

# 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**

September 2<sup>nd</sup>, 2015



# The South Carolina Retirement System Investment Commission:

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

Curtis Loftis  
Spring 2011



# INVESTMENT RETURN COMPARISONS

## SC vs. PEER GROUP

Fiscal Year 2015

Fiscal Year 2014

1, 3 and 5-year

10-year period



Ten year period ending 6/30/2015

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

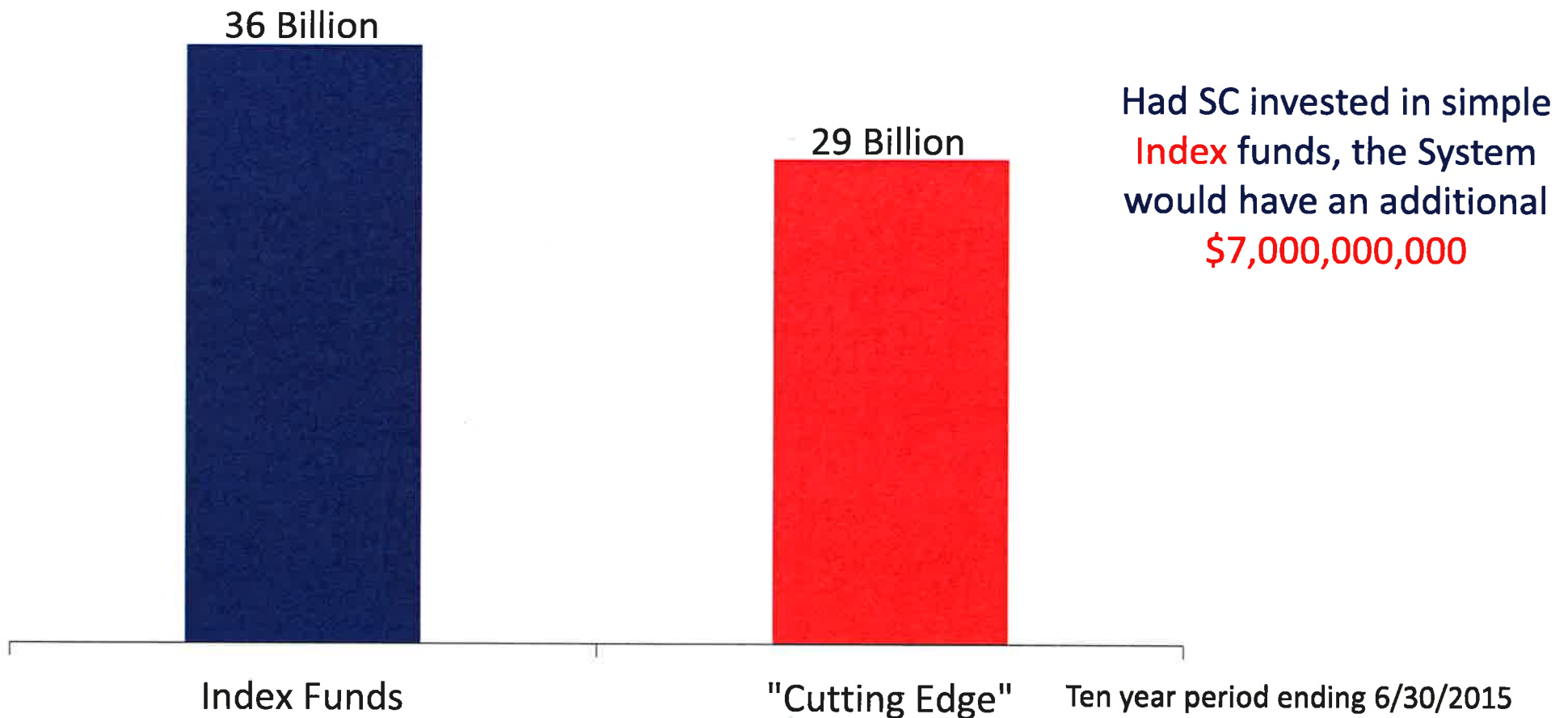




# INVESTMENT RETURN COMPARISONS

INDEX FUNDS vs. SC's "CUTTING EDGE"

