

From: Hayden Grooms  
To: Danny Varat <DannyVarat@scstatehouse.gov>  
Date: 2/24/2017 9:48:42 AM  
Subject: RE: Clips 2-24

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SENECA — A bill to shore up a \$24 billion shortfall in the South Carolina state pension fund made it out of committee in the state House of Representatives on Thursday.

The Ways and Means Committee sent legislation to the House floor that would increase both employer and employee contribution rates to the S.C. retirement system starting in July. The bill, H. 3726, would increase employee rates from 8.6 percent to a fixed 9 percent, according to bill co-sponsor Rep. Bill Whitmire, R-Walhalla.

Employer contribution rates would increase from 11.5 percent to 13.5 percent, and then 1 percent annually until the number reaches 18.5 percent. Whitmire, a member of the Ways and Means Committee, told The Journal that the pension fund needs the increases because business as usual isn't cutting it.

"If we don't do this, somewhere down the line we're not going to have the money to pay retirees," said Whitmire, who represents District 1 of Oconee County. "I'm not talking about today, tomorrow or five to 10 years from now. I'm talking about 30 years from now. If we don't fix it now, it's going to be worse year after year. We've got to get a handle on it."

State Treasurer Curtis Loftis said in January the pension fund's unfunded liabilities, or debt, is at least \$25 billion. And the state, according to Loftis, lacks the money to pay it off.

"The pension debt is the massive pothole that you can't see," Loftis said. "It is the debt that is larger than our state budget. It is the one issue that will cause taxes to rise and money for education, law enforcement and essential services to dry up."

The state's budget for fiscal year 2016-17 is \$7.5 billion, making the pension fund three times greater than the budget.

Whitmire said the bill would also decrease the retirement system's assumed rate of return to 7.25 percent, with the intentions to reduce it to 7 percent. Now the state expects the investment gain on the pension fund to be 7.5 percent, a figure that Whitmire said is "artificially high."

"There's no way we're meeting 7.5 percent, and it's one reason we got in trouble," Whitmire said. "Seven percent is a more realistic rate of return on investment."

If the state keeps assuming an unrealistic rate, according to Whitmire, unfunded liabilities will keep going up "very rapidly."

"Hopefully lower expectations will be more reasonable than before, but it's going to take a while," he said.

One thing that will not change is the 1 percent cost-of-living increases for current employees.

"That will stay in place," Whitmire said. "Next July, all retirees will receive a 1 percent cost-of-living increase."

But the Municipal Association of South Carolina fears that H. 3726 will hit cities across the state hard. MASC deputy executive director Reba Campbell told The Journal that any state legislation would cost employers in the long run.

"Our position is that any sort of revenue reduction or increased cost is going to be a huge concern to cities all around the state," Campbell said. "This is on top of caps for the cities' abilities to raise property taxes from Act 388, reductions to local government funding and the potential reduction in revenue from the business license bills."

The (Columbia) State reported in September that lawmakers could rethink Act 388. The 2006 law capped how much

local governments and school districts could raise taxes and limited tax hikes on some properties.

The Journal reported Tuesday on bills H. 3650 and H. 3651, which deal with business licensing. Rep. Bill Sandifer of Seneca, head of the House Labor, Commerce and Industry Committee, backs the bills, which would standardize measures for stakeholders and cities.

But critics say the bills will hurt city revenues.

"The news has got to get out that this is not friendly to small business and is crippling to the cities in South Carolina," Seneca city administrator Greg Dietterick said recently.

Whitmire doesn't deny that the House retirement system bill will cost local governments. But he doesn't see any other way out of the state's predicament.

"This will put a strain on local and state government, but that's the only way we feel we can fix the system," Whitmire said. "This is going to be painful for about 10 years, but if this works, hopefully we'll reduce unfunded liabilities and contributions down to a much lower amount."

Representatives plan to debate the bill next week in a period when the House is looking at several pieces of legislation, including a roads bill. Whitmire said he and his colleagues would keep meeting to ensure they've done the right thing.

"We've tried to take the middle-of-the-road approach and make sure that we didn't go too far and try to bring down the debt too fast," he said. "It took 20 years to get this way. We tried to be as fair as we could to employees and retirees."

Whitmire isn't worried about the bill passing.

"I think we've got the votes."

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From: Danny Varat  
Sent: Friday, February 24, 2017 9:46 AM  
To: Hayden Grooms  
Subject: Re: Clips 2-24

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Bill shoring up \$24 billion in pension shortfall passes the House Ways and Means committee yesterday  
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From: Hayden Grooms  
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Secretary of State Tillerson and Homeland Security Secretary Kelly face resistance from Mexican leaders after trying to soften the message on US expansion of deportation criteria.

<https://www.wsj.com/articles/u-s-officials-on-tough-trip-in-mexico-trump-says-1487871849>

White House officials asked FBI to dispute Russia reports

<http://www.thestate.com/latest-news/article134674604.html>

Sen. Talley proposes ethics bill that would require panels to hold public hearings for complaints found to have probable cause.

[http://www.postandcourier.com/politics/upstate-senator-files-expanded-ethics-proposal/article\\_e2f6ccc6-fa0a-11e6-aa62-eb7fe83d0b34.html](http://www.postandcourier.com/politics/upstate-senator-files-expanded-ethics-proposal/article_e2f6ccc6-fa0a-11e6-aa62-eb7fe83d0b34.html)

Myrtle Beach airport has highest number of passengers since 2012 <http://www.myrtlebeachonline.com/news/business/article134697729.html>

Bill shoring up \$24 billion in pension shortfall passes the House Ways and Means committee yesterday <https://upstatetoday.com/2017/02/sc-pension-reform-bill-hits-house-floor/>