

<b>AGENCY NAME:</b>	<b>Retirement System Investment Commission</b>		
<b>AGENCY CODE:</b>	<b>E19</b>	<b>SECTION:</b>	<b>99</b>

## Fiscal Year 2018–2019 Accountability Report

### SUBMISSION FORM

<b>AGENCY MISSION</b>	<p>The Retirement System Investment Commission (RSIC) has exclusive authority for investing and managing all assets held in trust for the participants and beneficiaries of the five state defined benefit plans. Those plans include the South Carolina Retirement System (SCRS), the Police Officers Retirement System (PORS), the Judges and Solicitors Retirement System (JSRS), the General Assembly Retirement System (GARS), and the South Carolina National Guard Supplemental Retirement Plan (SCNG Plan). Each plan provides lifetime retirement annuities, disability benefits, and death benefits to eligible members and their beneficiaries.</p>
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<b>AGENCY VISION</b>	<p>The vision of the Commission is to be a world class investment organization that pursues strategies that contribute positively to the financial health of the Retirement System. The Commission strives for an optimal mix of assets to best achieve long-term stated return objectives. Through active management of a mixture of assets against the current economic environment, business cycle, and market conditions, value is constantly added to the evolving portfolio. With the help of retained investment consultants, a central part of the Commission’s investment approach is predicated on prudently managing costs and fees and ensuring a risk-focused and diversified investment portfolio.</p>
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Does the agency have any major or minor recommendations (internal or external) that would allow the agency to operate more effectively and efficiently?

	Yes	No
<b>RESTRUCTURING RECOMMENDATIONS:</b>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Is the agency in compliance with S.C. Code Ann. § 2-1-230, which requires submission of certain reports to the Legislative Services Agency for publication online and the State Library? See also S.C. Code Ann. § 60-2-30.

	Yes	No
<b>REPORT SUBMISSION COMPLIANCE:</b>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

<b>AGENCY NAME:</b>	<b>Retirement System Investment Commission</b>		
<b>AGENCY CODE:</b>	<b>E19</b>	<b>SECTION:</b>	<b>99</b>

Is the agency in compliance with various requirements to transfer its records, including electronic ones, to the Department of Archives and History? See the Public Records Act (S.C. Code Ann. § 30-1-10 through 30-1-180) and the South Carolina Uniform Electronic Transactions Act (S.C. Code Ann. § 26-6-10 through 26-10-210).

<b>RECORDS MANAGEMENT COMPLIANCE:</b>	<b>Yes</b>	<b>No</b>
	<input checked="" type="checkbox"/>	<input type="checkbox"/>


Is the agency in compliance with S.C. Code Ann. § 1-23-120(J), which requires an agency to conduct a formal review of its regulations every five years?


<b>REGULATION REVIEW:</b>	<b>Yes</b>	<b>No</b>
	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Please identify your agency's preferred contacts for this year's accountability report.

	<u>Name</u>	<u>Phone</u>	<u>Email</u>
<b>PRIMARY CONTACT:</b>	Michael Hitchcock	737.7698	<a href="mailto:mhitchcock@rsic.sc.gov">mhitchcock@rsic.sc.gov</a>
<b>SECONDARY CONTACT:</b>	Kara Brurok	737.6814	<a href="mailto:kbrurok@rsic.sc.gov">kbrurok@rsic.sc.gov</a>

I have reviewed and approved the enclosed FY 2018–2019 Accountability Report, which is complete and accurate to the extent of my knowledge.

<b>AGENCY DIRECTOR (SIGN AND DATE):</b>	
<b>(TYPE/PRINT NAME):</b>	Michael Hitchcock, CEO

<b>BOARD/CMSN CHAIR (SIGN AND DATE):</b>	 9/12/19
<b>(TYPE/PRINT NAME):</b>	Ronald Wilder, Chair

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### **AGENCY'S DISCUSSION AND ANALYSIS**

The singular goal of the SC Retirement System Investment Commission is the prudent, legal and transparent investment of Trust Funds. The intended public benefit/outcome is the effective investment of the fund with the utmost transparency and strict adherence to all legal requirements. Effective investment of the fund results in exceptional total and relative returns while taking a prudent amount of risk. A failure to achieve the goal results in a lower funded level that requires additional funding resources for maintenance of the fund. RSIC relies on its credentialed and experienced staff to design the appropriate asset allocation and manager selection, and it engages outside investment consultants, investment partners and systems providers to assist it in achieving its goal.





