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RETIREMENT SYSTEM INVESTMENT COMMISSION

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COMMISSIONER



Human Resources & Compensation Committee Meeting Agenda

Thursday, March 8, 2018 10:00 a.m.
RSIC Presentation Center

- I. Call to Order and Adoption of Proposed Agenda
- II. Approval of Minutes (September 15, 2017)
- III. Human Resources Department Update
 - A. Proposed Charter Updates
 - B. Proposed Compensation Policy Updates
 - C. CEO and Staff Evaluation Process Updates
 - D. Discussion of Proposed RFP for a compensation consultant
 - E. CEM Benchmarking Report on Employee Headcount and Allocation
- IV. Executive Session to discuss personnel matters, including an update regarding compensation matters, and receive legal advice pursuant to S.C. Code Ann. §30-4-70(a)(1)-(2)
- V. Potential actions resulting from Executive Session
- VI. Adjournment

NOTICE OF PUBLIC MEETING

This notice is given to meet the requirements of the S.C. Freedom of Information Act and the Americans with Disabilities Act. Furthermore, this facility is accessible to individuals with disabilities, and special accommodations will be provided if requested in advance.

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**South Carolina Retirement System Investment Commission
Human Resources and Compensation Committee Meeting
Minutes
September 15, 2017**

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

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

Others present for all or a portion of the meeting on Friday, September 15, 2017: Kara Brurok, Andrew Chernick, Mitchell Goldsmith, Michael Hitchcock, and Brittany Storey from the South Carolina Retirement System Investment Commission (“RSIC”).

I. Call to Order & Adoption of Proposed Agenda

Chair Dr. Ronald Wilder called the meeting of the Human Resources (“HR”) and Compensation Committee (“Committee”) of the South Carolina Retirement System Investment Commission (“Commission”) to order at 9:30 a.m. Dr. Rebecca Gunnlaugsson made a motion, which was seconded by Mr. Reynolds Williams and passed unanimously, to adopt the agenda as presented.

II. Approval of Minutes (May 25, 2017)

Chair Wilder referred to the draft minutes from the May 25, 2017 Committee meeting and asked if there were any objections or corrections. Mr. Williams made a motion to adopt the minutes from the May 25, 2017 Committee meeting as presented. Dr. Gunnlaugsson seconded the motion, and it was unanimously approved.

III. Human Resources Department Update

Mr. Andrew Chernick, Chief Operating Officer (“COO”), provided the Committee with an update about recent changes to RSIC Staff (“Staff”). Mr. Chernick began by noting that he had recently been promoted to the role of COO. He then explained that with the departure of Mr. John Farmer, former HR Director, Ms. Brittany Storey had been promoted to the role of HR Manager. Mr. Chernick explained that he will oversee Ms. Storey’s management of the day-to-day operations of RSIC’s HR function, but Mr. Michael Hitchcock, Chief Executive Officer (“CEO”), will oversee Ms. Storey’s activities relating to staffing and compensation matters.

Ms. Storey then proceeded to update the Committee on HR matters. She stated that her top priority is assuming all of the responsibilities of her new role as HR Manager. Ms. Storey explained that she would be collecting feedback from supervisors about RSIC’s HR function in an effort to find areas for improvement and that she will present her findings to RSIC’s Leadership Team. Ms. Storey also stated that she was collecting information from RSIC’s investment managers about their employee performance review processes in order to improve RSIC’s practices. Ms. Storey concluded her remarks by stating that she looks

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forward to continuing the dialogue between the Committee and Staff. The Committee members then congratulated Ms. Storey on her promotion.

IV. Review of the Human Resources and Compensation Committee Charter

Mr. Chernick then turned the discussion to the HR Committee Charter (“Charter”). He explained that, under the Charter, the Committee must review compliance with the Charter’s requirements annually. Mr. Chernick explained that Staff had reviewed the Charter and noted no compliance issues. He then referenced the Charter’s requirement that the Committee and individual Committee member’s performance be reviewed annually and asked the Committee whether this requirement should be rolled into the Commission’s annual self-evaluation. Dr. Gunnlaugsson voiced her approval of Mr. Chernick’s suggestion. Mr. Chernick stated that Staff would bring the matter to the Commission at a later date.

Mr. Hitchcock thanked Mr. Chernick for his leadership with respect to RSIC’s HR function. Mr. Hitchcock then introduced Ms. Kara Brurok who recently joined RSIC as Director of External Policy. He explained that Ms. Brurok will handle all government relations and other governmental matters.

V. Executive Session

Dr. Gunnlaugsson made a motion to enter into Executive Session to discuss personnel matters pursuant to S.C. Code Ann. § 30-4-70(a)(1). Mr. Williams seconded the motion, and it was unanimously approved.

The Committee reconvened in open session. Chair Wilder reported that the Committee met in Executive Session to discuss personnel matters. He also reported that no action was taken in Executive Session.

VI. Adjournment

There being no further business, Mr. Williams made a motion to adjourn. Dr. Gunnlaugsson seconded the motion, which passed unanimously. The Committee adjourned at 10:54 a.m.

[Staff Note: In compliance with S.C. Code Ann. 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., at 9:12 a.m. on September 14, 2017.]

