



Executive Subcommittee of SC House
Legislative Oversight –
Staff Study Presentation
Curtis M. Loftis, Jr.
State Treasurer

April 14, 2016



South Carolina Office of
the State Treasurer

Mission & Vision Statements

Mission:

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.

Vision:

To be the most transparent, accountable and reliable steward of public money in the country.



Category	Nature of Relationship
Citizens of SC	Disburse Payroll and vendor payments within an established timeline; efficient use of the taxpayers funds
County and Local Governments	Investment management for the Local Government Investment Pool in a manner that benefits county and local governments; receive and disburse funds received from local governments/counties; administer benefits program for County Auditors/County Treasurers that have State insurance
General Assembly	Provide accurate and timely data/information; investment of the State's funds in a manner that benefits the State; disburse payroll and vendor payments within an established timeline
State Agencies (General Fund)	Highest rate of return for investment of the State General Fund



Description	Legal Responsibility
Authorities	General obligation, revenue and special debt issues
Contributors to and Beneficiaries of College Savings Plans	Allow families an investment method to maximize savings for college
Holders of State's General Obligation and Revenue Bonds	Manage State General obligation, revenue and special debt issues for holder
Institutions of Higher Learning	Administer existing contracts of the Tuition Prepayment Program
Local Governments	Investment of Local Government Investment Pool Funds
Public Employee Benefit Authority	Retirement - Investment of a portion of Retirement System funds
Rightful Owners of Unclaimed Property	Educate citizens about their right to claim property and pay claims to rightful owners in a timely manner according to the Unclaimed Property Act
School Districts	Investment of local School District funds
State Agencies	Receipt and disbursement of all funds for all agencies and State institutions; Investment of all State funds; General obligation, revenue and special debt issues for state agencies and universities
State Employees and Retirees	Disbursement of all State employee and retiree payroll
State's Vendors	Disbursement of all vendor payments timely
Taxpayers	Receipt and disbursement of all funds for all agencies and State institutions.

Goal &
Strategy

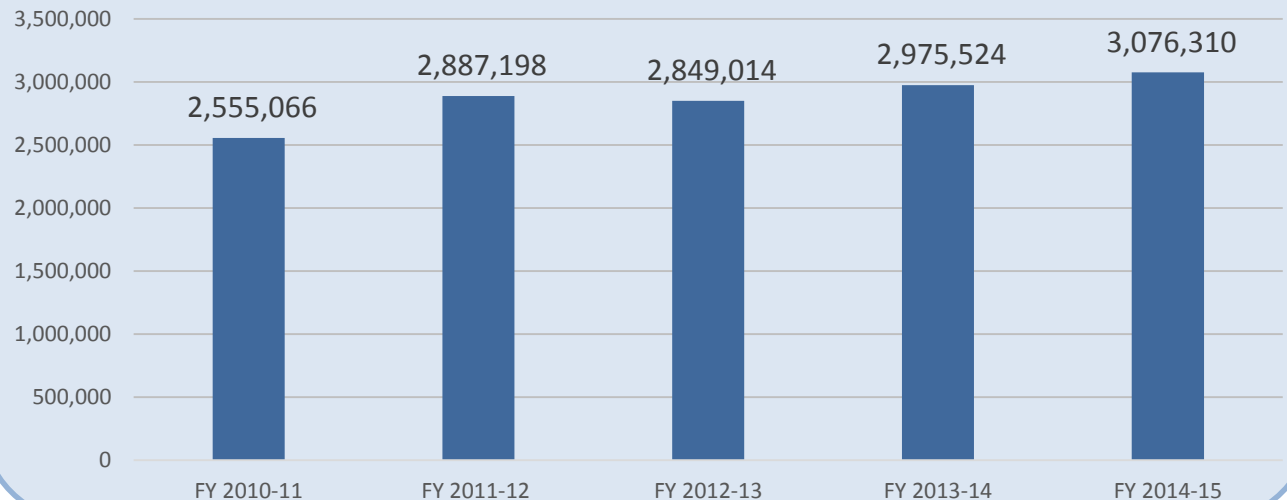
Partners

Objective
1.1.1

- **Goal 1: Treasury Management: Manage the Statewide Banking and Accounting programs in accordance with applicable state laws.**
- **Strategy 1.1: Increase the number of payments Treasury Management processes electronically.**
 - Various Financial Institutions

- Reduce banking costs by offering multiple electronic payment options to payees/vendors and increase target percentage of electronic payments to checks from 72% to 75% over the previous fiscal year

Total Electronic Checks Sent (*Objective 1.1.1*)



