



Commission Meeting Agenda

Thursday, February 13, 2025 at 9:30 a.m.

RSIC Presentation Center and Streaming Online at www.rsic.sc.gov

- I. Call to Order and Consent Agenda
 - A. Adoption of Proposed Agenda
 - B. Approval of December 2024 Minutes
- II. Chair's Report
- III. Committee Reports
- IV. Actuarial Update - GRS Actuarial Consultants
- V. Delegated Investment Report
- VI. Executive Session to discuss investment matters and certain portions of the Consolidated Annual Investment Plan and Statement of Investment Objectives and Policies pursuant to S.C. Code Sections 9-16-80 and 9-16-320, including a discussion of the Bonds portfolio; to discuss personnel matters, and to receive advice from legal counsel pursuant to S.C. Code Section 30-4-70(a)(1)-(2).
- VII. Potential Action Resulting from Executive Session
- VIII. Adjourn

NOTICE OF PUBLIC MEETING

This notice is given to meet the requirements of the S.C. Freedom of Information Act and the Americans with Disabilities Act. Furthermore, this facility is accessible to individuals with disabilities, and special accommodations will be provided if requested in advance.

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

December 12, 2024 9:30 a.m.

Capitol Center

1201 Main Street, 15th Floor

Columbia, South Carolina 29201

**Meeting Location: 1201 Main Street, 15th Floor, Ste. 1510 & Streaming Online at
www.rsic.sc.gov**

Commissioners Present:

Mr. William Hancock, Chair

Ms. Melissa Schumpert, Vice-Chair

Mr. William J. Condon, Jr.

Mr. Kenneth F. Deon (via telephone)

Mr. Edward Giobbe

Dr. Holley H. Ulbrich

Mr. Reynolds Williams (via telephone)

Ms. Peggy Boykin, PEBA Executive Director (via telephone)

I. Call to Order and Consent Agenda

Chair William H. Hancock called the meeting of the South Carolina Retirement System Investment Commission (“Commission” or “RSIC”) to order at 9:35 a.m. Dr. Holley H. Ulbrich made a motion to adopt the agenda as presented. Ms. Melissa Schumpert seconded the motion, which was unanimously approved.

Dr. Ulbrich made a motion to approve the minutes of the Commission’s September 12, 2024, meeting. Mr. William J. Condon, Jr. seconded the motion, which was unanimously approved.

A link to the entire meeting is below:

[2024 12 12 Commission Meeting - YouTube](#)

II. Chair’s Report

Chair Hancock stated that he had nothing to report.

III. Committee Reports

Chair Hancock stated that RSIC’s Human Resources and Compensation Committee (“HRCC”) had not met since the last Commission meeting, and had nothing to report. Mr. Michael R. Hitchcock, Chief Executive Officer (“CEO”), noted that RSIC’s Audit and Enterprise Risk Management Committee (“AERMC”) had met since the last Commission meeting, and the AERMC Report was made available to the Commissioners for review prior to the meeting.

IV. CEO's Report

Chair Hancock then recognized Mr. Hitchcock for the CEO's report. Mr. Hitchcock began by suggesting that the Commission move its March of 2025 meeting date to early February of 2025. He noted the change was needed in order to provide Staff sufficient time to receive the actuarial valuation data and incorporate it into the asset allocation analysis. Mr. Hitchcock also explained that this change would provide the Commission with sufficient time to review all options and meet statutory deadline to adopt the Annual Investment Plan and Statement of Investment Policies and Procedures ("AIP/SIOP") by May 1, 2025. He noted that he would provide the meeting date to the Commissioners after an agreement had been made. The Commission agreed by acclamation to move the March of 2025 meeting to February of 2025 with the date to be posted as soon as available.

A link to the CEO's Report is below:

<https://www.youtube.com/watch?v=ABa8aZi3uzM&t=118s>

V. CIO's Report

Mr. Geoffrey Berg, Chief Investment Officer ("CIO"), introduced Mr. Bryan Moore, Deputy Chief Investment Officer, for the investment performance review through September 30, 2024. Mr. Moore gave the following three performance takeaways: (a) Staff has generated approximately \$3 billion of additional value to the Plan over the past three years relative to the Policy Benchmark; (b) the portfolio has experienced a reduction in active risk given the limited dispersion today; and (c) the Plan has ample liquidity to take advantage of future opportunities. Mr. Moore reviewed performance. One-year returns were extremely strong, at 17.69 percent. The Plan's five-year return was 8.97 percent, and the ten-year return was 7.24 percent. Mr. Moore summarized changes that had been made to the performance report. He reported that the Plan's market value at September 30, 2024 was an all-time high of \$47 billion dollars. Mr. Moore then reviewed asset class performance. He stated that the three- and five-year performance was driven by rising rates and higher inflation. These factors benefited most of the portfolio, with the exception of real estate and bonds.

Mr. Moore reviewed the portfolio performance framework. He discussed the value of diversification and reasons for its recent underperformance. He stated that the diversified portfolio had not added value recently given the strong performance of equities but would benefit RSIC in the future. Mr. Condon asked a question regarding diversification. After a brief discussion with the Commissioners, Mr. Moore turned to performance attribution. He reviewed the fiscal year to date performance attribution for the quarter ending September 30, 2024, noting the strong public markets performance as the Federal Reserve began a rate cutting cycle, and a modest detractor from cash and an overweight to private equity. Mr. Moore then turned to the three-year performance attribution, pointing out that excess returns were generated across all asset classes and that diversification within the asset classes had proved beneficial.

Mr. Moore reviewed plan level risk monitoring and its ranges, as well as a total portfolio risk assessment. The Commissioners offered feedback regarding the format of the revised presentation report. There being no additional questions, this concluded Mr.

Moore's report. A link to the CIO's Report is below:

<https://www.youtube.com/watch?v=ABa8aZi3uzM&t=351s>

VI. Strategic Asset Allocation Review

Chair Hancock then introduced Mr. Mark Brubaker, Mr. Dan Hougard, and Mr. Mike Patalsky from Verus Advisory, Inc. ("Verus"). They provided the Commissioners with a brief educational presentation on asset liability studies which included Verus's 2025 10-year capital market assumptions, allocations, and recommendations.

A link to the discussion is below:

<https://www.youtube.com/watch?v=ABa8aZi3uzM&t=2800s>

VII. Delegated Investment Report

Chair Hancock then recognized Mr. Berg for the delegated investment report. The following delegated investments were closed by Staff since the September 12, 2024, Commission meeting.

