

BUDGET IMPACT OF SOUTH CAROLINA PENSION REFORM

PRESENTED TO

FIRST MONDAY CLUB IN GREENVILLE

August 7, 2017



A Republican Political Forum

By

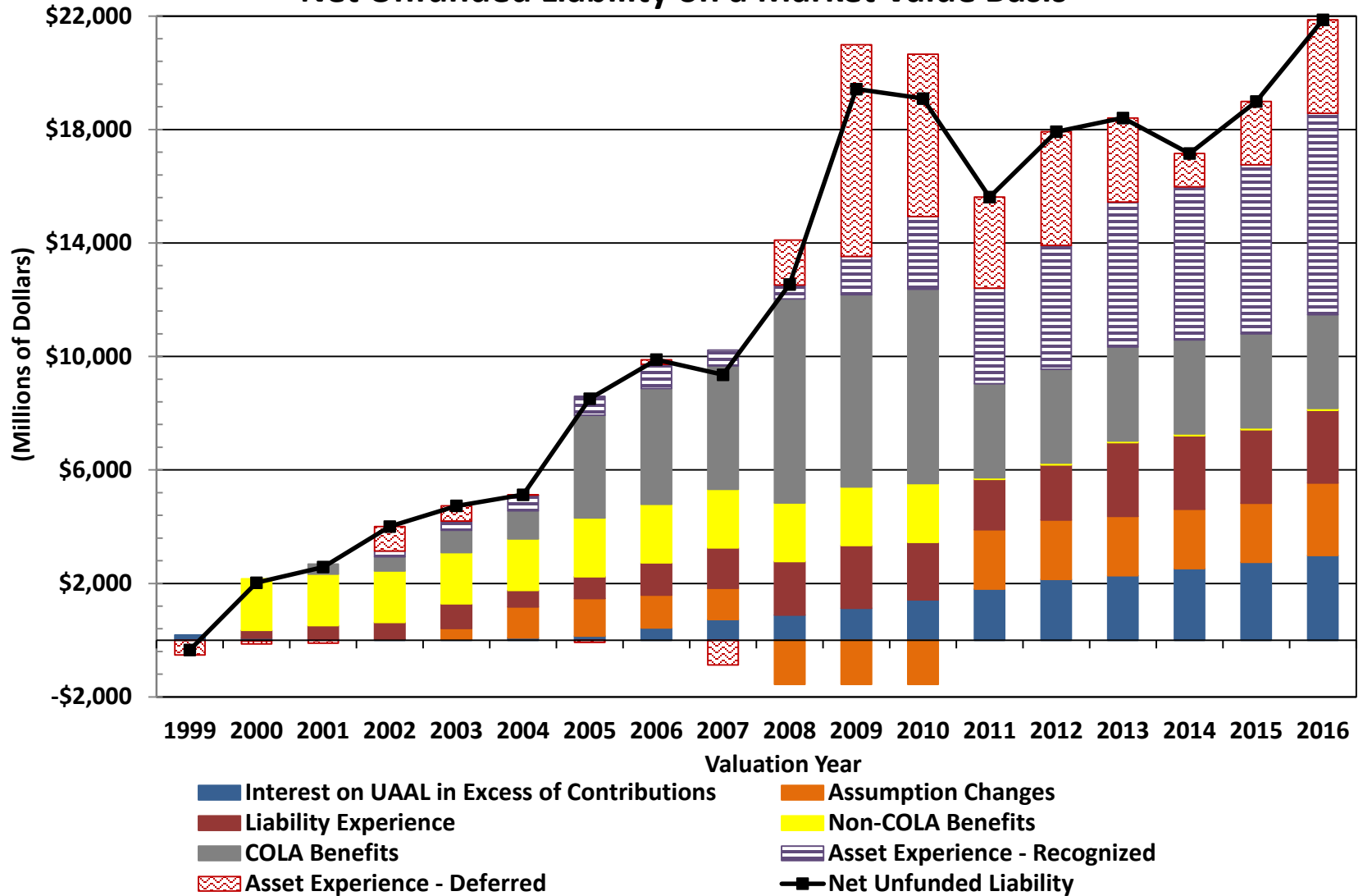
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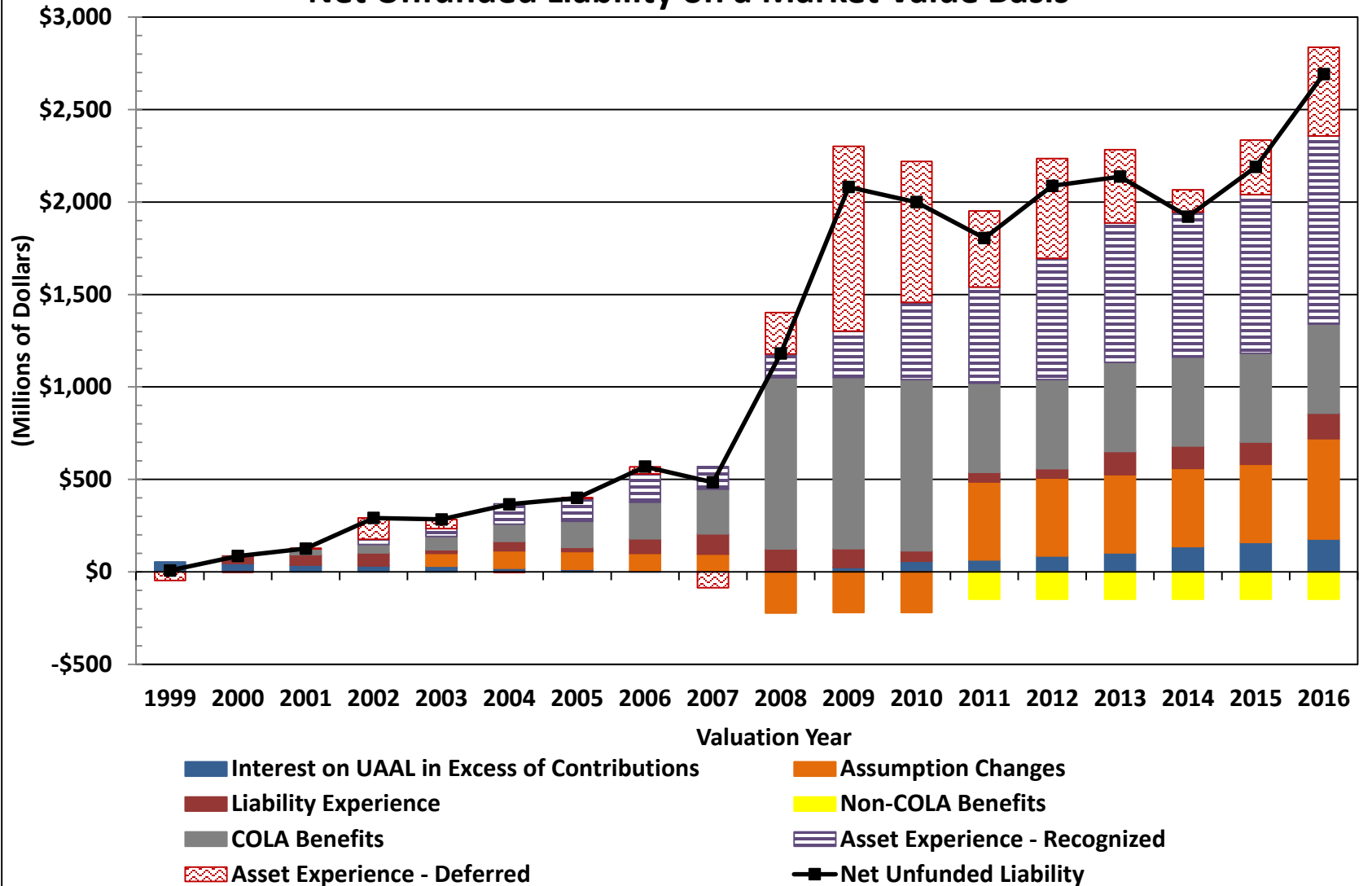
SCRS

