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March 29, 2016

EMAIL and U.S. Mail  
The Honorable Curtis M. Loftis, Jr.  
State Treasurer  
Post Office Box 11778  
Columbia, South Carolina 29211

Dear Treasurer Loftis:

On behalf of the entire Executive Subcommittee, I would like to thank your staff for sharing their time and knowledge with the Subcommittee, during the March 17, 2016 meeting. Your staff provided an excellent presentation which walked the Subcommittee through the Treasurer's Office's strategic plan, and this excellent presentation may serve as a model for other agencies' in providing this information.

As mentioned during the meeting, Subcommittee members have received calls from constituents, and as an elected official, you understand the importance of addressing such matters. In order to effectively address these concerns, the Subcommittee seeks responses supported by documents.

Below please find a list of inquiries made during the meeting, as well as additional information requests.

### *Credit Rating*

1. Amount of unfunded liability for South Carolina;
2. Amount of unfunded liability for similar other states examined by credit rating agencies and/or which credit rating agencies compare South Carolina to when determining the State's credit rating;
3. Issues of concern noted by Standard and Poor's, in order of priority, which relate to why this credit rating agency has not given South Carolina the highest rating;

### *Employees & Treasurer's Office*

4. Demographics of employees in the Treasurer's Office;
5. List of positions at the Treasurer's Office and beside each, number of years the person in the position, each year from 2011-present, had in that position at the Treasurer's Office (see example at top of next page);

Position	2011	2012	2013	2014	2015
Treasurer	0 (Treasurer was first sworn into office, so he had 0 years prior experience serving in that position at the Treasurer's Office)	1 year	2 years	3 years	4 years

*Bank of New York Mellon (BNYM) & Treasurer's Office*

6. Copies of each contract between BNYM and the State that was in effect between January 2007 and December 2015, along with an executive summary of each contract that outlines the following:
  - a. Title and short summary of the contract,
  - b. Date the contract was originally entered,
  - c. Date the contract terminated,
  - d. Explanation of any provisions which allow early termination, including a cite to the specific provision, and
  - e. List of fees the State was obligated to pay BNYM, or other entities, pursuant to the contract, dates on which those fees were paid, and amounts paid;
7. Dates on which BNYM's actions failed to adhere to investment guidelines in a securities lending program contract, as alleged by the State, and, in an executive summary under each date or set of dates:
  - a. Title of each contract violated and, for each:
    - i. Any fees the State owed BNYM or other entities, pursuant to the contract allegedly violated, during those dates, and
    - ii. Any fees which were owed to BNYM or other entities during those dates pursuant to the contract allegedly violated, which the State paid, including the dates those fees were paid;
  - b. Title of every other contract between BNYM and the State, that were not allegedly violated and, for each:
    - i. Any fees the State owed BNYM or other entities, during those dates, and
    - ii. Any fees which were owed to BNYM or other entities during those dates which the State paid, including the dates those fees were paid;
8. The same information requested in 7., but for dates on which BNYM failed to adhere to any other provisions in a contract relating to the State, if applicable;
9. Information relating to any and all lawsuits filed on behalf of the State, between 2007 and 2013, against BNYM or related entities, including the following, with dates for all information below provided together in one chronological timeline:
  - a. Dates of events which potentially led to the discussion of a lawsuit against BNYM or related entities, including total loss suffered by the State as a result of alleged wrongdoing,
  - b. Dates approval was requested and provided by the Attorney General to retain each and every counsel, including a copy of the request and approval and, if not included in the documents, who made the request, the counsel retained and the basis for the request,
  - c. Dates agreements were entered with counsel, including a copy of the agreement,
  - d. Dates approval was requested and provided by the Attorney General to file any lawsuits, including a copy of the request and a copy of the lawsuit filed,
  - e. Dates and documents, including, if applicable, requests to the Attorney General, related to withdrawing any lawsuits,
  - f. Dates approval was requested and provided by the Attorney General to settle any lawsuits, including,
    - i. copy of the request,
    - ii. copy of the settlement agreement,

- iii. executive summary of the terms of the agreement including a line item list of the amounts the State would receive in both cash and in-kind services, with approximate value of in-kind services, and
  - iv. executive summary of any and all provisions in the agreement which relate to the State continuing to do business with BNYM, including a cite to the specific provisions,
  - g. Dates and documents, including letters, related to modification and/or termination of agreements with counsel,
  - h. Dates of meetings with individuals from the State and representatives of BYNM or related entities, including location (city) and individuals present during the meetings/trips,
  - i. Dates the applicable State Treasurer was elected and sworn into office, and
  - j. Any other dates the Treasurer's Office thinks are relevant and/or would provide additional clarity to the timeline;
10. List of all other entities considered by the Treasurer's Office and State to perform the work currently provided by BNYM, including:
- a. date each was considered, and
  - b. reason why BNYM was chosen over each, including breakdown of the costs related to each entity if total costs were part of the reason;

*Retirement System Investment Commission (RSIC) & Treasurer's Office*

- 11. Any entity to whom the Treasurer's Office alleges the RSIC is paying fees that are too high, the amount of those fees, and information as to why the fees are too high;
- 12. Statutes which discuss limitations on the type of investments the Treasurer's Office can make and any language the Treasurer's Office would recommend be added to statute and applicable to the type of investments the RSIC can make.

In your responses to these questions, please provide the Subcommittee with any relevant, necessary contextual information. If the Treasurer's Office has any concerns about the format of these questions yielding answers that do not provide an accurate reflection of the Treasurer's Office, please express those concerns, prior to responding, in a letter to me with a copy to committee staff. Please retain your working papers for these responses in the event the Subcommittee would like to view those.

Please provide responses by Friday, April 8, 2016. If your office needs additional time to prepare this information, please contact us to discuss why additional time is needed and a reasonable date of when the information may be provided. The information and correspondence from your office in response to Subcommittee requests is considered sworn testimony.

The Subcommittee looks forward to continuing to work with you and your staff during the legislative oversight process.

Sincerely,

Signature Redacted

Joshua Putnam  
Subcommittee Chair

cc: The Honorable Laurie Slade Funderburk  
The Honorable Wm. Weston J. Newton  
The Honorable Robert Q. Williams