Goal & Strategy

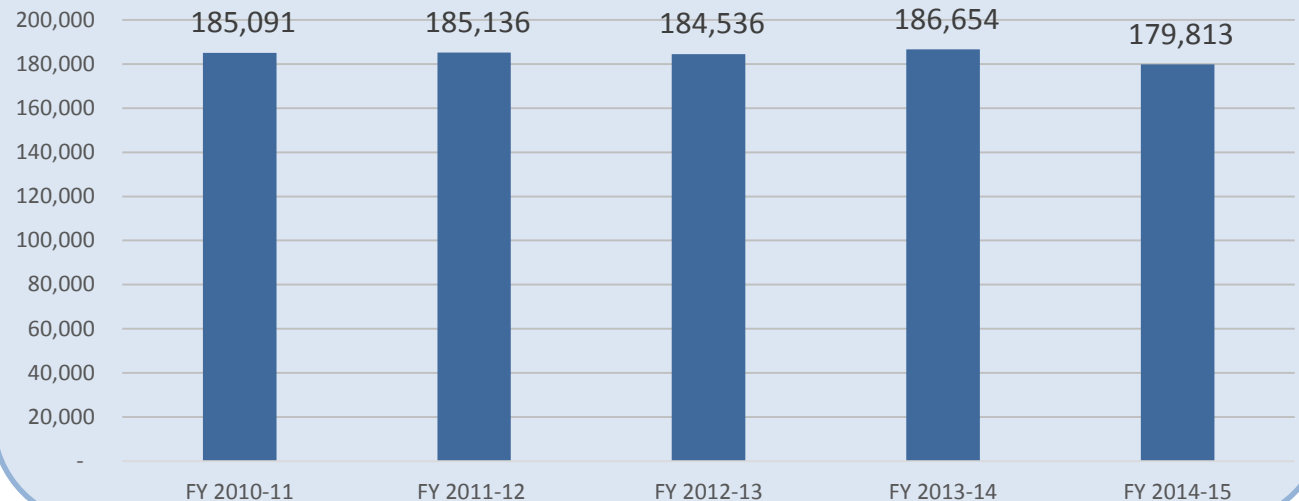
Partners

Objective 1.2.1

- **Goal 1:** Treasury Management: Manage the Statewide Banking and Accounting Programs in accordance with applicable state laws.
- SCEIS Staff
- Grant Thornton
- Various External Contractor Firms
- Various Financial Institutions

- Work with internal State Treasurer Office (STO) staff, South Carolina Enterprise Information System (SCEIS) personnel and SAP consultants to convert, integrate and improve all functionality and processes of the Treasury Management Division.

Total Deposits (Objective 1.2.1)



“Treasurer Loftis has built a Banking Management Division comprised of extensive accounting, bank operations and SAP experience. Wells Fargo’s interaction with this staff has found these individuals to be inquisitive, fast learning and motivated to continue to be best in class.”

“Another objective we have observed is the goal to be “best in class” in all aspects of their duties as the State Treasurer’s Office. We find that the tactical objectives within each Division are well above average. These objectives are only met with hard work and talented staff. Examples of these are converting a large proportion of paper payments to electronic, high hurdles for Net Present Value savings on debt issuances and achieving yield on investments that rival those of some state pension plans. Treasurer Loftis has inspired a work ethic and motivation that resembles many competitive businesses.

Will Taylor, Wells Fargo



Goal & Strategy

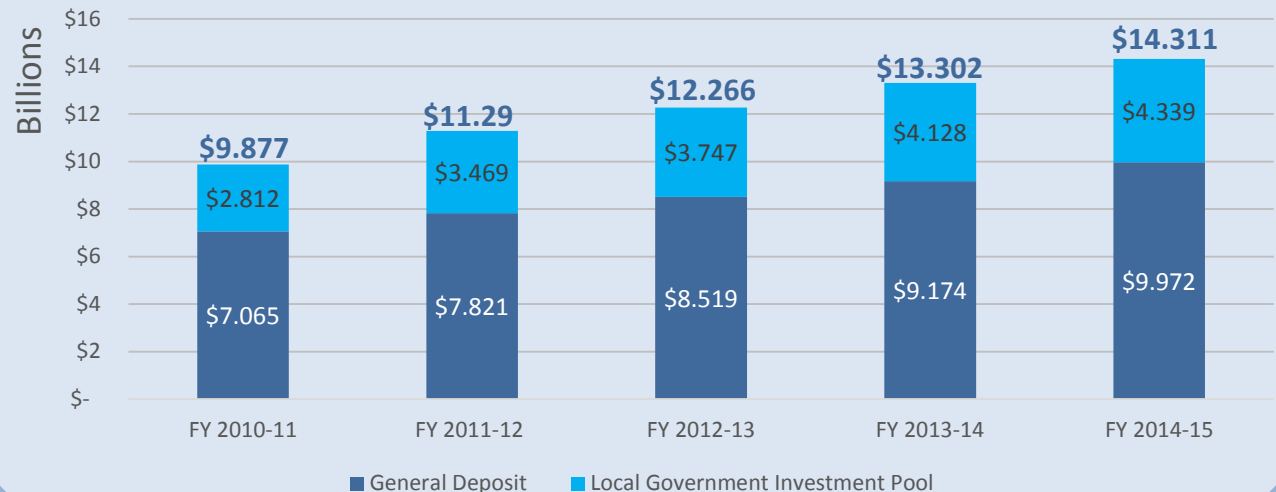
Partners

Objective 2.1.1

- **Goal 2: Investments:** Manage all investment programs in accordance with State law as applicable in an effective manner while preserving capital, maintaining liquidity and obtaining the best return within the appropriate risk parameters.
- **Silvercrest Asset Management Group**
- **Pension Consulting Alliance (PCA)**

- Provide professional investment services for all funds under management to obtain the best return possible within the prescribed parameters on a portfolio basis, while maintaining liquidity and meeting or exceeding the applicable benchmarks, all while preserving capital.

Investment Balances (*Objective 2.1.1*)



“Treasurer Loftis has made business excellence a priority in his office and in his dealings with BNY Mellon. At the Treasurer’s request, BNY Mellon conducted a best practices review to ensure processes in his office were in line with industry best practices and that risks were mitigated. The output of the best practices review serves as the foundation from which BNY Mellon services Treasurer Loftis’ office.”

Robert J. Dollard, Bank of New York Mellon



“The funds of the State of South Carolina are in very capable hands. The STO has complete focus on the investment process and custody of those assets. The STO is effectively executing the responsibilities entrusted to them.”

Ernest Cruikshank, III, SilverCrest

"Over the course of our relationship with the STO, significant time and attention has been spent on developing policies and procedures that conform to industry best practices. Through these efforts, the STO has adopted investment policy statements for both the Future Scholar Program and the STO investment portfolios that clearly articulate the STO’s governance structure and investment decision making practices for each program.” “... STO has added an additional layer of fiduciary oversight exclusively in the interest of the plan participants and beneficiaries of the programs overseen by the STO. We believe plan participants and beneficiaries benefit when fiduciaries and professionals share knowledge, perspectives, and best practices.”

