

|                     |   |                 |            |
|---------------------|---|-----------------|------------|
| <b>AGENCY NAME:</b> | <b>RETIREMENT SYSTEMS INVESTMENT COMMISSION</b> |                 |            |
| <b>AGENCY CODE:</b> | <b>E190</b>                                     | <b>SECTION:</b> | <b>099</b> |

---

## Fiscal Year 2020–2021 Accountability Report

---

### SUBMISSION FORM

I have reviewed and approved the data submitted by the agency in the following online forms:

- Reorganization and Compliance
- Strategic Plan Results
- Strategic Plan Development
- Legal
- Services
- Partnerships
- Report or Review

I have reviewed and approved the financial report summarizing the agency’s budget and actual expenditures, as entered by the agency into the South Carolina Enterprise Information System.

The information submitted is complete and accurate to the extent of my knowledge.

|   |                    |
|---|--------------------|
| <b>AGENCY DIRECTOR</b><br><b>(SIGN AND DATE):</b> | Signature on file. |
| <b>(TYPE/PRINT NAME):</b>                         | Mike Hitchcock     |

|  |                    |
|--|--------------------|
| <b>BOARD/CMSN CHAIR</b><br><b>(SIGN AND DATE):</b> | Signature on file. |
| <b>(TYPE/PRINT NAME):</b>                          | William H. Hancock |

FY 2020-2021 Agency Accountability Report  
**Reorganization and Compliance Responses:**

These responses were submitted for the FY 2020-2021 Accountability Report by the

**RETIREMENT SYSTEMS INVESTMENT COMMISSION**

**Primary Contact:**

| First Name | Last Name | Role/Title                  | Phone        | Email Address       |
|------------|-----------|-----------------------------|--------------|---------------------|
| Kara       | Brurok    | Director of External Policy | 803-737-6814 | kbrurok@rsic.sc.gov |

**Secondary Contact**

| First Name | Last Name | Role/Title             | Phone        | Email Address        |
|------------|-----------|------------------------|--------------|----------------------|
| Brian      | Wheeler   | Administrative Manager | 803-737-6843 | bwheeler@rsic.sc.gov |

**Agency Mission**

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.

**Adopted in:** 2005

**Agency Vision**

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.

**Adopted in:** 2005

**Recommendations for reorganization requiring legislative change.**

No

**Please list significant events related to the agency that occurred in FY 2020-2021.**

| Month Started | Month Ended | Description of Event | Agency Measures Impacted | Other Impacts |
|---------------|-------------|----------------------|--------------------------|---------------|
|               |             |                      |                          |               |
|               |             |                      |                          |               |
|               |             |                      |                          |               |
|               |             |                      |                          |               |
|               |             |                      |                          |               |
|               |             |                      |                          |               |
|               |             |                      |                          |               |
|               |             |                      |                          |               |
|               |             |                      |                          |               |
|               |             |                      |                          |               |

**Does the agency intend to make any other major reorganization to divisions, departments, or programs to allow the agency to operate more effectively and efficiently in FY 2021-22?**

**Note: It is not recommended that agencies plan major reorganization projects every year. This section should remain blank unless there is a need for reorganization.**

No

**Is the agency in compliance with S.C. Code Ann. § 2-1-220, which requires submission of certain reports to the Legislative Services Agency for publication online and the State Library? See also S.C. Code Ann. § 60-2-20.**

Yes

**If not, please explain why.**

**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. § 20-1-10 through 20-1-180) and the South Carolina Uniform Electronic Transactions Act (S.C. Code Ann. § 26-6-10 through 26-10-210).**

Yes

These responses were submitted for the FY 2020-2021 Accountability Report by the

**RETIREMENT SYSTEMS INVESTMENT COMMISSION**

Does the law allow the agency to promulgate regulations?

