

PEBASM
SC Retirement Systems
and State Health Plan

Serving those who serve South Carolina

Insurance and retirement benefits update

Government Finance Officers Association of
South Carolina

October 16, 2023



Insurance

State Health Plan enrollment as of October 2023

Participants			Active subscribers		Retirees	
Subscribers		299,404	State agencies	34,227	Medicare	77,310
Actives	201,484		Higher education	26,229	Non-Medicare	17,165
Retirees	94,475		School districts	85,393	Total retirees	94,475
Others	3,445		Charter schools	3,614	Funded	87,649
Spouses		88,384	Local subdivisions	38,168	Non-funded	6,826
Children		139,483	MUSC hospitals	11,055		
Total covered lives		527,271	Other	2,798		
			Total employees	201,484		

Total employer groups: 833

Numbers represent enrollment in the State Health Plan, the MUSC Health Plan and TRICARE Supplement Plan.

2024 State Health Plan and other benefits

- Changes effective January 1, 2024:
 - A 3.7% overall employer only rate increase;
 - No employee rate increase;
 - Addition of an annual well woman visit with no patient cost for eligible female State Health Plan primary members, effective January 1, 2024.
 - Addition of birth control coverage with no patient cost for members covered as child dependents.
- Participating optional employers, those whose health insurance rates are subject to an annual experience rating, should apply any change in the experience rating load factor.
- Small increase in Dental Plus and State Vision Plan premiums.
- Total Administrative Services Corporation (TASC) will be the new State Flexible Benefits Plan (MoneyPlus) administrator.

Historical State Health Plan increases and funding

Plan year	Employee increase	Employer increase	Plan design changes
2013	0.00%	6.37%	
2014	0.00%	6.80%	Increased copayments, deductibles and coinsurance maximum
2015	0.00%	3.90%	Increased copayments, deductibles and coinsurance maximum
2016	0.00%	4.50%	
2017	0.00%	0.80%	
2018	0.00%	3.30%	
2019	0.00%	7.40%	Added adult well visit coverage; increased copayments, deductibles and coinsurance maximum
2020	0.00%	0.00%	
2021	0.00%	0.00%	
2022	0.00%	0.80%	
2023	0.00%	18.10%	Expanded adult well visit coverage; increased copayments, deductibles and coinsurance maximum
2024	0.00%	3.7%	Added well woman visit coverage; added birth control coverage for dependent children

2023 Composite monthly premiums¹

	Employer	Employee	Total
State Health Plan	\$683.16	\$159.77	\$842.96
South²	\$830.10	\$199.95	\$1,030.06
United States	\$1,003.01	\$181.16	\$1,184.16

Survey uses most prevalent plan among state employee options for analysis.

¹Composite monthly premiums: Weighted average of all PEBA health subscribers enrolled in each coverage level

