

AGENCY NAME:	SC Retirement System Investment Commission		
AGENCY CODE:	E19	SECTION:	99

**Fiscal Year 2015-16
Accountability Report**

SUBMISSION FORM

AGENCY MISSION	The Commission will fulfill its fiduciary responsibility by prudently managing all assets held in trust for the sole benefit of the participants and beneficiaries of the South Carolina Retirement Systems. It will seek superior long-term investment results at a reasonable level of risk.
-----------------------	--

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.
----------------------	--

Please state yes or no if the agency has any major or minor (internal or external) recommendations that would allow the agency to operate more effectively and efficiently.

RESTRUCTURING RECOMMENDATIONS:	No
---------------------------------------	----

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

	<i>Name</i>	<i>Phone</i>	<i>Email</i>
PRIMARY CONTACT:	Michael Hitchcock	737-7698	mhitchcock@ic.sc.gov
SECONDARY CONTACT:	Danny Varat	737-7556	dvarat@ic.sc.gov

AGENCY NAME:	SC Retirement System Investment Commission		
AGENCY CODE:	E19	SECTION:	99

I have reviewed and approved the enclosed FY 2015-16 Accountability Report, which is complete and accurate to the extent of my knowledge.

AGENCY DIRECTOR (SIGN AND DATE):			
	09/21/2016		
(TYPE/PRINT NAME):	Michael Hitchcock, CEO		

BOARD/CMSN CHAIR (SIGN AND DATE):			
	09/21/2016		
(TYPE/PRINT NAME):	Rebecca Gunnlaugsson, Chair		

AGENCY NAME:	SC Retirement System Investment Commission		
AGENCY CODE:	E19	SECTION:	99

AGENCY’S DISCUSSION AND ANALYSIS

The singular goal of the SC Retirement Systems 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 System Investment Commission

-
G
S
O

Agency Code: E19 Section: 99

Type	Item #			Associated Enterprise Objective	Description
	Goal	Strat	Object		
G	1			Government and Citizens	Prudent, legal and transparent investment of Trust Funds.
S		1.1		Government and Citizens	Annually construct and execute, upon Commission approval, appropriate asset allocation.
O			1.1.1		Invest assets wisely, manage risk, ensure liquidity and afford flexibility to react to changing market conditions.
S		1.2		Government and Citizens	Select investment managers based upon quantifiable analysis of performance.
O			1.2.1		Identify specific asset managers with whom RSIC will place Fund assets in order to maximize the investment of those assets.
-					
S		1.3		Government and Citizens	Ensure the efficient and effective delivery of services complimentary to the investment function.
O			1.3.1		Provide support to the Investment Team, provide accurate and robust reporting of plan performance on a quarterly and annual basis, remain legally compliant.
-					
S		1.4		Government and Citizens	Provide independent, objective assurance and recommendations designed to add value and improve RSIC performance.
O			1.4.1		Evaluate and improve the economy, efficiency and effectiveness of the organization's risk management, control, and governance approach.

Agency Name: Retirement System Investment Commission

Fiscal Year 2015-16
Accountability Report

Agency Code: E19 Section: 099

Performance Measurement Template

Item	Performance Measure	Target Value	Actual Value	Future Target Value	Time Applicable	Data Source and Availability	Calculation Method	Associated Objective(s)
1	7.5% Rate of Return on Investments	7.50%	-0.39%	7.50%	6/30/2016	Quarterly Report/http://www.ic.sc.gov/Reporting/QuarterlyReports/PDFs/2016.06.30%20-%20Quarterly%20Report.pdf	Final Net Asset Value	All
2	Portfolio Benchmark	0.82%	-0.39%	TBD	6/30/216	Quarterly Report/http://www.ic.sc.gov/Reporting/QuarterlyReports/PDFs/2016.06.30%20-%20Quarterly%20Report.pdf	Final Net Asset Value	All
3	Peer Universe Median	0.66%	-0.39%	TBD	6/30/2016	BNYM Monthly Universe Report/upon request	Final Net Asset Value	All