Agency Name: RETIREMENT SYSTEMS INVESTMENT COMMISSION

Fiscal Year 2018-2019  
Accountability Report

Agency Code: E190 Section: 099

Program Template

Program/Title	Purpose	FY 2018-19 Expenditures (Actual)				FY 2019-20 Expenditures (Projected)				Associated Measure(s)
		General	Other	Federal	TOTAL	General	Other	Federal	TOTAL	
I. Administration (Personal Services & Other Operating)			\$10,590,059		\$10,590,059		\$ 10,953,339		\$ 10,953,339	
II. Employee Benefits (Employer Contributions)			\$1,688,681		\$1,688,681		\$ 1,773,115		\$ 1,773,115	
Asset Allocation	Apportion the portfolio's assets according to the goals, risk tolerance and investment horizon set out by the Commission.		\$2,352,799		\$2,352,799		\$ 2,672,102		\$ 2,672,102	
Manager Selection	Identification of specific investment managers with whom RSIC will place Fund assets in order to fulfill the overall asset allocation.		\$4,148,426		\$4,148,426		\$ 4,158,195		\$ 4,158,195	
Operations	Ensure the efficient and effective delivery of services complimentary to the investment function.		\$5,502,768		\$5,502,768		\$ 5,540,716		\$ 5,540,716	
Internal Audit & Compliance	Ensure a systematic and rigorous approach to the evaluation and improvement of risk management, control and governance processes.		\$274,747		\$274,747		\$ 355,441		\$ 355,441	

Agency Name: RETIREMENT SYSTEMS INVESTMENT COMMISSION

Fiscal Year 2018-2019  
Accountability Report

Agency Code: E190 Section: 099

Legal Standards Template

Item #	Law Number	Jurisdiction	Type of Law	Statutory Requirement and/or Authority Granted	Does this law specify who your agency must or may serve? (Y/N)	Does the law specify a product or service your agency must or may provide?	If yes, what type of service or product?	If other service or product, please specify what service or product.
1	9-1-1310	State	Statute	Authority to invest and reinvest the Trust Fund as allowed by Constitution and Statute.				
2	9-1-1340	State	Statute	Prohibition of conflicts of interest.				
3	SC Constitution, Article X, Section XVI	State	Statute	Notwithstanding the provisions of Section 11 of this article, the funds of the various state-operated retirement systems may be invested and reinvested in equity securities.				
4	Various federal tax laws and ERISA (Employee Retirement Income Security Act of 1974)	Federal	Statute	There are certain elements of the federal tax laws and ERISA which the Investment Commission has to be mindful of in structuring and administering its investments.				
5	Federal Securities Laws	Federal	Statute	Certain elements of the federal securities laws can apply to or otherwise need to be considered by the Investment Commission, including the following: Securities Act of 1933 - Certain regulations promulgated thereunder (e.g., qualified purchaser, qualified institutional buyer, Rule 506 of Regulation D, etc. ); Securities and Exchange Act of 1934 - insider trading laws/cases; Investment Advisers Act of 1940 - Certain regulations (e.g., consent to assignment of contracts; 'pay to play' regulations [which apply to many types of investment management firms doing business with, or seeking to do business with, the Commission]).				
6	Certain laws overseen by the Commodity Futures Trading Commission	Federal	Statute	There are certain elements of the federal commodities trading laws which the Investment Commission has to be mindful of in structuring and administering its investments.				
7	Proviso 117.132	State	FY 2017-18 Proviso	117.132. (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.  As management of custodial banking is fully transitioned to 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.				
8	Section 9-16-10	State	Statute	Duties and responsibilities of Commission eligibility requirements, reporting requirements, considerations for investment of Trust Fund.				
9	Section 9-16-20	State	Statute	RSIC given exclusive authority to invest & manage all assets; Mandates holding & investing all assets of the 5 systems in a group trust.				
10	Section 9-16-30	State	Statute	Duty of care of agents & permissible limitations of authority to agents; Commission may delegate functions that a prudent person acting in a like capacity could delegate; proxy votes must be case consistent with best interest of trust fund and most likely to maximize shareholder value.				
11	Section 9-16-40	State	Statute	Standards for discharge of fiduciary duty by Commissioners and other fiduciaries.				
12	Section 9-16-50	State	Statute	Investment & management considerations by Commission; diversification; verification of facts; requirement to adopt a statement of investment objectives & policies to be reviewed and changed or reaffirmed annually.				
13	Section 9-16-55	State	Statute	Sudan divestment requirement, prohibiting certain investments in companies with business operations in Sudan.				
14	Section 9-16-60	State	Statute	Commission's investment and management decisions will not be evaluated in isolation; Compliance with standard of care and delegation of functions to be determined in light of facts and circumstances at time of decision, not by hindsight.				
15	Section 9-16-70	State	Statute	Commissioner or other fiduciary may be liable for breach of duty for any losses resulting from the breach, fiduciaries subject to removal and other equitable remedies; retirement system may insure a trustee or other fiduciary; trustees may self-insure, but must disclose terms of any such policy.				

