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. 0107 Introduced on January 14, 2025
Subject:	Retirement Earning Limitations
Requestor:	Senate Finance
RFA Analyst(s):	Tipton
Impact Date:	March 19, 2026

Fiscal Impact Summary

This bill increases the earnings limitation for certain retirees of the South Carolina Retirement System (SCRS) and Police Officers Retirement System (PORS) who return to covered employment after thirty days to the annual retirement earnings test exempt lower amount as set by the Social Security Administration (SSA). Currently, SCRS and PORS retirees who return to covered employment may earn up to $10,000 per year before the discontinuation of the member's retirement benefits in that year. For calendar year 2026, the retirement earnings test exempt lower amount as set by the SSA is $24,480.[1]

This bill will have no expenditure 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 is expected to increase the unfunded actuarial accrued liability for SCRS and PORS. PEBA provided information from an actuarial analysis conducted in April 2025 that determined the potential impact to the retirement systems if the SCRS and PORS earnings limitations were increased to $25,000 per year. The actual impact of this bill on the retirement systems beginning in FY 2026-27 could initially be lower than the 2025 analysis indicated, as the earnings limitation would be slightly lower than the $25,000 assumption used in the analysis. However, the actuarial analysis does not account for future increases to the SSA earnings exemption threshold and subsequently the SCRS and PORS earnings limitations in future years. According to the 2025 actuarial analysis, increasing the annual earnings limitation for SCRS and PORS retirees returning to covered employment after 30 days to $25,000 would increase the SCRS unfunded actuarial accrued liability by approximately $224,000,000 and the PORS unfunded actuarial accrued liability by approximately $34,000,000. The analysis further indicated that under a $25,000 annual earnings limitation, a one-time expenditure of $340,000,000 to the SCRS and $43,000,000 to PORS would be required should the General Assembly choose to fund the increase. Please note, the actual one-time expenditure for funding the earnings limitation increase under the bill will depend on the expected change in the annual SSA earnings exemption lower threshold.

[1] Social Security Administration, *Exempt Amounts Under the Earnings Test*, Retrieved March 17, 2026, https://www.ssa.gov/OACT/COLA/rtea.html

Explanation of Fiscal Impact

Introduced on January 14, 2025
State Expenditure
This bill increases the earnings limitation for certain retirees of SCRS and PORS who return to covered employment after thirty days to the annual retirement earnings test exempt lower amount as set by the SSA, the amount of which for 2024 was $22,320. For calendar year 2026, the retirement earnings test exempt lower amount as set by the SSA and the subsequent proposed earnings limitation under the bill is $24,480. The bill further states that after the determination of the retirement earnings test exempt amounts, PEBA must notify individuals subject to the earnings limitation imposed by the bill of the amount for the calendar year and must publish this notification in a conspicuous location on its website.

This bill will have no expenditure impact on PEBA, as implementing the provisions will be managed with existing staff and resources for the agency.

Currently, a member of SCRS who retires prior to age 62, returns to employment that is covered by SCRS, and earns more than $10,000 in a calendar year is subject to the discontinuation of the member's retirement benefits in that year. Members of PORS are similarly subject to the earnings limitation when retiring prior to age 57. Increasing the earnings limitations 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 provided an actuarial study conducted in April 2025 that determined the impact to the retirement systems if the SCRS and PORS earnings limitations were increased to $25,000 per year. The actual impact of the bill on the retirement systems beginning in FY 2026-27 could initially be lower than the 2025 analysis indicated, as the earnings limitation would be slightly lower than the $25,000 assumption used in the analysis. However, the actuarial analysis does not account for future increases to the SSA earnings exemption threshold and subsequently the SCRS and PORS earnings limitations in future years. PEBA also indicated that there was uncertainty with regard to how the bill will implement the federally defined retirement age to affect the application of the limit. The following table provides the estimated impact of increasing the SCRS and PORS annual earnings limitation to $25,000.

Estimated Impact of Increasing the Annual Earnings Limitation to $25,000
($ in millions)

	SCRS	PORS
Current Unfunded Actuarial Accrued Liability	$25,123	$3,377
New Unfunded Actuarial Accrued Liability	$25,347	$3,411
Increase	$224	$34
Current Funded Ratio	59.60%	67.50%
New Funded Ratio	59.40%	67.30%

The analysis also indicated that under a $25,000 annual earnings limitation, a one-time expenditure of $340,000,000 to the SCRS and $43,000,000 to PORS would be required should the General Assembly choose to fund the increase to maintain the current funding period and contribution rate. Please note, the actual one-time expenditure for funding the earnings limitation under the bill will depend on the expected change in SSA earnings exemption lower threshold.

State Revenue
N/A

Local Expenditure
N/A

Local Revenue
N/A

Frank A. Rainwater, Executive Director