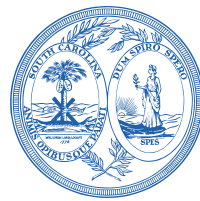


**Fiscal year 2022**

# **Covered Employer Procedures Manual**



**PEBA**<sup>SM</sup>  
SC Retirement Systems  
and State Health Plan

# Table of contents

<b>Chapter 1: Introduction</b>	8
About this manual	9
Chapters	9
Revisions	9
Address	9
Contact PEBA	9
Office hours	9
Social media	9
Employer resources and tools	9
Publications	9
Employer Services	10
Training resources	10
Employer Advisory Group	10
Training resources	10
Employer support line	10
Member Account Services	10
<i>PEBA Update</i> e-newsletter	10
Employer checklists	10
Member assistance	10
Electronic Employer Services	10
Obtaining or updating access	11
Updating contact information	11
Uploading documents	11
Viewing reports and documents	11
Annual recertification	11
Member resources and tools	12
Member Access	12
<i>Navigating Your Benefits</i>	12
Member publications	13
Member checklists	13
<b>Chapter 2: Membership and enrollment</b>	14
Plans PEBA administers	15
Plan types	15

Membership eligibility.....	15
SCRS .....	16
State ORP .....	17
State ORP service providers .....	17
Annual open enrollment .....	18
PORS .....	18
Class Two and Class Three membership .....	19
Correlated systems.....	19
Assisting new employees.....	20
Enrollment process.....	20
Retiree return-to-work dates .....	20
Election of non-membership .....	20
Foreign teachers (e.g., H-1B visa, J-1 visa) .....	21
Member information changes.....	21
Required documents for a name change .....	21
Beneficiary designations.....	21
Beneficiary types .....	22
Primary beneficiary .....	22
Contingent beneficiary .....	22
Trustee designations .....	23
Incidental death beneficiary.....	23
State ORP active incidental death beneficiary .....	23
Changing beneficiaries .....	23
<b>Chapter 3: Reporting process .....</b>	<b>24</b>
Fiscal year 2022 active member contributions .....	25
Fiscal year 2022 employer contributions .....	25
Working retiree contributions.....	26
Contribution rate changes.....	27
Wages subject to contributions.....	27
Salary or wages.....	27
Used sick and annual leave .....	27
Unused annual leave (Class Two members only) .....	27
Unused general leave .....	27
Overtime and compensatory time .....	28

Other compensation.....	28
Wages not subject to contributions .....	28
Special payments.....	28
Lump-sum payments for unused sick leave .....	28
Benefits received for long-term disability .....	28
Member compensation limit.....	28
Unused annual leave for working retirees .....	28
Deposit and reporting process .....	29
Monthly deposits.....	29
Electronic payments .....	29
Delinquent payments .....	30
Payroll inactivity .....	30
Quarterly payrolls.....	30
Delinquent payrolls .....	30
Errors: quarterly payrolls.....	30
Invoices.....	31
Service credit reporting.....	31
Contract length.....	31
Months paid .....	32
Calculating service credit.....	32
Contract length chart .....	34
Supplemental contribution report .....	35
Corrections to past reports .....	35
Supplemental service report .....	35
Descriptions of leave types reported on a supplemental service report.....	35
Furlough uploads.....	37
Teacher step increase supplements .....	37
Employers on the Comptroller General's (CG) payroll .....	37
<b>Chapter 4: Service purchase .....</b>	<b>38</b>
Purchasing additional service credit.....	39
Calculation of costs.....	39
Indexed service credit threshold .....	39
Descriptions of types of service.....	39
Public service .....	39

Educational service (K-12) .....	40
Military service .....	40
Leave of absence .....	40
Workers' compensation .....	40
Previously withdrawn service.....	40
Non-qualified service.....	40
State ORP service.....	41
Transfer to PORS (PORS Only) .....	41
Convert Class One to Class Two (SCRS) .....	41
Convert Class One to Class Two (PORS) .....	41
How a member may request a service purchase invoice.....	41
Purchasing service to meet retirement eligibility .....	42
Installment Service Purchase Program.....	42
Interest rate.....	43
How to participate in the Installment Service Purchase Program .....	43
Reporting the installment payments.....	43
When the installment purchase nears maturity .....	44
<b>Chapter 5: Death claims .....</b>	<b>45</b>
Types of death claims .....	46
Active member .....	46
Inactive member.....	46
Working retired member.....	46
Non-working retired member .....	47
State ORP participant .....	47
Types of death claim payments.....	47
Refund of contributions .....	47
Monthly survivor annuity .....	47
Monthly survivor annuity and multiple beneficiaries .....	48
Incidental death benefit .....	48
Active member incidental death benefit.....	48
Working retired member incidental death benefit.....	48
Non-working retired member incidental death benefit.....	49
Taxes on incidental death benefits.....	49
Accidental Death Program (PORS only).....	49

Who receives the Accidental Death Program benefit? .....	50
Payments to an estate.....	50
Additional documentation required if estate is beneficiary .....	50
<b>Chapter 6: Leaving covered employment</b> .....	51
Leaving funds on deposit.....	52
Requesting a refund .....	52
Refund payment options .....	53
Taxes on a lump sum payment.....	53
How to apply for a refund .....	54
Refund request after a disability retirement claim denial .....	54
State ORP distribution requests .....	55
<b>Chapter 7: Retirement annuities</b> .....	56
SCRS disability retirement .....	57
SCRS disability retirement in general .....	57
Who may apply? .....	57
Coordination with other benefits .....	57
How to apply .....	58
Acknowledgement of receipt .....	58
Processing the claim .....	58
Effective date of a disability annuity .....	58
Continuing disability review .....	58
Applications received by PEBA prior to January 1, 2014.....	58
Applications received by PEBA after December 31, 2013.....	59
Returning to employment while receiving a disability retirement annuity .....	59
PORS disability retirement .....	59
Who may apply? .....	59
Coordination with other benefits.....	60
How to apply .....	60
Acknowledgement of receipt .....	60
Processing the claim .....	60
Effective date of a disability annuity .....	61
Continuing disability review .....	61
Returning to employment while receiving a disability retirement annuity .....	61
Helping a member with a disability retirement application .....	62

SCRS disability applications .....	62
PORS disability applications .....	63
Claims procedures .....	63
Appeals procedures outline .....	64
Service retirement annuities .....	64
Correlated systems and annuity eligibility .....	64
Average final compensation .....	64
SCRS retirement eligibility .....	65
Normal retirement (unreduced benefit) .....	66
Early retirement (reduced benefit) .....	66
SCRS Class Two service retirement annuity calculations .....	66
SCRS Class Three service retirement annuity calculations .....	68
PORS retirement eligibility .....	69
PORS Class One service retirement annuity calculations .....	69
PORS Class Two service retirement annuity calculations .....	69
PORS Class Three service retirement annuity calculations .....	70
Benefit estimates .....	70
How to apply .....	71
Payment options .....	71
Option A (maximum retiree-only monthly annuity) .....	71
Option B (100%-100% joint retiree-survivor monthly annuity) .....	72
Option C (100%-50% joint retiree-survivor monthly annuity) .....	72
If a member chooses Option B or Option C .....	72
Changing payment options or beneficiaries after retirement .....	72
Change in marital status .....	72
Number of changes .....	73
Retiree incidental death benefit .....	73
Trust beneficiaries .....	73
Employer responsibilities .....	73
Instructions for the final payroll certification .....	74
Email notification and task list .....	74
Important things to remember .....	74
Unused leave .....	75
Class Two members .....	75

Class Three members .....	75
Qualified Domestic Relations Orders .....	75
Retiree insurance.....	76
Post-retirement information .....	77
Monthly annuity payments .....	77
Taxes.....	77
Additional information for SCRS disability retirees.....	77
Benefit adjustments .....	78
Changes to a retiree’s account.....	78
Returning to covered employment .....	79
Earnings limitation from covered employment: service retiree .....	79
Earnings limitation from all employment: disability retiree .....	81
Earnings limitation notifications.....	81
Employment status.....	81
Working 48 consecutive months.....	81
Working retired member contribution rate.....	81



# Chapter 1: Introduction

Benefits administrators and others chosen by an employer to assist employees with their participation in the employee benefit programs administered by the South Carolina Public Employee Benefit Authority (PEBA) are not agents or employees of PEBA and are not authorized to bind PEBA or make representations on behalf of PEBA.

## About this manual

The *Covered Employer Procedures Manual* is designed to familiarize benefits and payroll personnel of employers covered by the South Carolina Retirement System (SCRS), State Optional Retirement Program (State ORP) and the Police Officers Retirement System (PORS) with PEBA's policies and procedures, and to facilitate the administration of retirement benefits.

## 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 [peba.sc.gov/forms](https://peba.sc.gov/forms).

## Revisions

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

## Address

202 Arbor Lake Drive  
Columbia, South Carolina 29223

## Contact PEBA

Throughout the manual, in certain situations employers and members are directed to contact PEBA.

## Website

[peba.sc.gov](https://peba.sc.gov)

## Telephone numbers

803.737.6800 or 888.260.9430

## Email

Visit the Contact page at [peba.sc.gov/contact](https://peba.sc.gov/contact).

## Office hours

Our office hours are 8:30 a.m. to 5 p.m., Monday through Friday. Encourage members to schedule an appointment at [peba.sc.gov/visit-us](https://peba.sc.gov/visit-us).

## Social media

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 following us on [Facebook](https://www.facebook.com/peba.sc), [Instagram](https://www.instagram.com/peba.sc), [Twitter](https://twitter.com/peba_sc) and [YouTube](https://www.youtube.com/channel/UCv8v8v8v8v8v8v8v8v8v8v8).

## Employer resources and tools

PEBA's website, [peba.sc.gov](https://peba.sc.gov), includes resources and tools for employers. PEBA also provides access to members' account information through its secure [Electronic Employer Services \(EES\)](#) website. State agencies use the South Carolina Enterprise Information System (SCEIS) to enroll employees and conduct other transactions with PEBA.

## 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 also available on the PEBA website.

- *Comprehensive Annual Financial Report.*
- *Popular Annual Financial Report.*
- *Annual Financial Statements.*
- *GASB 67/68 Actuarial Valuation.*

- *GASB 68 Audit Report.*
- *Pension Fund Audit Disclosure.*
- *SCRS Actuarial Valuation.*
- *PORS Actuarial Valuation.*
- *South Carolina Retirement Systems Experience Study.*

## Employer Services

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

## Training resources

The Employer Services team is available to meet your training needs. Register for any upcoming trainings on the PEBA website at [peba.sc.gov/events](http://peba.sc.gov/events).

## Employer Advisory Group

During these online meetings with the Employer Services team, learn about recent employer updates, receive answers to questions you might have and provide feedback to PEBA. Register for online events at [peba.sc.gov/events](http://peba.sc.gov/events).

## Training resources

The Employer Services team provides online training presentations, tutorials and more at [peba.sc.gov/retirement-training](http://peba.sc.gov/retirement-training). EES also includes tutorials and help information. Register for supplemental training at [peba.sc.gov/events](http://peba.sc.gov/events).

## Employer support line

A dedicated support line in PEBA's Customer Service department is available to respond to and assist employers. When contacting PEBA via phone, select Option 4, then Option 2 for retirement.

## 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. Find your representative's contact information by logging in to [EES](#) and selecting *EES Assistance*.

## PEBA Update e-newsletter

PEBA publishes a weekly e-newsletter, *PEBA Update*, for employers to receive essential updates. The distribution list comes from the contact information provided in [EES Employer Contact Information](#). To receive the e-newsletter and other employer emails, ask your authorizing agent to add you to the contact information in EES.

## Employer checklists

Employer checklists for popular life events are available online at [peba.sc.gov/publications](http://peba.sc.gov/publications). The checklists include applicable insurance and retirement changes, employer to-do's and employee to-do's.

## Member assistance

Member presentations are available online. Employers are encouraged to share or host viewings of the presentations. Available presentations include:

- *Retirement Orientation and Education* (new hires).
- *Retirement Starts Now* (mid-career).
- *Get Set for Retirement* (preretirement).

[Be Aware & Prepare](#) is a member page about retirement awareness.

