

South Carolina Retirement System Investment Commission

*FY 2021-22 Ways and Means Budget Hearing
January 5, 2021*

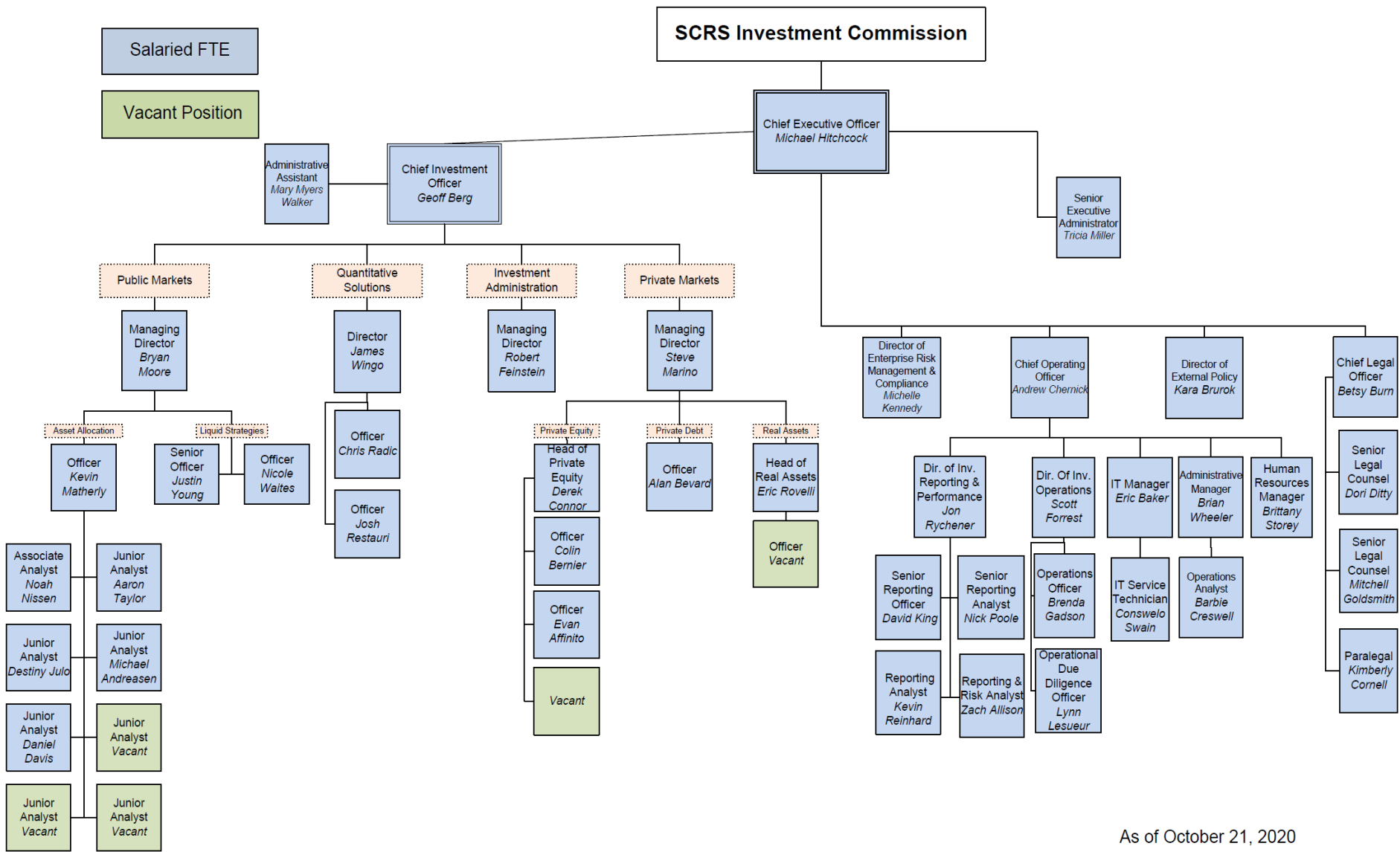
Michael Hitchcock, CEO

Agency Attendees

- **Michael R. Hitchcock, Chief Executive Officer**
 - 803.737.7698
 - mhitchcock@rsic.sc.gov

- **Kara Brurok, Director of External Policy**
 - 803.737.6814
 - kbrurok@rsic.sc.gov

Organizational Chart



As of October 21, 2020

South Carolina Retirement System Investment Commission

Purpose & Duties

The RSIC has exclusive authority for investing and managing \$32.5 billion in net assets (as of September 30, 2020) held in trust for the participants and beneficiaries of the five defined benefit plans for the state of South Carolina.

