# South Carolina's Pension System

*"The pothole you can't see"*

November 21st, 2016

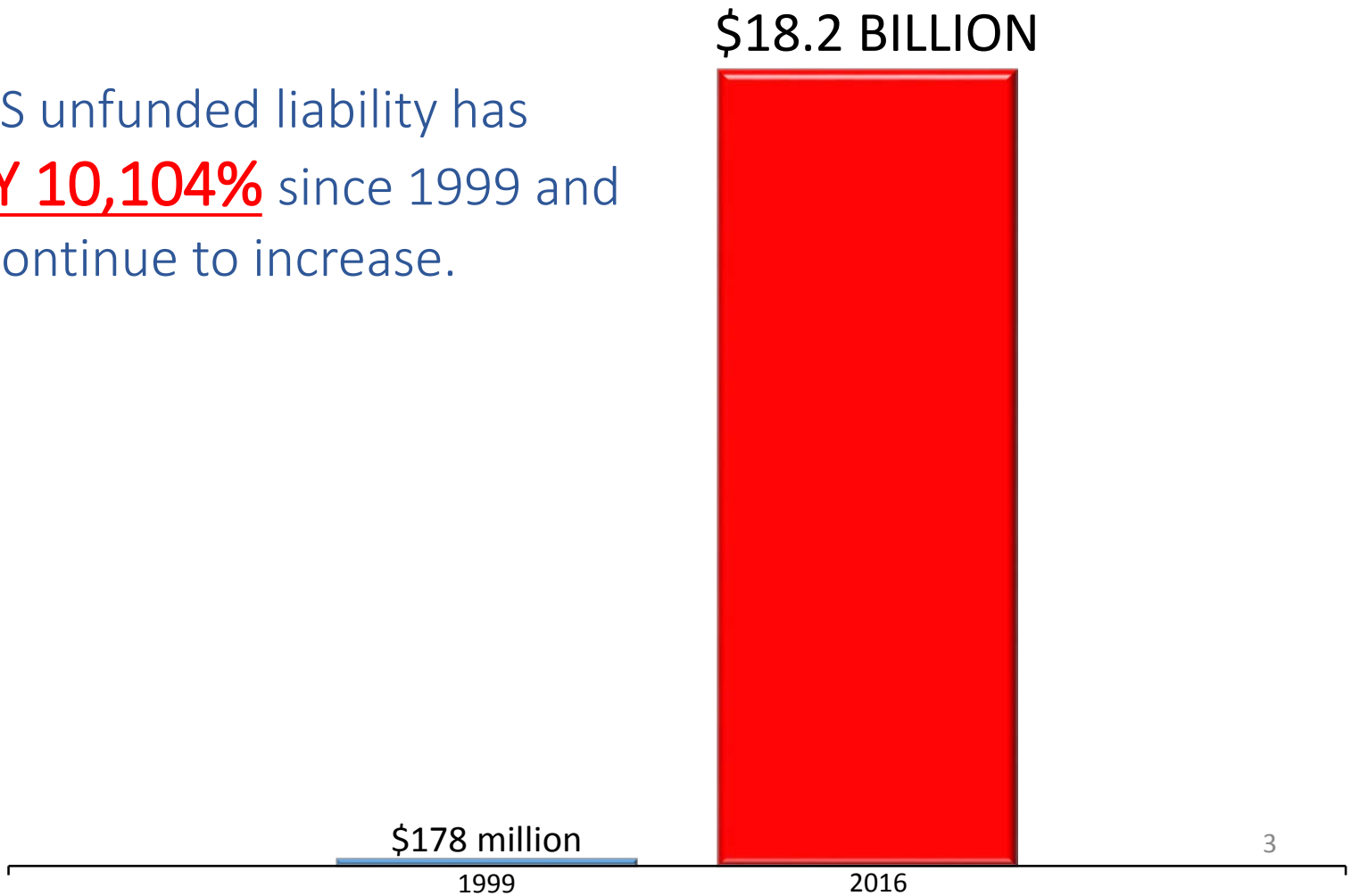
By deliberately under-funding the pension plan, the General Assembly has created a "hidden tax", in the form of debt, that is refinanced at 7.5% every year for 30 years.