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

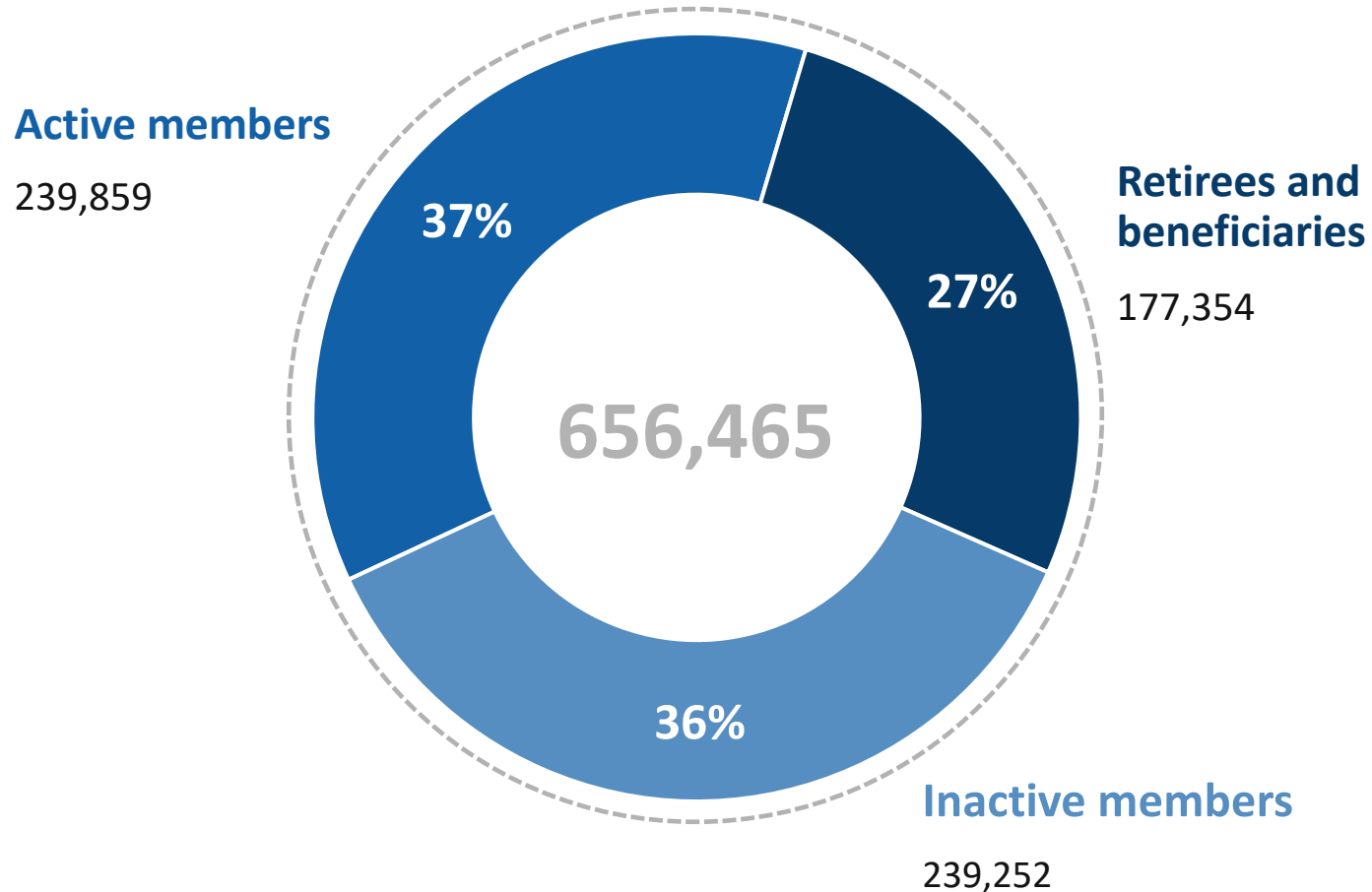
Data from the *PEBA 50-State Survey of State Employee Health Plans*



