

# The Retirement Puzzle

Make sure you have all the pieces

*South Carolina Retirement System (SCRS) and  
State Optional Retirement Program (State ORP)*



Horace Mann proudly presents this information to help employees better understand the benefits offered by their retirement system.

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# South Carolina Retirement System (SCRS) and State Optional Retirement Program (State ORP)

- **Membership**
  - **Contributions**
  - **Vesting**
  - **Benefit factors**
  - **Beneficiary**
  - **Survivor benefits**
  - **Payment plans**
  - **Service retirement**
  - **Early retirement**
  - **COLA**
- ... and much more!**

# South Carolina Retirement System

- **State Optional Retirement Program (State ORP)**
  - Defined contribution retirement plan
- **South Carolina Retirement System (SCRS)**
  - Defined benefit retirement plan



# Membership classes

## Class Two

Members hired  
before 7/1/12

## Class Three

Members hired  
on/after 7/1/12



# Class Three membership



- **New hires on or after July 1, 2012**
  - AFC is based on five highest years of earnable compensation
  - Payments for unused annual leave are no longer included in the AFC calculation
  - Unused sick leave does not count as service credit
  - Vested after eight earned years of service

# State Optional Retirement Program (State ORP)

- **Manage your own account**
- **Benefits depend upon**
  - Performance of the investment options you select
  - The balance in your account when you retire
- **Survivor benefit is 100% of account balance**



# State ORP (cont.)



- **No minimum age or years of service required for retirement**
- **Eligible to receive a distribution when you leave employment or reach age 59½**
- **Annual opportunity to change membership during your first five years**



# Contribution - State ORP and SCRS

- **Tax-deferred contributions**
- **Employee rate: 9%**
- **Employer rate is set by the state**



# SCRS minimum service requirements



- **To receive a service or disability retirement annuity or qualify a survivor to receive a monthly annuity after an in-service death**
  - Class Two members must have five years of earned service
  - Class Three members must have eight years of earned service

# SCRS – leaving before retirement

- **Have funds paid directly to you**
- **Roll-over funds**
  - IRA
  - 401(k)
  - 401(a)
  - 403(b)
  - 457(b)
- **Leave contributions in your retirement account**



# SCRS refund of contributions

- You may request a refund of your employee contributions plus interest if you terminate your employment
- Forfeit the rights to any future service retirement or disability annuity
- Not required to withdraw



# Your beneficiary - SCRS

- **Make a beneficiary designation for refund of contributions or survivor benefits**
  - One or more primary beneficiaries
  - One or more contingent beneficiaries
- **Beneficiary for incidental death benefit**
- **Keep your designations up to date**
- **Active Member Beneficiary form**



# Your Beneficiary - State ORP

- **Make a beneficiary designation**
- **Beneficiary for incidental death benefit**
- **Keep your designations up to date**
- **State ORP Active form**



# Incidental death benefit

## For active members of SCRS and State ORP

- If you die as an active member with at least one year of service credit, your designated beneficiary will receive a payment equal to current annual salary
- If your death is job-related, the one year requirement is waived
- Incidental death benefit is subject to state and federal taxes



# SCRS in-service death benefits



- **Refund of employee contributions plus interest, if you are under age 60 with less than 15 years of service credit**
- **Choice of a monthly annuity or a refund of employee contributions plus interest with 15 or more years of service or age 60 or older**



# SCRS defined benefit formula

- **SCRS is a defined benefit retirement plan**
- **Benefit is determined by a formula**
  - Average final compensation (AFC)
    - Class Two: 12 highest consecutive quarters of salary
    - Class Three: 20 highest consecutive quarters of salary
  - Service credit (earned and purchased)
  - Benefit multiplier
    - 1.82% for each year of service



# SCRS normal retirement qualifications

- **Class Two members**

- Age 65 with five years of earned service, or
- Any age with 28 years of service, including five years of earned service
- Five year earned service requirement depends on membership date

- **Class Three members**

- Age 65 with eight years of earned service, or
- Meet the Rule of 90 (age and years of service must add up to 90+)

- **ORP**

- No minimum years of service.



