



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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This fiscal impact statement is produced in compliance with the South Carolina Code of Laws and House and Senate rules. The focus of the analysis is on governmental expenditure and revenue impacts and may not provide a comprehensive summary of the legislation.

Bill Number: S. 0239 Prefiled on November 30, 2022
Author: Adams
Subject: Police Officers Retirement System
Requestor: Senate Finance
RFA Analyst(s): Miller
Impact Date: January 4, 2023

Fiscal Impact Summary

This bill removes the earnings limitation of \$10,000 for retirees of the Police Officers Retirement System (PORS) who retire before the age of fifty-seven and who return to a job covered by PORS or any other system under the Public Employee Benefit Authority (PEBA) after a ninety-day period without affecting the monthly retirement allowance.

PEBA anticipates this bill will increase the unfunded actuarial accrued liability of PORS by \$89,000,000. Should the General Assembly choose to fund this increase, this bill will result in a one-time increase of \$116,000,000 in General Fund expenditures in FY 2023-24 including the funds needed to finance the present value of the increase in cost attributable to future active members who will be impacted by the change.

Explanation of Fiscal Impact

Prefiled on November 30, 2022

State Expenditure

This bill removes the earnings limitation of \$10,000 for retirees of PORS who retire before the age of fifty-seven and who return to a job covered by PORS or another system under PEBA after a ninety-day period without affecting the monthly retirement allowance.

Currently, a retiree of PORS who retires before the age of fifty-seven and returns to a covered job after a thirty-day period may earn up to \$10,000 before his monthly retirement allowance is impacted. This bill extends the retirement period by sixty days, from thirty days to ninety days, and removes the earnings limitation for retirees who retire before the age of fifty-seven.

Based on data provided by PEBA, as of July 1, 2022, there were 26,606 active PORS members who are earning retirement benefits. Of these members, 1,594 are age fifty-seven or younger and are eligible for retirement but are subject to the \$10,000 earnings limitation. Based on an actuarial analysis provided by PEBA, the probability for retirement for members who attain 25 years of service prior to age fifty-five is approximately 35 percent within the first year of eligibility and 30 percent within the second year. Additionally, while the removal of the \$10,000 earnings limitation will increase the unfunded liability, this may be slightly mitigated by the

increase in the number of days a retiree must be retired before being hired for a covered job without affecting the monthly retirement allowance.

Based on these assumptions, PEBA anticipates this bill will increase the unfunded actuarial accrued liability of PORS by \$89,000,000, from \$3,145,000,000 to \$3,234,000,000. Based on the scheduled employer contribution rates, pursuant to §9-11-255, this bill will increase the projected number of years to obtain a 100 percent funded ratio by one year, from 2039 to 2040. PEBA indicates the necessary one-time appropriation to maintain the current funding period is \$116,000,000 including the funds needed to finance the present value of the increase in cost attributable to future active members who will be impacted by the change. Should the General Assembly choose to fund this increase, this bill will result in a one-time increase of \$116,000,000 in General Fund expenditures in FY 2023-24.

State Revenue

N/A

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director