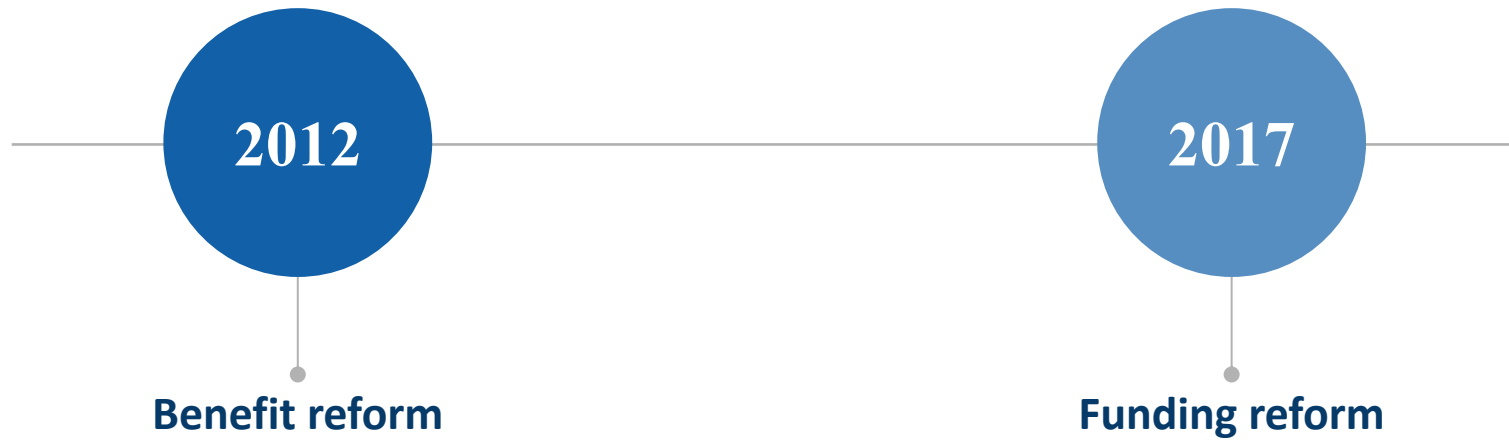
Retirement

Membership as of July 1, 2022

Includes SCRS, PORS, GARS, JSRS and SCNG



Past pension reform



SCRS contribution schedule set by Retirement System Funding and Administration Act of 2017

Fiscal year	Original employer contribution schedule	Amended employer contribution schedule ¹	Employee contribution	Maximum amortization period	Actual amortization period
2018	13.56%	13.56%	9.00%	30 years	22 years
2019	14.56%	14.56%	9.00%	29 years	23 years
2020	15.56%	15.56%	9.00%	28 years	20 years
2021	16.56%	15.56%	9.00%	27 years	20 years
2022	17.56%	16.56%	9.00%	26 years	17 years
2023	18.56%	17.56%	9.00%	25 years	
2024	18.56%	18.56%	9.00%	24 years	
2028	18.56%		9.00%	20 years	

¹The General Assembly suspended the statutory employer contribution rate increase for fiscal year 2021. The scheduled increases were resumed the following year.

Rates include incidental death benefit contributions when applicable.

PORS contribution schedule set by Retirement System Funding and Administration Act of 2017

