

MINUTES OF STATE BUDGET AND CONTROL BOARD MEETING

July 12, 2012 -- 3:00 P. M.

The Budget and Control Board (Board) met at 3:00 p.m. on Thursday, July 12, 2012, in Room 252 in the Edgar A. Brown Building, with the following members in attendance:

Governor Nikki R. Haley, Chair;
Mr. Curtis M. Loftis, Jr., State Treasurer;
Mr. Richard Eckstrom, Comptroller General;
Senator Hugh K. Leatherman, Sr., Chairman, Senate Finance Committee; and
Representative W. Bryan White, Chairman, Ways and Means Committee.

Also attending were Budget and Control Board Executive Director Marcia Adams; Chief of Staff Steve Elliott and Division Director Les Boles; Acting General Counsel Paul Koch; Governor's Deputy Chief of Staff for Policy, Budget, and Cabinet Affairs Ted Pitts; Treasurer's Chief of Staff Bill Leidinger; Comptroller General's Chief of Staff James M. Holly; Senate Finance Committee Budget Director Mike Shealy; Ways and Means Committee Chief of Staff Beverly Smith; and other Budget and Control Board staff.

Adoption of Agenda for Budget and Control Board

Upon a motion by Mr. White, seconded by Mr. Loftis, the Board adopted the Budget and Control Board agenda as proposed.

State Treasurer's Office/SCRS Investment Commission: Briefing of Financial and Administrative Matters Related to Retirement System Trust Funds (Regular Session #1)

The Board received briefings from the State Treasurer and the Retirement System Investment Commission concerning financial and administrative matters related to Retirement System Trust Funds, including confidentiality and custody.

Governor Haley commented the Board has before it a legitimate issue that has been brought to light. She reminded the Board members that the meeting should be very respectful and does not need to be an emotional meeting. She said the meeting should be based on facts and is not about one individual or person, but it is about how things are being done for the State. She stated that the Board's goal should be to come out of the meeting feeling very productive and positive about the process.

Reynolds Williams, Chairman of the Investment Commission, initially spoke on behalf of the Investment Commission (Commission). Also appearing before the Board were Investment

Minutes of Budget and Control Board Meeting
July 12, 2012 – Page 2

Commissioners Travis Pritchett, Ed Giobbe, Allen Gillespie, and Jim Powers. Mr. Williams commended the service of the Commission members and stated that they approach their Commission duties with great seriousness of purpose. He stated that investing \$25 billion on behalf of over 530,000 plan participants and retirees is a mammoth undertaking that has an impact on every South Carolinian. He said the Commission members adhere to the highest levels of fiduciary responsibility and that the commissioners can be held personally liable to the fund if they breach their fiduciary responsibility. He acknowledged Senator Leatherman's and Mr. Eckstrom's role in establishing the Commission and pointed out that the Commission is commended across the country for the nonpolitical way it is setup.

Mr. Williams noted that when the Commission was set up in 2005-2006 the State was faced with perilous markets and a woefully undiversified portfolio. He stated because of the portfolio's lack of diversity it was a national laggard. He said the State was consistently in the bottom 10% and most of the time in the bottom 5% of performing pension plans in the United States. He said the Commission started with the understanding that it would not be able to diversify the portfolio as much as it would like. He commented the Commission recognized that an additional constitutional amendment needed to be passed and the Commission spent the better part of a year working to get the amendment passed. He said the amendment passed in 2006 and in February 2007, the legislature authorized the Commission's current ability to invest in a well-diversified, sophisticated portfolio. He said the Commission's focus then, now, and in the future will be to protect the assets of the trust and invest them prudently while taking a reasonable degree of risk and achieving the highest possible return. Mr. Williams further commented that the Commission adheres to the highest degree of transparency as indicated by their meetings and decisions being held publicly. He noted that Mr. Eckstrom has suggested that the Commission's minutes be placed on its website. He said that he thought that was being done, but was not, and now they are implementing procedures to have that done.

Mr. Williams further emphasized that the Commission has successfully built out all of its internal controls in its oversight structure. He noted the Commission recently hired two very skilled auditors who report directly to the full Commission. He said that the Commission hired Deloitte and Touche to engage in an in-depth audit of the Commission's internal processes. He noted that language in the investment reform bill provides for an annual fiduciary audit of the

Minutes of Budget and Control Board Meeting
July 12, 2012 – Page 3

Commission through the State Inspector General's Office. Mr. Williams stated that all of the financial statements of the trust fund have been issued in accordance with Generally Accepted Accounting Principles (GAAP) and all of them have had clean opinions.

