South Carolina Retirement System Investment Commission
Meeting Minutes

February 28, 2013

15th Floor Conference Room
1201 Main Street
Columbia, South Carolina 29201

Commissioners Present:
Mr. Reynolds Williams, Chairman
Mr. Edward Giobbe, Vice Chairman (via phone)
State Treasurer Curtis M. Loftis, Jr.
Mr. Allen Gillespie
Mr. James Powers
Dr. Travis Pritchett
Mr. David Avant

Others present for all or a portion of the meeting on Thursday, February 28, 2013:
Mike Addy, Geoff Berg, Betsy Burn, Andrew Chernick, Harris Chewning, Sarah Corbett, Louis Darmstadter, Dori Ditty, Brenda Gadson, Hershel Harper, Monica Houston, Adam Jordan, David Klauka, Doug Lybrand, James Manning, Lorelei McKay, Bryan Moore, Jared O'Connor, Darry Oliver, David Phillips, Eric Rovelli, Jon Rychener, Kathleen Shealy, Nancy Shealy, Lorrie Smith, Danny Varat, Nicole Waites, Brian Wheeler, and James Wingo from the South Carolina Retirement System Investment Commission; Bill Leidinger, Bill Condon, Brian DeRoy, Mike McDermott, Daniel Brennan, Clarissa Adams and Dinah Raven from the State Treasurer's Office; Suzanne Bernard, Phil Kivarkis, Nancy Williams, and Brady O'Connell from Hewitt EnnisKnupp, Inc.; Adam Beam and Asma Cherif from The State Newspaper; Joan Sweeney from The Morning News; Christine Williamson from Pensions and Investments; Jody Barr from WIS-TV; Andrea Taylor from Creel Court Reporting; Aaron Montano from Alliance Bernstein Asset Management Company; Michelle Cook from the Bank of New York Mellon; Bridget Fraser from Goldman Sachs Asset Management; Kara Brurok and Paul Patrick from the South Carolina House Ways and Means Committee; Laura Jordan from Gallivan, White & Boyd, P.A.; Art Bjontegard, Justin Werner, Tammy Nichols, Faith Wright, and John Page from the Public Employee Benefit Authority; and Wayne Bell, Wayne Pruitt, and Sam Griswold from the State Retirees Association of South Carolina.

I. CALL TO ORDER AND CONSENT AGENDA

Chairman Reynolds Williams called the meeting of the South Carolina Retirement System Investment Commission ("Commission") to order at 10:00 a.m. Chairman Williams referred to the proposed meeting agenda and asked for a motion to approve. Mr. Allen Gillespie made a motion, which was seconded by Mr. James Powers, and passed unanimously, to approve the agenda as presented. Chairman Williams announced that Mr. Edward Giobbe was ill, but would be participating in the Commission meeting via telephone.

Chairman Williams referred to the draft minutes from the September 20, 2012 Commission meeting and asked for a motion to approve. Mr. Gillespie made a motion, which was seconded by Mr. Powers, and passed unanimously, to approve the minutes from the meeting on September 20, 2012.

Mr. Curtis Loftis requested that the Commission official meeting minutes be available in a timelier manner, and commented that the meeting minutes approved were six months old. Ms. Nancy Shealy, General Counsel, advised that Commission Staff (“Staff”) would make every effort to expedite the process.

II. CHAIRMAN’S REPORT

Chairman Williams stated that the agendas for Commission meetings had been getting progressively longer, and a lot of time had been taken up with items that were not related to making investment decisions. Chairman Williams appointed Ms. Shealy to be the parliamentarian for the Commission meeting to insure that the Commissioners moved hastily and decorously, while maintaining consistency with Robert’s Rules of Order.

Chairman Williams introduced Mr. Darry Oliver, as the Commission’s Chief Operating Officer, and stated that Mr. Oliver would be an observer for this Commission meeting. Chairman Williams advised that Mr. Oliver had over 30 years of senior finance and operations experience, and most recently served as the Chief Financial Officer of Edison Ventures, which was an $800 million group of venture capital funds based in New Jersey. Chairman Williams added that Mr. Oliver was an honors graduate of Carnegie Mellon University.

Chairman Williams reminded the Commission that the deadline for filing the Statement of Economic Interest report online with the South Carolina State Ethics Commission was April 15, 2013.

