

**South Carolina Retirement System Investment Commission  
Meeting Minutes**

**September 21-22, 2016**

**9:00 a.m.**

**Capitol Center**

**1201 Main Street, 15<sup>th</sup> Floor**

**Columbia, South Carolina 29201**

**Meeting Location: Presentation Center**

**Commissioners Present:**

Dr. Rebecca Gunnlaugsson, Chair

Dr. Ronald Wilder, Vice Chair

Ms. Peggy Boykin

Mr. Allen Gillespie

Mr. Edward Giobbe

Mr. Curtis Loftis, State Treasurer

Mr. Reynolds Williams (absent)

**Others present for all or a portion of the meeting on September 21, 2016:** Betsy Burn, Michael Hitchcock, and Tricia Miller from the South Carolina Retirement System Investment Commission.

**I. CALL TO ORDER AND CONSENT AGENDA**

Chair Rebecca Gunnlaugsson called the meeting of the South Carolina Retirement System Investment Commission (“Commission” or “RSIC”) to order at 9:03 a.m. Mr. Curtis Loftis made a motion to approve the proposed agenda as presented, and Mr. Allen Gillespie seconded the motion, which was unanimously approved.

**II. EXECUTIVE SESSION**

Mr. Loftis made a motion, which was seconded by Mr. Gillespie and passed unanimously, to recede into Executive Session to discuss personnel matters and to receive legal advice from legal counsel pursuant to S.C. Code Ann. Sections 30-4-70(a)(1) and (a)(2). The Commission recessed into Executive Session at 9:04 a.m.

**III. POTENTIAL ACTIONS RESULTING FROM EXECUTIVE SESSION**

**IV. RECESS**

The Commission recessed until September 22, 2016.

**South Carolina Retirement System Investment Commission  
Meeting Minutes**

**September 21-22, 2016**

**9:00 a.m.**

**Capitol Center**

**1201 Main Street, 15<sup>th</sup> Floor**

**Columbia, South Carolina 29201**

**Meeting Location: Presentation Center**

**Commissioners Present:**

Dr. Rebecca Gunnaugsson, Chair

Dr. Ronald Wilder, Vice Chair

Ms. Peggy Boykin

Mr. Allen Gillespie

Mr. Edward Giobbe

Mr. Curtis Loftis, State Treasurer

Mr. Reynold Williams (absent)

**Others present for all or a portion of the meeting on September 22, 2016:** Chris Alexander, Geoff Berg, Betsy Burn, Alexander Campbell, Andrew Chernick, Lily Cogdill, Kim Cornell, Greg Cowell, Dori Ditty, John Farmer, Robert Feinstein, Scott Forrest, Mitchell Goldsmith, Joshua Greene, Michael Hitchcock, Adam Jordan, Lynn Lesueur, Steve Marino, Kevin Matherly, Tricia Miller, Bryan Moore, Nick Poole, Eric Rovelli, and Kathleen Shealy from the South Carolina Retirement System Investment Commission; Suzanne Bernard and Tim McEnery from Aon Hewitt Investment Consulting; John B. Collins, Bruce Crouch, Gaines Halford, Jared Nobles, and Stephen G. Younts from SC ETV; Barbara J. Howell from Creel Court Reporting; Lewis Carter from the South Carolina Department of Administration; Wayne Pruitt and Sam Griswold from the State Retirees Association of South Carolina; and Michael Lashendock from Napier Park Global Capital.

**I. RECONVENE**

The Commission reconvened and immediately receded back into Executive Session at 9:02 a.m. to discuss personnel matters and to receive legal advice from legal counsel pursuant to S.C. Code Section 30-4-70(a)(1) and (a)(2). The Commission reconvened in open session at 9:42 a.m. Mr. Michael Hitchcock, Chief Executive Officer (“CEO”), stated that no action was taken in Executive Session.

