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**Remittance of Participants' Retirement Contributions to
the State Optional Retirement Program**

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South Carolina Budget & Control Board

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STATE DOCUMENTS

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Remittance of Participants' Retirement Contributions to the State Optional Retirement Program

I. Problem Statement

How can the South Carolina Retirement Systems (SCRS) mandate or encourage employers to remit the retirement contributions of participants in the State Optional Retirement Program (State ORP) to their chosen vendor within a defined time frame?

A. Background

In 1987, the South Carolina General Assembly established an optional retirement program for publicly-supported four-year and post graduate institutions of higher education. Eligible employees included only those holding faculty and administrative positions hired on or after July 1, 1987. Over the years the Legislature has expanded the program to include all newly hired employees of state agencies, local school districts, and institutions of higher education. The State ORP law is in Chapter 20 of Title 9 of the South Carolina Code of Laws, 1976, as amended (Appendix A). In 2001, the current State ORP was established. For a timeline of the legislation regarding the creation and expansion of the various optional retirement programs refer to Appendix B.

The State ORP is a defined contribution plan. In a defined contribution plan, a participant invests his retirement contributions in the plan's investment choices and then bears the risk based on the performance of his investments. The participant's retirement benefit is based on the balance in his account when he retires. The State ORP is an alternative to SCRS, which is a defined benefit plan. A defined benefit plan provides a

guaranteed monthly pension based on years of service, average final compensation, and a 1.82 percent multiplier.

A newly hired employee of a state agency, local school district, or institution of higher education (employees of local governments are not eligible to participate in the State ORP) has thirty days to choose between the two retirement plans: the State ORP or SCRS. This decision should not be made lightly. All new employees are encouraged to read the "Select Your Retirement" brochure (Appendix C) and view the corresponding videos prior to making this critically important decision. The brochure illustrates the differences in the two retirement choices.

The State ORP is a portable retirement plan, which means both the employee and employer contributions in your account are available for a distribution or rollover upon termination. However, only the employee contributions in your SCRS account plus interest are available for a refund when you terminate your employment. Therefore, if a new employee is unsure about his tenure with state government the State ORP may be a good choice for him.

B. State ORP as a Choice

Once a new employee elects to participate in the State ORP, the employer directs the employee to choose amongst the four available State ORP Vendors: AIG VALIC, Hartford, CitiStreet/MetLife, and TIAA CREF. Each vendor has approximately sixteen investment funds available to the participant. A listing of the State ORP fund line-up by vendor can be found in Appendix D. The employer is responsible for having the new hire complete the SC Enrollment form, Form 1100 (Appendix E), then mail it

SCRS. Secondly, the employer has the employee complete the enrollment packet from the chosen vendor and mail it that vendor. Appendix F outlines the enrollment procedure for employers.

The employer provides the vendor with the new employee's name, address, social security number, etc. contained in the enrollment kit in order for the vendor to establish an account for the employee. This needs to be done prior to any money being sent by the employer to the vendor or the vendor will not know where or how to post the money.

On behalf of State ORP participants, employers remit 11.25% of the participant's paycheck in retirement contributions to the vendors, 6.25% in employee contributions and 5% in employer contributions. The contributions are posted to the participant's account and invested in the funds chosen by the participant. For a State ORP participant to maximize his potential investment gain, his retirement contributions must be invested in a timely manner. Every day the money is not invested there is the potential for losing interest.

C. Statement of Need

SCRS has the fiduciary responsibility to protect the retirement contributions of its members. However, SCRS cannot protect the contributions it or the vendors have not received. SCRS needs to investigate the average length of time the employers are taking to remit the retirement contributions to the vendors. Secondly, SCRS needs to research the standard within the investment industry for the timeliness of remitting contributions. An industry standard for the length of time an employer has to remit the

money to the vendors may serve as a guide for SCRS to review in order to decide whether or not the State ORP employers are operating within those guidelines. Then we can decide how best to encourage the employers to remit contributions in the most expedient manner possible.

II. Data Collection

The first order of business is to ask the four vendors for an average length of time each employer takes to send in the money. This seems like a simple request. However, the State ORP has 208 State ORP eligible employers with many different payroll schedules. One school district may have a weekly, bi-weekly, and monthly payroll which complicates the issue. The vendors notified me that unless we gave them several months to reprogram their system they could not provide the data we requested. They could provide me with a sampling of the employers' data.

Secondly, I will search for an industry standard on the accepted number of days it should take for an employer to remit retirement contributions. The Department of Labor (DOL) and the federal Employee Retirement Income Security Act of 1974 (ERISA) are the best places to research the rules and regulations for plan assets. ERISA established the guidelines for the management of private pension funds. Although SCRS and all government retirement plans are exempt from ERISA, it provides us with documented guidelines to review and even adopt when appropriate. Hence the reason to see what ERISA has to say about employer remittance.

The last piece of data needed is the SCRS employer training module on the State ORP and Enrollment. SCRS has a field services unit that has the responsibility of

training employers on all retirement benefit issues. They do this by having annual group meetings and several one-on-one sessions with employers. The modules are the main communication tool for these meetings.

III. Data Analysis

The sample provided by the vendors showed a wide variance in the number of days employers were remitting the contributions. The average number of days from the day of the payroll to the day the contributions were posted to the participants' accounts was ten days. However, the range in the number of days spanned from one to 22 days. The next question is how many days are acceptable and which employers are outside of what is acceptable. Then we need to decide what options SCRS has to bring all employers within an acceptable timeframe.

ERISA was amended to address the issue of employers or plan sponsors depositing the contributions. ERISA and corresponding DOL regulations require the "amounts that a participant has withheld from his wages by an employer, for contribution to the plan as of the earliest date on which such contributions can reasonably be segregated from the employer's general assets" to be deposited (See the highlighted portion of Appendix G). ERISA goes on to state that this should not "occur later than the 15th business day of the month following the month in which the participant contribution amounts are received by the employer." This means an ERISA covered employer (a private sector employer) has at least 15 days and as much as 45 days to deposit the contributions. How does this guideline translate to the needs of the State ORP?

After reviewing the SCRS training module I realized all of the necessary information was included. The employers were receiving the “how to” on remitting the contributions but they were missing the “why” timeliness is so importance to the participants’ future. We need to address the reasons why an employer cannot make a specific deadline for remittance. I also realized the employers may not understand the future of the State ORP. Both SCRS and employers need to understand the current and potential growth of the defined contribution plan and where the future needs will be.

IV. Implementation Plan

We now know from the sample data and ERISA guidelines that the vast majority of employers are remitting the retirement contributions to the vendors within the ERISA guidelines. If SCRS wanted to mandate a timeframe more restrictive than ERISA it would be an uphill battle. It would take legislative action for SCRS to mandate and enforce a specific timeframe in which to have contributions posted.

The issue does not involve all of the employers. Therefore, SCRS needs to target those employers that have the longest delay in remitting contributions. Since changing state law is not the best answer to changing employer behavior, what is the answer? What are the current obstacles preventing employers from remitting in a more timely manner?

- 1- Employer attitudes
- 2- Employers’ lack of electronic remittance
- 3- No standardization of vendor remittance formats

To address the negative attitude of employers one must understand that the State ORP is not an easy program for the employers to administer. It requires a lot more work for the Human Resources and Payroll personnel. This is a new program with four times the amount of work. The only employers with any history of working with a defined contribution plan are the institutions of higher education. The school districts and state agencies have only been working with the State ORP for several years. Not only does the staff have to process all of the normal SCRS paperwork but they must also deal with four independent State ORP vendors each with their own set of paperwork. Retirement contributions are sent to SCRS quarterly but sent to the vendors each and every payroll. This further complicates the employer's job.

In some cases an employer may have only one participant with a vendor or two but hundreds with SCRS. But this is changing. For fiscal year 2005 17 percent of all new hires with State ORP eligible employers chose the State ORP over the SCRS plan. As seen in the chart below the State ORP is a small percentage of the total population but it is growing.

SCRS vs. State ORP

	SCRS	State ORP	Total
# of Employers	768	208	N/A
Payroll (\$ Millions)	\$ 6,217	477	\$ 6,694
# of Members	190,863	11,069	201,932
Average Salary	\$ 32,570	\$ 43,108	\$ 33,148

Source: South Carolina Retirement Systems FY 2005 Comprehensive Annual Financial Report

The employers need to be better educated on the value of the State ORP in recruitment and retention. They need to better understand their own fiduciary responsibility in getting the participants' contributions posted. These points will be incorporated into the Field Services training module. Plus each State ORP eligible employer should be visited by a member of the Enrollment and Employer Reporting units to stress both SCRS and the employer's fiduciary responsibility. We must be patient as the employers get through their learning curve. Therefore, SCRS will enhance the training modules and begin a program of site visits by the Enrollment and Employer Reporting units. The only cost for this initiative is the cost of travel to the employers.

The second challenge to employers is their lack of electronic remittance. Most employers still send a paper check to the vendors. This adds days to the process. SCRS needs to further investigate the obstacles to electronic remittance. Electronic remittance is an issue for both the defined benefit plan as well as the defined contribution plan. Getting all employers to remit electronically is one of SCRS's strategic goals. Unfortunately this goal will take time and financial resources.

The last obstacle is currently being addressed. SCRS asked the vendors to put together a team of experts from all of the vendors to establish one standardized format for the employers to remit the payroll file. The payroll file contains all of the pertinent data needed to post the participant's contributions. Once they generate a standard format then SCRS can endorse it and assist the vendors in getting the news communicated to all employers. This standardized format will aid the electronic remittance plight as well.

V. Evaluation Method

The four vendors, AIG VALIC, Hartford, CitiStreet/MetLife, and TIAA CREF, have agreed to a regular sampling of employers. On a quarterly basis I will choose a mix of state agencies, local school districts, and institutions of higher education employers based on their State ORP participation rate to test the number of days it takes each employer to remit the retirement contributions. The data will be entered into a spreadsheet and tracked over time. The employers with the longest delay in remitting the contributions will be the first employers for the site visits by the Enrollment and Employer Reporting staff. The hope is the site visits will have a positive impact on the employer's remittance record. The quarterly sampling from the vendors will show us if this is the case. If the site visits and the enhanced training modules do not have a positive impact on the employers' record then we have to reevaluate.

Once an employer moves to electronic remittance they will be removed from the potential sampling list. Obviously, the long range goal is to have every employer remit electronically but that is unrealistic today.

