


South Carolina Retirement Systems and State Health Plan

October 27, 2016


SC Business Licensing Officials Association/Municipal Finance Officers, Clerks and Treasurers Association Joint Academy



South Carolina Retirement Systems

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Profile of the Systems



- The South Carolina Public Employee Benefit Authority (PEBA) administers five defined benefit pension plans that provide lifetime retirement annuities, disability benefits and death benefits to eligible members and their beneficiaries.
- Each plan's terms specify the amount of pension benefits to be provided at a future date or after a certain period of time. The benefit amount specified is a function of a formula based on years of service, compensation and age.
- PEBA also provides a defined contribution retirement plan (State Optional Retirement Program) which is an alternative to membership in the traditional defined benefit plan for the South Carolina Retirement System.

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Summary of retirement plans



- South Carolina Retirement System (SCRS)
 - Teachers and employees of the state and its political subdivisions
- Police Officers Retirement System (PORS)
 - Police officers and firefighters
- General Assembly Retirement System (GARS)
 - Members of the General Assembly
 - Retirement reform legislation closed the plan to individuals first elected to the South Carolina General Assembly at or after the general election in November 2012
- Judges and Solicitors Retirement System (JSRS)
 - State judges, solicitors and circuit public defenders

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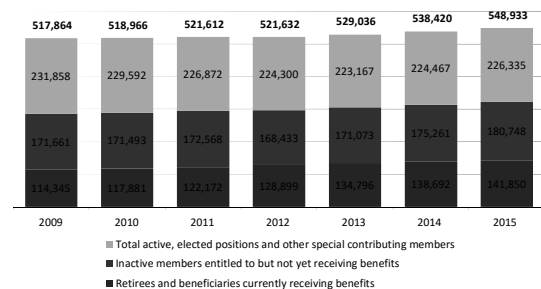
Summary of retirement plans



- South Carolina National Guard Supplemental Retirement Plan (SCNG)
 - Supplemental retirement benefits to members who served in the South Carolina National Guard
 - The Retirement Systems assumed administrative responsibility for this fund in 2006
- State Optional Retirement Program (State ORP)
 - First established as the Optional Retirement Program for Higher Education in 1987
 - An alternative to the SCRS defined benefit plan and is now available to certain state, public school and higher education employees of the state

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Total membership by fiscal year for all five defined benefit plans



Information from the annual actuarial valuations for each plan for the fiscal years ended June 30

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Membership and retiree information as of June 30, 2015



	SCRS	PORS
Total membership		
Active	187,386	26,582
Inactive	160,259	12,705
Retirees and beneficiaries ¹	134,634	16,810

¹Represents members who retired, including those who participate in the Teacher and Employee Retention Incentive (TERI) program or who returned to employment as a working retiree, and surviving beneficiaries of former members.

Information from the Popular Annual Financial Report for the fiscal year ended June 30, 2015

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Membership and retiree information as of June 30, 2015



	SCRS	PORS
Active members		
Average age	45	39
Average years of service	10	9
Average annual salary	\$37,724	\$37,776
Retirees and beneficiaries		
Average current age	69	65
Average age at retirement ¹	59	55
Average years of service at retirement	23	19
Average AFC ² at retirement	\$42,677	\$44,201
Average current annual benefit ³	\$19,774	\$19,638

¹Represents retired members who are currently receiving annuity benefits, including members who may have received benefits under a deferred retirement option (i.e. TERI). Disability retirees and surviving beneficiary payees are excluded.

²Average Final Compensation (AFC) is a component used in the formula for calculating annuity benefits.

³Includes benefit adjustments applied since retirement.

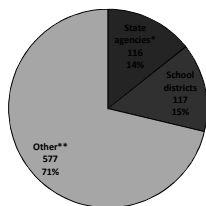
Information from the Popular Annual Financial Report for the fiscal year ended June 30, 2015

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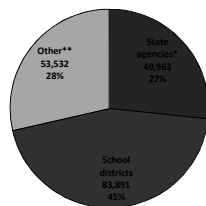
SCRS employers, active members as of June 30, 2015



Participating SCRS employers



Active SCRS members



*Includes higher education institutions.
 **This category is comprised of cities, counties and other local subdivisions of government.

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2012 retirement reform summary: Act 278



- Legislature met from March 2011 through June 2012
- Created PEBA
- No decrease in contribution rates may be made until the System is at least 90 percent funded
- Increased employer and employee contribution rate and require future increases to maintain a 2.90 percent differential for SCRS (5.00 differential for PORS)
- Budget and Control Board decreased assumed rate of return from 8 percent to 7.50 percent prior to reform in 2012; reform put 7.50 percent assumed rate of return in statute

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2012 retirement reform summary: Act 278



- Created Class Three tier of membership in SCRS*
 - Newly hired employees with membership dates on or after July 1, 2012
 - Employees must be age 65 or satisfy the Rule of 90 requirement (age and years of service credit must add up to 90) to retire with full benefits
 - For example, an employee who is 55 years old can retire if he has 35 years of service
- Increased earned service required for an annuity from five years to eight years
- Increased average final compensation calculations from 12 quarters to 20 quarters of highest earnable compensation
- Removed unused leave at retirement from benefit calculations

*Act 278 also created a Class Three tier for PORS.