# Service retirement example

## Class Two

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### Assumptions

Member – age 60

Beneficiary – age 60

Service – 28 years

AFC – \$50,000

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*This example is for illustration only. Figures using your specific information can be obtained by going to the SCRS website.*

Monthly average salary

1. **\$4,167**

*(annual salary/12 months)*

Pension % of salary

2. **(1.82% x 28)**

Monthly retirement income

3. **\$2,123**

*(line 1 X line 2)*

“Gap” in monthly gross income

4. **\$2,044**

*(line 1 – line 3)*

# Payment options



- **Option A**
  - Maximum Retiree Only Plan
- **Option B**
  - 100% Joint Retiree/Survivor Plan
- **Option C**
  - 50% Joint Retiree/Survivor Plan

# SCRS approximate percentages of AFC

<b>Service and age</b>	<b>Percentage</b>	<b>Type of Benefit</b>
25 years at age 55	40%	Reduced Early Retirement
26 years at age 55	44%	Reduced Early Retirement
27 years at age 55	47%	Reduced Early Retirement
28 years at any age	51%	Normal Retirement
29 years at any age	53%	Normal Retirement
30 years at any age	55%	Normal Retirement

# SCRS early retirement qualifications



## ○ **Class Two member**

- Age 60 with at least five years of earned service, or
- Age 55 or older with 25 years of service, with five of those years being earned service
- Five year earned service requirement depends on your membership date

## ○ **Class Three member**

- Age 60 with at least eight years of earned service

# SCRS benefit adjustment (formerly known as COLA)



- Annual adjustment of 1%
- July 1<sup>st</sup> following the second anniversary of your normal retirement
- Maximum increase is \$500

# Return-to-work provisions

- **For retirement after 1/2/13**
- **Return to work after 30 days**
- **Still receive a retirement benefit**
- **Benefit subject to \$10,000 earnings limitation**
- **No limitation if you were at least age 62 at retirement**





# Disability retirement



- **Class 2:** you must have at least five years of earned service credit toward retirement\*
- **Class 3:** you must have at least eight years of earned service credit toward retirement \*

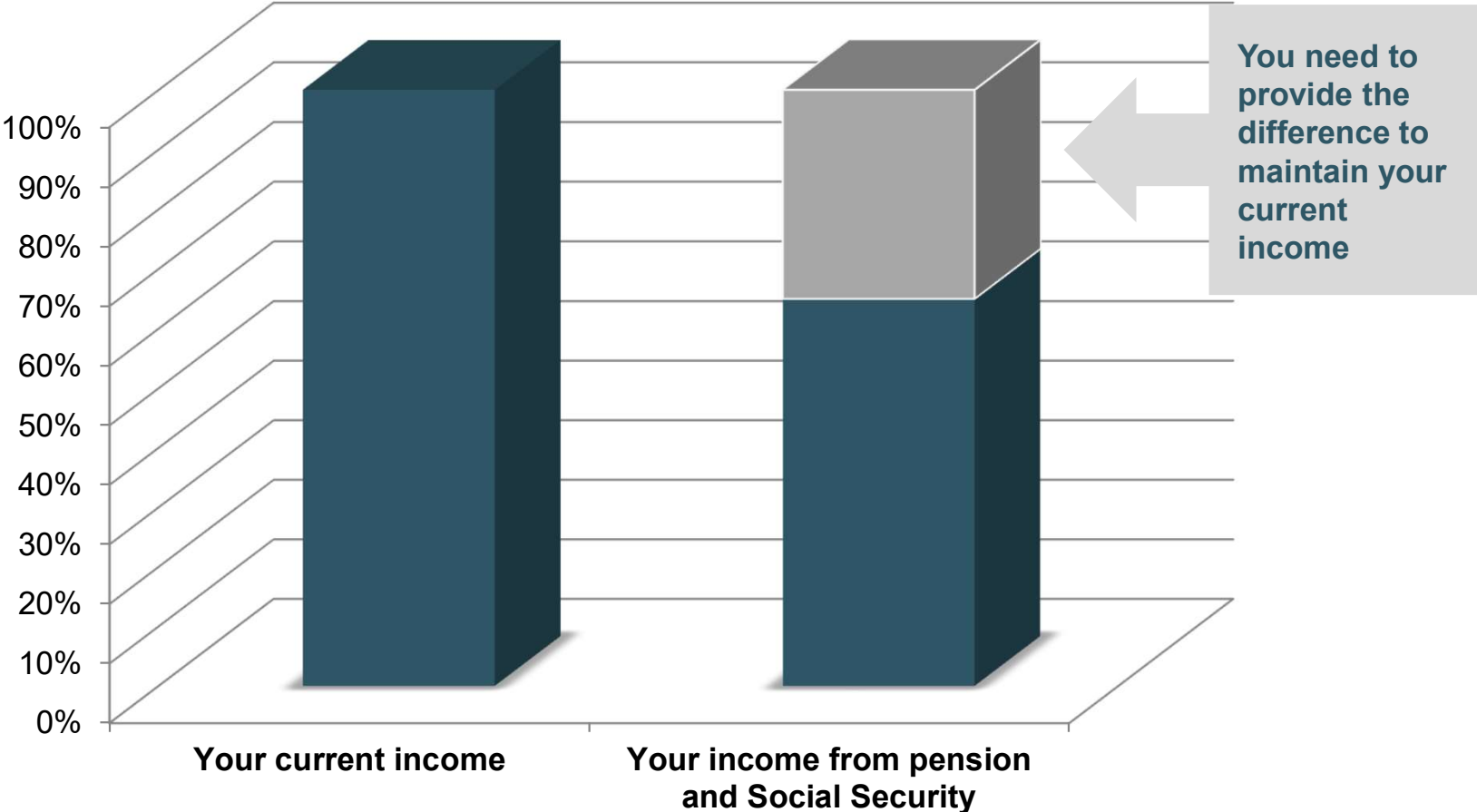
\*unless your disability is the result of an injury arising out of and in the course of the performance of your job duties

