



THE HONORABLE CURTIS M. LOFTIS, JR.

State Treasurer

February 28, 2013

The Honorable Hugh Leatherman
Chairman, Senate Budget Committee
111 Gressette Building
Columbia, SC 29201

Dear Chairman Leatherman:

A few months ago, I provided you with an update on the Annual Actuarial Valuation of the South Carolina Tuition Prepayment Program (SCTPP) Fund as of June 30, 2012 and the Fund's unfunded liability. The update also included information regarding revisions to the Fund's investment portfolio that took place in 2012 and a possible lowering of the Fund's assumed rate of return in FY 2013.

After careful consideration and analysis, the assumed rate of return for the SCTPP Fund has been revised from 7.25% to 2.40%. With an assumed rate of return of 7.25%, the Fund's unfunded liability as of June 30, 2012 was \$35,853,896 and the Fund was projected to be depleted of assets in FY 2019. As a result of the revised assumed rate of return of 2.40%, the Fund's unfunded liability as of December 31, 2012 is \$65,409,245 and the Fund is projected to be depleted of assets in December of FY 2018.

The revised assumed rate of return more closely matches the targeted investment portfolio of the SCTPP Fund. The portfolio was revised in part to lower risk by reducing equity holdings and investing in high quality fixed income assets. The new assets will provide cash flows which better match liability payments.

Please let us know if you have any questions regarding this matter.

Yours very truly,

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

Curtis M. Loftis, Jr.
State Treasurer

A handwritten signature in black ink, appearing to read "Hugh Leatherman", is written in the bottom right corner of the page.

CMLjr/afw