

S.C. Controller
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**Remarks to Joint Committee on Pension
Systems Review**

Sept. 27, 2016

How could we have gotten to this point?

1999

Unfunded liability- \$177.9 million

Percent funded- 98.9%

2015

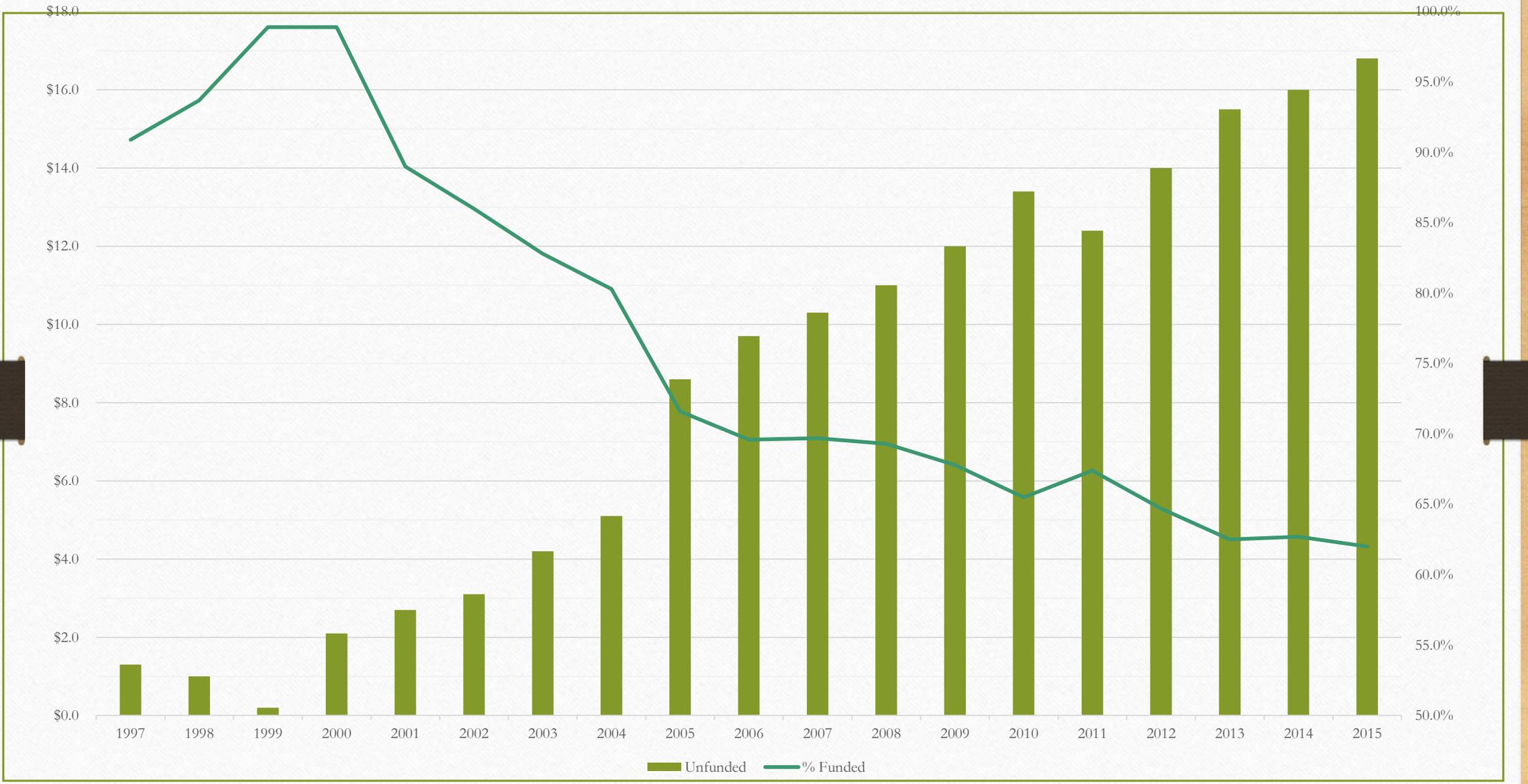
Unfunded liability- \$16.8 BILLION

Percent funded- 62.0%

Look at the deficit's growth over time.

