

SOUTH CAROLINA'S STATE PENSION FUND

How the South Carolina Retirement System Investment Commission puts retirees and taxpayers at risk



Curtis M. Loftis, Jr., State Treasurer

August 2015



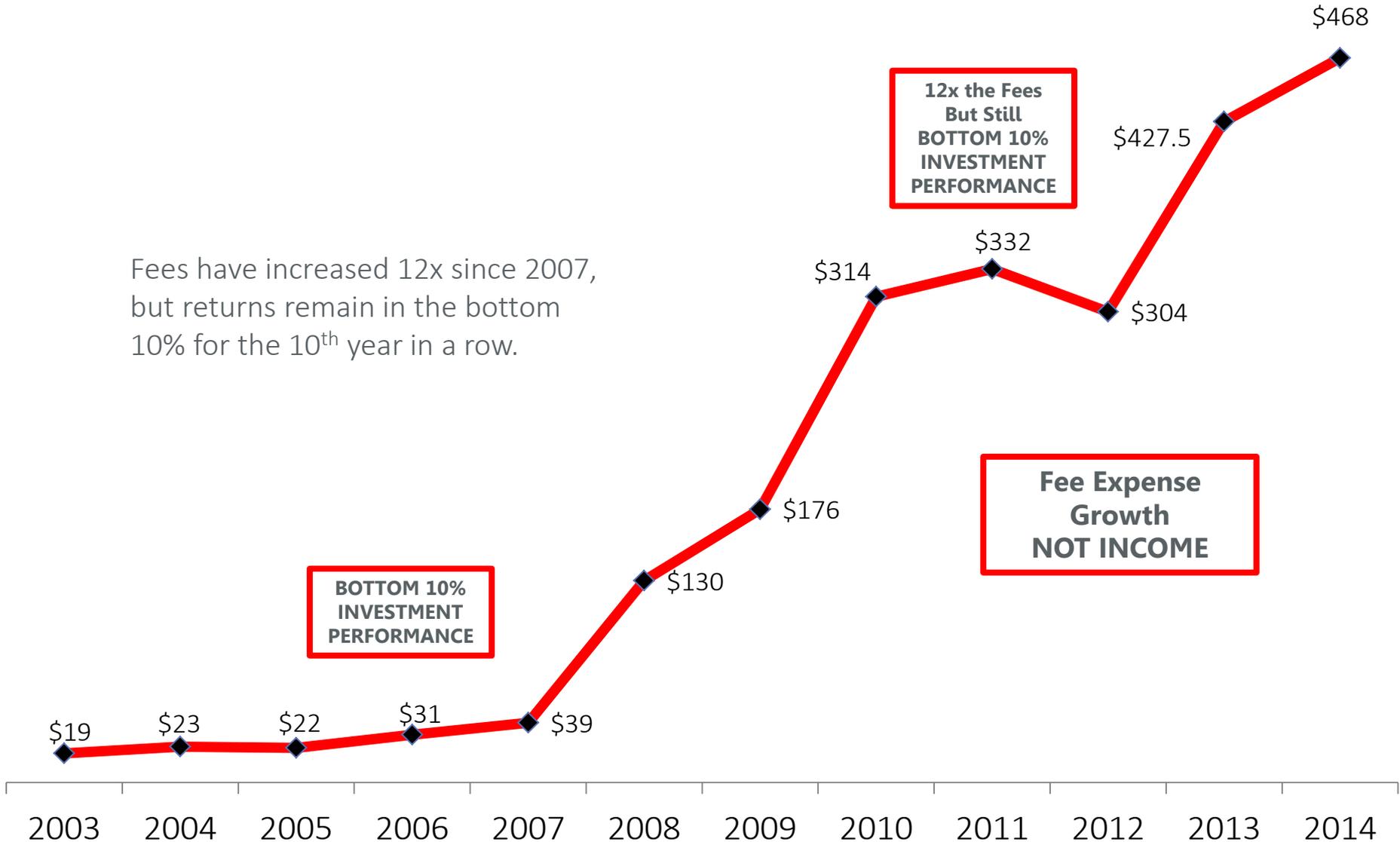
The South Carolina Retirement System Investment Commission:

- 1.** We pay too much.
- 2.** We earn too little.
- 3.** Our portfolio is overly expensive and complex.
- 4.** Puts retirees and taxpayers at risk.