Chairman Williams thanked Mr. Adam Jordan for his service as acting Chief Executive Officer.

III. COMMISSION COMMUNICATIONS AND REPORTING

Chairman Williams made a motion, which was seconded by Mr. Powers, that the Commission expressed its confidence in the accuracy of the returns data that the Commission had published. Following further discussion, Mr. Giobbe made a motion to amend Mr. Williams’ motion by substituting a Resolution of Censure, a copy of which was provided to all commissioners. The resolution criticized Mr. Loftis for making false and misleading statements regarding the Commission.

After the resolution was read, Dr. Travis Pritchett seconded the motion to amend for purposes of discussion, and stated that the resolution was not a personal attack on Mr. Curtis Loftis, but rather a rebuke concerning his method of communication. Dr. Pritchett stated that he was concerned about how the participants and beneficiaries of the South Carolina Retirement System trust funds (the “Trust” or the “Plan”) interpret different communications.

Mr. Loftis stated that he was not aware of the resolution prior to the meeting and that it was embarrassing to him and others in the room. Mr. Loftis opined that the facts that he had stated were true, and it was his responsibility as an elected official to state what he believed is the truth, and he would continue until the problems were resolved.

The motion passed with Messrs. Gillespie, Giobbe, Powers, Dr. Travis Pritchett, and Chairman Williams voting for the motion, and Mr. Loftis voting against the motion.

Chairman Williams asked for the record to reflect that the citations in the resolution were amended to reflect the year 2013 instead of 2009 in the paragraphs where the substantive events said 2013.

(A copy of the aforementioned Resolution has been retained in the Commission's files and is identified as Exhibit A.)

IV. CIO'S REPORT

Chairman Williams recognized Mr. Hershel Harper, Chief Investment Officer ("CIO"), for the CIO's report. Mr. Harper stated that in addition to capital market assumptions and how asset classes would perform in relation to one another, Staff also had to be diligent about focusing on the very specific needs of the Plan. Mr. Harper advised that the actuarial assumed rate of return, funding status, liquidity needs, and the structure of the Plan had to be considered when structuring the asset allocation. Mr. Harper reported that the Plan return for the calendar year 2012 was 12.6 percent compared to the benchmark of 10.7 percent, and the fiscal year-to-date return was 7.3 percent compared to the benchmark of 6.1 percent. Mr. Harper commented that the Plan had performed very well compared to the benchmark for the first six months of this fiscal year.

Mr. Harper advised the Commission of recent changes to the investment team's organizational structure. Mr. Harper stated that Mr. David Phillips had been promoted to Deputy Chief Investment Officer, Mr. David Klauka had been promoted to Managing Director of External Manager Research, and Mr. Geoff Berg had been promoted to Managing Director of Internal Asset Management. Mr. Harper added that there was an open staff position in fixed income and risk management. Mr. Harper reminded the Commission that the Deloitte Risk Assessment contained recommendations relating to initial and ongoing due diligence guidelines, including operational due diligence processes. Mr. Harper announced that Ms. Sarah Corbett had been promoted to Director of Operational Due Diligence to coordinate RSIC's operational due diligence efforts, and Mr. Jordan had been appointed Director of Strategic Partnerships.

Mr. Harper stated that the Commission had historically used commingled structures to implement international and global mandates because of the global custody issues, and recently the Commission utilized the Lighthouse platform to implement an international equity mandate. Mr. Harper stated that the next requirement with respect to the decision of whether to use commingled funds versus separate accounts was the ability to establish global sub-custody arrangements. Mr. Harper advised that the State Treasurer's Office ("STO"), as statutory custodian, would first need to establish the sub-custody networks for the Commission necessary for these types of separate accounts. Once the necessary sub-custody networks had been established, Mr. Harper indicated he would be supportive of transitioning assets from commingled structures to separate accounts at the Bank of New York Mellon ("BNY Mellon"), as well as transitioning Earnest from the Lighthouse platform to BNY Mellon. Mr. Harper added that the resolution to the custody Request for Proposals ("RFP") process was critical before establishing a global custody network because changes to the custodian could create additional changes in service levels and additional expenses if those accounts had to be re-registered with another custodian in other markets.

Mr. Harper advised that Staff would be issuing RFPs in the near future for risk management and administrator/portfolio accounting services. Mr. Harper stated that Staff was close to completion of a contract with Bank of New York Mellon for implementing Private I, which was a private market tool for tracking and monitoring private market assets.