The last needed evaluation is employer feedback. A survey will be initiated of the State ORP eligible employers to measure their satisfaction with the standardized remittance form and the State ORP as a whole. As the employers become more comfortable with the State ORP and the State ORP population increases their negative attitude towards the program should fade. The survey results will allow SCRS to track this progression.

APPENDIX A

CHAPTER 20.

STATE OPTIONAL RETIREMENT PROGRAM

SECTION 9-20-10. Definitions.

As used in this chapter:

(1) "Employer" means:

(a) a school district that receives funding from the State from the annual appropriation to the Department of Education for Aid to School Districts-Employer Contributions in the annual general appropriations act;

(b) a four-year and postgraduate institution of higher education supported and under the control of the State;

(c) a technical college supported and under the control of the State;

(d) the State or any of its departments, agencies, bureaus, commissions, and institutions, provided that such entity does not meet the definition of item (1)(a), (b), or (c) of this section.

(2) "Eligible employee" means:

(a) a person hired on or after July 1, 2001, by an employer as defined in Section 9-20-10(1)(a) to fill a permanent full-time position;

(b) a person hired on or after July 1, 2002, by an employer as defined in Section 9-20-10(1)(b), (c), or (d) to fill a permanent full-time position;

(c) a person hired on or after July 1, 2003, by an employer as defined in Section 9-20-10(1) to fill a temporary position or a part-time permanent position;

(d) a person employed by an employer as defined in Section 9-20-10(1) who, as of June 30, 2001, was a participant of the Optional Retirement Program for Teachers and School Administrators or who, as of June 30, 2002, was a participant of the Optional Retirement Program for Publicly Supported Four-Year and Postgraduate Institutions of Higher Education; or

(e) an employee, hired on or after January 1, 2003, by the State or any of its departments, agencies, bureaus, commissions, or institutions who is not covered by the State Employee Grievance Procedure but who is eligible to participate in either the South Carolina Retirement System or the Police Officers Retirement System.

However, an employee who exercises an option to not participate in the South Carolina Retirement System under Section 9-1-550 is not eligible to participate in the State Optional Retirement Program.

(3) "Participant" means an eligible employee who participates in the optional retirement program provided by this chapter.

(4) "Open enrollment period" means the period from January first to March first of each year.

SECTION 9-20-20. State Optional Retirement Program.

The South Carolina Retirement System shall establish the State Optional Retirement Program (State ORP), a defined contribution plan, for eligible employees defined in Section 9-20-10(2). An employee is not eligible to participate in the State ORP unless the employee is eligible for membership in the South Carolina Retirement System. The following retirement and death benefit payment options may be provided for a participant in the State ORP: annuities, lump-sum distributions, partial distributions, or periodic withdrawals, whether through individual annuity contracts or mutual funds or individual certificates issued for group annuity contracts, fixed, or variable in nature, or a combination of them. Eligibility is determined solely by the South Carolina Retirement System.

SECTION 9-20-30. Administration of program; designation of investment companies.

The South Carolina Retirement System shall provide for the administration of the State Optional Retirement Program under this chapter. The director acting on behalf of the South Carolina Retirement System shall designate no fewer than four companies to provide annuity contracts, mutual fund accounts, or similar investment products offered through state or national banking institutions, or a combination of them, under the program. In making the designation, selection criteria must include:

- (1) the nature and extent of the rights and benefits to be provided by the contracts or accounts, or both, of participants and their beneficiaries;
- (2) the relation of the rights and benefits to the amount of contributions to be made;
- (3) the suitability of these rights and benefits to the needs of the participants;
- (4) the ability and experience of the designated companies in providing suitable rights and benefits under the contracts or accounts, or both;
- (5) the ability and experience of the designated companies to provide suitable education and investment options.

Companies participating in the optional retirement program for publicly-supported four-year and postgraduate institutions of higher education as of July 1, 2002, or the optional retirement program for teachers and school administrators as of July 1, 2001, may continue to participate in this program and this participation is governed by their existing contracts.

SECTION 9-20-40. Election of system; changing systems concurrent positions; open enrollment period.

(A) All eligible employees shall elect either to join the South Carolina Retirement System or to participate in the State ORP under this chapter within thirty days after entry into service. If an eligible employee fails to make the initial election within the required time, the employee is considered to have elected membership in the South Carolina Retirement System. An election made pursuant to this section must be made in writing and filed with the retirement system and the appropriate officer of the employee's participating employer and is effective on the date of employment. A State ORP participant who accepts an additional concurrent position with an employer participating in the South Carolina Retirement System must enroll in the State ORP for the second position if the second position is eligible to participate in the State ORP.

Also, a member of the South Carolina Retirement System who accepts an additional concurrent position with an employer participating in the South Carolina Retirement System must enroll in the South Carolina Retirement System with respect to that position. An eligible employee electing to participate in the State ORP assumes all investment risk. The election to participate in the State ORP is irrevocable except as set forth in subsections (B) and (C).

(B) A State ORP participant may irrevocably elect to join the South Carolina Retirement System during any open enrollment period after the first annual anniversary but before the fifth annual anniversary of the person's initial enrollment in the State ORP. The State ORP participant shall become a member of the South Carolina Retirement System effective on the first of April following the participant's election to join the South Carolina Retirement System under this subsection. For purposes of this subsection, the date of initial enrollment in the State ORP for employees who previously participated in the Optional Retirement Program for Teachers and School Administrators or the Optional Retirement Program for Publicly Supported Four-Year and Postgraduate Institutions of Higher Education is the date of initial enrollment in these programs.

(C) Any participant in the State Optional Retirement Program who was a participant in the Optional Retirement Program for Publicly Supported Four-Year and Postgraduate Institutions of Higher Education may irrevocably elect to participate in the South Carolina Retirement System during the open enrollment period from January 1, 2004, to March 1, 2004. A State ORP participant electing to participate in the South Carolina Retirement System under this subsection shall become a member of the South Carolina Retirement System on April 1, 2004.

(D) All participants in the Optional Retirement Program for Teachers and School Administrators on July 1, 2001, and the Optional Retirement Program for Publicly Supported Four-Year and Postgraduate Institutions of Higher Education on July 1, 2002, thereafter are participants in the State ORP.

SECTION 9-20-50. Contributions.

Each participant shall contribute monthly to the program the same amount he would be required to contribute to the South Carolina Retirement System if the participant were a member of that system. Participant contributions must be made by employer pick up in accordance with Section 9-1-1160(B) and any applicable provisions of the Internal Revenue Code of 1986. Each employer shall contribute on behalf of each participant five percent of compensation. Deductions must not be made from this five percent contribution. Each employer shall remit to the designated companies for application to participants' contracts or accounts, or both, an amount equal to the participant's contribution plus the employer's contribution in accordance with the guidelines established by the Internal Revenue Service for payroll tax remittance. The employer shall remit to the retirement system the percentage of the employee's compensation that is the difference between the system employer contribution rate set in Section 9-1-1175 and the five percent allocated to member accounts in this section in accordance with the guidelines established for remitting retirement contributions to the South Carolina Retirement System. The South Carolina Retirement System may retain from this employer contribution an amount as determined by the director to defray any

reasonable expenses incurred in performing services regarding the plan. These services may include, but are not limited to:

- (1) participant education regarding the merits and risks associated with selection of defined contribution plans versus defined benefit plans;
- (2) on-going investment education, where appropriate;
- (3) recordkeeping; and
- (4) monitoring contract compliance.

SECTION 9-20-60. Group life insurance benefits.

Group life insurance benefits may be paid by the State for service rendered while participating in the State ORP under the same requirements set out for participants in the South Carolina Retirement System's defined benefit plan pursuant to Section 9-1-1770. However, a postretirement group life insurance benefit must not be paid by the State for service rendered while participating in the State ORP. Employers shall remit the same contribution for the group life insurance benefit that employers would have contributed had the eligible employee chosen to be a member of the South Carolina Retirement System.

APPENDIX B

Legislation Regarding the State Optional Retirement Program

7/1/87 Act 42

The Act created an optional retirement program for publicly-supported four-year and post graduate institutions of higher education. Eligible employees included only those holding faculty and administrative positions hired on or after July 1, 1987. Also the act stated that "not less than two companies" would be named to participate in the program.

7/1/98 FY 98-99 Appropriation Act, Part II, Section 28

The Section included the technical college faculty and administrative positions hired on or after July 1, 1989, as eligible employees to participate in the optional retirement program for publicly-supported four-year and post graduate institutions of higher education.

7/1/00 Act 268

The Act created the Optional Retirement Program for Teachers and School Administrators. Eligible employees included only those holding teacher, specialist, coordinator, and administrator positions hired on or after July 1, 2000. Also the act stated that "no fewer than four companies" would be named to participate in the program.

7/1/01 Act 54

The Act merged the Optional Retirement Program for Teachers and School Administrators and the optional retirement program for publicly-supported four-year and post graduate institutions of higher education into the State Optional Retirement Program. It extended the eligibility to participate in the State ORP to all school district employees hired in a permanent full-time position on or after July 1, 2001, to all higher education institution and technical college employees hired in a permanent full-time position on or after July 1, 2002, and to all state agency employee hired in a permanent full-time position on or after July 1, 2002.

7/1/03 Act 77

The Act extended eligibility to participate in the State ORP to include all temporary and part-time employees hired on or after July 1, 2003 by an eligible employer.

