



FYI For Your Information

A newsletter for participating Retirement Systems' employers

Volume VIII

Winter 2003-2004

This issue of FYI features articles provided in response to your requests for certain information. Also included are copies of our September 2003 memoranda concerning furlough programs. If you have a request for information you think needs to be in an FYI, contact us at 1-800-868-9002, 803-737-6800, or cs@retirement.sc.gov.

Annual Leave Payments and the Calculation of Average Final Compensation

As an employer, you frequently advise members about retirement issues and assist with estimated benefit calculations. We are providing the following information regarding the inclusion of payment for unused annual leave in the calculation of average final compensation (AFC).

A Member's AFC

AFC is calculated using the 12 highest consecutive quarters of earnable compensation for which regular contributions were made to the system.

Quarters are January through March, April through June, July through September, and October through December.

The dollar value of no more than 45 days' termination pay for unused

annual leave made by a member's last employer at retirement may be included in the AFC calculation. Payments for unused annual leave made at times other than retirement are not included in an AFC calculation. Contributions on all pay for unused annual leave, regardless of when the payment is made, must be remitted.

For an elected official, an AFC may be calculated

using the 36 consecutive months before the expiration of the elected official's term of office.

Please review the sample AFC calculation below. As always, if you have any questions or need additional information, please contact Customer Services at 1-800-868-9002, 803-737-6800, or cs@retirement.sc.gov.

Sample AFC Calculation

Member changed employers during the AFC period, received multiple payouts for unused annual leave, and elected a July 1, 2003, date of retirement.

	Wages Earned	Annual Leave Payouts	Contributions
Employer 1			
Sep 2000	\$10,000		\$600
Dec 2000	10,000		600
Mar 2001	10,000		600
Jun 2001	10,000		600
Annual leave payout (45 days paid at termination)		\$6,923	415 <i>Not used in AFC</i>
Employer 2			
Sep 2001	11,250		675
Dec 2001	11,250		675
Mar 2002	11,250		675
Jun 2002	11,250		675
Sep 2002	12,500		750
Dec 2002	12,500		750
Mar 2003	12,500		750
Jun 2003	12,500		750
Annual leave payout (45 days paid at termination)		<u>\$8,654</u>	519 <i>Used in AFC</i>
	<u>\$135,000</u>	<u>\$15,577</u>	<u>\$9,034</u>

$$AFC = (135,000 + 8,654) \div 3 = \$47,885$$

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Deferred Compensation Program Seminars

Your State ORP Questions Answered Here

The following are **actual** employer questions concerning the State Optional Retirement Program (State ORP) along with our responses. We hope this will help clarify any confusion about State ORP membership eligibility in certain situations.

1. **If an employee who was in a full-time, permanent position last year (and a State ORP participant) returns this year to work part-time in the same position, must the employee remain in State ORP, have the option to join either State ORP or the South Carolina Retirement System (SCRS), or opt to be a non-member? The employee still has funds in State ORP.**

It depends on whether or not you rehire the employee into a new position. If the employee is considered a new hire, then the employee may elect State ORP within 30 days of his date of hire or default into SCRS. If the new hire meets any of the statutory non-membership exemptions, the employee would have an additional alternative of electing SCRS non-membership. If, however, you are just reducing the employee's hours in the same position previously held and the employee is not a new hire, then, State ORP membership would continue.

2. **Can an employee who is in a full-time position and an SCRS member come back in a part-time position and join State ORP as a new enrollee?**

As in response #1, if the part-time position is a new hire, then the employee may elect State ORP participation within 30 days of his date of hire. If the member is **still** employed in the full-time position and a member of SCRS, he **must** choose SCRS for the part-time position.

3. **Is the Retirement Systems routinely notified when an employee leaves covered employment? Changes in status are not accurately reported on EES screens.**

The Retirement Systems does not have a required termination document; therefore, the Electronic Employer Services (EES) screens will not reflect a date of termination.

4. **Can an employee with an inactive SCRS account now join ORP?**

Yes, an employee with an inactive SCRS account who is newly hired may elect State ORP within 30 days of hire.

5. **Does an employee hired in a temporary position who is a State ORP participant through another state agency or school district have to enroll in State ORP?**

Yes, if an employee currently working and participating in State ORP is newly hired in a concurrent State ORP-eligible position, the employee must elect State ORP participation in the concurrent position unless the concurrent position is with a political subdivision.

6. **Can a temporary employee elect non-membership on one appointment and subsequently elect State ORP participation?**

Yes, if each appointment is the result of a new hire and the State ORP election is made within 30 days of the new hire date.

7. **Does each temporary appointment create a new opportunity to elect SCRS membership or State ORP participation? For example, our temporary faculty are usually appointed for one or both semesters each year. Since they have a break in service, do they have a new opportunity for State ORP/SCRS selection?**

It depends on whether or not you rehire the employee with each appointment. If a temporary employee has a break in service but is not rehired, the employee does not have an opportunity to elect State ORP participation (unless it is within 30 days of the date of new hire). A temporary employee who elected non-membership in SCRS may choose to join SCRS at any time during his employment (not just within 30 days of hire like State ORP).

