



TO: Senate Special Sub-Committee to Review the Investment of State Retirement Funds
DATE: January 23, 2014
RE: South Carolina State Employees Association, SCSEA, Comments

Good Afternoon.

My name is Carlton B. Washington and I am the Executive Director for the South Carolina State Employees Association, SCSEA.

First, let me start by thanking this committee for having us here today.

We think this is an important forum and helpful to employees and retirees in terms of understanding as much as possible about what is the most important investment in their professional career, for them and also their families.

Of course we were here last week and took great interest in the comments presented by our State Treasurer, Curtis Loftis, particularly with regard to the Treasurer's comments surrounding the composition of the Board of Directors for the Public Employee Benefit Authority, PEBA.

PEBA was established July 1, 2012 by the SC General Assembly through ACT 278 and is responsible for the administration and management of the state's retirement systems and employee insurance programs. PEBA is governed by its Board of Directors. All functions must be performed, exercised and discharged under the supervision and direction of the PEBA Board of Directors.

As you may recall, during the initial planning stages, the SCSEA advocated and stressed the importance of achieving balance in the makeup of the PEBA Board of Directors to ensure fair representation and input from key program stakeholders and participates, state employees and retirees. Originally, the PEBA Board of Directors was slated to have a total of 9 members. Therefore, the SCSEA advocated that 4 out of the 9 designated board positions be filled by state employees and retirees. The General Assembly included those 4 board requests but simultaneously increased the number of board members from 9 to 11, thereby effectively diluting the ability for employees and retirees to shape decisions.

We appreciate and thank Treasurer Loftis for emphasizing the importance of this objective. Of course, our members (state employees and retirees) would like to see more public officials address this issue and make the necessary adjustment.

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As many of you know, the SCSEA shares a relevant and common history with the state retirement system and to that end the South Carolina Retirement Systems Investment Commission, RSIC. The SCSEA was originally organized in 1943 by a group of 20 employees. This small group of state employees were exceptionally astute and forward thinkers who recognized the critical need and importance of establishing a system of retirement for all state workers. Through hard work and what many describe as unprecedented ingenuity, their efforts successfully established the SC Retirement Systems through an amendment to the state constitution in 1945, a remarkable feat for an organization of its size.

On October 1, 2005 the State Retirement Systems Preservation and Investment Reform Act (153) established the South Carolina Retirement Systems Investment Commission (RSIC). The commission is composed of seven members, including the State Treasurer, the Director of the Public Employee Benefit Authority (PEBA) and a retiree member. As the state's retirement system fiduciary, the commission is exclusively empowered to invest and manage all assets of the SC Retirement Systems.

Based upon the history and overall function, it is clear just how important the connection is between the RSIC and state employees and retirees.

Employees and retirees have been following the dialogue at the investment commission and view the process much like the processes the General Assembly has to at times endure. It's not always easy or pleasant, but at the end of the day, the sausage gets made.

We look forward to an Investment Commission that can take even better care of our retirees who on average retire on less than \$20,000 a year.

One of the missing pieces to a more successful Investment Commission is competitive pay. When employees are fairly compensated it is a win for everyone. The state is able to recruit and retain quality employees who become vested in the system. There is an increase in contributions, which means more dollars are invested, producing greater returns and strengthening the system for future generations.

We are hopeful the Investment Commission will take an interest in this part of the scenario as well.

Ultimately, state employees and retirees want a stable system.

We look forward to this committee's continued work and our members are encouraged by your efforts.

On behalf of the SCSEA, thank you for what you do and your effort to make life better for state employees and retirees.