

ANNUAL ACCOUNTABILITY REPORT

FOR FISCAL YEAR 2004

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STATE TREASURER**

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I. EXECUTIVE SUMMARY

I.1. MISSION AND VALUES

MISSION STATEMENT

The mission of the State Treasurer's Office (STO) is to serve the citizens of South Carolina by providing the most efficient and effective banking and financial management services for State Government.

To this end, the State Treasurer and his professional, responsive staff constantly strive to use a vast network of resources, industry knowledge and technology to provide high quality service in the areas of: receipt and disbursement of funds; investment and cash management; debt issuance and debt service; management of all State banking relations; administration of the Unclaimed Property Program and the College Savings Plans; and provide advice and counsel to local governments on issues related to investments, debt and other fiscal matters.

The State Treasurer's Office is ready and willing to serve the State's citizens and works hard to provide the most effective solutions to identified problems.

VALUES

The values of those employed by the State Treasurer's Office can be summed up in one word, ETHICS.

E FFICIENCY in every task is our motto in maximizing services to the public.

T ECHNOLOGY is crucial in our mission to provide the most up to date services.

H ARD WORK is key to performing the tasks required of the STO.

I NTEGRITY in our job performance and duty to the state is critical.

C OURTESY is essential to providing quality assistance.

S ERVICE to the taxpayers of our state is primary to our mission.

I.2. STRATEGIC GOALS

The goals of the State Treasurer's office align with our values. Our current focus is on technology, accountability, reliable service, and employee retention. It is fundamental to the fiscal well being of South Carolina that the State Treasurer's Office maintain state of the art financial systems. This is our first strategic goal. Most recently the systems employed in Debt Management and Data Processing are being evaluated. The STO is working to ensure that internal systems specific to treasury functions are replaced by or properly interface with the new statewide accounting system (SAP). Funding this critical need and other related components is the top budget priority for the agency.

The second strategic goal of the State Treasurer's Office is to provide accountable and reliable services in relation to the State's financial resources. Through regular communication with our internal staff and outside vendors, we continually seek to measure ourselves against industry standards and benchmarks and seek to employ best practices in all facets of our operation.

Although currently rebuilding from the cyclical downturn in the economy which resulted in statewide budget cuts, retaining an adequate work force continues to be a strategic goal. The ultimate goal is to hire, maintain, and retain a well-trained and engaged workforce so that every employee is equipped to perform their job in an efficient manner. This is critical so that the STO can continue to provide the essential services required by statute and the Constitution.

The focus on customer satisfaction and courtesy is typified by the fact that our constituents regularly comment on the fact that when they call our office they actually speak to a person rather than voice mail or a machine, and that the employees focus on getting answers swiftly, accurately and courteously.

I.3. BARRIERS TO SUCCESS

The financial uncertainty under which the State has operated for the last three years continued to effect operations in the current fiscal year. The postponement of needed technology upgrades and staff training, along with loss of personnel in some areas placed additional difficulties, expectations and stress on the staff. Although the "light at the end of the tunnel" is beginning to be seen, much is to be done to catch up and assistance is needed to make those improvements as quickly and reliably as possible without further overburdening the staff.

I.4. MAJOR ACHIEVEMENTS

Major achievements for the State Treasurer's Office (STO) during FY04 were:

- ◆ Maintenance of the coveted AAA Credit Rating through the State Treasurer's participation in a team effort to assure the rating agencies and the citizens of South Carolina that its leaders know the importance of keeping our financial house in order and intend to work together toward that end.
- ◆ Passage of the Fiscal Responsibility Act providing additional safeguards for the state's financial security.
- ◆ Continued to manage the fixed income portion of the South Carolina Retirement System at 1/20th the cost of standard industry costs while providing South Carolina with one of the best performing pension plans in the country.
- ◆ Provided local governments with above average return on investments through management of the Local Government Investment Pool.
- ◆ Continued to employ new state of the art technology particularly in the area of electronic banking, internet delivery of services, and online training tutorials.
- ◆ Timely closing of 23 new bond issues and 6 defeasances at advantageous rates below the industry average.

I.5. ACCOUNTABILITY REPORT

The Accountability Report is used by all levels of the agency to improve organizational performance by focusing on the strategic goals and by measuring our effectiveness in meeting those specific program goals. The report is published on the agency's electronic Employee Resource Guide for easy access by all employees. The annual review and updating process serves to bring all managers together to review our progress, our shortcomings, identify obstacles, and reset or reinforce priorities. The legislative process of tying budget requests to the Accountability Report helps to focus our efforts on stated priorities and to defend budget requests through use of data and analysis.

The program results in Category 7 of this report demonstrate the continued trends of this office in meeting or surpassing benchmarks in timeliness, efficiency and customer focus in the delivery of services.

II. BUSINESS OVERVIEW

II.1. The State Treasurer's Office has a total of 70 authorized full-time equivalents (FTE's) of which 57 were filled as of June 30, 2004. Of the 70 FTE's, 46 are state funded and 24 are other funded. The office has 3 employees who work a reduced hour schedule, 2 temporary employees and 2 contract employees.

II.2. The office is located on the 1st and 2nd floors of the Wade Hampton Office Building.

II.3. The expenditure/appropriation chart that follows outlines the major spending categories of the budget.

Base Budget Expenditures and Appropriations

Major Budget Categories	02-03 Actual Expenditures		03-04 Actual Expenditures		04-05 Appropriations Act	
	Total Funds	General Funds	Total Funds	General Funds	Total Funds	General Funds
Personal Service	\$2,716,171	\$1,967,538	\$2,517,414	\$1,632,531	\$2,861,043	\$1,520,487
Other Operating	\$1,247,921	\$462,864	\$2,679,586	\$247,794	\$1,529,871	\$432,630
Special Items	\$7,628,890	\$1,814,933	\$8,533,570	\$1,643,202	\$3,209,270	\$
Permanent Improvements	\$	\$	\$	\$	\$	\$
Case Services	\$	\$	\$	\$	\$	\$
Distributions to Subdivisions	\$	\$	\$	\$	\$	\$
Fringe Benefits	\$742,419	\$511,873	\$699,504	\$479,791	\$833,427	\$470,277
Non-recurring	\$	\$	\$	\$	\$	\$
Total	\$12,335,401	\$4,757,208	\$14,430,074	\$4,003,318	\$8,433,611	\$2,423,394

Other Expenditures

Sources of Funds	02-03 Actual Expenditures	03-04 Actual Expenditures
Supplemental Bills	\$	\$
Capital Reserve Funds	\$	\$
Bonds	\$	\$

Interim Budget Reductions

Total 02-03 Interim Budget Reduction	Total 03-04 Interim Budget Reduction
\$276,459	\$24,561

II.4 **Major Program Areas Chart.** See chart in appendix at end of report.

II.5. **Key customers** of the State Treasurer’s Office for each major service are:

Major Service of the State Treasurer’s Office	Key Customers
State-wide banking and accounting services (receipt and disbursement of all funds) for all agencies and institutions	State agencies State employees and retirees Participants in the Deferred Compensation program The State’s vendors Taxpayers Recipients of other state disbursements
Investment services for all state funds, the Local Government Investment Pool, and the fixed income portion of Retirement System funds	State agencies and institutions Local governments and School Districts Members of the South Carolina Retirement Systems Contributors to and beneficiaries of the Tuition Prepayment Plan
Debt issuance and management services for general obligation, revenue, and special debt issues	State agencies and institutions Holders of the State’s GO and Revenue Bonds Holders of the State’s Mini-bonds
Administration of the State’s Unclaimed Property Program	Rightful owners of Unclaimed Property Holders of unclaimed property
Administration of the two College Savings Plans: South Carolina Tuition Prepayment Program and Future Scholar	Contributors to and beneficiaries of College Savings Plans Institutions of Higher Learning

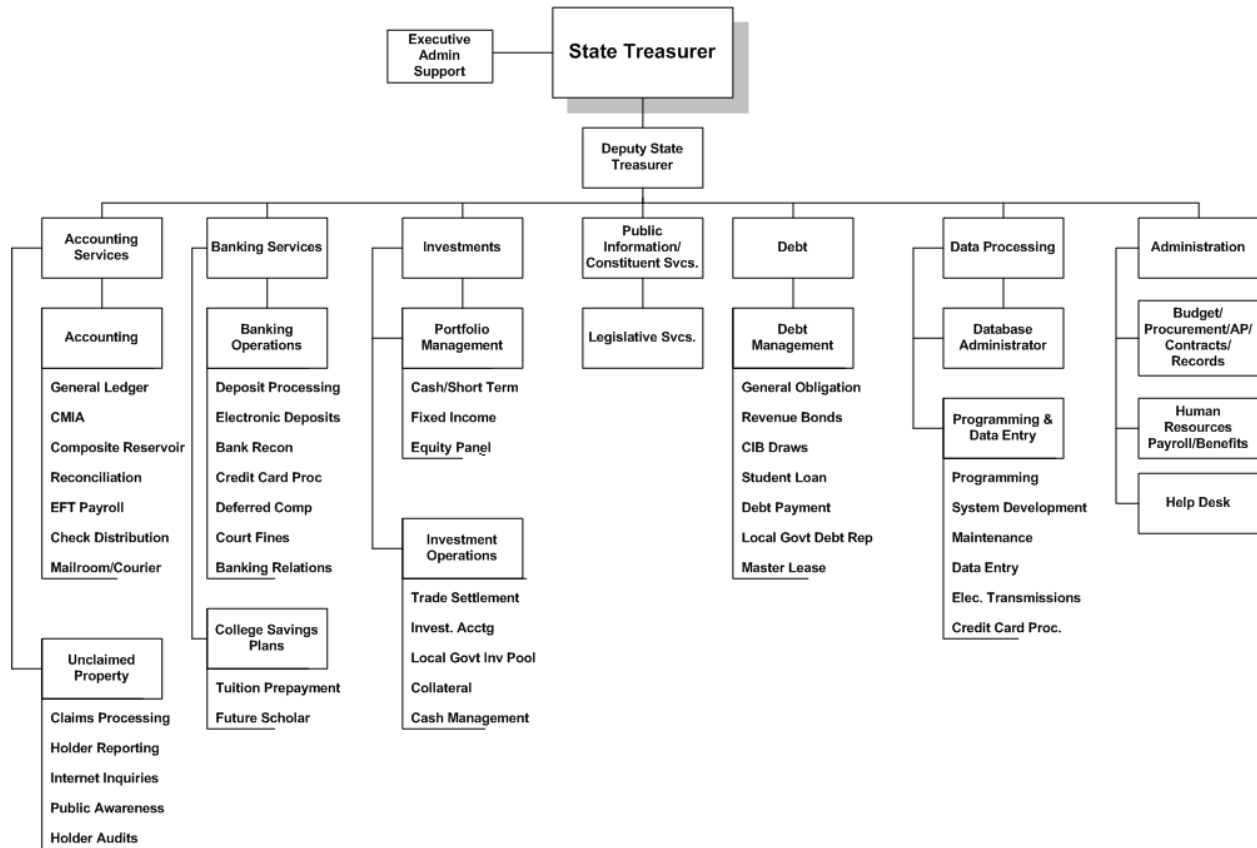
II.6. Key stakeholders other than the direct customers of our services are the citizens of South Carolina and the Legislature.

II.7. Key suppliers are: other state agencies, banks and other financial service providers, investment advisors and custodial banks, the outside administrators of College Savings Plans, vendors of services and supplies, technology vendors, software providers and partners, holders of unclaimed property, and internet service providers.

II.8. The office is organized in 4 production/service divisions: Accounting and Unclaimed Property, Banking and the College Savings Plans, Investments, and Debt. There are 3 support divisions: Administration, Data Processing, and Legislative and Constituent Services. The Executive Division oversees the functions of all divisions.

The organizational chart that follows indicates the primary functions of each division.

State Treasurer's Office



III. MALCOLM BALDRIGE AWARD CRITERIA

III.1. LEADERSHIP

Questions 1-8 are addressed in this section.

In alignment with the Constitution of South Carolina and the directives set forth by the General Assembly, the State Treasurer puts forth goals and strategies through bi-monthly meetings with Senior Staff members.

Pending issues and policies are discussed in these meetings and the State Treasurer uses these meetings to express his objectives, concerns or directives. Senior management uses these meetings as a mechanism to express ideas, offer suggestions and work as a team in problem resolution. Following such meetings, senior management apprises their respective staffs of issues discussed, seeking input when appropriate for problem resolution or for planning purposes.

The State Treasurer has a long history of staff loyalty. His positive leadership and support and recognition of his employees has generated below-average turnover in personnel. Although a stable and consistent staff in dealing with the State's finances is an attribute, in recent years the STO has had to guard against complacency through creative human resource management. As a result, the STO is constantly using staff meetings, various research, budgetary or accountability reports along with employee evaluations, related professional organizations, and interagency training to promote positive change and personal growth for the agency and its employees.

The South Carolina State Treasurer's Office has always believed that accessibility is the key to success. The STO establishes and promotes a focus on customers by allowing the customers and citizens of South Carolina complete access to the STO. The State Treasurer promotes availability to the public and its customers whether it is by providing access on telephone calls to a person rather than a menu driven voice mail system or by an open door policy. Furthermore, an individual who walks into the State Treasurer's Office is met with a smile and by a welcoming staff willing to help with whatever needs he/she may have.

As an elected official, the State Treasurer is particularly sensitive to the impact on the State's citizens of actions taken and the effective allocation of the State's resources. For this reason, he is vigilant in seeking information and communicating with experts to find new and better ways of meeting his responsibilities and delivering services. The State Treasurer pays particular attention daily to the State's cash flows, status of the State's debt, investment management of the SCRS fixed income portfolio and issues related to the State's AAA credit rating.

III.2. STRATEGIC PLANNING

Questions 1-3 and 5-6 are addressed in this section.

See Strategic Planning Chart on pages 52-55

The State Treasurer has established the following priorities of the office:

- Support **education improvement** through School Bonds, mini-bonds, and administration of the College Savings Plans.
- Bolster **economic development** through maintenance of the State's AAA credit rating, and promotion of the State's banking and financial expertise.
- Promote **greater efficiency** in Government by streamlining processes **with an emphasis on customer service**.

Strategies for supporting education improvement:

In recent years, the State Treasurer's Office had completed the issuance of \$750 million School Facilities Bonds, providing much-needed funds to address a critical shortage of modern classrooms around the state. The bonds are general obligations of the State and are rated AAA by all three major rating agencies. These bonds were issued without incurring taxes or fees at best rates available in the marketplace at the time of issuance, thereby maintaining the overall cost of borrowing at the lowest available.

Since 1994, the State has issued \$79,220,200 in mini-bonds. The proceeds have been used for State capital improvement projects such as college additions and renovations, prisons, and harbor dredging as authorized by the Legislature. The mini-bonds are safe, tax-free investments that provide the citizens of South Carolina a vehicle for saving while they benefit from the capital improvements funded by the sale of these bonds. Mini-bonds have not been issued recently due to historically low interest rates which make them less attractive to purchasers and, thus, less marketable. However, the State Treasurer continues to monitor the demand for future issues.

The South Carolina Tuition Prepayment Program (SCTPP), which was transferred to the State Treasurer's Office in 2000, continues to grow. SCTPP helps provide the opportunity for children to go to college, gives parents a peace-of-mind that college is attainable through proper planning, and fosters a sense that higher education is important to statewide economic development. The South Carolina College Investment Plan, "Future Scholar", complements the prepaid plan while offering a flexible alternative, utilizing the same Section 529 federal tax benefits, for families who choose this college savings option. The number of Future Scholar accounts grew to 31,914 at June 30, 2004, valued at over \$323 million, with a greater than average number of those accounts within the state of South Carolina.

Strategies for bolstering economic development:

South Carolina is one of only seven states with a AAA credit rating from all three of the major rating firms in the nation. Maintenance of the AAA rating benefits the State through savings on borrowing and also has a positive trickle down effect to other entities in the State. School districts and other entities benefit from the State's credit worthiness in their own borrowings. In reaffirming the AAA rating, the credit agencies cited South Carolina's conservative debt

management practices, relative low debt burden, and mid-year recognition and adjustment mechanisms in the event revenues do not materialize as expected. All of these strengths are strongly influenced by the State Treasurer.

