



THE HONORABLE CURTIS M. LOFTIS, JR.
State Treasurer

House Ways & Means Subcommittee Budget Hearing Document Requests

- 1) List of key officials attending the hearing, including contact information
- 2) One-Page Summary of Budget Requests
- 3) Accountability Report Summary
- 4) Budget Request Summary in Priority Order
- 5) Cost Mitigation Efforts
- 6) Proviso Request Summary
- 7) Agency Provisos
- 8) Carry Forward Information
- 9) FTE Breakdown
- 10) Additional Information



THE HONORABLE CURTIS M. LOFTIS, JR.
State Treasurer

House Ways & Means Subcommittee Budget Hearing – January 8, 2021

1) Key Official Attendees

Curtis M. Loftis, Jr. - S.C. State Treasurer - Treasurer@sto.sc.gov

Clarissa Adams - Chief of Staff - Clarissa.Adams@sto.sc.gov

Tonia Morris - Deputy State Treasurer - Tonia.Morris@sto.sc.gov

Cynthia Dannels - Deputy State Treasurer - Cynthia.Dannels@sto.sc.gov

Edward Frazier - Executive Assistant - Edward.Frazier@sto.sc.gov



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House Ways & Means Subcommittee Budget Hearing – January 8, 2021

- 2) One-Page Summary of Budget Requests



Ways and Means Constitutional Subcommittee Budget Hearing

State Treasurer's Office Overview

The mission of the State Treasurer's Office (**STO**) is to serve the citizens of South Carolina by providing transparent, accountable and efficient banking, investment and financial management services for South Carolina State Government. Our commitment is to safeguard our State's financial resources and to maximize return on our State's investments.

The STO manages approximately \$52.3 billion on behalf of the State and local governments. While focusing on modernizing business operations, South Carolina Treasurer Curtis Loftis works to ensure that the STO provides the best in efficient banking, investment and financial management services. Inaugurated for his third term in office in January 2019, the Treasurer continues to maintain and promote an environment of openness, transparency and accountability in government.

The STO has four major program areas: Banking & Investments, Treasury Management, Debt Management and Programs, which includes Unclaimed Property, College Savings and the Palmetto ABLE Savings Program.

Summary of the FY22 Budget Requests

- **Employer Health, Dental and Retirement Contribution Increases: (FY2020-21 Request - housekeeping item) \$180,000** (recurring other funds authorization) for the 2% salary increase, increase in employer insurance and 1% increase in employer retirement contributions enacted in the 2019-20 Appropriation Act.
- **Cost Recovery of Court Fines & Fees and Conviction Surcharges: (FY2020-21 Request) \$50,000** (recurring state funds appropriation) for the recovery of actual STO administrative costs associated with this activity. Current legislation authorizes the STO to capture a minimal reimbursement of expenditures from these court fines and fees. This request would have no effect on revenue collected for legislative purpose of these funds.
- **Insurance Reserve Fund Premium Increase: (FY2020-21 Request - housekeeping item) \$15,748** (recurring other funds authorization) for the 55% increase in insurance premiums approved at the December 10, 2019 SFAA meeting.
- **Banking Compliance, Banking Security & Vendor Management: \$230,000** (recurring other funds authorization) for the salary and employer contributions of additional FTE's. The new FTE's will perform banking compliance, security and vendor management services. These positions will strengthen critical banking compliance, security measures and increase the ability to leverage additional funds available for investment.
- **Building Security and Law Enforcement in Wade Hampton Building: (housekeeping item) \$31,000** (recurring other funds authorization) for costs passed along to the agency by the Department of Administration related to the physical security improvements and presence of law enforcement in the Wade Hampton building beginning in March 2020.
- **529 Savings Plan Field Representatives: \$125,000** (recurring other funds authorization) for the salary and employer contributions of an additional FTE. This will allow for the continued growth of the 529 Savings Plan by interacting with employers, CPA's and licensed financial representatives to provide program education and technical assistance.

- **Internet Bandwidth, IT Security & Software Licensing:** (housekeeping item) \$50,000 (recurring other funds authorization) for the increased costs passed along to the agency by the Department of Administration related to bandwidth, firewalls and software improvements. These services and equipment provided by DTO are vital to essential agency operations and business continuity during remote work and office closures (COVID-19, hurricanes).
- **Realignment of Existing FTE's:** (technical adjustment) To realign State authorized FTE positions, in order to more accurately reflect the current Other funded FTE's. We are not requesting any additional Other funds authorization as these positions are all within our current budget.
- **There are no proviso request changes this fiscal year.**

Other Items

The Tuition Prepayment Program (TPP) has operated with an unfunded liability since 2001. As of 6/30/20, the TPP Fund had a deficit of \$31.5 million with a Projected Asset Depletion Date beginning with tuition payments for the spring semester of 2023. Based on actuarial projections, we estimate \$31.9 million will be needed to prevent depletion of assets and loss of benefits to approximately 2,100 families currently relying on the Program for their children's future college tuition. Without funding, the legislature will be forced to cancel all existing contracts and fulfill the contractual refund obligations due to account owners.



THE HONORABLE CURTIS M. LOFTIS, JR.
State Treasurer

House Ways & Means Subcommittee Budget Hearing – January 8, 2021

- 3) Accountability Report Summary**



South Carolina Office of
the State Treasurer

FY20 Accountability Report Highlights

- The State Treasurer's Office manages approximately \$52.3 billion on behalf of the State and local governments.
- The Banking & Investments Division manages relationships with the qualified public depository banks that provide banking services to the State of South Carolina's state agencies and universities to support receipt and disbursement of funds, including specialized services for merchant payment cards and merchant card processing. The division currently manages approximately \$24.2 billion in assets for both the State of South Carolina and local governments (LGIP). Gross earnings on General Deposit Accounts' investments and LGIP totaled approximately \$480.1 million.
- The Treasury Management Division processed approximately 5.32 million disbursements consisting of approximately 2.15 million paper checks and approximately 3.17 million electronic payments and made 183,445 deposits on behalf of the State.
- The Debt Management Division issued \$604.6 million in general obligation and revenue debt, of which the State will achieve \$38.8 million in refinancing savings from the refunded issues, and maintained the State's excellent credit ratings with Moody's, S&P, and Fitch as Aaa, AA+, and AAA respectively.
- The Unclaimed Property Program continued its commitment to returning unclaimed property to its rightful owners by returning over \$33.4 million for 75,505 properties.
- The Future Scholar College Savings Program is South Carolina's tax advantaged 529 college savings plan. Assets under management totaled approximately \$4.33 billion with almost 189,000 accounts.
- The Palmetto ABLE Savings Program allows qualified individuals with disabilities to save money without jeopardizing other government benefits, such as Medicaid and Supplemental Security Income (SSI). Assets under management totaled approximately \$8.2 million with almost 1,400 accounts.