Members may contact PEBA's Customer Service at 803.737.6800, 888.260.9430 or visit the Contact page at [peba.sc.gov/contact](http://peba.sc.gov/contact) for account assistance.

## Electronic Employer Services

Access to [EES](#) is required for authorized employers to upload employer payroll data, prepare and submit payment for monthly and quarterly contribution reports, submit termination and payroll certification information, initiate enrollment

transactions, submit retiree return-to-work dates, upload certain documents and update contact information. EES also provides employers a Reports & Documents center, training videos and access to member account information, such as service credit and beneficiaries, for their employees.

For employers on the Comptroller General's (CG) payroll, use EES to submit termination and payroll certification information, upload certain documents, update contact information and access member account information.

## Obtaining or updating access

Employers request access to EES by completing the forms listed below and returning them to PEBA.

- [Form 6503](#): Someone who has the authority to sign contracts for the organization should complete this employer confidentiality agreement.
- [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 EES. This should be someone who knows when employees terminate, retire, change jobs, etc. The authorizing contact will be responsible for granting EES access to persons (users) and keeping the list of users current.
- [Form 6505](#): This form should be completed by the authorizing contact and the designated user of EES. A user ID and a PIN will be emailed to the user.
- If access to Data Downloads is required, please forward a memorandum outlining the business reason supporting the request and the user to whom access should be given.
- [Form 1286](#): If you wish to submit electronic payments for monthly and quarterly deposits, complete and upload this form.

Request assistance from and return completed forms to [EESsupport@peba.sc.gov](mailto:EESsupport@peba.sc.gov). Authorized EES users may upload some forms in EES.

## Updating contact information

Employers should maintain and update their contact information in EES. Select the *Employer Contact Information* option to modify, add and delete contacts for your group. PEBA uses the contact information you provide to share important announcements and updates, including the delivery of *PEBA Update* and emails to employers. Please note that employer contact information is not linked to EES access and users.

## Uploading documents

Employers may submit some documents for processing in the *Document Upload* feature in EES. This eliminates the need to print and mail forms to PEBA. You may upload documents in three categories:

- Member documents,
- Employer documents, and
- Supplements.

[View a list of documents](#) that may be uploaded.

## Viewing reports and documents

View electronic copies of certain letters and/or reports that were mailed to employers in the *Reports & Documents* center of EES. PEBA also sends an email notification when a new report or document is posted.

## Annual recertification

The authorizing contact is responsible for validating and confirming EES users through PEBA's annual recertification process. At the designated time, the authorizing contact should review and validate users in the *Annual Recertification for EES Access* feature in EES.

# Member resources and tools

## Member Access

[Member Access](#) is the online resource that allows members of a PEBA-administered retirement plan (SCRS, PORS and State ORP) to view their account information with PEBA. It's safe, secure and available anytime from anywhere a member has internet access.

### Active members may:

- View and update their designated beneficiary information;
- View their current service credit;
- View and save or print their member statement;
- Change their address;
- Calculate an unofficial cost estimate to purchase service credit;
- Submit and view the status of their refund application;
- Run an unofficial benefit estimate;
- 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 save or print a 1099-R form;
- View and save or print a monthly benefit verification letter;
- View and save or print an insurance premium letter;
- View their current payment method;
- View payment history;
- 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 save or print their member statement;
- View and update their designated beneficiary information; and
- Change their address.

### State ORP members may:

- Change their address with PEBA<sup>1</sup>;
- View and update their incidental death beneficiary;
- Request changes during State ORP annual open enrollment; and
- View their current service provider information.

Promote and encourage the use of the [Member Access flyers](#) that are available as part of our *Navigating Your Benefits* series:

- *Retirement Enrollment Guide for New Hires.*
- *Setting Up a New Member Access Account.*
- *Designating Active Member Beneficiaries.*
- *Manage Your Retirement Account with Member Access.*
- *Using Member Access in Retirement.*

## Navigating Your Benefits

The *Navigating Your Benefits* series, available at [peba.sc.gov/nyb](http://peba.sc.gov/nyb), provides common-language explanations on various flyers and videos. Find the following flyers and more:

- *SCRS at a Glance - Class Two* flyer.
- *SCRS at a Glance - Class Three* flyer.
- *PORS at a Glance - Class Two* flyer.
- *PORS at a Glance - Class Three* flyer.
- *State ORP at a Glance* flyer.
- *South Carolina National Guard Plan at a Glance* flyer.
- *Leaving Your Retirement System Early* flyer.

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<sup>1</sup> PEBA does not share member name or address changes with State ORP service providers.

## Member publications

Member publications are also available online at [peba.sc.gov/publications](https://peba.sc.gov/publications). Find the following publications and more:

- *Select Your Retirement Plan* guide.
- *SCRS Member Handbook*.
- *PORS Member Handbook*.

## Member checklists

Member checklists for common life events, including marriage, service retirement and more, are available online at [peba.sc.gov/publications](https://peba.sc.gov/publications). The checklists include applicable insurance and retirement changes and employee to-do's.

## **Chapter 2: Membership and enrollment**

## Plans PEBA administers

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 need specific information concerning GARS, JSRS or SCNG policies and procedures.

PEBA is also responsible for the South Carolina Deferred Compensation Program (Deferred Comp), which is a supplemental retirement savings program for South Carolina's public workforce. Participation in Deferred Comp is voluntary, and it is not offered by all employers that participate in the retirement plans administered by PEBA. Deferred Comp offers 401(k) and 457(b) plans and is governed by Title 8, Chapter 23, of the S.C. Code of Laws. For more information about Deferred Comp, visit the website at [www.southcarolinadcp.com](http://www.southcarolinadcp.com). To access Deferred Comp's *Employer Reference Guide* and additional materials designed to assist in administering Deferred Comp, go to the website and select *Employers* from top menu bar, then confirm your acceptance of the employer disclaimer.

## 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 eligible to receive a monthly annuity for life. See Page 66 for information about retirement eligibility. The monthly annuity amount 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 where employee and employer contributions are accumulated. Benefits are based on the balance in a participant's account, rather than a fixed annuity. State ORP and Deferred Comp'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 exercised in a timely manner.

The decision not to 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 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 17.

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 initiate the enrollment in 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 may employ the Social Security Administration's student services guidelines.
- Retired members: Retired members who are re-employed by a participating employer may not elect active membership in SCRS or PORS since they are already retired; however, they must pay employee contributions if re-hired. 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). See Working retiree contributions on Page 26.

## **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, public higher education institutions and public school districts, as well as employees of charter schools, 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. Incidental death benefit coverage is also available for members employed by employers that participate in that coverage.

As a condition of employment, all employees of employers participating in SCRS are required to become members of SCRS or, if eligible, State ORP, unless the employee is eligible to opt out of participation by statute and makes a timely 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 the retirement plans, but must enroll in SCRS or, if eligible, State ORP, even if the employee would otherwise be eligible to opt out. Initiating enrollments in EES will eliminate election option errors.

Employees in the categories listed below may elect non-membership in SCRS if there are no funds on deposit with SCRS from a prior period of service. When initiating the enrollment in EES, check the appropriate non-membership option. 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 position that is non-permanent or temporary in nature. Employment in a time-limited or temporary grant position or under a time-limited work or exchange visa (e.g., an international teacher working under a J-1 visa) is generally considered non-permanent in nature.
- Day laborer.
- 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: 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

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 higher education institutions, public school district and participating charter school 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 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. 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. View the State ORP webpage at [peba.sc.gov/state-orp](http://peba.sc.gov/state-orp).

Employees eligible for State ORP participation may choose the State ORP defined contribution plan as an alternative to the traditional SCRS defined benefit plan. To participate in State ORP, eligible employees must elect to participate within 30 days from their date of hire. If they do not complete a retirement plan election during that timeframe, they will automatically become members of SCRS. The [Select Your Retirement Plan](#) guide includes a comparison of SCRS and State ORP benefits.

A State ORP participant who is actively contributing to the State ORP and hired in a concurrent position with a State ORP-eligible employer must elect State ORP in the concurrent position and select the same service provider. If the concurrent position is with an employer that is not eligible for State ORP, the participant must elect SCRS membership for the concurrent position.

If an employee joins State ORP, PEBA will share his enrollment details with the service provider he selects to assist in the establishment of his account. The employee must contact his chosen service provider to select his investment options and designate a beneficiary for his State ORP account. If this step is not completed, contributions for the employee will be invested in the default investment option, which is a target date fund, and the account will be payable to the employee's estate upon his death.

## State ORP service providers

- [AIG Retirement Services](#).
- [Empower Retirement](#) (formerly MassMutual).
- [TIAA](#).
- [Voya Financial](#) (Voya).

View current contact information for the service providers at [peba.sc.gov/state-orp](http://peba.sc.gov/state-orp).

## Annual open enrollment

The annual open enrollment period for all State ORP participants is January 1 through March 1. During this period, a State ORP participant may:

- Change service providers; or
- Irrevocably elect to change from State ORP to SCRS, if eligible.

### State ORP service provider change

State ORP participants wishing to change service providers should do so through [Member Access](#). If a participant is unable to change his service provider online through Member Access, he may do so by completing [Form 1162](#).

If a State ORP participant changes service providers during annual open enrollment, the participant may transfer his existing account balance, subject to the service providers' contractual limitations, to the new service provider. To do so, the participant must initiate the process by contacting his prior service provider and requesting the appropriate forms. He should also contact his new service provider to inquire about forms that it may require. The transfer of funds from the old service provider to the new service provider should not be completed during the annual open enrollment period, as it is important that all contributions prior to the April 1 effective date of the change post to the account with the prior service provider before the transfer is initiated. This will ensure the full account balance transfers, leaving no residual contributions with the prior service provider. The participant may also choose to leave funds on account with the prior service provider.

### Irrevocable election to participate in SCRS

State ORP participants are eligible to change from the State ORP to SCRS during the annual open enrollment period if at any point during the open enrollment period it has been at least one year, but not more than five years, since their initial enrollment in State ORP.

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. See the Service Purchase chapter on Page 39 for more details.

Eligible State ORP participants wishing to irrevocably elect to participate in SCRS should request that their employer initiate an enrollment in EES, which will prompt the employer to confirm that the enrollment is an irrevocable election to change from State ORP to SCRS. The participant will then receive an email to confirm the change. Employers who are unable to initiate an enrollment in EES should have the employee complete a [Form 1100](#). For employers on the Comptroller General's (CG) payroll, complete the change in SCEIS and retain a copy of any supporting documentation (i.e., Form 1100) for your records.

## 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. Police officers must also

earn at least \$2,000 per year and devote at least 1,600 hours per year to this work.

- 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 S.C. 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.
- Firefighters. A firefighter is a person who gives his time to the 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.
- Magistrates. Magistrates appointed pursuant to Section 22-1-10 of the South Carolina Code of Laws participate in PORS.
- Probate judges. Elected probate judges may choose to participate in PORS, or they may choose to participate in SCRS.

PORS provides service and disability retirement, deferred and survivor annuities to eligible members. Incidental death benefit coverage and accidental death program coverage are also provided for members employed by employers that participate in those coverages.

Employers will be requested to certify that an employee meets the criteria for PORS membership on the EES enrollment. PORS membership will be denied if the criteria are not met. For assistance in determining employee membership eligibility, upload a written position description to PEBA for evaluation. You may also be required to upload an affidavit certifying that the position qualifies for participation in PORS (Form 1107).

## Class Two and Class Three membership

There are two classes of membership: Class Two and Class Three. Class Two members are 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 have earned service credit 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.

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

## Correlated systems

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 based on 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.

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 an active member of SCRS or PORS if the member is retired from the other system. See Working retiree contributions on Page 26.

If you need additional information about correlated systems, contact PEBA.

## Assisting new employees

To ensure employees are properly informed about their retirement choices, please direct all new employees to PEBA's [new employees webpage](#) and the [Navigating Your Benefits webpage](#) so that they can learn about their options.

## Enrollment process

Within 30 days of hire, all new employees must select a retirement plan or, if eligible, elect non-membership. Employers initiate the enrollment process via the *Retirement Plan Enrollment* option in EES. A valid email address for the employee is required. The employee will be notified via email to make a retirement plan election. It is critical for the employer to initiate the enrollment immediately upon hire in order to provide the employee adequate time to review his options and make an educated decision within 30 days of hire.

