



**Retirement Recommendations
\$4.4 Billion to \$500 Million**

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IN THE NEWS:

The House Retirement Ad Hoc Study Committee recently amended recommendations that were unanimously adopted in December 2011. However, as a result of the SCSEA and dedicated members reaching out to the committee, members continued to work on the proposal and as a result substantial improvements were made to the original recommendations.

It is important to understand that if this had not taken place, the recommendations that were adopted back in December would have been formatted into a bill and presented to the House Ways and Means Committee and then the full House of Representatives. The changes represent progress and the impact state employees and retirees can make through action. While there is still room for improvement, the revised plan indicates committee members have given serious consideration to the concerns raised by the SCSEA and members from across the state.

The proposed recommendations are significant for employees and retirees. On the following page you will find a side by side comparison we developed to help highlight the major differences between the original proposal and the subcommittee's current recommendations. This comparison should help demonstrate progress and the ability for employees and retirees, as a coalition, to mold and shape the final bill version.



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Side by Side Comparison

House Retirement Ad Hoc Study Committee Recommendations

December 2011

Full Benefits: 30 years of service AND Age 62

Applies to new hires and **CURRENT EMPLOYEES** with less than 23 years of service. Requires actuarial reduction if either age or years of service are not met.

Employee Contribution: Increase from 6.5% to 7.5% with no discussion about tying the increase to a COLA.

Leave: Sick leave will no longer be used to add additional service credit. Annual leave will no longer be added to the average final compensation.

AFC: Annual Final Compensation, AFC, computed using 5 highest years rather than the current 3 highest years of compensation.

COLAs: Eliminates guaranteed COLAs.

TERI: NO ACTION considered for CURRENT EMPLOYEES. NEW EMPLOYEES would not be eligible.

Spiking: Rules will be developed to prevent covered employees from "spiking".

Employer Contribution: Increase employer contribution by 1% as adopted by the Budget and Control Board on 11/3/2011.

Retirement Benefits & Salary: Eliminate ability for serving Members of the General Assembly to draw retirement benefits as well as salary during service.

PORS: No COLA recommendation.

February 2012

Full Benefits: **28 years of service. No age requirement.**

Applies to ALL CURRENT EMPLOYEES. New hires would have to accrue 30 years of service to receive full benefits.

Employee Contribution: **Increase from 6.5% to 7.5% WITH discussion about tying the increase to a COLA.**

If the goal is to increase the employee contribution by 1%, the SCSEA recommends .25% of every 1% future COLA be directed to the increased contribution until the goal is satisfied. A minimum COLA of 4% would be required to generate the 1% increase. The SCSEA is requesting a total COLA of 6.7%.

Leave: SCSEA Position - The provision should only apply to new hires. The provision changes the terms of hire for current employees. It would also over stress the system by creating a "Rush on Retirement" before changes become effective.

AFC: SCSEA Position - The provision should only apply to new hires.

COLAs: **Guaranteed 1% pension adjustment up to 2.5% provided 7.5% rate of return is met based on 5 year average. More details are needed.**

TERI: **MAINTAINS TERI for CURRENT EMPLOYEES.** NEW EMPLOYEES would not be eligible.

Spiking:

Employer Contribution: **SCSEA Supports**

Retirement Benefits & Salary: **SCSEA Supports**

PORS: **Discussion about COLA vehicle.**

INCREASED EMPLOYEE CONTRIBUTION = COST OF LIVING ADJUSTMENT

While the revised recommendations represent movement in the right direction, there is still work to be done. As noted in the side by side comparison above, the SCSEA recommends any increase in the employee contribution should be tied to a Cost of Living Adjustment, COLA, for employees.

If the goal is to increase the employee contribution by 1%, we propose a formula that captures a quarter percent, .25%, of every 1% COLA until the contribution goal is satisfied. In order to fully satisfy a 1% increased contribution, a minimum COLA of 4% would be required.

The proposed 1% employee contribution increase, on average, amounts to \$408 per year. The SCSEA is advocating employees receive a 6.7% COLA in 2012. This request reflects a base COLA of 3.5% and an additional 3.2% which represents the CPI-W for 2011. (SEE Attachments to the House Ways and Means Committee and Senate Finance Committee)

Again, if the goal is to increase the employee contribution by 1%, the increased contribution would be captured in the first 4% of the 6.7% COLA. The remaining COLA, 5.7%, would be directed to employee pay. If employees do not receive a COLA then there would be no increase in the employee retirement contribution.

CALL TO ACTION

The formula above is a step towards reducing the current inflation-adjusted earnings gap of nearly 20%. Representative Gilda Cobb-Hunter has already introduced discussion in this regard. In order for discussions to continue, every state employee and retiree should contact their House of Representatives member and ask him or her to support our positions. We want to thank members of the House Retirement Ad Hoc Study Committee for the progress that has been made so far. We need their continued support to continue shaping a final bill that accomplishes objectives without being punitive to state employees and retirees.

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TERMS OF HIRE

The SCSEA is seeking to eliminate any recommendations that may change the terms of hire for current employees. This is in keeping with the standard applied to changes to the retirement system for members of the General Assembly wherein proposed changes do not affect current members. For instance, the elimination of the ability for serving members of the General Assembly to draw retirement benefits as well as salary during service does not apply to current members. Therefore, any proposals that modify the terms of hire for current employees should be excluded from consideration or only applied to new hires.

Provisions that change the terms of hire also have the potential to cause employees to expedite retirement plans to avoid any disadvantages created as a result of changes to the retirement system. The "rush on retirement" will disrupt the balancing act between active employees (assets) and retirees (liabilities) and over stress the system.