Human Resources and Compensation Committee

- I. Definitions.** For purposes of this charter, the following capitalized terms will have the defined meaning set forth below:
- (A) “Commission” means the commission of seven members responsible for managing the South Carolina Retirement System Investment Commission, as specified in S.C. Code of Laws Ann. §9-16-315.
 - (B) “South Carolina Retirement System Investment Commission” or “RSIC” means the agency established by South Carolina law for the purpose of investing and managing all assets held in trust for the participants and beneficiaries of the state’s five separate defined benefit plans.
- II. Purpose of the Committee.** The Commission has established a Human Resources and Compensation Committee (“HR and Compensation Committee” or the “Committee”) to consider and make recommendations to the Commission concerning matters relating to the compensation of the RSIC staff and to provide oversight relating to human resources.
- III. Primary Responsibilities**
- (A) Reviewing and making recommendations related to the RSIC’s Compensation Policy to ensure the RSIC can recruit and retain superior talent to satisfy the core mission of the Commission.
 - (B) Providing guidance and oversight to the human resources function.
 - (C) Receiving recommendations from the Director of Human Resources for human resources functional needs and changes as well as for RSIC staff development.
 - (D) Conducting or procuring a new peer compensation study at least every three years to assess the current level of RSIC staff compensation and make revisions to target salary ranges, as appropriate.
- IV. Composition**
- (A) The Compensation Committee will consist of three members of the Commission.
 - (B) The Commission will appoint Committee members and the Committee Chair in accordance with the Committees Policy of the Commission.
- V. Meetings**
- (A) The HR and Compensation Committee will provide guidance to staff on meeting

agendas, notices, and minutes in accordance with the Committees Policy of the Commission, the South Carolina Freedom of Information Act (“FOIA”), and all other applicable laws.

- (B) In the event a Commission member who is not a member of the HR and Compensation Committee attends a Compensation Committee meeting, he will not have voting rights and will not participate in discussions of the Compensation Committee.

VI. Authority. The Committee is empowered to:

- (A) Recommend to the Commission the retention of consultants or other resources needed by the Committee to carry out its primary responsibilities.
- (B) Meet with and seek information from the Commission, RSIC staff, consultants, and/or other subject matter specialists, as necessary to carry out its primary responsibilities.

VII. Reporting Responsibilities. Report to the Commission about Committee activities, issues, and related recommendations as appropriate.

VIII. Other Responsibilities

- (A) Perform other activities related to this charter as requested by the Commission.
- (B) Review and assess the adequacy of the Committee charter at least every three years, requesting Commission approval for proposed changes.
- (C) Confirm annually that all responsibilities outlined in this charter have been carried out.
- (D) Evaluate the Committee's and individual Committee member's performance on an annual basis in accordance with the Commission Evaluation Process.

COMPENSATION POLICY

THE LANGUAGE USED IN THIS DOCUMENT DOES NOT CREATE AN EMPLOYMENT CONTRACT BETWEEN THE EMPLOYEE AND THE AGENCY (HEREINAFTER "RSIC"). THIS DOCUMENT DOES NOT CREATE ANY CONTRACTUAL RIGHTS OR ENTITLEMENTS. THE RSIC RESERVES THE RIGHT TO REVISE THE CONTENT OF THIS DOCUMENT, IN WHOLE OR IN PART. NO PROMISES, ASSURANCES, WHETHER WRITTEN OR ORAL, WHICH—THAT ARE CONTRARY TO OR INCONSISTENT WITH THE TERMS OF THIS PARAGRAPH CREATE ANY CONTRACT OF EMPLOYMENT.

I. COMPENSATION POLICY PURPOSE & PHILOSOPHY

- (A) The South Carolina Retirement System Investment Commission ("RSIC") recognizes the importance of attracting and retaining a highly qualified professional staff so as to achieve its business and investment objectives. To remain competitive in its efforts to attract, hire, retain, and motivate such a staff, a reasonable and competitive compensation plan is critical.
- (B) A reasonable and competitive compensation plan is one that offers a competitive salary and contingent performance increases for all members of RSIC staff and, in so doing, ~~appropriately~~ rewards staff for their contributions in generating significant value to the Plan by (i) assisting the Commission in setting the strategic asset allocation and direction, (ii) implementing the Commission's investment, administrative, and operational directives, and (iii) otherwise fulfilling their responsibilities to invest and manage the assets of the South Carolina Retirement System.

II. AUTHORITY

(A) Statutory

- 1) S.C. Code Ann. §9-16-315(G) provides that the ~~RSIC-Commission~~ shall employ a Chief Executive Officer ("CEO") who serves at the pleasure of the Commission. The CEO is the chief administrative officer of the Commission as an agency and is charged with the affirmative duty to carry out the mission, policies, and direction of the Commission as established by the Commission. The CEO is delegated the authority of the Commission necessary, reasonable, and prudent to carry out the operation and management of the Commission as an agency and to implement the Commission's decisions and directives.
 - 2) S.C. Code Ann. §9-16-315(H)(1) provides that the CEO shall employ a Chief Investment Officer ("CIO"). The CIO shall develop and maintain annual investment plans and invest and oversee the investment of retirement system funds subject to the oversight of the CEO.
 - 3) S.C. Code Ann. §9-16-315(H)(2) provides that the CEO shall employ the other professional, administrative, and clerical personnel s/he determines necessary to support the administration and operation of the Commission and fix their compensation pursuant to an organizational plan approved by the Commission. All employees of the Commission are employees at will and serve at the pleasure of the CEO. The compensation of the CEO, CIO, and other employees of the Commission is not subject to the State of South Carolina's compensation plan.
- ~~1) Chief Investment Officer ("CIO"), and may employ other professional, administrative, and clerical personnel. This section further provides that the compensation of Commission~~

~~employees is not subject to the state compensation plan. Pursuant to this section and within the annual authorized budget, the Commission has the sole authority to determine compensation levels of Commission employees and the means and methods by which compensation levels are determined.~~

~~2)4)~~ S.C. Code Ann. §9-16-30(A) provides that the Commission may delegate functions that a prudent person acting in a like capacity would delegate except for the final authority to invest. Pursuant to the authority provided by this section, ~~the Commission delegates certain authority necessary to administer this Compensation Policy (the "Policy") to the Chief Executive Officer ("CEO"), as provided by the Policy.~~ The CEO may delegate certain administrative responsibilities to RSIC staff as s/he deems appropriate, in accordance with the RSIC's Governance Policies.