- South Carolina Retirement System (SCRS)
- Police Officers Retirement System (PORS)
- General Assembly Retirement System (GARS)
- Judges and Solicitors Retirement System (JSRS)
- South Carolina National Guard Supplemental Retirement Plan (SCNG Plan)

The defined benefit plans provide lifetime retirement annuities, disability benefits, and death benefits to eligible members and their beneficiaries. Each plan provides a fixed monthly benefit based on a formula that includes years of service, earnable compensation and a benefit multiplier.

Standards

The pension fund investments are managed by an experienced RSIC investment team and governed by 8 commissioners. They are supported by hired industry-leading consultants and external managers.

Staff:

Authorized Number of FTEs: 51

Filled Number of FTEs: 43

Vacant Number of FTEs: 8

Commissioners:

Appointed by the State Treasurer: William (Bill) Hancock, Chairman

Elected by the Commission: Dr. Ronald Wilder, Vice Chairman

Appointed by the Comptroller General: Dr. Rebecca Gunnlaugsson

Appointed by the Governor: Edward Giobbe

Appointed by the Governor: William (Bill) Condon

Appointed by the Chairman of Senate Finance: Reynolds Williams

Appointed by the Chairman of House Ways and Means: Allen Gillespie

Ex-Officio Member: Peggy Boykin

Consultants:

Meketa Investment Group: General Consultant (Asset Allocation)

Albourne America, LLC: Specialty Consultant (Private Markets)

Investment Performance

The RSIC utilizes 3 criteria to measure investment performance:

1. The **stated return objective** of the portfolio - 7.25% annualized net return
2. The **investment policy benchmark** - calculated by applying the investment performance of each asset class benchmark to the strategic allocation for each asset class
3. Performance relative to a **peer universe** - allows constituents to evaluate the competitiveness of the investment staff's implementation of the portfolio relative to other pension plans

Plan Performance

FYE June 30, 2020: -1.58%

Most Recent Quarterly Reported Returns September 30, 2020: 4.98%

RSIC is not requesting an increase or decrease in other fund authorization.

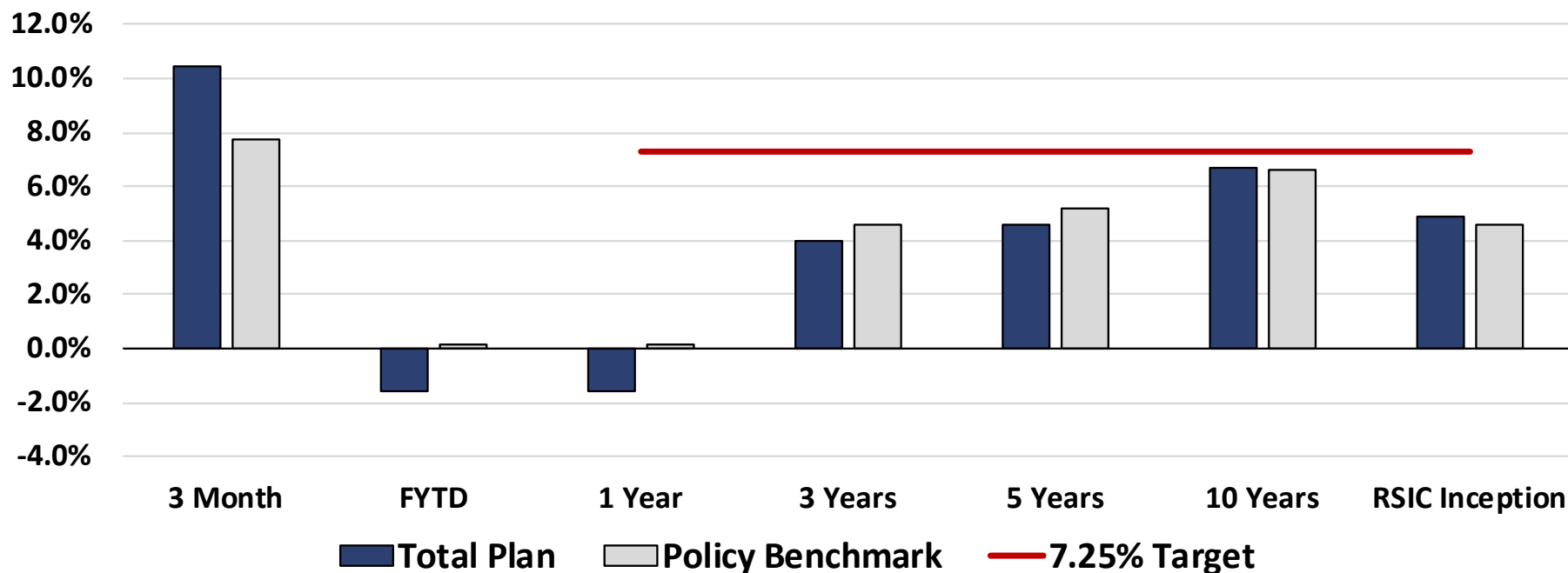
RSIC is requesting maintaining proviso 117.125 (GP: Retirement System Assets and Custodial Banking Relationship Transfer) as maintenance of the exemptions provided through this language allow for necessary modifications to agreements to create operational and fiscal efficiencies.