Mr. Loftis made a motion that the Commission authorizes the CEO and RSIC Legal to (i) pursue retaining associate counsel for representation of the South Carolina Retirement Systems in the securities litigation matter, *Steamfitters Local 449 Pension Plan v. Eaton Corporation PLC et al.*, pending in the Southern District of New York; (ii) authorize engagement of said counsel upon approval by the Attorney General; (iii) file a motion to intervene as lead plaintiff in the Eaton Corporation matter at the discretion of the CEO in

consultation with RSIC Legal; (iii) waive compliance with Section VI(D)(1) of the Securities Litigation Policy in the retention of counsel as deemed necessary and prudent to meet the filing deadline set by the court; and (iv) manage RSIC's and the Systems' involvement in the litigation as appropriate, with the Commission retaining authority to approve any proposed settlement of any litigation if the System is designated as lead plaintiff by the court. Mr. Edward Giobbe seconded the motion, which passed unanimously.

Mr. Giobbe then made a motion that the Commission names Geoffrey Berg as permanent Chief Investment Officer ("CIO") of RSIC with the corresponding salary upon negotiation and to be published with the minutes from the Commission meeting [subsequent to the Commission meeting Mr. Berg deferred any increase in compensation until plan performance improves, his annual salary shall remain unchanged until further notice]. Mr. Loftis seconded the motion, which was approved unanimously. The Chair congratulated Mr. Berg on behalf of the Commission and noted that the search for the CIO position had been conducted by a highly regarded national search firm and the search included qualified candidates from across the nation. The Chair expressed appreciation for Mr. Berg's hard work and dedication to RSIC since 2008 and his leadership as Acting CIO over the previous year.

The Chair referred to the draft minutes from the June 16-17, 2016 Commission meeting and asked for a motion to adopt the minutes. Dr. Ronald Wilder made a motion to adopt the minutes of the June 16-17, 2016 Commission meeting as presented. Mr. Gillespie seconded the motion, which was approved unanimously.

The Chair then referred to the draft minutes from the August 31, 2016 and September 1, 2016 CIO Search Committee meetings. Mr. Gillespie made a motion to adopt the minutes of the August 31, 2016 and September 1, 2016 CIO Search Committee meetings as presented. Mr. Giobbe seconded the motion, which was approved unanimously.

## **II. CHAIR'S REPORT**

The Chair began her remarks by reminding the Commissioners that each member is required to sign the annual Disclosure of Material Interest Form and said that Mr. Andrew Chernick, Managing Director of Operations and Operational Due Diligence, would be collecting the signed forms. The Chair also thanked Mr. Chernick and members of RSIC's Reporting Team, including Jon Rychener, David King, and Josh Green, for recent improvements to RSIC's reporting capabilities. She noted that the recent development of a two-page monthly snapshot of the Portfolio ("Portfolio") helps keep the Commission apprised of performance between meetings.

The Chair referred to the Commission's self-evaluation for the 2015 Fiscal Year. She explained that the overall results of the self-evaluation yielded, on a four point scale, an average score of 3.04 and a median score of 3.0. She announced that the highest score related to the previous Chair, Mr. Giobbe, being a capable and effective facilitator. She also referenced the two lowest rated categories, which included the Commission's achievement of its annual goals and objectives and the prompt and thorough orientation of new Commissioners by RSIC Staff ("Staff"). Both categories were given an average

score of 2.0. The Chair also noted that, during the Commission's discussion of the self-evaluation during the June 16, 2016 Executive Session, the Commissioners reached a consensus that they would prefer to shift the Commission's focus away from granular aspects of implementing the Portfolio, which she stated should be a function of Staff. She explained that the Commission would prefer to focus on higher level matters, including asset allocation, strategic vision, and general accountability. She concluded by noting that the evaluation summary is required to be included in the official minutes pursuant to Commission's Governance Policies.