~~3)5)~~ Any reference to "performance increase", "performance pay", or other terminology to this effect is not intended to parallel, correspond, or in any way comply with definitions of such terms in South Carolina law regarding classified employees and those subject to the state compensation plan.

~~4)6)~~ Pursuant to S.C. Code Ann. ~~§~~9-16-315(G) and any applicable law, the Commission reserves the right to modify, terminate, and/or rescind any and/or all of the compensation schedules, provisions, policies, and procedures contained in this and/or any supporting documents at any time. This document sets forth a policy and does not create or provide a contract, guarantee of payment, or guarantee of employment between the RSIC, ~~SCRS~~the South Carolina Retirement System, or the State of South Carolina and the employees described in this document.

(B) Compliance with State and Federal Law

If the Commission or a court having appropriate jurisdiction determines that any portion of the Compensation Policy violates an applicable state or federal law, that portion will not be in effect at any time. The remaining portions of the Compensation Policy will remain in full force and effect to the maximum extent possible.

III. ~~R~~REPORTING

(A) The CEO will annually prepare a report for the Commission detailing the financial impact of all compensation paid each fiscal year to staff. All compensation paid must be within the RSIC's approved annual budget for personal services.

(B) The CEO will provide regular updates to the Human Resources and Compensation Committee ("HRC Committee") regarding changes in employee compensation, position, and title, as well as hirings, terminations, or resignations since the previous meeting.

IV. SALARY

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South Carolina Retirement System Investment Commission

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(A) Determining Salary

- 1) As approved by the Commission, compensation is targeted at the 75th percentile of total salary amounts paid by a select group of U.S. public pension funds, endowments, foundations, regional financial services organizations, and State agencies (evaluated as follows: front office = U.S. public pension funds, endowments, foundations, and financial services; middle office = U.S. public pension funds, state agencies, endowments, and foundations; back office = U.S. public pension funds, endowments, foundations, and financial services).
- 2) The Commission will determine the CEO's salary. ~~The CEO will recommend to the Commission for its approval the CIO's salary and subsequent performance increases.~~
- 3) The CEO will use the Agency Salary Grades established in **Appendix A** to slot all other job roles in the grade for which the midpoint of the grade is closest in amount to the targeted 75th percentile of total salary for the particular role. The CEO will set individual salaries by determining where a person in a particular role falls along the role's grade. In doing so, the CEO will consider a number of factors including, but not limited to, the employee's experience, education, knowledge, skills, overall job performance, position within the RSIC and within the RSIC's strategic goals and plans, as applicable.
- 4) The HRC Committee must approve the initial slotting of all existing job roles, the slotting of newly created roles, and the movement of a slotted job role from one grade to another.
- 5) The CEO will make increases to individual salaries pursuant to the guidelines set forth in Section V of this Policy.

(B) Legislative Salary Adjustments (Note: A/K/A "Cost of Living Adjustments" or "COLAs")

- 1) The South Carolina General Assembly may appropriate or authorize the expenditure of funds for state employee salary increases each fiscal year, which may depend on the employees' classification status.
- 2) RSIC employees will be granted a legislative increase if the annual Appropriations Act provides for state employees in the unclassified other (non-teachers) classification, consistent with the allocation of fund set by Department of Administration's Executive Budget ~~Office's allocation of funds.~~
- 3) Agency salary grades will be calibrated to reflect applicable cost of living adjustments.

V. GUIDELINES & IMPLEMENTATION FOR EMPLOYEE PERFORMANCE INCREASES

(A) Performance Increases: This component of compensation is contingent on individual performance. Performance increases provide eligible RSIC employees the opportunity to earn a performance increase to his or her salary. The performance increase will be determined by the CEO based upon the results of the Employee Performance Management System ("EPMS") review, achievement of initiatives and goals related to the strategic plan as applicable, and other contributions not necessarily related to investment performance. All performance increases will be made pursuant to the guidelines set forth in this section.

(B) Eligibility**3 | Compensation Policy***South Carolina Retirement System Investment Commission*

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- 1) Generally, all RSIC positions are eligible positions under the Performance Increase Policy except for contract workers and temporary employees.
- 2) All Performance Increases must be allocated within the constraints of the RSIC's approved annual budget for personal services.

(C) Mechanics of Performance Increases

1) Effective Dates and Performance Period

- (a) Based on an adequate available budget, performance increases to salary will be effective as soon as practicable following the EPMS review for the preceding year's Performance Period.
- (b) The Performance Period for Performance Increases will be in accordance with the RSIC's EPMS Policy.
- (c) The CEO will cause all required documents to be submitted to effect salary increases.

