

# Police Officers Retirement System Member Handbook

Fiscal Year 2017



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## General information

The South Carolina Police Officers Retirement System (PORS) is a defined benefit retirement plan administered by the South Carolina Public Employee Benefit Authority (PEBA) for certain public safety and other employees of state agencies, public and charter school districts, public higher education institutions, and other local subdivisions of government that have joined PORS. This handbook provides a general introduction to PORS and the benefits that are part of the plan.

## Membership

Membership is mandatory as a condition of your employment with a covered employer unless you are in a position or classification of employment specifically exempted from membership by statute. Certain classifications, such as non-permanent employees, have the option to elect non-membership within 30 days from their date of hire. Your employer should let you know if your employment falls into one of these categories.

Police officers, peace officers, firefighters, coroners, magistrates 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 or her employment to give his or her time to the preservation of public order; protection of life and property; and the detection of crime in the state. Police officers must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work unless exempted by statute.

**Coroners and Deputy Coroners** - Coroners and deputy coroners in a full-time, permanent position who meet the above requirements are also considered police officers.

**Peace Officers** – A peace officer is a person who is employed and certified by the S.C. Department of Corrections, the S.C. Department of Juvenile Justice, or the S.C. Department of Mental Health and has the status of a peace officer under Section 24-1-280 of the South Carolina Code of Laws. Peace officers must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work unless exempted by statute.

**Firefighters** – A firefighter is a person who gives his or her time to prevention and control of property destruction by fire. A firefighter must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work unless exempted by statute.

**Magistrates**<sup>1</sup>– Newly-appointed magistrates are required to participate in PORS for service as a magistrate.

**Probate Judges**<sup>1</sup> – Probate judges may elect to participate in PORS or they may elect to participate in the South Carolina Retirement System (SCRS).

PEBA makes the final determination as to whether any person may become a PORS member.

Your PORS membership starts when you earn compensation from a covered employer and make contributions to your PORS retirement account. You are considered an active member if you are working in a PORS-eligible position for a PORS-covered employer, earning service credit, and making regular contributions to a PORS retirement account, and you have not retired or terminated from covered employment. You must be an active member to be eligible for most of the benefits described in this handbook.

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<sup>1</sup>These members are not subject to the 1,600-hour and \$2,000 per year requirements.

## Class Two and Class Three membership

Currently, there are two classes of membership: Class Two and Class Three.<sup>2</sup> Class Two members are generally employees who currently have earned service credit in 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 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 Optional Retirement Program (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 PORS for the period of withdrawn service or State ORP participation.

## Employee and employer contribution rates

Employee and employer contribution rates to the system are set by the PEBA Board each year based upon the results of the annual actuarial valuation of the system and statutory requirements. You contribute a tax-deferred percentage of gross pay into your PORS retirement account. For fiscal year 2017 (July 1, 2016, through June 30, 2017), the PORS employee contribution rate is 9.24 percent.

## Member compensation limit

The Internal Revenue Service imposes a federal compensation limit under the Internal Revenue Code (IRC), Section 401(a) (17). This limit, also referred to as a cap, is placed on the amount of annual compensation which may be taken into account for purposes of calculating pension contributions. Employees who became members of PORS or SCRS, or participants in State ORP prior to January 1, 1996, are not subject to the annual

compensation limit. Employees who became members or participants in the plans on and after January 1, 1996, are subject to the compensation limit as adjusted by the commissioner of the IRS for increases in the cost of living in accordance with Section 401(a)(17) of the IRC. **The calendar year 2016 compensation limit (cap) is \$265,000.** Compensation in excess of this limitation is not subject to retirement contributions

## Interest on your PORS account

Your PORS account earns 4 percent interest compounded annually on your balance as of the previous June 30 until you retire or your account becomes inactive. An account is considered inactive when no contributions have been made in the preceding fiscal year and no other active, correlated system or State ORP account exists.

## Correlated systems

PEBA administers several other defined benefit retirement systems for public employees and officials. Two of these other systems, the South Carolina Retirement System (SCRS) and the General Assembly Retirement System (GARS), are correlated systems with PORS. If you have contributions in more than one of these correlated retirement systems, your service credit is maintained separately within each system; however, your service credit is added together to determine your eligibility for a retirement annuity.

For example, if you are a PORS member with 10 years of service credit and were previously a member of SCRS with 15 years of service, PEBA would add together your service credit to determine your eligibility for a retirement annuity.

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<sup>2</sup>Class One membership is no longer applicable. Please contact PEBA if you have any questions about Class One benefits.

## Designating beneficiaries for your account

The benefits administered by PEBA also offer options for you to help provide for your survivors in the event of your death. As an active member, you have the option to designate three types of beneficiaries for your account:

- *Primary beneficiaries* for your in-service death benefit (see Page 6) or refund of contributions (see Page 7). Multiple beneficiaries would share equally in a survivor monthly annuity;
- *Contingent beneficiaries* in case of death of the primary beneficiaries. All primary beneficiaries must be deceased before any contingent beneficiaries will be paid; and
- *Incidental death benefit beneficiaries* (see Page 6).