The Chair then turned the discussion to the membership structure of the Commission's committees. She reminded the Commissioners that Mr. Hitchcock had previously requested that Commissioners express their opinions about changes to the committees' memberships. The Chair noted that some feedback was received, and Commissioners' comments indicated that the current membership of the committees is acceptable. She reminded the Commissioners that the Audit Committee's membership would continue to include Ms. Peggy Boykin, Mr. Giobbe, and would be chaired by Mr. Gillespie. She also stated that the Human Resources and Compensation Committee ("HRC Committee") would continue to be composed of the Chair, Mr. Reynolds Williams and Dr. Wilder. However, the Chair noted that she would be stepping down as Chair of the HRC Committee and that a new chair would be elected at the HRC Committee's next meeting.

### **III. AUDIT COMMITTEE REPORT**

The Chair recognized Mr. Gillespie for an update from the Audit Committee. Mr. Gillespie stated that the Audit Committee had developed risk assessments for RSIC and used them to adopted an interim audit plan. He added that the interim audit plan includes an item relating to RSIC's human resources functions and hiring processes. Mr. Gillespie went on to explain that an agreed upon procedures review had been completed by the Audit Committee's consultant, CliftonLarsonAllen LLP. The resulting report covers the area of investment due diligence, both initial and ongoing. He noted that the report should be available to the Commission within the next few weeks. Mr. Gillespie added RSIC's Fixed Income Team's systems and procedures were included in the interim audit plan and that the review would begin following the selection of a service provider.

### **IV. CEO'S REPORT**

Mr. Hitchcock provided the Commission with a legislative update. He noted that a Joint Committee ("Joint Committee") composed of members of the South Carolina Senate and the House of Representatives has been formed to review the state of the South Carolina Retirement Systems Group Trust ("Group Trust") and to recommend avenues of reform for the Group Trust as a whole. Mr. Hitchcock stated that the goal of the Joint Committee is to develop proposals for ensuring the fiscal sustainability and viability of the Group Trust. He noted that the Joint Committee has met several times and involved Staff in their review process. He added that Ms. Boykin, acting on behalf of the Public Employee Benefit Authority ("PEBA"), and PEBA's actuaries had already appeared before the Joint Committee. Mr. Hitchcock explained that his testimony to the Joint Committee focused on the recent steps RSIC has taken to improve the Group Trust's performance. He added that upcoming meetings of the Joint Committee will include comment from the public,

PEBA, and RSIC. Mr. Hitchcock stressed RSIC's commitment to helping the Joint Committee reach solutions necessary to ensure fiscal sustainability of the Group Trust.

Mr. Hitchcock then turned the discussion to the House Legislative Oversight Committee ("LOC") review of RSIC, which is still in progress. He noted that Staff will meet with members of the LOC in the near future to discuss performance of the Plan. Mr. Hitchcock stated that the Commissioners would be informed once the meeting is scheduled and will keep them apprised of any significant developments.

Mr. Hitchcock then began a presentation on RSIC's proposed budget request for the 2017-2018 Fiscal Year ("FY 2018"). Mr. Hitchcock noted that the FY 2018 budget request must be submitted to the State Budget Office by the end of September. He explained that the FY 2018 budget request represents a decrease of \$1.5 million from the budget for the prior fiscal year. He noted that the decrease in the amount requested for the FY 2018 budget reflects changes made to RSIC, including the changes to the compensation policy and the elimination of performance incentive compensation. Mr. Hitchcock summarized that the proposed request includes a measured approach to make cost reductions but does not interfere with RSIC's ability to be fully staffed and grow operationally as necessary. He noted that Staff's performance increases are now based almost entirely on the Plan's performance.