No

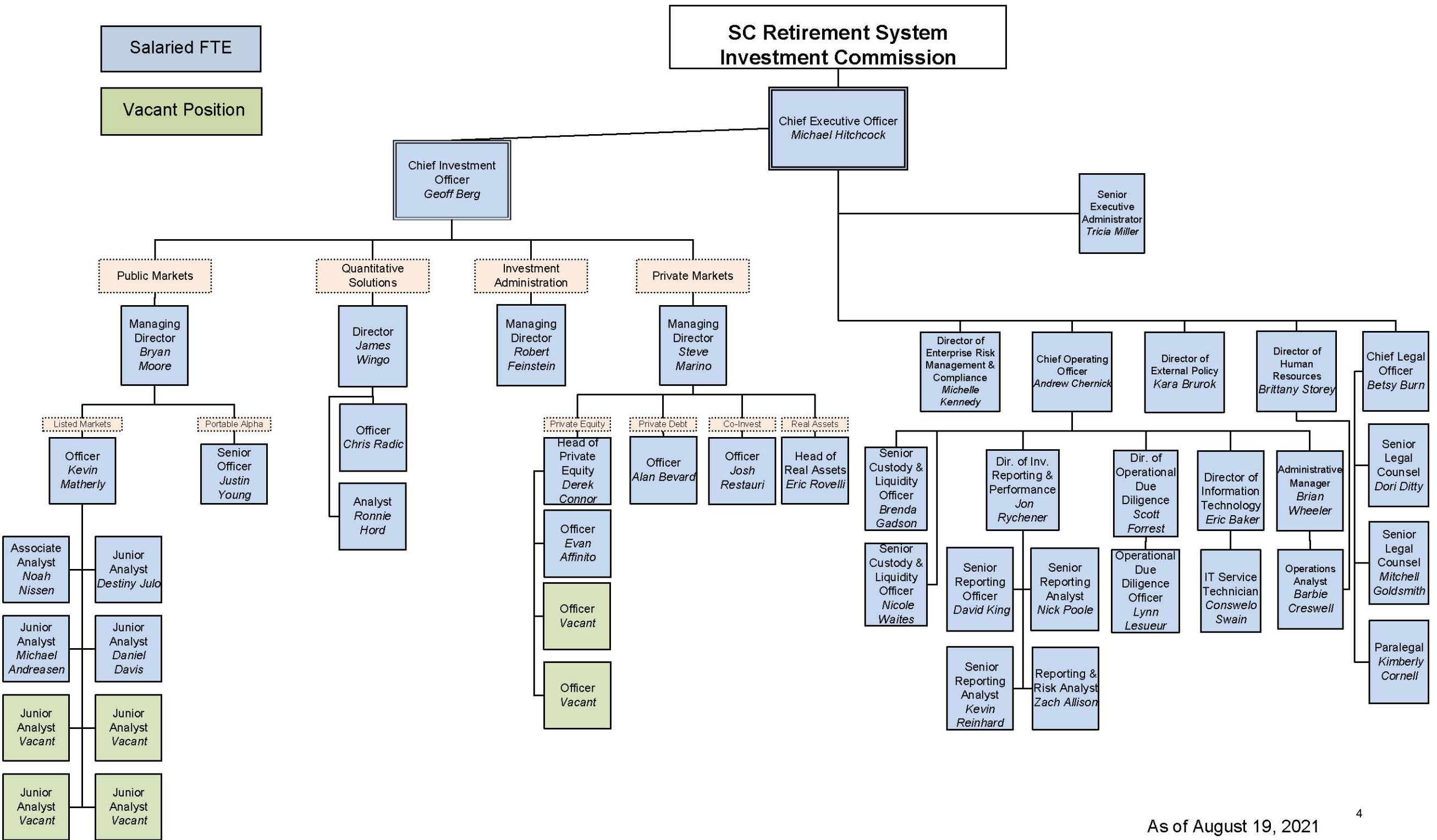
|                     |   |                 |            |
|---------------------|---|-----------------|------------|
| <b>AGENCY NAME:</b> | <b>RETIREMENT SYSTEMS INVESTMENT COMMISSION</b> |                 |            |
| <b>AGENCY CODE:</b> | <b>E190</b>                                     | <b>SECTION:</b> | <b>099</b> |