You may name your estate as a beneficiary for your account; however, monthly annuity payments cannot be paid to an estate. As an active member, you may change your beneficiaries at any time before retirement.

## Online access to your PORS account

Member Access is the online resource that allows you, as a member of PORS, to view and update your personal information on file with PEBA. It's safe, secure and available anytime from anywhere you have 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 withholdings and their address;
- View and print a 1099-R form;
- 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 haven't registered for Member Access, you can begin the process by clicking on the [Member Access](#) button on PEBA's homepage. It will take you to the [Member Access home page](#), where you can select the Register Now button to start the process.

## Purchasing additional service credit

Active members may establish additional service credit for various types of previous employment and leaves of absence, and up to five years of non-qualified service, which is a type of service credit not associated with any specific employment. Generally, a member on leave without pay from a covered employer is not eligible to establish service credit of any type.

You may establish service credit through a lump-sum payment, a pre or post tax installment service purchase, or a tax-deferred rollover from an

Individual Retirement Account (IRA), a 401(k) plan, a 401(a) eligible plan, a 403(b) plan, or a 457 plan. The interest rate for an installment service purchase is calculated at the prime rate plus 2 percent. Installments initiated July 1, 2016, through June 30, 2017, will be calculated at 5.50 percent. The interest rate is fixed for the term of the installment.

You may establish each type of service credit once within a fiscal year. If you are establishing service to meet retirement eligibility, [contact](#) the Customer Contact Center at 803.737.6800 or 888.260.9430 for more information. Payment for service purchases must be made in full prior to your retirement date or termination from employment. If you previously established service credit for periods of part-time service or previously earned service credit for periods of part-time service prior to July 1996, you may be eligible to establish additional service credit at an additional cost. Please [contact the Customer Contact Center at 803.737.6800 or 888.260.9430](#) for more information.

One of the factors used to determine the cost of most types of service purchases is your 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 Optional Retirement Program (State ORP) if you have purchased PORS service credit for any State ORP participation. The cost to purchase periods of less than one year will be prorated. You may not establish PORS service credit for a period of service, other than military service, for which you may also receive a retirement benefit from another defined benefit retirement plan or for a period of service for which you already have credit in PORS. You also may not establish PORS service credit if doing so

would violate Section 415 or any other provision of the Internal Revenue Code.

A Class Three member who purchases a period of withdrawn service or State ORP participation for any period of covered employment rendered prior to July 1, 2012, will revert to Class Two membership.

Some types of purchased service may not be used in determining eligibility for retiree health insurance. If you are covered by the state's employee health insurance program, contact the Customer Contact Center at 803.737.6800 or toll free at 888.260.9430 for eligibility information. If your employer does not participate in the state's employee health insurance program, contact your employer for information about insurance in retirement.

## Descriptions of types of service

### Transfer from SCRS to PORS

If you are an active member of PORS, you may transfer your non-concurrent SCRS service credit to your PORS account by paying 5 percent of your current earnable compensation for each year transferred. Your SCRS contributions plus interest and non-concurrent service credit are then transferred to your PORS account. SCRS earned service that is transferred to PORS is considered earned service for the determination of the PORS minimum service requirement for benefit eligibility. Earnings that are associated with the service that is transferred from SCRS to PORS are not included in the calculation of your average final compensation.

### Public service

As an active member, you may establish PORS 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. The cost calculation is based in part on your current age and service credit, as well as your

career highest fiscal year earnable compensation at the time PEBA receives your service purchase request. The cost, which is determined by PEBA's independent actuary, will not be less than 16 percent of your career highest fiscal year earnable compensation for each year purchased.

### **Educational service (K-12)**

As an active member, you 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. The cost calculation is based in part on your current age and service credit, as well as your career highest fiscal year earnable compensation at the time PEBA receives your service purchase request. The cost, which is determined by PEBA's independent actuary, will not be less than 16 percent of your career highest fiscal year earnable compensation for each year purchased.

### **Military service**

As an active member, you may establish up to six years of service credit for any period of military service for which you do not already have service credit in SCRS, PORS, or GARS by making an actuarially neutral payment to PEBA. 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 cost calculation is based in part on your current age and service credit, as well as your career highest fiscal year earnable compensation at the time PEBA receives your service purchase request. The cost, which is determined by PEBA's independent actuary, will not be less than 16 percent of your career highest fiscal year earnable compensation for each year purchased. Your discharge from service must be under conditions other than dishonorable. Under guidelines set forth by the Uniformed Services Employment and Reemployment Rights Act (USERRA), you may also arrange in advance with

your employer to continue contributing to your account while on active duty military leave or make the contributions after returning from military leave within a period three times longer than your military leave, but not more than five years.