Net Unfunded Liability on a Market Value Basis



PORS

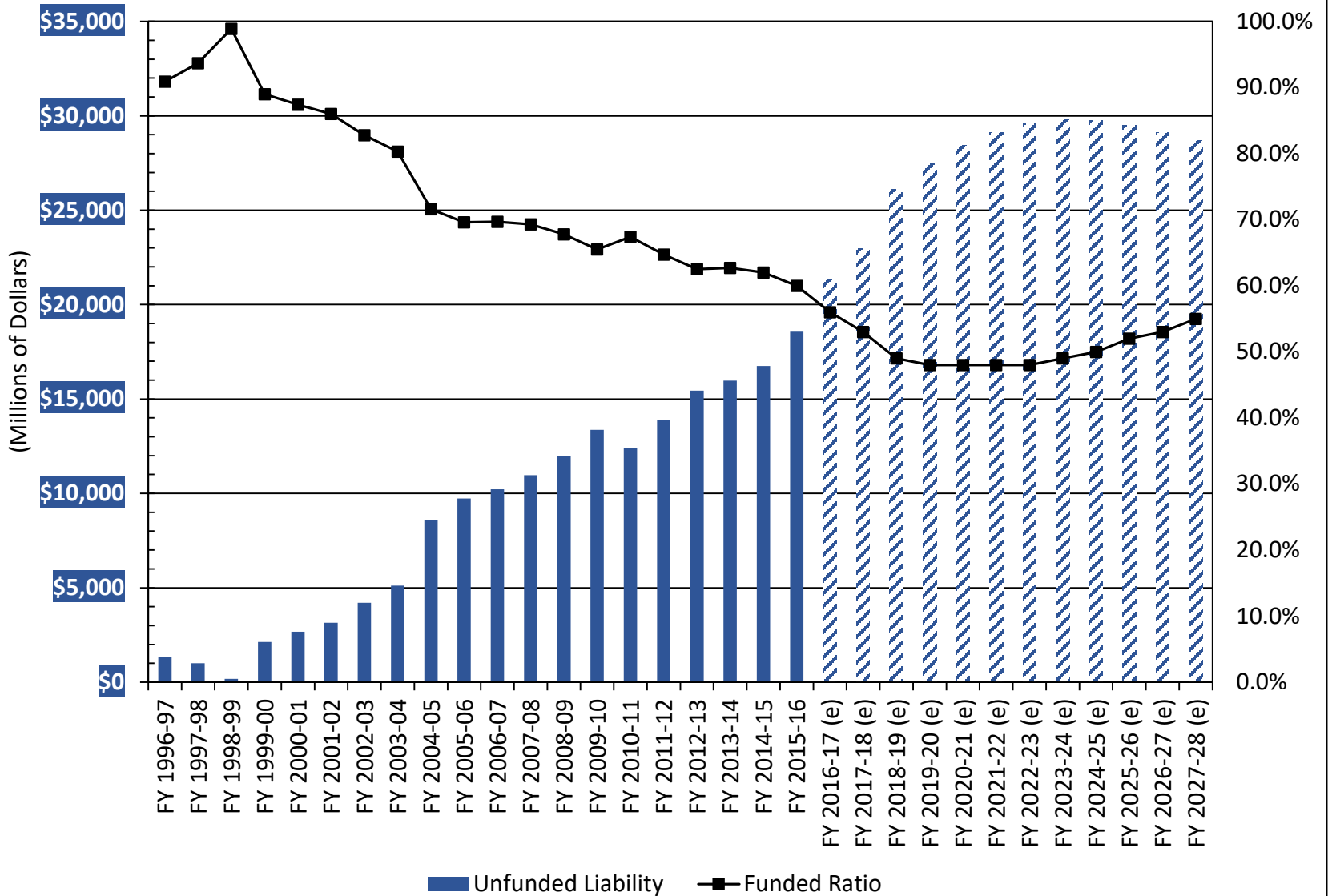
Net Unfunded Liability on a Market Value Basis



