

Covered Employer Procedures Manual

Fiscal Year 2017



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Introduction

About this manual

The South Carolina Public Employee Benefit Authority (PEBA) Retirement Benefits *Covered Employer Procedures Manual* is designed to familiarize benefits and payroll personnel of employers covered by the South Carolina Retirement System (SCRS) and the Police Officers Retirement System (PORS) with PEBA Retirement Benefits' policies and procedures, and to facilitate the administration of retirement benefits.

Format

The [Covered Employer Procedures Manual](#) is available as an Adobe Acrobat (PDF) file by download from the PEBA website.

Chapters

The manual is divided into sections based on related topics and materials that are identified by section title. Most of the forms referred to in the manual are available on PEBA's website at www.peba.sc.gov/rforms.html. Employers using the Electronic Employer Services (EES) website to conduct retirement-related transactions may print forms from that website as well. Some forms may be submitted through EES.

Revisions

PEBA makes revisions and updates to the manual as necessary. We strongly encourage you to occasionally check the PEBA website to be sure you have downloaded the most recently updated manual, since retirement laws, policies, procedures, and information change.

Address

202 Arbor Lake Drive

Columbia, South Carolina 29223

Website

www.peba.sc.gov

Telephone numbers

803.737.6800

888.260.9430

Fax: 803.737.7594

Office hours

Our office hours are 8:30 a.m. to 5 p.m., Monday through Friday. Please encourage members who plan to visit for a consultation to arrive before 4 p.m. since sessions may last up to one hour.

Holiday schedule

PEBA's office closes in observance of these holidays:

New Year's Day	Veterans Day
Martin Luther King, Jr. Day	Thanksgiving Day
President's Day	Day after Thanksgiving
Confederate Memorial Day	Christmas Eve
National Memorial Day	Christmas Day
Independence Day	Day after Christmas
Labor Day	

Facebook and Twitter

PEBA uses various social media platforms to communicate with employers, members, the media, and other stakeholders. We invite you to take advantage of these communications tools by "liking" us on [Facebook](#) and "following" us on Instagram, [Twitter](#), and YouTube. We encourage you to join the conversation.

Employer resources and tools

State agencies use the South Carolina Enterprise Information System (SCEIS) to enroll employees and conduct other transactions with PEBA. PEBA also provides access to members' account information through its secure [Electronic Employer Services \(EES\)](#) website.

Publications

The following publications are available on the PEBA website.

[Covered Employer Procedures Manual](#)

[Becoming a Participating Employer](#)

The following financial and actuarial publications are available on the PEBA website.

[Annual Accountability Report](#)

[Pension Fund Audit Disclosure](#)

[Annual Financial Statements](#)

[GASB 68 Audit Report](#)

[Comprehensive Annual Financial Report](#)

[Popular Annual Financial Report](#)

[SCRS Actuarial Valuation](#)

[PORS Actuarial Valuation](#)

[SCRS Experience Study](#) (conducted once every five years)

Employer Services

PEBA recognizes the importance of the employer relationship and its contribution to the success of the administration of the retirement systems. Employer Services and the Field Services team are committed to supporting our employers. [Contact Employer Services](#) at any time to request support or to provide feedback.

Training resources

The Field Services team serves your training needs. This unit also offers member seminars. All upcoming trainings and seminars are posted on the PEBA website at www.peba.sc.gov/events. Registration for the trainings and seminars is available on the website. PEBA's Field Services will be happy to visit your agency and conduct any training or member presentation and to attend your benefits fairs. Please [contact Field Services](#) for more information.

Member account services

A representative is assigned to each employer to assist with any problems or questions related to reporting final payroll certifications for retirees and quarterly payroll information for our members. For all other issues, please contact the Customer Contact Center at 803.737.6800 or 888.260.9430.

Final payroll certification for retirees:

Mark Myers: 803.737.2098, mmyers@peba.sc.gov

Employer codes:	305.00 to 306.00
	311.02 – 311.24
	414.00 to 516.00
	725.00 to 739.99
	825.01 to 839.00
	925.01 to 939.00

Marc Zdunczyk: 803.737.6901,

amartin@peba.sc.gov

Employer codes:	517.00 – 699.00
	311.26 – 317.00
	701.01 – 712.99
	801.01 to 812.99
	901.01 to 912.99

Linda Glass: 803.737.6892, lglass@peba.sc.gov

Employer codes:	303.00 to 304.00
	401.00 to 409.00
	713.00 to 724.99
	814.01 to 824.00
	913.01 to 924.00

Gardenia Logan: 803.737.7474,

glogan@peba.sc.gov

Employer codes:	100.01 to 299.99
	302.00 – 311.00
	736.00 to 739.99
	836.00 to 839.99
	936.00 to 939.99

David McEachern: 803.737.6817,

dmceachern@peba.sc.gov

All TERI Termination Certification forms

Denise Rodriguez, Manager: 803.737.6951,
drodriguez@peba.sc.gov

Employer codes: 301.00
740.01 to 750.99
840.01 to 850.99
940.01 to 950.99

Quarterly payroll reporting:

City, municipal, and county governments, other local subdivisions, and public school districts are divided by county codes as indicated below. Higher education and technical schools are shown by employer code.

Janice Bennett, 803.737.6841,

jbennett@peba.sc.gov

County codes 01 through 13
Employer codes 304.00 through 306.00

Lori Black, 803.737.7755, lblack@peba.sc.gov

County codes 39 through 50
Employer codes 301.00 and 302.00

Maria Reece, 803.734.2574, mreece@peba.sc.gov

County codes 14 through 24
Employer codes 312.00 through 317.00
Employer code 422.00

Carla Peek, 803.737.6949, cpeek@peba.sc.gov

State agencies
Employer code 303.00

Amanda Martin, 803.734.2334,

amartin@peba.sc.gov

County codes 25 through 38
Employer codes 311.02 through 311.46

Allison Shaltz, Manager, 803.737.7468

State codes 001.00 – 100.03
48-month rule assistance

Electronic Employer Services (EES)

The secure EES website provides authorized employers with instant access to member account information, such as service credit and beneficiaries, for their employees. The EES website enables employers to produce benefit estimates, enroll new members and submit retiree return-to-work dates. For those employers not on the Comptroller General's payroll, the EES website is also used to upload employer payroll data and prepare monthly and quarterly contribution reports. Employers access the EES website through a secure server at

<https://ees.retirement.sc.gov/ees/logon.jsp>.

Obtaining or updating access

Employers may request access to the EES website by completing the three forms listed below and returning them to PEBA. Through completion and submission of these forms, an employer will request access to the EES website, designate an authorized contact person for the employer's organization, add access for authorized employees, and remove access for employees no longer authorized to have access to the EES website. Employers may also request access to perform data downloads to retrieve certain member information. The [forms](#) are available on the PEBA website. Once authorized access has been granted, PEBA will mail a user identification (USERID) and a personal identification number (PIN) to the employer under separate cover.

Employers should keep the list of employees who have access to EES current. When an employee with access to the EES website leaves your employment, notify PEBA so the employee's access to the EES website can be canceled. If an employee needs access to EES as a part of his job function, he should fill out the paperwork to get a USERID and a PIN.

Form 6503: Someone who has the authority to sign contracts for the organization should complete this document to request access to the EES website.

Form 6504: The person who signs the Form 6503 also signs this form, appointing a designated person to act as the “Authorizing Contact” for access to the EES website. This person will be responsible for granting access to the EES website to other employees. This should be someone who knows when employees terminate, retire, change jobs, etc.

Form 6505: This form should be completed by the “Authorizing Contact” and the designated person who will be using the EES website. A USERID and a PIN will be sent to this individual so he can log into the secure website.

Updating contact information

Employers should maintain and update their contact information through the EES website. Simply select the “Employer Contact Information” link to get a list of contacts associated with employer’s code. An employer may modify, add, and delete this contact information. PEBA uses the contact information you provide and update to let you know about important announcements and updates. Please note that employer contact information is not directly linked to EES access and users.

Member resources and tools

Online Member Access to SCRS and PORS accounts

Member Access is the online resource that allows members of a PEBA-administered retirement plan to view and update their personal information on file with PEBA. It’s safe, secure and available anytime from anywhere a member has Internet access.

Active members may:

- View their designated beneficiary information;
- View their current service credit;
- View and print their member statement;
- Change their address;
- Calculate an unofficial cost estimate to purchase service credit;
- Submit a service purchase request; and
- Submit and view the status of their service retirement application.

Retired members may:

- Change their tax withholding and their address;
- View and print a 1099-R form;
- View and print a Teacher and Employee Retention Incentive (TERI) program statement;
- View and print an annuity verification letter;
- View their current payment method;
- Change their payment method from paper check to direct deposit; and
- Modify an existing direct deposit account or add an additional direct deposit account.

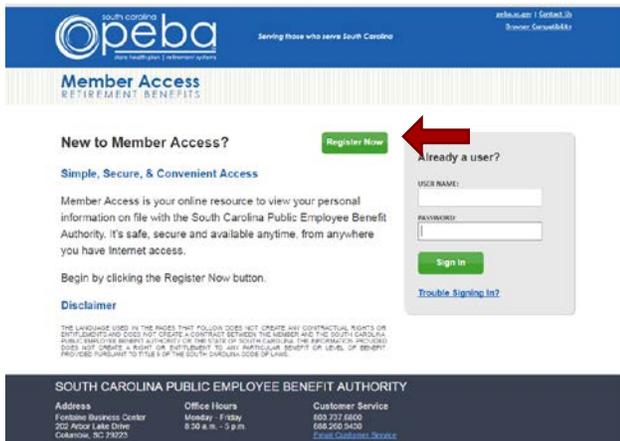
Inactive members may:

- View and print their member statement; and
- Change their address.



If you have employees who have not registered for member access, they can begin the process by selecting the [Member Access](#) button on the right side of PEBA’s home page at www.peba.sc.gov (see above).

Once they are on the Member Access home page, they may select the “Register Now” button to start the registration process (see below).



Member publications

[Select Your Retirement Plan](#) guide

[Select Your Retirement Plan at a Glance](#) brochure

[SCRS Plan at a Glance](#) brochure

[SCRS Member Handbook](#)

[PORS Plan at a Glance](#) brochure

[PORS Member Handbook](#)

[TERI Program at a Glance](#) brochure

[South Carolina National Guard Supplemental Retirement Plan](#) brochure

[Next Steps: Things to Consider after the Loss of a Loved One](#) brochure

Benefits at Work conference

PEBA hosts the Benefits at Work conference in Columbia each fall for both retirement and insurance employers. The conference provides important news and updates about the retirement systems. It also provides an opportunity for employers to network with PEBA staff, vendors and other employers.

Membership and enrollment

Plans administered by PEBA

PEBA administers five primary retirement plans: the South Carolina Retirement System (SCRS); the Police Officers Retirement System (PORS); the General Assembly Retirement System (GARS); the Judges and Solicitors Retirement System (JSRS); and the State Optional Retirement Program (State ORP). PEBA also administers the South Carolina National Guard Retirement System (SCNG), a defined benefit pension plan established to provide supplemental benefits to National Guard members who served in South Carolina. This manual explains the SCRS, PORS and State ORP procedures. Contact PEBA if you require specific information concerning GARS, JSRS, or SCNG policies and procedures.

PEBA is also responsible for the South Carolina Deferred Compensation Program (SCDCP), which is a voluntary, supplemental retirement savings program for South Carolina's public workforce. The SCDCP is governed by Title 8, Chapter 23, of the S.C. Code of Laws. For more information about the SCDCP, visit the program's website at www.southcarolinadcp.com.

Plan types

PEBA administers two types of retirement plans:

- Defined benefit plan, and
- Defined contribution plan.

A defined benefit plan provides for a traditional fixed annuity at retirement. Upon retirement, a member is entitled to a monthly annuity for life. It is calculated using a predetermined formula that includes years of service, the member's compensation, and a benefit multiplier. A member's monthly annuity is not limited to or contingent upon the member's account balance, which includes the member's contributions and the interest earned on those contributions. SCRS, PORS, GARS and JSRS are 401(a) defined benefit plans. SCNG is also a defined benefit plan.

A defined contribution plan provides for an individual account for each participant. Benefits are based on the amount of contributions and investment income in a participant's account, rather than a fixed retirement benefit, as provided through a defined benefit plan. The State ORP and SCDCP's 401(k) and 457 plans are defined contribution plans.

Membership eligibility

Generally, as a condition of employment, all eligible employees of employers participating in SCRS or PORS are required to become members of the applicable system, unless a statutory exemption exists and is timely exercised.

The decision to not participate in SCRS or PORS is irrevocable. Employees may not join at a later date unless they have had a bona fide termination of employment and are later hired into another covered position, or they are transferred from a position that allowed them the option of not participating into a position for which membership is mandatory (for example, moving from a temporary position to a permanent position). However, once an employee has opted out of participation in SCRS or PORS, his employer cannot terminate his employment and then immediately rehire him strictly for the purpose of allowing him another opportunity to make a retirement system election.

If an employee does not affirmatively opt out of participation in SCRS or PORS within the time period required by law, he will automatically become a member of the applicable retirement system as of the date of his initial eligibility.

In one exception to the generally irrevocable nature of the decision not to participate in SCRS, an employee who initially elected to participate in the State ORP, rather than SCRS, may irrevocably elect to change from the State ORP to SCRS, if eligible, during the State ORP annual open enrollment period. See State ORP on Page 16.

If the employee declines membership and is later hired in a position requiring membership, the employee must then become a member. The effective date of membership will be the date he began employment in the new position. Employers are responsible for updating an employee's membership status and should submit the retirement enrollment through EES. A valid email address for the employee is required. The employee will be notified via email to make a retirement plan election.

These categories of workers may NOT join SCRS or PORS:

- **Independent Contractors:** Independent contractors are not considered employees and therefore do not meet eligibility requirements for membership.
- **Students:** A person employed by a school, college, or university at which the person is enrolled as a student, or otherwise regularly attending classes for academic credit, is not eligible to join SCRS or PORS unless the person is employed as a school bus driver and is paid by the same school district in which the person is enrolled in school. In determining student status, PEBA Retirement Benefits may employ the Social Security Administration's student services guidelines.
- **Retired Members:** State retirees who are re-employed by a participating employer may not elect active membership in SCRS or PORS since they are already retired members. A retired member is an employee who is currently receiving a benefit from one of the retirement systems administered by PEBA (i.e., SCRS, PORS, GARS, and JSRS), including Teacher and Employee Retention Incentive (TERI) program participants. See Working Retiree Contributions on Page 25.

SCRS

SCRS was established July 1, 1945, and is governed by Title 9, Chapter 1, of the S.C. Code of Laws. SCRS is a traditional defined benefit retirement plan for employees of the state, higher education, and public school districts, as well as employees of counties, cities, municipalities and other local political subdivisions and governmental entities that elect to participate in SCRS, and individuals first elected to the South Carolina General Assembly at or after the general election in November 2012. SCRS provides members a monthly annuity based on a formula that includes the member's average final compensation, years of service, and a benefit multiplier of 1.82 percent. SCRS provides service and disability retirement, deferred and survivor annuities to eligible members. State agencies and public school districts are required to provide incidental death benefit coverage to employees. This death benefit coverage is optional for other employers.

As a condition of employment, all employees of employers participating in SCRS are required to become members of SCRS or, if eligible, the State ORP, unless the employee is eligible to opt out of participation by statute and timely makes an election to opt out of participation. An employee who has funds on deposit with SCRS from a prior period of service may not elect to opt out of participation in SCRS, even if the employee would otherwise be eligible to opt out.

Employees in the categories listed below may elect non-membership in SCRS. Submit the retirement enrollment through EES and check the appropriate non-membership option. A valid email address for the employee is required. The employee's non-membership election must be made within 30 days of the employee's date of hire.

- **School bus driver:** An employee who works for a public school transportation system.
- **Earning compensation less than \$100 per month:** An employee who receives \$100 or less per month for his work.

- **Non-permanent position:** An employee in a non-permanent position who does not have benefits and does not earn annual and sick leave.
- **Day laborer:** An employee who is retained on an as-needed basis and compensated for hours worked.
- **Hospital worker:** An employee who works for a non-state agency hospital in the capacity of a physician, nursing service personnel or technician or in housekeeping, dietary, or laundry services.
- **Elected official:** One who does not serve full-time and earns \$9,000 or less annually.
- **Employer admission:** Existing Employees: Employees who work for an employer on the date of the employer's admission into SCRS may elect non-membership within six months from the employer's admission date.
- **Members of the General Assembly:** An individual first elected to the South Carolina General Assembly at or after the general election in November 2012.

State ORP

The State ORP is governed by Title 9, Chapter 20, of the S.C. Code of Laws. A variation of the current State ORP has been available to certain employees since 1987. All state, public school, and higher education employees hired after June 30, 2003, who are eligible for participation in SCRS, and individuals first elected to the South Carolina General Assembly at or after the general election in November 2012 are eligible to choose the State ORP in lieu of participation in SCRS. This includes all permanent, full-time employees, as well as temporary and part-time employees, of those employers. The State ORP is not available to employees of local subdivisions that participate in SCRS or employees in positions not covered by SCRS, such as positions covered by PORS, GARS, and JSRS. Employees eligible for State ORP participation

may choose the State ORP defined contribution plan as an alternative to the traditional SCRS defined benefit plan. If an employee joins the State ORP, an account is established in the employee's name through the vendor he selects. See below for vendor contact information:

MassMutual

Guy Thomas
 Relationship Management Director
 Retirement Services
 100 Bright Meadow Boulevard
 Enfield, CT 06082
 860.835.8484 (office)
 888.897.2677 (enrollment support)
 800.528.9009 (participant services)
www.massmutual.com/serve

MetLife Resources

David A. Johnson, CLU, ChFC
 Workplace Sales Director
 11225 North Community House Road
 10th Floor, Office 10.630
 Charlotte, NC 28277
 980.949.4249 (office)
 800.543.2520 (participant services)
<http://www.metlife.com/scorp>

TIAA

Carl H. Goodwin
 Relationship Manager
 14055 Riveredge Drive, Suite 320
 Tampa, FL 33637
 800.842.2003 ext. 263524 (office)
 813.910.2090 (fax)
 800.842.2252 (participant services)
<mailto:cgoodwin@tiaa.org>
<http://www1.tiaa-cref.org/tcm/scorp/>

VALIC

Mandy Yelton
 S.C. District Administrative Assistant
 3710 Landmark Dr., Suite 104
 Columbia, SC 29204

800.647.4416 (office)
803.782.9061 (fax)
800.448.2542 (participant services)
mandy.yelton@valic.com
<http://www.valic.com/scstateorp>

Employees eligible to participate in SCRS or the State ORP may select the retirement plan that best meets their needs. In order to participate in the State ORP, eligible employees must select the program within 30 days from their date of hire. If they do not complete a retirement plan election during that time frame, they will automatically become members of SCRS. Please refer to the *Select Your Retirement Plan* guide for more information, including a comparison of SCRS and State ORP benefits.

There is an annual open enrollment period (January 1 - March 1) during which a State ORP participant may:

- Change vendors either through Member Access or by completing [Form 1162](#); or
- Irrevocably elect to change from State ORP to SCRS if at any point during the annual open enrollment period he has at least one year, but no more than five years, of participation from his initial enrollment in the State ORP. Submit the State ORP to SCRS plan election change as an EES enrollment. Employers who are unable to submit an enrollment through EES should have the employee complete [Form 1100](#).

If a State ORP participant does not change to SCRS within the allotted time, he will, by default, continue State ORP participation. If a State ORP participant changes to SCRS during the allotted time, he may purchase service credit for all or a portion of his State ORP participation at any time after joining SCRS. The cost calculation is based in part on his current age and service credit, as well as his career highest fiscal year earnable compensation at the time PEBA receives his service purchase request. The cost, which is determined by

PEBA's independent actuary, will not be less than 16 percent of his career highest fiscal year compensation for each year purchased. State ORP participation that is established in SCRS is considered earned service for the determination of the SCRS minimum service requirement for benefit eligibility. Please note that earnings associated with established State ORP participation will be considered for possible inclusion in the calculation of a member's average final compensation. If a State ORP participant changes vendors during annual enrollment, the participant may transfer their existing account balance, subject to the vendors' contractual limitations, to the new vendor. The participant may also choose to leave funds on account with the prior vendor.

An employee who is receiving a distribution of benefits from a State ORP vendor and is employed in a position eligible for membership in SCRS must enroll in either the State ORP or SCRS unless a statutory exemption applies.

PORS

PORS was established July 1, 1962, and is governed by Title 9, Chapter 11 of the S.C. Code of Laws. PORS is a traditional defined benefit retirement plan for police officers and firefighters who are employed by the state or employed by counties, municipalities, and other local subdivisions that elect participation in PORS. These employees must meet PORS eligibility requirements. PORS provides members a monthly annuity based on a formula that includes the member's average final compensation, years of service, and a 2.14 percent benefit multiplier. Police officers, firefighters, magistrates, coroners and probate judges are eligible for membership in PORS under the following circumstances:

- **Police officers:** A police officer is defined as a person who is required by the terms of his employment to give his time to the preservation of public order; protection of

life and property; and the detection of crime in the state. The definition of police officer also includes peace officers employed and certified by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Police officers must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work in order to be eligible for PORS membership.

- **Firefighters:** A firefighter is a person who gives his time to prevention and control of property destruction by fire. A firefighter must earn at least \$2,000 per year and devote at least 1,600 hours per year to this work in order to be eligible for PORS membership.
- **Magistrates:** Effective January 1, 2001, magistrates are required to participate in PORS for service as a magistrate.
- **Probate judges:** Probate judges may elect to participate in PORS or they may elect to participate in SCRS.
- **Coroners:** Coroners and deputy coroners in full-time positions must participate in PORS. Part-time coroners must join SCRS.

PORS provides service and disability retirement, deferred and survivor annuities to eligible members. State agencies and school districts are required to provide incidental death benefit coverage to employees. State agencies are also required to provide accidental death program coverage for employees. Coverage for these death benefits is optional for other employers.