Mr. Williams stated the Commission reports fees above and beyond what is required by GAAP and the Government Accounting Standards Bureau (GASB). He said the Commission errs on the side of transparency and disclosure. He commented that the downside of erring on the side of disclosure is that it makes the Commission's fees look higher and it is easier for the press to misinterpret the fees. He stated that there is no pension plan in the country that is more transparent and gives fuller disclosure than the Commission.

Mr. Williams continued his discussion by saying that in order to prudently give the Commission the best chance to meet the 7.5% required rate of return, the Commission has allocated a significant amount of funds to alternative investments. He said that alternative investments does not mean risky investments, but investments that are different from bonds and stocks. He said alternative investments should not frighten people and the Commission turned to alternative investments to decrease the risk in the portfolio. He stated the investments are designed to achieve greater return with less risk. He noted, however, that they are inherently more complex than just calling a broker and buying some stock and that their execution and contract framework are very complex and sophisticated. He commented that resolving those contractual complexities is a work in progress. He reiterated that the goal of going to these investments is to achieve the highest rate of return. He said these efforts have allowed South Carolina's portfolio to begin matching and in some instances surpassing the performance of the State's peers and has taken on less market risk to do so. He acknowledged that the Commission has room to improve and risks that need mitigating, while investing prudently in an increasingly complex worldwide environment and volatile marketplace. He said addressing this requires commitment, execution, and additional resources and specific actionable solutions that can be evaluated by the Commission and implemented pursuant to the Commission's directives. Mr. Williams said in that regard the Commission has adopted Mr. Loftis' proposal regarding his staff's access to contracts, accepted the key tenants, and developed a plan that addressed the major concerns outlined in his proposal. He said the Commission is pleased that it reached agreement on some of the key points to bring resolution to the details of this issue. He

commented that Mr. Loftis is to be commended for his diligence and work ethic.

Governor Haley asked Mr. Loftis to present a brief review of the Treasurer's Office role in the investment process. Mr. Loftis stated that the agenda was changed since he last saw it and that he was not prepared in this regard. In presenting the review of the role of the Treasurer's Office in the investment process, Mr. Loftis pointed out that the Treasurer is a member of the Board, and therefore a trustee, and a voting member of the Commission. He said the Treasurer has the unique role of being the statutory custodian representing the State. He said his role as custodian has given him considerable heartburn. He said his office houses the funds and receives funding agreements from the Commission for funding the investments related to those agreements. He stated that he started requiring his staff to read those contracts, but they are not allowed to see them. Governor Haley commented that she wanted Mr. Loftis to make clear what his role is in dealing with the investments. Mr. Loftis said being the custodian of the funds is a significant role because the custodian is the one who protects and safe-keeps the money. He said he is routinely asked to sign off on checks for \$200 and \$300 million at a time and he does not have a level of comfort he needs to be able to do that.

Governor Haley asked Mr. Loftis to discuss his concerns with regard to confidentiality of investment contracts. Mr. Loftis first commented that he takes exception with some of the things that Mr. Williams said, but would not address those now. He said that he is regularly asked to digest significant contracts that come in different sizes and forms with a lot or little notice. He said that the review of the contracts requires the experience of a lawyer or someone with a securities license. He said that there is not enough time to read and review the contracts and, as a result, the custodian has not been able to give the kind of review that is needed. He noted that many of the contracts do not have clear custody arrangements about how the money can be treated. He said that as he goes through more of these contracts he has less comfort in doing so. He said he is able to see best practices from across the country and what he has seen is that custodial arrangements are made before the check is signed. He stated that the Commission does not have the kinds of best practices he has seen elsewhere.

Mr. Loftis further stated that he needs his banking, investment, and legal professionals to be able to look at the contracts to make sure they are correct. He noted that the chief investment officer and the Commission do not make decisions concerning the investments by themselves.

He said this gets to the crux of the issue of confidentiality. He said that the Attorney General has issued two opinions that find there is no limitation on the information one fiduciary can give to another. He said they have been fighting the battle over confidentiality for the past year and it is not yet resolved. He said that access to information is still granted by the chairman of the Commission as the chairman sees fit. He said that is unacceptable. He said that there are checks and balances all across business and the Commission has to have those. He said that with regard to the confidentiality issue, if he wants to review a file for due diligence he has to do it himself and his staff cannot look at it. He pointed out that the Board members staff cannot have access to the information. He said the Board has the obligation and liability of getting the best information possible and can be sued for their actions. He commented that he does not believe there is meaningful oversight until the Board has the ability to have credentialed people who work closely with them to have access to confidential information.

