Fiscal Year 2011 Accountability Report

Submitted to the South Carolina Budget and Control Board

September 15th, 2011

Curtis M. Loftis, Jr.

State Treasurer

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EXECUTIVE SUMMARY

The Office of State Treasurer is responsible for the investment, cash management, and safekeeping of the State's general and restricted funds, as well as a portion of the assets of the South Carolina Retirement Systems. The Office also provides fiscal management services, including receipt and disbursement of all funds. The Office coordinates all banking services, manages the State's debt, administers both the unclaimed property and college savings programs and works with and communicates regularly with the three major bond rating firms to maintain high credit ratings that keep the State's borrowing cost low.

The mission of the State Treasurer's Office is:

> ***"Serve the citizens of South Carolina by providing the most transparent, accountable and efficient banking, investment and financial management service for South Carolina State Government. Our commitment is to safeguard our State's financial resources and to maximize return on our State's investments."***

Curtis M. Loftis, Jr. was elected into office November of 2010 and took office on January 13th, 2011. Some administrative and personnel changes were made but the overall structure of the Office remained the same. The Office continues to operate with five primary Divisions: Treasury Management; Debt Management; Investments; Unclaimed Property; and College Savings.

Some of the major accomplishments and challenges of the Office are summarized below:

Unclaimed Property. The Unclaimed Property Division held its first auction of unclaimed safe deposit contents yielding total proceeds of $52,095 dollars. The Division received 23% more claims for processing than the previous fiscal year and holder remittances were up 6% with 94% of the remittances received being reported electronically. The Division was challenged because limited resources were available to assist holders with reporting compliance and Division software was outdated. New software has been purchased and will be implemented early in Fiscal Year 2012.

Investments. The Investments Division continued to produce above market returns for Local Government Investment Pool (LGIP) participants. The Division renegotiated the State's contract with Jamison, Eaton and Woods, our investment advisor, resulting in efficiency and accountability.

Over the last fiscal year, the investment portfolio outperformed the benchmarks of 90-day Treasury Bills and Federal Funds by 2.68% and 2.63% respectively, while the Local Government Investment Pool (LGIP) earned an average rate of .38% compared to the average 90-day T-Bill benchmark rate of .11%. The BidSC Program quarterly CD auctions generated increased earnings of $167,034 for the State. The main challenge for the Investment Division has been the volatility in the market and low yields on treasury securities.

Debt Management. The Debt Management Division refinanced portions of State debt to achieve $24 million in savings. The Division worked directly with the rating agencies to maintain South Carolina's highly regarded credit ratings during a time of extreme financial uncertainty.

Treasury Management. The Treasury Management Division successfully increased the number of electronic payments while reducing paperwork and costs. The amount of manual deposits decreased due to agencies submitting deposits through SCEIS. The Office continues to work closely with banks to ensure that the most efficient and effective banking services are being utilized by all State agencies.

Future Scholar College Savings Program. The total amount of accounts held by Future Scholar participants increased by 5.9% over the past fiscal year to 89,528. The Program's direct option for South Carolina residents received the top rating by "Savingforcollege.com," and its call center earned the top rating from National Quality Review for the fourth consecutive year. Moreover, its website was redesigned to make it more user friendly and allow for on-line applications. Since September, 2009 a total of 4,788 accounts were opened online. At no cost to taxpayers, the Treasurer's Office partnered with VISA to produce a DVD learning game to teach financial literacy to elementary and kindergarten-aged children. The games were distributed to every public, private and charter elementary and kindergarten school in the State. Several schools that the Treasurer visited received a computer tablet with the games loaded on them.

Administrative Initiatives. On July 1, 2010 the Office successfully implemented the SCEIS Human Resource/Payroll system for State Salary Supplements paid to County Auditors and County Treasurers. While maintaining daily operational activities, the Administrative Division accomplished a successful transition with the new Administration to include:

- Processing personnel actions and employee benefits for new hires and separations
- Significant updating/revising of human resource policies
- Reviewing/revising Office contracts; preparing new solicitations and requests for proposals
- Updating records retention schedules and revamping/reorganizing office space, equipment and furniture

- Providing budgetary and legislative information reports and increased budgetary authorization in order to meet Office mission and goals

Treasurer Loftis not only maintained the successes and improvements realized in the recent past, but he has also expanded the vision for success and improvements in the State Treasurer's Office. This accountability report serves as a key benchmark upon which the Office measures annual progress and success.

ORGANIZATIONAL PROFILE

II.1. – II.2. Below is a list of the basic services the Treasurer's Office provides along with a corresponding list of customers who utilize those respective services.

Major Services	Key Customers
Treasury Management Receipt and disbursement of all funds for all agencies and State institutions	State Agencies State Employees and Retirees State's Vendors Taxpayers Local Governments Recipients of other State disbursements
Investments All State funds, the Local Government Investment Pool, Tuition Prepayment Funds, and the South Carolina Retirement System Funds	State Agencies and Institutions Local Governments and School Districts The Tuition Prepayment Program The South Carolina Retirement Systems
Debt Management General obligation, revenue, and special debt issues	State Agencies, Institutions and Authorities Holders of the State's General Obligation and Revenue Bonds
Unclaimed Property	Rightful Owners of Unclaimed Property Holders of Unclaimed Property
College Savings	Contributors to and Beneficiaries of College Savings Plans Institutions of Higher Learning

II.3. Key stakeholders for the State Treasurer's Office include not only our direct customers but also the South Carolina General Assembly, the State's General Fund, county and local government officials as well as each and every citizen of the State.

II.4. Key suppliers and partners for the State Treasurer's Office include other State agencies, banks and other financial service providers, bond attorneys, financial advisors, investment banking firms and custodial banks, the program managers of both College Savings Plans, vendors of services and supplies, technology vendors, software providers and partners, holders of unclaimed property, and internet service providers utilized by Office staff.

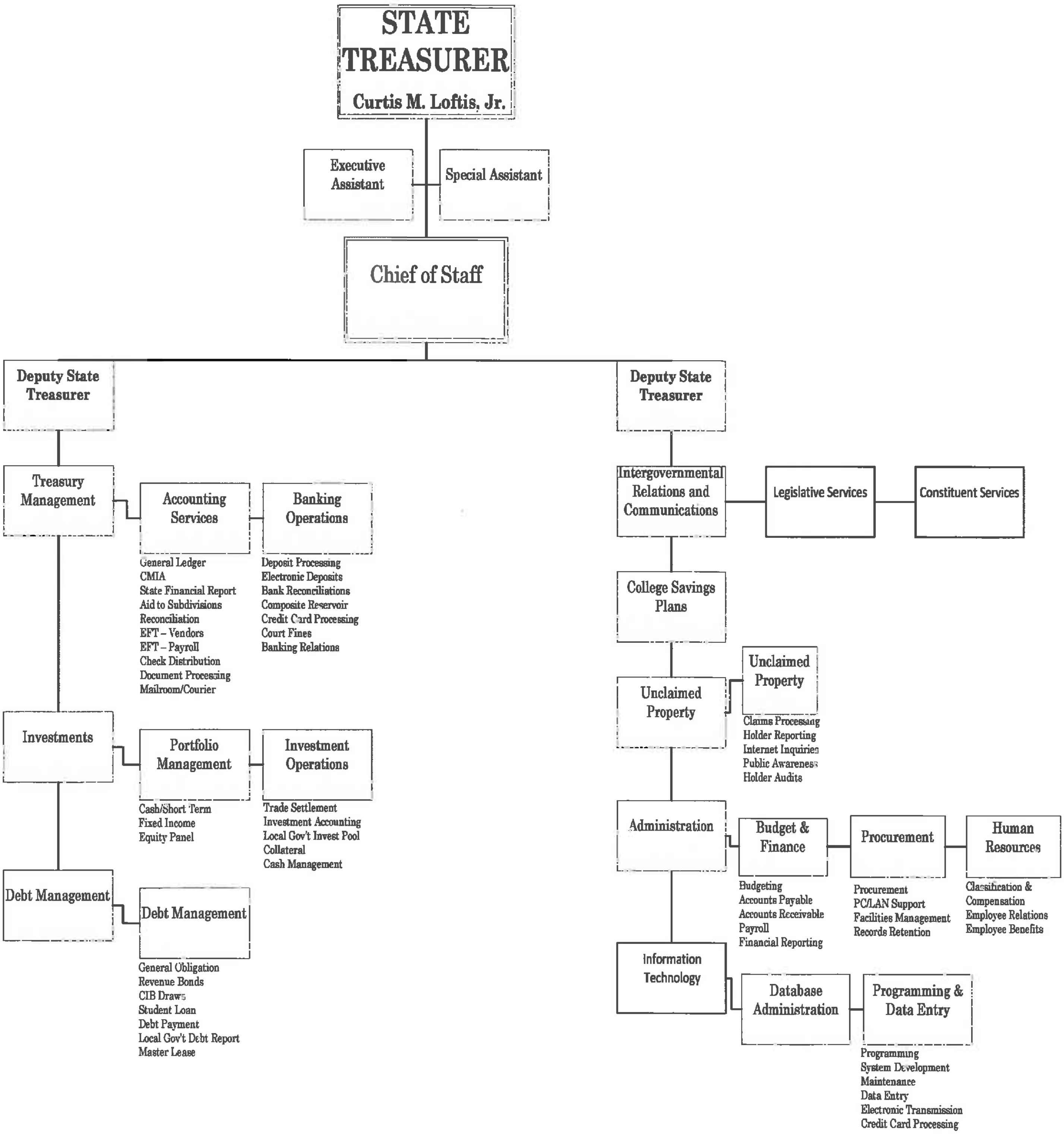
II.5. The State Treasurer's Office is located on the 1st and 2nd floors of the Wade Hampton Office Building. The address is 1200 Senate Street, Columbia SC 29201.