SC PENSION FEES & EXPENSES

Fees have increased 12x since 2007, but returns remain in the bottom 10% for the 10th year in a row.



**BOTTOM 10%
INVESTMENT
PERFORMANCE**

**12x the Fees
But Still
BOTTOM 10%
INVESTMENT
PERFORMANCE**

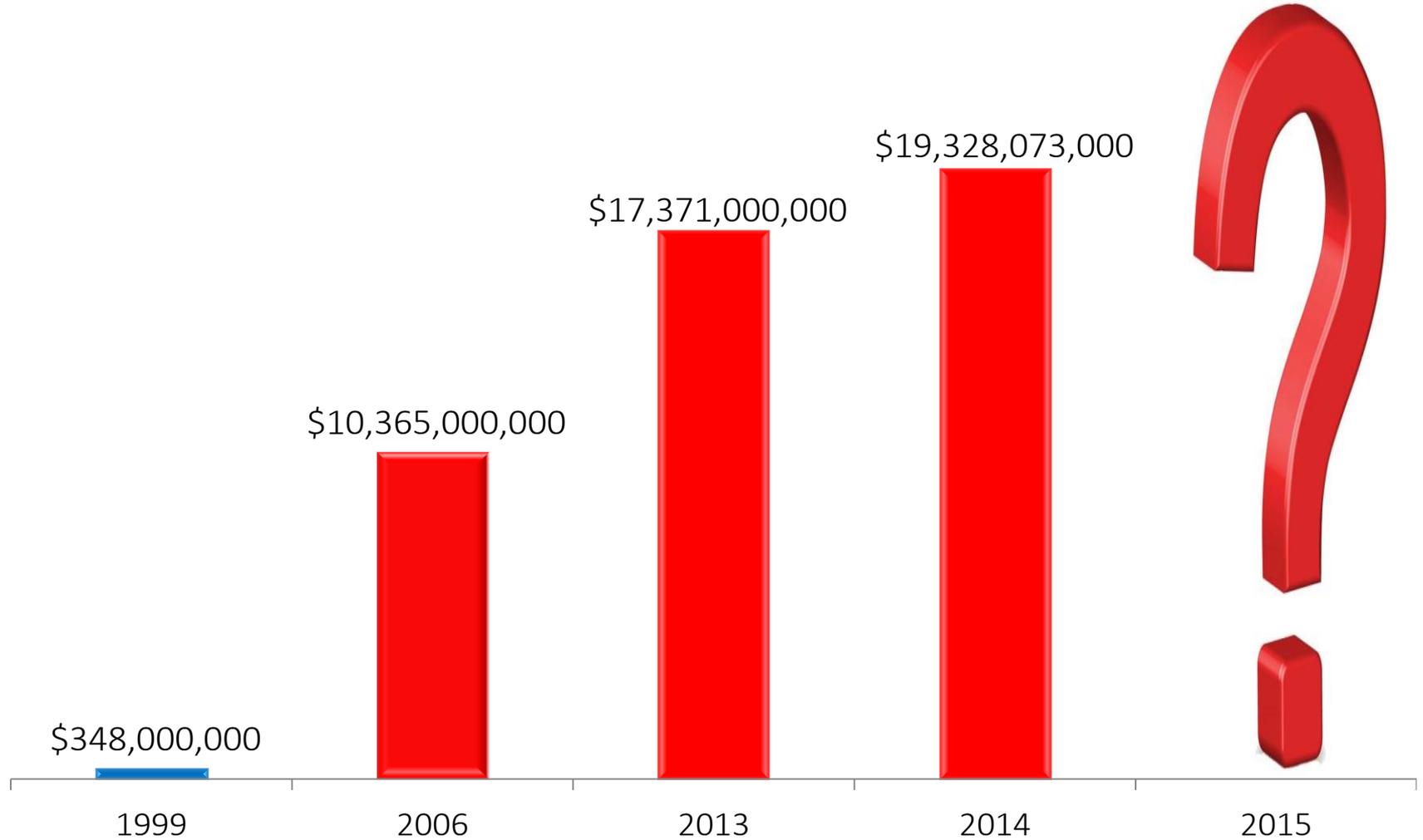
