

South Carolina Retirement System Investment Commission

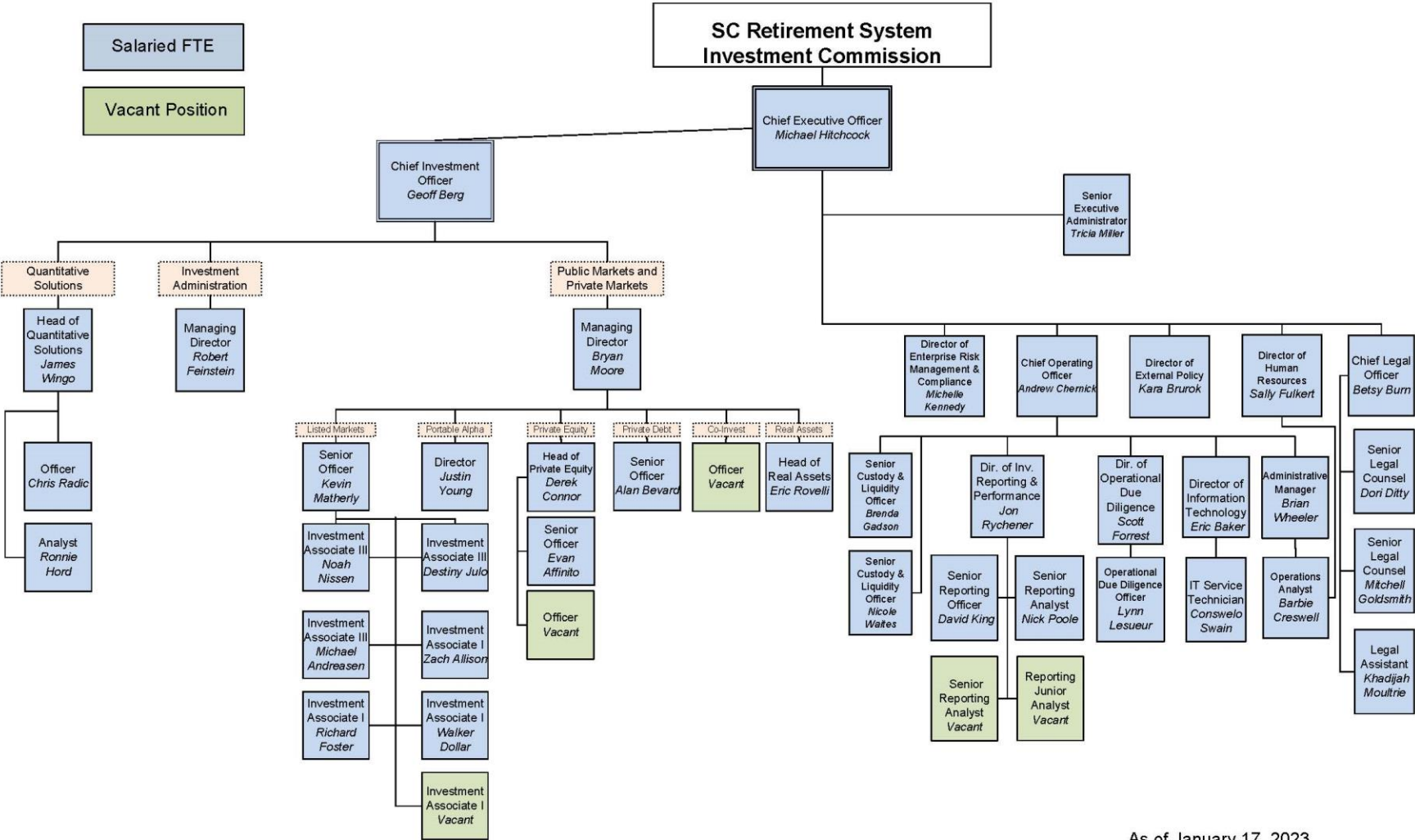
*FY 2023-2024 Ways and Means Budget Hearing
January 24, 2023*