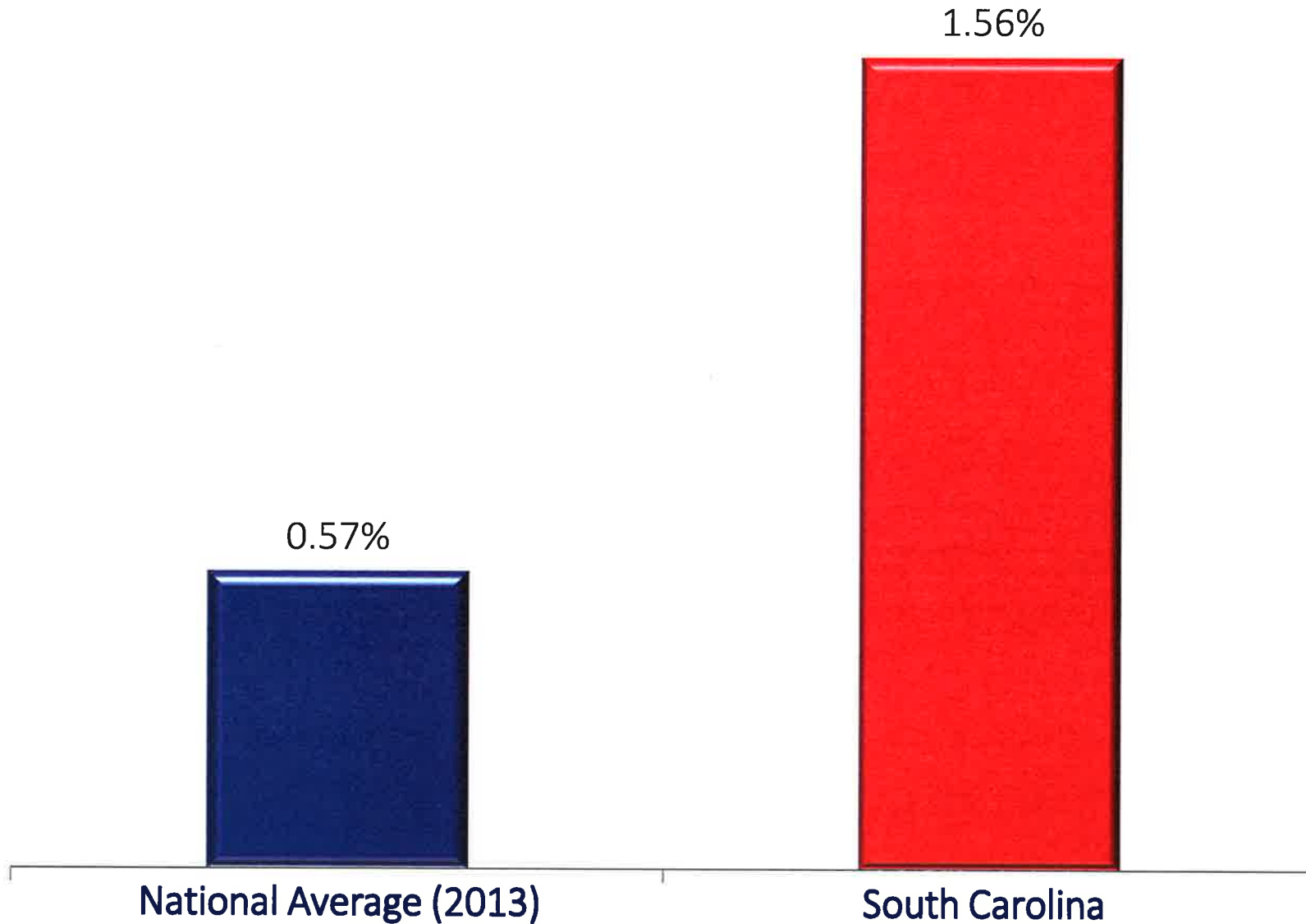
"Cutting-Edge" expensive investments have cost SC over **\$7,000,000,000**





# 2014 FEES & EXPENSES

(% of Ending Assets)