2) Performance Increases Standards & Measurements

- (a) Performance Increases to salary-salaries are determined using an eligible annual merit budget, salary range data for the assigned job grade, current employee salary within the salary range, and the current performance evaluation rating.
- (b) The annual merit budget for the investment team will be based on the investment performance of the portfolio during the preceding fiscal year. The investment team annual merit budget will be a maximum of six percent of the aggregate amount of the investment team salaries. Two percent will be added to the merit budget for each of the following separate factors:
 - (i) the investment performance of the portfolio exceeds the median rate of return of U.S. public pension funds as reported by The Bank of New York Mellon, Wilshire TUCS, Callan Associates, or a similar source of comprehensive U.S. pension fund return data; and/or
 - (ii) the investment performance of the portfolio exceeds the assumed rate of return; and/or
 - (iii) the actual investment performance of the portfolio exceeds the policy benchmark of the portfolio by more than fifty basis points.
- (c) The annual merit budget for the operations and administration team will be a percentage of the aggregate amount of the operations and administration team salaries which will be determined by the CEO and approved by the HRC Committee.
- (d) Individual Performance Increases are directly linked to the results of an employee's EPMS review for the preceding year's Performance Period and the employee's place within their assigned job grade's salary range. In determining individual performance increases, the CEO will use the grid method shown by way of example in **Appendix B**.
- (e) In accordance with the RSIC's Personnel Policies, all employees will be given an EPMS review, which serves as an annual appraisal of his or her performance.
 - (i) The EPMS review is a collaborative process between each employee and his or her supervisor and includes job duties, objectives, desired performance characteristics, and comments and/or feedback.

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South Carolina Retirement System Investment Commission

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- (ii) Cooperation and participation toward fulfilling the RSIC’s strategic goals are evaluated in each RSIC employee’s EPMS review along with other factors and criteria.
- ~~(iii)~~ Employees should be evaluated annually.
- ~~(iv)~~(iii)
- (f) ~~(d)~~ Performance increases for employees must be calibrated in a manner that progresses an employee along the salary grade for the employee’s position consistent with the knowledge, experience, and performance level expected for each tri-tile and the relative point within each tri-tile. The CEO must seek the approval of the HRC Committee prior to increasing an employee’s salary above the maximum amount of the salary grade for the employee’s position.

5 | *Compensation Policy*

South Carolina Retirement System Investment Commission

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(D) Plan Modification, Suspension, and Termination

- 1) There is no vested right to any benefits under the Performance Increase provisions of the Compensation Policy nor is there any guarantee to the continuing existence of Performance Increases under this Policy.
- 2) The Commission will have the right to modify the Performance Increase provisions of the Compensation Policy or any portion thereof at any time.

(E) Other Salary Adjustments: Nothing in this Policy prohibits the CEO from making other adjustments to salaries of RSIC employees. Salary adjustments may be made based on an employee gaining additional skills or knowledge directly related to his or her job, an employee being assigned additional job duties or broader responsibilities, or a promotion or reassignment of an employee to another position. Salary adjustments made pursuant to this item must be calibrated in a manner that takes into consideration the effect that the increase will have on the relative position of the employee's salary along the applicable salary grade.

VI. OTHER PLAN PROVISIONS**(A) At-will Employment**

- 1) Nothing in this Policy alters the at-will nature of employment between the RSIC and its employees.
- 2) Nothing in the adoption of this Policy creates a contract between the RSIC, the South Carolina Retirement System, the State of South Carolina, and any RSIC employee or confers on any RSIC employee the right to continued employment with the RSIC.
- 3) Nothing in the adoption of this Policy affects the right of the RSIC to terminate the employment of any of its employees at any time.

(B) Plan Does Not Create a Trust or Entitlement

- 1) The adoption of this Policy will not be deemed to create a trust or entitlement of any kind.
- 2) No employee will have any security or other interest in any asset of the Retirement System by reason of this Policy or approved annual personal services budget.

(~~D~~C) Taxes & Other Deductions

- 1) All COLAs and/or Performance Increases paid under this Policy will be subject to any deductions for tax and withholding required by the federal, state, or local law in effect at the time of payment and for any and all amounts that may be owed by the employee to the RSIC at the time of payment.
- 2) The RSIC is not obligated to advise an employee of the existence of any tax or amount that the RSIC will be required to withhold.

(~~E~~D) Eligibility for Retirement Purposes: Performance Increases are eligible for pension plan purposes.

6 | Compensation Policy*South Carolina Retirement System Investment Commission*

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(FE) Grievances: The Commission, in consultation with the CEO, will resolve and has final authority to resolve an RSIC employee’s grievance or dispute arising from this Policy.

VII. POLICY REVIEW & HISTORY

(A) The Commission will review this Policy at least every three years to ensure that it remains relevant and appropriate, or when there is an amendment to state law relevant to any section of this Policy, or when there is a Commission approved change in the responsibilities, duties, or operations of the Commission generally.

(B) Policy Adopted: January 26, 2010.

(C) Policy Amended: April 21, 2011; July 21, 2011; May 17, 2012; May 23, 2013; March 13, 2014; June 3, 2014; October 2, 2014, ~~and~~ November 19, 2015, and _____.