Mr. Hitchcock informed the Commissioners that RSIC currently has 51 full-time equivalent ("FTE") positions, and 41 FTEs are currently filled. Mr. Hitchcock overviewed the procedural nature of the Appropriations and Budget Request process for the Commissioners and reminded them that RSIC's budget is paid from the assets of the Group Trust, not the State's General Fund. In concluding, Mr. Hitchcock stated that RSIC's FY 2018 total budget request is \$15,803,000. The Chair commended the excellent fiscal management by Staff that has enabled the agency to request a reduced budget for two consecutive years. Mr. Hitchcock then requested authorization to submit a budget request that is substantially similar to his presentation for inclusion in the Governor's annual budget.

Mr. Giobbe made a motion that the Commission authorizes the CEO to submit a proposed FY 2018 detail budget substantially similar to the draft budget presented for inclusion in the Governor's annual budget. Dr. Wilder seconded the motion, which passed unanimously.

Mr. Hitchcock turned the discussion to a proposal for a Strategic Plan for RSIC ("Strategic Plan"). He reminded the Commission that they had previously discussed the Strategic Plan, and he informed them that he received feedback from Commissioners, which was incorporated into the proposed Strategic Plan. He noted that he had narrowed the focus so that RSIC would have one goal: exceeding the rate of return of the median pension fund in our policy benchmark over a three-year trailing period

Dr. Wilder then made a motion that the Commission adopts the proposed Strategic Plan as presented; directs that the Strategic Plan be published on the Commission's public website; and authorizes Staff to make technical revisions to the Strategic Plan and other

RSIC policy documents, as may be necessary, to reflect this decision by the Commission. Mr. Giobbe seconded the motion, which passed unanimously.

Mr. Hitchcock concluded his report by presenting the Commission's proposed meeting schedule for 2017. He noted that the schedule is required to be published at the first meeting of the calendar year, and consequently, the Commissioners would have additional time to consider scheduling conflicts. The Chair asked that any conflicts or feedback on potential meeting dates be provided to Mr. Hitchcock and that he would provide an updated meeting schedule for the Commission's consideration.

## **V. CIO'S REPORT**

Following the conclusion of Mr. Hitchcock's report, the Chair recognized Mr. Berg to provide the CIO's report. Mr. Berg began his report by thanking the Commission for the opportunity to serve as CIO. He also thanked Staff for the enthusiasm shown during the last year and the hard work that has helped improve the Portfolio. Mr. Berg then asked Ms. Suzanne Bernard and Mr. Tim McEnergy of Aon Hewitt Investment Consulting ("AHIC") to provide a review of the Plan's performance during fiscal year 2015-16 ("FY 2016").

Ms. Bernard provided an overview of the markets, indicating how difficult it had been to navigate the equity markets.

Ms. Bernard noted some events occurring throughout FY 2016 that impacted market conditions, including the devaluation of Chinese currency, the precipitous drop in oil prices, the U.K.'s vote to break ties with the E.U., and the all-time low yield on 10-year U.S. Treasury notes. She characterized market conditions during FY 2016 as fearful and added that many investors were seeking safe assets, which resulted in riskier assets performing poorly. Ms. Bernard noted that, by contrast, in July, August and early September, 2016, performance improved in the stock market, while returns in the bond market had become anemic. She explained that in such market conditions investors need to be flexible in order to adapt to market shifts. She pointed out that AHIC's projections for performance provided six years ago versus the current performance projections are dramatically different. As an example, Ms. Bernard compared the projected 10-year stock market return of 8.5 percent from six years ago with the current projection of only 6.5 percent.

Ms. Bernard continued to highlight market conditions and discussed the potential impact of quantitative easing on markets. She noted that the short-term outlook is not positive for most asset classes. Ms. Bernard emphasized that investors need to be thoughtful about active management and managing cost. She also emphasized the importance of not relying on one asset class to drive returns. In response to a question from Dr. Wilder, Ms. Bernard explained that AHIC's 6.5 percent projected 10-year return for the U.S. stock market is in the median among those surveyed as of December 31, 2015. She then asked Mr. McEnergy to discuss performance for FY 2016.

