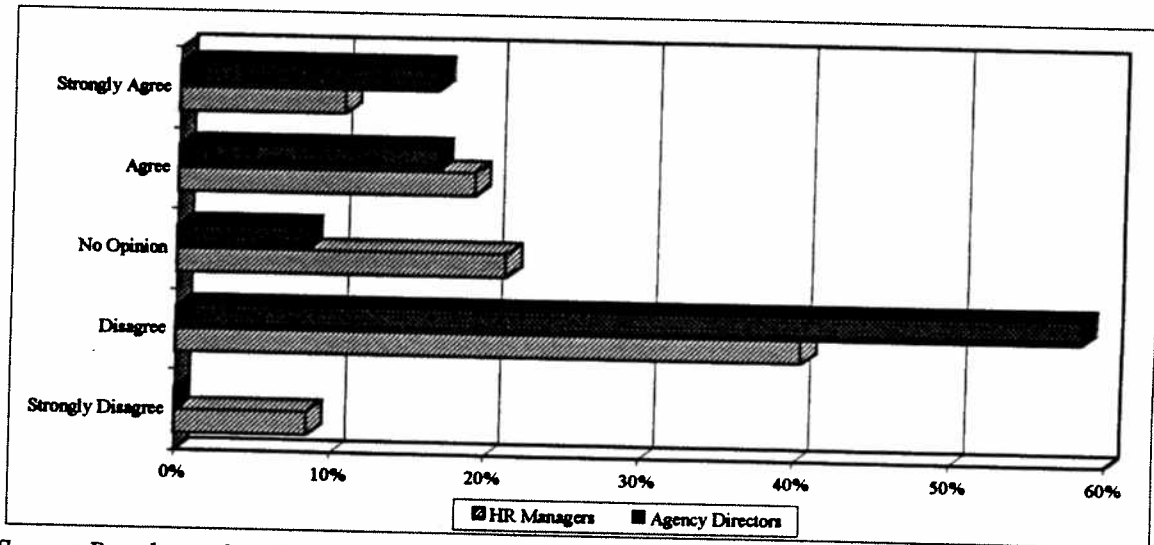


Exhibit 3-20 highlights discrepancies in agency tuition reimbursement policies. Although statute provides for tuition reimbursement, many agencies do not fund or offer tuition reimbursement as an employee benefit. The results of the agency human resources managers and agency directors survey demonstrate the variance in tuition reimbursement policies among state agencies. A majority of agency directors and agency human resources managers indicated their agencies failed to offer an adequate reimbursement program.

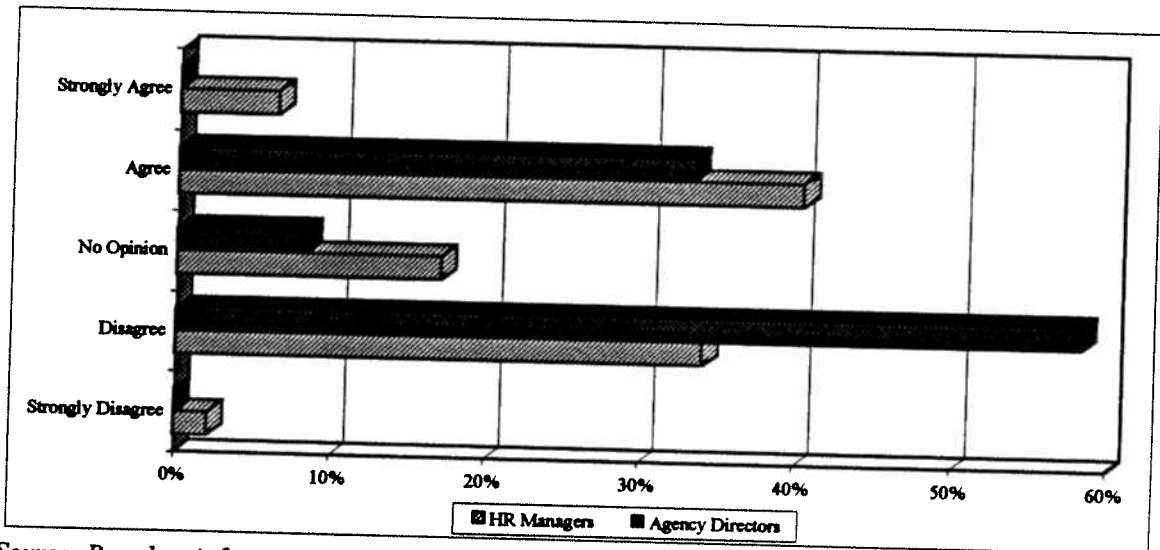
Exhibit 3-20
Adequate Tuition Reimbursement Program



Source: Based on information provided by human resources managers and agency directors.

Furthermore, the survey results indicated that many agencies do not have a well-defined training budget. Over 50% of the agency directors and 35% of agency human resources managers indicated that their agency did not have a well-defined training budget.