An enrollment must be initiated in EES even if a new employee has an active account through previous employment. An enrollment must also be initiated in EES when a member transfers from one retirement system to another or transfers from one covered employer to another.

The legal name on the enrollment must match the name on the quarterly payroll reports your organization submits to PEBA. If a name error exists on an enrollment for an employee with an existing account, contact PEBA.

View one of the enrollment training videos and documents in EES for instructions.

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 State ORP to SCRS

during a State ORP annual open enrollment period, unless an employee has or subsequently establishes a period of earned service in the system prior to that date.

Employers on the Comptroller General's (CG) payroll who use SCEIS to enroll employees do not need to initiate an EES enrollment. Enrollment information is shared electronically between SCEIS and PEBA. You may complete a Form 1100 for record-keeping purposes only, but do not send copies of these forms to PEBA.

## Retiree return-to-work dates

You must notify PEBA when a retired member is hired. Enter the hire date and estimated monthly salary for a retired member who has returned to work via the *Employed Retirees - Return to Work Date Entry* option in EES. Employers on the Comptroller General's (CG) payroll who use SCEIS for new hires do not need to enter retiree return-to-work dates in EES. This information is shared electronically between SCEIS and PEBA.

It is critical to submit this information in a timely manner. If a retired member receives an overpayment of benefits because a covered employer failed to notify PEBA of the retired member's hiring in a timely manner, the employer is responsible for reimbursing PEBA for any benefits that were wrongly paid to the retired member.

## Earnings limitation

A member who retires from SCRS or PORS after January 1, 2013, and returns to covered employment may be subject to the earnings limitation. More information is available on Page 80.

## Election of non-membership

A newly hired employee with no funds on deposit with PEBA, and 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 enrollment. The employee is responsible for selecting non-membership within 30 days of his hire date. The decision not to 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 U.S. 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

Member Access is the easiest way for members to make changes to their account information with limited exceptions. Encourage employees to update email, address, phone number and beneficiaries (active members) in Member Access. Completing these changes outside of Member Access requires paper forms, original signatures and may require notarization.

A member should complete a *Retirement Plan Enrollment* (Form 1100) to make a date of birth or Social Security number change with PEBA. This form can be uploaded in EES.

An active or inactive member may make an address change through Member Access or via Form 1239,

which can be uploaded in EES. Address changes are not accepted over the phone.

If an SCRS or PORS member has a refund request on file or is receiving a retirement annuity, the member can change his address in [Member Access](#). 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 [Name/Address Change Form](#) (Form 1239):

- Photocopy of a marriage license;
- Photocopy of a divorce decree;
- Photocopy of a filed court order;
- Photocopy of a Social Security card;
- Photocopy of a driver's license or state-issued identification card; or
- Photocopy of a valid U.S. passport.

Authorized EES users may upload Form 1239 and supporting documentation in EES. If a member's name has been spelled incorrectly, please contact PEBA.

State ORP participants who update their date of birth, Social Security number, name or address with PEBA must also contact their selected service provider to make the change to their State ORP account. Some service providers require employers to request changes for active participants.

## Beneficiary designations

At the time of hire, an employee who enrolls in SCRS or PORS should designate one or more beneficiaries for each benefit provided. The beneficiaries default to estate when the enrollment is completed. A newly hired employee who is already a member of SCRS or PORS may update his beneficiary via Member Access. The designation(s)

on file with PEBA will remain in effect if no update is submitted.

Active members may change their beneficiary designations by logging in to [Member Access](#). Provide employees with the *Designating Active Member Beneficiaries* flyer for information. Members will select the Beneficiaries link, which allows them to designate one or more people or retain their estate as beneficiary for their retirement contributions and/or survivor benefits.

To make a change, members will need to have all beneficiary information, such as full names, dates of birth and Social Security numbers. Any beneficiary changes they make will override their prior designations and will take effect immediately. Before making any changes, members may wish to consult an attorney/estate planner.

Members must complete an [Active Member Beneficiary Form](#) (Form 1102) or [Beneficiary/Trustee Designation Form](#) (Form 1103) if they choose to designate any of the following as their beneficiary:

- Trust.
- Entity.
- Charity.
- Organization.

State ORP participants must designate a beneficiary for their State ORP account balance directly with their [chosen service provider](#).

State ORP participants may update (defaults to estate at enrollment) their incidental death benefit beneficiaries through [Member Access](#). If they are unable to use Member Access, they may complete a [State ORP Active Incidental Death Benefit Beneficiary Designation](#) form (Form 1106) and return it to PEBA.

All beneficiary changes made using the paper form require that the member's signature be notarized.

In response, PEBA will provide a confirmation notice of beneficiary designations via email if completed in Member Access or via mail if submitted on paper.

If the beneficiary designation is the member's estate, 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.

Employers may request the Active Service Totals report in EES *Data Download* to review a listing of employees with estate as their survivor or incidental death benefit beneficiary. Provide the *Designating Active Member Beneficiaries* flyer to those employees who wish to make changes.

## 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 must 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. By law, to designate a contingent beneficiary, a member must be actively employed and making regular contributions. A member who belongs to more than one retirement system must 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. If the trust does not exist, benefits will be paid as if the designation of the trust as beneficiary had not been made.

## 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 if the member dies in service. 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

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 if the participant dies in service. A contingent beneficiary may not be named to receive an active State ORP participant's incidental death benefit.

A new employee who is already a State ORP participant may choose to update his incidental

death benefit beneficiary via Member Access. The designation(s) on file with PEBA will remain in effect if no update is submitted.

## Changing beneficiaries

A member who is not retired may make beneficiary changes at any time by logging into [Member Access](#). Likewise, an active State ORP participant may update his incidental death benefit beneficiary at any time by logging in to [Member Access](#). Each time beneficiary changes are made, the most recent change supersedes all previously submitted designations.

Provide the *Designating Active Member Beneficiaries* flyer to those employees who wish to make changes.

PEBA does not maintain beneficiary records for State ORP accounts with service providers. State ORP participants must contact their chosen service provider directly in order to update those beneficiary designations.



## **Chapter 3: Reporting process**

## Fiscal year 2022 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 2022 fiscal year, SCRS members and State ORP participants contribute a tax-deferred 9 percent of earnable compensation into their retirement account. PORS members contribute a tax-deferred 9.75 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 solely by the employer. Employee contributions must be withheld on wages paid to working retired employees 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	9% of earnable compensation
State ORP	9% of earnable compensation
PORS	9.75% of earnable compensation

## Fiscal year 2022 employer contributions

Employer contributions are due on amounts considered earnable compensation for both active members and retirees who have returned to work. Employer contributions are not required on active employees who are eligible and elect not to join one of the retirement systems administered by PEBA by completing 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 15 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 state agencies, public higher education institutions, public school districts and participating charter schools that also participate in the state insurance benefits program. These contributions cover the employer's share of the cost of providing health and dental insurance to retirees under the State Health Plan.

Employer contribution percentages for fiscal year 2022 are listed in the table on the following page and can also be found [online](#).

Retirement plan	Employer retirement contribution	Incidental death benefit contribution <sup>2</sup>	Accidental death contribution <sup>2</sup>	Total employer rate	Insurance surcharge <sup>3</sup>
SCRS	16.41%	0.15%	N/A	16.56%	6.25%
State ORP <sup>4</sup>	16.41%	0.15%	N/A	16.56%	6.25%
PORS	18.84%	0.20%	0.20%	19.24%	6.25%

## Working retiree contributions

Employer contributions are due on all earnable compensation for working retirees. 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. 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 via the *Member Profile* option in EES. 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

<sup>2</sup> Rates are applicable only to employers covered under these programs.

<sup>3</sup> Insurance surcharge is applicable only to state agencies, public higher education institutions, public school districts, charter schools that participate in retirement and other entities that participate in the state's retiree health insurance trust fund.

<sup>4</sup> For State ORP participants, 5 percent of the employer contribution is remitted directly to the participant's State ORP service provider. State ORP is available only to employees of state agencies, public higher education institutions, public school districts and charter schools that participate in retirement.

any funds payable to the employer by the State of South Carolina.

As long as contributions continue to be reported each quarter, retiree return-to-work dates (see Page 21 for more information) from a given employer remain valid. If a quarter is missed, causing a gap in contributions, 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 supplemental contribution reports to fill in gaps.

## 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 State ORP are exempt from federal and state income taxes, but are not exempt from FICA/Medicare taxable wages.

## Used sick and annual leave

Wages paid to employees who are 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. If an active 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 active 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.

## 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* task in EES 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. 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 ongoing 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 retirement 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 State ORP after December 31, 1995. The IRS limitation for calendar year 2021 is \$290,000. 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 31 for more information).

## Unused annual leave for working retirees

Unused annual leave payments to members who previously retired and who subsequently returned to covered employment as a working retiree are not subject to retirement contributions.

## Deposit and reporting process

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

Employers must remit employer and employee contributions to PEBA monthly and submit payroll data on a quarterly basis. Create monthly deposit forms in EES, remit payment and submit quarterly detail reports in EES.

Section 9-20-50 of the S.C. Code of Laws requires that State ORP contributions be remitted by the employer directly to the service providers in accordance with the guidelines established by the IRS for their payroll tax remittance. It is the employer's responsibility to monitor their payroll cycles and ensure that contributions are being remitted in accordance with state law.

View the *Employer Reporting* training video in EES for instructions.

### Monthly deposits

Complete the appropriate deposit forms via the *Employer Reporting* option in EES. Enter the monthly salary and contribution amounts, which allows all other calculations to be performed systematically.

Deposit forms are prefilled with employer contribution rates, contact person, email address and phone number. 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 the data is applied properly to accounts.

Once information is entered, select Continue. If you return to the *Employer Reporting* page, the information is stored. Select Edit Deposit Form to edit the information

Select Generate PDF to create the deposit form. Download and save or print the deposit form.

You have several options for remitting monthly deposit forms and payments:

- Schedule an EES Electronic Payment;
- Automated account debit;
- Wire funds; or
- Check.

Select the Schedule Payment button for EES Electronic Payment submission and PEBA will receive both the deposit form and payment electronically. Please note, payments may be scheduled for future dates.

You are encouraged to send deposit forms and payments electronically. For assistance, call PEBA's Cash Receipts Department at 803.737.6849.

- [Form 1286](#): *Authorization Agreement for Participation in EES Retirement Electronic Payments* is required for electronic submission in EES.
- [Form 1226](#): *Automated Clearing House (ACH) Debit Authorization* is required for automated account debits.

Authorized EES users may upload Forms 1286 and 1226 in EES.

Printed deposit forms can be mailed, emailed to [serviceaccounting@peba.sc.gov](mailto:serviceaccounting@peba.sc.gov) or faxed to 803.740.1255. If you elect to remit payments by check, mail the completed deposit form and check using the green envelopes provided by PEBA to employers in August.

### Electronic payments

Electronic Payments is a secure feature that allows employers to submit monthly and quarterly deposit forms with payment in EES. It eliminates the printing and mailing of paper deposit forms and paper checks. It allows for flexible date selection to schedule payments, which ensures timely remittance. Employers can also view the status of submitted deposits and scheduled payments. Additionally, you can manage bank accounts online. ACH debit and wire payments can also be easily changed to electronic payments.

EES Electronic Payments is available to all employers, except for employers on the Comptroller General's (CG) payroll.

To sign up, upload [Form 1286](#) and a revised [Form 6505](#), selecting the Electronic Payments option under Employer Reporting, in EES.

## Delinquent payments

A late notice letter is generated and mailed via USPS if a monthly deposit is not received within seven days of the due date.

Upon receipt of a delinquent payment, interest will be assessed, and an invoice will be issued. The date received is the date the funds were received by PEBA, not the postmark date.

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.

## Payroll inactivity

If you do not have any members on payroll for the applicable reporting period, you must still submit a deposit form and check the no covered wages box. This will facilitate processing and alert PEBA not to call concerning delinquent payment and payroll.

## Quarterly payrolls

To comply with the Financial Identity Fraud and Identity Theft Protection Act and to protect the privacy of members, PEBA requires you to submit quarterly payroll data via the *Employer Reporting* option in EES through one of these formats:

- Upload a text file; or
- Enter and submit data (EESER).