During the fiscal year the State Treasurer and other constitutional officers worked with members of the legislature in a united effort to show the state's resolve to keep our financial house in good order and achieved passage of the Fiscal Responsibility Act (the Act). The Act provides several additional safeguards and remedies for years of financial strain.

The State Treasurer also urged the General Assembly to protect the state's credit rating by accomplishing three goals:

- First, pledge that all surplus funds be used to eliminate the state's deficit.
- Second, end the practice of using one time money for recurring expenses.
- Finally, replenish and increase the state's reserve funds.

Strategies for promoting greater efficiency in government:

The State Treasurer has identified harnessing new technology as the way to increase efficiency in a measurable and meaningful manner. Wherever constitutionally and statutorily possible, the State Treasurer's Office is attempting to create a "paperless" work environment by capitalizing on new technologies.

This Strategic Planning Objective meets several requirements identified prior to its implementation:

1. It aligns with our existing Mission Statement and meets the needs of those we serve.
2. It creates an environment of communication and innovation in which each employee can seek new ways to do required functions.
3. It gives the agency quicker response times to customer needs.
4. It saves money.
5. It frees resources for other uses.
6. It increases efficiency and provides for greater accuracy, responsiveness, and professionalism in performing required duties.

During the fiscal year, strategic planning, resource allocation, and electronic solutions were again aggressively sought to allow the reduced workforce to keep up with increasing demand for services. Each manager is continually challenged to eliminate nonessential functions in order to focus on the most critical. Proposed changes must address the impact on the customer and how to offer them electronic alternatives to the data and services previously provided by more paper or people intense delivery methods. The Business Results in section 7 of this report highlight specific examples of such solutions implemented.

The Strategic Planning Objective is consistently moved forward by a bi-monthly meeting of senior staff to analyze needs, performance, and suggestions or concerns from staff and customers. The objective has also been conveyed to our suppliers and partners so that in an effort to serve us better they can help identify opportunities for more paperless delivery of their services.

III.3. CUSTOMER FOCUS

Questions 1-5 are addressed in this section.

The State Treasurer's Office relies on one-on-one information gathering to improve service to its customers. This is accomplished in part through participation in conferences and forums, state fairs and senior citizens' events, meetings with financial institutions and state agencies, as well as public meetings attended by the State Treasurer and his staff. Requests and information garnered from these listening and learning opportunities directly affect the way we provide our services.

Throughout the state, the State Treasurer's Office deals with the public on a wide range of issues. Most often we receive inquiries on tax refund checks, vendor checks, paychecks, deferred compensation questions, and requests about individual programs like Unclaimed Property, College Savings Plans, and Mini-Bonds.

Most of our office programs are detailed on the State Treasurer's Office web site. Our office has made it a priority to continually make links, downloadable documents, and other information available to reduce costs and response times. The web site was designed with evolution in mind. To this end our website added three exciting new items this fiscal year: vendor access to information on electronic payments, a virtual tutorial concerning the collection and distribution of Court Revenue, and a virtual tutorial and overview of the Local Government Investment Pool. We continue to explore statutory changes to allow information that was previously transmitted through more expensive means to be posted on the web site.

Legislative matters are handled through a dedicated staff available to provide research and serve as a resource on matters related to this office and the State as a whole. Several issues requiring significant research and support during the 2004 legislative session included: additional changes to court revenue collection and reporting requirements, technical changes to bond enabling acts to reduce borrowing costs and minimize potential federal tax consequences, exploiting new avenues for tax-exempt financing through public/private partnerships for school building projects, and the annual appropriation process including related debt issues.

Ongoing communication with State agencies provides feedback on how their requirements and expectations can best be fulfilled. During the fiscal year several agencies were involved in either implementing new banking arrangements specific to them or piloting new services initiated by the State Treasurer's Office. The office regularly participates in special projects to improve statewide processes. This year, representatives of the office continued to serve on committees studying the statewide accounting system as the implementation date nears. Even more members of the staff were brought into the process as the impact on the office is studied in more detail. This will continue to be a large focus of the office in the coming years, demanding time particularly of the managers in multiple areas of the office. Representatives of the office make annual presentations to the South Carolina Governmental Finance Officers Association at both their fall and spring conferences and uses those forums not only to disseminate information to others, but to receive information from these customers on how we can best serve them. Again this year, office staff participated in training events for clerks of court regarding changes to the Court Fine process, and served as the instructor for two cash management conferences.

III.4. INFORMATION AND ANALYSIS

III.4.1 Performance measures are incorporated in all operations of the office. The measures used are selected by management to:

1. Track compliance with state and federal laws where applicable or with externally imposed requirements like accounting standards and regulatory compliance;
2. Monitor compliance with management directives, goals, or objectives;
3. Measure success of efficiency measures implemented;
4. Measure performance against industry benchmarks;
5. Indicate trends in meeting customer expectations; and
6. Set priorities for resource allocation.

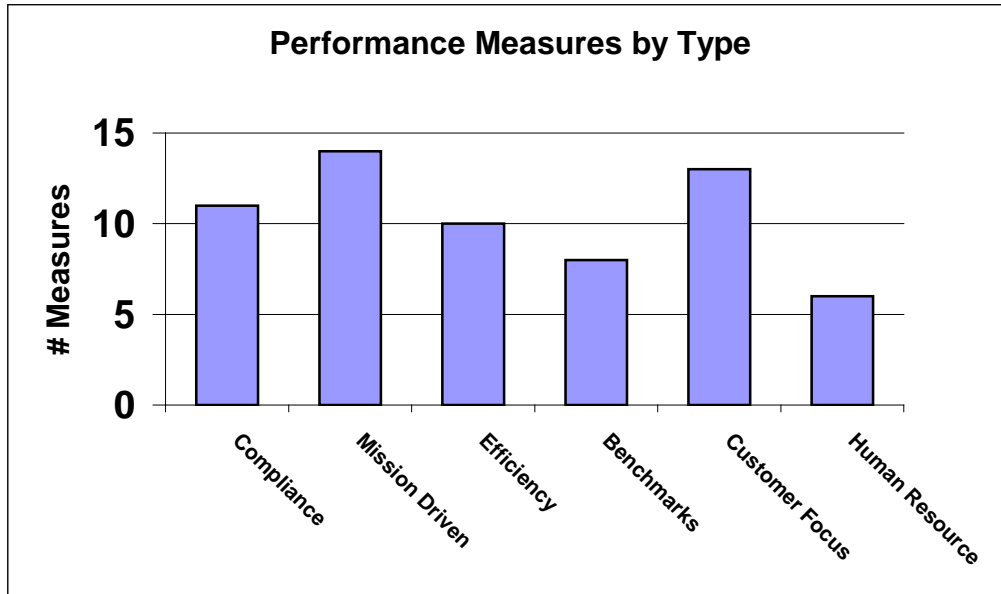
III.4.2 Accuracy of data is assured in most instances through reconciliation and confirmation with external sources:

- Statewide accounting data is reconciled daily to the Office of the Comptroller General.
- Banking data is confirmed with the depository bank, custodian of investments, and the counter-party to transactions.
- The status of investment portfolios and performance results is measured by at least three external sources in addition to the internal process: the custodial bank, the independent investment advisor, and the Investment Panel's consultant for Retirement portfolios.
- Local Government Investment Pool transactions are confirmed with Pool participants through daily confirmations of transactions and monthly statements.
- Information on debt issues and payments is monitored and confirmed by external parties, including bond counsel, financial advisors, independent paying agents, bond holders, and the institutions served.
- Internal administrative data such as budget status, procurement information, and payroll and personnel transactions is confirmed with statewide reporting systems and subjected to routine audit.

Overall the agency data is subjected to annual audit directly by at least 6 audit teams, including:
Statewide GAAP Audit Team for cash, investments, debt, and data processing control;
Agreed Upon Procedures audit of the agency;
Local Government Investment Pool GAAP audit;
Independent auditors for the South Carolina Retirement Systems;
Independent auditors for the Tobacco Settlement Revenue Management Authority; and
Independent auditors for the South Carolina Resources Authority.

Indirectly, agency information is subjected to audit repeatedly through the audit confirmation process of the various agencies and institutions for which we serve as the State's bank.

III.4.3 An inventory of key performance indicators shows the majority of measures used are in the areas of compliance, mission accomplishment, and customer focus. This is consistent with the nature of the office where most functions are delegated to it by statute, with few programs at the discretion of the State Treasurer.



III.4.4 Comparative data and information is selected and used based on an intentional search for best practices and benchmarks relevant to our mission. Participation in national organizations such as National Association of State Auditors, Comptrollers and Treasurers (NASACT), National Association of State Treasurers (NAST), and other professional organizations in banking, cash management, investments, unclaimed property, and college savings plans provides exposure to comparative data and “best practices,” many of which have been adopted.

Details can be found in Section 7: Results.

III.5 HUMAN RESOURCES

Questions 1-6 are addressed in this section.

The agency is committed to promoting a culture of high performance, learning and employee gratification in a safe environment. The Senior Management Team portrays a forward thinking leadership in an ever-changing environment and has pledged to recruit highly qualified, ethical and diverse individuals. The State Treasurer and the Senior Management are committed to serve as models of these beliefs. This culture is demonstrated in every facet of our business, externally and internally, through an open-door policy, formal and informal communication, teamwork, equal treatment, customer focus and recognition. Human Resource management focused on one important goal for this year which was to retain a qualified, trained work force. These efforts have been agency wide and have incorporated ideas and suggestions from every level of staff. Through the use of this input, the agency, to date, has been able to avoid imposing a Reduction in Force during extremely challenging budget constraints.

With the tenuous budget situation, the State Treasurer's emphasis on a well-trained, professional workforce and his support of external training supplemented by internal learning and models intervention that utilize current work experiences and problems to ensure growth and innovation with Senior Management has enabled our agency to continue to meet its mission and provide exceptional customer service. This fiscal year has presented some very challenging situations for the agency due to staff turnover; however, the continuous efforts by Senior Management and staff to ensure that cross training was a priority have enabled us to develop highly skilled and versatile employees. Such versatility allowed us to realign skilled and trained staff members to other areas in order to use our resources as efficiently and effectively as possible. In several instances, employees have crossed divisional lines, been reassigned or have absorbed additional duties in order to meet work demands.

Our work team consists of 46.0 State funded FTE's, 24.0 Other funded FTE's, 2 temporary employees and 2 contract employees. The agency experienced a high rate of turnover during the fiscal year. We lost 12 employees and were able to replace 9 of those positions. Three of the employees who left, or 25%, retired. Exit interviews from the other positions reflected departure for better financial opportunities in the private sector and personal family-related issues. At fiscal year end, we were operating with 13.9 vacant FTEs.

Budget constraints continued to limit training opportunities when assessing the training needs of the staff. With a very limited training budget, it became necessary for Senior Management to review the training needs of their staffs carefully in order for the agency to provide training to employees that directly affects success of their performance. The State Treasurer's Office continued to participate in the State Agency Training Consortium made up of state agencies for the purpose of collectively providing facilities, resources and trainers. This Consortium was previously made up of only Cabinet Agencies but the sharing of resources has been expanded to include a number of other agencies. The Human Resources Manager volunteered her time as needed to the Committee in trade for free training opportunities for the State Treasurer's Office employees. During this past year, our agency took advantage of 3 free training opportunities through the Consortium. The cost of these trainings had we paid a registration fee would have been a minimum of \$100 each.

The agency actively promoted flexible work schedules to more easily balance employees' work and family demands. We have expanded the flexible work schedule policy to include more options which allow the office to cover areas for longer periods of the day. We continue to offer a part-time program should employees be interested in reducing their hours. We currently have 3 participants in that program and it has been critical in helping us reduce turnover and eliminate the loss of additional skilled workers with institutional knowledge.

Employees receive annual performance evaluations. At the beginning of each evaluation period, a planning stage document is given to each employee that outlines the duties of his/her position and identifies success criteria for the function being performed. Throughout the evaluation period, supervisors informally meet with their employees and discuss ways in which they can improve their performance and be successful in their jobs. These formal and informal sessions allow supervisors an opportunity to assess employee satisfaction and gain insight and input from employees on how to improve processes. These discussions are integral in determining better and more efficient ways to operate.

In addition to feedback regarding performance, the Senior Management took steps to recognize the staff informally. Senior Management provided a box lunch picnic on the State House grounds for Employee Appreciation Day. The recognition of staff for accomplishments, both formally and informally, has become an important responsibility of our Senior Management in their day-to-day activity, as we have no other resources to recognize and reward exceptional performance.

The State Treasurer's Office also actively supports community groups such as the United Way, Community Health Charities, the United Black Fund, etc. In spite of the fact that we have been unable to reward our employees on their performance, our staff has been very forthcoming in contributions towards our community service efforts. In conjunction with other agencies in the capitol complex, we have worked to provide health screenings, mammograms, blood donations, flu shots, etc. Our staff participated in these opportunities as well as the annual Wellness Walk sponsored by Prevention Partners.

III.6. PROCESS MANAGEMENT

III.6. Questions 1 - 3 are addressed in this section for each of the **key design and delivery processes**. Most of the processes in our 4 major production/service delivery areas are heavily automated and deadline driven.

In **Accounting and Banking**, deposits, distributions, reconciliations, and financial reporting are time sensitive processes with an external customer focus. Deadlines are imposed either by legal mandate, management policy, or customer expectations. Constant monitoring of deadlines, exception reports, and other performance requirements drives day-to-day operations. In order to meet growing demands with sometimes dwindling resources, managers must continually look for ways to better utilize automation for processing, verifying, and reporting information and for identifying exceptions needing attention.

Systems tied to non-state entities are often driving forces for automation. Office systems are electronically tied to outside banks and service providers through electronic receipt and submission of data, credit card and Internet payment systems, electronic daily confirmations, and automated reconciliation systems.

Likewise, the needs of the customer, primarily other state agencies and institutions, drive decisions as to how and when certain services will be delivered. Where possible, the State Treasurer's Office strives to standardize banking services to take advantage of efficiency of scale, while serving the diverse and sometimes unique needs to each customer at competitive rates.

Communication of information from state agencies to the State Treasurer's Office has traditionally been paper intensive; however, major strides have been made in the past few years to automate those processes, including implementation of the **Automated Deposits System**, **Electronic Vendor Payments**, and **Deposit Sweep** systems for Colleges and Universities. The State Treasurer's Office continues to promote these new systems and work closely with agencies to implement them as quickly as possible. Progress toward these goals and efficiencies achieved are reported in Section III.7 Results.

In the area of **Investments**, the office is linked by the latest technology to market information, brokers, investment advisors, custodial banks, and accounting systems. To obtain the best yield opportunities within the guidelines of approved investments, the State Treasurer's Office maintains constant communication with securities professionals and uses on-line securities quotation services. The State Treasurer also receives expert advice from an independent investment advisory firm.

BidSC, the quarterly internet auction process for bidding on Certificate of Deposits continues to be an efficient method of assuring the State the best rate on time deposits while allowing all financial institutions in the State an opportunity to bid for State deposits. In addition to the increase in return on the deposits, the system also provides an efficient method of communicating settlement information to the banks and financial institutions on those trades.

The overall objectives of the fixed portfolio for Retirement Funds are provided in the Statement of Investment Objectives, recommended by the State Treasurer, and adopted by the Budget & Control Board. Objectives for investment of General and Other Funds are developed in conjunction with the State's Investment Advisor and adopted by the State Treasurer. In addition to daily monitoring and communication with investment advisors, twice monthly investment update meetings are held with the State Treasurer and investment staff to review market conditions and investment direction. Monthly performance reports assure the performance requirements are reviewed regularly and processes are adjusted as market conditions dictate.

In the area of **Debt Management**, the State Treasurer's Office continues to use internet-based technology in advertising bond sales and accepting bids. While this process saves printing and postage costs, it more significantly broadens the universe of potential bidders on the State's debt offerings.

The legacy Debt Management System (DMS) provides a system of controls and automation for the Debt Management division. This system provides mechanisms for record keeping and reporting, and provides automation for electronic debt payment through the Automated Clearing House to the State's paying agents. It also provides functionality for tracking agency payments for authorized capital projects to ensure timely and accurate payments for projects approved by the Joint Bond Review Committee and as appropriated by the General Assembly.