Employers will be requested to certify that an employee meets the criteria for PORS membership on the EES retirement enrollment. PORS membership will be denied if the criteria are not met. For assistance in determining employee membership eligibility, submit a written position description to the PEBA Retirement Benefits' Enrollment Unit for evaluation.

Class Two and Class Three membership

Currently, there are two classes of membership: Class Two and Class Three.¹ Class Two members are generally employees who currently have earned service credit in SCRS or PORS or a correlated retirement system for a period of service prior to July 1, 2012.

Class Three members are those members who do not currently have earned service in SCRS or PORS or a correlated retirement system for a period of service prior to July 1, 2012. A period of withdrawn service or a period of participation in the State ORP does not count toward the earned service credit used to determine whether a member is Class Two or Class Three unless the member has completed a service purchase to establish earned service credit in SCRS or PORS for the period of withdrawn service or State ORP participation.

Correlated systems (SCRS and PORS)

SCRS, PORS, and GARS are correlated systems. As such, the systems have a complementary relationship as defined by statute. If a member has service credit in more than one of these retirement systems, all of the member's service credit in the systems may be combined for the purpose of determining eligibility for benefits, but not for calculating the amount of benefits, in the systems.

Any benefit under any one of the correlated systems must be computed solely on the basis of service and contributions credited under that system, and is payable only at such times and subject to the age and service conditions as required for the receipt of benefits under the system.

¹Class One membership is no longer applicable. However, there may be some SCRS or PORS members who have prior Class One service they may want to convert to Class Two service.

However, for nonconcurrent earned service in SCRS and PORS, the higher average final compensation from the two periods of service may be used for the benefit calculation under both systems. A member may not be active under SCRS or PORS if the member is retired from the other system.

If you need additional information about correlated systems, contact Customer Contact Center at 803.737.6800, toll free at 888.260.9430, or at www.peba.sc.gov.

New employees select a plan

To ensure employees are properly informed about their retirement choices, please direct all new employees to PEBA's [New Employee Resource Center](#) so that they may learn about their options (see below).



Insurance Benefits | **Retirement Benefits** | **Deferred Compensation** | **PEBA Board**

New employees

Congratulations on your new job. Your employment means more than just a paycheck. Your employer may also provide valuable insurance and retirement benefits that can help you take care of your health and may become an important part of a secure financial future once you are no longer working. On this page you will find links to information about the insurance programs and retirement plans your employer may offer.

Insurance benefits decisions

You have 31 days from the date you become eligible to enroll in your health insurance and other available insurance and flexible spending/savings account benefits. Your benefits administrator can guide you through the enrollment process, but here are some other resources that you may find helpful:

- Review the current Insurance Education and Orientation presentation
 - PowerPoint presentation
 - 3&W graphic version
 - Script version
- Review the current [insurance Benefits Guide](#), which is divided into chapters that provide information on each of the benefits available.
- [MyBenefits registration instructions](#)

If you need assistance at any time during the enrollment process, contact your benefits administrator or reach out to our [Customer Contact Center](#).

Retirement benefits decisions

You have 30 days from your date of hire to enroll in your retirement plan and designate beneficiaries for your retirement account. Your benefits

Setting up a retirement account

Employers who use the South Carolina Enterprise Information System (SCEIS) to enroll employees do not need to complete an EES retirement enrollment. Employers who have been authorized to submit EES retirement enrollments for their employees may conduct subsequent transactions through EES once an employee's retirement account has been established.

Within 30 days of hire, all new employees must select a retirement plan or if eligible, elect non-membership. Employers submit the retirement enrollment through EES. A valid email address for the employee is required. The employee will be notified via email to make a retirement plan election. See Membership Eligibility starting on Page 14 for more information. The name on the retirement enrollment **must** match the name on the quarterly reports your organization submits to PEBA.

A retirement enrollment must be submitted through EES even if a new employee has an active account through previous employment. A retirement enrollment must also be submitted through EES when a member transfers from one retirement system to another or transfers from one covered employer to another. Generally, an employee's effective date of membership coincides with his original date of hire by a covered employer, or the mandated effective date of April 1 if he changed from the State ORP to SCRS during an annual open enrollment period, unless an employee has or subsequently establishes a period of earned service in the system prior to that date.

Employer submits retirement enrollment in EES using a valid email address

New hire selects SCRS	New hire selects State ORP	New hire selects PORS	New hire declines membership	Retiree returns to covered employment
New hire completes and signs Form 1102 or Form 1103	New hire completes and signs Form 1106. Employer mails completed Form 1106 to PEBA Retirement Benefits	New hire completes and signs Form 1102 or Form 1103	Retirement contributions are not withheld from compensation paid to non-members	Employer keys return to work date into EES
Mail Form 1102 (or Form 1103) to PEBA Retirement Benefits	New hire completes selected State ORP vendor's enrollment form and returns it to the vendor*	Mail Form 1102 (or Form 1103) to PEBA Retirement Benefits		

**In lieu of completing the vendor's enrollment form, employer may send the vendor a copy of the Form 1100M confirmation that is generated at completion of EES enrollment process to establish a State ORP account. Note: if the Form 1100M confirmation is used to establish the account, any contributions will be invested in the default investment option, and the beneficiary for the account with the vendor will default to the estate, until the State ORP participant otherwise directs the vendor using the vendor's enrollment process.*

Election of non-membership

A newly hired employee whose position qualifies for optional membership may select non-membership within 30 days of his date of hire to decline membership in one of the retirement systems administered by PEBA. The employer must check the appropriate non-membership option on the EES retirement enrollment. The employee is responsible for selecting non-membership within 30 days of his hire date. The decision to not become a member of one of the retirement systems administered by PEBA is an irrevocable one. In very limited circumstances, the option to join one of the retirement systems administered by PEBA may be available again if a member has a bona fide termination of employment and is later hired into a new position with a covered employer.

Foreign teachers (e.g., H-1B visa, J-1 visa)

The employment of visiting teachers on temporary visas is considered nonpermanent under S.C. Code § 9-1-550. Therefore, any visiting foreign teacher who is in the United States on a temporary or time-limited visa and is employed by a school district may choose, within 30 days of their hire date, not to become a member of SCRS or State ORP.

- To be eligible for PEBA benefits the employee must have applied for a Social Security number or be assigned a tax identification number.
- Do not submit documents until the Social Security number/tax id number is available.

Member information changes

A member should complete a *Retirement Plan Enrollment* (Form 1100) to make a name, date of birth, or Social Security number change. An active or inactive member may make an address change through secure online [Member Access](#) or by

contacting the [Customer Contact Center](#). If a member has a refund request on file or is receiving a retirement annuity, the member must request an address change in writing. All written requests for name, address, date of birth, and Social Security number updates or corrections must include the member's Social Security number and original signature.

Required documents for a name change

An active member may update his name by submitting one of the following documents to PEBA with a completed [Retirement Plan Enrollment](#) (Form 1100):

- A copy of the member's Social Security card with the correct name;
- A certified copy of the member's divorce decree showing a legal name change;
- A copy of the court order for the member's name change (includes annulment and adoption); or
- A copy of the member's marriage license.

If a member's name has been spelled incorrectly, please contact the [Customer Contact Center](#) at 803.737.6800 or toll free at 888.260.9430.

Beneficiary designations

Beneficiary forms are binding legal documents; therefore, it is extremely important to complete the forms accurately. Detailed instructions and conditions are printed on the second page of each form. For assistance in completing the forms, contact the [Customer Contact Center](#). All forms must be signed and notarized. PEBA will not process beneficiary forms with revisions in the beneficiary or notary sections. Any changes of beneficiary accepted by PEBA will supersede all previously submitted designations. PEBA will provide a confirmation notice of beneficiary designations.

At the time of hire, an employee enrolling in SCRS or PORS should complete a [Beneficiary Designation](#) (Form 1102) to designate one or more beneficiaries, or an organization for each benefit provided. Including the Social Security number or the federal tax identification number for all beneficiaries listed on an employee's [Beneficiary Designation](#) (Form 1102) will help ensure payment of benefits to the appropriate recipient.

If an employee leaves a section of the beneficiary form blank, or if no beneficiary form is received for the employee, the beneficiary designation will default to "estate." In that case, following the employee's death, a refund of remaining contributions plus interest, and any applicable incidental death benefit payment, would be paid to the executor or personal representative for the employee's estate. Monthly annuity payments cannot be paid to an estate.

State ORP participants do not designate beneficiaries for their accounts on Form 1102 or 1103. Rather, they should complete the vendor's enrollment form where beneficiary designations are required.

A newly hired employee who is already a member of SCRS or PORS may choose to complete a new [Beneficiary Designation](#) (Form 1102) or [Beneficiary/Trustee Designation](#) (Form 1103). If the employee does not submit a new form, the beneficiary designations on file with PEBA remain in effect.

Beneficiary types

Primary beneficiary

A primary beneficiary is the person to whom PEBA would pay either a lump-sum distribution of the account balance or a monthly survivor annuity following a member's death. A member may also designate his estate or an organization as his beneficiary; however, a monthly survivor annuity cannot be paid to an estate or an organization.

Multiple primary beneficiaries would share equally either a lump-sum distribution or a monthly survivor annuity. A member who belongs to more than one retirement system may designate a primary beneficiary for each of his accounts. A member may designate a given individual as a primary beneficiary or as a contingent beneficiary, but not as both.

Contingent beneficiary

A contingent beneficiary would be entitled to the benefits otherwise payable to a primary beneficiary if all of a member's primary beneficiaries predecease the member. To designate a contingent beneficiary, a member must be actively employed and making regular contributions (S.C. Code of Laws Section 9-1-1650). A member who belongs to more than one retirement system may designate a contingent beneficiary for each account. A member may designate his estate or an organization as a contingent beneficiary; however, a monthly survivor annuity cannot be paid to an estate or an organization.

Trustee designations

A member may direct payment of a benefit to a trust for the benefit of a designated beneficiary by completing a [Beneficiary/Trustee Designation](#) (Form 1103). Additional beneficiaries who do not require a trustee appointment must also be included on the Form 1103. A trust must be created separately for the Form 1103 to be legally binding. Upon the member's death, the trustee then submits a completed and signed *Certification of Trust* (Form 1113). If a member fails to create a trust before his death, the beneficiary or personal representative must complete a *Certification of Nonexistent Trust* (Form 4257) at the time of the member's death. The trustee appointment would be considered void, and PEBA would pay benefits directly to the beneficiaries designated on the Form 1103.

Incidental death beneficiary

An active member's incidental death beneficiary would be entitled to a benefit equal to the

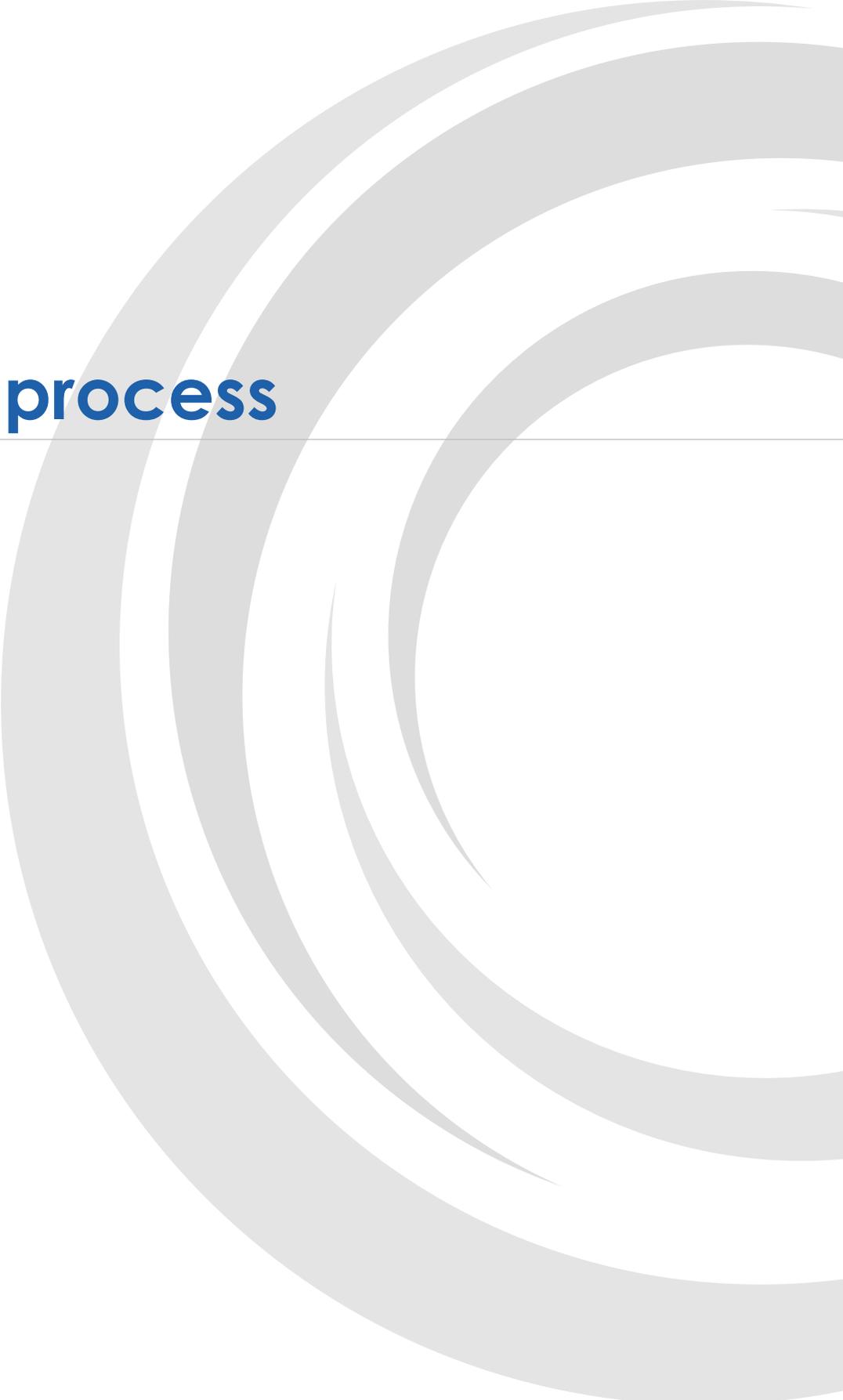
member's current annual earnable compensation. This benefit is paid following an active member's death. This benefit is also paid following the death of a retired member who has returned to covered employment and is making employee contributions. A contingent beneficiary may not be named to receive a member's incidental death benefit.

State ORP active incidental death beneficiary

A new employee who elects State ORP participation should complete the *State ORP Active Incidental Death Benefit Beneficiary Designation* (Form 1106) provided the employer offers the incidental death benefit. An active State ORP participant's incidental death benefit beneficiary would be entitled to an incidental death benefit equal to the participant's current annual earnable compensation following the participant's death. A contingent beneficiary may not be named to receive an active State ORP participant's incidental death benefit. Have the employee contact his vendor to designate a beneficiary for his State ORP account. A new employee who is already a State ORP participant may choose to complete a new Form 1106. If a new Form 1106 is not completed, the beneficiary designations on file with PEBA remain in effect.

Changing beneficiaries

A member who is not retired may make beneficiary changes at any time by completing a new *Beneficiary Designation* (Form 1102) or a new [Beneficiary/Trustee Designation](#) (Form 1103). Likewise, a State ORP participant who is not retired may update his incidental death benefit beneficiary at any time by completing a new *State ORP Active Incidental Death Benefit Beneficiary Designation* (Form 1106). Each time beneficiary changes are made on a beneficiary form and submitted to PEBA, the most recent changes supersede all previously submitted designations. PEBA does not maintain beneficiary records for State ORP accounts with vendors. State ORP participants must contact the vendor directly in order to update those beneficiary designations.



Reporting process

Fiscal Year 2017 active member contributions

Members of SCRS and PORS, and State ORP participants are required to contribute a portion of their earnable compensation to their retirement plan. For the 2017 fiscal year, SCRS members and State ORP participants contribute a tax-deferred 8.66 percent of earnable compensation into their retirement account. PORS members contribute a tax-deferred 9.24 percent of earnable

compensation into their retirement account. Members and participants do not pay contributions for incidental death benefit or accidental death program coverage. Those contributions are paid by the employer. Employee contributions must be withheld on wages paid to working retired employees and TERI participants at the same rate as active employees. Unless a member is purchasing service credit, he may not contribute amounts in excess of the required contribution for his retirement plan. Here is a summary of the active member contribution requirements:

Retirement plan	Member contribution rate
SCRS	8.66% of earnable compensation
State ORP	8.66% of earnable compensation
PORS Class I	\$21 per month
PORS	9.24% of earnable compensation

Fiscal Year 2017 employer contributions

Employer contributions are due on amounts considered earnable compensation for both active members and retirees who have returned to work, including TERI participants. Employer contributions are due on all wages paid to retired members of SCRS and PORS who return to work. Employer contributions are not required on active employees who elect to **not** join one of the retirement systems administered by PEBA and complete a non-membership election within 30 days of the employee's date of hire (e.g., school bus drivers, temporary employees, etc.). See **Membership Eligibility** starting on Page 14 for more information.

Employers are required to pay all applicable employer contributions, including the retiree insurance surcharge, and incidental death benefit and accidental death program coverage contributions, if coverage is provided. State law mandates that PEBA collect the retiree insurance surcharge from employers. These contributions are transferred directly to PEBA Insurance Benefits each month and are needed to cover the employer's share of the cost of providing health and dental insurance to retirees. Employer contribution percentages for fiscal year 2017 are listed in the table on Page 25 and can also be found on PEBA's website.

Retirement plan	Employer retirement contribution	Insurance surcharge	Employer rate plus surcharge	Incidental death benefit contribution	Accidental death contribution
<i>State agency, public school district, and institutions of higher education employers</i>					
SCRS	11.41%	5.33%	16.74%	0.15%	N/A
PORS	13.84%	5.33%	19.17%	0.20%	0.20%
State ORP	6.41%*	5.33%	11.74%*	0.15%	N/A
<i>Local subdivision of government employers not covered under retiree insurance surcharge</i>					
SCRS	11.41%	N/A	11.41%	0.15%	N/A
PORS Class-I	7.80%	N/A	7.80%	0.20%	0.20%
PORS	13.84%	N/A	13.84%	0.20%	0.20%
<i>Local subdivision of government employers covered under retiree insurance surcharge</i>					
SCRS	11.41%	5.33%	16.74%	0.15%	N/A
PORS	13.84%	5.33%	19.17%	0.20%	0.20%
*An additional five percent must be remitted directly to the participant's State ORP vendor.					

Working retiree contributions

Employer contributions are due on all earnable compensation for working retirees and TERI participants. Contributions are required whether the retired member is considered a full-time, part-time, temporary, or permanent employee. Employer contributions include all contributions normally paid on behalf of active members, including retirement contributions, the retiree insurance surcharge, and contributions for incidental death benefit and accidental death program coverage.

In addition to employer contributions, employee contributions are required for wages earned by working retired SCRS and PORS members employed by an employer covered by one of the retirement systems administered by PEBA, including TERI program participants. Working retired members must pay employee contributions based on the rate that any other active employee in the same position would otherwise contribute to the system. However, working retirees do not accrue additional service credit into their retirement account. When such employment involves more than one correlated system, working retiree contributions are due as follows:

- If an SCRS retiree who does not have a PORS account or who has an inactive PORS account returns to work in an SCRS- or a PORS-covered position, the retiree and employer pay the SCRS active member contribution rate.
- If a PORS retiree who does not have an SCRS account or who has an inactive SCRS account returns to work in an SCRS- or a PORS-covered position, the retiree and employer pay the PORS active member contribution rate.
- If a PORS retiree returns to work for a PORS-only employer in a position not covered by PORS, the retiree and employer must still pay the PORS active member contribution rate for that employment.
- If a member who is retired from both SCRS and PORS returns to work in an SCRS- or a PORS-covered position, the retiree and employer pay the active member contributions for the system to which an active member employed in that position would normally contribute.

As an employer, you may determine the system from which a member is retired by inquiring through the EES website. Employers failing to properly report contributions on working retired

members will be subject to interest assessments and other statutorily prescribed penalties. In addition, if an employer fails to properly report members' earnings and the corresponding contributions, the amount may be deducted from any funds payable to the employer by the state of South Carolina.

Retiree return-to-work date

Employers must notify PEBA via EES when a retired member is hired. Employers must enter the date a retiree returned to work using the *Employed Retirees - Return to Work Date Entry* link on the EES website. Employers using SCEIS do not have to enter retiree return to work dates through EES. PEBA cannot post quarterly contributions to retired member accounts without a return-to-work date. Below are notes on procedures:

- The return-to-work date entered for retirees who recently ended the TERI program and returned to work should be after the TERI end date.
- As long as contributions continue to be reported each quarter, retiree return-to-work dates from a given employer remain valid. If a quarter is missed, causing a gap, a revised return-to-work date is required. Employers should check payroll records for unreported quarters and if the employee was paid during the missing quarter, send supplements to fill in the gaps.
- **Earnings Limitation** – A member who retires from SCRS or PORS after January 1, 2013, and returns to covered employment after having been retired for at least 30 consecutive days may earn up to \$10,000 each calendar year without affecting his retirement benefits. The earnings limitation does **not** apply if the member was at least age 62 (SCRS) or age 57 (PORS) as of his date of retirement, the member returns to an elected position or certain appointed positions, or the member is a teacher employed by a school district to teach in a

critical academic or geographical needs area.

Contribution rate changes

Increases in the **employer** contribution rate should be applied based on the date the wages were paid to the employee.

Increases in the **employee** contribution rate should be applied to the dates the employee earned the wages.

Wages subject to contributions

Employee and employer contributions are due on all amounts considered earnable compensation and, except for Class Three members, on all payments up to and including 45 days' termination pay for unused annual leave. The following types of payments are subject to retirement contributions:

Salary or wages

The gross rate of salary or wages paid by an employer to a contributing member is considered earnable compensation. Wage deferrals under tax-deferred annuities, deferred compensation plans, or flexible benefit (cafeteria) plans do not reduce the wage base for retirement withholdings. Retirement contributions are due on true gross wages before reductions for any tax deferrals. Deferred quarterly contributions paid into SCRS, PORS, and the State ORP are exempt from federal and state taxes, but are not exempt from FICA/Medicare wages.