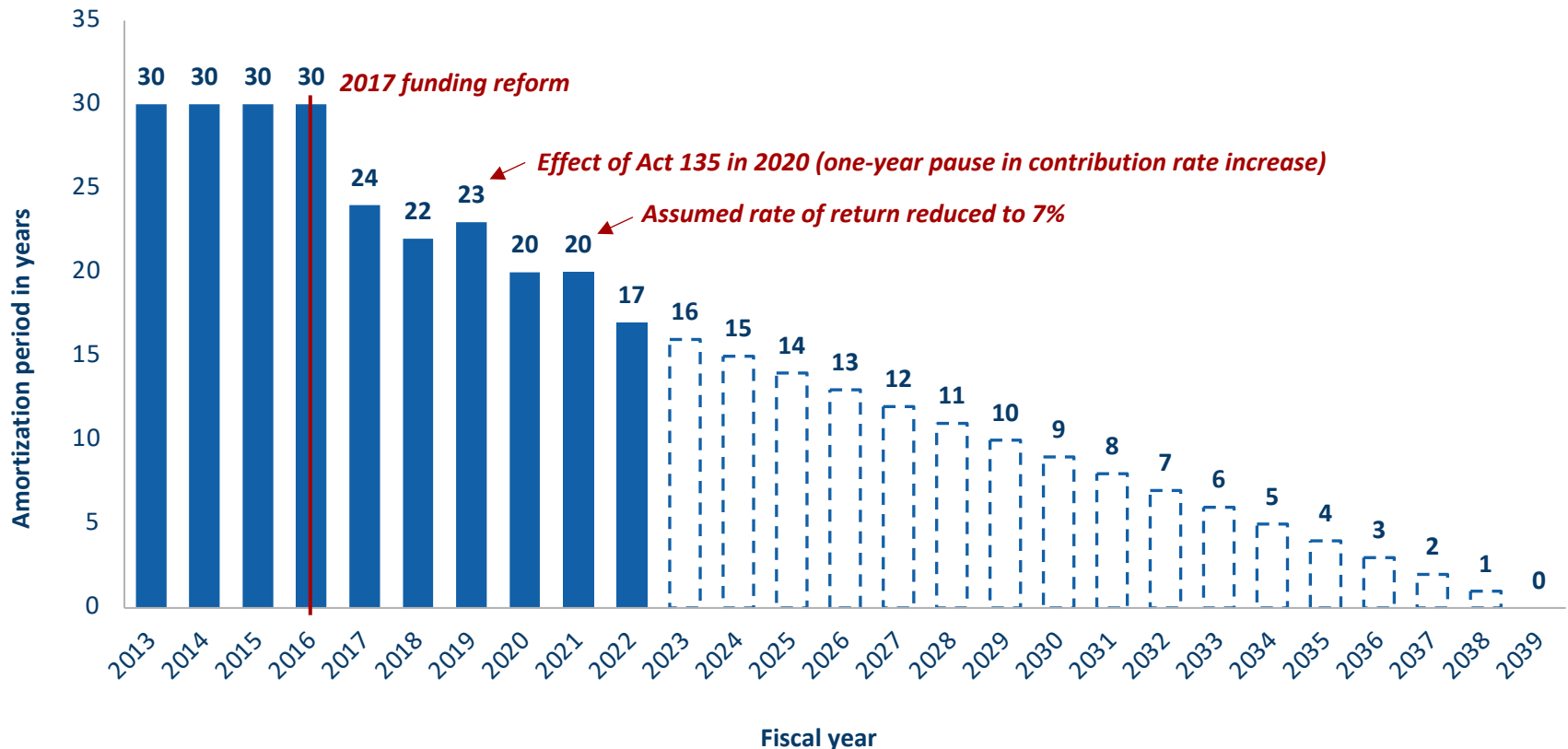
Fiscal year	Original employer contribution schedule	Amended employer contribution schedule ¹	Employee contribution	Maximum amortization period	Actual amortization period
2018	16.24%	16.24%	9.75%	30 years	20 years
2019	17.24%	17.24%	9.75%	29 years	18 years
2020	18.24%	18.24%	9.75%	28 years	18 years
2021	19.24%	18.24%	9.75%	27 years	19 years
2022	20.24%	19.24%	9.75%	26 years	16 years
2023	21.24%	20.24%	9.75%	25 years	
2024	21.24%	21.24%	9.75%	24 years	
2028	21.24%		9.75%	20 years	

¹The General Assembly suspended the statutory employer contribution rate increase for fiscal year 2021. The scheduled increases were resumed the following year.

Rates include incidental death benefit and accidental death benefit program contributions when applicable.