Appendix C

“Select Your Retirement Plan” Brochure

APPENDIX D

SOUTH CAROLINA STATE OPTIONAL RETIREMENT PROGRAM FUNDS
Effective January 1, 2006

	VENDOR	FUND CATEGORY	FUND NAME / STATUS	Ticker Symbol
1	Hartford	Active Foreign Stock	Bernstein Int'l. Portfolio	SIMTX
2	Hartford	Active Large Blend	Victory Div. Stock A	SRVEX
3	Hartford	Active Large Growth	GE Premier Growth Equity	GEPCX
4	Hartford	Active Large Value	Hotchkis & Wiley Large Value	HWLAX
5	Hartford	Active Mid Blend	Munder Midcap Select	MGOYX
6	Hartford	Active Small Blend	Baron Small Cap	BSCFX
7	Hartford	Bond Fund	Hartford Total Return Bond	HIABX
8	Hartford	Domestic Hybrid	Oakmark Equity & Inc I	OAKBX
9	Hartford	Index Large Blend	SSGA S&P 500	SVSPX
10	Hartford	Inflation-linked Fixed Income Fund	PIMCO Real Return	PRTNX
11	Hartford	Lifecycle Fund	SSgA Target 2015 Class C	
12	Hartford	Lifecycle Fund	SSgA Target 2025 Class C	
13	Hartford	Lifecycle Fund	SSgA Target 2035 Class C	
14	Hartford	Lifecycle Fund	SSgA Target 2045 Class C	
15	Hartford	Lifecycle Fund	SSgA Target Today Class C	
		Money Market	N/A	
16	Hartford	Real Estate	AIM Real Estate	REINX
17	Hartford D	Stable Value	General Fixed Interest Account	
18	Citi	Active Foreign Stock	American Funds EuroPacific Growth	AEPGX
19	Citi	Active Large Blend	Oppenheimer Equity A	OEOAX
20	Citi	Active Large Growth	Franklin Dyna Tech A	FKDNX
21	Citi	Active Large Value	American Funds Fundamental Investors A	ANCFX
22	Citi	Active Mid Blend	RS Value	RSVAX
23	Citi	Active Small Blend	Royce Premier	RYPRX
24	Citi	Core Bond Fund (Intermediate-term Bond)	PIMCO Total Return Admin	PTRAX
25	Citi	Domestic Hybrid	Van Kampen Equity Income A	ACEIX
26	Citi D	Guaranteed Annuity	Gold Track Select - Fixed Account Option 4	
27	Citi	Index Large Blend	SSgA S&P 500 Index Fund	SVSPX
		Inflation-linked Fixed Income Fund	N/A	
28	Citi	Life Style	SSgA Life Solutions Balanced Fund	SSLBX
29	Citi	Life Style	SSgA Life Solutions Growth Fund	SSLGX
30	Citi	Life Style	SSgA Life Solutions Income & Growth Fund	SSLIX
31	Citi	Money Market	SSgA Money Market A	SSMXX
32	Citi	Real Estate	Cohen & Steers Realty Shares	CSRSX

	TIAA	Active Large Blend	CREF Stock Account	
34	TIAA *	Active Foreign Stock	Amer Funds EuroPac A	AEPGX
35	TIAA *	Active Large Growth	Amer Funds Growth A	RERFX
36	TIAA *	Active Large Value	Vanguard Windsor II	VWNFX
37	TIAA	Completeness Fund - World Stock	CREF Global Equities Account	
38	TIAA	Core Bond Fund (Intermediate-Term Bond)	CREF Bond Market Account	
39	TIAA	Domestic Hybrid	CREF Social Choice Account	
40	TIAA	Guaranteed Annuity	TIAA Traditional 3	
41	TIAA	Index Large Blend	CREF Equity Index Account	
42	TIAA *	Index Mid Blend	TIAA CREF Institutional Mid Cap Blend Index	TRMBX
43	TIAA *	Index Small Blend	TIAA CREF Institutional Small Cap Blend Index	TRBIX
44	TIAA	Inflation-Linked Bond Fund	CREF Inflation Linked Bond Account	
45	TIAA *	Lifecycle Fund	TIAA CREF Institutional Lifecycle 2010	TCLEX
46	TIAA *	Lifecycle Fund	TIAA CREF Institutional Lifecycle 2015	TCLIX
47	TIAA *	Lifecycle Fund	TIAA CREF Institutional Lifecycle 2020	TCLTX
48	TIAA *	Lifecycle Fund	TIAA CREF Institutional Lifecycle 2025	TCLFX
49	TIAA *	Lifecycle Fund	TIAA CREF Institutional Lifecycle 2030	TCLNX
50	TIAA *	Lifecycle Fund	TIAA CREF Institutional Lifecycle 2035	TCLRX
51	TIAA *	Lifecycle Fund	TIAA CREF Institutional Lifecycle 2040	TCLOX
	TIAA	Money Market Fund	CREF Money Market Account	
52	D			
53	TIAA	Real Estate	TIAA Real Estate Account	
54	AIG	Active Foreign Stock (International Equity)	Phoenix Foreign Opportunities A	JVIAX
55	AIG	Active Large Blend	Merrill Lynch Large Cap Core	MDLRX
	AIG	Active Large Growth	American Funds Growth	RGAEX
57	AIG	Active Large Value	Allianz OCC Value	PDLAX
58	AIG	Active Mid Cap Blend	ABN AMRO MidCap N	CHTTX
59	AIG	Active Small Blend	Columbia Small Cap Z	SMCEX
60	AIG	Completeness - Health & Biotech (Specialty -Health)	Vanguard Health Care	VGHCX
61	AIG	Core Bond Fund (US Corporate Bond)	Vanguard Interm-Term Corp.	VFICX
62	AIG	Domestic Hybrid	American Funds Amer Bal A	ABALX
63	AIG	Fixed Account	VALIC Fixed Interest Option 2	
64	AIG D	Index Large Blend	Vanguard 500 Index	VFINX
65	AIG	Inflation-Linked Bond Fund (TIPs)	PIMCO Real Return A	PRTNX
66	AIG	LifeStyle	AmCent Strat Alc:Agg Inv	TWSAX
67	AIG	LifeStyle	AmCent Strat Alc:Con Inv	TWSCX
68	AIG	LifeStyle	AmCent Strat Alc:Mod Inv	TWSMX
69	AIG	Money Market	Vanguard Money Market	VUSXX
		Real Estate	N/A	

Denotes a new fund to the vendor as of January 1, 2006

N/A = No fund in that category currently available by that vendor

D = Default Fund

TIAA * TIAA CREF new funds become effective 3/1/06

69 = Number of funds in the State ORP

Appendix E

SCRS Enrollment Form

Form 1100

Form 1100
Revised 06/06/2005
Page 1

RETIREMENT PLAN ENROLLMENT
State Budget and Control Board
South Carolina Retirement Systems
Attention: Enrollment
Box 11960, Columbia, SC 29211-1960

Print or type in black ink
and sign in blue ink.
Please read the
instructions on page 2
before completing this
form.

ACTION REQUESTED (Check One):

- NEW ENROLLEE (First-time membership)
- OPEN ENROLLMENT (Irrevocable election from State ORP)
- CHANGE OF EMPLOYER (Transfer)/DUAL EMPLOYMENT
- CHANGE OF INFORMATION
 - Name (Prior Name): _____
(ATTACH LEGAL DOCUMENT INDICATING NAME CHANGE)
 - Address _____
 - SSN (Old Number): _____
 - Date of Birth _____

SECTION I: EMPLOYEE INFORMATION (TO BE COMPLETED BY THE EMPLOYEE)

1. Last Name & Suffix		2. First/ Middle Name		3. Social Security Number (ATTACH A COPY OF YOUR SOCIAL SECURITY CARD.)	
4. Address			5. City		6. State
7. ZIP+4		8. Sex M=Male F=Female		9. Date of Birth	
10. Telephone Number		11. Have you ever been a member of the South Carolina Retirement Systems? <input type="checkbox"/> No <input type="checkbox"/> Yes		12. If item 11 is "Yes", indicate the name(s) of your former employer: Did you withdraw your contributions? <input type="checkbox"/> No <input type="checkbox"/> Yes	
13. Do you currently have a pending refund request? <input type="checkbox"/> No <input type="checkbox"/> Yes			14. Are you now receiving or have you applied to receive a monthly benefit from any of the Retirement Systems' retirement plans? <input type="checkbox"/> No <input type="checkbox"/> Yes <input type="checkbox"/> Application in Process		
15. Retirement Plan Election: (CHOOSE ONE) <input type="checkbox"/> SCRS <input type="checkbox"/> PORS (See Instructions) <input type="checkbox"/> State ORP (If State ORP, please complete item 16.) <input type="checkbox"/> GARS - Senator (100.01) <input type="checkbox"/> GARS - Representative (100.02) <input type="checkbox"/> JSRS - Judge (001.00) <input type="checkbox"/> JSRS - Solicitor (002.00)				16. Select ORP Vendor <input type="checkbox"/> AIG Valic <input type="checkbox"/> CitiStreet <input type="checkbox"/> TIAA-CREF <input type="checkbox"/> The Hartford	

17. An employee hired by an eligible employer (school district, higher education, technical college, state department, agency, bureau, commission, and institution) covered under the South Carolina Retirement System (SCRS), may elect to participate in either the traditional defined benefit plan, SCRS, or the optional defined contribution plan, State ORP. The election to participate in State ORP must be made within 30 calendar days after entry into service (date of hire).
If I do not make an election within the required time, I will be considered to have elected membership in SCRS. Participants in the State ORP assume all investment risk. The election to participate in State ORP is irrevocable, except a State ORP participant may make a one-time irrevocable election to join SCRS during any open enrollment period after the first annual anniversary, but before the fifth annual anniversary of the initial enrollment in State ORP.
I understand that, unless a designated beneficiary is on file, my estate will be designated as my beneficiary until the Retirement Systems receives from me a properly executed beneficiary form.
My signature below indicates that my employer has explained the retirement plan options available to me and has provided me with access to information necessary to make an informed choice. My signature on this document confirms my retirement plan election as indicated in block 15 above.

THE LANGUAGE USED IN THIS DOCUMENT DOES NOT CREATE ANY CONTRACTUAL RIGHTS OR ENTITLEMENTS AND DOES NOT CREATE A CONTRACT BETWEEN THE MEMBER AND THE SOUTH CAROLINA RETIREMENT SYSTEMS. THE SOUTH CAROLINA RETIREMENT SYSTEMS RESERVES THE RIGHT TO REVISE THE CONTENT OF THIS DOCUMENT.

Employee's Signature _____ Date _____ Witness _____
(Required only when signed by mark)

SECTION II: EMPLOYER INFORMATION (TO BE COMPLETED BY THE EMPLOYER)

A COPY OF THE EMPLOYEE'S SOCIAL SECURITY CARD MUST BE ATTACHED TO THIS FORM TO ENROLL THE MEMBER. THE NAME ON THE SOCIAL SECURITY CARD MUST MATCH THE NAME LISTED IN ITEMS 1-2 IN SECTION I OF THIS FORM.

