

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

**August 16, 2012**

**15<sup>th</sup> Floor Conference Room  
1201 Main Street  
Columbia, South Carolina 29201**

**Commissioners Present:**

Mr. Reynolds Williams, Chairman (via telephone)  
Mr. Edward Giobbe, Vice Chairman (in person)  
State Treasurer Curtis M. Loftis, Jr. (in person)  
Mr. William Blume (in person)  
Mr. Allen Gillespie (via telephone)  
Mr. James Powers (via telephone)  
Dr. Travis Pritchett (via telephone)

**Others present for all or a portion of the meeting on Thursday, August 16, 2012:**

Betsy Burn, Sarah Corbett, Dori Ditty, Hershel Harper, Adam Jordan, James Manning, Kathy Rast, Nancy Shealy, and Brian Wheeler from the South Carolina Retirement System Investment Commission; Bill Leidinger, Bill Condon, Brian DeRoy, and Shakun Tahiliani from the State Treasurer's Office; Adam Beam from The State; Wayne Pruitt and Sam Griswold from the State Retirees Association; and Christine Courtright from Creel Court Reporting.

**I. CALL TO ORDER AND CONSENT AGENDA**

Chairman Reynolds Williams called the meeting of the South Carolina Retirement System Investment Commission ("Commission") to order at 9:00 a.m. Chairman Williams referred to the proposed meeting agenda and asked for a motion to approve. Mr. Edward Giobbe made a motion to approve the agenda as presented, which was seconded by Dr. Travis Pritchett and passed unanimously.

**II. SEARCH FOR DIRECTOR OF OPERATIONS**

Chairman Williams stated that the first item concerned the Director of Operations ("Director") recruitment. More specifically, the Chairman noted that Mr. Curtis Loftis had raised certain objections regarding the way in which the Office of Human Resources ("OHR") and the search committee had conducted the Director search. Chairman Williams reviewed the steps which had been taken to date. The Director position had been advertised and posted, a large number of applications had been received, OHR had screened the applications for those meeting the minimum qualifications, and distributed the resulting list of qualified applicants and resumes to all of the commissioners. On behalf of the search committee, Chairman Williams presented a motion that the steps taken to date by the search committee be ratified by the Commission, noting that this would cure technical defects in the search process, if there were any. Chairman Williams noted that as this was a committee motion, it did not require a second. Chairman Williams opened the floor for discussion.

In response to a question from Mr. Loftis, Chairman Williams stated that the Director search committee consisted of Dr. Pritchett, Mr. Giobbe, and the Chairman. Dr. Pritchett and Mr. Giobbe confirmed that they believed the requested action, which would permit the Director

recruitment to move ahead and be brought to conclusion, was the practical way to proceed. Dr. Pritchett also noted that while he had not agreed with the change making executive level management experience an alternative to the other minimum qualifications, he felt that the commissioners could nevertheless effectively screen candidates.

Mr. Loftis opined that the current job search for the Director position had been improper and illegal. Mr. Loftis stated that on February 16, 2012, the Commission unanimously directed then-Chairman Allen Gillespie to work in conjunction with Ms. Joye Lang of OHR to finalize the Director job description and present the final Director job description to the full Commission for approval at the March 5, 2012 Commission meeting. Mr. Loftis stated that at its March 5, 2012 meeting, the Commission discussed the Director job description, including the minimum qualifications. According to Mr. Loftis, at that meeting, the minimum qualifications for the Director position were identified as a bachelor's degree in business, finance, accounting or related field and ten years experience in management, administration and investments. According to Mr. Loftis: (i) OHR posted the Director job description on the morning of March 8, 2012; (ii) later that morning (March 8, 2012), Ms. Lang sent an email to Mr. Gillespie and then-Vice Chairman Williams suggesting that the minimum qualifications for the Director position be revised, because OHR had received applications that did not meet the minimum qualifications; and (iii) later that day, based on emails from Mr. Williams and Mr. Gillespie, OHR revised the minimum qualifications (as described directly below), and reposted the Director job description based on a revision that had not been approved by the full Commission.

Mr. Loftis stated that the revised job description included the following minimum qualifications: a bachelor's degree in business, finance, accounting or related field; ten years' experience in directing complex accounting, banking, investment, finance, *or* executive level management; and experience in managing human resources, information technology, procurement, and communications. Mr. Loftis averred that the effect of this change to the minimum qualifications was to broaden the qualified applicant pool, as executive level management of many types would satisfy the experience requirement, and concluded that the applicants being considered for the Director position had not been qualified based on the minimum qualifications presented to the full Commission at its March 5, 2012 meeting.

