



THE HONORABLE CURTIS M. LOFTIS, JR.
State Treasurer

March 12, 2015

The Honorable Joel Lourie
601 Gressette Building
Columbia, 29201 SC

The Honorable Kevin L. Bryant
402 Gressette Building
Columbia, 29201 SC

Dear Senators Lourie and Bryant,

Thank you for the opportunity to present this letter to the subcommittee.

Senate bill S.527 is clearly a direct path to higher taxes, higher employer and employee contributions, higher debt, less transparency and a genuine threat to the State's triple AAA credit rating. Any actions which undermine the State's stellar credit rating will have a disastrous impact on the State's ability to raise funds at affordable rates for many years to come.

This bill, which grants procurement, budgetary and human resources relief, destroys the system of checks and balances that are built into the state's governance structure and further increases the risk of fraud, abuse, and governance and operational failure.

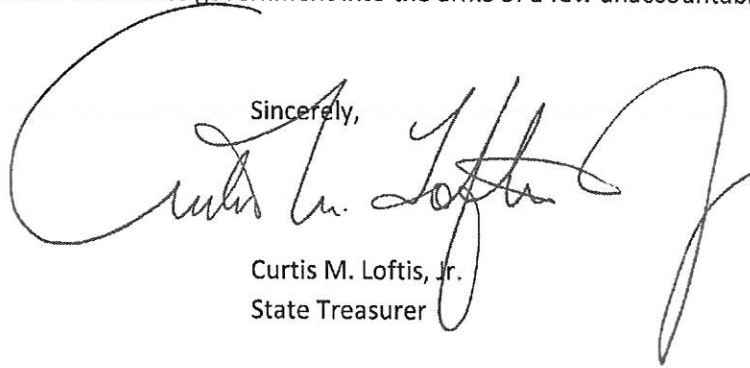
This bill subordinates the public's interest by removing any meaningful oversight and granting sweeping powers to a small group of unelected bureaucrats that will be unaccountable to the public, yet will have total control over the \$30 Billion (\$30,000,000,000) pension fund. This bill will make it easier to hide poor performance, disguise the true financial condition of the system, which at present has a debt of over \$18 billion (\$18,000,000,000), and mask the fund's present and projected failure to meet the statutory assumed rate of return (i.e. 7.5%). To which the most recent assumed rate of return for the first six months of Fiscal Year 2014-15 was -1%.

Moreover, it provides a confusing, but deliberate funding mechanism that will enable salaries and bonuses in excess of \$1 million (\$1,000,000) a year for certain state employees and will permit the salaries of others to double and triple to amounts never envisioned by the taxpayers or retirees.

The bill also allows the "fox to guard the henhouse," by moving custody from the State Treasurer's office to parties that have an inherent self-interest, PEBA and RSIC. The same people that invest the funds, monitor the investments, report on the investments, and make bonuses and high salaries deriving from the investments will be the *sole* source for virtually all of the information available to the public.

Respectfully, I urge the full Senate to see this bill for what it is: an intense effort, advocated by a small group of interested parties, to gain complete control of the \$30 Billion retirement system of SC. The system, funded by tax dollars and employee contributions, has over 400,000 participants and is simply too important to be completely severed from state government into the arms of a few unaccountable people.

Sincerely,

A large, stylized handwritten signature in black ink, appearing to read "Curtis M. Loftis, Jr.", is written over the typed name and title.

Curtis M. Loftis, Jr.
State Treasurer