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House Ways & Means Subcommittee Budget Hearing – January 8, 2021

- 4) Budget Request Summary in Priority Order

FY 21-22 Budget Priorities Summary
State Treasurer's Office

Budget Priorities		Funding					FTEs					
Priority No.	Priority Type (recurring/ non-recurring/ other funds adjustment/ other federal funds adjustment)	Priority Title	Priority Description	Recurring	Non - Recurring	Other	Federal	Total	State	Other	Federal	Total
1	Other Funds	[FY 21 Request] 2% Base Pay Increase, Health Insurance Plan Increases in employer contributions and 1% Retirement rate increase	2% Base Pay Increase and Health Insurance 2020 Plan Increases in employer contributions and 1% Retirement rate increase			180,000		180,000				0.0
2	Recurring	[FY 21 Request] Court Fines & Fees and Conviction Surcharge Support	Recovery of the administrative costs associated with distributing court fines & fees and conviction surcharges	50,000				50,000				0.0
3	Other Funds	[FY 21 Request] Insurance Reserve Fund Premium Increase	Increase of 55% in Insurance Reserve Fund premiums for FY 20-21			15,748		15,748				0.0
4	Other Funds	Banking Compliance, Security and Vendor Management	Two new FTE's will perform banking compliance, security and vendor management services			230,000		230,000		2.0		2.0
5	Other Funds	Building Security and Law Enforcement in Wade Hampton Building	Costs passed from DOA for physical security improvements and law enforcement in Wade Hampton building			31,000		31,000				0.0
6	Other Funds	529 Savings Plan Field Representative	One new FTE will interact with employers to provide education and assistance on 529 plan and promote continued growth			125,000		125,000		0.93		0.93
7	Other Funds	Internet Bandwidth, IT Security & Software Licensing	Increased costs related to bandwidth, firewalls and software improvements			50,000		50,000				0.0
8	Technical	Realignment of Existing FTE's	Realign State authorized FTE positions to Other Fund FTE positions						(22.0)	22.0		0.0



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House Ways & Means Subcommittee Budget Hearing – January 8, 2021

- 5) Cost Mitigation Efforts



South Carolina Office of
the State Treasurer

Cost Mitigation

- CARES Act
- Reduced Travel



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House Ways & Means Subcommittee Budget Hearing – January 8, 2021

6) Proviso Request Summary

There are no proviso request changes this fiscal year.

Constitutional Subcommittee Proviso Request Summary FY 2021-22

Proviso # in FY 19-20 Act	Renumbered FY 21-22 Proviso #	Proviso Title	Short Summary	Agency Recommended Action (keep, change, delete, add)
98.1	98.1	Nat'l. Forest Fund - Local Govt. Compliance	Local governments receiving National Forest Fund revenues required to report annually to STO indicating compliance with authorized purposes.	Keep
98.2	98.2	STARS Approval	Decisions related to STARS and SCEIS which involve STO Banking Operations and other functions of STO require approval of State Treasurer.	Keep
98.3	98.3	Investments	The State Treasurer may pool funds from accounts for investment purposes and may invest all monies in same types of investments set forth in Section 11-9-660.	Keep
98.4	98.4	Management Fees	The State Treasurer is authorized to charge a fee for the operating and management costs associated with Local Government Investment Pool, the Deferred Compensation Program, the Tuition Prepayment Program and the College Investment Program and is further authorized to retain and expend the fees to provide these services.	Keep
98.5	98.5	Investment Management Fees	The State Treasurer may charge a fee for the operating and management costs associated with the investment management and support operations of various state funds and programs, and further, may retain and expend the fees to provide these services.	Keep
98.6	98.6	Debt Management Cost Allocation	Authorizes STO to charge actual costs associated with the administration and management of indebtedness of State and its agencies and institutions.	Keep
98.7	98.7	Withheld Accommodations Tax Revenues	Allocation of withheld accommodations tax revenues.	Keep
98.8	98.8	Tuition Prepayment Program	Closes the SC Tuition Prepayment Program to new enrollments in the current fiscal year, establishes a maximum seven percent cap on TPP tuition increases from the 2006-07 level, and requires colleges and universities to grant a waiver of the difference in tuition to designated beneficiaries.	Keep
98.9	98.9	Penalties for Non-Reporting	Penalties against counties and municipalities for non-reporting.	Keep
98.10	98.10	Signature Authorization	Authorizes State Treasurer to designate certain employees to sign payments to meet ordinary expenses of State.	Keep
98.11	98.11	Unclaimed Property	Provides parameters for Unclaimed Property holder audits by third parties with the exception of joining multi-state audits; excludes companies whose parent company is headquartered or incorporated in South Carolina; authorizes the STO to retain \$200,000 to employ internal compliance auditors.	Keep
98.12	98.12	Municipality Accommodations Tax Withholdings	Withholding of accommodations tax revenue distributions from municipality due to expenditure Tourism Expenditure Review Committee determined to be in noncompliance.	Keep
98.13	98.13	Investment Earnings and Interest	Remit earnings and interest from investments into the General Fund.	Keep



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House Ways & Means Subcommittee Budget Hearing – January 8, 2021

7) Agency Provisos

Office of the State Treasurer

Agency Provisos

98.1. (TREAS: Nat'l. Forest Fund - Local Govt. Compliance) In order to conform to federal requirements local governments receiving distributions of National Forest Fund revenues are required to report annually to the State Treasurer indicating compliance with authorized purposes. [Keep]

98.2. (TREAS: STARS Approval) Decisions relating to the Statewide Accounting and Reporting System (STARS) and the South Carolina Enterprise Information System (SCEIS) which involve the State Treasurer's Banking Operations and other functions of the State Treasurer's Office shall require the approval of the State Treasurer. [Keep]

98.3. (TREAS: Investments) The State Treasurer may pool funds from accounts for investment purposes and may invest all monies in the same types of investments as set forth in Section 11-9-660. [Keep]

98.4. (TREAS: Management Fees) The State Treasurer is authorized to charge a fee for the operating and management costs associated with the Local Government Investment Pool, the Deferred Compensation Program, the Tuition Prepayment Program, and the College Investment Program and is further authorized to retain and expend the fees to provide these services. The fees assessed may not exceed the cost of the provision of such services. [Keep]

98.5. (TREAS: Investment Management Fees) Unless otherwise prohibited by law, the State Treasurer may charge a fee for the operating and management costs associated with the investment management and support operations of various state funds and programs, and further, may retain and expend the fees to provide these services. The fees assessed may not exceed the actual cost of the provision of these services or the earnings on these investments. [Keep]

98.6. (TREAS: Debt Management Cost Allocation) Unless otherwise prohibited by law, the State Treasurer may charge actual costs associated with the administration and management of the indebtedness of the State, its agencies and institutions, and further, may retain and expend any amounts so allocated to provide these services. Costs associated with the original issuance of bonds and other indebtedness must be assessed on an hourly basis, must be taken from the costs of issuance of any bond issue or other indebtedness, and must not exceed the actual cost of providing these services. Ongoing costs of administration and maintenance must be assessed against expenses of debt service, and must not exceed the actual costs of providing these services. [Keep]

98.7. (TREAS: Withheld Accommodations Tax Revenues) Before noncompliant expenditures and penalties withheld pursuant to Sections 6-4-35(B)(1)(a) and (b) are reallocated, the Tourism Expenditure Review Committee must certify to the Office of State Treasurer that the time period for an appeal of the committee's action to the Administrative Law Court has expired or that the action of the committee has been upheld or overturned by the Administrative Law Court. Noncompliant expenditures and penalties withheld must be reallocated annually after August

first. Allocations withheld must be reallocated proportionately based on the most recent completed fiscal year's total statewide collections of the accommodations tax revenue according to the Office of State Treasurer records. Each annual reallocation of withheld funds to non-offending counties and municipalities must be calculated separately then combined if necessary. Each reallocation to a county or municipality calculated less than a dollar must be transferred to the General Fund of the State. [Keep]

98.8. (TREAS: Tuition Prepayment Program) The South Carolina Tuition Prepayment Program shall not accept any new enrollment in the current fiscal year. The annual increase in tuition for the purposes of the Tuition Prepayment Program, for an institution cannot exceed seven percent per year from the 2006-07 level. To the extent that actual tuition for an institution exceeds an annual growth of seven percent per year since Fiscal Year 2006-07, colleges and universities must grant a waiver of the difference to the designated beneficiary and shall not pass along this difference to any student. [Keep]

98.9. (TREAS: Penalties for Non-reporting) If a municipality fails to submit the audited financial statements required under Section 14-1-208 of the 1976 Code to the State Treasurer within thirteen months of the end of their fiscal year, the State Treasurer must withhold all state payments to that municipality until the required audited financial statement is received.