RETIREE COLAs

It is important to secure and maintain a mechanism to ensure state retirees receive consistent COLAs. Ninety-four percent, 94%, of state retirees remain in South Carolina. State retirees spend their dollars locally. Retiree combined spending is a major economic stimulus and contributes to business development activities around the state.

Next Steps:

The SC House Retirement Ad Hoc Study Committee will likely finish its work in the next couple of weeks. The committee's proposal will be drafted into bill format. The bill will be debated by the House Ways and Means Committee before going to the full House of Representatives. If you are represented by any member of the House Retirement Ad Hoc Study Committee, please contact him or her and use the talking points in this document. Click on the links at the bottom of the page to access contact information for members of the House and Senate standing and special subcommittees that are working on this issue.

At each step, the bill will no doubt face amendments before a final version is rendered. Reportedly, the current version is projected to decrease the pension deficit by \$500 million. This amount is in sharp contrast to the original version which reportedly would produce a pension deficit reduction of \$4.4 billion.

We clearly anticipate some members of the House will attempt to restore previous recommendations as well as seek to impose proposals that are harsher and even more punitive to state employees and retirees. As Comptroller General, Richard Eckstrom, was quoted in The State Paper, "I'm concerned that we're perhaps being just a little bit too timid because of the risk that there might be some legal challenge." He went on to say, "I think that the extent of the problems are such we probably need to be willing to be a little bit aggressive in making some changes."

Every step of the way, it will remain vitally important for all state employees and retirees to communicate our position to legislators. We are still awaiting recommendations from the Senate Finance Committee Special Retirement Subcommittee. We will update you on the senate subcommittee proposal upon release.

H 3066 Department of Administration

House Bill 3066, Department of Administration Bill, will be up for debate on Tuesday, February 14, 2012. As you know, the SCSEA supports the Sheheen - Massey Amendment or similar language that creates a separate governing structure for the South Carolina Retirement Systems, SCRS, and the Employee Insurance Program, EIP, that is outside of the Department of Administration. There are 75 or more amendments on the Senate desk. We will continue to work with members of the Senate to ensure the SCRS and EIP are separate from the Department of Administration. The bill has already passed the House of Representatives and is on Third Reading in the Senate.

SC Investment Commission

The SC Investment Commission is composed of six commissioners including State Treasurer, Curtis Loftis. The Investment Commission is responsible for making investment decisions for the SCRS. Treasurer Loftis has raised questions about non-traditional investments and transparency.

The SCSEA fully supports transparency and accountability at all levels. All questions and concerns should be addressed on behalf of state employees, retirees, and taxpayers. The Investment Commission budget request of FY2012 is \$18.9 million. The budget reflects funding for technology and 35 new staff members.

The Investment Commission is also searching for a new Chief Investment Officer due to the recent resignation of Bob Borden. The Investment Commission plans to complete the process by July 2012. The SCSEA will continue to work with members of the General Assembly to provide as much input as possible to ensure the investment process is transparent and accountable.

[House Ways and Means Committee](#)

[House Retirement Ad Hoc Study Committee](#)

[Senate Finance Committee](#)

[Senate Finance Committee Special Retirement Subcommittee](#)

THE SCSEA WHERE MEMBERSHIP COUNTS



MEMORANDUM

TO: House Ways & Means Committee
FROM: Frances Feagin, SCSEA President
DATE: January 23, 2012
RE: South Carolina Retirement Systems

The South Carolina State Employees Association, SCSEA, thanks each member of the General Assembly for their work on behalf of the citizens of South Carolina. State employees feel they are equally responsible to the citizens of this great state and by working together we can continue to make South Carolina the best state to live, work, start or expand a business, obtain an education, retire, and visit.

The SCSEA serves as the primary advocate for state employees and retirees. Each year we offer suggestions to improve working conditions for active employees and benefits for both active and retired employees. This is an important course of action to recruit and retain employees who are capable of delivering the very best and highest level of services our state can offer.

As you know, state employees and retirees continue to fall further behind inflation-adjusted earnings. Effective just this month, employee health premiums were increased 4.5%. The House Retirement Subcommittee's proposal suggests employees may be asked to increase their contribution to the South Carolina Retirement Systems, SCRS. Although the Senate Subcommittee on Retirement has not yet made its recommendations public, speculation has it that this proposal will also seek to increase employee contributions to the SCRS as one of its provisions.

Over the past 10 years state employees feel they have made the ultimate sacrifice when it comes to earnings, including no COLA since 2007 or merit pay since 2001. Even still, state employees and retirees remain committed to doing their part to help the state transition and recover from one of the worst economic downturns in history.

If at the end of the day, increasing the employee contribution to the SCRS is required, we feel the formula for increasing employee contributions should be based on a quarter percent of every 1% future COLA until the increased contribution goal is satisfied. Employees are requesting a 6.7% COLA in 2012. This increase reflects the CPI-W for 2011 of 3.2% and a base COLA of 3.5%. Therefore, if the goal is to increase the employee contribution by 1%, the increased contribution would be captured in the first 4% of the COLA and the remaining COLA, 5.7%, directed to employee pay.

This formula helps absorb the impact of the increased employee contribution to the SCRS. This formula also reduces the punitive effect on employees by helping to neutralize the recent health insurance premium increase as well as the long-standing and widening gap (currently almost 20%) in inflation-adjusted earnings.

We are also concerned about proposals that modify the employment contract. Current state employees have made major family and financial decisions based on the employment contract established by the State of South Carolina. Again, thank you for all you do and we hope we can count on you to protect the welfare and interests of state employees and retirees.

If you have any questions, please feel free to contact our Executive Director, Mr. Carlton B. Washington.

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If you have any questions, please feel free to contact our Executive Director, Mr. Carlton B. Washington.

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