### **Leave of absence**

Active members on an employer-approved leave of absence who return to covered employment within four years may purchase service credit for the employer-approved leave period for which they do 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. The cost calculation is based in part on your current age and service credit, as well as your career highest fiscal year earnable compensation at the time PEBA receives your service purchase request. The cost, which is determined by PEBA's independent actuary, will not be less than 16 percent of your career highest fiscal year earnable compensation for each year purchased.

### **Workers' compensation**

You may establish service credit for a period while on leave of absence and receiving workers' compensation benefits. The cost is based on contributions plus interest using your earnable compensation at the time of injury. You may also arrange in advance with your employer to continue contributing to your account while you are receiving workers' compensation benefits.

### **Previously withdrawn PORS service**

If you left employment and received a refund of your contributions plus interest from PORS, you may re-establish this service upon returning to active membership. You must repay the amount you withdrew plus interest to the date your request is received. Previously withdrawn earned service that is re-established in PORS is considered earned service for the determination of the PORS minimum

service requirement for benefit eligibility. Please note that earnings associated with a 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 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. The cost calculation is based in part on your current age and service credit, as well as your career highest fiscal year earnable compensation at the time PEBA receives your service purchase request. The cost, which is determined by PEBA's independent actuary, will not be less than 35 percent of your career highest fiscal year earnable compensation for each year purchased.

### **State ORP service**

Active members may purchase service credit for their years of participation in the State Optional Retirement Program (State ORP) by making an actuarially neutral payment to PEBA. The cost calculation is based in part on your current age and service credit, as well as your career highest fiscal year earnable compensation at the time PEBA receives your service purchase request. The cost, which is determined by PEBA's independent actuary, will not be less than 16 percent of your career highest fiscal year earnable compensation for each year purchased. State ORP participation that is established in PORS is considered earned service for the determination of the PORS minimum service requirement for benefit eligibility. Please note that earnings associated with established State ORP participation will not 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.

## **In-service death benefits**

### **Active member incidental death benefit**

If, as an active member, you die in service with at least one year of service credit and your employer provides incidental death benefit coverage, a payment equal to your current annual earnable compensation will be paid to your beneficiary. If your death results from a job-related injury, the one-year requirement is waived.

Amounts paid to your beneficiary are subject to ordinary federal and state income taxes. It is up to your 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 your 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.

Your 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](http://www.irs.gov) and the website for the tax agency in the state in which he resides. In South Carolina, visit the South Carolina Department of Revenue's website at <https://dor.sc.gov/>.

State agencies and public school districts automatically provide incidental death benefit coverage to their employees; however, coverage is optional for other employers. If an employer elects to provide incidental death benefit coverage for its employees, the employer must pay the required contribution rate for the coverage.

## Accidental death program

This program provides a survivor annuity if your employer is covered and you die as a result of an injury by external accident or violence incurred while undergoing a hazard peculiar to your employment while in the actual performance of duty, without willful negligence on your part. An accidental death annuity payment will be made monthly to your surviving spouse for life. If you have no spouse or your spouse dies before your youngest child has reached age 18, the monthly annuity is divided equally among the surviving children, each of whom will continue to receive a monthly annuity until reaching age 18 or upon death, whichever occurs first. If you have no spouse or child under age 18, the monthly annuity will be paid to your surviving father and/or mother for life. The monthly annuity payable to your survivor through the Accidental Death Program will be subject to federal and state taxes.

State agencies automatically provide Accidental Death Program coverage to their employees; however, coverage is optional for other employers. If an employer elects to provide Accidental Death Program coverage for its employees, the employer must pay the required contribution rate for the coverage.

## Retirement account benefits

If you die in service as an active member, your designated beneficiary will be entitled to receive a refund of your employee contributions plus the interest earned on your account regardless of your

age and years of service credit at the time of your death.

Your designated beneficiary will be eligible to choose a monthly annuity instead of a refund of your employee contributions plus the interest earned on your account if:

- You are a Class Two member with at least five years of earned service credit and either have at least 15 years of total service credit or you are at least 55 years of age at the time of your death; OR
- You are a Class Three member with at least eight years of earned service credit and either have at least 15 years of total service credit or you are at least 55 years of age at the time of your death.

## Disability retirement annuity

### Who may apply

Becoming disabled does not automatically qualify you for a disability retirement annuity; you must file an application and go through the review process. You must be “in service” with a covered employer in order to file an application for disability retirement benefits. You are considered in service if you have not yet retired from PORS and it has not been more than 90 days since you were last on the payroll of a covered employer. If PEBA does not receive your application while you are in service, you will not be eligible to receive any disability retirement benefits from PORS. 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, you must also meet certain earned service requirements to apply for disability retirement benefits. If you are a Class Two

member, you must have at least five years of earned service credit toward retirement unless your disability is the result of an injury arising out of and in the course of the performance of your job duties. If you are a Class Three member, you must have at least eight years of earned service credit toward retirement unless your disability is the result of an injury arising out of and in the course of the performance of your job duties.