II.6. The State Treasurer's Office has a total of 70 authorized full-time equivalents (FTEs) of which 40 are State funded and 30 are other funded. At fiscal year end, the Office was operating with 84% of our authorized FTEs or 58.50 positions filled and 11.50 positions vacant. The Office had 1 temporary employee. Our FTEs include the State Treasurer, 3 unclassified and 66 classified positions.

II.7. The regulatory environment under which the Office operates is much the same as that of other State agencies as far as Occupational Safety and Health Administration (OSHA), procurement (with certain exceptions), and personnel regulations are concerned. The Office is also subject to certain banking regulations, National Electronic Payment Association (NACHA), regarding processing of financial transactions and Municipal Securities Rulemaking Board (MSRB) regulations regarding filings for bond issues and other financing transactions such as those of the College Savings Plans. The Office is responsible for compliance with Cash Management Improvement Act (CMIA) requirements and Internal Revenue Service (IRS) arbitrage compliance.

II.8. Performance improvement systems for the State Treasurer's Office include trend analyses as well as measurement of its results against peers and industry benchmarks as noted in Section 7 of this accountability report. A motto of the Treasurer's Office is to ensure that business is being done in the most "Efficient, Transparent and Accountable" way possible and that motto is shared with our vendors and other business partners. The annual EPMS System discussed under the Human Resources section provides management a way to tie each employee's job responsibilities to the goals of the Office.

II.9. The Organizational Chart that follows indicates the primary functions of each Division and where they are located in the organization.



II.10. The Expenditures/Appropriations Chart that follows outlines the major spending categories of the budget.

Accountability Report Appropriations/Expenditures Chart

Base Budget Expenditures and Appropriations

Major Budget Categories	FY 09-10 Actual Expenditures		FY 10-11 Actual Expenditures		FY 11-12 Appropriations Act	
	Total Funds	General Funds	Total Funds	General Funds	Total Funds	General Funds
Personal Service	$ 3,140,845	$ 1,362,335	$ 3,250,440	$ 1,203,399	$ 3,147,530	$ 1,097,829
Other Operating	$ 1,206,244	$ 94,990	$ 1,482,496	$ 44,174	$ 1,385,695	$ 66,756
Special Items	$ 7,465,234	$ 970,428	$ 6,067,543	$ 1,065,125	$ 4,000,722	$ -
Permanent Improvements	$ -	$ -	$ -	$ -	$ -	$ -
Case Services	$ -	$ -	$ -	$ -	$ -	$ -
Distributions to Subdivisions	$ -	$ -	$ -	$ -	$ -	$ -
Fringe Benefits	$ 902,279	$ 394,346	$ 962,984	$ 362,631	$ 968,270	$ 349,139
Non-recurring	$ -	$ -	$ -	$ -	$ -	$ -
Total	$ 12,714,602	$ 2,822,099	$ 11,763,463	$ 2,675,329	$ 9,502,217	$ 1,513,724

Other Expenditures

Sources of Funds	FY 09-10 Actual Expenditures	FY 10-11 Actual Expenditures
Supplemental Bills	$ -	$ -
Capital Reserve Funds	$ -	$ -
Bonds	$ -	$ -

II.11. The Major Program Areas Chart lists the Office's major service programs of the total budget.

Major Program Areas

Program Number and Title	Major Program Area Purpose	FY 09-10 Budget Expenditures	FY 10-11 Budget Expenditures	Key Cross References for Financial Results
II. Programs and Services	**Treasury Management** provides statewide services to all agencies and institutions by receipt and distribution of funds from all sources.	State: 638,331.00 Federal: 0.00 Other: 386,422.00 Total: 1,024,753.00 % of Total Budget: 8%	State: 633,274.00 Federal: 0.00 Other: 253,628.00 Total: 886,902.00 % of Total Budget: 8%	Pages 39-40
II. Programs and Services	**Investments** provides statewide investment services to state agencies and institutions through investment of all state funds, management of cash liquidity, cash flow, and collateral.	State: 0.00 Federal: 0.00 Other: 1,078,041.00 Total: 1,078,041.00 % of Total Budget: 8%	State: 0.00 Federal: 0.00 Other: 1,688,718.00 Total: 1,688,718.00 % of Total Budget: 14%	Pages 41-42
II. Programs and Services	**Debt Management** provides statewide debt management services for the State, its agencies and institutions by management of debt issues including debt structure and payments.	State: 0.00 Federal: 0.00 Other: 447,583.00 Total: 447,583.00 % of Total Budget: 4%	State: 0.00 Federal: 0.00 Other: 503,667.00 Total: 503,667.00 % of Total Budget: 4%	Page 43
II. Programs and Services	**Unclaimed Property Program** provides a statewide service to the citizens of South Carolina by returning various forms of property or money to the rightful owners.	State: 0.00 Federal: 0.00 Other: 960,546.00 Total: 960,546.00 % of Total Budget: 8%	State: 0.00 Federal: 0.00 Other: 1,086,760.00 Total: 1,086,760.00 % of Total Budget: 9%	Pages 44-46
II. Programs and Services	**SC Tuition Prepayment Program (SCTPP) / SC College Investment Program (Future Scholar)** are college savings plans that allow families the option of saving now at great advantage for their children's college education.	State: 0.00 Federal: 0.00 Other: 525,105.00 Total: 525,105.00 % of Total Budget: 4%	State: 0.00 Federal: 0.00 Other: 523,491.00 Total: 523,491.00 % of Total Budget: 4%	Pages 47-49
III. Special Items	**Student Loans-Teachers** are funds received and then disbursed to the Student Loan Corp pursuant to the Appropriations Act to fund student loans for teacher program.	State: 970,428.00 Federal: 0.00 Other: 6,494,806.00 Total: 7,465,234.00 % of Total Budget: 59%	State: 1,065,125.00 Federal: 0.00 Other: 5,002,418.00 Total: 6,067,543.00 % of Total Budget: 52%	

Below: List any programs not included above and show the remainder of expenditures by source of funds.

Remainder of Expenditures:	FY 09-10	FY 10-11
Support Systems of the office include Administration, Information Technology, Legislative and Constituent Services.	State: 1,213,340.00 Federal: 0.00 Other: 0.00 Total: 1,213,340.00 % of Total Budget: 9%	State: 976,931.00 Federal: 0.00 Other: 29,451.00 Total: 1,006,382.00 % of Total Budget: 9%

MALCOLM BALDRIGE AWARD CRITERIA

III.1 – Senior Leadership, Governance, And Social Responsibility

The State Treasurer, Chief of Staff, two Deputy State Treasurers, and the seven Division heads make up the senior leadership of the State Treasurer's Office. Adherence to a chain of command ensures that working time is spent on the tasks at hand.

1.1. How do senior leaders set, deploy and ensure two-way communication throughout the organization and with customers and stakeholders, as appropriate for: (a) short and long term organizational direction and organizational priorities, (b) performance expectations, (c) organizational values, and (d) ethical behavior?

Senior leadership utilizes both one-on-one and group meetings to communicate organizational direction. While senior leadership advocates an adherence to the chain of command set forth in the structure of the Office, they are also very open to listening to and soliciting different opinions and viewpoints in order to arrive at the best possible decisions for the Office. The Treasurer has an open-door policy and stresses transparency and accountability with all Office functions. Senior leadership follows all HR policies and procedures with regard to both legal and ethical personnel matters.

1.2. How do senior leaders establish and promote a focus on customers and other stakeholders?

The Treasurer, Chief of Staff and two Deputy State Treasurers meet several times a week to lay out tasks and assignments as well as recap the accomplishments of the previous day. The Chief of Staff holds a weekly meeting with senior staff including the Deputy State Treasurers and the seven Division heads to discuss short-term and long-term progress on the tasks their Divisions are working on as well as receiving updates regarding customer and stakeholder focus and feedback. As a team, they also use this time together to discuss any problems and challenges, and to explore solutions. The team then relays this information to the other staff members and seeks feedback from them.

1.3. How does the organization address the current and potential impact on the public of its programs, services, facilities and operations, including associated risks?

The State Treasurer's Office scope and reach are wide-ranging. Senior leadership maintains communication with all of its customers and stakeholders to ensure that each entity is on the same page regarding the goals of the Office. In an effort to make the public aware of Office actions, its website (www.treasurer.sc.gov) contains volumes of information not readily available from other agencies within State Government. Program managers who work with Office Divisions adequately alert customers, stakeholders and vendors of Office policies, procedures and/or risks associated with the Office. Likewise, the needs of the customer, primarily other State agencies and institutions, drive decisions as to how and when certain services will be delivered.

1.4. How do senior leaders maintain fiscal, legal, and regulatory accountability?

Senior leadership meets regularly to discuss statutory requirements and the time frames within which the Office is given to produce various mandates. A majority of the services provided by the Office are legislatively mandated and are time sensitive and as such have strict deadlines associated with them. Meeting deadlines and ensuring that the Office is compliant with statutory mandates ensures that the highest level of accountability is maintained. Each staff member of the Office is responsible for his or her work product. Senior leadership reinforces personal responsibility as a cornerstone principle of the Office.