# Social Security benefits



- Not available until age 62
- Reduced benefit at age 62
- Full benefit received between ages 65 and 67

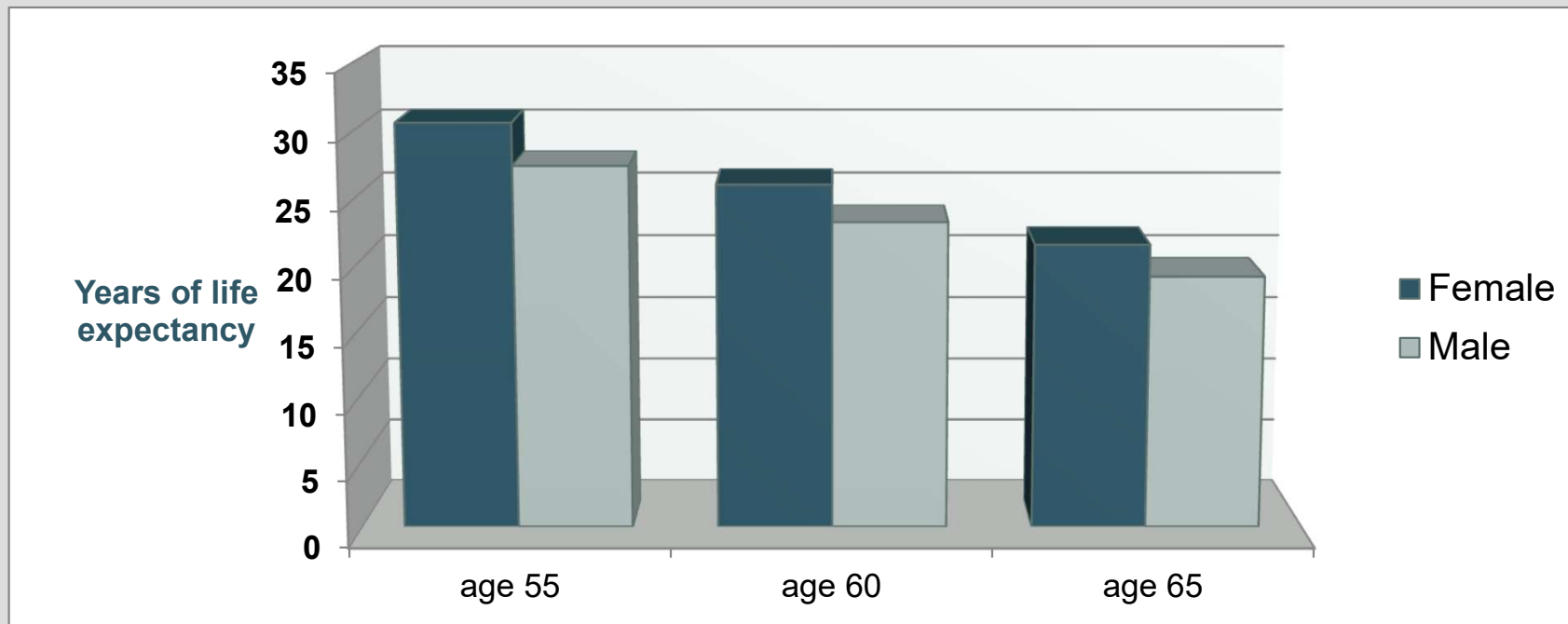