Eric White & Kay Cesarini, Pension Consulting Alliance (PCA)

Goal & Strategy

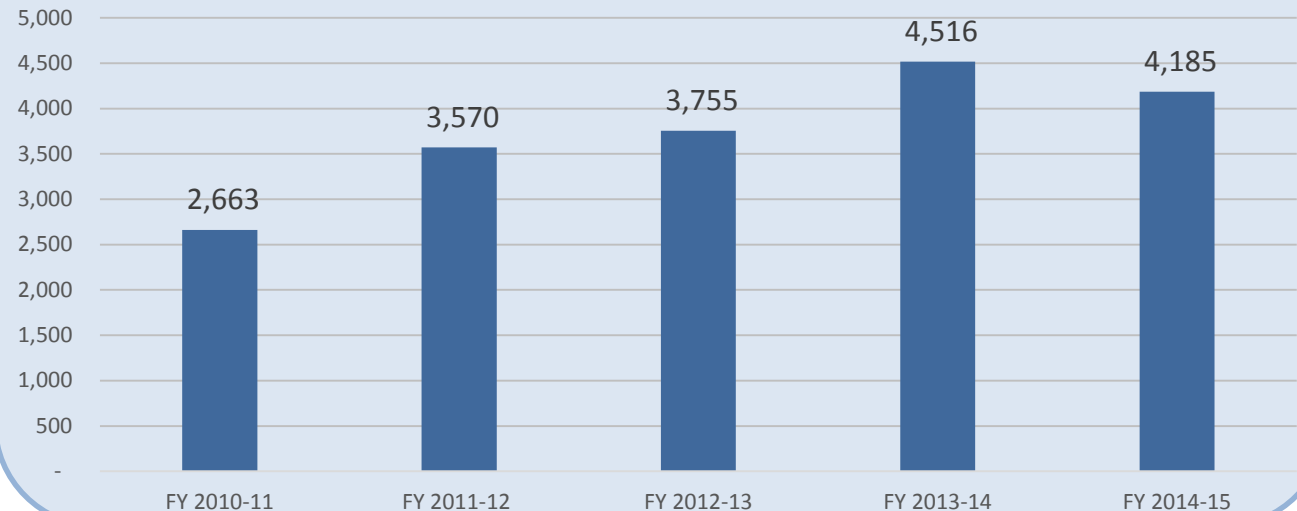
Partners

Objective 2.2.1

- **Goal 2: Investments:** Manage all investment programs in accordance with State law as applicable, in an effective manner while preserving capital, maintaining liquidity and achieving a target return within the appropriate risk parameters.
- **Bloomberg**
- **SCEIS Staff**

- Work with internal State Treasurer Office (STO) staff, South Carolina Enterprise Information System (SCEIS) personnel to convert, integrate and improve all functionality and processes of the Investment Management Division.

Number of Trades (Objective 2.2.1)





“From a business operations improvement perspective, our opinion is that the efforts undertaken by Treasurer Loftis and his team have resulted in greater transparency, accountability, efficiency and reduced risk, through the conversion to modern systems that reduce or eliminate manual and redundant processes ... the commitment to executing their strategy has led to a stronger, more harmonious group of leaders and staff with a very focused and positive attitude.”

Anthony J. Hernandez, Grant Thornton

Goal &
Strategy

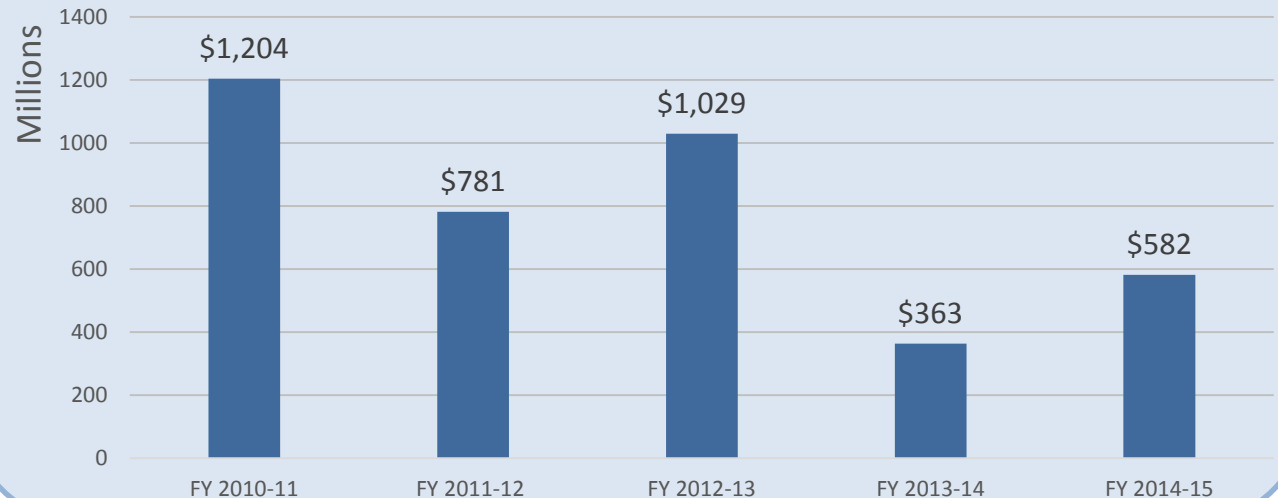
Partners

Objective
3.1.1

- **Goal 3:** Debt Management: Manage the debt for the State, its agencies, institutions and authorities, optimizing the debt structure and ensuring timely repayment of debt when it is due.
- **Strategic Partners:**
 - BLX Group
 - Bond Counsel
 - Credit Rating Agencies
 - Financial Advisor
 - Paying Agent/Registrar
 - State Agencies
 - Underwriter