In response to a question from Mr. Loftis regarding different types of risk measurements, Ms. Suzanne Bernard of Hewitt EnnisKnupp, Inc. ("HEK") stated that there were several factors to consider when evaluating asset allocation and risk, including exposure to equity beta, and tracking error from active managers. Ms. Bernard added that standard deviation was still the number one metric used to measure volatility and risk among public funds.

V. PERFORMANCE UPDATE

Mr. Phillips provided an update on performance highlights, and stated that the Plan return for calendar year 2012 was 12.6 percent, with equities and global asset allocation having high allocations and high returns. Mr. Phillips said that all asset classes had positive contributions for the calendar year period. Mr. Phillips added that the Plan's fiscal year-to-date return as of December 31, 2012 was 7.3 percent, and all of the performance numbers exceeded the policy benchmark for all time periods listed in the December 31, 2012 Flash Report. Mr. Phillips stated that all asset classes produced positive results for the fiscal year-to-date period, with emerging market equity, emerging market debt, and global asset allocation having the highest allocations and the highest returns during the Plan period. Mr. Phillips stated that the Plan increased by 2.8 percent during the second fiscal quarter of 2012, with non-U.S. equities being the most positive contributor, and commodities the only negative category for that time period. Mr. Phillips reported that the latest Plan performance estimate fiscal year-to-date through February 25, 2013, was 8.7 percent versus the policy benchmark of 7.4 percent.

Mr. Phillips provided market commentary for calendar year 2012, and stated that fixed income/short duration, hedge funds, and equities represented over half of the Plan's asset allocation, and added $1.7 billion collectively to the Plan.

Mr. Phillips concluded his presentation by providing an active external manager review, and stated that results could be improved by the directional shift toward and implementation of enhanced/passive types of strategies. Mr. Phillips reported that Staff was focused on simplification, rationalization, and risk-adjusted performance, as well as personal, professional, and organizational improvement.

In response to a question from Mr. Loftis, Mr. Harper explained the reporting process and necessary time lag periods.

In response to a question from Mr. Loftis, Mr. Phillips confirmed that based on the recommendations of investment consultants and Staff, HRFX Global Hedge Fund Index was the Commission's current hedge fund policy benchmark.

(Information related to this matter has been retained in the Commission's files and is identified as Exhibit B.)

VI. PORTFOLIO FEE ANALYSIS - HEK

Ms. Bernard reviewed HEK's portfolio fee analysis, and provided comments on best practices in fee oversight including:

- Reporting all performance net of fees;
- Considering and negotiating fees when making a new investment; and
- Periodically evaluating fees against peers.

Ms. Bernard stated that going forward, HEK recommended that Staff:
- Re-visit existing manager fees and reduce where possible;
- Continue to aggressively negotiate terms when hiring new managers; and
- Consider hiring an external fee assessment provider to review fees per unit of value added on a periodic basis.

Ms. Bernard reviewed the three levels of fees that RSIC reported for fiscal year 2012, including:
- Asset based fees, which are the most common level of reporting, and are transparent and easy to observe;
- Performance based fees which are common with hedge funds and private equity; and
- Pass-through expenses, which are rarely reported by plans, and are predominately found in limited partnerships.

Ms. Bernard cautioned that there are no comprehensive peer universes. She also advised that fees differ widely among public plans based on the differing asset allocation plans and restrictions under which various plans operate. By way of example, Ms. Bernard noted that private market investments increase fee totals, while index funds lower fee totals. Ms. Bernard further stated that the total amount of fees reported for fiscal year 2012 was $296.1 million, which was 1.17 percent of the total plan assets.

Ms. Bernard compared the Plan fees against available peer universes and stated that according to industry standards, the Plan's overall asset class fees were low to average for portfolios of comparable size and type, with the exception of real asset "other fees" which were higher than the comparable peer universes.

Following further discussion, Ms. Bernard concluded her report on fee analysis.

(Information related to this matter has been retained in the Commission's files and is identified as Exhibit C.)