Delegated Investments (September 12, 2024 to December 11, 2024)			
Asset Class	Investment	Investment Amount	RSIC Commitment Date
Private Debt	D.E. Shaw Dioptr Fund II	\$50 M	October 31, 2024
Private Equity	Unity Partners Fund I	\$50 M	November 1, 2024
Private Debt	Eagle Point Defensive Income Fund III	\$50 M	December 6, 2024

VIII. Executive Session

Dr. Ulbrich made a motion to recede into executive session to discuss investment matters, including specific private debt investments and certain portions of the Consolidated Annual Investment Plan and Statement of Investment Objectives and Policies, pursuant to S.C. Code Sections 9-16-80 and 9-16-320; to discuss personnel matters pursuant to S.C. Code Ann. Section 30-4-70(a)(1); and to receive advice from legal counsel pursuant to S.C. Code Ann. Section 30-4-70(a)(2). Mr. Kenneth F. Deon seconded the motion, which was approved unanimously. The Commission receded into executive session at 11:24 a.m.

IX. Potential Action Resulting from Executive Session

Upon returning to open session at 2:55 p.m., Chair Hancock noted that the Commission did not take any action while in executive session.

X. Adjournment

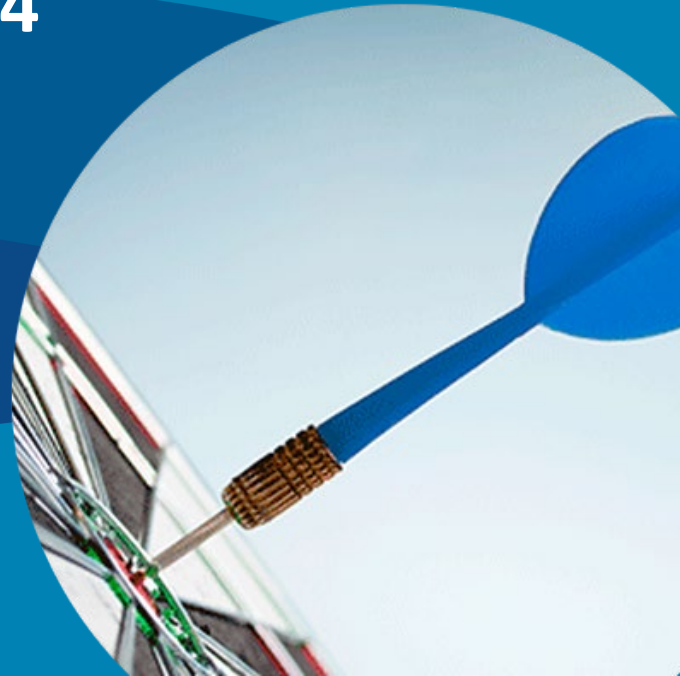
There being no further business, Dr. Ulbrich made a motion to adjourn. Mr. Deon seconded the motion, which was approved unanimously. The Commission adjourned at 2:56 p.m.

[Staff Note: In compliance with S.C. Code 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., by 9:24 a.m., on December 10, 2024.]