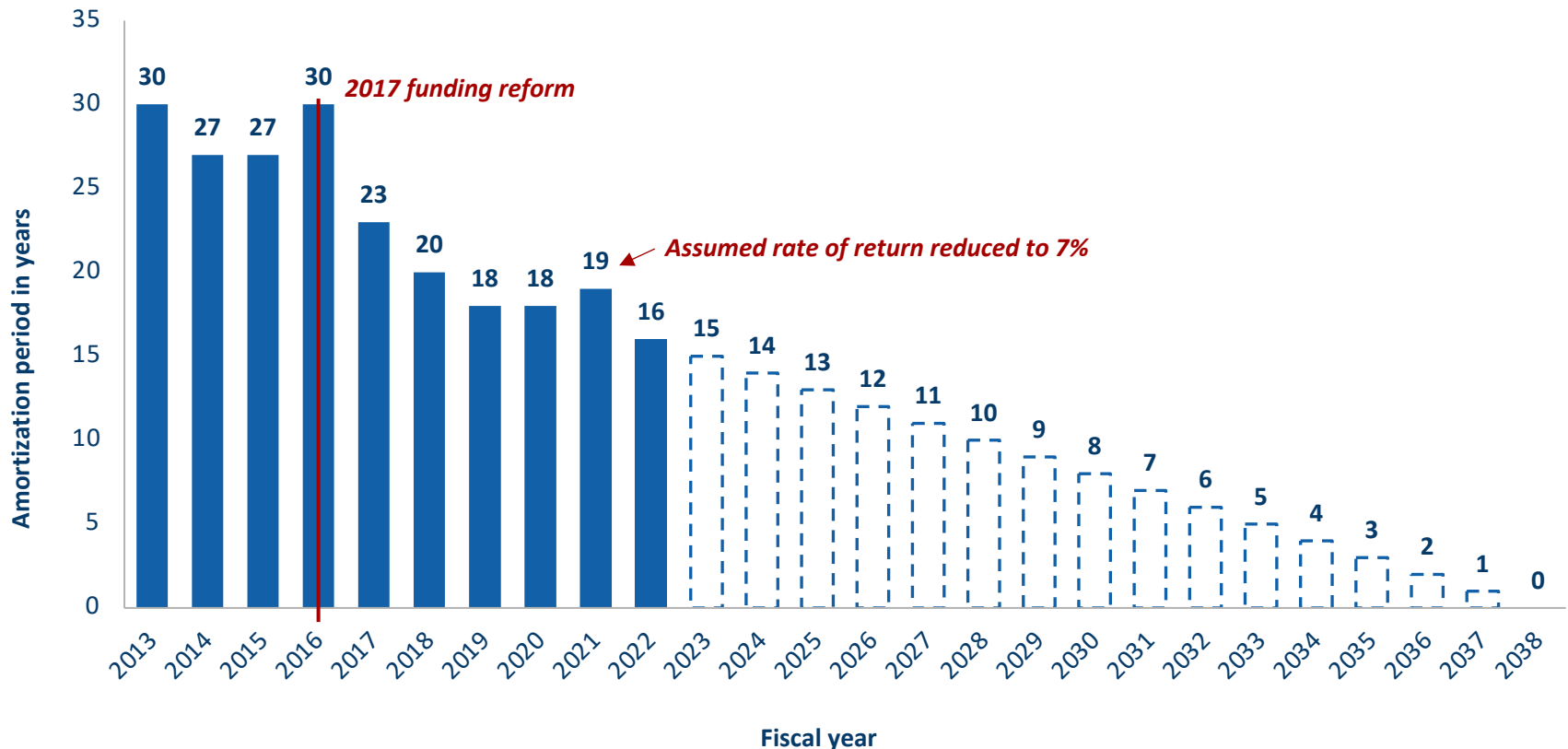
Effects of 2017 legislation on SCRS

While the UAAL has continued to rise, the additional contributions required by the 2017 legislation have reduced the funding period. If actuarial assumptions are met, the funding period is expected to shorten over time. The actual reduction in the amortization period will depend upon emerging experience, including investment experience.



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Contributions effective July 1, 2023

	SCRS	PORS
Member contribution rate¹	9.00%	9.75%
Employer contributions		
Retirement contribution²	18.41%	20.84%
Incidental death benefit³	0.15%	0.20%
Accidental Death Program benefit³	N/A	0.20%
Total employer contribution rate	18.56%	21.24%

¹Member rates are capped at the listed rates.

²The General Assembly suspended the statutory employer contribution rate increase for fiscal year 2021. The scheduled increases were resumed the following year, and the final scheduled rate went into effect on July 1, 2023.

³Rates are applicable only to employers covered under these programs.

