



THE HONORABLE CURTIS M. LOFTIS, JR.
State Treasurer

Background Information: Warburg Pincus Funding

April 15, 2013

The Treasurer is the statutory custodian of the State's funds and is charged with the safekeeping of its assets. This custody account, along with other accounts managed by the Treasurer, must be regarded with utmost reverence and every effort must be made to safeguard the public's treasury.

The Treasurer's accounts were valued on Sunday, April 14, 2012 at approximately \$40 billion. In order to maintain accounts of this size, the Treasurer is obligated to establish controls to ensure the regular, orderly and safe flow of funds. Policies, procedures and forms must be standardized and subject to internal controls and audit procedures.

One of these policies is that the South Carolina Investment Commission shall submit a written, signed, legal, one-page document, uniform in appearance, stating that the investment to be funded has substantially the same terms, fees and conditions as were approved by the Investment Commission. This simple document is called a document of Legal Sufficiency and should require no more than a few minutes to complete.

The Investment Commission chose not to send a legal document and instead relied on a casual email that met none of the requirements.

On Thursday, April 11, 2013, the Investment Commission filed suit seeking the Treasurer to fund a \$50 million investment. In the sworn, notarized Court pleadings, the Commission gave repeated assurances that the investment fulfilled the requirements for the Treasurer's document of Legal Sufficiency.

Therefore, on Monday, April 15, 2013, as the State Treasurer's conditions for the safe transmittal of public funds have been met by the Investment Commission, the Treasurer authorized the Warburg Pincus private equity investment account opened and funded. This funding issue is now moot.

It is noted, with regret, that the Commission had the information to complete this one-page document of Legal Sufficiency as early as January 30, 2013, but did not transmit that information to the Treasurer.

The safety of the pension funds must be paramount in every action taken by the fiduciaries of the Retirement System Investment Commission. Standardizing the forms, policies and procedures leaves little room for error in the multibillion dollar account and provides the people of South Carolina with the protection, transparency and accountability they deserve.