The *Quarterly Data Submitted* date is shown when a quarterly payroll is received by PEBA.

## Upload a text file

The text (.txt) file must consist of an employer header record, followed by employee detail records. For proper formatting, the Quarterly Report Data Layout is available in EES.

Select the Upload button, choose your payroll file to upload, select Continue, review summary information and submit. If an error exists, review the error message, correct the file and upload again. Complete instructions for using the Upload function are in EES.

If adjustments to an uploaded text file are necessary to balance the payroll with the remitted deposit form and payment, complete and upload the [Adjustment to Quarterly Payroll Reporting](#) (Form 1223).

## Enter and submit data (EESER)

Select the EESER button to key data and submit the quarterly payroll. For complete instructions on using the EESER function, refer to the *EESER User Manual* under the Help link in EES.

## Delinquent payrolls

A late notice letter is generated and mailed via USPS if a quarterly payroll is not received within seven days of the due date.

## Errors: quarterly payrolls

After a quarterly payroll is submitted and the detailed member records are released for posting to individual member accounts, view any errors via the *Employer Transaction Error List* in EES. Select an error for details.

Information about errors is also available in a user-friendly spreadsheet with sorting by Account Type, SSN, Last Name Verifier, Date or Error, and Resolution Type.

Most of the errors involve missing enrollment information, name changes, retirees for whom a return-to-work date is required and contribution errors.



If you do not understand an error message, a help screen is available, or you may contact your assigned representative in Member Account Services. Find your representative information in EES by selecting *EES Assistance*.

## Invoices

Invoices are created due to delinquent monthly payments, quarterly report reconciliations and supplemental reconciliations.

Upon receipt of a delinquent monthly payment, interest will be assessed, and an interest invoice will be issued. If additional funds are due to PEBA from a quarterly or supplemental reconciliation, an invoice of the amount due will be issued. Submit payment for these invoices immediately to PEBA.

If excess funds are due to the employer, PEBA will issue a credit invoice to the employer at reconciliation. Credit invoices may be applied to quarterly deposit forms on Line 13, Authorized Credits & Debits. If credit invoices are available, use the Select invoices link. A pop-up window of the open invoices available to apply to the quarterly deposit will appear. Mark the check boxes for invoices to be applied. A maximum of 27 invoices may be selected. Select Done when finished; the invoice amounts will be included on Line 13 of the quarterly deposit form along with the invoice numbers.

## Service credit reporting

The information provided in the quarterly payroll is an important part of a member's account for many reasons. PEBA relies on the information you provide to calculate a member's service credit and average final compensation, both of which are an essential part of a member's monthly annuity calculation. Service credit is awarded to members based on monthly compensation and dates of employment (taken from reported contract length and months paid information). A contract length and months paid are reported for each member on the quarterly payroll.

State ORP participants are not awarded service credit, because benefits under defined contribution plans are based only on contributions made to the State ORP participant's selected service provider.

Earned service is paid employment as an active employee (not retired) during which regular contributions are paid to PEBA.

## Contract length

A contract length is the number of months per fiscal year (July to June) in which a member is compensated. For example, most state employees have a contract length of 12, which means year-round employment and compensation.

If members are compensated during only a portion of the fiscal year, however, the contract length should be the number of months in which they are compensated. For example, some school district and higher education employees are compensated over nine, 10 or 11 months rather than 12 months. They should therefore be reported as a contract length of nine, 10 or 11 months. Contract lengths of nine, 10 or 11 months are intended for school district and higher education employees only.

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, a contract length other than 12 months must be selected in the first year of employment to grant a full year of service credit. The contract length 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 a 12-month contract length in subsequent contract years.

Report whole months only. If an individual works nine and one-half months, round down the figure to nine months.

Please review the Contract length chart on Page 35 to determine the appropriate contract length based on the most common payroll cycles.



Non-standard contract lengths are provided for elected officials, appointed members of boards and commissions, and individuals subject to the member compensation limit.

## Months paid

Months paid is the number of months per quarter (1, 2 or 3) in which a member is compensated. Round partial months up to the next full month. Do not report partial months. An employee cannot receive more than three months paid in a quarter.

## Calculating service credit

A monthly salary is inferred by PEBA based on the number of months paid in the quarter and the quarterly compensation reported.

PEBA will calculate the appropriate service credit for a member based on the data reported from the employer quarterly payrolls.

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. If a member does not reach the threshold in a given month, the service credit is prorated.

### 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. The monthly threshold is only a part of the service credit equation. The employee must also be correctly reported with contract length and months paid for the quarter and be actively employed to ensure proper service credit.

#### Example

A member earns \$290 per month.

1.  $\$290 \div \$580 = 50$  percent  
(a half-month of service credit)
2. Half of a 30-day month = 15 days

#### Example: Contract length and monthly threshold

If a substitute teacher is reported with a contract length of nine months and earns \$290 for the month of September, service credit would be calculated as follows:

1.  $\$290 \div \$580 = 0.50$
2.  $0.50 \div 9 \text{ months} = 0.05565 \text{ year}$
3.  $0.05565 \times 12 \text{ months} = 0.6667 \text{ months}$
4.  $0.05565 \times 360 \text{ days} = 20 \text{ days}$

#### Examples: Contract lengths and service earned

An employee with a nine-month contract length reaching the earnings threshold earns 40 days of service credit each month ( $360 \text{ days} \div 9 \text{ months} = 40 \text{ days per month}$ ).

1.  $40 \div 30 = 1.33 \text{ months}$
2.  $1.33 \text{ months} \times 9 \text{ months} = 360 \text{ days or } 1 \text{ year}$

An employee with a 10-month contract length reaching the earnings threshold earns 36 days of service credit each month ( $360 \text{ days} \div 10 \text{ months} = 36 \text{ days per month}$ ).

1.  $36 \div 30 = 1.20 \text{ months}$
2.  $1.20 \text{ months} \times 10 \text{ months} = 360 \text{ days or } 1 \text{ year}$

An employee with an 11-month contract length reaching the earnings threshold earns 33 days of service credit each month (rounded) ( $360 \text{ days} \div 11 \text{ months} = 33 \text{ days per month}$ ).

1.  $33 \div 30 = 1.10 \text{ months}$
2.  $1.10 \text{ months} \times 11 \text{ months} = 360 \text{ days or } 1 \text{ year (rounded)}$

An employee with a 12-month contract length reaching the earnings threshold earns 30 days of service credit each month ( $360 \text{ days} \div 12 \text{ months} = 30 \text{ days per month}$ ).

1.  $30 \div 30 = 1.00 \text{ month}$
2.  $1.00 \text{ months} \times 12 \text{ months} = 360 \text{ days or } 1 \text{ year}$

## School districts and contract lengths

Only certain educational positions are allowed to be reported under contract lengths 9, 10 and 11, and it is very important to consider the implications of changing an employee's contract length before the fiscal year ends. The reported contract length for an employee should be consistent from the September quarterly report through to the June quarterly report.

If, for example, an employee is reported in the September quarterly report as being paid on a 10-month contract length, 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 length 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 and reported to PEBA as a different contract length, then the employee will be short service credit for the full fiscal year. Refer to the Contract length chart on Page 35 for detailed service credit information for employees with contract periods of less than 12 months.

## Municipalities contract lengths

Normal contract length reporting for municipalities is 12 months since generally these positions are paid year-round. Refer to the Non-standard contract lengths section below for detailed service credit information for employees with contract periods other than 12 months and the Service credit under the member compensation limit section on Page 33.

## Non-standard contract lengths

Individuals elected to public office or appointed to serve on a board or a commission (e.g., 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 lengths shown in the chart below have been assigned for these individuals based on how they are compensated (where applicable).

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, 12 months should be used as the contract length.

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

## Service credit under the member compensation limit

Although individuals subject to the IRS compensation limit (\$290,000 for 2021) 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.

## Contract length chart

**September through May:** Contract length 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
1 <sup>st</sup> quarter month paid = 1			2 <sup>nd</sup> quarter month paid = 3			3 <sup>rd</sup> quarter month paid = 3			4 <sup>th</sup> quarter month paid = 2		

**September through June:** Contract length 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
1 <sup>st</sup> quarter month paid = 1			2 <sup>nd</sup> quarter month paid = 3			3 <sup>rd</sup> quarter month paid = 3			4 <sup>th</sup> quarter month paid = 3		

**August through May:** Contract length 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
1 <sup>st</sup> quarter month paid = 2			2 <sup>nd</sup> quarter month paid = 3			3 <sup>rd</sup> quarter month paid = 3			4 <sup>th</sup> quarter month paid = 2		

**August through June:** Contract length 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
1 <sup>st</sup> quarter month paid = 2			2 <sup>nd</sup> quarter month paid = 3			3 <sup>rd</sup> quarter month paid = 3			4 <sup>th</sup> quarter month paid = 3		

**July through June:** Contract length 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 9-, 10- or 11-month employees to get a full year of service credit for the first year. They would be switched to 12 months for the next year's contract length.*

July 1	Aug 1	Sept 1	Oct 1	Nov 1	Dec 1	Jan 1	Feb 1	Mar 1	Apr 1	May 1	June 1
1 <sup>st</sup> quarter month paid = 3			2 <sup>nd</sup> quarter month paid = 3			3 <sup>rd</sup> quarter month paid = 3			4 <sup>th</sup> quarter month paid = 3		

**20-day pay cycle:** These employees are paid every 20 days (i.e., bus driver) and possibly may not receive a check 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 9 months or 8 months 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
1 <sup>st</sup> quarter month paid = 3			2 <sup>nd</sup> quarter month paid = 3			3 <sup>rd</sup> quarter month paid = 3			4 <sup>th</sup> quarter month paid = 3		

## Supplemental contribution report

### Corrections to past reports

If a service or contribution error was made on a past report, 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. Complete the top portion of Form 1227 in its entirety. 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.

All information should be entered by quarter. Do not cross fiscal year or quarter dates when completing the form.

Contributions reported on 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 \$276 were withheld from a wage of \$3,063 and reported on the quarterly payroll report. The correct wage was \$2,451 with contributions of \$221. The original entry should be entered on Form 1227 and placed in brackets in the appropriate columns (wages [\$3,063], contributions [\$276]). The next line will reflect the corrected information: wages \$2,451, contributions \$221, contract length and months paid.

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

contributions include incidental death benefit and the accidental death program, if applicable.

PEBA requires that Form 1227 be signed and dated by an employer's authorized reporting official. Authorized EES users may upload Form 1227 in EES.

If additional contributions are due to PEBA, payment must be remitted. If excess funds are due to the employer from PEBA, PEBA will issue a credit invoice to the employer when the report is reconciled.

View the *Supplemental Report* training document in EES for instructions.

## Supplemental service report

The [Supplemental Service Report](#) (Form 1224) is generally used to report contributions and service for employees on certain types of 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. Authorized EES users may upload Form 1224 in EES.

If additional contributions are due to PEBA, payment must be remitted. If excess funds are due to the employer from PEBA as a result of a correction, PEBA will issue a credit invoice to the employer when the report is reconciled.

## 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.

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**

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

## Furlough uploads

State law authorizes state agencies, public higher education institutions, counties and public school districts to institute a furlough program under certain conditions. Under these furlough programs, the affected employees are entitled to continue participation in the retirement systems during the furlough, and the employing agency, school or county is responsible for making both employer and employee contributions to the retirement systems for the affected employees.

Employers are not required to submit employee or employer contributions on working retirees participating in a furlough.

Employers must upload furlough supplements via the *Upload Supplement Data* option in EES. The data can be in Excel or text format. Payments must be remitted to PEBA along with the *Supplemental Service Report: Furlough Supplements* (Form 1228).

## Teacher step increase supplements

On March 11, 2021, Governor McMaster signed House bill 3609 into law. This joint resolution restores teacher step increases that were suspended by Act 135 of 2020 due to COVID-19.

As a result of this legislation, school districts may provide a one-time lump sum payment of any retroactive step increases due to the employee.

Step increases are considered earnable compensation for retirement purposes; therefore, districts must withhold retirement contributions from the payments.