**Exhibit 3-21
Agency Has a Well-Defined Training Budget**



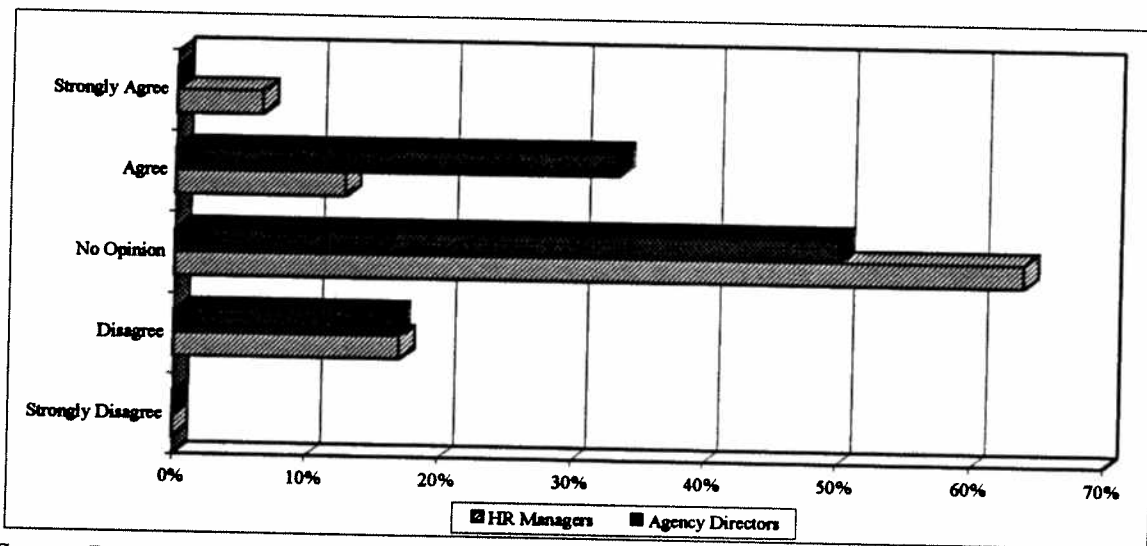
Source: Based on information provided by human resources managers and agency directors.

Investment in training varied from .17% to 1.86% of payroll spent on training among the ten agencies questioned. (Only 5 agencies provided reliable figures regarding training expenditures). Statewide data regarding training expenditures as a percentage of payroll were unavailable.

Information obtained during interviews indicated agencies utilizing the most extensive training and development programs have specified federal training requirements. Many of these agencies have the advantage of federal funds to provide training opportunities to their employees.

Finally, the low priority given to training can be seen in the percentage of human resources managers and agency directors responding to whether training is a priority in their agency's human resources function. Only 20% of human resources managers and 33% of agency directors indicated training is a priority of the agency's human resource function.

Exhibit 3-22
Training is a Priority of Agency's Human Resources Function



Source: Based on information provided by human resources managers and agency directors.

Recommendation: Require agencies to maintain training needs assessments and plans, and report training activity through the Human Resource Information System.

It is necessary that agencies have the freedom and managerial flexibility to meet their individual missions and goals; however, state employees deserve fair and uniform treatment with respect to availability of training and educational opportunities that can impact promotional opportunities.

Training is an integral aspect of the human resources management process and to assist in this process, all agencies should designate a training coordinator. OHR should outline specific activities to be carried out by the coordinator. Agencies should have the discretion to determine the place within the agency where such a position would provide the most service; however, if the function is not located in their agency's Human Resources Office, there should be contact and coordination between offices.

Agencies should be required to perform periodic training needs assessments and report this information to OHR. This will facilitate greater consistency and improve OHR's management tracking and data collection processes.

Training activity, including expenditures and number of training hours received by employees, should be reported through the Human Resource Information System to OHR. This will enable the creation of centralized data repository for training information and allow for training analysis.

Recommendation: Encourage agencies to establish a separate budget for training, based on training needs assessments and a plan, that is equal to at least one and one-half percent of the agency payroll budget.

Several agencies surveyed do not distinguish training as a separate category within their budgets. To ensure that all agencies have adequate training budgets, there should be a standard percentage of payroll budget obligated to training. An expenditure level of one and one-half percent would bring the State of South Carolina in line with the average amount state governments spend on training.

The average percentage of payroll spent on training by various organizations is as follows:

- **State Governments:** 1.4%
- **Federal Government:** 1.0%
- **Private Industry:** 3.0% - 5.0%

Source: KPMG Peat Marwick LLP data.

The training budget cannot be developed without guidance; it requires a training plan to specify how the budgeted money will support the training needs and requirements of the agency. A training plan will help the agency to maintain a training focus and provide consistent and appropriate training to employees.

Recommendation: Encourage broader agency participation in the statewide tuition reimbursement program.

OHR should encourage all agencies to participate in the statewide tuition reimbursement program. The program should establish rules to be consistently applied that determine eligibility, course coverage, and level of reimbursement. OHR should establish these guidelines. Funding for tuition reimbursement should be mandated to ensure equity in funding among agencies and OHR should aggressively pursue tracking agency participation.

Finding: *There is no system to identify and pool training resources.*

The Center for Education, Quality, and Assessment (CEQA) is effective in delivering the courses it offers; however, it is one of numerous training vendors South Carolina state agencies use. Of ten agencies that provided training data, only a small portion of them indicated CEQA delivered training hours to their respective agencies. Several agencies, particularly those in the university system, offer their own individual training courses and course catalogs.

Presently, there is no database or library that lists all course offerings and contact information for agencies.

Recommendation: Implement a central database of training programs and resources.

