REPORT OF
FACULTY WELFARE COMMITTEE

The Faculty Welfare Committee would like to present to the Faculty Senate for their approval the following resolution:

Approved

> "Resolved, that the Faculty Senate of the University of South Carolina endorses and supports Senate Bill #487, pertaining to an optional retirement program. The Faculty Senate recommends that provision be made for a choice of options by faculty with five or fewer years of service as well as offering the choice to new faculty."

Background Information Regarding Senate Bill #487:

(1) Overview

Senate Bill #487 is currently pending. It would allow new university faculty members (less than five years of service) to switch to a privately sponsored retirement plan. As with the state plan, both the faculty member and State would make contributions to the plan. Different from the existing state plan, if the faculty member went to a different state he could take all of the the contributions with him. (Under the state plan, an employee who leaves South Carolina generally has the choice of transferring only his own contributions, or freezing the plan at its then level).

(2) Who Will this Help Attract to South Carolina?

This new portable plan will be attractive to two types of potential faculty members who now might elect not to come to South Carolina because of the nature of our retirement plan:

(1) The distinguished and experienced scholar who has built up a large retirement nest egg with a private plan, but which the state (under current law) could not continue to fund; and,

(2) The beginning but highly promising faculty member who has offers from numerous universities, some of which offer a "portable" retirement plan. (The new faculty member

does not know if he will stay 5 or 30 years at South Carolina. The option of a portable plan - particularly when the competition is offering this - could be a significant factor in where he or she elects to teach.)

(3) Should the Option be Available to All Faculty?

The Faculty Welfare Committee examined some hypothetical data and believes that it likely would be disadvantageous for faculty with 10, 15 or more years of service to switch from the state plan to any private plan. The reason for this is simple. No state which has enacted a law allowing optional private plans, has ever allowed existing employees to transfer the state contributions to the private plans. Therefore, it would be very unlikely that the projected benefit from the private plan (without the prior state monies) would exceed the projected benefit from the state plan. (However, if a faculty member with 15 years service under the state plan knew that he were going to move to another state, say two years hence, there could be some minimal benefit in switching to the private plan. The employee could then "transfer" at least two years of state contributions made into the private plan if he switched.)

Therefore, the committee believes that the limitation that only those persons with less than five years of service can transfer, is reasonable.

(4) Are There Disadvantages to the State?

Although the existing management of the State Retirement System is apparently opposed to the bill, our committee was advised that those states which have enacted similar laws have not found any adverse affect on the state plan.

(5) Are there Disadvantages to the Employee?

To the extent that the bill as finally enacted allows the state to contribute less to the private plans than it contributes to the public (state) plan, the electing employee may potentially not be as well protected as he would be under the state plan. It is likely that the benefits will not be identical. However, since this is the employee's choice, the only real questions are whether the disclosure is adequate to alert the faculty member to these risks, and whether most faculty can truly appreciate the significance of the risks.

It should be noted that the benefits faculty receive from the state retirement plan are not limited to merely the retirement income - as could likely be true under a private plan. The state currently funds a disability plan and a limited amount of life insurance. The employee might not receive these benefits if he selects a private plan.

(6) University Position.

Vice President Denton advised that the administration is in favor of the bill, and has no objection to the faculty taking and publicizing the faculty position.

(7) Conclusion.

For long-term (30 years) employees, the South Carolina retirement plan has many desirable features. Although it may not compare favorably with the plans in some states, it may be better than others.

However, for short-term employees, with less than 25-30 years of service, the plan often is not competitive.

Therefore, the private-plan option is a needed adjunct to our existing benefits offering.