1.5. What performance measures do senior leaders regularly review to inform them on needed actions?

Senior leadership routinely reviews all feedback received from customers and stakeholders to ensure that the highest levels of satisfaction are delivered by the business operations of the Office. Division heads are required to submit monthly accountability and activity reports to senior leadership in an effort to monitor progress and address needs as required. Constant monitoring of deadlines, exception reports, and other performance requirements drives day-to-day operations.

1.6. How do senior leaders use organizational performance review findings and employee feedback to improve their own leadership effectiveness, the effectiveness of management throughout the organization including the head of the organization, and the governance board/policy making body? How do their personal actions reflect a commitment to organizational values?

Management effectiveness is measured in a number of ways. Internally, the Office has a policy of openness and honesty with regard to feedback from employees to managers. Input is actively sought from management throughout the chain of command and adjustments are constantly made depending on the information received. Weekly senior staff meetings serve as an opportunity for management at all levels to voice concerns, give praise or work out issues that may exist. Management at every level strives to set an exemplary standard for integrity, honor, efficiency and accountability through their work. Senior leadership also integrates themselves into the workforce by spending time in the work areas and interacting with employees at all levels seeking input and giving feedback.

1.7. How do senior leaders promote and personally participate in succession planning and the development of future organizational leaders?

Historically, the Office has benefited from an employee turnover rate that is lower than the State average. With the new Treasurer taking office on January 13^{th}, 2011 the Office experienced slight shifts in overall compliment as new and modernized positions were created which were offset by retirement, restructuring and elimination. The overall effect is a net decline in the number of actual employees working for the Office.

The Office will soon be challenged with a significant number of employees close to or eligible for retirement. Succession planning has begun for several key positions as department heads, other senior leadership and critical employees near retirement.

1.8. How do senior leaders create an environment for performance improvement and the accomplishment of strategic objectives?

Management at every level is involved in daily activities of the Office. Constant communication with employees, customers and stakeholders allows senior management to monitor the Office and react quickly to needed changes or improvements. The Treasurer is also very involved and has direct input and interest in making sure that the strategic objectives of the Office are not only met but exceeded. In order to meet growing customer demands with increasingly limited resources, managers must continually look for ways to better utilize automation for processing, verifying, and reporting information, and for identifying exceptions needing attention.

1.9. How do senior leaders create an environment for organizational and workforce learning?

Senior leadership encourages cross-training and employee assistance at all levels. All managers are encouraged to include their subordinates in the decision making processes. Management also encourages employees to seek training and counsel whenever necessary as provided by the State or non-State entities.

1.10. How do senior leaders engage, empower, and motivate the entire workforce throughout the organization? How do senior leaders take an active role in reward and recognition processes to reinforce high performance throughout the organization?

Recognition of staff for their accomplishments continues to be both an honor and an important responsibility of management. Division directors and Deputy State Treasurers routinely recognize staff for their efforts in an ongoing effort to motivate the workforce. Employees are honored with and recognized at an Employees' Appreciation Luncheon annually.

1.11. How do senior leaders actively support and strengthen the communities in which your organization operates? Include how senior leaders determine areas of emphasis for organizational involvement and support, and how senior leaders, the workforce, and the organization contribute to improving these communities.

The Office supports the community through participation in the annual United Way fundraising campaign as well as a Harvest Hope Food Bank food drive. Employees across the Office participate in various charities and civic organizations.

III.2 – Strategic Planning

The priorities of the State Treasurer's Office are:

- **Banking Services**
- **Investment Services**
- **Debt Management**
- **Financial Management of State Funds**
- **Safeguard and Maximize Return on State Funds**

The strategic plan includes items to address actions within the stated mission of the Office. They include:

Stable, accurate, transparent and accountable management of funds:

As the State's banker, the first priority of the Treasurer's Office has remained the safeguarding of State dollars and financial resources while providing core banking, investment, and debt management services. With the continued and sustained economic downturn, the Treasurer's Office has worked aggressively with the three major credit rating agencies to maintain the State's coveted high credit rating.

The management of local government funds:

The Treasurer's Office invests on average $2.9 billion for local governments, school districts, and other entities. The Office has provided a stable and advantageous return while continuing to provide local governments almost immediate access to their funds. The Office provides training and guidance in an effort to help local governments remain financially healthy.

Provide families and students opportunity to attain higher education:

The State Treasurer's Office continues to operate one of the most recognized, highly rated and successful 529 College Savings Programs in the nation. The number of Future Scholar accounts has grown dramatically over the past year. The percentage of participants who are South Carolina residents continued to rise as well. In the last 5 months of FY 10-11 the Office saw a 39% increase in the total number of individual accounts opened. Future Scholar remains consistently ranked as one of the best college savings plans in the nation.

The South Carolina Tuition Prepayment Program (SCTPP), which was transferred to the State Treasurer's Office in 2000, continues to operate but remains permanently closed to new enrollees. Large tuition increases at the State's public colleges and universities have contributed greatly to an unfunded liability for the program. The current funded ratio is 70% of liabilities, or $52,954,690. The Fund is now projected to deplete all available assets in Fiscal Year 2018.

Strategies for promoting greater accountability, efficiency, and transparency:

The Office has a goal to reduce and ultimately end the unnecessary printing and distribution of paystubs and has reduced the number of paystubs by over 75%. That number is expected to increase to over 90% by July 1, 2012. Elimination of the requirement to provide hard copies of paystubs to those who receive their pay electronically will save the State money and resources in printing and distribution costs. All data regarding an employee's current and historic payroll information are available to the employee on a secure website through the South Carolina Information Enterprise System (SCEIS).

In an effort to find more savings, Investments reduced cost of print and mail by converting several Pool participants to Internet Participant Access System (IPAS), the internet based investment tool used for LGIP. Participants get their monthly reports on-line by mailing confirmations weekly instead of daily.

The Treasurer publishes his entire work schedule online. Each working day is accounted for on this public calendar. If the Treasurer meets with a lobbyist, a special interest organization or a politician, that information is made public.

The Treasurer was instrumental in ensuring that the Budget and Control Board public meetings were held in a space adequate to accommodate a larger public audience.

The Treasurer frequently gives speeches, pens op-eds, and advocates for open government. The Office has initiated public interest and debate over such issues as the need for more transparency and accountability at the Department of Transportation and the Budget and Control Board.

The Treasurer chooses to drive his personal vehicle to and from work rather than using a state-purchased car thus saving the taxpayers a substantial amount of money.

The Office initiated the process whereby the State Treasurer's Office will have a full GAAS (Generally Accepted Auditing Standards) audit for the first time since 1988. That process will be complete in the Fall of 2011.

The Office responded to all Freedom of Information Act (FOIA) requests in a timely manner while doing so at virtually no cost to the groups, citizens, and candidates requesting the information.

The Office, through its website, has made volumes of information available to the public which heretofore had not been published except by request. For example, the Treasurer is pursuing a lawsuit against the Bank of New York Mellon to recover funds lost from what the State alleges were fraudulent investments made by the bank. Not only were the legal documents posted immediately for the public to see, but the compensation agreements for the attorneys involved were posted as well.

2.1. What is your Strategic Planning process, including key participants, and how does it address: (a) your organization's strengths, weaknesses, opportunities, and threats; (b)financial, regulatory, societal, and other potential risks; (c) shifts in technology, and customer preferences; (d) workforce capabilities and needs; (e)organizational continuity in emergencies; (f) your ability to execute the strategic plan?

The strategic planning process for the State Treasurer's Office is comprehensive yet informal. Led by the Treasurer, senior leadership develops the strategic plan by taking into account everything that affects the Office. All of the Divisions make annual plans and set goals taking into account the needs and requests of both our customers and stakeholders. The Office's strategic plan reflects on and takes into account each Division plan and sets forth benchmarks to ensure implementation and measure success.

2.2. How do your strategic objectives address the strategic challenges you identified in your Executive Summary?

Many of the challenges facing this Office are external and beyond our control. Those that we can control are staffing levels, succession planning, and technological needs. Senior leadership has taken these factors into account in formulating our strategic objectives.

2.3. How do you develop and track action plans that address your key strategic objectives, and how do you allocate resources to ensure the accomplishment of your action plans?

Senior leadership regularly monitors office progress. Whether through weekly meetings with Division heads or one-on-one meetings with managers, the Office works to ensure that action plans are both developed and completed. After an action plan has been developed and implemented, senior leadership holds a debriefing meeting covering what was successful and what could have been done differently during implementation.

2.4. How do you communicate and deploy your strategic objectives, action plans, and related performance measures?

Division directors incorporate the strategic objectives of the Office in their daily operations and goals. Action plans are assigned to specific employees or areas. The Employee Performance Management System (EPMS) assists in keeping employees on tasks and in line with the objectives of the Office as both the objectives and performance measures are incorporated.

2.5. How do you measure progress on your action plans?

See question 2.3.

2.6. How do you evaluate and improve your strategic planning process?

See question 2.3.

2.7. If the Office's strategic plan is available to the public through the Office's internet homepage, please provide a website address for that plan.

The Office of State Treasurer's website contains a wealth of information for the public, local government officials, State employees, and the General Assembly. The site can be accessed at www.treasurer.sc.gov; however since our strategic planning process is informal, it is not on the website.