Used sick and annual leave

Wages paid to employees who continue on the payroll while using sick and annual leave are considered earnable compensation and are subject to retirement contributions.

Unused annual leave (Class Two members only)

Contributions are deductible on up to and including 45 days' termination pay for unused annual leave; including at retirement for non-TERI participants. If a member terminates employment and receives an annual leave payment on more than one occasion, contributions are deductible on each termination payment of up to and including 45 days of annual leave. However, only an amount up to and including 45 days pay for unused annual leave from the member's last termination payment shall be included in the member's average final compensation calculation. If an employer allows employees to "sell" or "cash-in" annual leave at times other than termination or retirement, contributions should not be withheld from those annual leave payments, and these payments are not included in the member's average final compensation calculation. TERI participants' unused annual leave will not be included in the calculation of the monthly annuity deferred into their TERI account. However, their monthly annuity will be recalculated prospectively upon termination of employment at the end of their TERI participation and may include up to 45 days of unused annual leave paid at the termination of their employment at the end of their TERI participation.

Unused general leave

Some employers have a general leave account that an employee uses for both annual leave and sick leave. A retiring member has an option regarding the division of this general leave between sick and annual leave. This division will have an impact on the calculation of the member's monthly annuity. It is the responsibility of the employer and the retiring member to decide how many days of general leave will be used as sick leave and annual leave. Upon reaching that decision, any payment for general leave to be certified as sick leave using the *Final Payroll Certification* function on the EES website will not be subject to contributions. Those days to be reported as annual leave (no more than 45) should

be paid according to the employer's leave policy and reported with contributions withheld for Class Two Members only. Any leave reported to PEBA for annuity calculation purposes must be removed from the employee's accumulated leave balance by the employer.

Overtime and compensatory time

Payment for periods in which overtime is worked or earned is considered earnable compensation and is subject to retirement contributions. Effective January 1, 2013, overtime for SCRS members must be employer mandated for it to be included as earnable compensation for annuity calculation purposes. Also, for annuity calculation purposes, earnings information for both overtime and compensatory time is based on the dates an employee's compensation was earned, not on the dates an employee's compensation was paid. When compensatory time is paid at a later date, supplemental contribution reports should be filed to reflect the payment in the appropriate quarter and fiscal year.

Other compensation

When compensation includes maintenance, fees, and other things of value, such as on-going housing and automobile allowances, PEBA shall set the value of the part of the compensation not paid in money directly by the employer. Contributions will be due to PEBA on this non-monetary compensation. Tips are considered part of the employee's salary and meet the definition of earnable compensation. However, due to the nature of the payment and the administrative difficulty of collecting contributions on a deferred basis, employers may use their discretion in determining whether to report contributions on tips. The decision that is made is binding and must be applied consistently. Both employee and employer contributions on tips must be submitted if a determination is made to consistently report tips.

Wages not subject to contributions

Special payments

Nonrecurring pay increases or single payments made at retirement, bonuses and incentive-type payments, or any other payments not considered part of the regular salary base, whether paid during employment or at retirement, are not subject to contributions.

Lump-sum payments for unused sick leave

Lump-sum payments for unused sick leave at termination or retirement are not subject to retirement contributions. Lump-sum payments for unused sick leave prior to retirement are not subject to retirement contributions.

Benefits received for long-term disability

Benefits received for long-term disability are not subject to retirement contributions.

Member compensation limit

A federal limitation on the amount of annual compensation that can be used in determining contributions to the plan applies to employees who became members of SCRS, PORS or the State ORP after December 31, 1995. The IRS limitation for calendar year 2017 is \$270,000. The dollar amount of the limit is adjusted annually by the Treasury Department. Compensation in excess of this limitation is not subject to retirement contributions for members with a date of membership after December 31, 1995. These individuals should be reported with contract length 20 for all quarters, including any during which the member worked but has no compensation reported to PEBA (to ensure the member receives the appropriate service credit, see Page 32 for more information).

Annual leave payments for TERI participants (Class Two members only)

- No annual leave payment is included in the average final compensation or annuity calculation at the beginning of TERI participation.
- Contributions should be deducted and reported on up to 45 days of the annual leave payment at the end of TERI participation.
- The average final compensation at the end of TERI participation will be recalculated to increase the member's AFC to include payment for up to 45 days of unused annual leave paid at termination, divided by three.

Reporting process for employers not on the comptroller general's payroll system

This section (through Page 39) pertains only to those employers that are not on the Comptroller General's payroll system.

Reporting employee and contribution data

The [EES](#) website gives employers a secure method of doing business with PEBA. Access to EES is required for each employer because deposit forms and quarterly detail reports must be completed and/or submitted through this secure website. PEBA will mail the green envelopes that employers use to return printed PDF deposit forms and remittances to each covered employer in August.

Each month and at quarter end, employers will complete bar coded deposit forms on the EES website through the "Employer Reporting" link.

Employers click on the “Deposit Form” button for the appropriate month, enter salary and contribution amounts, and the calculations are performed by the program. Employers create and print the deposit form in PDF format and send in the form with the monthly or quarterly remittance. The PDF print versions of the forms are bar coded with the employer’s code and other remittance information. To help avoid errors and assist in the posting of deposits, please submit the correct form for the designated month and/or quarter.

Mail the completed forms to PEBA using the green envelopes. An employer that would rather send deposits electronically via PEBA’s automated deposit program should call the PEBA Retirement Benefits Cash Receipts area at 803.737.6904.

To comply with the Financial Identity Fraud and Identity Theft Protection Act and to protect the privacy of members, PEBA requires employers to submit their quarterly data through EES. The process is simple and secure.

EES Employer Reporting (EESER) is a function within the EES website available for employers that do not have a quarterly detail file available for upload.

Employers must remit employer and employee contributions to PEBA monthly. Employers can send a paper check, wire the money, or have it debited from the employer’s bank account. Completion of the *Automated Clearing House (ACH) Debit Authorization* (Form 1226) is required for automatic debits.

Due date calendar

Every August, an *Employer Update* is mailed to all covered employers. It includes the *Due Date Calendar* (Form 1341) and all the green envelopes needed for the year.

Monthly and quarterly deposit forms on EES

Deposit forms on the EES website are prefilled with employer contribution rates. They are also bar coded with the employer code and date. It is

important to use the form that corresponds with the appropriate month so that the data is applied properly to accounts. Before sending the deposit forms, be sure to complete the contact person, signature, telephone, and date sections.

Printing the deposit forms

When the monthly and quarterly deposit forms are completed through the EES website, it is important to select the “Create PDF” button at the bottom of the screen before printing so that the form prints properly. Forms are not sent to PEBA through the Internet. The form must be printed and mailed or faxed to PEBA. The form is bar coded, so please be sure to use the correct form.

Late payments

A late notice letter is automatically generated from PEBA’s Member Account Services if a monthly deposit is not received within seven days after the due date. The “date received” is the date the funds were received by PEBA, not the postmark date. If a deposit and/or quarterly payroll information is not received within 10 days of quarterly due dates through either an upload on the EES website or submission through the EESER function on the EES website, PEBA will send a late notice to the employer.

Upon receipt of a delinquent payment, interest will be assessed on the delinquent payment and an invoice will be issued to the employer. If any employer has not provided PEBA with the required records or full amount of contributions due from members and the employer, PEBA may request that any funds payable to an employer through the State Treasurer or Comptroller General’s office be withheld until the employer is no longer in default for the payment of contributions or submission of required reports.

Inactive employer accounts

PEBA requires all employers to submit the *Monthly Deposit* (Form 1244) and the *Quarterly Contribution Report Summary* (Form 1246 for Class Two and Class Three or Form 1247 for Class One) when due.

If an employer does not have any members on payroll for the applicable reporting period, the employer must submit the *Monthly Deposit* or *Quarterly Contribution Report Summary* and check the “no covered wages” box on the form. This will facilitate processing and alert PEBA’s Member Account Services to not call concerning delinquent payments. If an employer anticipates a period of inactivity of more than one quarter, the employer should submit written documentation to deactivate the employer’s account. Should an employer later hire employees who are eligible for membership, the employer must contact PEBA to reactivate coverage.

Monthly deposit process

Monthly Deposit of Retirement Contributions (Form 1244) forms are completed during the first two months in a quarter using the EES website. Once the appropriate form for the month is completed, print the form. Mail the contribution remittance

with the form or, if you have authorized an Automated Clearing House (ACH) exchange, fax or email the deposit form by the due date. If you have authorized debit from your account, fax or email the deposit form by noon the day before the due date. Forms should be emailed to serviceaccounting@peba.sc.gov.

Quarterly payroll process

Quarterly payroll information should be submitted through the EES website. The two options for submitting quarterly payroll information are uploading a text document or submitting the information through the EESER function on the EES website.

Upload a text document

The text (.txt) document must consist of an employer header record followed by employee detail records. The following layout is required:

Header record

Under the “Employer Reporting” link on the EES website, select the “Upload” button to submit the quarterly detail. Instructions for using the Upload function are on this page. To verify that a quarterly detail has been received by PEBA, check for a Quarterly Data Submitted date.

Field name	Length	Alpha/numeric	Position	Description
Record identifier	1	A	1	Enter “H” for Header. Identifies the record as an employee report header record.
Transaction type	2	A	2-3	Enter “CO” for Contribution. Identifies this report as a group of contributions.
Employer code	5	N	4-8	5-digit employer code number listed with the Retirement Systems. Enter the number without a decimal point. If your organization currently reports under multiple numbers, report all transactions under the SCRS (or primary) number and use the SCRS Account field to differentiate.
Employer name	40	A	9-48	Employer organization name registered with the Retirement Systems.
Cycle code	1	A	49	Q=Quarterly, M=Monthly. Identifies the cycle or period of this report.
Begin period date	8	N	50-57	Beginning date of the reporting period (yyyymmdd).
End period date	8	N	58-65	Ending date of the reporting period (yyyymmdd).

Process type	1	A	66	D=Detail (E=Exception: for later use)
Record count	6	N	67-72	Total number of all header and detail records in this report.
Total deferred	11	N	73-83	Total amount of retirement contributions for this report's active and retiree detail records. Do not use decimals. \$11450.75 would be entered 00001145075.
For future use	11	A	84-94	Leave blank (reserved for future use).
Date processed	8	N	95-102	Date employer processed (created) this report (yyyymmdd).
For future use	18	A	103-120	Leave blank (reserved for future use).

Detail records

Field name	Length	Alpha/numeric	Position	Description
Record identifier	1	A	1	Enter "D" for Detail. Identifies the record as an employee report detail record.
Transaction type	2	A	2-3	Enter "CO" for Contribution. Identifies this report as a group of contributions.
Employer code	5	N	4-8	5-digit employer code number listed with the Retirement Systems. Enter the number without a decimal point.
Mailing location	5	A	9-13	Political Department Code: optional. This is a department code that may be helpful during the distribution of yearly statements for larger employers. Leave blank if not applicable.
SSN	9	N	14-22	Employee's Social Security number. Numbers only. No dashes.
Employee name	33	A	23-55	The order of entry is last, first, middle initial, and suffix separated by a single space (e.g., Jones John C Jr). Do not use punctuation in this field.
Begin period date	8	N	56-63	Begin date of report for employee if different from begin date on the header record (yyyymmdd).
End period date	8	N	64-71	End date of report for employee if different from end date on the header record (yyyymmdd).
SCRS account	1	N	72	Indicates the type of retirement system under which the employee is covered (1=SCRS, 3=PORS Class 1, 4=PORS, 7=GARS, 8=JSRS, 9=SORP).
Retiree indicator	1	A	73	"R" if wages are for a Retiree, otherwise blank. Retiree wages should be reported as well as member contributions for the retiree at the same rate as active members.
Period compensation	9	N	74-82	Enter the gross salary subject to retirement contributions. Do not use decimals or negatives. \$1,230.75 would be entered 000123075.
Deferred contributions	9	N	83-91	Enter the amount of active and retiree retirement contributions for this period. Do not use decimals or negatives. \$60.19 would be entered 000006019.
For future use	9	A	92-100	Leave blank (reserved for future use).
Contract length	2	N	101-102	Number of months in a year that equates to full-time employment. Examples: 12 = a typical year-round employee. 10

				= teacher paid over 10 months. 9 = teacher paid over nine months. If the employee is scheduled for 9.5 months, round down to the nearest full month.
Months paid cycle	2	N	103-104	Number of months paid in this period, normally 1, 2 or 3. Example: If payroll is bimonthly and employee receives one or two paychecks in the quarter, enter "1." If an employee receives three or four paychecks, enter "2."
ORP vendor code	2	N	105-106	Indicates the State ORP vendor to which the member is contributing. 01=TIAA-CREF, 02=AIG-VALIC, 05=METLIFE, 06=MASSMUTUAL.
For future use	14	A	107-120	Leave blank (reserved for future use).

EESER report

Under the "Employer Reporting" link on the EES website, select the "EESER" button to process and submit the quarterly detail. For complete instructions on using the EESER function, please refer to the *EESER User Manual* under the "Help" link. To verify that a quarterly detail has been received by PEBA, check for a Quarterly Data Submitted date.

Service credit

The information provided in the detail record is an important part of a member's account for many reasons. PEBA relies on the information employers provide to calculate a member's service credit and average final compensation, both of which are essential part of a member's monthly annuity calculation. Earned service is paid employment as an active employee (not retired) during which regular contributions are paid to PEBA. Members enrolled in a retirement system administered by PEBA on or after January 1, 2001, must have five years of earned service to be eligible to apply for service or disability retirement annuities, or to qualify a survivor for a monthly annuity after an in-service death. Members enrolled in SCRS or PORS on or after July 1, 2012, must have eight years of earned service. This requirement does not apply to disability retirement eligibility if the disability is the result of a job-related injury. Please see Disability Retirement on Pages 59-66 for more information about SCRS and PORS disability annuity eligibility requirements.

Service credit under the member compensation limit (CL "20")

Although individuals subject to the IRS compensation limit (see page 28, Member Compensation Limit) will not have wages reported after exceeding the limit, they are nevertheless entitled to service credit for all time worked during the calendar year. Their contract length should be "20" for all quarters, including any during which the member works without compensation being reported to PEBA. If individuals without compensation are not included on the text file generated for upload, these members should be listed on an *Adjustment to Quarterly Payroll Reporting* (Form 1223), which should be submitted along with the *Quarterly Contribution Report Summary* (Form 1246). Errors discovered after the reconciliation of the quarterly report must corrected via a *Supplemental Contribution Report* (Form 1227).

School districts and contract lengths

It is very important to consider the implications of changing an employee's contract length before the fiscal year ends. If, for example, an employee is reported in the September quarterly report as being paid on a 10-month contract, then the employee's service credit will be edited so that by the end of the school year, he will have earned one full year. An employee on a 10-month contract earns one-

tenth of a year of service for each month paid. If the contract length is changed in the middle of the school year, then the employee will be short service credit for the full year. Refer to the **Contract Period Chart** on Page 34 for detailed service credit information for employees with contract periods of less than 12 months. Municipalities may report contract lengths of 12, 13, 14, 15, or 16 only.

Contract period chart

September through May: Contract period is “9.” September quarter is “1” for months paid and June quarter is “2” for months paid.

July 1	Aug 1	Sept 1	Oct 1	Nov 1	Dec 1	Jan 1	Feb 1	Mar 1	Apr 1	May 1	June 1
1st Quarter Month paid = “1”			2nd Quarter Month paid = “3”			3rd Quarter Month paid = “3”			4th Quarter Month paid = “2”		

September through June: Contract period is “10” for employees not paid in July and August. September quarter is “1” and June quarter is “3” for months paid.

July 1	Aug 1	Sept 1	Oct 1	Nov 1	Dec 1	Jan 1	Feb 1	Mar 1	Apr 1	May 1	June 1
1st Quarter Month paid = “1”			2nd Quarter Month paid = “3”			3rd Quarter Month paid = “3”			4th Quarter Month paid = “3”		

August through May: Contract period is “10.” September quarter is “2” and June quarter is “2” for months paid.

July 1	Aug 1	Sept 1	Oct 1	Nov 1	Dec 1	Jan 1	Feb 1	Mar 1	Apr 1	May 1	June 1
1st Quarter Month paid = “2”			2nd Quarter Month paid = “3”			3rd Quarter Month paid = “3”			4th Quarter Month paid = “2”		

August through June: Contract period is “11.” September quarter is “2” and June quarter is “3” for months paid.

July 1	Aug 1	Sept 1	Oct 1	Nov 1	Dec 1	Jan 1	Feb 1	Mar 1	Apr 1	May 1	June 1
1st Quarter Month paid = “2”			2nd Quarter Month paid = “3”			3rd Quarter Month paid = “3”			4th Quarter Month paid = “3”		

July through June: Contract period is “12.” September quarter is “3” and June quarter is “3” for months paid.

*The exception is new hires at the beginning of a school year who opt for a 12-month payout but are not year-round, 12-month employees. Those individuals would be a “9,” “10,” or “11” to get a full year of service credit for the first year. They would be switched to “12” for the next year’s contract period.

July 1	Aug 1	Sept 1	Oct 1	Nov 1	Dec 1	Jan 1	Feb 1	Mar 1	Apr 1	May 1	June 1
1st Quarter Month paid = “3”			2nd Quarter Month paid = “3”			3rd Quarter Month paid = “3”			4th Quarter Month paid = “3”		

20-Day Pay Cycle: These employees are paid every 20 days (example - bus driver) and possibly may not receive a check in December due to the Christmas break, and/or a spring break. To determine an employee’s contract period, review your pay cycle and ascertain whether the employee will receive compensation for those months. If not, the contract period could be either a “9” or an “8” to ensure those full-time employees receive correct service credit.

July 1	Aug 1	Sept 1	Oct 1	Nov 1	Dec 1	Jan 1	Feb 1	Mar 1	Apr 1	May 1	June 1
1st Quarter Month paid = “3”			2nd Quarter Month paid = “3”			3rd Quarter Month paid = “3”			4th Quarter Month paid = “3”		

Monthly threshold

If an SCRS or a PORS member earns at least \$580 in a month and is actively employed for the entire month, he should receive a full month of service credit. If an SCRS or a PORS member earns less than \$580 in a month, he will receive a portion of the month's service credit equal to the percentage of \$580 he earned in the month. This threshold increases as the federal minimum wage increases. A Class One PORS member will receive a full month of service credit if he contributes at least \$21 per month. The monthly threshold is only a part of the service credit equation. The employee's information must also be reported correctly with months paid and the correct contract length for the quarter and be actively employed to ensure proper service credit.

Example:

A member earns \$290 per month.

$\$290 \div \$580 = 50$ percent (a half-month of service credit).

Half of a 30-day month = 15 days.

Service credit reporting

The procedures listed below apply to current service credit reporting for SCRS and PORS. Service credit is awarded to members based on monthly compensation and dates of employment (taken from reported contract length and months paid information). State ORP participants are not awarded service credit since defined contribution plans are based only on contributions made to the State ORP participant's selected vendor.

1. Detailed member information is reported to PEBA on a quarterly basis. A contract period and months paid should be reported for each member. The first step in this process is to determine a contract period for each member. A contract period is the number of months per year in which a member is compensated. For example, most state employees have a contract period of 12,

which means year-round employment and compensation. If members are compensated during only a portion of the year, however, the contract period should be the number of months in which they are compensated. For example, some school district and higher education employees are compensated over 9, 10, or 11 months rather than 12. They should therefore be reported as a contract period 9, 10, or 11. An exception to this is the first year of employment for a school district employee. If a new hire chooses to be compensated over 12 months of the year, but in the first year of employment does not receive a check in every month of the fiscal year (July – June), a contract length other than 12 must be selected in the first year of employment to grant a full year of service credit. The contract period established for the first year of employment should reflect the actual number of months in which the employee will be compensated the first year. The employer must then change the employee to the 12 contract period in subsequent contract years. Please review the **Contract period chart** on Page 34 to determine the appropriate contract period based on the most common payroll cycles. Report whole months only. If an individual works nine and one-half months, round down the figure to nine months.

2. Report the number of months paid during a quarter (1, 2, or 3), rounding partial months up to the next full month. Do not report partial months. An employee cannot receive more than a three in this field.
3. A monthly salary is inferred by PEBA based on the number of months paid in the quarter and the quarterly compensation reported.
4. Exceptions are provided for elected officials, appointed members of boards and commissions, and individuals subject to the member compensation limit (see item #8). Special coding is utilized for these

members. See **Non-standard contract lengths** on Page 36 for more details.

5. PEBA will calculate the appropriate service credit based on each employer report. For example, a nine-month employee reaching the earnings threshold would receive one-ninth of a year of service credit for each month (September through May).

Example: Service credit threshold

If a substitute teacher is paid on a nine-month basis and earns \$290 for the month of September, service credit would be calculated as follows:

$$\begin{aligned} \$290 \div \$580 &= 0.50 \\ 0.50 \div 9 \text{ months} &= 0.05565 \text{ year} \\ 0.05565 \times 12 \text{ months} &= 0.6667 \text{ months} \\ 0.05565 \times 360 \text{ days} &= 20 \text{ days} \end{aligned}$$

Examples: Contract periods and service earned

An employee with a nine-month contract period reaching the earnings threshold earns 40 days of service credit each month (360 days ÷ 9 months = 40 days per month) 40 ÷ 30 = 1.33 months x 9 months = 360 days, or 1 year.

An employee with a ten-month contract period reaching the earnings threshold earns 36 days of service credit each month (360 days ÷ 10 months = 36 days per month) 36 ÷ 30 = 1.20 months x 10 months = 360 days, or 1 year.

An employee with an eleven-month contract period reaching the earnings threshold earns 33 days of service credit each month (rounded) (360 days ÷ 11 months = 33 days per month) 33 ÷ 30 = 1.10 months x 11 months = 360 days or 1 year (rounded).