If the State Treasurer receives an audit report from either a county or municipality that contains a significant finding related to court fine reports or remittances to the Office of State Treasurer, the requirements of Proviso 117.51 shall be followed if an amount due is specified, otherwise the State Treasurer shall withhold twenty-five percent of all state payments to the county or municipality until the estimated deficiency has been satisfied.

If a county or municipality is more than ninety days delinquent in remitting a monthly court fines report, the State Treasurer shall withhold twenty-five percent of state funding for that county or municipality until all monthly reports are current.

After ninety days, any funds held by the Office of State Treasurer will be made available to the State Auditor to conduct an audit of the entity for the purpose of determining an amount due to the Office of State Treasurer, if any. [Keep]

98.10. (TREAS: Signature Authorization) The State Treasurer is hereby authorized to designate certain employees to sign payments for the current fiscal year in accordance with Section 11-5-140 of the 1976 Code to meet the ordinary expenses of the State. This provision shall in no way relieve the State Treasurer of responsibility. [Keep]

98.11. (TREAS: Unclaimed Property) The State Treasurer may not expend funds to retain a third party, private sector auditor, or auditing firms to fulfill his duties pursuant to the South Carolina Uniform Unclaimed Property Act on a contingency basis or any basis other than an hourly basis, with the exception that the State Treasurer may join other state(s) in multi-state contingent fee auditors' examinations, not to include companies whose parent company is headquartered or incorporated in South Carolina, when there is a reason to believe that those companies being audited are holding funds belonging to South Carolina citizens. The Office of State Treasurer shall retain \$200,000 from the Unclaimed Property Program for the sole purpose of employing internal compliance auditors to enforce the Unclaimed Property Act. [Keep]

98.12. (TREAS: Municipality Accommodations Tax Withholdings) If the State Treasurer is withholding accommodations tax revenue distributions to a municipality due to an expenditure the Tourism Expenditure Review Committee determined to be in noncompliance, then the municipality may refund an amount equivalent to the amount determined to be in noncompliance to the municipality's accommodations tax fund from the municipality's general fund. If the municipality certifies to the Tourism Expenditure Review Committee that the amount has been refunded, the State Treasurer shall refund the withheld funds to the municipality's general fund. The expenditure of funds refunded to the municipality's accommodations tax fund and any subsequent expenditures are subject to review by the Tourism Expenditure Review Committee. Prior to notification to the State Treasurer of noncompliance by a municipality, the Tourism Expenditure Review Committee must notify the municipality if an expenditure is found to be in noncompliance. If the committee informs the municipality of an expenditure determined to be in noncompliance and the municipality does not refund the noncompliant amount, the committee shall certify the noncompliance to the State Treasurer. If the committee determines an expenditure of any refunded amount to be in noncompliance, the municipality may not refund an equivalent amount in order to avoid future withholdings. [Keep]

98.13. (TREAS: Investment Earnings and Interest) In accordance with the requirements of Section 11-13-125 of the 1976 Code, the State Treasurer shall remit earnings and interest from investments of general deposit funds into the General Fund of the State. Nothing in this provision shall be construed to limit the State Treasurer from incurring and paying fees, expenses, losses, statutory commitments, salaries, and other costs associated with the routine investment of funds pursuant to Section 11-9-660 of the 1976 Code. [Keep]



THE HONORABLE CURTIS M. LOFTIS, JR.
State Treasurer

House Ways & Means Subcommittee Budget Hearing – January 8, 2021

- 8) Carry Forward Information**



South Carolina Office of
the State Treasurer

Carry Forward Information

Account Number	1000000000 CASH DUE TO/FROM			
to	11ZZZZZZZZ			
Company Code	SC01	State of South Carolina		
Fiscal Year	2021			
<input type="checkbox"/> Display More Chars				
All Documents in Currency	*	Display Currency	USD Company c	
Period	Debit	Credit	Balance	Cumulative balance
Bal. Carryfor...				914,454.61



THE HONORABLE CURTIS M. LOFTIS, JR.
State Treasurer

House Ways & Means Subcommittee Budget Hearing – January 8, 2021

9) FTE Breakdown



South Carolina Office of
the State Treasurer

FTEs

Authorized FTEs	FY20	FY21
State	41.00	41.00
Other	39.07	39.07
Federal	0.00	0.00
Total	80.07	80.07



THE HONORABLE CURTIS M. LOFTIS, JR.
State Treasurer

House Ways & Means Subcommittee Budget Hearing – January 8, 2021

10) Additional Information



FY 2021-22 House Ways & Means Budget Hearing

Curtis M. Loftis, Jr.

State Treasurer



South Carolina Office of
the State Treasurer

Attendees

- Curtis M. Loftis, Jr., State Treasurer
- Clarissa Adams, Chief of Staff
- Cynthia Dannels, Deputy State Treasurer
- Tonia Morris, Deputy State Treasurer
- Edward Frazier, Executive Assistant



South Carolina Office of
the State Treasurer

Mission Statement

“To serve the citizens of South Carolina by providing transparent, accountable and efficient banking, investment and financial management services for South Carolina State Government. Our commitment is to safeguard our State’s financial resources and to maximize return on our State’s investments.”



South Carolina Office of
the State Treasurer

Agency Information

The State Treasurer's Office manages approximately \$52.3 billion on behalf of the State and local governments. While focusing on modernizing business operations, South Carolina Treasurer Curtis Loftis works to ensure that the State Treasurer's Office (STO) provides the best in efficient banking, investment and financial management services.

The State Treasurer's Office has four major program areas:

- Banking & Investments
- Treasury Management
- Debt Management
- Programs
 - Unclaimed Property Program
 - College Savings Programs
 - Palmetto ABLE Savings Program



South Carolina Office of
the State Treasurer

FY20 Accountability Report Highlights

- The State Treasurer's Office manages approximately \$52.3 billion on behalf of the State and local governments.
- The Banking & Investments Division manages relationships with the qualified public depository banks that provide banking services to the State of South Carolina's state agencies and universities to support receipt and disbursement of funds, including specialized services for merchant payment cards and merchant card processing. The division currently manages approximately \$24.2 billion in assets for both the State of South Carolina and local governments (LGIP). Gross earnings on General Deposit Accounts' investments and LGIP totaled approximately \$480.1 million.
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- The Unclaimed Property Program continued its commitment to returning unclaimed property to its rightful owners by returning over \$33.4 million for 75,505 properties.
- The Future Scholar College Savings Program is South Carolina's tax advantaged 529 college savings plan. Assets under management totaled approximately \$4.33 billion with almost 189,000 accounts.
- The Palmetto ABLE Savings Program allows qualified individuals with disabilities to save money without jeopardizing other government benefits, such as Medicaid and Supplemental Security Income (SSI). Assets under management totaled approximately \$8.2 million with almost 1,400 accounts.