7 | *Compensation Policy*

South Carolina Retirement System Investment Commission

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VIII. APPENDICES

APPENDIX A

Grade	1 st Tri-tile		2 nd Tri-tile		3 rd Tri-tile	
	1 st Tri-tile	1 st Tri-tile	2 nd Tri-tile	2 nd Tri-tile	3 rd Tri-tile	3 rd Tri-tile
12	\$ <u>253,600</u> <u>257</u> , 500	\$ <u>355,032</u> <u>360</u> , 500	\$ <u>355,033</u> <u>360</u> , 501	\$ <u>456,466</u> <u>463</u> , 499	\$ <u>456,467</u> <u>463</u> , 500	\$ <u>557,900</u> <u>566</u> , 500
11	\$ <u>187,800</u> <u>190</u> , 800	\$ <u>262,932</u> <u>267</u> , 133	\$ <u>262,933</u> <u>267</u> , 134	\$ <u>338,066</u> <u>343</u> , 466	\$ <u>338,067</u> <u>343</u> , 467	\$ <u>413,200</u> <u>419</u> , 800
10	\$ <u>148,400</u> <u>150</u> , 700	\$ <u>197,866</u> <u>200</u> , 933	\$ <u>197,867</u> <u>200</u> , 934	\$ <u>247,332</u> <u>251</u> , 166	\$ <u>247,333</u> <u>251</u> , 167	\$ <u>296,800</u> <u>301</u> , 400
9	\$ <u>114,100</u> <u>115</u> , 900	\$ <u>152,132</u> <u>154</u> , 533	\$ <u>152,133</u> <u>154</u> , 534	\$ <u>190,166</u> <u>193</u> , 166	\$ <u>190,167</u> <u>193</u> , 167	\$ <u>228,200</u> <u>231</u> , 800
8	\$ <u>87,800</u> <u>89,20</u> 0	\$ <u>117,066</u> <u>118</u> , 933	\$ <u>117,067</u> <u>118</u> , 934	\$ <u>146,332</u> <u>148</u> , 666	\$ <u>146,333</u> <u>148</u> , 667	\$ <u>175,600</u> <u>178</u> , 400
7	\$ <u>75,000</u> <u>76,20</u> 0	\$ <u>92,499</u> <u>93,96</u> 7	\$ <u>92,500</u> <u>93,96</u> 8	\$ <u>109,999</u> <u>111</u> , 732	\$ <u>110,000</u> <u>111</u> , 733	\$ <u>127,500</u> <u>129</u> , 500
6	\$ <u>60,000</u> <u>61,00</u> 0	\$ <u>73,999</u> <u>75,23</u> 3	\$ <u>74,000</u> <u>75,23</u> 4	\$ <u>87,999</u> <u>89,46</u> 6	\$ <u>88,000</u> <u>89,46</u> 7	\$ <u>102,000</u> <u>103</u> , 700
5	\$ <u>48,000</u> <u>48,70</u> 0	\$ <u>59,199</u> <u>60,06</u> 7	\$ <u>59,200</u> <u>60,06</u> 8	\$ <u>70,399</u> <u>71,43</u> 2	\$ <u>70,400</u> <u>71,43</u> 3	\$ <u>81,600</u> <u>82,80</u> 0
4	\$ <u>41,400</u> <u>42,10</u> 0	\$ <u>48,299</u> <u>49,13</u> 3	\$ <u>48,300</u> <u>49,13</u> 4	\$ <u>55,199</u> <u>56,16</u> 6	\$ <u>55,200</u> <u>56,16</u> 7	\$ <u>62,100</u> <u>63,20</u> 0
3	\$ <u>34,600</u> <u>35,00</u> 0	\$ <u>40,366</u> <u>40,83</u> 3	\$ <u>40,367</u> <u>40,83</u> 4	\$ <u>46,132</u> <u>46,66</u> 6	\$ <u>46,133</u> <u>46,66</u> 7	\$ <u>51,900</u> <u>52,50</u> 0
2	\$ <u>28,800</u> <u>29,20</u> 0	\$ <u>33,599</u> <u>34,06</u> 7	\$ <u>33,600</u> <u>34,60</u> 8	\$ <u>38,399</u> <u>38,93</u> 2	\$ <u>38,400</u> <u>38,93</u> 3	\$ <u>43,200</u> <u>43,80</u> 0
1	\$ <u>24,000</u> <u>24,40</u> 0	\$ <u>27,999</u> <u>28,46</u> 7	\$ <u>28,000</u> <u>28,46</u> 8	\$ <u>31,999</u> <u>32,53</u> 2	\$ <u>32,000</u> <u>32,53</u> 3	\$ <u>36,000</u> <u>36,60</u> 0

8 | Compensation Policy

South Carolina Retirement System Investment Commission

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APPENDIX B

Sample Performance Increase Grid Assuming a 4% Merit Budget

		Percent Increase				
		Substantially Exceeds	8.5%	6.5%	5.0%	3.0%
Performance Rating	Exceeds	5.5%	4.5%	4.0%	2.0%	0.0%
	Meets	4.0%	3.5%	2.5%	1.0%	0.0%
	Below	0.0%	0.0%	0.0%	0.0%	0.0%
	Does Not Meet	0.0%	0.0%	0.0%	0.0%	0.0%
		Below Minimum	1st Tri-tile	2nd Tri-tile	3rd Tri-tile	Above Maximum
Position-in-Range						

9 | *Compensation Policy*

South Carolina Retirement System Investment Commission

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Employee Performance Review

Date:

Employee Name:	Job Title:
Department:	Manager:
Review Period Start:	Review Period End:

Ratings	
<i>The sub-headings for each group are suggested criteria to be evaluated and are not intended to be all-inclusive and may be changed, deleted or added to as required. The comments area for each should be used for expansion, explanation, description of strengths and/or problem areas for each grouping. Specific improvement actions, however, should be described in the following section. Select the appropriate term below to describe performance for each category and select the appropriate rating number.</i>	
Consistently, over time, performs all duties in an exceptional manner; significantly exceeds expectations with exceptional quality, quantity and timeliness of work; significantly exceeds all objectives, always achieves exceptional results well beyond those expected of the position. Note – usage of this category is highly limited.	Exceptional 5
Consistently exceeds the normal expectations for the position; exceeds expected criteria for quality, quantity and timeliness of work; consistently exceeds goals and objectives; achieves results beyond those expected for the position.	Exceeds 4
Consistently performs all duties of the position in a fully capable manner; meets all expected criteria for quality, quantity and timeliness of work, including meeting goals and objectives.	Meets 3
Performs many duties in a capable manner; meets some goals and objectives, but requires improvement in quality, quantity and timeliness of work to achieve overall satisfactory performance, may require more supervision than expected for assignment. Could be the performance level of those new to a position.	Marginal 2
Unacceptable performance suggesting lack of willingness and/or ability to perform the requirements of the position. Separation or reassignment is indicated unless performance improves significantly. Requires excessive supervision.	Unsatisfactory 1

Goals
<i>Describe goals for review period: Minimum of 2 goals</i>

Performance Results	
<p>1. Quality of Work. Completes high quality work with thoroughness and accuracy to achieve results. Thoroughly follows standards and procedures. Keeps complete records. Pays adequate attention to detail.</p> <p>Comments:</p>	<p>Rating: (1-5)</p>
<p>2. Quantity of Work. Completes assignments by or before deadline. Produces acceptable quantity of work. Maintains control of work regardless of environmental pressures. Manages priorities. Accepts new responsibilities.</p> <p>Comments:</p>	<p>Rating: (1-5)</p>
Performance Factors	
<p>3. Job Knowledge and Technical Application. Applies technical, professional knowledge to job requirements, especially in the areas of value creation, attribution, etc. Keeps job knowledge and technical skills current. Uses past experience to solve problems. Demonstrated ability to perform all aspects of job responsibilities, including qualitative and quantitative analysis.</p> <p>Comments:</p>	<p>Rating: (1-5)</p>
<p>4. Organization and Planning. Sets priorities to optimize time usage. Engages in short and long term planning. Proposes milestones which allow progress to be adequately measured. Adheres to schedules and plans. At all times, aware of and adhere to policies of organization. Appropriate usage of resources, including other co-workers, interns and analysts.</p> <p>Comments:</p>	<p>Rating: (1-5)</p>
<p>5. Analytical and Problem Solving. Understands and defines problems clearly. Performs appropriate analysis required to fully understand the problem and inform solutions. Seeks help and input from others as necessary. Participates constructively in group problem solving. Anticipates and confronts problems as they arise.</p> <p>Comments:</p>	<p>Rating: (1-5)</p>
<p>6. Judgment and Decision Making. Considers relevant alternatives before making decisions. Shows timeliness and conviction in making recommendations and decisions that withstand critical examination. Demonstrates an ownership of decisions and actions. When appropriate, seeks input from others and thoughtfully considers the opinions and perspectives of others. Utilizes judgment in decision making based on facts and available information.</p> <p>Comments:</p>	<p>Rating: (1-5)</p>
<p>7. Self Improvement and Initiative. Attempts to keep knowledge current in the field. Resourceful in accomplishing tasks. Proactively utilizes the tools and resources available to work on areas of improvement. Willingness to lead a project outside of core day-to-day responsibilities.</p> <p>Comments:</p>	<p>Rating: (1-5)</p>
<p>8. Innovation and Creativity. Generates workable ideas, concepts, and techniques that can be implemented within our governance structure. Demonstrates a willingness to consider different perspectives and explore new approaches. Simplifies and/or improves procedures, techniques, and processes.</p> <p>Comments:</p>	<p>Rating: (1-5)</p>

<p>9. Communication. Articulates ideas in an efficient, clear, concise, and appropriately assertive manner based on conviction. Produces readable, concise and accurate written documentation. Keeps others adequately informed and elevates relevant detail when appropriate. Engages in professional and positive interactions with co-workers and external managers. Appropriately considerate and respectful of other perspectives.</p> <p>Comments:</p>	<p>Rating: (1-5)</p>
<p>10. Teamwork. Assist others when needed. Contributes to building a positive team environment. Participates effectively in the work team by offering ideas and considered a value-added member by contributing to the group and to the work of others. Listens to other's suggestions or ideas. Comfortable with expressing disagreement directly and professionally with others. Prevents or resolves conflict. Puts success of the team/organization above own interests. Provide positive mentorship to analysts and interns and demonstrate the RSIC Core Values.</p> <p>Comments:</p>	<p>Rating: (1-5)</p>

Summary and Overall Evaluation	
Total Points	___/10= ___ Overall Rating

Overall Rating:

Comments of Supervisor

Comments of Employee

Planning Stage Verification:	
<i>By signing this form, you confirm that you have discussed this planning stage in detail with your manager.</i>	
<i>Employee Signature</i>	<i>Date</i>
<i>Manager Signature</i>	<i>Date</i>

Verification of Final Review:	
<i>By signing this form, you confirm that you have discussed this review in detail with your manager. Signing this form does not necessarily indicate that you agree with this evaluation.</i>	
<i>Employee Signature</i>	<i>Date</i>
<i>Manager Signature</i>	<i>Date</i>