This allows the state's leaders to spend money it doesn't have while claiming they are not increasing taxes.

# LOOMING UNFUNDED LIABILITY

The system's unfunded liability has exploded and continues to grow

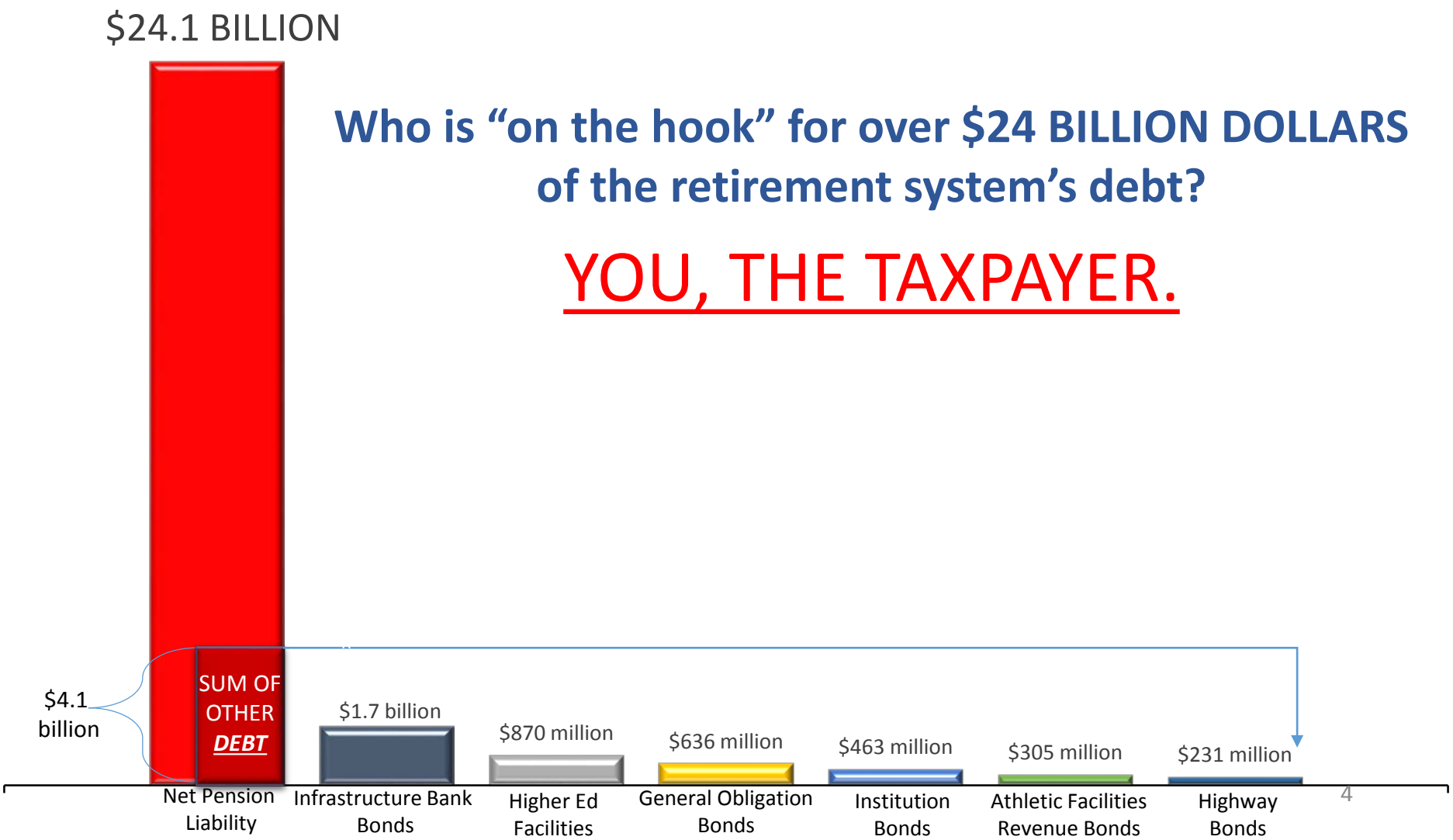
The SCRS unfunded liability has **GROWN BY 10,104%** since 1999 and will continue to increase.




