



Serving those who serve South Carolina

Senate Finance Committee

April 20, 2016
Peggy G. Boykin, CPA
Executive Director



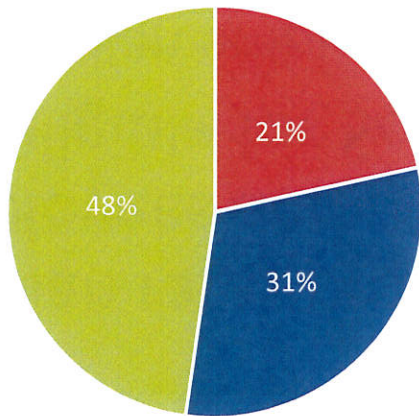
Three sources of income

- There are three sources of income to provide benefits in the Retirement Systems: investment income, employee contributions and employer contributions.
- If any source of funding is reduced, the other sources must be increased, or benefits reduced, to keep the Systems sound.

Breakdown of additions to pension trust funds

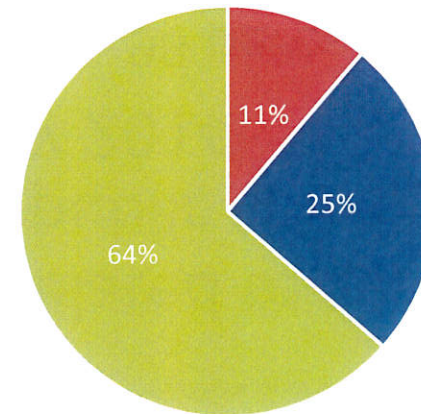


**Additions to PEBA's
Pension Trust Funds 2005-2014**
Includes five defined benefit plans



■ Employee contributions ■ Employer contributions
■ Investment income

**Additions to public pensions
2005-2014**
Information provided by NASRA



■ Employee contributions ■ Employer contributions
■ Investment income

Median contribution rates



- Median rates provided by NASRA related to general employees and teachers only (not public safety) who are eligible for Social Security for FY 2014:
 - Median employee contribution rate is 5.98 percent.
 - Median employer contribution rate is 11.51 percent.

SCRS cost impact

Liability Measure	30-Year Employer Contribution Rate	Unfunded Actuarial Accrued Liability		Funded Ratio (AVA / AAL)
		(AVA Basis) (\$ in millions)		
(1)	(2)	(3)	(4)	
1. July 1, 2015 Valuation (Current Assumptions)	11.09%	\$ 16,753		62.0%
2. Increase/(Decrease) due to:				
- Mortality	0.31%	\$ 760		-1.0%
- Withdrawal/Turnover	0.14%	96		-0.2%
- Retirement	0.05%	88		-0.1%
- Disability	0.02%	(1)		0.0%
- Individual Salary Increases	-0.33%	(403)		0.6%
- Payroll Growth Assumption	0.30%	0		0.0%
- 7.25% Investment Return	0.56%	1,270		-1.8%
- Increased refunds due to higher member contributions	0.14%	(171)		0.3%
Net Changes:	1.19%	\$ 1,639		-2.2%
3. July 1, 2015 Valuation (Recommended Assumptions)	12.28%	\$ 1,089		59.8%
4. FY 2018 employer contribution rate:	11.09%			
5. Increase in employer contribution rate (item 4. - item 3.):	1.19%			
6. Projected FY 2018 Contribution	Employer	Members		
- Current Assumptions	\$ 1,124,780,000	\$ 771,342,000		
- Recommended Assumptions	1,238,171,000	873,141,000		
- Increase	\$ 113,391,000	\$ 101,799,000		

PORS cost impact

Liability Measure	30-Year Employer Contribution Rate	Unfunded Actuarial Accrued Liability (AVA Basis) (\$ in millions)	Funded Ratio (AVA / AAL)
(1)	(2)	(3)	(4)
1. July 1, 2015 Valuation (Current Assumptions)	13.53%	\$ 1,895	69.2%
2. Increase/(Decrease) due to:			
- Mortality	0.43%	\$ 133	-1.4%
- Withdrawal/Turnover	0.00%	0	0.0%
- Retirement	-0.07%	(18)	0.2%
- Disability	0.08%	3	-0.1%
- Individual Salary Increases	-0.34%	(72)	0.8%
- Payroll Growth Assumption	0.26%	0	0.0%
- 7.25% Investment Return	0.77%	193	-2.0%
- Increased refunds due to higher member contributions	0.13%	(18)	0.1%
Net Changes:	1.26%	\$ 221	-2.4%
3. July 1, 2015 Valuation (Recommended Assumptions)	14.79%	\$ 1,089	66.8%
4. FY 2018 employer contribution rate:	13.74%		
5. Increase in employer contribution rate (item 4. - item 3.):	1.05%		
6. Projected FY 2018 Contribution	Employer	Members	
- Current Assumptions	\$ 181,436,000	\$ 115,411,000	
- Recommended Assumptions	195,301,000	129,276,000	
- Increase	\$ 13,865,000	\$ 13,865,000	

State of South Carolina
South Carolina Retirement System & Police Officers Retirement System
Impact of Increase in Employer Contribution Rate

