



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number: S. 1013 Introduced on February 14, 2018
Author: Johnson
Subject: Retirees
Requestor: Senate Finance
RFA Analyst(s): Shuford
Impact Date: March 1, 2018

Estimate of Fiscal Impact

	FY 2018-19	FY 2019-20
State Expenditure		
General Fund	\$2,028,950 to \$2,608,650	\$4,057,900 to \$5,217,300
Other and Federal	\$0	\$0
Full-Time Equivalent Position(s)	0.00	0.00
State Revenue		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
Local Expenditure	\$1,821,050 to \$2,341,350	\$3,642,100 to \$4,682,700
Local Revenue	\$0	\$0

Fiscal Impact Summary

This bill will increase employer contributions from state funding sources by \$2,028,950 to \$2,608,650 in FY 2018-19 and by an additional \$2,028,950 to \$2,608,650 in FY2019-20 for a total of \$4,057,900 to \$5,217,300 for calendar year 2019.

Additionally, this bill will increase employer contributions from local funding sources by \$1,821,050 to \$2,341,350 in FY 2018-19 and by an additional \$1,821,050 to \$2,341,350 in FY2019-20 for a total of \$3,642,100 to \$4,682,700 for calendar year 2019.

It is undetermined whether the Public Employee Benefits Authority will impose the additional employer contributions on all state and local employers or on all public school employers only. Additional employer contribution increases are required to maintain the current funding ratio of the South Carolina Retirement System from the removal of the current retiree earning limitation for public school teachers or public school bus drivers. The fiscal impact statement provides a range for the expenditure impact since retirement system data are unable to differentiate retirees by their previous occupations.

Explanation of Fiscal Impact

Introduced on February 14, 2018

State Expenditure

This bill provides that a retired public school teacher or a retired public school bus driver are not subject to the \$10,000 earning limitation if the retiree is employed by an employer participating

in a state retirement system. Currently, a retiree may earn up to ten thousand dollars without affecting the monthly retirement allowance the member is receiving from the retirement system. If the retired member continues in service after earning \$10,000 in a calendar year, the member's allowance must be discontinued if the member remains employed through the remainder of the calendar year.

Public Employee Benefits Authority (PEBA). An analysis performed by retirement system actuaries suggests that this bill would increase the unfunded actuarial liability of the South Carolina Retirement System (SCRS) beginning in 2019. This will result in an increase in the employer contribution rate in order to maintain the current funding period. The analysis provides a range for the expenditure impact since PEBA is unable to differentiate retirees by their previous occupations. The actuaries, working with the Department of Education, acquired information on two groups, certified teachers and administrators and all public school employees. The actuaries suggest that the expenditure impact of this bill will be in the range between the expenditure impacts for these two groups, as discussed below.

The actuarial report indicates that the removal of the earnings' limitation for teachers and administrators will increase the unfunded actuarial accrued liability of SCRS by \$320,000,000 in 2019. To maintain the current funding period will require an increase in the employer contribution rate of 0.07 percent, which will increase employer contribution costs by \$7,700,000 for all state and local employers that participate in the SCRS. If the earnings' limitation were removed for all public school employees, the unfunded actuarial accrued liability of SCRS is expected to increase by \$374,000,000 in 2019. This will require an increase in the employer contribution rate of 0.09 percent and will increase employer contribution costs by \$9,900,000 for all state and local employers that participate in the SCRS.

Actuarial Analysis of S. 1013 for 2019

	Teachers and Administrators	All Public School Employees
Increase in Unfunded Actuarial Accrued Liability	\$320,000,000	\$374,000,000
Increase in Employer Contribution Rate for All Covered Employers	0.07%	0.09%
Increase in Employer Contributions for All Covered Employers	\$7,700,000	\$9,900,000
Increase in Employer Contribution Rate on All Public School Employees Only	0.17%	0.22%

Source: GRS Consulting and PEBA

As an alternative, PEBA may consider applying the increased employer contribution rate on all public school employees rather than the entire membership of the SCRS. To maintain the current funding period will require an increase in the employer contribution rate of 0.17 percent, which will increase employer contribution costs by \$7,700,000. However the increase will be imposed only on all public school employees that participate in the SCRS. If the earnings' limitation were removed for all public school employees, the unfunded actuarial accrued liability of SCRS is expected to increase by \$374,000,000 in 2019. This will require an increase in the

employer contribution rate of 0.22 percent and will increase employer contribution costs by \$9,900,000 for all public school employees that participate in the SCRS.

Based on a Revenue and Fiscal Affairs Office analysis of state agency, school district, and local entities personal service expenditures, we expect that employers will remit approximately 52.7 percent of the additional employer contributions from state funding sources. This calculation suggests that this bill will increase employer contributions from state funding sources by \$4,057,900 to \$5,217,300 in 2019. This increased expenditure will be over two fiscal years due to the difference in a calendar and a fiscal year. Therefore, this bill will increase employer contributions from state funding sources by \$2,028,950 to \$2,608,650 in FY 2018-19 and by an additional \$2,028,950 to \$2,608,650 in FY2019-20 for a total of \$4,057,900 to \$5,217,300 for calendar year 2019.

State Revenue

N/A

Local Expenditure

Based on a Revenue and Fiscal Affairs Office analysis of state agency, school district, and local entities personal service expenditures, we expect that employers will remit approximately 47.3 percent of the additional employer contributions from local funding sources. This calculation suggests that this bill will increase employer contributions from local funding sources by \$3,642,100 to \$4,682,700 in 2019. This increased expenditure will be over two fiscal years due to the difference in a calendar and a fiscal year. Therefore, this bill will increase employer contributions from local funding sources by \$1,821,050 to \$2,341,350 in FY 2018-19 and by an additional \$1,821,050 to \$2,341,350 in FY2019-20 for a total of \$3,642,100 to \$4,682,700 for calendar year 2019.

Local Revenue

N/A



Frank A. Rainwater, Executive Director