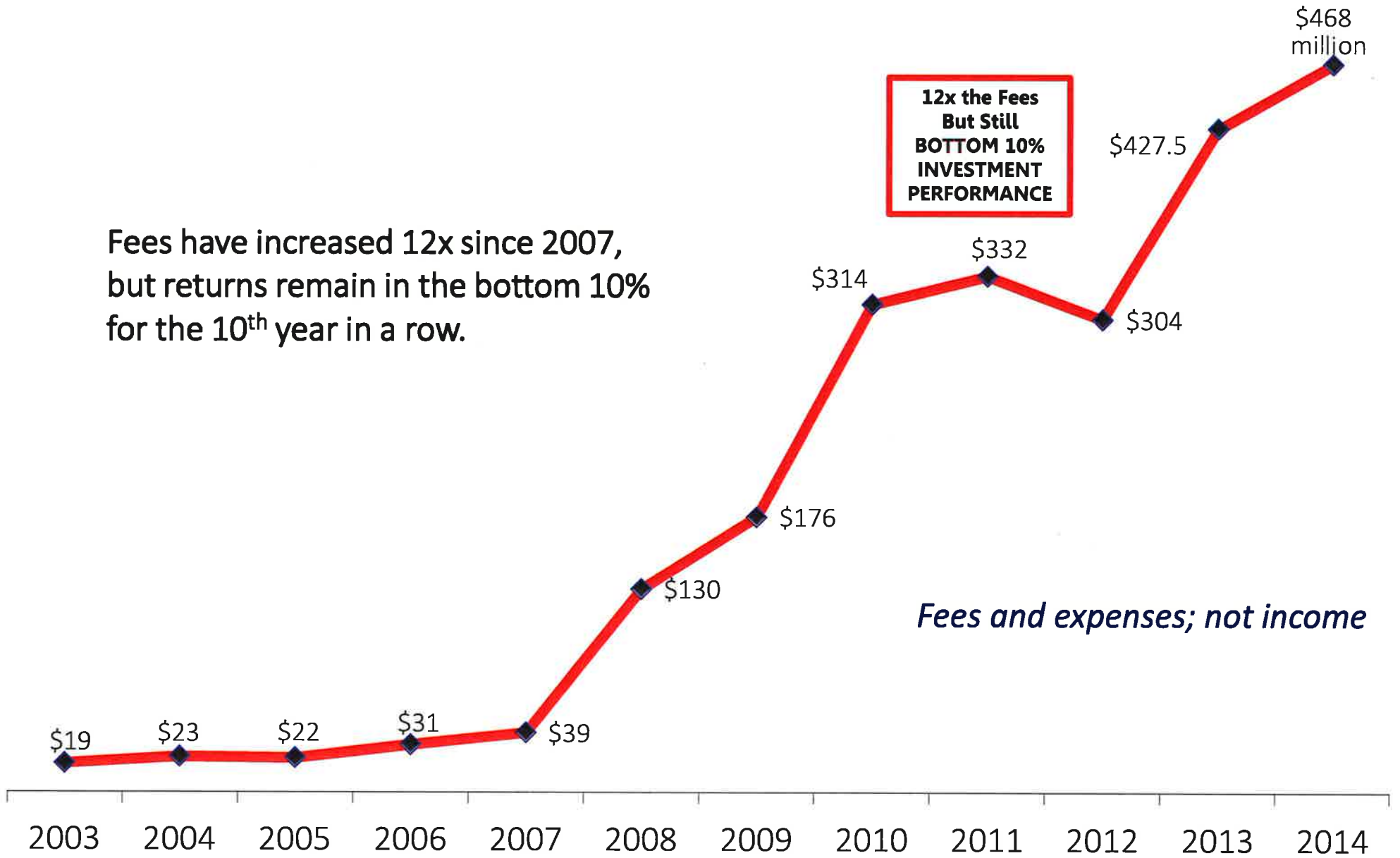


# SC PENSION FEES & EXPENSES

(NOT INCOME)