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 January 17, 2023

RSIC Overview

- **RSIC's Purpose - Invest and manage the assets of the State's five defined benefit plans:**
 - South Carolina Retirement System
 - Police Officer's Retirement System
 - Judge's and Solicitor's Retirement System
 - General Assembly Retirement System
 - National Guard Retirement System
- **Assets Under Management - \$38.3 billion (as of 6/30/22)**
- **Effective July 1, 2020, a simplified Policy Portfolio consisting of five asset classes was implemented.**
 - Public Equity: 46%
 - Private Equity: 9%
 - Bonds: 26%
 - Private Debt: 7%
 - Real Assets: 12%
- **In accordance with the 2012 Retirement Reform, RSIC completed the statutorily required Fiduciary Audit in 2022.**

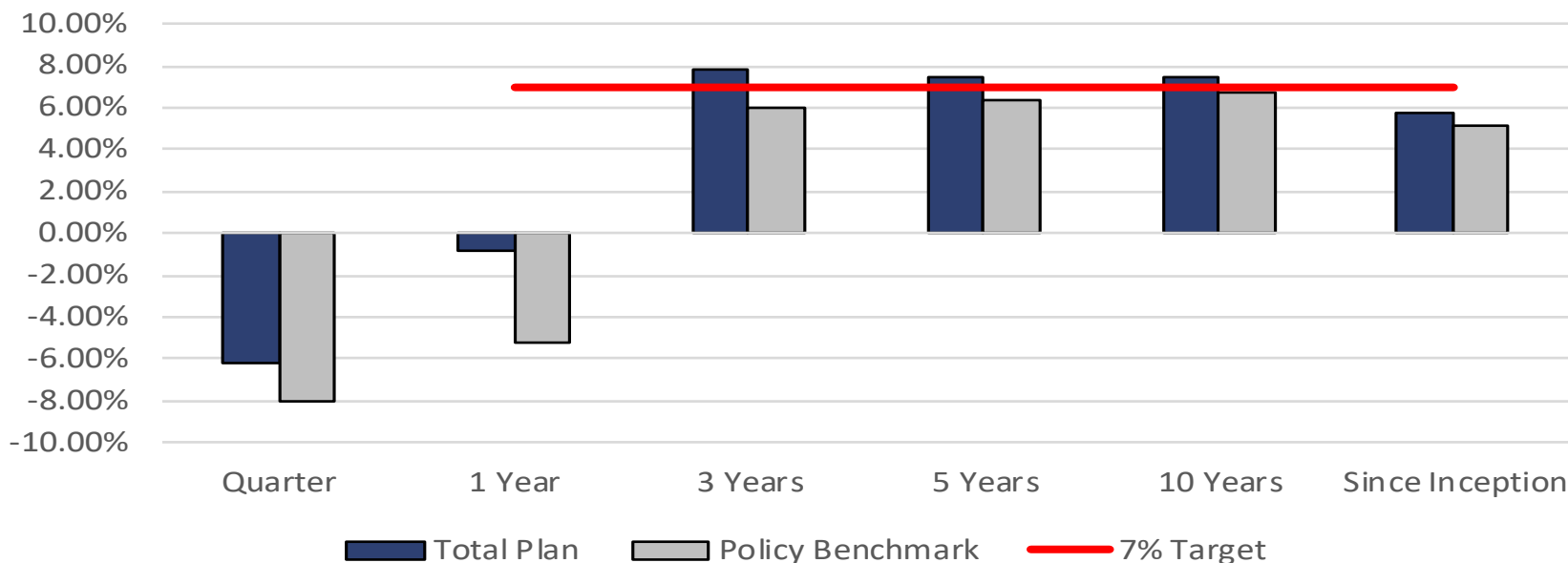
FY 21-22 Accountability Report Highlights

