

Chairman Wm. Weston J. Newton

*First Vice-Chair:
Laurie Slade Funderburk*

Legislative Oversight Committee



*Nathan Ballentine
Gary E. Clary
Kirkman Finlay III
Joseph H. Jefferson Jr.
Walton J. McLeod
Joshua Putnam
Samuel Rivers Jr.
Tommy M. Stringer
Bill Taylor*

*William K. (Bill) Bowers
Raye Felder
Phyllis J. Henderson
Mia S. McLeod
Ralph W. Norman
Robert L. Ridgeway III
James E. Smith, Jr.
Edward R. Tallon Sr.
Robert Q. Williams*

South Carolina House of Representatives

*Jennifer L. Dobson
Research Director*

*Cathy A. Greer
Administration Coordinator*

**Post Office Box 11867
Columbia, South Carolina 29211
Telephone: (803) 212-6810 • Fax: (803) 212-6811
Room 228 Blatt Building**

*Charles L. Appleby IV
Legal Counsel*

**Executive Subcommittee Meeting
Thursday, March 17, 2016
12:30 p.m.
Room 108 - Blatt Building**

Archived Video Available

- I. Pursuant to House Legislative Oversight Committee Rule 6.8, S.C. ETV was allowed access for streaming the Subcommittee meeting. You may access an archived video of this meeting by visiting the South Carolina General Assembly's website (<http://www.scstatehouse.gov>) and click on "Committee Postings and Reports," then under House Standing Committees click on "Legislative Oversight". Lastly, click on "Video Archives" for a listing of archived videos for the Legislative Oversight Committee.

Introductory Matters

- I. The Executive Subcommittee (Subcommittee) meeting was called to order by Chairman Putnam on Thursday, March 17, 2016, in Room 108 of the Blatt Building, Columbia, South Carolina. The following Subcommittee members were present: Representative Joshua Putnam, Representative Wm. Weston J. Newton, Representative Laurie Slade Funderburk, and Representative Robert Q. Williams.

Minutes

- I. House Rule 4.5 requires the standing committees of the House to prepare and make available for public inspection, in compliance with Section 30-4-90, the minutes of full committee meetings. House Rule 4.5 further provides that such minutes need not be verbatim accounts of such meetings. It is the practice of the House Legislative Oversight Committee to provide minutes, which are not verbatim accounts of such meetings, for its subcommittee meetings.
- II. Representative Williams moved to approve the minutes from the Subcommittee's meeting on December 7, 2015. A roll call vote was held, and all present voted in favor of approval.

Rep. Williams’s motion to approve the minutes from the December 7, 2015, meeting:	Yea	Nay	Not Voting
Laurie Slade Funderburk	✓		
Wm. Weston J. Newton	✓		
Robert Q. Williams	✓		
Joshua Putnam	✓		

Introductory Meeting with the Retirement System Investment Commission

- I. This was the Subcommittee’s first meeting with the Retirement System Investment Commission (Commission). One of the purposes of the meeting was for the Subcommittee to ensure that the Commission had a clear understanding of the oversight process and that the Commission would share information about the process, study of the agency, and online survey with its employees.
- II. Chairman Putnam swore in Michael Hitchcock (Chief Executive Officer, Retirement System Investment Commission).

Committee staff asked Mr. Hitchcock a series of questions in order to confirm that the staff had previously met with Commission representatives and explained the oversight process. Committee staff also asked Mr. Hitchcock if he had informed the Commission’s employees about the survey and if he would inform the employees about the Study when it became available. The testimony from Mr. Hitchcock confirmed that Committee staff had met with the agency and the agency would inform its employees about the study and public survey.

Representative Williams then asked Mr. Hitchcock several questions which Mrs. Hitchcock answered.

- III. There were no further questions for Mr. Hitchcock, so Chairman Putnam thanked the Commission representatives for their attendance and dismissed them from the meeting.

Discussion of the Staff Study of the Treasurer’s Office

- I. Chairman Putnam swore in all of those present from the Treasurer’s Office (Office) who intended to testify before the Subcommittee. Those representatives were: Ms. Clarissa Adams (Chief of Staff), Ms. Cynthia Dannels (Deputy State Treasurer), and Ms. Tonia Morris (Deputy State Treasurer).