*source: PEBA

# PENSION DEBT VS. OTHER DEBT

Staggering difference between the state's pension debt and other forms of state debt



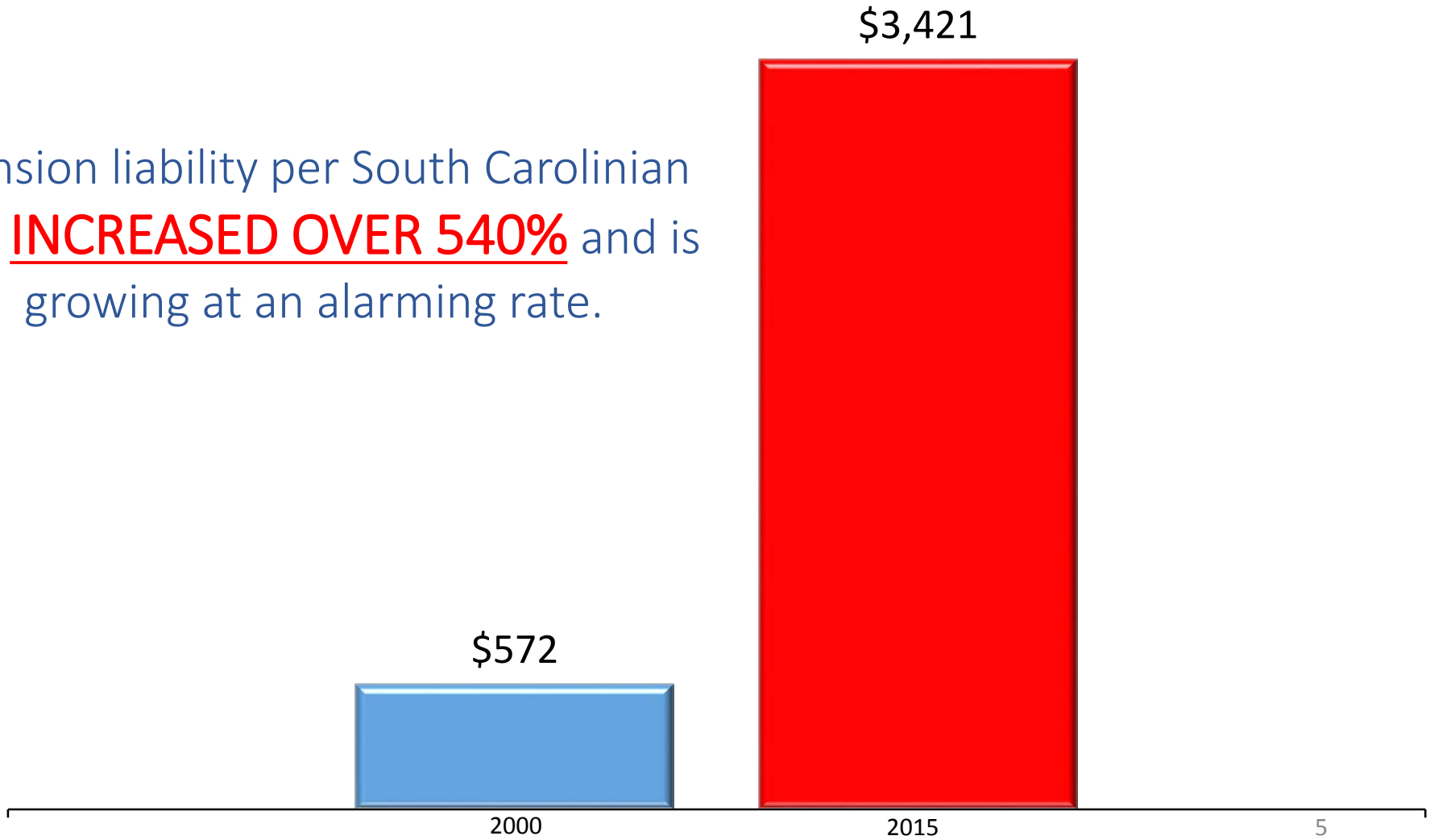

**Who is "on the hook" for over $24 BILLION DOLLARS of the retirement system's debt?**

YOU, THE TAXPAYER.