### **Coordination with other benefits**

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

### **How to apply**

You should file your application for disability retirement as soon as you become disabled and while you are still in service with an employer covered by PORS. Either go to the PEBA [website](#) or contact the Customer Contact Center at 803.737.6800 or 888.260.9430 to obtain a disability retirement packet. When you file your disability retirement claim, please complete all of the forms in the disability retirement packet. You do not, however, need to include any medical records from your health care providers. If your disability retirement application is received by PEBA after you have already retired from PORS or more than 90 days after you terminate from all covered

employment under PORS, you will not be eligible to apply for a disability retirement annuity.

### **Acknowledgement of receipt**

If you do not receive notification in the mail confirming PEBA's receipt of your application within 10 days after submitting it, please contact the Customer Contact Center at 803.737.6800 or 888.260.9430. If you are eligible for service retirement when you become disabled, you may apply for a service retirement annuity and begin receiving a monthly annuity while awaiting determination of your disability claim. You will receive only one type of payment, so if your disability claim is approved, you will need to decide whether to continue to receive your service retirement annuity or to begin receiving a disability annuity. When filing for both service and disability retirement benefits, please note that your disability retirement application must be received before your service retirement date.

### **Processing the claim**

Your medical records will be obtained from your health care providers by our disability determination provider and evaluated to determine the severity and limiting effects of your physical or mental impairment. The determination to approve or deny your disability retirement claim is made after review by a medical board of three physicians. If your claim is denied, you will have an opportunity to appeal the denial. Please allow a minimum of three months after all required documentation has been received from you, your employer, and your health care providers for your disability application to be processed. If you do not receive notification of PEBA's decision within three months, please contact the Customer Contact Center at 803.737.6800 or 888.260.9430.

If your disability retirement claim is denied, you have one year from the date of the denial to file an administrative appeal. If the final agency

determination upholds the denial, you have 30 days from the date of the final agency determination to appeal to the Administrative Law Court.

## Effective date of a disability annuity

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

The disability retirement benefit will be based upon your years of credited service projected to age 55 or 25 years of credit, whichever is less, your average final compensation at retirement, and the current benefit multiplier for service retirement benefits. However, the annual benefit may not be less than 15 percent of your average final compensation.

## Continuing disability review

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

- You regain a certain earning capacity; or
- Medical evidence indicates that you are no longer disabled; or
- Your disability annuity was not approved following a continuing disability review.

Periodic medical reexaminations may be required up to age 55. If PEBA determines that your disability annuity should cease because of an improvement in your medical condition, your annuity will stop the month of your scheduled continuing disability review or the month of PEBA's decision, whichever is later.

## Returning to employment while receiving a disability retirement annuity

If you are under age 55 and receiving a PORS disability annuity, you 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. You may earn the difference between your adjusted average final compensation (AFC) at retirement and your disability annuity without affecting your annuity.

Your 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 you can earn while receiving a disability annuity; however, they do not affect the amount of your annuity. You will receive a letter each February advising you of how much you can earn and requesting confirmation of your prior year's earnings. You will have to repay any benefits that you received to which you were not entitled. If you earn more than the difference between your adjusted AFC and your disability annuity, your monthly annuity will be reduced or possibly canceled. If you return to work with an employer covered by one of the retirement systems administered by PEBA and your annual earnable compensation is equal to or greater than your adjusted AFC, your disability annuity ceases and you 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 17).

## Leaving before retirement

If you leave your job and terminate all employment covered by one or more of the retirement systems administered by PEBA before you are eligible to retire, you have two options concerning your contributions:

- Request a refund of your contributions plus the interest earned on your account; or
- Leave your funds in your PORS account. Your account will continue to accrue interest until your account becomes inactive. Your PORS account is considered inactive when no contributions have been made to the account in the preceding fiscal year and no other active, correlated system or State ORP account exists.

### Request a refund

If you have terminated all employment covered by one or more of the retirement systems administered by PEBA and wish to receive a refund of your accumulated employee contributions plus the interest earned on your account, you must complete a [Refund Request \(Form 4101\)](#) and return it PEBA. You may submit your refund request immediately upon termination; however, by law, there is a minimum 90-day waiting period to a maximum of six months from your date of termination until a refund can be made. If you are working for two or more covered employers and/or contributing to more than one retirement account (i.e., working two jobs and paying into a PORS and an SCRS account), you must stop working in all correlated systems to request a refund from any account.

If you receive a refund, you forfeit your rights to any future service retirement or disability annuity. Employer contributions are not refunded. Instead of having the refund paid directly to you, you may choose to roll over the funds into an IRA, a 401(k)

plan, a 401(a) eligible plan, a 403(a) plan, a 403(b) plan, or some 457 plans. The South Carolina Deferred Compensation Program's 457 retirement plan does not accept rollovers from your PORS account.

