

**South Carolina Retirement System Investment Commission
Human Resources and Compensation Committee Meeting
Minutes
May 11, 2016**

**Capitol Center
1201 Main Street, Suite 1510
Columbia, South Carolina 29201**

Committee Members Present:
Dr. Rebecca Gunnlaugsson, Chair
Dr. Ronald Wilder
Mr. Reynolds Williams (via telephone)

Others present for all or a portion of the meeting on Wednesday, May 11, 2016: Betsy Burn, John Farmer, Mitchell Goldsmith, Michael Hitchcock, Monica Houston, Tricia Miller, and Brittany Storey from the South Carolina Retirement System Investment Commission; and Melinda Al-Hasan from the State Treasurer's Office.

I. Call to Order; Adoption of Proposed Agenda

Chair Dr. Rebecca Gunnlaugsson called the meeting of the Human Resources ("HR") and Compensation Committee ("Committee") of the South Carolina Retirement System Investment Commission ("Commission" or "RSIC") to order at 10:01 a.m. Dr. Ronald Wilder made a motion, which was seconded by Mr. Reynolds Williams and passed unanimously, to approve the agenda as presented.

II. Approval of Minutes (10/13/2015 and 10/16/2015)

Chair Gunnlaugsson referred to the draft minutes from the October 13, 2015 and October 16, 2015 Committee meetings and asked if there were any objections or corrections. Mr. Williams made a motion to adopt the minutes from the October 13, 2015 and October 16, 2015 meetings as presented. Dr. Wilder seconded the motion, and it was unanimously approved.

III. Organizational Health Initiative

Chair Gunnlaugsson recognized Mr. John Farmer, HR Director, to present an update on RSIC's organizational health initiative. Mr. Farmer reviewed the history of the initiative and reminded the Commissioners that RSIC Staff ("Staff") had been working with The Table Group, Inc. ("Table Group"), a consulting company that specializes in developing business cultures for a wide array of organizations. Mr. Farmer explained that the Table Group utilizes four principles in order to promote organizational health: building a cohesive leadership team, creating clarity, communicating clarity, and reinforcing clarity. Mr. Farmer overviewed the ways by which RSIC's new organizational culture would be introduced to Staff.

Next, Mr. Farmer announced RSIC's adoption of three core values for the agency: humility, intellectual curiosity, and being a team player. Mr. Farmer then began a discussion of the decision filters, known as "strategic anchors", that RSIC has adopted in order to make decisions on behalf of the plan ("Plan"). He explained that moving forward Staff would be asked to consider decisions made on behalf of RSIC in terms of how the decision: (i) enhances value to the Plan; (ii) improves Plan performance; and (iii) promotes confidence.

Mr. Hitchcock added that the strategic anchors would not necessarily be utilized to make small decisions. He emphasized that the strategic anchors are more to help unify RSIC's culture and promote a greater likelihood of positive outcomes.

Mr. Farmer then explained to the Commissioners that Staff's current organizational health goal is to address any concerns members of the General Assembly may have about RSIC's operations. Mr. Hitchcock added that Staff's efforts to resolve the General Assembly's concerns began with the "challenging investment convictions" exercise and has moved on to improving organizational health. He noted that, if the General Assembly begins to address pension reform, the work Staff has already done to respond to their concerns would allow RSIC to be part of the pension reform conversation.

Dr. Wilder expressed concerns about the General Assembly's understanding of the broader investment framework in which the Plan operates. Mr. Hitchcock explained that Staff is engaging members of the General Assembly to better inform them about the Plan, how it is invested, and the realities of current market conditions. Mr. Hitchcock further explained that he believes it is RSIC's responsibility to provide the General Assembly with options that could lead to positive reforms. Mr. Farmer added that RSIC's leadership would continue to work with members of Staff to create further clarity about the meaning of each strategic anchor.

IV. HR Update

Mr. Farmer provided a staffing update. He informed the Commissioners that there had been several new additions to Staff: Lisa Scott, Administrative Assistant; Chris Radic, Reporting Analyst; Lynn Lesueur, Operational Due Diligence Officer; and Greg Cowell, IT Specialist. He also announced that two new Junior Analysts, Christopher Alexander and Justin Moore, would be joining RSIC in June of 2016. Next, Mr. Farmer stated that James Manning had left RSIC pursue another opportunity, and consequently, Kathleen Shealy had been promoted to IT Manager. Mr. Farmer also stated that Eric Nelson, Ashley Doran, Doug Lybrand, and J.P. Boyd had left RSIC to pursue other opportunities. He reminded the Commissioners that RSIC has 42 fulltime employees and has an approved total budget of 51 fulltime employees.

Mr. Farmer then began a discussion about RSIC's search for a CIO. He stated that Staff had received two proposals from executive search firms ("CIO Search RFP") and that a third proposal may be submitted. Mr. Farmer also addressed the topic of RSIC acquiring a performance management software solution. He informed the Commissioners that a request for proposal was issued and a finalist identified. However, the offeror and RSIC Legal reached an impasse on several legal terms, and no offeror was awarded the contract. Mr. Farmer stated that Staff would continue to look for a software tool to assist with performance measurement.

Mr. Farmer then presented his recommendations for RSIC's 2016-17 HR goals. He stated that he intends to implement a new performance management system for Staff and facilitate completion of the CIO search. In addition, Mr. Farmer stated that RSIC would implement a formal affirmative action plan in order to meet the diversity reporting requirements set in place by the General Assembly. Mr. Farmer added that RSIC would also engage in a robust employee development process in order to properly implement succession plans for Staff. Dr. Wilder asked Mr. Farmer whether the CIO Search RFP sets a deadline for the successful offeror to submit a list of potential candidates. Mr. Farmer responded that there is no

deadline, but he stated that he was confident Staff would have a list of potential candidates within 60-90 days of the contract being awarded. He concluded by encouraging the Commissioners to ask questions or offer further suggestions about RSIC's 2016-17 HR goals.

V. HRC Charter Recommendations for Change

Chair Gunnlaugsson referred to the proposed changes to the Committee's Charter ("Charter"). She suggested changing the word "receive" in Section III(c) of the Charter to "receiving". Chair Gunnlaugsson then asked for motion to recommend the matter to the Commission.

Dr. Wilder made a motion that the Committee accepts the recommendation of the Human Resources Director to amend the Charter of the Human Resources and Compensation Committee ("Charter") and recommends that the Commission (i) adopt the proposed revisions to the Charter as presented; and (ii) authorize Staff to make technical revisions to the Charter and other RSIC policy documents to reflect this Commission decision. Subject to grammatical change on III(c) "receiving". Mr. Williams seconded the motion, which was unanimously approved.

VI. Executive Session

Mr. Williams made a motion at 10:50 a.m. to enter into Executive Session to discuss personnel matters, negotiations incident to proposed contractual arrangements, and receive legal advice pursuant to S.C. Code Ann. § 30-4-70(a)(1)-(2). Dr. Wilder seconded the motion, and it was unanimously approved. The Committee reconvened in open session at 11:10 a.m. Chair Gunnlaugsson reported that the Committee met in Executive Session to discuss personnel matters, negotiations incident to proposed contractual arrangements, and receive legal advice. She also reported that no action was taken during Executive Session.

VII. Adjournment

There being no further business, Dr. Wilder made a motion to adjourn. Mr. Williams seconded the motion, which passed unanimously.