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Subject: FW: Senate Meeting of Subcommittee

From: William Blume [mailto:WBlume@retirement.sc.gov]
Sent: Wednesday, March 21, 2012 8:56 AM
To: joe.newton@gabrielroeder.com; danny.white@gabrielroeder.com
Cc: Avant, David; Werner, Justin; Greg Ryberg; Danny Varat
Subject: Senate Meeting of Subcommittee

After hearing the testimony of the various groups at yesterday's session, I am afraid that the Senate Subcommittee is on the verge of making suggested revisions to the House bill that may curtail or at the very least dampen the proposals that were suggested by the House.

- 1 The Benefits adjustment will have consideration for modification- -specifically, the annuitant will have an opportunity to receive a BA if the hurdle of 7.5% is met without any consideration of the 5 year rolling average. In its place is the following: a 1% BA for anything over the 7.5% assumed rate of return up until the return reaches 8.5% then a 2 % return will be given if the actual investment return is greater than 8.5%. There will be a cap of 2%. What will this do to the unfunded liability and the funding ratio/amortization and employer contribution?
- 2 Can we compare to the two following alternatives ? Provide a BA if the actual return is above 7.5% but if the return is no more than ½ of 1% then the BA would only be up to ½ of 1 %. If the return is more than ½ of 1% then the BA would be 1%. If the return is over 1% but less that 1.5%, the BA would be 1.5% The cap would be 2%. Could we still assume the 1% BA for annual projections or would we have to raise the annual assumption for the value of the BA, le from 1% to 1.5% ? In the alternative, could we move the hurdle rate down to 6.5% with the same criteria that was originally proposed (the rolling 5 year average)? Which alternative is better for the funding of the plan?
- 3 If the AFC is considered only for the members that have 19 years of service and below, what effect does this have on the valuation?
- 4 If sick and annual leave are not removed from the calculation but both are considered to affect only the service eligibility would this have a significant detrimental affect compared to the previous projections?
- 5 Would waiting to receive the BA for PORS annuitants until 60 years old have a significant benefit to the PORS system ?

I am speaking with Sen. Ryberg this morning at 10am (EST). Would it be possible to have this discussion at that time ? I would also like to have an earlier discussion that would vet some of these alternatives since our 10AM meeting will only be for ½ hour.

It is disappointing that these changes may be undertaken by the Senate especially since the House made such a great effort to fund the system in their suggested proposals. Sen. Ryberg and I have not had an opportunity to discuss the above. These remarks resulted from my conversations with Mike Shealy after the Senate hearings. The one positive experience coming out of the of the hearings is that the testimony with respect to the TERI/RTW was both specious and unconvincing. We may have more potential for change in this area.

Please call me as soon as you can this morning.

Bill