South Carolina Office of
the State Treasurer

Recurring Budget Requests FY 2021-22



South Carolina Office of
the State Treasurer

New Recurring Budget Requests FY 2021-22

Priority No.	Priority Type (non-recurring / recurring)	Description	General Funds	Other Funds	Total Funding	State FTE's	Other FTE's	Total FTE's
1	Recurring	2% Base Pay Increase and Health Insurance 2020 Plan Increases in Employer Contributions and 1% Retirement Rate Increase		\$180,000	\$180,000			0
2	Recurring	Court Fines & Fees and Conviction Surcharge Support	\$50,000		\$50,000			0
3	Recurring	Insurance Reserve Fund Premium Increase		\$15,748	\$15,748			0
4	Recurring	Banking Compliance, Banking Security and Cash Management		\$230,000	\$230,000	0	2	2
5	Recurring	Building Security and Law Enforcement in Wade Hampton Building		\$31,000	\$31,000			0
6	Recurring	529 Savings Plan Field Representatives		\$125,000	\$125,000	0	0.93	0.93
7	Recurring	Internet Bandwidth, IT Security and Software Licensing		\$50,000	\$50,000			0
8	Recurring	Realign Authorized FTE's from State to Other Funds		\$0	\$0	(22)	22	0

FY 2021 Carryover Requests

New FY 2022 Requests



South Carolina Office of
the State Treasurer

Non-Recurring Budget Requests

The State Treasurer's Office has no non-recurring budget requests for fiscal year 21-22.



South Carolina Office of
the State Treasurer

Cost Mitigation

- CARES Act
- Reduced Travel



South Carolina Office of
the State Treasurer

Proviso Requests

The State Treasurer's Office has not requested any proviso changes for fiscal year 21-22.



South Carolina Office of
the State Treasurer

Carry Forward Information

Account Number	1000000000	CASH DUE TO/FROM			
to	11ZZZZZZZZ				
Company Code	SC01	State of South Carolina			
Fiscal Year	2021				
Display More Chars					
All Documents in Currency	*	Display Currency	USD	Company C	
Period	Debit	Credit	Balance	Cumulative balance	
Bal. Carryfor...				914,454.61	



South Carolina Office of
the State Treasurer

FTEs

Authorized FTEs	FY20	FY21
State	41.00	41.00
Other	39.07	39.07
Federal	0.00	0.00
Total	80.07	80.07



South Carolina Office of
the State Treasurer



THE HONORABLE CURTIS M. LOFTIS, JR.

State Treasurer
December 22, 2020

The Honorable G. Murrell Smith, Jr.
House Ways and Means Committee
525 Blatt Building
Columbia, SC 29201

Dear Chairman Smith,

As you know, the State Treasurer's Office (STO) regularly reviews and annually reports the status of the SC Tuition Prepayment Program (SCTPP) to the General Assembly. Each year since 2001, the STO has reported that SCTPP is operating with an unfunded liability. Today, almost 20 years since it was first reported, SCTPP continues to operate with an unfunded liability. As you undertake the 21/22 budget process, we urge you to fund this important Program. The citizens who have put their trust in SCTPP are depending on the State to sustain it on their behalf.

We thank you for your previous efforts to provide funding in the amount of \$20 million in the preliminary 2020-21 budget, and we ask for your continued support. The unfunded liability of the Tuition Prepayment Program is currently \$31.5 million. SCTPP is projected to be depleted of assets and unable to fund tuition payments beginning with the 2023 spring semester. Without funding, it will become necessary to cancel contracts to approximately 2,100 families currently relying on SCTPP for their children's future college tuition, and the legislature will be forced to fulfill all contractual refund obligations owed the account owners.

I very much appreciate your attention to this matter, and I am happy to assist in any way to accomplish this important goal.

Sincerely,

A handwritten signature in blue ink that reads "Curtis M. Loftis, Jr." The signature is written in a cursive style.

Curtis M. Loftis, Jr.
State Treasurer

CML/ebf

CC Subcommittee members:
Chairman Bannister, Rep. Huggins and Rep. Daning

SC Tuition Prepayment Program Overview (1/2021)

The SC General Assembly passed Title 59, Chapter 4, of the South Carolina Code of Laws, as amended and as may be amended, (South Carolina Tuition Prepayment Program Act) in 1997, which established a program to assist the citizens of South Carolina with the expense of college by providing an advanced payment program for tuition at a fixed and guaranteed level for public colleges and universities. The South Carolina Tuition Prepayment Program Regulations contained in Chapter 19, Article 12, 2003 South Carolina Code of Regulation, and any subsequent amendments, shall apply to the tuition prepayment contract and are incorporated by reference.

The program allows for the advance payment by the contributor of in-state tuition at a fixed, guaranteed level for a designated beneficiary to attend for up to four years on a full-time basis a public educational institution of higher learning in South Carolina or to another educational institution of higher learning that may be provided for at Title 59, Chapter 4 of the South Carolina Code of Laws, 1976, and to which the designated beneficiary is admitted, enrolled, and classified as a degree-seeking undergraduate student.

The South Carolina Tuition Prepayment Program Fund was created as a nonpublic special, revolving fund and established and maintained by the State of South Carolina. The Fund consists of monies received from contributors, state appropriations, other monies acquired from governmental and private sources, and earnings from the investments of the Fund.

Refund Terms & Interest Rates

Section 59-4-65 states that in the event the State of South Carolina determines by law or otherwise that the fund should be discontinued and all tuition prepayment contracts canceled, contributors shall be entitled to a refund of all payments to the fund plus interest on these contributions from the date payment is made at the rate of four percent per annum. Notwithstanding any other provision of this chapter or of law, if the fund does not have sufficient monies to make such refunds, the deficiencies shall be paid from the general fund of the State.

Age Limits for Account Holders

Program Regulation 19-1285 specifies that the master agreement shall provide that a tuition prepayment contract which has not been terminated or the benefits exhausted by the time the designated beneficiary reaches his thirtieth (30th) birthday is canceled; however, up to forty-eight (48) continuous months expended by a designated beneficiary as an active duty member of any branch of the armed services of the State of South Carolina or the United States may be added to the time specified pursuant to the terms of the tuition prepayment contract.

Portability of Funds between Accounts/Family Members

Program Regulations 19-1270 and 19-1272 state that a designated beneficiary is defined as an

individual who is under the age of 21 on the first day of the month in which the application period begins, has not completed the 10th grade, and is a resident of South Carolina for at least twelve (12) months prior to a contributor's application for a tuition prepayment contract. A contributor may request a change in a tuition prepayment contract to substitute an eligible designated beneficiary who a member of the family of the designated beneficiary. The substitute designated beneficiary must meet all requirements, including but not limited to the residency requirement, of a designated beneficiary at the time of substitution. The substitution must be made prior to the designated beneficiary matriculating at a public college or university. The change to a substitute designated beneficiary is limited to individuals who are the same age as or younger than the designated beneficiary.

Funds Expiration Date

Based on actuarial projections and assumptions, the Program's Actuary estimates that \$31.5 million will be needed to prevent a depletion of assets and loss of benefits to approximately 2,100 families currently relying on the Program for their children's future college tuition. Based on the assumptions used for the valuation, the Program is expected to have insufficient assets to fund payments beginning with the 2023 spring semester.

Refund Liability

If additional funding is not provided, the legislature will be forced to shut down the program and issue refunds to account owners in Spring of 2023. Currently, the program does not have sufficient monies to make such refunds, and additional funds will be required from the general fund to satisfy the contractual obligations of the program. Based on the June 30, 2020 actuarial report, the additional funds required to issue refunds (contract payments plus interest) is \$31 million.