18. Employer Code		19. Employer Name		20. Please indicate if you are the employee's primary or secondary employer. (Annual member statements are sent to primary employers for distribution to members.) <input type="checkbox"/> Primary Employer <input type="checkbox"/> Secondary Employer	
21. Original Date of Hire with Employer listed in Items 18-19		22. Date of Membership		23. Employee's Position Title	
24. Employee's Annual Salary					

25. I hereby certify that the employee listed in Section I of this form is eligible for the retirement plan selected.
Employer Signature _____ Date _____ Work Telephone Number _____

For more information, please contact Customer Services at 1-800-868-9002 (in SC only), 803-737-6800, or cs@scrs.state.sc.us

Appendix F

SCRS & State ORP Enrollment Procedure for Employers

Determine if new hire is eligible for SCRS, State ORP or Non-Membership



Show Videos



Disseminate Information Materials



By 30th Day Employee Makes A Choice
Obtain Copy of Employee's Social Security Card



	SCRS	State ORP	Non-Membership
1	Employee chooses SCRS	Employee chooses State ORP	Employee declines membership into SCRS
2	Employee completes & signs Form 1100 (Enrollment Form)	Employee completes & signs Form 1100 (Enrollment Form)	Employee completes & signs Form 1104 (Election of Non-Membership)
3	Employee completes & signs Form 1102 or 1103 (Beneficiary Form)	Employee completes & signs Form 1106 (State ORP Active Group Life Beneficiary Designation)	Mail Forms 1104 and copy of SS card to SCRS
4	Mail Forms 1100, 1102 or 1103, and copy of SS card to SCRS	Employee completes & mails Vendor Application Form to the Vendor	
5		Mail Forms 1100 and copy of SS card to SCRS	

Appendix G

Code of Federal Regulations Pertaining to EBSA

↳ **Title 29** Labor

↳ **Chapter XXV** Pension and Welfare Benefits Administration, Department of Labor

↳ **Part 2510** Definitions of Terms Used In Subchapters C, D, E, F, and G of This Chapter

29 CFR 2510.3-102 - Definition of ``plan assets"-- participant contributions.

Section Number: 2510.3-102

Section Name: Definition of ``plan assets"--participant contributions.

(a) General rule. For purposes of subtitle A and parts 1 and 4 of subtitle B of title I of ERISA and section 4975 of the Internal Revenue Code only (but without any implication for and may not be relied upon to bar criminal prosecutions under 18 U.S.C. 664), the assets of the plan include amounts (other than union dues) that a participant or beneficiary pays to an employer, or amounts that a participant has withheld from his wages by an employer, for contribution to the plan as of the earliest date on which such contributions can reasonably be segregated from the employer's general assets.

(b) Maximum time period for pension benefit plans. (1) Except as provided in paragraph (b)(2), of this section, with respect to an employee pension benefit plan as defined in section 3(2) of ERISA, in no event shall the date determined pursuant to paragraph (a) of this section occur later than the 15th business day of the month following the month in which the participant contribution amounts are received by the employer (in the case of amounts that a participant or beneficiary pays to an employer) or the 15th business day of the month following the month

in which such amounts would otherwise have been payable to the participant in cash (in the case of amounts withheld by an employer from a participant's wages).

(2) With respect to a SIMPLE plan that involves SIMPLE IRAs (i.e., Simple Retirement Accounts, as described in section 408(p) of the Internal Revenue Code), in no event shall the date determined pursuant to paragraph (a) of this section occur later than the 30th calendar day following the month in which the participant contribution amounts would otherwise have been payable to the participant in cash.

(c) Maximum time period for welfare benefit plans. With respect to an employee welfare benefit plan as defined in section 3(1) of ERISA, in no event shall the date determined pursuant to paragraph (a) of this section occur later than 90 days from the date on which the participant contribution amounts are received by the employer (in the case of amounts that a participant or beneficiary pays to an employer) or the date on which such amounts would otherwise have been payable to the participant in cash (in the case of amounts withheld by an employer from a participant's wages).

(d) Extension of maximum time period for pension plans. (1) With

respect to participant contributions received or withheld by the employer in a single month, the maximum time period provided under paragraph (b) of this section shall be extended for an additional 10 business days for an employer who--

(i) Provides a true and accurate written notice, distributed in a manner reasonably designed to reach all the plan participants within 5 business days after the end of such extension period, stating--

(A) That the employer elected to take such extension for that month;

(B) That the affected contributions have been transmitted to the plan; and

(C) With particularity, the reasons why the employer cannot reasonably segregate the participant contributions within the time period described in paragraph (b) of this section;

(ii) Prior to such extension period, obtains a performance bond or irrevocable letter of credit in favor of the plan and in an amount of not less than the total amount of participant contributions received or withheld by the employer in the previous month; and

(iii) Within 5 business days after the end of such extension period, provides a copy of the notice required under paragraph (d)(1)(i) of this section to the Secretary, along with a certification that such notice was provided to the participants and that the bond or letter of credit required under paragraph (d)(1)(ii) of this section was obtained.

(2) The performance bond or irrevocable letter of credit required in paragraph (d)(1)(ii) of this section shall be guaranteed by a bank or similar institution that is supervised by the Federal government or a State government and shall remain in effect for 3 months after the month in which the extension expires.

(3)(i) An employer may not elect an extension under this paragraph (d) more than twice in any plan year unless the employer pays to the plan an amount representing interest on the participant contributions that were subject to all the extensions within such plan year.

(ii) The amount representing interest in paragraph (d)(3)(i) of this section shall be the greater of--

(A) The amount that otherwise would have been earned on the participant contributions from the date on which such contributions were paid to, or withheld by, the employer until such money is transmitted to the plan had such contributions been invested during such period in the investment alternative available under plan which had the highest rate of return; or

(B) Interest at a rate equal to the underpayment rate defined in section 6621(a)(2) of the Internal Revenue Code from the date on which such contributions were paid to, or withheld by, the employer until such money is fully restored to the plan.

(e) Definition. For purposes of this section, the term business day means any day other than a Saturday, Sunday or any day designated as a holiday by the Federal Government.

(f) Examples. The requirements of this section are illustrated by the following examples:

(1) Employer W is a small company with a small number of employees at a

single payroll location. W maintains a plan under section 401(k) of the Code in which all of its employees participate. W's practice is to issue a single check to a trust that is maintained under the plan in the amount of the total withheld employee contributions within two business days of the date on which the employees are paid. In view of the relatively small number of employees and the fact that they are paid

from a single location, W could reasonably be expected to transmit participant contributions to the trust within two days after the employee's wages are paid. Therefore, the assets of W's 401(k) plan include the participant contributions attributable to such pay periods as of the date two business days from the date the employee's wages are paid.

(2) Employer X is a large national corporation which sponsors a section 401(k) plan. X has several payroll centers and uses an outside payroll processing service to pay employee wages and process deductions. Each payroll center has a different pay period. Each center maintains separate accounts on its books for purposes of accounting for that center's payroll deductions and provides the outside payroll processor the data necessary to prepare employee paychecks and process deductions. The payroll processing service has adopted a procedure under which it issues the employees' paychecks when due and deducts all payroll taxes and elective employee deductions. It deposits withheld income and employment payroll taxes within the time frame specified by 26 CFR 31.6302-1 and forwards a computer data tape representing the total payroll deductions for each employee, for a month's worth of pay periods, to a centralized location in X, within 4 days after the end of the month, where the data tape is checked for accuracy. A single check representing the aggregate participant contributions for the month is then issued to the plan by the employer. X has determined that this procedure, which takes up to 10 business days to complete, permits segregation of participant contributions at the earliest practicable time and avoids mistakes in the allocation of contribution amounts for each participant. Therefore, the assets of X's 401(k) plan would include the participant contributions no later than 10 business days after the end of the month.

(3) Assume the same facts as in paragraph (f)(2) of this section, except that X takes 30 days after receipt of the data tape to issue a check to the plan representing the aggregate participant contributions for the prior month. X believes that this procedure permits segregation of participant contributions at the earliest practicable time and avoids mistakes in the allocation of contribution amounts for each participant. Under paragraphs (a) and (b) of this section, the assets of the plan include the participant contributions as soon as X could reasonably be expected to segregate the contributions from its general assets, but in no event later than the 15th business day of the month following the month that a participant or beneficiary pays to an employer, or has withheld from his wages by an employer, money for contribution to the plan. The participant contributions become plan assets no later than that date.

(4) Employer Y is a medium-sized company which maintains a self-insured contributory group health plan. Several former employees have elected, pursuant to the provisions of ERISA section 602, 29 U.S.C. 1162, to pay Y for continuation of their coverage under the plan. These checks arrive at various times during the month and are deposited in the employer's general account at bank Z. Under paragraphs (a) and (b) of this section, the assets of the plan include the former employees' payments as soon after the checks have cleared the bank as Y could reasonably be expected to segregate the payments from its general assets, but in no event later than the 90 days after a participant or beneficiary, including a former employee, pays to an employer, or has withheld from his wages by an employer, money for contribution to the plan.

(g) Effective date. This section is effective February 3, 1997.

(h) Applicability date for collectively-bargained plans. (1)

Paragraph (b) of this section applies to collectively bargained plans no sooner than the later of--

(i) February 3, 1997; or

(ii) The first day of the plan year that begins after the expiration of the last to expire of any applicable bargaining agreement in effect on August 7, 1996.

(2) Until paragraph (b) of this section applies to a collectively bargained plan, paragraph (c) of this section shall apply to such plan as if such plan were an employee welfare benefit plan.

(i) Optional postponement of applicability. (1) The application of paragraph (b) of this section shall be postponed for up to an additional 90 days beyond the effective date described in paragraph (g) of this section for an employer who, prior to February 3, 1997--

(i) Provides a true and accurate written notice, distributed in a manner designed to reach all the plan participants before the end of February 3, 1997, stating--

(A) That the employer elected to postpone such applicability;

(B) The date that the postponement will expire; and

(C) With particularity the reasons why the employer cannot reasonably segregate the participant contributions within the time period described in paragraph (b) of this section, by February 3, 1997;

(ii) Obtains a performance bond or irrevocable letter of credit in favor of the plan and in an amount of not less than the total amount of participant contributions received or withheld by the employer in the previous 3 months;

(iii) Provides a copy of the notice required under paragraph (i)(1)(i) of this section to the Secretary, along with a certification that such notice was provided to the participants and that the bond or letter of credit required under paragraph (i)(1)(ii) of this section was obtained; and

(iv) For each month during which such postponement is in effect, provides a true and accurate written notice to the plan participants indicating the date on which the participant contributions received or withheld by the employer during such month were transmitted to the plan.

(2) The notice required in paragraph (i)(1)(iv) of this section shall be distributed in a manner reasonably designed to reach all the plan participants within 10 days after transmission of the affected participant contributions.

(3) The bond or letter of credit required under paragraph (i)(1)(ii) shall be guaranteed by a bank or similar institution that is supervised by the Federal government or a State government and shall remain in effect for 3 months after the month in which the postponement expires.

(4) During the period of any postponement of applicability with respect to a plan under this paragraph (i), paragraph (c) of this section shall apply to such plan as if such plan were an employee welfare benefit plan.

