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Serving those who serve South Carolina

Get Set for Retirement: Retirement

2018


Critical decision-making time



- When should I retire?
- Am I mentally, physically and financially ready?
- Should I buy service credit?
- Which benefit option should I choose?

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Today's topics



- Service purchase.
- In-service death benefits.
- Disability retirement eligibility.
- Leaving before retirement eligibility.
- Service retirement eligibility.
- How to calculate your monthly retirement benefit.
- Payment options.
- State Health Plan retiree insurance eligibility.
- How to apply for retirement.
- Post-retirement information.
- Emotional preparedness.
- Where to go for information.

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Retirement plans



- Defined benefit plans:
 - South Carolina Retirement System (SCRS).
 - Police Officers Retirement System (PORS).
 - Offer lifetime retirement benefit, disability and death benefits.
- Defined contribution plan:
 - State Optional Retirement Program (State ORP).
 - Benefit is balance in participant's account.
 - Offers some death benefits.
- Voluntary, supplemental retirement savings plans through the South Carolina Deferred Compensation Program.


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SCRS, PORS membership classes



- Class Two members are those whose earned service began prior to July 1, 2012.
- Class Three members are those whose earned service began on or after July 1, 2012.

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Purchasing service

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Purchasing service credit



- Active members may establish additional service credit by:
 - Purchasing qualified service;
 - Restoring previously withdrawn service or transferring eligible SCRS service to PORS service; and
 - Buying up to five years of non-qualified service.
- May establish each type of service credit once within a fiscal year.
- Must meet eligibility requirements for each type.

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Service types



- Public service.
- Educational service (K-12).
- Military service.
- Employer-approved leave of absence.
- State ORP service.
- Previously withdrawn service.
- Transfer from SCRS to PORS.
- Workers' compensation.
- Non-qualified service: up to five years.

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Service purchase requirements



- Must be active contributing member.
- No duplication of benefits in another defined benefit plan, except for military service.
- No overlapping service credit.
- Must have five years of earned service to purchase non-qualified time.

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Service purchase cost

- Actuarially neutral cost based on your age, service credit, and current or career highest fiscal year salary.
- Cost will not be less than 35 percent of your highest compensation per year for non-qualified service.
- Cost will not be less than 16 percent of your highest compensation per year for most other types of service.
- Actuarially neutral payment requirement does not apply to re-establishment of withdrawn service, transfers or supplementals.
- You may request cost estimates and submit service purchase requests through [Member Access](#).

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Service purchase payment options

- Personal check or money order.
- Tax-deferred rollover(s) from:
 - South Carolina Deferred Compensation Program; or
 - Other qualified retirement plans, like a 401(k), 401(a), 403(b), 457 or IRA.
- Service Purchase Installment Program (pretax or after-tax.)
 - 6.75 percent interest rate for any installment purchase activated during FY19 (July 1, 2018 – June 30, 2019).
 - Payments may be spread out for twice the amount of years, months purchased.
- Purchase must be completed before your date of retirement.

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In-service death benefits

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Active member incidental death benefit



- Must have at least one year of earned service unless death results from job-related injury.
- A payment equal to your current annual earnable compensation will be paid to your beneficiary.
- Payments to beneficiaries are subject to state and federal taxes.
- Also applies to return-to-work retirees.

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PORS Accidental Death Program



- Provides a survivor monthly benefit if employer is covered and your death is result of a job-related injury.
- Paid monthly to surviving beneficiary.
- Payments are subject to state and federal taxes.

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Refund of contributions or monthly benefit – SCRS



- If you die in service as an active member, your beneficiary may be entitled to receive:
 - A refund of your contributions plus the interest earned on your account; or
 - A monthly benefit if:
 - You are a Class Two member with at least five years of earned service credit, and you have either 15 years of total service credit or are at least age 60 at time of death; or
 - You are a Class Three member with at least eight years of earned service credit, and you have either 15 years of total service credit or are at least age 60 at time of death.