Value of SCRS and PORS unfunded liability as of June 30, 2016

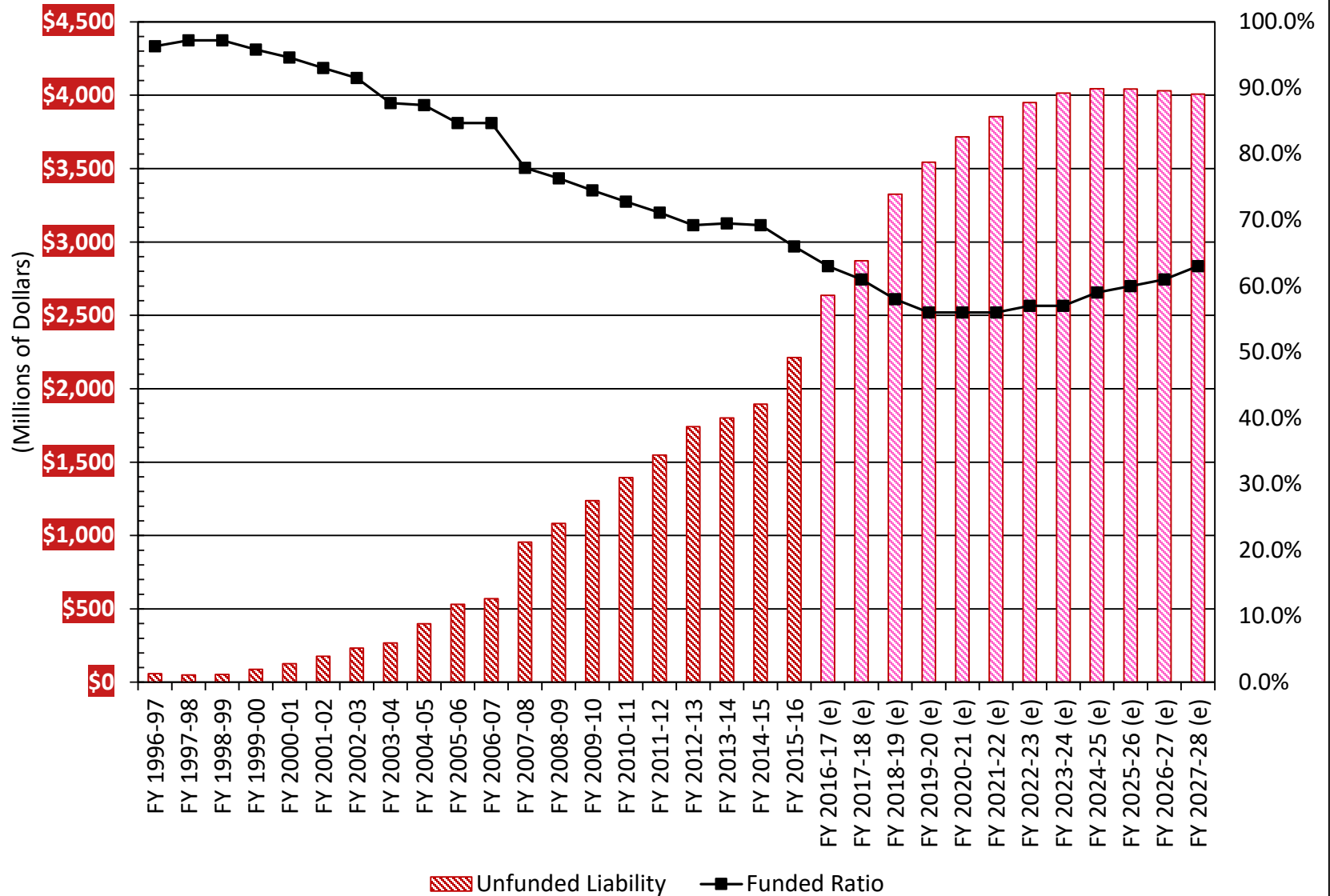
	Market Value	
	SCRS	PORS
COLAs	\$3.31 billion	\$0.481 billion
Investment Losses	\$7.09 billion	\$1.02 billion
Deferred investment losses	\$3.30 billion	\$0.479 billion
Liability Experience	\$2.56 billion	\$0.138 billion
Assumption changes	\$2.56 billion	\$0.543 billion
Interest on UAAL	\$2.98 billion	\$0.178 billion
Non-COLA benefit changes	\$0.063 billion	\$(0.147) billion
Total	\$21.86 billion	\$2.69 billion

