

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

## Fiscal Year 2017-18 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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Please select 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.

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

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

	<i>Name</i>	<i>Phone</i>	<i>Email</i>
<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>

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I have reviewed and approved the enclosed FY 2017-18 Accountability Report, which is complete and accurate to the extent of my knowledge.

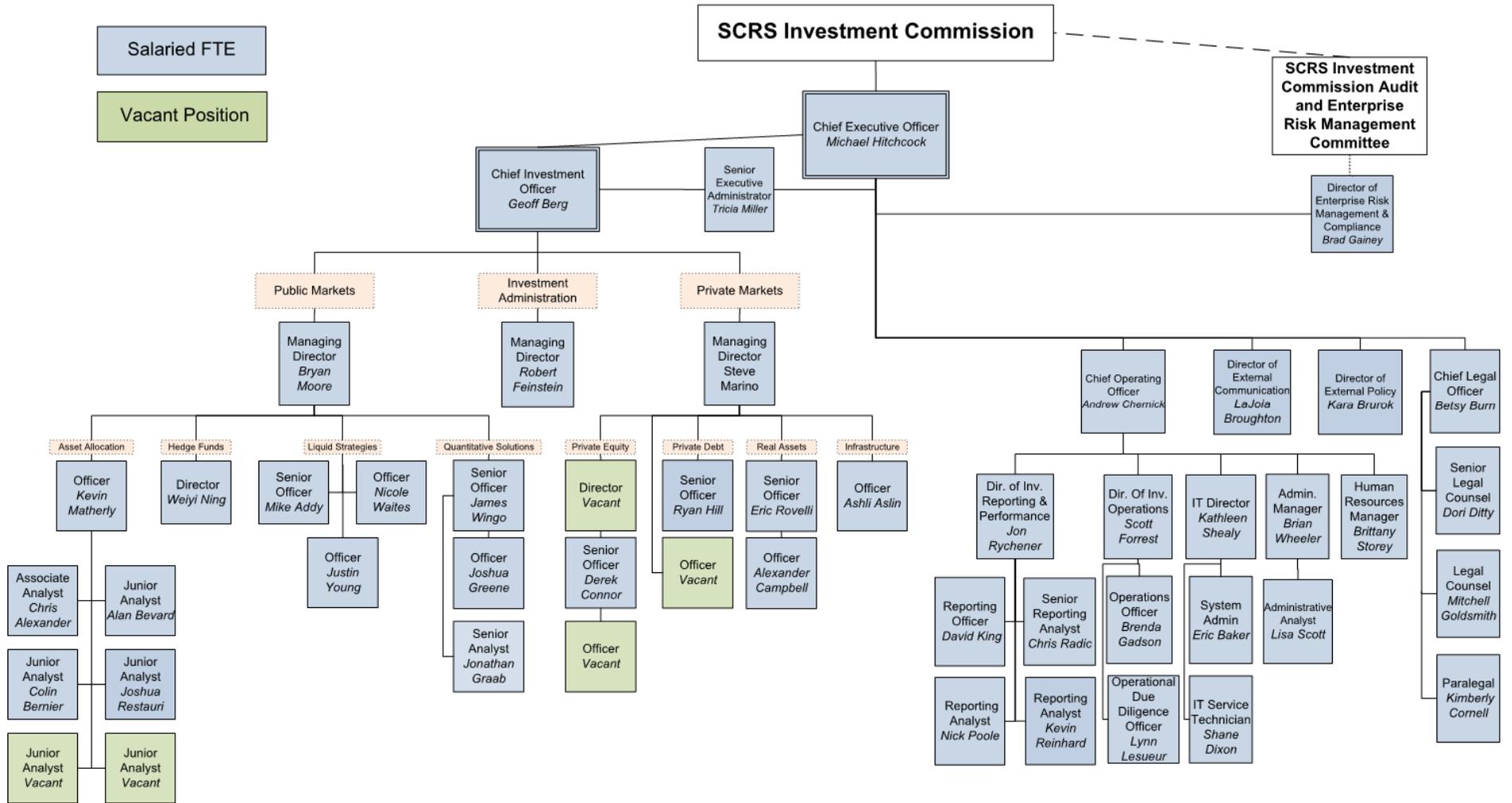
<b>AGENCY DIRECTOR</b> <b>(SIGN AND DATE):</b>	
<b>(TYPE/PRINT NAME):</b>	Michael Hitchcock, CEO

<b>BOARD/CMSN CHAIR</b> <b>(SIGN AND DATE):</b>	
<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.