For any lump sum payments made as a result of this legislation, districts must report the wage and contribution amounts to PEBA. Employers must upload teacher step supplements via the *Upload Supplement Data* option in EES. The data can be in Excel or text format. Payments must be remitted to PEBA along with the *Supplemental Service Report: Teacher Supplements* (Form 1229), which will automatically generate once the supplemental data file is successfully uploaded.

## Employers on the Comptroller General's (CG) 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 applicable State ORP service provider. View the *Quarterly Report Corrections* training document in EES for instructions.

## **Chapter 4: 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.

### 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. The cost to purchase periods of less than one year will be prorated.

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. A member's career highest fiscal year earnable compensation includes any salary earned during a period of withdrawn service, regardless of whether the withdrawn service has been established through a service purchase. This also includes earnable compensation received while participating in State ORP if the member has purchased SCRS service credit for any State ORP participation.

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. As with service credit reporting, the application of the indexed service credit threshold is different for certain elected or appointed public officers, academic employees who are not paid on a 12-month schedule, and other employees who have non-standard contract lengths. Please contact PEBA for more information about indexed service credit threshold purchases for non-standard contract lengths.

## 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 U.S. 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. The member's employer is required to remit employer contributions for any period of workers' compensation leave for which the member makes contributions.

## 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.<sup>5</sup> 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

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<sup>5</sup> Interest may be waived if a member is timely seeking to reestablish service withdrawn during 2020 as part of a

coronavirus-related distribution under the CARES Act. Please contact PEBA for more information.

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 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 with 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

Encourage members to use [Member Access](#) to request the cost to establish service credit or to get an updated cost of a previously calculated service purchase. 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. Authorized EES users may upload Form 2101 in EES on behalf of the member. A member may also submit a service purchase request by contacting PEBA.

Once PEBA receives a member's request, 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. Authorized EES users may upload some forms in EES.

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. The invoice is also available in Member Access. 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 PEBA for more information. A member must remit payment for service purchases in full before the member's retirement date or termination from employment. However, if a member is terminated from covered employment within one year of retirement eligibility, the member has five business days after the date of termination to purchase any service credit that he is otherwise eligible to purchase.

Some types of purchased service may not be used in determining eligibility for retiree health insurance. Share these important flyers with your employees:

- [\*Retiree Insurance Eligibility, Funding for members who work for a state agency,\*](#)

[\*public higher education institution, public school district or charter school that participates in both insurance and retirement.\*](#)

- [\*Retiree Insurance Eligibility, Funding for members who work for optional employers, such as county governments and municipalities, or charter schools that participate in insurance only.\*](#)

As an important reminder to employers, eligibility for retiree group insurance is not the same as eligibility for retirement. Determining retiree insurance eligibility is complicated, and only PEBA can make that determination.

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

## Acceptable methods of payment

Members may establish service credit through a lump-sum payment, an installment service purchase, a tax-deferred rollover from an IRS qualified plan or any combination of the above options. Qualified plans include some types of Individual Retirement Accounts (IRA), as well as 401(k), 401(a), 403(b) and 457 plans. This includes rollovers from State ORP and Deferred Comp.

## Installment Service Purchase Program

The Installment Service Purchase Program is available to active members who wish to purchase additional service credit through payroll deductions. When a member elects to participate in this program, PEBA credits the member's account, up front, for the total cost and 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-tax or post-tax installment purchase.

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 option is binding and irrevocable unless the requirements of an unforeseeable emergency are met based on Internal Revenue Code 457 or the member terminates employment (including termination at retirement).
- Pre-tax installments do not allow principal payments or early payoff.

For a member participating in the post-tax program, the post-tax installment offers the flexibility to make principal payments, cancel purchases and make early payoffs. See Acceptable Methods of Payment and contact PEBA for questions related to qualified plans and installment criteria. A member in either program must pay his installment purchase in full before his anticipated retirement date or termination from employment.

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 installment purchase based on principal payments already made. To get a pay off or prorate estimate, contact PEBA.

## 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 5.25 percent for new installment accounts activated July 1, 2021, through June 30, 2022.

## How to participate in the Installment Service Purchase Program

After receiving a *Member Service Payment Invoice* (Form 2320), the member should complete the bottom section selecting:

- 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, the Service Accounting Department will submit and receive an electronic payment file. This file authorizes 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.

Generate an [Installment Service Purchase Remittance](#) (Form 3229) in the *Installment Accounting* option in EES. Download and save or print the deposit form. Alternatively, complete the paper form. Installment deductions should not be included with monthly or quarterly contributions.

Employers have several options for remitting payments:

- Schedule an EES Electronic Payment (Form 1286 and Form 6505);
- Automated account debit ([Form 1226](#));
- Wire funds; or
- Check (use PEBA's tan envelope).

Select the Schedule Payment button for EES Electronic Payment submission and PEBA will receive both the deposit form and payment electronically.

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

## When the installment purchase nears maturity

The employer will be notified of the final installment payment (Form 3313) and due date. Employers using EES may use the color indicators to assist with maturing installments when creating a PDF deposit form (Form 3229). After receipt of the final payment, the Service Accounting Department will notify both the member (Form 3314) and the employer (Form 3315) that the installment purchase is complete. Once the employer receives notification that the installment service purchase is paid in full, the employer should not deduct any additional payments. Any deductions received after an installment service purchase is paid in full will be refunded to the appropriate party.

## **Chapter 5: Death claims**

## Types of death claims

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 PEBA.

It is imperative that members designate one or more beneficiaries when hired and routinely maintain the designation(s) through Member Access.

### 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, contact PEBA immediately so that PEBA can provide the necessary information to the member's beneficiary as quickly as possible.

PEBA will request that you complete and submit a *Final Payroll Certification* on the *Task List* in EES for final wages and contributions. Once submitted, PEBA will notify the beneficiary of any applicable benefits and payment options. The beneficiary must submit a certified true copy of the member's death certificate. Upon receipt of the death certificate, the beneficiary will then be asked to complete the following forms:

- *Application for Death Benefits* (Form 4151);
- [\*Withholding Certificate for Monthly Benefit Payments\*](#) (Form 7202) if the beneficiary will be receiving a monthly annuity;
- [\*Direct Deposit Authorization\*](#) (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 and is not retired. If an inactive member dies, and he was eligible to retire at the time of his death, his beneficiary is eligible to receive a survivor monthly annuity. If the inactive member was not eligible to retire at the time of his death, his 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.

### Working retired member

A working retired member is on a covered employer's payroll and making employee contributions. When a working retired member dies, contact PEBA. PEBA will request that you complete and submit a *Final Payroll Certification* on the *Task List* in EES for final wages 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.

## Non-working retired member

If a retired SCRS or PORS 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, and the member's last employer before retirement must offer this coverage for the beneficiary to be eligible for this benefit. PEBA will request that you complete and submit a *Final Payroll Certification* on the *Task List* in EES only if the retiree's account has not been finalized.

## State ORP participant

If a State ORP participant dies, the participant's beneficiary must contact the participant's chosen service provider to make a claim. It's important that State ORP participants name, and periodically review in case there is a need to update, beneficiaries for their retirement account directly with their selected service provider. Participants also need to name a beneficiary with PEBA, because they may qualify for the active member incidental death benefit.

## Types of death claim payments

### 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 dies in service and:

- 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 73). A monthly annuity cannot be paid to an estate or an organization.

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 Trustee designations on Page 23.

## 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 elect the monthly annuity on the *Election of Death Benefits* (Form 4151) in order for the annuity to be payable in lieu of the refund of contributions. 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. Form 4151 details the payment amount(s) and options available to the beneficiaries.

## Incidental death benefit

PEBA administers the incidental death benefit, which provides benefits to the designated, surviving beneficiaries of both active and retired members for employers that participate in the coverage. State agencies, public higher education institutions and public school districts automatically participate in this coverage. This coverage is generally optional for other employers. If an employer does not

participate in the incidental death benefit, it may elect to provide this coverage (with Form 6502 and/or Form 6502P) effective the first July 1 following the date its application for coverage was received.

The employer must pay the contributions for this coverage, and it cannot be revoked once it has begun. 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 to the member's designated incidental death benefit 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 incidental death benefit 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, if the retired member's employer provides incidental death benefit coverage. This is in lieu of the standard \$2,000, \$4,000 or \$6,000 benefit for surviving beneficiaries of non-working 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 per the chart on Page 50.

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.

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

## 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](http://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](http://www.sctax.org).

## Accidental Death Program (PORS only)

PEBA administers an Accidental Death Program for PORS members only. State agencies and public higher education institutions 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 (with Form 6502P) effective the first July 1 following the date its application for coverage as a participating-employer in PEBA retirement benefits (PORS) was received.

The employer must pay the contributions for this coverage, and it cannot be revoked once it has begun. For employers who opt for this coverage, contributions are waived for up to 12 months in the period prior to the July 1 effective date.

## Who receives the Accidental Death Program benefit?

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, a survivor annuity is provided.

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 50).

## Payments to an estate

If a member has designated his estate as beneficiary (active member or retiree), 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* designating a 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*, which is a legal document provided when a decedent's estate is valued at less than \$25,000. This may be obtained through probate court.

## **Chapter 6: Leaving covered employment**

This chapter provides information about members 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 39 and Disability retirement eligibility on Page 58).

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

Members are not required to withdraw their contributions and interest at termination of covered employment.

Share the [Leaving Your Retirement System Early](#) flyer with employees.

## Leaving funds on deposit

Members may leave funds in their retirement account 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 72 or the year in which he retires, if later.<sup>6</sup>

A member's account will continue to draw interest until it becomes inactive. It 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.

If an SCRS or PORS member who is terminating employment has at least five years of earned service (Class Two members) or eight years of earned service (Class Three members), he has the option to leave funds on deposit and later apply for a retirement annuity. It is, however, the member's responsibility to submit a retirement application,

once eligible. See Pages 65-72 for retirement eligibility criteria.

Members leaving funds on deposit should keep their contact information and beneficiary designations current and may do so at any time through Member Access.

## Requesting a refund

SCRS and PORS 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 their 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. Employer contributions are not refunded.

Employees cannot take loans or hardship withdrawals from their PEBA-administered retirement account(s). This applies to State ORP, as well. There are no exceptions.

The member may submit his refund request immediately upon termination of covered employment; however, by law, a refund cannot be paid sooner than 90 days after the member's termination, and may not be paid later than six months from the date the member's refund request is filed.

If a member returns to employment with any covered employer 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.

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<sup>6</sup> For members who reached age 70½ before 2020, minimum distributions are required to begin April 1 of the calendar year

following the year in which the member turns age 70½ or the year in which he retires, if later.

## Refund payment options

SCRS and PORS refund checks are directly deposited into the member's bank account. The refund is generally 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 after a member's request is filed 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 should change his address using Member Access. If the member is unable to change his address using Member Access, he 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 Deferred Comp's 401(k) and 457 plans 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 457 plans. Members should check with the receiving plan administrator to determine if it will allow such a rollover. A member 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, see Page 47.

## Taxes on a lump sum payment

A member's account may include both pretax 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 pretax (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.

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 younger than age 59½ 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](http://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](http://www.sctax.org).

Section 828 of the Pension Protection Act of 2006 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). PEBA mails this form to the employer for completion after a refund request is received from the member.

## How to apply for a refund

### Member instructions

A member may apply for a SCRS or PORS refund online through [Member Access](#) by selecting the *Apply for Refund* option. Complete instructions and the option to upload supporting documentation are included through this member-friendly option.

A member may also complete a [Refund Request](#) (Form 4101) and mail it to PEBA. Submitting paper documents takes additional processing time and may be rejected for any errors. 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.

A copy of the member's current driver's license or state-issued identification card (issued by the member's state department of transportation, motor vehicles or public safety) is required.

If a member has employee contributions in more than one retirement account, the member must request a refund for each account.

### Employer instructions

Upon receipt of a refund request from a member, PEBA will post an *Active/Inactive Member Refund* on the *Task List* in EES.

If you are completing an *Inactive Member Refund* task, select the item that most appropriately describes your current employment information about the member. If employment records can be located, also certify the member's termination date.

If you are completing an *Active Member Refund* task, report the last day the member earned compensation, the member's termination date, the date the member's final check was issued, and any contributions and wages/leave payments for any quarters of the member's employment subsequent to the most recent quarterly report, including any furlough data.

Contributions are not due on unused annual leave payments to Class Three members.

