



# SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE

## STATEMENT OF ESTIMATED FISCAL IMPACT

(803)734-3780 • RFA.SC.GOV/IMPACTS

*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.*

---

<b>Bill Number:</b>	H. 3425	Introduced on January 10, 2023
<b>Author:</b>	Pope	
<b>Subject:</b>	PORS Earnings Limitations	
<b>Requestor:</b>	House Ways and Means	
<b>RFA Analyst(s):</b>	Miller	
<b>Impact Date:</b>	April 19, 2023	

---

### Fiscal Impact Summary

This bill removes the earnings limitation for a retiree of the Police Officers Retirement System (PORS) if the employee is separated from covered employment for at least twelve months before returning to covered employment, or if the retiree returns to employment in a critical needs law enforcement position. The bill additionally removes the earnings limitation for a retiree of the South Carolina Retirement System (SCRS) if the employee is separated from covered employment for at least twelve months before returning to covered employment.

This bill will increase the unfunded actuarial accrued liability of PORS by \$73,000,000. Should the General Assembly choose to fund this increase, this bill will result in a one-time increase of \$88,000,000 in expenditures in FY 2023-24. However, this bill will have no expenditure impact on SCRS due to the twelve-month separation provision.

This bill will have no expenditure impact on the Law Enforcement Training Council for reviewing and approving critical needs position documentation, preparing annual reports, and developing guidelines and curriculums.

### Explanation of Fiscal Impact

#### Introduced on January 10, 2023

##### State Expenditure

This bill removes the earnings limitation for a retiree of PORS if the employee is separated from covered employment for at least twelve months before returning to covered employment, or if the retiree returns to employment in a critical needs law enforcement position. The Law Enforcement Training Council (council) is required to determine if a position is a critical needs position by reviewing and approving documentation provided by a covered employer. By January 1, 2024, and each year thereafter, the council is required to submit a report to the chairman of the Senate Finance Committee and the chairman of the House Ways and Means Committee of the positions requested for inclusion in the earnings limitation exception for the following fiscal year. The General Assembly must approve positions in the report submitted by the council. Furthermore, the council is required to develop guidelines and curriculum for these officers to be recertified and may not require recertification through basic training for those that have been inactive for a year or more.

Additionally, the bill removes the earnings limitation for a retiree of SCRS if the employee is separated from covered employment for at least twelve months before returning to covered employment.

Currently, a member of PORS who retires prior to age fifty-seven, returns to employment that is covered by PORS, and earns more than \$10,000 in a calendar year is subject to an earnings limitation which discontinues the member's retirement benefits in that year. Members of SCRS are similarly subject to the earnings limitation when retiring prior to age sixty-two. PEBA indicates that a change to the earning limitation may increase the number of reemployed retirees and lead to more workers electing to retire at an earlier age. This will result in a higher actuarial accrued liability and increase normal cost or cost of service earned towards an active member's benefit in a given year, since a member's retirement benefit is funded over a shorter career. For the retirement systems to attain a 100 percent funded ratio at the same projected date, the amortization cost will need to increase.

PEBA reports that the provisions allowing SCRS and PORS members to return to covered employment after a twelve-month separation and be exempt from the earnings limitation will have no fiscal impact on SCRS or PORS. PEBA views the twelve-month period as sufficiently long enough such that there will be no measurable change in retirement behavior.

PEBA reports that the critical needs provision for PORS retirees will have an expenditure impact on PORS. There are approximately 2,095 PORS members that are younger than age 57 and eligible to retire. Assuming that some members will retire earlier than they otherwise would to take advantage of the critical needs provision, PEBA estimates that the unfunded actuarial accrued liability will increase by \$73,000,000. PEBA indicates the necessary one-time appropriation to maintain the current funding period is \$88,000,000. If the General Assembly chooses to fund this increase, this bill will result in a one-time increase of \$88,000,000 in General Fund, Other Funds, and Federal Funds expenditures in FY 2023-34.

RFA anticipates this bill will have no expenditure impact on the Law Enforcement Training Council for reviewing and approving critical needs position documentation, preparing annual reports, and developing guidelines and curriculums.

#### **State Revenue**

N/A

#### **Local Expenditure**

N/A

#### **Local Revenue**

N/A



Frank A. Rainwater, Executive Director