Service retirement earnings limitation

Earnings limitation

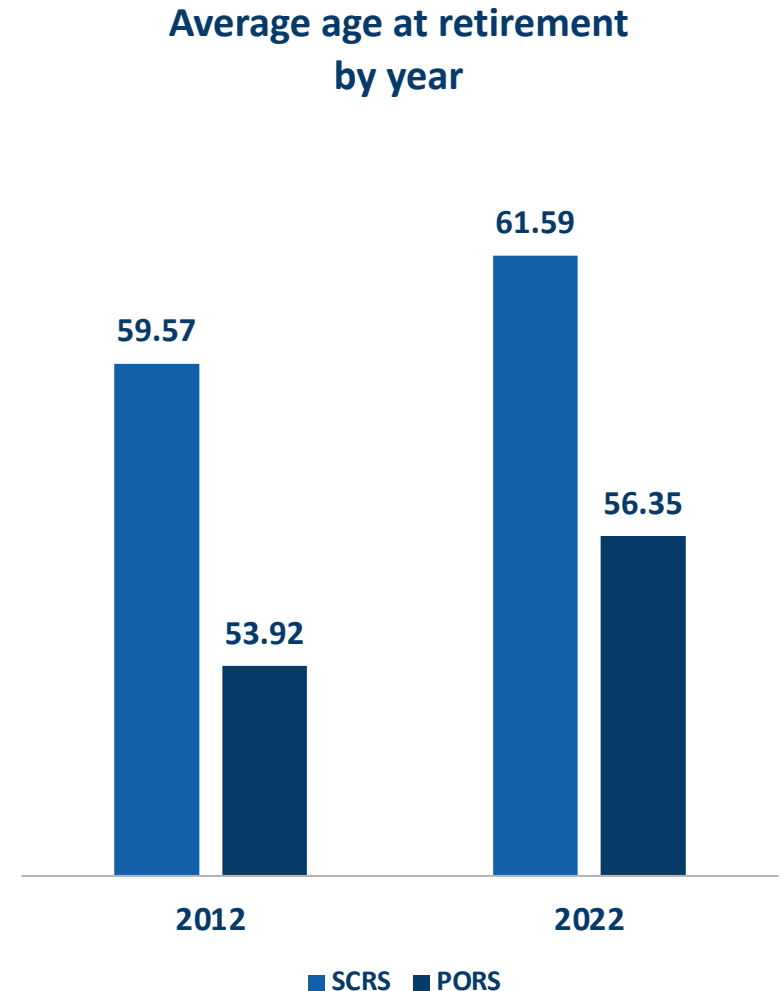
- Contribution and benefit structures are designed to provide a retirement benefit that replaces a portion of a member's income after retirement.
- Ability to return to covered employment after retirement without affecting benefits incentivizes members to retire earlier than they would have without the availability of unlimited post-retirement employment.
- Acceleration of members' retirement dates has a cost to the systems because it results in the systems paying benefits earlier and longer than would otherwise be expected.
 - Earnings limitation is intended to remove incentives.

What is the earnings limitation?

- Provisions do not actually limit the ability of a retiree to return to covered employment or restrict the amount of compensation a retiree may receive.
 - Provisions are limitations on the receipt of benefits.
- Applies to members who retire on or after January 2, 2013, and are younger than age 62 (SCRS) or age 57 (PORS) on the date of retirement, unless they meet an exception.
- Once a member earns more than \$10,000 in a calendar year from covered employment, his retirement benefit is suspended for the remainder of the year. His retirement benefit payments will be reinstated the next January.
 - Benefit will be reinstated before the next January if he terminates covered employment before the end of the year.

What is the earnings limitation?

- Earnings limitation was put into place to encourage members to delay the start of their monthly retirement benefit.
- The TERI program and less restrictive return-to-work provisions encouraged members to retire earlier than expected, resulting in additional costs to the plan.



Service retirement earnings limitation exceptions

- Full exception by statute:
 - Members who retired before January 2, 2013, regardless of age at retirement.
 - SCRS members who retired on or after January 2, 2013, but were age 62 or older on their date of retirement.
 - PORS members who retired on or after January 2, 2013, but were age 57 or older on their date of retirement.
- Position-specific exception by statute:
 - Teachers who meet a critical needs exception.
 - The S.C. Department of Education must certify each school year that a member is working in a critical needs area, either academic or geographic.
 - Members who receive compensation for service in a public office filled by appointment of the Governor with confirmation by the South Carolina Senate, by appointment or election by the General Assembly, or by popular election of the voters of the jurisdiction.

