Statement of the South Carolina Association of Counties to the Joint Committee on Pension Systems Review

County governments and their employees have participated in the state retirement system since its inception. The enabling act (Act No. 157 of 1945) creating the South Carolina Retirement System (SCRS) allowed for the inclusion of county governments as employers and their employees as participants in the system upon application to the Retirement Board. Similarly, Act No. 799 of 1962 allowed any county to become an employer under the Police Officer's Retirement System (PORS) upon applying to the board and a majority vote of all persons employed as police officers by the county. County government participation in SCRS and PORS has enabled South Carolina counties and sheriffs to hire and retain excellent employees and deputies. It is important to all counties of this state that the retirement systems remain financially strong and attractive to current and future employees.

Like the General Assembly, county budgets have been significantly impacted by the failure of the system to meet the assumed rate of return on investments. Seventy-one percent of the participating employers in SCRS are comprised of cities, counties and other local subdivisions of government. These entities employ 28% (53,532) of the active members of the system. The .5% increase in the employer contribution rate this year had a projected fiscal impact to local entities of $11,346,300. The same increase to PORS had an impact of $4,167,455 to local entities. Also similar to the state, when employee contribution increases are required, our employees often see a decrease in net pay as a result.

The statutorily mandated increases in employer and employee contribution rates have hit county governments hard. County government's ability to raise revenue is severely limited. To a large degree, counties must rely on property taxes for general operating revenue. This stream of revenue is restricted by the millage cap contained in §6-1-320 (population plus CPI.) Other sources of revenue have either been limited by the General Assembly (Local Government Fund) or are limited by use (for instance the Capital Projects Sales tax, or state grants.) The instability of the retirement system is requiring a greater allocation of property tax revenue to employee benefits, which reduces the ability for counties to improve the services they want to provide to their citizens. Additionally, static salaries combined with increasing employee retirement contributions make it difficult to hire and retain employees, also leading to a reduction in county service packages.

SCAC is fully cognizant of the difficulties facing the General Assembly as they attempt to deal with the present and looming liabilities in the retirement systems. It is our hope that reforms can be enacted in such a manner to: 1) provide stability, growth and a decreased unfunded liability within the retirement systems; (2) meet the promises made to current retirees and employees; and (3) ensure that state and local governments will continue to be able to hire excellent employees. We stand ready to assist and support the General Assembly in these endeavors.