

SOUTH CAROLINA PUBLIC SAFETY COALITION

SC Sheriffs' Association • SC Law Enforcement Officers' Association • SC Fraternal Order of Police •
SC Police Chiefs Association • SC Campus Law Enforcement Association • Palmetto State Law Enforcement
Officers Association • SC State Firefighters' Association • SC State Association of Fire Chiefs •
SC Coroners Association • SC Summary Court Judges Association

Phase II Testimony Joint Committee on Pension Systems Review August 29, 2017

Mr. Chairman, members of the committee, good afternoon and thank you for allowing me to speak today. My name is Jarrod Bruder and I am the Executive Director of the South Carolina Sheriffs' Association. I am here on behalf of 10 organizations that represent over 25,000 law enforcement officers and first responders, most of which are members of the Police Officer Retirement System (PORS).

It was only a few short months ago that this committee presented a plan that would address the short and long term needs of our retirement system. The actuaries provided us all with projections that clearly illustrated the provisions of Act 13 will eventually result in a fully funded, healthy defined benefit plan. That plan is now the law of this State. That fact, combined with significant research, and a constant plea for help from first responders in the field, has led us to stand today in support of maintaining a defined benefit plan and addressing a "return to work option" for South Carolina's public safety community, both of which are critical to our mission.

Young First Responder Population

Our immediate concern needs swift action from this committee. Research reveals that approximately 59.1% of PORS members have less than 10 years of service. In fact, 36.8% of PORS members have between 0 and 4 years of experience. While this information was shocking to our Coalition, it only validated the cries we hear from public safety agency heads who are constantly searching for experienced officers. The fact is, experience is something South Carolina's public safety and first responder community is running short on as only 4.95% of PORS members have greater than 25 years of experience.

What does this mean for your State, your community? What a lack of experience translates to is officers working by themselves without the opportunity to learn from seasoned veterans - often in communities they do not know and probably do not understand. A lack of experience equates to officers with less than two years of service supervising entire shifts. A lack of experience means officers with little investigative experience are taking the lead on cases that matter to you, your family, your friends, your loved ones.

When lives are on the line, experience matters. When someone's freedom hangs in the balance, experience matters. When conversations escalate in to altercations, experience matters. In the complicated environment in which we now live, it is of utmost importance to have experienced law enforcement and first responder personnel.

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Need to Address the Earnings Limitation on Working Retirees

In 2012, pension reform legislation placed a \$10,000 salary cap on individuals who return to work if they did not retire before January 2, 2013 or if they retired before age 57. We believe it is paramount to our State's public safety to allow individuals who have amassed 30 years of service prior to retirement to return to work without a salary cap. We have a crisis in this State. We need to increase our ability to retain experience while also hiring quality employees. Right now, salaries are low and the costs of benefits are at an all-time high. Job risk and sacrifice are off the charts. Our agencies have been confronted with the inability to retain personnel and fill vacancies, all while trying to keep our citizens safe.

We must revisit the earnings limitation that is currently placed on working retirees as it appears unworkable and unpractical for public safety officials, particularly in law enforcement. The statutorily imposed salary cap eliminates our ability to tap in to an experienced segment of the population in our state that stands willing to come back into the profession if their retirement benefits are not negatively impacted. This change will not only incentivize PORS members to work longer, but it will also enable our public safety agencies to retain vast amounts of institutional knowledge and experience that our veteran public safety personnel have accumulated over their careers.

It is important to note that all first responders who have "returned to work" pay into the PORS system, as do their employing agencies, with no additional retirement benefit given to the employee. Additionally, the ability to "return to work" in the PORS system has always been granted at the request of the employer, not the employee.

The fiscal impact of this proposal is roughly \$55 million. To cover the costs of "return to work", the funding period for PORS will need to be increased by 1.3 years (from 23.4 to 24.7 years) *or* the employer contribution rate will need to be increased by 48 basis points (roughly one half of one percent to employers). This is a minimal cost for a critical need that has a large impact.

Our problem is now, our need is current, our mission is critical, and our request is an integral part to the solution. Please consider, discuss, debate, and weigh the importance of eliminating the cap for the first responder community. As former SLED Chief Robert Stewart has said for many years, "Public safety is every level of government's first priority. There must be a basic level of public safety for society to function. If the streets are not safe enough to go to school, go to work, or go to the doctor, we have nothing." Please consider this request and help us help our communities.

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“Best Case Scenario”

Our Coalition spent a considerable amount of time over the past few months researching and discussing various public safety retirement plans and attempting to develop our “best case scenario”. Our research – both on our current system and the development of future systems – has led us to the conclusion that our options moving forward are severely limited due to the tremendous debt on the PORS system. Based on our current financial condition, we do not see how we can afford new retirement structures at this point.

The PORS employee contribution rate is now 9.75% -- one of the highest in the country. The PORS employer contribution rate is currently 16.24%, which is also one of the highest in the country, and is scheduled to increase incrementally until 2022 when it will stabilize at 21.24%. Therefore, the combined contribution rate in South Carolina is nearly 31% (30.99%) of salaries. According to the most recent valuation, the normal cost of PORS benefits is roughly 14% of salary. This means that nearly 17% (16.98%) of salary is dedicated to paying down the debt, or the unfunded liability, of the PORS system which is estimated to be nearly \$2.6 billion. The reality is, no matter what new plan may be created – whether it be a new defined benefit plan with realistic assumptions, a hybrid system with realistic assumptions, or a pure defined contribution system – our debt still has to be serviced. This means that combined contribution rates would start at 17% before the first benefit could ever be provided in a new plan.