VII. ASSET ALLOCATION AND ASSET LIABILITY MODELING REVIEW - HEK

Ms. Bernard presented an overview of HEK's asset allocation review. Ms. Bernard recommended slightly increasing the overall exposure to global equity, real estate, and opportunistic type strategies, with slight decreases to diversified credit, and conservative fixed income, which would result in a roughly equal split between stocks, bonds and alternative investments. HEK defined alternative investments as real estate, private equity, private debt, opportunistic credit, commodities and hedge funds. Ms. Bernard further explained that HEK recommended removing the portable alpha overlay program. Overall, HEK's recommendations would result in approximately 39 percent in alternatives. HEK also recommended creating a global public equity component. Additional changes recommended by HEK included the following: (1) restricting private markets to no more than 21 percent of assets (with a range of one to three percent), (2) implementing a maximum of no more than 15 percent for hedge funds (with flexibility to use them across certain asset classes), (3) implementing a slight reduction in private debt. Ms. Bernard also recommended minor changes in rebalancing ranges, which she stated was an important form of risk control. Ms. Bernard also briefly discussed suggested minor changes to recommended benchmarks.

Ms. Bernard introduced Mr. Phil Kivarkis, Director of Investment Policy, Service, and Asset Liability Modeling, to the Commission for the Asset Allocation and Asset Liability Modeling Review. Mr. Kivarkis advised that HEK had conducted an asset liability study for the Commission using data from the Retirement System's actuary, Gabriel, Roeder, Smith and Company.

Mr. Kivarkis turned the discussion to the asset liability analysis, and stated that he would review the five broad categorizations of asset classes including: global equity, real assets, opportunistic, diversified credits, and conservative fixed income. Mr. Kivarkis stated that as of July 1, 2012, the Portfolio was in an underfunded state, and reported that the actuarial value of assets funded ratio was approximately 66 percent, and the funded ratio using the market value of assets was approximately 56 percent.

Mr. Kivarkis reviewed the risk management toolkit, and advised that there are four main levers for managing pension fund financials including investment strategy, funding strategy, plan design and the actuarial methods. For purposes of the asset liability study, HEK focused on investment strategy and its impact on addressing funding levels.

Mr. Kivarkis discussed the risk-reward characteristics of a variety of different portfolios that were studied in the asset liability analysis. Mr. Kivarkis also described the asset liability projection analysis that HEK performed and the various portfolios HEK studied for the analysis. Mr. Kivarkis then focused his attention on the current target allocation of an 80 percent return-seeking portfolio, and HEK's recommended proposal of an 85 percent return-seeking portfolio.

Mr. Kivarkis further explained that HEK performed a stochastic Monte Carlo simulation analysis and looked at 5,000 economic trials over ten to thirty year projection periods as part of its study. Mr. Kivarkis reviewed the five economic scenarios that were modeled in the asset liability analysis, and stated that the scenarios vary by the level of growth and inflation over the forecast period. Mr. Kivarkis opined that the financial health of the Plan is largely contingent on how the equity markets react over the next ten years.

Mr. Kivarkis discussed the Plan's risk-reward analysis in terms of economic cost over a ten year period. He noted that the proposed solution has an expected economic cost of $26.3 billion, a $300 million expected savings over ten years, as well as a projected risk savings of almost one billion dollars over the next ten years.

Ms. Bernard then reviewed the key differences between the current and proposed asset allocation in the following categories: global equities, real assets, opportunistic credit, diversified credit, and fixed income. Ms. Bernard also discussed issues involving defining hedge funds and alternatives and the importance of creating a consistent definition.

Ms. Bernard reviewed RSIC's current benchmarks versus recommended asset class benchmarks and pointed out the suggested changes. Ms. Bernard also reviewed rebalancing recommendations and stated that HEK recommended establishing tight ranges for each asset class and rebalancing whenever an asset class falls outside the range.

Following further discussion, Chairman Williams thanked Ms. Bernard for her presentation.

(Information related to this matter has been retained in the Commission's files and is identified as Exhibit D.)

VIII. REPORT FROM GOVERNANCE POLICY AD-HOC COMMITTEE

Chairman Williams recognized Dr. Pritchett for a report from the Governance Policy Ad-hoc Committee. Dr. Pritchett stated that the Commission would need to vote on the revisions to the eight Governance Policies, and included the statutory updates dated November 8, 2012.