Service retirement earnings limitation exceptions

- Position-specific exception by proviso (requires continued approval in each year's budget):
 - Class One law enforcement officers who retired under PORS prior to January 1, 2018, and are employed as critical needs school resource officers.
 - SCRS and PORS members who return to covered employment to participate in the state's public health preparedness and response to the COVID-19 virus.
 - Provision renewed for fiscal year 2023.
 - If an employer believes a return-to-work retiree still qualifies for this exemption during fiscal year 2023, the employer must recertify the return-to-work retiree's exemption.

Service retirement earnings limitation exception

- SCRS or PORS member who has had a period of at least 12 consecutive months after retirement during which the member did not perform services for any covered employer in any capacity.
- To qualify, during the 12 consecutive months, the member must have had a total break from performing services for any employer that participates in the retirement systems administered by PEBA.
 - Work considered as performing services for a covered employer include: work performed for compensation in any capacity, whether as an employee, independent contractor, leased employee, joint employee or other classification of worker; work performed under another exception to the earnings limitation; or work performed under a different retirement system than the member retired from.

\$10,000 earnings limitation example

Pre-retirement salary
\$50,000

Retirement benefit
\$25,000
($\$25,000 \div 12 =$
 $\$2,083.33/\text{month}$)

The member returns to covered employment and does not meet any of the exceptions to the earnings limitation. The member's retirement benefit is suspended after three months because at that point they had earned more than \$10,000 in a calendar year from covered employment.

Return-to-work salary
\$50,000

+

Retirement benefit
\$6,249.99
($\$2,083.33 \times 3$)

=

Total gross income
\$56,249.99

\$10,000 earnings limitation example

Pre-retirement salary
\$70,000

Retirement benefit
\$35,000
($\$35,000 \div 12 =$
 $\$2,916.67/\text{month}$)

The member returns to covered employment and is eligible for an exception to the \$10,000 earnings limitation. The member's retirement benefit is not suspended because they met an exception.

Return-to-work salary
\$50,000

+

Retirement benefit
\$35,000

=

Total gross income
\$85,000

Other return-to-work considerations

- Member must have a complete, bona fide termination from all covered employment to retire and begin receiving a monthly benefit.
- If a member returns to covered employment sooner than 30 consecutive calendar days after retirement, they are not eligible to receive their benefit until the separation requirements are satisfied.
- If an employer fails to notify PEBA when it hires a retired member, the employer may be responsible for reimbursing the retirement systems for any benefits wrongly paid to the retired member.
- Return-to-work retirees contribute the same percentage of earnable compensation as active members.

Cost-of-living adjustments

Cost-of-living adjustments (COLAs)

- Historically, COLAs were granted based on inflation measures and were not prefunded.
 - This practice was a major factor in creating the current unfunded actuarial accrued liability that exists today.
- Act 278 provided a guaranteed annual 1% benefit increase to retired members of SCRS and PORS up to an annual maximum of \$500.
- This moderate but guaranteed benefit adjustment is prefunded through retirement contributions and provides a predictable annual increase to retired members.
- These benefit adjustments are fully guaranteed and are awarded on a compound basis.
- Any increase in the benefit adjustment as currently structured would have long-term material costs for the system that would have to be addressed.

Other benefits

- Members of SCRS are also covered by Social Security.
 - The Social Security Administration provides cost-of-living adjustments to combat inflation.
 - In 2023, Social Security benefits increased 8.7%.
- Most retired SCRS and PORS members are also covered by the State Health Plan.
 - Subscriber premiums have not increased since 2012, which means that retired members who are covered by the State Health Plan have not seen an increase in their monthly health premiums for 11 years.
 - Many retired members who are Medicare-eligible enroll in the State Health Plan's Medicare Supplemental Plan.
 - The Medicare Supplemental Plan pays the part of Medicare-approved charges that Medicare Parts A and B do not, including deductibles and coinsurance, which in effect results in a zero deductible health plan for these members.

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