# PENSION LIABILITY PER CAPITA

South Carolina's pension debt per person has ballooned over the past 15 years

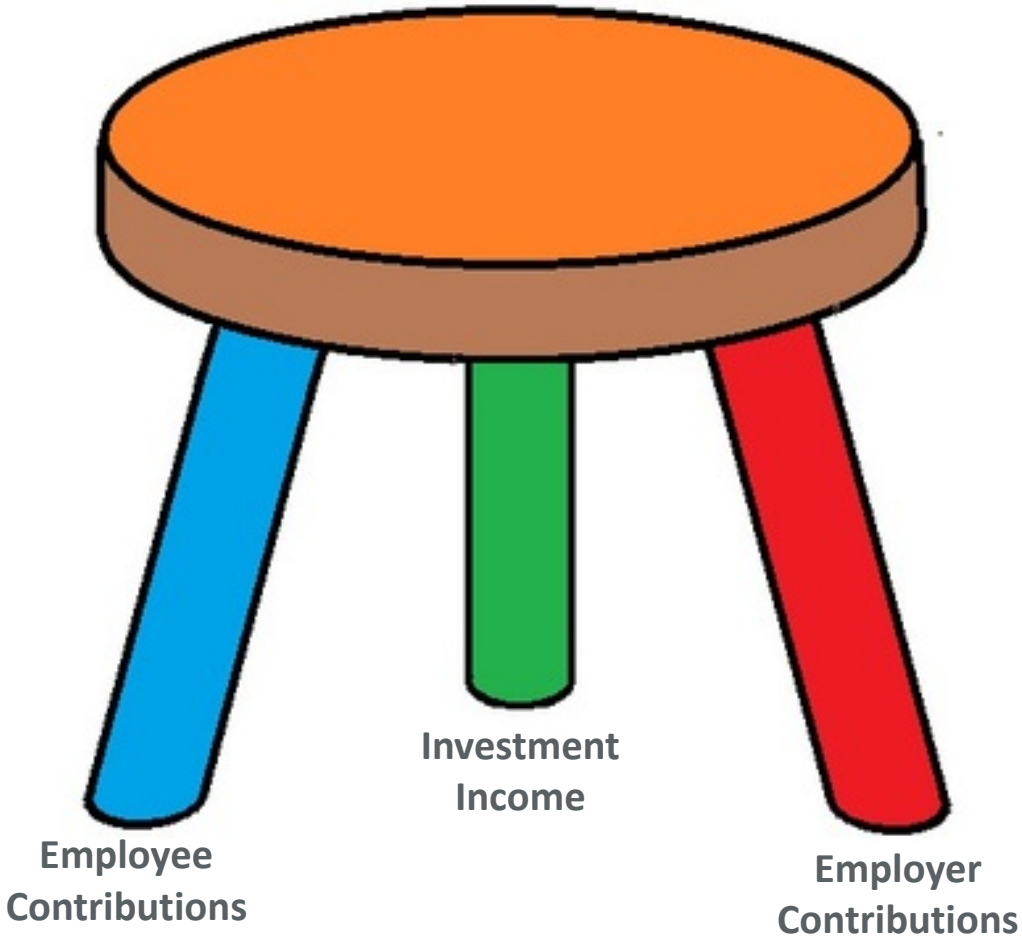
Pension liability per South Carolinian has **INCREASED OVER 540%** and is growing at an alarming rate.






*sources: PEBA; Census.gov (2015 population estimates)