South Carolina Retirement System Investment Commission

Actuarial Valuation as of July 1, 2024

Joe Newton, FSA, EA, MAAA
Danny White, FSA, EA, MAAA
February 13, 2025

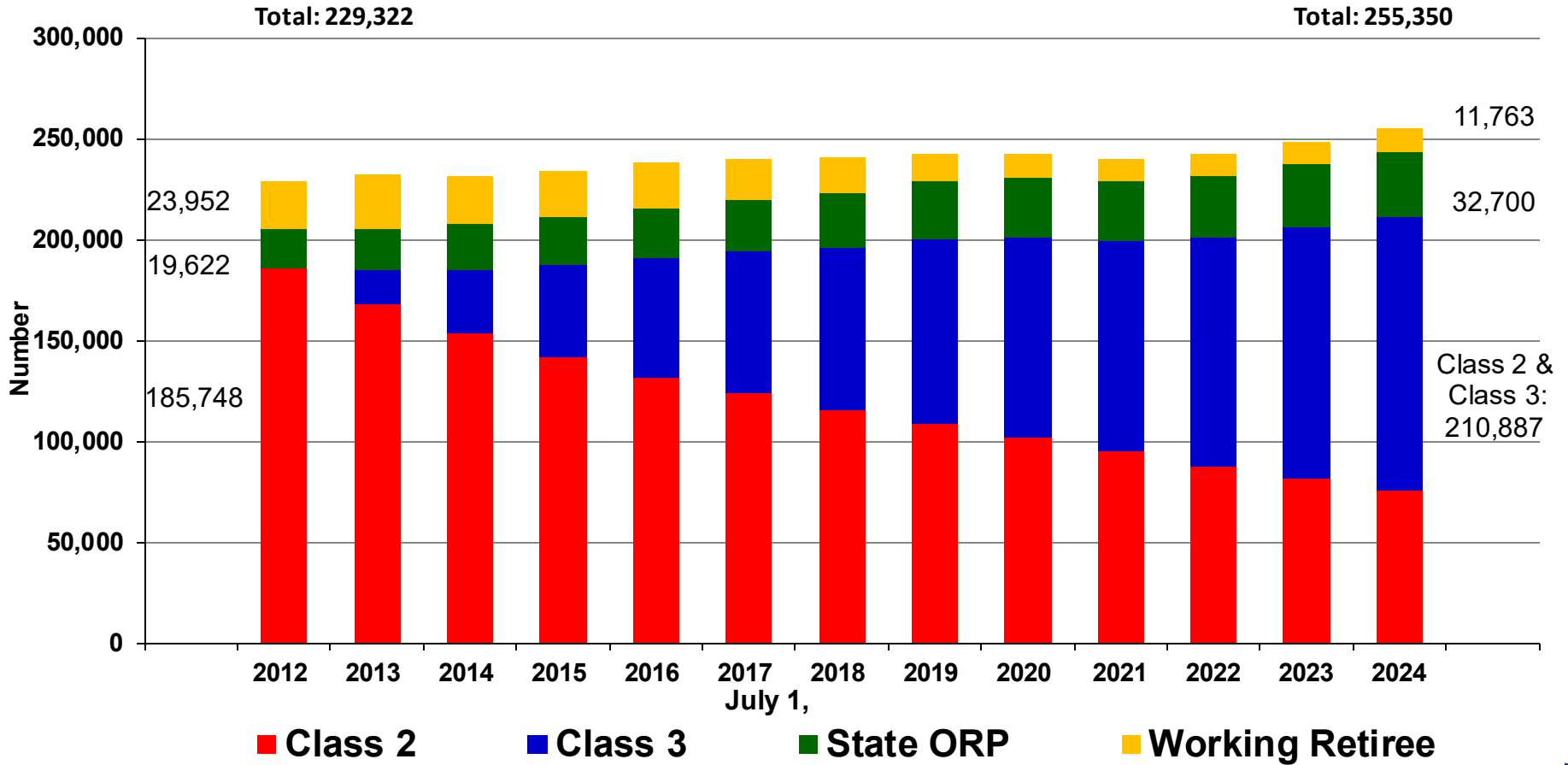


Agenda

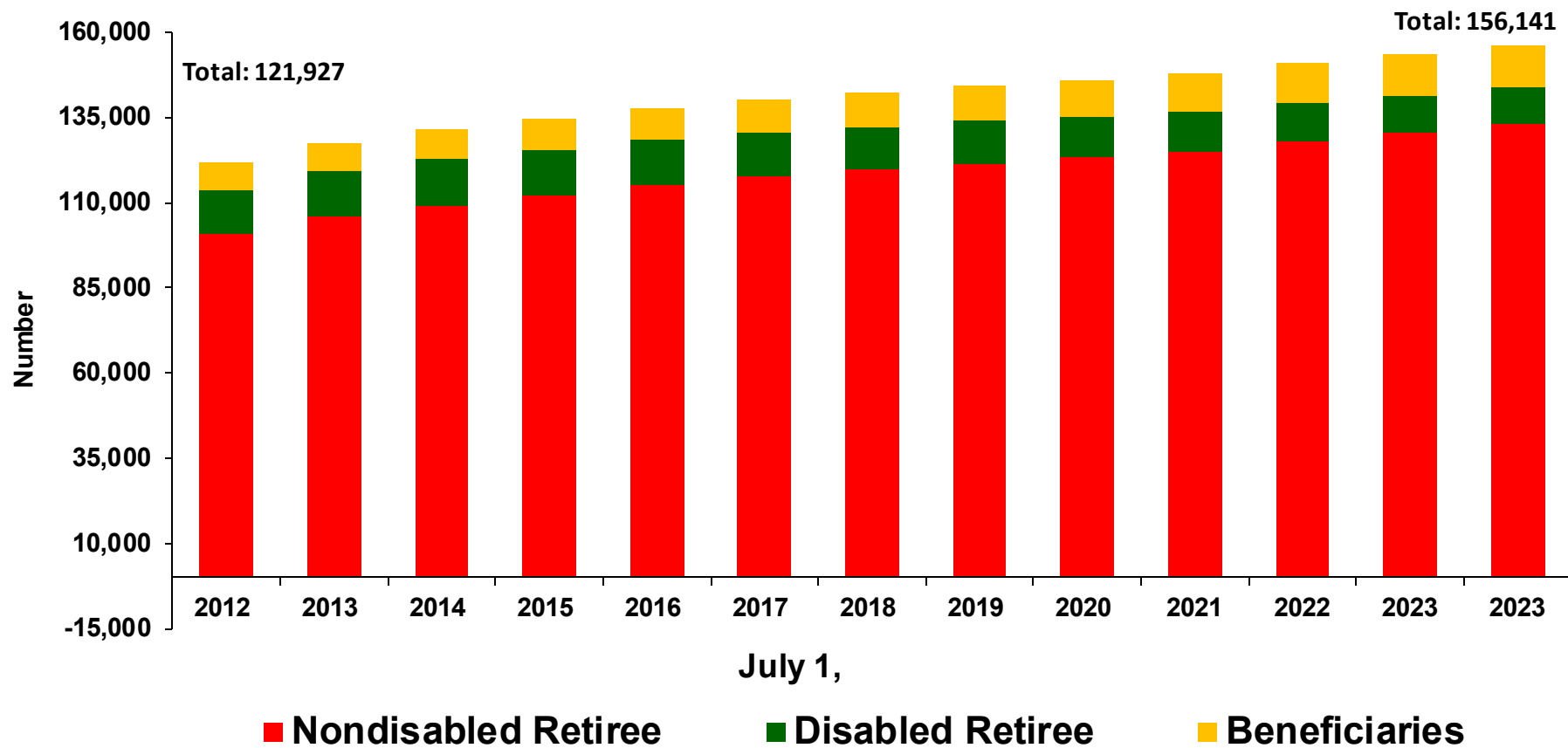
- Summary of Historical Demographics
- 2024 Valuation Results
- Projection Information for SCRS and PORS