Mr. Loftis then identified a second issue which, in his opinion, was raised by the revision to the minimum qualifications. Mr. Loftis noted that the members of the Commission had received an email from RSIC staff informing them of the change to the minimum qualifications soon after Ms. Lang posted the revised Director job description. Mr. Loftis indicated that a series of emails were thereafter sent by commissioners and OHR staff, which concluded on March 13, 2012 with Mr. Williams informing Ms. Lang that OHR could continue to use the revised job posting. Mr. Loftis opined that these emails constituted an illegal public meeting under the South Carolina Freedom of Information Act ("FOIA"), making the actions taken to revise the Director job description on March 8, 2012 void and invalid. Mr. Loftis further opined that the current applicants from the revised search did not meet the minimum qualifications that the full Commission discussed at its March 5, 2012 meeting, and concluded that the existing search was, in his view, fatally flawed.

Mr. Loftis stated that he had asked Commission staff for information about the Director recruitment, but maintained that staff had not been responsive.

Mr. Loftis stated that, for the reasons he had noted, he could not ratify the revised Director job description and the current search. Mr. Loftis raised a point of order for Chairman Williams to rule on the FOIA issues that Mr. Loftis had identified, as well as the issues relating to the posting of the Director position.

Chairman Williams first responded by noting that Mr. Loftis had received an email from Ms. Lang on March 9, 2012 which informed him that the Director job posting had been changed, provided a link to the revised posting, and invited him to contact OHR if he had any questions. Chairman Williams then advised the Commission that since Mr. Loftis had not raised a point of order regarding the matter until today, he was inclined to say that it was not a point of order well taken, but he would seek further guidance from the parliamentarian.

Mr. Loftis replied that he had previously brought up the issue, noting that he had raised the issue at the Commission's last meeting, as well as in emails. Mr. Loftis stated that he had asked RSIC Legal to look into issues relating to the posting of the Director position, and that RSIC Legal had referred the matter to OHR.

The Chairman renewed his request for guidance as to the point of order. Ms. Nancy Shealy, General Counsel, stated that RSIC staff had not been involved in the management of the Director recruitment process, and she could not render any conclusions or analysis when she did not have all of the facts. Chairman Williams ruled that Mr. Loftis' point of order was not well taken. Mr. Loftis stated his objection to the ruling.

Mr. Gillespie requested guidance as to the actions that needed to be taken to ensure that the Director recruitment process was fully compliant, and could proceed. Chairman Williams reiterated that ratification by the Commission would eliminate any legal ambiguity and permit the recruitment process to continue, using the current pool of applicants, and requested Ms. Shealy's opinion. Ms. Shealy concurred, again noted that she had not been privy to all of the facts relating to the matters being discussed, and suggested ways in which the Commission could attempt to resolve the issues presented.

Dr. Pritchett restated the reasons why he believed it was practical for the Commission to proceed with the hiring process. He observed that the revised job description appeared to be broader than the original job description, so that any applicant who met the original qualifications would meet the revised qualifications.

In the discussion that ensued, Mr. Loftis elaborated upon his critique of the Director recruitment process. He stated that: (i) he had previously informed the Commission of his concerns; (ii) he had asked RSIC's staff and legal counsel to review the actions that had been taken; (iii) in his opinion, RSIC legal counsel had failed to respond adequately to this request; (iv) he would have the Inspector General review this matter, and (v) in his opinion, the Director job posting had been modified by one commissioner for the benefit of the member of staff presently performing the responsibilities of the Director position. Mr. Loftis also opined that the incumbent would not have been qualified under the terms of the original Director job posting, but was qualified under the terms of the revised posting, and reiterated his views that the current job search for the Director position was improper and illegal.

Chairman Williams took issue with several aspects of Mr. Loftis' comments. The Chairman first noted that one commissioner did not change the Director job description. He reminded the Commissioners that the Commission had delegated responsibility for managing the Director

recruitment to OHR, and noted that when questions had been presented regarding the recruitment process, RSIC Legal, which had not been involved in the recruitment process, had asked OHR to respond. The Chairman also advised that the Commission is not required to conduct a formal recruitment process or use an outside consultant or recruiter when hiring a Director or any other staff member, stating that the Commission has the discretion and authority under state law to modify an existing recruitment process.