In further discussion, Mr. Loftis said there are other issues that spring from confidentiality. He said the argument is based on statutes that were written for the Freedom of Information Act primarily. He noted that is a restriction of the general public and is not a restriction for people who are fiduciaries. He said at Commission meetings he has been told that his lawyers and the Board members' lawyers are just like anyone who walks off the street. He said there has been a misinterpretation of Code Sections 9-16-80 and 30-4-40 (a) (12) that deal with executive session and public disclosure. He said that this issue does not concern public disclosure, but that public disclosure always gets in the conversation. He said the misinterpretation of these statutes has caused an onerous burden on the Treasurer's Office and the other Board members' offices. He said he has talked with lawyers about the confidentiality statement in the contracts and they do not interpret it to mean that the custodian's staff could not see the documents. He said he has a friend who has written about 300 of these contracts and it was never contemplated by him that the staff of the state's Treasurer or Governor could not read the documents. He said he believes the existing language of the contract dealing with confidentiality is adequate and there is a misreading of the statutes. Mr. Loftis further stated that the interpretation of the statute that is given by the Commission does not allow for prudential oversight.

Governor Haley said that her understanding of the issue comes down to the way the

contracts are handled, the lack of best practices, the need to have more professionals at the table, the sharing of information, and public disclosures versus fiduciary disclosures. She said that the bottom line is that there is a misinterpretation of who can look at and process the information for the Treasurer so that he can feel more comfortable in what he is doing. Mr. Loftis said that is correct and that is a correct interpretation for the other Board members as well.

Mr. Williams responded that looking at the statutory construction under which the Commission must operate, the Commission has the exclusive authority to invest the assets of the Retirement Systems. He said the Commission views the management of those assets to include the contracts that are entered into and their ability to manage their relationships with the people whom the Commission has contracted. He said the statute does not have any provisions for the oversight of the Commission and the Commission is supposed to have oversight of its staff, the chief investment officer, and itself. Mr. Williams stated that each commissioner has complete and total access to everything in the Commission's files. He noted that neither his lawyer nor his staff members have access to those files. He said the Commission believes that it should make the decision as to who has access to its files. He said with regard to the contracts the Commission has entered that it is not in the best interest of the retirees, the Retirement Systems, or the funds for the Commission to break its contracts. He said if it was unwise to have entered into a contract then a proposal could be made to void the contract and start over, but that has never been done.

Mr. Williams further stated that historically the Commission has handled the request for the custodian to disburse funds the same way that five Treasurers since 1999 have suggested it be done. He said they want proof that the Commission voted for the investment and that the conditions the Commission imposed upon that vote have been adhered to. He said the Commission understands the need for the custodian to see the contracts and that he has a solution for that need. He said with regard to a recent contract the Commission was successful in negotiating with the Treasurer for members of his office to be included on the list of persons who can see the contracts. He said the Commission wants to continue that procedure with regard to all future contracts and will push to include similar or identical language. He said there is one area of disagreement that concerns whether the failure to agree to not let someone who is not a Commission staff member see the contracts is a deal killer. Mr. Williams said that with regard to

existing contracts the Commission's practice is that if there is no confidentiality language in the contract the Treasurer's staff is welcome to see the contract. He said there is no dispute that the Treasurer has a right to see the contracts because he is a commissioner. He said the Treasurer's staff and his staff are not fiduciaries as defined by the statute. He said that the Commission can seek to negotiate in good faith with firms for a less restrictive confidentiality clause. He stated that what the Commission cannot do is to unilaterally breach a contract. He said that would expose the retiree's funds to lawsuits for damages arising out of a breach of contract and it would damage the State's reputation in the financial community.

In further discussion, Mr. Williams said based upon a set of questions received from Mr. Loftis he proposes that those questions be used to develop memoranda of understanding and to provide certain basic information on every contract. He noted that when the Commission votes to make an investment there is a time lag between voting and signing the contract which can be two months to a year for the highly sophisticated contracts. He stated that during the time lag the Commission can work with the Treasurer's Office to find out what is needed for a proper custodial decision to be made. He said those things can be obtained during the time lag and included in the contract on a case-by-case basis.