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

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

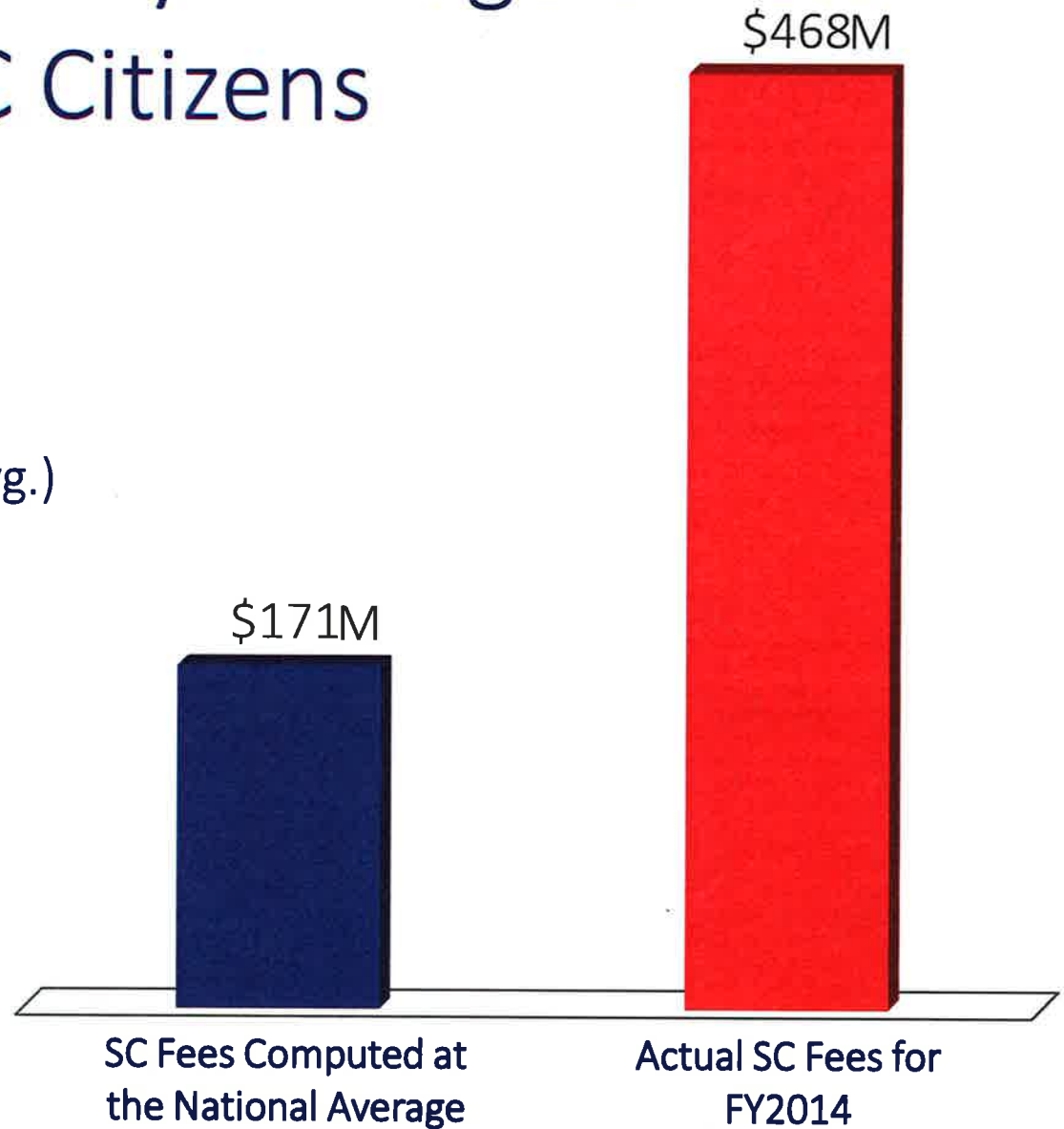


*Fees and expenses; not income*



