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# Update: Funding status and related fiscal impact

Joint Committee on Pension Systems Review

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# What we will cover

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- Review assumptions used to determine SCRS contributions set by Act 278.
- Review updated projections for SCRS based on July 1, 2017, actuarial valuations.
- Review scenario for closing SCRS based on July 1, 2017, actuarial valuations.
- Actuarial valuations for all systems are available at [www.peba.sc.gov/factsfigures.html](http://www.peba.sc.gov/factsfigures.html).

## South Carolina Retirement System (SCRS)

### Projected Unfunded Liability, Funded Ratio, and Funding Period Based on Contribution Rates Specified in Proposed Legislation Bill Senate 394 (H 3726) (\$ in millions)

July 1,	Proposed Scheduled Contribution Rates		Proposed Max Funding Period	Baseline Scenario for Fiscal Cost (Exhibit 1. Scenario 2 in Impact Letter)			Alternative Pessimistic Scenario (Scenario 5.b. Alt 1 Provided to Joint Committee)		
	Employer	Member		Unfunded Liability	Funded Ratio AVA / AAL	Funding Period (years)	Unfunded Liability	Funded Ratio AVA / AAL	Funding Period (years)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
2016	11.56%	8.66%	30	\$ 18,566	60%	23	\$ 18,566	60%	23
2017	13.56%	9.00%	30	21,208	56%	25	21,372	56%	25
2018	14.56%	9.00%	29	22,436	54%	23	22,976	53%	24
2019	15.56%	9.00%	28	23,603	53%	21	26,105	49%	26
2020	16.56%	9.00%	27	24,066	53%	19	27,441	48%	24
2021	17.56%	9.00%	26	23,958	55%	17	28,417	48%	22
2022	18.56%	9.00%	25	23,661	56%	16	29,116	48%	21
2023	18.56%	9.00%	24	23,286	58%	15	29,617	48%	21
2024	18.56%	9.00%	23	22,692	60%	14	29,782	49%	20
2025	18.56%	9.00%	22	21,991	62%	12	29,737	50%	19
2026	18.56%	9.00%	21	21,177	64%	11	29,475	52%	18
2027	18.56%	9.00%	20	20,237	67%	10	29,129	53%	17

**Baseline scenario for fiscal cost:** The investment return assumption is 7.25% for 2017 and each year thereafter. The emerging investment experience is assumed to be 7.25% per year for each future year.

**Alternative pessimistic scenario:** The investment return assumption is 7.25% for 2017 and 2018, and 7.00% for 2019 and each year thereafter. The emerging investment experience is assumed to be 4.00% per year for 2017 through 2021 and 7.00% per year for each thereafter.

Projection information is based on the July 1, 2016 actuarial valuation. This information is provided for stakeholders to understand the financial impact based on the illustrated assumptions and emerging investment experience for decision making purposes.

## South Carolina Retirement System (SCRS) (\$ in millions)

July 1	Employer contributions	Member contributions	Scenario 5b Alt 1 provided to Joint Committee (Based on July 1, 2016, actuarial valuation)			Exhibit 5b – updated (Based on July 1, 2017, actuarial valuation)		
			Unfunded liability	Funded ratio	Funding period	Unfunded liability	Funded ratio	Funding period
2016	11.56%	8.66%	\$18,566	60%	23			
2017	13.56%	9.00%	\$21,372	56%	25	\$21,133	56%	24
2018	14.56%	9.00%	\$22,976	53%	24	\$22,286	55%	22
2019	15.56%	9.00%	\$26,105	49%	26	\$23,575	53%	21
2020	16.56%	9.00%	\$27,441	48%	24	\$24,384	53%	19
2021	17.56%	9.00%	\$28,417	48%	22	\$26,234	52%	19
2022	18.56%	9.00%	\$29,116	48%	21	\$26,897	52%	19
2023	18.56%	9.00%	\$29,617	48%	21	\$27,216	52%	18
2024	18.56%	9.00%	\$29,782	49%	20	\$27,304	53%	18
2025	18.56%	9.00%	\$29,737	50%	19	\$27,154	55%	17
2026	18.56%	9.00%	\$29,475	52%	18	\$26,757	56%	16
2027	18.56%	9.00%	\$29,129	53%	17	\$26,272	58%	15

## South Carolina Retirement System (SCRS) (\$ in millions)

July 1	Exhibit 5b – updated Based on July 1, 2017, actuarial valuation					Exhibit 5b: Closed Plan and 6% return assumption Based on July 1, 2017, actuarial valuation				
	Employer contributions	Member contributions	Unfunded liability	Funded ratio	Funding period	Employer contributions	Member contributions	Unfunded liability	Funded ratio	Funding period
2017	13.56%	9.00%	\$21,133	56%	24	13.56%	9.00%	\$21,133	56%	24
2018	14.56%	9.00%	\$22,286	55%	22	14.56%	9.00%	\$22,286	55%	23
2019	15.56%	9.00%	\$23,575	53%	21	15.56%	9.00%	\$23,435	53%	21
2020	16.56%	9.00%	\$24,384	53%	19	16.56%	9.00%	\$24,130	53%	20
2021	17.56%	9.00%	\$26,234	52%	19	19.17%	9.00%	\$32,245	46%	26
2022	18.56%	9.00%	\$26,897	52%	19	19.51%	9.00%	\$32,906	46%	25
2023	18.56%	9.00%	\$27,216	52%	18	19.54%	9.00%	\$33,314	47%	24
2024	18.56%	9.00%	\$27,304	53%	18	19.60%	9.00%	\$33,503	47%	23
2025	18.56%	9.00%	\$27,154	55%	17	19.61%	9.00%	\$33,459	48%	22
2041	18.56%	9.00%	\$3,598	96%	1	19.61%	9.00%	\$14,920	76%	5
2042	5.94%	5.94%	\$250	100%	0	19.61%	9.00%	\$12,314	80%	4
2043	5.21%	5.21%	-	100%	N/A	19.61%	9.00%	\$9,458	84%	3
2044	5.21%	5.21%	-	100%	N/A	19.61%	9.00%	\$6,331	89%	2
2045	5.20%	5.20%	-	100%	N/A	16.61%	7.05%	\$2,915	95%	1
2046	5.20%	5.20%	-	100%	N/A	4.84%	4.84%	-	100%	N/A



# Contributions

## Defined benefit participant (SCRS)

	Normal cost	Unfunded liability	Total
Member	9.00%	-	9.00%
Employer	1.72%	11.84%	13.56%
Total	10.72%	11.84%	22.56%

## Defined contribution participant (State ORP)

	Member account	Unfunded liability	Total
Member	9.00%	-	9.00%
Employer	5.00%	8.56%	13.56%
Total	14.00%	8.56%	22.56%



# Disclaimer

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