	Unfunded bal (\$ bln)	Unfunded chng (\$ bln)	Percent funded	Amort period	Impact on Unfunded Liability - Raised it / (Lowered it)								Total impact
					Int on UAAL	Amort pymt	Assump chng	Investment experience	Salary experience	Other liab experience	Legislative changes	Ad hoc COLAs	
1997	1.3	(0.2)	90.9	14	-	(4)	-	(198)	(71)	(21)	-	87	(207)
1998	1.0	(0.3)	93.7	10	-	(19)	-	(338)	(48)	(44)	-	99	(350)
1999	0.2	(0.8)	98.9	2	-	(50)	(638)	(130)	107	(299)	-	182	(828)
2000	2.1	1.9	98.9	3	-	(110)	-	(30)	360	(80)	1,810	-	1,950
2001	2.7	0.6	89.0	16	-	-	-	25	179	16	-	353	573
2002	3.1	0.4	86.0	21	-	-	-	215	166	(51)	-	149	479
2003	4.2	1.1	82.8	25	-	-	399	120	(188)	460	-	278	1,069
2004	5.1	0.9	80.3	27	305	(244)	690	228	(150)	(124)	-	209	914
2005	8.6	3.5	71.6	30	371	(306)	239	107	137	40	2,493	396	3,477
2006	9.7	1.1	69.6	30	623	(333)	(176)	190	145	227	-	457	1,133
2007	10.3	0.6	69.7	29	705	(415)	(48)	(296)	77	210	-	267	500
2008	11.0	0.7	69.3	29	741	(580)	(2,663)	(63)	160	302	2,637	205	739
2009	12.0	1.0	67.8	30	877	(640)	-	854	(25)	350	-	(412)	1,004
2010	13.4	1.4	65.5	30	957	(662)	-	1,213	(345)	168	75	-	1,406
2011	12.4	(1.0)	67.4	25	1,000	(618)	(45)	802	(478)	221	(2,004)	155	(967)
2012	14.0	1.6	64.7	29	930	(583)	-	1,001	(130)	292	-	-	1,510
2013	15.5	1.5	62.5	30	1,044	(917)	-	740	(28)	687	-	-	1,526
2014	16.0	0.5	62.7	30	1,158	(910)	-	293	(74)	68	-	-	535
2015	16.8	0.8	62.0	30	1,198	(979)	-	559	(73)	73	-	-	778
Totals 1997-2015					<u>9,909</u>	<u>(7,370)</u>	<u>(2,242)</u>	<u>5,292</u>	<u>(279)</u>	<u>2,495</u>	<u>5,011</u>	<u>2,425</u>	<u>15,241</u>
Totals 1999-2015					<u>9,909</u>	<u>(7,347)</u>	<u>(2,242)</u>	<u>5,828</u>	<u>(160)</u>	<u>2,560</u>	<u>5,011</u>	<u>2,239</u>	<u>15,798</u>