Agency Name: Retirement System Investment Commission

Fiscal Year 2015-16
Accountability Report

Agency Code: E19 Section: 099

Program Template

Program/Title	Purpose	FY 2015-16 Expenditures (Actual)				FY 2016-17 Expenditures (Projected)				Associated Objective(s)
		General	Other	Federal	TOTAL	General	Other	Federal	TOTAL	
I. Administration (Personal Services & Other Operating)			\$9,282,426.43				\$10,593,843.36			All
II. Employee Benefits (Employer Contributions)			\$1,467,564.20				\$1,540,942.41			All
Asset Allocation	Apportion the portfolio's assets according to the goals, risk tolerance and investment horizon set out by the Commission.		\$2,361,241.61		\$2,361,241.61		\$3,340,666.20		\$3,340,666.20	Objective 1.1.1 - Invest assets wisely, manage risk, ensure liquidity and afford flexibility to react to changing market conditions.
Manager Selection	Identification of specific investment managers with whom RSIC will place Fund assets in order to fulfill the overall asset allocation.		\$3,746,227.94		\$3,746,227.94		\$3,960,488.16		\$3,960,488.16	Objective 1.2.1 - Identify specific asset managers with whom RSIC will place Fund assets in order to maximize the investment of those assets.
Operations	Ensure the efficient and effective delivery of services complimentary to the investment function.		\$4,267,284.56		\$4,267,284.56		\$4,378,310.40		\$4,378,310.40	Objective 1.3.1 - Providing support to the Investment Team, provide timely and accurate and robust reporting of plan performance, remain legally compliant.
Internal Audit	Ensure a systematic and rigorous approach to the evaluation and improvement of risk management, control and governance processes.		\$375,236.52		\$375,236.52		\$455,321.01		\$455,321.01	Objective 1.4.1 - Systematic and disciplined approach to evaluate and improve the economy, efficiency and effectiveness of the organization's risk management, control, and governance approach.

Agency Name: Retirement System Investment Commission

Fiscal Year 2015-16
Accountability Report

Agency Code: E19 **Section:** 099

Legal Standards Template

Item #	Law Number	Jurisdiction	Type of Law	Statutory Requirement and/or Authority Granted			Associated Program(s)
1	9-1-1310	State	Statute	Authority to invest and reinvest the Trust Fund as allowed by Constitution and Statute.			All
2	9-1-1340	State	Statute	Prohibition of conflicts of interest.			All
3	Title 9, Chapter 16	State	Statute	Duties and responsibilities of Commission, eligibility requirements, reporting requirements, considerations for investment of Trust Fund			All
4	Title 11, Chapter 57	State	Statute	Iranian Divestment Act			All
5	SC Constitution, Article X, Section XVI	State	Constitution	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.			All

6	Proviso 99.1	State	Proviso	For Fiscal Year 2015-16, the provisions of Section 9-16-380 requiring the Inspector General to employ a private audit firm to perform the fiduciary audit on the Retirement System Investment Commission as required by Section 9-16-380 of the 1976 Code shall be suspended. Any savings generated by not conducting the audit shall be used to conduct audits required by Section 9-4-40 of the 1976 Code.				All
---	--------------	-------	---------	--	--	--	--	-----

7	Proviso 99.2	State	Proviso	The Retirement System Investment Commission shall be required to appear before the House Ways and Means Committee's, Legislative, Executive and Local Government Subcommittee on a semi-annual basis at the request of the subcommittee. The purpose of the meeting shall include, but not be limited to, the review of quarterly investment reports and agency operations.				All
---	--------------	-------	---------	---	--	--	--	-----