Strategic Planning Chart

Program Number and Title	Supported Office Strategic Planning Goals/Objectives	Related FY 09-10 and beyond Key Office Action Plan/Initiative(s) and Timeline for Accomplishing the Plan(s)	Key Results
II **Programs and Services** **(Treasury Management)**	1.1 Support Office banking needs	Communicate with agencies about their specific banking needs and through partnering with banking service providers, incorporate new services and technology where available	Pages 39-40
	1.2 Reconcile bank accounts and limit unrecorded deposits	Add sub-accounts for additional agencies, utilize additional features of online banking services, and further automate file transfer and reconciliation to facilitate timely reconciliations	
	1.3 Distribute shared revenue	Utilize and regularly review automated systems to assure compliance with applicable distribution laws	

II **Programs and Services** **(Investments)**	2.1 Provide cost-effective, professional portfolio management services	With a highly trained, professional staff and state-of-the-art portfolio management tools, manage fixed income funds internally and obtain the best returns within the prescribed parameters	Pages 41-42
	2.2 Maintain adequate collateral	Utilize automated systems for timely monitoring and adjustment of collateral	
	2.3 Optimize earnings through effective cash management while maintaining adequate liquidity	Utilize state-of-the-art cash management tools and practices. Employ proper cash forecasting models and communication with agencies to predict cash needs and to match investments with those needs	

II **Programs and Services** **(Debt Management)**	3.1 Pay all debt accurately and on time 3.2 Close all new debt issues by prescribed and agreed upon deadlines 3.3 Issue debt at lowest rate possible 3.4 Develop debt and finance policies that optimize value to the taxpayer and constituency	Utilize automated system for timely and accurate calculation and execution of debt payments Utilize experienced staff and outside advisors depending on the nature of the issue Maintain high credit rating through careful management of the rating Office relationship, provide advice and guidance to policymakers when appropriate, and maximize exposure of debt offerings Perform impact analyses and special studies as requested or warranted by the circumstances	Page 43

II **Programs and Services** **(Unclaimed Property)**	4.1 Increase amount of property returned to rightful owners 4.2 Promote holder compliance with unclaimed property requirements 4.3 Increase electronic reporting of unclaimed property	Increase public awareness of Program and continue to aggressively seek owners Promote holder awareness through outreach and education efforts Continue to provide downloadable reporting software via the internet Require holder reports be submitted electronically	Pages 44-46

II **Programs and Services** **(College Savings)**	5.1 Increase the number of college savings accounts within the programs, particularly among South Carolinians 5.2 Expand internet services for Future Scholar, meeting customer expectations and enabling online account access 5.3 Expand internet services for SCTPP account owners using online WAVE account services and the SCTPP website	Promote college savings to South Carolinians at all income levels and throughout the State • Continue marketing the Future Scholar Plan with the collaboration of STO and Columbia Management Provide better online access to account holders of Future Scholar • Form task force of representatives from STO and Columbia Management to meet weekly to discuss online issues and ways to improve online access and usability (August 2010 – March 2011) Provide better online support and services for WAVE users (WAVE is the online account system for SCTPP)	Pages 47-49

II **Programs and Services** **(Local Government Services)**	6.1 Provide guidance on reporting of court fines and assessments to local government treasurers 6.2 Develop an electronic database of county and municipal audits 6.3 Provide continuing education opportunities on services provided to local governments by the State Treasurer's Office	Conduct annual court fines training for county and municipal treasurers Request all local governments to submit mandated annual audits electronically to reduce the cost of printing and postage and to enhance data management (FY 2011) Continue partnering with the Dept. of Revenue to provide educational seminars for county treasurers through the South Carolina Auditors, Treasurers and Tax Collectors Association (SCATT)	

III.3 - Customer Focus

3.1. How do you determine who your customers are and what their key requirements are?

As outlined in II.1-2., the State Treasurer's Office serves a host of stakeholders including the citizens of South Carolina, State agencies, the private sector, investors and capital market participants, the General Assembly and other State executive officers. Our daily work requires constant communication and interaction with our customers.

3.2. How do you keep your listening and learning methods current with changing customer/business needs and expectations?

The Office relies on direct customer feedback to improve services to our customers. The State Treasurer's Office deals with the public on a wide range of issues and strives to resolve questions and respond to requests as expeditiously as possible.

An example of new technology responding to customer needs is BidSC; the quarterly internet auction process for bidding on Certificates of Deposit continues to be an efficient and effective method of assuring the State the best rate on time deposits while allowing all financial institutions in the State an opportunity to bid for State deposits.

3.3. What are your key customer access mechanisms, and how do these access mechanisms enable customers to seek information, conduct business, and make complaints?

The Office continually adds links, downloadable documents, and other information online to reduce costs and response times with regard to public documents. Throughout the year, changes are made to the Office's website in order to make it more informative and customer friendly to the people of South Carolina and to other State agencies. Both of the college savings programs have customer call centers, as well as the Unclaimed Property Division, and provide high quality customer service in handling customer concerns.

Legislative inquiries are handled through a dedicated professional staff that coordinates research and provides accurate information on legislative matters.

3.4. How do you measure customer/stakeholder satisfaction and dissatisfaction, and use this information to improve?

Representatives of the Office make annual presentations to the South Carolina Governmental Finance Officers Association at both the Fall and Spring Conferences and use those forums not only to disseminate information to others, but also to receive feedback from customers and identify ways the Office can best meet their needs. Staff also served as presenters at the South Carolina Association of Auditors, Treasurers and Tax Collectors meetings and at training for local governments on court fines and cash investments. Information is relayed to the Office and changes are implemented accordingly. Management and staff who interact directly with customers and stakeholders not only build strong, positive relationships but also informally measure customer/stakeholder satisfaction. Feedback is received and changes are made if necessary.

3.5. How do you use information and feedback from customers/stakeholders to keep services or programs relevant and provide for continuous improvement?

Two of our Divisions, Unclaimed Property Program, and the College Savings Plans, both involve direct communication and interaction with the general public. Promotion, education, customer expectations and customer-oriented delivery systems are the driving forces of these interactions. Internet access to data and Office services continues to be the focus of our outreach efforts.

3.6. How do you build positive relationships with customers and stakeholders to meet and exceed their expectations? Indicate any key distinctions between different customer and stakeholder groups?

See question 3.4.

III.4 - Measurement, Analysis, And Knowledge Management

4.1. How do you decide which operations, processes and systems to measure for tracking financial and operational performance, including progress relative to strategic objectives and action plans?

The Office reviews all statutory requirements applicable to the Office of State Treasurer to ensure compliance with mandates from the General Assembly. Performance measures are incorporated into all operations of the Office. The measures used are selected by senior management in an effort to:

- Monitor compliance with directives, goals, and objectives
- Measure success of transparency, accountability and efficiency measures implemented
- Measure Office performance against industry benchmarks

An inventory of key performance indicators shows the majority of measures used are in the areas of compliance, mission accomplishment, and customer focus. Comparative data and information is selected and used based on an intentional search for best practices and benchmarks relevant to our mission. Participation in national organizations such as the National Association of State Auditors, Comptrollers and Treasurers (NASACT), the National Association of State Treasurers (NAST), the College Savings Plan Network (CSPN), and other professional organizations in banking, cash management, investments, unclaimed property, and college savings plans provides exposure to comparative data and "best practices", many of which have been adopted.

As previously mentioned, the Office has hired an auditing firm to conduct the first GAAS audit that the Office has had since 1988. In addition to a financial audit, the Office will also be evaluating business practices to determine what, if any, opportunity exists for achievement of greater efficiencies, economies of scale and workflow improvements.

4.2. How do you select, collect, align, and integrate data/information for analysis to provide effective support for decision making and innovation throughout your organization?

Recognizing the importance of our key supplier relationships, the State Treasurer has built dedicated support systems for each of these types of relationships. Through regular meetings with major suppliers of banking services, and agencies requesting new types of bank services, the Office has been able to forge partnerships with these suppliers. These partnerships have allowed us to take advantage of their industry experience and knowledge of our operations to recommend and help implement state-of-the-art solutions to specific banking processes, resulting in cost savings and more efficient, reliable and accurate Office systems.

4.3. What are your key measures, how do you review them, and how do you keep them current with organizational service needs and directions?

Key measures for the State Treasurer's Office are cost savings, cost avoidance, transparency and accountability, timeliness with which we respond to and provide information, customer and stakeholder satisfaction and employee involvement. In an effort to ensure that the Office is maximizing its potential, Division managers are required to submit monthly activity reports which detail Division action and highlight opportunities for improvement.

Objectives for investment of General and Other Funds are developed in conjunction with the State's investment advisor and adopted by the State Treasurer. Monthly performance reports provided by both the custodial bank and investment advisor reviewed by staff, assure the performance requirements are reviewed regularly and processes are adjusted as market conditions dictate.

4.4. How do you select and use key comparative data and information to support operational and strategic decision-making and innovation?

See question 4.1.