Dr. Pritchett advised that during the November 8, 2012 Commission meeting, the Commission requested that HEK review and make recommendations regarding the Commission's Governance Policies, and approved the formation of an ad-hoc committee to review the Commission's Governance Policies. Dr. Pritchett stated that Ms. Nancy Williams, Co-leader of the Fiduciary Services Practice at HEK, provided feedback and recommendations regarding the Commission's Governance Policies which had been outlined for the Commission's approval.

Dr. Pritchett first noted that a technical revision to the Commission's Governance Policies changed the title of the Director of Operations to Chief Operations Officer. Mr. Gillespie made a motion, which was seconded by Mr. Powers, and passed unanimously, to reflect the title change of the Chief Operations Officer to Chief Operating Officer ("COO") in the Commission's Governance Polices.

Dr. Pritchett stated that in Policy III, Sections (C)(3) and (F)(5), the suggestions were made that the CIO [in (C)(3)] and the COO [in (F)(5)] be required to "annually present a plan to the Commission to recruit, hire, terminate, and retain personnel necessary.. ." Dr. Pritchett stated that the Governance Policy Ad-hoc Committee recommended deleting the word "terminate" and adding the clarification that this plan should be a part of the RSIC's budget request that is provided to the Commission for review and approval prior to submission to the Legislature.

Mr. Loftis made a motion, which was seconded by Mr. Powers, and passed unanimously, to delete the word "terminate" from Policy III, sections (C)(3) and (F)(5) as referenced above, and adding the clarification that this plan should be a part of the RSIC's budget request that is provided to the Commission for review and approval prior to submission to the Legislature.

After discussion, Mr. Loftis made a motion, which was seconded by Mr. Powers, and passed unanimously, to amend Policy III, Sections (C)(4) and (F)(6) to require a summary of all FTEs, and the estimated salary range for each, to be included in the approved final budget.

Dr. Pritchett made a motion that in accordance with the Governance Policy drafts posted to the extranet for the February 28, 2013 Commission meeting, and the clarifications provided in the Committee's memorandum dated February 25, 2013, the Governance Policy Ad-hoc Committee submitted the recommendation that the Commission's Governance Policies I-VIII be amended in conformity therewith, and adopted by the Commission, effective February 28, 2013, and directed the staff to finalize the Commission's Governance Policies by removing editorial notes and redlines, and make technical or formatting edits consistent with the amendments approved by the Commission.

Chairman Williams stated that the Dr. Pritchett's motion was a committee motion, and did not require a second.

Mr. Loftis made a motion to divide the motion before the Commission so that the Commission could discuss and take action on each section of the Commission's Governance policies separately. After further clarification, Mr. Gillespie seconded the motion, which passed unanimously, to divide the motion and take action on each section of the Commission's Governance policies separately.

After lengthy discussion regarding the suggested changes to each Governance Policy, Commission members made the motions listed below, which were acted upon as described. Note: Dr. Pritchett abstained from all votes relating to the recommendations presented by the Governance Policy Ad-hoc Committee listed below.

Mr. Powers made a motion to strike the words "as appropriate" "and reviewing" from Policy I section (F)(6), and approve the additional amendments as recommended by the Governance Policy Ad-hoc Committee. Mr. Gillespie seconded the motion, which passed unanimously.

Mr. Loftis made a motion, which was seconded by Mr. Powers, and passed unanimously, to approve Policy I section (6) as amended to read "In the event that a Commission member determines that a business or other relationship or connection may create a conflict of interest pursuant to state law, or may create the appearance of a conflict or impropriety, he may abstain from deliberations about and voting related to the relationship."

Mr. Gillespie made a motion, which was seconded by Mr. Loftis, to table Policy II section (B) 2(b). Ms. Ditty explained the purpose of Policy II section (B) 2(b). Further discussion ensued, but no vote was taken with regard to Mr. Gillespie's motion.

Mr. Loftis thereafter made a motion, which was seconded by Mr. Gillespie, and passed unanimously, to carry over the discussion on Policy I section II until after the last section was discussed.

After a brief discussion, it was the consensus of the body that Policy III be adopted as recommended by the Governance Policy Ad-hoc Committee.

Mr. Loftis made a motion, which was seconded by Mr. Gillespie, to strike the suggested revisions to Policy IV in sections (3)(c), (3)(d) and (3)(e), and approve the additional amendments as recommended by the Governance Policy Ad-hoc Committee. The motion passed with Messrs. Loftis, Gillespie, Giobbe, and Powers, voting for the motion, and Chairman Williams voting against the motion.

