



HENRY McMASTER
GOVERNOR

August 28, 2017

Joint Committee on Pension Systems Review
South Carolina Statehouse
Columbia, South Carolina 29201

South Carolina Senate
The Honorable Vincent A. Sheheen
The Honorable Darrell Jackson
The Honorable Floyd Nicholson
The Honorable John L. Scott, Jr.
The Honorable Sean M. Bennett
The Honorable Mike Gambrell

South Carolina House of Representatives
The Honorable Bill Herbkersman
The Honorable Gilda Cobb-Hunter
The Honorable J. Mike Anthony
The Honorable Bill Whitmire
The Honorable Tommy Stringer
The Honorable Jeff Bradley

Dear Committee Members,

I applaud the hard work and leadership this joint committee has provided in recognizing the urgency of the crisis facing our state pension system. Act 13 of 2017, the bill put forward by this committee and signed into law in April, was the first of many steps needed to secure the system's long-term fiscal health and sustainability.

Unfortunately, increasing employee and employer contributions for the South Carolina Retirement System (SCRS) and the Police Officers Retirement System (PORS) was the only means available to immediately begin reducing the State's unfunded liability. While it was a necessary first step, we must now take on the task of making the hard decisions.

I ask that the committee consider the following:

- Enacting a date-certain transition from the current defined benefit pension plans to defined contribution retirement (401k style) plans for new employees entering the system.
- Creating additional merit-based "enhanced" contributions to state employee retirement accounts as rewards for employees' years of service, promotions or other criteria. This will enable state agency employers to stay competitive against private sector benefits.

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- Restricting the defined contribution retirement system to new state agency employees only. Counties, municipalities and school districts may find more suitable defined contribution plans through the free marketplace.
- Prohibiting cost of living adjustments to SCRS and PORS that are not fully funded.
- Raising the age of retirement eligibility.

Like all of you, I strongly believe that we must maintain our commitment to the 11.5% of South Carolina's population that relies on SCRS and PORS, while protecting taxpayers from bearing any additional financial burden caused by inaction or indecision.

Again, I applaud this committee's continued dedication and leadership in addressing this crisis and look forward to working with all of you in the weeks to come.

Yours very truly,



Henry McMaster