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Refund of contributions or monthly benefit – PORS



- If you die in service as an active member, your beneficiary may be entitled to receive:
 - A refund of your contributions plus the interest earned on your account; or
 - A monthly retirement benefit if:
 - You are a Class Two member with at least five years of earned service credit, and you have either 15 years of total service credit or are at least age 55 at time of death; or
 - You are a Class Three member with at least eight years of earned service credit, and you have either 15 years of total service credit or are at least age 55 at time of death.

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State ORP in-service death benefit



- If you die in service as an active State ORP participant, your beneficiary may be entitled to receive the cash value of your account through:
 - Periodic withdrawals;
 - Lump-sum distributions; or
 - Purchase of an annuity with the account balance.

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Disability retirement eligibility

SCRS and PORS

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SCRS, PORS disability retirement eligibility



- Must be in service with covered employer, meaning you:
 - Are not yet retired (or for SCRS, have not been retired for more than one year); and
 - Were on payroll less than one year ago.
- Unless injury is job-related, you must have:
 - Five years earned service if Class Two.
 - Eight years earned service if Class Three.

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SCRS disability retirement eligibility



- Must apply within one year of date of termination from covered employer.
- Must be approved for a disability benefit by the Social Security Administration.
- Submit approval letter from Social Security Administration to PEBA.
- Disability benefit is based on average final compensation, benefit multiplier and service credit at time of retirement (no projection of service credit).
- **Do not wait until after Social Security approval to file SCRS application.**

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SCRS disability retirement



- Until you reach age 65, you:
 - Must provide documentation each year of continued Social Security disability.
 - Are subject to disability retiree earnings limitation.

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PORS disability retirement eligibility



- Must be permanently incapacitated from the further performance of your job duties.
- Initial claim is reviewed by three-physician Medical Board.
- Disability benefit is based on average final compensation, benefit multiplier and a projection of service credit to age 55 or 25 years of service credit, whichever is less.

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PORS disability retirement



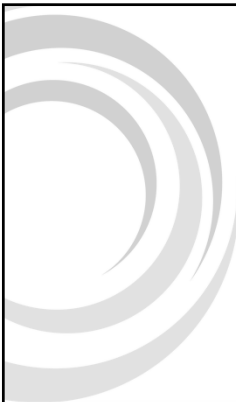
- Until you reach age 55, you:
 - May be scheduled for continuing disability reviews.
 - Are subject to disability retiree earnings limitation.

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Leaving before retirement eligibility

Requesting a refund or leaving funds on deposit

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Requesting a refund



- Give up your right to any future service or disability retirement benefit.
- Can generally roll over taxable portion into eligible retirement savings account.
- If you do not roll over refund, taxable portion may be:
 - Subject to taxes; and
 - Subject to additional tax penalty if younger than age 59 ½.
- Consult with tax advisor for more information.

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Leaving funds in your retirement account



- Account earns 4 percent interest annually until account becomes inactive.
- Can request refund later.
- If leaving employment with enough earned service, can apply for retirement benefit once age requirement is met.
- If returning to covered employment later, can resume making contributions and earning service credit.
- IRS requires annual minimum distributions beginning at age 70 ½.


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Leaving funds in your State ORP account



- Can leave your funds in your State ORP account until choosing to take withdrawals.
- Your account balance may:
 - Accumulate tax-deferred earnings; or
 - Decline from investment losses.
- IRS requires annual minimum distributions beginning at age 70 ½.


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Service retirement eligibility

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SCRS, PORS Class Two, Class Three



- Class Two: earned service began prior to July 1, 2012.
- Class Three: earned service began on or after July 1, 2012.
- Membership class affects:
 - Service retirement eligibility;
 - Average final compensation calculation; and
 - Credit for unused leave at retirement.

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SCRS Class Two retirement eligibility



- Must have five years of earned service.
- For an unreduced monthly retirement benefit, you:
 - Must have 28 years of service; or
 - Be age 65 or older.
- For a reduced monthly retirement benefit, you:
 - Must be age 60 (permanent 5 percent reduction for each year before age 65); or
 - Must be age 55 with 25 years of service (permanent 4 percent reduction for each year of service less than 28).

