



# South Carolina

**SOUTH CAROLINA'S PENSION SYSTEMS** are funded below the 50-state average—but the state has been making a yeoman's effort to improve its status. It is one of 16 states that has consistently paid 100% (or close to 100%) of its annual required contribution during the past 10 years. On the non-pensions side, the state faces a \$10 billion bill coming due for retiree health care and other benefits, \$4.2 billion of which is for state employees. The state had not set aside any funds toward this long-term obligation as of the end of fiscal year 2006. But in fiscal year 2007-2008 legislation, the General Assembly appropriated \$113 million, awaiting an established formal trust fund. If South Carolina consistently funds its annual required contribution, the state's total unfunded liability will drop to \$2.9 billion for state employees and to \$6.4 billion total. This is because the interest the state is likely to earn when it invests more money over the long term can be applied to paying down the bill.

## PENSIONS

TOTAL BILL COMING DUE: **\$33.7 billion**<sup>1</sup>

FUNDS SET ASIDE: **\$24.6 billion**

PORTION UNFUNDED: **\$9.1 billion**

PERCENT FUNDED: **73 as of 2005**<sup>2</sup>

TEN YEAR FUNDING HIGH: **98% in 1999**

TEN YEAR FUNDING LOW: **73% in 2005**

HOW IS THE STATE DOING IN PAYING ITS ANNUAL BILL? 

**ASSUMPTIONS:** South Carolina assumes a 7.25% investment return compared with a 50-state median of 8%. (It was the last state to start investing in equities.) It uses a five-year smoothing period to calculate the actuarial value of assets, similar to most states. The amortization period conforms to accounting standards.

<sup>1</sup> Pension funds include state employees, police officers, the General Assembly, judges, solicitors and national guard members.

<sup>2</sup> 50-state mean was 82% as of 2006; the state's 2006 figures weren't available at the time of Pew's report.

## OTHER BENEFITS

TOTAL BILL COMING DUE: **\$4.2 billion**

FUNDS SET ASIDE: **\$0**<sup>1</sup>

PORTION UNFUNDED: **\$4.2 billion**<sup>2</sup>

PERCENT FUNDED: **0 as of 2006**


HOW IS THE STATE DOING IN MANAGING THIS BILL? 

<sup>1</sup> As of 2006; in fiscal year 2007-2008, the legislature appropriated \$113 million.


<sup>2</sup> For state employees; 133% of covered payroll, compared to a national median of 135%.

**REFORMS:** In 2006 voters approved diversifying the state's pension investments, a decision ratified by the legislature in 2007. A new investment commission was set up several years before. In the last few years, the state has raised both employee and employer contribution rates and provided for a guaranteed cost-of-living increase, according to the National Conference of State Legislatures. A study committee on non-pension benefits has made a number of legislative recommendations for establishing an irrevocable trust, changing eligibility rules for new employees, and expanding permissible investments for non-pension benefit funds, among other reforms.

KEY:  Top Performer

 Needs Improvement

 Below Par

 Non-Pension Benefits are Minimal

This fact sheet stems from a 50-state analysis of states' retiree benefit obligations by Pew's Center on the States. The full report and 50 state fact sheets can be found at [www.pewcenteronthestates.org](http://www.pewcenteronthestates.org).



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