# **\$297,000,000** Transfer of Wealth to Wall Street Money Managers From SC Citizens

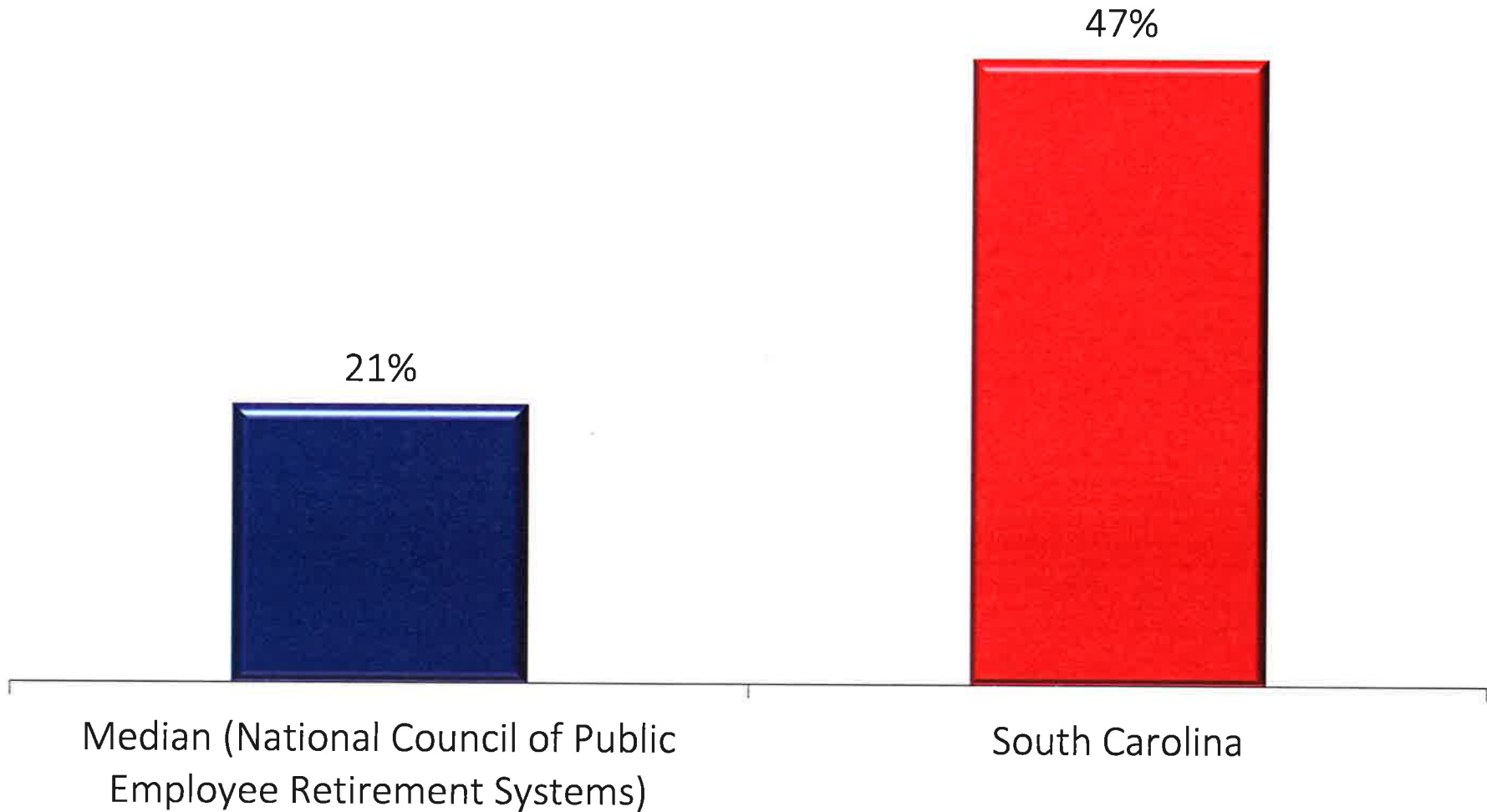
**\$468 million** in fees paid  
*minus*  
**\$171 million** in fees (National Avg.)  
*equals*  
**\$297,000,000**