Investment full-time equivalent (FTE)

South Carolina Retirement Systems Investment Commission
for the calendar year ended December 31, 2016



How to use the FTE report:

- The FTE analysis is most useful for planning purposes. For example:
 - o Economies of scale - You will need 4 more FTE (9% more) if your fund grows by 20% without changing its complexity.
 - o New asset classes and new implementation styles - If you are contemplating new asset classes or new implementation styles, the report can help you estimate how many FTE you will need. For example, for funds considering adding an external real estate program, it is helpful to know that the median peer requires 0.6 front-office FTE and 0.7 governance, operations and support FTE per \$ billion of internally managed real estate.
- The FTE analysis is also useful for questioning where you have substantially more/fewer FTE for each asset class style and each governance, operations and support activity. Improved understanding of differences leads to new insights.

Your investment FTE benchmarking peer group

Your custom peer group consists of the 14 funds shown in the table below. Your peer group was selected based on asset size, implementation style, use of derivatives, and how much you rely on third parties.

Custom peer group for South Carolina Retirement Systems Investment Commission

ATP Lifelong Pension

AustralianSuper

BT Pension Scheme Management

California State Teachers' Retirement System

Maryland State Retirement and Pension Systems

New Zealand Superannuation Fund

Oregon Public Employees Retirement Fund

QSuper

Railway Pension Investments Limited

Regents of the University of California

South Carolina Retirement Systems Investment Commission

State of Wisconsin Investment Board

Teachers' Retirement System of the State of Illinois

Universities Superannuation Scheme Ltd.

Peer group characteristics

Characteristic	You	Peers	Universe
# of funds	1	14	44
Total assets	\$29 BN	\$71 BN	\$113 BN
% internally managed			
Total fund	6%	30%	50%
Public assets and hedge funds only	8%	34%	56%
Private assets only	0%	13%	27%
Asset mix			
Stock	27%	38%	39%
Fixed income	29%	33%	32%
Hedge funds	18%	6%	5%
Real estate, infrastructure, commod.	7%	12%	15%
Private equity	15%	9%	8%
Overlays/derivatives	<u>3%</u>	<u>2%</u>	<u>1%</u>
	100%	100%	100%

Your 41 investment FTE compares to your benchmark of 48 FTE.

Your actual investment FTE versus benchmark FTE

	Actual	Benchmark	More/-less
Front-office investment FTE	14	14	0
Governance, operations, support FTE	27	34	-7
	41	48	-7

Your FTE benchmark must be interpreted carefully:

- More FTE in the front office may be caused by more investment strategies or more FTE intensive strategies. Net value added is the best measure of the effectiveness of investment strategies.
- More FTE in governance operations and support is often caused by doing more activities in-house. Funds often do activities in-house when it is lower cost than using third parties, or when they cannot get the service and quality they need from third-parties. Thus having more FTE than the benchmark may be more cost effective.
- The details comprising the benchmark are useful for developing new insights. Seeing where you differ from peers and questioning why often leads to new ideas of how to improve performance.

Your front-office benchmark of 14 FTE is based on the peer median "FTE per billion" for each asset class and style.

	Assets ¹ \$BN	Peer median FTE/\$BN	Benchmark FTE	Your actual FTE	Excess FTE
Asset class - implementation style	(A)	(B)	(C = A x B)	(D)	(D-C)
Stock, REITs, commodities - external passive	2.5	0.15	0.4	0.3	-0.1
Stock, REITs, commodities - external active	5.5	0.30	1.6	2.8	1.1
Fixed income - external passive	0.2	0.08	0.0	0.3	0.2
Fixed income - external active	6.2	0.26	1.7	2.0	0.3
Fixed income - internal active	1.7	0.67	1.1	1.3	0.1
Hedge Funds and TAA	5.2	0.67	3.5	1.0	-2.5
Real estate (ex. REITS) - external active	1.6	0.45	0.7	1.5	0.8
Infrastructure - external active	0.3	0.89	0.2	0.0	-0.2
Private equity - co-investments	0.7	0.61	0.5	0.0	-0.5
Derivatives / overlays - external passive ¹	4.6	0.13	0.6	0.0	-0.6
Derivatives / overlays - internal passive ²	n/a	n/a	0.5	0.5	0.0
Total front-office FTE			13.7	14.0	0.3

1. Assets for external derivatives/overlays is the notional amount. Assets for external private equity and real assets is the amount fees are based on (i.e., often the committed amount during the investment phase and unreturned invested capital afterwards).
2. Your predicted FTE for internal derivatives/overlays is set equal to your actual FTE for the style because there is no reliable asset base or notional amount upon which to base a prediction.

Your governance, operations and support benchmark of 34 FTE is based on regression analysis.

