

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

**April 19, 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, Katie Boling, Robert Borden, Donald Brock, Douglas Lybrand, Nancy Shealy, and Hilary Wiek from the South Carolina Retirement System Investment Commission; Ed Evans, Rick Harmon, Doris Hoffman, Rick Patsy, and Shakun Tahiliani from the State Treasurer's Office; Sean Gill and Rhett Humphreys from New England Pension Consultants; Peggy Boykin, Alice Copeland, Tammy Davis, John Page, Dianne Poston, Danielle Quattlebaum, Joni Redwine, Travis Turner, and Faith Wright from the South Carolina Retirement Systems; Derrick McFarland from the Budget and Control Board Office of General Counsel; Phyllis Buie from the SC Employee Insurance Program; Tom Heflin and Greg Nordquist from Russell Investment Group; Elizabeth Smith from Alliance Capital Management, L.P.; Lil Hayes from the House Ways and Means Committee; Charley McDonald from the South Carolina Trooper's Association; and Wayne Pruitt 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 10:00 a.m. and welcomed the Commissioners and guests. Due to scheduling conflicts, Mr. Blaine Ewing attended the meeting until 2:00 p.m.

Chairman Williams suggested that agenda item 2Aii be moved to coincide with agenda items 5A and 5B. Chairman Williams called for objections or amendments to the meeting's proposed agenda, as amended. There being none, the proposed agenda was adopted as amended. Chairman Williams called for objections or amendments to the minutes from the Commission meeting on March 29, 2007. There being none, the proposed minutes were adopted as presented.

Chairman Williams reported that bill h.3789 (companion bill s.462) concerning establishment of trust funds for post-employment benefits (OPEB) went before the House Ways and Means Committee. He reported that the bill contained an amendment requiring the Commission to be responsible for investing the OPEB funds immediately and for investing county and municipal OPEB funds. Chairman Williams stated that, before any action was taken, the Commission would have the opportunity to provide an analysis as to impact of the Commission assuming such responsibility.

## II. CHIEF INVESTMENT OFFICER'S REPORT

Chairman Williams recognized Mr. Robert Borden for the CIO's report.

Mr. Borden stated that the Commission previously approved a 5 percent allocation to Global Asset Allocation (GAA)/Absolute Return. He stated that to facilitate this, New England Pension Consultants (NEPC) began the search for manager candidates. Mr. Rhett Humphreys from NEPC reviewed the GAA/Absolute Return manager search and recommended that the Commission conduct due diligence on and consider retaining Grantham, Mayo, Van Otterloo, LLC's GMO Real Return Global Balance Asset Allocation Fund, Mellon Financial Corporation's (Mellon) Global I Fund, Wellington Management Company, LLP's (Wellington) Opportunistic Investment Strategy, Bridgewater Associates Inc.'s (Bridgewater) All Weather Strategy, and Putnam Investments' (Putnam) Total Return Fund.

Mr. Ewing made a motion to conduct due diligence on and consider retaining the GAA/Absolute Return funds recommended by NEPC and make recommendations to the Commission as appropriate. Mr. Allen Gillespie seconded the motion which, after discussion, passed unanimously. Mr. Borden noted that Treasurer Thomas Ravenel had agreed to work with Messrs. Borden and Humphreys on the GAA/Absolute Return search.

(Information relating to these matters has been retained in the Commission's files and is identified as Exhibit A).

Mr. Borden recognized Mr. Sean Gill from NEPC to discuss the 2007 Private Equity Plan recommendations. Mr. Gill reviewed the private equity strategic and tactical allocation targets and presented a 2007 private equity implementation plan.

Mr. Borden stated that, based on the motion at the Commission's March meeting granting authorization to conduct due diligence reviews of Pantheon Ventures Limited (Pantheon), Commission staff, NEPC, and Dr. Travis Pritchett met with representatives of Pantheon. Mr. Gill stated that NEPC recommended that the Commission consider retaining Pantheon Ventures Limited (Pantheon) for investment in the Pantheon USA VII, LP, a fund of funds focusing on venture, buyouts, and secondaries within the US market, and Pantheon Euro V, LP, a fund of funds focusing on venture, buyouts, and secondaries in the European market. Mr. Borden stated that Pantheon invested consistently and successfully in the global private equity markets over the past decade and that both funds represent strong opportunities to achieve good core positions in established private equity partnerships. Dr. Pritchett made a motion that the Commission commit \$125 million to Pantheon USA VII, LP and \$75 million to Pantheon Euro V, LP. Mr. Ewing seconded the motion which, after thorough discussion, passed unanimously.

Mr. Gill discussed a possible schedule of future potential cash flows and explained that the Commission should consider over-committing in the early years of the Private Equity program in order to build out the allocation. He stated that 4-5 years into the plan there should be a more normalized cash flow schedule, usually representing 20-30 percent of the targeted Private Equity allocation.

In response to a question asked by Mr. Ewing, Mr. Borden explained that with any Private Equity investment, there were significant challenges in evaluation and risk management. The proper Private Equity benchmark compared performance of similar strategy funds from similar vintage years and that returns were by cumulative internal rate of return (IRR).

