

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

**February 28, 2007**

**Second Floor Conference Room  
202 Arbor Lake Drive  
Columbia, South Carolina 29223**

**Commissioners Present:**

Mr. Reynolds Williams, Chairman  
Mr. James Powers, Vice Chairman  
State Treasurer Thomas Ravenel  
Mr. Blaine Ewing  
Mr. Allen Gillespie  
Dr. Travis Pritchett

**Others present for all or a portion of the meeting:** Ashli Aslin, Robert Borden, Donald Brock, Douglas Lybrand, Nancy Shealy, and Hilary Wiek from the South Carolina Retirement System Investment Commission; and Sam Griswald from the State Retirees' Association.

**I. CALL TO ORDER, CONSENT AGENDA, AND CHAIRMAN'S REPORT**

Chairman Reynolds Williams called the meeting of the South Carolina Retirement System Investment Commission (Commission) to order at 2:00 p.m. The Commissioners, with the exception of Mr. James Powers, participated the meeting via telephone conference call, and Ms. Nancy Shealy informed the Commission of those guests who were attending the meeting in the South Carolina Retirement Systems' (Retirement System) conference room.

Chairman Williams asked for a motion to convene in executive session. Mr. Allen Gillespie made a motion to convene in executive session for the purpose of receiving legal advice and discussing proposed contractual matters. Dr. Travis Pritchett seconded the motion, which carried unanimously. Chairman Williams announced that the Commission would meet in executive session to receive legal advice and discuss a proposed contractual matter.

The Commission reconvened in open session and Chairman Williams reported that the Commission met in executive session, but did not take any action.

**II. ALTERNATIVE INVESTMENT POLICY**

After brief discussion, Mr. Gillespie made a motion to adopt the following resolution relating to the Alternative Investment Program and to direct staff to prepare amendments to the annual Investment Plan, Statement of Policies, and Statement of Investment Objectives to conform as applicable:

**PREAMBLE:**

South Carolina law, the Employee Retirement Income Security Act of 1974 ("ERISA"), and the Uniform Management of Public Employee Retirement Systems Act of 1997 ("UMPERSA") each have similar or compatible, albeit not identical, definitions and responsibilities of fiduciaries with respect to managing and investing assets of retirement systems. For clarity and consistency it is

prudent for the Commission to declare standards for interpretation of certain terms used in these sources.

#### **RESOLUTION:**

For purposes of investments by, and implementation of, the Alternative Investment Program, the "Plan Assets" of the Retirement System include the System's ownership interest in the following entities (e.g., a share or a unit), but do not include the underlying assets owned by the entity itself:

- (a) a registered investment company;
- (b) a registered security that is widely held and freely transferable;
- (c) an entity in which "benefit plan investors" hold less than 25% of the equity interest as defined and determined by ERISA §3(42);
- (d) an "operating company" engaged in the production or sale of a product or service other than the investment of capital;
- (e) a "real estate operating company" or REOC (which actively manages and develops real estate consistent with U.S. Department of Labor ERISA regulations);
- (f) a "venture capital operating company" or VCOC (which actively manages "venture capital investments" consistent with U.S. Department of Labor ERISA regulations);
- (g) A private investment partnership or offshore investment corporation the Offering Memorandum of which allows for the entity to take both long and short positions, use leverage and derivatives, and invest in many markets.

Where the Commission invests in an entity that does not hold System assets, the Commission's decision to invest in the entity will be subject, *inter alia*, to the South Carolina fiduciary rules set forth in S.C. Code Ann. §9-16-10 et seq., and the ethics laws set forth in S.C. Code Ann. §8-13-110 et seq., but the transactions engaged in by the entity generally will not be subject to the same rules.

On occasion the Commission will need to interpret statutes while implementing and administering the investment program. Whenever the South Carolina statutes are substantively similar to provisions of ERISA or UMPERSA, and to the extent practicable and consistent with South Carolina law and other principles of general application relating to public pension plans, the Commission intends to use (1) pertinent provisions of ERISA; (2) interpretive rules and regulations of the U.S. Department of Labor relating to ERISA; and (3) the Reporter's official comments to UMPERSA for guidance.

Mr. Blaine Ewing seconded the motion, which passed unanimously.

### **III. ADJOURNMENT**

Chairman Williams thanked everyone for attending, and the meeting adjourned at 2:35 p.m.

[Staff Note: In compliance with S.C. Code Ann. §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 2<sup>nd</sup> Floor Conference Room at 202 Arbor Lake Drive, Columbia, SC, at 1:15 p.m. on February 27 2007.]