



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number: S. 0250 Introduced on January 10, 2023
Author: M. Johnson
Subject: Workers' Com Commission
Requestor: Senate Judiciary
RFA Analyst(s): Miller
Impact Date: April 27, 2023 - Updated for Additional Agency Response

Fiscal Impact Summary

This bill adds requirements for appointments to the Workers Compensation Commission (WCC) and adds the commissioners to the definition of a judge. These new requirements include that a person must be a citizen of the United States and of South Carolina and must have been a resident of the state for at least five years prior to his appointment, must be at least thirty-two years old, and must have been a licensed attorney for at least eight years upon his appointment. Commissioners appointed on or after July 1, 2023, are entitled to judicial retirement in the State's Judicial and Solicitors Retirement System (JSRS), and a current commissioner may elect to become a member of JSRS. This bill takes effect upon signing of the governor and applies to commissioners who are appointed or reappointed on or after July 1, 2023.

The Public Employee Benefit Authority (PEBA) provided an actuarial analysis on the impact on the retirement systems and the modification of the employee/employer contributions for WCC due to this bill. This bill will increase expenditures for WCC by \$537,431 due to the increased employer contributions for the 7 commissioners who will become part of JSRS. Additionally, the unfunded liability of JSRS will increase by \$6.553 million due to all 7 commissioners moving from the South Carolina Retirement System (SCRS) to JSRS. The actuarial report recommends a one-time appropriation of \$6.553 million to offset this increase in the unfunded liability, particularly given the relatively low funded ratio currently that would decrease from 46.2 percent to 45.7 percent. However, PEBA anticipates that 7 members leaving SCRS will have a negligible impact on the unfunded liability for SCRS. There are currently 141 active members in the JSRS, whereas there are over 200,000 active members in SCRS.

This fiscal impact statement has been updated to include additional information provided by PEBA.

Explanation of Fiscal Impact

Updated for Additional Agency Response on April 27, 2023

Introduced on January 10, 2023

State Expenditure

This bill adds requirements for appointments to WCC. These new requirements include that a person must be a citizen of the United States and of South Carolina and must have been a

resident of the state for at least five years prior to his appointment, must be at least thirty-two years old, and must have been a licensed attorney for at least eight years upon his appointment. Additionally, a current commissioner may elect to become a member of JSRS. Also, any other person who joins the commission before reaching the age of seventy-two after this bill takes effect will become a member of JSRS but will cease to be a member if he ceases to be a commissioner for reasons other than retirement or death. This bill takes effect upon signing of the governor and applies to commissioners who are appointed or reappointed on or after July 1, 2023.

Workers Compensation Commission. This bill includes the workers compensation commissioners in the definition of judges in the state and adds additional requirements to qualify as a commissioner. As this bill applies to commissioners appointed or reappointed on July 1, 2023, WCC anticipates the modified requirements will not have an impact on the commission.

Additionally, this bill allows current commissioners to transfer from SCRS to JSRS beginning July 1, 2023, and any commissioner appointed on or after July 1, 2023, will be eligible for enrollment in JSRS. Currently, commissioners are members of SCRS. Employee and employer contributions into state retirement funds are based on salary. Commissioners' current salaries are set at 85 percent of the salary paid to the circuit court judges of the state. The following table displays the employee and employer contributions for SCRS and JSRS based on the contribution rates provided by PEBA.

	SCRS Contribution		JSRS Contribution		Employee Increase	Employer Increase	
	Employee	Employer	Employee	Employer			
Contribution Rates	9.00%	18.56%	10.00%	62.94%	1.00%	44.38%	
Salaries							
Director	\$177,435	\$15,969	\$32,932	\$17,744	\$111,678	\$1,774	\$78,746
Member	\$172,257	\$15,503	\$31,971	\$17,226	\$108,418	\$1,723	\$76,448
Total*	\$1,210,976	\$108,988	\$224,757	\$121,098	\$762,188	\$12,110	\$537,431

*Total includes one director and six members.

If all commissioners are enrolled in JSRS, the total annual increase of expenditures for WCC will be \$537,431 for the increased employer contributions to the retirement system. However, according to WCC, some of the current commissioners may opt not to transition from SCRS to JSRS, depending upon the personal cost and benefits of joining JSRS and how close a commissioner may be to retirement. Additionally, WCC contributes approximately \$2.9 million in non-payroll based contributions to SCRS. WCC will continue to contribute this amount to JSRS.

Public Employee Benefit Authority. This bill allows commissioners to become members in JSRS. There are currently 141 active members in JSRS. This bill will increase the total number of active members to 148, once all 7 commissioners are enrolled in JSRS. PEBA provided an actuarial analysis to determine the potential fiscal impact to JSRS.

Based on the actuarial analysis provided by PEBA, this bill will increase the unfunded liability of JSRS by \$6.553 million. The actuarial report recommends a one-time appropriation of \$6.553 million to offset this increase in the unfunded liability, particularly given the relatively low funded ratio currently that would decrease from 46.2 percent to 45.7 percent. PEBA also anticipates this bill will result in a negligible decrease to the unfunded liability of SCRS as the removal of 7 members from over 200,000 will have a minimal impact to the overall obligations of SCRS.

Additionally, this bill will increase the employee and employer contribution in JSRS and decrease the employee and employer contributions to SCRS. The table above displays the total amount of employee and employer contributions for both SCRS and JSRS. Additionally, WCC contributes approximately \$2.9 million in non-payroll based contributions to SCRS. WCC will continue to contribute this amount to JSRS.

This section of the fiscal impact statement has been updated to include additional information provided by PEBA.

State Revenue

N/A

Local Expenditure

N/A

Local Revenue

N/A

Introduced on January 10, 2023

State Expenditure

This bill adds requirements for appointments to the WCC. These new requirements include that a person must be a citizen of the United States and of South Carolina and must have been a resident of the state for at least five years prior to his appointment, must be at least thirty-two years old, and must have been a licensed attorney for at least eight years upon his appointment. Additionally, a current commissioner may elect to become a member of JSRS. Also, any other person who joins the commission before reaching the age of seventy-two after this bill takes effect will become a member of JSRS but will cease to be a member if he ceases to be a commissioner for reasons other than retirement or death. This bill takes effect upon signing of the governor and applies to commissioners who are appointed or reappointed on or after July 1, 2023. Commissioners are currently members of the South Carolina Retirement System (SCRS). This bill allows commissioners to transfer from SCRS to JSRS beginning July 1, 2023.

There are 7 members appointed to the WCC. This bill will have an impact on WCC due to the increased employer contributions for the commissioners who become part of JSRS and impact JSRS due to the increase in membership. PEBA is working to provide an actuarial analysis on the impact on the retirement systems and the modification of the employee/employer

contributions for WCC due to this bill. The fiscal impact of this bill is pending, contingent upon an additional response from PEBA.

State Revenue

N/A

Local Expenditure

N/A

Local Revenue

N/A



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