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 you do not take advantage of a rollover as indicated above and are under the age of 59 ½ at the time of distribution, your distribution will be subject to regular income tax in the year you receive the payment, plus **there may be a 10 percent penalty tax on the taxable portion of your 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.

Be sure to check with an accountant or tax advisor regarding your tax liability, or visit the IRS's website at [www.irs.gov](http://www.irs.gov) and the website for the tax agency in the state in which you reside. In South Carolina, visit the South Carolina Department of Revenue's website at <https://dor.sc.gov/>.

### Leave funds on deposit

When you leave your money in your PORS account, you retain your years of service credit, which may be added to any future service you may accrue should you later become employed in a position covered by one of the correlated retirement systems administered by PEBA. Your account will continue to earn interest until it becomes inactive. An account is considered inactive when no contributions have been made to the account in the preceding fiscal year and no other active, correlated system account exists. You may apply for a refund at a later date or apply for a service retirement annuity upon reaching eligibility. No action is required if you wish to retain your membership and

leave your funds on deposit, but it is your responsibility to keep PEBA informed of your current address as well as any name or beneficiary changes. You can make certain updates to your account information through [PEBA' secure Member Access website](#) (see Page 3 for more information).

## Service retirement

A good way to begin the planning process for retirement is to attend a retirement seminar offered by PEBA. Sessions are held regionally in the fall. The seminar schedule can be found online at <https://www.peba.sc.gov/events/>. You can also register to attend a seminar through this website. If you are considering retirement, you may conduct a consultation by telephone or in person at our office. Simply contact the Customer Contact Center at 803.737.6800 or 888.260.9430 to arrange a consultation or visit our office. Walk-ins are welcome.

## When to apply

You must file an application with PEBA to retire; it is not automatic. You may file your application as early as six months prior to your desired effective date of retirement but no later than 90 days afterward. We encourage you to file your application as early as possible. Retirement applications and other forms are available on the PEBA website at [www.peba.sc.gov](http://www.peba.sc.gov) or you may contact the Customer Contact Center at 803.737.6800 or 888.260.9430 to obtain these forms.

If you do not receive notification of PEBA's receipt of your application within 10 days after submitting it, [contact PEBA](#). Please do not terminate employment until PEBA has verified your service credit and you receive written notice of your retirement eligibility from PEBA. This notice will be sent to you in the mail and is entitled, "Notification of Retirement Eligibility and Estimated Benefit."

Benefit estimates may be obtained from PEBA but are projected based on information you provide and information in PEBA's records. Benefit estimates are subject to change upon review of your account after PEBA receives your retirement application.

## Eligibility

### Class Two members

If you meet the following requirements, you are considered eligible to retire (see **Correlated systems** on Page 2 if you have an account in more than one retirement system):

- 25 years of service credit on the date of retirement, five years of which must be earned service credit; or
- Age 55 or older on the date of retirement with five years of earned service credit.

### Class Three members

- 27 years of service credit on the date of retirement, eight years of which must be earned service credit; or
- Age 55 or older on the date of retirement with eight years of earned service credit.

## Retiree health insurance eligibility

The eligibility requirements for a service annuity and for retiree health insurance are not the same. If you are covered by the state's health insurance program, be sure to read the eligibility requirements in the [Insurance Benefits Guide](#) or contact PEBA at 803.737.6800 or toll free at 888.260.9430 for eligibility information. If your employer does not participate in the state's employee health insurance program, contact your employer for information about insurance in retirement.

## Average final compensation

Your average final compensation, commonly referred to as AFC, is an important part of the formula used to calculate your retirement annuity.

If you are a Class Two member, your AFC is the 12 highest consecutive quarters<sup>3</sup> of earnable compensation on which you made regular member contributions and were earning service credit. An amount up to and including 45 days' termination pay for unused annual leave at retirement may be included in your AFC calculation. For an elected official, AFC may be calculated as the average annual earnable compensation for the 36 consecutive months before the expiration of the elected official's term of office.

If you are a Class Three member, your AFC is the 20 highest consecutive quarters<sup>3</sup> of earnable compensation on which you made regular member contributions and were earning service credit. Termination pay for unused annual leave at retirement is not included in the AFC calculation.

One of PEBA's goals is to start your annuity payment as soon as possible so that you are not without income once you terminate employment. To make this possible, your initial annuity payment does not include any credit for unused sick or annual leave, if applicable, nor does it include your final earnable compensation information. Until all of this information is received from your employer, you will receive an estimated annuity.

