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## SOUTH CAROLINA DEFERRED COMPENSATION PROGRAM

### South Carolina Deferred Compensation Commission Investment Committee Meeting Tuesday, May 21, 2013

**Commissioners Present:** David K. Avant, Harry Tom Cone, Hershel Harper, Jr. (conference call)

**Others Present:** Justin Werner, Matthew Davis, and Stephen Van Camp, South Carolina Public Employee Benefit Authority; Nimisha Patel (conference call) and Rosemary Guillette (conference call), Segal Rogerscasey; Lisa Tilley (conference call) and Nancy Ornduff (conference call), Great-West Retirement Services; Shakun Tahiliani, State Treasurer's Office

#### ***I. Call to Order***

Chairman Harper called the meeting to order at 2:02 p.m. There were no requests to change the agenda.

#### ***II. Approval of Minutes***

Commissioner Cone moved to adopt the February 22, 2013, meeting minutes. The motion was seconded by Commissioner Avant and carried unanimously.

#### ***III. Analysis of Investment Performance – First Quarter 2013***

Chairman Harper introduced Ms. Rosemary Guillette from Segal Rogerscasey (Segal) to provide a review of the first quarter investment performance. She gave a brief summary of financial market conditions during the quarter and touched on the performance of various market indices. Ms. Guillette went on to discuss plan activity. She noted that overall plan assets grew during the quarter despite the fact that distributions continued to exceed contributions. She credited the growth to high investment returns.

Ms. Guillette gave a summary of the fund evaluation sheet. She pointed out that the Dodge and Cox Stock fund and the T. Rowe Price Growth Stock fund failed the report card for the quarter but that both funds have had improved performance in recent periods. She confirmed that the investment lineup is very strong.

[Exhibit A – Segal 1Q 2013 Analysis of Investment Performance]

#### **IV. Global Tactical Asset Allocation Search**

Chairman Harper asked Ms. Guillette to give an overview of the Segal Global Tactical Asset Allocation (GTAA) search. Ms. Guillette introduced Ms. Nimisha Patel from Segal to report on the search. Ms. Patel provided a general description of GTAA strategies and then went on to cover four managers that Segal would recommend adding to the investment lineup. She stated that the candidates are the Blackrock Global Allocation strategy, the Invesco Balanced-Risk Allocation strategy, the Newton Global Real Return USD strategy, and the PIMCO All Asset strategy. Ms. Patel went on to review each of the strategies in detail.

During the discussion on the Invesco strategy, Chairman Harper asked how the use of leverage would affect the strategy's performance in a rising-rate environment. Ms. Patel explained that, according to the portfolio manager, the Invesco strategy models volatility and would be able to anticipate this sort of market change and reduce fixed income exposure prior to the rise in rates. She also pointed out that the strategy only uses exchange traded funds, which provides an additional level of comfort regarding the manager's ability to quickly sell out of a high fixed income position.

Chairman Harper briefly shared his observations on each of the managers. Commissioner Avant asked if Segal has a preference for one strategy over another. Ms. Guillette replied that each of the managers would be a good addition to the investment lineup but that the PIMCO strategy would likely do the best job of addressing inflation risk, which has been the driving force behind adding a GTAA strategy. She pointed out that a number of Segal clients have added the PIMCO strategy and that Segal would feel very comfortable adding it as an investment option.

With there being no further questions, Chairman Harper asked if the committee felt comfortable recommending one of these strategies to be added to the investment lineup. After some discussion, Commissioner Cone moved for the committee to recommend the addition of the PIMCO All Asset strategy to the investment lineup. The motion was seconded by Commissioner Avant and carried unanimously.

Chairman Harper requested that Segal provide an update on the PIMCO strategy at the next meeting to ensure that the committee is still comfortable with the recommendation. Commissioner Avant requested that Segal be prepared at the next Commission meeting to explain in detail why the PIMCO strategy would be an appropriate addition to the investment lineup. Ms. Guillette confirmed that Segal would be prepared to provide that explanation and would be ready with language to update the investment policy statement if the Commission approves the recommendation to add the PIMCO strategy.

[Exhibit B – Segal GTAA Search Report]

#### **V. Adjournment**

Commissioner Cone made a motion to adjourn, and Commissioner Avant seconded. With there being no further business, Chairman Harper adjourned the meeting at 2:45 p.m.