**Fee Expense
Growth
NOT INCOME**



UNFUNDED LIABILITY

Debt Accrued 1999 to 2014

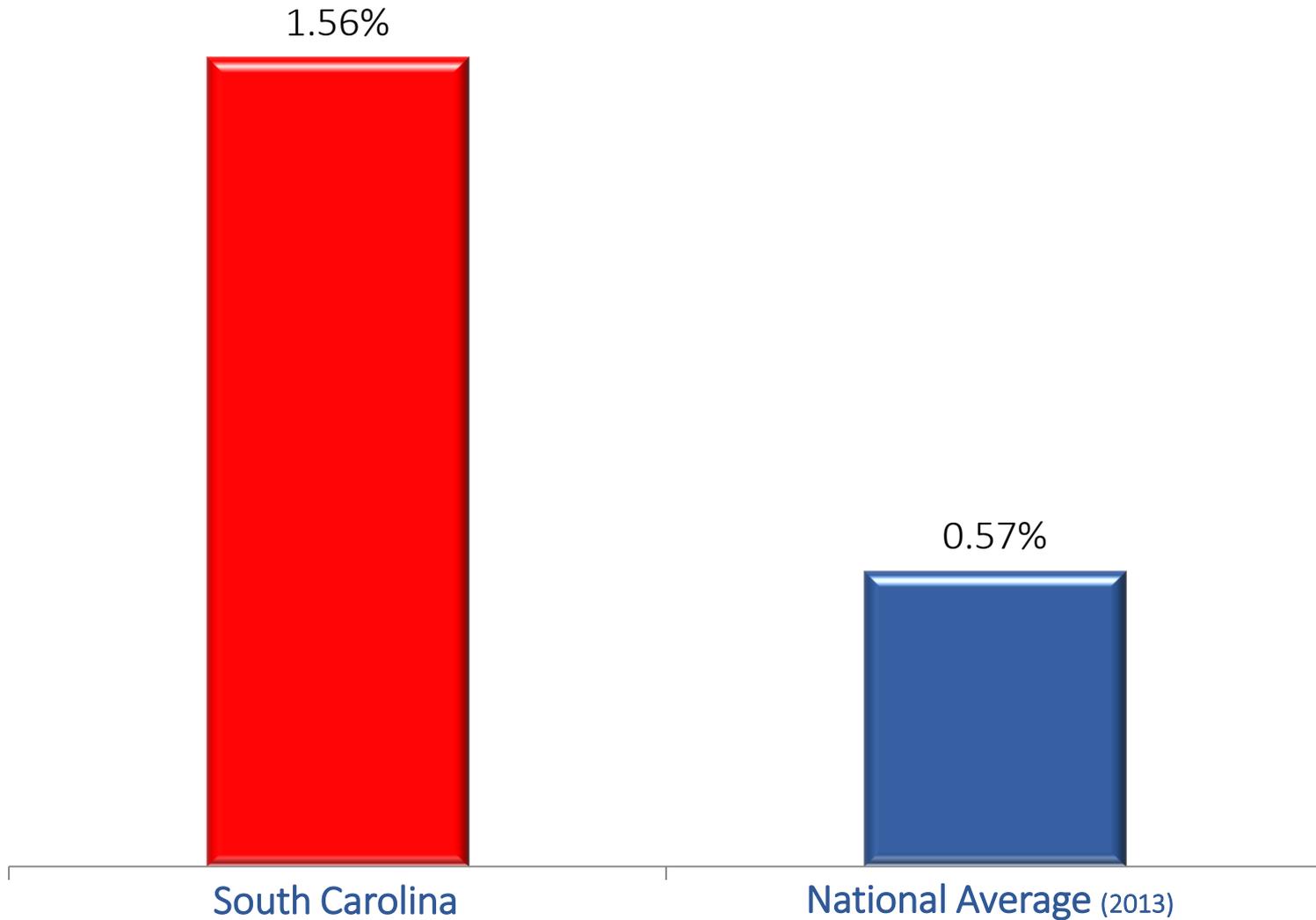
Estimated \$21 Billion





2014 FEES & EXPENSES

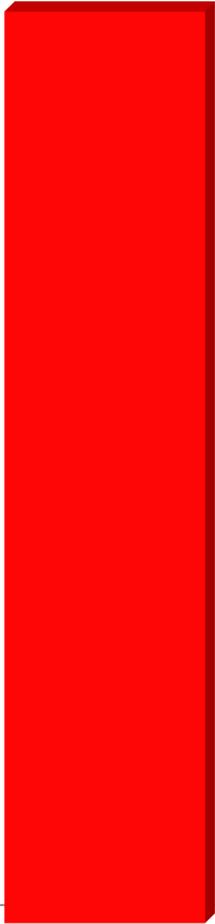
(% of Ending Assets)