The DMS system adequately performs core functions for the Debt Management area; however that system was developed on an older technology platform and frequently requires technical intervention. It is also paper-intensive, which increases resource costs. During FY 04, the Debt Management area performed an evaluation of the system needs and analyzed those needs against the current system's continuing ability to meet them and evaluated other alternatives including the SAP system. As no acceptable "off the shelf" alternatives were identified, and there are still some unanswered questions about SAP's ability to handle the job without costly or lengthy upgrades, the agency is facing the difficult question of how best to replace the aging system. Options seem to be to invest internal resources in rewriting the aging system, or request assistance in adapting the SAP system to the requirements in a more timely manner.

In administering the **Unclaimed Property Program**, and the **College Savings Plans**, two programs involving direct interaction with the general citizenry, promotion and education, customer expectations and customer-oriented delivery systems are the driving forces. Internet access to data and services continues to be the focus. Both systems are managed through outside vendor software systems designed specifically for the industry. By outsourcing these unique systems, the programs are able to take advantage of upgrades and best practices applicable to other states. We concluded an internal feasibility study as to whether the record keeping for the Tuition Prepayment Plan would be cost effective if moved in-house and have concluded that it would not.

III.6.4. The **support systems** of the office include Administration, Data Processing, and Legislative and Constituent Services. These systems are designed to assist the production areas by providing a well-qualified work force, adequate funds to support the mission and retain valuable staff, efficient data processing systems, accurate and timely data for decision making, and information and opportunities for input on legislative matters and constituent concerns.

III.6.4. Recognizing the importance of our **key supplier relationships**, the State Treasurer has built dedicated support systems for each of these type relationships. Through regular meetings with major suppliers of banking services, and agencies requesting new types of bank services, the office has been able to forge partnerships with these suppliers. These partnerships have allowed us to take advantage of their industry experience and knowledge of our operations to recommend and help implement state of the art solutions to specific banking processes. During the fiscal year, in conjunction with our bank partners, a review a significant number of our bank accounts resulted in significant savings through elimination of costly services no longer needed or currently provided by more economical means and in some cases elimination of unnecessary accounts altogether.

By further automating information flowing into and out of the State Treasurer's Office and specifically by standardizing certain file exchanges, we were able to improve the accuracy of the data and reduce the demand on our IT staff to maintain multiple systems.

III.7. RESULTS

Program Name: Accounting and Banking

Program Cost:

	Fiscal Year				
	1999-00	2001-01	2001-02	2002-03	2003-04
State Funds	\$ 1,550,164	\$ 1,011,302	\$ 779,164	\$ 718,183	\$ 736,401
Other Funds*	-	-	-	198,050	182,003
Total	\$ 1,550,164	\$ 1,011,302	\$ 779,164	\$ 916,233	\$ 918,404
FTE's	26.00	20.00	**18.45	17.45	15.70

*FY03 amount represents funds used under Proviso 72.69 (Flexibility) to maintain critical programs previously funded with General Fund appropriations. Beginning with FY04, amounts include other funds received for administration of Court Fines and Deferred Compensation funds.

** Reflects a correction to the FTE count for this function in previous year.

Note: Program costs and FTE's in this program for FY01 and following include only those costs and employees directly involved in the delivery of these services. Previous years included the cost of some functions not currently considered Accounting and Banking services

Program Goals:

- Receive and disburse funds from all sources in a timely and accurate manner.
- Analyze FMS and STARS entries to reconcile Account Balances with the Comptroller General's Office daily.
- Provide efficient and effective financial reporting and banking services for all state agencies and institutions as required.
- Conduct timely reconciliations of bank accounts throughout the State, assuring accuracy of banking information and timely resolution of discrepancies.
- Distribute shared revenue to subdivisions monthly, quarterly, or annually according to statute.
- Receive and distribute Court Revenues according to the governing statutes.
- Manage the flow of deferred compensation funds from pay centers to the third party administrator assuring prompt posting of those funds to participant accounts.
- Analyze and provide input on budgetary and legislative matters related to statewide banking and accounting matters.
- To continuously analyze processes to look for cost savings through efficiencies and ways to streamline duties.

Accounting Objectives:

1. Disburse all funds within 24 hours of request by increasing the number of payments made electronically (thus improving accuracy, timeliness of payment, and reducing cost to process.)
2. Distribute Shared Revenues to subdivisions as required by law between 20th and 25th of each month.
3. Reconcile all imprest bank accounts of the State within 1 day after receipt of the bank information. These high volume disbursement accounts include: Contingent, Payroll, Income Tax Refund, Public Aid, and Special Payments.
4. Process all payroll and vendor direct deposit authorizations by the following payday.
5. Reconcile all receipts, disbursements and transfers with the Comptroller General’s Office daily as required by state law. Identify and resolve all differences.
6. Review all proposed legislation related to banking and accounting matters, and provide feedback by the deadline to respond.
7. Process, batch and distribute all checks, IDT’s and Treasurer Receipts for state agency pick up as soon as possible.
8. Provide efficient customer service to state agencies when canceling checks, replacing checks and providing paid check copies.

Graph 1.1 - 5 Year Comparison of Receipts and Disbursements

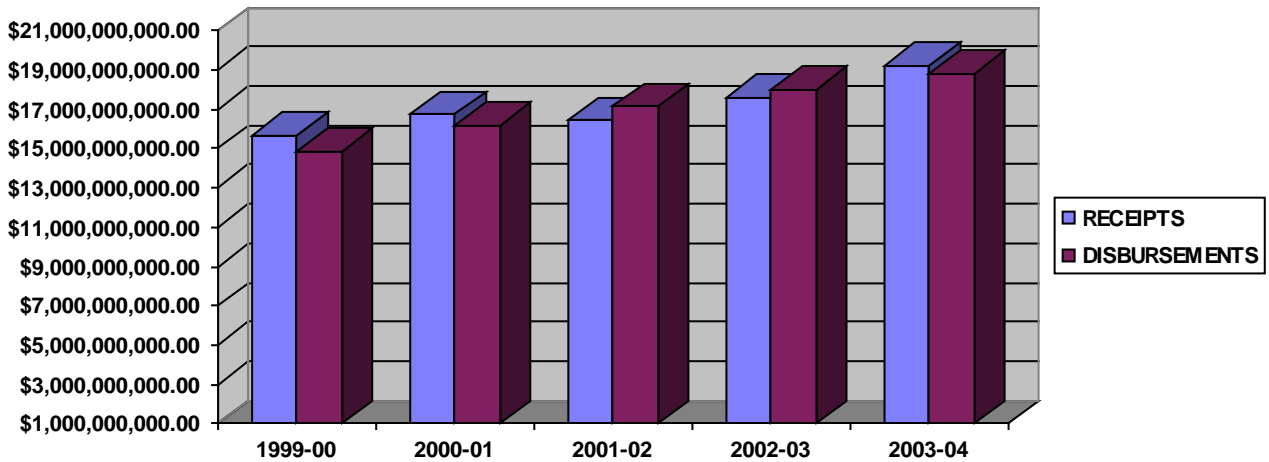


Chart 1.2 - Comparison of Disbursements by type

	1999-00		2000-01		2001-02		2002-03		2003-04	
	Number	%	Number	%	Number	%	Number	%	Number	%
Disbursements										
Paper Checks	3,300,086	71%	3,157,940	70%	3,048,306	70%	2,940,949	68%	2,891,570	67%
Electronic Payments	<u>1,345,948</u>	<u>29%</u>	<u>1,325,434</u>	<u>30%</u>	<u>1,305,058</u>	<u>30%</u>	<u>1,401,757</u>	<u>32%</u>	<u>1,428,043</u>	<u>33%</u>
Total disbursements	<u>4,646,034</u>	<u>100%</u>	<u>4,483,374</u>	<u>100%</u>	<u>4,353,364</u>	<u>100%</u>	<u>4,342,706</u>	<u>100%</u>	<u>4,319,613</u>	<u>100%</u>
FTE's in process area	4		4		4		4		3.25	

Key Results – Accounting:

1. Increased use of Electronic Vendor Payments and EFT payments, and expansion of the procurement card program (which reduces the number of individual disbursements required), allowed reduced staff to process disbursements within the goal of 24 hours from request.
2. All shared revenues were distributed according to State Treasurer’s Office policy between the 20th and 25th of the month in which distribution is required by statute.

Chart 1.3 - Shared Revenues Distributed by type

Annual	Monthly	Quarterly
Brokers Premium Taxes	Local Option Sales Tax – Property Tax Relief	Local Government Fund
Fire Department Premium Taxes	Motor Transport Fees	Aid to Planning Districts
		Local Option Sales Tax- Capital Projects
		Local Option Sales Tax – School Districts
		Alcoholic Liquors Mini Bottle Tax
		Accommodations Tax
		Accommodations Tax – Tourism Districts
		Solid Waste Tire Fees

3. The staff has maintained the daily reconciliation process at a 1 to 2 day turnaround by further automating the reconciliation. Reconciling errors have decreased by partnering with the banks to take advantage of Positive Pay services.
4. All payroll and vendor direct deposit requests were processed by the following payday. As of June 30, 2004, 993 vendors had signed up for Electronic Vendor Payments.
5. Daily reconciliations with the Comptroller General’s Office were achieved, and all differences were identified and resolved.

6. Multiple pieces of legislation and amendments were reviewed and analyzed during the fiscal year related to Accounting and Banking matters.
7. Prepared annual reports and furnished financial data to internal and external customers by prescribed deadlines through considerable overtime efforts. (GAAP Closing Packages, CMIA TSA and Annual Report, Annual Accountability Report).
8. Partnered with the Budget and Control Board – Division of Chief Information Officer to develop and implement a web based searchable data file of Electronic Vendor Payments. This application provides payment information to vendors that receive and state agencies that process direct deposit payments.

Banking Objectives:

1. Record all deposits within 1 business day of receipt from the agencies.
2. Increase the number of agencies using the electronic deposit system, focusing on the high-volume deposit agencies.
3. Reconcile all bank accounts of the State (27 accounts) within 30 days of receipt of the bank information, keeping the level of unrecorded deposits at June 30 under the audit tolerance for materiality.
4. Continue to improve the reconciliation process by incorporating entire bank data transmissions as well as all FMS transactions into the “Outstanding Deposit File” For all banks.
5. Provide for the reporting and disbursement of existing and any new Court Revenues required by legislation.
6. Continue to enhance compliance with court revenue collection and reporting through redesign of reports and instructions, follow-up of delinquent reports, increased monitoring of local government audit reports and being responsive to requests for information or assistance.
7. Process all deferred compensation funds within 1 week of receipt by this office.
8. Reconcile the Composite Reservoir Master Bank Accounts and distribute detail account statements to state agencies by the 15th of the month. (In 2003-04, Banking Operations took over this function from Accounting to relieve pressure on that area).

Key Results – Banking:

Chart 1.4 - Comparison of Receipts by type

	1999-00		2000-01		2001-02		2002-03		2003-04	
	Number	%	Number	%	Number	%	Number	%	Number	%
Receipts										
Manual deposits	136,692	75%	143,045	76%	127,466	77%	78,701	48%	48,881	30%
Automated deposits	*		*		*		45,224	28%	73,416	45%
Credit card deposits	37,476	21%	28,146	15%	26,252	16%	30,564	19%	34,988	21%
ACH deposits	8,226	5%	16,288	9%	11,439	7%	8,651	5%	7,356	4%
Total deposits	<u>182,394</u>	<u>100%</u>	<u>187,479</u>	<u>100%</u>	<u>165,157</u>	<u>100%</u>	<u>163,140</u>	<u>100%</u>	<u>164,641</u>	<u>100%</u>
FTE's in process area	4		4		4		4		4	
Financial institutions on deposit sweep					9		11		13	

*Automated deposits included with manual deposits above.

1. Although the goal of recording deposits within 1 day of receipt of the proper accounting information from the agency was met, the STO continues to work with agencies to speed up the transfer of information, automating it where possible, particularly for large dollar deposits and those covered by the CMIA requirements.
2. FY04 saw automated deposits outnumber manual deposits for the first time (see chart above). Automated deposits include deposits processed by Deposit Sweep, a process which allows agencies and institutions to make deposits into their own composite bank accounts for reconciliation and recording purposes but have them “swept” nightly into statewide accounts for investment purposes. Automation of deposits greatly reduces the need for data entry and the resulting possible data entry errors.

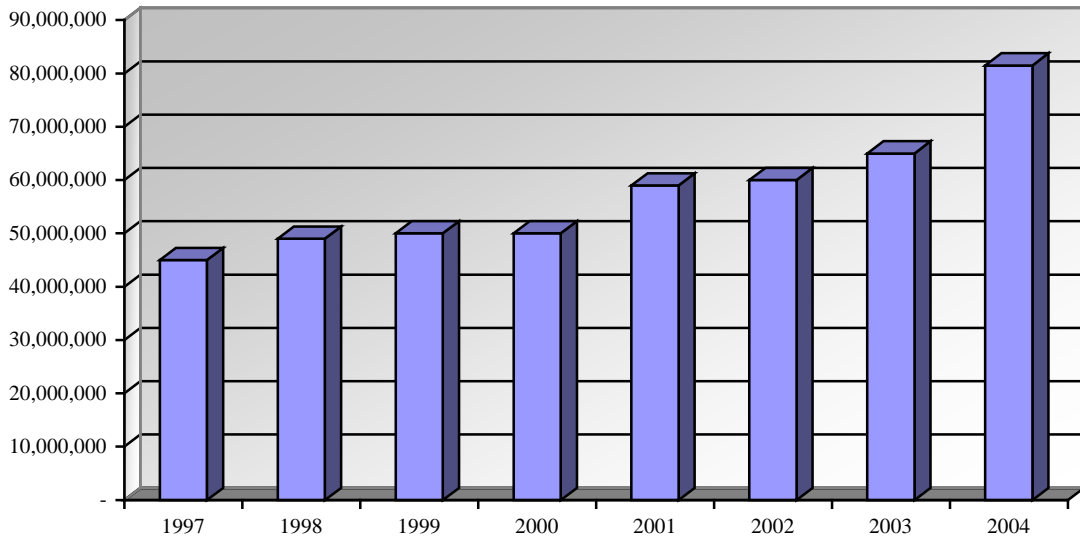
Department of Revenue was added to the Automated Deposit System during 2004, significantly increasing the number of automated deposits processed. Through participation in the South Carolina Enterprise Information System (SCEIS) Statewide Oversight Committee, the STO has successfully made automated deposits a feature of the new accounting system. As agencies are gradually converted to the new system, the STO expects to benefit from this expanded conversion from manual to automated deposit processing.

3. Composite Reservoir accounts were reconciled with detailed statements distributed to the agencies by the 15th of the month. The automation of banking functions discussed throughout this section made it possible for existing staff to accomplish this goal while absorbing the duties of the two positions vacated through staff resignations. Reorganization of the department allowed for the duties of both employees to be absorbed by the remaining staff. Although not without some adverse effect on performance, we expect the losses to be made up through cross-training and further automation.

Reconciliation time for all depository accounts remains at 30 days. Unrecorded revenue increased slightly to just over \$1.6 million due to the reduced manpower available to assign to this task, but still remained well below the audit tolerance level, making funds available for program purposes on a timely basis.

4. Work continued during FY04 to incorporate the entire bank data transmission as well as all FMS transactions into the “Outstanding Deposit File”. These enhanced reconciliation processes have improved the identification of bank errors and adjustments, and helped in identifying unrecorded revenues.

