.

SUMMARY OF BASIC PROVISIONS

		SCRS	PORS
1.	Membership	All full-time, part-time, or temporary personnel who fill a permanent position as a public school employee, public higher education personnel, state employees, and city, county and other local public employees of participating employers must join as a condition of employment unless specifically exempted by statute or are eligible for and elect to participate in the State ORP.	All police officers with principle job duties of preserving public order, protecting life and property, and detecting crimes in the state; firefighters with principle job duties of preventing or controlling property destruction by fire; magistrates, probate judges, or coroners in full-time, permanent positions with a covered employer; or a peace officer employed by the SC Department of Corrections or the SC Department of Juvenile Justice. PORS members must also earn at least \$2,000 and devote at least 1,600 hours per fiscal year to this work.
2.	Employee Contributions	<u>Class I</u> – 5% of earnable compensation <u>Class II</u> – 6% of earnable compensation	<u>Class I</u> - \$21 per month <u>Class II</u> – 6.5% of earnable compensation
3.	Employer Contributions	<u>Class I</u> 4.25% of earnable compensation <u>Class II</u> <ul style="list-style-type: none"> ▪ 7.55% of earnable compensation for State Departments and Public Schools ▪ 6.7% of earnable compensation for all other participating employers <u>Group Life Insurance</u> 0.15% of earnable compensation <u>Accidental Death Program</u> N/A	<u>Class I</u> 7.8% of earnable compensation <u>Class II</u> 10.3% of earnable compensation <u>Group Life Insurance</u> 0.2% of earnable compensation <u>Accidental Death Program</u> 0.2% of earnable compensation
4.	Vesting Requirements	5 years earned service The member is entitled to a deferred annuity at age 60.	5 years earned service The member is entitled to a deferred annuity at age 55.
5.	Normal Retirement Age	Age 65	Age 55
6.	Requirements for Full Service Retirement	Age 65 or 28 years of credited service The member must have a minimum of 5 years of earned service to qualify for retirement.	Age 55 or 25 years of credited service The member must have a minimum of 5 years of earned service to qualify for retirement.
7.	Early Retirement	Age 60 with 5% reduction for each year under age 65 Age 55 with 25 years service, reduced 4% for each year of service under 28	N/A
8.	Formula for Normal Service Retirement	<u>Class I</u> 1.45% of Average Final Compensation times years of credited service <u>Class II</u> 1.82% of Average Final Compensation times years of credited service	<u>Class I</u> \$10.97 per month <u>Class II</u> 2.14% of Average Final Compensation times years of credited service
9.	Requirements for Disability Retirement	5 years of earned service, unless injury is job related	5 years of earned service, unless injury is job related
10.	Formula for Disability Retirement	The disability retirement benefit is based on a projection of service to age 65 with an actuarial reduction.	The disability retirement benefit is based on a projection of service to age 55.

		SCRS	PORS
11.	Benefit Options	<p><u>Option A</u> (Maximum/Retiree Only) Formula benefit as calculated in item 8; Non-recovered contributions paid upon death.</p> <p><u>Option B</u> (100% - 100% Joint Retiree/Survivor) Provides a reduced from Option A lifetime benefit that upon retiree's death continues to retiree's beneficiary.</p> <p><u>Option C</u> (100% - 50% Joint Retiree/Survivor) Provides a reduced from Option A lifetime benefit that upon retiree's death will continue to retiree's beneficiary at 50% of the retiree's annuity.</p> <p>Note: If a retiree selects Option B or Option C and all of the retiree's beneficiaries predecease the retiree, the retiree's benefit will revert to Option A.</p>	<p><u>Option A</u> (Maximum/Retiree Only) Formula benefit as calculated in item 8; Non-recovered contributions paid upon death.</p> <p><u>Option B</u> (100% - 100% Joint Retiree/Survivor) Provides a reduced from Option A lifetime benefit that upon retiree's death continues to retiree's beneficiary.</p> <p><u>Option C</u> (100% - 50% Joint Retiree/Survivor) Provides a reduced from Option A lifetime benefit that upon retiree's death will continue to retiree's beneficiary at 50% of the retiree's annuity.</p> <p>Note: If a retiree selects Option B or Option C and all of the retiree's beneficiaries predecease the retiree, the retiree's benefit will revert to Option A.</p>
12.	Teacher and Employee Retention Incentive (TERI)	<p>Upon meeting normal retirement eligibility, a member can elect to enter the TERI program for a maximum of five years, after which employment will cease. The retirement benefits will be accumulated in TERI accounts and will be paid to the members upon the earlier of actual retirement or the end of the TERI participation period. The amount credited to the TERI account is based upon the calculation and form of benefit selected by the member at TERI entry. No interest is credited to the TERI account. Member contributions cease, but employer contributions continue during TERI participation.</p>	<p>Not applicable.</p>
13.	Post Retirement Increase	<p>Increase in Consumer Price Index, up to 4% (Increases are not guaranteed and must be approved annually subject to compliance with funding policy.)</p>	<p>Increase in Consumer Price Index, up to 4% (Increases are not guaranteed and must be approved annually subject to compliance with funding policy.)</p>
14.	Accidental Death Program	<p>N/A</p>	<p>Provides 50% of earnable compensation at time of accidental death in the line of duty as an annuity to the beneficiary</p>
15.	Group Life Insurance Benefits	<ul style="list-style-type: none"> ▪ Lump-sum payment equal to one year's salary payable to the beneficiary upon the death of an active member with at least one year of service ▪ No service requirement for death resulting from actual performance of duties for an active member ▪ Lump-sum payment to retiree's beneficiary of up to \$6,000 based on years of service at retirement 	<ul style="list-style-type: none"> ▪ Lump-sum payment equal to one year's salary payable to the beneficiary upon the death of an active member with at least one year of service ▪ No service requirement for death resulting from actual performance of duties for an active member ▪ Lump-sum payment to retiree's beneficiary of up to \$6,000 based on years of service at retirement
16.	Withdrawal of Employee Contributions	<p>Accumulated contributions, plus interest, payable 90 days after termination of all covered employment</p>	<p>Accumulated contributions, plus interest, payable 90 days after termination of all covered employment</p>
17.	Actuarial Valuation Method	<p>Projected benefit with level percentage entry age normal cost and open-end unfunded actuarial accrued liability</p>	<p>Projected benefit with level percentage entry age normal cost and open-end unfunded actuarial accrued liability</p>
18.	Actuarial Interest Rate Assumption	<p>7.25% per annum, compounded annually</p>	<p>7.25% per annum, compounded annually</p>
19.	Unfunded Accrued Liability as of July 1, 2004 (in thousands)	<p>\$5,115,193</p>	<p>\$367,749</p>
20.	Unfunded Accrued Liability Liquidation Period as of July 1, 2004	<p>27 years</p>	<p>16 years</p>