

# Introduction: defined benefit plans

Retirement Benefits Training  
Fiscal year 2023

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## Who can participate?

- South Carolina Retirement System (SCRS).
  - Available to employees of participating:
    - State agencies;
    - Public and charter schools;
    - Public higher education institutions; and
    - Other optional employers, such as local subdivisions of government.
- Police Officers Retirement System (PORS).
  - Available to employees of participating employers who serve as:
    - Police officers and peace officers;
    - Firefighters;
    - Coroners and deputy coroners; and
    - Magistrates.
  - Must meet eligibility requirements.
  - Probate judges may choose SCRS or PORS.

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## SCRS, PORS membership classes

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

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### Defined benefit plan features

- Lifetime monthly benefit.
- Disability protection and incidental death benefit.
- Benefit adjustments (under current law):
  - Each July 1, eligible retirees receive 1% benefit adjustment, up to a \$500 annual maximum.
- Survivor benefit options available.

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### Defined benefit plan limitations

- Refunds do not include employer contributions.
- No member control of investment decisions.
- Benefit reduced for early retirement.
- Benefit adjustments not connected to:
  - Inflation; or
  - Investment performance.

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### Defined benefit plan funding

- Employers contribute a percentage of total payroll for each employee.
- Employees contribute a pretax percentage of their salary.
- Investment returns:
  - Critical to funding.
  - S.C. Retirement System Investment Commission pools trust funds and invests them ([www.rsic.sc.gov](http://www.rsic.sc.gov)).
- No provisions for hardship or to borrow against account while actively employed.

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## Fiscal year 2023 employer contribution rates

Effective for all wages paid on and after July 1, 2022.

Retirement plan	Employer contribution	Incidental death benefit contribution <sup>1</sup>	Accidental death contribution <sup>1</sup>	Total employer rate	Insurance surcharge <sup>1</sup>
SCRS	16.41%	0.15%	N/A	16.56%	6.25%
State ORP <sup>2</sup>	16.41%	0.15%	N/A	16.56%	6.25%
PORS	18.84%	0.20%	0.20%	19.24%	6.25%

<sup>1</sup>Rates are applicable only to employers covered under these programs.

<sup>2</sup>For State ORP participants, 5% of the employer contribution is remitted directly to the participant's State ORP service provider.

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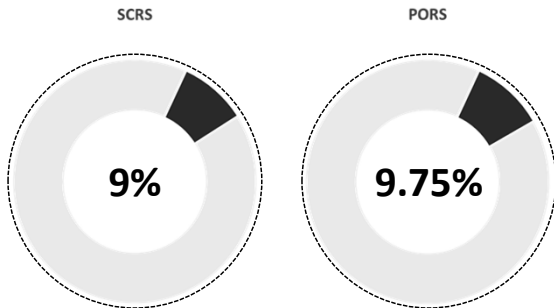
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## Employee contributions effective July 1, 2022



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## Setting contribution rates

- S.C. General Assembly sets retirement system rules, including contribution rates.
- PEBA required to hire actuary, who:
  - Conducts annual actuarial valuations;
  - Completes experience study every four years; and
  - Develops fiscal impact statements.
- Actuary studies issues, including:
  - Economic assumptions, such as investment return;
  - Demographic assumptions, such as member longevity; and
  - Actuarial methods and policies.

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### Funding period and contribution rates

- Funding period indicates amount of time needed to pay unfunded liability.
- Act 13 of 2017:
  - Gradually reduces the maximum funding period from 30 years to 20 years by July 1, 2027;
  - Set a schedule of employer contribution rate increases; and
  - Increased and capped employee contribution rates.

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### Past pension reform legislation

- In recent years, the S.C. General Assembly passed two sets of pension legislation:
  - Benefit reform, also known as Act 278, in 2012.
  - Funding reform, also known as the Retirement System Funding and Administration Act of 2017.
- View the [Past Pension Reform Legislation](#) flyer.

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### Disclaimer

This presentation does not constitute a comprehensive or binding representation of the employee benefit programs PEBA administers. The terms and conditions of the employee benefit programs PEBA administers are set out in the applicable statutes and plan documents and are subject to change. Benefits administrators and others chosen by your employer to assist you with your participation in these employee benefit programs are not agents or employees of PEBA and are not authorized to bind PEBA or make representations on behalf of PEBA. Please contact PEBA for the most current information. The language used in this presentation does not create any contractual rights or entitlements for any person.

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