8	Proviso 99.3	State	Proviso	<p>The Retirement System Investment Commission shall retain twenty-five percent of the annual amount invoiced for its third-party administrator system for the purpose of ensuring the performance of the third-party administrator. The funds must be held in a retainage account and may only be distributed after verification of satisfactory performance by the Investment Commission and Procurement Services pursuant to the service agreement with the third-party administrator. All undistributed funds in the retainage account may be</p>				All
9	<p>Various federal tax laws and ERISA (Employee Retirement Income Security Act of 1974)</p>	Federal	Statute	<p>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</p>				All

10	Federal securities laws	Federal	Statute	<p>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</p>				All
11	Certain laws overseen by the Commodity Futures Trading Commission	Federal	Statute	<p>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.</p>				All

Agency Name: Retirement System Investment Commission

**Fiscal Year 2015-16
Accountability Report**

Agency Code: E19 **Section:** 99

Customer Template

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

Agency Name: Retirement System Investment Commission

**Fiscal Year 2015-16
Accountability Report**

Agency Code: E19 **Section:** 099

Partner Template

Name of Partner Entity	Type of Partner Entity	Description of Partnership			Associated Objective(s)	
Office of SC State Treasurer	State Government		Treasurer is Fund custodian and controls the custodial relationship; Treasurer is a seated and voting Commissioner.			All
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.			All
SC State Fiscal Accountability Authority	State Government		Commissioner appointing authorities and co-trustees			All

Agency Name: Retirement System Investment Commission

Fiscal Year 2015-16
Accountability Report

Agency Code: E19 Section: 099

Report Template

Item	Report Name	Name of Entity Requesting the Report	Type of Entity	Reporting Frequency	Submission Date (MM/DD/YYYY)	Summary of Information Requested in the Report	Method to Access the Report
1	Program Evaluation Report	House Legislative Oversight Committee	State	Annually	8/3/2016	General Information/Agency Snapshot; History and Structure; Current and future Strategic Plan, Programs, Employee Allocation and Budgeting; Program Structure; Performance Measures; Comparison to Others; Reports and Reviews	http://www.scstatehouse.gov/CommitteeInfo/HouseLegislativeOversightCommittee/AgencyWebpages/RetirementSystemInvestmentCommission/Agency%20PER%20(August%203,%202016).PDF
2	Accountability Report	Executive Budget Office	State	Annually	1/6/2016	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.	http://www.ic.sc.gov/Reporting/AIR/PDFs/2015annualreport.pdf
3	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	1/6/2016	(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; and (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.	http://www.ic.sc.gov/Reporting/AIR/PDFs/2015annualreport.pdf
4	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	8/26/2016	Investment performance	http://www.ic.sc.gov/Reporting/QuarterlyReports/PDFs/2016.06.30%20-%20Quarterly%20Report.pdf

Agency Name: Retirement System Investment Commission

Fiscal Year 2015-16
Accountability Report

Agency Code: E19 **Section:** 099

Oversight Review Template

Item	Name of Entity Conducted Oversight Review	Type of Entity	Oversight Review Timeline	Method to Access the Oversight Review Report	
1	CliftonLarsonAllen	Outside Organization	7/1/2014 - 6/30/2015	https://www.peba.sc.gov/assets/cafr.pdf	
2	SC Legislative Audit Council	State	7/1/2004 - 6/30/2014	http://lac.sc.gov/LAC_Reports/2015/Pages/Pension_Funds.aspx	
3	SC Senate Special Subcommittee on Retirement Investments	State	12/2/2013 - Present	http://www.scstatehouse.gov/CommitteeInfo/SenateFinanceSpecialSubcommitteeToReviewInvestmentOfStateRetirementFunds/SFinSpecSubToReviewInvestOfStateRetireFunds.php	
4	SC House Legislative Oversight Committee	State	12/15/2015 - Present	http://www.scstatehouse.gov/CommitteeInfo/HouseLegislativeOversightCommittee/AgencyPHPFiles/RetirementSystemInvestmentCommission.php	