An employee with a twelve-month contract period reaching the earnings threshold earns 30 days of service credit each month (360 days ÷ 12 months = 30 days per month) 30 ÷ 30 = 1.00 months x 12 months = 360 days, or 1 year.

6. Full time service credit is awarded for a minimum monthly compensation base of

\$580 if the employee is actively employed for the entire month. This dollar figure is also referred to as the “monthly threshold,” and increases as the federal minimum wage increases.

7. If a person does not reach the threshold in a given month, the service credit is prorated.
8. Employees that exceed the federal wage limitation may not be reported in one or more quarters, although they did work during that period. These individuals should be reported as having zero wages and contributions with CL 20 to ensure that service credit is granted. For additional information, please see member compensation limit on Page 28, and the Non-standard contract length chart on Page 36.

Non-standard contract lengths

Individuals elected to public office or appointed to serve on a board or a commission (i.e., mayor, or city or county council member) and paid a salary (not a stipend for meeting attendance) are not required to meet the service credit threshold to receive full service credit. Further, individuals expected to exceed the member compensation limit may have a quarter or more without wages for which service should be granted. The contract periods shown in the chart below have been assigned for these individuals based on how the member is compensated (where applicable). If there is a situation other than those addressed below, employers should use “99” on the form and Retirement Member Account Services will contact the employer. If the individual meets the \$580 per month threshold, is a year-round employee and is either not subject to or expected to exceed the compensation limit, a “12” should be used as the contract period.

Frequency of compensation	Contract length	Months paid	Service credited
Annually	13	1	1 year
Monthly	14	1, 2, or 3	1 month for every "month paid"
Quarterly	15	1	3 months
Semi-annually	16	1	6 months
Subject to compensation limit	20	1, 2 or 3	1 month for every "month paid"

Clearing reporting errors

After a report has been received and the records have been released for posting to individual accounts, the Member Account Services representative will review outstanding records, or records in an "error" status. Employers can view the same error screen by going to the home page of the EES website, then clicking on "Employer Transaction Error List." Details of each transaction can be determined by clicking on the "Trans Code" on the left side of the screen. The majority of the errors involve missing enrollment information, name changes, retirees for whom PEBA needs a current return-to-work date, and money errors. If you do not understand an error message, a help screen is available. You may also contact your representative for assistance.

Supplemental contribution report

Corrections to past reports

If a service or contribution error was made on a past report, you can correct the report by submitting a *Supplemental Contribution Report* (Form 1227). The *Fiscal Year Contribution Rates* (Form 1340) may also be useful since it provides prior year contribution rates. When completing Form 1227, fill out the top portion by listing your

five-digit employer code, the name of your employer, and the reason for the supplement. When completing Section I of the form, follow the instructions on the second page. Enter only one fiscal year per form. Section II is the calculation of the amount due, or the credit. Apply employer rates for the appropriate fiscal year, and be sure to include incidental death benefit and accidental death program coverage rates, if applicable. Add these amounts to the member contribution and calculate the total amount due. Be sure to sign Form 1227 and include a phone number before sending the form to PEBA.

For agencies on the Comptroller General's (CG's) payroll: corrections to State ORP accounts must go through the CG's office. The CG's office will remit the appropriate amounts to PEBA and the appropriate State ORP vendor.

All information should be submitted by quarter. Do not cross fiscal year or quarter dates when completing the form. Contributions submitted on the *Supplemental Contribution Report* (Form 1227) must be the amount required to bring the salary and contributions to the correct amount for the reporting period. When information was processed for a member incorrectly on the quarterly report, first show a reversal (negative) of this incorrect posting. Then show the total correct compensation and contribution amounts on the next line.

Example:

Contributions of \$250 were withheld from a wage of \$3,063.73 and reported on the *Quarterly Report*. The correct wage was \$2,450.98 with contributions of \$200. The original entry should be entered on the *Supplemental Contribution Report* (Form 1227) and placed in brackets in the appropriate columns (wages: [\$3,063.73], contributions: [\$250]). The next line will reflect the corrected information: wages \$2,450.98, contributions \$200, contract length, or months paid.

The appropriate employer contribution adjustments also must be submitted on the Form 1227. These

contributions include incidental death benefit and the accidental death program (if applicable). PEBA requires that the Form 1227 be signed and dated by an employer's authorized reporting official. If additional contributions are due to PEBA, payment must be remitted with the Form 1227 for processing. If excess funds are due to the employer from PEBA, PEBA will issue a credit invoice to the employer when the report is reconciled.

Supplemental service report

The Supplemental Service Report (Form 1224) is generally used to report contributions and service for employees on an approved leave without pay. These service types include military leave, workers' compensation, furlough, and special monthly contributors (SCRS only). When reporting supplemental service, contributions are to be based on the compensation the member would have earned had he been able to perform his normal job duties for the period in question. Form 1224 is submitted on a monthly basis. Do not cross fiscal year or quarter dates when completing the form.

Descriptions of leave types reported on a supplemental service report

Military leave of absence, status code 59

An active member called to active military duty may arrange with his employer before the leave to continue to remit monthly contributions. The contributions are based on the member's salary immediately before the leave and must be reported through the employer. Contributions submitted during this leave status are not subject to the insurance surcharge, or incidental death benefit or accidental death program contributions.

The Uniformed Services Employment and Reemployment Rights Act (USERRA) provides guidelines for maintaining an employee's civilian benefits despite the employee's leave for service in the military. Under USERRA, an employee is entitled to receive retirement service credit for a period of military leave if he makes the required employee contributions within a period of not more than three times the length of his military service (not to exceed five years) from the date of re-employment. For example, a person on leave for six months would have up to 18 months to remit his employee contributions through the supplemental reporting process. No interest is charged if payment is received in full within the specified time limit. After the USERRA designated time limit has expired, a member establishing credit for the permissible period of military leave must do so in accordance with normal service purchase rules.

Workers' compensation, status code 61

An active member may continue contributions during the period in which he is receiving workers' compensation. The cost to establish this service is based on what would have been paid if the member were working full-time, using the member's earnable compensation at the time of the injury. The member and employer are both responsible for their respective portion of contributions if a member decides to take advantage of this option. Contributions submitted via this method for this leave status do not include the insurance surcharge, incidental death benefit or accidental death program contributions.

Special monthly contributor (SCRS Only), status code 34, Class Two only

An active SCRS member who terminates employment with at least 25 years of retirement service credit is eligible to continue contributing both the employee and employer contributions until he reaches 28 years of service credit. Members who previously purchased any amount of non-qualified service are not eligible to be a special monthly contributor. The following guidelines apply:

- The member should contact PEBA to obtain confirmation of total service earned as of the time of termination and provide this information to the employer;
- The member must arrange with his former employer to remit monthly contributions before terminating employment;
- The member's last employer must notify PEBA of the member's participation in the program, the effective date of termination of active employment (beginning date for buy-in program), and the member's full rate of pay at the time of termination;
- The contributions will increase each year as the salary for the member's former position increases. It is the obligation of the last employer to notify the member of the cost due upon commencement of the program and of any changes in the applicable salary base or contribution rates (generally annually). An employer is not obligated to bill the employee monthly or perform any collection efforts;
- The monthly remittances are due to PEBA no later than 30 days after the end of the month to be credited;
- The employee is obligated to remit the necessary funds to the employer in sufficient time to be forwarded to PEBA in accordance with prescribed due dates;
- There is no provision for retroactive credit under this program. If remittance for a month is not received by the prescribed due date, then that month cannot be credited after the due date;
- The employee is also obligated to submit a retirement application to PEBA after completion of the special monthly contributor buy-in period. PEBA will not notify the member upon the attainment of 28 years of service;
- A special monthly contributor does not continue eligibility under the active incidental death benefit program and the member cannot purchase other types of

service (military, withdrawal, etc.) during the buy-in period; and

- The special monthly contributor buy-in program does not qualify for participation in PEBA's Installment Service Purchase Program.

Furlough uploads

Typically, the state's annual General Appropriations Act authorizes school district, higher education, and state agencies to institute a furlough program. Under these furlough programs, the affected employees are entitled to continue participation in the retirement systems during the furlough and the employing agency or school is responsible for making both employer and employee contributions to the retirement systems for the affected employees if coverage would otherwise be interrupted during the furlough. Employers are not required to submit employee or employer contributions on retirees (or TERI participants) participating in a furlough. Employers must upload their furlough supplements through the "Upload Furlough Supplement Data" link on the EES website. The data can be in Excel or text format.

Service purchase

Purchasing additional service credit

Active, contributing members have the option to establish additional service credit for various types of previous employment and up to five years of non-qualified service, which is a type of service credit not associated with any specific employment. Active members may establish each type of service credit once within a fiscal year. Generally, a member on leave without pay from a covered employer is not eligible to establish service credit of any type. See the SCRS retirement eligibility criteria on Page 68, and the PORS retirement eligibility criteria on Page 73 to assist a member in determining his service credit goal.

Calculation of costs

The calculation of the **actuarially neutral** payment required for a service purchase is determined by PEBA's independent actuary and is based, in part, upon the member's current age, service credit, and career highest salary at the time PEBA receives the member's service purchase request. A member's career highest salary used in the calculation of service purchase costs is the greater of the member's current salary or his career highest fiscal year earnable compensation.

One of the factors used to determine the cost of most types of service purchases is a member's career highest fiscal year earnable compensation. This includes any salary earned during a period of withdrawn service, regardless if the withdrawn service has been established through a service purchase. This also includes earnable compensation received while participating in the State ORP if the member has purchased SCRS service credit for any State ORP participation. The cost to purchase periods of less than one year will be prorated. A member may not establish SCRS or PORS service credit for a period of service, other than military service, for which he may also receive a retirement benefit from another defined benefit retirement plan or for a period of service for which he already

has credit in SCRS or PORS. A member also may not establish SCRS or PORS service credit if doing so would violate Section 415 or any other provision of the Internal Revenue Code.

Indexed service credit threshold

On February 1, 2005, the indexed service credit threshold began being used in determining the amount of service credit that may be purchased for public service, educational service, or State ORP service. This indexed service credit threshold may be applied to previously purchased periods of part time credit and previously earned periods of part time credit rendered prior to July 1996, thereby possibly allowing an active, contributing member to purchase up to full service credit for the month at an additional cost. The indexed service credit threshold is calculated by multiplying the minimum wage at the time the service was rendered by 80 (hours) to arrive at a monthly threshold amount. A member may be eligible to purchase a full month of service credit provided his employer verifies he worked the entire month and earned at least the applicable indexed service credit threshold during the month to be established. If the member earned less than the indexed service credit threshold in a month, then he is eligible to purchase a partial month's service credit. Exceptions to the indexed service credit threshold policy are:

- An elected or appointed public officer;
- A member who served as a legislative clerk or attaché for the General Assembly; and
- A nine-month school district employee.

If a member would like his account reviewed for possible service of this type, do not check the box next to any of the service purchase types on the *Request for Service Purchase Cost* (Form 2101), but rather write this request in the "comments" section of the form.

Descriptions of types of service

Public service

An active member may establish service credit for any period of paid public service as an employee of the government of the United States, a state, or political subdivision of the United States by making an **actuarially neutral** payment to PEBA not less than 16 percent of the member's **career highest salary** for each year purchased.

Educational service (K-12)

An active member may establish service credit for any period of paid classroom teaching consisting of grades kindergarten through 12 in a public, private, or sectarian school by making an **actuarially neutral** payment to PEBA not less than 16 percent of the member's **career highest salary** for each year purchased.

Military service

An active member may establish up to six years of credit for any period of military service for which the member does not already have service credit in SCRS, PORS, or GARS by making an **actuarially neutral** payment to PEBA not less than 16 percent of the member's **career highest salary** for each year purchased. This includes service in the United States Army, Navy, Marine Corps, Air Force, Coast Guard, Select Reserves, and the Army or Air National Guard.

The member's discharge from service must be under conditions other than dishonorable. Under guidelines set forth by the Uniformed Services Employment and Reemployment Rights Act (USERRA), a member may also arrange in advance with his employer to continue contributing to his account while on active duty military leave or make the contributions after returning from military leave within a period three times longer than the member's military leave, but not more than five years.

Leave of absence

If a member returns to covered employment as an active member within four years of an employer-approved leave of absence, he may purchase service credit for the employer-approved leave period for which he does not already have service credit, up to a maximum of two years per leave of absence. The leave of absence must be with an employer covered by one of the retirement systems administered by PEBA. An active member may establish this service by making an **actuarially neutral** payment to PEBA not less than 16 percent of the member's **career highest salary** for each year purchased.

Workers' compensation

An active member may establish service credit for a leave of absence during which time he was receiving workers' compensation benefits. The cost is based on contributions plus interest using the member's earnable compensation at the time of injury. A member may also arrange in advance with his employer to continue contributing to his account while he is receiving workers' compensation benefits.

Previously withdrawn service

A member who left employment and received a refund of member contributions plus interest may re-establish this service upon returning to active membership. The member must repay the amount withdrawn plus interest to the date the member's request is received. Previously withdrawn earned service that is re-established in SCRS or PORS is considered earned service for the determination of the minimum service requirement for benefit eligibility. Please note that earnings associated with re-established withdrawal will be considered for possible inclusion in the calculation of a member's average final compensation. A Class Three member who purchases a period of withdrawn service for any period of covered employment rendered prior to July 1, 2012, will revert to Class Two membership.

Non-qualified service

Active Class Two and Class Three members who have five or more years of earned service credit may establish up to five years of non-qualified service by making an **actuarially neutral** payment to PEBA not less than 35 percent of the member's **career highest salary** for each year purchased. If a special monthly contributor (SCRS only) returns to covered employment and purchases non-qualified service, the purchased special contributor and non-qualified years cannot exceed five years of service credit per IRS restrictions.

State ORP service

An active member may purchase service credit for his years of participation in the State ORP by making an **actuarially neutral** payment to PEBA not less than 16 percent of the member's **career highest salary** for each year purchased. State ORP service that is established in SCRS or PORS is considered earned service for the determination of the minimum service requirement for benefit eligibility. Please note that for SCRS benefits only, earnings associated with established State ORP participation will be considered for possible inclusion in the calculation of a member's average final compensation. A Class Three member who purchases a period of State ORP participation for any period of covered employment rendered prior to July 1, 2012, will revert to Class Two membership.

Transfer to PORS (PORS Only)

An active member of PORS may transfer non-concurrent (not earned at the same time) SCRS service credit to his PORS account by paying 5 percent of his current earnable compensation for each year transferred. The member's SCRS contributions plus interest are then permanently transferred to the member's PORS account. Transferred credit may not overlap earned service (service for which regular contributions were paid to the system) or other purchased service.

Convert Class One to Class Two (SCRS)

An active Class Two SCRS member who still has Class One service may convert the Class One service to Class Two service by paying 2.5 percent of his current earnable compensation or the average of the highest 12 consecutive quarters, whichever is greater, for each year of service converted.

Convert Class One to Class Two (PORS)

An active Class Two PORS member who still has Class One service may convert the Class One service to Class Two service by paying 5 percent of his current earnable compensation for each year of service converted, less \$16 per month for each month converted. PORS Class One service earned before July 1, 1974, has an employer match of 1.5 percent of the member's earnable compensation multiplied by the years and months of service to be converted. PORS Class One service earned after July 1, 1974, has an employer match of 2.5 percent of the member's earnable compensation multiplied by the years and months of service converted. Converted service credit may not overlap earned service (service for which regular contributions were paid to the system) or other purchased service.

How a member may request a service purchase invoice

To request the cost to establish service credit or to obtain an updated cost of a previously calculated service purchase, a member may log into PEBA Retirement Benefits' Member Access website. After logging in, the member will select the "Service Purchase Information" link and follow the instructions.

Instead of using Member Access, the member may complete a *Request for Service Purchase Cost* (Form 2101). The member should include the supporting documents requested on the Form 2101 when submitting it to PEBA. Forms are available on PEBA's

[website](#) and through the [EES website](#) (for employers with EES access). A member may also submit a service purchase request by contacting the Customer Contact Center at 803.737.6800 or toll free at 888.260.9430. Once PEBA receives a member's Form 2101, additional forms, if necessary for the type of service for which a cost is being calculated, may be sent to the member or employer for completion. A member has 90 days to submit all the necessary documentation to PEBA. Once all the information is received, the member should receive a *Member Service Payment Invoice* within 30 days. Payment invoices are valid for six months.

All member service calculations are audited after receipt of the member's payment and, as a result of the audit, are subject to revisions in both the period of service to be credited and the cost of the service. If a member has purchased service for retirement eligibility, he should not leave employment until the service purchase audit is complete. If the retirement eligibility date cannot be established without the service purchase, the retirement date will be no earlier than the date payment is received by PEBA. Service purchase payments received after a retirement date will not be accepted. A service purchase invoice will not be provided to a retired member, even if the retired member has returned to covered employment.

Purchasing service to meet retirement eligibility

If a member is purchasing service to meet retirement eligibility, the member should contact the Customer Contact Center at 803.737.6800, 888.260.9430, or www.peba.sc.gov for more information. A member must remit payment for service purchases in full before the member's retirement date or termination from employment.

Some types of purchased service may not be used in determining eligibility for retiree health insurance. If the member is covered by the state's employee health insurance program, contact PEBA at 803.737.6800 or toll free at 888.260.9430 for eligibility information. If the member's employer

does not participate in the state's employee health insurance program, the employer should contact the provider of the organization's health insurance for information about insurance in retirement.

Acceptable methods of payment

Members may establish service credit through a lump-sum payment, an installment service purchase, or a tax-deferred rollover from an IRS qualified plan. Qualified plans include some types of Individual Retirement Accounts (IRA), 401(k) plan, 401(a), a 403(b), and 457 plans. This includes the SCDCP's 401(k) and 457 plans.

Installment service purchase program

The Installment Service Purchase Program is available to active members who wish to purchase additional service credit through payroll-deducted installment payments. When a member elects to participate in this program, PEBA credits the member's account, up front, for the total cost of the service and the total service credit being purchased. The member's employer then payroll deducts the payments from the member's salary each pay period.

Members may choose to participate in the pre- or post-tax installment plan. For members to participate in the pre-tax program, employers must complete an initial resolution (Form 3228) with PEBA that permits the employer "pick-up" of the employee deductions and provides details on procedures and restrictions. The pre-tax (deferred) option is binding and irrevocable unless the requirements of an unforeseeable emergency are met based on Internal Revenue Code 457. Deferred installments do not allow principal payments, or early payoff unless the member retires, or terminates employment. The post-tax installment option offers the flexibility to make principal payments, cancel purchases and pay off installments early.

A member must pay his installment purchase in full before his anticipated retirement date or termination from employment. If PEBA does not receive payment of the balance in full, service credit will be prorated. For more information about installment service purchases, contact the Customer Contact Center at 803.737.6800, toll free at 888.260.9430, or contact the Service Accounting Department at 803.737.6905.

Interest rate

A fixed interest rate applies to the term of the installment service purchase until the unpaid balance is paid in full. The Service Accounting Department adjusts the interest rate for new participants in this program every July 1 to the current prime rate plus 2 percent. The current interest rate is 5.50 percent for new installment accounts activated July 1, 2016, through June 30, 2017.

How to participate in the installment service purchase program

A member must either log into Member Access to electronically complete and submit his request for the cost of a service purchase or the member may complete and submit to PEBA a paper *Request for Service Purchase Cost* (Form 2101), which is available on the PEBA's website. The Service Department will verify the additional service and provide the member with a *Member Service Payment Invoice*.

After receiving a *Member Service Payment Invoice* (Form 2320), the member should complete the bottom section showing the payment method, member payment required (amount due), down payment amount (optional), amount to be financed (member payment less down payment), number of months to be financed (six months minimum or two times the total amount of service purchased as the maximum), and pay frequency (number of checks received per year). The member should then return

the invoice to PEBA's Service Accounting Department.

After processing, the Service Accounting Department will return to the member a *Payroll Withholding Authorization* (Form 3216) post-tax or (Form 3227) pre-tax. The member should verify all information, sign the form, and return it to the Service Accounting Department with any optional down payment.

Upon receipt of all signed documents, the Service Accounting Department will activate the installment service purchase and initiate the applicable payroll deductions.

Reporting the installment payments

Employers on the SCEIS payroll system

If a member's employer is on the SCEIS payroll system, Service Accounting Department will submit and receive an electronic payment file. This file authorizes and initiates the applicable payroll deductions.

Employers not on the SCEIS payroll system

If a member works for an employer not on the SCEIS payroll system, the employer is responsible for withholding the applicable payroll deductions. The following reporting procedures apply:

- The employer must include a completed *Installment Service Purchase Remittance* (Form 3229) with each payment. This form can be completed through Electronic Employer Services (EES), by logging on and selecting Installment Accounting. For more information on EES and setting up an account, please refer to Page 10 of the Employer Manual. Installment payments should not be included with Monthly or Quarterly contributions.
- Employers can send a paper check made payable to PEBA (one check for all retirement systems is acceptable).

Employers have two electronic payment options: wire/ACH or ACH debit (Form 1226). For more information on electronic funds submission, please contact PEBA.

Payments are due to PEBA five days after each payday. Late remittance results in the continued interest assessments on a member's account until the date payment is received.

If a member terminates employment, retires, or dies before paying the installment service purchase in full, the member or the beneficiary has the option to pay the remaining balance in full, or prorate the original service purchase based on principal payments already made. To get a pay off or prorate estimate, contact the Customer Contact Center at 803.737.6800 or toll free at 888.260.9430.

A member with funds in SCDCP's 401(k) or 457 plans, a 403(b) plan, another qualified retirement plan, or an IRA, may roll over funds at any time on post-tax installments to:

- Make a down payment;
- Make a principal payment; or
- Pay off the installment note.

A rollover may be made on a pre-tax note as a down payment, a payment in full at retirement, or at termination of employment.