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2012 retirement reform summary: Act 278



- Changes affecting all SCRS members
 - Closed TERI program effective June 30, 2018
 - Changed cost of service purchases to be actuarially neutral
 - Removed pay from overtime from earnable compensation if not mandated by employer
- Changes affecting SCRS retirees
 - Provided for an annual benefit adjustment equal to 1 percent up to a maximum of \$500
 - Replaced a prior inflation-based cost-of-living adjustment (COLA)

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2012 retirement reform summary: Act 278



- Changed provisions for SCRS disability retirement
- Closed GARS to newly elected officials after the general election of 2012
 - New members may join SCRS or State ORP
- Added \$10,000 earnings limit for certain SCRS and PORS return-to-work employees who retired on or after January 2, 2013 (some exemptions apply)
- Eliminated interest on inactive accounts

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Benefit provision changes



- **Fiscal year 2000:** 28-year retirement and the Teacher and Employee Retention Incentive (TERI) program were enacted
- **Fiscal year 2005:** Automatic inflation-based COLA up to 1 percent granted and S.618 enacted
 - Increased employee, employer and return-to-work contribution rates
 - Removed retiree earnings limit
 - Eliminated annual leave payout during TERI participation
 - Changed interest credited on member accounts from 6 percent to 4 percent
- **Fiscal year 2008:** Automatic inflation-based COLA increased up to 2 percent

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Benefit provision changes



- **Ad hoc COLAs granted:**
 - Fiscal year 1999: 2.7 percent
 - Fiscal year 2000: not applicable (change in actuarial recognition of COLAs)
 - Fiscal year 2001: 3.4 percent
 - Fiscal year 2002: 1.3 percent
 - Fiscal year 2003: 2.4 percent
 - Fiscal year 2004: 1.6 percent
 - Fiscal year 2005: 2.4 percent plus 1 percent automatic
 - Fiscal year 2006: 2.5 percent plus 1 percent automatic
 - Fiscal year 2007: 1.4 percent plus 1 percent automatic

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Three sources of income



- There are three sources of income for the Retirement Systems trust funds from which benefits are paid: 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

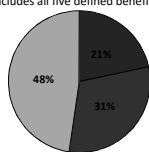
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Three sources of income



Additions to PEBA's Pension Trust Funds 2005-2014

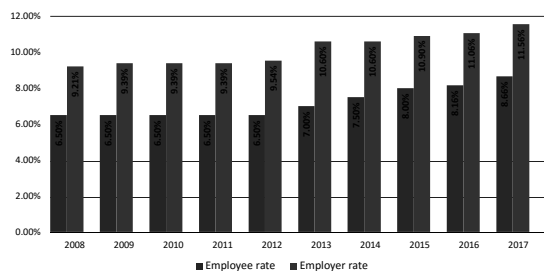
Includes all five defined benefit plans



■ Employee contributions ■ Employer contributions ■ Investment income

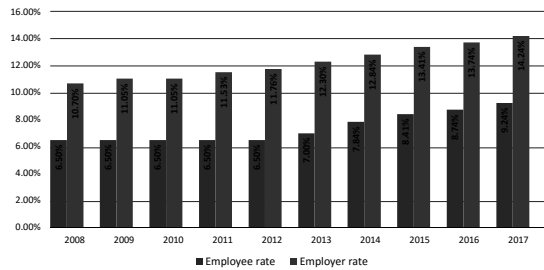
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SCRS contribution rates by fiscal year



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PORS contribution rates by fiscal year



Median contribution rates



- Median rates provided by National Association of State Retirement Administrators (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

Contribution rate increases



- Investment return for fiscal year 2015 was 1.6 percent, or \$1.5 billion short of the expected investment return of 7.5 percent
- PEBA Board of Directors approved a 0.5 percent increase in both employee and employer contribution rates for SCRS and PORS effective July 1, 2016
- PEBA Board's recommendation was approved by the State Fiscal Accountability Authority at its June meeting

Contribution rate increases



- Contribution increases will take place in the future as a result of the experience study and investment performance if returns cannot meet the assumed rate of return in the future
 - The Systems must be funded within the required 30-year amortization period
- Pending and finalized rates will be published and communicated to employers as early as possible

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Actuary's responsibilities



- PEBA is required by statute (Sections 9-1-230 and 9-1-240) to hire an actuary; the current actuary is Gabriel Roeder Smith & Company (GRS).
- The actuary's responsibilities include:
 - Conducting annual actuarial valuations (Sections 9-1-260);
 - Completing an experience study every five years (Section 9-1-250); and
 - Developing fiscal impact statements.
- As a result of the fiduciary audit completed in January 2015, PEBA will hire a separate actuary to do an actuarial audit in 2017.