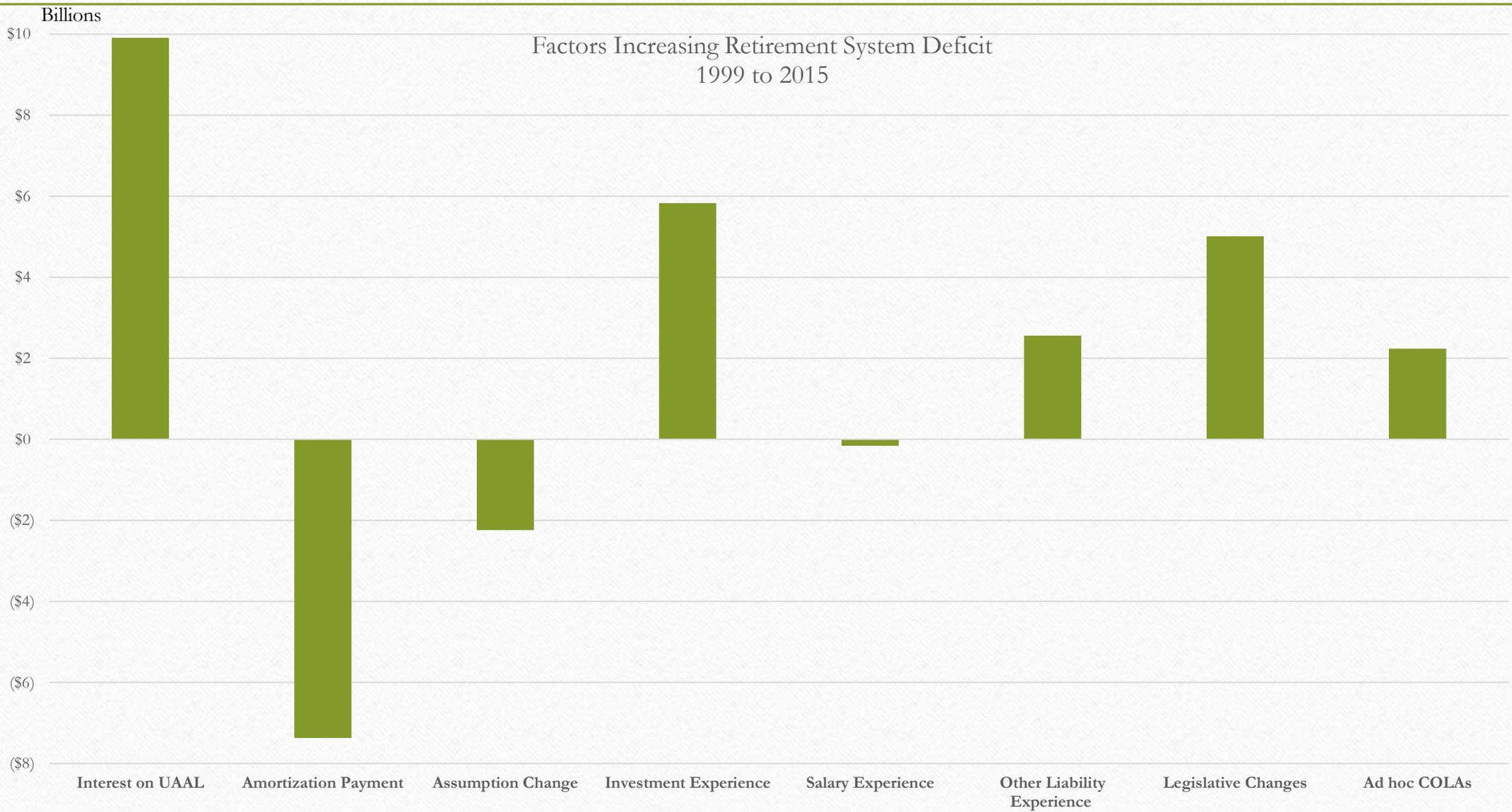
Growth in Unfunded/Declining Funding Percent



Percent Funded vs Amortization Period for Unfunded Liability



Factors Increasing Retirement System Deficit
1999 to 2015



What's the primary cause of this problem?

- **Don't jump the gun to blame RSIC.**
- **There've been lots of causes:**
 - **Providing disjointed, patchwork oversight**
 - **Focusing on one year at a time rather than long term**
 - **Relying on numbers that produce bad surprises**



Primary cause (continued)

- **Don't jump the gun to blame RSIC.**
- **There've been lots of causes:**
 - **Providing disjointed, patchwork oversight**
 - **Focusing on one year at a time rather than long term**
 - **Relying on numbers that produce bad surprises**
 - **Adding benefits using poor quality cost projection**

Is there a solution??

**We need to learn the size of the problem
before we can fix it.**