In response to a request from Mr. James Powers, the Chairman restated the search committee's motion that the steps taken to date by the search committee be ratified by the Commission.

Further discussion ensued. The motion failed with Mr. Powers, Dr. Pritchett, and Chairman Williams voting for the motion, and Messrs. Loftis, Gillespie, and Giobbe voting against the motion.

Dr. Pritchett moved that the current Director search process be replaced by a search process limited to Commission staff, and interviewing only internal candidates for the position. There was not a second on the motion.

Mr. Loftis made a motion calling for OHR to repost the Director position for two weeks with the following qualifications:

*The successful candidate must possess a bachelor's degree in business, finance, accounting or related field, and ten years' experience in directing complex accounting, banking, investments, and finance functions. In addition, candidates must have experience in managing human resources, information technology, legal, procurement, and communications.*

It was clarified that this proposed language would (i) delete the prior posting's "or ten years' experience" and replace it with "and ten years' experience" and (ii) add a reference to "legal" in the concluding sentence. After further discussion regarding mandatory versus preferred qualifications, Mr. Loftis amended his motion calling for OHR to repost the Director position for two weeks with the following qualifications:

*The successful candidate must possess a bachelor's degree in business, finance, accounting or related field, and ten years' experience in directing complex accounting, banking, investments, and finance functions. In addition, it is desirable that candidates have experience in managing human resources, information technology, legal, procurement, and communications.*

After additional discussion, Mr. Loftis further amended his motion by removing the requirement of ten years' experience in banking. The amended motion called for OHR to repost the Director position for two weeks with the following qualifications:

*The successful candidate must possess a bachelor's degree in business, finance, accounting or related field and ten years' experience in directing complex accounting, investments, and finance functions. In addition, it is desirable that candidates have experience in managing human resources, information technology, legal, procurement, and communications.*

Additional discussion ensued regarding the definition of complex accounting. Mr. Loftis further amended his original motion by removing the word "complex". The amended motion called for OHR to repost the Director position for two weeks with the following qualifications:

*The successful candidate must possess a bachelor's degree in business, finance, accounting or related field and ten years' experience in directing accounting, investments, and finance functions. In addition, it is desirable that candidates have experience in managing human resources, information technology, legal, procurement, and communications.*

Questions were raised as to how the phases of the search process following the reposting of the Director job description would be structured. The commissioners expressed a willingness to defer to OHR for decisions as to whether (i) OHR should notify all applicants from the existing search process of the new posting and (ii) candidates in the existing pool who meet the newly revised qualifications of the Director job posting should be required to resubmit applications. There was also consensus that OHR should screen applications received.

After further discussion, Mr. Gillespie seconded the motion.

The Chairman sought to clarify certain statements that had previously been made regarding communications between OHR and members of the Commission in March, 2012. A point of order was raised by Mr. Loftis as to whether this clarification was germane to the motion. The Chairman ruled against Mr. Loftis. The Chair's ruling was appealed to, and sustained by, the body. After presenting his remarks, Chairman Williams noted that he intended to vote against the pending motion's ten year experience requirement because he believed the motion to be directed to eliminate certain individuals from consideration, and did not feel this type of action was appropriate.

Mr. Loftis accepted an amendment to his motion to change the ten year experience requirement to five years of experience in directing accounting, investments, and finance functions.

The question was called. Mr. Loftis was asked to restate his motion. As restated, the motion called for OHR to:

A. Repost the Director position for two weeks with the following qualifications:

*The successful candidate must possess a bachelor's degree in business, finance, accounting or related field and five years' experience in directing accounting, investments, and finance functions. In addition, it is desirable that candidates have experience in managing human resources, information technology, legal, procurement, and communications; and*

B. Screen candidates for qualifications, and contact the current pool of qualified candidates to advise them that the Director position had been re-posted and accepting their original applications.

The motion passed with Messrs. Powers, Loftis, Gillespie, Giobbe, and Dr. Pritchett voting for the motion, and Chairman Williams voting against the motion.

Mr. Powers praised OHR and Ms. Lang for the work they had done, opined that any disagreements relating to the Director recruitment are the responsibility of the Commission, and should not in any way reflect negatively on the abilities of OHR or Ms. Lang.

### III. ADJOURNMENT

There being no further business, the meeting adjourned at 10:27 a.m.

[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, at 4:40 p.m. on August 14, 2012. A revised public notice and agenda were delivered at 8:45 a.m. on August 15, 2012.]