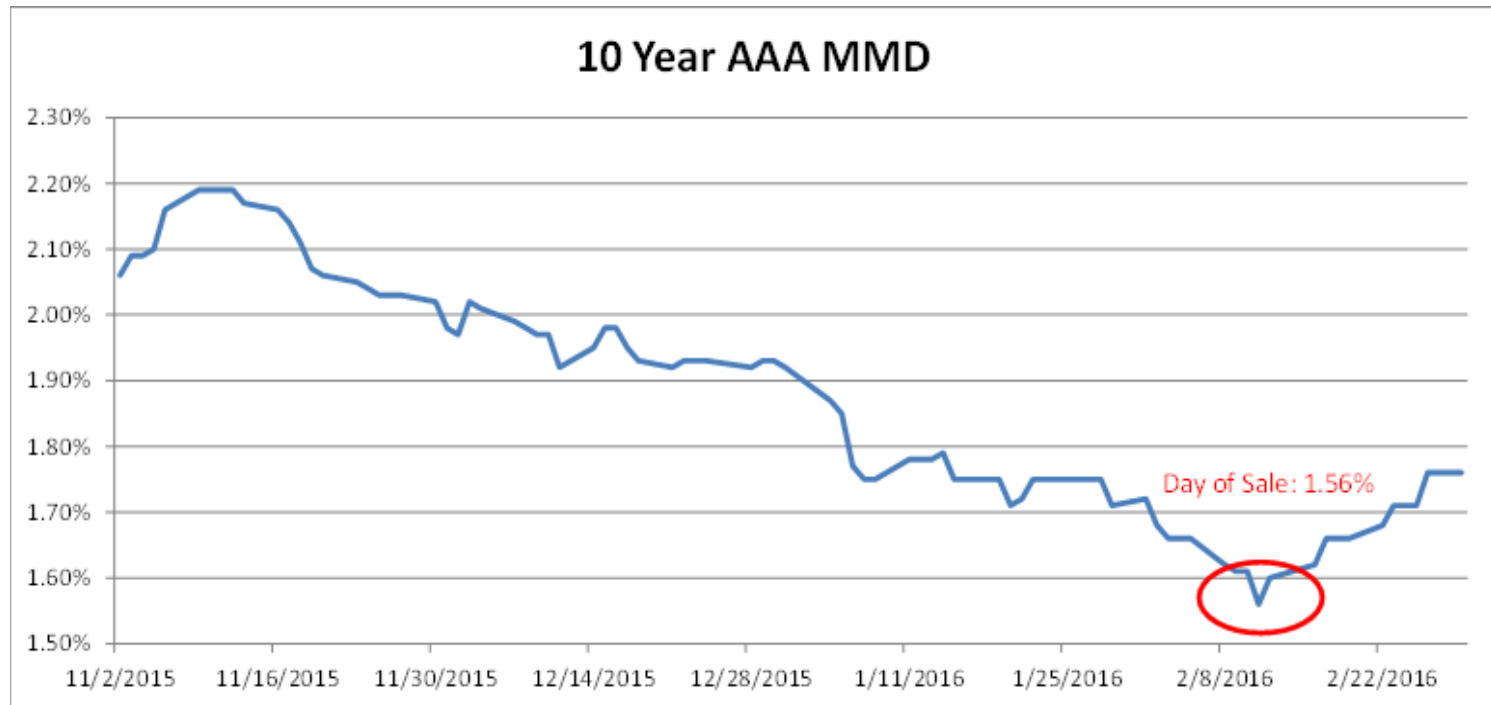
- Provide guidance to the State and its agencies, institutions and authorities for the management and structure of debt issuances and programs to ensure the lowest borrowing cost market exposure is maximized for each debt issuance.

Total Debt Issuance (Objective 3.1.1)





MUNICIPAL MARKET DATA (MMD) INDEX





“The Office of State Treasurer, Debt Management Division, plays a critical role in enabling the State to meet its capital needs. The office ensures access to the capital markets through developing the State’s bond offering document, maintaining a close relationship with the rating agencies in order to provide them timely information, and providing oversight and advice to the State’s agencies and institutions in matters of public finance.”

Gary T. Pope, Jr., Pope Flynn, LLC

“My staff and I work regularly with the Treasurer’s office and have enjoyed a positive and professional relationship. Whether they are managing our cash holdings, guiding us through financing transactions, or processing bond payments, I am confident that the University is well served by the Treasurer and his staff.” “...please know that from my perspective, the citizens of South Carolina are well serve by the Treasurer’s Office.”

Leslie Brunelli, USC



“The STO is an indispensable part of the bond issuance process ... The technical advice and support of staff is crucial to our agency completing its mission. The Debt Management Division staff is currently helping the SCTIB with an RFP process to refinance a bond issue that could save the citizens of South Carolina over \$40 million dollars.”

Tami Reed, SC Transportation Infrastructure Bank

“The State Treasurer’s Office ... has assisted the Department of Commerce in continuing to fulfill its mission of facilitative private sector creation of new jobs and generation of taxable investments that raise the standard of living for all citizens of South Carolina.”

Bobby Hitt, SC Commerce

“The Medical University Hospital Authority (MUHA) has had a long standing relationship with the State Treasurer’s Office ... the staff [who] ... proved invaluable to the MUHA Board and staff in bringing the transaction to a successful conclusion resulting in net present value savings of \$59.6 million.”

Stephen A. Hargett, MUSC

“..the Office of State Treasurer’s efforts to maintain the state’s excellent credit ratings provides a strong foundation for all state agencies’ credit profiles, which in turn lowers borrowing costs.”

Rick Petillo, Clemson

Goal &
Strategy

Partners

Objectives

- Goal 3: Debt management and optimization
- Strategy 3.2

- Same as Partners 3.1.1 plus the following
 - Cash Flow Verification Agent
 - Disclosure Counsel
 - Issuer's Counsel
 - Tax Counsel
 - Transaction Counsel

- Objective 3.2.1 Maintain regular contact and communication with the rating services through monthly reporting of revenue collections, and periodic reporting of budgetary and legislative developments.
- Objective 3.2.2 Provide advice and guidance as well as conduct an annual State review.