While new plans may reduce the State’s unfunded liability in the future, they cannot be separated from the debt of the current system (at least when it comes to employer contribution rates). So, the only realistic features of a new plan for PORS members are increased employee contribution rates or a cut in benefits. Neither of which helps the State recruit and retain quality first responders. Neither of which helps public safety officers protect and serve our communities.

I must be honest, even if we lived in a perfect world where there was no unfunded liability, I would still be standing before you today asking you to maintain a defined benefit plan for public safety officers. The reality is other retirement plan structures simply do not sufficiently meet the needs of the public safety workforce. Traditional defined contribution plans lack disability coverage, which is an absolute necessity for individuals in such a dangerous line of work. Sure, disability coverage can be added, but will it adequately protect those who protect and serve our communities? And if so, at what cost?

Additionally, defined contribution plans generally require the participant to reach age 59 ½ before he or she is eligible to withdraw their funds without penalty. Firefighters can begin their careers at age 18. Police officers can begin their careers at age 21. Therefore, under a defined contribution plan, firefighters and police officers could potentially be required to provide 41 and 38 years of service respectively before they would become

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eligible to draw their full pension without penalty. The physical demands of our profession are great. The mental stress that accumulates over the course of a career is tremendous. Do we really want to force individuals in this profession to run in to burning buildings or engage in foot pursuits until they attain the age of 59 ½? We absolutely need to be able to retain experience and institutional knowledge for critical needs, but the overwhelming majority of those individuals have long since passed the point in their careers when they are regularly expected to exert such physical activity.

Hybrid plans also give us similar concerns because they include a defined contribution component. More importantly, just as experience matters in public safety, experience matters when choosing retirement structures. Hybrid plans are relatively new. We do not have long term experiences from hybrid plans that provide us with the same financial securities and assurances as our current defined benefit plan.

Therefore, it is our belief that neither the State nor the employees and employers can afford to implement a new plan unless the unfunded liability is drastically reduced. For this reason, we believe there needs to be significant research done to identify and implement additional funding sources to supplement the retirement systems. Simply put, we need additional revenue solutions to help us achieve our goal of providing effective and efficient public safety to the citizens of our State.

The Governor's Commission on the Advancement of Public Safety has taken a comprehensive look at how we can enhance and advance public safety in South Carolina. The Commission is now in the final stages of drafting its report. The information contain therein should be of great interest to the legislature regarding the issues we are discussing here today.

Need for Dedicated Discussion/Research on Public Safety Retirement Plans

Additionally, we also encourage the committee to take the time to specifically study and discuss public safety needs and plans. Please examine PORS needs, requirements, information, statistics, benefits, costs, and comparisons among other public safety plans before moving to change the current PORS Defined Benefit Plan. We have separate systems with separate benefit structures because the requirements of SCRS members are not the same as PORS members. We implore the committee to dedicate time to focus on the needs and solutions for the PORS system -- keeping in the forefront that the pension system is a critical tool for recruiting, hiring and retaining quality first responders. I'll mention it again, if we can't go to school, work, or the doctor because the streets aren't safe, we have nothing. If citizens do not trust that first responders are adequately vetted, trained, and experienced, they will not place their trust in our public safety system. Providing a healthy, reliable pension plan, and the ability for employers to acquire and retain experienced first responders, is a tremendous starting point in the advancement of public safety in South Carolina.

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Conclusion

Finally, as policymakers for our state, I understand that you have to wear multiple hats. Well, for the next few moments, I'd like for you to take off the policymaker hat that tells you this is simply a math problem and I'd like for you to put on your parent hat and let's just be honest. If your son or daughter came to you and said, "Mom/Dad, I've been thinking and I'd really like to become a police officer." How would you respond? What would go through your mind? What would come out of your mouth? The politically correct answer sounds something like, "That's great! I'm so proud you want to serve your community in this way!" In reality, however, you will worry - just like every other parent - about your child's choice of employment. You will say, even if it's only in your mind, "You won't make any money! Did I really pay for that four year degree for you to patrol the streets?" You will wonder how in the world they will provide for themselves and will they ever be able to retire? You will worry everyday of their career about their safety and you'll beg God to allow your son or daughter to return home safely at the end of each and every shift. I want you to honestly ask yourself, would I really encourage my son, my daughter, my loved one to enter the law enforcement profession today. If so, why? If not, what would it take to make you reach a comfort level with your loved one entering this profession?

Again, let's be honest, even if retirement benefits were great and salaries were high, many of us would still not feel comfortable with our son or daughter entering such a dangerous line of work. So, let me ask the question from a different perspective. If your son, daughter, or loved one is confronted by or interacts with a law enforcement officer, what kind of officer do you hope we have been able to hire?

With that perspective in mind, I will ask you to put your policymaker hats back on and let's work together to discover a strategy that simultaneously maintains a healthy defined benefit plan, meets our state's public safety needs, and allows us to recruit and retain the best first responders. Again, we appreciate the committee's efforts to provide short and long term solutions to make South Carolina safe. We stand ready to assist you in your efforts. I am happy to answer any questions the committee may have.

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