The South Carolina Retirement System Investment Commission (“RSIC”) was established by South Carolina law for the purpose to have exclusive authority for investing and managing all assets held in trust for the participants and beneficiaries of five separate defined benefit plans: (1) South Carolina Retirement System; (2) South Carolina Police Officers Retirement System; (3) Retirement System for Judges and Solicitors of the State of South Carolina; (4) Retirement System for Members of the General Assembly of the State of South Carolina; and the (5) National Guard Retirement System.

The RSIC has an unwavering commitment to financial security. The long-term nature of the Retirement System reflects the long-term investing horizon strategy. Each of the defined benefit plans provide lifetime retirement annuities, disability benefits, and death benefits to eligible members and their beneficiaries.

The singular goal of the South Carolina 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 Commissioners and staff to design the appropriate asset allocation and manager selection, as well as engaging outside investment consultants, investment partners and systems providers to assist it in achieving its goal.

Effective July 1, 2020, RSIC began implementing a simplified Policy Portfolio consisting of five asset classes: Public Equity, Private Equity, Bonds, Private Debt, and Real Assets. The Policy Portfolio reflects the Commission's long-term mix of assets it believes produces the investment return necessary to support benefit payments to our current and future retirees. RSIC staff also adds value by managing the mix of assets to take advantage of changing economic and market conditions. In addition, RSIC’s investment approach is predicated upon prudently managing costs and fees and ensuring that our investment portfolio is risk-focused and diversified.





















FY 2020-2021 Agency Accountability Report  
**Budget Responses:**

These responses were submitted for the FY 2020-2021 Accountability Report by the  
**RETIREMENT SYSTEMS INVESTMENT COMMISSION**

|                             |                              |   | FY 2020-21 Expenditures (Actual) |                 |         |                 | FY 2021-22 Expenditures (Projected) |                 |         |                 |
|-----------------------------|------------------------------|---|----------------------------------|-----------------|---------|-----------------|-------------------------------------|-----------------|---------|-----------------|
| State Funded Program Number | State Funded Program Title   | Description of State Funded Program   | General                          | Other           | Federal | TOTAL           | General                             | Other           | Federal | TOTAL           |
| 0100.000000.000             | Administration               | E2 – Salaries and operating funds needed by the agency to provide services. |                                  | \$10,268,806.00 |         | \$10,268,806.00 |                                     | \$13,303,000.00 |         | \$13,303,000.00 |
| 9500.050000.000             | State Employer Contributions | E3 – Agency share of employer benefits.                                     |                                  | \$1,759,900.00  |         | \$1,759,900.00  |                                     | \$2,000,000.00  |         | \$2,000,000.00  |

**Legal Responses:**

**These responses were submitted for the FY 2020-2021 Accountability Report by the  
RETIREMENT SYSTEMS INVESTMENT COMMISSION**

| Description   | Purpose | Law Number  | Jurisdiction | Type               | Notes |
|---|---------|---|--------------|--------------------|-------|
| Authority to invest and reinvest the Trust Fund as allowed by Constitution and Statute.   |         | 9-1-1310  | State        | Statute            |       |
| Prohibition of conflicts of interest.   |         | 9-1-1340  | State        | 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.   |         | Certain laws overseen by the Commodity Futures Trading Commission | 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]).  |         | Federal Securities Laws   | Federal      | Statute            |       |
| 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.<br><br>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. |         | Proviso 117.132   | State        | FY 2019-20 Proviso |       |
| 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.   |         | SC Constitution, Article X, Section XVI                           | State        | Statute            |       |