Mr. Loftis made a motion, which was seconded by Mr. Powers, to strike the addition of the words "or as soon thereafter as practicable" from section (H)(1)(b) of Policy IV and approve the additional amendments as recommended by the Governance Policy Ad-hoc Committee. Following further discussion, the motion passed with Messrs. Loftis, Gillespie, Giobbe, Powers, and Chairman Williams voting for the motion.

The Commission thereafter unanimously approved adoption of Policy IV of the Commission's Governance Policies, with the amendments noted above.

The Commission unanimously approved adoption of Policy V of the Commission's Governance Policies as recommended by the Governance Policy Ad-hoc Committee.

Mr. Loftis made a motion to amend the suggested changes by the Governance Policy Ad-hoc Committee to Policy VI, section VI(J)(1), and add the words "unless asked and if such participation would not create a quorum of the full Commission" after the word "discussions". The motion passed unanimously.

Mr. Loftis made a motion to amend the suggested changes by the Governance Policy Ad-hoc Committee related to section VI(L)(1)(d) by adding as the last sentence "or any other action contrary to the applicable law notwithstanding the Commission approve Committee Charter." After further discussion, Mr. Loftis withdrew his motion, and Policy VI was approved, as recommended by the Governance Policy Ad-hoc Committee, with Messrs. Loftis, Giobbe, Powers, and Chairman Williams voting for the motion. Mr. Gillespie abstained.

The Commission unanimously approved adoption of Policy VII of the Commission's Governance Policies as recommended by the Governance Policy Ad-hoc Committee.

The Commission unanimously approved adoption of Policy VIII of the Commission's Governance Policies as recommended by the Governance Policy Ad-hoc Committee.

It was noted that Policy II of the Commission's Governance Policies will remain unchanged.

(Information related to this matter has been retained in the Commission's files and is identified as Exhibit E.)

IX. AIP UPDATES

Mr. Harper advised that Staff had provided the proposed Annual Investment Plan ("AIP") to the Commission for informational purposes only, and it did not require a vote at that time. Mr. Harper asked that suggested changes to the AIP be made in writing to himself. Mr. Harper asked the Commission's permission to allow Staff to work in conjunction with HEK on developing a comprehensive investment policy statement that would combine the statutory requirements of the Statement of Investment Objectives and Policies ("SIOP") and the AIP.

Chairman Williams reminded the Commission that the AIP must be approved by May 1st each year, and suggested that the Commission hold a special meeting during the last week of April for the purpose of approving the AIP. Chairman Williams asked for each Commissioner to submit any proposed changes to the AIP ten days before the special meeting.

(Information related to this matter has been retained in the Commission's files and is identified as Exhibit F.)

X. AUDIT COMMITTEE REPORT

It was noted that Mr. Gillespie had stepped out of the Commission meeting, but had re-joined the Commission meeting via telephone. Mr. Gillespie stated that the Audit Committee met recently in executive session related to an internal audit of an external manager, and no action was taken.

Mr. Andrew Chernick, Director of Audit and Compliance, provided an update on the Deloitte Risk Assessment Dashboard, and stated that Staff was now following the new due diligence guidelines which were recommended by the Deloitte Investment Risk Assessment. Mr. Chernick stated that Staff had made significant progress in developing operational infrastructure, by implementing Advent Tamale's contact management system. Mr. Chernick stated that Advent Tamale would help improve RSIC's institutional memory, increase reporting capabilities, and would help create an improved audit trail.

Mr. Chernick advised that the Budget & Control Board had requested to receive the Deloitte Risk Assessment Dashboard on a quarterly basis.

XI. FUNDING AUTHORIZATION

Chairman Williams recognized Mr. Giobbe for the funding authorization update. Mr. Giobbe stated that currently, two signatures were required from the Retirement System Investment Commission ("RSIC") Staff to authorize incoming or outgoing funds (in addition to the two signature requirements of the STO), and it would be in the Commission's best interest to authorize other individuals and enlarge the amounts that would be authorized, as well as provide standing instructions from RSIC on the receipt of funds.

