

**South Carolina Retirement System Investment Commission
Meeting Minutes**

March 7, 2024 9:30 a.m.

Capitol Center

1201 Main Street, 15th Floor

Columbia, South Carolina 29201

**Meeting Location: 1201 Main Street, 15th Floor, Ste. 1510 & Streaming Online at
www.rsic.sc.gov**

Commissioners Present:

Mr. William Hancock, Chair

Ms. Melissa Schumpert, Vice Chair

Ms. Peggy Boykin, PEBA Executive Director

Mr. William J. Condon, Jr.

Mr. Kenneth F. Deon

Mr. Edward Giobbe

Dr. Holley H. Ulbrich

Mr. Reynolds Williams (absent)

I. Call to Order and Consent Agenda

Chair William H. Hancock called the meeting of the South Carolina Retirement System Investment Commission (“Commission”) to order at 9:31 a.m. Ms. Melissa Schumpert made a motion to adopt the agenda as presented. Mr. Kenneth F. Deon seconded the motion, which was unanimously approved.

Mr. Deon made a motion to approve the minutes of the Commission’s December 7, 2023, meeting. Ms. Schumpert seconded the motion, which was approved unanimously.

A link to the entire meeting is below:

[2024 03 07 Commission Meeting \(youtube.com\)](https://www.youtube.com/watch?v=2024_03_07_Commission_Meeting)

II. Chair’s Report

Chair Hancock stated that he had nothing to report.

III. Committee Reports

Chair Hancock recognized Mr. Michael R. Hitchcock, Chief Executive Officer (“CEO”) for the both the Human Resources and Compensation Committee (“HRCC”) and Audit and Enterprise Risk Management Committees (“AERMC”) reports. Mr. Hitchcock stated that each Committee had made a report available to the Commissioners for review prior to the meeting. There being no questions, he concluded the reports.

IV. CEO’s Report

Chair Hancock recognized Mr. Hitchcock for his report on the Consolidated Annual Investment Plan and Statement of Investment Objectives and Policies (“AIP/SIOP”). He noted that he would be presenting a summary of the proposed changes and that the Commission would vote on the proposal at the April 2024 Commission meeting to ensure compliance with the May 1st statutory deadline.

At 9:35 a.m. Dr. Holley H. Ulbrich joined the meeting.

Mr. Hitchcock then gave an overview of the proposed changes. He explained the conforming and technical proposed amendments to the AIP/SIOP. He noted that the majority of the amendments were additional verbiage, changing references and technical corrections. Mr. Hitchcock then turned the discussion to the proposed governance policy amendments. After presenting the proposed changes, Mr. Hitchcock asked for any questions, and hearing none, concluded his report.

A link to the CEO’s Report is below:

<https://www.youtube.com/watch?v=X5IZJSYlaQk&t=135s>

V. CIO’s Report

Chair Hancock recognized Mr. Geoffrey Berg, Chief Investment Officer (“CIO”), for the quarterly investment performance review. Mr. Berg reported that the total Plan return for the quarter ended December 31, 2023 was 6.73 percent, which outperformed the policy benchmark, despite the Plan’s underweight to public equity. He noted the total Plan value as of December 31, 2023 was \$42.47 billion, and had eclipsed the previous high Plan value. He stated that for the calendar year ending December 31, 2023, net benefit payments from the Plan were down to under \$100 million.

Mr. Berg reviewed the three- and five-year returns. He reported that over the past three years, the Plan outperformed the policy benchmark by 2.82 percent, adding \$3.5 billion to Plan value, while on a five-year basis, the outperformance (9.20 percent versus policy benchmark’s return of 7.60 percent) had added close to \$5 billion total to Plan value. Mr. Kenneth F. Deon asked Mr. Berg to review the policy benchmark. Following a brief discussion, Mr. Berg turned to discuss the portfolio performance framework. He stated that over the last year, the stock-bond Reference Portfolio had substantially outperformed the five-asset class policy benchmark’s return, but the three-year performance demonstrated the benefit of diversification. He mentioned that over the last quarter the Plan had some underperformance in the quality of portfolio structure but there had been a modest, but positive, excess return fiscal year-to-date. He also compared the performance of the managers against the implementation benchmark, noting positive performance in all periods listed. Mr. Berg then turned to address the recent underperformance of the Plan versus the Reference Portfolio. He explained that two of the key factors had been the Plan’s continuing overweight to private equity, and the offsetting underweight to public equity.

Mr. Berg then reviewed asset class performance, noting that for the period ending December 31, 2023, all asset classes outperformed their benchmarks over the three-

and five-year periods. He also stated that bonds and private debt underperformed their benchmarks in the 12-month period. He explained that when the Plan holds cash, it is treated as bonds in the asset allocation, and that the Plan was holding more cash than it typically does in order to remain flexible during an uncertain economic and geopolitical moment.