4.5. How do you ensure data integrity, reliability, timeliness, accuracy, security and availability for decision-making?

Accuracy of data produced by the Office is ensured through reconciliation and confirmation with external sources:

- Statewide accounting data is reconciled daily to the Office of the Comptroller General.
- Banking data is confirmed with the depository bank, custodian of investments, and the counter-party to transactions.
- The status of investment portfolios and performance results is measured by at least two external sources in addition to the internal audit process: the custodial bank and the independent investment advisor.
- Local Government Investment Pool transactions are confirmed with Pool participants through daily confirmations of transactions along with monthly statements.
- The Debt Management System (DMS) provides a system of controls and automation for the Debt Management Division. This system provides mechanisms for record keeping and reporting, and provides automation for electronic debt payment through the Automated Clearing House to the State's paying agents. It also provides functionality for tracking Office payments for authorized capital projects to ensure timely and accurate payments for projects approved by the Joint Bond Review Committee and as appropriated by the General Assembly.
- Information on debt issues and payments is monitored and confirmed by external parties, including bond counsel, financial advisors, independent paying agents, bond holders, and the institutions served.

- Internal administrative data such as budget status, procurement information, and payroll and personnel transactions are confirmed with statewide reporting systems and subjected to routine audit.
- Monthly reports are also required of both Divisions within the Office as well as partners and other entities with which the Office does business.

Office data is subjected to review directly by at least eight areas including:

- Statewide Annual Comprehensive Financial Report (CAFR) for cash, investments, debt, and data processing control;
- Agreed Upon Procedures engagement of the Office;
- Local Government Investment Pool GAAP audit;
- Independent auditors for the Tobacco Settlement Revenue Management Authority;
- Independent auditors for the South Carolina Resources Authority;
- Independent auditors conducting follow-up audits on Court Fine remittances; and
- Statewide single audit team for compliance with CMIA;
- The audit firm conducting the first GAAS audit of the Office since 1988.

4.6. How do you translate organizational performance review findings into priorities for continuous improvement?

Senior leadership meets weekly with Division heads in an effort to ensure open lines of communication. During these meetings, feedback from various sources regarding organizational performance is discussed. Changes are implemented accordingly.

4.7. How do you collect, transfer, and maintain organizational and employee workforce knowledge (knowledge assets)? How do you identify, share and implement best practices, as appropriate?

Cross-training and succession planning are encouraged and implemented by senior leadership. The Office also has procedures manuals for main areas containing policies and procedures which reflect the research that is ongoing regarding workflow processes, professional interactions and conduct.

III. 5 - Workforce Focus

5.1. How does management organize and measure work to enable your workforce to: 1) develop to their full potential, aligned with the organization's objectives, strategies, and action plans; and 2) promote cooperation, initiative, empowerment, teamwork, innovation, and your organizational culture?

The State Treasurer's Office continues to use the Employee Performance Management System to promote dialogue between supervisors and employees regarding their work and performance expectations using measureable success criteria as a valuable evaluation tool. Management encourages and promotes cooperation and teamwork through cross training and professional development within the Office.

5.2. How do you achieve effective communication and knowledge/skill/best practice sharing across departments, jobs, and locations? Give examples.

Office and departmental goals and objectives are discussed at regular staff meetings. Knowledge transfer is promoted through intra and interdepartmental cross training and through maintaining desk reference manuals to ensure business continuity.

5.3. How does management recruit, hire, place, and retain new employees? Describe any barriers that you may encounter.

Through short- and long-term planning, management evaluates the need to fill positions, which mostly become vacant through attrition. Once a need is determined, vacant positions are posted through OHR's State Jobs Website, our primary recruiting tool. The system allows for the application of specific job training questions and filters, which narrows applicant pools to the most qualified candidates. Selected applicants participate in an objective interview process. Once successful candidates are hired, in-house orientations and continuous training and professional development opportunities are provided to ensure employee success.

5.4. How do you assess your workforce capability and capacity needs, including skills, competencies, and staffing levels?

Managers routinely monitor the quality and quantity of staff workloads as well as the status of completion on short- and long-term projects to determine staffing levels and competencies. Managers and employees work together to identify resource requirements needed to accomplish present and future goals.

5.5. How does your workforce performance management system, including feedback to and from individual members of the workforce, support high performance work and contribute to the achievement of your action plans?

Senior leadership actively seeks employee input and feedback to evaluate and improve processes and to promote initiative and teamwork. Measurable and objective success criteria support high performance ensuring that Office goals and objectives are met. The EPMS system used to evaluate employee performance also assists in maintaining high achievement levels and efficiencies in workflow.

5.6. How does your development and learning system for leaders address the following?

A. Development of personal leadership attributes;
B. Development of organizational knowledge;
C. Ethical practices;
D. Your core competencies, strategic challenges, and accomplishment of action plans?

Management positions in the Office require very specific qualifications and experience that relate to the day-to-day functions of the Office. Leaders are encouraged to participate in professional development and personal growth training opportunities. Through weekly meetings, senior management shares ideas and communicates organizational knowledge across departmental lines.

5.7. How do you identify and address key developmental training needs for your workforce, including job skills training, performance excellence training, diversity training, management/leadership development, new employee orientation, and safety training?

Managers and employees work together to identify areas where additional job skills and training are needed. New employees are brought into an environment of peers willing to help them adapt to their new responsibilities.

5.8. How do you encourage on the job use of new knowledge and skills?

Implementing new technologies and improving daily processes often necessitate the development and use of new job knowledge and skills in the performance of day-to-day job functions. Efficiency is a strident goal of the Office.

For example, the Debt Management Division continues to use internet-based technology in advertising bond sales and accepting bids. While this process saves printing and postage costs, it more significantly broadens the universe of potential bidders on the State's debt offerings. The Investments Division allows account holders to view their accounts online. BidSC also holds its auctions via the internet.

5.9. How does employee training contribute to the achievement of your action plans?

Employee professional development and cross training ensures a well-trained professional workforce that continues to meet the Office's mission and provide exceptional customer service. It also enables the Office to shift responsibilities among staff members so that productivity does not stop in the event of employee absence.

5.10. How do you evaluate the effectiveness of your workforce and leader training and development systems?

The State Treasurer's Office prides itself on the low turnover rate of employees. Our goal is to maintain a well-trained workforce prepared to progress in their careers as new opportunities arise.

5.11. How do you motivate your employees to develop and utilize their full potential?

Recognition of staff for their accomplishments continues to be both an honor and an important responsibility of management. Division directors and Deputy State Treasurers routinely recognize staff for their efforts in an ongoing effort to motivate the workforce. Employees are honored with and recognized at an Employees' Appreciation Luncheon annually.

5.12. What formal and/or informal assessment methods and measures do you use to obtain information on workforce well-being, satisfaction, and motivation? How do you use other measures such as employee retention and grievances?

Employee well-being and satisfaction are informally measured through day-to-day interactions, discussions and departmental meetings. Employee motivation is more formally assessed through the employee planning and evaluation process (EPMS). Exit interviews with employees leaving the Office are conducted to receive feedback in identifying and evaluating ways for improvement. The Office also monitors turnover, absenteeism and grievances.

5.13. How do you manage effective career progression and effective succession planning for your entire workforce throughout the organization?

The Office continues to review and update its succession plan by identifying those employees in critical needs areas who will be eligible to retire in the next 3 to 5 years. Discussions are ongoing with Division Directors to determine the needs of each Division and to identify individuals with potential to step into leadership roles.

5.14. How do you maintain a safe, secure, and healthy work environment? (Include your workplace preparedness for emergencies and disasters)

The Office continues its commitment to its workforce by promoting employee well-being in a safe, secure and healthy work environment. Employee participation in benefits fairs, health screenings, mammograms and flu shots is encouraged and supported to ensure the health of employees. Routine reviews of office space and equipment are conducted to ensure the safety of employees. Managers and employees are encouraged to report any safety or health issues immediately. In case of emergencies, disasters, or evacuation, an Emergency Operations Plan is in place.

III.6 - Process Management

6.1. How do you determine, and what are your organization's core competencies, and how do they relate to your mission, competitive environment, and action plans?

See Section 2, Figure II.1.

6.2. How do you determine, and what are your key work processes that produce, create or add value for your customers and your organization and how do they relate to your core competencies? How do you ensure that these processes are used?

Key processes are statewide functions mandated by the Legislature to include investments, banking and debt service, college savings plans, unclaimed property and treasury management. It is imperative that these processes safeguard our State's financial resources and yet maximize returns on our State's investments. A review of policies and procedures is currently underway as the Office is receiving its first GAAS audit since 1988.

6.3 How do you incorporate organizational knowledge, new technology, cost controls, and other efficiency and effectiveness factors, such as cycle time, into process design and delivery?

Institutional knowledge of staff at all levels drives process design and delivery. Constant monitoring and tweaking of business processes to ensure that best practices are being employed are vital to the success of the Office.

6.4. How does your day-to-day operation of these processes ensure meeting key performance requirements?

See question 6.3.

6.5. How do you systematically evaluate and improve your key product and service related work processes?

One-on-one training and interface with employees and managers allow for intensive training and monitoring of processes being employed. Weekly senior leadership meetings provide a forum to share problems, concerns and conversation regarding business processes and making changes where needed.

6.6. What are your key support processes, and how do you evaluate, improve and update these processes to achieve better performance?

Key support processes include Administrative support such as Human Resources for the State Treasurer's Office and the 96 County Auditors and Treasurers. Monthly activity reports provide measurable results to further improve on workflow processes.

6.7. How does your organization determine the resources needed to meet current and projected budget and financial obligations?