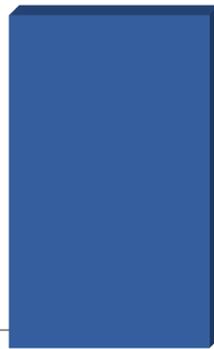
\$297,000,000 TRANSFER OF WEALTH TO WALL STREET MONEY MANAGERS FROM SC CITIZENS

\$468



Actual SC Fees for
FY2014

\$171



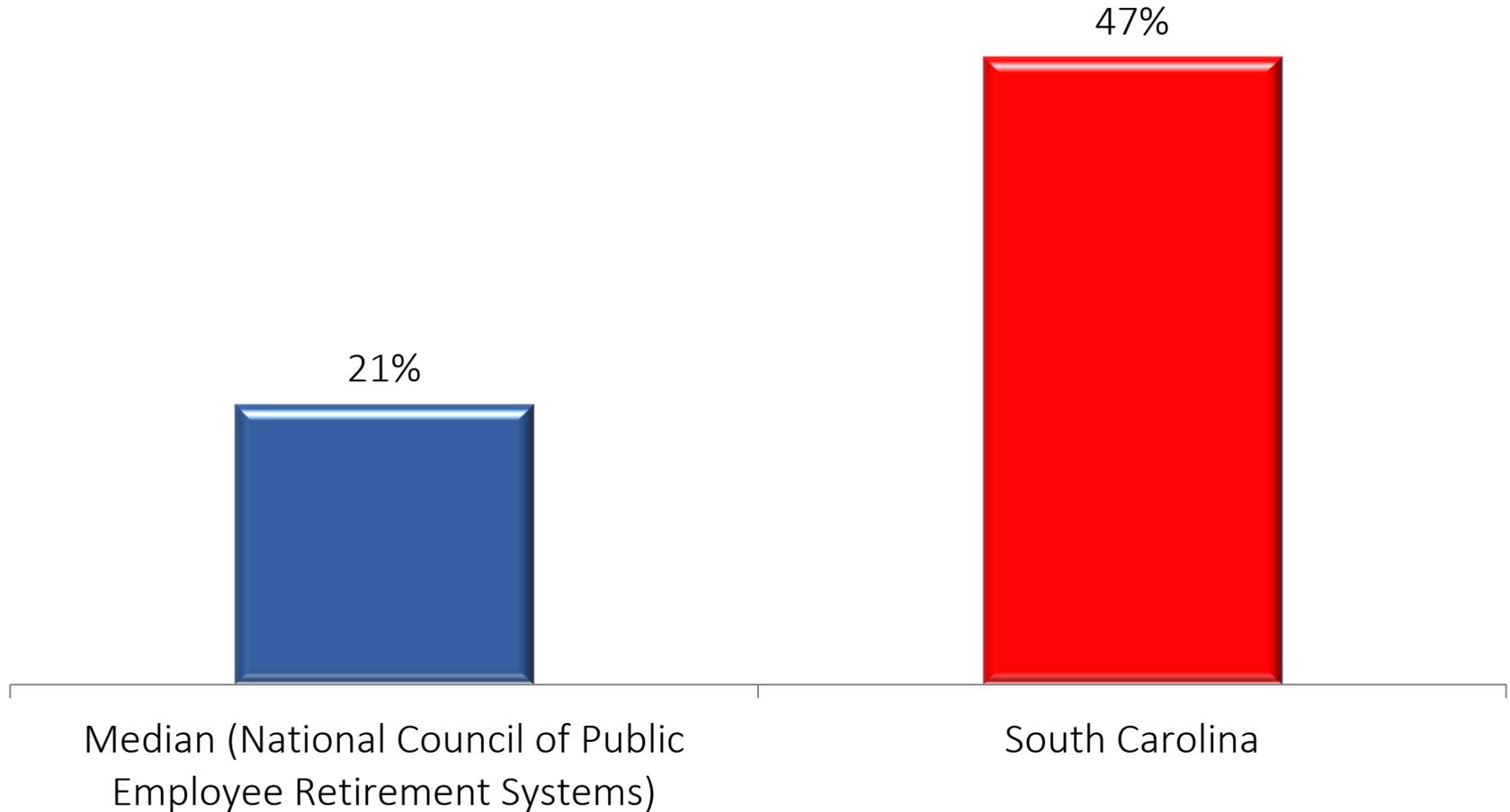
SC Fees Computed at
the National Average

\$468 million paid in 2014
minus
\$171 million had we paid
national average of .57%
equals