16	Section 9-16-80	State	Statute	Commission may meet in executive session to deliberate about, or make tentative or final decisions on, investments or other financial matters if disclosure would jeopardize the ability to implement a decision or to achieve investment objectives.
17	Section 9-16-90	State	Statute	Quarterly investment reports required and provided to the State Fiscal Accountability Authority, Revenue and Fiscal Affairs Office and the Executive Budget Office, Speaker of House of Representatives, President Pro Tempore of Senate and other entities; annual report also required to contain descriptions of any material interest held by Commissioner; schedule of rates of return, net of total investment expenses, manager fees and expenses on assets of the system overall, schedule of total investment expenses and manager fees, schedule of all assets held for investment purposes, schedule of delegated investment decisions.
18	Section 9-16-100	State	Statute	Statutory restriction on lobbyists contacting RSIC to solicit investments, restriction on investments made where placement agent is compensated for RSIC's participation; Commission may not invest in any entity in which a Commissioner or immediate family has any interest, excluding publicly traded securities.
19	Section 9-16-315	State	Statute	Specifics for Commissioner educational and/or experience requirements to serve; term length established; employment of a CEO as chief administrative officer of agency; CEO shall employ a CIO and other necessary staff; administrative costs of RSIC to be paid from Trust; \$20k salary for Commissioners; RSIC may retain counsel for investment related matters.
20	Section 9-16-320	State	Statute	Commission required to adopt annual investment plan by May 1 of each year; must review AIP quarterly; Commission may discuss, deliberate and make decisions on portion of the AIP or other related matters if disclosure would jeopardize ability to implement that portion of the plan or achieve investment objectives.
21	Section 9-16-330	State	Statute	Requires Commission to provide CEO & CIO with statement of general investment objectives and statement of actuarial assumptions provided by actuary and approved by PEBA; provides for delegation of certain final investment authority to CIO; includes requirements for Annual Investment Plan.
22	Section 9-16-335	State	Statute	Assumed rate of return set by General Assembly at 7.25% as of 7/1/2017; provides mechanism for review and setting assumed rate every 4 years.
23	Section 9-16-340	State	Statute	Sets forth requirement of Commission to adopt an annual investment plan to be implemented through the CIO; also provides that the Commission, acting through the CIO, will invest and reinvest the assets.
24	Section 9-16-345	State	Statute	Commission will strive to assure that minorities and minority-owned businesses are represented in hiring and procurement.
25	Section 9-16-350	State	Statute	Sets forth prohibition of any trustee/employee/etc. on using any Commission information for a self-benefit; violations of this provision is a felony.
26	Section 9-16-360	State	Statute	Establishes standards of conduct for a fiduciary or employee of a fiduciary; breach of standards may result in dismissal of a Commissioner for conflict of interest, dismissal of an employee.
27	Section 9-16-370	State	Statute	Provides for defense and indemnification of Commission members, offices and management employees for acts arising out of official duties.
28	Section 9-16-380	State	Statute	Provides for a fiduciary audit of the Commission every four years.
29	Section 9-16-710	State	Statute	<b>** Investment education services** - this statute applies to SCRS, not the Commission, related to SCRS may provide unbiased investment education services to employees.</b>
30	11-57-10	State	Statute	<b>11-57-10 through 11-57-740 ** NO LONGER APPLICABLE** PER Attorney General Opinion issued May 4, 2018</b>
31	11-57-20	State	Statute	See Above
32	11-57-30	State	Statute	See Above
33	11-57-40	State	Statute	See Above
34	11-57-50	State	Statute	See Above
35	11-57-300	State	Statute	See Above
36	11-57-310	State	Statute	See Above
37	11-57-320	State	Statute	See Above
38	11-57-330	State	Statute	See Above
39	11-57-340	State	Statute	See Above
40	11-57-500	State	Statute	See Above
41	11-57-510	State	Statute	See Above
42	11-57-700	State	Statute	See Above
43	11-57-710	State	Statute	See Above
44	11-57-720	State	Statute	See Above
45	11-57-730	State	Statute	See Above
46	11-57-740	State	Statute	See Above



