


Introduction: defined benefit plans

Retirement Benefits Training
Fiscal year 2024




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Who can participate?

- South Carolina Retirement System (SCRS).
 - Available to employees of:
 - State agencies;
 - Public school districts;
 - Public higher education institutions;
 - Participating charter schools; and
 - Participating optional employers, such as local subdivisions of government.
- Police Officers Retirement System (PORS).
 - Available to employees of participating employers who serve as:
 - Police officers and peace officers;
 - Firefighters;
 - Coroners and deputy coroners; and
 - Magistrates.
 - Must meet eligibility requirements.
- Probate judges may choose SCRS or PORS.

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SCRS, PORS membership classes

- Class Two: earned service began prior to July 1, 2012.
- Class Three: earned service began on or after July 1, 2012.
- Membership class affects:
 - Service retirement eligibility;
 - Average final compensation calculation; and
 - Credit for unused leave at retirement.

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Defined benefit plan features

- Lifetime monthly benefit.
- Disability protection and incidental death benefit.
- Benefit adjustments (under current law):
 - Each July 1, eligible retirees receive 1% benefit adjustment, up to a \$500 annual maximum.
- Survivor benefit options available.



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Defined benefit plan limitations

- Refunds do not include employer contributions.
- No member control of investment decisions.
- Benefit reduced for early retirement.
- Benefit adjustments not connected to:
 - Inflation; or
 - Investment performance.



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Defined benefit plan funding

- Employers contribute a percentage of total payroll for each employee.
- Employees contribute a pretax percentage of their salary.
- Investment returns:
 - Critical to funding.
 - S.C. Retirement System Investment Commission pools trust funds and invests them (www.rsic.sc.gov).
- No provisions for hardship or to borrow against account while actively employed.



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Fiscal year 2024 employer contribution rates

Effective for all wages paid on and after July 1, 2023.

Retirement plan	Employer contribution	Incidental death benefit contribution ¹	Accidental death contribution ¹	Total employer rate	Insurance surcharge ¹
SCRS	18.41%	0.15%	N/A	18.56%	6.35%
State ORP ²	18.41%	0.15%	N/A	18.56%	6.35%
PORS	20.84%	0.20%	0.20%	21.24%	6.35%

¹Rates are applicable only to employers covered under these programs.

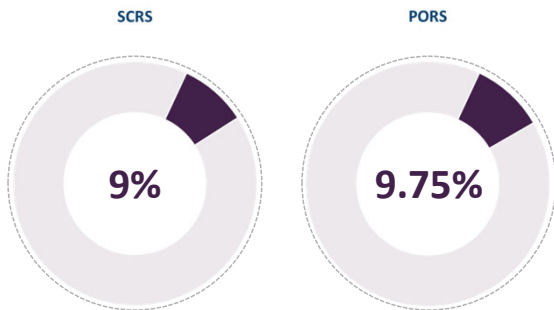
²For State ORP participants, 5% of the employer contribution is remitted directly to the participant's State ORP service provider.

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Employee contributions effective July 1, 2023



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Setting contribution rates

- S.C. General Assembly sets retirement system rules, including contribution rates.
- PEBA required to hire actuary, who:
 - Conducts annual actuarial valuations;
 - Completes experience study every four years; and
 - Develops fiscal impact statements.
- Actuary studies issues, including:
 - Economic assumptions, such as investment return;
 - Demographic assumptions, such as member longevity; and
 - Actuarial methods and policies.

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Funding period and contribution rates

- Funding period indicates amount of time needed to pay unfunded liability.
- Act 13 of 2017:
 - Gradually reduces the maximum funding period from 30 years to 20 years by July 1, 2027;
 - Set a schedule of employer contribution rate increases; and
 - Increased and capped employee contribution rates.



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Past pension reform legislation

- In recent years, the S.C. General Assembly passed two sets of pension legislation:
 - Benefit reform, also known as Act 278, in 2012.
 - Funding reform, also known as the Retirement System Funding and Administration Act of 2017.
- View the [Past Pension Reform Legislation](#) flyer.



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