Contributing Membership - SCRS

Currently 60% of Active Members in SCRS are Class 3

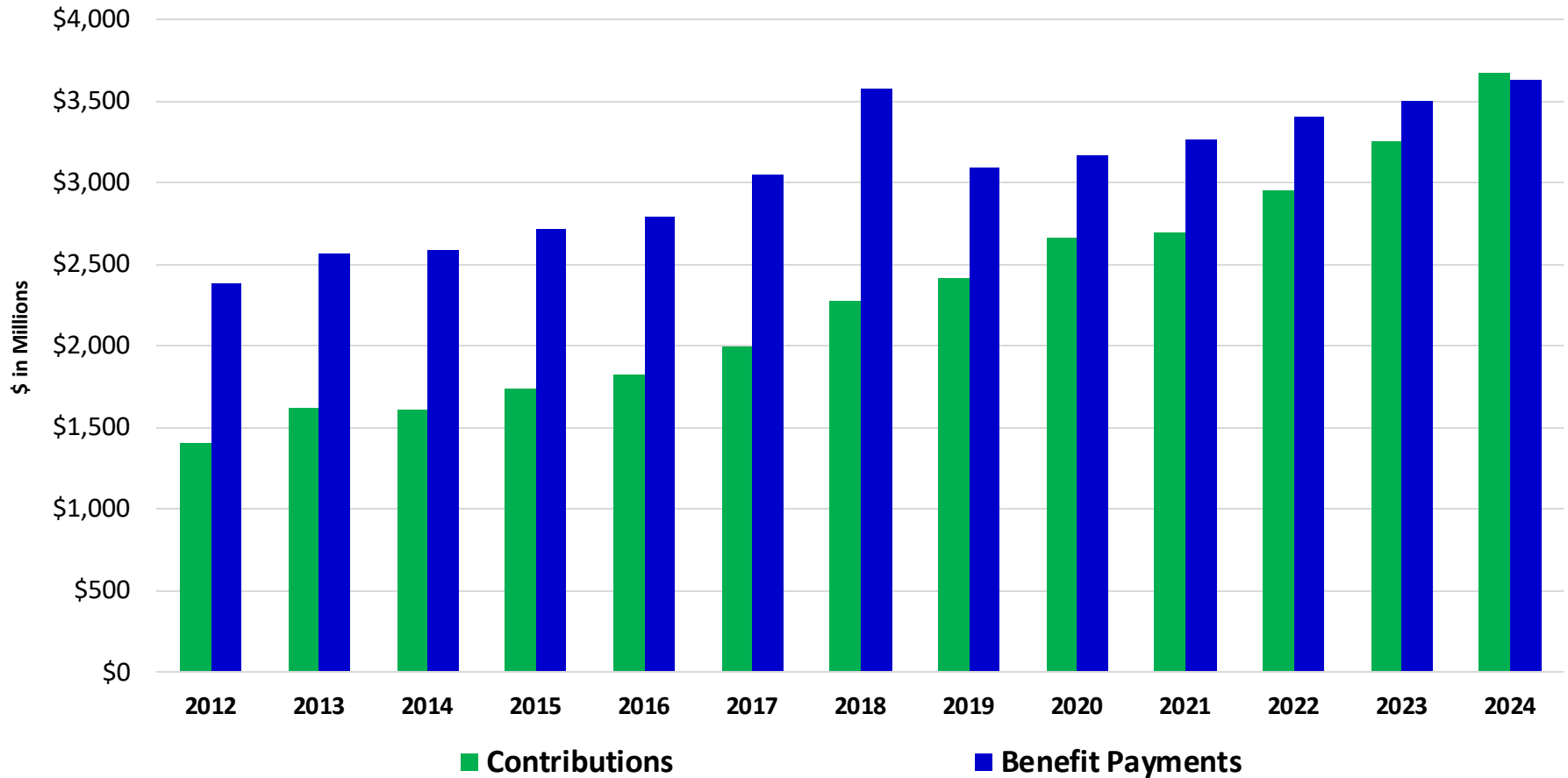


Members Collecting a Benefit- SCRS



Contributions and Benefit Payments - SCRS

Total Contributions Vs Benefit Payments



2024 Valuation Results



Summary of Changes Since the Prior Valuation

- 10.5% market investment return for FY 2024
 - \$1.186 billion more than expected for SCRS
 - \$0.222 billion more than expected for PORS
- Notable experience
 - This valuation incorporates the assumptions adopted by the Board in June 2024
 - Active membership in SCRS increased 2.4% and the covered payroll increased 8.0% over the prior year
 - Active membership in PORS increased 3.9% and the covered payroll increased 18.5% over the prior year

Summary of July 1, 2024 Valuation Results – SCRS and PORS (\$ in millions)

Item	SCRS		PORS	
	2024	2023	2024	2023
(1)	(2)	(3)	(4)	(5)
Actuarial accrued liability	\$62,139	\$59,164	\$10,387	\$9,707
Actuarial (smoothed) value assets	<u>37,016</u>	<u>34,254</u>	<u>7,010</u>	<u>6,401</u>
Unfunded liability (UAAL)	\$25,123	\$24,910	\$3,377	\$3,306
Funded ratio	60%	58%	68%	66%
Member contribution rate	9.00%	9.00%	9.75%	9.75%
Employer contribution rate next FY	<u>18.56%</u>	<u>18.56%</u>	<u>21.24%</u>	<u>21.24%</u>
Total contribution rate	27.56%	27.56%	30.99%	30.99%
Calculated funding period (based on FY 2025 contribution rate)	14 Years	16 Years	13 Years	16 Years
Expected contributions (actual for prior year)				
Member	\$1,120	\$1,117	\$202	\$198
Employer	2,596	2,552	430	420

FY 2024 Salary Increase for Continuing Actives – SCRS

Public School

Years of Service	Count	Actual		Expected		Actual % Increase	Expected % Increase
		FY2023 Pay	FY2024 Pay	FY2024 Pay	FY2024 Pay		
0-4	24,982	\$ 905	\$ 1,030	\$ 986	13.8%	9.0%	
5-9	17,451	814	885	853	8.8%	4.8%	
10-14	11,438	618	666	643	7.7%	4.0%	
15-19	11,208	666	709	688	6.6%	3.4%	
20-24	8,659	568	604	586	6.2%	3.0%	
25-29	5,161	372	396	383	6.5%	3.0%	
30-34	975	75	80	77	6.2%	3.0%	
>35	327	24	26	25	5.8%	3.0%	

State

Years of Service	Count	Actual		Expected		Actual % Increase	Expected % Increase
		FY2023 Pay	FY2024 Pay	FY2024 Pay	FY2024 Pay		
0-4	21,023	\$ 994	\$ 1,123	\$ 1,069	13.0%	7.5%	
5-9	10,182	588	649	613	10.3%	4.2%	
10-14	5,823	388	424	402	9.4%	3.6%	
15-19	5,302	360	394	373	9.4%	3.5%	
20-24	4,128	295	319	304	8.2%	3.0%	
25-29	2,629	193	209	199	8.4%	3.0%	
30-34	1,225	92	99	95	8.0%	3.0%	
>35	562	48	51	50	6.5%	3.0%	

Grand Total **80,201** **\$ 4,041** **\$ 4,394** **\$ 4,241** **8.7%** **4.9%**

Grand Total **50,874** **\$ 2,958** **\$ 3,270** **\$ 3,103** **10.5%** **4.9%**

Other Agency

Years of Service	Count	Actual		Expected		Actual % Increase	Expected % Increase
		FY2023 Pay	FY2024 Pay	FY2024 Pay	FY2024 Pay		
0-4	18,878	\$ 777	\$ 861	\$ 835	10.8%	7.5%	
5-9	10,281	571	608	595	6.5%	4.2%	
10-14	6,143	398	419	412	5.3%	3.6%	
15-19	5,151	348	368	361	5.7%	3.5%	
20-24	3,697	251	265	259	5.4%	3.1%	
25-29	1,936	140	148	144	5.7%	3.0%	
30-34	714	53	56	55	5.3%	3.0%	
>35	242	18	19	19	5.5%	3.0%	

All Groups Combined

Years of Service	Count	Actual		Expected		Actual % Increase	Expected % Increase
		FY2023 Pay	FY2024 Pay	FY2024 Pay	FY2024 Pay		
0-4	64,883	\$ 2,676	\$ 3,015	\$ 2,890	12.7%	8.0%	
5-9	37,914	1,973	2,142	2,061	8.6%	4.5%	
10-14	23,404	1,404	1,509	1,457	7.5%	3.8%	
15-19	21,661	1,374	1,472	1,421	7.1%	3.4%	
20-24	16,484	1,114	1,187	1,148	6.6%	3.0%	
25-29	9,726	705	753	726	6.8%	3.0%	
30-34	2,914	220	235	227	6.7%	3.0%	
>35	1,131	91	96	93	6.1%	3.0%	

Grand Total **47,042** **\$ 2,557** **\$ 2,744** **\$ 2,679** **7.3%** **4.8%**

Grand Total **178,117** **\$ 9,556** **\$ 10,408** **\$ 10,024** **8.9%** **4.9%**



\$ in millions

FY 2024 Salary Increase for Continuing Actives –

PORS

Years of Service	Count	State				
		FY2023 Pay	Actual FY2024 Pay	Expected FY2024 Pay	Actual % Increase	Expected % Increase
0-4	2,509	\$ 125	\$ 148	\$ 134	18.8%	7.3%
5-9	1,667	98	110	102	12.4%	4.7%
10-14	999	63	71	65	12.6%	4.2%
15-19	971	63	71	65	13.6%	3.7%
20-24	650	45	51	46	13.4%	3.6%
25-29	376	28	32	29	12.2%	3.5%
30-34	125	9	11	10	13.1%	3.5%
>35	56	4	5	4	11.4%	3.5%

Years of Service	Count	Other Agency				
		FY2023 Pay	Actual FY2024 Pay	Expected FY2024 Pay	Actual % Increase	Expected % Increase
0-4	6,117	\$ 306	\$ 349	\$ 329	14.0%	7.5%
5-9	3,918	234	255	245	8.9%	4.6%
10-14	2,493	165	179	171	8.7%	4.1%
15-19	2,143	152	164	158	7.6%	3.8%
20+	1,562	115	125	119	8.2%	3.6%
25-29	587	48	51	49	7.5%	3.5%
30-34	196	17	18	17	7.1%	3.5%
>35	40	3	4	4	7.1%	3.5%