- **The Plan began FY 21-22 with a net asset value of \$39.2 billion and ended the fiscal year with a net asset value of \$38.3 billion.**
 - -\$357 million in investment performance
 - \$4,548 billion in requisition payments to beneficiaries
 - \$3,924 billion in deposits to the system
 - \$110 million of legislative inflow
 - \$514 million net cash outflow for the fiscal year
- **The Plan experienced a net rate of return of -0.89% on its investments for the year and 3, 5, and 10-year returns of 7.84%, 7.43%, and 7.47%.**
- **Despite the overall negative investment return, the Plan substantially exceeded its policy benchmark return of -5.19% by a solid 4.3%.**

FYE Performance – Plan & Policy Benchmark

FYE June 30, 2022

Net of Fee Returns by Time Period²



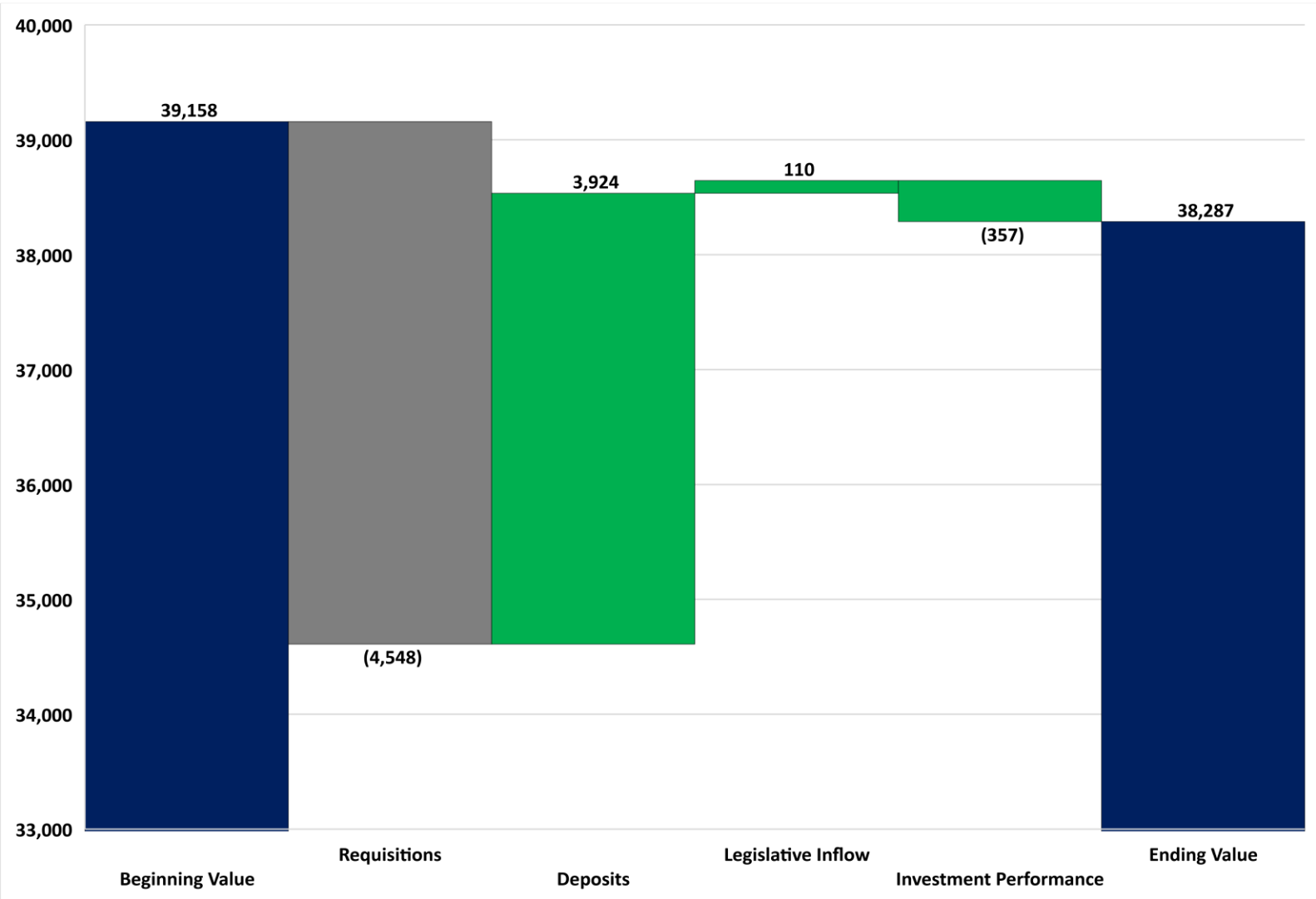
Rolling period performance as of June 30, 2022¹