Senior leadership reviews the various needs of the Office taking into account the mission, customer and stakeholder relationships, and a desired outcome. Weekly senior leadership meetings as well as budget reviews ensure that the Office's limited resources are being used in the most transparent, efficient and accountable way possible to meet goals set by the Treasurer. Division Directors also submit monthly activity reports to senior leadership in an effort to monitor progress and make adjustments if necessary.

III.7 Results

7.1 - Treasury Management

Program Goals:

- To streamline and automate bank operations to enhance efficiency.
- To further increase electronic payments to vendors and employees.
- To integrate SCEIS Treasury module into STO Financial Management System.
- To reduce banking costs.

Program Objectives and Key Results:

1. **Increase the number of payments processed electronically.**
   1.1 Implemented of an electronic payables program to offer an additional method of payment to vendors. This expedited vendor payments and reduces processing costs to the State.

Figure 7.1.1 - Comparison of Disbursements by Type

	2006-07		2007-08		2008-09		2009-10		2010-11	
	Number	%	Number	%	Number	%	Number	%	Number	%
Disbursements										
Paper Checks	2,672,063	61%	2,654,720	60%	2,359,721	54%	2,007,508	48%	1,676,033	40%
Electronic Payments with Paper Confirmation	1,695,861	39%	1,779,981	40%	2,010,973	46%	801,099	19%	175,386	4%
Electronic Payments with Electronic Confirmation							1,400,412	33%	2,379,680	56%
Total Disbursements	4,367,924	100%	4,434,701	100%	4,370,694	100%	4,209,019	100%	4,231,099	100%
FTE's in Process Area	4.00		4.00		4.00		3.00		3.00	

2. **Increase the number of agencies using the electronic deposit system, focusing on the high-volume deposit agencies.**

Figure 7.1.2 - Comparison of Receipts by Type

	2006-07		2007-08		2008-09		2009-10		2010-11	
	Number	%	Number	%	Number	%	Number	%	Number	%
Receipts:										
Manual Deposits	38,293	22%	39,233	21%	34,733	18%	20,406	11%	16,336	9%
Automated Deposits	**92,529**	**52%**	**96,841**	**53%**	**103,472**	**54%**	**117,862**	**63%**	**123,305**	**67%**
Credit card deposits	**41,628**	**23%**	**43,611**	**24%**	**46,979**	**25%**	**46,636**	**25%**	**44,431**	**24%**
ACH Deposits	5,722	3%	4,452	2%	5,330	3%	2,496	1%	1,019	1%
Total Deposits	178,172	100%	184,137	100%	190,514	100%	187,400	100%	185,091	100%
FTE's in Process Area	4.00		4.00		4.00		3.75			

2.1 Automated deposits and credit card deposits both utilize the electronic deposit system. These electronic postings accounted for 91% of all deposits processed through the STO. Deposits continued to be processed within the one-day requirement, utilizing enhancements already in place. By the end of the year, sixty-nine State agencies had converted from their legacy accounting systems to SAP and began submitting deposits to the STO through SCEIS. As further implementation continues, the number of manual deposits should decrease.

3. **Work with banks to analyze Office use and needs of available banking services.**

3.1 The STO continues to meet with representatives from different banks on a regular basis to discuss current banking practices and new services available on the market. These meetings provide our office insight on possible enhancements or cost-saving practices to explore. This also presents an opportunity to discuss first-hand with bank vendor issues that may need attention on current services already being utilized by the STO.

3.2 A Request for Information was submitted to financial intuitions allowing the STO to evaluate and reduce our banking service fees. This has resulted in a potential annual reduction of up to $1,580,000.

Programs for debit pay cards for payroll and benefits have been initiated to reduce costs for processing these payments.

7.2 - Investments

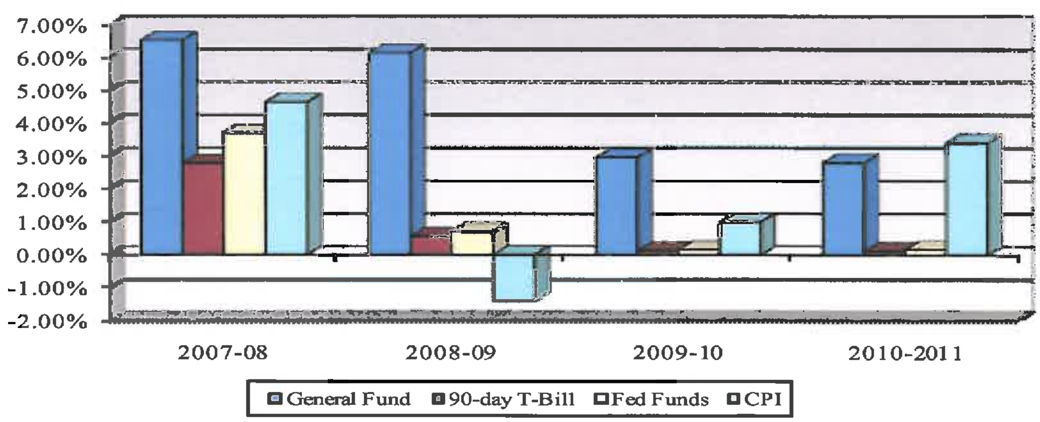
Program Goals:

- To manage investment programs in accordance with S. C. Code Section 11-9-660 and other statutes of the South Carolina Code of Laws, 1976, as amended, as applicable, in an effective manner while:
  - Preserving capital;
  - Maintaining liquidity; and
  - Obtaining the best return within appropriate risk parameters.
- To invest all State funds pursuant to statutory authority and provide custodial services of the South Carolina Retirement Systems portfolios, which are structured to meet the long-term nature of pension obligations, in an effective manner.
- To manage and invest the State's Local Government Investment Pool portfolio while maintaining safety, liquidity and the best possible yield.

Objectives and Key Results for General and Other Funds:

1. **Obtain the best return within prescribed parameters on a portfolio basis, meet liquidity needs, and meet or exceed the applicable benchmarks while preserving capital.**

Figure 7.2.1 - General Funds Rate of Return compared to Benchmarks (Figure)



1.1. The portfolio outperformed the benchmarks of 90-day Treasury Bills and Federal Funds by 2.68% and 2.63% respectively.

1.2. The State's Local Government Investment Pool (LGIP) earned an average rate of .38% compared to the average benchmark rate of .11% (90-day T-Bill).

2. **Provide professional investment services for all funds under management through efficient utilization of available resources.**
   2.1. The STO provided investment services at a cost of less than .02%, compared to an industry average of .10%. (Source: Jamison Eaton & Wood, Investment Advisors)
   2.2. An increasing amount of LGIP participants continue to utilize the secure online system for managing accounts and conducting transactions.
   2.3. The BidSC Program CD auctions resulted in increased earnings for the State of $167,034, in spite of low demand for deposits by the banks.

3. **Meet or exceed the General Fund budget projection for investment earnings for the year.**

   3.1. Earnings on General Fund investments were $33,434,182 which fell below the investment earnings projection of $34 million by $565,818 due to the unusually low interest rate environment throughout the fiscal year.

Figure 7.2.2 - General and Other Funds Managed

	2006-07	2007-08	2008-09	2009-10	2010-11
Workload - State and Local					
General funds managed (average)	$ 2,021,494,494	$ 1,896,963,211	$ 1,297,807,050	$ 1,412,254,313	$ 1,196,726,246
Restricted funds managed (average)	3,729,677,700	4,250,695,439	4,676,011,041	4,615,146,429	5,130,595,795
Tobacco funds managed	460,411,362	265,000	-	-	-
Total State funds managed	$ 6,211,583,556	$ 6,147,923,650	$ 5,973,818,091	$ 6,027,400,742	$ 6,327,322,041
LGIP funds managed (average)	$ 2,065,724,013	$ 2,447,685,082	$ 2,549,633,937	$ 2,526,781,301	$ 2,600,987,899
LGIP Accounts	554	553	544	565	593
Number of State and local portfolios	20	20	19	19	19
Cost as % of Funds	0.0073%	0.0098%	0.0135%	0.0126%	0.02%
Total number of investment trades *(FY 2007 included fixed income trades for the S C Retirement System)*	3,435	2,644	2,461	1,943	2,663

7.3 - Debt Management

Program Goals:

- Manage all debt issues for the State, its agencies and institutions.
- Optimize debt structure and assure timely debt payments.
- Coordinate communications with rating agencies to maximize the State's credit rating.

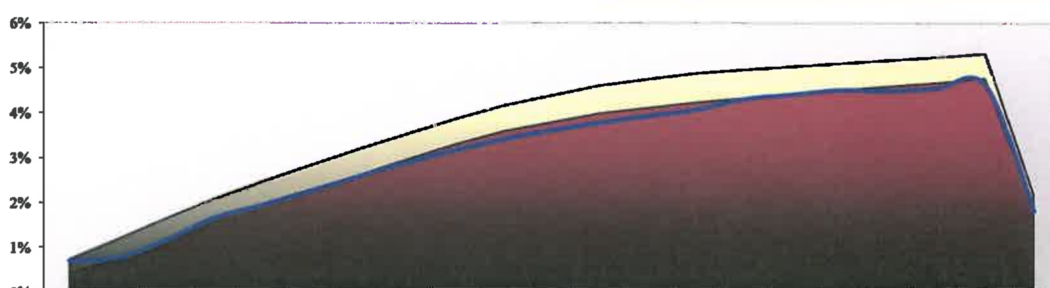
Program Objectives and Key Results:

1. **Analyze the markets and structure the debt to assure the lowest rate of interest is paid.**

   1.1. On a composite basis, general obligation debt was issued at yields at or favorable to the Municipal Market Data (MMD) yields for comparably secured MMD-AAA securities.

