

From: Patel, Swati

To: Soura, Christian <ChristianSoura@gov.sc.gov>

Date: 7/17/2013 11:51:10 AM

Subject: FW: State Inspector General Report re Retirement System Investment Commission (RSIC)

Attachments: Final RSIC Report 07162013 Without Appendices.pdf  
ATT00001.htm

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From: Pitts, Ted

Sent: Tuesday, July 16, 2013 9:55 PM

To: Patel, Swati; Godfrey, Rob; Stirling, Bryan

Subject: Fwd: State Inspector General Report re Retirement System Investment Commission (RSIC)

Ted Pitts

803.767.7862

Begin forwarded message:

From: "Maley, Patrick" <PatrickMaley@oig.sc.gov>

Date: July 16, 2013, 11:36:35 AM EDT

To: "brianwhite@schouse.gov" <brianwhite@schouse.gov>, "hugh6644@gmail.com" <hugh6644@gmail.com>, "Eckstrom, Richard" <reckstrom@cg.sc.gov>, "Pitts, Ted" <TedPitts@gov.sc.gov>, "Loftis, Curtis" <Curtis.Loftis@sto.sc.gov>

Subject: State Inspector General Report re Retirement System Investment Commission (RSIC)

Budget Control Board Members,

Attached is a State Inspector General's (SIG) report titled, **"Review of 'Red Flag' Indicators of Potential Wrongdoing At the Retirement System Investment Commission."** I am emailing this report to ensure all parties, the BCB, RSIC, and the State Treasurer's Office, receive the report on the same day to keep everyone in the loop. I will be sending hard copies via mail. Additionally, I am only attaching the report to this email, and will send the appendices in an separate email shortly due to its size.

The SIG did not find any criminal activity or wrongdoing at the RSIC based on the "red flag" indicators investigated. These red flag indicators had a pattern of operational weaknesses correlated with the fact the RSIC did not aggressively address its overall operational infrastructure deficiencies until 2011. RSIC has been moving to close these operational gaps over the past two year. Those with the foresight to see the need for a fiduciary audit in FY 2013-2014 should be commended, because it could not come at a better time to bring clear resolution and finality to these issues.

However, during the "red flag" review, it became clear these were only symptoms of larger issues between RSIC and the Treasurer. There is the issue seen numerous times in the media regarding the Treasurer's concern about the RSIC's investment strategy. Based on the SIG's review, both sides have a rational basis for their positions, but the continued pattern of friction without some level of resolution is undermining confidence in the RSIC and the entire retirement system. The second issue is the dysfunctional relationship between the two is negatively impacting the operations of RSIC to execute its mission. This dysfunctional relationship undermines leadership cohesion at the Commission level and is viewed by all involved as a crisis, to include the SIG, needing intervention by a higher authority, the Budget Control Board, to resolve.

I am available 24/7 (cell 803-429-4649) for questions, concerns, or briefings.

Thanks in advance for your attention to this important issue.