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SCRS Class Three retirement eligibility



- Must have eight years of earned service.
- For an unreduced monthly retirement benefit, you must:
 - Meet the Rule of 90 (age and years of service add up to 90); or
 - Be age 65 or older.
- For a reduced monthly retirement benefit, you must be age 60 (permanently reduced 5 percent for each year of age less than 65).
- Rule of 90 example: 56-year-old member with at least 34 years of service would be eligible for retirement (56 + 34 = 90).

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PORS Class Two retirement eligibility



- Must have five years of earned service.
- For a monthly retirement benefit, you must:
 - Have 25 years of service; or
 - Be age 55 or older.

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PORS Class Three retirement eligibility



- Must have eight years of earned service.
- For a monthly retirement benefit, you must:
 - Have 27 years of service; or
 - Be age 55 or older.


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State ORP



- There are no minimum age or years of service requirements to begin receiving your State ORP funds.
 - You can request a distribution of your account balance either at termination of employment or after age 59 ½
 - You may leave your funds in your State ORP account until you elect to receive them.
- IRS requires annual minimum distributions beginning at age 70 ½.

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Retirement benefit

Estimate your benefit and possible adjustments

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SCRS, PORS service retirement monthly benefit



- Benefit based on formula which includes:
 - Your average final compensation (AFC);
 - A benefit multiplier; and
 - Your service credit.

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SCRS, PORS Class Two AFC calculation, unused leave



- AFC includes your 12 highest consecutive quarters of earnable compensation and payment for up to 45 days of annual leave divided by 3.
- Earnable compensation does not include pay for overtime not mandated by the employer for SCRS members. This does not apply to PORS members.
- Up to 90 days unused sick leave at retirement added to service credit.

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SCRS, PORS Class Three AFC calculation



- AFC includes 20 highest consecutive quarters of earnable compensation, divided by 5.
- AFC does not include annual leave payouts.
- Earnable compensation does not include pay for overtime not mandated by the employer for SCRS members. This does not apply to PORS members.
- No sick leave added to service credit.

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Monthly benefit calculation¹



- Member has an AFC of \$30,000.
- Multiply the AFC by 1.82 percent (SCRS members) or by 2.14 percent (PORS members).
- Multiply the result by the number of years of your service credit.
- Divide the result by 12 to arrive at your monthly retirement benefit.
- Reduction applies when choosing joint retiree/survivor payment plan.

¹ Early retirement reductions will apply for SCRS members who retire before reaching eligibility for an unreduced monthly retirement benefit.

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Class Two SCRS, PORS Option A example



AFC = \$30,000		
SCRS	$\$30,000 \times 1.82\% =$	\$546.00
	$\$546 \times 28 \text{ years} =$	\$15,288.00
	$\$15,288 \div 12 =$	\$1,274.00
PORS	$\$30,000 \times 2.14\% =$	\$642.00
	$\$642 \times 25 \text{ years} =$	\$16,050.00
	$\$16,050 \div 12 =$	\$1,337.50

- Early retirement reductions will apply to SCRS members who retire before reaching eligibility for an unreduced benefit.
- Reduction factors will apply to members who select a joint retiree/survivor payment plan.

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Class Three SCRS, PORS Option A example



AFC = \$30,000		
SCRS	$\$30,000 \times 1.82\% =$	\$546.00
	$\$546 \times 30 \text{ years} =$	\$16,380.00
	$\$15,288 \div 12 =$	\$1,365.00
PORS	$\$30,000 \times 2.14\% =$	\$642.00
	$\$642 \times 27 \text{ years} =$	\$17,334.00
	$\$16,050 \div 12 =$	\$1,444.50

- Early retirement reductions will apply to SCRS members who retire before reaching eligibility for an unreduced benefit.
- Reduction factors will apply to members who select a joint retiree/survivor payment plan.