Note: For other allowable special or onetime opportunities to switch from State ORP to SCRS, please refer to the table on page 3 of this newsletter and/or SC Code of Laws Section 9-20-40, as amended June 27, 2003.

8. **When can a State ORP participant with less than one year or more than five years of participation change State ORP vendors?**

Any State ORP participant (regardless of his length of participation) may change vendors during any annual enrollment period (January 1 - March 1) with an effective date of April 1.

9. Can a State ORP participant who has less than one year of State ORP participation on the opening day of the annual enrollment period (January 1), but who will have at least one year but less than five years of State ORP participation on the last day of the annual enrollment period (March 1) elect to switch to SCRS on January 1 or must the member wait until the exact day of eligibility (March 1) during the enrollment period to sign the SCRS enrollment paperwork?

The SCRS membership enrollment paperwork can be signed at any time during the annual enrollment period of January 1 – March 1, with an April 1 effective date.

10. How many annual enrollments will be available for State ORP participants to switch to SCRS?

It depends on the employee's years of State ORP participation. Any State ORP participant with at least one year of State ORP participation as of March 1, 2004, may elect to switch to SCRS during the January 1 - March 1 open enrollment period with an April 1st effective date. See the table below for more details.

11. In H4008 under "eligible employee" in item (e), it states, "However, an employee who exercises an option to not participate in the SCRS under Section 9-1-550 is not eligible to

participate in the State Optional Retirement Program." Does this mean forever?

No. This section applies to temporary and other employees who are, by statute, exempt from mandatory membership in SCRS. If such an employee opts out of membership, he cannot participate in State ORP for the duration of his employment. If the employee is rehired, however, he will have another opportunity to join either SCRS or State ORP.

Table for Question 10

Any State ORP participant who has at least one year of ORP participation as of March 1, 2004, may elect to switch to SCRS during the January 1st to March 1st open enrollment period with an April 1, 2004, effective date. Contributions to SCRS for employees who switched to SCRS during the open enrollment period should begin with the first payroll after April 1.

<u>Annual Enrollment Period</u>	<u>State ORP Participation Period</u>	<u>Can Employee Switch to SCRS?</u>
January 1, 2004 – March 1, 2004	Employee will have less than one year of participation on the last day (March 1, 2004) of the January 1 - March 1 annual open enrollment period.	No.
<div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;"> <p><i>We realize that this year's enrollment period is almost over; however, the information is being provided for illustrative purposes since it was part of the changes made to the State ORP statute last year.</i></p> </div>	Employee will have between one and five years of participation on the last day of the annual open enrollment period (March 1, 2004).	Yes, with an April 1, 2004, effective date.
	A State ORP participant who previously participated in the Optional Retirement Program for Higher Education and Technical Colleges prior to July 1, 2000, (regardless of the number of years of participation).	Yes, with an April 1, 2004, effective date. This special opportunity to switch to SCRS ends on March 1, 2004, and will not be offered in subsequent annual open enrollment periods.
	Employee will have between one and five years of participation on the last day (March 1) of the annual open enrollment period.	Yes, with an April 1 effective date.
January 1, 2005 – March 1, 2005, and subsequent years	Employee will have less than one year or more than five years of participation on the last day (March 1) of the annual open enrollment period.	No.

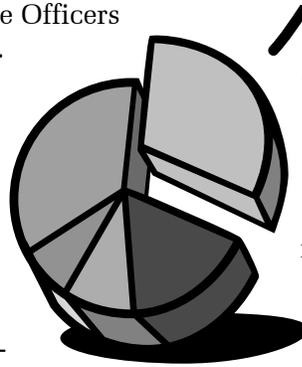
The State ORP annual open enrollment period for January 1, 2004, to March 1, 2004, will be over by the time you receive this FYI; however, we think the information on pages 2-3 will still be useful to you in subsequent years.

Remittance of Employer Contributions on Wages Paid to Retired Members – It's a Requirement

All employers are required to remit employer contributions on wages paid to employees who are retired members of the South Carolina Retirement System (SCRS) or the Police Officers Retirement System (PORS). This includes retired members who are participants in the Teacher and Employee Retention Incentive (TERI) program.

Employers must pay all applicable employer contributions, which include a retiree insurance surcharge, a group life insurance premium, and for PORS

members, an accidental death program premium. While this is not a new requirement, compliance by all employers is necessary. The South Carolina Retirement Systems has a



fiduciary responsibility to ensure that it receives the appropriate payments for each employed retiree. Employers who do not remit employer contributions on retiree wages will be subject to statutorily proscribed penalties.

Employee contributions should not be withheld on wages paid to retired members.

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SC Deferred Compensation Program Offers Employee Seminars through Representatives

The South Carolina Deferred Compensation Program offers a variety of free educational seminars for employees eligible to participate in the 457 or 401(k) plan. If you are interested in requesting or attending a seminar, please notify your agency's benefits coordinator. If

you are your agency's benefits coordinator, you may contact your local Deferred Compensation Program representative to obtain more information about the seminars offered and the seminar schedule for your area. The program's local representatives can be contacted by calling 803-754-7997.

To view a map that displays the territory for each local representative and a calendar of scheduled seminars, visit the program's Web site at <http://scrs.csplans.com/>.



SOUTH CAROLINA
Deferred Compensation Program



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