South Carolina Tuition Prepayment Program

2020 Actuarial Valuation Report

Prepared by:

Glenn Bowen, FSA, EA, MAAA
Principal & Consulting Actuary

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Table of Contents

Executive Summary	1
A. Summary of Key Valuation Results	2
B. Actuarial Discussion and Analysis.....	3
C. Program Experience.....	4
D. Changes in Actuarial Assumptions and Methods.....	4
E. Changes in Program Provisions	4
Exhibits	5
1. Market Value of Assets	6
2. Change in Market Value of Assets.....	7
3. Actuarial Reserve as of June 30, 2020.....	8
4. Change in Actuarial Reserve from June 30, 2019 to June 30, 2020	9
5. Projected Cash Flows under the Valuation Assumptions.....	10
Certification	11
Appendices	14
Appendix A – 2020-2021 Weighted Average Tuition.....	15
Appendix B - Contract Data	16
Appendix C – Actuarial Assumptions and Methods.....	18
Appendix D – Principal Plan Provisions.....	20



Executive Summary

A. Summary of Key Valuation Results

	Actuarial Valuation as of:	
	June 30, 2019	June 30, 2020
Program Assets		
Invested Assets at Fair Market Value	\$40,761,708	\$30,592,094
Present Value of Projected Future Premium Contributions	<u>612,032</u>	<u>350,123</u>
Total Assets	\$41,373,740	\$30,942,217
Program Obligations		
Present Value of Projected Future Benefits and Expenses	\$78,271,541	\$62,481,134
Accrued Program Management Fees	<u>10,182</u>	<u>7,652</u>
Total Liability for Obligations	\$78,281,723	\$62,488,786
Actuarial Reserve		
Actuarial Reserve/(Deficit)	(\$36,907,983)	(\$31,546,569)
Funded Ratio	52.9%	49.5%
Key Assumptions		
Single Effective Discount Rate for Determining the Present Value of Program Obligations	2.37%	1.12%
Assumed Tuition Inflation Growth Rate	5.50%	5.50%

B. Actuarial Discussion and Analysis

An actuarial valuation of the South Carolina Tuition Prepayment Program (the “Program”) is conducted annually to analyze the ability of projected Program resources to fully meet projected Program contract obligations and Program expenses. The actuarial reserve is the amount, stated in present value terms, by which the expected value of Program assets (resources) exceeds the expected value of Program liabilities, including expenses (obligations). The calculation is done as of a single point in time, using a single set of actuarial assumptions and methods.

While the actuarial valuation uses a single set of actuarial assumptions, actual future Program experience will differ from the assumptions used in the valuation's calculations. The assumptions used for this report have been updated since last year based on an experience study completed by Milliman this year.

As of June 30, 2020 the Program has assets of \$30,942,218 and obligations of \$62,488,786. The difference in values creates an actuarial deficit of \$31,546,568. The ratio of assets to obligations, known as the funded ratio, is 49.5%. Based on the assumptions used for the valuation, the Program is expected to have insufficient assets to fund payments for spring semester 2023 (note that spring semester payments can begin as early as the month of January). Please see Exhibit 5 for a projection of the Program's expected cash flows. Possible options for dealing with the deficit include both ongoing plan and shutdown scenarios:

Ongoing Plan Options

Lump Sum Appropriation

The current deficit increases at an annualized rate of 1.12%, thus appropriations to cover the deficit are expected to increase over time as follows:

<u>Date</u>	<u>Required Appropriation</u>
June 30, 2020	\$31.5 million
June 30, 2021	\$31.9 million
June 30, 2022	\$32.3 million
Spring Semester 2023*	\$32.4 million

*At the time the Program is expected to have depleted the assets.

This estimate does not include any margin for future adverse experience.

Annual Appropriations

In lieu of a lump sum appropriation, the State may opt for annual appropriations equal to the “pay as you go” costs of Program benefits and expenses. These appropriations would start with the spring semester 2023 payments, when the Program is expected to deplete the assets. These costs are expected to be approximately: \$3.2 million in the year ending June 30, 2023; \$8.9 million in the year ending June 30, 2024; and then decreasing amounts until 2049 when all of the Program benefits and expense are expected to have been paid. The total amount of required appropriations on this basis is expected to be \$33.6 million. Please see Exhibit 5 for a projection of these annual amounts.

Shutdown Options

If the Program is shut down and refunds are paid (based on a return of premiums at 4% interest to all contracts with unused semesters still in force), the expected amount of the total refund payments and the appropriation required to cover the projected shortfall for different shutdown dates are:

<u>Shutdown Date</u>	<u>Amount of Refunds</u>	<u>Required Appropriation</u>
June 30, 2020	\$53.3 million	\$22.8 million
June 30, 2021	\$45.3 million	\$26.4 million
June 30, 2022	\$37.0 million	\$29.6 million
Spring of 2023*	\$31.0 million	\$31.0 million

*At the time the Program is expected to have depleted the assets.

C. Program Experience

"Experience" encompasses the performance of the Program during the year, including investment performance, along with the effects of changes in the discount rate yield curve, tuition, expenses, and the Program's contract data.

The Program experience during the year is quantified through changes in the actuarial reserve / (deficit). The year-to-year changes in the reserve are detailed in Exhibit 4 of the report. The actuarial deficit decreased by \$5.4 million during the year. As noted in Exhibit 4, four of the factors that had significant impacts to the reserve level over the past year were:

- \$2.7 million decrease to the deficit due to reflection of new assumptions from experience study
- \$2.4 million decrease to the deficit due to lower than assumed tuition increases for fall 2020
- \$2.4 million increase to the deficit due to a decrease in discount rates from a year ago
- \$1.6 million decrease to the deficit due to higher actual investment returns than assumed a year ago

D. Changes in Actuarial Assumptions and Methods

The actuarial assumptions and methods used in this valuation are different than those used in the valuation conducted as of June 30, 2019 and are summarized below, with more details in Appendix A:

- Discount rate yield curve updated to reflect changes in capital market conditions between valuation dates.
- Assumption for pre-matriculation voluntary cancellations was updated based on recent experience.
- Assumption for the number of tuition units redeemed each year was updated based on recent experience.
- Assumption for the proportion of contracts that will cancel each year was updated based on recent experience.
- Assumption for the average tuition benefit amount paid per unit as a percentage of weighted average tuition (the "bias load") was updated based on recent experience.

Please see Appendix C for a more detailed summary of this valuation's actuarial assumptions and methods.

E. Changes in Program Provisions

There have been no changes in Program provisions that affect actuarial calculations since the prior valuation. Please see Appendix D for a summary of principal Program provisions.

Exhibits



This work product was prepared solely for the South Carolina Tuition Prepayment Program for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Exhibit 1

Market Value of Assets

The fair market value of assets as of June 30, 2019 and June 30, 2020 is shown below, and was provided by Columbia Threadneedle Investments.

	June 30, 2019	June 30, 2020
1. Immunized fixed income including accrued income	\$40,397,525	\$29,950,928
2. Cash and cash equivalents	\$364,183	\$641,166
3. Total market value of investments	\$40,761,708	\$30,592,094

Exhibit 2

Change in Market Value of Assets

The change in the market value of assets from June 30, 2019 to June 30, 2020 is shown below, and was provided by Columbia Threadneedle Investments. The estimated net rate of return earned on the investments for the year ending June 30, 2020 was 7.33%.

