

January 21, 2014

The Honorable Senators Kevin Bryant and Joel Lourie, Co-Chairmen  
Special Subcommittee to Review the Investment of State Retirement Funds

Gentlemen,

Thank you for giving me this opportunity to share with you my concerns regarding the ongoing dispute between the State Treasurer and his colleagues on the Retirement System Investment Commission. To make my point let me tell you a little about myself because I feel it speaks to the heart of this matter.

Born and raised in Williston, I graduated from the Williston-Elko school system in 1964. A summer spent making wool cloth at the old Deering-Milliken woolen mill in Barnwell convinced me to enter USC-Aiken in 1965. I graduated from USC with a BA in anthropology. Now I don't know what you all may know about anthropology but with a bachelor's degree and a couple of bucks you can get a cup of coffee. But I was able to take that degree and get a job working for the Department of Social Services and frankly, thoroughly enjoyed the challenges and experiences. I am also grateful to have retired.

Now the purpose of this discussion about my background is to point out that like so many, in fact the majority, of people, neither my education nor life experiences have prepared me to second guess the professional men and women at the Investment Commission. Over the past eight years I have attended a good number of their meetings and have an appreciation for how they work. It still took me months to understand the meaning of alpha and beta. I finally understand the importance of the Sharpe ratio in evaluating risk and occasionally I feel comfortable in discussing the "J" curve. But what I have really learned is that the world of long term investing for a pension plan is nothing like the world of private investments. I would say that it is like comparing a bottle rocket to a space shuttle.

I use that analogy because it is a complex undertaking with many facets and many ways to fail. But by emphasizing process, attention to detail, and requiring a complex system of checks, the inherent risk of space travel can be minimized though never completely eliminated.

Similarly, the Commissioners and their staff at the Commission have designed an investment system that emphasizes process over flamboyance. There is no single cowboy issuing buy and sell orders but instead a system that has built in and mandatory checks and balances that includes independent internal auditors and external pension consultants. Though some may argue the Commission should be more aggressive in its investments and seek higher returns, I am comfortable that if these good men and women at the Commission are allowed to do their job my benefits will be safe and will continue for the rest of my life. I am also comfortable that if the Commission is able to do its job, my daughter, a public school teacher will one day retire and enjoy a modest but comfortable retirement.

What I am not comfortable with is this constant politicization of the Commission by the State Treasurer. In all my years I don't believe I ever remember a public body in which a single member not only refuses to accept majority will, but practically goes on the campaign trail to publically oppose them and anyone who may agree with them. What is most egregious to me is the Treasurer has not once offered an alternative. If like me, the Treasurer lacks the background and education to fully participate as a member of the Commission, he should appoint someone who does.

But one thing is for certain, this has to stop. We need to let the professionals do their job.

Thank you,

Wayne Bell, Retiree

Cc: The Honorable Senator Darrell Jackson  
The Honorable Senator Ray Cleary