Rating Agencies (*Objective 3.2.1*)

Moody's	
Rating Year	Rating
FY 2015-16	Aaa
FY 2014-15	Aaa
FY 2013-14	Aaa
FY 2012-13	Aaa
FY 2011-12	Aaa

Standard & Poor's	
Rating Year	Rating
FY 2015-16	AA+
FY 2014-15	AA+
FY 2013-14	AA+
FY 2012-13	AA+
FY 2011-12	AA+

Fitch	
Rating Year	Rating
FY 2015-16	AAA
FY 2014-15	AAA
FY 2013-14	AAA
FY 2012-13	AAA
FY 2011-12	AAA



“In our opinion, STO does an excellent job and is a valuable State asset ... Most recently the strong leadership of STO was very helpful in our planning for and executing the sale of State General Obligation Economic Development Bonds in support of the Volvo project in Berkeley County.” “By scheduling debt issuance efficiently, STO has saved the State significant issuance costs, such as counsel fees, rating agency fees and printing costs.”

Theodore B. DuBose, Haynsworth Sinkler Boyd, P.A.



Debt
Partners

“I would also like to note that we have witnessed some progressive, positive changes over the past 12-18 months. The Division staff have taken a more active role in engaging with the bond community and have begun to track key metrics associated with all State bond issuances. They have been proactive in seeking both relationships and ideas. They have shown the ability to deftly pivot when required to ensure maximum benefit to the State. We are grateful for these changes.”

Ray E. Jones, Parker Poe

“We have found the Debt Management Division to be focused on the best interests of the State in all debt transactions and to explore continually new programs and procedures and evaluate opportunities to improve and enhance the efficiency of the debt management of the State.”

Alan M. Lipsitz, Nexsen Pruet

“They are knowledgeable of debt incurrence rules and regulations by the State and its agencies, very responsive when time deadlines so require, very pleasant to work with, and a division of the State Treasurer’s Office of which he should be extremely proud. The assistance by the Debt Management Division helps improve the quality of life for the people of South Carolina through the proper issuance of the applicable debt.”

O. Wayne Corley, McNair Law Firm, P.A.

“During the preparations for this very complicated bond transaction that refunded 22 series of previously issued bonds, the Debt Management Division staff was deeply engaged in every aspect of the process, responsive, knowledgeable and always acting in the best interest of the citizens of the State. The communication of the ...[staff] with all members of the financing team ..., was exemplary”

Monika Conley, Public Resources Advisory Group



“Since taking office in 2011, State Treasurer Curtis Loftis has focused his debt management staff on stewardship of taxpayer funds, developing more transparent practices, and developing best practices for debt management ... which has recently been revitalized with new employees, new ideas, and a new focus on Treasurer Loftis’ ambitious agenda.”

Alan B. Linkous, Howell Linkous & Nettles

Goal & Strategy

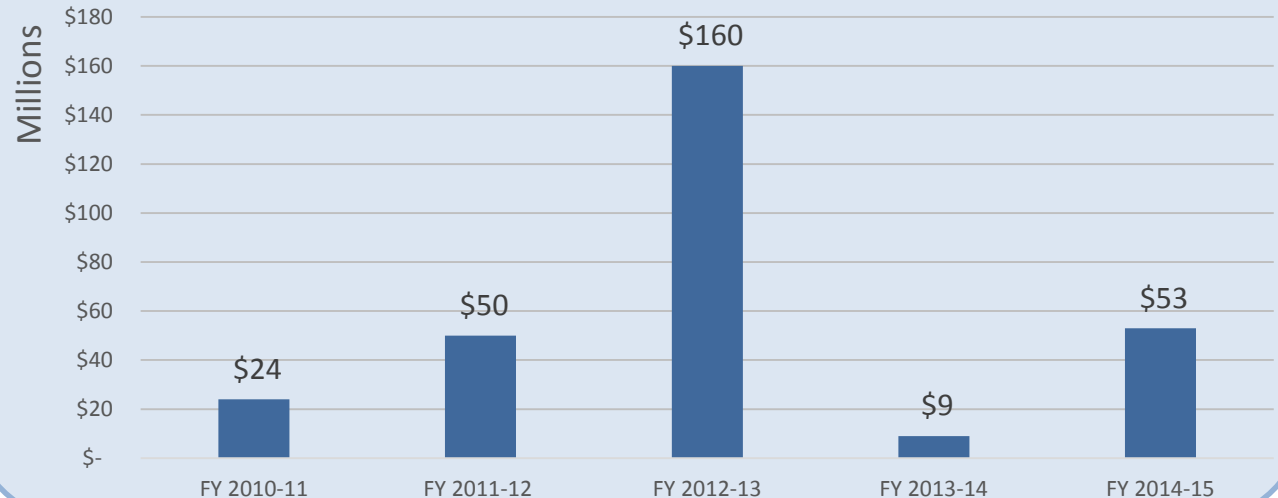
Partners

Objective 3.3.1

- **Goal 3-Debt:** Manage the debt for the State, its agencies, institutions and authorities and ensuring timely repayment of debt when it is due
- South Carolina Enterprise Information System (SCEIS) Staff
- Paying Agent/Registrar
- IV&V

- Work with internal STO staff, SCEIS personnel and SAP consultants to convert, integrate and improve all functionality and processes of the Debt Division.

Debt Refinancing Savings (Objective 3.3.1)





“Recognizing the value of an integrated platform and transparent working relationships, Treasurer Loftis approached SAP in 2014 to expand our partnership to include the development of a Debt Management System (DMS) leveraging and optimizing the functional value of DMS through the 'SCEIS' integrated platform.”