Accountability Report Highlights

- **During Fiscal Year 2020 RSIC:**
 - **The Plan began with a value of \$31.9 billion and ended with a value of \$30.9 billion.**
 - **\$510 million in negative investment performance.**
 - **Outflow of \$487 million in net benefit payments.**
 - **The Plan experienced a -1.58% rate of return on its investments for the year and 3, 5, and 10-year returns of 3.95%, 4.59%, and 6.71%.**
- **Major portfolio improvements took effect at the beginning of FY 20-21.**
- **FYTD 20-21 – The Plan’s value has not only fully recovered but has also increased substantially.**

FYE Performance – Plan & Policy Benchmark

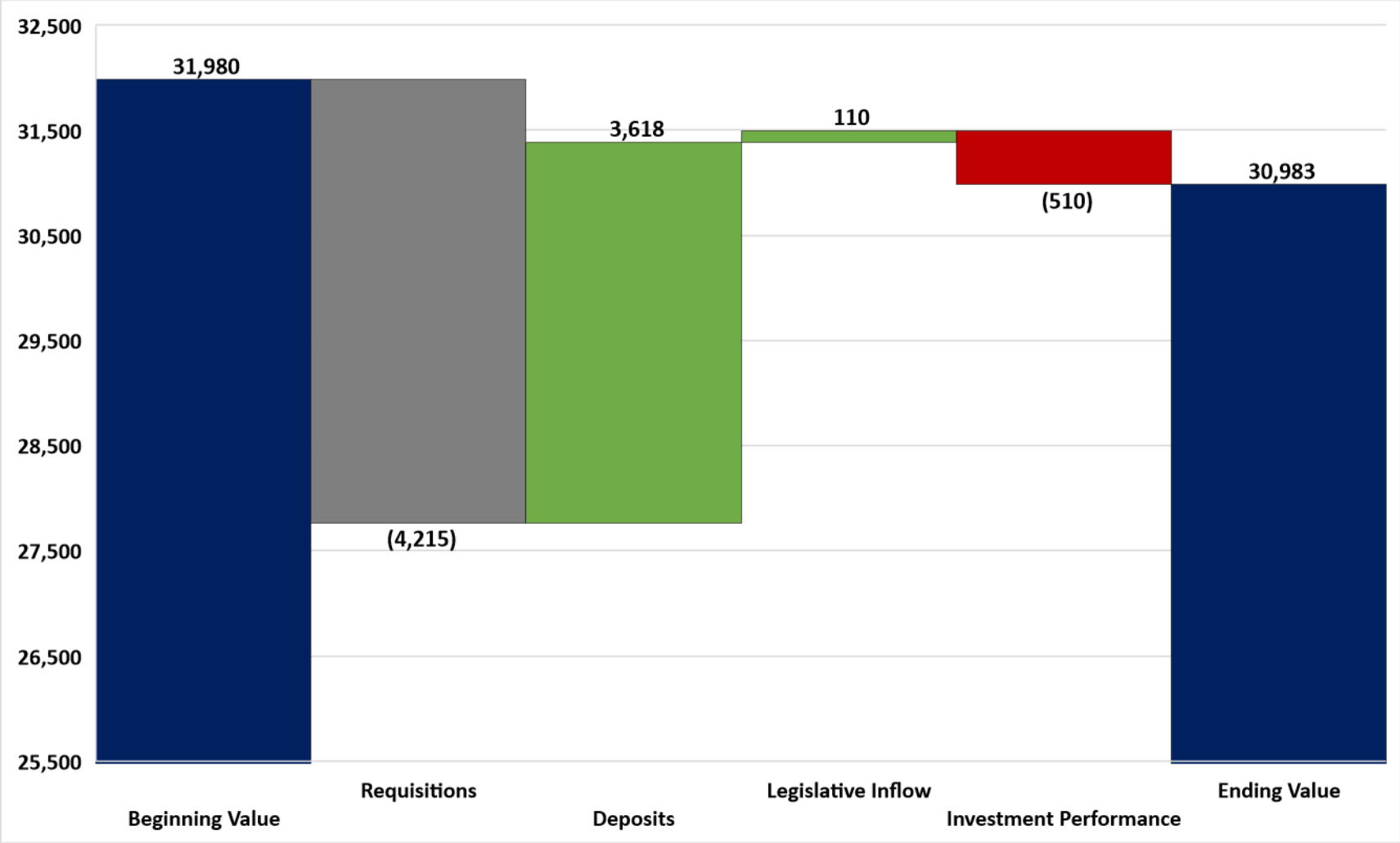
FYE June 30, 2020



Historic Plan Performance As of 06/30/2020	Market Value (In Millions)	Annualized						RSIC Inception
		3 Month	FYTD	1 Year	3 Years	5 Years	10 Years	
Total Plan	\$30,983	10.44%	-1.58%	-1.58%	3.95%	4.59%	6.71%	4.85%
Policy Benchmark		7.71%	0.13%	0.13%	4.59%	5.22%	6.63%	4.59%
Excess Return		2.72%	-1.71%	-1.71%	-0.64%	-0.63%	0.08%	0.26%
Net Benefit Payments (In Millions)		(\$150)	(\$487)	(\$487)	(\$2,704)	(\$4,895)	(\$9,916)	(\$13,953)