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SCRS and PORS benefit estimates



- Create a benefit estimate in Member Access using:
 - Your retirement account data;
 - Your potential AFC; and
 - A selected retirement date.
- Request one from your employer.
- Request one from PEBA by phone or email.

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Using your benefit estimate



- Determine if you want to buy service credit.
- Help choose your retirement date.
- Decide if you want to provide survivor benefit.

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SCRS, PORS benefit adjustments



- Each July 1, current law provides for a 1 percent benefit adjustment up to an annual maximum of \$500.


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State ORP participants



- Your benefit is based on your account balance at retirement.
 - Any fees, distributions, and investment gains or losses will affect this balance.
 - Potential early withdrawal penalties for distribution prior to age 59 ½.

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Payment options

SCRS and PORS

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SCRS, PORS monthly payment plan options



Option A	Option B	Option C
Maximum benefit.	100%-100% joint retiree-survivor payment.	100%-50% joint retiree-survivor payment.
Retiree-only payment.	Non-spousal restrictions may apply.	

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Changing your form of payment after retirement



- If you have a change in marital status, you may select a new payment option or change your beneficiary for a survivorship payment option within five years of the change.
- You can only change your form of payment twice, regardless of how many qualifying events occur.
- If you choose options B or C and all of your beneficiaries die before you:
 - Your benefit reverts to Option A.
 - The change is effective the month after the date last beneficiary dies.
 - You must notify PEBA of your beneficiary's death.


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State Health Plan retiree insurance

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State Health Plan retiree insurance coverage



- Eligibility for retiree insurance is different than eligibility for a retirement benefit.
- Rules differ based on whether you were in an insurance-eligible position before May 2, 2008.
- Insurance is a major retirement cost.
- Former employer may fund portion of premiums.

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Verifying your retiree insurance eligibility



- Only PEBA can verify your eligibility for retiree insurance.
- Submit an *Employment Verification Record*. Find this document in the retiree insurance packet at www.peba.sc.gov/assets/retireepacket.pdf.
- Check out the retiree insurance eligibility flyers on PEBA's website at www.peba.sc.gov/nyb.

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Applying for retirement

SCRS, PORS

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When to apply



- Application is required; process is not automatic.
- May apply up to six months prior to retirement date.
- Must apply no later than 90 days after retirement date.

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How to apply



- Apply online through [Member Access](#); or
- Complete and submit applicable paper forms found at www.peba.sc.gov/rforms.html:
 - [SCRS Application for Service Retirement Benefits](#) (Form 6101S).
 - [PORS Application for Service Retirement Benefits](#) (Form 6101P).
 - [Withholding Certificate for Monthly Benefit Payments](#) (Form 7202).
 - [Direct Deposit Authorization](#) (Form 7204).
- Refer to [Retiring Member's Service Application Checklist](#) (Form 6302).

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Required documentation

- Required documentation:
 - Copy of your birth certificate;
 - Copy of your driver's license or state-issued ID card; and
 - Copy of your beneficiaries' birth certificates, if choosing survivor option.
- Upload documents if applying online.
- Mail copies with paper application.

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After applying

- Contact PEBA if you do not receive notification of receipt within 10 days of submission.
- Do not terminate employment until PEBA provides official notice of your retirement eligibility.

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Post-retirement information

Return-to-work rules for retirees

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Returning to covered employment



- You must have a complete, bona fide severance or termination from covered employment to retire under SCRS or PORS.
- Your SCRS or PORS retirement benefit will be suspended if you return to covered employment sooner than 30 consecutive calendar days after your retirement date.
- You will contribute same percentage of earnable compensation as active members.
- Return-to-work state employees are at-will.

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SCRS, PORS service retirement earnings limitation



- Once you earn more than \$10,000 in a calendar year from covered employment, your retirement benefit stops for remainder of the year.
- Your retirement benefit will be reinstated the next January.
- There are some exceptions.