SCRS UNFUNDED LIABILITY AND FUNDED RATIO



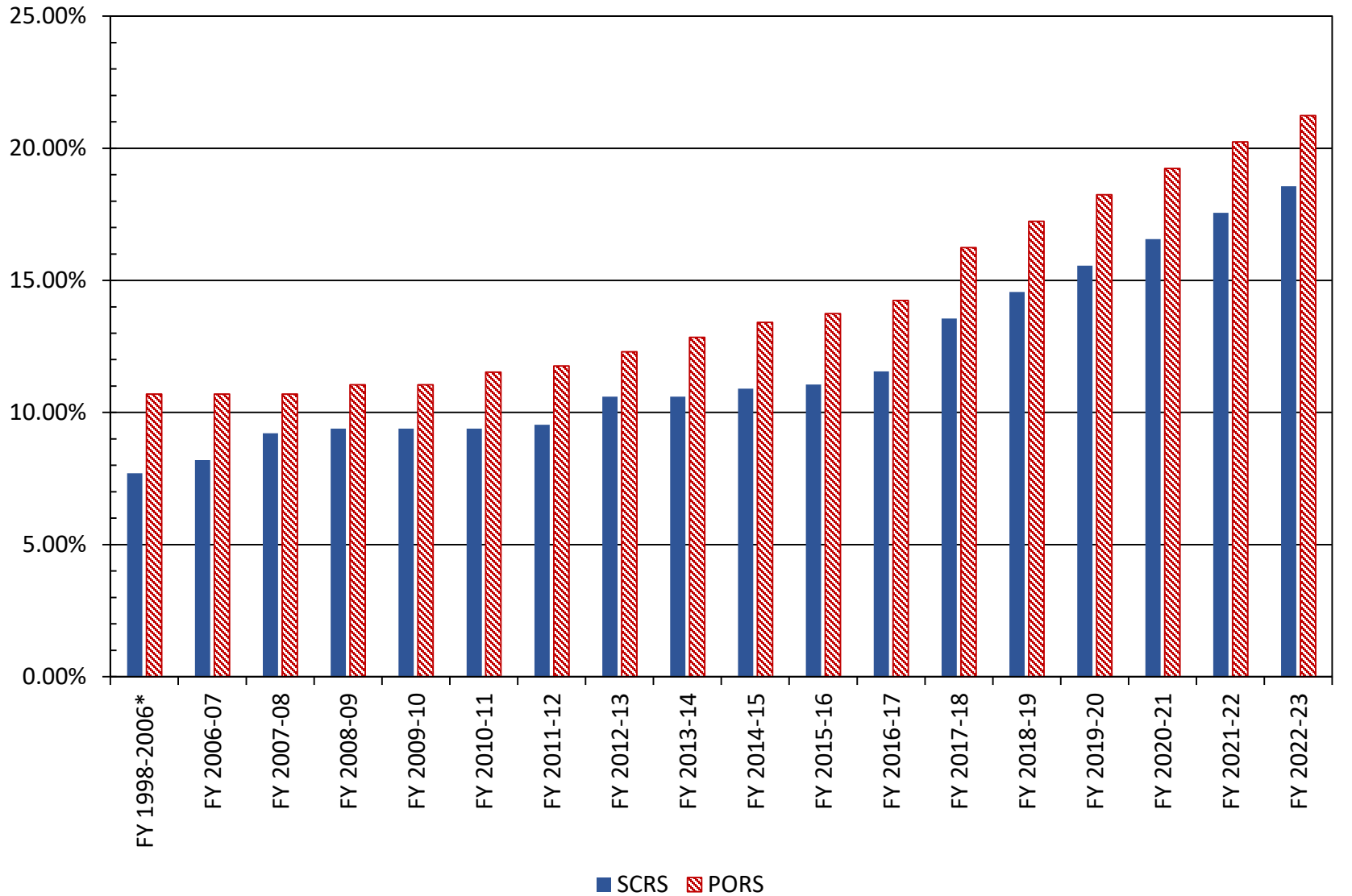
Source: SC Retirement Systems CAFR and Joint Committee on Pension Systems Review, JCS, 7/14/17

PORS UNFUNDED LIABILITY AND FUNDED RATIO



Source: SC Retirement Systems CAFR and Joint Committee on Pension Systems Review, JCS, 7/14/17

EMPLOYER CONTRIBUTION PERCENTAGE TO SCRS AND PORS



*Local Government SCRS employer's contribution rate was 6.85% from FY 1997-98 to FY 2005-06; Source: SC Retirement Systems CAFR, JCS, 7/14/2017

Retirement System Benefit Provision Changes

- Fiscal Year 1997 to 2007 ad hoc COLAs granted
- Fiscal Year 2000: 28-year retirement and TERI program were enacted
- Fiscal Year 2005: Retirement System Investment Commission created, 1% automatic COLA granted, S.618 enacted increasing contribution rates, removed retiree earnings limit, eliminated annual leave payout during TERI, changes interest credited on member accounts from 6% to 4%
- Fiscal Year 2008: Guaranteed COLA increased to 2%
- Act 278 of 2012: Created PEBA, contribution rates cannot be decreased until system 90% funded, increased contribution rates and required further increases to maintain a 2.90% differential in SCRS, 7.5% assumed rate of return codified, created Class III in SCRS, closed TERI program effective June 30, 2018, COLA limited to 1% up to \$500 maximum, added \$10,000 earnings limit for most SCRS employees