Mr. McEnery explained that, during FY 2016, the value of the Plan decreased by \$1.2 billion. He stated that Plan returns were negative by about 40 basis points, net of fees, and that the Plan underperformed the policy benchmark by about 125 basis points. He noted that AHIC confirmed compliance with the Statement of Investment Objectives and Policies for FY 2016. Next, Mr. McEnery provided updates on a few of the Plan's investment managers. He informed the Commission on the departure of two senior members of BlackRock, Inc. He also explained that the Securities and Exchange Commission had reached a settlement with Apollo Investment Corporation concerning their failure to disclose fees and make loan disclosures in legal documents. Mr. McEnery provided additional commentary on the Portfolio's performance over time and highlighted the recent improvements to the Plan's peer rankings. Mr. McEnery concluded with a detailed review of how asset classes had performed during FY 2016 and how the performance of specific asset classes had impacted total return.

Mr. Berg reminded the Commission that, during the June meeting, the Commission approved ranges around the targets for exposure to asset classes, which included a three-year path for those targets and corresponding ranges. Mr. Berg pointed out that there had been an error in the upper end of the range assigned to the opportunistic asset category. He explained that the target weights of the opportunistic asset category's underlying components were 10 percent, 4 percent, and 3 percent, which totaled 17 percent. However, the Commission had inadvertently set the upper end of the range for the opportunistic asset class at 15 percent. He requested that the Commission correct this error by amending the upper end of the range for the opportunistic asset class.

Mr. Loftis made a motion that the Commission ratifies and approves the recommendation of the CIO and Aon Hewitt Investment Consulting to adjust the upper tolerance range of the Opportunistic asset category from 15 percent to 19 percent as set forth on red number page 79 in the open session materials retroactive to July 1, 2016; directs that the approved range be incorporated into, and made a part of, the Statement of Investment Objectives and Policies; and authorizes Staff to finalize the asset allocation ranges by making any technical revisions or formatting edits consistent with the action taken by the Commission. Mr. Gillespie seconded the motion, which was approved unanimously.

A brief recess was taken from 10:54 a.m. until 11:08 a.m.

## **VI. INVESTMENT RECOMMENDATIONS**

Mr. Berg recognized Mr. Adam Jordan, Director of Private Debt, to present two investment recommendations: one relating to a new investment and one relating to an existing investment. Mr. Jordan noted that the recommendations are both products of a lengthy search process, and thanked Mr. Kevin Matherly, Associate Analyst, for his assistance throughout the process.

Mr. Jordan presented the investment recommendation for a senior direct lending mandate with Ares Capital Management LLC ("Ares"). He explained that Staff recommended a commitment of \$400 million through the use of a fund of one structure, noting that the

fund-of-one would utilize up to one-to-one leverage (one part debt to one part equity) and would have a three-year investment period with an option to extend. Mr. Jordan explained the fee structure and the custodial arrangement for the proposed investment. He noted that AHIC supported the recommendation and that RSIC's Operational Due Diligence Team ("ODD") had provided a 'pass' rating. Mr. Jordan addressed how investing with Ares comported with RSIC's strategic anchors, explaining that the fee structure was favorable, the complexity of the strategy relatively low, and indicating that Ares had demonstrated consistent outperformance versus its benchmark. He also added that taking senior level positions in the capital structure decreases the risks associated with the investment. After discussion with the Commissioners, Mr. Jordan concluded by explaining that the investment with Ares was a compelling opportunity to achieve attractive relative and absolute returns in a defensive, yield-oriented strategy with an industry leading manager. In the ensuing discussion, the Commission discussed business development companies and the differences in performance of the investments in private versus publicly offered debt strategies. After a lengthy discussion, the Chair asked that Mr. Jordan present the second private debt investment before the Commission voted on the investment with Ares.