Dave Venonsky, SAP

Goal & Strategy

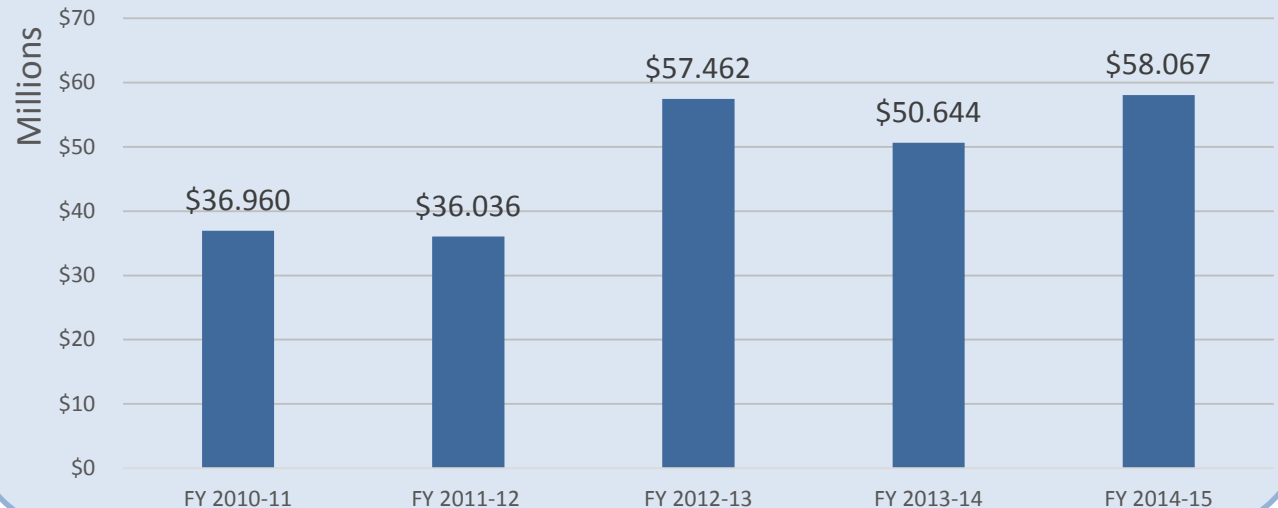
Partners

Objective 4.1.1

- **Goal 4:** Unclaimed Property Program: Manage the Unclaimed Property Program to increase the amount of funds returned to rightful owners
 - Division of State Technology
 - Eagle Technology Management (ETM)
 - Administrators (NAUPA)
 - Xerox
 - Other potential vendors

- Provide and develop holder reporting training and outreach efforts to include: direct contact with holders, webinars, speaking to associates and improving reporting software and instructions for holders.

Amount of funds received from holders (*Objective 4.1.1*)





South Carolina Office of the State Treasurer

Unclaimed
Property
Partners

“People purchase life insurance with the expectation that their family will be taken care of during a most vulnerable time. Treasurer Loftis has worked tirelessly on behalf of our association and the citizens of South Carolina to **protect these consumers** and make sure they receive what they are due ... Treasurer Loftis ... has steered efforts to revise and improve the Uniform Law Commission’s Uniform Unclaimed Property Act. He provides ongoing valuable input to **preserve South Carolinian’s interests in unclaimed property**, while also making the reporting process more **fair and efficient for business**. I am very impressed by Treasurer Loftis’ success, and grateful that he serves as a national example of what can be achieved for citizens through innovation and a dedication to public service.”

**David Milby, President
National Association of Unclaimed Property Administrators (NAUPA)**



“We have observed the commitment that the program makes to trying to locate the owner of the property. Indeed, I have discussed with Treasurer Loftis how he personally spends time on the weekends working to track down owners ... and how he has made the return of unclaimed property a priority with the staff of the program.”

James Hartley, CEO, Verus

Goal & Strategy

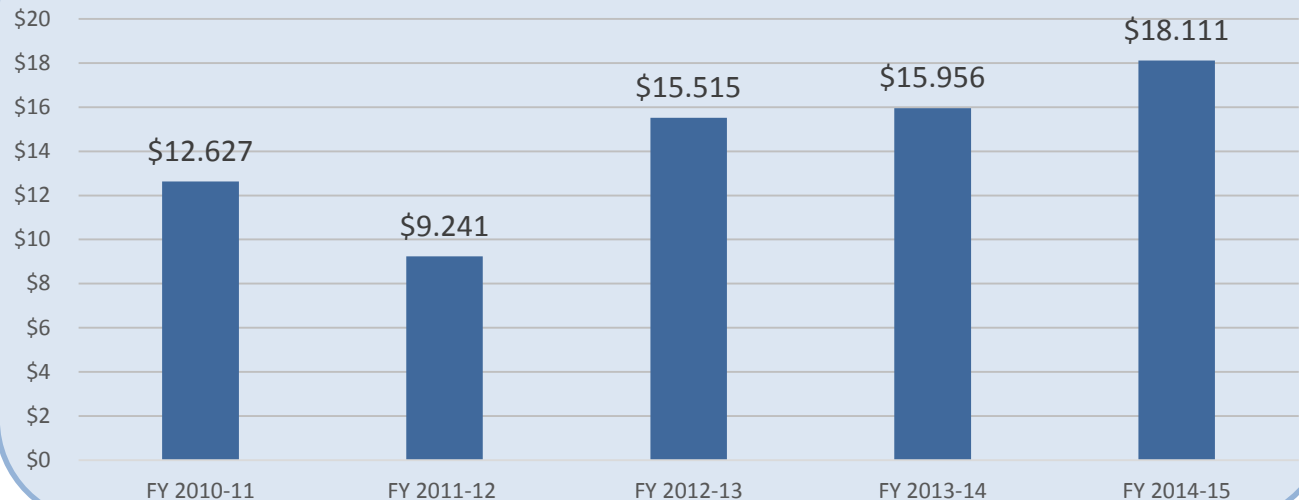
Partners

Objective 4.2.1

- **Goal 4: Unclaimed Property Program: Manage the Unclaimed Property Program to increase the number of rightful owners.**
 - Division of State Technology
 - Eagle Technology Management (ETM)
 - Administrators (NUAPA)
 - Other potential vendors
 - Xerox

- Work with media outlets and organizations to feature the Program to encourage citizens to search for accounts in their names such as phone banks; local media stories; and associations to increase the number of rightful owners paid each year.

