

From: Soura, Christian
To: Godfrey, Rob <RobGodfrey@gov.sc.gov>
Date: 10/12/2012 2:41:14 PM
Subject: RE: In a meeting...

There are a couple different themes you could emphasize, depending on how you wanna handle this. Some thoughts:

1. Yes, OPEB is important. Feel free to elaborate.
2. We've focused our efforts more on the pension side than on OPEB so far, largely because (1) the unfunded liabilities in the pension system were (and continue to be) greater than those in OPEB and (2) because the legislature and the general public have a greater feel for and understanding of pensions than OPEB...so it's easier to make the reform argument and to get some traction on pension reform than it is on OPEB (which is an acronym that bureaucrats and green visor-types use, but not regular folks).
3. When it comes to controlling OPEB costs, first off, we created PEBA. So now you have some significant public and private sector expertise being brought to bear in a way we haven't done before. They're going to have ideas and approaches that will help to reign in those costs...so we're working on controlling those costs by bringing in the professionals. You could also argue that the recent BCB decision was about ensuring that employees pay their fair share of the growth in pension and benefit costs. If you can establish that kind of cost-sharing approach for active employees, then you're more likely to be able to help control retiree healthcare costs by preventing too much of the burden being shifted to the taxpayers. You could also conceivably argue that if you raised the retirement age, then you'd implicitly be shortening the post-employment period (the PE in OPEB), so you would also be reducing your anticipated OPEB costs going forward. There's some nuance to this, but in English, that basically means that more aggressive pension reform would have the result of automatically reducing your OPEB liabilities going forward...but I don't know if anyone wants to go down that road at this point.

CLS

Christian L. Soura
Deputy Chief of Staff

(803) 543-0792
ChristianSoura@gov.sc.gov

From: Godfrey, Rob
Sent: Friday, October 12, 2012 11:05 AM
To: Soura, Christian; Baker, Josh; Pitts, Ted
Subject: FW: In a meeting...

Guidance here?

From: Beam, Adam [<mailto:abeam@thestate.com>]
Sent: Friday, October 12, 2012 10:56 AM
To: Godfrey, Rob
Subject: Re: In a meeting...

The retirement bill the Governor signed has been widely praised for addressing the state's unfunded liability in the pension system. However, the state has another growing unfunded liability in its OPEB trust fund. This is the money set aside for retiree' health insurance cost. The latest valuation, which has yet to be finalized, has that liability at \$10 billion. That's up from \$9 billion the year before. Right now, the fund is only 5 percent funded.

Questions for the governor:

Is this liability a priority for you?

What can the state do to get that liability under control?

On Fri, Oct 12, 2012 at 10:51 AM, Godfrey, Rob <RobGodfrey@gov.sc.gov> wrote:

...but just got a note that you called me. I know you're looking for something for us for your weekender. What's the question you have for the governor?

Rob Godfrey

Office of Gov. Nikki Haley

O: (803) 734-5074 | C: (803) 429-5086

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[Adam Beam](#)

Reporter

[The State newspaper](#)

(803) 386-7038

[@adambeam](#)