1. Market value of assets as of June 30, 2019	\$40,761,708
2. Contract premium payments	350,246
3. Tuition and refund benefits paid	(12,657,716)
4. Program management expenses	(162,860)
5. Investment performance	
a. Interest income	850,726
b. Realized gains / (losses)	610,447
c. Unrealized gains / (losses)	<u>842,073</u>
d. Total net investment performance	2,303,246
6. Net increase / (decrease) in market value of assets [(2) + (3) + (4) + (5d)]	(10,167,084)
7. Change in accrued management expenses	(2,530)
8. Market value of assets as of June 30, 2020 [(1) + (6) + (7)]	\$30,592,094

Exhibit 3

Actuarial Reserve as of June 30, 2020

The actuarial reserve is the amount, stated in present value terms, by which the expected value of Program assets (resources) exceeds the expected value of Program liabilities, including expenses (obligations). The calculation is done as of a single point in time, using a single set of actuarial assumptions and methods.

1. Assets at fair market value as of June 30, 2020	\$30,592,094
2. Present value of expected future premium contributions	<u>350,123</u>
3. Total projected program assets [(1) + (2)]	\$30,942,217
4. Present value of projected future benefits and expenses	\$62,481,134
5. Accrued program management fees	<u>7,652</u>
6. Total projected program obligations [(4) + (5)]	\$62,488,786
7. Actuarial reserve/(deficit) as of June 30, 2020 [(3) - (6)]	(\$31,546,569)
8. Actuarial reserve/(deficit) as a percentage of total projected program obligations [(7) ÷ (6)]	(50.5%)
9. Funded ratio: Assets / Obligations [(3) / (6)]	49.5%

Exhibit 4

Change in Actuarial Reserve from June 30, 2019 to June 30, 2020

A number of factors contributed to the year-to-year change in the actuarial reserve, as quantified below.

	\$Millions
1. Actuarial reserve/(deficit) as of June 30, 2019	(\$36.9)
Increase/(decrease) in reserve from June 30, 2019 to June 30, 2020 due to:	
2. Interest on the deficit at 2.37%	(0.9)
3. Decrease in the discount rate	(2.4)
4. Higher return on investments than assumed	1.6
5. Lower actual 2020-2021 tuition than assumed	2.4
6. Lower administrative expenses than assumed	0.2
7. Assumption changes from experience study	2.7
8. Actual contract usage/cancellation behavior* and all other sources	1.8
9. Total increase/(decrease) in actuarial adequacy reserve during the year	5.4
10. Actuarial reserve/(deficit) as of June 30, 2020	(\$31.5)

*Compared to that assumed in the prior valuation as of June 30, 2019

Exhibit 5

Projected Cash Flows under the Valuation Assumptions (\$Millions)

The projection assumes that Program assets earn a return of 1.12% every year. The amounts shown in the annual shortfall column are the projected "pay as you go" costs for the Program once the investments are depleted.

Year Ending June 30:	Beginning Market Value of Investments/ (Cumulative Shortfall)	Expected Contract Premiums	Expected Tuition Payments	Expected Refund Payments	Expected Program Expenses	Expected Investment Earnings	Annual (Shortfall)	Ending Market Value of Investments/ (Cumulative Shortfall)
2021	\$30.59	\$0.17	(\$11.15)	(\$0.65)	(\$0.34)	\$0.25	\$0.00	\$18.87
2022	18.87	0.10	(10.67)	(0.71)	(0.34)	0.13	0.00	7.38
2023	7.38	0.05	(9.34)	(0.94)	(0.34)	0.02	(3.17)	(3.17)
2024	(3.17)	0.01	(7.79)	(0.77)	(0.34)	0.00	(8.89)	(12.06)
2025	(12.06)	0.00	(4.92)	(0.87)	(0.34)	0.00	(6.13)	(18.19)
2026	(18.19)	0.00	(2.87)	(1.01)	(0.34)	0.00	(4.22)	(22.41)
2027	(22.41)	0.00	(1.65)	(1.00)	(0.34)	0.00	(2.99)	(25.40)
2028	(25.40)	0.00	(0.71)	(0.89)	(0.34)	0.00	(1.94)	(27.34)
2029	(27.34)	0.00	(0.37)	(1.09)	(0.34)	0.00	(1.80)	(29.14)
2030	(29.14)	0.00	(0.18)	(0.82)	(0.34)	0.00	(1.34)	(30.48)
2031	(30.48)	0.00	(0.08)	(0.10)	0.00	0.00	(0.18)	(30.66)
2032	(30.66)	0.00	(0.07)	(0.10)	0.00	0.00	(0.17)	(30.83)
2033	(30.83)	0.00	(0.05)	(0.72)	0.00	0.00	(0.77)	(31.60)
2034	(31.60)	0.00	(0.03)	(0.79)	0.00	0.00	(0.82)	(32.42)
2035	(32.42)	0.00	(0.03)	(0.56)	0.00	0.00	(0.59)	(33.01)
2036	(33.01)	0.00	(0.02)	(0.41)	0.00	0.00	(0.43)	(33.44)
2037	(33.44)	0.00	(0.02)	(0.02)	0.00	0.00	(0.04)	(33.48)
2038	(33.48)	0.00	(0.02)	(0.01)	0.00	0.00	(0.03)	(33.51)
2039	(33.51)	0.00	(0.02)	(0.01)	0.00	0.00	(0.03)	(33.54)
2040	(33.54)	0.00	(0.02)	0.00	0.00	0.00	(0.02)	(33.56)
2041	(33.56)	0.00	(0.01)	(0.01)	0.00	0.00	(0.02)	(33.58)
2042	(33.58)	0.00	0.00	0.00	0.00	0.00	0.00	(33.58)
2043	(33.58)	0.00	0.00	0.00	0.00	0.00	0.00	(33.58)
2044	(33.58)	0.00	0.00	0.00	0.00	0.00	0.00	(33.58)
2045	(33.58)	0.00	0.00	0.00	0.00	0.00	0.00	(33.58)
2046	(33.58)	0.00	0.00	0.00	0.00	0.00	0.00	(33.58)
2047	(33.58)	0.00	0.00	0.00	0.00	0.00	0.00	(33.58)
2048	(33.58)	0.00	0.00	0.00	0.00	0.00	0.00	(33.58)
2049	(33.58)	0.00	0.00	0.00	0.00	0.00	0.00	(33.58)



This work product was prepared solely for the South Carolina Tuition Prepayment Program for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Certification



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Caveats and Limitations of Use

The actuarial valuation of the South Carolina Tuition Prepayment Program as of June 30, 2020 has been completed in accordance with our understanding of Program provisions using assumptions and methods as described in this report. It also has been completed in accordance with our understanding of any applicable guidance or interpretations provided by the State Treasurer's office, InTuition Solutions, Inc., and Columbia Threadneedle Investments. The valuation results contained in this report are based on the actuarial assumptions and methods (Appendix C), principal Program provisions (Appendix D), and contract data (Appendix B) summarized in the appendices.

Purpose of the Valuation

The actuarial reserve portion of the actuarial valuation assesses, as of a single point in time, the estimated sufficiency of Program resources (assets currently held and estimated future premium contributions for contracts currently in force) to satisfy Program obligations (estimated future Program benefit payments and management expenses).

Assumptions and Methods

All liabilities shown in this report have been determined on the basis of actuarial assumptions and methods set forth in Appendix A. The assumptions and methods used in this valuation have been updated since the prior year based on an experience study completed by Milliman in 2020.