**These responses were submitted for the FY 2020-2021 Accountability Report by the  
RETIREMENT SYSTEMS INVESTMENT COMMISSION**

| Description   | Purpose | Law Number       | Jurisdiction | Type    | Notes |
|---|---------|------------------|--------------|---------|-------|
| Duties and responsibilities of Commission eligibility requirements, reporting requirements, considerations for investment of Trust Fund.  |         | Section 9-16-10  | 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 investment in any entity in which a Commissioner or immediate family has any interest, excluding publicly traded securities.   |         | Section 9-16-100 | State        | Statute |       |
| RSIC given exclusive authority to invest & manage all assets; Mandates holding & investing all assets of the 5 systems in a group trust.  |         | Section 9-16-20  | 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.  |         | Section 9-16-30  | 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. |         | Section 9-16-315 | 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.   |         | Section 9-16-320 | 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.   |         | Section 9-16-330 | 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.   |         | Section 9-16-335 | 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.  |         | Section 9-16-340 | State        | Statute |       |
| Commission will strive to assure that minorities and minority-owned businesses are represented in hiring and procurement.   |         | Section 9-16-345 | 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.   |         | Section 9-16-350 | 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.  |         | Section 9-16-360 | State        | Statute |       |



**These responses were submitted for the FY 2020-2021 Accountability Report by the  
RETIREMENT SYSTEMS INVESTMENT COMMISSION**

| Description  | Purpose | Law Number   | Jurisdiction | Type    | Notes |
|--|---------|--|--------------|---------|-------|
| Provides for defense and indemnification of Commission members, offices and management employees for acts arising out of official duties.  |         | Section 9-16-370   | State        | Statute |       |
| Provides for a fiduciary audit of the Commission every four years.   |         | Section 9-16-380   | State        | Statute |       |
| Standards for discharge of fiduciary duty by Commissioners and other fiduciaries.  |         | Section 9-16-40  | 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.  |         | Section 9-16-50  | State        | Statute |       |
| Sudan divestment requirement, prohibiting certain investments in companies with business operations in Sudan.  |         | Section 9-16-55  | 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.  |         | Section 9-16-60  | 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.   |         | Section 9-16-70  | State        | Statute |       |
| ** Investment education services** - this statute applies to SCRS, not the Commission, related to SCRS may provide unbiased investment education services to employees.  |         | Section 9-16-710   | 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.  |         | Section 9-16-80  | 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. |         | Section 9-16-90  | State        | 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.  |         | Various federal tax laws and ERISA (Employee Retirement Income Security Act of 1974) | Federal      | Statute |       |

FY 2020-2021 Agency Accountability Report  
**Services Responses:**

These responses were submitted for the FY 2020-2021 Accountability Report by the  
**RETIREMENT SYSTEMS INVESTMENT COMMISSION**

| Description of Service | Description of Direct Customer   | Customer Name                       | Others Impacted By the Service | Agency unit providing the service | Description of agency unit    | Primary negative impact if service not provided |
|------------------------|--|-------------------------------------|--------------------------------|-----------------------------------|-------------------------------|---|
| Investment Returns     | Age: All<br>Gender: All<br>Economic Requirements: All incomes<br>Other Required Conditions: State Plan Beneficiary | State Retirement Plan Beneficiaries |                                | Investment                        | Asset Allocation              |   |
| Investment Returns     | Age: All<br>Gender: All<br>Economic Requirements: All incomes<br>Other Required Conditions: State Plan Beneficiary | State Retirement Plan Beneficiaries |                                | Investment                        | Manager Selection             |   |
| Investment Returns     | Age: All<br>Gender: All<br>Economic Requirements: All incomes<br>Other Required Conditions: State Plan Beneficiary | State Retirement Plan Beneficiaries |                                | Operations                        | Operations                    |   |
| Investment Returns     | Age: All<br>Gender: All<br>Economic Requirements: All incomes<br>Other Required Conditions: State Plan Beneficiary | State Retirement Plan Beneficiaries |                                | Operations                        | Internal Audit and Compliance |   |

