

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

September 14, 2023 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 (absent)

Ms. Melissa Schumpert, Vice Chair

Ms. Peggy Boykin, PEBA Executive Director (absent)

Mr. William J. Condon, Jr.

Mr. Kenneth F. Deon

Mr. Edward Giobbe

Dr. Holley H. Ulbrich

Mr. Reynolds Williams (Via Telephone)

I. Call to Order and Consent Agenda

Vice Chair Melissa Schumpert announced that Chair William Hancock would be unable to attend the meeting and that she would preside as Acting Chair for the meeting. Acting Chair Schumpert called the meeting of the South Carolina Retirement System Investment Commission (“Commission” or “RSIC”) to order at 9:30 a.m. Dr. Holley H. Ulbrich made a motion to adopt the agenda as presented. Mr. Edward Giobbe seconded the motion, which was unanimously approved.

Mr. William J. Condon, Jr., made a motion to approve the minutes of the Commission’s June 1, 2023, meeting. Dr. Ulbrich seconded the motion, which was approved unanimously. A link to the entire meeting is below:

[2023.09.14 Commission Meeting - YouTube](#)

II. Executive Session

Mr. Giobbe made a motion to recede into executive session to discuss investment matters pursuant to S.C. Code Ann. Section 9-16-80 and 9-16-320, including specific matters related to the public equity and portable alpha portfolios; to discuss personnel matters pursuant to S.C. Code Ann. Section 30-4-70(a)(1) and to receive advice from legal counsel pursuant to S.C. Code Ann. Section 30-4-70(a)(2). Dr. Ulbrich seconded the motion, which was approved unanimously. The Commission receded into executive session at 9:40 a.m. Upon return to open session at 12:42 p.m., Mr. Michael R. Hitchcock, Chief Executive Officer (“CEO”), announced that no action was taken in executive session.

III. Chair’s Report

Acting Chair Schumpert announced that she had no report.

IV. Committee Reports

Acting Chair Schumpert announced that the Audit and Enterprise Risk Management Committee (“AERMC”) met on June 13, 2023, and the AERMC Meeting Report had been posted for the Commissioners for review prior to the Commission meeting. Acting Chair Shumpert then gave an update on the Human Resources and Compensation Committee (“HRCC”). The HRCC met on September 8, 2023, to receive updates regarding staff changes since the previous HRCC meeting. The HRCC also reviewed an updated organizational chart and then recessed into executive session to discuss personnel matters, including general compensation matters and the variable compensation program. A link to the AERMC and HRCC Committee reports is below:

<https://www.youtube.com/watch?v=aGPGwq51Rcl&t=223s>

V. CEO’s Report

Acting Chair Schumpert recognized Mr. Hitchcock for his report. Mr. Hitchcock presented RSIC’s proposed annual budget recommendation for fiscal year (“FY”) 2025, which totaled \$16,503,000. He reminded the Commissioners that RSIC is an “other funds” agency, and consequently, it does not receive any general funds from the South Carolina General Assembly (“General Assembly”). The General Assembly’s annual Appropriations Bill simply authorizes RSIC to expend funds of the South Carolina Retirement Systems Group Trust in order to operate. He noted that the FY 2025 budget request would be the first time that RSIC has requested an increase in authorization since 2017. Mr. Hitchcock also pointed out that RSIC has absorbed the expenses associated with the cost-of-living adjustments (“COLAs”) passed by the General Assembly since 2017. The increase in the budget request for FY 2025 reflects the amounts of those previous COLAs. Mr. Hitchcock then discussed two budget provisos that would be included in the budget authorization request. After a discussion of the proposed budget request and the proposed provisos, Dr. Ulbrich made a motion to authorize the CEO to submit a proposed FY 2025 detail budget substantially similar to the draft budget presented for inclusion in the Governor’s annual budget. Mr. Condon seconded the motion, which passed unanimously.

Mr. Hitchcock then turned to a brief discussion of a proposed schedule to review the Portfolio’s Strategic Asset Allocation (“SAA”). He noted that the Commission established a discipline to review the SAA every five years, and the current SAA was adopted in April of 2020. The Commission would look to adopt an updated SAA for the next five years in April of 2025. Mr. Hitchcock proposed a framework schedule to consider the various SAA components over the course of three meetings beginning in December of 2024. After a lengthy discussion regarding the SAA process, Mr. Hitchcock stated that he would review all of the feedback provided and revise the proposed SAA schedule for further discussion at a future Commission meeting.

Next, Mr. Hitchcock shared a proposed compliance dashboard (“Dashboard”) for the Consolidated Annual Investment Plan and Statement of Investment Objectives and Policies (“AIP/SIOP”) with the Commissioners. He said that the proposed Dashboard was developed in response to the Funston Fiduciary Audit Report recommendation regarding exception-based reporting, as well as feedback from the Commissioners requesting assistance with quarterly SIOP reviews. The proposed Dashboard

provides a visual overview of the major parts of the SIOP and is designed to assist the Commission in focusing attention on items that need review. Mr. Hitchcock asked that any feedback on the proposed Dashboard be provided to him before the December meeting. The Commissioners then had a brief discussion of the proposed Dashboard.