Amount of accounts paid (*Objective 4.2.1*)



*“When my grandmother passed away in 1996, **we hired an attorney to take care of her estate**, so when I received a call last year from someone stating that my grandmother had unclaimed money, I was skeptical ... The staff at the Unclaimed Property Program easily exceeded my expectations and was extremely willing to facilitate the claim for the property. The staff was very helpful and happy to inform me that the amount of unclaimed property was significantly more than I had thought.”*

Andrew (Columbia)



*“The “Unclaimed Property” check arrived in the mail, and I was reminded of what the staff member said to me when I learned that my brother had a life insurance policy with our mom as the beneficiary. She said, “You are about to be blessed,” and she was right. **The money will allow me to follow my parents’ wishes – and that is a blessing**, but the real blessing was how kind the staff member was. She made me feel better in such a special way ...”*

Family of John (Wedgfield)



Goal &
Strategy

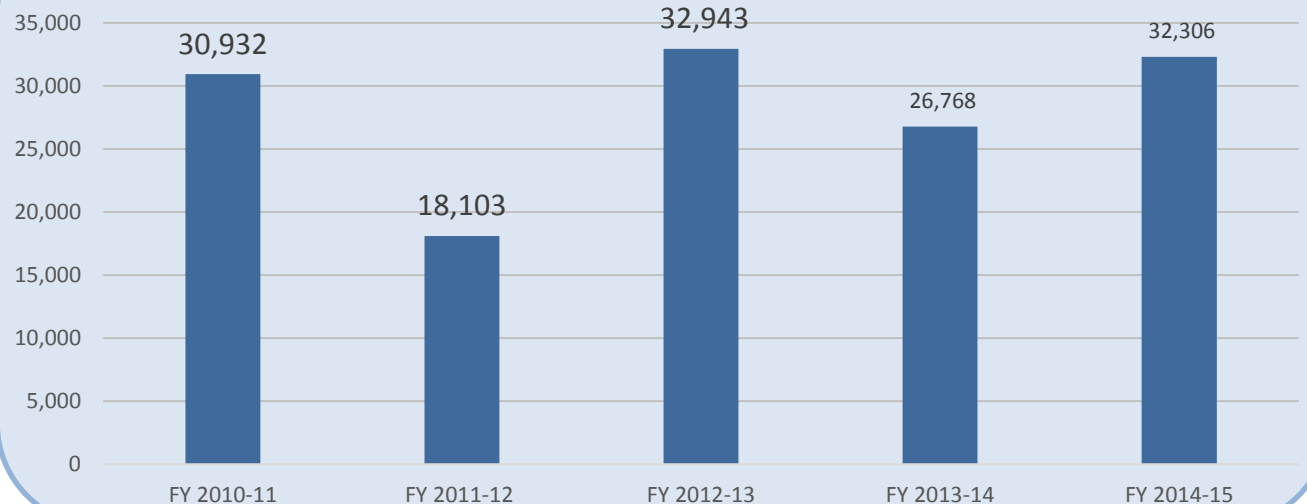
Partners

Objective
4.3.1

- **Goal 4: Unclaimed Property Program: Manage the Unclaimed Property Program to increase the number of accounts and return funds to the rightful owners.**
 - Division of State Technology
 - Eagle Technology Management (ETM)
 - Administrators (NUAPA)
 - Other potential vendors
 - Xerox

- Improve workflow by revising and installing new versions to improve system efficiency

Number of accounts paid (*Objective 4.3.1*)





South Carolina Office of the State Treasurer

Unclaimed
Property
Partners

*“I recently had the pleasure to visit with the Program’s leadership ... it was clear to me and my colleagues that the **Program’s leadership is dedicated, knowledgeable and passionate about consumer protection and their mission to reunite South Carolinians with their unclaimed property.** The Program’s **progressive approach to effectuate positive change** is a top down philosophy. ... The passion displayed by Treasurer Loftis on unclaimed property matters is echoed by his staff ... They have worked to streamline processes ... [and] have led the charge in ensuring the portfolio is balanced and accurately reflects assets held on behalf of the State’s citizens.”*

Michael Gizzi, Kelmar Senior Manager

Goal &
Strategy

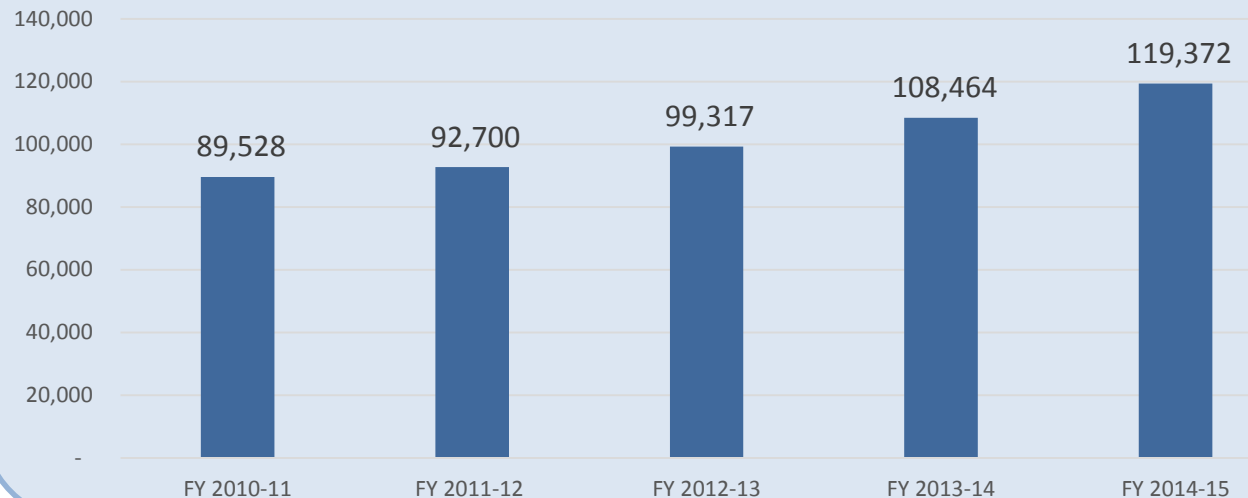
Partners

Objective
5.1.1

- Goal 5: Future Scholar: Manage the Future Scholar 529 Program to promote the importance of saving for college utilizing the Future Scholar 529 Plan to South Carolina residents.
- Strategy 5.1: Increase citizens' awareness of Future Scholar through in-state marketing efforts
- Columbia Threadneedle