Do not estimate or project contributions, as PEBA will refund the member's employee contributions based on the information provided. The employer will be responsible for any overpayment of benefits resulting from overstated contributions.

If the member is still employed and has not terminated, indicate this as the refund request will be canceled.

## 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.

## State ORP distribution requests

State ORP participants must terminate all employment covered by one or more of the retirement systems PEBA administers to request a distribution unless they are age 59½ or older. There is no 90-day waiting period to receive a distribution; however, it is important that participants allow all remaining contributions to post to their account before a full withdrawal to avoid the need to submit another request due to the posting of trailing contributions.

Participants should contact their service provider to request a distribution of their account balance, if eligible. Questions regarding payment options for State ORP distributions should be directed to the participant's service provider.

If an employer receives a request from one of the State ORP service providers to authorize a distribution request for a former employee younger than age 59½, please confirm with the former employee that he has terminated all covered employment before providing verification of termination. Employers may reach out to PEBA's Defined Contribution department at [dc@peba.sc.gov](mailto:dc@peba.sc.gov) to request employment status on a former employee.

## **Chapter 7: 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. Share the following [Navigating Your Benefits](#) flyers with your employees:

- At a Glance flyers.
- *Your Retirement Plan Payment Options.*
- *Your Monthly Retirement Benefit and Taxes.*
- *How Returning to Work Will Impact Your Benefits.*
- *Economic Impact of Retirement Benefits.*

Members may also view the *Retirement Starts Now* presentation and additional retirement presentations on the *Be Aware and Prepare* webpage.

## SCRS disability retirement

### SCRS disability retirement in general

A member of SCRS may receive disability retirement benefits from SCRS only if the member has 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 be in service with a covered employer, file an application and go through the review process. 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 one year before the date PEBA received the application; and

2. The member had not been retired on a service retirement allowance for more than one year 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 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 his disability requires him to be placed in an employer-approved leave status while receiving workers' compensation benefits. Doing so will ensure that the 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 his long-term retirement plans.

A member must still file his application while he is in service with a covered employer, even if he 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

A member should file his application for disability retirement as soon as he becomes disabled and while he is still in service with a covered employer. Refer members to the [Applying for disability retirement life event checklist](#).

The date a member's application is actually received by PEBA is the date used to determine whether the application was filed in a timely manner.

## 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, he 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. 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 begin receiving a disability annuity. When filing for both service and disability retirement benefits, members should note that their disability retirement application must still be filed while in service.

## 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 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 on the member's years of credited service at retirement, 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 the member's average final compensation.

## Continuing disability review

### Applications 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 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. Failure to produce documentation will result in suspension of the SCRS disability annuity.

It 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 SCRS disability retirement. Failure to produce documentation within one year of the anniversary date of the SCRS disability retirement will result in the permanent termination of the SCRS disability annuity.

## Returning to employment while receiving a disability retirement annuity

If a member is younger than age 65 and receiving an SCRS disability annuity, he should report earnings from any gainful (public or private) employment to PEBA annually, because there is an earnings limitation for all employment that is applied on a calendar-year basis.

A member may earn the difference between his inflation-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 the 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, his monthly annuity will be reduced or possibly canceled. If a member returns to work with an employer covered by one of the retirement systems PEBA administers and his annual earnable compensation is equal to or greater than his adjusted AFC, his 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 81).

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 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. 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\*](#).

## PORS disability retirement

### Who may apply?

Becoming disabled does not automatically qualify a member for a disability retirement annuity; the member must be in service with a covered employer, file an application and go through the review process. A member is considered in service if the member has not yet retired from PORS, and it

has not been more than one year since the member was last on the payroll of a covered employer.

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 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 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 his disability requires him to be placed in an employer-approved leave status while receiving workers' compensation benefits. Doing so will ensure that he 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 his long-term retirement plans.

## How to apply

A member should file his application for disability retirement as soon as he becomes disabled and while he is still in service with a covered employer.

The date a member's application is actually received by PEBA is the date used to determine whether the application was filed in a timely manner. Refer members to the [Applying for disability retirement life event checklist](#).

## 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, he 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. 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 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 his 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.

The member will receive a letter from PEBA either approving or denying the disability claim as soon as a decision is reached. Allow a minimum of three months after all forms and required documentation are received from the member, his employer and his health care providers. If a member does not receive notification of PEBA's decision within three months, he should contact PEBA.

If a member's disability retirement claim is denied, he may appeal the decision within one year of the



first denial by completing the [Administrative Appeal Disability Report](#) (Form 6291). Depending on the case, this review may require a conference with a vocational consultant.

If the final agency determination upholds the denial, the member will have 30 days from receipt of the final agency determination to appeal to the Administrative Law Court.

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.

## Effective date of a disability annuity

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

The disability retirement benefit will be based on the member's years of credited service projected to age 55 or 25 years of service credit, whichever is less, the member's 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 the member's average final compensation.

## 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

his medical condition, the annuity will stop the month after PEBA's decision to discontinue disability retirement benefits.

## Returning to employment while receiving a disability retirement annuity

If a member is under age 55 and receiving a PORS disability annuity, he should report earnings from any gainful (public or private) employment to PEBA annually, because there is an earnings limitation for all employment that is applied on a calendar-year basis.

A member may earn the difference between his inflation-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, his 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 his annual earnable compensation is equal to or greater than his adjusted AFC, his 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 62).

## Helping a member with a disability retirement application

As a covered employer, you may be asked to assist a member with the disability retirement application process.

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

For urgent cases, contact PEBA. 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.

Typically, a member will be in one of the following categories when he applies for disability retirement:

- 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 must still apply for disability retirement while in service. A member does not have to wait for his workers' compensation case to be settled to apply for disability retirement.

## SCRS disability applications

Refer to the [Applying for disability retirement life event checklist](#).

The following forms should be completed, signed and submitted to PEBA:

1. [SCRS Disability Retirement Application](#) (Form 6151S). The member will be required to provide a copy of the Social Security Award letter in order to receive benefits. 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).

As the employer, you should also complete, sign and submit to PEBA an [Employer's Disability Employment Status Report](#) (Form 6253) on behalf of the member.

As supporting documentation, 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 his 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 PEBA. When submitting any form (birth certificates, power of attorney, etc.) to PEBA, the forms (including beneficiary forms) must contain the member's name and Social Security number.

All member and employer forms and supporting documentation should be mailed and must be received before the file can be reviewed for processing.

## PORS disability applications

Refer to the [Applying for disability retirement life event checklist](#).

The following forms should be completed, signed and submitted to PEBA:

1. [PORS Disability Retirement Application](#) (Form 6151P).
2. [Member's Disability Report](#) (Form 6251).
3. [Authorization for Release of Information](#) (Form 6255).
4. [Withholding Certificate for Monthly Benefit Payments](#) (Form 7202).
5. [Direct Deposit Authorization](#) (Form 7204).
6. [Deduction Form, Public Safety Officer Insurance Payment Program](#): Participants in the State Health Plan (Form 7700) or [Deduction Form, Public Safety Officer Insurance Payment Program](#): Non-State Health Plan Participants (Form 7701).

As the employer, you should also complete, sign and submit the following forms to PEBA:

1. [Employer's Disability Employment Status Report](#) (Form 6253).
2. [Employer's Description of Disability Applicant's Job](#) (Form 6254).

If available, a detailed position description should be attached to Form 6253.

When completing Form 6254, it is important that you accurately describe the requirements of the position with emphasis on physical and mental requirements.

As supporting documentation, 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 his beneficiaries if the member plans to elect one of the joint retiree-survivor options. If the member

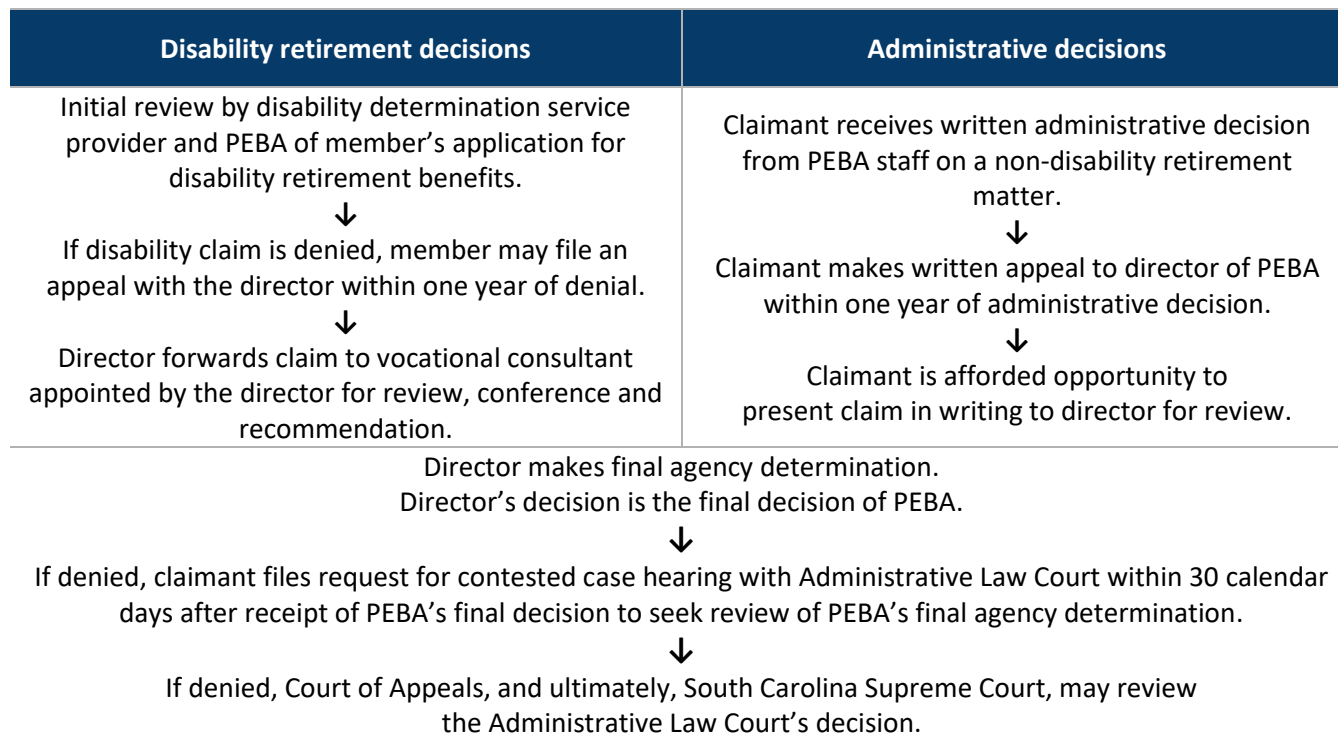
cannot provide public birth certificates, the member should contact PEBA. When submitting any form (birth certificates, power of attorney, etc.) to PEBA, the forms (including beneficiary forms) must contain the member's name and Social Security number.

All member and employer forms and supporting documentation should be mailed (unless permissible as an upload in EES) and must be received before the file can be reviewed and forwarded to PEBA's disability determination service provider for evaluation.

## Claims procedures

The South Carolina Retirement Systems Claims Procedures 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 S.C. 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 can receive new evidence in deciding the case and is not limited to a 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 on the next page.

## Appeals procedures outline



## Service retirement annuities

### Correlated systems and annuity eligibility

Correlated systems are explained in more detail on Page 19. For SCRS and PORS, a member cannot receive a retirement annuity from one system while participating as an active member in another system. 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.

### Example

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 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 divided by five 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.

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;
- Payments for 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); and/or
- Lump sum merit payments.

For more information or answers to questions concerning treatment of payments in excess of base wages, contact your assigned representative in Member Account Services. Find your representative information in EES by selecting *EES Assistance*. You may also email

your request with a copy of your policy regarding the questionable pay element to [afc@peba.sc.gov](mailto:afc@peba.sc.gov).

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 quarters used to calculate an average final compensation.

In cases where 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 the applicable 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.

Share the *Calculating Your Average Final Compensation* video with employees who request information about calculating their AFC.

## SCRS retirement eligibility

If an SCRS member meets the following requirements, he is considered eligible to retire. See Correlated systems on Page 65 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 79).

### 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 Class Two service retirement annuity calculations

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 71.