Mr. Jordan presented the recommendation to increase the existing mandate in Golub PEARLS 12 Fund ("Golub") from \$100 million to \$400 million and authorize the use of leverage. Mr. Jordan explained the custodial arrangements and fee structure. He noted that the proposed investment would receive a management fee reduction, and the preferred rate of return would increase. He explained how the investment, as modified, would fit in the Portfolio. He noted Golub's extensive track record as an industry leader, the firm's ability to rapidly deploy capital, and the infrastructure and relationships already in place to support the mandate. The Commission discussed the private credit industry as well as the corresponding opportunities and risks. Following additional explanation from Mr. Jordan and Mr. Berg, the Chair asked for motions to approve the Ares and Golub recommendations.

Mr. Loftis made a motion that the Commission (a) adopt the recommendation of the CIO and the Internal Investment Committee as set forth in the Summary Terms Chart on Page 1 of the Due Diligence Report dated August 29, 2016; (b) authorize a capital commitment not to exceed \$400 million in an equity commitment into the Ares Jasper Fund (the "Investment"); (c) authorize the Chair or her designee to negotiate and execute any necessary documents to implement the Investment as approved by the Commission (1) upon documented approval for legal sufficiency by RSIC Legal, and (2) upon expiration of the three business day review period as approved by the Commission on May 1, 2014 (or as the review period may be amended or superseded by the Commission); and (d) authorize the Chair and/or the CIO or their designee(s) to thereafter authorize the custodian of funds to transfer such funds as are necessary to meet the Retirement System trust funds' obligations with respect to the Investment. Mr. Giobbe seconded the motion, which passed unanimously.

Mr. Loftis then made a motion that the Commission (a) adopt the recommendation of the CIO and the Internal Investment Committee as set forth in the Summary Terms Chart on Page 1 of the Due Diligence Report dated August 30, 2016; (b) authorize (i) a \$300 million



additional equity commitment into the Golub PEARLS 12 Fund and (ii) the modification of the investment documentation to reflect the revised strategy, including but not limited to the increased sponsor commitment, the addition of leverage, and the reduced management fee; (c) authorize amendment of the existing investment documents and the addition of appropriate investment documentation to implement the revised investment strategy; (d) authorize the Chair or her designee to negotiate and execute any necessary documents to implement the Investment as amended, and as approved by the Commission (1) upon documented approval for legal sufficiency by RSIC Legal, and (2) upon expiration of the three business day review period as approved by the Commission on May 1, 2014 (or as the review period may be amended or superseded by the Commission); and (e) authorize the Chair and/or the CIO or their designee(s) to thereafter authorize the custodian of funds to transfer such funds as are necessary to meet the Retirement System trust funds' obligations with respect to the Investment. Mr. Giobbe seconded the motion, which passed unanimously.

Mr. Berg introduced Mr. Steve Marino, Director, to present a recommendation on Babson Capital Management LLC ("Babson"). Mr. Marino stated that the recommendation was for an investment of up to 3 percent of Plan assets to be held in bank in a separately managed account with an initial allocation of \$350 million. Mr. Marino provided additional information on fees and confirmed that ODD had provided a 'pass' rating and AHIC gave the investment a 'buy' rating. Mr. Marino discussed how the investment in Babson fit in the Portfolio as well as the rationale for selecting the manager, including the manager's consistency of excess returns, repeatability of process, ability to minimize down market participation relative to the benchmark, and low fees relative to peers. Mr. Marino and Mr. Berg responded to questions from the Commission regarding the recommendation. Following questions, Mr. Berg suggested presenting the next investment recommendation prior to the Commission voting on Babson.

