BUDGET IMPACT OF SOUTH CAROLINA PENSION REFORM

PRESENTED TO

FIRST MONDAY CLUB IN GREENVILLE
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PORS
Net Unfunded Liability on a Market Value Basis

Source: S.C. Retirement Systems/PEBA  7-31-17
## Value of SCRS and PORS unfunded liability as of June 30, 2016

<table>
<thead>
<tr>
<th></th>
<th>Market Value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>SCRS</td>
</tr>
<tr>
<td>COLAs</td>
<td>$3.31 billion</td>
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<tr>
<td>Investment Losses</td>
<td>$7.09 billion</td>
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<tr>
<td>Deferred investment losses</td>
<td>$3.30 billion</td>
</tr>
<tr>
<td>Liability Experience</td>
<td>$2.56 billion</td>
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<tr>
<td>Assumption changes</td>
<td>$2.56 billion</td>
</tr>
<tr>
<td>Interest on UAAL</td>
<td>$2.98 billion</td>
</tr>
<tr>
<td>Non-COLA benefit changes</td>
<td>$0.063 billion</td>
</tr>
<tr>
<td>Total</td>
<td>$21.86 billion</td>
</tr>
</tbody>
</table>

Source: S.C. Retirement Systems/PEBA 7-31-17
Source: SC Retirement Systems CAFR and Joint Committee on Pension Systems Review, JCS, 7/14/17
PORS UNFUNDED LIABILITY AND FUNDED RATIO

Unfunded Liability

Funded Ratio

Source: SC Retirement Systems CAFR and Joint Committee on Pension Systems Review, JCS, 7/14/17
Local Government SCRS employer's contribution rate was 6.70% 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.
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
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
Projected contributions are based on FY 2015-16 expenditures reported in the July 1, 2016 actuarial valuation, and assumes no wage growth.

Source: RFA, JCS, 7/14/17

*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