Limited Use

We believe the assumptions and methods used in this report for purposes of calculating the actuarial reserve are reasonable for the purposes of the measurements. The results of this report are dependent upon future experience conforming to the assumptions disclosed in this report. Future actuarial measurements may differ significantly from the current measurements presented in this report due to many factors, including: Program experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; and changes in Program provisions and/or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements. Determinations for purposes other than meeting those requirements referenced above may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

Reliance

In preparing our report we relied, without audit, on information (some oral and some written) supplied by InTuition Solutions, Inc., the Office of the State Treasurer, and Columbia Threadneedle Investments. This information includes, but is not limited to, statutory provisions, contract data, and financial information. In our examination of these data, we have found them to be reasonably consistent and comparable with data used for other purposes. Since the valuation results are dependent on the integrity of the data supplied, the results can be expected to differ if the underlying data is incomplete or missing. It should be noted that if any data or other information is inaccurate or incomplete, our calculations may need to be revised.

This actuarial valuation was prepared and completed by us and those under our direct supervision, and we acknowledge responsibility for the results. To the best of our knowledge, the results are complete and accurate. In our professional opinion, the techniques and assumptions used are reasonable. To the best of our knowledge, there is no benefit provision or related expense to be provided by the Program and/or paid from the Program's assets for which liabilities or current costs have not been established or otherwise taken into account in the valuation, and there were no known events that were not taken into account in the valuation.

Milliman's work product was prepared exclusively for the internal business use of the Program, for a specific and limited purpose. It is a complex technical analysis that assumes a high level of knowledge concerning the



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Program's operations, and uses Program data which Milliman has not audited. To the extent that Milliman's work is not subject to disclosure under applicable public record laws, Milliman's work may not be provided to third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of its work product. Milliman's consent to release its work product to any third party may be conditioned on the third party signing a Release, subject to the following exceptions:

- (a) The Program may provide a copy of Milliman's work, in its entirety, to the Program's professional service advisors who are subject to a duty of confidentiality and who agree to not use Milliman's work for any purpose other than to benefit the Program.
- (b) The Program may provide a copy of Milliman's work, in its entirety, to other governmental entities, as required by law.

No third party recipient of Milliman's work product should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the Program sponsor. We are not aware of any relationship that would impair the objectivity of our work.

Certification

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with Actuarial Standards of Practice, the Code of Professional Conduct and Qualification Standards for Public Statements of Actuarial Opinion of the American Academy of Actuaries. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.



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Appendices



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Appendix A – 2020-2021 Weighted Average Tuition

An enrollment weighted average of tuition and mandatory fees is used as the basis for projecting the actuarial cost of future tuition benefits under the Program and as the basis for certain Program payouts to independent and out-of-state institutions. The tuition and mandatory fee amounts were provided by InTuition Solutions, Inc. and reviewed by the Office of the State Treasurer. The enrollment counts were provided by the Office of the State Treasurer based on data from the South Carolina Commission on Higher Education.

<u>Institutions</u>	<u>2020-21 Tuition and Fees</u>	<u>Enrollment</u>			<u>Three-Year Average Enrollment</u>	<u>Percent of Total Enrollment</u>	<u>Weighted Average Tuition</u>
		<u>Fall 2017</u>	<u>Fall 2018</u>	<u>Fall 2019</u>			
The Citadel	\$14,128	3,139	3,238	3,200	3,192	3.48%	492
Clemson University	15,120	19,503	19,743	20,263	19,836	21.62%	3,269
Coastal Carolina University	11,640	9,721	9,566	9,531	9,606	10.47%	1,219
College of Charleston	12,978	9,420	9,457	9,163	9,347	10.19%	1,322
Francis Marion University	11,160	3,085	2,642	3,114	2,947	3.21%	358
Francis Marion Nursing	17,338	236	203	190	210	0.23%	40
Lander University	11,700	2,727	2,847	3,052	2,875	3.13%	366
S.C. State University	11,060	2,369	2,314	2,079	2,254	2.46%	272
U.S.C. - Aiken	10,930	2,925	2,897	2,797	2,873	3.13%	342
U.S.C. - Beaufort	11,080	1,922	1,945	1,929	1,932	2.11%	234
U.S.C. - Columbia	12,848	26,146	26,577	27,313	26,679	29.07%	3,735
U.S.C. - Upstate	11,908	5,010	5,200	5,040	5,083	5.54%	660
Winthrop University	15,836	4,737	4,599	4,524	4,620	5.03%	797
Med. Univ. of S.C. - Nursing	25,233	294	309	307	304	0.33%	83
		91,234	91,537	92,502	91,758	100.00%	\$13,189

History of Weighted Average Tuition

<u>Academic Year</u>	<u>Weighted Average Tuition (WAT)</u>	<u>Percentage Increase from Previous Year</u>	<u>Academic Year</u>	<u>Weighted Average Tuition (WAT)</u>	<u>Percentage Increase from Previous Year</u>
2002-2003	\$5,057		2012-2013	\$10,716	2.9%
2003-2004	5,891	16.5%	2013-2014	11,082	3.4%
2004-2005	6,679	13.4%	2014-2015	11,470	3.5%
2005-2006	7,458	11.7%	2015-2016	11,845	3.3%
2006-2007	7,954	6.7%	2016-2017	12,269	3.6%
2007-2008	8,418	5.8%	2017-2018	12,731	3.8%
2008-2009	9,029	7.3%	2018-2019	13,077	2.7%
2009-2010	9,519	5.4%	2019-2020	13,143	0.5%
2010-2011	10,204	7.2%	2020-2021	13,189	0.3%
2011-2012	10,412	2.0%			

Annualized Increase in Weighted Average Tuition:

Over last 5 years	2.2%
Over last 10 years	2.6%
Over last 15 years	3.9%
Over last 18 years	5.5%

Appendix B - Contract Data

Contracts in Force as of June 30, 2020

The table below shows the number of contracts with at least one semester of tuition still in force as of June 30, 2020 by the year of enrollment in the Program and by the projected matriculation year. There are 1,726 contracts with at least one semester still in force. There are an additional 648 contracts with a fraction of one semester of tuition still in force. A total of 2,374 contracts have tuition benefits still in force and were included in the actuarial valuation.

Projected Matriculation Year	Year of Enrollment in Program								Total
	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2006	
2007	-	-	-	-	1	-	-	-	1
2008	5	9	3	-	6	2	-	-	25
2009	6	5	3	2	6	4	2	1	29
2010	12	14	12	6	4	4	3	2	57
2011	11	7	6	2	9	3	2	3	43
2012	5	8	7	7	5	7	4	1	44
2013	11	10	5	10	11	7	2	1	57
2014	14	16	13	9	7	3	6	1	69
2015	15	13	14	10	12	5	10	1	80
2016	20	28	13	11	25	16	13	5	131
2017	12	39	46	27	49	18	26	6	223
2018	2	34	62	46	60	26	25	9	264
2019	1	3	37	38	44	31	32	9	195
2020	3	-	2	21	57	30	31	11	155
2021	1	-	1	2	62	40	39	18	163
2022	-	3	2	-	1	54	33	13	106
2023	-	-	1	-	-	-	37	29	67
2024	2	-	2	-	-	-	1	-	5
2025	1	-	-	1	1	-	-	-	3
2026	1	-	-	1	-	-	1	-	3
2027	-	-	-	-	-	-	-	-	-
2028	-	-	-	1	-	-	1	-	2
2029	-	-	-	-	1	-	-	-	1
2030	-	-	1	-	-	-	-	-	1
2031	-	-	-	-	-	-	-	-	-
2032	-	1	-	-	-	-	-	-	1
2033	-	-	-	-	-	-	-	-	-
2034	-	-	-	-	-	-	-	-	-
2035	-	-	-	-	-	-	-	-	-
2036	1	-	-	-	-	-	-	-	1
Total	123	190	230	194	361	250	268	110	1,726

Semesters in Force as of June 30, 2020

The table below shows the number of semesters of tuition still in force by the year of enrollment in the Program and by the projected matriculation year for the 1,726 contracts with at least one semester of tuition still in force. The 648 contracts with a fraction of one semester of tuition still in force have a total of 70 semesters.