FYE Benefits & Performance

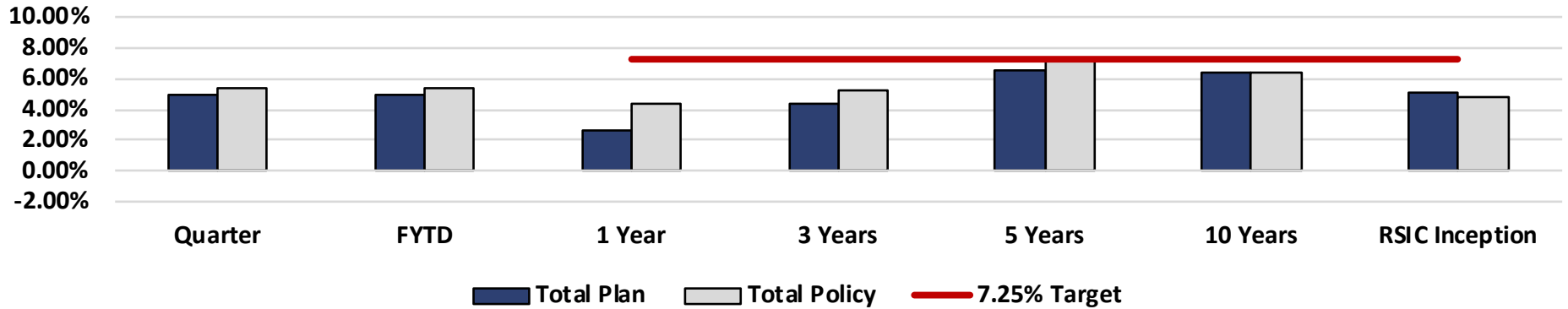
FYE June 30, 2020



FYTD Performance – Plan & Policy Benchmark