If you are a Class Two member, after your employer submits your final earnable compensation information, which is in the form of quarterly retirement contributions, PEBA will audit the retirement contributions for your 12 highest consecutive quarters of earnable compensation. Your AFC may be adjusted after the audit if any of the contributions included in the AFC calculation were for any payments not considered a part of your regular earnable compensation base. Your AFC will also be adjusted according to statute to include payment for your unused annual leave (see **Unused Annual at retirement -- Annual leave** on Page 13). As a result of the information received from your employer and the audit of the contributions for

your 12 highest consecutive quarters of earnable compensation, your retirement annuity will be finalized. The final amount may be less than, or more than, your estimated annuity.

If you are a Class Three member, you will have retirement contributions for your 20 highest consecutive quarters of earnable compensation audited. You will not receive service credit for unused sick leave at retirement, nor will payment at retirement for your unused annual leave be included in the calculation of your AFC.

## Service retirement annuity calculations

### Class Two membership

The four-step formula is used to calculate your monthly annuity based on the Option A payment plan described on Pages 13-14.

- Step 1** Total your 12 highest consecutive quarters of earnable compensation and allowable annual leave payout and divide by 3.<sup>4</sup> This produces your AFC.
- Step 2** Multiply the result of Step 1 by 2.14 percent (.0214) for Class Two service.
- Step 3** Multiply the result of Step 2 by years, months, and days of service.<sup>5</sup>
- Step 4** Divide the result of Step 3 by 12.

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<sup>3</sup>A quarter means a period January through March, April through June, July through September, or October through December.

<sup>4</sup>The dollar amount of payment for up to 45 days of unused annual leave paid by your last employer at retirement may be included before averaging your 12 highest consecutive quarters of earnable compensation. The result of Step 1 is your average final compensation (AFC).

<sup>5</sup>Convert months to days and divide the total days by 360 to determine a decimal equivalent for partial years. For example, 25 years, 2 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.

## Example

For a Class Two member with 25 years of service credit and an AFC of \$30,000:

\$30,000 multiplied by 2.14 percent (.0214) equals \$642

\$642 multiplied by 25 equals \$16,050

\$16,050 divided by 12 equals \$1,337.50 (Option A monthly benefit)

## Unused leave at retirement

### Annual leave

Only an amount up to and including 45 days' pay for unused annual leave from a Class Two member's last termination payment shall be included before averaging the member's 12 highest consecutive quarters of earnable compensation (see Step 1 of the benefit formula on Page 12).

### 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 at no cost to the member (see Step 3 of the benefit formula on Page 12). 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.

## Class Three membership

The following four-step calculation is used to calculate your monthly annuity based on the Option A payment plan described on Page 13-14.

**Step 1** Total your 20 highest consecutive quarters of earnable compensation and divide by 5. This produces your AFC.

**Step 2** Multiply the result of Step 1 by 2.14 percent (.0214).

**Step 3** Multiply the result of Step 2 by years, months, and days of service.<sup>6</sup>

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

## Class Three example

For a Class Three member who has 27 years of service credit and an AFC of \$30,000

\$30,000 multiplied by 2.14 percent (.0214) equals \$642

\$642 multiplied by 27 equals \$17,334

\$17,334 divided by 12 equals \$1,444.50 (Option A monthly annuity)

## Unused leave at retirement

Class Three members will not receive service credit for any unused sick leave at retirement and any pay you receive at termination for unused annual leave will not be included in the calculation of your average final compensation.

## Payment options at retirement

There are three monthly annuity payment options available to you at retirement. Select the option that best suits your needs. Generally, your payment option may not be changed once your annuity is first payable.

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<sup>6</sup>Convert months to days and divide the total days by 360 to determine a decimal equivalent for partial years. For example, 25 years, 2 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.

## Option A (maximum retiree only monthly annuity)

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

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

You will receive a reduced (from Option A) monthly annuity for life. After your death, the same annuity (100 percent of your reduced monthly annuity, including granted benefit adjustments) will continue throughout your beneficiary's lifetime. If all of your designated beneficiaries predecease you, your annuity will revert to Option A, including any benefit adjustments granted since your retirement date.

You may select Option B only if your designated beneficiary is your spouse, or you designate multiple beneficiaries or a sole beneficiary who is not your 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 you, or in the case of disability retirement or death benefits. If, based on the IRC formula, the adjusted age difference for you and a non-spousal beneficiary exceeds the IRC limits, Option B would not be available to you. You would be able to select Option C, however, with no IRC restrictions.

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

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

## If you choose Option B or Option C

If you choose Option B or Option C and name multiple beneficiaries, after your death your 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 you select Option B or Option C and all of your designated beneficiaries predecease you, your annuity will revert to Option A effective on the date the last beneficiary died. You must notify PEBA upon the death of a beneficiary.

## Approximate amount of Option A monthly annuity at retirement

The information in the table below is based on Option A. Choosing Option B or Option C to provide a future annuity for beneficiaries will reduce the amount of your monthly annuity.