**Step 1:** Total the member's 12 highest consecutive quarters of earnable compensation and allowable annual leave payout and divide by 3. This equals the member's average final compensation (AFC).

*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.*

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

**Step 3:** Multiply the result of Step 2 by years, months and days of creditable service.<sup>7</sup>

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<sup>7</sup> 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, 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.



*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. *This is 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 is \$90,000. Annual leave payment of \$0. AFC is \$30,000 ( $\$90,000 \div 3$ ). Creditable retirement service of 28 years.

1.  $\$30,000 \times 0.0182 = \$546$
2.  $\$546 \times 28 = \$15,288$
3.  $\$15,288 \div 12 = \$1,274$

The Option A maximum monthly annuity is \$1,274.

### **Example with annual leave**

12 highest consecutive quarters of salary is \$90,000. Annual leave payment of \$5,200. Combined salary and annual leave payment are \$95,200. AFC is \$31,733 ( $\$95,200 \div 3$ ). Creditable retirement service of 28 years.

1.  $\$31,733 \times 0.0182 = \$578$
2.  $\$578 \times 28 = \$16,184$
3.  $\$16,184 \div 12 = \$1,349$

The Option A maximum monthly annuity is \$1,349.

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 his 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.

1. Option A = \$1,349 monthly annuity
2. 5% per year  $\times$  5 years = 25% (0.25)
3.  $\$1,349 \times 0.25 = \$337.25$  (25% reduction)
4.  $\$1,349 - \$337.25 = \$1,011.75$

The reduced monthly annuity is \$1,011.75.

### **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.

1. Option A = \$1,349 monthly annuity
2. 4% per year  $\times$  3 years = 12% (0.12)
3.  $\$1,349 \times 0.12 = \$161.88$  (12% reduction)
4.  $\$1,349 - \$161.88 = \$1,187.12$

The reduced monthly annuity is \$1,187.12.

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.

### SCRS Class Three service retirement annuity calculations

The four-step formula below is used to calculate a Class Three member's monthly annuity based on the Option A payment plan described on Page 71.

- Step 1:** Total the member's 20 highest consecutive quarters of earnable compensation and divide by 5. This equals the member's average final compensation (AFC).
- Step 2:** Multiply the result of Step 1 by 1.82% (0.0182).
- Step 3:** Multiply the result of Step 2 by years, months and days of creditable service.<sup>8</sup>
- Step 4:** Divide the result of Step 3 by 12.  
*This is the member's maximum monthly annuity. If a member retires early based on the member's age, the member's annuity will be reduced.*

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<sup>8</sup> 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, 2

### Example

20 highest consecutive quarters of salary is \$90,000. AFC is \$18,000 (\$90,000 ÷ 5).

Creditable retirement service of 32 years.

1.  $\$18,000 \times 0.0182 = \$327.60$
2.  $\$327.60 \times 32 = \$10,483.20$
3.  $\$10,483.20 \div 12 = \$873.60$

The Option A maximum monthly annuity is \$873.60.

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 his beneficiary's age as of the member's date of retirement. Reductions are prorated to the month and day.

For example, if a Class Three member retires at age 60 with at least eight years of earned service credit, but without meeting the Rule of 90, the following early retirement reduction would apply:

### Age reduction example

Retirement at age 60 with at least 8 years of service. Annuity is permanently reduced 5 percent for each year of age less than 65.

1. Option A = \$873.60 monthly annuity
2. 5% per year × 5 years = 25% (0.25)
3.  $\$873.60 \times 0.25 = \$218.40$  (25% reduction)
4.  $\$873.60 - \$218.40 = \$655.20$

The reduced monthly annuity is \$655.20.

### Unused leave at retirement

Class Three members will not receive service credit for any unused sick leave at retirement,

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.

and any pay received at termination for unused annual leave will not be included in the calculation of the member's AFC.

## PORS retirement eligibility

If a PORS member meets the following requirements, he is considered eligible to retire. See Correlated systems on Page 65 if the member has an account in more than one retirement system administered by PEBA.

### 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 Class One service retirement annuity calculations

### Class One membership

Class One PORS benefits are not based on a member's average final compensation. The monthly benefit is determined by multiplying the years of Class One service by \$10.97.

#### Example

25.50 years of service × \$10.97 = \$279.74  
monthly benefit

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 42 for more details.

## PORS Class Two service retirement annuity calculations

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 71.

**Step 1:** Total the member's 12 highest consecutive quarters of earnable compensation and allowable annual leave payout and divide by 3. This equals the member's average final compensation (AFC).

*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.*

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

**Step 3:** Multiply the result of Step 2 by years, months and days of creditable service.<sup>9</sup>

*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.

<sup>9</sup> 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, 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 without annual leave

12 highest consecutive quarters of salary is \$90,000. Annual leave payment of \$0. AFC is \$30,000 ( $\$90,000 \div 3$ ). Creditable retirement service of 25 years.

1.  $\$30,000 \times 0.0214 = \$642$
2.  $\$642 \times 25 = \$16,050$
3.  $\$16,050 \div 12 = \$1,337.50$

The Option A maximum monthly annuity is \$1,337.50.

### Example with annual leave

12 highest consecutive quarters of salary is \$90,000. Annual leave payment of \$5,200. Combined salary and annual leave payment are \$95,200. AFC is \$31,733 ( $\$95,200 \div 3$ ). Creditable retirement service of 25 years.

1.  $\$31,733 \times 0.0214 = \$679$
2.  $\$679 \times 25 = \$16,975$
3.  $\$16,975 \div 12 = \$1,415$

The Option A maximum monthly annuity is \$1,415.

## PORS Class Three service retirement annuity calculations

The four-step formula below is used to calculate a Class Three member's monthly annuity based on the Option A payment plan described on Page 71.

**Step 1:** Total the member's 20 highest consecutive quarters of earnable compensation and divide by 5. This equals the member's average final compensation (AFC).

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

**Step 3:** Multiply the result of Step 2 by years, months and days of creditable service.<sup>10</sup>

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

### Example

20 highest consecutive quarters of salary is \$125,000. AFC is \$25,000 ( $\$125,000 \div 5$ ). Creditable retirement service is 27 years.

1.  $\$25,000 \times (0.0214) = \$535$
2.  $\$535 \times 27 = \$14,445$
3.  $\$14,445 \div 12 = \$1,203.75$

The Option A maximum monthly annuity is \$1,203.75.

### Unused leave at 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 the calculation of the member's AFC.

## Benefit estimates

Encourage members to use [Member Access](#) to create benefit estimates that use their retirement account information, a potential average final compensation and a selected retirement date. Estimates created in [Member Access](#) can be downloaded and saved. The estimates are also documented in the member's account at PEBA.

You can also create benefit estimates for employees via the *Benefit Estimate* option in EES.

These tools estimate the monthly benefit a member may receive at retirement. These are only estimates and are subject to change.

<sup>10</sup> 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, 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.

Members should not leave employment based upon the benefit estimate information. These estimates are not a guarantee of any benefit calculated by its use.

## How to apply

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 terminated from covered employment and removed from his employer's payroll.

A member may apply for SCRS or PORS service retirement online through [Member Access](#) by selecting the *Apply for Retirement* option. Complete instructions, and the choice to upload supporting documentation is included through this member-friendly option.

A member may also complete and mail to PEBA the required forms and supporting documentation. Submitting paper forms takes additional processing time and may be rejected for any errors.

**Members should not terminate their employment until PEBA has audited their service credit and they receive official notice of their retirement eligibility.**

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 he may have met the eligibility criteria. Once benefit payments have begun, a member's retirement is in effect, and the payment option may not be changed unless the retired member experiences a qualifying event (death of spouse, marriage or divorce).

As supporting documentation, 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 his 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 PEBA. When submitting any form (birth certificates, power of attorney, etc.) to PEBA, the forms (including beneficiary forms) must contain the member's name and Social Security number.

Refer members to the [Applying for service retirement life event checklist](#).

## Payment options

The application process for retirement benefits includes selecting a payment option and designating beneficiaries.

There are three monthly annuity payment options available 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.

Share the *Your Retirement Plan Payment Options* flyer with employees.

### Option A (maximum retiree-only monthly annuity)

The retired member will receive the maximum monthly annuity based on his benefit calculation for life. After the retired 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 his retirement.

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

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

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 retired member will receive a reduced (from Option A) monthly annuity for life. After the retired member's death, one-half of the benefit (50 percent of his reduced monthly annuity, including granted benefit adjustments) will continue throughout his beneficiary's lifetime.

## If a member chooses Option B or Option C

If a member chooses Option B or Option C and names multiple beneficiaries, after the retired 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 the month following the date the last beneficiary died.

Retired 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 retired member may change his Option A monthly annuity beneficiary at any time.

If a retired member has a change in marital status, he may select a new 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 retired member's designated beneficiaries predecease him, his annuity will revert to Option A effective the month following the date the last beneficiary died. The retired member may then select a new beneficiary under Option A.

If a retired member 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 the spouse of a retired member dies, or if a retired member marries or divorces, he 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 PEBA receives the change. Estimates of

adjusted annuities under a new payment option may be obtained from PEBA before submitting a [Retired Member Change of Beneficiary](#) (Form 7201) to change a payment method.

## Number of changes

A retired member's form of monthly payment 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 retired member's beneficiary will count as one of the two changes. If a second beneficiary predeceases the retired member after he has again selected Option B or Option C, the retired member's payment option will revert automatically to Option A; however, no further payment option changes will be allowed.

Retirement beneficiary designation changes may be submitted on the [Retired Member Change of Beneficiary](#) (Form 7201).

## Retiree incidental death benefit

Retired member incidental death benefit beneficiaries are designated on the retirement application. A member may choose different beneficiaries for the retired member incidental death benefit and retirement benefits.

A retired member may change his retiree incidental death benefit beneficiary at any time, regardless of the payment option selected.

## Trust beneficiaries

A member 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.

## Employer responsibilities

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, he will not be eligible to receive a retirement benefit.

All covered employers for which an active member worked during the year before the retirement application date will receive a *Retirement Date Certification* on the *Task List* in EES. Complete and submit this information to PEBA immediately.

In addition, the member's primary employer and any other employers for which he worked in the last two quarters of employment will be required to certify final wage information on the *Final Payroll Certification* on the *Task List* in EES. The following information is required for this task:

- 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 (Class Two only);
- 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 (last five years of employment for school districts), including the reason for the additional payment(s).



## Instructions for the final payroll certification

PEBA requires specific information from employers to calculate a member's average final compensation, and as a result, the final benefit. When the information provided is complete and accurate, the member's monthly annuity will be finalized more quickly. The section below explains what should be reported through EES and why this information is requested.

View the *Final Payroll Certification* training video in EES for instructions.

## Email notification and task list

You will be notified via email when a new *Final Payroll Certification* task needs to be completed for a retiring employee. The task will appear on the *Task List* in EES 15 days after the certified date of final termination.

Please check the Task List on a regular basis, not just when an email is received. After 45 days on the *Task List*, a *Final Payroll Certification* becomes delinquent. View Delinquent Task List Letters in the EES *Reports & Documents* center and remove the alert icon once the delinquent task is completed and submitted to PEBA.

## Important things to remember

The quarterly information provided on the *Final Payroll Certification* is used to establish the member's AFC (upon which benefits are based, in part) long before the quarterly payroll report is submitted to PEBA. 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 quarterly information are resolved.

*Final Payroll Certifications* cannot be completed for future retirement dates (members are allowed to apply for retirement up to six months in the future). This prevents you from certifying inaccurate information, which can result in benefit overpayments to the member.

General instructions and definitions are available as you work through each of the seven steps for this task. The progress bar also shows which of the seven steps you are on. Cancel and Save options are available and will return you to the *Task List*. With the Save option, any information keyed up to that point will be saved for you to complete later.

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

### Final payroll certification steps 1-7

1. Dates (Termination Data).
2. Final Payroll Information.
3. Leave (Annual and Sick Leave) for Class Two members only.
4. Quarterly Data.
5. Payroll Verification.
6. Review.
7. Complete.

The amounts certified should not be estimated; therefore, the information should not be reported until you have verified that the employee in question has received his final check.

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 also affect a member's total service credit and eligibility.