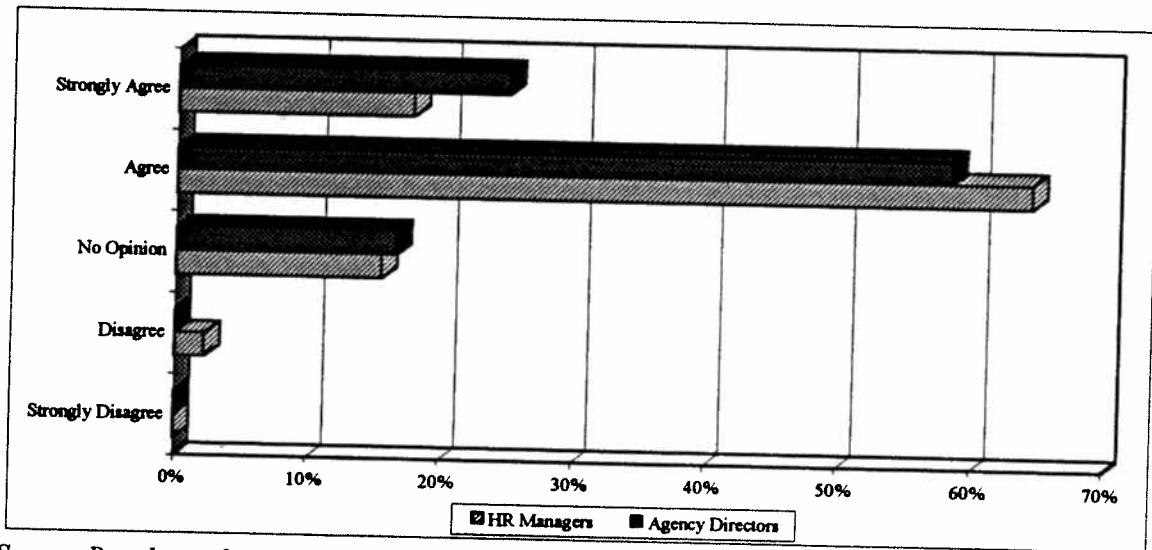
The Office of Human Resources should take steps to electronically publicize all state training programs and resources to ensure that all employees are aware of these programs and have access to them. Using the HRIS, or an Internet or Intranet, or some other type of accessible database, state agencies could post courses they are providing or hosting and OHR could electronically post their course offerings. On a space available basis, employees of other agencies could attend various training courses. By pooling training resources, the state can achieve economies of scale with respect to training and provide greater training exposure to its employees.

Finding: *The Office of Human Resources' training division, the Center for Education, Quality, and Assessment (CEQA), is well regarded.*

Results from the survey of agency human resources managers and agency directors indicated respondents are generally satisfied with the types and quality of courses offered by the Center for Education, Quality, and Assessment (CEQA).

Exhibit 3-23 shows, the majority of those surveyed indicated the types of courses offered through CEQA are appropriate and beneficial.

Exhibit 3-23
CEQA Courses are Appropriate and Beneficial



Source: Based on information provided by human resources managers and agency directors.

Over 80% of agency directors and human resources managers indicated that CEQA provides high quality and beneficial courses to training candidates. However, some agency officials indicated that CEQA had more business than it could effectively handle.

Recommendation: Ensure CEQA has adequate staff to continue to provide a high level of customer satisfaction.

OHR should ensure that CEQA has adequate staffing to maintain, and if warranted, potentially expand its business in accordance with market forces. The offerings and quality of courses available are positioning CEQA to be the training vendor of choice.

Finding: *Formal mentor programs exist in the state.*

Currently the Budget and Control Board sponsors a statewide mentor program. This program has been rolled out to other state agencies in the past year. Agencies presently participating in the Budget and Control Board Program include⁵:

- Department of Juvenile Justice
- Department of Insurance
- State Board for Technical and Comprehensive Education
- Commission for Higher Education
- State Housing Finance and Development Authority

Additionally, other state agencies sponsor internal programs:

- Operational stage
 - Department of Revenue
 - Governor's Office
- Development stage
 - Department of Transportation
 - Health and Human Services Finance Commission
 - Department of Natural Resources
 - Department of Health and Environmental Control

⁵ Budget and Control Board. September 1997.

Recommendation: Continue to expand the mentor program statewide.

The Budget and Control Board should continue to expand their mentor program to state agencies. When the program is implemented at an agency, agency management should encourage employees to participate.

Mentoring programs are important in human resources management. A mentoring program benefits both parties, the mentor and protégé, and a statewide program provides employees with exposure to other aspects and functions of the state government.

Additionally, a mentor program offers numerous benefits by aiding in:

- Encouraging the establishment of career paths
- Targeting internal staff for hard-to-fill positions
- Identifying feeder pools—positions which are primary avenues for upper management positions
- Creating a diverse workforce—minorities and other protected classes are exposed to higher level staff through a mentoring program
- Succession planning

Finding: There is a formal agency head training program.

The Agency Directors Organization currently hosts an agency head orientation and training program. These courses are staffed by OHR.

Participation in these programs varies among the agencies.

Recommendation: Encourage greater participation in the agency head training programs.

In order to achieve consistency among the agency head's training opportunities, the governing authorities for the various state agencies should require participation in the Agency Directors Organization sponsored agency head orientation and training program.

Benefits

This section of the Personnel and Benefits report provides findings and recommendations regarding the structure of the Office of Insurance and medical, retirement and other benefits offerings. For reference purposes, a table showing South Carolina's benefits offerings compared with the rest of the U.S. is presented at the end of this section of the report as Exhibit 3-28.

Structure of Office of Insurance

The Insurance Benefits Management Division is well-organized and oversees a comprehensive benefits program for employees. The Division works with a consultant and a government trade organization to ensure that employees are receiving benefits that are competitive and consistent with the marketplace.

Finding: *While maintaining a firm control on the structure of the program, the Division also has allocated to agencies many of the administrative functions of the plan, such as eligibility tracking, enrollment, and change processing.*

Recommendation: OIS should continue its policy of overall plan management, while delegating to agencies most administrative functions.