When the installment purchase nears maturity

The employer will be notified of the final installment payment (Form 3313) and due date. After receipt of the final payment, the Service Accounting Department will notify both the member and the employer (Form 3315) that the installment purchase is complete. Once the employer receives notification that the installment purchase is paid in full, the employer should not remit any additional payments. Any remittances received after a note is paid in full will be refunded directly to the member if the payments were made post-tax or refunded to the employer if the payments were payroll deducted on a pre-tax basis. Employers using EES may use color indicators to assist with maturing installments when creating a PDF deposit form (Form 3229).

Death claims

Types of death claims

Active member

An active member is an employee who is still on payroll and remitting employee contributions and who is not retired. In the event of an active member's death, the employer should contact Customer Contact Center at 803.737.6800, toll free at 888.260.9430, or at www.peba.sc.gov immediately so that PEBA can provide the necessary information to the member's beneficiary as quickly as possible.

PEBA will request via EES a Final Payroll Certification for final wages and contributions. When the completed information is received from the beneficiary, the Customer Death Claims Unit will notify the beneficiary of any applicable benefits and payment options. The beneficiary should submit a certified true copy of the member's death certificate and will be asked to complete the following forms:

- Application for Death Benefits (Form 4151);
- Withholding Certificate for Monthly Annuity Payments (Form 7202) if the beneficiary will be receiving a monthly annuity;
- Electronic Funds Transfer Authorization for Annuities (Form 7204) if the beneficiary will be receiving a monthly annuity;
- Notice of withholding forms if the beneficiary will receive a refund of member contributions or the incidental death benefit.

If an active member dies while actively employed (in service) or not more than 90 days from the last day he earned regular compensation and earned regular service credit, the following benefits may be available to the member's designated beneficiary:

- Refund of contributions (member contributions and interest);
- Monthly annuity (survivor annuity);
- Incidental death benefit payment (equivalent of one year's salary);

- accidental death program benefit (PORS only).

If an active member dies after submitting an application for a disability annuity but before receiving his first monthly annuity payment, the member's beneficiary should contact PEBA for more information.

Inactive member

For death claims purposes, a member is considered inactive if the member is no longer "in service" with a participating employer on the date of death. For monthly survivor annuity eligibility, a member is considered to have died in service if the member had not been terminated and was on the employer's payroll as an employee in either a paid (including receiving payments for accrued leave) or approved unpaid status on the date of death. For eligibility for the active member or working retiree incidental death benefit, a member is considered to have died in service if the member died not more than 90 days after the last day the member earned compensation and made employee contributions. If an inactive member dies, the inactive member's beneficiary is eligible to receive a refund of the member's employee contributions plus the interest earned on the member's account. No incidental death benefit is payable.

Non-working retired member

If a retired member who has not returned to covered employment dies, the member's beneficiary will receive payment according to the retiree's payment option selection and may be eligible for an additional retiree incidental death benefit of \$2,000, \$4,000, or \$6,000, based on the retired member's years of service at retirement. The retired member must have retired with at least 10 years of service credit for the beneficiary to be eligible for this benefit. When a retiree dies, PEBA will send the employer a request for the *Final Payroll Certification* through the EES website only if the retiree's account has not been finalized.

Working retired member

A working retired member is on a covered employer’s payroll and making employee contributions. The working retired member category includes TERI participants. When a working retired member dies, the employer should contact Customer Service at 803.737.6800, toll free at 888.260.9430, or at www.peba.sc.gov. PEBA will send the employer via EES a Final Payroll Certification to verify final salary and contributions.

When a working retired member dies, the member’s beneficiary receives payment according to the retiree’s payment option selection and may be eligible for an additional retiree incidental death benefit equal to the member’s current annual earnable compensation. If the working retired member’s current annual earnable compensation was less than the retired member incidental death benefit of \$2,000, \$4,000, or \$6,000, the higher retiree incidental death benefit payment will be paid.

SCRS years of service credit	Incidental death benefit payment	PORS years of service credit
10 to 19 years of service credit	\$2,000	10 to 19 years of service credit
20 to 27 years of service credit	\$4,000	Class Two: 20 to 24 years of service credit Class Three: 20-26 years of service credit
28 or more years of service credit	\$6,000	Class Two: 25 or more years of service credit Class Three: 27 or more years of service credit

Types of death claim payments

Incidental death benefit

The incidental death benefit provides benefits to the designated, surviving beneficiaries of both active and retired members. State agencies and public school districts are required to provide incidental death benefit coverage to SCRS and PORS members, and State ORP participants. The coverage is optional for other employers. If coverage is optional for an employer, the employer may elect incidental death benefit coverage effective the first July 1 following the date its application for coverage was received. An employer may not revoke this coverage once it has begun. If an employer provides incidental death benefit coverage to its employees, the employer must pay for this coverage. Premiums are waived for the first year for non-state agencies.

Active member incidental death benefit

If an active member dies in service with at least one year of service credit and the member’s employer provides incidental death benefit coverage, a payment equal to the member’s current annual earnable compensation will be paid the member’s designated beneficiary. If the active member’s death results from a job-related injury, the one-year requirement is waived. A member is considered to be in service on the date of his death if the member was not retired, was employed in a continuous regular pay status, and was earning regular or unreduced wages and regular or unreduced retirement service credit within 90 days of the date of death. The member can be either physically working on that day or taking continuous accrued annual leave or sick leave while receiving a full salary.

Working retired member incidental death benefit

The surviving beneficiaries of working retired members of SCRS and PORS are eligible for an incidental death benefit payment equal to the member's current annual earnable compensation in lieu of the standard \$2,000, \$4,000 or \$6,000 benefit for surviving beneficiaries of retired members.

Non-working retired member incidental death benefit

Upon the death of a retiree who is no longer employed and whose last employer before retirement provides incidental death benefit coverage, PEBA will pay a benefit based on the retiree's service credit to the retiree's beneficiaries as follows:

If a retiree has service in more than one correlated system (SCRS, PORS, and/or GARS) and his last employer in each correlated system has incidental death benefit coverage, combined service in each system will be considered when determining the incidental death benefit. The maximum benefit paid will never exceed \$6,000. State ORP participants are not eligible for retiree incidental death benefits.

Taxes on incidental death benefits

Amounts paid to a member's designated beneficiary are subject to ordinary federal and state income taxes. It is up to the member's designated beneficiary to request that state taxes be withheld from the payment. PEBA is required to withhold federal taxes of 20 percent on the incidental death benefit payment unless the member's designated beneficiary rolls over the money into another qualified retirement plan. A designated beneficiary who is a spouse may roll over the incidental death benefit payment into an individual retirement account (IRA), a 401(k) plan, a 401(a) eligible plan, a 403(b) plan, or a 457 plan. A non-spousal beneficiary may roll over the incidental death

benefit payment into an inherited or beneficiary IRA only.

A member's designated beneficiary should check with an accountant or a tax advisor about his tax liability, or visit the IRS's website at www.irs.gov and the website for the tax agency in the state in which he resides. In South Carolina, the member's beneficiary may visit the S.C. Department of Revenue's website at www.sctax.org.

Refund of contributions

The beneficiary designated on the SCRS or PORS member's retirement account is eligible to receive a refund of the member's employee contributions plus the interest earned on the member's account (or \$1,000, whichever is greater, for PORS members) in a lump-sum payment regardless of the member's age and years of service credit at the time of the member's death. If multiple beneficiaries are designated, payment will be divided equally among the surviving beneficiaries.

If the beneficiary is the deceased member's spouse, the taxable portion of the refund is eligible for a rollover to another eligible retirement plan (such as another 401(a) qualified plan, IRA, 401(k) qualified plan, 403(a) or 403(b) annuity plan, or 457 governmental plan. PEBA is required to withhold federal taxes of 20 percent on the taxable portion of any refund that is eligible for a rollover but not transferred directly into another qualified retirement plan.

If the beneficiary is not the deceased member's spouse, the taxable portion of the refund is eligible for a rollover to an inherited IRA only. PEBA is required to withhold federal taxes of 20 percent of the taxable portion of any refund that is eligible for a rollover but not transferred directly into another qualified retirement plan.

Monthly survivor annuity

A member's designated beneficiary will be eligible to choose a monthly annuity instead of a refund of the member's employee contributions plus the interest earned on the member's account if:

- The member is a Class Two member with at least five years of earned service credit and either has at least 15 years of total service credit or the member is at least 60 years of age for SCRS or 55 years of age for PORS at the time of the member's death; OR
- The member is a Class Three member with at least eight years of earned service credit and either has at least 15 years of total service credit or the member is at least 60 years of age for SCRS or 55 years of age for PORS at the time of the member's death.

The designated beneficiaries will receive a monthly survivor annuity based on Option B (see Page 74). A monthly annuity cannot be paid to an estate or an organization. If multiple beneficiaries are named, all surviving beneficiaries must agree on the choice of a refund or a monthly annuity before any payments can be made.

Payments will be divided equally among the beneficiaries. If one of the surviving beneficiaries dies once payments begin, the annuity amount each surviving beneficiary receives remains the same. The amount of the total annuity will be reduced by the deceased beneficiary's share.

If a trustee has been appointed for a designated beneficiary, the monthly annuity will be paid to the trustee until the termination of the trust or the beneficiary's death, whichever occurs first. After the termination of the trust, the monthly annuity will be paid directly to the beneficiary. See **Trust Beneficiary Designations** on Page 22.

Monthly survivor annuity and multiple beneficiaries

If a member dies in service as an active member and the option is available for the beneficiaries to receive either a monthly annuity or a refund of contributions, all beneficiaries must choose the same payment option to receive either the monthly annuity or refund on the *Election of Death Benefits* (Form 4151). This form is mailed to the beneficiaries after all requested documentation is

received from the employer, and the beneficiaries have provided their identification information and a certified copy of the member's death certificate to PEBA. The Form 4151 details the payment amount(s) and options available to the beneficiaries.

Accidental death program: PORS

PEBA administers an accidental death program for PORS members only. State agencies are required to provide accidental death program coverage to their PORS employees. This coverage is optional for other employers. An employer may elect this coverage effective the first July 1 following the date the employer's application is received. An employer may not revoke this coverage once coverage has begun. If an employer provides accidental death program coverage to its employees, the employer must pay for this coverage. Currently, premiums are 0.20 percent of covered payroll. Premiums are waived for the first year for non-state agencies.

Who receives the accidental death program benefit?

This program provides a survivor annuity if a covered PORS member dies as a result of an injury by external accident or violence incurred while undergoing a hazard particular to the member's employment while in the actual performance of duty, without willful negligence on the part of the member. An accidental death annuity payment will be made monthly to the member's surviving spouse for life. If the member has no spouse or the spouse dies before the youngest child of the covered member has turned age 18, the monthly annuity is divided among surviving children until each child turns age 18 or upon death, whichever occurs first. If the member has no spouse or child under age 18, the monthly annuity will be paid to the member's surviving father and/or mother for life.

The accidental death monthly annuity is calculated as follows: 50 percent of the member's annual compensation at death divided by 12, which equates to the monthly payments. Benefit adjustments may be applied to these monthly payments in the same manner as provided to other PORS annuitants (see Page 81).

Payments to an estate

If a member has designated his estate as beneficiary on the beneficiary form or retirement application, or if the estate has become the member's beneficiary by default because the member's named beneficiary dies before the member and no subsequent beneficiary has been named, death benefits will be paid to the member's estate. Survivorship annuities may not be paid to an estate, and only lump-sum death benefits will be paid.

Additional documentation required if estate is beneficiary

The employer is not required to provide any documentation for an estate payment; however, the person handling the estate of the deceased member must present additional documentation. If a death payment is to be made to a member's estate, one of the following documents will be required:

- Certificate of Appointment for the Personal Representative: Written statement of the qualifications enabling an individual to handle the estate of the decedent. This may be obtained through Probate Court; or
- Affidavit for Collection of Personal Property: A legal document provided when a decedent's estate is valued at less than \$25,000. This may be obtained through Probate Court.

Some of the sources by which PEBA receives death notifications include: employers, family and friends of the deceased, obituaries, the Social Security Administration, the Department of Health and Environmental Control, and funeral homes. If you become aware of the death of a member, contact Customer Contact Center at 803.737.6800, toll free at 888.260.9430, or at www.peba.sc.gov.

Leaving covered employment

This chapter provides information related to employees who leave covered employment before becoming eligible to retire. Please advise terminating employees that they will lose the ability to make certain retirement transactions, such as applying for disability retirement or purchasing additional service credit, upon leaving covered employment (see Service Purchase eligibility on Page 41 and Disability Retirement eligibility on Page 59). Members leaving funds on deposit should keep their address current and may do so at any time through the secure Member Access website. Members may also notify Customer Contact Center at 803.737.6800, toll free at 888.260.9430, or at www.peba.sc.gov of any address changes or beneficiary changes. Beneficiary changes cannot be made through Member Access.

If a member terminates all employment covered by one or more of the retirement systems administered by PEBA before he is eligible to retire, he has two options concerning his contributions: leave his funds on deposit or request a refund.

Leaving funds on deposit

A member can decide to leave his funds on deposit for as long as federal law allows. Federal tax law provides that a required minimum distribution must occur no later than April 1 of the calendar year following the year in which a member turns age 70 ½ or the year in which he retires, if later.

A member must terminate all employment covered by one or more of the retirement systems administered by PEBA to receive a refund or a monthly annuity. Employers should inform any member who is terminating employment who has at least five years of earned service (Class Two members) or eight years of earned service (Class Three members) and is seeking a refund of contributions that he has the option to leave funds on deposit and later apply for a retirement annuity. It is, however, the member's responsibility to contact PEBA and file an application before

retirement. See Pages 68-79 for retirement eligibility criteria. Employers should remind any member leaving funds on deposit to keep his address and beneficiaries current by writing PEBA or by contacting Customer Contact Center at 803.737.6800, toll free at 888.260.9430, or at www.peba.sc.gov. Members may also make address changes using Member Access. Employers should also inform members that their account will continue to draw interest until it becomes inactive. A member's account is considered inactive when no contributions have been made to the account in the preceding 12 months and no other active, correlated system or State ORP account exists.

Requesting a refund

Members who terminate all employment covered by one or more of the retirement systems administered by PEBA may request a refund of their employee contributions plus the interest earned on the member's account, but they forfeit their rights to any future service retirement or disability benefits. A refund of contributions and interest cancels all service credit in a member's account. Members are not required to withdraw their contributions and interest at termination of covered employment. Employer contributions are not refunded. Employees cannot take loans or hardship withdrawals from their PEBA-administered retirement account(s). There are no exceptions. Contributions made by a retired member who returned to work are non-refundable unless the member dies before receiving annuity payments equal to or greater than his total contributions plus the interest earned on the member's account.

The member may submit his refund request immediately upon termination of covered employment; however, by law, there is a minimum 90-day waiting period to a maximum of six months from a member's date of termination until a refund can be made. If a member returns to covered employment before the refund is paid, the refund request will be canceled. Therefore, employers

should submit all enrollment forms in a timely manner.

If a member works for two or more covered employers and/or contributes to more than one retirement account (i.e., working two jobs and paying into an SCRS and a PORS account), the member must stop working in all correlated systems to request a refund from any account.

Refund payment options

Refund checks are mailed or may also be directly deposited into the member's bank account. The refund is scheduled for payment at the end of the 90-day waiting period if all member and employer information received is correct and the member does not return to covered employment before receiving the refund check. By law, however, PEBA has up to six months to issue a refund to a former employee.

After PEBA receives all refund information from the member and the employer, an acknowledgment letter will be sent to the member showing the amount of the refund and the earliest date on which the refund can be paid.

PEBA will issue the refund to the individual unless the individual is eligible for and has requested that the funds be rolled over into another qualified retirement plan. Rollover checks will be mailed directly to the financial institution. If the member's address changes during the 90-day waiting period, the member must send written notification of the address change, including his Social Security number and signature, to PEBA's Customer Refund Claims Unit.

The taxable portion of a lump-sum distribution (refund) is eligible for a tax-deferred rollover to the SCDCP's 401(k) plan (not the SCDCP's 457 plan) and may be eligible for a tax-deferred rollover to an IRA, a 401(k) plan, a 401(a) plan, a 403(b) plan, a Roth IRA or some 457 plans. Members should check with the receiving plan administrator to determine if it will allow such a rollover. Members or QDRO alternate payees may elect to roll over all or any

part of the taxable portion of the member's employee contributions plus the interest earned on the member's account. The payment received from PEBA is classified as a qualified total distribution under IRC Section 401(a) and will be reported to the IRS on Form 1099-R. For death claim rollovers, please see **Refund of Contributions** on Page 54.

Taxes on a lump sum payment

A member's account may include both pre-tax and after-tax contributions. Contributions made after June 30, 1982, (federal) or after January 1, 1985, (state), and all interest earned, plus any rollovers to purchase service, are considered pre-tax (deferred contributions) and are taxable when paid to the member. Service purchased by personal check or through the post-tax installment service purchase program is nontaxable when refunded to a member.

For a member or a Qualified Domestic Relations Order (QDRO) alternate payee, PEBA is required to withhold federal taxes of 20 percent on the taxable portion of any refund that is eligible for a rollover but is not transferred directly into another qualified retirement plan. If a member does not take advantage of a rollover as indicated above and is under the age of 59 ½ at the time of distribution, the member's distribution will be subject to regular income tax in the year the member receives the payment, plus **there may be a 10 percent penalty tax on the taxable portion of the member's distribution, unless certain exceptions apply.** See "Special Tax Rules" in [IRS Publication 575](#) and [IRS Form 5329](#) for more information on this tax penalty and the exceptions to the penalty.

Members should check with an accountant or a tax advisor about their tax liability, or visit the IRS's website at www.irs.gov and the website for the tax agency in the state in which he resides. In South Carolina, visit the S.C. Department of Revenue's website at www.sctax.org.

Section 828 of the Pension Protection Act of 2006 (PPA) provides for the waiver of the 10 percent early withdrawal penalty if a qualified public safety

employee receives a distribution from a qualified retirement plan after separation from service in or after the year in which the employee reached age 50. A qualified public safety employee is an employee of a state or participating local subdivision who provides police protection, firefighting services, or emergency medical services for any area within the jurisdiction of such state or local subdivision. Membership in PORS, in itself, is not sufficient to qualify an employee for the waiver of the early withdrawal penalty, as the employee must be a qualified public safety employee as defined in Section 828 of the Pension Protection Act. The employer provides the certification that an employee's job description meets the criteria defined by the PPA on the *Employer Certification: Qualified Public Safety Employee* (Form 7507). This form is mailed to the employer by PEBA for completion after a *Refund Request* (Form 4101) is received from the member.

How to apply for a refund

Member instructions

A member must complete a *Refund Request* (Form 4101). The member must show if he wants to receive a lump-sum payment, a direct rollover, or a partial rollover by checking the appropriate box on the form. If a member elects to receive a direct or partial rollover, the rollover section must be completed in full. The member must sign the form after completion and attach a copy of his current driver's license or state-issued identification card (issued by the member's state department of transportation, motor vehicles, or public safety). If a member cannot sign his name, a mark (such as an "X") may be used; however, a witness is required to sign attesting the member's mark. This form must be notarized. If a member has employee contributions in more than one retirement account and wants to request a refund from all accounts, the member must complete Form 4101 for each account from which a withdrawal is desired.

Employer instructions

Upon receipt of a *Refund Request* (Form 4101) from a member, PEBA will send the member's employer a request for the *Active/Inactive Member Refund Information* through the EES website. If an employer is completing the *Active/Inactive Member Refund Information* through the EES website for a member with an inactive retirement account, the employer should select the item that most appropriately describes the employer's current employment information about the member. If employment records can be located, the employer should also certify the member's termination date.

If an employer is completing the *Active/Inactive Member Refund Information* through the EES website for a member with an active retirement account, the employer should report the date the member's final check was issued, the last day the member earned compensation, the member's termination date, and any contributions and wages/leave payments for any quarters of the member's employment subsequent to the most recent quarterly report. Contributions are **not** due on unused annual leave payments to Class Three members. Do not estimate or project contributions on this form, as PEBA will refund the member's employee contributions based on the information provided and the employer will be responsible for any overpayment of benefits resulting from overstated contributions.