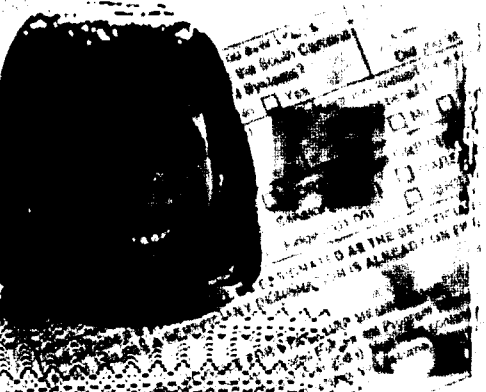
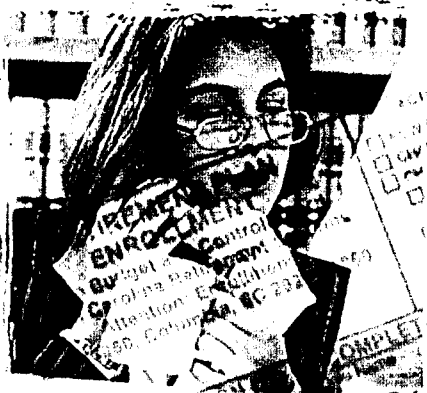
[61 FR 41233, Aug. 7, 1996, as amended at 62 FR 62936, Nov. 25, 1997]

Important Information for New Employees

Select Your Retirement Plan



July 2005 Edition



Make the choice that's right for you...



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THE LANGUAGE USED IN THIS DOCUMENT DOES NOT CREATE ANY CONTRACTUAL RIGHTS OR ENTITLEMENTS AND DOES NOT CREATE A CONTRACT BETWEEN THE MEMBER AND THE SOUTH CAROLINA RETIREMENT SYSTEMS. THE SOUTH CAROLINA RETIREMENT SYSTEMS RESERVES THE RIGHT TO REVISE THE CONTENT OF THIS DOCUMENT.

Welcome

As a new employee, you have a lot of decisions to make and what seems like countless forms to fill out. Choosing which of the two available retirement plans you will join is one of these decisions. To assist you in making this decision and to help ensure that you make an informed choice, this brochure provides information about and a comparison of the two plans.

Eligibility

All newly hired state, public school (kindergarten through grade 12), and higher education employees are eligible to choose between the two available plans. This includes all permanent, full-time employees, temporary and part-time employees, and political appointees.

You must select one of the two available retirement plans unless your position is ex-



empted by state law. Your employer can tell you whether your position is exempt from mandatory membership.

The Plans

South Carolina Retirement System

The South Carolina Retirement System (SCRS) is a *defined benefit plan*. In a defined benefit plan, the state bears the investment risk and provides a guaranteed monthly pension based on a statutory formula, not on your account balance.

A Quick Look at SCRS

- ➔ SCRS is the traditional retirement plan for state and public school district employees, and employees of counties and cities that elect to participate in the Retirement Systems.
 - ➔ If you select SCRS, your employee contributions will be placed in an account in your name that draws 4 percent interest per year.
 - ➔ SCRS provides members a guaranteed monthly pension based on a formula that includes average final compensation, years of service, and a 1.82 percent benefit multiplier.
- ➔ You must have a minimum of five years of earned service to be eligible to receive a retirement annuity. Once you retire, your annuity will be paid to you monthly.
- ➔ If you terminate employment and receive a refund of your contributions, your employer's contributions will not be refunded to you.

State Optional Retirement Program

The State Optional Retirement Program (State ORP) is a *defined contribution plan*. In a defined contribution plan, you invest your funds within the plan's investment choices and then bear the risk, or enjoy the benefit, based on the performance of your investments. Your retirement benefit is based on the balance in your account when you retire.

A Quick Look at State ORP

- ➔ State ORP is an alternative to SCRS.
- ➔ If you select State ORP, an account is established in your name through the investment provider you select. Your employee contributions and a portion of your employer's contributions accumulate in your account and are invested in the investment products you select from the products offered through your investment provider.
- ➔ Your retirement benefit will be based on the balance in your account when you retire.
- ➔ Once you retire, you may choose from a variety of payout options, including single-sum withdrawals, systematic withdrawals, or a guaranteed monthly pension benefit based on your account balance at the time payments begin.
- ➔ State ORP also provides portability of the money in your account, which includes the contributions made by you and your employer, and the investment earnings.

Considerations

Please keep the following in mind when making your decision:

- ➔ Your willingness to assume investment risk and reward;
- ➔ The period of time remaining before your retirement;
- ➔ The importance to you of retirement plan portability;
- ➔ Your age and the years of service you think you will have as an employee with your organization or the state;
- ➔ Your preference of having your retirement income determined by the performance of the investment products you select or being guaranteed a retirement benefit based on your average final compensation, age, years of service, and a 1.82 percent benefit multiplier;
- ➔ Your concerns about death benefits;
- ➔ Your concerns about disability benefits;
- ➔ The impact of inflation during retirement; and
- ➔ The flexibility of each plan to serve your personal situation during your working years and after retirement.

Use the Tools

This brochure is just one of the available tools that provide the information you will need to make your retirement plan choice.

Benefit Comparison Program

Another resource is an Internet-based computer program that estimates and compares the benefit under State ORP and SCRS using information and assumptions you provide (such as an assumed rate of return on your investments and an estimate of your future salary increases), the features of each of the two retirement plans, and a retirement date of June 30th. These estimates are intended to help you choose the plan that's right for you; they are not a prediction of actual results. Your actual benefits will vary.

To use this program, go to the Retirement Systems' Web site at www.retirement.sc.gov and follow the links or type www.retirement.sc.gov/orpcalc/default.htm in the address window of your Internet browser (see Figure 1 below).

Figure 1.

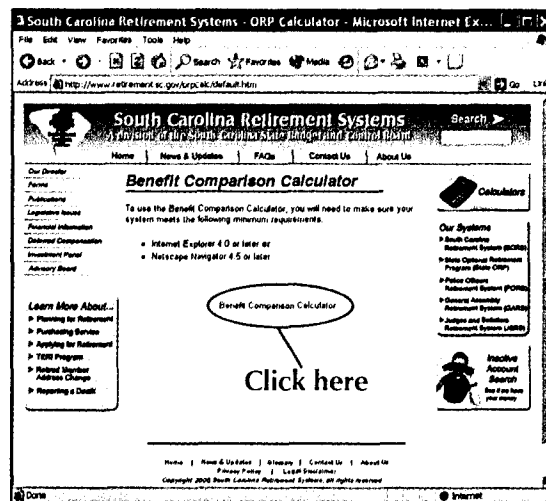
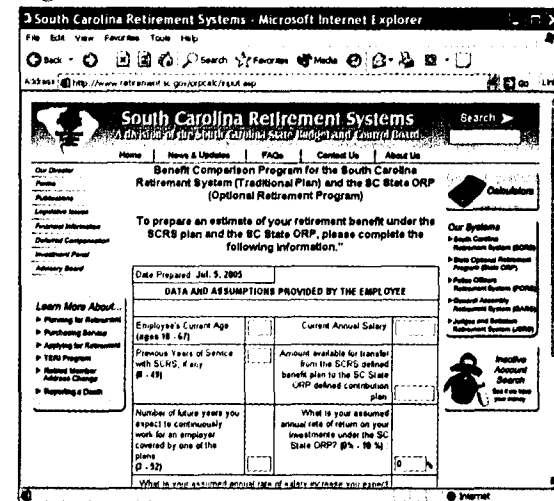


Figure 2 below shows the next screen. This is the screen into which you enter your information for the calculation, then click on Calculate.

Figure 2.



A sample calculation based on sample information is shown on Page 3.

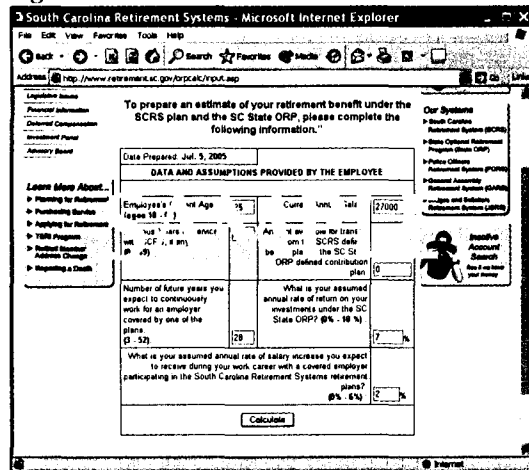
Brochure and Video

An *Investing for Your Retirement* brochure and video are available from your employer. These educational materials provide basic investment education information and should be helpful to you regardless of the plan you choose.

Sample Benefit Comparison Using Calculator

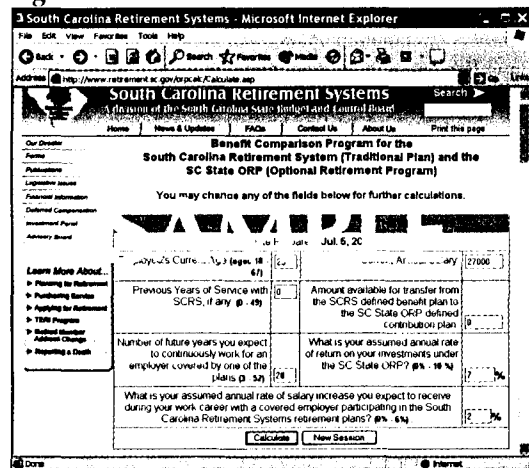
This sample comparison is for illustration purposes only. When you use the calculator, you will enter your information into the screen as shown in Figure 3 below. Then click on the Calculate button.

Figure 3.



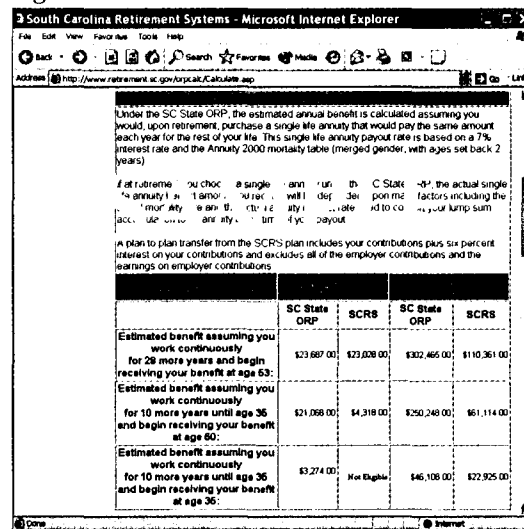
The screen shown in Figure 4 below will appear. If you want to change any of the information you've provided, do so and then click on Calculate; otherwise, scroll down the screen to see your benefit comparison.

