

Serving those who serve South Carolina

## Retirement Benefits Training

Purchasing service credit

---

---

---

---

---

---

---

---

### Topics

- Service purchase rules.
- Service purchase types.
- How service purchase applies to member accounts.
- Service purchase request process.
- Service purchase payments.
- Reporting and depositing installment payments.

2

---

---

---


---

---

---

---

---



## Service purchase rules

3

---

---

---

---

---

---

---

---

### 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  - Restoring previously withdrawn service or transferring eligible SCRS service to PORS service; and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.

4

---

---

---

---

---

---

---

---

### Service purchase requirements



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

5

---

---

---

---

---

---

---

---

### Purchased service counting toward earned service



- Purchased service is considered earned service when it is from:
  - Withdrawn earned service;
  - State ORP service;
  - Military Leave of Absence service; or
  - Workers' compensation.
- Earnings associated with earned service may be included when determining average final compensation.

6

---

---

---

---

---

---

---

---

## Purchased service and retirement eligibility



- Counts toward retirement service credit requirements. Purchasing non-qualified service does not count toward earned service requirement.
- Cannot count toward retirement age requirements.
- Some types of purchased service cannot be used for retiree health insurance eligibility. Member should contact PEBA for more information.

7

---

---

---

---

---

---

---

---

## Purchasing service



- Members can purchase service for which they were eligible if they:
  - Terminate employment within one year of retirement eligibility; and
  - Make purchase within five business days of termination.

8

---

---

---

---

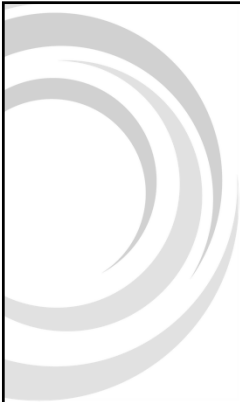
---

---

---

---

## Qualified service types



9

---

---

---

---

---

---

---

---

### Qualified service types

- Public service for paid service as employee of:
  - United States government;
  - Any state government; or
  - Any political subdivision of the United States.
- Educational service for any period of paid classroom teaching:
  - In grades K-12; and
  - At either a public or private school.
- Paid service while participating in State Optional Retirement Program (State ORP).

10

---

---

---

---

---

---

---

---

### Qualified service types

- Military service performed in:
  - U.S. Army;
  - U.S. Navy;
  - U.S. Marine Corps;
  - U.S. Coast Guard;
  - U.S. Select Reserves; or
  - U.S. Army National Guard or Air National Guard.
- Can purchase maximum of six years of military service.
- Must have honorable discharge.

11

---

---

---

---

---

---

---

---

### Qualified service types

- Employer-approved leaves of absence:
  - Up to two years for each leave period.
  - Must have returned to covered employment within four years.

12

---

---

---

---

---

---

---

---

## Qualified service purchase cost



- Actuarially neutral payment based partially on:
  - Member's age;
  - Credited service;
  - Current or career-highest salaries, or average final compensation; and
  - Amount of service purchased.
- Each year purchased cannot cost less than 16 percent of career-highest salary.

13

---

---

---


---

---

---

---

---



## Previously established service

Withdrawn service, transfers from SCRS to PORS

14

---

---

---

---

---

---

---

---

## Withdrawn service



- Applies to members who ended covered employment and took account balance refund.
- Purchase cost includes:
  - Amount of refund; and
  - Interest on refund amount from time of refund to date PEBA receives purchase request.
- Purchase may affect whether member is Class Two or Class Three.

15

---

---

---

---

---

---

---

---

## Transferring SCRS service to PORS service



- Member must have:
  - Active PORS account; and
  - Non-concurrent SCRS service, meaning the SCRS service is for a period of time not already covered by PORS service.
- Cost based on 5 percent of current earnable compensation for each year transferred.