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Strategic Planning and Performance Measurement Template

Statewide Enterprise Strategic Objective	Type	Item #			Description	2017-18			Time Applicable	Data Source and Availability	Calculation Method	Meaningful Use of Measure
		Goal	Strategy	Measure		Base	Target	Actual				
Government and Citizens	G	1			Prudent, legal and transparent investment of Trust Funds	11.88%	7.25%	7.82%	6/30/2018	<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>	Final Net Asset Value	Statutorily mandated assumed rate of return of 7.25%.
Government and Citizens	S		1.1		Annually construct and execute, upon Commission approval, appropriate asset allocation.							
	M			1.1.1	Invest assets wisely, manage risk, ensure liquidity and afford flexibility to react to changing market conditions.				6/30/2018			
	-											
Government and Citizens	S		1.2		Select investment managers based upon quantifiable analysis of performance.							
	M			1.2.1	Identify specific asset managers with whom RSIC will place fund assets in order to maximize the investment of those assets.				6/30/2018			
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Government and Citizens	S		1.3		Ensure the efficient and effective delivery of services complementary to the investment function.							
	M			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.				6/30/2018			
	-											
Government and Citizens	S		1.4		Provide independent, objective assurance and recommendations designed to add value and improve RSIC performance.							
	M			1.4.4	Evaluate and improve the economy, efficiency and effectiveness of the organization's risk management, control, and governance approach.				6/30/2018			

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Performance Measurement Template

Item	Performance Measure	Last Value	Current Target Value	Current Value	Future Target Value	Time Applicable	Data Source and Availability	Calculation Method	Associated Objective(s)	Meaningful Use of Measure
1	7.25% Rate of Return on Investments	11.88%	7.25%	7.82%	7.25%	6/30/2018	<a href="http://www.ic.sc.gov/index.html">http://www.ic.sc.gov/index.html</a>	Final Net Asset Value	All	Statutorily mandated assumed rate of return.
2	Portfolio Benchmark	11.88%	7.28%	7.82%	n/a	6/30/2018	<a href="http://www.ic.sc.gov/index.html">http://www.ic.sc.gov/index.html</a>	Final Net Asset Value	All	Investment policy benchmark is calculated by applying the investment performance of each asset class benchmark to the strategic allocation for each asset class.
3	Peer Universe Median	12.06%	8.89%	8.01%	n/a	6/30/2018	BNYM Monthly Universe Report/upon request	Relative Net Asset Value	All	Performance relative to a peer universe allows for evaluation of the competitiveness of the portfolio's implementation relative to other pension plans.

RSIC measures performance through the stated return objective, investment policy benchmark, and performance relative to a peer universe.

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Statewide Enterprise Strategic Objective	Type	Item #			Description	2018-19			Time Applicable	Data Source and Availability	Calculation Method	Meaningful Use of Measure
		Goal	Strategy	Measure		Base	Target	Actual				
Government and Citizens	G	1			Prudent, legal and transparent investment of Trust Funds	NA	7.25%	NA	6/30/2019		Final Net Asset Value	Statutorily mandated assumed rate of return of 7.25%.
Government and Citizens	S		1.1		Annually construct and execute, upon Commission approval, appropriate asset allocation.							
	M			1.1.1	Invest assets wisely, manage risk, ensure liquidity and afford flexibility to react to changing market conditions.							
	-											
Government and Citizens	S		1.2		Select investment managers based upon quantifiable analysis of performance.							
	M			1.2.1	Identify specific asset managers with whom RSIC will place fund assets in order to maximize the investment of those assets.							
	-											
Government and Citizens	S		1.3		Ensure the efficient and effective delivery of services complementary to the investment function.							
	M			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.							
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Government and Citizens	S		1.4		Provide independent, objective assurance and recommendations designed to add value and improve RSIC performance.							
	M			1.4.4	Evaluate and improve the economy, efficiency and effectiveness of the organization's risk management, control, and governance approach.							

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Program Template

Program/Title	Purpose	FY 2017-18 Expenditures (Actual)				FY 2018-19 Expenditures (Projected)				Associated Measure(s)
		General	Other	Federal	TOTAL	General	Other	Federal	TOTAL	
I. Administration (Personal Services & Other Operating)			\$ 9,995,298		\$ 9,995,298		\$ 10,959,449		\$ 10,959,449	
II. Employee Benefits (Employer Contributions)			\$ 1,604,728		\$ 1,604,728		\$ 1,967,358		\$ 1,967,358	
					\$ -				\$ -	
Asset Allocation	Apportion the portfolio's assets according to the goals, risk tolerance and investment horizon set out by the Commission.		\$ 2,194,115		\$ 2,194,115		\$ 2,597,161		\$ 2,597,161	
Manager Selection	Identification of specific investment managers with whom RSIC will place Fund assets in order to fulfill the overall asset allocation.		\$ 4,090,198		\$ 4,090,198		\$ 4,794,462		\$ 4,794,462	
Operations	Ensure the efficient and effective delivery of services complimentary to the investment function.		\$ 5,044,093		\$ 5,044,093		\$ 5,190,618		\$ 5,190,618	
Internal Audit & Compliance	Ensure a systematic and rigorous approach to the evaluation and improvement of risk management, control and governance processes.		\$ 271,620		\$ 271,620		\$ 344,567		\$ 344,567	

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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	Title 9, Chapter 16	State	Statute	Duties and responsibilities of Commission eligibility requirements, reporting requirements, considerations for investment of Trust Fund.				
4	Title 11, Chapter 57	State	Statute	Iranian Divestment Act				
5	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.				
6	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.				
7	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]).				
8	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.				
9	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.				

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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

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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

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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	9/27/2017	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/aar2017/aar2017.php">https://www.scstatehouse.gov/reports/aar2017/aar2017.php</a>
2	Internal Review and Report	2016-2017 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	11/1/2017	(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	6/30/2018	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	6/30/2017	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>