# Retirement income shortfall



# Why start now?



# Average life expectancy after retirement



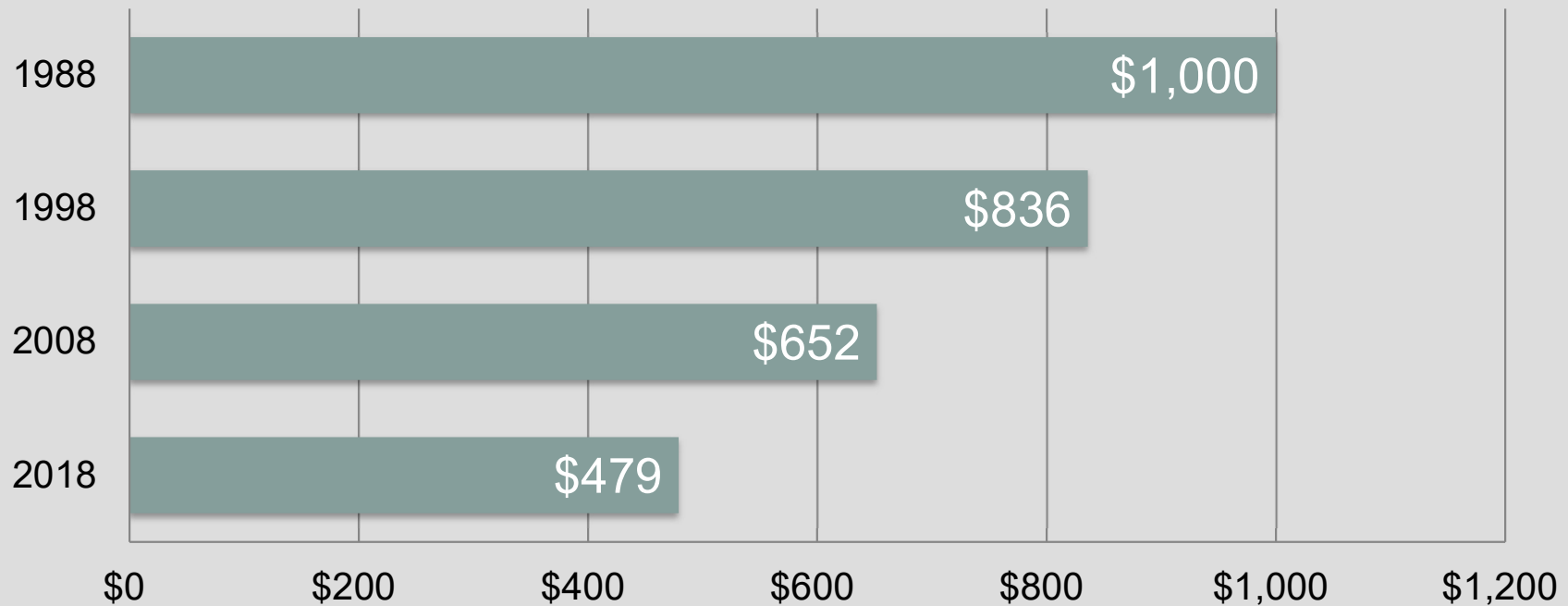
▪Source: Social Security Administration, Retirement & Life Expectancy Calculator (2018)