Figure 4.



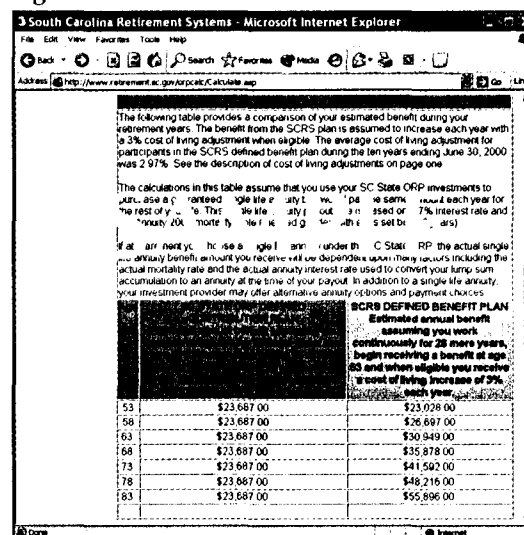
As you scroll down this screen, the details of your benefit comparison will appear (Figure 5). Continue scrolling down the screen for more information.

Figure 5.



Continue scrolling down the screen for more information (Figure 6).

Figure 6.



We encourage you to carefully evaluate the distinct features and benefits of each plan before making your enrollment decision.

Enroll in Your Chosen Plan

You have 30 days from your date of hire to make your decision. If you do not make a selection, you will automatically become a member of SCRS.

You must complete an enrollment form regardless of the plan you select. Your employer has the enrollment forms and can help with the enrollment process. The chart at right also illustrates the steps of the enrollment process.

To Enroll in SCRS

If you choose SCRS membership, you must complete a *Retirement Plan Enrollment* (Form 1100) electing SCRS membership. You will also need to complete a *Beneficiary Designation* (Form 1102) or a *Beneficiary/Trustee Designation* (Form 1103) to name beneficiaries for your SCRS account.

Give your completed and signed forms, and a copy of your Social Security card to your employer for submission. Upon receipt, you will be enrolled in SCRS.

To Enroll in State ORP

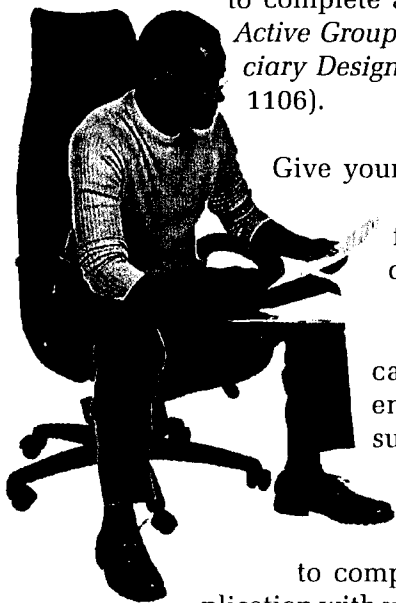
If you choose State ORP membership, you must complete a *Retirement Plan Enrollment* (Form 1100) electing State ORP membership. You will also need to select one of the four authorized investment providers listed on

Ready to Enroll in a Retirement Plan? Take These Steps

- Step 1** Ask your employer if you are eligible to choose between SCRS and State ORP membership.
- Step 2** Watch "The SCRS Plan or the State ORP? It's Your Choice" and the "Investing for Your Retirement" videos available from your employer.
- Step 3** Read the *Select Your Retirement Plan* and *Investing for Your Retirement* brochures.
- Step 4** Use the Benefits Comparison Program on our Internet Web site.
- Step 5** Choose your retirement plan within 30 days from your date of hire.

If You Elect SCRS	If You Elect State ORP	If You Elect Non-Membership
Step 6 Complete and sign <i>Retirement Plan Election</i> (Form 1100)	Step 6 Complete and sign <i>Retirement Plan Election</i> (Form 1100)	Step 6 Complete and sign <i>Election of Non-Membership</i> (Form 1104)
Step 7 Complete and sign <i>Beneficiary Designation</i> (Form 1102) or <i>Beneficiary/Trustee Designation</i> (Form 1103)	Step 7 Complete and sign <i>State ORP Active Group Life Beneficiary Designation</i> (Form 1106)	Step 7 Give completed and signed form to your employer for submission
Step 8 Give completed and signed forms, and a copy of your Social Security card to your employer for submission	Step 8 Complete application form from your selected investment provider and mail to your investment provider	
	Step 9 Give completed and signed forms, and a copy of your Social Security card to your employer for submission	

Page 5 of this brochure. You will also need to complete a *State ORP Active Group Life Beneficiary Designation* (Form 1106).



Give your completed and signed forms, and a copy of your Social Security card to your employer for submission.

You will also need to complete an application with your selected

State ORP investment provider and, once enrolled, will need to make your investment selections from those available from your chosen investment provider.

To Elect Non-Membership

You must enroll in either SCRS or State ORP unless your position is statutorily exempt from mandatory membership. If you are receiving annuity benefits as a retired member of SCRS and you return to covered employment, you must make contributions as a working retired member. Your employer can tell you if your position qualified for non-membership.

If you are eligible to and choose to elect non-membership, you must complete and sign an *Election of Non-Membership* (Form 1104). Give your completed and signed form to your employer for submission. If you are employed by a covered employer as a working retiree, you should complete and submit a *Notification of Employed Retiree* (Form 1114).

Annual Open Enrollment Period

There is an annual open enrollment period (January 1 to March 1) during which a State ORP member may:

- Change investment providers;
- Irrevocably switch to SCRS if the member has between one and five years of State ORP service.

If, as a State ORP member, you do not make the election within the allotted time, you will, by default, continue your State ORP membership and forfeit your one-time opportunity to elect SCRS membership. If you join SCRS during the allotted time, you may purchase all or a portion of your State ORP service at any time after joining SCRS. The cost is 16 percent of your current salary or highest career salary (in SCRS or State ORP), whichever is higher, for each year purchased.

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Advantages, Disadvantages, and Other Considerations

Defined Benefit Plan (SCRS)	Defined Contribution Plan (State ORP)
<p>Advantages</p> <ul style="list-style-type: none"> • The Retirement Systems bears the investment risk. • Your retirement benefit is known, based on the SCRS retirement plan benefit formula. • If you have many years of service, the defined benefit formula may provide a larger benefit. • The trustees hire and supervise professional investment managers. • Disability retirement benefits are available. • You cannot outlive your benefits - benefits are guaranteed for life. • Benefits increase with each year you work. • If you have five years of earned service, you may purchase up to five years of non-qualified service to more quickly reach eligibility for retirement. • Lifetime monthly benefit for your beneficiary if you die in service with 15 or more years of service, or at age 60 with at least five years of earned service. • Retirees receive annual cost-of-living increases (up to 1 percent guaranteed). • Retirement annuity is not based on your account balance. 	<p>Advantages</p> <ul style="list-style-type: none"> • You choose and direct your investments in professionally managed mutual funds and other investment products. You have an opportunity for increased retirement income based on your investment decisions. • If you are a younger employee with many years to obtain investment earnings, you may receive a larger retirement benefit. • Portability provides an opportunity for more retirement income if you change employers several times during your career. You can transfer balances to other eligible retirement plans or an Individual Retirement Account (IRA) upon distribution. • If you terminate employment and get a refund, you receive the contributions you and your employer made into your State ORP account, and the investment earnings. You are immediately vested in the contributions made by you and your employer (no minimum years of service required). • Flexible benefit options such as annuity payments (including payments you cannot outlive), a lump-sum distribution, partial distributions, or withdrawals.
<p>Disadvantages</p> <ul style="list-style-type: none"> • If you are younger, it takes many years of service to build a large benefit unless you receive substantial pay increases that result in a higher average final compensation. • If you have few years of service or leave your job before retirement, you might not earn a large benefit. • You have no say in investment decisions. • Your benefit is reduced if you retire early. • If you terminate employment and take a refund, you receive your contributions plus interest, but not the employer contributions or the earnings on the employer contributions. 	<p>Disadvantages</p> <ul style="list-style-type: none"> • You bear the investment risk and must, therefore, monitor your investments. Investment decisions may result in inadequate benefits. • If you are older, you may have too few years before retirement to accumulate a large account balance. • You are responsible for retirement income cash flow and inflation protection. • Disability protection is not included.
<p>Consider the SCRS if you:</p> <ul style="list-style-type: none"> • Want a guaranteed benefit for life that is not affected by fluctuations in the financial markets. • Plan to stay with a covered employer for many years. • Prefer to have the state make investment decisions and assume the related risk. • Need disability coverage as part of your plan. 	<p>Consider the State ORP if you:</p> <ul style="list-style-type: none"> • Want investment control and are willing to assume the risk associated with the opportunity for potential growth of your retirement money. • Do not plan to stay with a covered South Carolina employer for many years.