Grand Total **7,353** **\$ 434** **\$ 497** **\$ 456** **14.5%** **5.0%**

Grand Total **17,056** **\$ 1,040** **\$ 1,144** **\$ 1,093** **10.0%** **5.1%**

Years of Service	Count	Both Groups Combined				
		FY2023 Pay	Actual FY2024 Pay	Expected FY2024 Pay	Actual % Increase	Expected % Increase
0-4	8,626	\$ 431	\$ 498	\$ 463	15.4%	7.4%
5-9	5,585	332	365	347	10.0%	4.6%
10-14	3,492	227	250	237	9.8%	4.2%
15-19	3,114	215	235	223	9.4%	3.8%
20-24	2,212	160	175	165	9.6%	3.6%
25-29	963	76	83	79	9.3%	3.5%
30-34	321	26	28	27	9.3%	3.5%
>35	96	8	8	8	9.5%	3.5%

Grand Total **24,409** **\$ 1,474** **\$ 1,642** **\$ 1,549** **11.4%** **5.1%**



\$ in millions

Summary of July 1, 2024 Valuation Results – Other Systems (\$ in Millions)

Item	JSRS		GARS		SCNG	
	2024	2023	2024	2023	2024	2023
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Actuarial accrued liability	\$488	\$478	\$67	\$68	\$69	\$69
Actuarial (smoothed) value assets	<u>238</u>	<u>222</u>	<u>49</u>	<u>46</u>	<u>47</u>	<u>43</u>
Unfunded liability (UAAL)	\$250	\$256	\$18	\$22	\$22	\$26
Funded ratio	49%	46%	74%	67%	68%	63%
Member contribution rate	10.00%	10.00%	11.0%	11.0%	\$0.0	\$0.0
Employer contribution rate	62.49%	62.49%	\$6.2	\$6.2	\$3.4	\$3.6
Amortization period	19 Years	21 Years	5 Years ¹	4 Years	12 Years	13 Years
Expected contributions (actual for prior year)						
Member	\$3.6	\$3.5	\$0.1	\$0.1	\$0.0	\$0.0
Employer	25.6 ²	24.2 ²	6.2	6.2	5.3	5.3

¹ New gains/losses occurring after 2023 are amortized over separate, closed, 5-year bases.

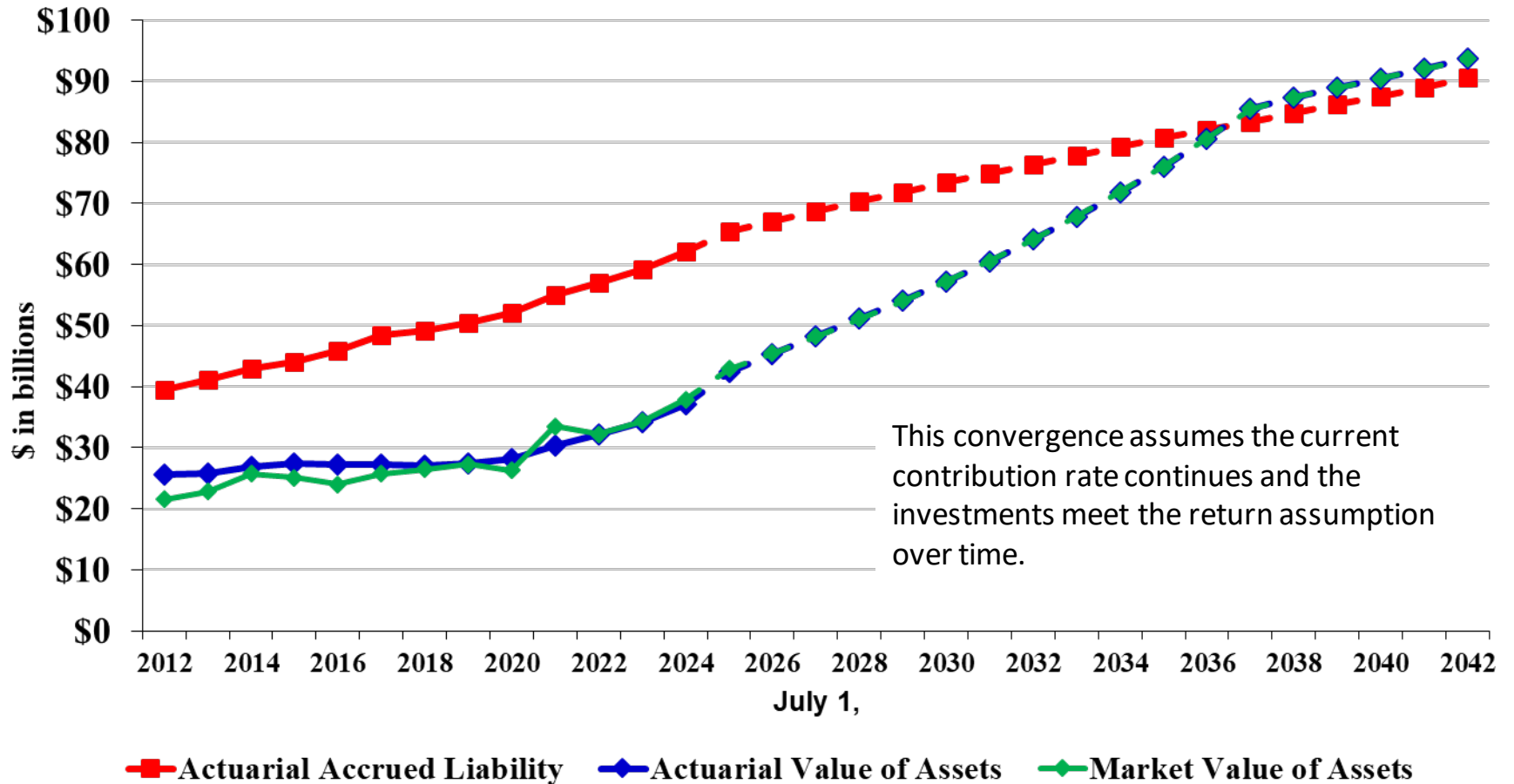
² Includes \$2.9 million non-payroll based appropriation.