Projected Matriculation Year	Year of Enrollment in Program								Total
	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2006	
2007	-	-	-	-	8	-	-	-	8
2008	12	26	11	-	15	4	-	-	68
2009	22	15	9	4	14	9	9	2	84
2010	36	43	52	17	14	6	10	12	190
2011	46	22	35	2	18	4	9	6	142
2012	28	31	28	28	13	31	17	1	177
2013	48	48	19	59	39	29	8	7	257
2014	56	62	53	43	42	11	28	8	303
2015	74	78	55	40	36	19	36	8	346
2016	70	104	41	47	97	68	60	16	503
2017	28	136	174	110	157	57	70	23	755
2018	7	155	298	229	312	136	122	39	1,298
2019	6	20	245	238	282	192	198	63	1,244
2020	24	-	16	164	440	220	236	72	1,172
2021	8	-	8	16	468	308	300	128	1,236
2022	-	24	16	-	8	432	248	100	828
2023	-	-	8	-	-	-	280	184	472
2024	16	-	8	-	-	-	8	-	32
2025	8	-	-	8	8	-	-	-	24
2026	8	-	-	8	-	-	8	-	24
2027	-	-	-	-	-	-	-	-	-
2028	-	-	-	8	-	-	8	-	16
2029	-	-	-	-	4	-	-	-	4
2030	-	-	4	-	-	-	-	-	4
2031	-	-	-	-	-	-	-	-	-
2032	-	8	-	-	-	-	-	-	8
2033	-	-	-	-	-	-	-	-	-
2034	-	-	-	-	-	-	-	-	-
2035	-	-	-	-	-	-	-	-	-
2036	8	-	-	-	-	-	-	-	8
Total	505	772	1,080	1,021	1,975	1,526	1,655	669	9,203

Appendix C – Actuarial Assumptions and Methods

Economic Assumptions: Discount Rate

The discount rate used to calculate the present values of benefits under the program is determined by discounting the projected benefit payments using the FTSE Pension Discount Curve for June 30, 2020. This curve consists of a set of yields on hypothetical AA-rated zero coupon bonds with maturities ranging from 6 months up to 30 years. The single equivalent discount rate that produces the same total present value of benefits as the curve is the discount rate for the actuarial valuation.

The rate for this year's valuation is 1.12%. This rate has not been reduced to reflect investment management fees. The rate used for last year's valuation was 2.37%.

Economic Assumptions: Tuition Growth Rate

Tuition is assumed to increase at 5.50% per year. This is the same assumption as used for last year's actuarial valuation. This assumption was developed by the prior actuary.

Economic Assumptions: Bias Load

It is assumed that the average payout per semester for tuition benefits will be 100% of weighted average tuition. This is lower than the 103% assumption used for last year's actuarial valuation. This new assumption was based on the experience study performed by Milliman in 2020.

Economic Assumptions: Program Expenses

It is assumed that total Program expenses, including investment management fees, will be \$340,000 per year for each of the next 10 years (this was 11 last year). This assumption was set by the Office of the State Treasurer.

Demographic Assumptions: Pre-Matriculation Voluntary Termination of Contract

It is assumed that contract holders will voluntarily terminate their contracts prior to the projected year of matriculation at the following rates:

Contract Type		
Lump Sum	48-Month	Extended
0.5% per year	0.5% per year	1.5% per year

The termination assumptions are different than those used in the prior valuation and are based on an experience study completed by Milliman in 2020.

Demographic Assumptions: Utilization of Benefits

For contracts with projected matriculation dates starting in the fall of the current year or earlier, it is assumed that 85% of them will redeem their contracts for tuition according to the following schedule:

Number of Semesters Redeemed in Year							
Contract Type	Matric Year	Matric Year +1	Matric Year +2	Matric Year +3	Matric Year +4	Matric Year +5	Matric Year +6
8 Semesters	1.80	1.80	1.80	1.80	0.40	0.24	0.16
4 Semesters	1.20	1.20	0.80	0.60	0.20	-	-

It is assumed that 15% of the contracts with projected matriculation dates starting in the fall of the current year or later will forego redeeming their contracts for tuition and will voluntarily terminate their contracts at the rate of 4% per year from the projected year of matriculation through age 29 and then 100% at age 30.

Contracts that have redeemed benefits for tuition in at least one of the previous two years are assumed to redeem their remaining semesters at the rate of 1.8 semesters each year.

Contracts that are past their scheduled matriculation date and have not redeemed benefits for tuition in at least one of the previous two years are assumed to forego redeeming their remaining benefits and voluntarily terminate their contracts at the rate of 4% per year through age 29 and then 100% at age 30.

Appendix D – Principal Plan Provisions

The Program opened in 1998 and sold two and four-year prepaid tuition contracts. The contracts provide for the payment of tuition and mandatory fees at public higher education institutions in South Carolina. The Program halted sales in 2006 and closed it to new enrollment in 2008.

Contracts that are terminated voluntarily receive a refund of premium payments with 2% annual interest on unused semesters.



THE HONORABLE CURTIS M. LOFTIS, JR.
State Treasurer

**Palmetto ABLÉ Savings Program
Annual Report
For the Year Ended June 30, 2020**

Enabling Federal Legislation

The Achieving a Better Life Experience (ABLE) Act of 2014 was signed into federal law on December 19, 2014.

The purpose of the ABLE Act is (1) to encourage and assist individuals and families in saving private funds for the purposes of supporting individuals with disabilities to maintain health, independence and quality of life; and (2) to provide secure funding for disability-related expenses of beneficiaries with disabilities that will supplement, but not supplant benefits provided through private insurance, the Medicaid program under title XIX of the Social Security Act, the Supplemental Security Income program under title XVI of such Act, the beneficiary's employment and other sources.

The ABLE Act amended the IRS Code (529A) to create tax-free accounts for individuals with disabilities and to provide for the creation of state-implemented ABLE programs.

As of June 30, 2020, forty-seven states and the District of Columbia have established a qualified ABLE program and there are 63,743 ABLE accounts open nationwide with almost \$380.8 million in assets under management.

The Palmetto ABLÉ Savings Program

On April 29, 2016, legislation creating South Carolina's qualified ABLE program was signed into law and the State Treasurer was named as the administrator of the program. In November 2017, the program opened for enrollment through a partnership with Ohio's STABLE Account Plan.

Eligible individuals with a disability may contribute up to \$15,000 per year to a Palmetto ABLE account (up to \$27,490 if employed). All contributions made to an ABLE account are 100% deductible from the contributor's South Carolina state income tax return.

The Palmetto ABLE Savings Program is a proud member of the South Carolina disability community. Through partnerships with disability organizations and grassroots outreach efforts, the program has grown



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State Treasurer

steadily, increasing the number of accounts by 62% in the past year. As of June 30, 2020, the Palmetto ABLE Savings Program has 1,380 accounts opened in 41 counties with \$8.2 million in assets under management. The Palmetto ABLE Savings Program provides individuals with disabilities and their families who care for them access to the same kinds of savings tools that are available to the broader population. The State Treasurer's Office is honored to administer this program.

Below are just a few faces of the Palmetto ABLE Savings Program.