Finding: *The Office of Insurance Services has allocated administrative tasks to the agencies, but has kept control over their accuracy through random audits.*

Eligibility information is maintained by each agency. Agencies are responsible for initial enrollment, changes to benefit elections, and coverage terminations. Information is then passed along from the agencies to the benefit administrators and the OIS. It is critical that this information is accurate so that proper payments are made and only employees eligible for benefits can receive them. Audits that reveal problems will recommend training or changes and will often be subject to follow-up audits to ensure the problems have been corrected.

Recommendation: The state should continue to monitor accuracy by requiring agencies to maintain eligibility through random audits.

Medical Plan Offerings

The state offers its employees a choice among two indemnity plans and five HMOs. The indemnity plans are both self-funded, with claims administered by BlueCross and BlueShield, with a standard option and an economy option offered. The HMOs are available to employees who live in the HMO's service areas.

Finding: *The state offers a comprehensive selection of medical plans, providing employees with a reasonable number of choices of variable and comprehensive design so that employees can choose the proper plan for them.*

According to KPMG's Health Benefits 1996 survey of 1,151 employers nationwide, 57% offer indemnity plans and 73% offer HMOs. However, in the South, these numbers show that employers are less inclined to offer managed care, as 67% offer an indemnity plan and 67% offer HMOs. Thus, the state is ahead of many other employers by offering choices which are consistent with the nationwide trend towards offering more managed care plans.

Recommendation: **The state should continue to offer multiple choices of plans to employees, moving further into managed care vehicles, such as a gatekeeper point-of-service or more extensive preferred-provider model to offer employees even greater flexibility.**

Point-of-service (POS) plans and preferred provider organizations (PPOs) offer employees benefits whether they use network physicians or not, although they are reimbursed at a higher level if they use network physicians. The state's indemnity plans provide a limited PPO benefit by reimbursing employees who use network physicians on a higher basis than those who do not. Because the state's medical costs have remained stable in the current structure, additional plan offerings are not urgent, but are recommended for the future.

Medical Plan Costs

The state self-insures its indemnity plans. "Premiums" are determined by the state, projecting the amount of money it will need to collect in order to provide the plan with enough money to pay claims. HMOs are fully insured, meaning that flat monthly premiums are paid to the HMOs, who accept the risk for claim payments. 1997 premiums for the 2 indemnity plans and 5 HMOs are as follows:

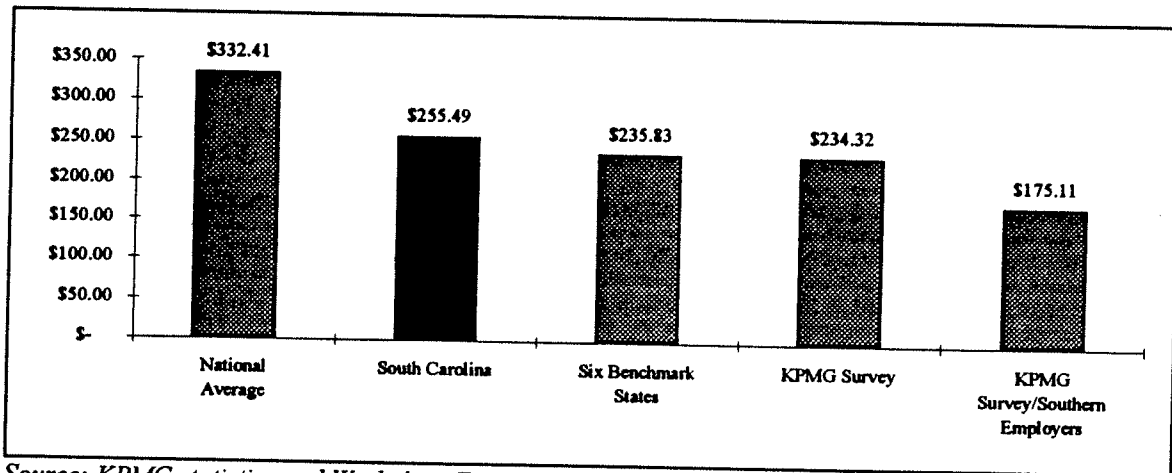
Indemnity Plan Premiums:

	<u>Standard Plan</u>	<u>Economy Plan</u>
Employee	\$142.81	\$139.79
Employee/Spouse	\$301.81	\$282.35
Employee/Children	\$236.87	\$226.45
Full Family	\$395.87	\$367.39

HMO Premiums:

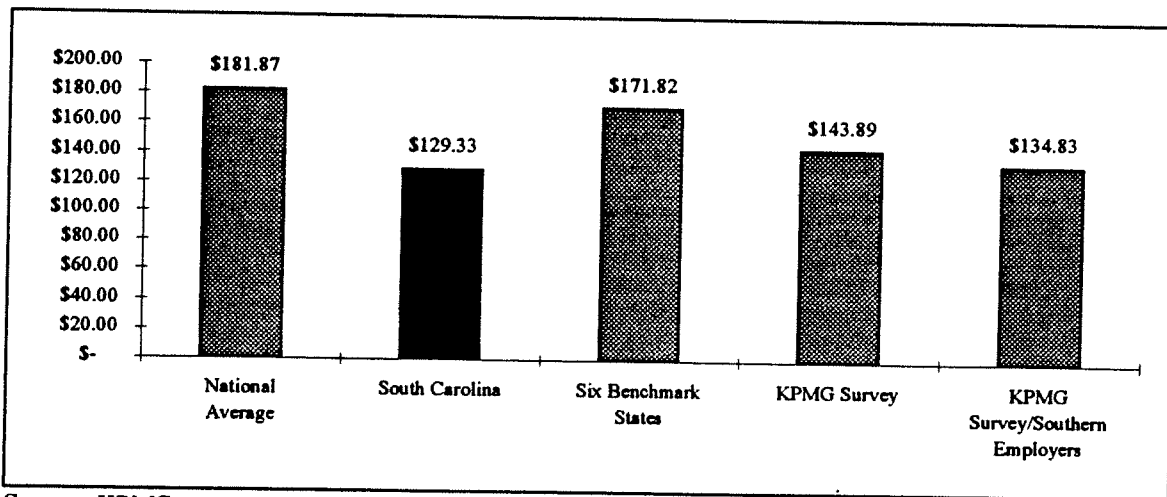
	<u>Healthsource</u>	<u>Companion</u>	<u>HMO Blue</u>	<u>Maxicare</u>	<u>US Healthcare</u>
Employee	\$134.62	\$142.50	\$127.90	\$143.41	\$141.80
Employee/ Spouse	\$336.55	\$296.50	\$306.96	\$338.43	\$321.00
Employee/ Children	\$255.78	\$256.50	\$223.82	\$249.13	\$269.30
Full Family	\$457.71	\$410.50	\$402.88	\$444.15	\$448.50

**Exhibit 3-24
Price for Dependent Coverage Health Insurance**



Source: KPMG statistics and Workplace Economics, Inc.

**Exhibit 3-25
Price for Single Coverage Health Insurance**



Source: KPMG statistics and Workplace Economics, Inc.

Finding: *The state's cost for medical insurance is extremely competitive.*

According to a survey of all 50 states conducted by Workplace Economics, Inc., only 5 states had premium rates for employee-only coverage lower than the State of South Carolina.

The rates for the state's indemnity plan (standard option) of \$143 for single coverage and \$396 for family coverage are well below the averages in KPMG's survey of \$174/single and \$499/family for national employers and \$154/single and \$409/family for employers in the South. In addition, KPMG selected 6 states to benchmark South Carolina's benefit plans against: Virginia, North Carolina, Tennessee, Alabama, Georgia, and Florida. Using data from the Workplace Economics survey, the state had lower costs than all 6 of them for employee-only coverage, and costs lower than all but 2 for family coverage. (Florida's rate of \$362 and North Carolina's of \$361 are lower than South Carolina's \$396.)

Employee Contributions

The state requires employees to contribute a portion of the funds required to provide medical insurance. For the indemnity plan, employees contribute approximately 10% of the cost of single coverage and 38% of the cost of family coverage.

For the HMO plans, the state contributes a set amount for any of the plans, with the amount adjusted for the demographics of the actual enrollees in the plan (a risk adjustment). The HMO contributions are significantly higher than those in the indemnity plans, meaning employees must evaluate their own level of expected benefits, spending, and willingness to use network providers when choosing a plan.

Finding: *The state has established a contribution structure that is fair to employees and the state.*

The state's establishment of a contribution structure creates a good balance between the indemnity plans and HMOs.

It is a recommended common practice that all employees contribute at least some portion of the premium for their plan, which the state has done. Twenty-two states offer plans with no contributions for employees. South Carolina's required contribution of \$14.72 per month for employee-only, indemnity coverage places it near the median of all states, which is desirable. In fairness to both employees and the state's fiscal responsibility, a contribution near the median is a positive finding. The state's contribution percentages are also in line with KPMG survey averages of 13% for single coverage and 31% for family coverage.

A vast majority of active employees (73%, or 115,600) are enrolled in the Standard indemnity option. Another 13,850 (or 9%) are enrolled in the Economy indemnity option

and 29,700 (17%) in one of the five HMOs. Normally, it is desired that an employer have greater participation in the HMOs than the indemnity plan(s). It is also recommended that employee HMO contributions be significantly lower than indemnity contributions, in order to incent employees to choose HMOs, where greater cost savings usually occurs. However, the state is in the unique situation of having lower-than-normal costs in the indemnity program. In addition, the state might spend more money on those employees who incur low claim amounts in the indemnity plan if they were to switch to the fully-insured HMOs, where a flat premium is paid.

Recommendation: The state should continue to require employee contributions for all coverages and monitor the relationship of contributions among different plan offerings.

Administrative Costs

The state establishes "premium rates" based on total funding it needs to collect from the employee and the agency (the employer share) in order to meet the costs to pay claims and administer the plan. Administration fees are necessary to pay BlueCross and BlueShield for claim processing and network administration services. Administrative charges are also necessary to pay the employees of the Office of Insurance who manage the plans. In 1996, these charges totaled \$17,176,884, or 3.7% of the total cost of the medical program.

Finding: *The state's administrative costs are very competitive in the marketplace, demonstrating that the program's management is effective and efficient.*

As a general rule, administrative costs should be less than 5% for an employer with over 100,000 lives. No benchmarking information is available from either the Workplace Economics or KPMG surveys.

Recommendation: Continue to effectively manage administrative costs, keeping the level at or below 3.7%.

The "premiums" pre-determined by the state should be set at a level sufficient enough to cover the combination of the claims paid and the administrative costs. These costs, divided by the premium collected is entitled the "loss ratio" and should be less than 100% in order for the plan to not lose money. In 1996, the loss ratio was 100.6%, but the plan did not lose money because interest income from the reserve offset this loss.

Prescription Drug Costs

The state currently provides employees with a prescription drug benefit under each of the medical plans. Prescription drug costs in 1996 were between \$55 million and \$60 million of total medical costs, or between 12.4% and 13.6% of total claim costs. Even after

taking into account the rebates the state receives (approximately \$4 million in 1996), these figures are significantly higher than the national average of 8% to 10%.