# SC'S EXPENSIVE ALTERNATIVE INVESTMENTS

Share of Alternative Investments to Total Assets versus the National Median



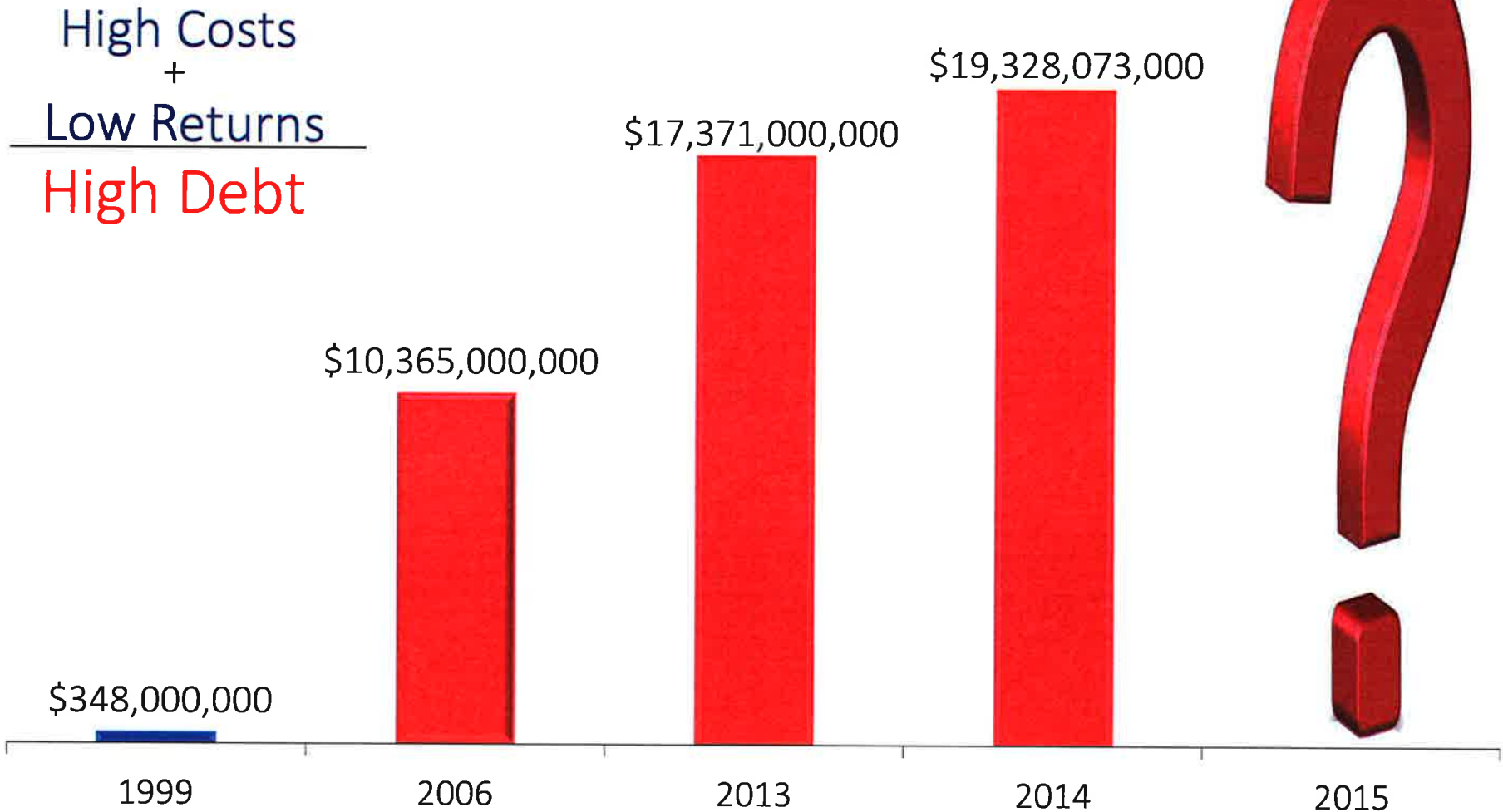




# NET PENSION LIABILITY (DEBT)

Debt Accrued 1999 to 2015

Estimated \$21 Billion



The Retirement System's debt is the SC taxpayer's debt

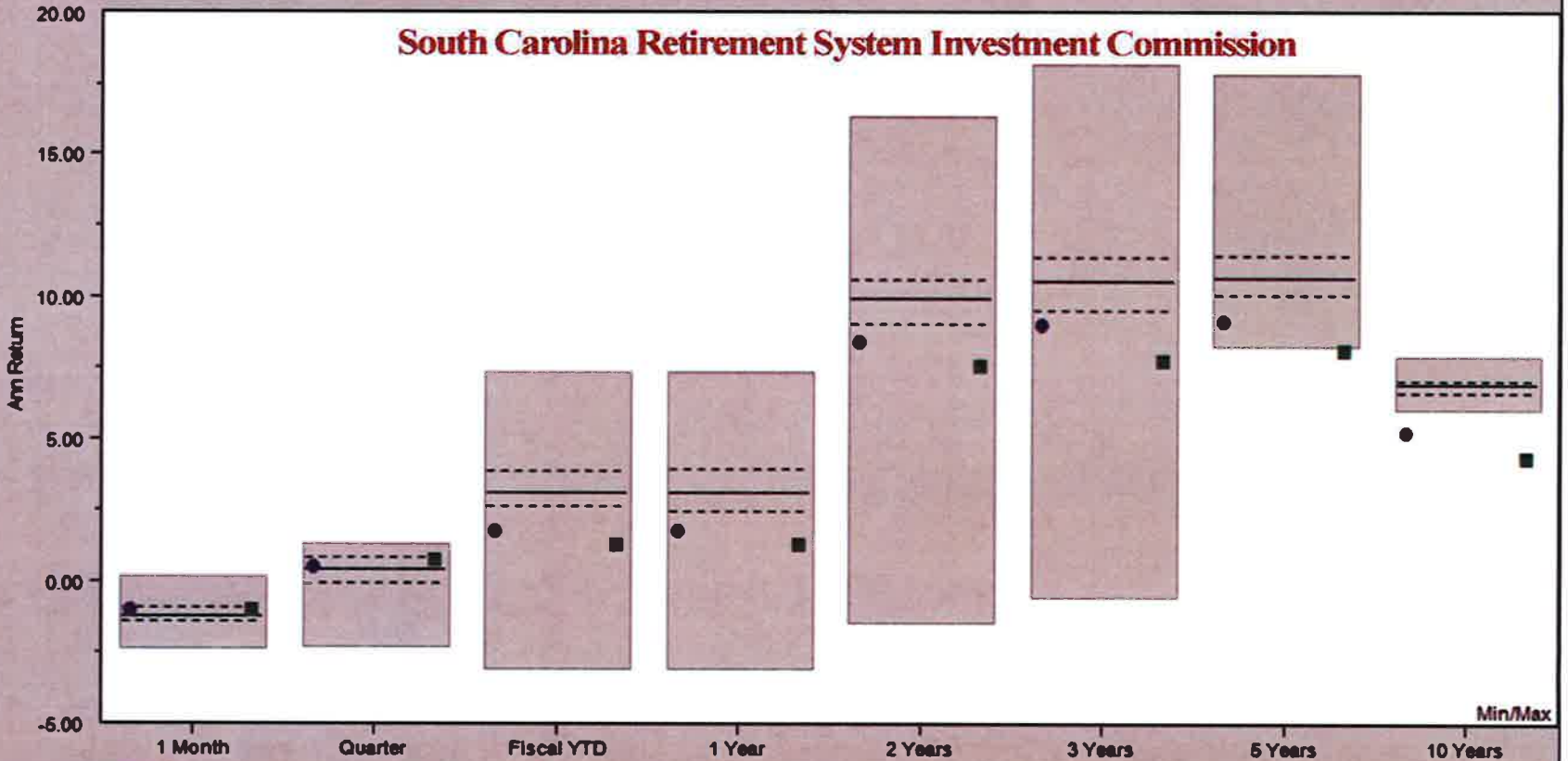


# WHAT DO HIGH COSTS AND LOW RETURNS MEAN FOR YOU?

- Your pension's debt is billions of dollars higher.
- Your pension's assets are billions of dollars lower.
- Taxes will either be raised or diverted from our state's police, schools, roads, and healthcare.
- Retirement Contributions are increasing. In fact, those increases are already scheduled.

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

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



	1 Month		Quarter		Fiscal YTD		1 Year		2 Years		3 Years		5 Years		10 Years	
	Value	%Tile	Value	%Tile	Value	%Tile	Value	%Tile	Value	%Tile	Value	%Tile	Value	%Tile	Value	%Tile