   1.2. For the fiscal year, the overall yield on general obligation debt issued was 1.81%, as compared to the MMD-AAA and MMD-AA yields for the same period at 1.85% and 2.18%, respectively. **The State's total interest cost of $87.3 million for the $486.2 million in general obligation debt issued during the previous fiscal year was favorable to the prevailing market by $1.77 million.**

Graph 7.3.1 Comparison of bond yields



	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	Overall
MMD-AA	0.73%	1.17%	1.63%	2.06%	2.45%	2.82%	3.18%	3.51%	3.85%	4.15%	4.38%	4.60%	4.74%	4.87%	4.95%	5.02%	5.09%	5.16%	5.23%	5.31%	2.18%
MMD-AAA	0.42%	0.72%	1.17%	1.60%	1.96%	2.28%	2.60%	2.95%	3.29%	3.58%	3.78%	3.98%	4.10%	4.22%	4.32%	4.41%	4.50%	4.58%	4.66%	4.76%	1.85%
Actual Yield	0.67%	0.75%	1.14%	1.63%	1.92%	2.24%	2.57%	2.88%	3.15%	3.40%	3.60%	3.77%	3.92%	4.06%	4.30%	4.40%	4.50%	4.48%	4.54%	4.61%	1.81%

2. **Provide State institutions and agencies with guidance in effectively managing their debt issuances and programs.**

   2.1. The Division assisted 9 institutions and agencies in financing $1.204 billion through 16 bond and master lease transactions.

   2.2. The Division refinanced portions of State debt to achieve $24 million in savings.

7.4 - Unclaimed Property

Program Goals:

- Increase compliance with reporting.
- Increase accurate and prompt payments to rightful owners.
- Increase efficiency through use of technology.

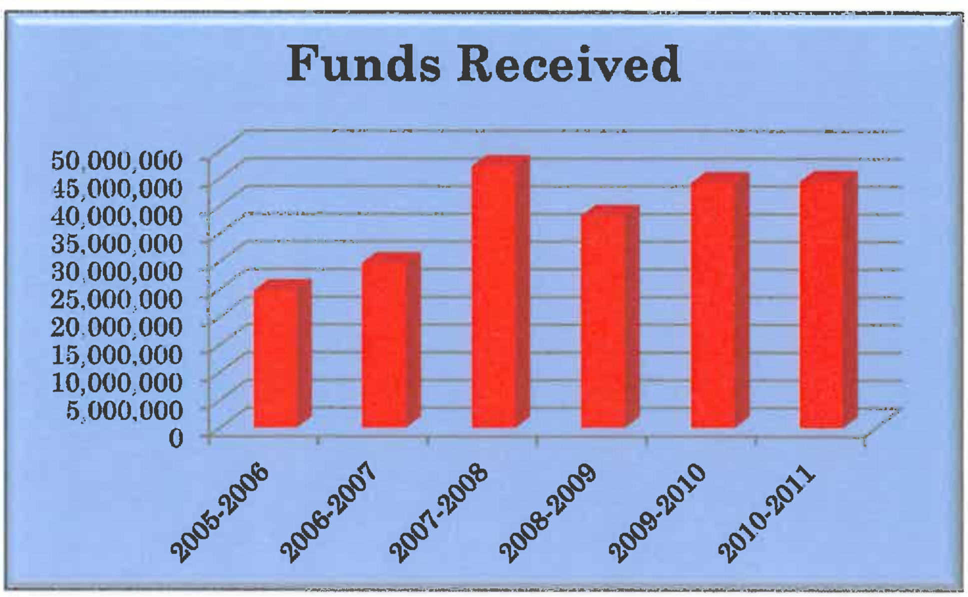
Program Objectives and Key Results:

1. **Increase compliance with the Unclaimed Property Act by increasing the amount remitted and the number of holders filing annual reports.**

   1.1. The amount of unclaimed funds remitted during FY11 increased 6 % from the amount remitted in FY10.

   1.2. Paperless reporting procedures were instituted making reporting easier for businesses thus increasing compliance.

Figure 7.4.1 Amount remitted as unclaimed property



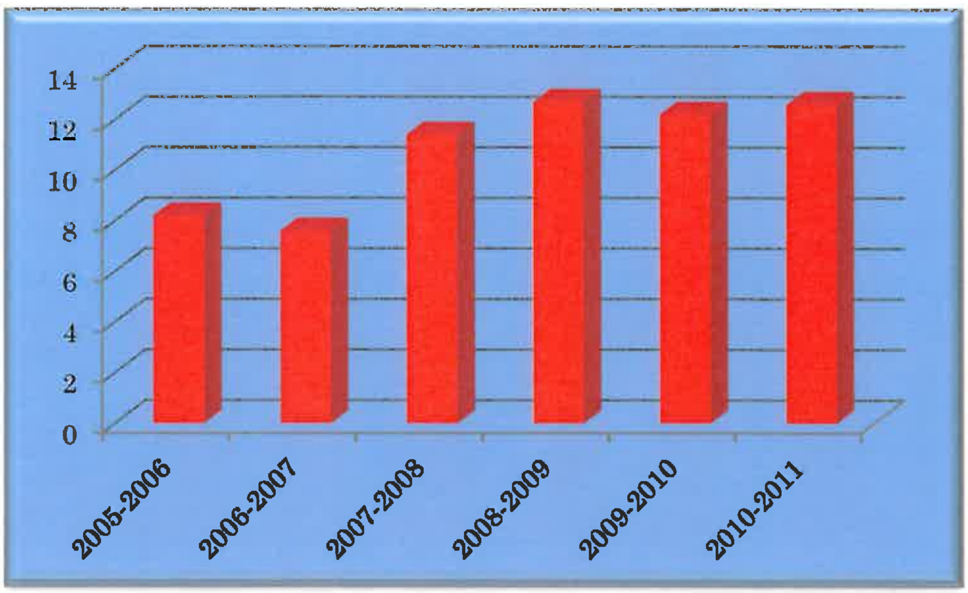
Note: The substantial increase in funds received during FY 2007-2008 and FY 2008-2009 was due to one-time events. The proceeds from the annual stock sale in August 2007 included 278,794 shares of unclaimed Metlife stock (@ $62.20 per share) remitted as a result of the company's demutualization. Effective April 2008, the dormancy period for securities related property was reduced thereby causing a one-time increase in remittance due November 1, 2008.

2. **Increase claims paid to the rightful owners by increasing public awareness of the Program and through aggressive outreach programs.**

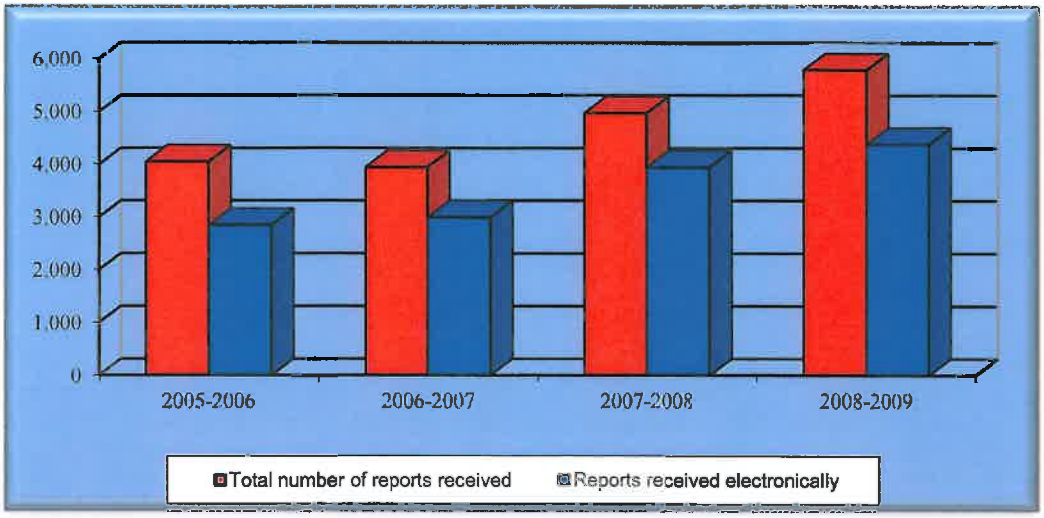
   2.1. Increased the probability of money being claimed by rightful owners in the most cost-efficient manner possible through providing information to television stations and newspapers across the State to assist in the location of owners and to generally promote the Program.

   2.2. Program was promoted through numerous speaking engagements at which lists of owners were distributed and through outreach programs such as on-air television phone banks during which potential owners could locate their funds.

Figure 7.4.2 - Amount returned to rightful owners (in millions)



3. Increase and enhance Program efficiencies through the use of technology.



3.1. Provide and promote services with an emphasis on the internet thus making it easier for the public to submit claims while keeping the cost of processing the claims down.

3.2. The Office instituted paperless reporting which allows holders to file their reports via e-mail and remit the funds electronically. Paperless reporting reduces the amount of paper staff has to handle, process, scan and shred.

3.3. All Program holder report files and paid claims files are routinely scanned, thereby eliminating the need to store vast amounts of paper and allowing for staff to quickly locate needed files.