Finding: *The state's prescription drug costs represent a higher percentage of total claim dollars than the national average.*

Recommendation: **Expand the managed prescription drug program to provide greater discounts.**

The expansion of the managed drug program should encourage the use of network pharmacies, provide deeper price discounts, expand management of maintenance drugs, implement programs for mail order drugs, and apply stricter formulary use.

By implementing a program specifically designed to lower prescription drug costs, the state should be able to reduce its costs by an estimated \$2.4 million to \$7.4 million annually. These estimates take into account the fact that the state's prescription drug claims comprise a higher percentage of total claims than other employers due to a high percentage of retirees and females in the population.

Medical Spending Accounts

The state offers its employees a chance to participate in a Medical Spending Account (MSA). An MSA is a very effective and popular tool offered by employers to lower an employee's taxable income. By law, an employee may set aside a pre-determined amount of money at the beginning of the year that can be used only for costs related to medical care. This money is provided on a tax-free basis, so employees take home a larger percentage of salary.

Finding: *Employees' participation in MSAs has been disappointingly low.*

In 1996, only 6,268 employees (out of approximately 160,000 who were eligible) selected the MSA. The state publicizes this plan, but has had little success in getting employees to enroll. The communication of this program may not be effective in informing employees about the advantage of this benefit. Another reason for low enrollment may be that the state charges employees a fee to use this program. In addition, it may be difficult for employees to weigh the potential costs and benefits of such a program.

Recommendation: **Simplify communication materials and assess other strategies to increase participation in the MSAs.**

Focus should be placed on communicating the advantage to employees and encouraging enrollment. A target enrollment penetration for this benefit should be 50%, even though 90% participation is often seen at private employers. While some other states' participation percentages are also low, many we have consulted with are searching for ways to increase these levels. Better communication of the benefits that MSAs provide

employees, especially those who incur annual costs for vision wear, often leads to a higher participation level.

Other strategies to increase participation may be for the state to absorb the \$2 monthly fee. Although this is currently discouraged under statute, the statute could be changed or the cash flow structured differently to eliminate employees paying this fee. If this fee is dropped, the state likely will see increased participation in the plan, which should improve employee satisfaction with the state-provided benefit program. In addition, the state will lower its tax liability to the federal government. By lowering the taxable wages for employees, the state also lowers the matching FICA taxes of 7.65% it must submit. Although the state loses state tax revenue, it is offset by the FICA match because the state tax rate for the majority of its employees ranges from 2.5% to a little over 4%.

Upon dropping the fee, the state should conduct a special roll-out of the new policy, separate from the open enrollment package, in order to educate employees about the benefits of an MSA, and ultimately to incent employees to elect an MSA. The intent of this recommendation is not for the state to change the calendar year basis on which the MSA is based, but rather provide separate communication to increase participation.

Besides the financial incentives, MSAs are very popular with employees who understand how they work. Just like a medical plan, dental plan, or salary increases, an MSA becomes part of a total compensation and benefits program that rewards employees for working with the state and helps attract quality hires.

Retirement Plan Offerings

The state offers its employees a defined benefit plan upon retirement. Employees become vested in this program after 5 years of service and become eligible for full benefits after 30 years of service. There is no minimum age requirement to receive full benefits. The amount that retirees receive is based on a formula that includes their most recent salary and the length of service with the state.

Finding: *The state offers vesting in the retirement program after 5 years of service, which is standard when compared to other states.*

According to a survey of all 50 states conducted by Workplace Economics, Inc., 26 states offer a vestment period equal to 5 years, and 5 other states offer a vesting period less than 5 years. The alternative to this period is 10 years, which is used by all other states, except one.

Recommendation: **Keep the length of service required for full vesting at 5 years.**

This is an adequate time for employees to contribute to the state in a manner which then requires reward. The 5-year period is in line with other state and private employer guidelines. If the state were to increase this level to 10 years, some savings could be

achieved. However, the state would have to make an ideological choice about the length of service employees should work before receiving vested benefits. Although the state is not required to follow vesting rules that apply to the private sector, ERISA rules do not allow a vesting period to be more than 5 years.

Finding: *The state uses a formula to determine an employee's pension amount that is within the range of formulas used by other states.*

The amount is 1.82% of compensation (the highest 12 quarters) times the number of years and months of service. For example, an employee with 25 years and 6 months of service, whose monthly salary was \$5,000 would receive \$2,320.50 per month ($\$5,000 \times .0182 \times 25.5$). This formula is comparable to formulas used by other states. According to the Workplace Economics survey, 33 states use a formula in which employees receive between 1.6% and 2% of salary times length of service as a benefit.

Recommendation: **The state should continue to monitor this level of benefit with the offerings of other states to ensure that it remains comparable.**

Finding: *The state does not integrate its pension plan with Social Security, which is consistent with the policies of many employers.*

South Carolina's non-integrated pension plan is consistent with a majority of private employers and 43 other states' policies. In an integrated plan, the amount of benefits is capped at a maximum of the pension plan plus Social Security, and the state plan would pay up to that maximum.

Recommendation: **Maintain current policy of not integrating the pension plan with Social Security.**

Although integration would save the state money, an integrated plan is difficult to administer and may not be consistent with the state's goals of rewarding its employees for years of service.