FYTD September 30, 2020

Net of Fee Returns by Time Period^{1,2}



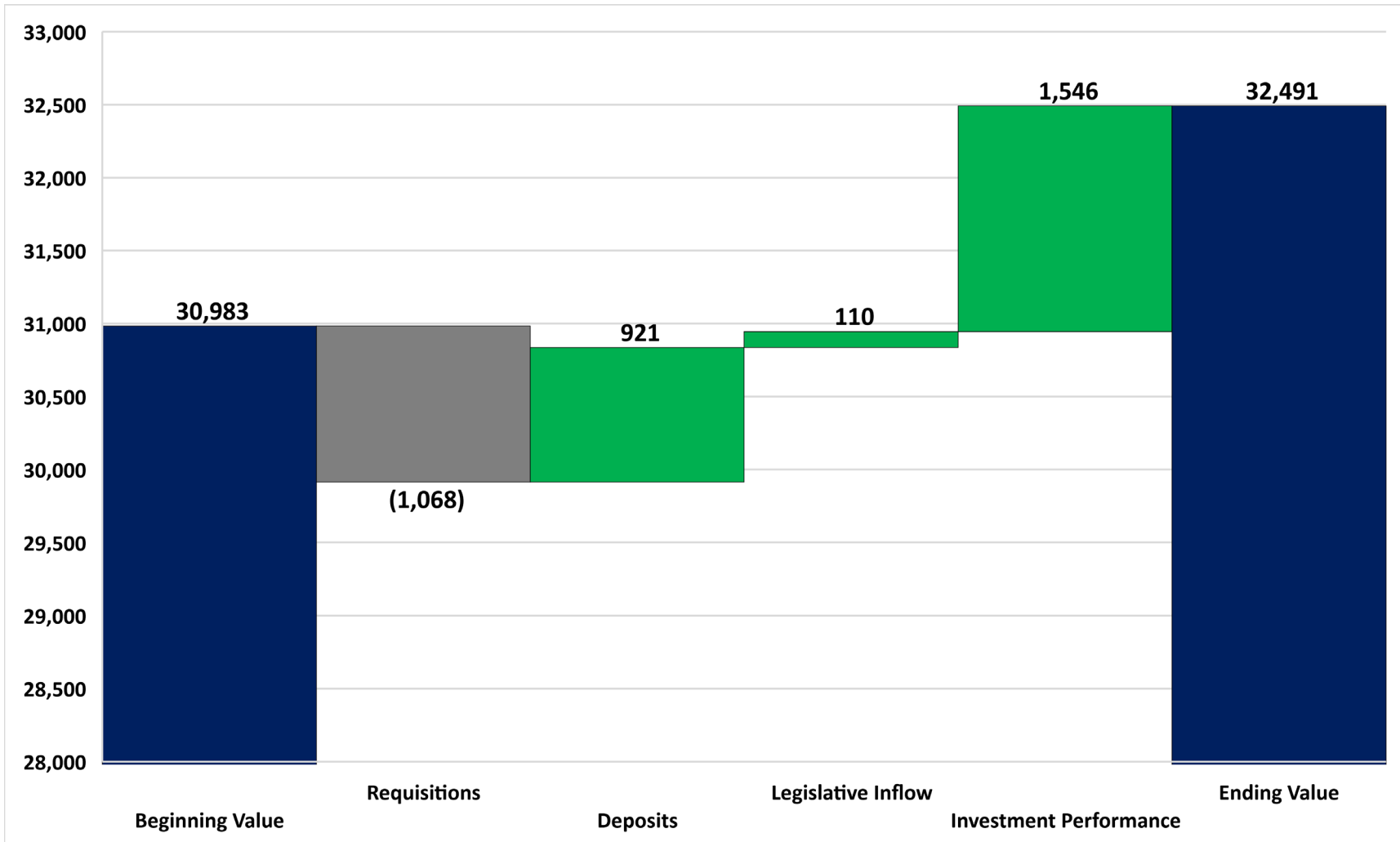
Rolling period performance as of 9/30/2020¹