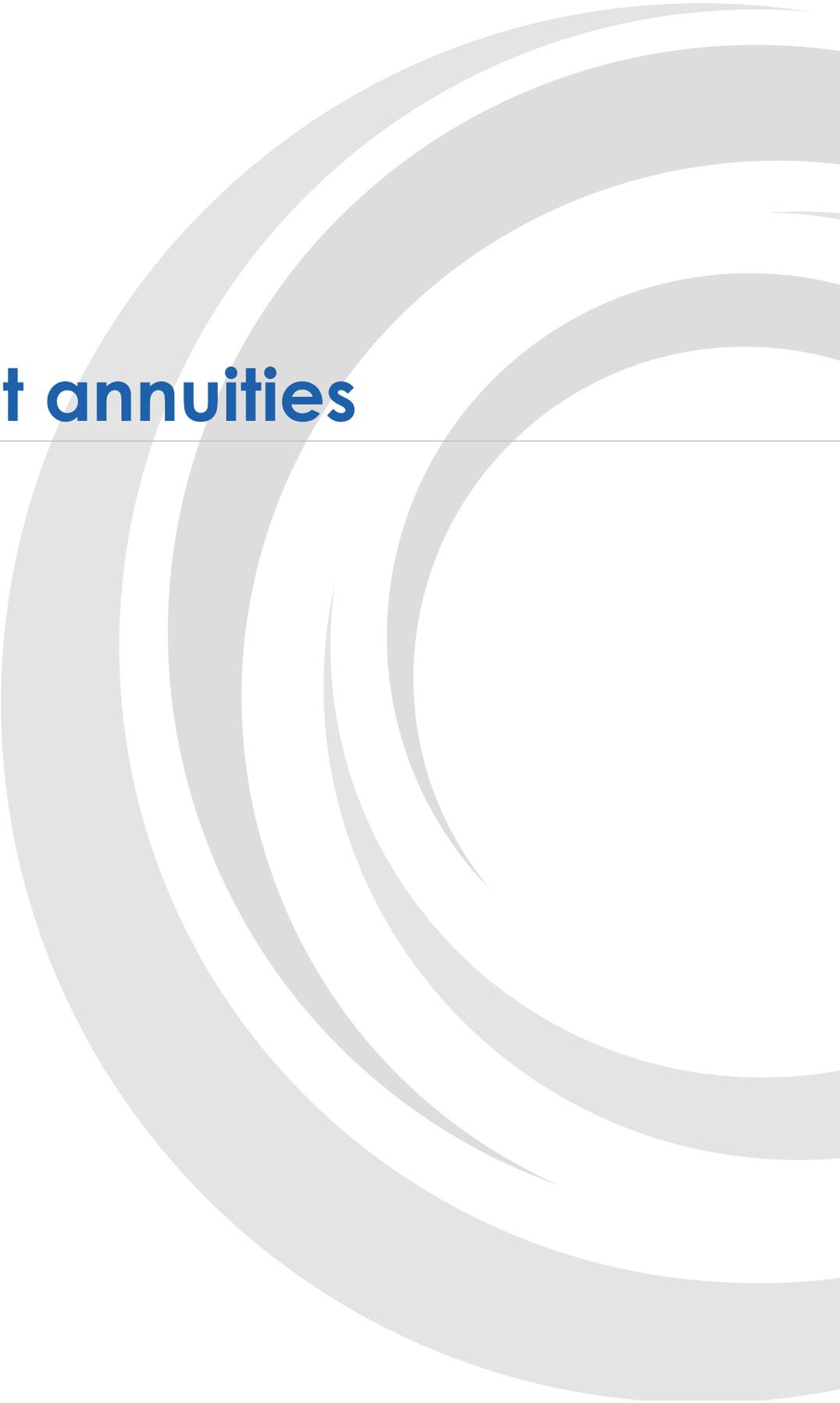
Refund request after a disability retirement claim denial

A member who has a disability retirement application on file and who has requested, or is going to request, a refund, must submit a signed written statement whenever the following circumstances apply:

- The member's disability retirement claim was denied;
- The member does not wish to appeal the denial of his disability retirement claim but time remains in the period in which the member could appeal; and

- The member now wishes to receive a refund instead of disability retirement benefits.

The member's signed written statement should contain specific language stating that he has decided not to appeal the denial of his disability retirement claim and now wishes to receive a refund, thereby forfeiting all rights to a future retirement annuity.



Retirement annuities

Members must meet certain eligibility requirements to apply for a retirement annuity. This chapter describes eligibility criteria and the procedures to apply for disability retirement and service retirement annuities. Please encourage members to take personal responsibility for educating themselves about their retirement plan and options by attending a pre-retirement seminar at their worksite or one held regionally across the state in the fall. Members may access their retirement account information through Member Access and can find information about their benefits on our website. Members may also meet with a benefits consultant, or contact Customer Service for additional information.

SCRS disability retirement

SCRS disability retirement in general

A member of SCRS may be approved for disability retirement benefits from SCRS only if the member has first been approved for disability benefits from the federal Social Security Administration, which generally requires an incapacity to perform any gainful occupation.

Who may apply

Becoming disabled does not automatically qualify a member for a disability retirement annuity; the member must file an application and go through the review process. The member must be “in service” with an employer covered by SCRS in order to file an application for disability retirement benefits. A member is considered in service on the date the application is received by PEBA if:

1. The last day the member was employed by a covered employer was no more than 90 days before the date PEBA received the application; **and**
2. The member had not been retired on a service retirement allowance for more than

90 days at the time PEBA received the application.

If PEBA does not receive a member’s application while he is in service, the member will not be eligible to receive any disability retirement benefits from SCRS. Retired members who work for a covered employer, including TERI participants, are not eligible to apply for a disability retirement annuity.

In addition to being in service, a member must also meet certain earned service requirements in order to apply for disability retirement benefits. A Class Two member must have at least five years of earned service credit toward retirement unless his disability is the result of an injury arising out of and in the course of the performance of his job duties. A Class Three member must have at least eight years of earned service credit toward retirement unless his disability is the result of an injury arising out of and in the course of the performance of his job duties.

Coordination with other benefits

A member may arrange with his employer to make his employee retirement contributions through his employer if the member’s disability requires him to be placed in an employer-approved leave status while receiving workers’ compensation benefits. Doing so will ensure that a member continues to earn retirement service credit during his workers’ compensation leave period. Members should not wait to apply for a disability annuity until their workers’ compensation claim is finalized. Many workers’ compensation claims are often settled after covered employment has ended. If a member’s disability claim is denied, the continuance of paying retirement contributions and earning retirement service credit may be important to the member’s long-term retirement plans.

A member must still file his application while he is in service with a covered SCRS employer even if the member has not yet been approved for Social

Security disability benefits. Because of the length of time the Social Security disability review process can take, a member should not wait to apply for SCRS disability retirement benefits until his Social Security disability claim has been approved.

How to apply

For all applications

A member should file his application for disability retirement as soon as he becomes disabled and while he is still “in service” with an employer covered by SCRS. Members may get a disability retirement packet via the website at www.peba.sc.gov or by [contacting PEBA](#). When a member files his disability retirement claim, he should complete all of the forms in the disability retirement packet. The member does not, however, need to include any medical records from his health care providers. If a member’s disability retirement application is received by PEBA more than 90 days after he terminates from all covered employment under SCRS or more than 90 days after the date of his service retirement, the member will not be eligible to apply for a disability retirement annuity. The date a member’s application is actually received by PEBA is the date used to determine whether the application was timely filed.

Acknowledgement of receipt

If a member does not receive notification in the mail confirming PEBA’s receipt of his application within 10 days after submitting it, please [contact PEBA](#). If a member is eligible for service retirement when he becomes disabled, he may apply for a service retirement annuity and begin receiving a monthly annuity while awaiting determination of his disability claim. The member will receive only one type of payment, so if his disability claim is approved, the member will need to decide whether to continue to receive his service retirement annuity or to begin receiving a disability annuity.

Processing the claim

The approval of a member’s disability claim depends on when the member sends his Social Security Award letter to PEBA. Once PEBA receives a member’s Social Security Award letter, the member’s claim for an SCRS disability annuity can be approved. Members should note that they will not be eligible for an SCRS disability annuity if the disability onset date established by the Social Security Administration is more than one year after the date of their termination from employment. Also, please remind members that, because their SCRS disability retirement application must still be filed while they are “in service,” members should not wait to submit their disability retirement application to PEBA until their Social Security disability claim has been decided.

Effective date of a disability annuity

Once a member has provided a copy of the Social Security Award letter to PEBA, the member’s SCRS disability annuity will be effective the later of the disability onset date established by the Social Security Administration or the day after the member’s termination from employment. Monthly benefits will be paid retroactive to the disability retirement effective date.

The disability retirement benefit will be based upon the member’s years of credited service at retirement, average final compensation at retirement, and the current benefit multiplier for service retirement benefits. Service credit will not be projected to age 65. However, the annual benefit may not be less than 15 percent of the member’s average final compensation.

Continuing disability review

Applications that were received by PEBA prior to January 1, 2014

A disability annuity, once approved, may be discontinued if:

- A member regains a certain earning capacity; or
- A member's disability annuity was not approved following a continuing disability review.

Periodic medical reexaminations may be required up to age 65. If PEBA determines that a member's disability annuity should cease because of an improvement in the member's medical condition, the member's annuity will stop the month after PEBA's decision to discontinue disability retirement benefits.

Applications that are received by PEBA after December 31, 2013

If a member has not yet reached age 65, the member must provide a document indicating his continued receipt of Social Security disability benefits to PEBA each year. PEBA must receive this annual continued receipt document within 30 days after the anniversary date of a member's SCRS disability retirement.

A member's failure to produce documentation of his continued receipt of Social Security disability benefits within 30 days after the anniversary date of the member's SCRS disability retirement will result in suspension of the member's SCRS disability annuity. A member's SCRS disability annuity will be reinstated if the member provides the necessary documentation of his continued receipt of Social Security disability benefits within one year of the anniversary date of the member's SCRS disability retirement. A member's failure to produce

documentation within one year of the anniversary date of the member's SCRS disability retirement will result in the permanent termination of the member's SCRS disability annuity.

Returning to employment while receiving a disability retirement annuity

If a member is under age 65 and receiving an SCRS disability annuity, the member should report earnings from any gainful (public or private) employment to PEBA annually because there is an earnings limitation for all employment which is applied on a calendar-year basis. A member may earn the difference between his adjusted average final compensation (AFC) at retirement and his disability annuity without affecting his annuity.

A member's AFC may be adjusted each year for inflation for earnings limitation purposes only. This increase generally matches the percentage of the annual increase in the Consumer Price Index for Wage Earners and Clerical Workers (CPI-W). These adjustments affect the amount a member can earn while receiving a disability annuity; however, they do not affect the amount of a member's annuity. Members will receive a letter each February advising them of how much they can earn and requesting confirmation of their prior year's earnings. A member will have to repay any benefits that he received to which he was not entitled. If a member earns more than the difference between his adjusted AFC and his disability annuity, the member's monthly annuity will be reduced or possibly canceled. If a member returns to work with an employer covered by one of the retirement systems administered by PEBA and the member's annual earnable compensation is equal to or greater than his adjusted AFC, the member's disability annuity ceases and he must become an active member of the system. After age 65, a disability retiree is subject to the same earnings limitation as a service retiree (see Page 82).

Because a disability retiree who retires from SCRS under an application filed after December 31, 2013, must annually establish continued approval for Social Security disability benefits in order to continue to receive an SCRS disability retirement annuity, any post-retirement employment that causes a disability retiree to no longer receive Social Security disability benefits will also result in the discontinuance of the retiree's SCRS disability retirement annuity upon his or her annual review date. Members should review the following publication from the Social Security Administration for more information about returning to employment while receiving Social Security disability benefits: [Working While Disabled—How We Can Help](#), available from the Social Security Administration.

PORS disability retirement annuity

The projection of service credit used to calculate a PORS disability retirement benefit will be limited to the service necessary to reach age 55 or 25 years of service credit, whichever is less.

Who may apply

Becoming disabled does not automatically qualify a member for a disability retirement annuity; a member must file an application and go through the review process. A member must be "in service" with a covered employer in order to file an application for disability retirement benefits. A member is considered in service if the member has not yet retired from PORS and it has not been more than 90 days since the member was last on the payroll of a covered employer. If PEBA does not receive a member's application while the member is in service, the member will not be eligible to receive any disability retirement benefits from PORS. Retired members who work for a covered employer are not eligible to apply for a disability retirement annuity.

In addition to being in service, a member must also meet certain earned service requirements in order to apply for disability retirement benefits. A Class Two member must have at least five years of earned service credit toward retirement unless the member's disability is the result of an injury arising out of and in the course of the performance of the member's job duties. A Class Three member must have at least eight years of earned service credit toward retirement unless the member's disability is the result of an injury arising out of and in the course of the performance of the member's job duties.

Coordination with other benefits

A member may arrange with his employer to make his employee retirement contributions through his employer if the member's disability requires the member to be placed in an employer-approved leave status while receiving workers' compensation benefits. Doing so will ensure that a member continues to earn retirement service credit during his workers' compensation leave period. A member should not wait to apply for a disability annuity until the member's workers' compensation claim is finalized. Many workers' compensation claims are often settled after covered employment has ended. If a member's disability claim is denied, the continuance of paying retirement contributions and earning retirement service credit may be important to the member's long-term retirement plans.

How to apply

For all applications

A member should file his application for disability retirement as soon as he becomes disabled and while the member is still "in service" with an employer covered by PORS. Members may either go to the website at www.peba.sc.gov or [contact PEBA](#) to obtain a disability retirement packet. When a member files his disability retirement claim, the

member should complete all of the forms in the disability retirement packet. A member does not, however, need to include any medical records from his health care providers. If a member's disability retirement application is received by PEBA after the member has already retired from PORS or more than 90 days after the member terminates from all covered employment under PORS, the member will not be eligible to apply for a disability retirement annuity.

Acknowledgement of receipt

If a member does not receive notification in the mail confirming PEBA's receipt of his application within 10 days after submitting it, the member should [contact PEBA](#). If a member is eligible for service retirement when he becomes disabled, he may apply for a service retirement annuity and begin receiving a monthly annuity while awaiting determination of his disability claim. A member will receive only one type of payment, so if a member's disability claim is approved, the member will need to decide whether to continue to receive his service retirement annuity or to begin receiving a disability annuity. When filing for both service and disability retirement benefits, members should note that their disability retirement application must be received before their service retirement date.

Processing the claim

A member's medical records will be obtained from his health care providers by PEBA's disability determination provider and evaluated to determine the severity and limiting effects of the member's physical or mental impairment. The determination to approve or deny a member's disability retirement claim will be made by a medical board of three physicians.

If a member's claim is denied, the member will have an opportunity to appeal the denial. A member should allow a minimum of three months after all required documentation has been received from the member, the member's employer, and the member's health care providers for his disability application to be processed. If a member does not

receive notification of PEBA's decision within three months, the member should [contact PEBA](#).

If a member's disability retirement claim is denied, the member will have one year from the date of the denial to file an administrative appeal. If the final agency determination upholds the denial, the member will have 30 days from the date of the final agency determination to appeal to the Administrative Law Court.

Effective date of a disability annuity

For all applications

If a member's disability retirement claim is approved, the effective date for the member's annuity will be the 30th day after the member's application is received by PEBA or the day after the member's last day on his employer's payroll, whichever is later.

Continuing disability review

A disability annuity, once approved, may be discontinued if:

- A member regains a certain earning capacity; or
- A member's disability annuity was not approved following a continuing disability review.

Periodic medical reexaminations may be required up to age 55. If PEBA determines that a member's annuity should cease because of an improvement in the member's medical condition, the member's annuity will stop the month after PEBA's decision to discontinue disability retirement benefits.

Returning to employment while receiving a disability retirement annuity

For all applications

If a member is under age 55 and receiving a PORS disability annuity, the member should report earnings from any gainful (public or private)

employment to PEBA annually because there is an earnings limitation for all employment which is applied on a calendar-year basis. A member may earn the difference between his adjusted average final compensation (AFC) at retirement and his disability annuity without affecting his annuity.

A member's AFC may be adjusted each year for inflation for earnings limitation purposes only. This increase generally matches the percentage of the annual increase in the Consumer Price Index for Wage Earners and Clerical Workers (CPI-W). These adjustments affect the amount a member can earn while receiving a disability annuity; however, they do not affect the amount of a member's annuity. Members will receive a letter each February advising them of how much they can earn and requesting confirmation of their prior year's earnings. A member will have to repay any benefits that the member received to which the member was not entitled. If a member earns more than the difference between his adjusted AFC and his disability annuity, the member's monthly annuity will be reduced or possibly canceled. If a member returns to work with an employer covered by one of the retirement systems administered by PEBA and the member's annual earnable compensation is equal to or greater than his adjusted AFC, the member's disability annuity ceases and he must become an active member of the system. After age 55, a disability retiree is subject to the same earnings limitation as a service retiree (see Page 82).

Helping a member with a disability retirement application

The employer may submit a disability application for the member in the event that the member is initially unable to complete the application. The employer cannot select a payment option or designate beneficiaries on behalf of the member.

For urgent cases, the member or employer may fax the disability application to the Customer Annuity Claims Unit at 803.737.7752. This will begin the required 30-day waiting period only. A properly signed application from the member selecting a payment option and designating beneficiaries must still be submitted as soon as possible for further processing.

SCRS disability applications

As a covered employer, you may be asked to assist a member with the disability retirement application process. The following forms should be completed, signed and submitted to PEBA:

1. *SCRS Application for Disability Retirement Benefits* (Form 6151S) – The member will be required to provide a copy of the Social Security Award letter before the member's claim for an SCRS disability annuity can be evaluated. Please remind the member that he should not wait to submit his disability retirement application to PEBA until his Social Security disability claim has been decided.
2. *Withholding Certificate for Monthly Benefit Payments* (Form 7202)
3. *Direct Deposit Authorization* (Form 7204)

The employer should complete, sign and submit to PEBA an *Employer's Disability Employment Status Report* (Form 6253) on behalf of the member.

These forms should be mailed directly to the Customer Annuity Claims Unit and must be received before a member's claim can be approved. A member must be in service when the disability application is filed.

The member must provide copies of his driver's license or state-issued identification card, birth certificate, and birth certificates and Social Security numbers for the member's beneficiaries if the member plans to elect one of the joint retiree-survivor options. If the member cannot provide public birth certificates, the member should contact Customer Contact Center at 803.737.6800, toll free

at 888.260.9430, or at www.peba.sc.gov. When submitting any form (birth certificates, power of attorney, etc.) to PEBA, make certain the forms (including beneficiary forms) contain the member's name and Social Security number.

PORS disability applications

As a covered employer, you may be asked to assist a member with the disability retirement application process. The following forms should be completed, signed and submitted to PEBA:

1. *PORS Application for Disability Retirement Benefits* (Form 6151P);
2. *Member's Disability Report* (Form 6251);
3. *Employer's Disability Employment Status Report* (Form 6253)
4. *Employer's Description of Disability Applicant's Job* (Form 6254);
5. *Authorization for Release of Information* (Form 6255);
6. *Withholding Certificate for Monthly Benefit Payments* (Form 7202);
7. *Direct Deposit Authorization* (Form 7204);
and
8. *Deduction Form, Public Safety Officer Insurance Payment Program – PEBA Insurance Benefits Only* (Form 7700) **or**
9. *Deduction Form, Public Safety Officer Insurance Payment Program – Non-PEBA Insurance Benefits* (Form 7701).

These forms should be mailed directly to the Customer Annuity Claims Unit and must be received before a member's file can be forwarded to the disability determination service provider for evaluation. If available, a detailed position description should be attached to the employment status report. A member must be in service when the disability application is filed.

When completing Form 6254, it is important that the employer accurately describe the requirements of the position with particular emphasis on physical and mental requirements. Typically, a member will be in one of the following categories when he

applies for disability retirement since the disability must be likely to be permanent:

- Sick leave;
- Annual leave;
- Leave without pay;
- Reduced hours;
- Working in subsidized employment (on payroll, performing light duties or in a reduced capacity); or
- Workers' compensation.

A member can receive workers' compensation and receive a disability benefit from PEBA if the member is approved for disability and has been terminated from all covered employment. Members receiving workers' compensation should apply for disability retirement as soon as possible, if applicable, but no later than before leaving employment. A member does not have to wait for his workers' compensation case to be settled to apply for disability retirement.

When all forms are received from the member and the employer, the file will be forwarded to PEBA's disability determination service provider for collection of medical evidence and a recommendation to the PORS medical board. The member will receive a letter from PEBA either approving or denying the disability claim as soon as a decision is reached. If the disability is denied, the member may appeal the decision within one year of the first denial by completing the *Administrative Appeal Disability Report* (Form 6291) that will be sent to the member via certified mail. It is important that a member keep his address current with PEBA. Depending on the case, this review may require a conference with a vocational consultant. Conferences are typically scheduled within 90 days and held at PEBA. If a member chooses to file an appeal, he is strongly encouraged to file the appeal as soon as a denial is received. Appeal rights are forfeited if an appeal is not filed (received by PEBA) within the one-year period. Please remind employees retiring on disability to file their applications, and appeals, if applicable, as soon as possible.

The member must provide copies of his driver’s license or state-issued identification card, birth certificate, and birth certificates and Social Security numbers for the member’s beneficiaries if the member plans to elect one of the joint retiree-survivor options. If the member cannot provide public birth certificates, the member should contact Customer Contact Center at 803.737.6800, toll free at 888.260.9430, or at www.peba.sc.gov. When submitting any form (birth certificates, power of attorney, etc.) to PEBA, make certain the forms (including beneficiary forms) contain the member’s name and Social Security number.

Claims procedures

The South Carolina Retirement Systems Claims Procedure Act provides remedies available in a dispute or controversy between PEBA and a member or a designated beneficiary of a member of

any of the retirement plans established in Title 9 of the SC Code of Laws. The Act sets a one-year statute of limitations, limits retroactive relief to one year, and prohibits class action lawsuits. Under the Act, final administrative decisions of PEBA are reviewed de novo by the Administrative Law Court. “De novo” means that the Administrative Law Judge will conduct a trial with witness testimony and evidence rather than a mere review of the agency record. The decision of the Administrative Law Court may be appealed to the Court of Appeals, and ultimately, to the South Carolina Supreme Court. The claims procedure provides an efficient and less costly mechanism for resolving disputes while still affording members due process. The Claims Procedures Act also provides a process for appeal and review of disability retirement decisions. An outline of the procedures for appealing both administrative and disability retirement decisions follows:

Appeals procedures outline

Disability retirement decisions	Administrative decisions
<p>Initial review by disability determination service provider and PEBA of member’s application for disability retirement benefits</p> <p style="text-align: center;">↓</p> <p>If disability claim is denied, member may file an appeal with the director within one year from receipt of denial</p> <p style="text-align: center;">↓</p> <p>Director forwards claim to vocational consultant appointed by the director for review, conference, and recommendation</p>	<p>Claimant receives written administrative decision from PEBA staff on a non-disability retirement matter</p> <p style="text-align: center;">↓</p> <p>Claimant makes written appeal to director of PEBA within one year of administrative decision</p> <p style="text-align: center;">↓</p> <p>Claimant is afforded opportunity to present claim in writing to director for review</p>
<p style="text-align: center;">Director makes final agency determination Director’s decision is the final decision of PEBA</p> <p style="text-align: center;">↓</p> <p style="text-align: center;">If denied, claimant files request for contested case hearing with Administrative Law Court within 30 calendar days after receipt of PEBA’s final decision to seek review of PEBA’s final agency determination</p> <p style="text-align: center;">↓</p> <p style="text-align: center;">If denied, Court of Appeals, and ultimately, South Carolina Supreme Court, may review the Administrative Law Court’s decision</p>	

Service retirement annuities

Correlated systems and annuity eligibility

Correlated systems are explained in more detail on Page 18 in Chapter 2 of this manual. Please note that a member cannot receive a retirement annuity from one system while actively contributing to another unless statute specifically states otherwise. In addition, the member must meet the eligibility criteria of each system to receive a retirement annuity from each system. Members must apply for a retirement annuity with each system and will receive a separate monthly annuity from each system. If PEBA approves a member's disability retirement application, the member's disability annuity is paid from the correlated system into which the member is actively making employee contributions and an unreduced service annuity is paid from the inactive system (the account into which the member has made no contributions in the preceding 12 months).