Mr. Williams pointed out that neither the legislature, nor the statutes envisioned that the Treasurer would have veto authority over the Commission's investment decisions. He said should the Treasurer have concerns about investments, he has the ability to bring those concerns directly to the Commission and vote accordingly. He said refusing to fund the investments that have been duly authorized by the Commission would not be beneficial to the retirees or the pension plan participants. He further stated that it would be immensely harmful to future investments of the State.

Mr. White asked Mr. Loftis if what he was wanting was clarity and authority in his role as the Treasurer issuing the checks to which Mr. Loftis said that was correct. Mr. White inquired if the Commission has the ability to promulgate regulations. He said there needs to be a clear set of policies and procedures as to who can or cannot do something. Ms. Adams commented that the Board would have to ask the Commission's legal counsel that question. Mr. Williams said that his understanding is that the Commission does not have express authority to write regulations, but that the Commission does have the express authority to interpret the statute.

Nancy Shealy, General Counsel for the Commission, appeared before the Board. She stated that there is no express authorization in the statute for the Commission to promulgate regulations. She said that the Commission has the authority and obligation to interpret the statute and implement it in a good faith effort. She said the Commission has made great strides in the last few years to adopt detailed governance policies in building out internal processes in addressing these types of issues.

Senator Leatherman asked if Commission staff members were available to answer questions from the Commission members. Mr. Williams said staff is available to answer questions. Senator Leatherman also asked if commissioners can ask any question they want to which Mr. Williams said that is correct. Senator Leatherman said he wonders why Mr. Loftis needs to look at this after he has been involved in making the decision. He asked Mr. Loftis if he votes on the matter. Mr. Loftis said that the way it is presented to the Commission is not what is being presented to the Board. He said that he is at a disadvantage because he has listened to statements that are not accurate and he has been putting up with that because he only wants to talk about confidentiality and custody. Senator Leatherman asked if Mr. Loftis would share what he thought was inaccurate to which Mr. Loftis said he would not because the Board would have to go into executive session and would meet all afternoon.

Mr. Loftis said for one of its meetings the commissioners receive a thick agenda 24 to 36 hours in advance of the meeting. He commented that every Treasurer has complained about this. He said the contracts never come to the commissioners and that they are negotiated afterwards. He noted that he has had a \$250 million contract come to his office at 4:00 p.m. for him to make a decision by 5:00 p.m. Senator Leatherman asked if Mr. Loftis had access to the Commission's staff when making decisions to which Mr. Loftis replied that he did and that he used them a lot. Senator Leatherman said if the lateness of getting the documents is an issue, that practice needs to be changed.

Senator Leatherman asked Mr. Loftis and the Commission members if the workings of the Commission are complying with the statute. Mr. Loftis said he does not believe so. Senator Leatherman asked if Mr. Loftis could tell the Board how things could be changed. Mr. Loftis said there are several things that can be changed, but to respond to that question would send the Board into executive session. He stated, however, that with regard to asking these questions in

advance that it is almost impossible to do so because the information is not available or staff does not know it.

Mr. Loftis said there is a problem with oversight. He asked if the Commission only provides oversight, is there really oversight. He commented there has been talk about the Commission having an audit, but there has never been an audit. He noted the trust funds of the Retirement Systems are audited.

Mr. Williams stated that the Commission is complying with the statute. He said that he has no question in his mind about the Commission's compliance. He said it is correct that the Commission cannot delegate its investment decisions and the Commission does not delegate its investment decisions. He said an investment decision is made by vote of the full Commission. He stated the implementation of the decision is delegated to the Commission chairman. Senator Leatherman asked whether that was by statute to which Mr. Williams said that is by vote of the Commission.

Governor Haley commented that she sees an issue with the timeliness of the staff getting information to the commissioners and feeling comfortable in that time frame. She said a second much larger issue is the interpretation of the statute. She said that the Treasurer has a right to be concerned about signing documents and that the Commission is doing its best to make the best decisions possible in the eyes of the citizens.

Senator Leatherman commented that his definition of custodian is one who holds the funds until he is directed to disburse those funds. He further commented that they may be at point where the courts will have to sort out this issue. He said, however, that he hopes that will not happen. He said with the Treasurer having his opinion and the Commission having its opinion, the Board may not be capable of making that decision.

Mr. Gillespie said that he was Commission chairman until June 30, 2012, and that he has had a lot of communication with the Treasurer on this issue. He said that the Commission is in compliance with the statute, but the statute is also silent on issues that need greater definition. He said a frustration for the Commission is that the Board members, as trustees, have authority to do things the Commission cannot do. He said further guidance on the issue of interpretation is needed, but not in the adversarial context.