**Agency Partnerships Responses:**

These responses were submitted for the FY 2020-2021 Accountability Report by the

**RETIREMENT SYSTEMS INVESTMENT COMMISSION**

| Name of Partner Entity                   | Type of Partner Entity | Description of Partnership   |
|--|------------------------|--|
| 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. |
| SC State Fiscal Accountability Authority | State Government       | Commissioner appointing authorities and co-trustees  |

FY 2020-2021 Agency Accountability Report  
**Reports Responses:**

These responses were submitted for the FY 2020-2021 Accountability Report by the  
**Retirement System Investment Commission**

| Report Name                                  | Law Number (If required) | Summary of Information Requested in the Report   | Most Recent Submission Date | Reporting Frequency | Type of Entity | Method to Access the Report      | Direct access hyperlink or agency contact   |
|--|--------------------------|--|-----------------------------|---------------------|----------------|----------------------------------|---|
| 2019-2020 Annual Investment Report           | Section 9-16-90          | (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<br>(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<br>(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;<br>(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. |                             | Annually            | State          | Online                           | <a href="https://www.rsic.sc.gov/_documents/Reporting/2020-annual-report.pdf">https://www.rsic.sc.gov/_documents/Reporting/2020-annual-report.pdf</a> |
| Accountability Report                        | Section 1-1-820          | 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.  |                             | Annually            | State          | Online                           | <a href="https://www.scstatehouse.gov/reports/reports.php">https://www.scstatehouse.gov/reports/reports.php</a>                                       |
| Agreed Upon Procedures (The Hobbs Group, PA) |                          | Through the use of an AUP performed by The Hobbs Group, PA, RSIC has coverage around whether procedures covering the areas of cash receipts, cash disbursements, payroll, journal entries, and the Appropriations Act are being followed.  |                             | Annually            | Other          | Hard copy available upon request |   |

**These responses were submitted for the FY 2020-2021 Accountability Report by the Retirement System Investment Commission**

| Report Name  | Law Number (If required) | Summary of Information Requested in the Report   | Most Recent Submission Date | Reporting Frequency | Type of Entity       | Method to Access the Report      | Direct access hyperlink or agency contact   |
|--|--------------------------|--|-----------------------------|---------------------|----------------------|----------------------------------|---|
| Agreed Upon Procedures CliftonLarsonAllen  |                          | Through the use of an Agreed Upon Procedures (AUP) performed by CliftonLarsonAllen LLP (CLA), RSIC has coverage around whether procedures covering the areas of investment due diligence (initial and ongoing), investment valuations, and staff compliance are being followed.  |                             | Annually            | Outside Organization | Available Upon Request           | Available Upon Request  |
| Fiduciary Performance Audit (Funston Advisory Services LLC)  | Section 9-16-380         | 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, urgency, and, where feasible, should include an analysis of potential costs or benefits associated with implementation. The audit is performed every 4 years. The next audit will be completed FY 22-23. |                             | Every 4 Years       | Outside Organization | Online                           | <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> |
| Quarterly Investment Report  | Section 9-16-90          | Investment performance   |                             | Quarterly           | State                | Online                           | <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>   |
| SCRSIC Internal Audit Review - Business Continuity and Disaster Recovery Planning Review (Deloitte & Touche LLP)             |                          | Scope of work was a review of RSIC's business continuity and disaster recovery procedures, including testing to see if management's recovery plans will work in a given situation.   |                             | Other               | Other                | Hard copy available upon request |   |
| SCRSIC Internal Audit Review -Review of Performance Reporting System Implementation (Interim Report) (Deloitte & Touche LLP) |                          | Scope of work was an embedded assurance review to advise on control design and implementation efforts for RSIC's new performance reporting system: Caissa.   |                             | Other               | Other                | Hard copy available upon request |   |
| Verification and Total Fund Performance Examination (ACA Compliance Associates, LLC)   |                          | Through the use of a Verification and Total Fund Performance Examination, RSIC has coverage that its reporting practices are in compliance with the Global Investment Reporting Standards (GIPS).  |                             | Annually            | Other                | Hard copy available upon request |   |