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SCRS, PORS service retirement earnings limitation exceptions



- Earnings limitation does not apply to:
 - Members who retired after age 62 (SCRS) or age 57 (PORS);
 - Members who retired before January 2, 2013;
 - Teachers who meet critical needs exemption as determined by the S.C. Department of Education;
 - Certain appointed or elected officials; and
 - Certain PORS retirees who return to work as critical needs school resource officers.

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Post-retirement information

Non-working retiree incidental death benefit


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Retiree incidental death benefit



Benefit	SCRS service credit	PORS service credit
\$2,000	10-19 years	10-19 years
\$4,000	20-27 years	Class Two: 20-24 years Class Three: 20-26 years
\$6,000	28 or more years	Class Two: 25 or more years Class Three: 27 or more years

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Emotionally preparing for retirement

Retirement as a major life event

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Emotional preparedness



- Most major life-changing events, such as marriage or divorce, involve an ongoing process of emotional adjustment.
- Retirement is no exception.
- The emotional and psychological aspects of retirement have remained largely unexplored until recently.

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Six stages of retirement process¹



- Preretirement: Planning.
- The Big Day: Smiles, handshakes and farewells.
- Honeymoon phase: I'm free!
- Disenchantment: So this is it?
- Reorientation: Building a new identity.
- Routine: Moving on.

¹ <http://www.loveandpeds.com/articles/retirement/07/sixstages.asp>

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Six identities of retirees¹



- Continuers: Keep using existing skills and interests.
- Adventurers: Start entirely new endeavors.
- Searchers: Explore new options through trial and error.
- Easy gliders: Enjoy unscheduled time; let the day unfold.
- Involved spectators: Care deeply about the world but engage in less active ways.
- Retreaters: Take time out or disengage from life.

¹ Schussberg, N. K. (2009). *Revisiting retirement: Rethinking your identity, relationships, and purpose*. Washington, DC: American Psychological Association.

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Retirement resources

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PEBA website

- www.peba.sc.gov:
 - [Retirement awareness page](#): Presentations and videos for retirement planning basics.
 - [Retirement plan member handbooks](#): Details about your plan and its benefits.
 - [Insurance Benefits Guide](#): Details of insurance programs.
 - [Navigating Your Benefits series](#): Simple explanations of insurance and retirement benefits.
 - [PEBA TV](#): Our YouTube channel with even more videos available.


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Member Access features for active SCRS, PORS members

- <https://online.retirement.sc.gov>:
 - Log in or create an account.
 - View your account and service credit statement.
 - Estimate your benefit amount.
 - Update your address and contact information.
 - Calculate service purchase cost estimate.
 - Submit service purchase request.
 - Review your beneficiary designations.
 - Apply for retirement.
 - Apply for a refund.
- See [Member Access flyer](#) for more information.

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Member Access features for active State ORP participants



- <https://online.retirement.sc.gov>:
 - Log in or create an account.
 - Link to your State ORP service provider information.
 - View your PEBA incidental death beneficiaries.
 - Update your address with PEBA.
 - Receive messages regarding State ORP open enrollment (January 1 to March 1).
 - Change your State ORP service provider.
 - Irrevocable election to SCRS (if eligible).
- See [Member Access flyer](#) for more information.

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Member Access features for retirees




- <https://online.retirement.sc.gov>:
 - Log in or create an account.
 - Update your direct deposit account or add an additional account.
 - View monthly benefit payment history.
 - Obtain IRS Form 1099-R.
 - View and change tax withholdings.
 - Update your contact information and your mailing address.
 - Get an annuity verification letter.

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Member Access




- To register for and use [Member Access](#), you will need:
 - Last name;
 - Social Security number;
 - Date of birth; and
 - A valid email address.
- If you're retired, you'll also need the net or gross amount of one of your most recent monthly retirement benefit payments.



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Social Security

- www.ssa.gov:
 - Create an account.
 - Check your statement.
 - Estimate your benefit.



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Get in touch with PEBA



- Contact us:
 - www.peba.sc.gov/contactus.html.
 - 803.737.6800 or 888.260.9430.
- Visit us:
 - 202 Arbor Lake Drive
Columbia, SC 29223





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