After a brief discussion of the portable alpha hedge funds performance, Mr. Berg turned to a discussion of attribution and SIOB compliance. Mr. Berg noted that, at 13.1 percent, the private equity asset class allocation has continued to decrease, and was just outside its allowable range at December 31, 2023, while the total private markets exposure remained above the notification threshold. Mr. Berg reiterated his thanks to the Commission for their patience in permitting staff to prudently address these overweights. He concluded with a review of the portfolio risk estimates, explaining that the only meaningful changes were the declining tracking error due to actions taken to reduce the portfolio's private equity exposure. Mr. Berg then reviewed historical realized volatility versus forward volatility and its risk measurements. A link to the CIO's Report is below:

<https://www.youtube.com/watch?v=X5IZJSYlaQk&t=1254s>

VI. Actuarial Update – GRS Actuarial Consultants

Chair Hancock recognized Mr. Joe Newton and Mr. Danny White of GRS Actuarial Consultants ("GRS"), the actuaries for the South Carolina Retirement System ("SCRS") to provide an update on actuarial valuations as of July 1, 2023. Mr. White began the presentation with a summary of historical membership demographics for SCRS, including a breakdown of the beneficiaries by non-disabled retiree, disabled retiree, and beneficiary, as well as a breakdown of contributions versus benefit payments since 2011. Mr. White then presented a summary of the 2023 valuations and salary increases for both SCRS and the Police Officers Retirement System of South Carolina ("PORS"). Mr. Newton discussed the historical and projected liability assets for SCRS. He then provided a brief history of SCRS' unfunded accrued actuarial liability. He continued to report SCRS' 2022 and 2023 projected unfunded liability and valuation as well as its projected contribution rates and probabilities of outcomes. Mr. Newton then turned to discuss PORS' 2023 projected unfunded liability and valuation. Lastly, Mr. Newton concluded his presentation by providing a valuation comment summary.

A link to the presentation given by GRS is below:

<https://www.youtube.com/watch?v=X5IZJSYlaQk&t=3098s>

A 5-minute break was taken.

VII. Verus 2024 Capital Market Expectations

Chair Hancock then recognized Mr. Mark Brubaker and Ian Toner of Verus Advisory, Inc., to present Verus' Capital Market Expectations Assumptions Review for 2024. Mr. Brubaker explained that Verus formally updates its capital market assumptions

annually, but also makes quarterly updates to reflect changes in market conditions over the course of a year. He stated that the portfolio is expected to return 7.3 percent using the 2024 capital market assumptions compared to 7.4 percent using the 2023 capital market assumption. Mr. Brubaker stated that the expected risk decreased from 12.7 percent to 12.5 percent. He then proceeded to discuss methodology and 10-year return and risk assumptions. Mr. Brubaker then reviewed the 2024 versus 2023 return forecast and the long-term expected return of the RSIC portfolio. Mr. Brubaker turned the presentation over to Mr. Toner to discuss the process and the portfolio structure. Mr. Toner began by explaining the range of likely 10-year outcomes and equity return forecasts. He continued to discuss variable long-term returns, 10-year and 30-year forecasts, and fixed income return forecasts. Mr. Toner then turned to discuss correlation assumptions. He gave context to inflation and the current environment. He noted that inflation had come down materially but stickiness within services had held prices above the Federal Reserve's 2 percent target. He stated that this has translated into a higher rate environment and that short-rates have significantly increased from the 2023 capital market assumptions. He continued to discuss equity fundamentals. Mr. Toner concluded his report by discussing the core fixed income market.

A link to the presentation given by Verus is below:

<https://www.youtube.com/watch?v=X5IZJSYlaQk&t=5465s>

A 15-minute break was taken at 12:04 p.m.

VIII. 2020 Asset Allocation Process Review

Mr. Hitchcock began the presentation by stating that the Commissioners conducted a significant review of the strategic asset allocation in 2019 and made substantial changes to the asset allocation in 2020. He noted that the Commission had reduced the policy allocation from 18 different asset classes and 21 benchmarks, to five. He continued to provide a summary of how these changes were made. After a brief presentation by Mr. James Wingo, Head of Quantitative Solutions Group, Mr. Hitchcock said that the discussion regarding the asset allocation process would continue during 2024 in order to assist the Commission in updating the strategic allocation in 2025. A link to the 2020 Asset Allocation Process Review is below:

<https://www.youtube.com/watch?v=X5IZJSYlaQk&t=8472s>

IX. Delegated Investment Report

Chair Hancock then recognized Mr. Berg for the delegated investment report. The following delegated investments were closed by Staff following the December 7, 2023, Commission meeting.

Delegated Investments (December 7, 2023 to March 6, 2024)			
Asset Class	Investment	Investment Amount	RSIC Commitment Date
Private Equity	Rubicon Fund II, LP	\$40 M	February 9, 2024

Private Equity	Horsley Bridge Venture 15, LP	\$50 M	February 12, 2024
Private Credit	KKR Asset Based Finance Partners II	Up to \$100 M	February 27, 2024
Private Equity	Spark Capital VIII	\$20 M	February 29, 2024
Private Equity	Spark Capital Growth Fund V	\$40 M	February 29, 2024

X. Executive Session

Ms. Schumpert made a motion to recede into Executive Session to discuss investment matters and certain portions of the AIP/SIOP, pursuant to S.C. Code Sections 9-16-80 and 9-16-320, including a comprehensive review of the bonds portfolio performance and a discussion of various underlying holdings, and a review of potential investments in the due diligence process; to discuss personnel matters and to receive advice from legal counsel pursuant to S.C. Code Ann. Section 30-4-70(a)(1)-(2). Dr. Holley H. Ulbrich seconded the motion, which was approved unanimously. The Commission receded into Executive Session at 1:04 p.m.

XI. Potential Actions Resulting from Executive Session

Upon returning to open session, Mr. Hitchcock noted that the Commission did not take any action while in executive session.

XII. Adjournment

There being no further business, Ms. Schumpert made a motion to adjourn. Mr. Edward Giobbe seconded the motion, which was approved unanimously. The Commission adjourned at 3:32 p.m.

[Staff Note: In compliance with S.C. Code Section 30-4-80, public notice of and the agenda for this meeting were delivered to the press and to parties who requested notice and were posted at the entrance, in the lobbies, and near the 15th Floor Presentation Center at 1201 Main Street, Columbia, S.C. by 2:39 p.m., on March 5, 2024.]