# THE "THREE-LEGGED STOOL" OF THE STATE PENSION PLAN



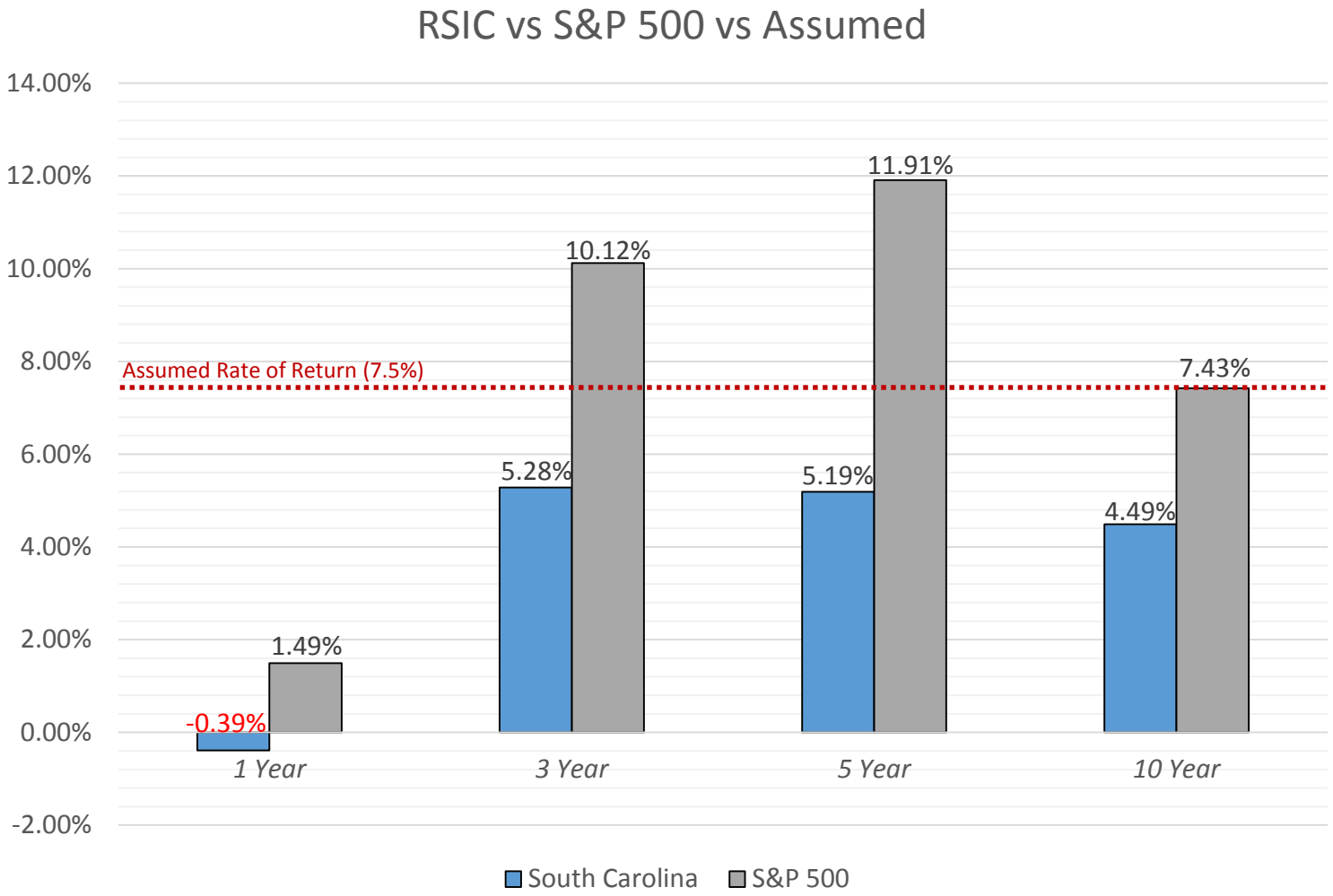
# INVESTMENTS

"I really think our record **should be judged based on what's happened since February of 2006** when the enabling legislation was passed. From that point forward, we took over and started making our own decisions."

*- RSIC Chairman Reynolds Williams, Senate Finance Retirement Subcommittee; January 31, 2012*

# LAGGARD PENSION FUND RETURNS

## SC's investments continue to underperform - while the S&P 500 surpasses the assumed return




South Carolina's pension investments have **significantly** underperformed the markets by at least **$7 BILLION DOLLARS**

