



Michael Hitchcock,
Executive Director

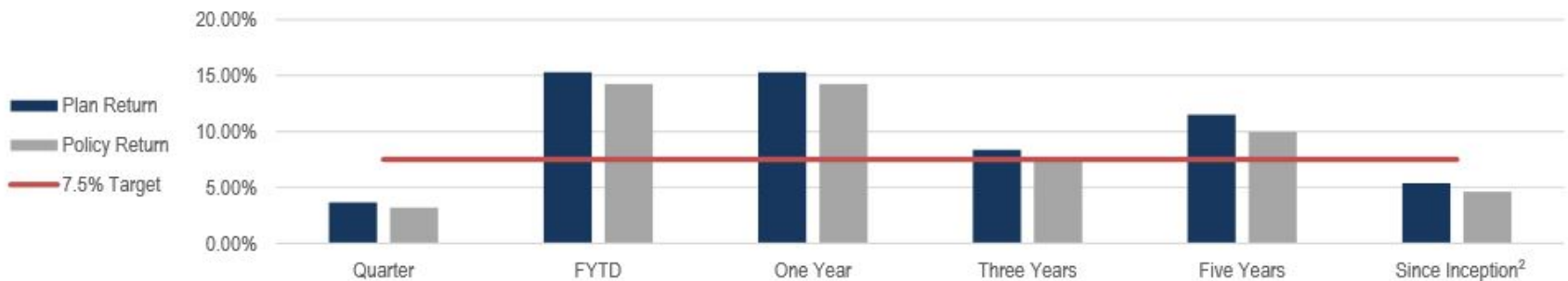
September 18, 2014

“The absence of a single executive who is responsible for the entire organization means that accountability for planning, priority setting, employee development, external communications and response to crises is diffused and unclear.”¹

¹ Funston Advisory Services, Fiduciary Performance Audit of the South Carolina Retirement System Investment Commission, 2014, p. 84-85.

