

FISCAL IMPACT STATEMENT ON BILL NO. **S.962**

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TO: The Honorable Hugh K. Leatherman, Sr., Chairperson, Senate Finance Committee
FROM: State Budget Division, Budget and Control Board
ANALYSTS: K. Earle Powell
DATE: February 25, 2014 SBD: 2014038

AUTHOR: Senator Peeler PRIMARY CODE CITE: 9-1-580
SUBJECT: SC Retirement System

ESTIMATED FISCAL IMPACT ON GENERAL FUND EXPENDITURES:
See Below

ESTIMATED FISCAL IMPACT ON FEDERAL & OTHER FUND EXPENDITURES:
See Below

BILL SUMMARY:

Senate Bill 962 amends the Code of Laws of South Carolina, 1976, relating to the option of certain employees of hospital members of the SC Retirement System (SCRS) to opt out of membership in SCRS, so as to allow all such employees, rather than specific categories of hospital employees to opt out of membership in SCRS and to extend this option to employees of a hospital system that is an employer member of SCRS.

EXPLANATION OF IMPACT:

Public Employee Benefit Authority

PEBA indicates that this proposed legislation will not have an immediate impact on the actuarially determined contribution rates for SCRS. However, as future hospital employees elect to opt out of SCRS, there will be a decrease in contributions to finance SCRS's unfunded actuarial accrued liability, which will result in an increase in the actuarially determined contribution rates. Based on estimates of anticipated employee behavior, if 20% to 40% of future hospital employees elect to opt out of participating in SCRS, then there would be a 0.05% to 0.11% increase in both the employer and member contribution rates for the remaining participating employers and members in SCRS. This increase is expected to occur gradually over a 15 to 20-year period.

Also, PEBA reports that this proposed legislation creates the first group of employers in SCRS with the opportunity to have their entire workforce opt out of participating in the Retirement System. This may result in other employers petitioning for future legislation to extend this opt out provision to all their employees as well. As more employees opt out of the System, covered payroll will decline, requiring further increases in the member and employer contribution rates to finance the unfunded actuarial accrued liability.

LOCAL GOVERNMENT IMPACT:

None.

Approved by:



Brenda Hart
Assistant Director, State Budget Division