

# South Carolina Retirement System Investment Commission

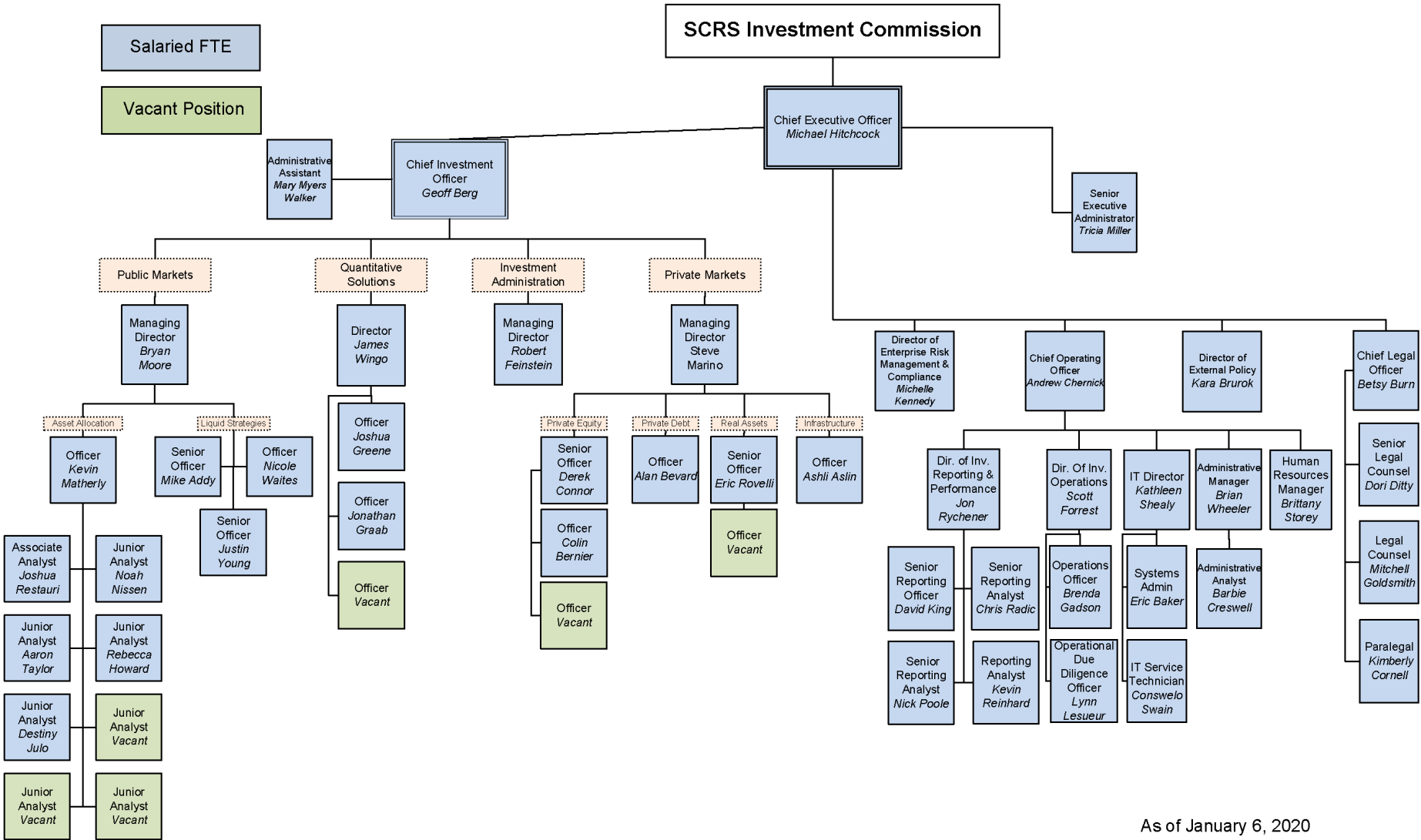
*FY 2020-21 Ways and Means Budget Hearing  
January 22, 2020*

*Michael Hitchcock, CEO*

# Agency Attendees

- **Michael R. Hitchcock, Chief Executive Officer**
  - 803.737.7698
  - [mhitchcock@rsic.sc.gov](mailto:mhitchcock@rsic.sc.gov)
  
- **Kara Brurok, Director of External Policy**
  - 803.737.6814
  - [kbrurok@rsic.sc.gov](mailto:kbrurok@rsic.sc.gov)