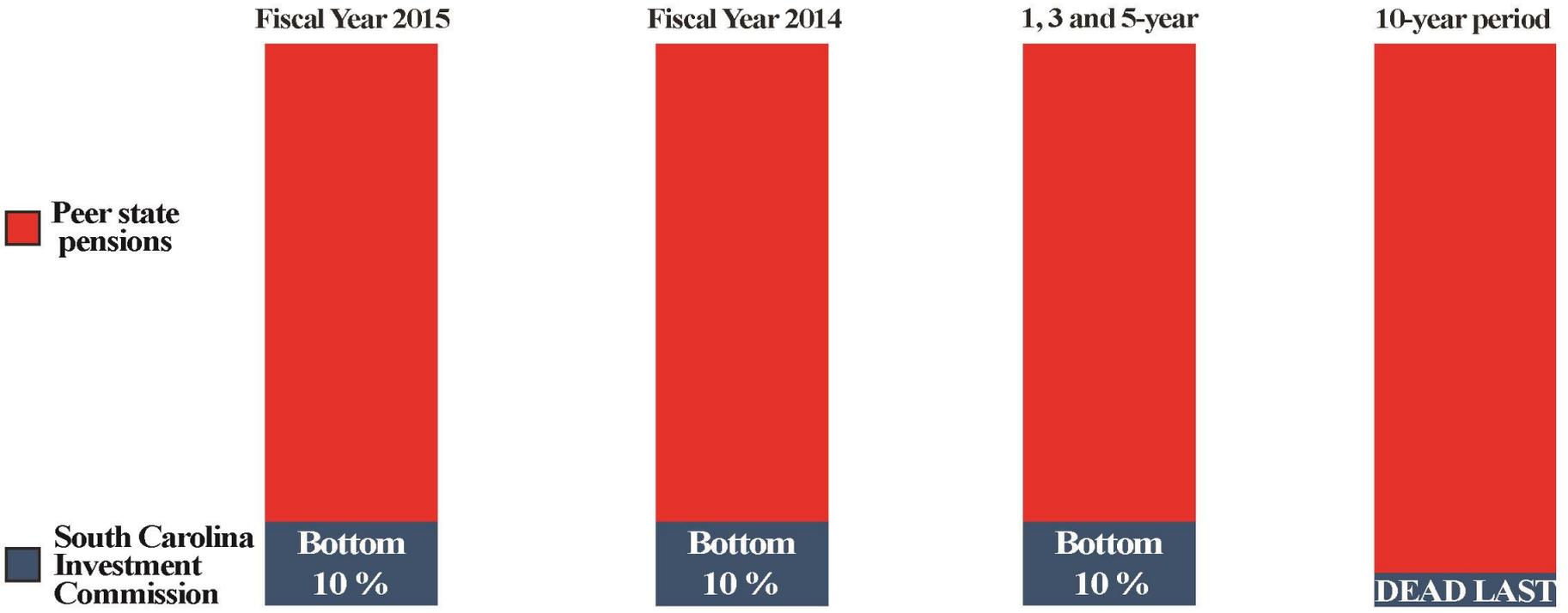


SC'S RETIREMENT FUND ALTERNATIVE INVESTMENTS

Share of Alternative Investments to Total Assets versus the National Median



What kind of performance should South Carolinians expect for \$468,145,232?