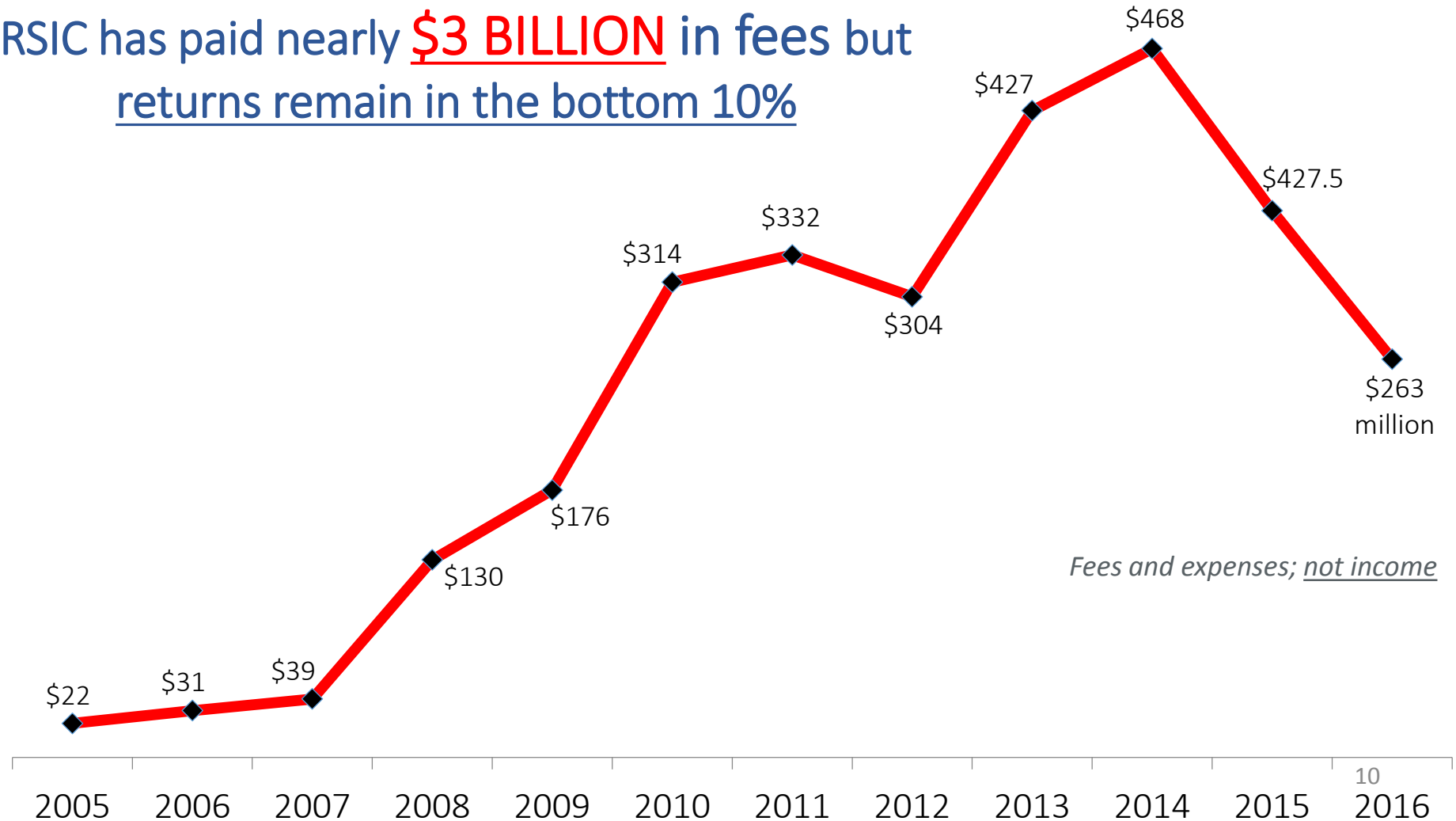


*returns reported by RSIC as of 6-30-2016

# PENSION FEES & EXPENSES

**(NOT INCOME)**

RSIC has paid nearly $3 BILLION in fees but returns remain in the bottom 10%




*Fees and expenses; not income*

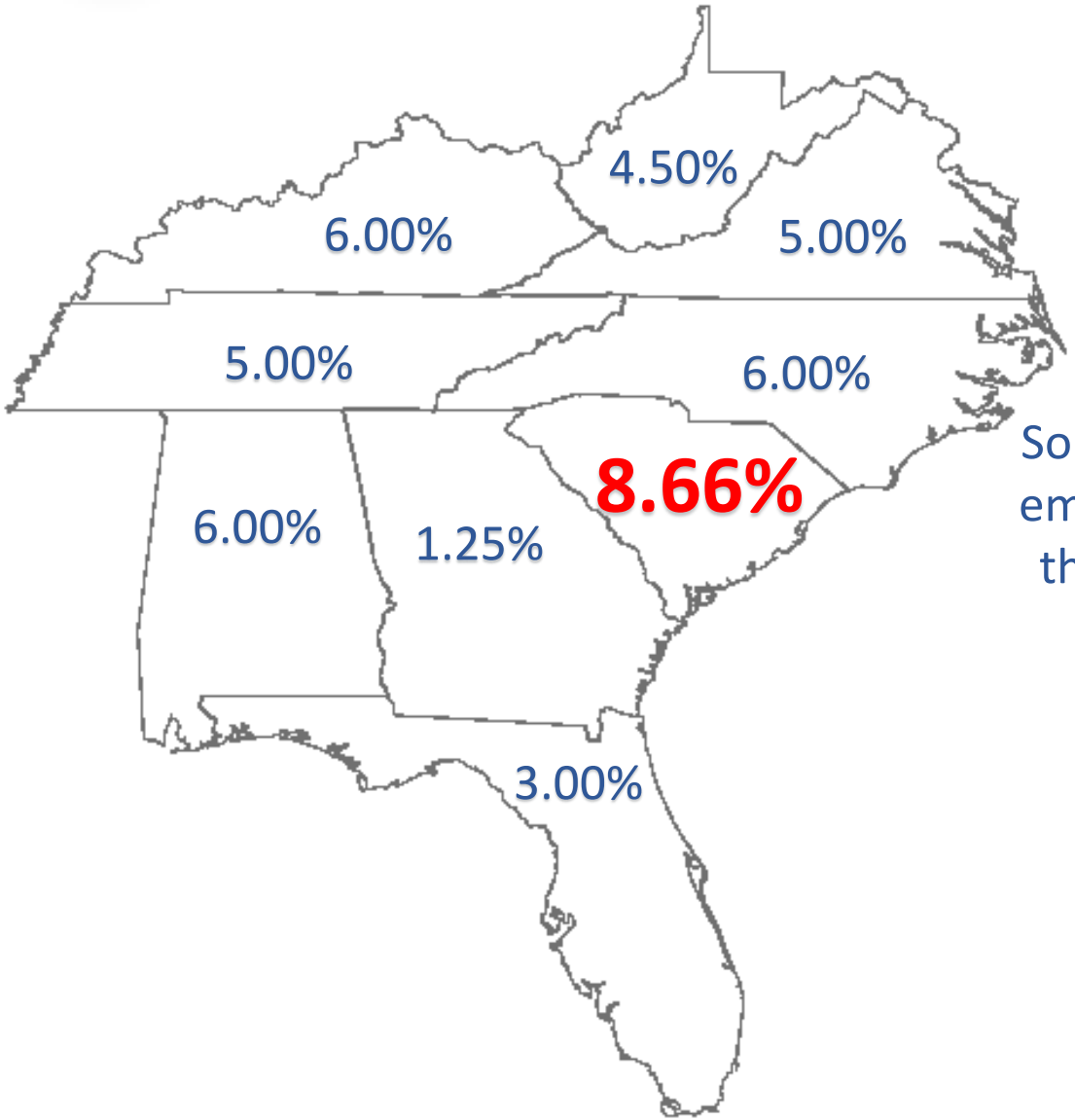
# THE SOUTH CAROLINA RETIREMENT SYSTEM INVESTMENT COMMISSION

1. We pay too much
2. We earn too little
3. Our portfolio is overly expensive and complex
4. We put Retirees, Public Employees, and Taxpayers at risk

# EMPLOYER & EMPLOYEE CONTRIBUTIONS

# SC PUBLIC EMPLOYEES PAY THE MOST

South Carolina public employees already pay significantly more for their pensions




South Carolina's hardworking public employees pay **over 88% more** than the average state in the Southeast



