



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:	H. 3437	Introduced on January 14, 2025
Subject:	Earnings Limitation	
Requestor:	House Ways and Means	
RFA Analyst(s):	Tipton	
Impact Date:	January 12, 2026	

Fiscal Impact Summary

The 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 also 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 have no impact on the Public Employee Benefit Authority (PEBA), as the agency indicates that implementing the provisions will be managed with existing staff and resources. This bill will have no expenditure impact on the Law Enforcement Training Council (LETC), as the council reports that reviewing and approving critical needs position documentation, preparing annual reports, and developing guidelines and curriculums will be managed with current resources.

According to an actuarial study provided by PEBA, the removal of the earnings limitation for PORS retirees immediately returning to work in a critical needs position under the bill will increase the unfunded actuarial accrued liability of PORS by \$73,000,000. If the General Assembly chooses to fund this increase, a one-time expenditure of \$88,000,000 would be required in FY 2026-27. PEBA further indicates that the bill's removal of the earnings limitation for PORS or SCRS members following a twelve-month separation codifies an existing budget proviso and will have no impact on the retirement system.

Explanation of Fiscal Impact

Introduced on January 14, 2025

State Expenditure

This bill removes the earnings limitation for a retiree of PORS or SCRS if the employee is separated from covered employment for at least twelve months before returning to covered employment. Additionally, the earnings limitation for PORS does not apply if the retiree returns to employment in a critical needs law enforcement position. The LETC is required to determine if a position is a critical needs position by reviewing and approving documentation provided by a covered employer. 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 earnings limitation exception only applies to the positions approved by action of the General Assembly. Furthermore, LETC 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.

This bill will have no expenditure impact on PEBA, as implementing the provisions will be managed with existing staff and resources for the agency. This bill will have no expenditure impact on LETC, as the council reports that reviewing and approving critical needs position documentation, preparing annual reports, and developing guidelines and curriculums will be managed with current resources. PEBA indicates an existing budget proviso currently allows PORS or SCRS retirees to return to covered employment absent the earnings limitation following a twelve-month period during which the retiree is separated from covered employment. This bill codifies the budget proviso.

According to an actuarial report provided by PEBA, allowing the immediate return to covered employment for critical needs law enforcement positions will result in a higher actuarial accrued liability for PORS, since the change is anticipated to increase the number of reemployed retirees and lead to more workers electing to retire at an earlier age. The report further indicates that approximately 4,500 vacant law enforcement positions may qualify as critical needs under the bill. 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 there are approximately 1,700 PORS members who are younger than 57 and eligible to retire. Assuming that some members will retire earlier than they otherwise would to take advantage of the critical needs provision, the actuarial study provided by PEBA estimates that the unfunded actuarial accrued liability will increase by \$73,000,000. If the General Assembly chooses to fund this increase, a one-time expenditure of \$88,000,000 would be required in FY 2026-27.

State Revenue

N/A

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director