PEBA strives to process all workable retirement applications so that a retired member will receive an estimated monthly annuity 30 days from his date of retirement and a finalized monthly annuity as soon as possible thereafter. Estimated monthly annuities will not include annual or sick leave. After the *Final Payroll Certification* is received and processed by PEBA, the monthly annuity will be finalized. Benefits owed, if any, will be paid retroactively to the date of retirement. Any adjustments (average final compensation, annual leave payments, sick leave credit, final contributions and service credit) will also be made retroactively to the date of retirement.

A delay in finalizing the monthly annuity may occur if:

- Information is needed from the member, including any supporting documentation;
- Information is needed from the employer, including all data required on the *Task List*;
- The retirement application is incomplete;
- The retirement application is not received in a timely manner (at least three months in advance); or
- The retirement application is received during peak periods.

## Unused leave

### Class Two members

#### Annual leave

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. Report this leave amount on the *Final Payroll Certification*.

#### Sick leave

Service credit for up to 90 days of unused sick leave from the member's last employer should also be reported on the *Final Payroll Certification*. 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.

### Class Three members

#### Unused leave at retirement

Unused leave at retirement is not included in the calculation of the member's benefit. Accordingly, service credit for any unused sick leave at retirement is not reported to PEBA. Similarly, termination pay for unused annual leave is not subject to retirement contributions and is not reported to PEBA.

## 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 [here](#), or by contacting PEBA. Individual QDROs must be approved by PEBA's legal counsel to be put into effect.

## Retiree insurance

As an important reminder to employers, eligibility for retiree group insurance is not the same as eligibility for retirement. Determining retiree insurance eligibility is complicated, and only PEBA can make that determination.

PEBA recommends a member review the requirements for retiree group insurance in the Retiree group insurance chapter of the [Insurance Benefits Guide](#) before he confirms his retirement date. Share the following retiree insurance flyers with employees.

- [Retiree Insurance Eligibility, Funding for members who work for a state agency, public higher education institution, public school district or charter school that participates in both insurance and retirement.](#)
- [Retiree Insurance Eligibility, Funding for members who work for optional employers, such as county governments](#)

[and municipalities, or charter schools that participate in insurance only.](#)

For State ORP participants and members whose employer does not participate in a PEBA-administered retirement plan, eligibility is determined as if the participant were a member of SCRS. This means one year of employment is equated to one year of earned service credit.

For eligible retirees of charter schools that do not participate in a PEBA-administered retirement plan (Track 1, see [Charter School Handbook](#)), eligibility is determined as if the participant were a member of SCRS. This means one year of employment is equated to one year of earned service credit. Employer funding, if any, is at the discretion of the charter school.

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

### Determination information

Retiree insurance determination information, including eligibility and funding status, is available in EES *Member Profile* and Member Access. This information is detailed only for those members who have submitted a request for verification of eligibility for retiree insurance coverage through one of the following:

- [Member Access](#) service application;
- [Application for Service Retirement Benefits](#);
- [Retiree Notice of Election](#); or
- [Employment Verification Record](#).

## Post-retirement information

Share the following [Navigating Your Benefits](#) flyers with retired members:

- *How Returning to Work Will Impact your Benefits.*
- *Your Monthly Retirement Benefit and Taxes.*
- *Using Member Access in Retirement.*

## Monthly annuity payments

Monthly annuity payments are deposited 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 Retirement Systems.

A retired member may add or change his direct deposit information at any time through Member Access or by contacting PEBA for the appropriate form.

## Taxes

The taxable portion of a retired member's SCRS or PORS monthly annuity and any incidental death benefit payments to a retired member's beneficiary are subject to federal and state income taxes.

Since tax laws are complex and constantly changing, please encourage retired members to check with an accountant or a tax advisor about their 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 the member resides. In South Carolina, visit the S.C. Department of Revenue's website at [www.sctax.org](http://www.sctax.org).

## Additional information for SCRS disability retirees

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

SCRS disability benefits paid to a retired member who applied for disability retirement and whose application was received by PEBA prior to January 1, 2014, 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 use of various codes to reflect the taxability of a payment, or distribution, for income tax purposes. PEBA is required to use code 7 in box 7 of a retired member's Form 1099-R rather than 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. Code 7 in box 7 of a retired member's Form 1099-R means that he 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 an SCRS disability retiree receives from PEBA correctly contains code 7 in box 7, he may also receive monthly benefits from the Social Security Administration and be considered totally and permanently disabled for Social Security purposes. If an SCRS disability retiree is considered totally and permanently disabled for Social Security purposes, he may qualify for the *Credit for the Elderly or the Disabled*. Refer to [Schedule R](#) when completing a tax return. The retired member must keep for his records a copy of his physician's statement, which certifies that he was permanently and totally disabled on the date that he retired.

## **SCRS disability applications received by PEBA after December 31, 2013**

SCRS disability benefits paid to a retired member who applied for disability retirement and whose application was received by PEBA after December 31, 2013, are reported annually on IRS Form 1099-R using 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**

PORS disability benefits paid to a retired member 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 use of various codes to reflect the taxability of a payment, or distribution, for income tax purposes. PEBA is required to use code 7 in box 7 of a retired member's Form 1099-R rather than 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. Code 7 in box 7 of a retired member's Form 1099-R means that he 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 PORS disability retiree receives from PEBA correctly contains code 7 in box 7, he 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 retiree is considered totally and permanently disabled for Social Security

purposes, he may qualify for the *Credit for the Elderly or the Disabled*. Refer to [Schedule R](#) when completing a tax return. The retired member must keep for his records a copy of his physician's statement, which certifies that he was permanently and totally disabled on the date that he 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 monthly annuity payments issued on the last business day of July, since benefits are payable the last business day of the month. The earliest a retired member 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**

A retired member should use [Member Access](#) to change his tax withholdings, address and direct deposit accounts. If a retired member needs to change his name, he may contact PEBA.

If a beneficiary payee wishes to change his address, amount of taxes withheld or direct deposit accounts, he may do so via [Member Access](#). A beneficiary must complete [Form 1239](#) and provide supporting documentation to change his name.

Share the [Using Member Access in Retirement](#) flyer with retired members.

## Returning to covered employment

Share the [\*How Returning to Work Will Impact Your Benefits\*](#) flyer with retired members.

After a member is terminated and has been retired for at least 30 consecutive calendar days, he may be hired by an employer covered by one of the retirement systems PEBA administers 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 his retirement date, his monthly benefit will be suspended while he 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 he terminated employment.

It is your responsibility to notify PEBA immediately when a retired member has been hired. If you fail to notify PEBA of the employment of a retired member in a timely manner, the employer is responsible for reimbursing PEBA for any benefits wrongly paid to the retired member.

To notify PEBA when a retired member is hired, submit a return-to-work date via the *Employed Retirees – Return to Work Date Entry* option in EES. Employers on the Comptroller General's payroll who use SCEIS for new hires do not need to enter retiree return-to-work dates in EES. See more information in the Membership and Enrollment chapter of this manual.

In addition to the return-to-work date, the anticipated monthly salary is required. PEBA uses this information to determine when a

retired member may exceed the statutory earnings limitation.

## 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, he will be subject to a \$10,000 per year earnings limitation. This means he can earn up to \$10,000 per year from covered employment and continue to receive his retirement annuity. If he continues covered employment and earns more than \$10,000 in a calendar year, his monthly annuity will be suspended for the remainder of that year. The \$10,000 earnings limitation applies regardless of a retired 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, he is subject to the \$10,000 earnings limitation because he retired before reaching 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, he is subject to the \$10,000 earnings limitation because he retired before reaching 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 compensation received 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 South Carolina 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 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 retired member's exemption from the earnings limitation by providing a copy of the *Critical Needs Teacher Certification Form* (Annual Assurance Form: 2021-2022). Authorized EES users may upload this form in EES.

### **Critical needs school resource officers' exemption**

Under certain circumstances, a PORS member who retired on or before December 31, 2017, may return to covered employment without affecting his monthly retirement benefit if he is a Class 1 law enforcement officer and returns to work with a public school district as a critical needs school resource officer. The \$10,000 earnings limitation does not apply if the public school district where the retired member is physically working and the covered employer for which he works submits a completed [School Resource Officer Critical Needs Certification](#)

(Form 7214) to PEBA. This exemption is effective July 1, 2018, and is contingent upon continued approval in each year's state budget. Authorized EES users may upload Form 7214 in EES.

### **\$50,000 earnings limitation for some retired SCRS members**

Effective April 22, 2021, Senate bill 704 increases the earnings limitation for some retired SCRS members who work in the state's public schools. The annual earnings limitation is increased to \$50,000 for SCRS members who retired on or before April 1, 2019, and return to covered employment in the K-12 public education system. If a retired member is otherwise subject to the earnings limitation, all other employment remains subject to the regular \$10,000 earnings limitation. A retiree may only qualify for this increased earnings limitation for a maximum period of 36 consecutive months of employment.

### **COVID-19 exemption**

Retired members of the South Carolina Retirement System (SCRS) and the Police Officers Retirement System (PORS) who return to covered employment to participate in the state's public health preparedness and response to the COVID-19 virus are not subject to the service retirement earnings limitation. This provision is in place for fiscal year 2022 (July 1, 2021, through June 30, 2022).

Employers must complete a [COVID-19 Earnings Limitation Exemption Certification](#) (Form 7216) for each eligible return-to-work retiree and email it to [PDept@peba.sc.gov](mailto:PDept@peba.sc.gov). If a return-to-work retiree was hired during fiscal year 2021 and still qualifies for this exemption during fiscal year 2022, the employer must submit a new [Form 7216](#) to recertify the return-to-work retiree's exemption for fiscal year 2022.



## Earnings limitation from all employment: disability retiree

Please see the Returning to employment while receiving a disability retirement annuity section on Page 60 for information about the calendar year earnings limitation for disability retirees.

## Earnings limitation notifications

Based on the return-to-work data submitted in EES, PEBA projects when a retired member may exceed the statutory earnings limitation.

If a retired member who is subject to the earnings limitation is projected to exceed the limitation, an advanced notification (up to 90 days) is posted in EES. View Service Earnings Limit Report (3-month) and accompanying letters (7413E) in the EES *Reports & Documents* center. Remove the alert icon once the documents are viewed and saved. If any of the return-to-work data originally reported to PEBA needs to be corrected, please contact PEBA's Customer Service as soon as possible to avoid unnecessary suspension of the member's retirement benefits.

If the member remains projected to exceed the earnings limitation after the initial notice is posted and reviewed, an additional notification (Form 7412) is mailed to the member in the month prior to when he is projected to exceed the earnings limit. The notification includes when the monthly annuity will be suspended.

For the proper administration of the earnings limitation, when a retired member who is subject to the earnings limitation terminates covered employment, complete and submit the [Termination of Retired Member Working Under Earnings Limit](#) (Form 7217). Authorized EES users may [upload](#) Form 7217 in EES.

## 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 retired member's employment is at will.

If a retired member returns to work for an employer that is not governed by state personnel policies, he would be subject to his employer's policies regarding employment status and rights.

## Working 48 consecutive months

If a retired member returns to employment and works 48 consecutive months for a covered employer with an annual earnable compensation of at least 75 percent of the AFC used to calculate his monthly annuity, he 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 he subsequently retires, his monthly annuity will be calculated as if he were retiring for the first time. If he begins this process for the purpose of establishing eligibility for retiree health insurance, he should first contact PEBA.

## Working retired member contribution rate

If a retired member returns to work for a covered employer, he 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, he will not earn additional service credit or receive interest on his account.

Contributions made by a retired member who returned to work are refundable as a death benefit only to the extent the contributions have not been exhausted through the monthly



benefits paid to the retired member and no monthly survivorship benefit is payable at the time of his death.

Because there is no formal retirement status under the State ORP, a State ORP participant who is receiving distributions from his account and returns to covered employment is subject to the normal enrollment rules for non-retired employees. In particular, if a State ORP participant who is receiving distributions returns to employed covered by State ORP and reenrolls in the program, he will resume active participation in the State ORP and will again actively contribute to his State ORP account.



**PEBA**<sup>SM</sup>  
SC Retirement Systems  
and State Health Plan

**South Carolina Public Employee Benefit Authority**

*Serving those who serve South Carolina*

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