Retirement System Funding and Administration Act

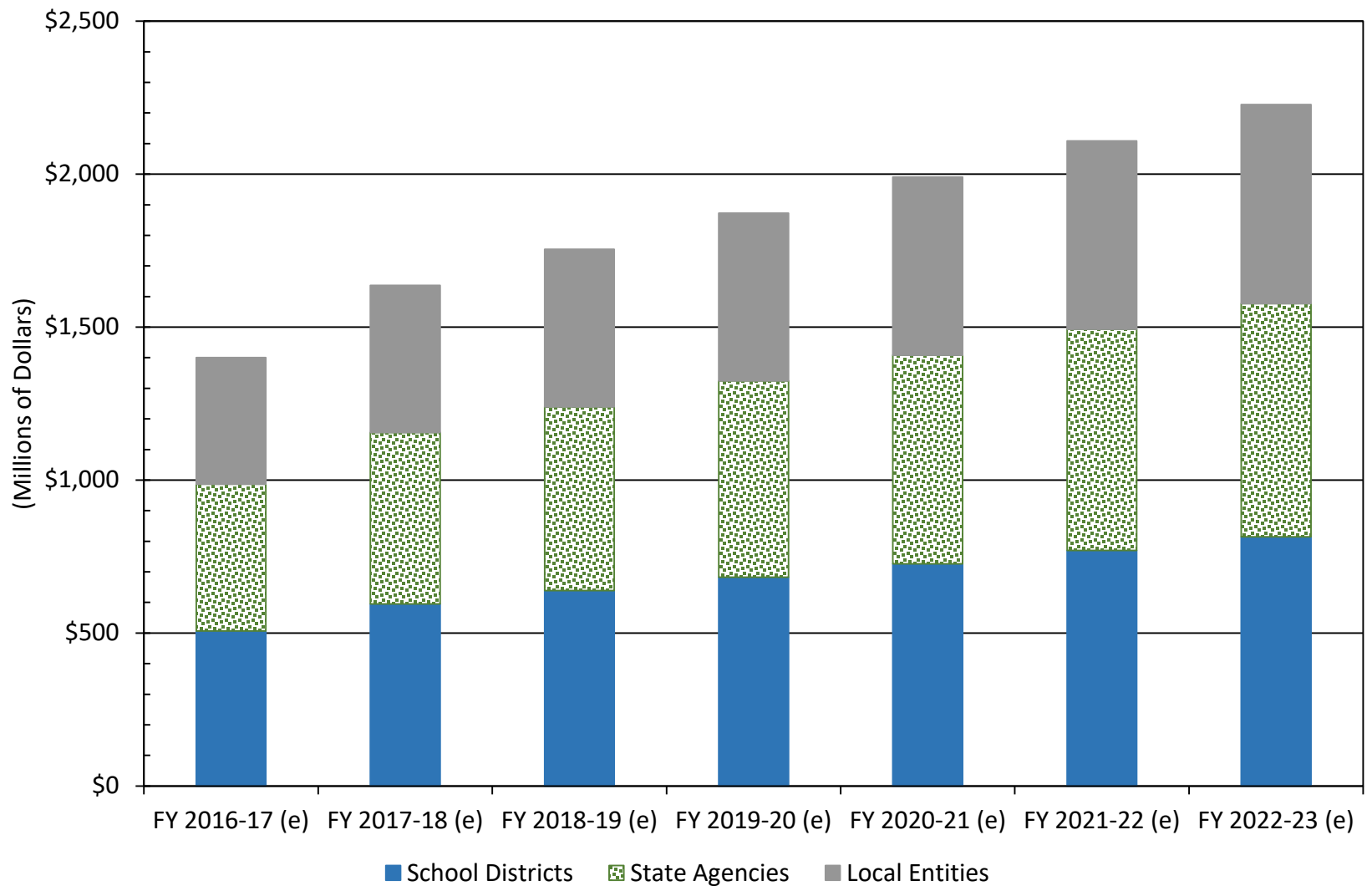
Act 13 of 2017 – Summary

- Decouples employer/employee contributions
- Increases employer contribution rate 2% effective July 1, 2017 and 1% each year thereafter for five years
- Increases employee contributions to 9.00% for SCRS and 9.75% for PORS and caps them
- Reduces the assumed rate of return from 7.5% to 7.25%
- Reduces amortization period of unfunded liabilities from 30 to 20 years over the next 10 years.
- No reduction in COLA allowance
- Various governance reforms

FY 2017-18 Appropriation Act – Funding for Act 13 Retirement System Funding and Administration Act

