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SCSEA NEWS

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Pension Plan: Take More Workers' Pay

RESOURCES



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Panel would also end automatic benefit hikes

By WAYNE WASHINGTON

Some key parts of the proposal endorsed Tuesday by a legislative panel:

- Current state workers would have to pay more into the retirement system, taking, in effect, a 1 percent cut in their take-home pay.
- New workers would have to work 30 years before retiring, not the current 28.
- The Legislature would have to approve all cost-of-living increases.

State workers would have to pay more of their salaries into their retirement system — taking, in effect, a cut in their take-home pay — if the recommendations of a legislative panel become law.

Instead of 6.5 percent of their pay going into the retirement system, state workers would have to pay in 7.5 percent. After a series of legislative changes, that system now takes in less than it pays out and faces a \$13 billion deficit.

A subcommittee of the S.C. House of Representatives' Ways and Means Committee — looking to have a proposal ready for debate when the General Assembly convenes in January — has been cobbling together a bill aimed at closing that gap.

In addition to having state workers pay more, the subcommittee agreed Tuesday to other changes, including:

- Eliminating the TERI system for new state employees, who otherwise would be able to retire but keep working for up to five years
- Raising the retirement threshold for new employees to 30 years, from 28 years
- Embracing the State Budget and Control Board's decision to require employers — state taxpayers — to pay more into the retirement system
- Ending automatic cost-of-living adjustments for retirees and, instead, requiring the General Assembly to vote on increases
- Preventing new legislators from buying years of service in the retirement system and retiring early unless the purchase price offsets the added cost to the system

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Several current and retired state workers were in the audience as the subcommittee discussed the changes but remained silent. Legislators said small changes to the system won't be enough and that difficult choices had to be confronted.

"I'm for fixing this thing," said state Rep. Gilda Cobb-Hunter, D-Orangeburg. "We keep doing these little itty-bitty things because we don't want to make people mad. Well, guess what? That's our job. Nobody held a gun to our head and made us do this thing."

Despite the sentiment that big changes have to be made, fault lines that could divide the General Assembly on the issue could be seen. Changes that would affect new, as-yet-un-hired state workers, who have no organized support, were adopted with dispatch. Other changes that dealt with current workers or retirees, who show up in committee meetings and strongly protest if they disagree with a proposal, were agonized over in detail.

"Our word is our bond," state Rep. Kenny Bingham, R-Lexington said at one point. "I would caution everybody about changing the benefits for people who are already retired."

That sentiment carried the day; most of the proposed changes would impact workers who are not yet employed by the state. New workers would be eligible for retirement benefits after 30 years of the job and reaching 62 years of age. They also could retire at 65 if they have not put in 30 years of work.

Current state workers are allowed to retire with full benefits after 28 years of work. The old threshold was 30 years, but state legislators lowered it by two years in 2000, a change that added \$1.8 billion to the retirement system's deficit.

TERI long has been a source of frustration for liberal and conservative legislators alike. Liberals complain it was meant to help the state retain the services of the best teachers, not all eligible state workers; conservatives say it has been a windfall for all workers at state expense.

Legislators also have been strongly criticized for buying credit for years of service – service time – so they could retire early with greater benefits; some have remained in the Legislature after retiring. But if the subcommittee's proposal passes, the cost of doing that would go up prohibitively, state Rep. Jim Merrill, R-Berkeley, said.

The subcommittee is scheduled to meet again Dec. 12, when it hopes to put the finishing touches on its proposals.

SCSEA Perspective

South Carolina: Politics vs. Priorities

The current gap in state employees' pay and the rate of inflation is 11 percent. The CPI-W for 2011 is projected to reach 3.9 percent, increasing the difference between pay and the rate of inflation to a staggering 15 percent.

Factor in furloughs and layoffs and the disparity is even greater. Apparently, Members of the House Ways & Means Retirement Ad Hoc Study Committee have not considered this perspective or underestimate the hard work and dedication state employees provide every day to serve and protect the interests of South Carolina's citizens.

Committee members include: Representative James H. Merrill (Chairman), Representative Gilda Cobb-Hunter, Representative James A. "Jim" Battle, Representative Kenneth A. Bingham, Representative Michael A. Pitts, Representative Michael A. Anthony, and Representative B.R. Skelton.

The committee is considering a retirement contribution increase of 1 percent for state employees, or put another way, a pay cut of 1 percent. Apparently, the current gap in pay, increased responsibilities, and quotas that force many employees to come in early, work late, including weekends is not indicative of state employees doing their part to share in the fallout of the economic crisis.

The state has to decide whether or not even basic services are a priority. The potential effects of diminished fundamental services and the corresponding impact on the health, safety, and welfare of citizens cannot be left to chance. Quality and long term state employees are an integral component to the state's ability to deliver basic and critical services.

SC State Employees Cost of Living Adjustments, COLA

Vs.

Consumer Price Index, CPI - W

The Consumer Price Index for all workers (CPI –W) is the most widely used measure of inflation and is sometimes viewed as an indicator of the effectiveness of government economic policy. It provides information about price changes in the Nation’s economy to government, business, labor, and private citizens and is used as a guide to making economic decisions.

The CPI-W is a measure of the average change over time in the prices paid by urban consumers and clerical workers for a market basket of consumer goods and services.

Fiscal Year	COLA	CPI—W
2000-01	2.5 %	3.4 %
2001-02	1.5 %	1.3 %
2002-03	0 %	2.4 %
2003-04	0 %	1.6 %
2004-05	3 %	3.4 %
2005-06	4 %	3.5 %
2006-07	3 %	2.4 %
2007-08	3.0%	4.3 %
2008-09	0%	0.5%
2009-10	0%	3.4 %
2010-11	0 %	1.7 %
2011-12	0%	3.9 % (PROJECTED)
TOTAL	17%	31.8 %

Special Note:

State employees have not received a merit Increase since 2001.

SOURCE:

U.S. Department Of Labor
Bureau of Labor Statistics
Consumer Price Index

Recommendations: PUNITIVE to State Employees

State employees have consistently demonstrated their willingness to do more with less. State employees are willing to contribute more but to do so without a corresponding pay increase is not only unreasonable it is punitive. State employees have not received a merit increase since 2001.

Increased Contribution: Mandates Corresponding COLA

Any increased employee contribution should be phased in and tied to a corresponding COLA. The formula would reflect a .25% increased employee contribution per every 1% COLA up to the maximum recommended employee contribution increase of 1%.

For example, a 4% COLA would satisfy the recommended 1% employee increase. The remainder, 3%, would be allocated to the employee as a 3% pay increase.

Funding Sources

The State is projected to generate \$1 Billion in new revenue. The State could realize an additional \$2 Billion every year reducing or eliminating sales tax exemptions. Funding state employee COLAs is not impossible, it can be accomplished, there just has to be a commitment and will to make it a priority.

Accountability

At this point, the aforementioned recommendations have not been formally adopted. Other discussions include changing benefits, namely 28 year retirement to 30 years, for vested employees with less than 23 years of service. We think this would clearly violate the contract already established with vested employees. At the end of the day, we hope the committee will avoid presenting scenarios that violate the employment contract.

Nonetheless, it is important for you to be aware of the direction of those discussions. We plan to publish all roll call votes (subcommittee, full committee, and full House and Senate) as well as other non-roll call votes in which we can identify how members voted, on issues pertaining to state employees.

It is equally important for you to start communicating now with your House and Senate members. If you have questions or need help preparing letters, emails, making phone calls, etc., please call our office for assistance.

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