**sources: PEBA and the equivalent agency from each state shown*

# PLANNED RATE INCREASES

Employee rates have already been assumed to reach 10% in the next 6 years

| | Contribution Rate | |
|---|---|---|
| July 1 | Employer | Member |
| 2016 | 11.56% | 8.66% |
| 2017 | 11.56% | 8.66% |
| 2018 | 12.04% | 9.14% |
| 2019 | 12.30% | 9.40% |
| 2020 | 12.53% | 9.63% |
| 2021 | 12.73% | 9.83% |
| 2022 | 12.87% | 9.97% |

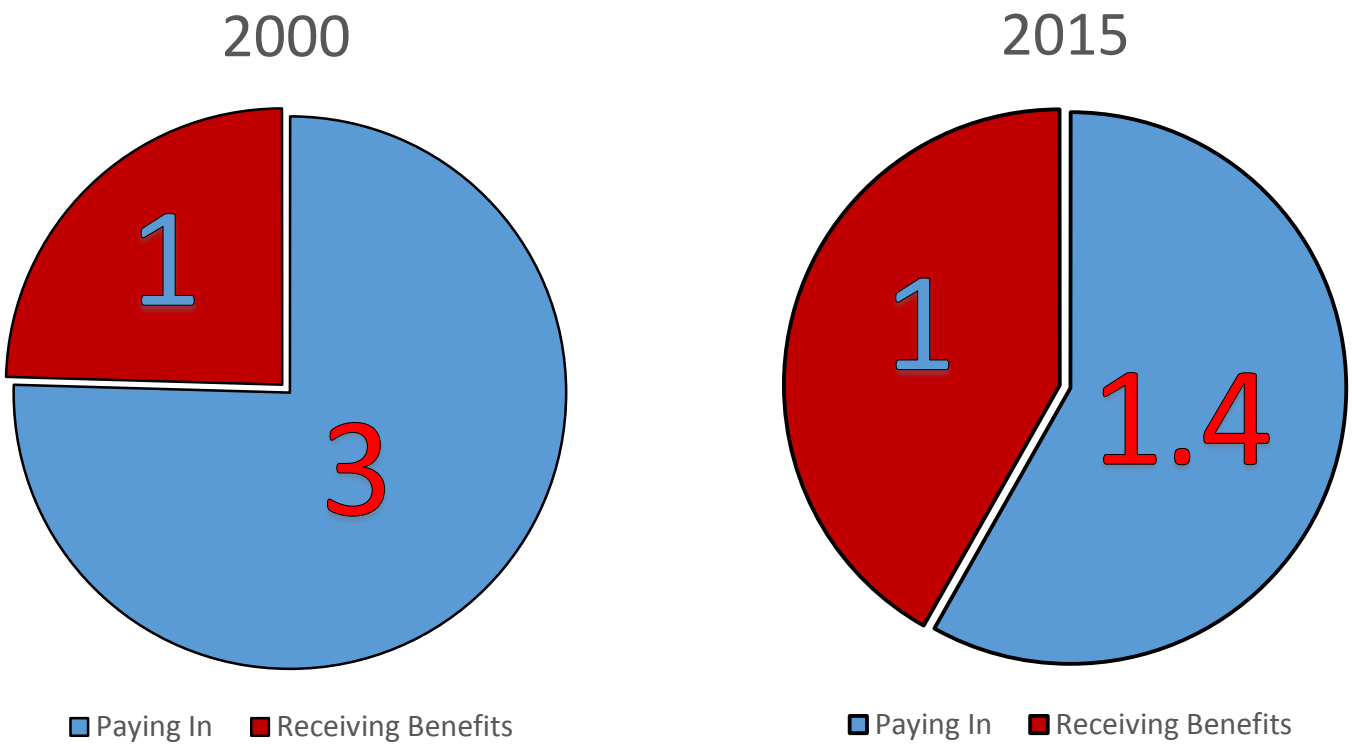
By year 2022, public employees are scheduled to be paying 10% towards retirement



*Sources: Gabriel, Roeder, Smith & Company; PEBA

# FEWER PAYING INTO SYSTEM

More people drawing from the system than ever before




There are 70,000 MORE RETIREES DRAWING MONEY from the system, with 9,000 FEWER MEMBERS PAYING in!



*source: PEBA