Agency Name: RETIREMENT SYSTEMS INVESTMENT COMMISSION

Fiscal Year 2018-2019  
Accountability Report

Agency Code and Section: E190 99

Customer Template

Service/Product Provided to Customers	Customer Segments	Specify only for the following Segments: (1) Industry: Name; (2) Professional Organization: Name; (3) Public: Demographics.	Divisions or Major Programs	Description
Investment Returns	General Public	Age: All Gender: All Economic Requirements: All incomes Other Required Conditions: State Plan Beneficiary	Investment	Asset Allocation
Investment Returns	General Public	Age: All Gender: All Economic Requirements: All incomes Other Required Conditions: State Plan Beneficiary	Investment	Manager Selection
Investment Returns	General Public	Age: All Gender: All Economic Requirements: All incomes Other Required Conditions: State Plan Beneficiary	Operations	Operations
Investment Returns	General Public	Age: All Gender: All Economic Requirements: All incomes Other Required Conditions: State Plan Beneficiary	Operations	Internal Audit and Compliance

<b>Agency Name:</b>		RETIREMENT SYSTEMS INVESTMENT COMMISSION		Fiscal Year 2018-2019 Accountability Report
<b>Agency Code and Section:</b>		E190	099	
				Partner Template
Name of Partner Entity	Type of Partner Entity	Description of Partnership	Associated Goal(s)	
SC Public Employee Benefits Authority	State Government	Investment returns contribute to benefit payments; reporting data contribute to PEBA CAFR; PEBA director is a seated and non-voting Commissioner. PEBA has custodianship of the system assets and governance of the custodial banking relationship is under the auspice of RSIC.	All	
SC State Fiscal Accountability Authority	State Government	Commissioner appointing authorities and co-trustees	All	