Annualized

Executive Summary	Market Value (millions)	Quarter	1 Year	3 Years	5 Years	10 Years	Since Inception
Total Plan	\$38,287	-6.17%	-0.89%	7.84%	7.43%	7.47%	5.78%
Policy Benchmark		-8.03%	-5.19%	5.94%	6.32%	6.71%	5.10%
Excess Return		1.86%	4.30%	1.90%	1.12%	0.76%	0.68%
Net Benefit Payments (millions)		(\$132)	(\$514)	(\$1,626)	(\$3,843)	(\$9,154)	(\$15,458)

FYE Benefits & Performance

FYE June 30, 2022

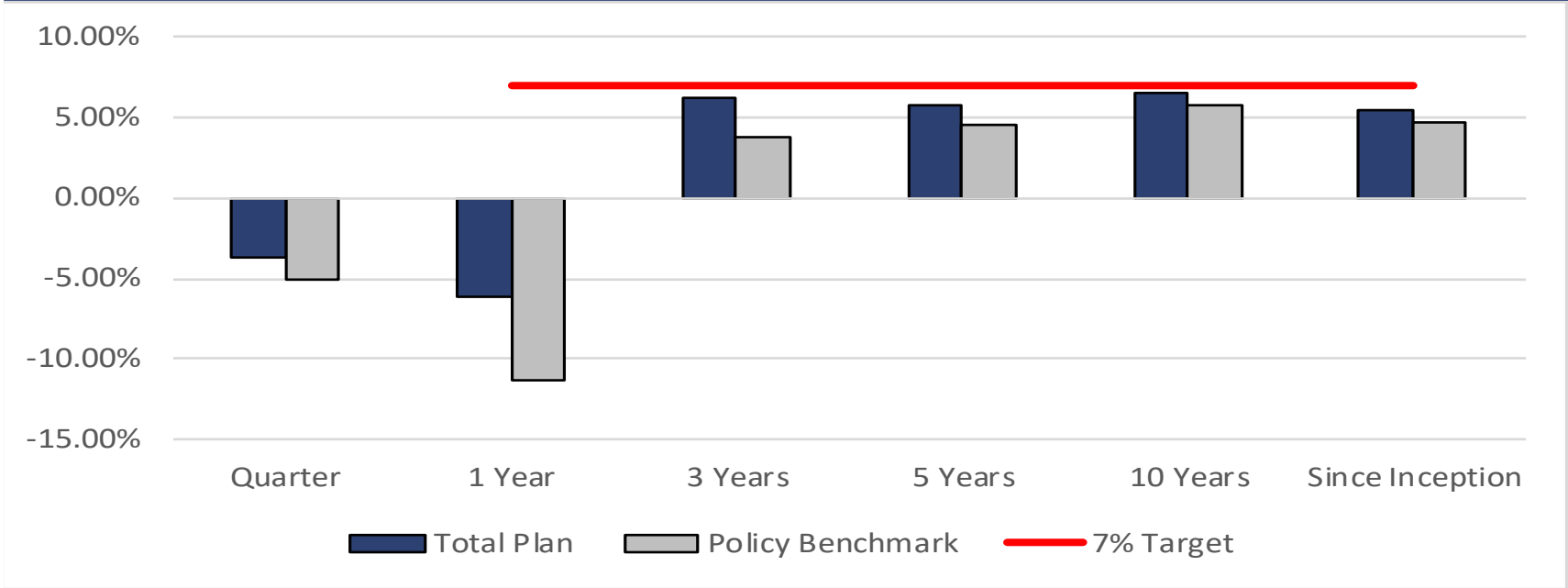