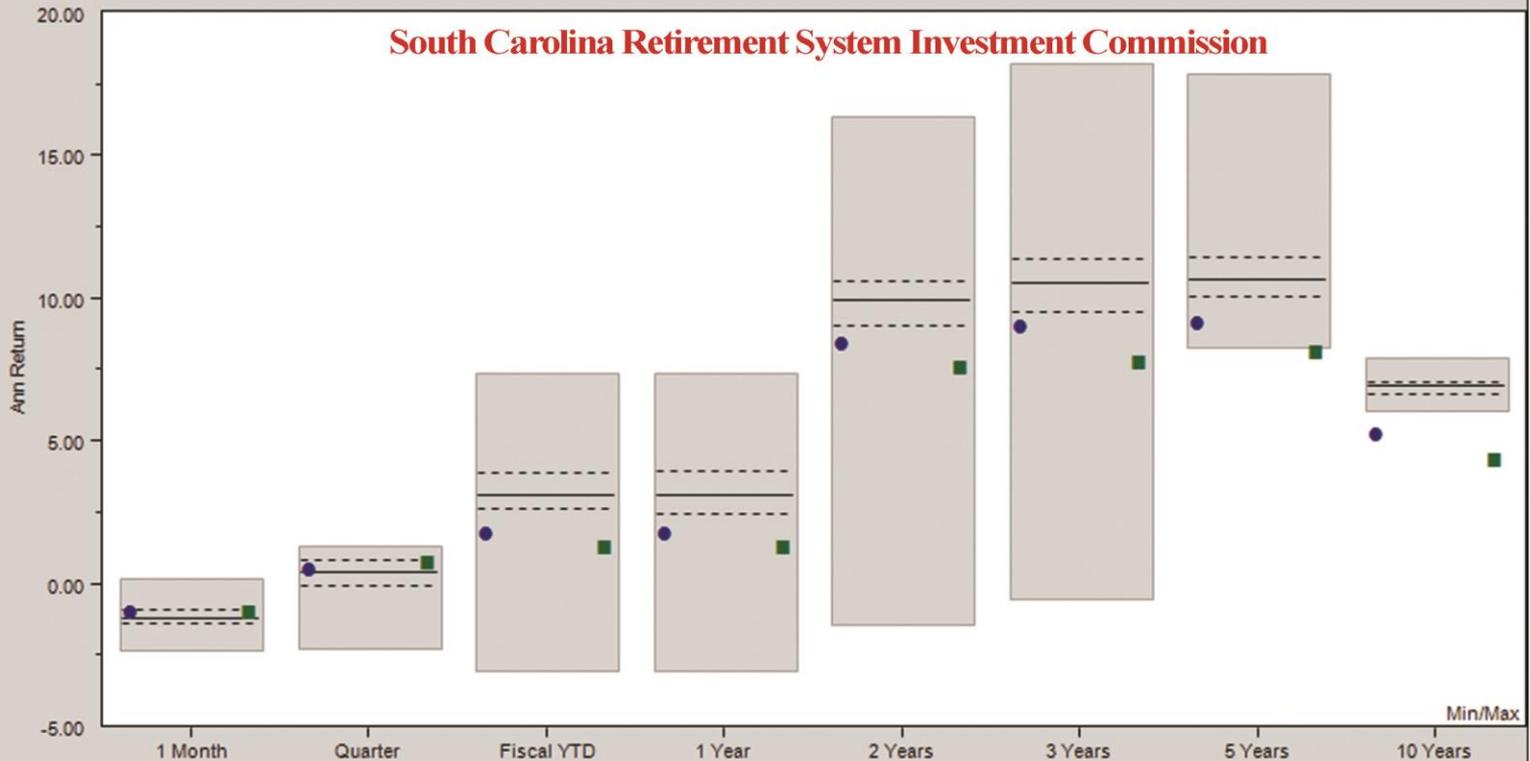


SC Investment Commission's investment performance ranks in the bottom 10 percent for rate of return

State employees and retirees paid over \$468 million in management fees last year for some of the worst investment performance in the country. South Carolina deserves better.

Peer Group Comparison: Public Pension Funds Over \$5 Billion

Public > \$5 Billion - Total Funds (USD) - Monthly
As of June 30, 2015
Quartile



| | Value | %Tile | | |
|-------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|------|-----|
| Maximum | 0.15 | | 1.28 | | 7.34 | | 7.34 | | 16.34 | | 18.22 | | 17.82 | | 7.91 | |
| 25th Percentile | -0.95 | | 0.09 | | 3.86 | | 3.93 | | 10.59 | | 11.38 | | 11.42 | | 7.03 | |
| Median Percentile | -1.23 | | 0.09 | | 3.11 | | 3.11 | | 9.91 | | 10.52 | | 10.62 | | 6.91 | |
| 75th Percentile | -1.41 | | 0.09 | | 2.59 | | 2.45 | | 9.02 | | 9.53 | | 10.05 | | 6.63 | |