Mr. Ewing made a motion to authorize Mr. Borden to conduct due diligence on the private equity firms recommended by NEPC as indicated in green print in NEPC's Private Equity meeting materials and to make presentations to the Commission as appropriate. Mr. Gillespie seconded the motion, which passed unanimously. Dr. Pritchett agreed to continue working with Commission staff and NEPC on Private Equity due diligence.

(Information relating to these matters has been retained in the Commission's files and is identified as Exhibit B).

Mr. Humphreys recommended that the Commission authorize Commission staff and NEPC to conduct additional due diligence on funds recommend by NEPC for potential inclusion in the Portable Alpha or Multi-Strategy allocation. Mr. Allen Gillespie made a motion to that affect, which was seconded by Mr. Ewing passed unanimously. Chairman Williams stated that Messrs. Gillespie and James Powers would continue working with Messrs. Borden and Humphreys throughout this manager search process.

(Information relating to these matters has been retained in the Commission's files and is identified as Exhibit C).

Mr. Borden discussed the investment performance of the South Carolina Retirement Systems' (Retirement System) portfolio as of March 31, 2007. Mr. Borden briefly discussed the performance of the equity, fixed income, and total portfolios and the contributing factors to that performance.

(Information relating to these matters has been retained in the Commission's files and is identified as Exhibit D).

At Treasurer Ravenel's request, Mr. Borden agreed to contact each investment manager that the Commission would consider retaining after the transition to the new asset allocation and request a reduction in investment management fees.

Mr. Borden reported that while the transition team charged with the transition of the fixed income investments and custodian duties from the State Treasurer's Office (STO) to the Commission had not met since the Commission's March meeting, the accounting task force met several times during that period to address accounting issues related to the transition.

Mr. Borden stated that the transition group recommended that a contract be negotiated with Jamison, Eaton & Wood, Inc. (Jamison) for investment advisory services for the Fixed Income portion of the Retirement System's portfolio.

Mr. Borden stated that an amendment to the contract with the Bank of New York (BoNY) would be necessary in order to implement the Beta Overlay program. He stated that Commission staff, STO staff, and the accounting task force were working to determine what should be included in the new BoNY contract.

Mr. Ewing made a motion to authorize the Chairman or his designee to negotiate and execute a contract, upon approval for legal sufficiency by General Counsel, with Jamison to provide investment advisory services for the Fixed Income portion of the Retirement System's portfolio. Mr. Powers seconded the motion, which passed unanimously.

Mr. Ewing made a motion to authorize the Chairman or his designee and Mr. Borden to direct BoNY, the custodian, on matters relating to the Retirement System's accounts, including the authority to designate staff to execute any necessary documents to implement their directions. Mr. Gillespie seconded the motion, which passed unanimously.

Chairman Williams referred to the draft Annual Investment Plan (AIP) for Fiscal Year (FY) 2008, which was included in the Commission's meeting materials. Mr. Borden provided an overview and analysis of the draft document, which incorporated each Commissioner's modifications. Dr. Pritchett made a motion to adopt the AIP for FY 2008 and authorize staff to make any technical, non-substantive changes to the document. Treasurer Ravenel seconded the motion, which passed unanimously.

(Information relating to these matters has been retained in the Commission's files and is identified as Exhibit E).

### **III. ADMINISTRATIVE MATTERS**

Chairman Williams recognized Ms. Nancy Shealy for the Administrative Director/General Counsel's report. Ms. Shealy reported that she had no items to discuss but that administrative and legal functions within the office were progressing and she would be glad to answer any questions. Chairman Williams thanked Ms. Shealy for her report.

Mr. Powers updated the Commission on the status of the Commission's new office facilities. He stated that the construction portion of the project was complete, pending certification of occupancy, and that Commission staff would order furniture for the space. He stated that the target move date was May 23, 2007.

### **IV. EXECUTIVE SESSION**

Mr. Powers made a motion that the Commission meet in executive session to discuss personnel compensation, the Beta Overlay investment implementation strategy pursuant to S.C. Code Ann. §§9-16-80 and 9-16-320, and personnel recruiting. Mr. Ewing seconded the motion, which passed unanimously. Chairman Williams announced that the Commission would meet in executive session for those purposes.

The Commission reconvened in open session and Chairman Williams reported that the Commission did not take any reportable action while in executive session. Chairman Williams noted that any action that did occur while in executive session would be publicized when doing so would not jeopardize the Commission's ability to achieve its investment objectives or implement a portion of the annual investment plan.

Mr. Powers made a motion, which was seconded by Mr. Gillespie and passed unanimously, to authorize the Chairman to implement the compensation increases for performance for Mr. Borden and Ms. Shealy as discussed in executive session and to authorize Mr. Borden to proceed with personnel recruiting within the guidelines discussed.

### **V. ADJOURNMENT**

Chairman Williams thanked everyone for attending, and the meeting adjourned at 1:30 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, on April 17, 2007.]