Projection Information SCRS



Historical and Projected Liability and Assets - SCRS



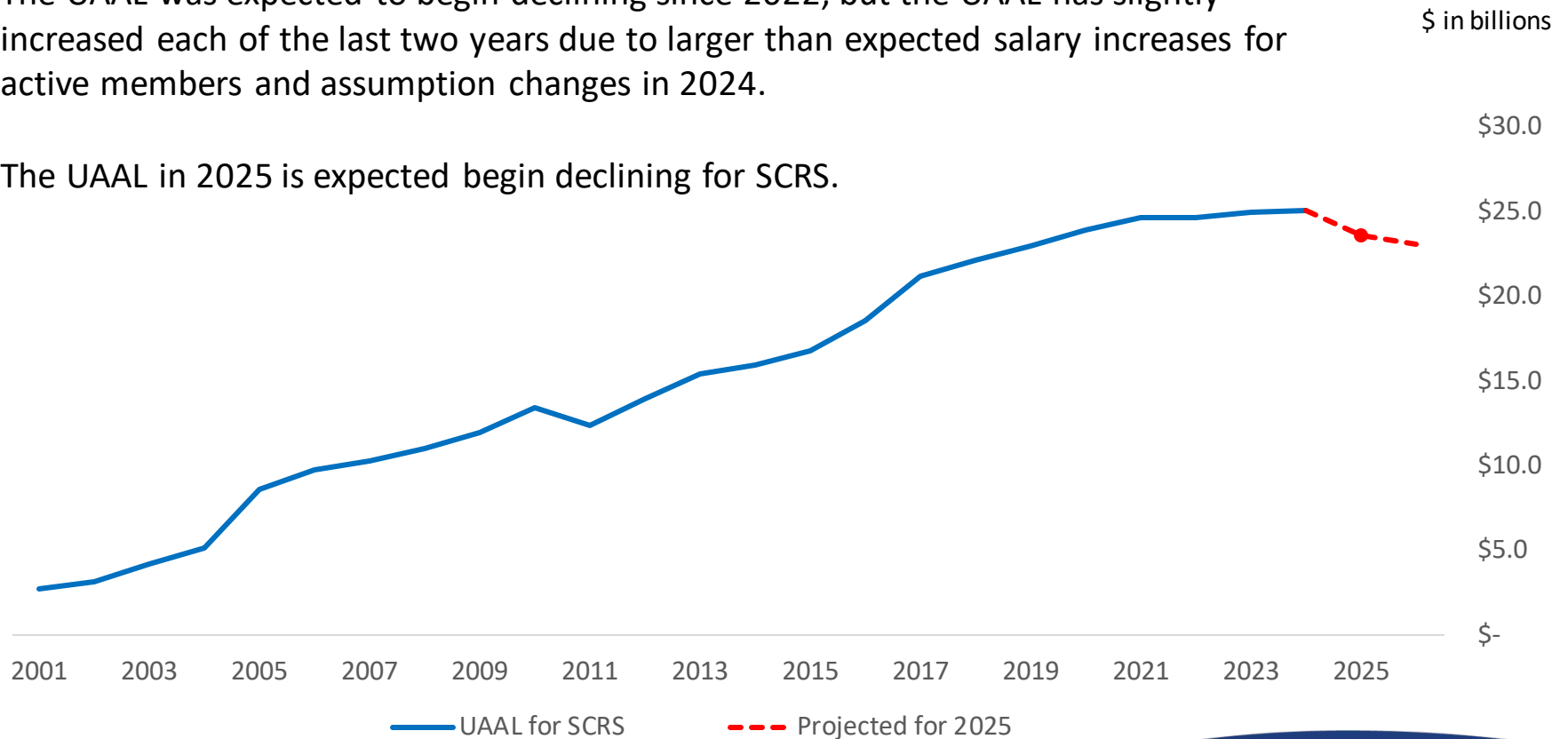
Projected information based on the 2024 actuarial valuation.

History of UAAL for SCRS

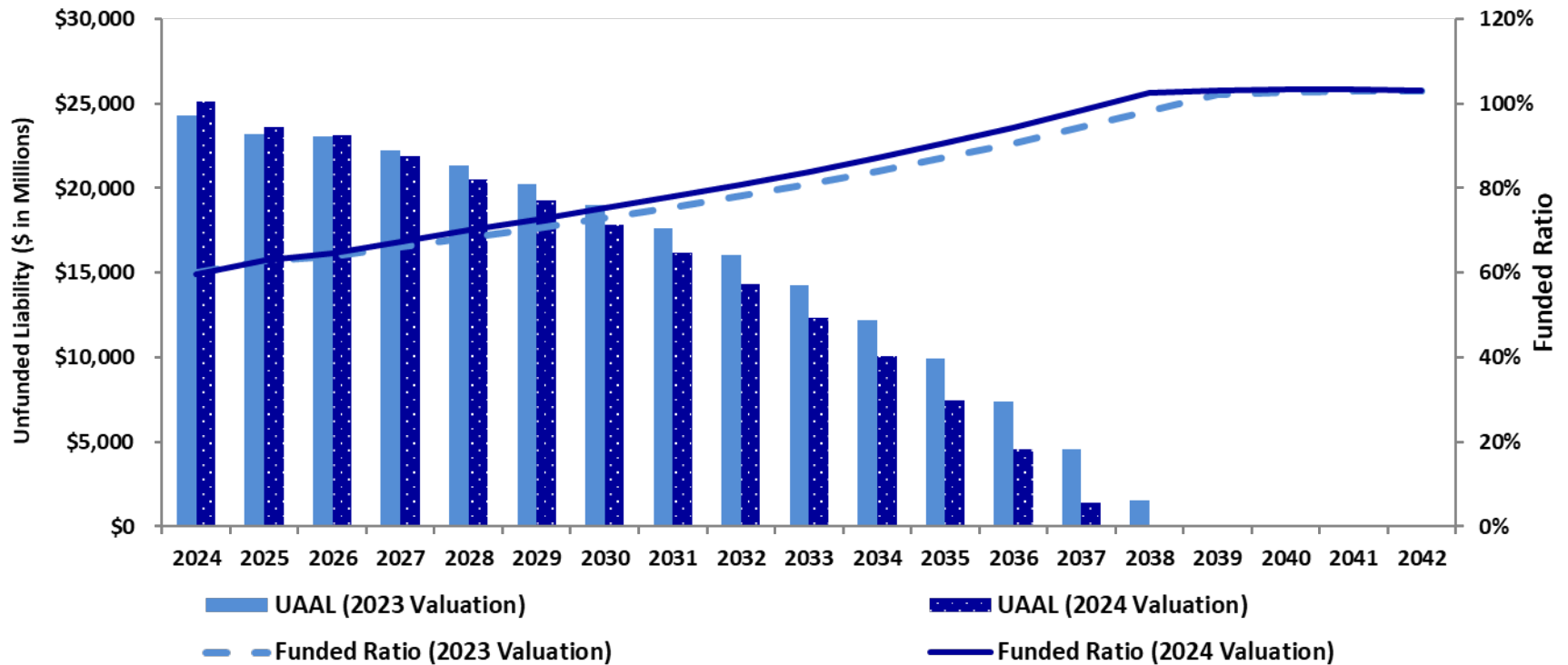
The UAAL has had an increasing trend since 2001.

The UAAL was expected to begin declining since 2022, but the UAAL has slightly increased each of the last two years due to larger than expected salary increases for active members and assumption changes in 2024.

The UAAL in 2025 is expected begin declining for SCRS.