Mr. Loftis mentioned that an internal audit [sic] pointed out that there were eleven areas

Minutes of Budget and Control Board Meeting
July 12, 2012 – Page 10

of risks identified. He said that seven were high risk, four were medium risk, and none were low risk. He said that the chairman of a board receiving that kind of report does not ask who should be fired, but who should not be fired. Mr. Eckstrom asked when the audit was performed. Mr. Loftis stated it was a risk assessment that was performed several months ago. Mr. Gillespie stated that an audit subcommittee was set up by the previous Treasurer, but it did not call a meeting for two years. He said that is one of the things he looked at as an area on which to re-focus when he became chairman.

Mr. Williams acknowledged Sarah Corbett who is in charge of the Commission's internal audits. He stated that Ms. Corbett is completely up to date on the risk assessment. Ms. Corbett stated the Commission engaged Deloitte and Touche to do a risk assessment which was completed in September 2011. She said the assessment was used to prepare the Commission's budget and that they sought additional resources to remedy some of the issues that were identified. She stated that Deloitte is currently working on three internal audits for the Commission: due diligence, valuation, and cross trades. She said the Commission developed an audit charter that became part of their governance policy and hired two internal audit staff.

Mr. Eckstrom said he asked about the risk assessment because he was at the Commission meeting when Deloitte's report was given and that the report the Treasurer had cited should not be characterized as a scathing rebuke to the Commission. He said the Commission had hired Deloitte to identify operating and business risks and advise the Commission on minimizing those risks in connection with hiring more professional support staff and establishing proper internal controls over investment operations. He said that this was not an evaluation in which people needed to be fired. He said it was an evaluation that said here are the risks that are identified and here is what needs to be done to mitigate those risks.

Mr. Eckstrom said further that he supports Mr. Loftis' contention that his key staff should have access to the same information that he has access to as a commissioner. He said his understanding is that the Treasurer and the Commission are close to an agreement in that regard. He said that the Board, as fiduciaries, should be provided access to those contracts as well, if there is legitimate need for access to the contracts. He said he hopes the Commission would develop rules that would give the Board members the same access to the contracts that the Treasurer has. Mr. Williams said that he does not know of any reason the information for future

contracts could not be provided to the Board.

Governor Haley asked Mr. Williams if he is saying that for every contract going forward the Commission is going to allow certain members of the Treasurer's staff to have access to the documents. Mr. Williams said that the Commission is going to vigorously make that request for every contract, but the Commission is not saying that it will never contract with any firm that will not sign such a provision.

Governor Haley asked Ms. Adams what the Board's options are in this matter. Ms. Adams stated that someone has suggested a fiduciary review that looks at the duties and responsibilities of the Board and others who may now be fiduciaries and trustees of the system. She said there is a possibility that the Board, along with PEBA, and the Commission could hire fiduciary counsel to lay out the responsibilities and duties and what those actually mean in relation to some of the issues that have been discussed. Ms. Adams stated that prior to restructuring, Board staff had already contracted with Ice Miller, a law firm, to look at these issues.

Mr. Loftis said this is an issue of who is going to be responsible. He said that if the Board is the trustee then it has to be responsible. Mr. Loftis said if the Board members do not have the ability to look at the contracts when they want to and take a sophisticated and credentialed person with them for oversight, the Board has effectively turned this over to two or three lawyers and the Commission chairman. He said these contracts involve \$25 billion. He said if the Board does not have the right to inspect the files and look at contracts that could be in the billions of dollars, who does. He said in that case he would rather not be the custodian. He said that he has seen things he does not like and he has tried to tell those things without going into executive session but no one wanted to hear about that.

Governor Haley cautioned the Board members that they needed to resolve this issue. She said that she does not want to walk away from the issue without having done something to protect the Board, the investments, and the stakeholders. She said the question is how the Board gets to that point.

Senator Leatherman said that he took exception with Mr. Loftis' comment that the Board did not want to hear about the issues. He said he wants to hear about the issues. Senator Leather further commented that the Commission was created to evaluate the risk and get the best rate of

Minutes of Budget and Control Board Meeting
July 12, 2012 – Page 12

return possible. He said the Commission was created to evaluate low and high risk. He commented that if that is taken away from the Commission they will not be able to generate as much money for the system. Senator Leatherman said that the law needs to be evaluated to see if it will allow an agreement between the Treasurer and the Commission to go into effect.