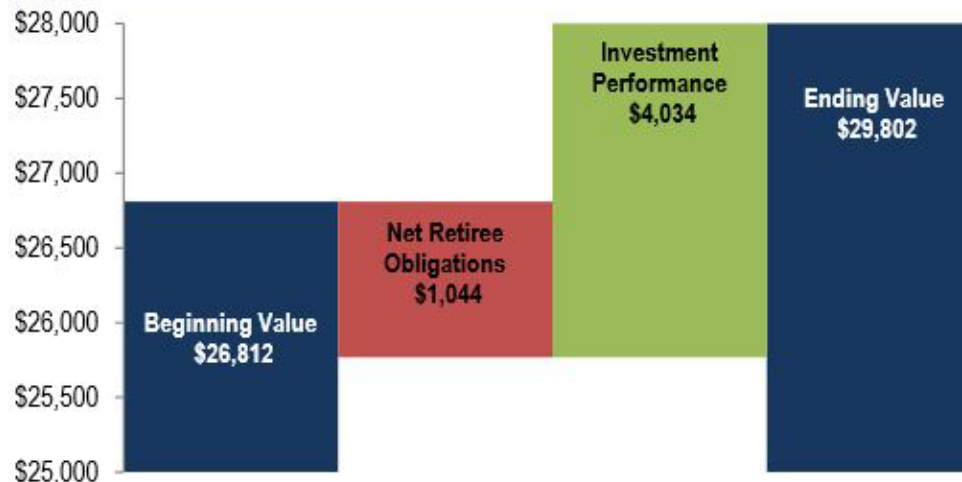
Fiscal Year 2014 Returns

Net of Fee Returns by Time Period¹

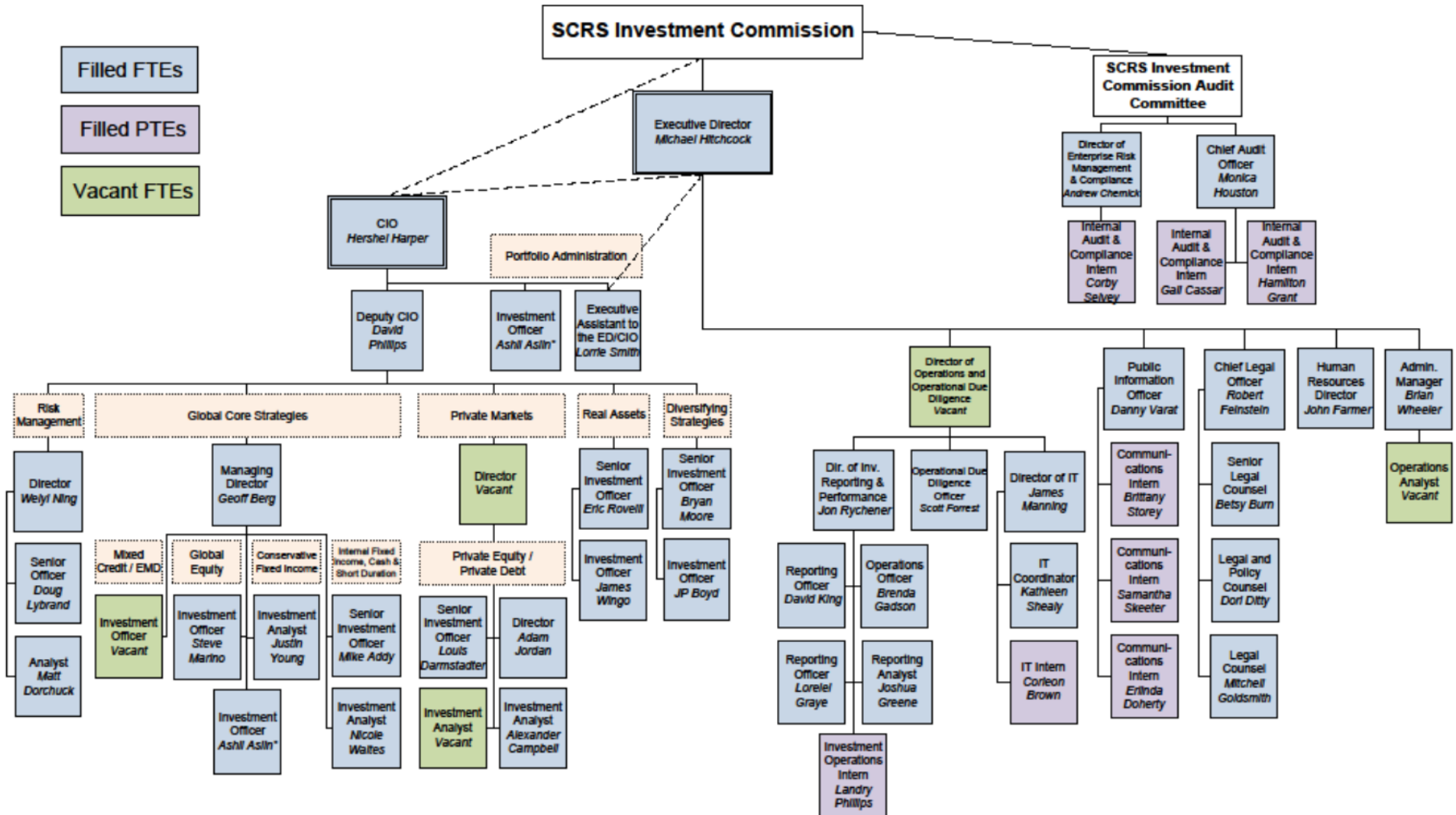


Executive Summary	Market Value	Quarter	FYTD	One Year	Three Years	Five years	Since RSIC Inception ²
Total Plan	29,802.41	3.67%	15.29%	15.29%	8.37%	11.48%	5.38%
Policy Benchmark		3.18%	14.26%	14.26%	7.51%	9.98%	4.62%
Net Benefit Payments		(276)	(1,044)	(1,044)	(3,072)	(4,868)	N/A

FYTD Contributions to Plan Value



RSIC Org Chart



Vacant FTEs/Current Status

Vacant FTEs

Current Status 9/8/2014

Vacant FTE 1 - Credit Strategies Officer

Posting closed August 30, Phone interviews are being set/conducted.

Vacant FTE 2 - Private Markets Officer

Posting closed August 30, Phone interviews are being set/conducted.

Vacant FTE 3 - Risk Analyst

Filled September 2, 2014

Vacant FTE 4 - Director Private Markets

Posting closed August 30, Phone interviews are being set/conducted.

Vacant FTE 5 - Operations Analyst

Posting closed August 29, Phone interviews are being set/conducted.

Vacant FTE 6 - Director of Operations & Due Diligence

Finalists identified and pending E.D. decision/scheduling to interview.



Funston Advisory Services Report

- Under the supervision of the South Carolina Office of the Inspector General Funston Advisory Services (FAS) conducted an exhaustive fiduciary performance audit of the RSIC.
- The goals of this mandatory audit were to critically evaluate the fiduciary roles and responsibilities of RSIC Commissioners and staff, their relationship with other fiduciaries in the Retirement System, and RSIC operational policies and practices.
- FAS experts spent months reviewing documents, interviewing commissioners, staff, stakeholders, investment managers and others, and conducting peer surveys.
- The full audit report can be found at www.rsic.sc.gov

FAS Report Findings

- The report identified areas of strengths and weaknesses, provided comparisons to leading practices of other public pension plans, and presented recommendations for improvement.
- FAS ultimately recommended 126 areas for improvement at RSIC.
- Of those 126 recommendations, 108 can be addressed by RSIC, 12 require action by the South Carolina General Assembly (including taking leadership opportunities to improve RSIC operations), and four are tasked to the State Treasurer's Office
- Two critical findings are:
 1. There are no red flag indicators of malfeasance or misfeasance regarding the Commission's current policies and practices
 2. RSIC is a leader among public pension systems in disclosing external management fees.

Update On Our Dedicated Efforts

- RSIC is making diligent progress in addressing the 108 recommendations that we are directly responsible for.
- As of September 1, 2014, 29 of the recommendations have already been completed, and target completion dates are set for the remaining recommendations.
- Critical recommendations that RSIC have completed include:
 - Acquisition of an administrator system
 - The creation and selection of an Executive Director and Director of Human Resources
 - Re-focusing of Commissioners' role to one of strategic guidance and oversight
 - Engagement of an independent consultant to assess RSIC staff compensation
 - Engagement with a provider to develop measureable benchmarks by which RSIC performance is judged
- RSIC looks forward to collaborating with the General Assembly and other stakeholders to implement the remaining recommendations.

Conclusion

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