Graph 1.5 - Fines, fees and assessments collected and remitted



5. A number of new court revenue requirements were passed by the General Assembly during the fiscal year. STO computer systems were amended to accommodate the new provisions, however the short turnaround time between passage of new requirements and their effective dates continued to make implementation difficult.
6. Compliance efforts continued in FY04. New forms and instructions concerning the changes were mailed to all County and Municipal Treasurers prior to the implementation date, and staff participated in training events designed to help preparers understand the new requirements and forms. Revised court revenue remittance forms and instructions were made available on the agency’s internet site along with an updated training video for local governments and other interested parties. The STO continued to field questions from local governments and their auditors about compliance, reporting, and auditing issues and representatives from the STO met with legislators and interested parties about proposed legislation. In spite of such efforts, only 88 local government audit reports were submitted to the STO as compared to 187 the previous year and delinquent remittance reports increased to 10 compared to 9 at the previous year end. In response to legislation passed at the end of FY03, the State Treasurer reported non-compliant local governments to the State Auditor on a monthly basis, and a proviso was included in the appropriation bill to fund follow-up audits by the State Auditor in the FY05 budget.
7. Due to the success of the pilot program instituted last year, the State Treasurer now handles the receipt and transmission of deferred compensation funds for only those agencies not set up to transmit electronically. This change resulted in a slight decrease in the volume of deferred compensation deposits processed in calendar year 2003 (see chart below) due to

certain agencies, particularly high volume agencies, directly transmitting both the detail information and the funds electronically to the administrator. Pursuant to instructions from the Deferred Compensation Commission, the State Treasurer now wires all collected funds to the administrator prior to reconciliation. The administrator is now responsible for reconciling the funds remitted and for making refunds and other adjustments directly to the participant or pay center.

Chart 1.6 - SC Deferred Compensation funds received and transmitted (calendar year basis)

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Contributions transmitted	\$ 111,031,533	\$ 136,202,466	\$ 165,655,595	\$ 158,289,435	\$ 150,285,712
Reporting Entities	562	572	585	594	602

Program Name: Investments

Program Cost:

	<u>1999-00</u>	<u>2001-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>
State Funds	\$ 538,651	\$ 614,106	\$ 491,166	\$ 517,943	
Other Funds	-	-	-	114,683	598,267
Total	\$ 538,651	\$ 614,106	\$ 491,166	\$ 632,626	\$ 598,267
FTE's	9	9.6	8*	8	8

*One position was transferred to the Banking Operations area, and an administrative position was not filled due to the hiring freeze. The position previously charged at 60% to this program was increased to 100% during the fiscal year.

** The costs of operating the Local Government Investment Pool (LGIP) were not previously reported, but the staff was included in the FTE count.

Program Goals:

- Programs are managed in accordance with the South Carolina Code of Laws, 1976, as amended, Section 11-9-660, among other laws.
- To invest all State funds pursuant to statutory authority, including the fixed income components of the South Carolina Retirement Systems portfolios, which are structured to meet the long-term nature of pension obligations.

Objectives:

1. Provide professional investment services for all funds under management through efficient utilization of available resources.
2. Obtain the best return within prescribed parameters on a portfolio basis, meeting or exceeding the applicable benchmarks, while preserving capital.
3. Maintain adequate liquidity for cash needs.
4. Manage cash flow to optimize earnings for the State.
5. Meet or exceed the budgetary earnings projection for the year.
6. Maintain adequate collateral to secure State funds deposited in financial institutions.

Chart 2.1 - Cost of Investment Management Services			
	FY2002	FY2003	FY2004
Cost of Investment Program:			
General Funds	\$491,166	\$517,943	
Portfolio Management Fees			\$523,538
SCRS for Fixed Income	\$680,478	\$609,232	\$606,126
Total Cost	\$1,171,644	\$1,127,175	\$1,129,664
Funds Managed (excluding LGIP & Equities)	\$19,783,116,905	\$18,232,499,625	\$17,578,074,425
Cost as % of Funds Managed	.0059%	.0062%	.0064%

1. As shown by the chart above, we continued to provide professional portfolio services for all funds managed at a considerable cost savings to the state and the Retirement Systems when compared to average portfolio management fees in the industry of .10% (10 basis points).

Chart 2.2 - Security Lending Program Performance compared to Benchmarks

Asset Class	<u>RMA Utilization</u>	<u>BNY Utilization</u>	<u>RMA Spread</u>	<u>BNY Spread</u>
US Govt	67%	97%	20 bp	26 bp
US Agency	31%	80%	19 bp	28 bp
Equity/ADR	7%	31%	42 bp	28 bp
Corporates	9.50%	7%	29.5 bp	36 bp

Source: Bank of New York

Custodial bank fees are paid from income from the securities lending program which continued to surpass industry benchmarks both in utilization and the contract spread.

Results – General and Other Funds:

Chart 2.3 - General and Other Funds Managed

	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>
Workload - State and local			
General funds managed (average)	498,675,199	233,027,538	510,608,734
Restricted funds managed (average)	3,314,800,967	2,793,601,599	2,619,168,412
Tobacco funds managed	<u>596,926,115</u>	<u>513,435,784</u>	<u>494,660,240</u>
Total State funds managed	<u>4,410,402,281</u>	<u>3,540,064,921</u>	<u>3,624,437,386</u>
LGIP funds managed (average)	1,279,275,348	1,627,815,228	2,171,340,885
Number of State and local portfolios	22	22	22
Total number of investment trades	2,857	2,897	3,676

Conversion of the LGIP and General Fund portfolios to the QED system were regrettably postponed due to lack of resources, however by the end of the fiscal year those projects were back on track and it is anticipated that the LGIP system will be converted in the coming fiscal year. Conversion of the General Fund portfolios will be reevaluated in conjunction with the SAP blue print project.

The inability to fill the two positions vacated in the last 3 years continued to put a strain on existing staff in keeping up with daily tasks, however plans are underway to fill those positions in the new fiscal year. Remaining staff continued to perform the essential tasks through considerable overtime.

Return on General Fund Investments vs. Benchmarks

- General Fund investment performance exceeded benchmarks.

Graph 2.4 - General Funds Rate of Return compared to Benchmarks

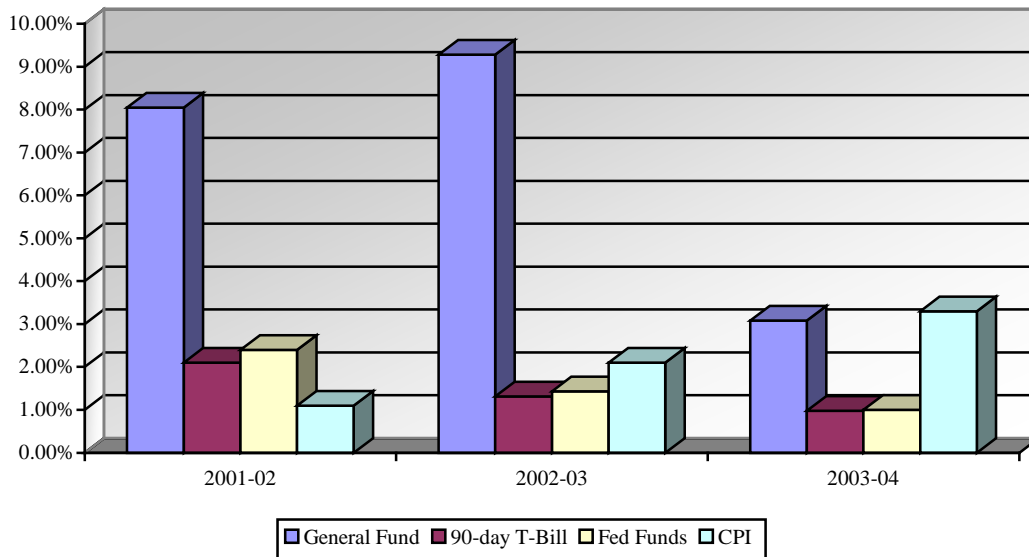


Chart 2.5 - General Funds Rate of Return compared to Benchmarks

	2001-02	2002-03	2003-04
Rate of return (cash basis)	8.05%	9.28%	3.08%
Benchmarks			
90-day T-Bill rate (12 month average)	2.10%	1.31%	0.98%
Fed Funds rate (12 month average)	2.40%	1.43%	1.00%
Consumer Price Index	1.10%	2.10%	3.30%

- All portfolios maintained adequate liquidity to immediately meet cash flow needs.
- Through sophisticated cash management tools and projections, the STO continues to optimize earnings for the state.
- Earnings on General Fund investments were \$15,726,794 which surpassed the investment earnings projection of \$15.0 million by over \$726,794. Interest earned on General and Earmarked accounts is credited to the General Fund for the support of General Appropriations.

BidSC program continues to be a great success. The quarterly CD auctions resulted in increased earnings for the State of over \$259,000 during this fiscal year

The State's Local Government Investment Pool (LGIP) earned a rate of 1.41% as compared to the average benchmark investment rate of 0.98% (90-day Treasury Bill Rate).

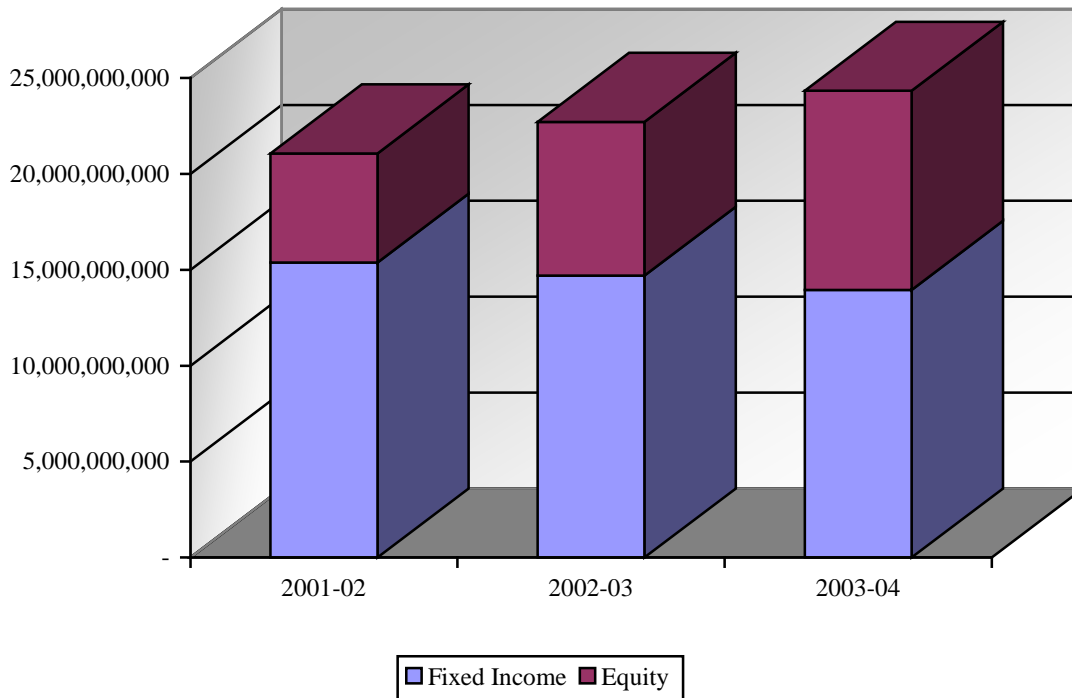
- All deposits were properly collateralized.

Results - Retirement Funds:

Chart 2.6 - Retirement Funds Managed

	2001-02	2002-03	2003-04	%
Fixed Income managed internally	15,372,714,624	14,692,434,704	13,953,637,039	57.34%
Equities managed externally	<u>5,697,324,309</u>	<u>8,018,792,700</u>	<u>10,381,460,694</u>	42.66%
SCRS total funds	<u><u>21,070,038,933</u></u>	<u><u>22,711,227,404</u></u>	<u><u>24,335,097,733</u></u>	<u><u>100.00%</u></u>
Retirement portfolios managed (fixed)	4	4	4	
External equity managers	15	14	14	

Graph 2.7 - Retirement Funds Asset Allocation



Retirement Aggregate Investment Performance

SCRS Aggregate returns for the fiscal year were 8.76% and for the three year period were 5.93%.

Retirement Fixed Income Investment Performance

SCRS Fixed Income returns greatly exceeded the benchmark, the Lehman Brothers Aggregate Index, for the one year period ending June 30, 2004, and for the three, five and ten year periods.

Graph 2.8 - Fixed Income Returns compared to Benchmarks

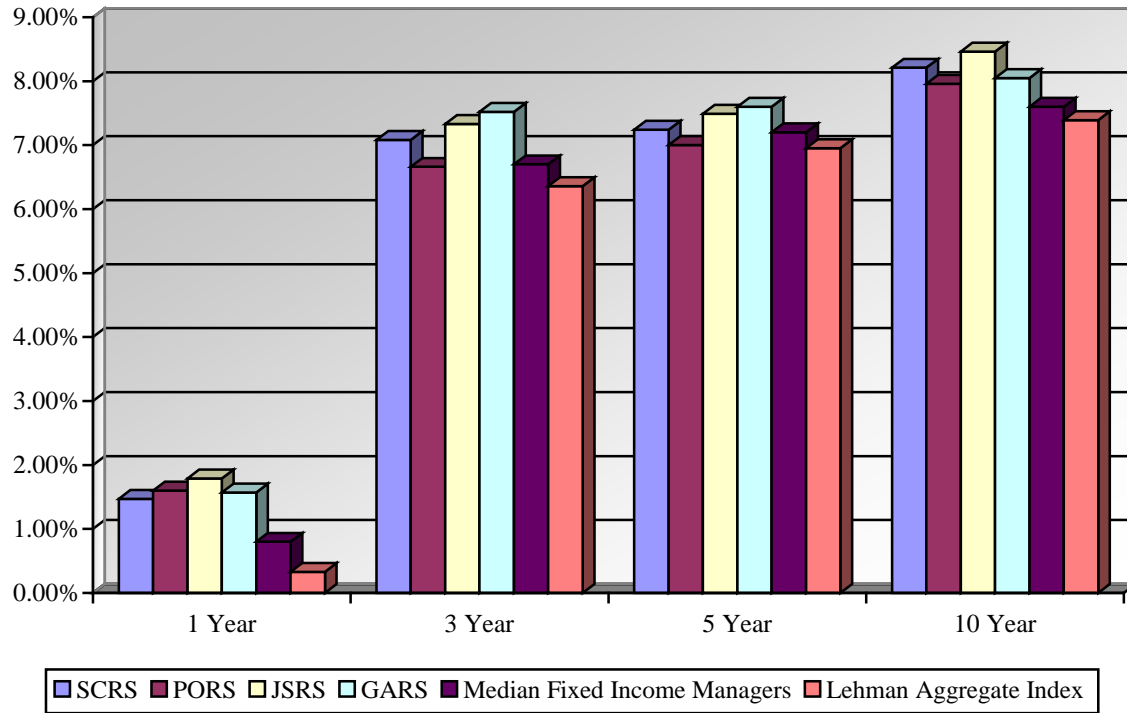


Chart 2.9 - Return on Retirement Fixed Income Investments vs. Benchmarks

	1 Year	3 Year	5 Year	10 Year
Total Rate of Return 1				
SCRS	1.47%	7.08%	7.24%	8.21%
PORS	1.60%	6.66%	7.00%	7.96%
JSRS	1.79%	7.33%	7.49%	8.46%
GARS	1.57%	7.52%	7.60%	8.05%
Benchmarks				
Median Fixed Income Managers 2	0.80%	6.70%	7.20%	7.60%
Lehman Aggregate Index	0.33%	6.36%	6.95%	7.39%

¹ Source: Bank of New York

² Source: William M. Mercer Investment Consulting, Inc.

Retirement Equity Investment Performance

The Equity Program of the Retirement Systems is administered in accordance with the Annual Investment Plan recommended by the Equity Investment Panel and approved by the Budget & Control Board.

Chart 2.10 - Return on Retirement Equity Investments vs. Benchmarks¹

	Return	Benchmark
Passive		
State Street (S&P 500)	0.24%	0.23% S&P 500
State Street (Russell 2000)	-2.28%	-1.64% Russell 2000
Active - Large Cap		
Core		
Wellington	18.94%	19.11% S&P 500
Barclays Global ²		S&P 500
Value		
Flippin	26.32%	21.13% Russell 1000 Value
ICAP	20.01%	21.13% Russell 1000 Value
Bernstein	20.05%	19.11% S&P 500
Growth		
Montag/Caldwell	13.74%	17.89% Russell 1000 Growth
Alliance Capital	17.51%	17.89% Russell 1000 Growth
Active - Smaller Cap		
Core		
Fidelity	35.37%	33.37% Russell 2000
Value		
Kaplan	29.60%	35.18% Russell 2000 Value
Benson Associates	39.43%	35.18% Russell 2000 Value
Boston Co.	47.33%	33.90% Russell 2500 Value
Growth		
TimesSquare	22.20%	31.56% Russell 2000 Growth
Suffolk		

¹Return numbers for managers and benchmarks are from Bank of New York

²Suffolk was terminated in FY03-04. The assets were then transferred to the State Street Russell 2000 fund. Barclays Global was added in FY03-04 to replace JP Morgan who was terminated in FY02-03. Performance numbers have been excluded for Barclays.