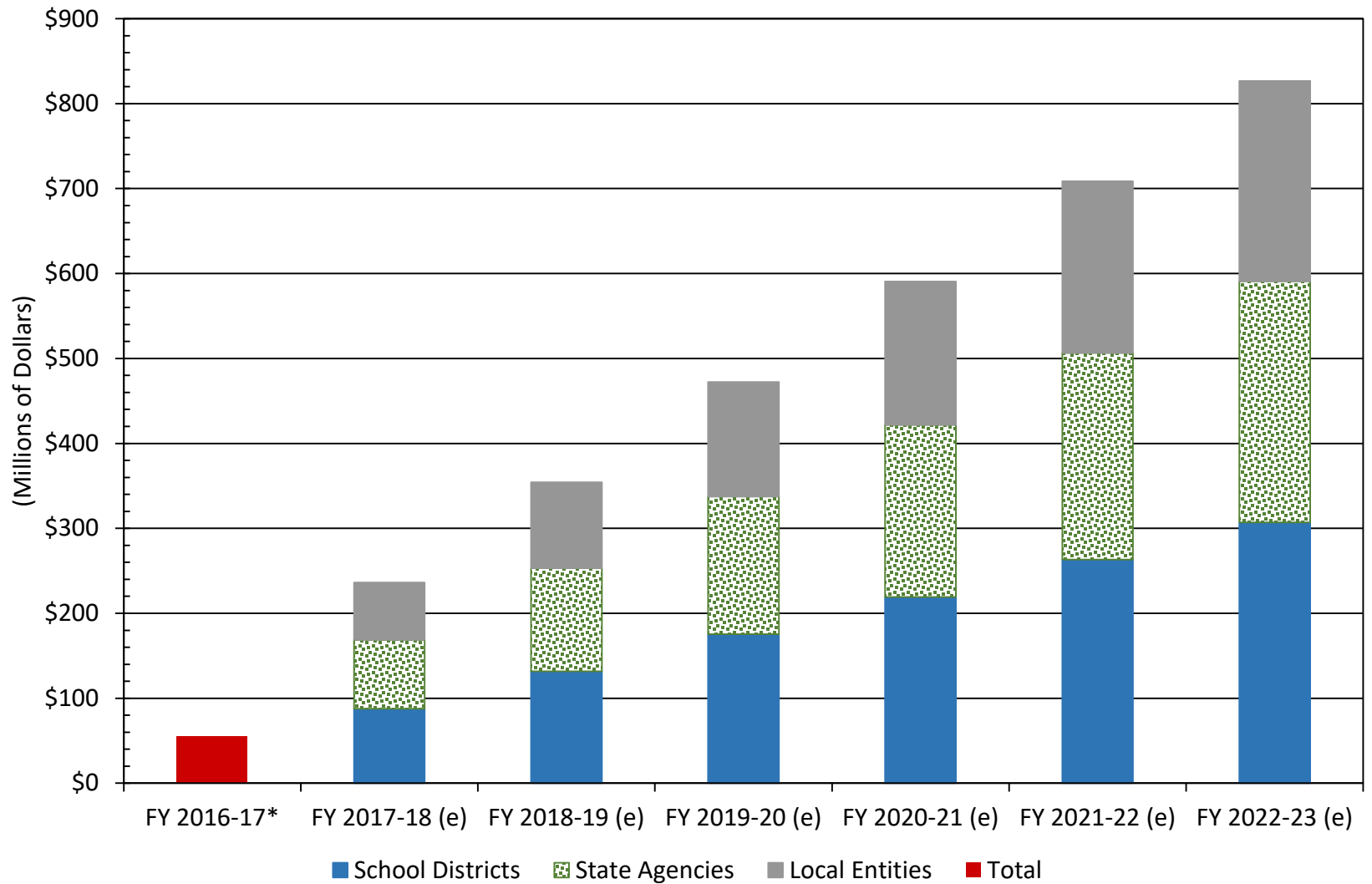
- \$32.4 Million Appropriated from the General Fund to fund initial 1% employer contribution increase for General Fund and School District Employees
- \$4.2 Million Appropriated in EIA to cover 1% employer contribution increase
- \$118.1 Million Appropriated to PEBA from the General Fund to cover second 1% employer contribution increase of all SCRS and PORS members. This includes General Fund, Federal Funds, Other Funds, School Districts and Local Government employers.