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Experience study



- Economic assumptions, demographic assumptions and actuarial methods and policies for use in future valuations of the Systems are studied
- Assumptions should occasionally change to reflect new information and changing patterns
- Actuary recommends revised assumptions to the PEBA Board for adoption
- Subject to approval by the State Fiscal Accountability Authority (SFAA)

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Experience study

- Completed in February 2016
- Resulted in recommendations for revised assumptions, to be used for future annual valuations
 - 0.50% contribution rate increase effective July 1, 2016
- SFAA approved assumptions and methods adopted by PEBA on June 22, 2016
- Investment return assumption remains 7.50%
 - Established by S.C. Code of Laws
 - Actuary recommendation to decrease to 7.25%

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State Health Plan


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State Health Plan

- PEBA manages the State Health Plan (SHP)
 - Self-funded insurance plan
 - Members' premiums are held in a trust fund and these funds are used to pay claims
 - BlueCross BlueShield of South Carolina processes claims
- Health management is key to maintaining a low cost for the plan and premiums
 - Promotion of benefits to employees
 - Members being engaged in their health

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State Health Plan



- PEBA Perks offered at no cost to SHP primary members at network providers and pharmacies
 - Adult vaccinations
 - Flu vaccine
 - Colonoscopy
 - No-Pay Copay
 - Preventive screening
- Health management programs and coaching
- Value-based benefits offered at no cost to SHP primary members at network providers

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2016 composite monthly premiums¹



Compared to other state employee health plans


	Employer	Employee	Total
State Health Plan	\$510.60	\$159.51	\$670.11
South ²	\$661.21	\$174.80	\$836.00
United States	\$821.46	\$171.31	\$992.76

¹ Composite Monthly Premiums: Weighted average of all PEBA health subscribers enrolled in each coverage level

² Includes Alabama, Arkansas, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia and West Virginia

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2015 average monthly total premiums



Totals include employer and employee contributions

	Single	Family
State Health Plan	\$442	\$1,161
Lg. Public & Private Sector Employers ¹	\$549	\$1,554
Public & Private Sector Employers in South ²	\$521	\$1,453
Public Employers	\$582	\$1,455
Private – Manufacturing	\$516	\$1,474
Private – Financial Services	\$582	\$1,664

¹ Lg. Public and Private Sector Employers: ≥ 200 employees in public and private sectors

² Public & Private Sector Employers in South: Includes Alabama, Arkansas, Delaware, District of Columbia, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, and West Virginia

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2015 average annual deductible



	Amount
State Health Plan	\$445
Lg. Public & Private Sector Employers ¹	\$775
Public & Private Sector Employers in South ²	\$1,026

¹ Lg. Public and Private Sector Employers: ≥ 200 employees in public and private sectors

² Public & Private Sector Employers in South: Includes Alabama, Arkansas, Delaware, District of Columbia, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia and West Virginia

Data from the Kaiser Family Foundation Employer Health Benefits 2015 Annual Survey

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2014 average annual gross plan cost per active employee¹



	Amount ²
State Health Plan	\$9,129
Public Employers	\$11,796
Private – Mfg.	\$11,043
Private – Financial Svcs.	\$11,525
All Employers	\$10,664
Employers – 500+	\$11,121
Employers – 20k+	\$11,697
South ³	\$10,239

¹ Average cost in PPO (Preferred Provider Organization) and POS (Point of Service) plans

² Average Annual Gross Plan Cost per Employee (Medical and Pharmacy Only for Active Employees and Their Dependents) = (Claims cost for employee and dependents + administrative costs + employee contributions)/number of active employees

³ Includes Alabama, Arkansas, Delaware, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, and West Virginia

Data from the 2014 Mercer National Survey of Employer-Sponsored Health Plans

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Monthly employer contributions effective January 1, 2017



- 0.8 percent increase for employers

	2016	2017
Employee only	\$360.10	\$362.98
Employee/spouse	\$713.26	\$718.98
Employee/child	\$552.68	\$557.10
Full family	\$893.04	\$900.18

- Employer contribution for basic State Dental Plan will increase from \$11.72 to \$13.48 per month

Data from the 2016 Mercer National Survey of Employer-Sponsored Health Plans

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Monthly member contributions effective January 1, 2017



- No increase from 2016 for members

	Savings Plan	Standard Plan/ Medicare Supplement
Employee only	\$9.70	\$97.68
Employee/spouse	\$77.40	\$253.36
Employee/child	\$20.48	\$143.86
Full family	\$113.00	\$306.56

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State Health Plan



SHP benefit design effective January 1, 2017:

- No changes to deductibles, copayments or coinsurance amounts
- Blue CareOnDemandSM video visits
- Adoption of Express Scripts National Preferred Formulary

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Contact information



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