Chart 2.11 - Cost of Managing Retirement Portfolios in FY04 - by sector

	Funds Managed	Fees Paid	%
Fixed	\$ 13,953,637,039	\$ 842,203*	0.0060%
Equity:			
Index	\$ 4,956,353,569	\$ 188,839	0.0038%
Active	\$ 5,425,107,102	\$ 19,315,056	0.3560%
Total	\$ 24,335,097,710	\$ 20,346,098	0.0836%

*includes allocation of STO salaries

Program Name: Debt Management

Program Cost:

	Fiscal Year				
	<u>1999-00</u>	<u>2001-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>
State Funds	\$ 236,834	\$ 279,659	\$ 353,666	\$ 372,766	\$ 365,382
Other Funds	-	-	-	-	-
FTE's	4.00	4.15	5.00	5.00	4.00
Temporary Employees			0.40	0.40	0.50

Program Goals:

- Coordinate communications with bond-rating agencies to maximize the State's credit rating.
- Manage all debt issues for the State, its agencies and institutions to optimize debt structure and assure timely debt payments.
- Assure compliance with legal requirements, including Arbitrage Rebate and Constitutional Debt Limit.

Program Objectives:

1. Make debt service payments accurately and on time.
2. Analyze the markets and structure the debt to assure the lowest rate of interest is paid.
3. Close all debt issues by the required deadline.
4. Process all Capital Improvement Project draws as requested by State agencies.
5. Process all South Carolina Housing Finance and Development Authority and Education Assistance Authority transactions as requested.
6. Assure outstanding debt does not exceed the State's constitutional debt limit.
7. Provide State institutions and agencies with guidance in effectively managing their debt issuances and programs.
8. Provide information to credit rating agencies on a timely basis.

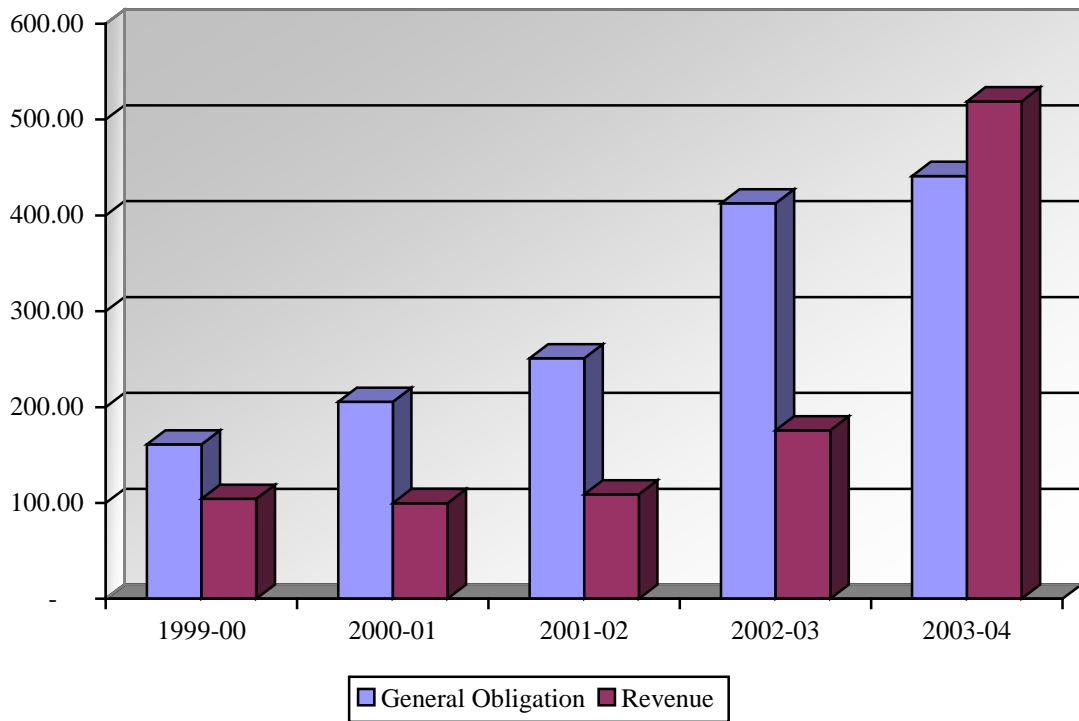
Key Results:

1. All debt payments were promptly made and compliance with Federal arbitrage requirements was certified.

Chart 3.1 - Debt payments (in millions)

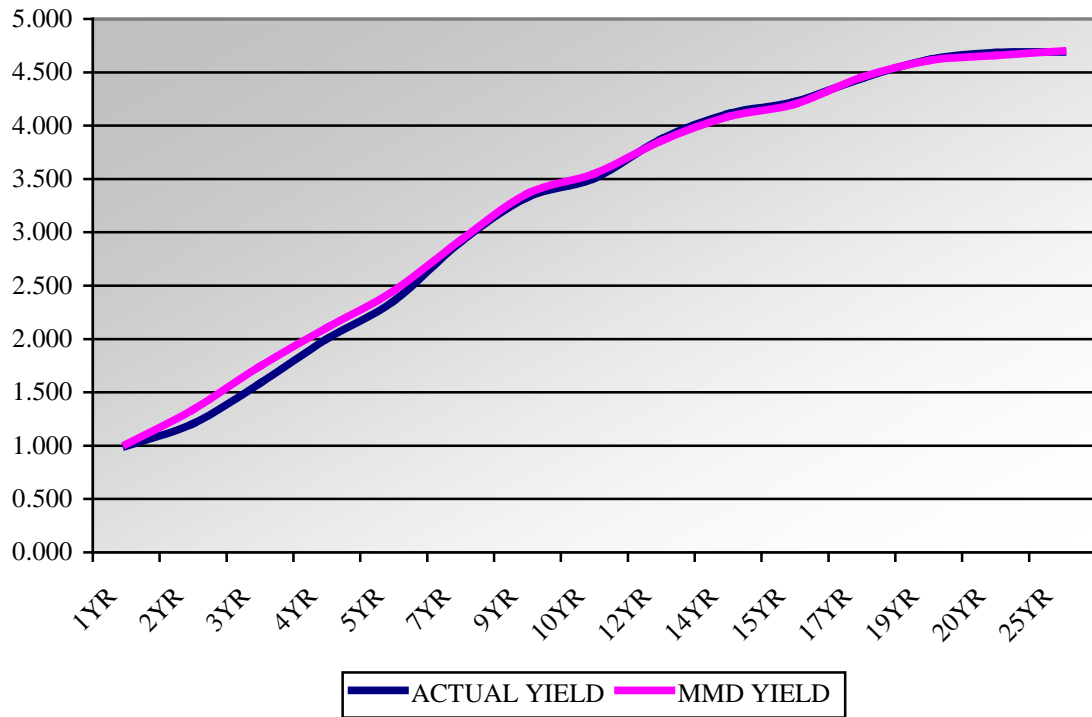
	Fiscal Year				
	1999-00	2001-01	2001-02	2002-03	2003-04
General Obligation	161.2	205.5	250.9	412.6	441.1
Capital Improvement	128.8	145.3	136.6	216.5	294.7
Revenue	104.4	99.8	108.9	175.7	518.9

Graph 3.2 - Comparison of debt payments by fiscal year (in millions)



- On a composite basis, all general obligation debt was issued at yields favorable overall to Municipal Market Data (MMD) yields. For the fiscal year, the overall yield on general obligation debt issued was 3.387%, as compared to the MMD yield for the same period at 3.418%.

Graph 3.3 - Comparison of bond yields



- All new bond issues were closed as scheduled; however, recent complex transactions, particularly the tobacco securitization, a synthetic advanced refunding for the Transportation Infrastructure Bank and the continued large number of refunding transactions have stretched our resources to a level that increases transaction risks and creates a potential for oversight and financial error.

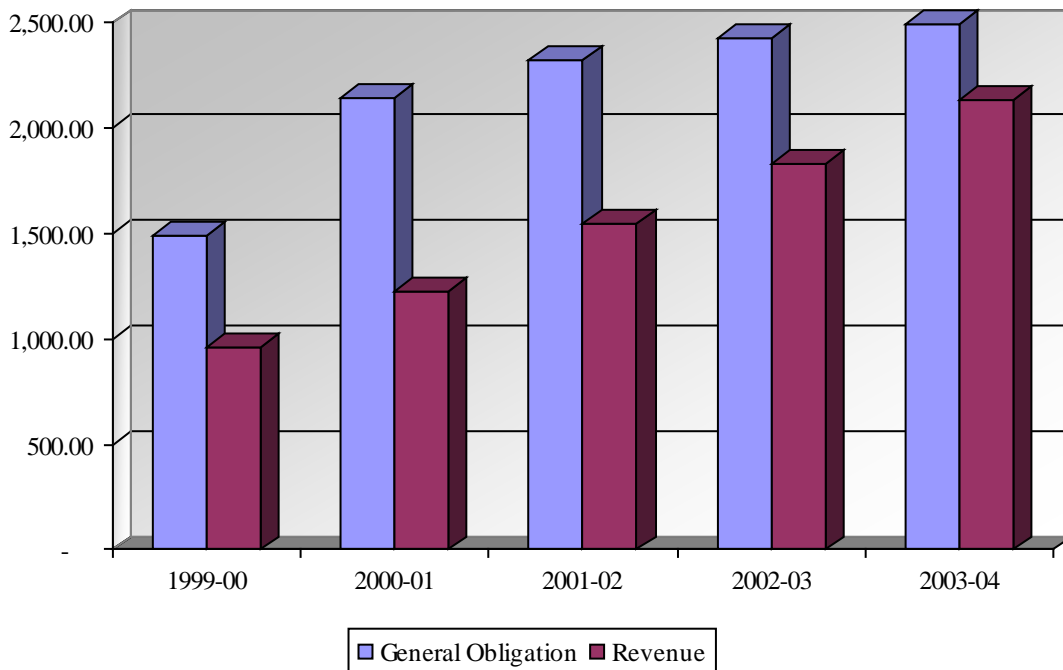
Chart 3.4 - Bond issues closed

	Fiscal Year				
	1999-00	2001-01	2001-02	2002-03	2003-04
General Obligation	4	7	7	20	12
Revenue	6	13	7	13	11
Intergovernmental	2	1	-	2	-
Total	12	21	14	35	23
Bond issues defeased	-	-	1	14	6

Chart 3.5 - Comparison of outstanding debt (in millions)

	Fiscal Year				
	1999-00	2001-01	2001-02	2002-03	2003-04
General Obligation	1,487.4	2,146.7	2,328.6	2,433.3	2,494.3
Revenue	959.9	1,224.7	1,548.6	1,829.3	2,133.5
Total	<u>2,447.3</u>	<u>3,371.4</u>	<u>3,877.2</u>	<u>4,262.6</u>	<u>4,627.8</u>
Total issues	125	120	117	152	150

Graph 3.6 - Outstanding debt (in millions)



4. All agency requests to draw bond proceeds were processed within 24 hours of receipt.

Chart 3.7 - Bond draws processed (amounts in millions)

	Fiscal Year				
	1999-00	2001-01	2001-02	2002-03	2003-04
Capital Improvement bond draws and refunds	2,381	5,734	3,727	2,660	2,258
Amount of capital improvement draws and refunds	\$ 526.2	\$ 1,083.9	\$ 696.2	\$ 781.7	\$ 386.9

5. All South Carolina State Housing Finance and Development Authority and South Carolina Education Assistance Authority transactions were processed within 24 hours as requested by the agencies.

Chart 3.8 - Housing Authority and Education Assistance Authority daily transactions

	Fiscal Year				
	1999-00	2001-01	2001-02	2002-03	2003-04
Housing Authority and Education Assistance Authority daily transactions	1,549	2,527	2,407	1,640	1,948

6. The debt management division performs impact analyses on debt limits in response to various borrowing proposals considered during the budget process. These analyses are generally provided within one business day of the request.
7. The State Treasurer maintains frequent contact with the rating agencies and responds to all requests for information on a timely basis.

Program Name: Unclaimed Property Program

Program Cost:

	<u>Fiscal Year</u>				
	<u>1999-00</u>	<u>2001-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>
State Funds					
Other Funds	\$ 734,146	\$ 707,704	\$ 988,136	\$ 881,361	\$ 2,426,498
FTE's	7.00	7.00	6.00	6.00	6.00
Temporary Employees	4.00	4.00	1.00	1.00	1.00
Part Time Employees	-	-	2.00	2.00	2.00

* Includes \$275,473 used under Proviso 72.76 (Flexibility) to maintain critical programs previously funded with General Fund appropriations.

Note: FY04 cost increase was attributable to one time fees paid to collect demutualization funds.

Program Goals:

- Sustained public awareness of the program.
- Prompt and accurate payment of funds to rightful owners.
- Efficient processing of remitted funds.
- Meet or exceed budget projections for General Fund transfer.

Program Objectives:

1. Increase public awareness of the program utilizing the most efficient methods.
2. Provide and promote services via the Internet thus making it easier for the public to submit claims while keeping the cost of services down.
3. Increase the return of property to the rightful owners through aggressive outreach programs.
4. Increase compliance with the Unclaimed Property Act by increasing the number of holders filing an annual report.
5. Increase the number of holders that report electronically, thereby reducing the risk of input errors, the cost of processing reports, and the time between the receipt of the property and making it available for claims.
6. Analyze the reserve requirements for paying expenses and claims and increase the amount of unclaimed funds turned over to the General Fund, if possible.

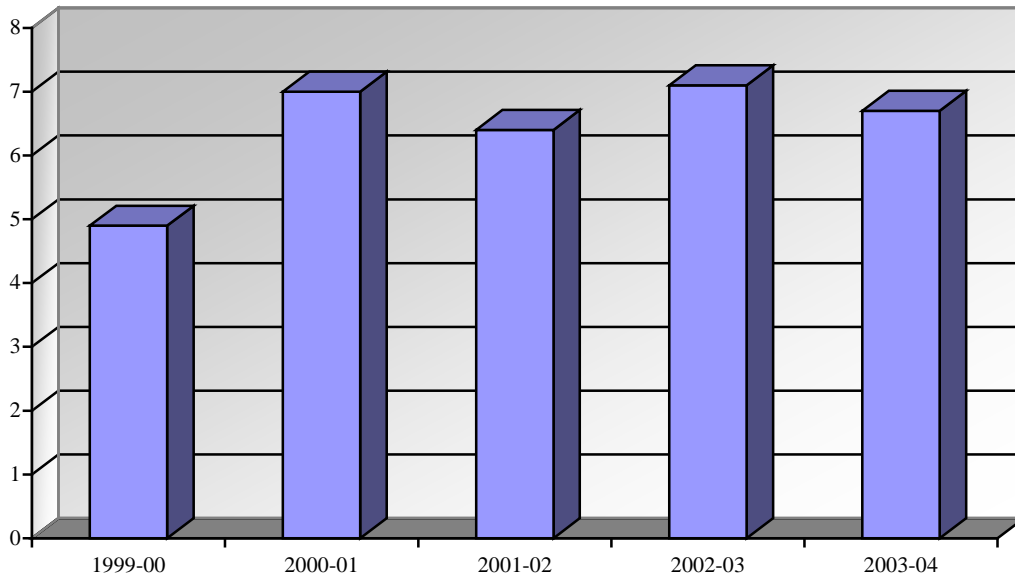
Key Results:

1. Increased the probability of money being claimed by rightful owners in the most cost efficient manner possible through:
 - Providing requested information for weekly television coverage to stations in Beaufort, Charleston, Myrtle Beach and Columbia;
 - Collaborating with the *Rock Hill Herald*, the *Anderson Independent* and the *Hilton Head Island Packet* to run listings of unclaimed property owners in each newspaper on a regular basis; and
 - Continued production of weekly “Big Money Mondays” on WLTX TV in Columbia, which joined owners with their funds and increased public awareness of the Program.
 - Requested legislation to allow the Program to publicize the list of new owners on the Internet rather than listing the names in 46 newspapers throughout the state. In lieu of having the newspapers publish the names, at a cost of \$129,344.73 in 2003, an advertisement was placed in each newspaper in April 2004 announcing the new list was available. Included were instructions on how to check the list via internet, phone and mail. Total advertising costs for 2004 was \$1,118.87 - a cost savings of \$128,225.86 over the previous year.