Retirement Plan Comparison

Benefit Feature	SCRS Traditional Defined Benefit Plan	State ORP Defined Contribution Plan
Type of Plan	The SCRS provides a guaranteed monthly income at retirement. The contributions made by you and your employer are used to pay all retiree benefits. Your retirement benefit is based on a formula that includes your years and months of service credit, your average final compensation, and a benefit multiplier of 1.82 percent. SCRS is a governmental plan administered as a qualified plan pursuant to section 401(a) of the Internal Revenue Code (IRC). Your retirement income is not based on your account balance.	The State ORP provides an account into which you and your employer contribute. Your retirement income is based on the account balance accumulated throughout your years of employment. Your account balance is a combination of contributions and the performance of the investment funds you select from the investment options offered through the State ORP. The State ORP is a governmental plan administered as a qualified plan pursuant to section 401(a) of the Internal Revenue Code (IRC).
Eligibility	All public school employees, public higher education personnel, state employees, city, county, and other local public employees of covered employers (participating employers) are eligible for membership. You are eligible on your date of hire if you are a permanent full-time or part-time employee. If you are a temporary or non-permanent employee, you may choose whether to join unless you are a retiree of SCRS or have money on account with SCRS.	All newly hired state, public school, and higher education employees who are also eligible for SCRS membership are eligible for State ORP participation. This includes all permanent, full-time employees, temporary and part-time employees, and political appointees.
Employee Contributions	Employee contribution rates are established by the South Carolina General Assembly. Effective July 1, 2005, you contribute a tax-deferred 6.25 percent of your gross pay. Effective July 1, 2006, you will contribute a tax-deferred 6.50 percent of your gross pay.	Same as SCRS.
Employer Contributions	Current employer contribution rates are established by the South Carolina Budget and Control Board. Your employer contributes 7.55 percent of your earnings. By statute, as of July 1, 2006, your employer will contribute 8.05 percent of your earnings and effective July 1, 2007, your employer will contribute 8.55 percent of your earnings. This contribution funds the normal cost and covers the unfunded accrued liability of the system.	Your employer contributes 7.55 percent of your earnings. As of July 1, 2006, your employer will contribute 8.05 percent of your earnings and effective July 1, 2007, your employer will contribute 8.55 percent of your earnings. Five percent of your employer's contribution is directed to the investment provider for allocation to your account and the remaining percentage is sent to the Retirement Systems to cover any reasonable expenses incurred in performing services regarding the plan.
Refund or Distribution Before Retirement and Portability	If you terminate employment with at least five years of earned service and leave your contributions and interest in your SCRS account, you will be eligible to receive a deferred annuity at age 60. If you terminate employment, you may request a distribution (refund) of your employee contributions plus interest, but you forfeit your rights to any future retirement benefits. There is a 90-day waiting period from your termination date before a refund can be made. You are not required to withdraw your contributions and interest at termination. Employer contributions are not refunded. Employee contributions plus interest may be rolled over to another eligible retirement plan or an IRA as allowed by the IRC. Eligibility to establish SCRS service with another retirement plan depends on the other plan's provisions.	You have immediate vested rights to your account balance, including employee and employer contributions. If you terminate employment or reach age 59½, you may request a distribution (refund) of your account balance, which includes employee and employer contributions. Your State ORP investments remain in the investment products you select unless you request that they be transferred or rolled over to another eligible retirement plan, or unless that investment product is no longer offered. You can change jobs without losing your accumulated retirement benefits. You may participate in similar plans through other employers. You may roll over your account balance to another eligible retirement plan or an IRA as allowed by the IRC. Eligibility to establish State ORP service with another retirement plan depends on the other plan's provisions.

Retirement Plan Comparison

Benefit Feature	SCRS Traditional Defined Benefit Plan	State ORP Defined Contribution Plan
Management of Retirement Funds	<p>The state assumes all investment risk. Professional money managers recommended by the South Carolina Retirement Systems Investment Panel and approved by the State Budget and Control Board invest the equity investments. The Office of the State Treasurer manages the fixed investments.</p> <p><i>Effective October 1, 2005, fiduciary responsibility for all investments transfers to the newly created Retirement System Investment Commission.</i></p>	<p>You assume all investment risk. You are responsible for your investment choices, distribution methods, and retirement goals. The director of the South Carolina Retirement Systems designates the professional money management companies authorized to offer investment products.</p>
Selection of Investment Provider	Not applicable.	<p>You choose one of the four authorized investment providers. You may change providers once each year during the annual open enrollment period (January 1 to March 1).</p>
Selection of Investment Products	Not applicable.	<p>You select from the available investment funds to reach an appropriate asset allocation for your investment objectives and retirement goals. The prospectus for each investment product provides information on that particular product. Investment provider service representatives are available by telephone (toll free) to assist with your selections. A list of the vendors providing the investment products and the products offered to State ORP members is on the Internet at www.retirement.sc.gov You may also contact Customer Services at (800) 868-9002, (803) 737-6800, or cs@retirement.sc.gov.</p>
Allocation of Contributions	Not applicable.	<p>You allocate your contributions into your chosen investment products. Contact your investment provider to change the allocation of your contributions and/or existing account balance.</p>
Beneficiary	<p>You may name as many beneficiaries and/or trustees as you wish. Multiple beneficiaries share equally in survivor benefits.</p>	<p>You may name as many beneficiaries and/or trustees as you wish.</p>
Additional Service Buy-In Options	<p>Active members may establish service credit for various types of previous employment or leaves of absence. Active contributing members with five or more years of earned service credit may establish up to five years of non-qualified service. You may purchase service credit by lump-sum payment, an installment service purchase (after-tax, plus interest), or a tax-deferred rollover from an eligible retirement plan, such as a 401(a), 401(k), 457, 403(b), or an IRA.</p>	Not applicable.

Retirement Plan Comparison

Benefit Feature	SCRS Traditional Defined Benefit Plan	State ORP Defined Contribution Plan
Loans or Withdrawals	Your account balance must be kept intact until your retirement, death, disability, or termination of employment. Under no circumstances may you borrow from your account balance or take a hardship withdrawal.	Your account balance must be kept intact until your retirement, death, disability, termination of employment, or until you reach age 59½. Under no circumstances may you borrow from your account balance or take a hardship withdrawal.
Disability Benefits	If you are an active SCRS member with at least five years of earned service credit, you may apply for disability retirement if your disability is likely to be permanent. Service will be projected to age 65 with an applicable actuarial reduction. The five-year requirement may be waived if your disability is the result of a job-related injury. Benefits may be paid for life or for the duration of your disability. You must apply for disability retirement while actively employed.	There is no disability protection.
In-Service Death Benefits	If you die while in active service (while employed and earning service credit) at any age and have 15 or more years of service (five of which must be earned service), or after reaching age 60 with five years of earned service, your beneficiary may choose a refund of employee contributions plus interest or a monthly benefit for life. The monthly benefit is not available if you name your estate as beneficiary or if you are under age 60 and have fewer than 15 years of active service as of your date of death.	The benefit is based on the cash value of your account as of your date of death. Your beneficiary may receive the cash value of your account through annuities, lump-sum distributions, or periodic withdrawals, all of which are available through the investment providers.
Active Membership Group Life Insurance	If your employer has elected Group Life Insurance coverage and you die in service with at least one year of service credit, a payment equal to your current annual salary will be paid to your designated beneficiaries or trustees. If your death is the result of a job-related injury, the one-year requirement is waived.	Same benefit as SCRS if your employer has elected Group Life Insurance coverage and you die in service with at least one year of participation in State ORP, membership in SCRS, or a combination thereof totaling at least one year.
Post-Retirement Group Life Insurance	<p>If, as a retired employee, you die and your last employer prior to retirement is covered by the Group Life Insurance program, a benefit based on your service credit will be paid to your beneficiaries as follows: 10-19 years = \$2,000; 20-27 years = \$4,000; and 28 or more years = \$6,000.</p> <p>Effective July 1, 2005, working retired contributing members of SCRS are eligible for an increased group life insurance benefit—a payment equal to one year's annual salary—in lieu of the standard retired member benefit of \$2,000, \$4,000, or \$6,000 available to other retirees.</p>	The post-retirement Group Life Insurance benefit is not provided to State ORP members.

Retirement Plan Comparison

Benefit Feature	SCRS Traditional Defined Benefit Plan	State ORP Defined Contribution Plan
<p>Service Requirements for Retirement Benefits</p>	<p>Normal Retirement (Unreduced Benefit) At age 65 with five years of earned service or with 28 years of service credit (five years of which must be earned service).</p> <p>Early Retirement (Reduced Benefit) At age 60 with five years of earned service with benefits permanently reduced 5 percent for each year of age less than 65, or at age 55 with 25 years of service credit (five years of which must be earned service), with benefits permanently reduced 4 percent for each year of service credit less than 28.</p> <p>If you retire early at age 55 with at least 25 years of service, cost-of-living adjustments (COLAs) do not apply until the second July 1st after you reach age 60 or the second July 1st after you would have had 28 years of service credit.</p>	<p>There is no minimum age or years of service required for retirement. You become eligible to receive distributions when you terminate employment or reach age 59½. You may leave your balance on deposit to accumulate earnings tax-deferred until you elect to receive them.</p>
<p>Retirement Benefit Calculation</p>	<p>Your annual SCRS retirement benefit is based on the following formula that includes your average final compensation, years of service, and a benefit multiplier:</p> <p>Step 1 Determine your average final compensation (12 highest consecutive quarters of earnable compensation divided by 3). Step 2 Multiply the result of Step 1 by 1.82 percent (.0182). Step 3 Multiply the result of Step 2 by your years of service credit. Step 4 Deduct early retirement penalties, if applicable.</p>	<p>The amount of your State ORP benefit is based on the total accumulation in your account(s) and the payment method you choose. Your benefit is affected by the performance of the investments you select and the amount of time you have to invest.</p>
<p>Retirement Payment Plans</p>	<p>Your retirement benefit will be paid as a monthly annuity for your lifetime. There are two payment plans that will provide monthly payments to a survivor in the event of your death. The available payment plans are:</p> <p>Option A Standard Retiree Only Monthly Annuity (Maximum) Option B 100% - 100% Joint Retiree-Survivor Monthly Annuity with revert to Option A feature Option C 100% - 50% Joint Retiree-Survivor Monthly Annuity with revert to Option A feature</p> <p>If you choose Options B or C, you will receive a reduced (from Option A) benefit.</p>	<p>You may choose to purchase an annuity (including annuity payments that you cannot outlive), or take a lump-sum distribution, partial distributions, or withdrawals. The State ORP investment providers offer a variety of retirement payment options designed to allow you to tailor your retirement plan to meet your financial needs.</p> <p>In the event of your death, your beneficiary may receive the cash value of your account through annuities, lump-sum distributions, or periodic withdrawals.</p>

Retirement Plan Comparison

Benefit Feature	SCRS Traditional Defined Benefit Plan	State ORP Defined Contribution Plan
Teacher and Employee Retention Incentive (TERI) Program	<p>By participating in TERI, you may defer receipt of your retirement benefit for up to five years. The deferred monthly retirement benefits are placed in your retirement payroll account and, upon termination of employment or the end of your TERI period, whichever is earlier, you will receive your accumulated retirement benefit in either a partially taxable, single-sum distribution or through a tax-deferred rollover into an eligible retirement plan. You will then begin receiving your monthly retirement benefit plus any cost-of-living increases granted during your TERI period.</p> <p>No interest is paid on the deferred monthly benefit during your TERI period; however, your account receives eligible retiree cost-of-living adjustments. Effective July 1, 2005, TERI participants make SCRS retired member contributions and are eligible for an increased group life insurance benefit (see Page 9). TERI participants do not earn service credit, are ineligible for disability retirement benefits, and may not purchase additional service credit. You may participate in TERI only once. Any distribution paid directly to you is subject to ordinary federal and state income taxes and may be subject to an additional 10 percent federal early withdrawal penalty.</p> <p>For more information about TERI, please refer to the <i>SCRS Member Handbook</i> available from your employer or from the Retirement Systems.</p>	<p>Not applicable.</p>
Cost-of-Living Adjustments (COLAs)	<p>Each July 1, eligible retired SCRS members will receive an annual guaranteed cost-of-living adjustment (COLA) of up to 1 percent if the Consumer Price Index (CPI) as of the prior December 31 is at least 1 percent. The State Budget and Control Board is allowed to grant a COLA in excess of 1 percent if the CPI increase exceeded 1 percent and if the unfunded liability amortization period for SCRS does not exceed 30 years.</p>	<p>The State ORP does not provide cost-of-living adjustments.</p>
Post-Retirement Health Insurance Eligibility	<p>Contact the State Budget and Control Board's Division of Insurance and Grants Services toll free at (888) 260-9430 or at (803) 734-0678, or your benefits administrator for more information.</p>	<p>Same as SCRS.</p>

Taxes

You may want to consult a tax or financial advisor for assistance, or simply contact the Internal Revenue Service (IRS) at (800) 829-3676 or at www.irs.gov for information about federal taxes, and the South Carolina Department of Revenue at (800) 763-1295 or at www.sctax.org for state tax information and assistance.

