



## State of South Carolina Office of the Governor

MARK SANFORD  
GOVERNOR

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May 28, 2010

The Honorable André Bauer  
President of the Senate  
State House, 1<sup>st</sup> Floor, East Wing  
Columbia, South Carolina 29202

Dear Mr. President and Members of the Senate:

I am hereby vetoing and returning without my approval S. 906, R. 223, which allows judges and solicitors to transfer their Retirement System for Judges and Solicitors service credit to the State Retirement System.

We recognize the distinct and important service that judges and solicitors provide to our state. State leaders speak frequently of the Judicial Branch's importance, but the judiciary is nothing without the judges, solicitors, and public defenders necessary for it to function. Although I respect this bill's intentions, ultimately I am vetoing this bill because the state simply cannot afford to take on any more obligations to its underfunded retirement system – no matter how merited or small.

Approximately 80 percent of public employees nationally receive benefits from pension plans with guaranteed pension payments, while private sector employees receive benefits from their 401(k) accounts which grow or shrink according to market performance. Because political pressures and economic reality so often conflict, states all across the nation are coming to terms with the fact that the states currently lack the funds to fulfill political promises to state retirees. In fact, hedge fund manager and New Jersey Retirement System Director Orin Kramer estimates that the national pension fund deficit is at least \$2 trillion. According to statements by professors from the University of Chicago and Northwestern University in a recent *Barron's* article, state pension funds have a one-in-twenty chance of meeting their obligations over the next 15 years. Because of this massive deficit, state leaders must now come to terms with the fact that the current systems are unsustainable, and must choose between cutting retirement benefits, cutting government services, or dramatically increasing taxes in an effort to bring some sanity to the states' budgets. South Carolina is no exception.

The Budget and Control Board contracted with an outside accounting firm to conduct an Actuarial Valuation of the liabilities associated with the state's retirement system in 2009.

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According to the valuation, which we received just within the last few weeks, the state's unfunded liability for future retirement benefits of state employees is nearly \$12 billion. We believe that if state retirement accounts were subject to the same valuation and accounting standards that are applied to private retirement accounts, then the long-term deficit figure would be substantially higher. We simply cannot support an effort to increase the retirement system's obligation – no matter how valid – until the General Assembly addresses the larger question of how we're going to uphold our bargain with retirees while not dramatically increasing taxes or eliminating important government services.

It's only natural that the General Assembly wants to extend retirement benefits to valuable state employees like judges and solicitors, but South Carolina taxpayers and people currently in the system are depending on us to be prudent administrators of a sustainable plan. With the South Carolina Retirement System currently more than \$12 billion in the debt, we believe the state must address our existing challenges before even contemplating proposals that would make this task any more difficult. Otherwise, we are simply digging a deeper hole.

For this reason, I am vetoing and returning without my approval S. 906, R. 223.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark Sanford', with a long horizontal stroke extending to the right.

Mark Sanford