Mr. Marino explained that the second recommendation is to expand capacity in Caspian SC Holdings LP ("Caspian SC") from the prior approval of \$200 million to an allocation of up to 1.5 percent of Plan assets. Mr. Marino explained that Caspian SC was formed during the 2013 restructuring of the Commission's strategic partnership with Mariner/Palmetto State Partners, L.P. Following the restructuring, in January of 2016, the Commission approved modifications to the investment strategy, including an emphasis on a 50/50 blend of high yield loans versus bank loans. Mr. Marino stated that the intent of the capacity increase is to allow an increase to opportunistic strategies in the appropriate market environments. In summary, Mr. Marino noted the recommendation would allow flexibility to increase the allocation to Caspian in the future when additional opportunistic exposure is favorable. Following discussion and questions by the Commission, the Chair suggested that the Commission consider both proposed motions related to the Mixed Credit asset class.

Dr. Wilder made a motion that the Commission (a) adopt the recommendation of the CIO and the Internal Investment Committee as set forth in the Summary Terms Chart on Page 1 of the Due Diligence Report dated September 22, 2016; (b) authorize an investment of up to 3 percent of Total Plan Assets into the Babson U.S. High Yield Bonds Strategy through the use of a separately managed account agreement (the "Investment"); (c)

authorize the Chair or her designee to negotiate and execute any necessary documents to implement the Investment as approved by the Commission (1) upon documented approval for legal sufficiency by RSIC Legal, and (2) upon expiration of the three business day review period as approved by the Commission on May 1, 2014 (or as the review period may be amended or superseded by the Commission); and (d) authorize the Chair and/or the CIO or their designee(s) to thereafter authorize the custodian of funds to transfer such funds as are necessary to meet the Retirement System trust funds' obligations with respect to the Investment. Mr. Giobbe seconded the motion, which passed unanimously.

Mr. Gillespie then made a motion that the Commission (a) adopt the recommendation of the CIO and the Internal Investment Committee as set forth in the Memo dated September 22, 2016; (b) authorize an expansion of the capacity in the existing Caspian SC Holdings LP investment up to 1.5 percent of Total Plan Assets; (c) authorize the CIO to allocate the additional capacity into Caspian SC Holdings LP, with the timing and the amounts to be allocated within the discretion of the CIO, so long as the total subscribed does not exceed 1.5 percent of Total Plan Assets; (d) authorize the Chair or her designee to negotiate and execute any necessary documents to implement the action approved by the Commission upon documented approval for legal sufficiency by RSIC Legal and upon expiration of the three business day review period as approved by the Commission on May 1, 2014 (or as the review period may be amended or superseded by the Commission); and (e) authorize the Chair and/or the CIO or their designee(s) to thereafter authorize the Custodian of funds to transfer such funds as are necessary to meet the Retirement System trust funds' obligations with respect to Caspian SC Holdings LP. Dr. Wilder seconded the motion, and the Commission approved the motion by a vote of 4-0, with Mr. Loftis abstaining from the vote.

Mr. Berg introduced Mr. Eric Rovelli, Senior Investment Officer, to present a recommendation for an investment in Greystar Equity Partners IX ("Greystar"). Mr. Rovelli reminded the Commissioners that RSIC had previously invested in a similar strategy through Greystar Equity Partners VII, which has been fully liquidated. Mr. Rovelli stated that the recommendation was to commit \$150 million to Greystar which will include Class A and Class B multifamily properties across the U.S. He provided additional information about the fees for the investment and noted that AHIC gave the fund a 'buy' rating. He explained how the investment in Greystar will fit in the Portfolio and the rationale for selecting Greystar. He presented a value creation analysis and noted the firm's status as one of the largest multifamily managers globally. Mr. Rovelli noted that AHIC had given Greystar a low rating in the area of terms and conditions due to some tax related issues, but explained a number of mitigants and potential areas for negotiation, which should limit the concerns. After an extended discussion, the Chair asked if there was a motion for the recommendation.

