



**SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE**  
**STATEMENT OF ESTIMATED FISCAL IMPACT**  
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**Bill Number:** H. 5007  
**Author:** Lucas  
**Subject:** SC Retirement System funds  
**Requestor:** House Ways and Means  
**RFA Analyst(s):** Fulmer and Kokolis  
**Impact Date:** March 9, 2016

**Estimate of Fiscal Impact**

	<b>FY 2016-17</b>	<b>FY 2017-18</b>
<b>State Expenditure</b>		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
Full-Time Equivalent Position(s)	0.00	0.00
<b>State Revenue</b>		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
<b>Local Expenditure</b>	\$0	\$0
<b>Local Revenue</b>	\$0	\$0

**Fiscal Impact Summary**

This bill would have no immediate expenditure impact to the General Fund, Federal Funds, or Other Funds. It would, however, result in higher employer and employee contribution rates in a year in which the funding period is between 20 and 30 years and the plan incurred adverse expense.

**Explanation of Fiscal Impact**

**State Expenditure**

This bill amends Section 9-16-335 to require that the current 7.5% assumed annual rate of return on the retirement system investments expires on July 1, 2016, and every four years after, unless the General Assembly amends the assumed rate of return at any time during that four-year period. If the General Assembly does not continue or amend the assumed rate of return prior to expiration, then the assumed rate of return must be set by vote of the State Fiscal Accountability Authority. This bill also amends Section 9-1-1085, which would change the amortization schedule for employer and employee contribution rates to an amortization schedule of no more than the greater of twenty years or the amortization schedule set forth in the system's actuarial valuation for the prior fiscal year.

**Public Employee Benefit Authority.** The agency indicates that this bill would modify the process for establishing the assumed rate of return used to perform the actuarial valuation of the Retirement Systems. Because the proposed legislation does not actually change the assumed rate of return, there would be no immediate expenditure impact to the Retirement System Funds. In addition, this bill would modify the provisions for determining the contribution rate for the South

Carolina Retirement Systems based on the actuarial valuation for the prior fiscal year. If all future assumptions are met to include the investment return rate, then the projected contribution rates under this funding policy would be the same as the current policy. If, however, future assumptions are not met, then we anticipate an expenditure impact to Retirement System Funds. For example, in a year when the funding period is between 20 and 30 years and the plan's investment return assumption is not met, this bill may require higher employer and employee contribution rates. The bill would have no expenditure impact to the General Fund or Federal Funds.

**State Fiscal Accountability Authority.** This agency indicates there is no expenditure impact to the General Fund, Federal Funds, or Other Funds.

**State Revenue**

N/A

**Local Expenditure**

N/A

**Local Revenue**

N/A



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Frank A. Rainwater, Executive Director