2. Promoted use of Internet services (i.e., database search for property, printing of claim forms, holder electronic reporting) through television and newspaper as outlined in Number 1 above. In FY04, 16,893 potential owners inquired about property accounts via the Internet. Of those who made inquiries, 14,177 printed claim forms on the Internet. Use of the Internet by potential owners reduces the number of incoming telephone and mail inquiries. Providing claimants the ability to print their own claim forms eliminates the time and cost of printing and mailing the claim forms.

3. Continued to place special emphasis on finding owners of the larger sums (over \$1,000) of unclaimed property. Of the \$6.7 million paid in claims in FY04, \$1,981,893 was paid as a result of these targeted research efforts to locate owners of the largest amounts. These efforts were facilitated by the use of a subscription Internet service which provides current address and telephone number information.

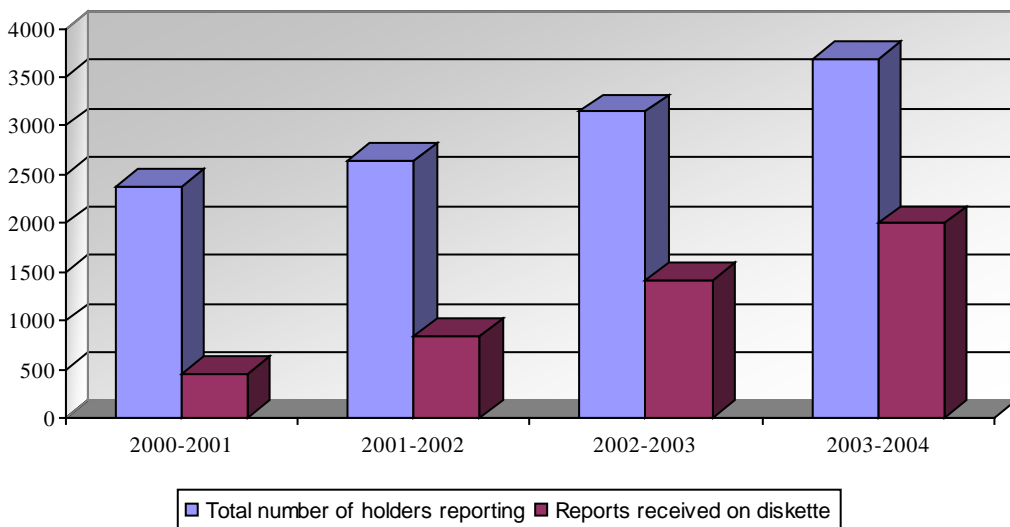
Graph 4.1 - Amount returned to rightful owners (in millions)



The amount of claims paid will fluctuate from year to year contingent upon: the amount of media attention the program receives; the frequency and success of public outreach efforts; the amount of reciprocal payments made to other states; and/or an unusually high one-time holder remittance.

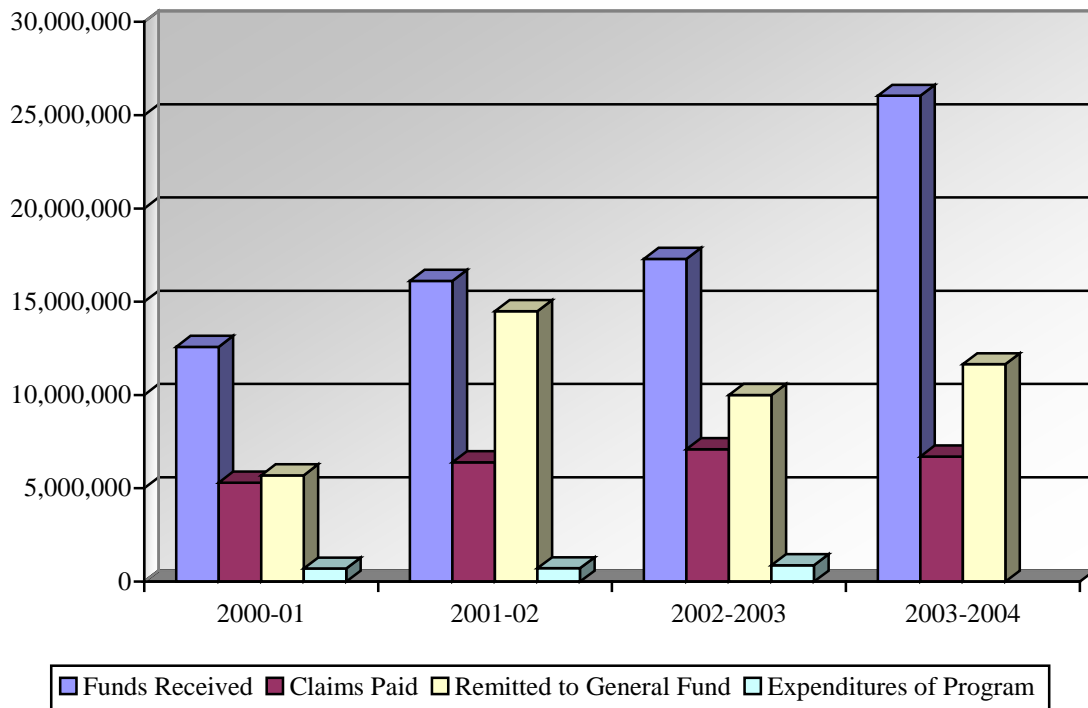
4. Compared to FY03 in which 3147 holders filed reports, 3687 holders reported in FY04. Increased awareness of the obligation to remit unclaimed funds to the State has contributed to the increase.

Graph 4.2 - Number of holders reporting electronically



- The number of holders filing reports electronically increased from 1413 in FY03 to 1997 in FY04. 54% of holders reporting in FY04 reported electronically compared to 45% in the previous fiscal year. This further reduced the percentage of reports that had to be manually keyed.

Graph 4.3 - Comparison of sources and uses of funds



The increase in funds received during FY04 is due, in part, to legislation which accelerated the one-time remittance of unclaimed funds resulting from insurance company demutualization.

- Based on analysis of receipts, claims experience, expenditures of the program, and reserves necessary, the STO regularly reviews the amount available for transfer to the General Fund. During the fiscal year the STO transferred \$11,650,000 to the General Fund, including a one time transfer from demutualization of \$5,050,000.

Program Name: South Carolina Tuition Prepayment Program (SCTPP)
South Carolina College Investment Program (Future Scholar)

Program Cost:

	Fiscal Year				
	1999-00	2000-01	2001-02	2002-03	2003-04
State Funds					
Other Funds	\$ 375,368	\$ 415,383	\$ 405,067	\$ 516,877	\$ 481,898
FTE's	3.00	2.00	2.30	2.30	2.30

Program Goals:

- Promote college savings through public awareness of both programs, particularly among South Carolinians.
- Implement efficient processes for applications, account collections, and matriculation and refund payments.
- Monitor the actuarial soundness of the SCTPP Fund.
- Oversee the Future Scholar program.

Program Objectives:

1. Increase public awareness of the programs utilizing the most efficient methods.
2. Steadily increase the number of accounts with focus on serving South Carolina residents of all income levels.
3. Expand services available through the Internet thus making it easier for the public to submit applications and make account changes.
4. Increase participation in automatic draft payment options.
5. Increase program flexibility and options for families interested in college savings.
6. Analyze the cash flow expectations for the SCTPP and review actuarial assumptions to sustain program soundness.
7. Maintain oversight of the Future Scholar program through regular contact with the administrators, review of program plans and materials, program results and portfolio performance.

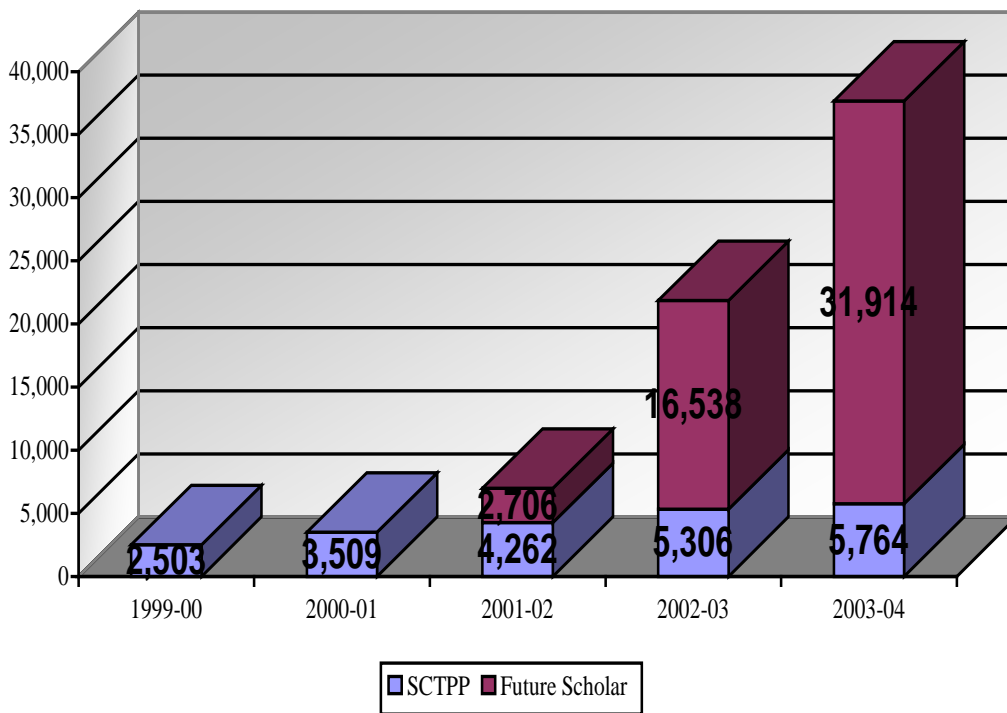
Key Results:

1. Increased participation in SCTPP and Future Scholar:

An additional 605 SCTPP accounts were opened in FY04 under the 2003 contract pricing. The 2003 enrollment period opened October 1, 2003, and closed on January 15, 2004, except that newborns can be enrolled after the deadline. Including newborn accounts opened in FY03 and contract cancellations and rollovers, the program had a net growth of 458 accounts for the year.

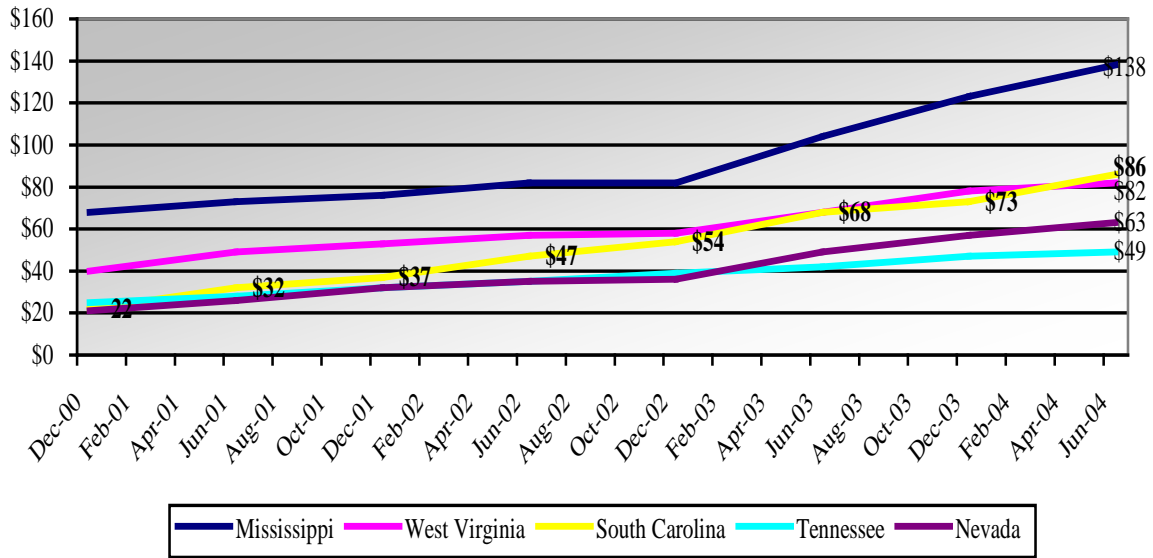
Future Scholar grew by 15,376 accounts during the year.

Graph 5.1 - SCTPP and Future Scholar active accounts



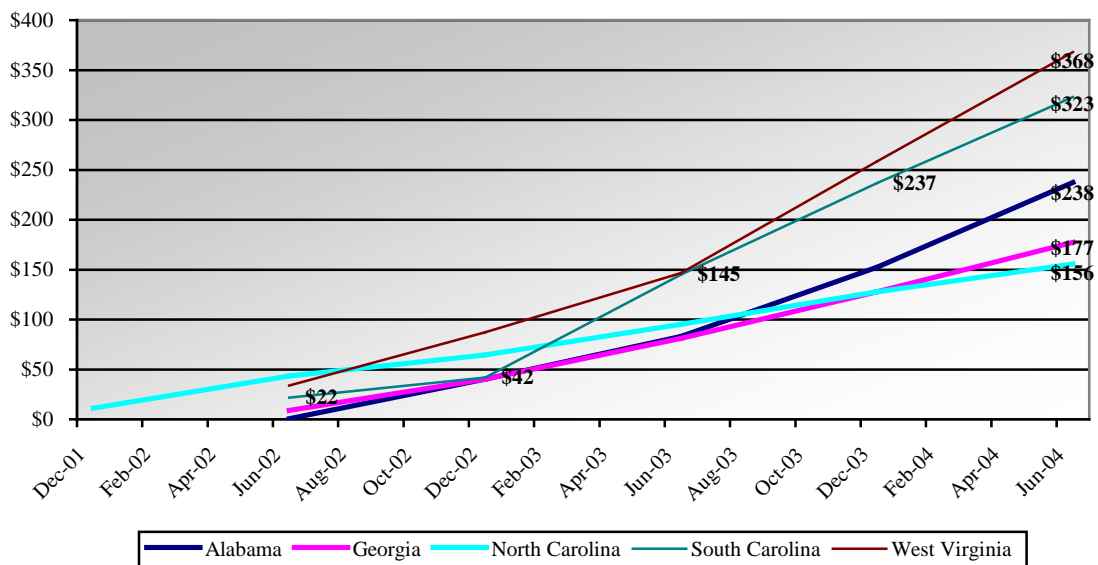
Experienced steady growth in SCTPP Fund as compared to states with similar programs as demonstrated below:

Graph 5.2 - SCTPP fund growth compared to similar state programs (in millions)



Maintained growth patterns for Future Scholar competitive with those of similar programs in other states as demonstrated below. The states were selected for comparison based on like program features, population size of the state, and length of time the state's program has been in existence.