Annualized

Executive Summary	Market Value (millions)	Quarter	FYTD	1 Year	3 Years	5 Years	10 Years	RSIC Inception
Total Plan	\$32,491	4.98%	4.98%	2.68%	4.32%	6.48%	6.46%	5.11%
Policy Benchmark		5.39%	5.39%	4.33%	5.29%	7.21%	6.40%	4.88%
Excess Return		-0.41%	-0.41%	-1.65%	-0.97%	-0.73%	0.06%	0.23%
Net Benefit Payments (millions)		(\$37)	(\$37)	(\$538)	(\$2,538)	(\$4,611)	(\$9,862)	(\$14,356)

FYTD Benefits & Performance

FYTD September 30, 2020



Budget Request Summary

FY 21-22 Budget Priorities Summary SC Retirement System Investment Commission												
Budget Priorities				Funding					FTEs			
Priority No.	Priority Type (recurring/ non-recurring /other funds adjustment/ federal funds adjustment)	Priority Title	Priority Description	Recurring	Non - Recurring	Other	Federal	Total	State	Other	Federal	Total
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

- In an effort to remain responsible stewards of the Trust Fund, RSIC is not requesting an increase or decrease in other fund authorization.**

Proviso Request Summary

Constitutional Subcommittee Proviso Request Summary FY 2021-22				
Proviso # in FY 19-20 Act	Proviso # in FY 21-22 Renumbered Proviso List	Proviso Title	Short Summary	Agency Recommended Action (keep, change, delete, add)
117.132	117.125	Retirement System Assets and Custodial Banking Relationship Transfer	As management of custodial banking is fully transitioned to the RSIC, maintenance of these exemptions will allow for any necessary modifications to agreements, including but not limited to, the consolidation of custodial related services with BNYM as a sole provider, in order to create operational and fiscal efficiencies.	Keep

117.125 (GP: Retirement System Assets and Custodial Banking Relationship Transfer) In order to facilitate the transfer of custodianship of the assets of the Retirement System to the Public Employee Benefit Authority and governance of the custodial banking relationship to the Retirement System Investment Commission, all portions of contracts, agreements, and exemptions from the Consolidated Procurement Code providing for and relating to custodial banking, general banking, accounting, or any other ancillary services are transferred to, and devolved upon, the Public Employee Benefit Authority and the Retirement System Investment Commission in accordance with the authority transferred to the respective agency.

Carry Forward FY 19-20

- RSIC is solely supported by other funds. Any cash on hand at the end of the fiscal year is used to offset future draw downs.
- FY20-21 total authorization: \$15,303,000

Appropriation	\$15,303,000.00	FY19 Cash on Hand start of FY20	\$5,165,303.00	FY20 Appropriation	\$15,303,000.00
Draw 1	\$3,825,750.00				
Draw 2	\$3,825,750.00				
Draw 3	\$3,825,750.00				
Draw 4					
Total Draw	\$11,477,250.00	Total Draw Revenue	\$11,477,250.00		
Undrawn	\$3,825,750.00	Interest Revenue	\$78,125		
		Sale of Surplus Property	-		
		Cash	\$16,720,681.00		
		Cash	\$16,720,681.00		
		FY20 Expenditures	(11,702,424.00)	FY20 Expenditures	(11,702,424.00)
		Adjusted Cash	\$5,018,257.00	FY20 Lapsed (unspent) Approp.	\$3,600,576.00
		Adjusted Cash	\$5,018,257.00		
		FY20 End of Year Cash on Hand	\$5,018,257.00		

Agency can only spend its total approved appropriation in a given year no matter what cash was on hand at the end of the Prior FY.

Cost Savings

- **RSIC is supported solely by other funds and does not receive general funds. Prior appropriation requests reflect the effort of the agency to remain fiscally responsible with Trust Fund dollars.**
 - **FY 17-18: (\$1,500,000)**
 - **FY 18-19: No change**
 - **FY 19-20: (\$500,000)**
 - **FY 20-21: No change**
 - **FY 21-22: No change**

- **Authorized: 51**
- **Filled: 43**
- **Vacant: 8**
- **Impending retirements in next five years: 1**