Agency Name: RETIREMENT SYSTEMS INVESTMENT COMMISSION Fiscal Year 2018-2019

Agency Code: E190 Section: 099 Accountability Report

Report and External Review Template

Item	Is this a Report, Review, or both?	Report or Review Name	Name of Entity Requesting the Report or Conducting Review	Type of Entity	Reporting Frequency	Current Fiscal Year: Submission Date or Review Timeline (MM/DD/YYYY)	Summary of Information Requested in the Report or Reviewed	Method to Access the Report or Information from the Review
1	External Review and Report	Accountability Report	Executive Budget Office	State	Annually	9/20/2018	RSIC's mission, objectives to accomplish the mission, and performance measures show the degree to which objectives are being met; key program area descriptions and expenditures and links these to key financial and performance results measures.	<a href="https://www.scstatehouse.gov/reports/reports.php">https://www.scstatehouse.gov/reports/reports.php</a>
2	Internal Review and Report	2017-2018 Annual Investment Report	State Budget and Control Board, the Speaker of the House of Representatives, members of the House of Representatives or Senate, but only upon their request, the President Pro Tempore of the Senate, and other appropriate officials and entities of the investment status of the retirement systems	State	Annually	11/1/2018	(1) A description of a material interest held by a trustee, fiduciary, or an employee who is a fiduciary with respect to the investment and management of assets of the system, or by a related person, in a material transaction with the system within the last three years or proposed to be effected (2) A schedule of the rates of return, net of total investment expense, on assets of the system overall and on assets aggregated by category over the most recent one-year, three-year, five-year, and ten-year periods, to the extent available, and the rates of return on appropriate benchmarks for assets of the system overall and for each category over each period (3) A schedule of the sum of total investment expense and total general administrative expense for the fiscal year expressed as a percentage of the fair value of assets of the system on the last day of the fiscal year, and an equivalent percentage for the preceding five fiscal years; (4) A schedule of all assets held for investment purposes on the last day of the fiscal year aggregated and identified by issuer, borrower, lessor, or similar party to the transaction stating, if relevant, the asset's maturity date, rate of interest, par or maturity value, number of shares, costs, and fair value and identifying an asset that is in default or classified as uncollectible.	<a href="http://www.ic.sc.gov/what-we-do/investment-reports.html">http://www.ic.sc.gov/what-we-do/investment-reports.html</a>
3	Internal Review and Report	Quarterly Investment Report	State Budget and Control Board, the Speaker of the House of Representatives, the President Pro Tempore of the Senate, and other appropriate officials and entities	State	Quarterly	6/30/2019	Investment performance	<a href="http://www.ic.sc.gov/what-we-do/investment-reports.html">http://www.ic.sc.gov/what-we-do/investment-reports.html</a>
4	External Review and Report	Agreed Upon Procedures	CliftonLarsonAllen	Outside Organization	Annually	6/30/2019	Through use of an Agreed Upon Procedures (AUP) performed by CliftonLarsonAllen (CLA) RSIC has coverage around whether procedures covering the areas of investment due diligence (initial and ongoing) and investment valuations are being followed.	Available Upon Request
5	External Review and Report	Joint Committee on Pension Systems Review	General Assembly	State	Other	Ongoing		<a href="https://www.scstatehouse.gov/CommitteeInfo/Joint%20Committee%20On%20Pension%20Systems%20Review/JointCommitteeOnPensionSystemsReview.php">https://www.scstatehouse.gov/CommitteeInfo/Joint%20Committee%20On%20Pension%20Systems%20Review/JointCommitteeOnPensionSystemsReview.php</a>

6	External Review and Report	Fiduciary Performance Audit	General Assembly	Outside Organization	Other	Ongoing	<p>Funston Advisory Services LLC was selected by the SC Office of the State Auditor to conduct the 2018 RSIC fiduciary performance audit. The primary purpose of this audit is to evaluate the progress made in implementing the recommendations resulting from the 2014 fiduciary performance audit of RSIC. While the focus of this audit is on progress based on the 2014 report, the Office of the State Auditor also requested that the review identify any areas of weakness in current operational policies and practices. In addition, recommendations addressing weaknesses or regarding better practices and other observations should be articulated and prioritized according to significance and urgency and, where feasible, should include an analysis of potential costs or benefits associated with implementation.</p>	<p><a href="https://osa.sc.gov/wp-content/uploads/2018/11/RSIC-Fiduciary-Performance-Audit-2018.pdf">https://osa.sc.gov/wp-content/uploads/2018/11/RSIC-Fiduciary-Performance-Audit-2018.pdf</a></p>
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