Ms. Corbett clarified that four separate motions had been presented for the Commission's consideration. Ms. Corbett advised that currently, Mr. Harper was the only member of RSIC Staff who could sign for any transaction over $100 million, and it would be best practices to have a secondary authorized signer in the event of Mr. Harper's absence. Ms. Corbett suggested that the Commission consider setting its own authorized signers and the signatory amounts for each signer.

Ms. Corbett also advised that Staff would like to have standing instructions in place so that Staff could instruct the custodian to receive incoming funds without requiring two signatures for all incoming funds. Ms. Corbett opined that the controls are stronger and more efficient with standing instructions, and it would eliminate difficulties that might arise in the future.

Chairman Williams made a motion, which was seconded by Mr. Gillespie, that the Commission adopt the recommendation presented by RSIC Staff, and approve standing instructions relating to the processing of distributions (cash which managers need to send to RSIC). The standing instructions would negate the need for two signatures from RSIC for the receipt of distributions only. The STO would be able to proceed however it wished regarding authorization by STO personnel for receipt of distributions.

Mr. Harper opined that the motion currently up for approval is a step to create operational efficiency and mitigate operational risk. Further discussion ensued, and the motion passed, with Messrs. Gillespie, Powers, Dr. Pritchett and Chairman Williams voting for the motion, and Mr. Loftis voting against the motion. It was noted that Mr. Giobbe was not present for this vote.

Mr. Giobbe rejoined the meeting and made a motion, which was seconded by Chairman Williams, for the Commission to adopt the recommendation to officially designate individuals on RSIC Staff and/or the Commission as authorized signatories, including the authorizing levels detailing dollar value limits and dual signature controls, as set forth in the proposal presented by RSIC Staff during the meeting.

Further discussion ensued. Mr. Giobbe's motion was superseded by a subsequent motion by Mr. Powers. Mr. Powers made a motion, which was seconded by Dr. Pritchett, to (i) table the motions to officially designate additional individuals on RSIC Staff and/or the Commission as authorized signatories, including the authorizing levels detailing dollar value limits and dual signature controls, as set forth in the proposal presented by RSIC staff during the meeting, and (ii) vote to reaffirm the Warburg Pincus XI, LP investment (the "Investment"). Discussion ensued, but no vote was taken on Mr. Powers' motion. Chairman Williams indicated his intention to call a special meeting on or before March 15 if Mr. Giobbe and STO were unable to resolve the designation and signatory issues.

Upon request from Mr. Loftis, Mr. Harper provided a report on the Warburg Pincus investment. Mr. Harper stated that the Investment had been approved by the Commission in November 2012, and the 30-day review period had passed, so the execution of those documents could take place. Mr. Harper added that Staff had been informed by Warburg Pincus that there would be a capital call on or about March 4, 2013. Mr. Harper stated that if the documents were executed and the capital call was not met, RSIC would be in default and there would be significant repercussions.

Chairman Williams stated that he was seeking a motion and a resolution from the Commission authorizing or directing the Treasurer to fund the Investment once the Chairman had signed the documents to consummate the Investment.

Chairman Williams noted that a motion was not made authorizing or directing the Treasurer to fund the Warburg Pincus investment. Chairman Williams advised that he was bound by a Commission directive relating to the Investment, and after the deadline for comments expired, he would review the Commission's legal obligations and decide how to proceed.

XII. EXECUTIVE SESSION

Dr. Pritchett made a motion which was seconded by Mr. Gillespie, and passed with Messrs. Gillespie, Powers, and Giobbe and Dr. Pritchett voting for the motion, and Mr. Loftis voting against the motion, to recede to executive session to discuss investment matters related to strategic partnerships, discussion of investment matters, and discussion of personnel matters, including performance review and matters related to recruitment, pursuant to S.C. Code Ann. §§9-16-80 and 9-16-320. Chairman Williams abstained from voting.

Chairman Williams announced that the Commission would meet in executive session for the purpose of discussing investment matters related to strategic partnerships, discussion of investment matters, and discussion of personnel matters, including performance review and matters related to recruitment. The Commission thereupon receded into executive session.

The Commission reconvened in open session. The Chairman 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 pursuant to S.C. Code Ann. §§ 9-16-80 and 9-16-320 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.

XIII. ADJOURNMENT

There being no further business, the meeting adjourned at 6:30 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 15th Floor Conference Room at 1201 Main Street, Columbia, SC, at 7:58 a.m. on February 27, 2013.]