

October 15, 2009

The Honorable Hugh Leatherman
111 Gressette Building
Columbia, South Carolina

Dear Senator Leatherman:

Please find enclosed the latest actuarial report for the South Carolina Tuition Prepayment Program.

As noted in the report, the actuarial deficit is still a concern and the Program is projected to run out of funding in 2017. Although the General Assembly has taken steps to close enrollment to new participants and limit the impact of future tuition increases, the large tuition increases earlier this decade have placed current costs at a level much higher than the contracted price which the Program may not be able to recover from in time. While this past year sustained some additional loss due to the financial market, there has been some turnaround so far this year, so the total deficit may not be as dramatic as stated.

I have asked the Program's actuary to place more emphasis on the expected funding problem in 2017 and to provide more information and options to address this situation. Although the statutes provide that the state is not obligated to fund any shortfall but to provide refunds in the event of the Program's insolvency, I believe the state has a moral obligation to provide the financial resources to fund these contracts.

I would like to clarify that the actuarial deficit does not affect the Program's ability to pay benefits in the next few years. However, it is my belief that the legislature should move to proactively and adopt a plan to address the liability sooner rather than later. I look forward to working with you on this matter and welcome any questions you may have.

Yours very truly,

Converse A. Chellis III, CPA
State Treasurer