| Minimum | -2.36 | | -0.29 | | -3.10 | | -3.10 | | -1.45 | | -0.58 | | 8.24 | | 6.02 | |
| # of Portfolios | 35 | | 35 | | 35 | | 35 | | 35 | | 34 | | 33 | | 30 | |
| ● Total SC with Overlay | -1.00 | 39 | 0.47 | 36 | 1.73 | 91 | 1.73 | 91 | 8.37 | 89 | 8.96 | 89 | 9.07 | 95 | 5.21 | 100 |
| ■ SC Policy Benchmark | -1.00 | 36 | 0.67 | | 1.21 | 93 | 1.21 | 93 | 7.54 | 95 | 7.74 | 92 | 8.05 | 100 | 4.28 | 100 |

Universe Source: The Bank of New York Mellon Corporation; Universe Status: Final, Calculated
SCRS assets are held both "in and out of bank" "Out of bank" assets are not in the custody of BNY Mellon or the STO. Consolidating is an accommodation by BNY Mellon and the STO and thus cannot be relied upon as representations of BNY Mellon or the STO.

1 is the best, 100 is the worst

SC investment return is in the bottom 15% for periods of 1 year or longer. The "goal" is always in the bottom 10%. SC Policy benchmark = "goal" of plan

Total plan with overlay = total returns