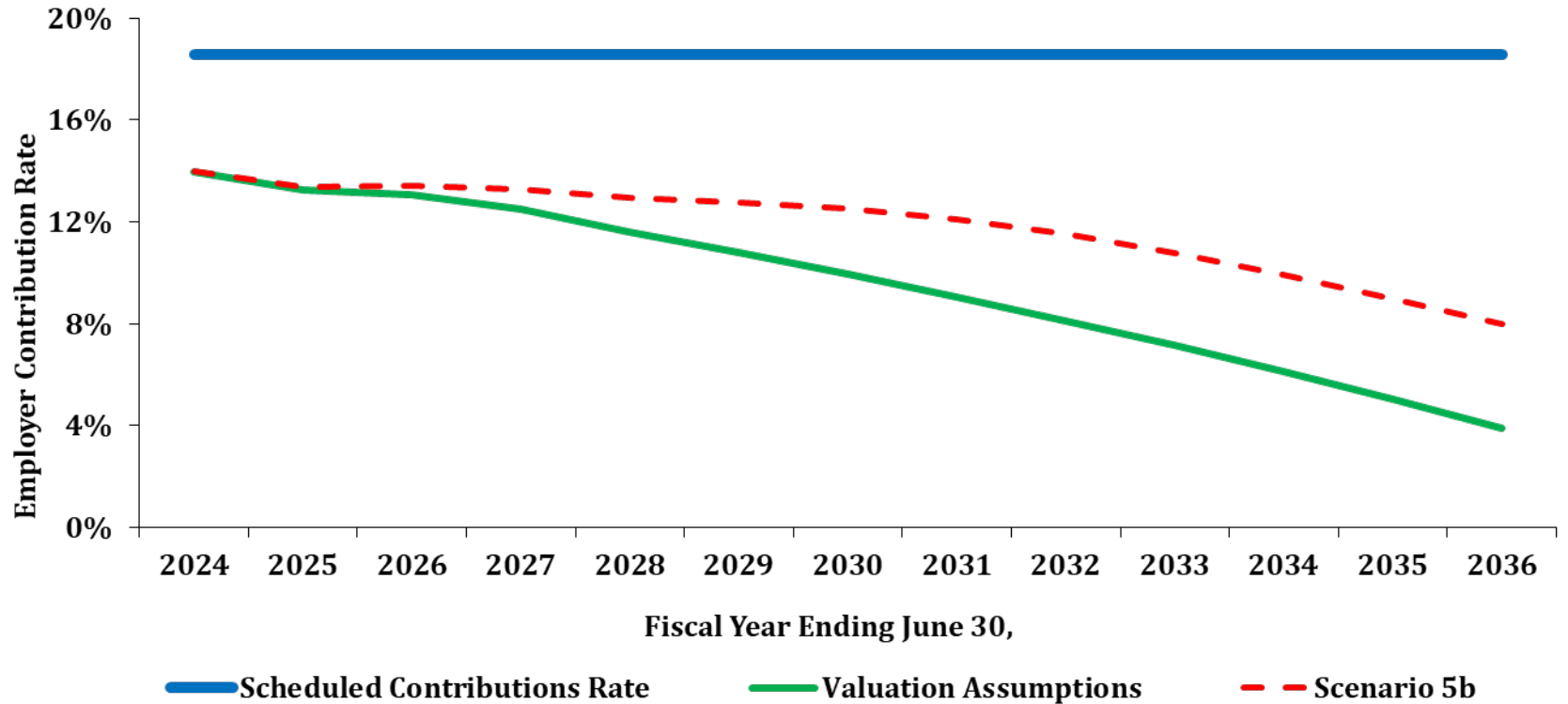
Projected Unfunded Liability – SCRS 2024 Valuation Versus 2023 Valuation



The projection for 2023 and 2024 assumes the current contribution rate remains in effect future years and actuarial assumptions are met (including a 7.00% return on market assets from the valuation date).

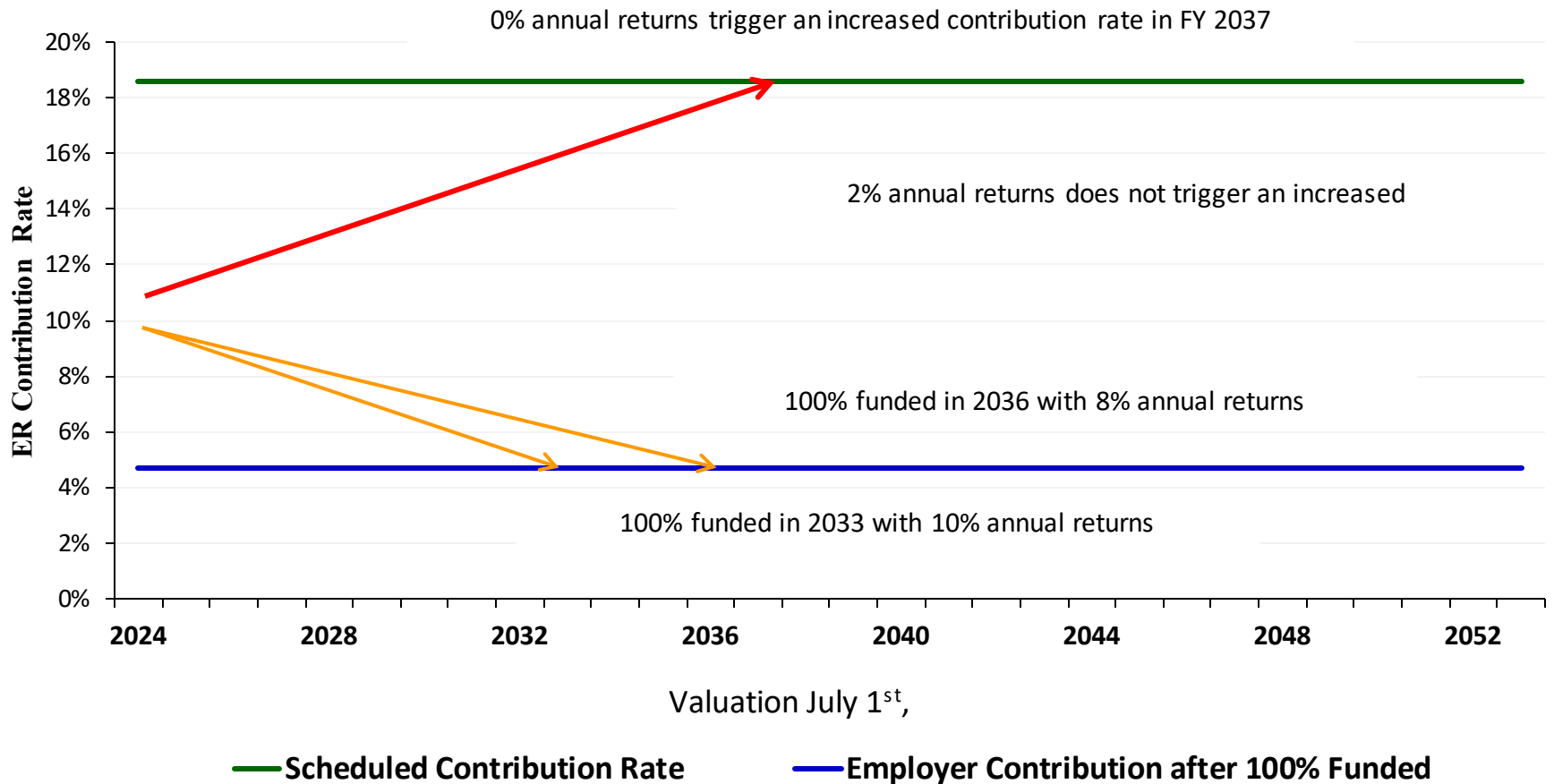


Projected Contribution Rates – SCRS Legislative Decision Making (Scenario 5b)



Scenario 5b: Emerging investment experience is 4.00% for each of the next five years and 7.00% each year thereafter.