Example of correlated service retirement eligibility – Class Two member

A Class Two member is age 53 and has 15 years of service credit in SCRS and 10 years in PORS. The member's total years of service credit equals 25 at age 53. This member is qualified to retire in PORS and may begin receiving a PORS retirement annuity based on 10 years of service if the member terminates from all covered employment. The member will have to wait at least two additional years (age 55) before meeting SCRS early retirement eligibility (age 55/25 years) to start receiving an SCRS retirement annuity that will be based on 15 years of service with applicable early retirement reductions.

Average final compensation

A member's retirement benefit is based on his average final compensation (AFC), years of service credit, and a benefit multiplier (0.0182 for SCRS Class Two and SCRS Class Three, or 0.0214 for PORS Class Two and PORS Class Three). For SCRS and PORS Class Two, a member's AFC is the 12 highest consecutive quarters of earnable compensation divided by three. The dollar amount of up to 45 days of unused annual leave paid at retirement (or TERI termination) may be included before averaging the member's 12 highest consecutive quarters of earnable compensation. Contributions are to be remitted on up to 45 days of annual leave for each annual leave termination payment.

For SCRS and PORS Class Three members, the 20 highest consecutive quarters of earnings will be used to calculate a member's AFC for retirement. Class Three members will not receive service credit for any unused sick leave at retirement and any pay received at termination for unused annual leave will not be included in their benefit calculation.

For PORS Class One benefits, AFC is not applicable because the PORS Class One monthly annuity is calculated by multiplying the years of Class One service by \$10.97.

The following payments are not included in the AFC:

- Payment for unused annual leave in excess of 45 days;
- Payments for annual leave at times other than termination;
- Payment for unused sick leave;
- One-time bonus payments;
- Special or incentive-type payments;
- Compensatory time or overtime not earned during the average final compensation period;
- Any other payment not considered a part of the regular salary base;

- Payments for non-mandatory overtime after December 31, 2012 (SCRS only);
- Lump sum merit payments: and/or
- Payment for annual leave at the beginning of TERI.

For more information or answers to questions concerning treatment of payments in excess of base wages, contact the Member Account Services Department. The request should be written and include a copy of the employer's policy regarding the questionable pay element. These documents can be mailed to the attention of the Member Account Services manager, or faxed to 803.737.6933.

Earnable compensation is a rate of compensation earned for working one's full normal time, not an amount paid on a cash basis. In most instances, especially when an employee works and is paid equally over the entire year; cash basis payments serve as a reasonable approximation of this rate of earnings over the 12 quarters used to calculate an average final compensation.

In cases in which there are significant variances between the time compensation is earned and the time compensation is paid, appropriate adjustments are required upon finalization of a retirement account to ensure the inclusion of 12 full quarters of earnings. This adjustment is typically made when a contracted school district or higher education employee retires before the completion of the contract period and receives a payout of his contract. Benefit estimates, therefore, are an approximation of the AFC as reported by the employer. The AFC and years of service are adjusted upon retirement when finalized account information has been received from the employer.

SCRS retirement eligibility

If an SCRS member meets the following requirements, he is considered eligible to retire (see **Correlated Systems** on Page 67 if the member has

an account in more than one retirement system administered by PEBA):

Normal retirement (unreduced benefit)

Class Two members:

- 28 or more years of service credit on the date of retirement, at least five years of which must be earned service credit; or
- Age 65 or older on the date of retirement with at least five years of earned service credit.

Class Three members:

- Meet Rule of 90 requirement with at least eight years of earned service credit. This means the member's age and years of service credit must add up to at least 90. For example, a member who is 56 years old and has 34 years of service credit, including at least eight years of earned service credit, would be eligible for normal retirement (56 + 34 = 90).
- Age 65 or older on the date of retirement with at least eight years of earned service credit.

Early retirement (reduced benefit)

Class Two members:

- Age 60 or older with at least five years of earned service credit. The member's benefit is permanently reduced 5 percent for each year of age less than 65; or
- Age 55 or older with 25 or more years of service credit, at least five years of which must be earned service credit. The member's benefit is permanently reduced 4 percent for each year of service less than 28. Benefit adjustment restrictions apply (see Page 81).

Class Three members:

- Age 60 or older with at least eight years of earned service credit. The member's benefit is permanently reduced 5 percent for each year of age less than 65.

If a member is eligible for early retirement, PEBA will apply the reduction (age or service) most beneficial to the member. Reductions are prorated to the month and day.

SCRS service retirement annuity calculations

Class Two membership

The four-step formula below is used to calculate a Class Two member's monthly annuity based on the Option A payment plan described on Page 74.

Step 1: Total the member's 12 highest consecutive quarters of earnable compensation and allowable annual leave payout and divide by 3. This produces the member's average final compensation (AFC). Quarters are broken down as follows: January-March, April-June, July-September, and October-December.

Note: The dollar amount of termination pay for up to 45 days of unused annual leave paid by a Class Two member's last employer at retirement may be included before averaging the member's 12 highest consecutive quarters of earnable compensation (see example below). For TERI participants, annual leave payment is not included in the AFC calculation used while the member participates in the program. At the conclusion of the TERI period, the AFC is recalculated to include annual leave paid at termination, and the new AFC value is used for annuity payments once the member is out of TERI-deferral status.

Step 2: Multiply the result of Step 1 by 1.82% (0.0182).

Step 3: Multiply the result of Step 2 by the member's years, months, and days of service.

Convert months to days (at 30 days per month) and divide the total days by 360 to determine a decimal equivalent for partial years. For example: 25 years, two months and 10 days equals 25 years, 70 days (60 plus 10). 70 divided by 360 equals .19. This amounts to 25.19 years of service.

At retirement, a Class Two member may receive service credit for up to 90 days of unused sick leave from the member's last employer at no cost to the member. This service credit cannot be used to establish retirement eligibility. Sick leave is reported by a Class Two member's employer after retirement. One month of service credit is granted for each 20 days of sick leave.

Step 4: Divide the result of Step 3 by 12 to arrive at the member's maximum monthly annuity. If a member retires early based on the member's age or years of creditable service, the member's annuity will be reduced.

Example without annual leave:

12 highest consecutive quarters of salary = \$90,000

Annual leave payment = \$0

AFC = (\$90,000 ÷ 3) or \$30,000

Creditable retirement service = 28 years

\$30,000 x 1.82% (0.0182) = \$546

\$546 x 28 = \$15,288 annual retirement annuity

\$15,288 ÷ 12 = \$1,274 maximum monthly annuity (Option A)

Example with annual leave:

12 highest consecutive quarters of salary = \$90,000

Annual leave payment = \$5,200

Salary + annual leave payment = \$95,200

AFC including annual leave payment = (\$95,200 ÷ 3) or \$31,733

Creditable retirement service = 28 years
 $\$31,733 \times 1.82\% (0.0182) = \578
 $\$578 \times 28 = \$16,184$ annual retirement annuity
 $\$16,184 \div 12 = \$1,349$ maximum monthly annuity (Option A)

PEBA applies any applicable early retirement reductions to the maximum monthly annuity (Option A). If a member selects Option B or Option C, further reductions to the maximum monthly annuity are made based on the member's age and the member's beneficiary's age as of the member's date of retirement. If a member is eligible for early retirement, PEBA will apply the reduction (age or service) most beneficial to the member. Reductions are prorated to the month and day.

For example, if a Class Two member retires at age 60 with 25 years of service credit, one of the following early retirement reductions would apply:

Age Reduction Example (Retirement at age 60 or older with less than 28 years of service):

(Annuity is permanently reduced 5 percent for each year of age less than 65.)

Option A = \$1,092.00 monthly annuity
5% per year x 5 years = 25% (.25)
25% reduction ($\$1,092 \times 25\% = \273.00)
 $\$1,092 - \$273 = \$819.00$ reduced monthly annuity

Service Reduction Example (Retirement at age 55 or older with at least 25 years of service):

(Annuity is permanently reduced 4 percent for each year of service credit less than 28.)
Option A = \$1,092.00 monthly annuity
4% per year x 3 years = 12% (.12)
12% reduction ($\$1,092.00 \times 12\% = \131.04)
 $\$1,092.00 - \$131.04 = \$960.96$ reduced monthly annuity

Since the lesser reduction is the service reduction in this example, the service reduction would be applied rather than the higher age reduction.

If a member retires under the early retirement provisions at age 55 with 25 years of service, he is not eligible for a benefit adjustment until the second July 1 after he reaches age 60 or the second July 1 after the date he would have attained 28 years of service credit had he not retired. Regardless of the provisions under which a member retires, the earliest he can receive a benefit adjustment is the second July 1 after his date of retirement.

Class Three membership

Step 1: Total the member's 20 highest consecutive quarters of earnable compensation and divide by 5. This produces the member's AFC.

Step 2: Multiply the result of Step 1 by 1.82% (.0182).

Step 3: Multiply the result of Step 2 by years, months, and days of service.

Step 4: Divide the result of Step 3 by 12.

Unused leave at retirement – Class Three members only

Class Three members will not receive service credit for any unused sick leave at retirement and any pay received at termination for unused annual leave will not be included in the calculation of the member's AFC.

Teacher and Employee Retention Incentive (TERI) Program

(Class Two SCRS members only)

Active Class Two members of SCRS who are eligible for service retirement based on any of the criteria outlined on Page 68 may elect participation in the TERI program when they complete their application for service retirement. To participate in the TERI program, an active Class Two SCRS member must enroll at the time of his retirement. TERI program participation is not an option for PORS members.

TERI participants employed by an agency that adheres to state personnel policies will be exempt from the State Employee Grievance Procedure Act. This means the member's employment as a TERI participant is at will. If a TERI participant works for an employer that is not governed by state personnel policies, the TERI participant would be subject to his employer's policies regarding employment status and rights.

How the TERI program works

TERI participation allows a Class Two SCRS member to retire and begin accumulating his monthly annuity on a deferred basis without terminating his employment. During a member's TERI period, the member will pay the same pre-tax contribution rate as active members for the duration of his TERI period; however, the member will not earn service credit or interest on his account.

A TERI participant's monthly annuity is accumulated in his TERI account. No interest is paid on the benefits accumulated in a member's TERI account. Retiree benefit adjustments are applied to a TERI participant's monthly annuity in the same manner in which other retirees receive such adjustments. A member may participate in TERI only once. If a member retired previously and received a service or a disability retirement annuity from SCRS, the member is not eligible to participate in the TERI

program. However, disability retirees who repaid all of the benefits they received and were restored to active membership are eligible to participate in the TERI program. Participants of the TERI program are not eligible for a disability retirement annuity.

If a member dies during his TERI participation period and his employer provides the incidental death benefit, the member's beneficiary may be entitled to a payment equal to one year's earnable compensation. If a member dies while participating in TERI, in addition to any eligible incidental death benefit, the total amount of benefits accumulated in the member's TERI account will be distributed to the beneficiary designated for the member's retirement benefit. A designated beneficiary who is a spouse may roll over the taxable portion of the TERI balance into an IRA, a 401(k) plan, a 401(a) eligible plan, a 403(b) plan, or a 457 plan. A non-spousal beneficiary may roll over the taxable portion of the TERI balance into an inherited or beneficiary IRA only.

At the end of a member's TERI period, the member must terminate employment. A member's employer is required to provide confirmation of a member's actual termination date to PEBA. The member may then receive the balance in his TERI account through either a taxable, single-sum distribution payable directly to the member or through a tax-deferred rollover into a qualified retirement plan. Any distribution paid directly to a member is subject to ordinary federal and state income taxes and may be subject to an additional 10 percent federal penalty for early withdrawal.

Unused annual leave and a member's AFC

The initial annuity payments posted to a member's TERI account will be based on information received up to that point because the member's account is considered to be estimated. After the member's employer submits the member's final earnable compensation information, retirement contributions for the member's 12 highest consecutive quarters of earnable compensation will

be audited. A member's benefit may be adjusted accordingly after the audit to include service credit for up to 90 days of unused sick leave only. A member's account will remain in this status for the duration of the member's TERI period. Upon termination of employment at the end of a member's TERI participation, the member's annuity will be recalculated by increasing the member's AFC to include payment for up to 45 days of unused annual leave paid at termination, divided by three.

Returning to covered employment after TERI participation

A TERI participant must terminate employment with his employer in order to end his TERI participation and begin receiving retirement benefit distributions. After termination, a member may be rehired by a covered employer subject to that employer's employment severance and return-to-work policy. A member is not guaranteed employment; a covered employer decides whether or not to hire a member after the member's TERI period has ended. Regardless of a member's TERI retirement date, if the member returns to work after his TERI participation has ended, the member will make employee contributions.

TERI program to close June 30, 2018

Initially, TERI participants could defer receipt of their retirement annuity for up to 60 months; however, the TERI program will be closed effective June 30, 2018. Class Two members who enter the TERI program after July 1, 2013, will not be eligible to participate in TERI for the full 60 months. Instead, their TERI participation will end no later than June 30, 2018, regardless of when they entered the program. For example:

- A member who began his TERI participation on July 1, 2013, is eligible to participate in the TERI program for all 60 months before the program is closed on June 30, 2018.

- A member who enters the TERI program on July 1, 2014, will only be able to participate in the program for four years before the program is closed.
- A member who decides to enter the TERI program on June 1, 2018, will be eligible to participate for 30 days before the program is closed on June 30, 2018.

The TERI program is not available to Class Three members.

Ending TERI participation

If the employee terminates participation in the TERI program before his originally scheduled date, the employer or the retiree should inform PEBA of the early termination date through an email or telephone call. The member will then be mailed the *TERI Payout Election* (Form 7500), the *Electronic Funds Transfer Authorization for Annuities* (Form 7204), and the *Withholding Certificate for Monthly Annuity Payments* (Form 7202).

PORS retirement eligibility

Class Two members

- 25 or more years of service credit regardless of age, at least five years of which must be earned service; or
- Age 55 or older with at least five years of earned service.

Class Three members

- 27 or more years of service credit regardless of age, at least eight years of which must be earned service; or
- Age 55 or older with at least eight years of earned service.

PORS service retirement annuity calculations

Class One membership

The monthly benefit is determined by multiplying the years of Class One service by \$10.97. Class One PORS benefits are not based on a member's average final compensation. Members may convert Class One service to Class Two service by submitting a service purchase request and making the appropriate payment. See **Convert Class One to Class Two (PORS)** on Page 43 for further details.

Example: 25.50 years of service x \$10.97 = \$279.74 monthly benefit.

Class Two membership

PEBA uses the four-step formula below to calculate a PORS member's maximum monthly annuity (Option A).

Step 1: Total the member's 12 highest consecutive quarters of earnable compensation and divide by 3. This produces the member's average final compensation (AFC). Quarters are broken down as follows: January-March, April-June, July-September, and October-December.

Note: The dollar amount of termination pay for up to 45 days of unused annual leave paid by a member's last employer at retirement may be included before averaging the member's 12

highest consecutive quarters of earnable compensation.

Step 2: Multiply the result of Step 1 by 2.14% (0.0214)

Step 3: Multiply the result of Step 2 by the member's years, months, and days of creditable service.

Convert months to days (at 30 days per month) and divide the total days by 360 to determine a decimal equivalent for partial years. For example: 25 years, two months and 10 days equals 25 years, 70 days (60 plus 10). 70 divided by 360 equals .19. This amounts to 25.19 years of service.

At retirement, a Class Two member may receive service credit for up to 90 days of unused sick leave from the member's last employer at no cost to the member. This service credit cannot be used to establish retirement eligibility. Sick leave is reported by a Class Two member's employer after retirement. One month of service credit is granted for each 20 days of sick leave.

Step 4: Divide the result of Step 3 by 12 to arrive at the member's maximum monthly annuity (Option A).

Example without annual leave:

12 highest consecutive quarters of salary = \$90,000

Annual leave payment = \$0

AFC = (\$90,000 ÷ 3) or \$30,000

Creditable retirement service = 25 years

\$30,000 x 2.14% (0.0214) = \$642

\$642 x 25 = \$16,050 annual retirement annuity

\$16,050 ÷ 12 = \$1,337.50 maximum monthly annuity (Option A)

Example with annual leave:

12 highest consecutive quarters of salary = \$90,000

Annual leave payment = \$5,200

Salary + annual leave payment = \$95,200

AFC including annual leave payment = $(\$95,200 \div 3)$ or \$31,733

Creditable retirement service = 25 years

$\$31,733 \times 2.14\% (0.0214) = \679

$\$679 \times 25 = \$16,975$ annual retirement annuity

$\$16,975 \div 12 = \$1,415$ maximum monthly annuity (Option A)

Class Three membership

Step 1: Total the member's 20 highest consecutive quarters of earnable compensation and divide by 5. This produces the member's AFC.

Step 2: Multiply the result of Step 1 by 2.14% (.0214).

Step 3: Multiply the result of Step 2 by years, months, and days of service.

Step 4: Divide the result of Step 3 by 12.

Class Three Example:

20 highest consecutive quarters of salary = \$125,000

AFC = $(\$125,000 \div 5)$ or \$25,000

Creditable retirement service = 27 years

$\$25,000 \times 2.14\% (.0214) = \535

$\$535 \times 27 = \$14,445$

$\$14,445 \div 12 = \$1,203.75$ (Option A monthly annuity)

Unused leave at retirement – Class Three members only

Class Three members will not receive service credit for any unused sick leave at retirement and any pay received at termination for unused annual leave will not be included in the calculation of the member's AFC.

Payment options at retirement

There are three monthly annuity payment options available to members at retirement. A member should select the payment option that best suits his needs. Generally, a member's payment option may not be changed once his annuity is first payable.

All payment options require a copy of the member's birth certificate (originals will not be returned). Members selecting a joint retiree-survivor plan (Option B or Option C) must submit a copy of each beneficiary's birth certificate. Members may select only one payment option. To retire, members, including TERI participants, must complete an application for retirement benefits to elect a payment option and designate beneficiaries. The member must submit the completed application to PEBA.

Option A (maximum retiree only monthly annuity)

This option provides the maximum monthly annuity available and will pay the member a lifetime annuity based on his average final compensation, years of service, and a multiplier (.0182 for SCRS or .0214 for PORS). After the member's death, PEBA will return, through a lump-sum payment to his beneficiary or estate, the remaining balance of any member contributions and interest, and any working retiree member contributions, not exhausted through receipt of an annuity during the member's retirement.

Option B (100%-100% joint retiree-survivor monthly annuity)

The member will receive a reduced (from Option A) monthly annuity for life. After a member's death, the same benefit (100 percent of the member's reduced monthly annuity, including granted benefit adjustments) will continue throughout his beneficiary's lifetime. If all of the member's designated beneficiaries predecease him, the

benefit will revert to Option A, including any benefit adjustments granted since the member's retirement date.

A member may select Option B only if his designated beneficiary is his spouse, or he designates multiple beneficiaries or a sole beneficiary who is not his spouse and who is within the 10-year age difference limits allowed by an Internal Revenue Code (IRC) formula. The non-spousal limits do not apply if the non-spousal beneficiary is older than the member, or in the case of disability retirement or death benefits. If, based on the IRC formula, the adjusted age difference for a member and a non-spousal beneficiary exceeds the IRC limits; Option B would not be available to the member. The member would be able to select Option C, however, with no IRC restrictions.

Option C (100%-50% joint retiree-survivor monthly annuity)

The member will receive a reduced (from Option A) monthly annuity for life. After a member's death, one-half of the benefit (50 percent of the member's reduced monthly annuity, including granted benefit adjustments) would continue throughout his beneficiary's lifetime. If all of the member's designated beneficiaries predecease him, the benefit will revert to Option A, including any benefit adjustments granted since the member's retirement date.

If a member chooses Option B or Option C

If a member chooses Option B or Option C and names multiple beneficiaries, after the member's death the annuity will be divided equally among those beneficiaries. The annuity will not change for the remaining beneficiaries if one beneficiary dies, either before or after the member dies. If a member selects Option B or Option C and all of his designated beneficiaries predecease him, the annuity will revert to Option A effective on the date the last beneficiary died. Members must notify PEBA upon the death of a beneficiary.

Changing payment options or beneficiaries after retirement

Option A

Retiree-only maximum monthly annuity

A retiree may change his Option A retirement annuity beneficiary at any time. If a retiree has a change in marital status, he may also select a new annuity payment option within five years of the change in marital status.

Option B and Option C

Joint retiree-survivor monthly annuity

If all of a retiree's beneficiaries predecease the retiree, his annuity will revert to Option A effective on the first of the month following the date the last beneficiary died. The retiree must notify PEBA upon the death of a beneficiary. The retiree may then select a new beneficiary under Option A. If the retiree has a change in marital status, he may select a new payment option within five years of the change in marital status.

Change in marital status

If a retiree's spouse dies, or if a retiree marries or divorces, the retiree may revoke his current payment option and select a new payment option and/or beneficiary within five years of the change in marital status. Changes are effective the first of the month in which the form is received. Estimates of adjusted annuities under a new payment option must be obtained from PEBA before submitting a *Retired Member Change of Beneficiary* (Form 7201) to change a payment method.

Number of changes

A retiree's form of monthly annuity may not be changed more than twice during his lifetime, regardless of the number of qualifying events (death of a designated beneficiary or change in marital status) that occur. However, changes made before January 1, 2001, do not count toward this limit. A reversion to Option A upon the death of a retiree's beneficiary will count as one of the two changes. If a second beneficiary predeceases the

retiree after the retiree has again selected Option B or Option C, the retiree's payment option will revert automatically to Option A; however, no further form of payment changes will be allowed.

