

**RETIREMENT SYSTEM INVESTMENT COMMISSION  
COMPENSATION COMMITTEE MEETING MINUTES**

**January 13, 2012**

**SC Retirement System Investment Commission  
1201 Main Street, 15<sup>th</sup> Floor  
Columbia, SC 29201**

**Committee Members Present:**

Mr. Allen Gillespie, Chairman (phone)  
Mr. Curtis Loftis (phone)  
Dr. Travis Pritchett (phone)

**Others present for all or a portion of the meeting on Friday, January 13, 2012:** Sarah Corbett, Robert Feinstein, Adam Jordan, James Manning, and Nancy Shealy from the Retirement System Investment Commission; Tammy Nichols from the South Carolina Retirement Systems; Bill Leidinger (phone) and Bill Condon (phone) from the State Treasurer's Office; Chris Manos from the State Procurement Office; Christine Williamson from Pension and Investments Magazine (phone).

**I. Call to Order**

Chairman Allen Gillespie called the meeting of the Compensation Committee ("Committee") of the Retirement System Investment Commission ("Commission") to order at 2:30 p.m. Mr. Curtis Loftis made a motion to approve the agenda of the meeting, which was seconded by Dr. Travis Pritchett and approved unanimously.

**II. Discussion of RFP Responses**

Chairman Gillespie asked Mr. Adam Jordan to summarize the response to the Request for Proposals for a Compensation Consultant ("RFP"). Mr. Adam Jordan explained that the RFP was approved at the previous Committee meeting on November 17, 2011. He added that the South Carolina Budget and Control Board Materials Management Office ("MMO") helped to ensure the RFP adhered to State standards, and it was issued on December 14, 2011 and closed on January 5, 2012.

Mr. Chris Manos from MMO explained that the Committee was to decide whether the responding firm was qualified and capable of performing the duties required, and if so, approve MMO to go forward with awarding the contract to the responsive firm. Then details of the execution of the duties could be defined.

Dr. Pritchett stated he believed that the firm was highly qualified and that the leaders to be assigned seemed to be highly qualified and capable of the necessary tasks, and Mr. Loftis agreed. Chairman Gillespie said he agreed as well from the material he reviewed, and he asked if there was a motion. Mr. Loftis made a

motion to engage McLagan as the Compensation Consultant. Dr. Pritchett seconded the motion, and it was adopted unanimously.

Ms. Nancy Shealy reminded the Committee that any discussion of items to be included in a contract with McLagan should be discussed in executive session, and because of the nature of the telephone conference, it would be difficult to enter into an executive session. Chairman Gillespie agreed, and all three members stated that they wanted to only discuss theoretical components of the engagement of the Consultant.

Mr. Bill Condon expressed the State Treasurer's Office's concern regarding timing of the Consultant's duties. He noted that the responding firm mentioned it could begin the task immediately and be complete by March 1, 2012. Mr. Condon said that this may not be the best idea because some positions within the Commission's staff still needed to be decided. Mr. Loftis agreed and added that the prime example was whether or not the CEO and CIO functions were going to be combined or severed. He expressed his preference for the functions being separate. Mr. Condon reiterated that some of those decisions should probably be made prior to choosing a start date for the Consultant.

Mr. Manos explained that the responding firm only specified that if the Commission wanted completion by March 1, the Consultant would have to begin its work in January.

Chairman Gillespie agreed that some decisions needed to be made, and added that he would like to see some discussion of issues about the Performance Incentive Compensation ("PIC") program resolved. He explained that the upcoming Commission meeting in January was not a regularly scheduled one, and he suggested that the Consultant begin work by the regularly scheduled Commission meeting in February.

Dr. Pritchett asked if the Consultant should respond to the current PIC, or if the Commission should amend the PIC program first. Chairman Gillespie suggested amending the PIC program first.

Mr. Jordan explained that there was a Senate Proviso for the Commission to present a PIC plan to the South Carolina State Senate by March 30, thus it would be problematic to amend the program and then engage the Consultant. Chairman Gillespie asked Mr. Loftis if some of the issues at hand could be prepared to be discussed at the next Commission meeting on January 16, 2012. Mr. Loftis replied that he would provide a list of discussion topics to Mr. Jordan to be distributed to the Commissioners prior to that meeting. Chairman Gillespie suggested that the Compensation Committee meet after the Commission meeting, and Dr. Pritchett agreed.

Mr. Manos expressed concern for waiting that long to post the award to the responding firm, but he added that because there was only one responding firm, once the award was posted, the firm could begin the process immediately.

Mrs. Sarah Corbett stated that within the firm's response, it allocated time with each Commissioner to discuss issues with the PIC program. Dr. Pritchett stated he believed the Committee could post the award, and then discuss those issues during the time the firm allotted. Chairman Gillespie asked if the Committee had the authority to do so, or whether the full Commission must approve. Ms. Shealy stated that she believed the power to select a vendor had been delegated to the Committee. Mr. Jordan agreed, and added that the full Commission would have to approve any changes to the PIC program, or salary range recommendations, but the power to actually select a vendor should lie with the Committee. Dr. Pritchett stated that he did not believe any changes would be made to the PIC program until the Commission had the input of the Compensation Consultant.

Mr. Loftis expressed concern with the responding firm's language within its methodology regarding interviewing "selected Board Members", and asked which Commissioners were intended. Mrs. Corbett noted that the Consultant could be directed to interview either the Committee or all of the Commission members. Mr. Loftis made a motion to amend the document to include all Commissioners in the question-and-answer session with the Consultant. After further discussion, the Committee members agreed that all Commission members would be interviewed, that the interviews could be conducted over the telephone, and that the Consultant would be invited to meet with the full Commission at its February meeting. Mr. Loftis said that since all Committee members agreed, a vote was unnecessary, and so he withdrew his motion.

Mr. Jordan asked Mr. Manos if there was any further action needed, and Mr. Manos stated that he only needed a document in writing giving him permission to process the negotiation and award. Mr. Jordan asked if an e-mail from the Chairman would suffice; Mr. Manos confirmed it would, and Mr. Jordan stated he would draft an e-mail for Chairman Gillespie to approve.

### **III. Adjournment**

Chairman Gillespie asked the Committee if there was any further discussion. There being none, the meeting adjourned at 3:03 p.m. upon motion by Mr. Loftis, which was seconded by Dr. Pritchett and passed unanimously.

[Staff Note: In compliance with S.C. Code Ann. §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 15<sup>th</sup> Floor Conference Room at 1201 Main Street, Columbia, SC, on the morning of January 12, 2012.]