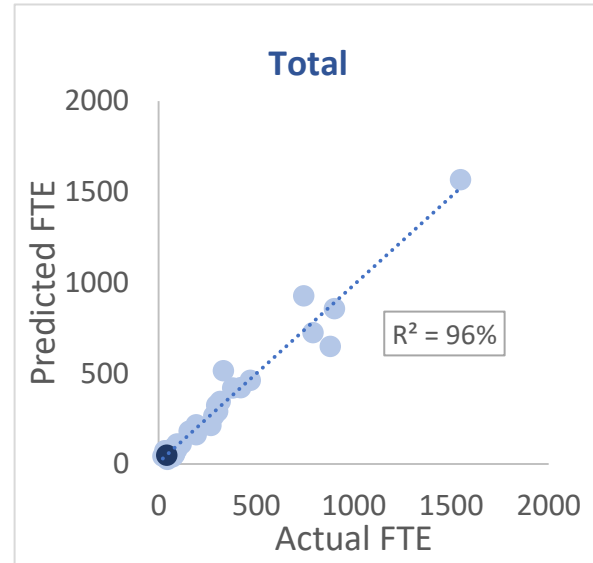
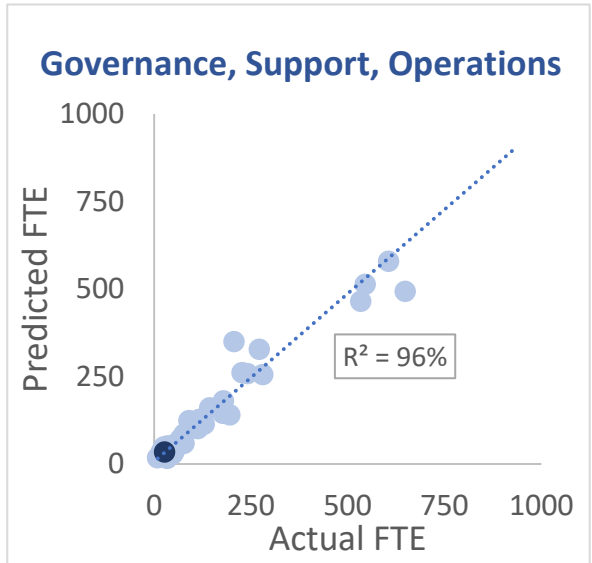
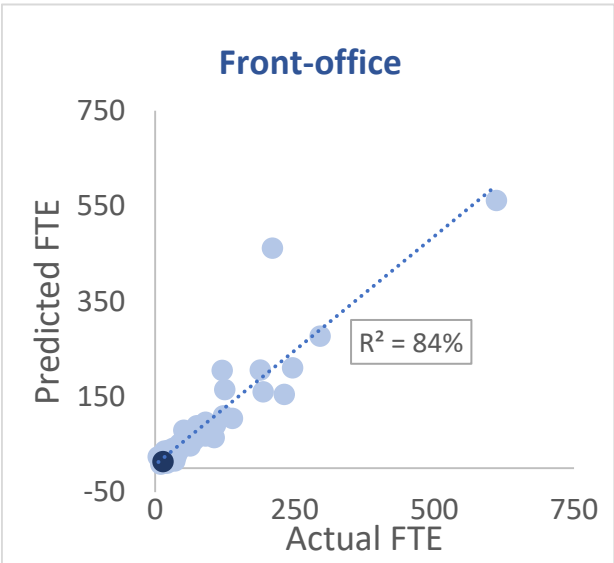
Calculation of your governance, operations and support FTE benchmark

Activity	Regression parameters		Your benchmark FTE		
	Constant (A)	Coefficient (B)	Benchmark FTE (C = A + B x F ¹)	Actual FTE (D)	Excess FTE (D-C)
Governance & strategy	6.3	0.3	10.1	5.5	-4.6
Investment operations	4.7	0.4	9.9	9.0	-0.9
IT/IS	-0.7	0.3	3.2	2.0	-1.2
Finance	1.5	0.2	3.7	1.0	-2.7
Other support activities	3.8	0.2	7.1	9.5	2.4
Total gov., ops., support	15.6	1.3	34.0	27.0	-7.0

1. F is your actual number of front-office investment FTE (i.e., 14).

- Regression indicates that you need 1.3 governance, operations and support FTE for every front-office FTE, plus a fixed base of 16 FTE.
- The fixed based of 16 FTE assumes you do not change the complexity of your plan.
- The report has more detailed activity breakdowns.

The FTE benchmarks are very good predictors of actual investment FTE.



- R-squareds of 84%, 96%, and 96% demonstrate the high predictive power of the CEM FTE model.

If you are contemplating a new asset class or implementation style, the peer median front-office FTE per \$ billion is a useful benchmark for estimating how many FTE you might need.

Asset class - implementation style	Peer median FTE/\$BN
Stock, REITs, commodities - internal passive	0.34
Stock, REITs, commodities - internal active	1.56
Fixed income - internal passive	0.16
Mortgages - external active	1.80
Mortgages - internal active	2.21
Private debt - external active	0.97
Private debt - internal active	6.14
Internal Funded TAA	3.32
Real estate (ex. REITS) - internal active	1.85
Real estate - operating subsidiaries	0.13
Infrastructure - internal active	3.70
Natural resources - external active	0.51
Natural resources - internal active	4.10
Private equity - internal active	5.24

- In addition to front-office FTE, you need 1.3 governance, operations and support FTE for every FTE added in the front-office.

Economies of scale - You will need 4 more FTE (9% more) if your fund grows by 20% without changing its complexity.

	Actual FTE	FTE if assets grow 20%	Change
Front office	14	16	2
Governance, operations and support	27	29	2
Total	41	45	4

- If you increase plan complexity (i.e., by adding new asset class styles, or in-sourcing activities currently outsourced) you may need more FTE than predicted.

Economies of scale in the front-office vary by asset class and style

Asset class style	Average front-office FTE growth if assets increase by 20%
Indexed public	8%
Actively managed public markets & hedge funds	10%
Private markets	16%

- In addition to front-office FTE, you need 1.3 governance, operations and support FTE for every FTE added in the front-office.