- Increase overall new accounts in the Future Scholar 529 Plan by 6% over the previous fiscal year while maintaining low cost investment options

Future Scholar 529 Accounts (Objective 5.1.1)



"It is that message of starting early and investing often (regardless of the amount) that is so important in getting through to parents and grandparents with children/grandchildren of all ages. The Treasurer's Office has made it a point to ... to educate all families in South Carolina on the importance of planning for this most important life event ... it becomes even more critical to remind families that every dollar put away makes a difference ... As a result of these efforts we have witnessed very strong participation with over 80,000 South Carolinians now investing in Future Scholar for a loved one's college education."

Kevin Wasp, Columbia Threadneedle



"...we have been struck by the Treasurer's commitment to excellence, the Office's dedication to service, and the overall goal of good governance and pure transparency in all that the Office does. We are extremely proud of and value our relationship with the Treasurer's Office as we believe it is one of the most disciplined and distinguished across the nation ... the Office has worked hard to put the interests of South Carolina families first and foremost in all its endeavors and we look forward to continuing to support those efforts in the years ahead"

Andrea Feirstein, AKF Consulting

"The most significant change to SCTPP operation was in 2013. Working with Treasurer Loftis and his staff and SCTPP investment advisors, the asset allocation was overhauled ... I am actuary for several other prepaid tuition plans and from my experience, I find Treasurer Loftis and his staff to be vitally invested and actively involved in doing everything possible to improve the financial status of SCTPP"

John Condo, Actuarial Resources Corporation



Morningstar® Bronze Rating



**Saving for College
5 cap rating**

Money

**WALL STREET
JOURNAL**

“From both an employer and an individual standpoint, I feel that the Future Scholar program is a wonderful benefit to the residents of South Carolina.”

“For the future prosperity of our state, we must have a well-trained, educated population, and I feel that this program helps encourage that. It is well designed and very flexible, and I have been very pleased with my experience and have heard positive comments from employees, colleagues, and personal acquaintances.”

Teresa M. Contois, FPC, O’Neal Inc.



“It was a surprise and a delight to find our state ranking near the top for something so life-changing and valuable! I also appreciate the range of investment options. I was able to quickly find an option that best suited both my investing risk tolerance and Kylie’s time horizon.”

Tiffany Jonas

“AARP South Carolina, representing more than 600,000 Palmetto state residents 50+ is proud to work with the State Treasurer’s office and especially support the Future Scholars and Unclaimed Property programs. Both benefit not only our members but also their families.” “Both of these programs provide a valuable service to South Carolina and AARP South Carolina appreciates the opportunity to work and partner with the State Treasurer’s office.”

Patrick Cobb, AARP South Carolina





South Carolina Office of
the State Treasurer



“We are able to automatically transfer \$20 a month into our daughter’s account. For Christmas and birthdays, she receives money for her college fund. I would rather know my family members are helping pay for her college than buying her a toy. I think college is only going to get more expensive, so why not start saving now? ”

The Seats Family



South Carolina Office of
the State Treasurer



"We hope contributions made on a regular basis will allow the savings to have a big impact down the road...We're going to do everything we can to help our children avoid becoming saddled with debt from college."

James Quint

Public Survey Feedback

“I appreciate Treasurer Loftis' efforts to fight to safeguard the state's fiscal resources. He is also working to create an STO that is best in class. We need more agency heads who are willing to push, actively engage in positive change”

“I have worked at the treasurer's office for more that 11 years and it used to be a slow paced office that had many, many personnel problems. The new treasurer has changed personnel, implemented new policies and created a new workplace that I love.”

“I have done business with the Treasurer's office for a little more than 10 years and the new Treasurer's office is wonderful. In the last 2 or 3 years it has transformed itself into a modern, responsive and active place that is much more professional and businesslike.”

■ Very Positive ■ Po

Staff Study Sections

- ✓ History
- ✓ Enabling Legislation
- ✓ Goals
- ✓ Strategies
- ✓ Objectives
- ✓ Potential Negative Impacts
- ✓ Resources: Budget & Staff
- ✓ Partnerships
- ✓ Public Survey
- ✓ Performance Measures





STO
Customers



STO
Partners

James Quint
Seats Family
Russell Riley
Edward Huskey, Jr.
Steven Davis
Larry Stokes
Wayne Houston
Mr. & Mrs. Graves
Claire Yarborough
Teresa Contois
Tiffany Jonas
Claire Yarborough
Scott Watford
Annette Voiselle
Jannette Voiselle

Clemson University
MUSC
SC Commerce
SC Housing
USC
SC Economics
Lexington Mommy
Colonial Trust
SC Transportation
Infrastructure Bank
SC Trooper Association
State Employees Assoc.

AARP
Actuarial Resources Corp.
Bank of America
Bank of New York Mellon
Columbia Threadneedle
Dept. of Administration
AKF Consulting
Grant Thornton
Haynesworth, Sinkler Boyd
Howell, Linkous & Nettles
Intuition
KELMAR
McNair Law Firm

NAUPA
Nexson Pruitt
Parker Poe
PCA
Pope Flynn
PRAG
SAP
SCEIS
Silvercrest
SunTrust
VERUS
Wells Fargo