Lastly, Mr. Hitchcock recognized Mr. Andrew Chernick, Chief Operations Officer, for a brief review of RSIC's FY 2024-2025 business plan. Mr. Chernick gave an overview of the four overall objectives for RSIC's back office and then concluded his report.

After additional discussion with the Commissioners, Mr. Hitchcock concluded his report. A link to the CEO's Report is below:

<https://www.youtube.com/watch?v=aGPGwq51Rcl&t=305s>

VI. CIO's Report

Next, Acting Chair Schumpert recognized Mr. Geoffrey Berg, Chief Investment Officer, for the investment performance review for the prior fiscal year. Mr. Berg reported that for the year ending June 30, 2023, the Portfolio outperformed the Policy Benchmark by 1.33 percent, with a total Plan return of 6.83 percent. He pointed out that the three, five and ten-year returns were all above the 7 percent assumed rate of return. Mr. Berg noted that the net benefit payments for the fiscal year were \$266 million, a substantial decrease from the levels of five years ago, and explained what a meaningful change this reduction in net benefit payments had made to the liquidity needs of the Plan.

Mr. Berg reviewed the RSIC Portfolio Performance Framework with the Commissioners. The Reference Portfolio (70/30 stock/bond mix) returned 10.94 percent for the fiscal year, with equities' strong performance more than compensating for the challenges experienced by fixed income. While the Reference Portfolio outperformed both the Policy Benchmark and Plan return for the fiscal year, for three years the Policy Benchmark (+134 bps) and Plan return (+430 bps) were significantly higher than the Reference Portfolio. Mr. Berg went over the performance framework in more detail, after which he, Mr. Hitchcock, and the Commissioners had a brief discussion regarding the framework and related topics. Mr. Berg then went over the performance of each individual asset class over the one, three, and five-year periods, as well as the performance of the portable alpha portfolio. Sources of underperformance during the fiscal year were the Plan's overweight to private equity and real assets, underweight to public equity, and the duration overweight in bonds. Sources of outperformance were the underweight to bonds, selection in private markets, and strong performance of infrastructure within real assets.

Following additional conversation with the Commissioners, Mr. Berg turned to a discussion regarding compliance. He reported that the private equity portfolio continued to exceed the upper end of the authorized range while the aggregate private market exposure exceeded the notification threshold. He noted that the private equity overweight had been reduced by more than one percent during the year and stated that Staff was continuing to address both matters, and reminded the Commission that the process of doing so will take time. He then reviewed the latest risk estimates and pointed out the distinction between the forward risk estimates and the historical risk. Mr. Berg then concluded his report. A link to the CIO's Report is below:

<https://www.youtube.com/watch?v=aGPGwq51Rcl&t=3320s>

VII. Delegated Investment Report

Acting Chair Schumpert then recognized Mr. Berg for the delegated investment report. The following delegated investments were closed by Staff following the June 1, 2023, Commission meeting.

Delegated Investments (June 1, 2023 to September 13, 2023)			
Asset Classes	Investment	Investment Amount	RSIC Commitment Date
Private Equity	KPS Special Situations Fund VI	\$100 M	June 20, 2023
Private Equity	KPS Special Situations Mid-Cap Fund II	\$25 M	June 20, 2023
Private Credit	Banner Ridge Secondary Fund V	\$40 M	June 28, 2023
Private Credit	Banner Ridge Secondary Fund V Co	\$13.4 M	June 28, 2023
Private Equity	Varsity Healthcare Partners IV	\$50 M	June 29, 2023
Real Assets	Brookfield Strategic Real Estate Partners V	Up to \$100 M	August 28, 2023

After a brief discussion regarding private equity strategy, Mr. Berg concluded the delegated investment report. A link to the Delegated Investment Report is below:

<https://www.youtube.com/watch?v=aGPGwq51Rcl&t=4693s>

VIII. Executive Session

The Commission made a motion by acclamation to recede into executive session to discuss investment matters pursuant to S.C. Code Sections 9-16-80 and 9-16-320, including specific matters related to the public equity and portable alpha portfolios; to discuss personnel matters pursuant to S.C. Code Section 30-4-70(a)(1); and to receive advice from legal counsel pursuant to S.C. Code Section 30-4-70(a)(2). Mr. Giobbe seconded the motion, which was approved unanimously. The Commission receded into executive session at 2:04 p.m.

IX. Potential Actions Resulting from Executive Session

Upon return to open session, Acting Chair Shumpert announced that no action was taken in executive session.

X. Adjourn

There being no further business, Dr. Ulbrich made a motion to adjourn. Mr. Giobbe seconded the motion, which was approved unanimously.

[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 3:13 p.m., on September 12, 2023.]