AFC	Years of service									Additional monthly annuity for each additional year
	5	10	15	20	25	27	30	35	40	
\$20,000	\$178	\$357	\$535	\$713	\$892	\$963	\$1,070	\$1,248	\$1,427	\$36
\$25,000	\$223	\$446	\$669	\$892	\$1,115	\$1,204	\$1,338	\$1,560	\$1,783	\$45
\$30,000	\$268	\$535	\$803	\$1,070	\$1,338	\$1,445	\$1,605	\$1,873	\$2,140	\$54
\$35,000	\$312	\$624	\$936	\$1,248	\$1,560	\$1,685	\$1,873	\$2,185	\$2,497	\$62
\$40,000	\$357	\$713	\$1,070	\$1,427	\$1,783	\$1,926	\$2,140	\$2,497	\$2,853	\$71
\$45,000	\$401	\$803	\$1,204	\$1,605	\$2,006	\$2,167	\$2,408	\$2,809	\$3,210	\$80
\$50,000	\$446	\$892	\$1,338	\$1,783	\$2,229	\$2,408	\$2,675	\$3,121	\$3,567	\$89
\$55,000	\$490	\$981	\$1,471	\$1,962	\$2,452	\$2,648	\$2,943	\$3,433	\$3,923	\$98
\$60,000	\$535	\$1,070	\$1,605	\$2,140	\$2,675	\$2,889	\$3,210	\$3,745	\$4,280	\$107
\$65,000	\$580	\$1,159	\$1,739	\$2,318	\$2,898	\$3,130	\$3,478	\$4,057	\$4,637	\$116
\$70,000	\$624	\$1,248	\$1,873	\$2,497	\$3,121	\$3,371	\$3,745	\$4,369	\$4,993	\$125
\$75,000	\$669	\$1,338	\$2,006	\$2,675	\$3,344	\$3,611	\$4,013	\$4,681	\$5,350	\$134
\$80,000	\$713	\$1,427	\$2,140	\$2,853	\$3,567	\$3,852	\$4,280	\$4,993	\$5,707	\$143
\$85,000	\$758	\$1,516	\$2,274	\$3,032	\$3,790	\$4,093	\$4,548	\$5,305	\$6,036	\$152
\$90,000	\$803	\$1,605	\$2,408	\$3,210	\$4,013	\$4,334	\$4,815	\$5,618	\$6,420	\$161
\$95,000	\$847	\$1,694	\$2,541	\$3,388	\$4,235	\$4,574	\$5,083	\$5,930	\$6,777	\$169
\$100,000	\$892	\$1,783	\$2,675	\$3,567	\$4,458	\$4,815	\$5,350	\$6,242	\$7,133	\$178
\$110,000	\$981	\$1,962	\$2,943	\$3,923	\$4,904	\$5,297	\$5,885	\$6,866	\$7,847	\$196

## Post-retirement information

### Monthly annuity payments

Monthly annuity payments are directly deposited into your bank account on the last business day of each month. Electronic distribution of monthly annuity payments reduces risks to both annuity recipients and the state, as well as reduces costs to the retirement plans. You may add or change your direct deposit information any time by logging into PEBA's secure [Member Access website](#) or contact our office at 803.737.6800 or 888.260.9430 to receive a [Direct Deposit Authorization \(Form 7204\)](#).

### Taxes

The taxable portion of your monthly annuity, and any incidental death benefit and Accidental Death Program payments are subject to federal and state income taxes. Since tax laws are complex and constantly changing, be sure to check with an accountant or a tax advisor about your tax liability, or visit the IRS's website at [www.irs.gov](http://www.irs.gov) and the website for the tax agency in the state in which you reside. In South Carolina, visit the South Carolina Department of Revenue's website at <https://dor.sc.gov>.

### Additional information for disability retirees

If you are a PORS member who is receiving a disability annuity, the disability benefits paid to you from 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 your 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 your Form 1099-R means that you are not subject to the 10 percent tax penalty for early withdrawal because you receive your retirement benefits through a monthly annuity; however, these benefits should be included as ordinary income for tax purposes.

Although the Form 1099-R you receive from PEBA correctly contains a code "7" in box 7, you may also receive monthly benefits from the Social Security Administration and be considered totally and permanently disabled for Social Security purposes. If you are considered totally and permanently disabled for Social Security purposes, you may qualify for the [Credit for the Elderly or the Disabled](#). Please refer to [Schedule R](#) when completing your tax return. You must keep for your records a copy of your physician's statement, which certifies that you were permanently and totally disabled on the date that you retired.

### Benefit adjustments

Per current state law, effective each July 1, eligible 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 you can receive a benefit adjustment is the second July 1 after your date of retirement.

Amounts paid to your beneficiary are considered taxable benefits; therefore, federal taxes will be withheld unless your beneficiary rolls over the money into another qualified retirement plan. It is up to your beneficiary to request that state taxes be withheld from the payment.