3.4. An updated online Wagers System will be in place in the Fall of FY12.

7.5 - College Savings Plans

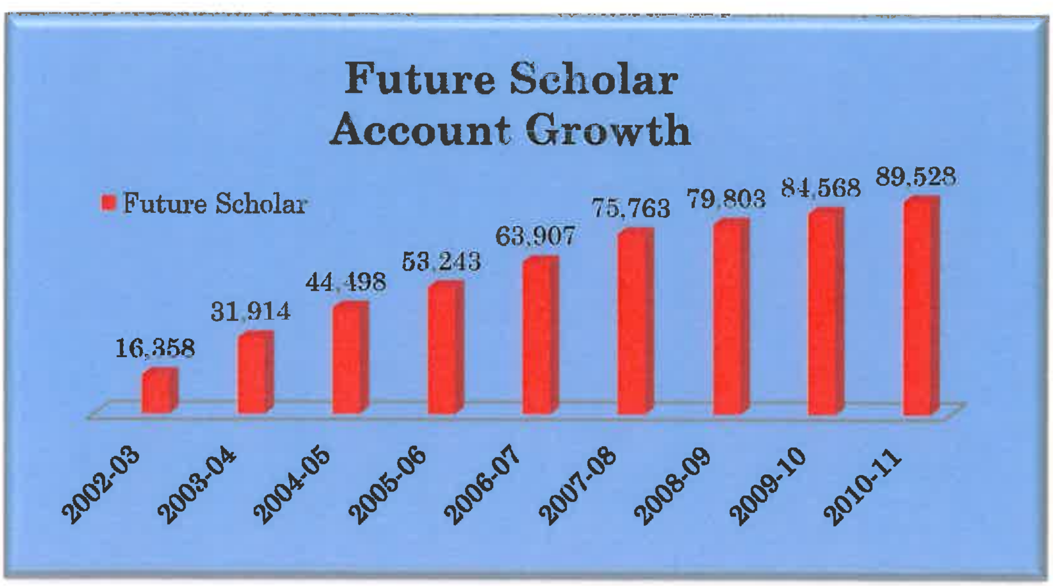
South Carolina Future Scholar College Investment Program
And
Tuition Prepayment Program

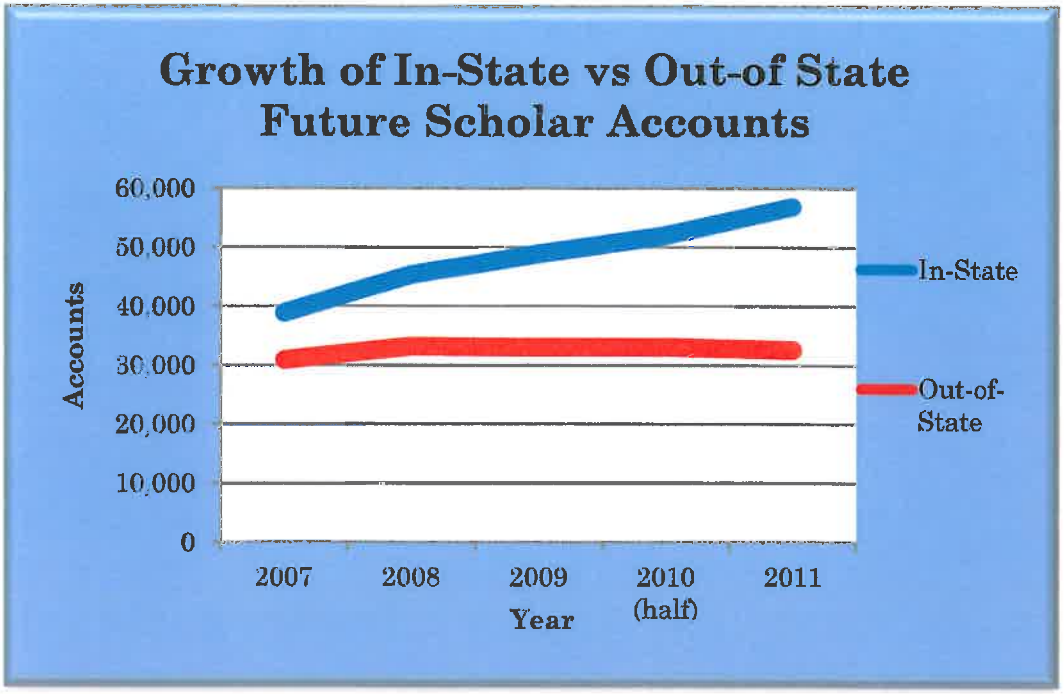
Program Goals:

- Increase overall account openings in the Future Scholar 529 Plan.
- Provide a top quality 529 College Savings Plan Investment Program to the residents of South Carolina and to residents of other States who may benefit from the advantages of investing in the Future Scholar Plan.
- Increase efficiency and usability of the various customer service outlets provided to participants and potential participants of the Future Scholar Plan including the Future Scholar website (www.futurescholar.com) and the Future Scholar call center (1-866-244-5674).
- Continue to operate one of the Nation's most highly rated 529 College Savings Programs **without the use of any general funds or taxpayer money**.
- Continue to run the Tuition Prepayment Program in an efficient manner as well as formulate a plan to address the unfunded liability associated with the program.

Program Objectives and Key Results:

1. **Increase participation in the Future Scholar Plan, especially among South Carolinians.**





1.1. Active Future Scholar accounts increased by 5.9% in the last fiscal year. Active accounts grew from 84,568 to 89,528.

1.2. The ratio of participation in Future Scholar by South Carolina residents increased 3% from 61% to 64% of total accounts.

1.3. Future Scholar initiated three statewide advertising and grass roots promotional campaigns to encourage families to save for college.

1.4. Future Scholar advertising campaigns targeted South Carolina families with children ranging from newborns to high school age who might benefit from the investment and tax advantages of the Plan.

2. Provide a top-grade 529 Investment Program.

2.1. The Future Scholar customer service call center responsible for fielding telephone inquiries for the Future Scholar 529 College Savings Plan consistently earns a 5-star quality rating from the National Quality Review (NQR). NQR is a third-party vendor responsible for rating the quality of shareholder calls and providing benchmarking against other firms in the financial industry.

2.2. Future Scholar's Direct Program (for South Carolina residents) has a 5.0 out of 5.0 rating at SavingForCollege.com. (Ratings are based on a program's flexibility, investment options, economic benefits, and add-on incentives).

2.3. Future Scholar is ranked among the top 529 Plans for performance for Direct Sold Plans by SavingForCollege.com. (Ratings are updated on a quarterly basis).

3. **Enhance services available through the Internet making it easier for the public to submit applications, make account changes, and utilize the benefits of the Plan.**

Future Scholar

- Future Scholar continues to promote the use and efficiency of its web-based customer service feature through Future Scholar's online Account Access to increase customer service capabilities and satisfaction.
- Future Scholar enhanced online customer service capabilities and usability available through the Internet thus making it easier for the public to submit applications, make account changes, and take advantage of the features and benefits available to them through enrollment in the Plan.
- Future Scholar unveiled its online account application making it possible for customers to sign up for Future Scholar accounts via the internet:
    - ❖ Opened 4,788 accounts online since the service launched in September 2010.
    - ❖ The online application has simplified the account opening process and provides a great way to promote the ease of opening a plan to constituents.

1.2.2 Maintain low fees for Future Scholar Direct Plan (for SC residents).

- The Future Scholar Direct Investment Program (a no-load program for South Carolinians) is one of the lowest priced plans in the nation, with total overall expenses ranging from 0.23% to .59%, a decrease in overall expenses from the previous fiscal year.

Tuition Prepayment Program

- While new enrollment in the Tuition Prepayment Plan remains closed, the Office strives to continue to serve current clients with the best customer service.
- The Office maintained the percentage of SCTPP contract holders making monthly payments by automatic draft at 43.2% as part of a continuing effort to reduce bank service charges and assure payments are made in accordance with the contracts.
- Currently the expected value of liabilities is $171,070,683 and the value of assets is $135,747,932, for a difference of $35,322,751. The funded ratio is 79.4% of liabilities. For comparison purposes, in 2010 the deficit was $52,954,690 and the funded ratio was 70.4%. It should be noted that **the Fund is projected to run out of assets in Fiscal Year 2019** unless remedial actions are taken.

GLOSSARY OF ACRONYMS USED

CAFR	Comprehensive Annual Financial Report
CD	Certificate of Deposit
CMIA	Cash Management Improvement Act
CSPN	College Savings Plan Network – Division of NAST
DMS	Debt Management System
EPMS	Employee Performance Management System
FOIA	Freedom of Information Act
GAAS	Generally Accepted Auditing Standards
GAAP	Generally Accepted Accounting Principles
IPAS	Internet Participation Access System
LGIP	Local Government Investment Pool
MMD	Municipal Market Data
MSRB	Municipal Securities Rulemaking Board
NACHA	National Electronic Payment Association
NASACT	National Association of State Auditors, Controllers, and Treasurers
NAST	National Association of State Treasurers
NQR	National Quality Review
OSHA	Occupational Safety and Health Administration
SAP	Systems, Applications, and Products in Data Processing
SCATT	South Carolina Association of Auditors, Treasurers and Tax Collectors
SCEIS	South Carolina Enterprise Information System
SCTPP	South Carolina Tuition Prepayment Program
STO	State Treasurer's Office
UPP	Unclaimed Property Program
FTE	Full Time Equivalent