

State Retirement System Investment Commission Meeting Minutes

Thursday, September 8, 2005

**Governor's Conference Room
Wade Hampton Building, First Floor
Columbia, South Carolina**

Commissioners Present:

Mr. Reynolds Williams, Chairman
Mr. James Powers, Vice Chairman
Treasurer Grady Patterson
Mr. Blaine Ewing
Mr. Allen Gillespie

Transition staff present for the meeting: Frank Fusco, Steve Osborne, and Mike Sponhour from the South Carolina Budget and Control Board (BCB), Office of the Executive Director (OED); Anne Macon Flynn from the Budget and Control Board's Office of General Counsel (OGC); Rick Patsy, Frank Rainwater, Trav Robertson, and Shakun Tahiliani from the State Treasurer's Office (STO); Nancy Shealy and Ashli Aslin from the State Retirement Systems Investment Panel (Panel); Peggy Boykin, Faith Wright, Tammy Davis, Travis Turner and Kathy Rast from the South Carolina Retirement Systems (SCRS); Lil Hayes from the House Ways and Means Committee; Keith Wood from Jamison, Eaton & Wood, Inc.; Jeff Schutes from Mercer Investment Consulting, Inc. Others present for all or a portion of the meeting: Kent Phillips, Sam Griswald, and Crawford Clarkson from the State Retirees Association; and Charley McDonald from the South Carolina Trooper's Association.

I. CALL TO ORDER AND ADMINISTRATIVE MATTERS

The meeting of the State Retirement System Investment Commission (Commission) was called to order at 10:05 a.m.

Frank Fusco, Executive Director of the BCB, noted that the State Retirement System Preservation and Investment Reform Act (Act 153) creates the Commission, and requires that the Treasurer and Executive Director of the BCB ensure an orderly transfer from the BCB to the Commission beginning October 1, 2005. Frank Fusco recognized Anne Macon Flynn to serve as the BCB liaison for the transition, and Treasurer Patterson recognized Rick Patsy as the STO liaison.

Mr. Fusco confirmed that each appointee has filed the appropriate paperwork with the appropriate offices and has been duly appointed.

II. ELECTION OF CHAIRMAN

Mr. Fusco noted that Act 153 provides for the Commission to elect a chairman and other officers. He suggested that the Commission elect a temporary presiding officer to conduct the election of a chairman.

Reynolds Williams moved that Treasurer Patterson act as presiding officer for the purpose of electing a chairman. Blaine Ewing seconded the motion. Upon a unanimous vote, Treasurer Patterson was elected as presiding officer for purposes of electing a chairman.

Treasurer Patterson requested nominations for Chairman of the Commission. Mr. Ewing nominated Mr. Williams. James Powers seconded the nomination. Upon a unanimous vote, Mr. Williams was elected Chairman of the Commission.

Chairman Williams asked for a motion to create a position of vice chairman. The motion was made, seconded, and carried unanimously. Mr. Ewing nominated James Powers. Upon a unanimous vote, Mr. Powers was elected Vice Chairman of the Commission.

After thorough discussion, a motion was made and unanimously passed that the term for the office for chairman and vice chairman should last for two years.

The Commission decided that whenever possible Commissioners should be present for meetings, but members could participate by telephone as the occasion warrants.

Vice Chairman Powers made a motion that the Commission delegate to the Chairman the authority to make the interim administrative support and start-up decisions necessary for an orderly transition. Mr. Ewing seconded the motion. Upon unanimous vote Chairman Williams was delegated the authority to make interim administrative support and start-up decisions necessary for transition.

III. TRANSFER OF ASSETS

Mr. Fusco provided the Commission with a brief overview of the assets and liabilities which transfer to the Commission on October 1, 2005. The assets and liabilities include: miscellaneous furniture, fixtures, and equipment; an appropriation amount of approximately \$1.3 million; an allocation to the STO of approximately \$700,000; three full-time employee positions, one of which is currently vacant; Panel records; and all contracts between the BCB and the investment managers.

IV. CONSIDERATION OF RETIREE APPOINTEE TO COMMISSION

Mr. Fusco noted the provision of Act 153 which requires the Commission to appoint, by unanimous vote, a retiree member to the Commission. After a thorough discussion of the potential selection process, Chairman Williams encouraged each Commissioner to bring the name of an interested qualified retiree to the next Commission meeting and stated that he would assign a Commissioner to determine the appropriate search process for the retiree member of the Commission.

V. OTHER BUSINESS

The Commission received as information various materials including: Act 153; the Annual Investment Plan (AIP) for fiscal year 2005-2006; the Statement of Investment Policies and Objectives (SIP) as amended by the Board June 14, 2005; independent

valuations for each of the four defined benefit plans administered by the Retirement Systems; five-year experience reports for each of the four plans; and the Retirement Systems' Comprehensive Annual Financial Report (CAFR) for fiscal year 2004.

The Commission discussed several outstanding issues including: fiduciary liability insurance; the selection of a Chief Investment Officer (CIO); a joint retreat between Panel members and Commissioners; lawsuits involving the Retirement Systems; determining general investment objectives; and the necessary legal counsel and support staff for the Commission.

Mr. Ewing suggested that the Commission invite consultants from Mercer Investment Consulting (Mercer) and Jamison, Eaton and Wood Co. to provide an overview of both the equity and fixed income portfolios.

Chairman Williams divided among the Commissioners the duties and reports to be completed for the meeting on September 20, 2005:
Chairman Williams report on Fiduciary Liability Insurance, all insurance, legal issues, and intra-governmental relationships; Vice Chairman Powers report on a CIO search process, its timing, CIO suggested qualifications, experience, and salary level, and comparative structures from other states; Treasurer Patterson report on the Methods and Process to solicit a retiree representative to the Commission, and report on any temporary measures the STO requires to maintain the fixed investment portfolio; Mr. Ewing report on the Investment Objectives, the Investment Plan, and temporary measures necessary to maintain the continuity for all investments; and Mr. Gillespie report on staffing, resources, physical location, and organizational recommendations. The goal for the recommendations is for the Commission to be streamlined and efficient.

Mr. Fusco agreed to ensure that each Commissioner is provided the support staff necessary to complete the tasks.

VI. ADJOURNMENT

Chairman Williams thanked everyone for attending the meeting. Treasurer Patterson made a motion to adjourn, Mr. Ewing seconded the motion, and the meeting adjourned at 2:20 p.m.

[Secretary's Note: Per S.C. Code Section 30-4-80, public notice of and the agenda for this meeting were distributed.]