SCRS and PORS service retirement applications

A member may make an appointment with a retirement consultant by contacting Customer Service at 803.737.6800 or toll free at 888.260.9430, or a member may visit PEBA's office without an appointment. Members are encouraged to arrive at PEBA no later than 4 p.m. since a consultation may last up to one hour. Visitor load is very heavy during the Christmas holiday and spring breaks, so members without an appointment should allow for a longer wait.

During this session, the retirement consultant will review the member's retirement account, determine any service credit that might be established, and explain the available payment options. A member may call Customer Service at 803.737.6800, 888.260.9430, or through the "contact us" link on our website to request an estimate. Benefit estimates do not guarantee retirement eligibility, service credit, or average final compensation.

A member may apply for service retirement through [Member Access](#) or by completing an *SCRS Application for Service Retirement Benefits* (Form 6101S) or a *PORS Application for Service Retirement Benefits* (Form 6101P), which are available on the [website](#). Other forms, such as the *Withholding Certificate for Monthly Annuity Payments* (Form 7202) and the *Electronic Funds Transfer Authorization for Annuities* (Form 7204) or *Request Not to Participate in EFT* (Form 7407) are also a part of the retirement packet and should be completed and submitted together when possible.

Monthly annuities are payable on the last business day of the month in which the member retires provided all of the necessary documents have been processed with PEBA. A retiring member is encouraged to have his annuity check electronically deposited directly into his bank account by completing the appropriate section on the Form 7204. The goal of the Customer Annuity Claims Unit is to process all workable retirement applications so that a retired member will receive an estimated benefit check 30 days from his date of retirement and a finalized benefit check as soon as possible thereafter.

Once a retiree's final wage information has been certified and reported by the *Final Payroll Certification* via EES by his employer's payroll department and processed, the retiree's account can be finalized. However, a delay may occur if information is needed from the member or the employer or if the retirement application is not received in a timely manner (at least three months in advance) or is received during peak periods. Adjustments (average final compensation, annual leave payments, sick leave credit, final contributions, and service credit) are made retroactively to the date of retirement. To place retiring members on payroll in a timely manner, it is important that the application is complete when submitted, including copies of the necessary birth certificates and the member's driver's license, and that the last day paid has been certified on the *Retirement Date Certification* via EES from the employer.

The member must provide copies of his driver's license or state-issued identification card, proof of birth (birth certificate) and proofs of birth for his beneficiaries if the member plans to elect one of the joint retiree-survivor options. Social Security numbers and dates of birth for all beneficiaries must also be provided. If the member cannot provide public birth certificates, the member should contact Customer Service at 803.737.6800, toll free at 888.260.9430, or at www.peba.sc.gov. When submitting any form (birth certificates, power of

attorney, etc.), make certain the forms (including beneficiary forms) contain the member's name and Social Security number.

Retired member beneficiaries

Retiree incidental death benefit

Retired member incidental death benefit beneficiaries are designated on the *Application for Service Retirement Benefits* (Form 6101) or the *Application for Disability Retirement Benefits* (Form 6151). A retiree may choose different beneficiaries for the retired member incidental death benefit and retirement benefits. A retiree may change his retiree incidental death benefit beneficiary at any time regardless of the payment option selected. The retiree may request a *Retired Member Change of Beneficiary Form* (Form 7201) by contacting Customer Contact Center at 803.737.6800 or toll free 888.260.9430. Forms are also available on the website at www.peba.sc.gov/rforms.

Trust beneficiaries

A retiree may elect to have benefit payments paid through a trust. One or more trustees may be appointed for the annuitant recipient. A completed *Certification of Trust* (Form 1113) must be provided with the retirement application.

Service retirement process

To retire, a member, including TERI participants, must file an application for retirement benefits with PEBA, on which the member must select a payment option and designate retirement beneficiaries. Retirement is not automatic. A member may file his service retirement application as early as six months before his desired effective date of retirement but no later than 90 days afterward. Before an effective date of retirement can be established, however, the member must be removed from his employer's

payroll. Make sure the employee meets the eligibility requirements before terminating his employment. Filing as early as six months before retirement will allow adequate processing time.

For deferred benefits, a member eligible for service retirement can have his effective date of retirement established no earlier than 90 days before the date PEBA receives the application, regardless of when the member may have met the eligibility criteria. Once benefit payments have begun, a member's retirement is considered to be in effect, and the payment option may not be changed unless the retiree experiences a qualifying event (death of spouse, marriage, or divorce). Retirement applications are also available from PEBA by contacting Customer Contact Center at 803.737.6800, 888.260.9430, or may be printed from the website at www.peba.sc.gov.

Advise members not to terminate their employment until PEBA has audited their service credit and they receive official notice of their retirement eligibility.

Retirement application: Employer Responsibilities

All covered employers for which an active member worked during the year before the application date should complete the *Retirement Date Certification* through the EES website. This information is needed as soon as a service retirement application is submitted. Upon receipt of a service retirement application or an approval of disability retirement benefits, the member's primary employer and any other employers for which the member worked in the last two quarters of employment will be required to certify final wage information on the *Final Payroll Certification* through the EES website. The following information is required:

- Earnings, contributions, months paid, and contract length for the final two quarterly reports;

- Payment for unused annual leave (and the number of days) and number of unused sick leave days;
- Last day member earned compensation, date of termination and date of final paycheck;
- Current annual rate of pay and the number of normal paychecks per year;
- Contract details; and
- Earnings in addition to base salary for the last four years of employment, including the reason for the additional payment(s).

It is important to submit both the *Retirement Date Certification* and *Final Payroll Certification* through the EES website to PEBA as soon as possible. Send the retirement application, along with copies of birth certificates for the member and his beneficiaries, so the member’s benefit payment can be calculated and paid during the month in which his retirement is effective. The member will receive an estimated monthly annuity that will not include annual or sick leave. After the *Final Payroll Certification* through the EES website is received and processed, the Customer Annuity Claims Unit will finalize the retiree’s benefit. Benefits owed, if any, will be paid retroactively to the date of retirement.

Instructions for the final payroll certification

For all retiring members of SCRS and PORS, employers are required to report specific information that enables PEBA to calculate a member’s average final compensation, and as a result, the final benefit before the arrival of an employer’s quarterly report. When the information provided is complete and accurate, the employees’ retirement benefits will be finalized more quickly. The section below explains what should be reported through EES and why this information is requested.

Email notification and task list

Employers will be notified via email when a new *Final Payroll Certification* needs to be completed for

a retiring employee. A Final Payroll Certification Form will appear on an Employers EES Task List 15 days after the date of retirement.

From the EES main menu, select the “Task List” link, which will display the names of retiring employees for whom a *Final Payroll Certification* is required. Please look at this list regularly. There is a 45-day window to complete a *Final Payroll Certification*. After 45-days, it will be considered delinquent. Employers will be notified of the delinquency by email and through regular mail. To begin the process, select an employee’s name.

Important things to remember

On the left of the screen are general instructions and definitions. There is also a progress bar to show which of the seven steps you are on. To cancel, select the “Cancel” link. This will return you to the Task List. You can also select the “Save” link. Any information keyed will be saved, and you will return to the Task List.

Use the “Previous” and “Next” buttons to navigate through these steps. Do not use the browser’s “Back” and “Forward” buttons because information already keyed will be lost.

Final payroll certification steps 1-7

- Dates (Termination Data)
- Final Payroll Information
- Leave (Annual and Sick Leave)
- Quarterly Data
- Payroll Verification
- Review
- Complete

Please note that the amounts certified should not be estimated. This means that information should not be reported until the employer has verified that the employee in question has received his/her final check. The quarterly information provided by the employer is used to establish the member’s AFC (upon which benefits are based, in part) long before the quarterly report arrives. Failure to accurately certify the final quarters can result in benefit overpayments, which must then be recouped from

the employee. PEBA may not be able to begin paying benefits until all discrepancies between the certified and reported information are resolved.

Please do not deviate from the regular pay schedule in paying out a member's final compensation for year round employees. For example, if a member is planning to retire effective July 1 and his final day worked and terminated is June 30, the final paycheck would not be payable until July. Do not pay the member his final wages in advance (in June). Pay the member in July, which is the normal pay cycle. The additional check inflates the quarter and necessitates manual adjustments by PEBA. It could affect a member's total service credit and eligibility.

Estimating a member's monthly annuity

EES benefit estimates, known as READI (Retirement Estimate Access Direct from the Internet), may be used to help a member prepare for retirement. This function, which is accessed through the EES website, provides for both an online benefit estimate and a calculation of the AFC. READI projects an estimate of a member's retirement annuity. The results are estimates calculated from the information provided and may vary from the actual benefit. The EES website is <https://ees.retirement.sc.gov/ees/logon.jsp>.

Unused leave

Class Two members

Annual leave

For Class Two members, termination pay for up to 45 days of unused annual leave paid at retirement by a member's last employer is included before averaging the member's 12 highest consecutive quarters of earnable compensation. The employer pays and reports this leave amount when a member retires. If an eligible SCRS member is participating in the TERI program, the payment of unused annual

leave for retirement purposes should not be paid until the member's TERI participation ends.

TERI participants

During the member's TERI deferral period, his unused annual leave will not be included in the annuity calculation. However, his annuity will be recalculated prospectively upon termination of employment when his TERI period ends and may include up to 45 days of unused annual leave paid at termination (end of TERI).

The annual leave payment made to TERI participants upon their termination from employment should be certified through EES on the *TERI Termination Certification*. This request is generated by PEBA and electronically sent to the employer before the anticipated end date of a member's TERI participation.

Sick leave

At retirement, a Class Two member may receive service credit for up to 90 days of unused sick leave from the member's last employer (see Step 3 on Pages 69 and 73). By statute, PEBA grants one month of service credit for each 20 days of unused sick leave. Sick leave cannot be used to meet eligibility for retirement and generally is not included in estimated annuity amounts. When a member retires, the employer reports his sick leave through EES on the *Final Payroll Certification*. If the member is participating in the TERI program, the amount of unused sick leave used for retirement purposes will reduce the balance of sick leave available to the member through the member's TERI employer.

Class Three members

Unused leave at retirement

Class Three members will not receive service credit for any unused sick leave at retirement. Any pay a Class Three member receives at termination for unused annual leave will not be included in the calculation of the member's AFC and is not subject to retirement contributions.

Qualified Domestic Relations Orders

A Qualified Domestic Relations Order (QDRO) is a court order creating or recognizing a spouse's or a former spouse's right to a portion of a member's retirement annuity. This individual cannot receive his share of an annuity until the member retires, receives a refund, or dies. A divorce decree that assigns a portion of a member's retirement annuity to an ex-spouse is not necessarily a valid QDRO. PEBA has guidelines available to aid in the drafting of QDROs. Direct payment to a QDRO alternate payee by PEBA is not possible unless the court enters an order that PEBA determines is acceptable under its guidelines pursuant to S.C. Code Ann. §9-18-10 et seq.

The taxable portion of a lump-sum distribution paid to a QDRO alternate payee (former spouse) may be eligible for a tax-deferred rollover to an Individual Retirement Account (IRA), a 401(k) plan, another 401(a) plan, a 403(b) plan, and some 457 plans. The payee should check with the receiving plan administrator to determine if it will allow such a rollover. The IRS requires that PEBA withhold federal taxes of 20 percent on any portion of the taxable lump-sum distribution not transferred directly into another qualified retirement plan. Alternate payees under a QDRO are not subject to the 10 percent penalty for early withdrawal.

A QDRO model order is available on PEBA's [website](#), or by contacting Customer Service at 803.737.6800, toll free at 888.260.9430, or at www.peba.sc.gov. Individual QDROs must be approved by PEBA's legal counsel to be considered valid and to be put into effect. Member statements and benefits estimates are available by contacting Customer Service.

Post-retirement information

Monthly annuity payments

Monthly annuity payments are directly deposited into a member's bank account on the last business day of each month. Electronic distribution of monthly annuity payments greatly reduces risks to both annuity recipients and the state, as well as costs to the member's retirement plan. A retired member may add or change his direct deposit information any time by logging into PEBA Retirement Benefits' secure Member Access website or by contacting Customer Service at 803.737.6800, toll free at 888.260.9430, or at www.peba.sc.gov to request a *Direct Deposit Authorization* (Form 7204).

Taxes

The taxable portion of a member's SCRS or PORS monthly annuity and any incidental death benefit or accidental death program (PORS only) payments to a member's beneficiary are subject to federal and state income taxes. Since tax laws are complex and constantly changing, please encourage members to check with an accountant or a tax advisor about their tax liability, or visit the IRS's website at www.irs.gov and the website for the tax agency in the state in which the member resides. In South Carolina, visit the South Carolina Department of Revenue's website at www.sctax.org.

Additional information for SCRS disability retirees

SCRS disability applications that were received by PEBA prior to January 1, 2014

For SCRS members who applied for disability retirement and whose application was received by PEBA prior to January 1, 2014, and are receiving a disability annuity, the disability benefits paid to the member by PEBA are reported annually on IRS Form 1099-R as normal distributions for income tax

purposes. This is in accordance with IRS guidelines, which also direct usage of various codes to reflect the taxability of a payment, or distribution, for income tax purposes. PEBA is required to use a code “7” in box 7 of a member’s Form 1099-R rather than a code “3” because the disability program for applications received by PEBA prior to January 1, 2014, is an occupational or job-related disability program rather than a total and permanent disability program as described in section 72(m)(7) of the Internal Revenue Code. A code “7” in box 7 of a member’s Form 1099-R means that the member is not subject to the 10 percent tax penalty for early withdrawal because he receives his retirement benefits through a monthly annuity; however, these benefits should be included as ordinary income for tax purposes.

Although the Form 1099-R a member receives from PEBA correctly contains a code “7” in box 7, the member may also receive monthly benefits from the Social Security Administration and be considered totally and permanently disabled for Social Security purposes. If a member is considered totally and permanently disabled for Social Security purposes, the member may qualify for the [Credit for the Elderly or the Disabled](#). Members should refer to [Schedule R](#) when completing their tax return. The member must keep for his records a copy of his physician’s statement, which certifies that the member was permanently and totally disabled on the date that the member retired.

SCRS disability applications received by PEBA after December 31, 2013

For SCRS disability benefits paid to a member who applied for disability retirement and whose application was received by PEBA after December 31, 2013, PEBA will report the member’s disability benefits annually to the IRS on Form 1099-R using a code “3” because disability retirees must be entitled to and receiving benefits from the Social Security Administration. This means disability retirees are considered totally and permanently disabled for Social Security and PEBA purposes.

All PORS disability applications

For PORS members who are receiving a disability annuity, the disability benefits paid to the member by PEBA are reported annually on IRS Form 1099-R as normal distributions for income tax purposes. This is in accordance with IRS guidelines, which also direct usage of various codes to reflect the taxability of a payment, or distribution, for income tax purposes. PEBA is required to use a code “7” in box 7 of a member’s Form 1099-R rather than a code “3” because the disability program for PORS members is an occupational or job-related disability program rather than a total and permanent disability program as described in section 72(m)(7) of the Internal Revenue Code. A code “7” in box 7 of a member’s Form 1099-R means that the member is not subject to the 10 percent tax penalty for early withdrawal because the member receives his retirement benefits through a monthly annuity; however, these benefits should be included as ordinary income for tax purposes.

Although the Form 1099-R a PORS disability retiree receives from PEBA correctly contains a code “7” in box 7, the member may also receive monthly benefits from the Social Security Administration and be considered totally and permanently disabled for Social Security purposes. If a PORS disability annuity recipient is considered totally and permanently disabled for Social Security purposes, he may qualify for the [Credit for the Elderly or the Disabled](#). The member should refer to [Schedule R](#) when completing his tax return. The member must keep for his records a copy of his physician’s statement, which certifies that the member was permanently and totally disabled on the date the member retired.

Benefit adjustments

Per current state law, effective each July 1, eligible SCRS and PORS retirees are to receive an annual benefit adjustment of 1 percent of their annual annuity up to a maximum of \$500 per year. The increase will be reflected in annuity payments issued on the last business day of July since benefits are payable the last business day of the month. The

earliest a retiree can receive a benefit adjustment is the second July 1 after his retirement date. SCRS Class Two members who retire under the early retirement provisions at age 55 with 25 years of service, are not eligible for benefit adjustments until the second July 1 after they reach age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

Changes to a retiree's account

If a retiree or payee wishes to change a name, address, amount of taxes withheld, or direct deposit accounts, the retiree or payee should write to the Benefit Payments Department or contact Customer Service at 803.737.6800, toll free at 888.260.9430, or visit PEBA's website at www.peba.sc.gov to get the appropriate forms. The request should include the payee's Social Security number and signature, former and current names, and/or address. A retiree may use PEBA Retirement Benefits' secure Member Access website to change their tax withholdings, address, and direct deposit accounts.

Returning to covered employment

In order to retire and begin receiving a retirement benefit from SCRS or PORS, a member must have first had a complete, bona fide severance or termination from all covered employment. If a member does not have a bona fide termination of employment, the member will not be eligible to receive a retirement benefit.

After a member has been retired for at least 30 consecutive calendar days, the retired member may be hired by an employer covered by one of the retirement systems administered by PEBA and continue to receive a retirement benefit, subject to the applicable earnings limitation (and any exceptions to that limit). If a retired member returns to covered employment sooner than 30 consecutive calendar days after retirement, the member's monthly benefit will be suspended while

the member remains employed by the covered employer. For the purposes of this rule, the 30 consecutive calendar days must be counted from the member's date of retirement, not the date the member terminated employment.

It is a covered employer's responsibility to notify PEBA when a retired member has been hired. If a retired member returns to covered employment sooner than 30 consecutive calendar days after retirement and the covered employer fails to timely notify PEBA of the retired member's hiring, then the employer may be responsible for reimbursing PEBA for all of the benefits that were wrongly paid to the retired member.

For Class Two SCRS members, participation in the TERI program counts toward the 30 days a member must be retired before returning to covered employment. A severance from employment is required at the end of the TERI program before a Class Two SCRS member may receive his accumulated benefits or return to covered employment.

Employers are required to submit a working retiree return to work date on the EES website, indicating the most recent hire date for the working retiree.

Earnings limitation from covered employment – service retiree

If an SCRS member retires before he reaches age 62 or a PORS member retires before he reaches age 57 and returns to covered employment, the member will be subject to a \$10,000 per year earnings limitation. This means the member can earn up to \$10,000 per year from covered employment and continue to receive his retirement annuity. If a member continues covered employment and earns more than \$10,000 in a calendar year, the member's monthly annuity will be suspended for the remainder of that year. The \$10,000 earnings limitation applies regardless of a member's age when he returns to covered employment.

SCRS service retiree example

If an SCRS member retires at age 58 with 30 years of service and returns to covered employment when he is 63 years old, the member would still be subject to the \$10,000 earnings limitation since the member retired before he reached age 62.

PORS service retiree example

If a PORS member retires at age 54 with 27 years of service and returns to covered employment when he is 59 years old, the member would still be subject to the \$10,000 earnings limitation since the member retired before he reached age 57.

The \$10,000 earnings limitation from covered employment does not apply to SCRS or PORS members who retired prior to January 2, 2013, or to SCRS members who retire after age 62 or PORS members who retire after age 57. The limitation also does not apply to a retired member who receives compensation for service as an elected official, service as an appointee of the Governor with confirmation by the South Carolina Senate, or service by appointment or election by the General Assembly.

Critical needs teachers exemption

Under certain circumstances, a retired member may return to covered employment without affecting his monthly annuity if he is a certified teacher and is employed by a school district to teach in the classroom in his area of certification. The \$10,000 earnings limitation does not apply if the State Department of Education determines that no qualified, non-retired member is available for employment in the position, and that a certified teacher is teaching in a critical academic need area or a geographic need area as defined by the State Board of Education, or that a retired certified school teacher or certified employee is employed in a school or school district that has received a “below average” or “unsatisfactory” academic performance rating pursuant to the Education Accountability Act. After approval is received from the Department of Education, school districts must notify PEBA of the member’s exemption from the earnings limitation.

Earnings limitation from all employment – disability retiree

Please see the **Returning to Employment While Receiving a Disability Retirement Annuity** section on Pages 61 and 63 for information about the calendar year earnings limitation for disability retirees.

Employment status

Any retired member who is employed by an agency that adheres to state personnel policies will be exempt from the State Employee Grievance Procedure Act. This means the member’s employment is at will. If a retired member returns to work for an employer that is not governed by state personnel policies, the member would be subject to his employer’s policies regarding employment status and rights. TERI participants employed by an agency that is covered by the State Employee Grievance Procedure Act will be exempt from the requirements of that Act (employment is at will). If a TERI participant works for an employer that is not governed by state personnel policies, the member would be subject to his employer’s policies regarding employment status and rights. Any payout of unused annual leave to a working retiree will not be used in calculation of his benefit. Any member having questions regarding his employment status and rights upon becoming a TERI participant should contact his employer for clarification.

Working 48 continuous months

If a member returns to employment and works 48 continuous months for a covered employer with an annual earnable compensation of at least 75 percent of the AFC used to calculate the member’s monthly annuity, the member may elect to cease his monthly annuity and become an active member of SCRS (or PORS). If the retired member becomes an active member again, he has the option to repay all retirement benefits. When the member subsequently retires, the member’s monthly

annuity will be calculated as if the member were retiring for the first time. TERI participation does not count towards the 48-month period. If a member begins this process for the purpose of establishing eligibility for retiree health insurance, please [contact PEBA](#) for assistance.

Working retired member contribution rate

If a member returns to work for a covered employer after he retires, the member will contribute the same tax-deferred percentage of his gross pay into his SCRS or PORS retirement account as an active member. As a working retiree, a member will not earn additional service credit or receive interest on his account; however, the member can be assured of getting back contributions made as a working retiree through annuity payments to the member or annuity payments and/or a refund of contributions to the member's surviving beneficiary if the member chose payment Option B or Option C at retirement. If a member chose payment Option A at retirement and the retiree contributions have not been exhausted through the payment of benefits to the member, a refund of contributions will be paid to the member's designated beneficiary.

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