Mr. Giobbe made a motion that the Commission (a) adopt the recommendation of the CIO and the Internal Investment Committee as set forth in the Summary Terms Chart on Page 1 of the Due Diligence Report dated September 22, 2016; (b) authorize a commitment not to exceed \$150 million into Greystar Equity Partners IX, L.P.; (c) authorize the Chair or her designee to negotiate and execute any necessary documents to implement the Investment as approved by the Commission (1) upon documented approval for legal

sufficiency by RSIC Legal, and (2) upon expiration of the three business day review period as approved by the Commission on May 1, 2014 (or as the review period may be amended or superseded by the Commission); and (d) authorize the Chair and/or the CIO or their designee(s) to thereafter authorize the custodian of funds to transfer such funds as are necessary to meet the Retirement System trust funds' obligations with respect to the Investment. Mr. Gillespie seconded the motion, which passed unanimously.

## **VII. EXECUTIVE SESSION**

Mr. Loftis made a motion that the Commission recede into Executive Session to discuss investment matters pursuant to S.C. Code Sections 9-16-80 and 9-16-320; to discuss personnel matters pursuant to S. C. Code Section 30-4-70(a)(1); and to receive advice from legal counsel pursuant to S.C. Code Section 30-4-70(a)(2). Mr. Gillespie seconded the motion, which passed unanimously. The Commission receded into closed session at 12:30 p.m. The Commission reconvened in open session at 2:09 p.m. Mr. Hitchcock reported that no action was taken during Executive Session.

## **VIII. POTENTIAL ACTION RESULTING FROM EXECUTIVE SESSION**

Mr. Giobbe made a motion that the Commission (a) authorizes the issuance of the Request for Proposals ("RFP"), as presented to the Commission, to engage a consultant to provide general investment consulting services; (b) authorizes the Chair to select three members of the Commission to serve on an Evaluation Committee ("Committee") for the RFP and affirms that the only voting members of the Committee will be the aforementioned Commissioners; (c) authorizes the CEO, in consultation with the CIO, to appoint members of RSIC Staff, including one member of RSIC Staff who will serve as Procurement Officer with respect to the RFP, to serve as resources to and otherwise assist the Commissioners with the evaluation process for the RFP; (d) authorizes the Committee to recommend a general investment consultant for consideration by the Commission; (e) affirms that, in accordance with the Commission's Governance Policies, the final selection of a general investment consultant will be made by the Commission; (f) authorizes the Chair and/or her designee to negotiate and execute any necessary documents to engage the general investment consultant approved by the Commission; and (g) authorizes the Chair, the CEO, and their respective designees to take all other actions necessary to effect the Commission's approval. Dr. Wilder seconded the motion, which passed unanimously.

Mr. Gillespie left the meeting and rejoined via telephone.

Dr. Wilder made a motion that the Commission (a) authorizes the issuance of the RFP, as presented to the Commission, to engage a consultant to provide private markets specialty investment consulting services; (b) approves the plan presented by the CEO to allow RSIC Staff to conduct the evaluation process for the RFP in consultation with the Commission to the extent deemed prudent by the Commission; (c) delegates to the CEO, in consultation with the CIO, the Commission's authority under Governance Policy VIII(B)(1)(b) to select the private markets specialty consultant, as identified through the RFP process; (d) delegates authority to the CEO and his designees to provide appropriate

compensation from the Retirement System trust funds to the selected private markets specialty consultant; (e) authorizes the Chair and/or her designee to negotiate and execute any necessary documents to engage the general investment consultant approved by the Commission; and (f) authorizes the Chair, the CEO, and their respective designees to take all other actions necessary to effect the Commission's approval. Mr. Giobbe seconded the motion, which passed unanimously.

There being no further business, upon a motion made by Mr. Loftis and seconded by Dr. Wilder, the Commission voted unanimously to adjourn. The meeting adjourned at 2:12 p.m.

[Staff Note: In compliance with S.C. Code Ann. Section 30-4-80, public notice of and the agenda for this meeting were delivered to the press and to parties who requested notice and were posted at the entrance, in the lobbies, and near the 15th Floor Presentation Center at 1201 Main Street, Columbia, S.C., at 5:00 p.m. on September 19, 2016.]