Questions and Answers

How do I enroll in the State ORP or SCRS?

Complete the required enrollment form for the plan you select. Your employer has these forms.

How many State ORP investment providers are there to choose from?

The four authorized investment providers are listed on Page 5 of this brochure and on the Internet at www.retirement.sc.gov.

How do I obtain an account balance under either plan?

State ORP members will receive periodic financial statements from their investment provider. SCRS members will receive an annual member statement.

If I elect State ORP membership and stay with the same employer, can I ever join SCRS?

Yes. There is an annual open enrollment period (January 1 to March 1) during which you may irrevocably elect membership in SCRS if you have between one and five years of State ORP service. If you do not make the election during any of the annual open enrollment periods in which you are eligible to irrevocably elect SCRS membership, you will, by default, continue your State ORP

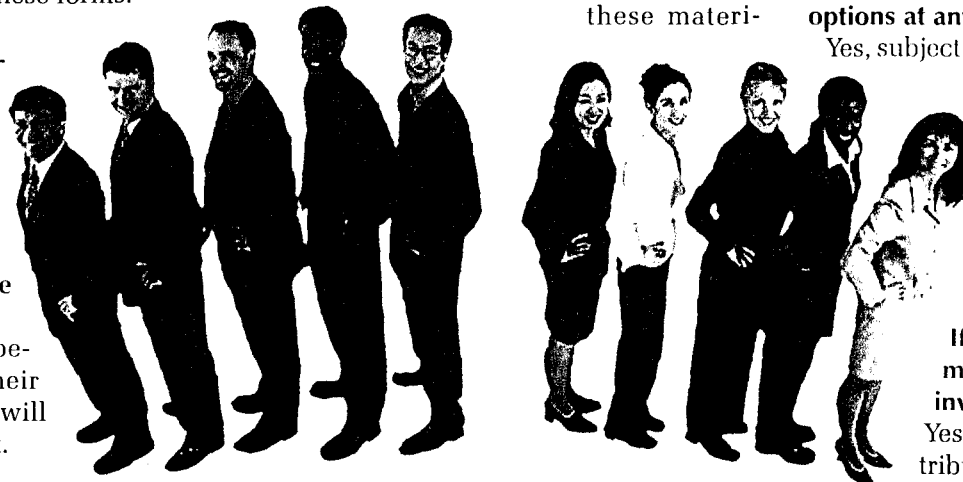
membership and forfeit your opportunity to elect SCRS membership.

If I retire under SCRS, may I join the State ORP?

No. If you retire under SCRS, you are not eligible for enrollment in SCRS and therefore may not join the State ORP. **As a working retiree, however, you will make employee contributions for the duration of your covered employment.**

Can my employer help me choose a plan?

Your benefits administrator can assist you by providing you with this brochure, and an *Investing for Your Retirement* brochure and video. Use these materi-



als, as well as the Benefit Comparison Calculator for State ORP found on the Retirement Systems' Web site, to learn about both plans so you can make an informed choice. Your benefits administrator cannot tell you which plan is better for you; only you can make that choice. You may also contact the Retirement Systems toll free at (800) 868-9002, (803) 737-6800, or cs@retirement.sc.gov for assistance, but remember, the Retirement Systems cannot make your selection for you either.

What if I have a problem with my State ORP investment provider?

You or your employer should report any problems concerning the investment providers to the Retirement Systems by contacting Customer Services at (800) 868-9002, (803) 737-6800, or cs@retirement.sc.gov.

What happens if I elect the State ORP but don't make my investment selections?

The money will be placed in a conservative, non-restrictive default investment account.

If I elect the State ORP, can I change my investment options at any time?

Yes, subject to the State ORP investment provider's contractual limitations. You must choose investment options from your chosen investment provider. You may change investment providers, however, only during an annual open enrollment period (January 1 to March 1).

If I elect the State ORP, can I allocate my contributions to more than one investment option?

Yes. The employee and employer contributions may be allocated to any of the authorized investment products offered by your investment provider.

If I change State ORP investment providers, what happens to my account balance?

If you change investment providers during an annual open enrollment period (January 1 to March 1), you may transfer your account balance, subject to the State ORP investment provider's contractual limitations, to the new investment provider.

How does State ORP or SCRS membership affect supplemental defined contribution retirement plan contributions?

You may still contribute to your 457 or 401(k) deferred compensation plan, or to your 403(b) tax-sheltered annuity; however, your contribution limits and options may depend on the type(s) of supplemental plans you select. You may want to contact the South Carolina Deferred Compensation Program's toll-free Information Line at (866) 826-7283 or a tax consultant for more information.

How will investment risk affect my retirement account?

Investment risk applies only if you are a State ORP member. Investment risk is the uncertainty of how a given investment will perform. In the State ORP, if the investments you select perform well, your retirement account will grow quickly and provide a larger benefit when you retire. If your investments do not perform well, you will not have as large a benefit at retirement. The potential for higher returns is generally greater with investments that carry more risk. Allocating investments into several asset classes, such as bonds, large cap equities, international equities, and small cap equities, may help reduce your overall risk. With SCRS, the Retirement Systems bears all of the investment risk.

Glossary

Annuity A contract, usually issued by an insurance company, that generally provides for the accumulation of contributions and a guaranteed income paid at regular intervals, usually monthly, for a specified period of time or for life. Many annuity contracts have significant mortality charges.

Asset Allocation Apportioning of investment funds among categories of assets such as stocks and bonds. Asset allocation affects both risk and return and is a central concept in personal financial planning and investment management.

Defined Benefit Plan A pension plan in which retirement benefits rather than contributions into the plan are specified. A retired employee who has reached a certain age, has a given number of years of service, and has earned a certain income is entitled to a specified monthly pension payment (i.e., SCRS).

Defined Contribution Plan A pension plan in which contributions into the plan, rather than eventual retirement benefits to employees, are specified (i.e., State ORP, South Carolina Deferred Compensation program).

Distribution A cash payment or an annuity payment.

Diversification Spreading of risk by putting assets in several categories of investments: stocks, bonds, and cash equivalents.

Earned Service Paid employment as an active member employee of an SCRS-covered employer during which the employee makes regular retirement contributions to SCRS and earns service credit. Working retired contributing members do not earn service credit.

IRC Section 401(a) Tax code section authorizing a qualified retirement plan to be operated and supported by an employer and to provide retirement benefits.

Member (or Participant) An employee enrolled in one of the state's retirement plans, including the State ORP.

Mutual Fund Fund operated by an investment company that pools money from shareholders and invests it in stocks, bonds, options, futures, currencies, or cash equivalents.

Prospectus A formal written document relating to the offering of a new or existing security that delineates the offeror's business plan and is needed by the investor to make an informed decision concerning investment in the security.

Service Credit A member's earned service, prior service, and purchased service.

**South Carolina
State Budget and Control Board**

Mark Sanford, Chairman
Governor

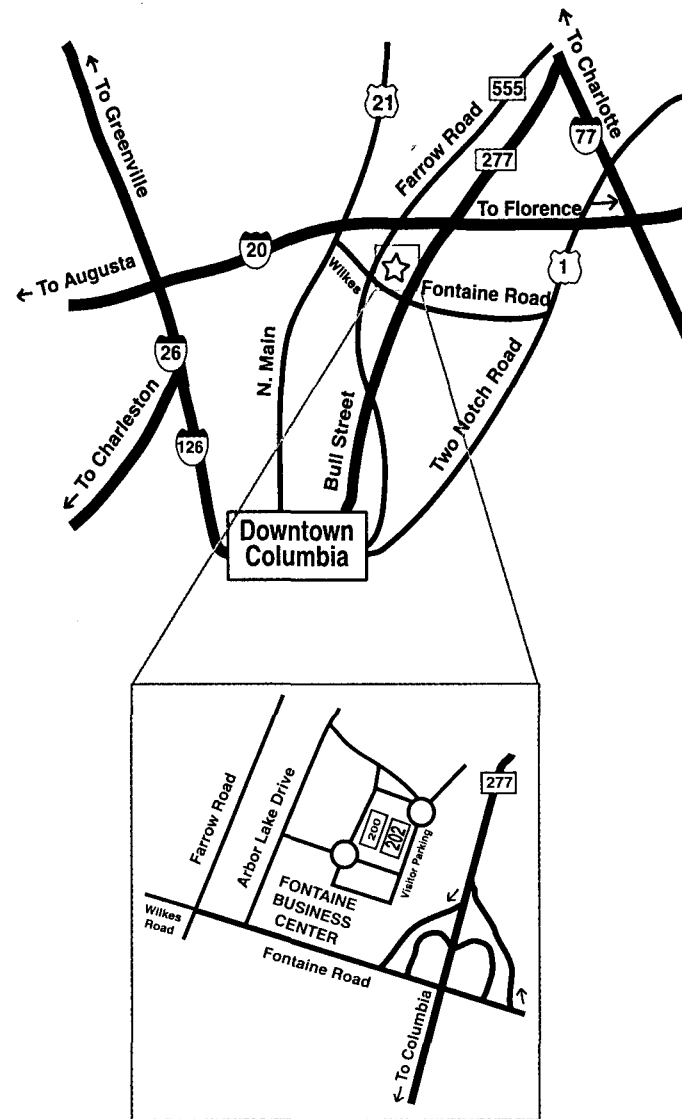
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*Chairman,
Senate Finance Committee*

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