Graph 5.3 Future Scholar total fund growth compared to similar state programs (millions)



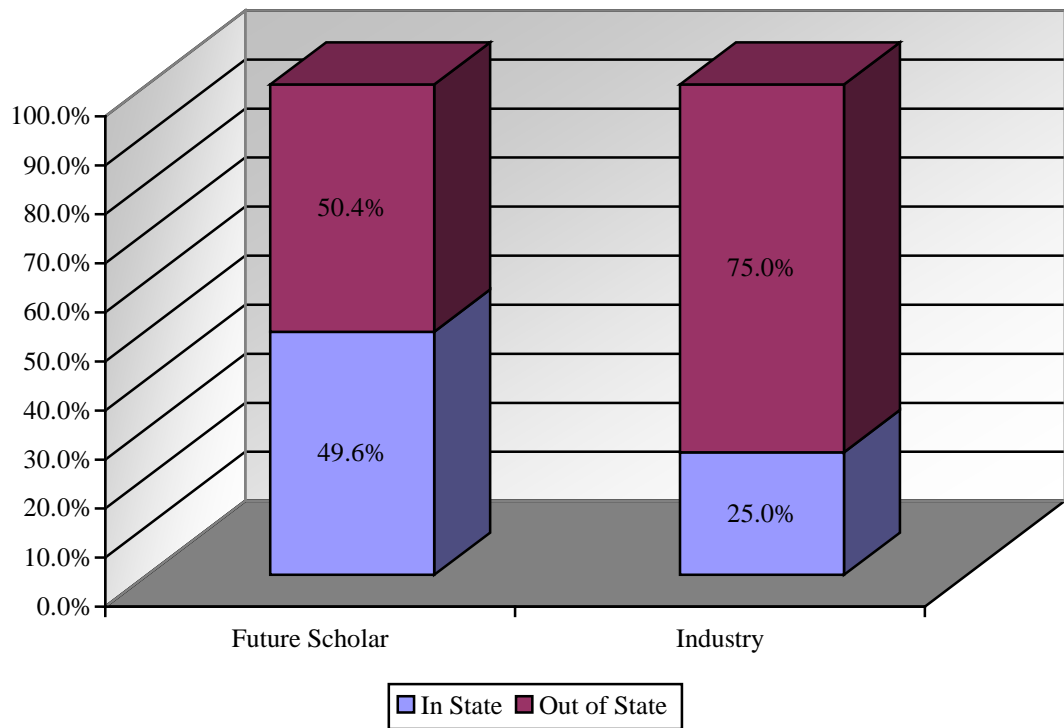
2. Increased awareness throughout the state regarding the importance of saving for college, targeting families of all income levels as demonstrated by the charts below:

Chart 5.4 - State sponsored College Savings penetration in South Carolina by income

Average Household Income	SCTPP % Accounts	FutureScholar % Accounts
Over \$100,000	35%	4%
\$50,000 - 99,999	50%	81%
Under \$50,000	15%	15%

Maintained participation in Future Scholar by South Carolina residents at a greater rate than the industry average as demonstrated below:

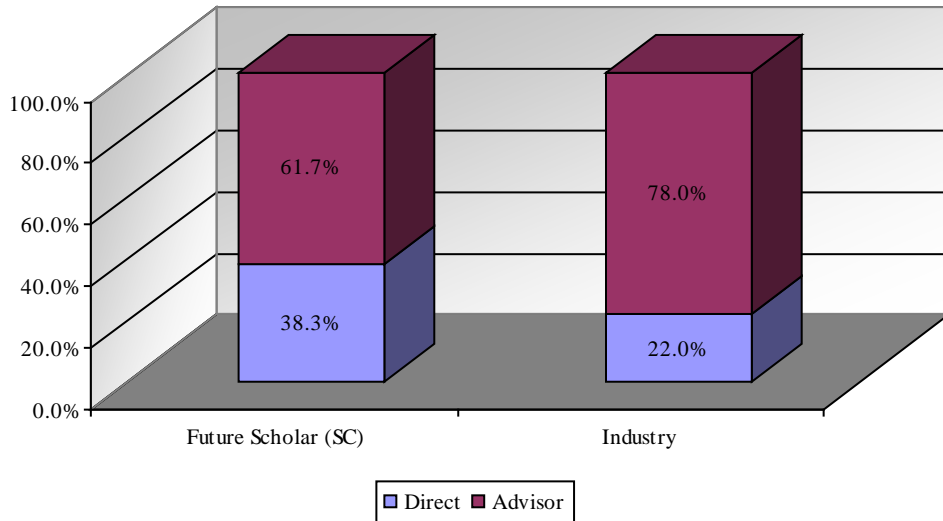
Graph 5.5 - Future Scholar account openings in-state versus out-of-state



Future Scholar held successful campaigns during September of 2003 to educate parents on the cost of college and the need to start saving early, and in March/April of 2004 to educate parents on the value of the State and federal tax benefits for Future Scholar account contributions.

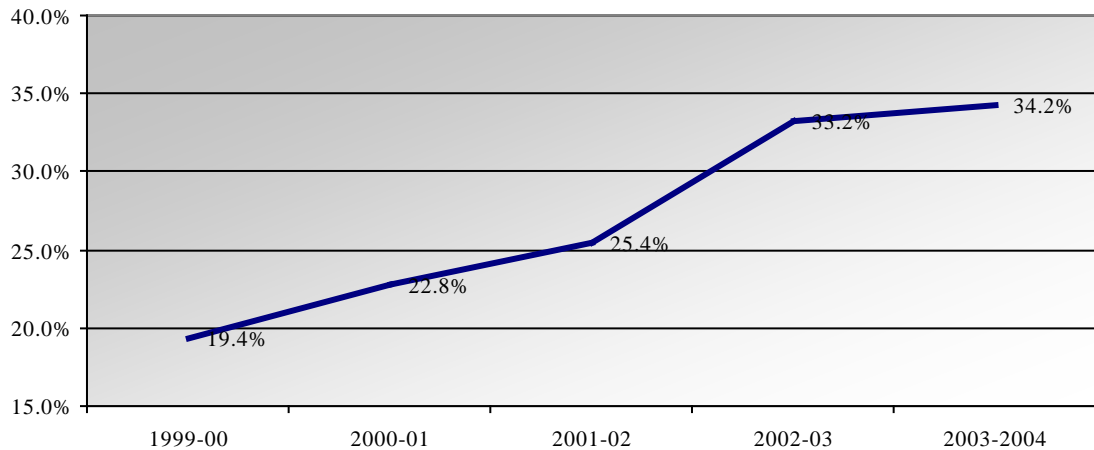
Maintained a higher than average percentage of participants in the direct (no load) program available only to South Carolinians as compared to the advisor sold product sold nation-wide.

Graph 5.6 - Future Scholar account openings – direct versus advisor-sold product



Increased the number of SCTPP contract holders making monthly payments by automatic draft, thus reducing bank service charges to the program.

Graph 5.7 - Percentage of SCTPP accounts using Automatic Payment Drafting



Participation in Future Scholar with systematic contributions, using automatic bank draft or payroll deduction, increased from 32.5% of accounts in FY03 to 37.5% of accounts in FY04. The automatic draft option of Future Scholar not only promotes efficiency, but

also encourages systematic savings. This feature was promoted to account holders through two successful “account builder” campaigns held during November 2003 and June 2004.

3. The SCTPP Website was enhanced to provide participants with access to certain account information online using the records management vendor’s secure server. In a password protected environment, account holders now may view account demographic and financial information, payment and benefit usage activity, and print required forms to initiate allowable changes to the account.
4. Maintained competitive variety of investment options available through Future Scholar, including no load, low fee portfolios under the direct investment program.

Direct Investment Options	Financial Advisor Options	
Age-based/Automatic Allocation	Age-based/Automatic Allocation	Strategic Growth
Aggressive Growth	Aggressive Growth	Focused Equities
Growth	Growth	MidCap Growth
Balanced Growth	Balanced Growth	SmallCap Value
Balanced	Balanced	Small Company
Income and Growth	Income and Growth	International Equity
Income	Income	International Opportunities
LargeCap Index	Convertible Securities	Government Securities
MidCap Index	Value	Bond
Stable Capital	MidCap Value	High Yield Bond
	Growth Equities	Stable Capital

5. The State Treasurer's Office has worked closely with SCTPP’s independent actuary to assure that actuarial assumptions used in pricing new contracts are appropriate. Additional, we consulted with the Commission on Higher Education and various members of the higher education community to assist in determining our projections for tuition increases going forward. Since coming under management by the STO, rate of return assumptions have been lowered and tuition inflation assumptions have been increased for the short term. These conservative assumption adjustments, downswing in market returns, and the recent abnormally high increases in tuition across the State have caused a dramatic decrease in the Program’s actuarial reserve as demonstrated in the charts below.

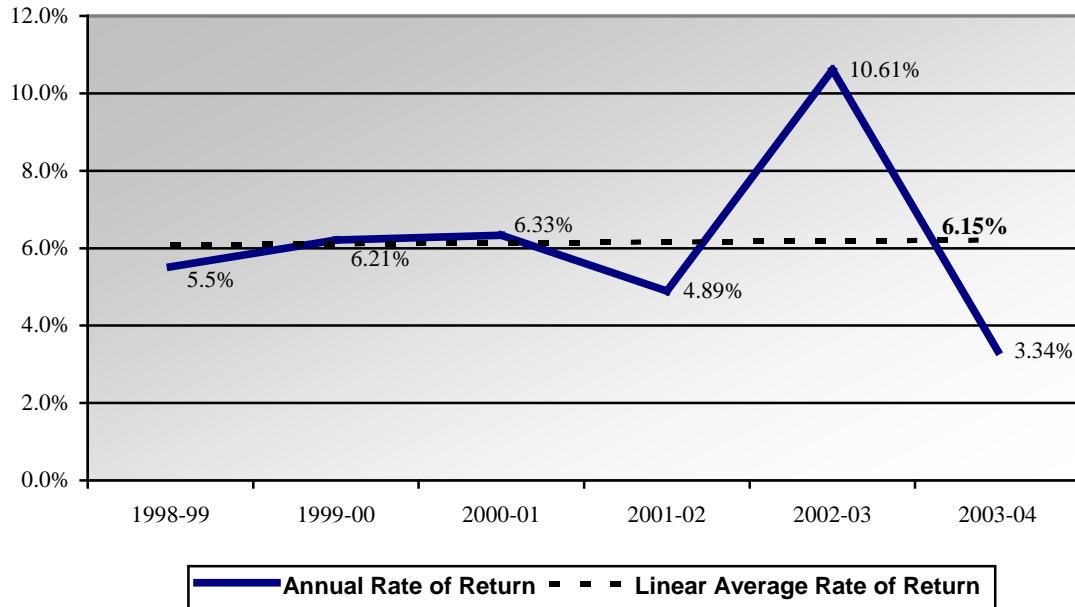
To date, the actuary has indicated that in his opinion the actuarial deficit can be overcome, given current investment strategies, once markets return to more stable conditions and tuition increases return to more historical patterns. The STO continues to monitor these assumptions, meets with the SCTPP actuary as necessary, reviews the

actuarial surplus/deficit of the program fund on a quarterly basis, and re-evaluates the actuarial assumptions on an annual basis.

Chart 5.8 - State prepayment program funds and actuarial assumptions, June 30, 2004

State	Fund Value	Tuition Increase Assumption	State	Investment Return Assumption
Texas	\$1,320,835,470	11.5% yr1; 10% yr2; then 7.5%	Texas	8.25%, all years
Maryland	\$255,917,655	11% yr1; 9% yr2; 8% yr3; then 6%	Michigan	8.1%, all years
Virginia	\$801,353,781	10% yr1; 8% yr2; then 7%	Mississippi	7.8%, all years
South Carolina	\$86,431,188	8.5% for 3 years; then 7.0%	Kentucky	7.75%, all years
Pennsylvania	\$854,975,169	7.78%, all years	Illinois	7.75%, all years
Kentucky	\$63,708,000	7.5% for 5 yrs.; then 7.0%	Maryland	7.5%, all years
Nevada	\$63,464,901	7.5% for 5 yrs.; then 5.75%	Nevada	7.5%, all years
Washington	\$405,236,176	7.0%, all years	Tennessee	7.5%, all years
Illinois	\$500,834,085	7.0%, all years	Pennsylvania	7.5% for 2 years; then 8.5%
Michigan	962,800,622	7.0%, all years	South Carolina	7.25%, all years
Mississippi	\$137,664,646	6.5%, all years	Virginia	7.0%, all years
Tennessee	\$49,397,967	6.0%, all years	Washington	7.0%, all years
Colorado	\$41,000,000	5.5%, all years (capped)	Florida	6.8% for 2 years.; then 8.0%
Florida	\$4,215,318,123	capped annually	Colorado	6.5%, all years

Graph 5.9 - SCTPP fund annual returns

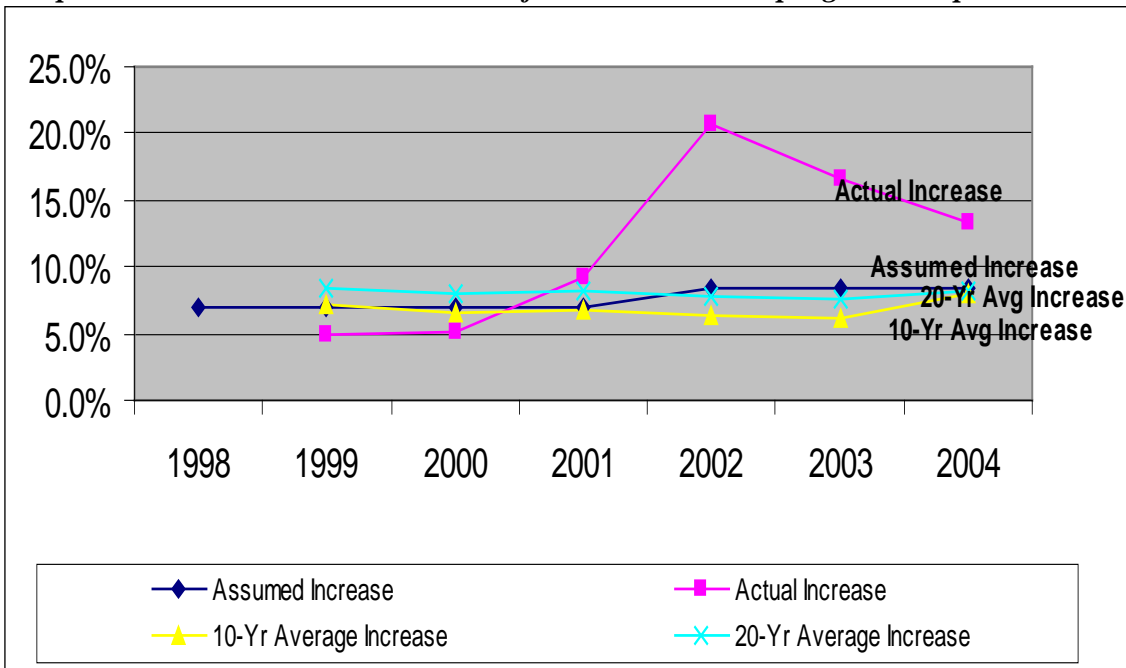


The SCTPP Fund maintained a positive investment return and continues to move toward an asset allocation of 60% fixed and 40% equities, which we believe is appropriate for the nature of the funds. Prior to July 1, 2001 the funds were invested in the State Treasurer’s Cash Management Pool and returns were stated as accrual basis returns (excluding unrealized gains and losses) in accord with the short term nature of that pool. At July 1, 2001 a separate portfolio was created to manage the funds and shortly thereafter deployments were made into indexed equity funds. Returns since 7/1/2001 are shown on the total return basis.