Other Benefits

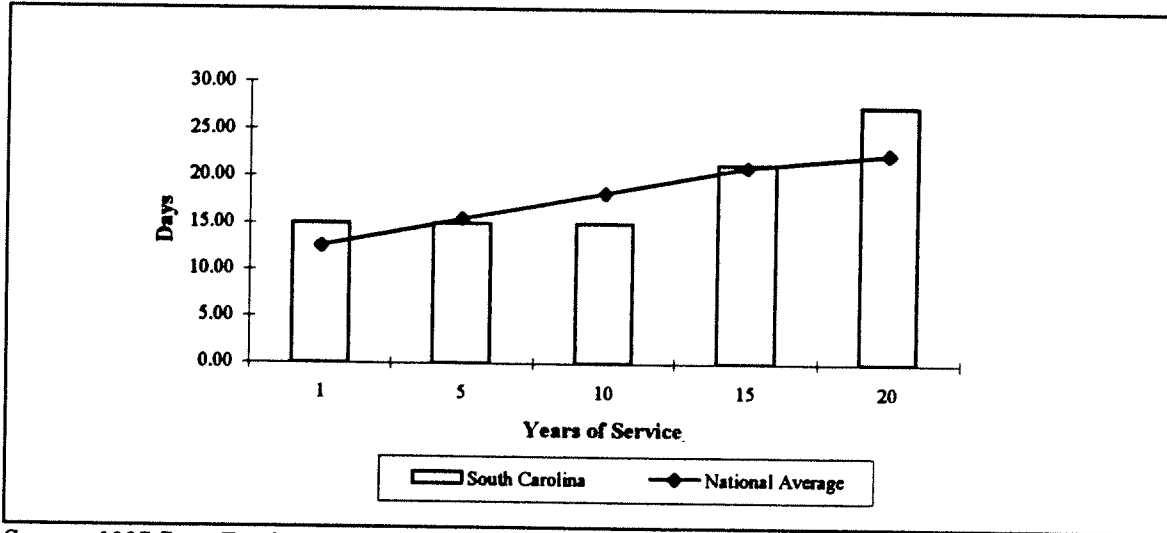
Sick and Annual Leave Offerings

The state provides its employees an allowance of 15 sick days per year. This is slightly above the national average of 13.45 days for all other states, per the Workplace Economics survey. The state also provides employees with personal leave days based on their length of service. Employees with less than 10 years of experience receive 15 leave days per year, while employees with 15 years of service receive 21.25, and those with 20 or more years receive 27.5.

Finding: *The state's policy of offering personal leave days on a sliding scale based on the length of service is a good policy.*

Policies such as these help to encourage employees to remain in state employment, and also provide a significant reward for an employee's years of service.

**Exhibit 3-26
Annual Leave Days Available to State Employees**



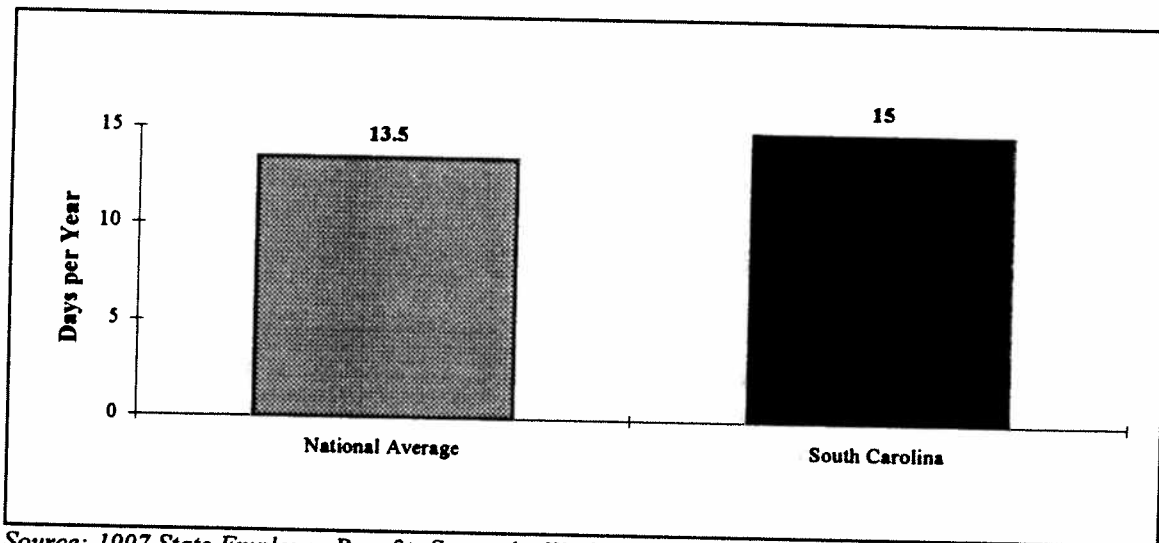
Source: 1997 State Employee Benefits Survey by Workplace Economics, Inc.

Recommendation: **Maintain the current annual leave sliding scale for employees.**

Finding: *The state offers more sick days than the national average.*

As sick days are a frequently abused benefit for public employers, the state may be incurring greater costs than necessary by providing a large benefit.

Exhibit 3-27
South Carolina Sick Leave Allowance is Above the National Average



Source: 1997 State Employee Benefits Survey by Workplace Economics, Inc.

Finding: *The state offers a combined minimum 30 days of sick leave and annual leave—15 days of sick leave and 15 days of annual leave.*

While this is only slightly above averages for other state governments, it is significantly higher than what is offered to most employees in the private sector.

Recommendation: Consider reducing the number of sick days offered.