# Organizational Chart



As of January 6, 2020

## South Carolina Retirement System Investment Commission

### Purpose & Duties

The RSIC has exclusive authority for investing and managing \$32.2 billion in net assets (as of September 30, 2019) 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: 45

Vacant Number of FTEs: 6

#### *Commissioners:*

Elected by the Commission: Dr. Ronald Wilder, Chairman

Appointed by the Comptroller General: Dr. Rebecca Gunlaugsson, Vice Chair

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

Appointed by the State Treasurer: William (Bill) Hancock

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, 2019: 5.84%

Most Recent Quarterly Reported Returns September 30, 2019: 0.61%

FYTD November 2019: 3.21%

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

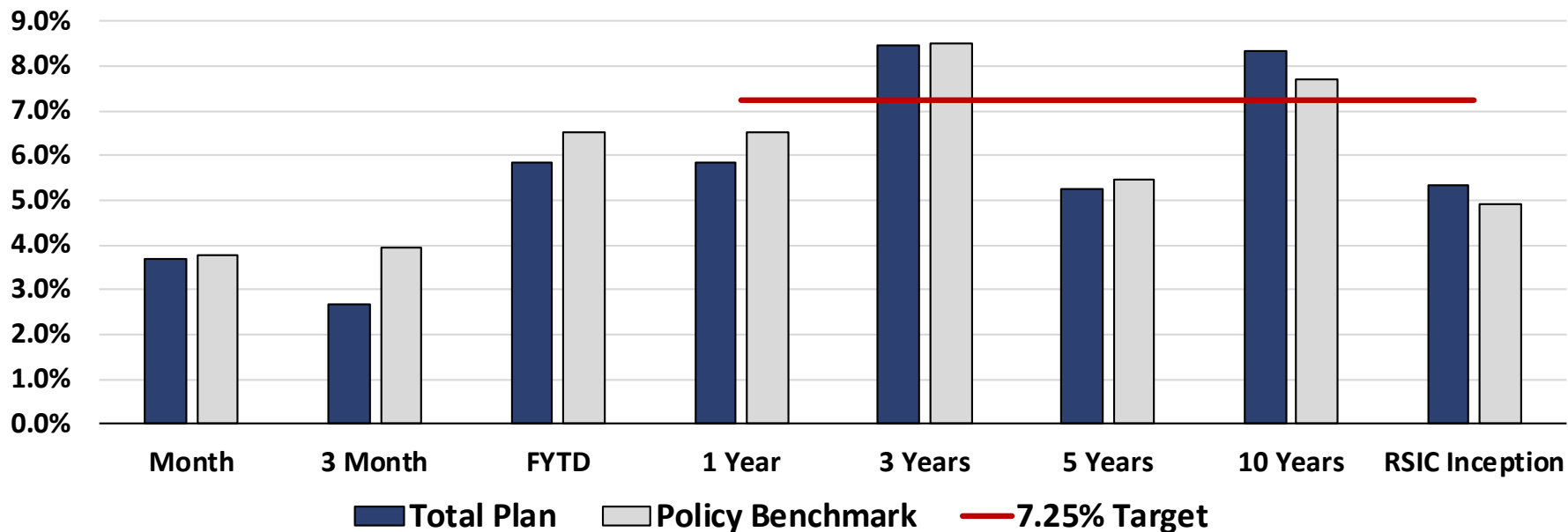
*RSIC is requesting maintaining proviso 117.125 (GP: Retirement System Assets and Custodial Banking Relationship Transfer) as maintenance of the exemptions provided through this language allow for necessary modifications to agreements to create operational and fiscal efficiencies.*

# Accountability Report Highlights

- **During Fiscal Year 2018-2019 RSIC:**
  - **Began with a value of \$31.3 billion and ended with a value over \$31.9 billion.**
    - **Earned \$1.76 billion in investment return net of fees.**
    - **Contributed \$1.08 billion to net benefit payments.**
    - **Added \$674 million net of fees and benefit payments to the value of the Retirement System Trust Fund.**
  - **Even though the plan earned a 5.84% rate of return on its investments, which is below the actuarial assumed rate of return of 7.25%, the 3- and 10-year return exceed the actuarial assumed rate of return.**

