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Legislative Oversight Committee



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Executive Subcommittee

July 12, 2016

Archived Video Available

- I. Pursuant to House Legislative Oversight Committee Rule 6.8, South Carolina ETV was allowed access for streaming the meeting. You may access an archived video of this meeting by visiting the South Carolina General Assembly's website (<http://www.scstatehouse.gov>) and clicking on *Committee Postings and Reports*, then under *House Standing Committees* click on *Legislative Oversight*. Then, click on *Video Archives* for a listing of archived videos for the Committee.

Attendance

- I. The Executive Subcommittee meeting was called to order by Representative Wm. Weston J. Newton on Tuesday, July 12, 2016, Room 110 of the Blatt Building. The following members of the Subcommittee were present: Representative Wm. Weston J. Newton, Representative Laurie Slade Funderburk and Representative Robert Q. Williams.

Minutes

- I. House Rule 4.5 requires standing committees to prepare and make available to the public the minutes of committee meetings, but the minutes do not have to be verbatim accounts of meetings. It is the practice of the Legislative Oversight Committee to provide minutes for its subcommittee meetings.

- II. Representative Williams moved to approve the minutes from the Subcommittee’s meeting on April 14, 2016. Representative Funderburk asked that Committee staff review the minutes because she suspected that an error had been made in the recording of the results of a roll call vote. A roll call vote was held, and the motion passed.

Rep. Williams’ motion to approve the minutes from April 14, 2016:	Yea	Nay	Not Voting (Not Present)
Rep. Funderburk	✓		
Rep. Williams	✓		
Rep. Putnam			✓
Rep. Newton	✓		

Discussion of the Retirement System Investment Commission

- I. Representative Newton explained the purpose of the meeting was for the Subcommittee to hear information about the history, mission, and vision of the Retirement System Investment Commission, and to hear an explanation of securities lending.
- II. Representative Newton administered the oath to those who were present to testify on behalf of the Commission, who were: Michael Hitchcock (Chief Executive Officer) and Geoff Berg (Acting Chief Investment Officer).
- III. Mr. Hitchcock provided testimony to the Subcommittee about the history, mission, and vision of the Commission.

Member asked questions, including, but not limited to,

- minimum qualifications required of the members of the Commission;
- explanation of the steps the Commission was taking to make its staff demographics more racially diverse;
- if the Commission had a diversity officer;
- information about the Commission’s contractual relationship with Aon Hewitt consultants;
- about the Commission’s diversified allocation of the retirement funds, and the types of financial products in which the Commission invests;
- assumed rate of return prior to the 2012 amendment that lowered the rate;
- to submit to the Subcommittee in writing a comparison of the assumed rate of return and the actual rate of return over previous years;
- a rough comparison between the Commission’s actual rates of return to the typical rate of return of other state pension systems; and
- an explanation of the benefits of lowering the assumed rate of return.

Representatives from the Commission answered all of the questions.

IV. The Subcommittee stood at recess for a short time.

V. Mr. Berg testified before the Subcommittee about securities lending.

Members asked questions, including, but not limited to,

- securities lending; an explanation of the Commission's current use of securities lending in its investment scheme;
- an explanation of the unrecovered losses that the pension system had sustained as a result of the alleged breach of contract by the Bank of New York Mellon;
- a comparison of the Commission's investing success to those of other state pension systems;
- if the Commission continued to use securities lending;
- an explanation of the way in which the borrower in a securities lending transaction could profit from the transaction;
- whether the Commission was investing in mortgage-backed securities;
- if the Commission held itself out as having the authority to contract with a lending agent other than the Bank of New York Mellon despite the fact that the Treasurer entered into a long-term services contract as part of his settlement agreement with the Bank;
- for an estimate of the number of financial firms that could potentially contract with the Commission for securities lending;
- for an update on the status of the Commission's search for a permanent Chief Investment Officer;
- if the Commission keeps a record of the votes it takes related to investment strategies and to submit to the Subcommittee the Commission's meeting minutes and voting records from 2008 to the present;
- if the Commission's minutes would indicate when a commissioner proposed an investment strategy that was not subsequently adopted by the Commission; and
- if there was a statutory limit on the number of terms that a person could serve as a commissioner.

Representatives from the Commission answered all of the questions.

VI. The meeting was adjourned.