Bill Number:	H. 3134 Introduced on January 12, 2021
Author:	Pope
Subject:	SCRS and PORS
Requestor:	House Ways and Means
RFA Analyst(s):	Miller
Impact Date:	February 19, 2021

Fiscal Impact Summary

The Public Employee Benefit Authority (PEBA) indicates that this bill requires the agency to perform activities that will be conducted in the normal course of agency business. Therefore, the bill will have no expenditure impact on the General Fund, Other Funds, or Federal Funds of PEBA.

An analysis performed by the retirement systems actuary in 2019 suggests that this bill will not have any fiscal impact to the South Carolina Retirement System (SCRS) or the Police Officers Retirement System (PORS). Based on observed retirement behavior, the actuary concludes that the 12 consecutive month period required before a retiree is reemployed is long enough to not create an incentive for members to change current retirement behavior patterns and retire at an earlier age. Additionally, the actuary notes that requiring participating employers to remit employer contributions when an active, inactive, former, or retired member of the retirement system is employed will maintain the expected revenue to SCRS and PORS to finance the existing unfunded actuarial accrued liability.

Revenue and Fiscal Affairs anticipates that General Fund, Other Funds, and Federal Funds expenditures for employer contributions to SCRS and PORS will increase beginning in FY 2021-22. The amount of the increase is undetermined, as we have no data to estimate how many participating employers have utilized these employment practices to circumvent the income limitations and employer contribution requirements of SCRS and PORS.

Similarly, Revenue and Fiscal Affairs anticipates that expenditures on employer contributions to SCRS and PORS by local participating employers will increase by an undetermined amount beginning in FY 2021-22.

Explanation of Fiscal Impact

Introduced on January 12, 2021
State Expenditure
This bill requires employers participating in SCRS or PORS to remit employer contributions when an active, inactive, former, or retired member of the retirement system is employed. These contributions are required regardless of whether the member is classified as an employee,

independent contractor, leased employee, joint employee, or other classification. A retired employee is not considered an active member of a retirement system and does not accrue additional service credit. PEBA is authorized to audit participating employers to verify compliance. These employer contribution requirements do not change the existing exemptions for members with the following qualifications:

- Retired before January 2, 2013
- Attained age 62 in SCRS or age 62 in PORS at retirement
- Compensated for service in a public office when appointed by the Governor, appointed or elected by the General Assembly, or elected by the voters
- The member has not been engaged to perform services for a participating employer in a system or any other system provided for in Title 9 in any capacity for a period of at least 12 consecutive months subsequent to retirement. The member must certify to the system that he satisfies the requirement for this exemption before this exemption applies.

PEBA indicates that this bill requires the agency to perform activities that will be conducted in the normal course of agency business. Therefore, the bill will have no expenditure impact on the General Fund, Other Funds, or Federal Funds of PEBA.

In addition, an analysis performed by the retirement systems actuary in 2019 suggests that this bill will not have any fiscal impact to SCRS or PORS. The actuary anticipated that the 12 consecutive month period required before a retiree is reemployed is long enough to not create an incentive for members to change current retirement behavior patterns and retire at an earlier age. Additionally, the actuary noted that requiring participating employers to remit employer contributions when an active, inactive, former, or retired member of the retirement system is employed will maintain the expected revenue to SCRS and PORS to finance the existing unfunded actuarial accrued liability. The actuary reported that these assumptions are based on observed retirement behavior in South Carolina before and after the retirement reforms enacted in 2012 and retirement behaviors observed in other states.

Revenue and Fiscal Affairs anticipates that the enhanced audit and compliance verification requirement of the bill will increase PEBA's ability to require participating employers to remit employer contributions on retired members income regardless of whether the member is classified as an employee, independent contractor, leased employee, joint employee, or other classification. The new audit and compliance verification provisions of the bill may require State agencies to remit employer contributions for retired members presently hired through staffing agencies or third-party employers. We anticipate that the ability of these strategies to circumvent the income limitations and employer contribution requirements of SCRS and PORS will be reduced. Therefore, we anticipate that General Fund, Other Funds, and Federal Funds expenditures for employer contributions to SCRS and PORS will increase beginning in FY 2021-22. The amount of the increase is undetermined, as we have no data to estimate how many participating employers have utilized these employment practices to circumvent the income limitations and employer contribution requirements of SCRS and PORS.

State Revenue
N/A

Local Expenditure
Revenue and Fiscal Affairs anticipates that the enhanced audit and compliance verification requirement of the bill will increase PEBA's ability to require participating employers to remit employer contributions on retired members income regardless of whether the member is classified as an employee, independent contractor, leased employee, joint employee, or other classification. The new audit and compliance verification provisions of the bill may require State agencies to remit employer contributions for retired members presently hired through staffing agencies or third-party employers. We anticipate that the ability of these strategies to circumvent the income limitations and employer contribution requirements of SCRS and PORS will be reduced. Therefore, we anticipate that expenditures on employer contributions to SCRS and PORS by local participating employers will increase beginning in FY 2021-22. The amount of the increase is undetermined, as we have no data to estimate how many local participating employers have utilized these employment practices to circumvent the income limitations and employer contribution requirements of SCRS and PORS.

Local Revenue
N/A

Frank A Rainwater

Frank A. Rainwater, Executive Director