	Total Annual Compensation ¹ - FY 2015			FY 15-16 Current Rate	Estimated Impact Proposed Increase
	Active	ORP ³ , TERI & RTW	All Members	Effective 7/1/2015	50 bps
SCRS				11.06%	11.56%
Teachers:					
General Fund	\$ 1,319,590,800	\$ 352,090,800	\$ 1,671,681,600	\$ 184,887,985	\$ 8,358,408
Federal/other	1,527,426,351	407,545,101	1,934,971,452	214,007,843	9,674,857
EIA	451,959,849	120,591,099	572,550,948	63,324,135	2,862,755
Total Teachers	<u>3,298,977,000</u>	<u>880,227,000</u>	<u>4,179,204,000</u>	<u>462,219,963</u>	<u>20,896,020</u>
State Agencies:					
General Fund	722,592,640	379,086,080	1,101,678,720	121,845,666	5,508,394
Federal/Other	1,535,509,360	805,557,920	2,341,067,280	258,922,041	11,705,337
Total State Agencies	<u>2,258,102,000</u>	<u>1,184,644,000</u>	<u>3,442,746,000</u>	<u>380,767,707</u>	<u>17,213,731</u>
Other-Local Govt Entities	2,108,048,000	161,212,000	2,269,260,000	250,980,156	11,346,300
Total SCRS	\$ 7,665,127,000	\$ 2,226,083,000	\$ 9,891,210,000	\$ 1,093,967,826	\$ 49,456,051
Totals by Funding Source: ⁴					
General Fund	\$ 2,042,183,440	\$ 731,176,880	\$ 2,773,360,320	\$ 306,733,651	\$ 13,866,802
EIA	451,959,849	120,591,099	572,550,948	63,324,135	2,862,755
Federal & Other	3,062,935,711	1,213,103,021	4,276,038,732	472,929,884	21,380,194
Other-Local Govt Entities	2,108,048,000	161,212,000	2,269,260,000	250,980,156	11,346,300
Total SCRS	\$ 7,665,127,000	\$ 2,226,083,000	\$ 9,891,210,000	\$ 1,093,967,826	\$ 49,456,051
PORS				13.74%	14.24%
State:					
General Fund	\$ 307,653,340	\$ 22,153,940	\$ 329,807,280	\$ 45,315,520	\$ 1,649,037
Federal/Other	67,533,660	4,863,060	72,396,720	9,947,309	361,984
Other:					
Other Entities	737,476,000	96,015,000	833,491,000	114,521,663	4,167,455
Total PORS	\$ 1,112,663,000	\$ 123,032,000	\$ 1,235,695,000	\$ 169,784,492	\$ 6,178,476

¹ Compensation per 2015 Actuarial Valuation Reports and 2015 CAFR

² For simplicity purposes, calculations include death benefit contributions for all employers regardless of coverage.

³ For ORP participants, 5% of the employer contribution rate is remitted to participant's account, not to SCRS.

⁴ Estimates By Funding Source are based on FY 15-16 budgeted personal service expenditures.

Included in current version of the House Ways and Means budget

Prepared By: Revenue and Fiscal Affairs Office January 2016

SCRS projected rates with 7.25% assumed rate of return

Assuming 7.25% return for fiscal year 2016



July 1	Employer contribution rate	Employee contribution rate	Total employer contributions (in millions)	UAAL (in millions)	Funded ratio	Funding period
2015	11.06%	8.16%	\$1,047	\$16,753	62%	30
2016	11.06%	8.16%	\$1,061	\$19,112	59%	30
2017	11.09%	8.19%	\$1,089	\$20,086	58%	30
2018	12.43%	9.53%	\$1,259	\$21,083	57%	30
2019	12.56%	9.66%	\$1,304	\$21,821	57%	29
2020	12.63%	9.73%	\$1,350	\$22,528	56%	29
2021	12.68%	9.78%	\$1,394	\$22,713	57%	28
2022	12.68%	9.78%	\$1,433	\$22,853	58%	27

Note: The fiscal impact of assumption changes, if approved, would first be incorporated into the July 1, 2016, actuarial valuation, which sets the contribution rates for the fiscal year beginning July 1, 2018.

PORS projected rates with 7.25% assumed rate of return

Assuming 7.25% return for fiscal year 2016



July 1	Employer contribution rate	Employee contribution rate	Total employer contributions (in millions)	UAAL (in millions)	Funded ratio	Funding period
2015	13.74%	8.74%	\$169	\$1,895	69%	27
2016	13.74%	8.74%	\$171	\$2,199	67%	30
2017	13.74%	8.74%	\$176	\$2,326	66%	30
2018	14.86%	9.86%	\$195	\$2,455	66%	30
2019	14.95%	9.95%	\$201	\$2,554	66%	30
2020	14.95%	9.95%	\$207	\$2,649	66%	30
2021	14.95%	9.95%	\$212	\$2,676	67%	28
2022	14.95%	9.95%	\$218	\$2,701	68%	27

Note: The fiscal impact of assumption changes, if approved, would first be incorporated into the July 1, 2016, actuarial valuation, which sets the contribution rates for the fiscal year beginning July 1, 2018.

Disclaimer



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