# FYE Performance – Plan & Policy Benchmark

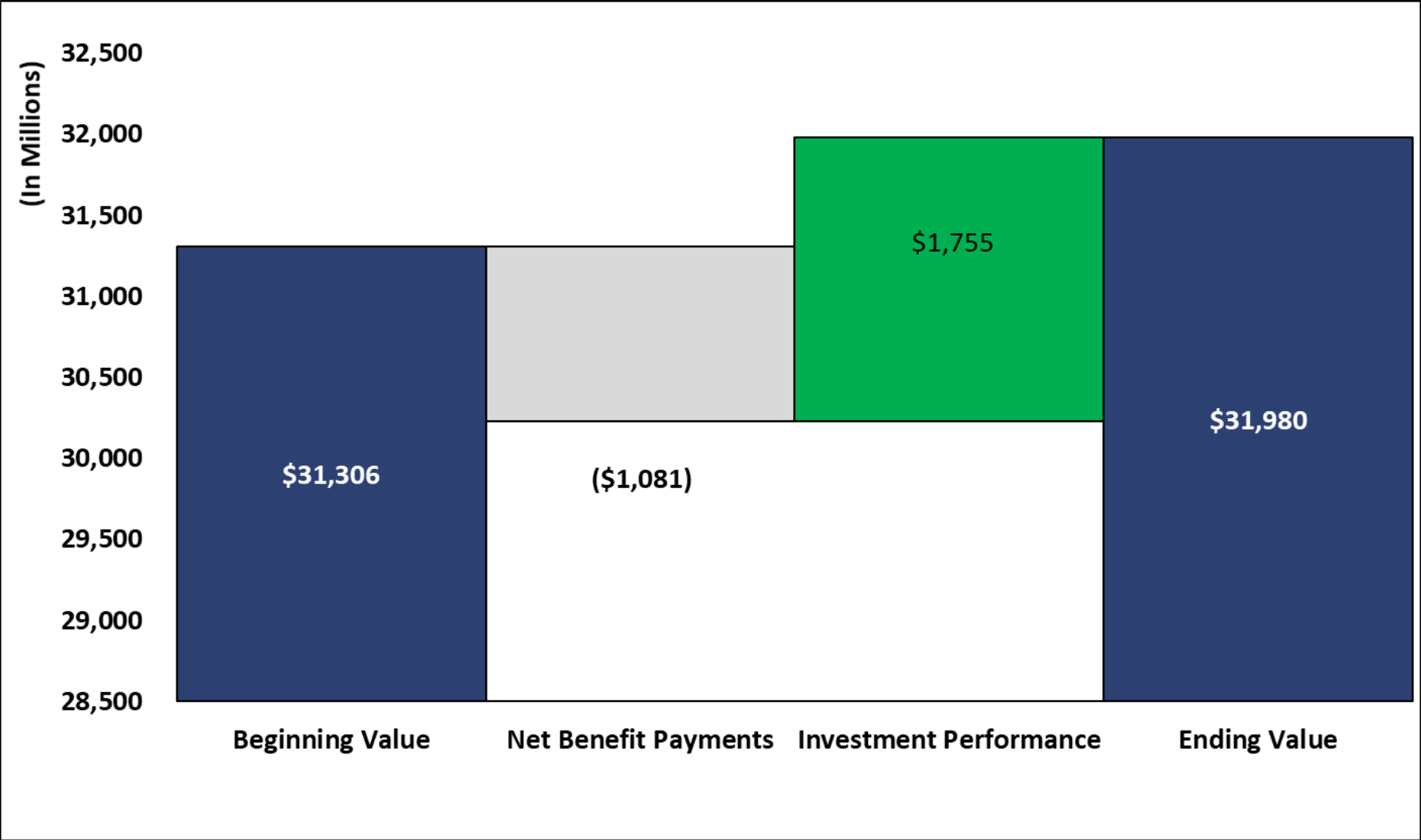
FYE June 30, 2019



Historic Plan Performance As of 06/30/19	Market Value (In Millions)	Annualized							RSIC Inception
		Month	3 Month	FYTD	1 Year	3 Years	5 Years	10 Years	
<b>Total Plan</b>	<b>\$31,980</b>	3.70%	2.65%	5.84%	5.84%	8.48%	5.26%	8.33%	5.34%
<b>Policy Benchmark</b>		3.79%	3.93%	6.50%	6.50%	8.51%	5.45%	7.69%	4.92%
<b>Excess Return</b>		-0.09%	-1.28%	-0.67%	-0.66%	-0.03%	-0.19%	0.64%	0.41%
<b>Net Benefit Payments (In Millions)</b>		(\$118)	(\$170)	(\$1,081)	(\$1,081)	(\$3,350)	(\$5,475)	(\$10,328)	(\$13,466)