# Standard of living



- **Approximately 80% of pre-retirement income**
- **First year of retirement**
- **Inflation**

# Purchasing power



Source: U.S. Department of Labor, Bureau of Labor Statistics

# Can you afford to wait?

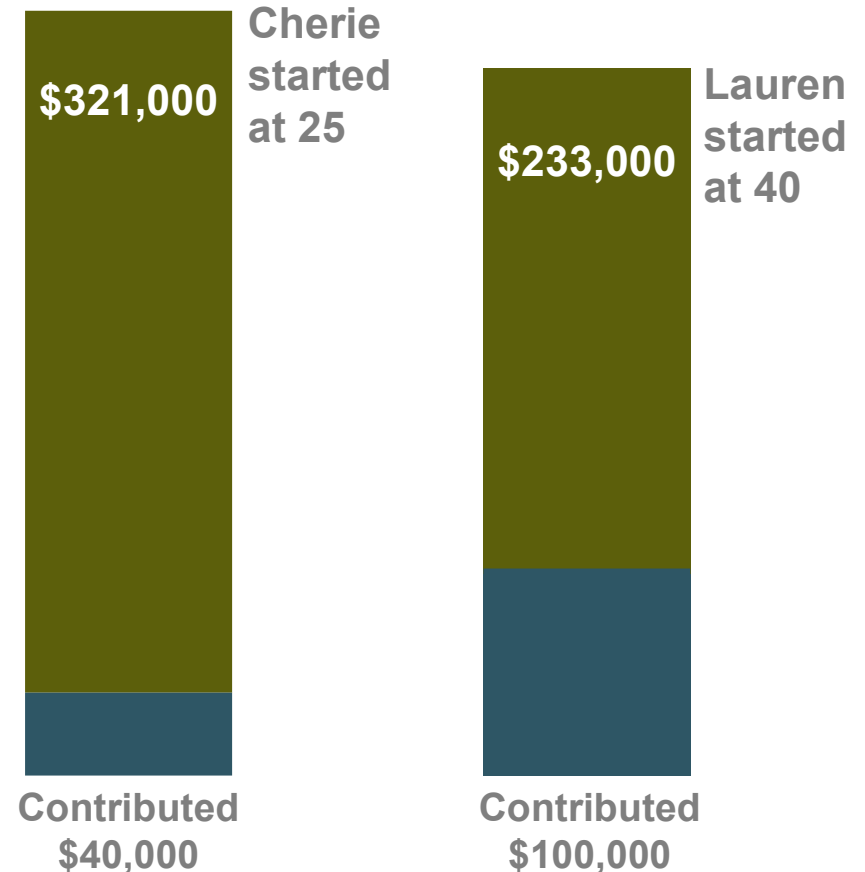
## Who ends up with more at age 65?

### Cherie

- Started a retirement fund at age 25
- Contributed \$4,000 annually for 10 years for a total of \$40,000
- Earned 6% annually

### Lauren

- Started a retirement fund at age 40
- Contributed \$4,000 annually for 25 years for a total of \$100,000
- Earned 6% annually



▪ Results are hypothetical for illustrative purposes only and do not reflect the performance of any specific investment.



# Developing a retirement plan

- SCRS benefits
- Social Security
- Health insurance
- Continue working
- Retirement age
- Retirement lifestyle
- Length of retirement
- Income needed

# Health insurance benefits



You may qualify for retiree health insurance. If you are covered by the state's health insurance program, be sure to read the eligibility requirements in the PEBA Insurance Benefits Guide.

# Estate planning considerations

- **Will**
- **Financial power of attorney**
- **Advance care directive**



# You should review your retirement strategy

**Retirement planning is a process, not an event!**



# Your retirement system

South Carolina Retirement Systems (SCRS)

P.O. Box 11960

Columbia, SC 29211-1960

Toll-free      800-868-9002

Local          803-737-6800

[www.retirement.sc.gov](http://www.retirement.sc.gov)

# Social Security benefits

Social Security Administration

800-772-1213

[ssa.gov](https://ssa.gov) – click on “Calculate your Benefit”

# Thank you for your interest

For additional information, please contact:

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