In further discussion, Mr. Loftis said that he totally rejects the idea that the confidentiality clauses keep the Board from reading the contracts. Governor Haley asked Mr. Loftis what his request was with regard to this issue. Mr. Loftis said his request is that the Board, as holder of the trust and owner of the assets, hire counsel to determine the fiduciary responsibilities of the co-fiduciaries and determine what the statutes say about the roles of the custodian and everyone involved.

Mr. White asked Mr. Gillespie if there were any other silent items that might need to be addressed statutorily. Mr. Gillespie said that there is need for clarification of roles and responsibilities. In response to questions raised by Mr. Loftis about his staff's access to information concerning the contracts, Mr. Gillespie said that the Commission has never taken the position that Mr. Loftis is not the custodian or that it does not have a duty to help him fulfill his custodial duties. He said the Commission has consistently asked him what information his staff requires to help him fulfill his custodial duties. Mr. Gillespie said it was not until late April that the Commission saw the first detailed list of what those information requirements were other than the word "all" information.

After further conversation about the availability of the contracts for review, Governor Haley pointed out that Mr. Loftis had two motions that were still on the table. She said it is important for everyone to acknowledge that the Board and the Commission do care about the issue. She asked Mr. Loftis to refrain from saying that the Board is not concerned about the issues he has raised. She said the Board members came to the special meeting willing to listen and they have been listening to Mr. Loftis. She also said all of the Board members received the agenda and the idea that the agenda was changed at the last minute is incorrect.

Governor Haley asked Mr. Loftis to restate his motion concerning hiring counsel to determine fiduciary responsibility and to include PEBA in that motion. Mr. Loftis moved for the Board and PEBA to hire counsel to determine responsibilities of the Investment Commission, trustees, and custodian. The motion was seconded by Senator Leatherman. The motion passed

unanimously.

State Treasurer's Office/SCRS Investment Commission: Retirement System Trust Fund Investments and Financial Matters (Executive Session Item #1)

Mr. Loftis moved for the Board to convene in executive session pursuant to Section 9-16-80 of the Code of Laws to deliberate about financial matters the disclosure of which may adversely impact trust fund investments and to receive legal advice. Mr. White seconded the motion. Governor Haley, Mr. Loftis, Mr. Eckstrom, Mr. White voted for the motion. Senator Leatherman voted against the motion.

Report After Executive Session

Governor Haley thanked the Commission members for attending the meeting and for their service to the state. She also stated the matters discussed in executive session have not been voted on.

Mr. White also thanked the Commission members for coming to the Board meeting. He said what will help give clarity is addressing some of the silent issues Mr. Gillespie mentioned. He said the issues need to be addressed in the law. He said he would like to see some of those recommendations in writing from the Commission that need to be addressed legislatively. He said as a trustee he would have a better comfort level with policy changes. He said he would like to have something written in the statute and not just in a memorandum of understanding.

Mr. Williams asked Governor Haley when the recommended legislative changes would be due. Governor Haley said as soon as the Commission can get it done and it should be something ongoing where the Commission is always suggesting ways to raise the bar and get better.

Mr. Williams commented that this is something that the Commission has wanted to do and should do internally. He further explained to the Board that the way the Commission makes an investment decision is by getting a search team or team of staff to investigate a particular body to engage in a contract. He said the Commission assigns one commissioner to that team. He stated that each commissioner has been on a search team and has gone through the entire due diligence process. He noted the commissioners know how the process functions and they have a

Minutes of Budget and Control Board Meeting
July 12, 2012 – Page 14

very high level of comfort, even though all six of them do not go through every level of the due diligence process. He said, for example, when Mr. Gillespie says to him that he was on the emerging management search team and makes a recommendation to hire, he has a high level of confidence that Mr. Gillespie's recommendation is based on fact and study. He said to cast his vote appropriately he needs to understand the investment and agree that it is a good investment. He said he does not feel as if he needs to retrace Mr. Gillespie's footsteps. He said all of the commissioners do that and that it was a conscious plan that has worked so far.

Adjournment

The meeting adjourned at 5:00 p.m.

[Secretary's Note: In compliance with Code Section 30-4-80, public notice of and the agenda for this meeting were posted on bulletin boards in the office of the Governor's Press Secretary and in the Press Room, near the Board Secretary's office in the Wade Hampton Building, and in the lobbies of the Wade Hampton Building and the Edgar A. Brown Building at 12:40 p.m. on Wednesday, July 11, 2012.]