

Be Aware + Prepare

Get Set for Retirement: Retirement

Fiscal year 2020
Late career



Critical decision-making time

- When should I retire?
- Which benefit option should I choose?
- Should I purchase service credit?
- Do I plan to work after retirement?
- When will I begin drawing Social Security?
- What will my health care costs be in retirement?
- Am I mentally, physically and financially ready?




Today's topics

- In-service death benefits.
- Disability retirement eligibility.
- Leaving before retirement eligibility.
- Service retirement.
- Payment options.
- Purchasing service.
- Applying for retirement.
- Post-retirement information.
- State ORP.
- State Health Plan retiree insurance.
- Retirement resources.
- Emotionally preparing for retirement.




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.





SCRS, PORS membership classes

- 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.





In-service death benefits





Active member incidental death benefit



- For SCRS, PORS and State ORP:
 - Available only if employer elects to offer this coverage.
 - 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 if you die in service.
 - Also applies to return-to-work retirees.



Refund of contributions or monthly benefit – SCRS, 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 benefit if:
 - You are a Class Two member with at least five years of earned service credit or 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 (SCRS) or age 55 (PORS) at time of death.



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 spouse, children or parents.



State ORP in-service death benefit



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



Disability retirement eligibility



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.



SCRS, PORS disability retirement eligibility

- Must apply within one year of date of termination from covered employer.
- For SCRS, must be approved for a disability benefit by the Social Security Administration.
- For PORS, must be found permanently disabled from performing your job duties by the PORS medical board composed of three physicians.

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Leaving before retirement eligibility

Requesting a refund or leaving funds on deposit

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Requesting a refund from your SCRS, PORS account

- Give up your right to any future service or disability retirement benefit.
- Can generally roll over taxable portion into eligible retirement plan.
- If you do not roll over refund, taxable portion may be:
 - Subject to taxes; and
 - Subject to additional tax penalty if younger than age 59½.
- Consult with tax advisor for more information.

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Leaving funds in your SCRS, PORS 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 distributions beginning at age 70½.



Leaving funds in your State ORP account



- Can leave your funds in your State ORP account until choosing to take withdrawals.
 - If under age 59½, must separate from all covered employment before taking a withdrawal.
- Your account balance may:
 - Increase from investment earnings; or
 - Decline from investment losses.
- Can generally roll over into eligible retirement savings account.
- IRS requires annual minimum distributions beginning at age 70½.



Service retirement

SCRS, PORS only



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).



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.



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).

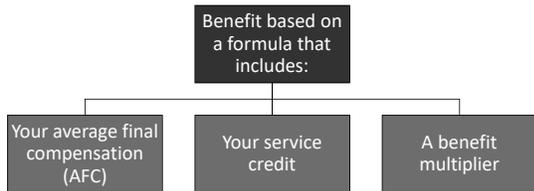


PORS Class Three retirement eligibility



- 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.

SCRS, PORS service retirement monthly benefit



SCRS, PORS Class Two AFC calculation, unused leave



- AFC includes your 12 highest consecutive quarters of earnable compensation and termination payment for up to 45 days of unused annual leave divided by 3.
- Up to 90 days unused sick leave at retirement added to service credit.

SCRS, PORS Class Three AFC calculation

- AFC includes 20 highest consecutive quarters of earnable compensation, divided by 5.
- AFC does not include unused annual leave payouts.
- No unused sick leave added to service credit.

Monthly benefit calculation¹

Step 1 • Multiply your AFC by 1.82% (SCRS members) or 2.14% (PORS members).

Step 2 • Multiply the result by your years of service credit.

Step 3 • Divide the result by 12 to arrive at your monthly retirement benefit.

¹ Early retirement reductions will apply for SCRS members who retire before reaching eligibility for an unreduced monthly retirement benefit. Reduction applies when choosing joint retiree/survivor payment plan.

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 option.

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
	$\$16,380 \div 12 =$	\$1,365.00
PORS	$\$30,000 \times 2.14\% =$	\$642.00
	$\$642 \times 27 \text{ years} =$	\$17,334.00
	$\$17,334 \div 12 =$	\$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 option.

Payment options

SCRS, PORS

SCRS, PORS monthly payment plan options

Option A

- Maximum benefit.
- Retiree-only payment.

Option B

- 100%-100% joint retiree-survivor payment.
- Non-spousal restrictions may apply.

Option C

- 100%-50% joint retiree-survivor payment.

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 change your form of payment only 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.



SCRS, 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, email or in person.



Using your benefit estimate



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





Purchasing service
SCRS, PORS

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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.
- Cost is actuarially-neutral cost based on your age, service credit, and current or career highest fiscal year salary.
 - Three payment options available.

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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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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](#).
 - Paper forms are available, if needed.
- Refer to [Retiring Member's Service Application Checklist \(Form 6302\)](#).
- Do not terminate employment until PEBA provides official notice of your retirement eligibility.

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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 in [Member Access](#).



Post-retirement information



SCRS, PORS benefit adjustments

- Each July 1, current law provides for a one percent benefit adjustment up to an annual maximum of \$500.
- Must be retired for at least one year before receiving a benefit adjustment.



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

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 the same percentage of earnable compensation as active members.
- Return-to-work state employees are at-will.

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 the remainder of the year.
- Your retirement benefit will be reinstated the next January.

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.



State ORP



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 covered employment or after age 59½.
 - You may leave your funds in your State ORP account until you elect to receive them.
- IRS requires annual minimum distributions beginning at age 70½.



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 federal tax penalties for distribution prior to age 59½.
- If you continue to or return to work for a covered employer, you will continue to contribute to your account as an active participant in the State ORP.

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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.
- Learn more in the [*Insurance Benefits Guide*](#).

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Verifying your retiree insurance eligibility



- Only PEBA can verify your eligibility for retiree insurance.
 - Do not terminate employment until you have official notice of your insurance eligibility.
- Submit an Employment Verification Record.
- Check out the retiree insurance eligibility flyers:
 - Retiree insurance eligibility, funding – state agencies and school districts.
 - Retiree insurance eligibility, funding – optional employers.



Retirement resources



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.
 - Navigating Your Benefits series: Simple explanations of insurance and retirement benefits.
 - PEBA TV: Our YouTube channel with even more videos available.



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.



Member Access features SCRS, PORS members

- View your account and service credit statement.
- Review your beneficiary designations.
- Estimate your benefit amount.
- Update your address and contact information.
- Apply for retirement or a refund.
- Update your direct deposit account or add an additional account.
- View monthly benefit payment history and obtain IRS Form 1099-R.
- View and change tax withholdings.

Member Access features State ORP participants

- Link to your State ORP service provider's website.
- View your PEBA incidental death beneficiaries.
- Update your address and contact information with PEBA.
 - Must update this information separately with your service provider.
- Receive messages regarding State ORP open enrollment (January 1 to March 1).
 - Change your State ORP service provider.
 - Make an irrevocable election to switch to SCRS, if eligible.



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 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 Schlossberg, Nancy K., "Which of These Retirement Paths Will You Follow?" Too Young to Be Old: Love, Learn, Work, and Play as You Age. American Psychological Association, 2017.

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