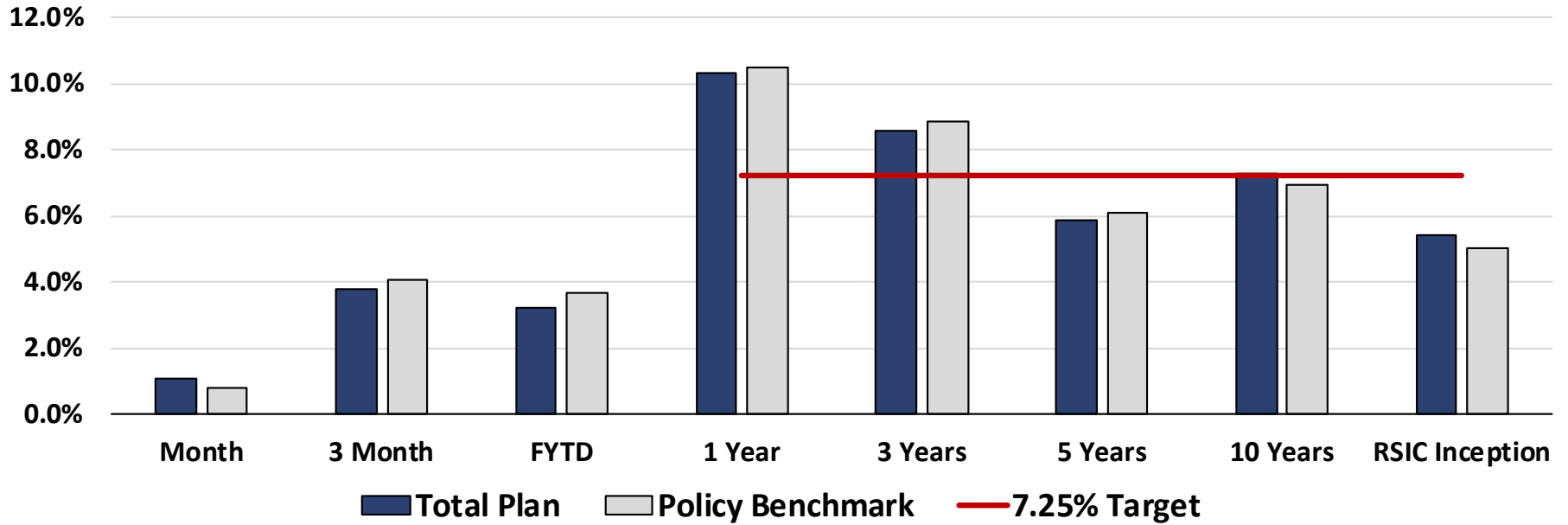
# FYE Benefits & Performance

FYE June 30, 2019



# FYTD Performance – Plan & Policy Benchmark

FYTD November 30, 2019

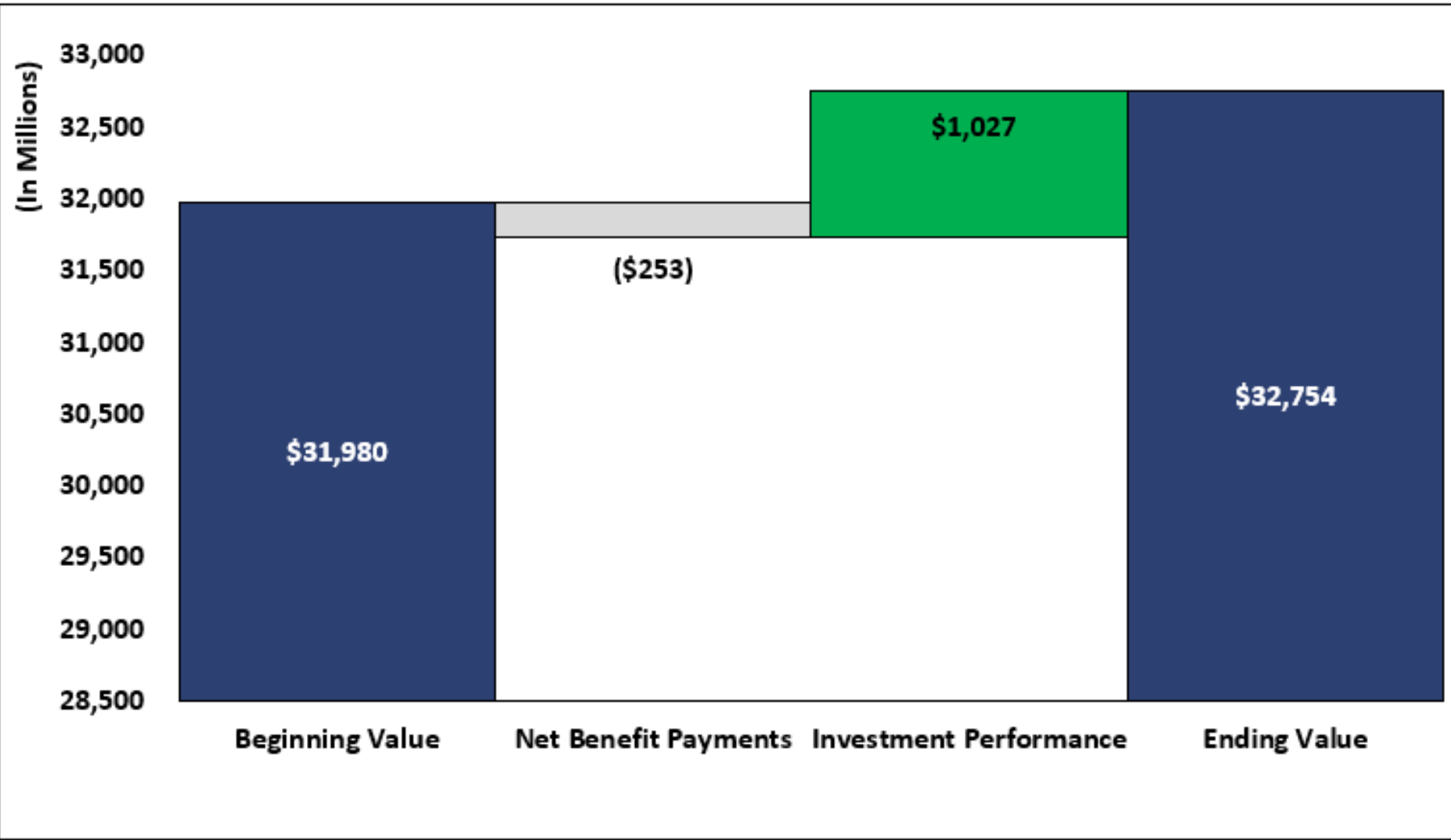


Historic Plan Performance As of 11/30/19	Market Value (In Millions)	Annualized							
		Month	3 Month	FYTD	1 Year	3 Years	5 Years	10 Years	RSIC Inception
<b>Total Plan</b>	<b>\$32,754</b>	1.08%	3.78%	3.21%	10.33%	8.55%	5.90%	7.30%	5.41%
<b>Policy Benchmark</b>		0.82%	4.09%	3.65%	10.50%	8.84%	6.12%	6.92%	5.04%
<b>Excess Return</b>		0.26%	-0.31%	-0.44%	-0.17%	-0.29%	-0.22%	0.37%	0.37%
<b>Net Benefit Payments (In Millions)</b>		(\$117)	(\$294)	(\$253)	(\$724)	(\$3,151)	(\$5,241)	(\$10,205)	(\$13,720)



# FYTD Benefits & Performance

FYTD November 30, 2019



# Budget Request Summary

FY 20-21 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 2020-21				
Proviso # in FY 19-20 Act	Proviso # in FY 20-21 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 FY18-19

- 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.
- FY19-20 total authorization: \$15,303,000

Appropriation	\$15,803,000.00	FY18 Cash on Hand start of FY19	\$1,574,271.97	FY19 Appropriation	\$15,803,000.00
Draw 1	\$3,950,750.00				
Draw 2	\$3,950,750.00				
Draw 3	\$3,950,750.00				
Draw 4	\$3,950,750.00				
Total Draw	\$15,803,000.00	Total Draw Revenue	\$15,803,000.00		
Undrawn	\$0.00	Interest Revenue	\$66,276.22		
		Sale of Surplus Property	\$495.00		
		Cash	\$17,444,043.19		
		Cash	\$17,444,043.19		
		FY19 Expenditures	\$12,278,740.30	FY19 Expenditures	\$12,278,740.30
		Adjusted Cash	\$5,165,302.89	FY19 Lapsed (unspent) Approp.	\$3,524,259.70
		Adjusted Cash	\$5,165,302.89		
		FY19 End of Year Cash on Hand	\$5,165,302.89		

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**

- **Authorized: 51**
- **Filled: 45**
- **Vacant: 6**
- **Impending retirements in next five years: 1**