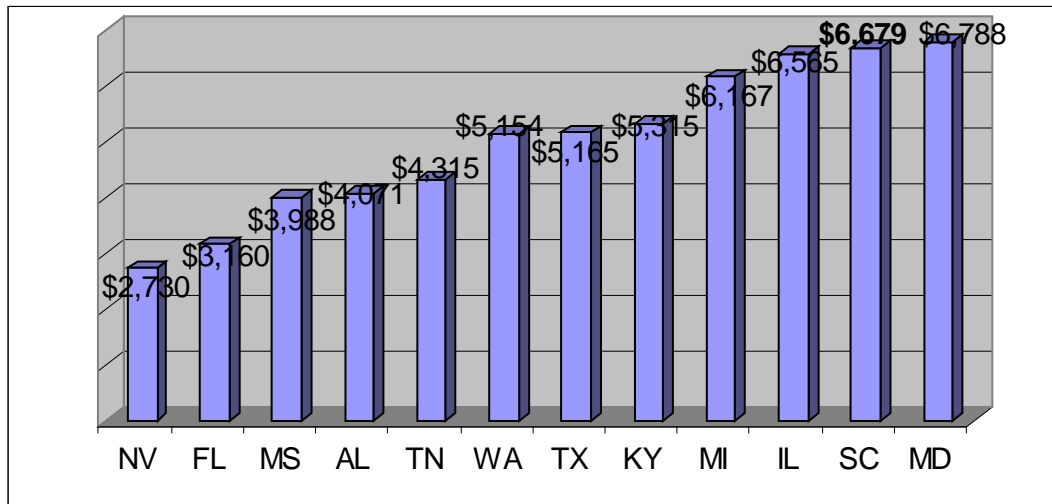
Chart 5.10 - SCTPP weighted average tuition/ fee increases since program inception

	Actual Tuition/Fees	Assumed Increase	Actual Increase	10-Yr Average Increase
1998	\$3,475	7.0%		
1999	\$3,646	7.0%	4.9%	7.3%
2000	\$3,833	7.0%	5.1%	6.5%
2001	\$4,191	7.0%	9.3%	6.7%
2002	\$5,057	8.5%	20.7%	6.3%
2003	\$5,891	8.5%	16.5%	6.1%
2004	\$6,679	8.5%	13.4%	8.0%

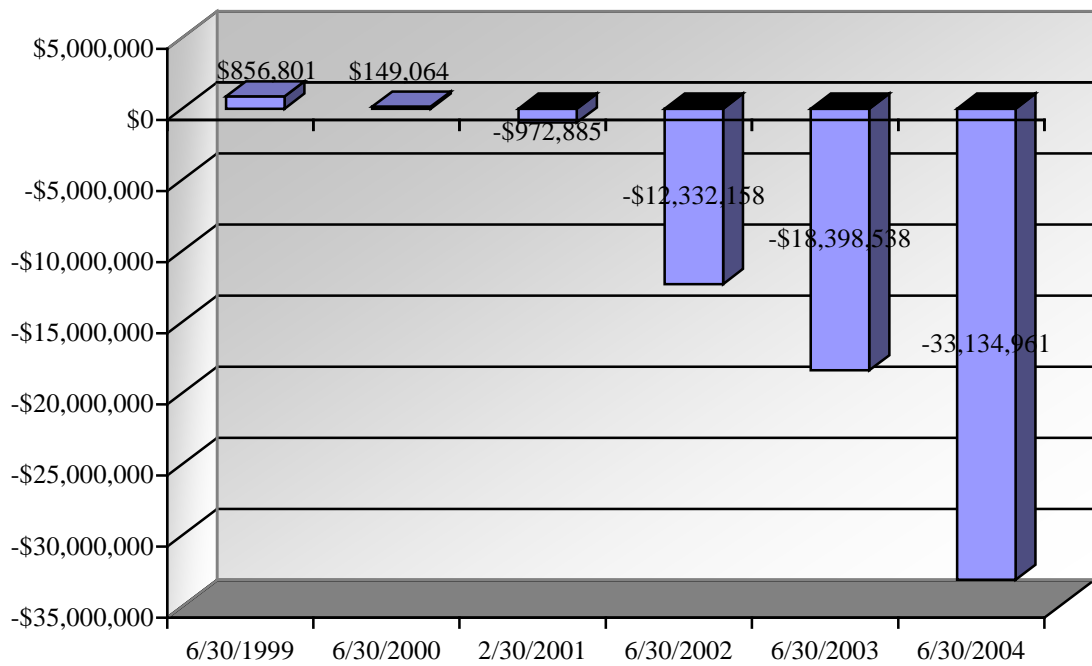
Graph 5.11 Assumed vs. Actual tuition/fee increases since program inception



Graph 5.12 - SCTPP tuition/ fee pricing compared with other states, 2004/2005 academic year

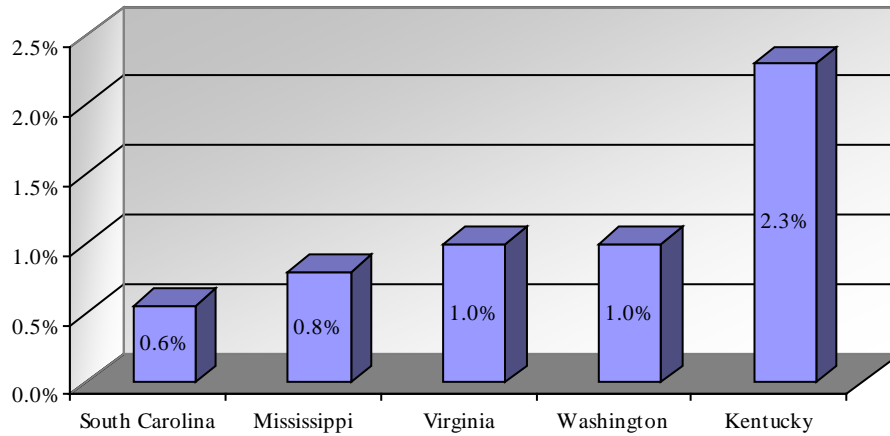


Graph 5.13 - SCTPP actuarial reserve



During this period, the State Treasurer’s Office has been watchful of its costs to administer the program and has reduced the percentage of the Fund used for administration. Our low expense ratio as compared to other states is reflected in the chart below.

Graph 5.14 - SCTPP operating costs as a percentage of total funds – comparison with other state programs



GLOSSARY OF ACRONYMS USED

CMIA TSA	Cash Management Improvement Act - Treasury State Agreement
DMS	Debt Management System
FMS	Financial Management System
GAAP	Generally Accepted Accounting Principles
GARS	General Assembly Retirement System
IMS	Investment Management System
JSRS	Judges and Solicitors Retirement System
LGIP	Local Government Investment Pool
MMD	Municipal Market Data
NASACT	National Association of State Auditors, Controllers, and Treasurers
NAST	National Association of State Treasurers
PORS	Police Officers Retirement System
RIF	Reduction in Force
SCEIS	South Carolina Enterprise Information System
SCRS	South Carolina Retirement System
SCTPP	South Carolina Tuition Prepayment Program
STARS	State Accounting and Reporting System
STO	State Treasurer's Office
UPP	Unclaimed Property Program

Strategic Planning Chart

Program Number and Title	Supported Agency Strategic Planning Goal/Objective	Related FY 03-04 Key Agency Action Plan/Initiative(s)	Key Cross References for Performance Measures
1.Accounting and Banking	<p>1.1 Receive and disburse all funds timely and accurately.</p> <p>1.2 Support agency banking needs.</p> <p>1.3 Reconcile bank accounts and limit unrecorded deposits.</p> <p>1.4 Distribute Shared revenue.</p> <p>1.5 Receive and distribute Court Fines.</p> <p>1.6 Manage flow of Deferred Comp funds to administrator.</p>	<p>Automate receipt and disbursements where possible in order to process increased workflows with existing staff.</p> <p>Communicate with agencies about their specific banking needs and through partnering with banking service providers incorporate new services and technology where available.</p> <p>Utilize additional features of online banking services and further automate file transfer and reconciliation to facilitate timely reconciliations.</p> <p>Utilize and regularly review automated systems to assure compliance with applicable distribution laws.</p> <p>Monitor legislative changes related to Court Fines, educate local governments on any changes, update forms and instructions and upgrade computer systems to process new fines.</p> <p>Improve timing of transfers to administrator.</p>	<p>Graph 1.1</p> <p>Chart 1.2 and Chart 1.4</p> <p>Key Results – Banking #1 and #2</p> <p>Key Results – Banking #3 and #4</p> <p>Chart 1.3 and Key Results – Accounting #2</p> <p>Key Results – Banking #5 and #6</p> <p>Chart 1.5</p> <p>Chart 1.7</p>
2. Investments	<p>2.1 Provide cost effective, professional portfolio management services</p> <p>2.2 Obtain best return within prescribed parameters</p> <p>2.3 Maintain adequate liquidity</p> <p>2.4 Optimize earnings through effective cash management</p>	<p>With a highly trained, professional staff and adequate portfolio management tools, manage fixed income funds internally.</p> <p>Utilize state of the art information and analysis systems, professional investment advisory services, and a highly trained and motivated staff to maximize investments in accordance with investment policies.</p> <p>Employ proper cash forecasting models and communication with agencies to predict cash needs and to match investments with those needs</p> <p>Utilize state of the art cash management tools and practices.</p>	<p>Chart 2.1</p> <p>Graph 2.4 and Chart 2.5,</p> <p>Graph 2.7 and Chart 2.8</p> <p>Key Results – Investments # 3</p> <p>Key Results – Investments #4</p> <p>Key Results –</p>

	2.5	Meet or exceed budgetary earnings projection.	Monitor economic forecasts for state revenue and expenditures and market conditions to ensure revenues are on target, or revise targets when necessary	Investments #5
	2.6	Maintain adequate collateral	Utilize automated systems for timely monitoring and adjustment of collateral.	Key Results – Investments #6
3. Debt Management	3.1	Pay all debt accurately and on time	Utilize automated system for timely and accurate calculation, and execution of debt payments.	Key Results – Debt #1 Chart 3.1 and Graph 3.2 See discussion of aging system in Section III.6
	3.2	Close all new debt issues by deadline	Utilize experienced staff and outside advisors depending on the nature of the issue.	Key Results – Debt #3 Chart 3.4
	3.3	Issue debt at lowest rate possible	Maintain AAA credit rating and utilize online bid capabilities to maximize exposure or offerings.	Graph 3.3
	3.4	Process Capital Improvement draws as requested by state agencies	Utilize automated system for monitoring of authorized draw schedule and processing of draws	Chart 3.7
	3.5	Process Housing Authority transactions as requested	Coordinate with Housing Authority	Chart 3.8
	3.6	Monitor state debt limit	Perform impact analyses as requested for various proposed borrowing scenarios during the budget process.	Key Results – Debt #6
	3.7	Assist agencies and institutions with debt issuance	Provide professional advice and services as needed.	Chart 3.4
	3.8	Provide timely information to credit rating agencies as needed	Keep rating agencies apprised of issues regarding the state's financial condition and respond to requests for information in a timely manner.	Key Results – Debt #7
4. Unclaimed Property	4.1	Increase public awareness of the program	Partner with local TV and newspaper outlets to raise awareness of the program in the most cost efficient methods possible.	Key Results – UPP #1
	4.2	Provide and promote internet inquiries and claims	Use advertising to promote internet access to the complete unclaimed property records rather than listing newly reported property annually.	Key Results – UPP #2
	4.3	Aggressively seek	Utilize a subscription internet service to	Key Results –

		rightful owners	assist in locating owners of property over \$1,000.	UPP #3 Graph 4.1
	4.4	Promote holder compliance with unclaimed property requirements	Provide electronic reporting systems to encourage compliance and employ compliance auditors.	Graph 4.2
	4.5	Promote electronic reporting of unclaimed property	Provide downloadable reporting software via the internet.	Graph 4.2
	4.6	Review reserve requirements and transfer excess funds to the General Fund	Utilize an historical analysis methodology to predict the level of reserves needed for future claims.	Graph 4.3 and Key Results – UPP #6
5. College Savings	5.1	Increase public awareness of the programs and promote saving for college commensurate with similar programs.	Optimize limited advertising funds to promote the SCTPP program within SC. Work with the Future Scholar administrator to identify and coordinate promotional opportunities within the state.	Graph 5.1 Graph 5.2 Graph 5,3
	5.2	Increase the number of college savings accounts within the programs particularly among South Carolinians of all income levels.	Take advantage of low or no cost opportunities to promote college savings such as guest appearances on radio talk shows, and other speaking engagements. Partner with Future Scholar administrator to promote savings to South Carolinians.	Graph 5.1 Key Results – TPP #2 Chart 5.4 Graph 5.5
	5.3	Expand internet services of both programs, meeting customer expectations and enabling participation.	Provide online access to accounts holders of SCTPP. Provide online access to performance and other disclosures for Future Scholar account holders.	
	5.4	Increase automatic payments in both programs.	Include automatic payment option information on the SCTPP website. Conduct “Account Building” campaigns promoting systematic, electronic payments.	Graph 5.7 Key Results – TPP #3
	5.5	Increase program flexibility and options while maintaining compliance with IRS 529 Guidelines.	Review fund offerings in Future Scholar	Key Results – TPP #4
	5.6	Improve actuarial soundness of the prepaid program.	Work with program actuary to review actuarial assumptions. Get input from Higher Education community regarding tuition cost projections. Increase portfolio allocations to equities. Reduce administrative expenses where possible. Provide information to Legislative	Key Results – TPP #5 Graph 5.9 Chart 5.10 Graph 5.11 Graph 5.12 Graph 5.13

	5.7 Oversee Future Scholar program	Committees as requested. Hold regular status meetings with administrator. Review program materials and disclosures. Regularly review portfolio performance, costs and offerings.	Graph 5.14 Key Results – TPP #4
* Key Cross-References are a link to the Category 7 - Business Results. These References provide a Chart number that is included in the 7th section of this document.			

Major Program Areas

Program Number and Title	Major Program Area Purpose (Brief)	FY 02-03 Budget Expenditures	FY 03-04 Budget Expenditures	Key Cross References for Financial Results*
II. Programs and Services	Accounting and Banking provides statewide services to all agencies and institutions by receipt and distribution of funds from all sources.	State: 718,183.00 Federal: 0.00 Other: <u>198,050.00</u> Total: \$ 916,233.00 % of Total Budget: 8%	State: 736,401.00 Federal: 0.00 Other: <u>182,003.00</u> Total: \$ 918,404.00 % of Total Budget: 6%	pp 19-25
II. Programs and Services	Investments provides statewide investment services to state agencies and institutions through investment of all state funds, management of cash liquidity, cash flow, and collateral.	State: 517,943.00 Federal: 0.00 Other: <u>114,683.00</u> Total: \$ 632,626.00 % of Total Budget: 5%	State: 0.00 Federal: 0.00 Other: <u>598,267.00</u> Total: \$ 598,267.00 % of Total Budget: 4%	pp 26-31
II. Programs and Services	Debt Management provides statewide debt management services for the State, its agencies and institutions by management of debt issues including debt structure and payments.	State: 372,766.00 Federal: 0.00 Other: <u>0.00</u> Total: \$ 372,766.00 % of Total Budget: 3%	State: 365,382.00 Federal: 0.00 Other: <u>0.00</u> Total: \$ 365,382.00 % of Total Budget: 3%	pp 32-36
II. Programs and Services	Unclaimed Property Program provides a statewide service to the citizens of South Carolina by returning various forms of property or money to the rightful owners.	State: 0.00 Federal: 0.00 Other: <u>881,361.00</u> Total: \$ 881,361.00 % of Total Budget: 7%	State: 0.00 Federal: 0.00 Other: <u>2,426,498.00</u> Total: \$ 2,426,498.00 % of Total Budget: 17%	pp 37-40
II. Programs and Services	SC Tuition Prepayment Program (SCTPP) / SC College Investment Program (Future Scholar) are college savings plans that allow families the option of saving now at great advantage for their children's college education.	State: 0.00 Federal: 0.00 Other: <u>516,877.00</u> Total: \$ 516,877.00 % of Total Budget: 4%	State: 0.00 Federal: 0.00 Other: <u>298,386.00</u> Total: \$ 298,386.00 % of Total Budget: 2%	pp 41-50
III. Special Items: Student Loan-Teacher	Student Loans-Teachers are funds received and then disbursed to the Student Loan Corp pursuant to the Appropriations Act to fund student loans for teacher program.	State: 1,814,933.00 Federal: 0.00 Other: <u>5,813,957.00</u> Total: \$ 7,628,890.00	State: 1,643,202.00 Federal: 0.00 Other: <u>6,890,368.00</u> Total: \$ 8,533,570.00	

		% of Total Budget:	62%	% of Total Budget:	59%
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Below: List any programs not included above and show the remainder of expenditures by source of funds.

Remainder of Expenditures: Support Systems of the office include Administration, Data Processing, Legislative and Constituent Services.	State:	1,333,383.00	State:	1,258,333.00
	Federal:	0.00	Federal:	0.00
	Other:	<u>53,265.00</u>	Other:	<u>31,233.00</u>
	Total:	1,386,648.00	Total:	1,289,566.00
	% of Total Budget:	11%	% of Total Budget:	9%

* Key Cross-References are a link to the Category 7 - Business Results. These References provide a Chart number that is included in the 7th section of this document.