16

---

---

---

---

---

---

---

---



## Workers' compensation

17

---

---

---

---

---

---

---

---

## Purchasing workers' compensation service



- Purchase available for periods of leave without pay:
  - Caused by on-the-job injury; and
  - During which workers' compensation benefits were received.
- Cost based on:
  - Contributions plus interest; and
  - Earnable compensation at time of injury.
- May arrange in advance with employer to continue making contributions through a supplemental report.
- Supplemental service reports must be made during the time in which benefits are received.

18

---

---

---

---

---

---

---

---



## Non-qualified service

19

---

---

---

---


---

---

---

---

## Non-qualified service



- Member must have five years earned service.
- Can purchase up to five years non-qualified service.

20

---

---

---

---


---

---

---

---

## Non-qualified service purchase cost



- Actuarially neutral for system, based in part on:
  - Member's age;
  - Credited service;
  - Current or career-highest salaries, or average final compensation; and
  - Amount of service purchased.
- Each year purchased cannot cost less than 35 percent of career-highest salary.

21

---

---

---


---

---

---

---

---



## Service purchase request process

Submission process, verification, invoices

22

---

---

---

---


---

---

---

---

## Calculating purchased service credit



- Indexed Service Credit Threshold chart used for:
  - Public service;
  - Educational service; and
  - State ORP service.
- Formula may also be applied to:
  - Previously purchased part time credit; or
  - Previously earned part-time credit from before July 1, 1996.

23

---

---

---

---


---

---

---

---

## Requesting a service purchase invoice



- Submit request:
  - Online through Member Access;
  - Using Request for Service Purchase Cost (Form 2101); or
  - Contact PEBA Customer Contact Center.
- All required information must be received within 90 days of submitting request or request expires.

24

---

---

---

---

---

---

---

---



### Requesting purchase to meet retirement eligibility



- If member purchases service to be eligible to retire on specific date, include the following comment on Form 2101:
  - "Member wants to purchase enough service to have x years of service as of x retirement date."
- Also indicate if member will use unused sick leave<sup>1</sup> to reach specific amount of service credit (Class Two SCRS and PORS only).

1 Unused sick leave cannot be used for retirement eligibility.

---

---

---

---

---

---

---

---

### Salary verification



- Service Purchase Salary Verification (Form 2209) required from current employer(s) for each service purchase request.
- Must include any additional earnings subject to retirement withholdings, such as:
  - Employer-mandated overtime pay;
  - Summer school;
  - Additional course load;
  - Differentials;
  - Stipends; and
  - Coaching supplements.

---

---

---

---

---

---

---

---

### Verification of public, educational or State ORP service



- Member may be unable to verify these service types if records are not available.
- Other verification forms include:
  - Request for Social Security Earnings Information (SSA-7050); or
  - W-2 forms.
- Affidavits are not accepted.

---

---

---

---

---

---

---

---

## Verification of military service



- Request Pertaining to Military Records (SF180, non-PEBA form).
- Instructions on Request for Service Purchase Cost (Form 2101) list specific documents needed for:
  - Active military service;
  - National Guard service; and
  - Select Reserves service.

28

---

---

---

---

---

---

---

---

## Verification of federal service



- See Service Purchase Federal Address List (Form 2391).

29

---

---

---

---

---

---

---

---

## Service purchase invoices



- Member receives a Member Service Payment Invoice within 30 days of PEBA receiving all information.
  - Payment invoices valid for six months.
  - Expiration date provided on invoice.
- Payment accepted on or before the expiration date as long as member is actively employed.

30

---

---

---

---

---

---

---

---

## Service purchase invoice expiration



- After expiration, all service verification remains on file for later service purchase.
- New service purchase requests require new salary verification from employer.

31

---

---

---

---

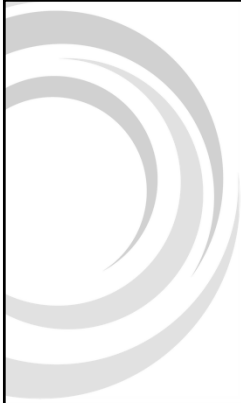
---

---

---

---

## Service purchase payments



32

---

---

---

---

---

---

---

---

## Acceptable payment methods



- Lump-sum: personal check or money order.
- Tax-deferred rollover(s) from:
  - S.C. Deferred Compensation Program; or
  - Other qualified retirement plans, like a 401(k), 401(a), 403(b), 457 or IRA.
- Installment Service Purchase Program, pretax or post-tax.