## Non-working retired member incidental death benefit

As a non-working retiree, if you die and your last employer prior to retirement provides incidental death benefit coverage (see Page 6), a payment based on your service credit will be paid to your beneficiaries as follows:

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

Amounts paid to your beneficiary are considered taxable benefits; therefore, federal taxes will be withheld unless your beneficiary rolls over the money into another qualified retirement plan. It is up to your beneficiary to request that state taxes be withheld from the payment.

## Returning to covered employment

To return to work after you retire, you must first have a complete, bona fide severance or termination of employment. After 30 days of retirement, you may be hired by an employer covered by one of the retirement systems administered by PEBA. If you return to covered employment sooner than 30 consecutive calendar days after retirement, your monthly annuity will be suspended while you remain employed by a covered employer.

## Earnings limitation for covered employment – service retiree

If you retire before you reach age 57 and return to covered employment, you will be subject to a \$10,000 per year earnings limitation. This means you can earn up to \$10,000 per year from covered employment and continue to receive your retirement annuity. If you continue covered employment after earning more than \$10,000 in a calendar year, your monthly annuity will be suspended for the remainder of that year. The \$10,000 earnings limitation applies regardless of your age when you return to covered employment. For example, if you retire at age 54 with 27 years of service and return to covered employment when you are 59 years old, you would still be subject to the \$10,000 earnings limitation since you retired before you reached age 57.

The \$10,000 earnings limitation from covered employment does not apply to members who retired prior to January 2, 2013, or members who retire after age 57. In addition, the limitation does not apply to 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.

## Earnings limitation from all employment – disability retiree

Please see the **Returning to employment while receiving a disability retirement annuity** section on Page 9 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 your employment is at will. If, as a retired member, you return to work for an employer that is not governed by state

personnel policies, you would be subject to your employer's policies regarding employment status and rights.

## Working 48 continuous months

If you return to employment and work 48 continuous months for a covered employer with an annual earnable compensation of at least 75 percent of the AFC used to calculate your monthly annuity, you may elect to cease your monthly annuity and become an active member of PORS (or SCRS). If you become an active member again, you have the option to repay some or all retirement benefits. When you subsequently retire, your monthly annuity will be calculated as if you were retiring for the first time. TERI participation does not count toward the 48-month period. If you begin this process for the purpose of establishing eligibility for retiree health insurance, please contact PEBA for assistance.

## Working retired member incidental death benefit

If you are a working retired member and your employer provides incidental death benefit coverage, a payment equal to your current annual earnable compensation will be paid to your beneficiary if you die while in service. Amounts paid to your beneficiary are considered taxable benefits; therefore, federal taxes will be withheld unless your beneficiary rolls over the money into another qualified plan. It is up to your beneficiary to request that state taxes be withheld from the payment.

## Working retired member contribution rate

If you return to work for a covered employer after you retire, you will contribute the same tax-deferred percentage of your gross pay into your PORS retirement account as an active member. As a working retiree, you will not earn additional service credit or receive interest on your account; however,

you can be assured of getting back contributions made as a working retiree through annuity payments to you or annuity payments and/or a refund of contributions to your surviving beneficiary if you chose payment Option B or Option C at retirement. If you chose payment Option A at retirement and the retiree contributions have not been exhausted through the payment of benefits to you, a refund of contributions will be paid to your designated beneficiary.

## Beneficiary and payment option changes

### Retired member incidental death benefit

You may change your beneficiary for the retired member incidental death benefit at any time regardless of the payment option you selected.

### Option A

You may change your beneficiary for retirement benefits at any time. If you have a change in marital status (death of spouse, marriage, divorce), you may also select a new payment option within five years of the qualifying event.

### Option B and Option C

If all of your beneficiaries predecease you, your monthly annuity will revert to Option A effective on the date the last beneficiary died. You must notify PEBA upon the death of a beneficiary. You may then select a new beneficiary under Option A. If you have a change in marital status (death of spouse, marriage, divorce), you may also select a new payment option and designate a new beneficiary within five years of the qualifying event.

### Payment option change limitation

Your form of monthly payment may not be changed more than twice regardless of the number of events (death of a designated beneficiary or change in

marital status) that occur. A reversion to Option A after the death of your beneficiary will count as one of the two changes. If a second beneficiary predeceases you after you have again selected Option B or Option C, you will revert automatically to Option A; however, no further form of payment changes will be allowed. Changes in form of payment occurring before January 1, 2001, are not included in the limitation provision.

## For more information

Be sure to visit PEBA's website at [www.peba.sc.gov](http://www.peba.sc.gov) for additional information, resources, and tools. Estimate what your retirement benefit will be by using one of our online [calculators](#).

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.

You may also contact PEBA by telephone at 803.737.6800 or toll free at 888.260.9430, by email at <http://www.peba.sc.gov/contactus.html>, or by live chat by clicking on the "Customer Service Chat Now" button at the top of the PEBA homepage. Please note that PEBA does not answer questions about a specific individual's benefits through Live Chat.

# **South Carolina Public Employee Benefit Authority**

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