Maximum	0.15		1.22		7.34	7.34	16.34	16.34	18.22	18.22	17.62	17.62	17.62	17.62	7.91	7.91
26th Percentile	-0.96		0.09		3.88	3.93	10.69	10.69	11.38	11.38	11.42	11.42	11.42	11.42	7.03	7.03
Median Percentile	-1.23		0.09		3.11	3.11	9.91	9.91	10.52	10.52	10.62	10.62	10.62	10.62	6.91	6.91
75th Percentile	-1.41		0.09		2.59	2.45	9.02	9.02	9.63	9.63	10.05	10.05	10.05	10.05	6.63	6.63
Minimum	-2.38		-0.29		-3.10	-3.10	-1.46	-1.46	-0.68	-0.68	8.24	8.24	8.24	8.24	6.02	6.02
# of Portfolios	35		35		35	35	35	35	34	34	33	33	33	33	30	30
● Total SC with Overlay	-1.00	39	0.47	36	1.73	91	8.37	89	8.96	89	9.07	95	9.07	95	6.21	100
■ SC Policy Benchmark		36	0.67		1.21	93	7.64	96	7.74	92	8.05	100	8.05	100	4.28	100

Gross of fees and expenses

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 goal & return is in the bottom 10% for periods of 1 year or longer. Total plan with overlay = total returns  
SC Policy benchmark = "goal" of plan