

November 1, 2011

Governor Nikki Haley
Trustee
S. C. Retirement Systems
State House
Columbia, SC 29201

Dear Governor Haley:

Almost a year ago, Governor Sanford convened a forum focused on the indebtedness of the S.C. Retirement System and the administration and management of the funds for which you now serve as a trustee with fiduciary responsibility. At the forum, an academic, who has a reputation for being highly critical of public pensions and whose services were paid for with private money, presented extremely dire statements about the financial health of the retirement system. The scholar's methodology was roundly criticized for its lack of objectivity and is seen as a thinly veiled attempt to skew the data to achieve a political end.

Now, nearly a year later, state leaders are in a similar posture. You are being asked to make changes in the assumptions used to govern the actuarial definition of the system. These changes are being sought after the state received a narrowly tailored, advocacy-based report that was designed to present the most dismal picture of the fiscal health of the retirement systems.

Before making any decision, please consider issues raised at meetings of the two Legislative committees currently examining the Retirement Systems as well as those questions subsequently posed by committee members and staff.

In addition, please examine the RFPs issued when Cavanaugh Macdonald was selected as the system's actuary versus the RFP issued when GRS was selected. I raise this question because GRS confirmed that the numbers generated by Cavanaugh Macdonald were an appropriate valuation of the system's assets and then began analysis of the system adopting new "criterion" that does not meet current generally accepted actuarial standards.

A great deal of work has been done by and for the over 500,000 people whose lives are impacted by your decisions and those decisions made by the Legislature regarding the South Carolina Retirement System. Please give consideration to the points I have raised and listen to those who have objectively studied the system before you take actions based on the report presented by GRS. Their work seems to reflect the advocacy of staff who developed the RFP. Of great concern also is the fact that Mr. Blume has not provided the data on other scenarios which have

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been requested by committee members and members of impacted employee groups. Instead, he presents the advocacy approach of GRS as a “done deal”, rejecting calls for even considering other approaches.

It is the responsibility of the General Assembly to address policy changes to the retirement systems, which we stand ready to do; but, just as you, we must have objective, accurate financial data from the agency to be able to make informed decisions. Currently, this data is not being presented by the agency. Please consider these concerns before making your decision as a Trustee of the Retirement System.

Respectfully,

Phil P. Leventis

cc: Members, Senate Finance Retirement Study Committee
Members, House Ways & Means Retirement Study Committee
Ms. Marsha Adams, Executive Director, State Budget & Control Board
Mr. Bill Blume, Director, S. C. Retirement Systems
Mr. Mike Shealy, Budget Director, Senate Finance Committee
Ms. Beverly Smith, Chief of Staff, House Ways & Means Committee