Test comparing multiple outcomes over different time horizons²²



Projected Probabilities of Outcomes

	2024 Valuation	2023 Valuation	2022 Valuation
Probability greater than 85% funded ratio in 2035	55%	51%	39%
Probability greater than 90% funded ratio in 2040	57%	59%	54%
Probability UAAL smaller than current in 5 Years	71%	70%	63%
Probability UAAL smaller than current in 10 Years	73%	74%	68%
Probability contributions required to exceed 18.56% at some point (funding period exceeds 20 years)	11%	8%	22%

Current Funded Ratio is 60%

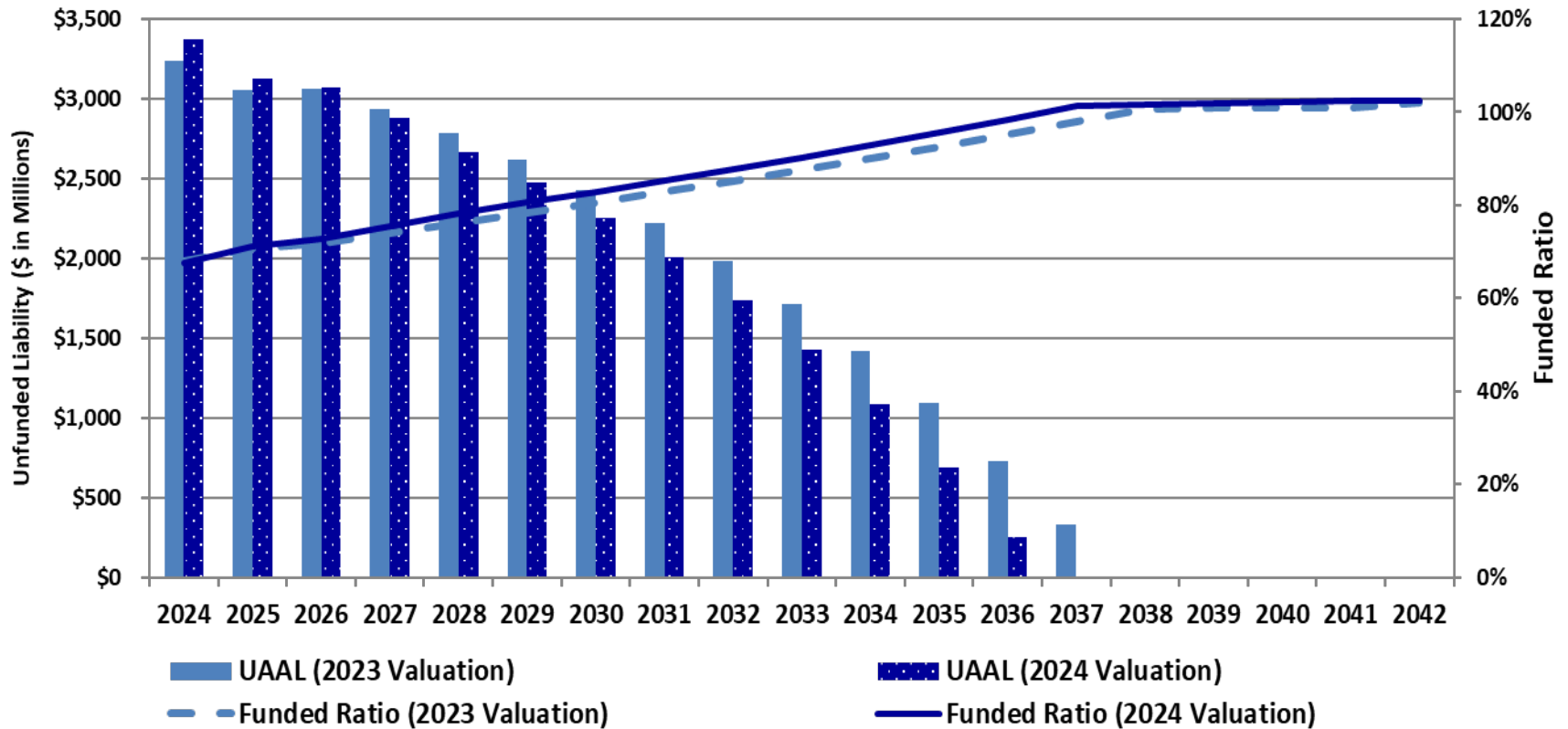
Simulations from both years use 7% expected geometric return with a 14.8% annual standard deviation

Projection Information PORS



Projected Unfunded Liability – PORS

2024 Valuation



The projection for 2023 and 2024 assumes the current contribution rate is remains effect in future years and the current actuarial assumptions are met (including a 7.00% return on market assets from the valuation date).

Valuation Comment Summary

- The UAAL dollar amount is projected to begin decreasing for SCRS and PORS
- It is highly likely the current employer contribution rates for SCRS and PORS will satisfy the 20 year maximum amortization period in Statute
- Recommend staying the course and give the current funding policy time to achieve its objectives

Disclaimers

- This presentation is intended to be used in conjunction with the actuarial valuations as of July 1, 2024. This presentation should not be relied on for any purpose other than the purpose described in the valuation report.
- This presentation shall not be construed to provide tax advice, legal advice or investment advice.

Delegated Investments (December 12, 2024 to February 12, 2025)¹

Asset Class	Investment	Investment Amount	RSIC Commitment Date
Private Equity	Falfurrias Capital Partners VI, LP	\$60 M	December 20, 2024
Private Equity	Cendana Sandstorm, L.P.	\$200 M	December 23, 2024

¹ Section III of the Commission’s Investment Authority Delegation Policy (“Delegation Policy”) limits the size of delegated investments depending upon type and also provides that the “amount of delegation for new investments approved pursuant to this policy shall not exceed 5% of the total value of Plan assets between regularly scheduled Commission meetings.” All of the delegated investments listed in this report comply with the Delegation Policy’s size limits and “between meetings” test.