*Requisitions and deposits include equal and offsetting flows for insurance benefits which cannot be disaggregated from retirement benefit flows. The net of requisitions and deposits represents the surplus or shortfall of retirement deposits in relation to retirement benefit payments.

FYTD Performance – Plan & Policy Benchmark

FYTD September 30, 2022

Net of Fee Returns by Time Period²



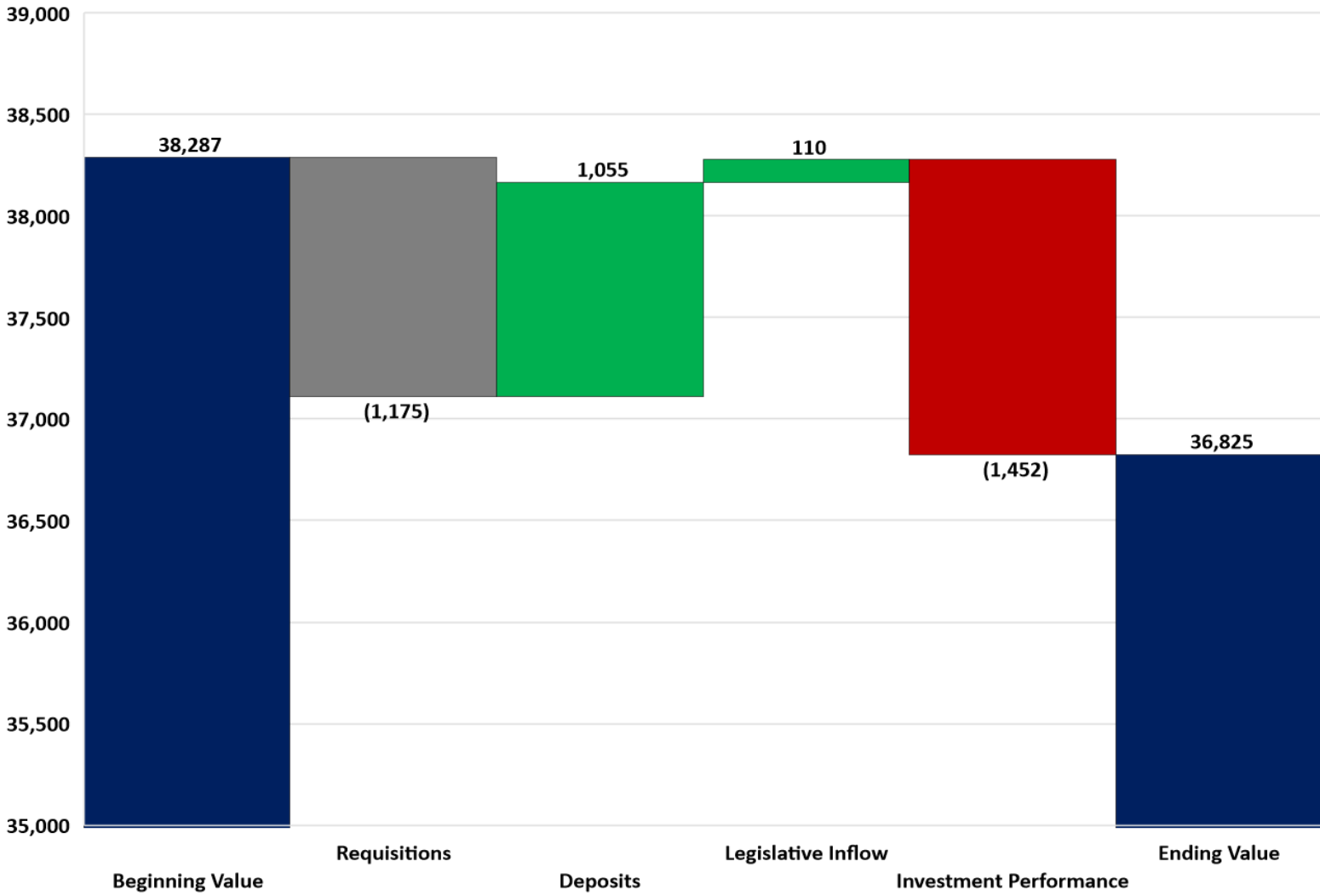
Rolling period performance as of September 30, 2022¹