ESTIMATED TOTAL ANNUAL SCRS/PORS EMPLOYER CONTRIBUTION Act 13 of 2017



Projected contributions are based on FY 15-16 expenditures reported in the July 1, 2016 actuarial valuation, and assumes no wage growth
 Source: RFA,JCS,7/14/17

ESTIMATED INCREASE IN EMPLOYER CONTRIBUTION TO SCRS/PORS Over FY 2016-17 Act 13 of 2017

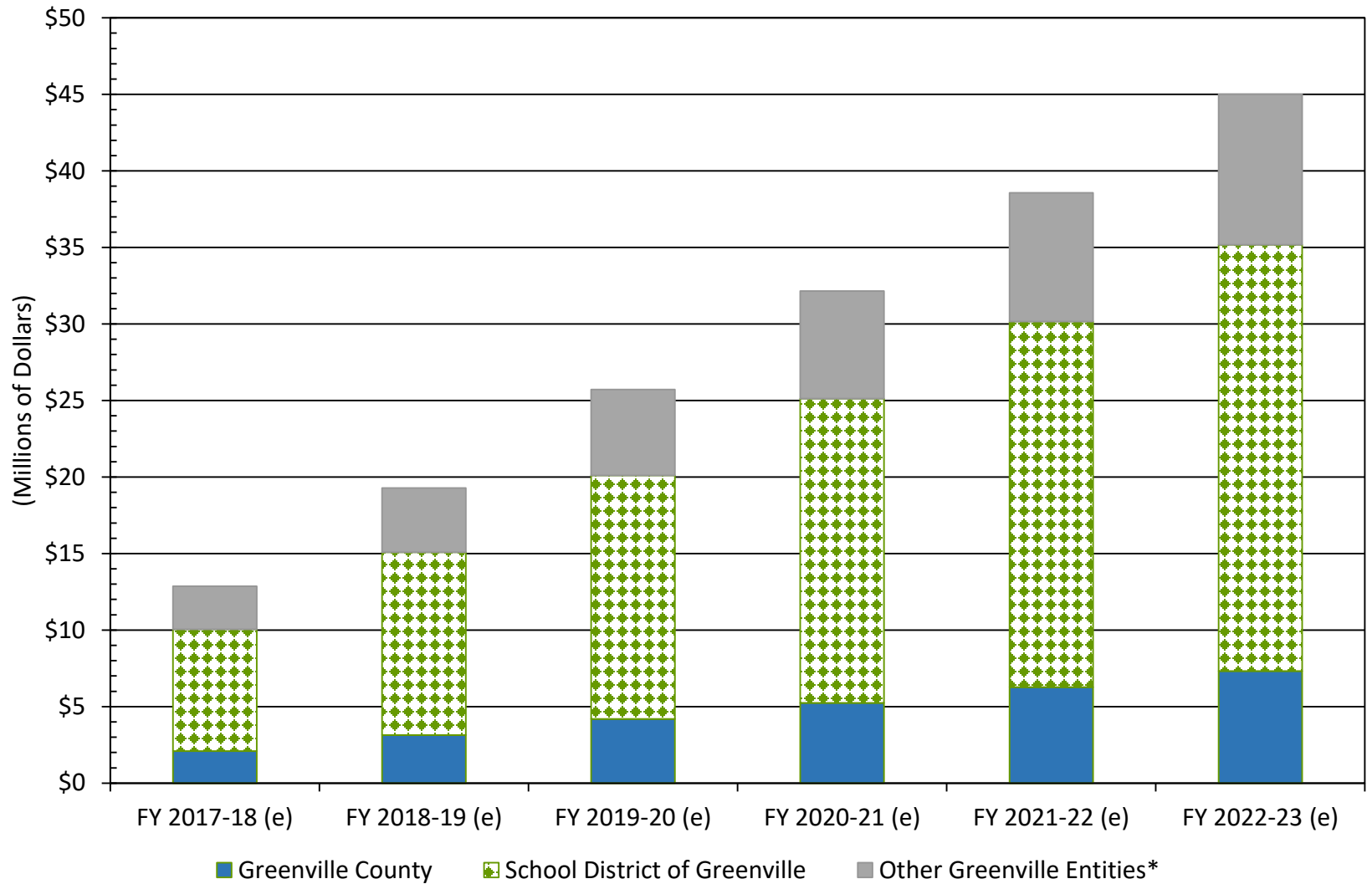


Projected contributions are based on FY 15-16 expenditures reported in the July 1, 2016 actuarial valuation, and assumes no wage growth.

*FY 2016-17 contribution increase of 0.5% approved by SFAA.

Source: RFA,JCS,7/14/17

ESTIMATED GREENVILLE EMPLOYER CONTRIBUTIONS TO SCRS/PORS OVER FY 2016-17



*Does not include all municipalities located in Greenville County. Projected contributions are based on FY 15-16 expenditures pursuant to GASB 68, and assumes no wage growth. Source: RFA,JCS,7/17/17