By reducing the number of sick days from 15 to 14, the state will likely save \$7 million annually in manpower costs and accrued sick leave liability, based on an average classified employee salary of \$25,670 applied to all employees. (Average salaries for all employees were unavailable.) ($\$25,670/250 \text{ days} = \$102.68/\text{day} \times 68,287 \text{ employees}$)

Potential Alternative: Evaluate a personal leave policy that combines sick days and annual leave days, reducing the total number available by five days; consider implementing short term disability coverage in conjunction with a personal leave policy.

Studies show that the number of sick days taken are reduced when the benefit is not present. By allowing for sick days through a combined allotment, employees are not punished for genuine illnesses, and still receive a significant benefit. Concurrently, employees who do not use sick days are rewarded with greater flexibility by "earning" extra personal days. In addition to the foregoing, a policy of providing personal days rather than sick and annual leave is a growing trend among private employers in the U.S.

This recommendation would reduce the minimum combined sick and annual leave available from 30 days to 25 days, and reduce by five days the total number of personal days available based on years of service (i.e., the number of personal days awarded would continue to be based on a sliding scale that increases based on years of service). This recommendation will also bring the state more in line with the average for other state governments and leave offerings in the private sector.

By reducing the number of combined days by five, the state will likely save \$35 million annually in manpower costs and accrued sick leave liability, based on an average classified employee salary of \$25,670. ($\$25,670/250 \text{ days} = \$102.68/\text{day} \times 5 \text{ days} \times 68,287 \text{ employees}$)

In conjunction with this alternative, the state should evaluate eliminating the sick leave carryforward and application of sick leave toward retirement, and consider implementing a short-term disability plan. Providing short-term disability coverage would cost the state an estimated \$13.5 million annually. Short-term disability coverage is also discussed in the following section, *Dental, Life, Vision and Disability Insurance*.

Dental, Life, Vision and Disability Insurance

The state provides its employees with dental, life, vision, and long-term disability insurance. Dental insurance is available to employees in 46 states and the state's costs and employee contribution structure are within industry averages. Vision is provided to employees in 37 states. A long-term disability is essential for employees who desire this benefit, even though it is only offered by 22 other states. Often private employers will provide this benefit, but the employee will bear the entire cost. The state provides this benefit for free.

Finding: *The state provides its employees with an adequate level of coverage for dental, vision, and long-term disability coverage, but offers a below-average life insurance benefit and no short-term disability.*

Recommendation: **Maintain current dental, vision, and long term disability benefits, and investigate increasing life insurance and offering a short-term disability plan.**

The life insurance plan of \$3,000 is considered a "box plan" as it pays for some of the cost of the funeral. However, this benefit does not provide any security for an employee's family. As life insurance is relatively inexpensive, the state should consider raising this to \$10,000 or a multiple of salary. The additional annual cost to the state to raise life insurance coverage to \$10,000 would be \$3.1 million annually. The state should carefully weigh the additional costs of increasing life insurance coverage with regard to the overall competitiveness of its other benefit offerings. The optional life insurance up to \$125,000 at employee cost should remain.

With no short-term disability plan, an employee has no plan to support himself or herself for the time period between the exhaustion of his or her sick days and the beginning of coverage under the long-term disability plan after the waiting period expires. The state should consider implementing a short-term disability plan, especially if changes are made to leave policies, as discussed above.

**Exhibit 3-28
Comparison of Employee Benefits Offerings**

SOUTH CAROLINA

MEDICAL

Single Coverage, State Cost	\$ 129.33
Dependent Coverage, State Cost	\$ 255.49
Single Coverage, Employee Cost	\$ 14.72
Dependent Coverage, Employee Cost	\$ 142.12

South Carolina is 44th in the nation for single coverage, state contribution.

DENTAL

Single Coverage, State Cost	11.71
Dependent Coverage, State Cost	11.71
Single Coverage, Employee Cost	0
Dependent Coverage, Employee Cost	21.34

LIFE and AD&D

Offered through health plan or one of the HMO alternatives. \$3,000 maximum coverage, with optional coverage up to \$125,000 (based on age and salary) available at employee expense. State does offer AD&D coverage.

SOUTH CAROLINA

DISABILITY INSURANCE

Provides long-term disability insurance; however, does not provide short-term disability insurance coverage.

SOCIAL SECURITY

Participates in the Social Security System.

RETIREMENT

Vesting requires 5 years.

SICK LEAVE

State's rate of 15 days accrual per year is above the national average.

SOUTH CAROLINA

ANNUAL LEAVE

Accrual based on years of service.

Service Years	Leave Days
1-5 years	15.0
5-10 years	15.0
10-15 years	15.0
15-20 years	21.25
20+ years	27.5

South Carolina's accrual policies are similar to national average.

PERSONAL LEAVE

No separate policy for personal leave.

NATIONWIDE

Avg. State Contribution, Single Coverage	\$ 181.87
Avg. State Contribution, Dependent Coverage	\$ 332.41
Avg. Employee Contribution, Single	\$ 13.49
Avg. Employee Contribution, Dependent	\$ 91.52

In 22 states, full cost of single coverage is paid by the state.

In 22 states, full cost paid by the state for single coverage.

44 States pay full cost of basic life insurance, and 38 states provide AD&D coverage.

NATIONWIDE

19 states provide short-term disability insurance and 22 states provide long-term disability insurance.

43 states participate in the Social Security System.

Nationwide average for vesting is approximately 7 years.

18 states report 12 days per year, 13 report 15 days per year.

NATIONWIDE

Accrual based on years of service.

Service Years	Leave Days
1-5 years	12.5
5-10 years	15.5
10-15 years	18.2
15-20 years	21.0
20+ years	22.4

Personal leave is available in 21 states, with the number of leave days granted ranging from one day to six days.