



South Carolina Retirement Systems

Estimated Financial Condition of Retirement System as of July 1, 2016

Joe Newton and Danny White
August 17, 2016

GRS

Gabriel Roeder Smith & Company
Consultants & Actuaries
www.gabrielroeder.com

Copyright © 2016 GRS – All rights reserved.



Summary of Expected Results

- ◆ SFAA approved assumptions and methods adopted by PEBA
 - ▶ Investment return assumption remains 7.50%
- ◆ The actual investment return for FY 2016 was approximately 0.00%
- ◆ Summary of expected cost and liabilities for SCRS:
 - ▶ Employer contribution rate will increase from 11.56% in FY 2017 to an ultimate rate of 12.9% in FY 2022 (9.97% for members)
 - ▶ On a smoothed basis, the Unfunded Accrued Liability projected to increase from \$16.8 billion at FYE 2015 to \$18.2 billion at FYE 2016 (funded ratio decreases from 62% to 60%)



SCRS Short Term Projections

July 1,	Contribution Rate		Contributions		Actuarial Accrued Liability	Actuarial Value of Assets	Market Value of Assets	Unfunded Liability	Funded Ratio AVA / AAL	Funding Period (years)
	Employer	Member	Employer	Member						
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
2015	11.06%	8.16%	\$ 1,045	\$ 716	\$ 44,119	\$ 27,336	\$ 25,132	\$ 16,783	62%	30
2016	11.56%	8.66%	1,111	768	45,602	27,447	24,050	18,155	60%	30
2017	11.56%	8.66%	1,139	784	46,779	27,327	24,780	19,452	58%	30
2018	12.04%	9.14%	1,217	845	47,980	27,215	25,517	20,765	57%	30
2019	12.30%	9.40%	1,275	887	49,201	27,203	26,354	21,998	55%	30
2020	12.53%	9.63%	1,339	932	50,438	27,255	27,255	23,183	54%	30
2021	12.73%	9.83%	1,400	976	51,683	28,234	28,234	23,449	55%	28
2022	12.87%	9.97%	1,456	1,014	52,932	29,288	29,288	23,644	55%	27

Based on new assumptions approved by PEBA and SFAA and assumes a 0% return in FY16



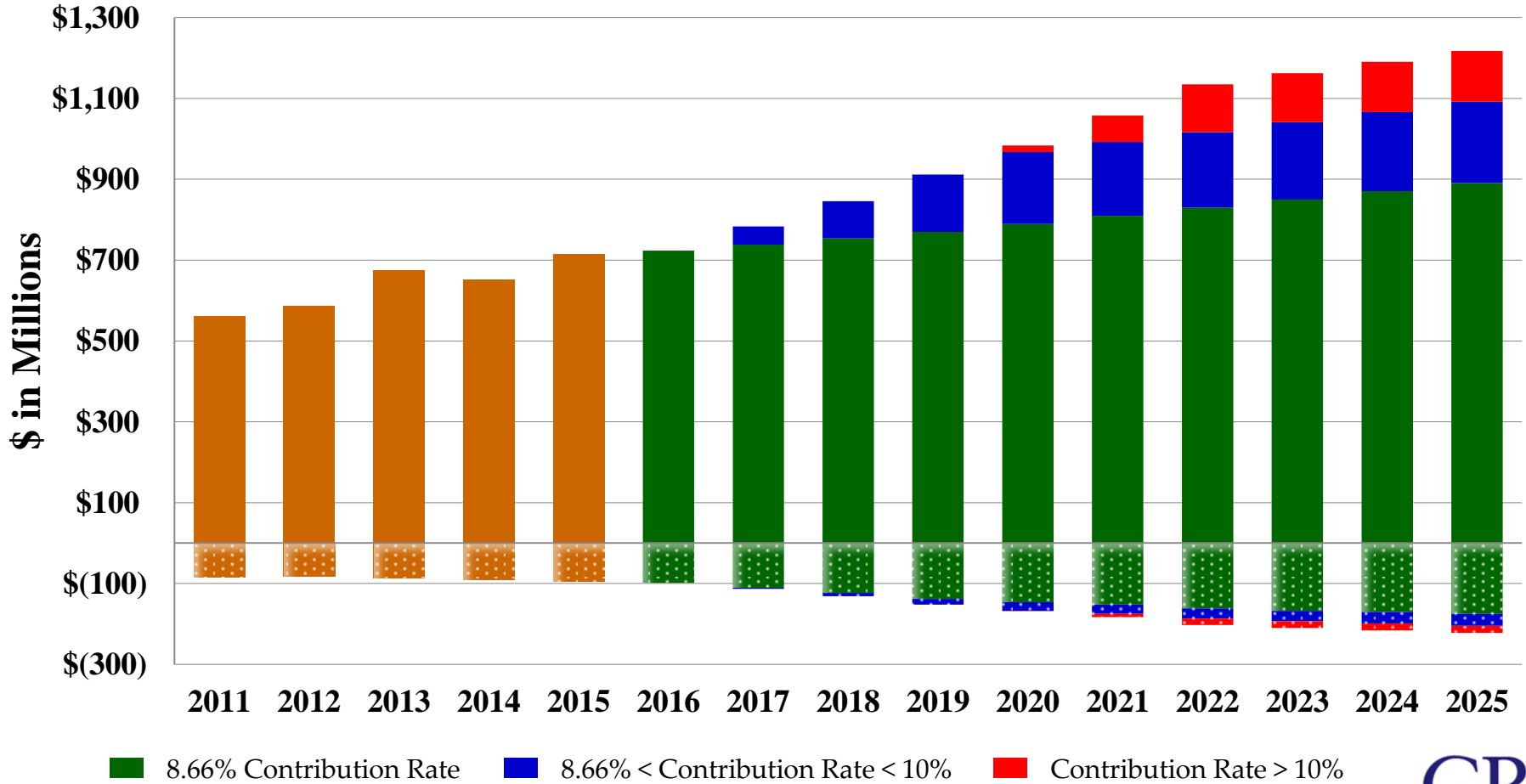
Member Contribution Efficiency

- ◆ The employer and member contribution rates are currently linked
 - ▶ Members share equally in the risk that contribution rates will increase in future years
- ◆ Due to the refund benefit member contributions are relatively less efficient than employer contributions in funding the plan:
 - ▶ Members can refund their employee contribution balances
 - ▶ Employer contributions remain in plan when a member elects a refund



SCRS Member Contribution and Refund Experience

Assumes 0.50% Annual Increases in Member Contribution Rates for the Next Six (6) Years





Member Contribution Efficiency

- ◆ Approximately 20% of member contributions are returned as refund benefits
- ◆ For purposes of financing the unfunded actuarial accrued liability
 - ▶ An 0.80% increase in the employer contribution rate is about as effective as a 1.00% increase in the member contribution rate for funding annuity benefits
- ◆ Compared to the current projected longer term policy of 12.9% employer/9.97% member; if the member contribution was held as the current 8.66%, the projected longer term employer contribution would be 13.9%

**A Members' Contribution Effort
is Ultimately a Policy Decision**



Disclaimers

- ◆ This presentation should not be relied on for any purpose other than the purpose described by the presenters.
- ◆ Circular 230 Notice: Pursuant to regulations issued by the IRS, to the extent this presentation concerns tax matters, it is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding tax-related penalties under the Internal Revenue Code or (ii) marketing or recommending to another party any tax-related matter addressed within. Each taxpayer should seek advice based on the individual's circumstances from an independent tax advisor.
- ◆ This presentation shall not be construed to provide tax advice, legal advice or investment advice.