33

---

---

---

---

---

---

---

---

## Installment Service Purchase Program



- To receive an installment service purchase estimate, member must complete bottom of invoice and return to PEBA.
- Make payments through payroll deduction, pretax or post-tax.
- Fiscal year 2019 interest rate: 6 percent.
- Minimum installment period: six months.
- Maximum installment period: twice the length of the service being purchased.

34

---

---

---

---

---

---

---

---

## Pretax installment payments



- Pretax agreements are irrevocable unless member:
  - Retires;
  - Terminates employment; or
  - Provides evidence of unforeseen hardship as defined by Internal Revenue Code Section 457.
- Additional principal payments not allowed.
- Member can choose permanent increase of payments for remaining term.
- If a hardship occurs, member must submit written explanation of hardship circumstances to PEBA for review.

35

---

---

---

---

---

---

---

---

## Post-tax installment payments



- Less restrictive than pretax plan.
- Additional principal payments accepted.
- Pay off at any time.
- Terminate installment at any time.

36

---

---

---

---

---

---

---

---



## Reporting and depositing installment payments

37

---

---

---

---


---

---

---

---

## Reporting installment payments



- For employers who report payroll through South Carolina Enterprise Information System (SCEIS):
  - Required to offer pretax installments.
  - Complete *Employer Resolution on Tax Deferred Payroll Deductions for Installment Service Purchase* (Form 3228).
  - PEBA sends file to SCEIS to initiate and terminate payroll deductions.

38

---

---

---

---


---

---

---

---

## Reporting installment payments



- For all other employers:
  - Responsible for withholding payroll deductions.
  - Complete *Employer Resolution on Tax Deferred Payroll Deductions for Installment Service Purchase* (Form 3228) to participate in pretax installments.
  - Installment payments not included with monthly or quarterly deposits.

39

---

---

---

---

---

---

---

---

## Reporting installment payments<sup>1</sup>



- Report installment payments by:
  - Using Installment Accounting in EES; or
  - Completing *Installment Service Purchase Remittance* (Form 3229).

1 Not applicable to employers who report their payrolls through the Comptroller General's payroll system.

---

---

---

---

---

---

---

---

## Depositing installment payments



- Form and payment due to PEBA five calendar days after each payday.
- Send payments by:
  - Wire/ACH transfer;
  - ACH debit; or
  - Submitting check in PEBA-provided tan envelope.

---

---

---

---

---

---

---

---

## When installment purchase nears maturity



- PEBA marks payment in yellow on EES.
- PEBA notifies employer of final installment payment and due date by Form 3313.
- PEBA notifies member and employer by Form 3315 after final payment received.
- Do not send additional payments after receiving Form 3315.

---

---

---

---

---

---

---

---

## Refunding excess installment payments



- If employer deducts payment from member after installment purchase is paid in full:
  - PEBA refunds employer for pretax installments.
  - PEBA refunds member for post-tax installments.

43

---

---

---

---

---

---

---

---

## Get social with PEBA



-  [www.facebook.com/scpeba](http://www.facebook.com/scpeba)
-  [www.twitter.com/scpeba](http://www.twitter.com/scpeba)
-  [www.youtube.com/c/pebatv](http://www.youtube.com/c/pebatv)
-  [www.scpeba.podbean.com](http://www.scpeba.podbean.com)

44

---

---

---

---

---

---

---

---

## Disclaimer



This presentation does not constitute a comprehensive or binding representation regarding the employee benefits offered by the South Carolina Public Employee Benefit Authority (PEBA). The terms and conditions of the retirement and insurance benefit plans offered by PEBA are set out in the applicable statutes and plan documents and are subject to change. Please contact PEBA for the most current information. The language used in this presentation does not create any contractual rights or entitlements for any person.

45

---

---

---

---

---

---

---

---