Committee staff provided an update of the Office’s progress through the oversight process.

- II. Representative Funderburk moved that Committee staff be allowed to make minor stylistic revisions to the Staff Study of the Office in accordance with the Office’s request. A roll call vote was held, and the motion passed.

Rep. Funderburk’s motion to allow Committee staff to make minor stylistic revisions to the Staff Study of the Office in accordance with the Office’s request:	Yea	Nay	Not Voting
Laurie Slade Funderburk	✓		

Wm. Weston J. Newton	✓		
Robert Q. Williams	✓		
Joshua Putnam	✓		

- III. Chairman Putnam announced the Subcommittee had revised the format of its meetings with agencies in light of experience gained from the recent completion of its first Subcommittee Study, which was a study of the Office of the Comptroller General.
- IV. Chairman Putnam explained the purpose of the Subcommittee’s meeting with the Office was to discuss the agency’s history, mission, and strategic plan.

Committee staff provided a brief summary of the agency’s history, mission, and vision.

Representative Williams asked several questions about various subjects, including, but not limited to, the state’s credit rating, and the significance of the ratings; the person responsible within the Office for monitoring the state’s ratings; if the Office was satisfied with the settlement of the lawsuit against the Bank of New York Mellon; status of the funds missing from state accounts due to the lawsuit; if any of the state’s losses were recouped from the lawsuit; for the actual amount of funds received by the state from the Bank of New York Mellon as part of the settlement agreement; if the Office had lawyers help negotiate the state’s settlement with the Bank of New York Mellon; if there were other banks able to offer better or more affordable services to the state; and for a summary of the state’s unfunded pension liabilities.

Representative Funderburk asked several questions about various subjects, including, but not limited to, if the state’s borrowing had been affected by the downgrade of the state from a AAA rating to a AA+ by Standard and Poor’s; if it was true that one reason for the downgrade from AAA to AA+ was due to the state’s negative employment trends; asked if Standard and Poor’s had given the Office a target goal for reforming the unfunded liabilities in the state’s pension system at which point the state’s AA+ rating would be upgraded; for the date on which the state first starting conducting business with the Bank of New York Mellon; and for the reason that the Treasurer filed the lawsuit against the Bank of New York Mellon rather than the Attorney General.

Representative Newton asked several questions about various subjects, including, but not limited to, the amount that the state actually recovered from the settlement with the Bank of New York Mellon; if the state had to pay fees to the Bank of New York Mellon related to the state’s actual recovery from the settlement that were not negotiated away as part of the settlement; for an explanation of the reasons the settlement included fee negotiations; for the Office to submit information to the Subcommittee explaining the terms of the settlement agreement and the new contract between the state and the Bank of New York Mellon; if it was true that the state’s settlement agreement with the Bank of New York Mellon required the state to continue to do business with the Bank for a period of ten years; and for the Office to submit information to the Subcommittee explaining whether the new contract between the state and the Bank of New York Mellon requires the state to continue doing business with the Bank for a period of ten years.

Chairman Putnam asked several questions about various subjects, including, but not limited to, if Standard and Poor’s had highlighted any other concerns besides the unfunded liabilities in the state’s

pension system; if it was true that the state continued to conduct business with the Bank of New York Mellon after the state and Bank settled; for the reason the state continued to conduct business with the Bank following the settlement; and for Ms. Adams' opinion of the causes of the state's pension losses that were the subject of the lawsuit against the Bank.

Ms. Clarissa Adams testified in response to all of the questions from the Subcommittee members.

Chairman Putnam thanked Ms. Adams for answering the Subcommittee's questions.

V. Ms. Adams provided an overview of the Office's strategic plan.

Chairman Putnam asked several questions about various subjects, including, but not limited to, if local governments are able to control how their funds are invested, or if the Office controls all of that investment; and if the funds in the Unclaimed Property are invested.

Representative Newton asked several questions about various subjects, including, but not limited to, information about the liability consultant the Office hired to help find the appropriate amount that should stay in the Unclaimed Property reserve fund; information about the way the Office determines how much of the Unclaimed Property fund can be remitted to the General Assembly; and if the amount of the fund remitted to the General Assembly is considered an "unfunded liability" for purposes of the state's credit rating.

Adjournment

I. There being no further business, the meeting was adjourned.