Annualized

Executive Summary	Market Value (millions)	Quarter	1 Year	3 Years	5 Years	10 Years	Since Inception
Total Plan	\$36,825	-3.77%	-6.16%	6.21%	5.76%	6.56%	5.43%
Policy Benchmark		-5.02%	-11.28%	3.73%	4.54%	5.77%	4.71%
Excess Return		1.25%	5.12%	2.48%	1.22%	0.80%	0.72%
Net Benefit Payments (millions)		(\$11)	(\$483)	(\$1,651)	(\$3,650)	(\$8,866)	(\$15,469)

FYTD Benefits & Performance

FYTD September 30, 2022



*Requisitions and deposits include equal and offsetting flows for insurance benefits which cannot be disaggregated from retirement benefit flows. The net of requisitions and deposits represents the surplus or shortfall of retirement deposits in relation to retirement benefit payments.

Budget Request Summary

FY 23-24 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

- **RSIC is supported solely by other funds and does not receive general funds. In an effort to remain responsible stewards of the Trust Fund, RSIC is not requesting an increase or decrease in other fund authorization.**
- **Prior appropriation requests reflect the effort of the agency to remain fiscally responsible with the Trust Fund dollars.**
 - FY 18-19: No change
 - FY 19-20: (\$500,000)
 - FY 20-21: No change
 - FY 21-22: No change
 - FY 22-23: No change
 - FY 23-24: No change

Proviso Request Summary

Constitutional Subcommittee Proviso Request Summary FY 2023-2024				
Proviso # in FY 22-23 Act	Proviso # in FY 23-24 Renumbered Proviso List	Proviso Title	Short Summary	Agency Recommended Action (keep, change, delete, add)
117.119	117.118	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

117.119 (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 21-22

- **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.**
- **FY 22-23 total authorization: \$15,303,000**

Appropriation	\$15,303,000	FY 21 Cash on Hand start of FY 22	\$4,538,296	FY22 Appropriation	\$15,303,000
Draw 1	\$3,825,750				
Draw 2	\$3,825,750				
Draw 3	\$3,825,750				
Draw 4					
Total Draw	\$11,477,250	Total Draw Revenue	\$11,477,250		
Undrawn	\$3,825,750	Interest Revenue	\$52,907		
		Sale of Surplus Property	\$210		
		Refund of Expenditures	\$3,780		
		Cash	\$16,072,442		
		Cash	\$16,072,442		
		FY22 Expenditures	\$(12,187,852)	FY 22 Expenditures	\$(12,187,852)
		Adjusted Cash	\$3,884,590	FY 22 Lapsed (unspent) App.	\$3,115,148
		Adjusted Cash	\$3,884,590		
		FY 22 End of Year Cash on Hand	\$3,884,590		

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.

FTE Breakdown

- **Authorized: 51**
- **Filled: 39**
- **Vacant: 12**
 - Expect to fill 5 in FY 23-24
- **Impending retirements in next five years: 1**