South Carolina Retirement System Investment Commission
Meeting Minutes

September 18, 2008

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

Commissioners Present:
Mr. James Powers, Chairman
Mr. Allen Gillespie, Vice Chairman
State Treasurer Converse Chellis
Dr. Travis Pritchett
Mr. Reynolds Williams, Chairman Emeritus

Others present for all or a portion of the meeting: Dunkin Allison, Geoff Berg, Robert Borden, Donald Brock, Dori Ditty, Brenda Gadson, Hershel Harper, Douglas Lybrand, Erin Marrone, Heather Muller, Rick Patsy, Greg Putnam, Nancy Shealy, Nicole Waites, Brian Wheeler, and Hilary Wiek from the South Carolina Retirement System Investment Commission; Mike Addy, Rick Harmon, and Shakun Tahiliani from the State Treasurer's Office; Allyn Powell from the SC House Ways and Means Committee; Rhett Humphreys from New England Pension Consultants; Tammy Davis, Robyn Leadbitter, Megan Lightle, Lisa Phipps, John Page, Danielle Quattlebaum, Joni Redwine, Travis Turner, and Faith Wright from the South Carolina Retirement Systems; Kelly Rainsford from the Budget and Control Board; Wayne Pruitt from the State Retirees' Association; and Charles Case.

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

Chairman James Powers called the meeting of the South Carolina Retirement System Investment Commission (Commission) to order at 10:05 a.m. and welcomed the Commissioners and guests. Commissioner Blaine Ewing was unable to attend the meeting due to a death in his family.

Chairman Powers called for objections or amendments to the meeting's proposed agenda. There being none, the proposed agenda was adopted as presented. Chairman Powers asked if there were any objections or amendments to the minutes from meetings on March 20, April 17, May 15, June 19, and July 17, 2008. Dr. Travis Pritchett asked that a technical correction be made to the minutes from the April 17th meeting. There being no further amendments and upon motion by Mr. Reynolds Williams and second by Mr. Allen Gillespie, the minutes from the meetings were approved.

Chairman Powers stated that based on discussions in previous meetings, he had asked Messrs. Gillespie and Ewing to meet with staff to begin identifying ways to address risk controls and reporting for the portfolio of the South Carolina Retirement Systems (Retirement System). Mr. Gillespie reported that he and Mr. Ewing had met with staff and they were in the early stages of organization and development of the issues.

Chairman Powers asked Ms. Nancy Shealy, Administrative Director and General Counsel, to provide a summary of reportable actions that had been taken by the Commission in prior executive sessions. Ms. Shealy said that per S.C. Code Ann. §§9-16-80 and 9-16-320, several matters had been addressed in executive session because the Commission determined that public disclosure at the time would have jeopardized the Commission's ability to implement portions of the investment plan or to achieve investment objectives. She reported that as part of the reallocation plan and after careful review of the portfolio, the Commission had voted on July 17, 2008, to authorize the Chairman to terminate contracts with or liquidate portfolios managed by several managers and authorized Mr. Robert Borden, Chief Investment Officer (CIO) to transition the portfolios consistently with the target allocations as previously set by the Commission. Specifically, she reported that the contracts with State Street Global Advisors for management of assets in the S&P 500 Flagship and Russell 2000 Securities Lending strategies were terminated on or about July 24, 2008. She also reported that the Barclays Alpha Tilts portfolio was liquidated on or about July 30, 2008, and that the contract with Pzena Investment Management for management of assets in the Large Cap Value strategy was terminated on or about August 28, 2008. She noted that the assets had been transitioned within the guidelines previously established, and Mr. Borden confirmed that public disclosure of this information would no longer pose potential harm to the portfolio.

Chairman Powers reported that Messrs. Gillespie and Borden and Ms. Shealy were continuing discussions regarding policies and procedures and streamlining the Statement of Investment Objectives (SIO), Statement of Investment Policies (SIP) and the Annual Investment Plan (AIP) as part of the Commission's policy project (Policy Project). Mr. Gillespie stated that the process was ongoing and would require several months of review and study. Chairman Powers referred to the draft SIP that had been provided to the Commission and asked Ms. Shealy to discuss any proposed amendments. Ms. Shealy said that the Commission had adopted amendments to the AIP and reaffirmed the SIO recently, and the SIP was due for annual review. She recommended that the Commission reaffirm the current SIP pending further review and receipt of recommendations from the Policy Project. She noted that given the evolution of the documents, language may be inconsistent between the AIP and SIP. She said that typically the last document adopted by a governing body would control, but since the AIP was the most recently adopted document thoroughly vetted by the investment staff, she suggested that the Commission specify which document controlled to the extent there were inconsistencies to avoid any confusion. After further discussion, Dr. Travis Pritchett made a motion to reaffirm the existing SIP pending further recommendations for revisions with the caveat that the provisions of the AIP would control in the event there were any inconsistencies between the SIP and AIP and to authorize staff to make any technical amendments to conform. Mr. Reynolds Williams seconded the motion, which passed unanimously.

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

Chairman Powers referred to materials that had been provided to the Commission relating to New England Pension Consultants' (NEPC) audit of the prior year's performance and the incentive pay plan for Fiscal Year 2008 for the CIO. He noted that he had requested an independent audit by NEPC and that NEPC and the CIO would be available to answer any questions.

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

Chairman Powers mentioned the recent events relating to Lehman Brothers filing bankruptcy. He reported that staff had been evaluating the impact on the portfolio and noted that while the Retirement System's portfolio did not have any long-term exposures, there were some short-term exposures. He noted that despite Lehman Brothers' assets being frozen, the assets should still retain a significant portion of their value. He noted further that it might take months or several years for the outcome to be determined, although based on staff's initial assessment, the net negative losses to the Retirement System's portfolio in the worst case scenario should be de minimus. Chairman Powers stated reasonable steps would be taken to mitigate the impact on the portfolio and if necessary, counsel specializing in bankruptcy may be retained.

II. INVESTMENT MATTERS

Chairman Powers recognized Mr. Borden for the CIO's report. Mr. Borden referred to materials that had been provided to the Commission prior to the meeting regarding investment performance and the quarterly report. He noted that the fund's performance, when compared to the policy and strategy benchmarks, had value added despite the general market conditions.

Mr. Borden said that the legacy portfolio would have been down 6.33 percent had the Commission not made any changes within the past year. He also stated that the portfolio generated about $1 billion of preservation of capital because of these changes, and this preservation was far in excess of what was paid out of the fund in retirement benefits. He mentioned that the portfolio's prior peer group ranking was consistently in the lowest tenth percentile, but since last summer, changes in the asset allocations had significantly improved performance. Mr. Borden said the portfolio's current performance was negative 2.5 percent while the median large pension plan was around negative 4.5 percent.

Mr. Borden referred to the quarterly investment performance report. Prior to discussing performance, Mr. Borden noted that while reviewing compliance with investment policies, he discovered that the Commission had approved an initial commitment to the W.L. Ross Absolute Recovery Hedge Fund, L.P. (WLR) that exceeded the policy limits regarding partnerships. He explained that the policy relating to alternative asset partnerships limited initial commitments to no more than 25 percent of the committed capital of that partnership unless the Commission suspended the policy to take advantage of a new product. He said that the Retirement System was an early investor so the committed capital of the WLR was below the threshold currently, but WLR expected to have the requisite commitments within a short period of time. He noted that to date the Commission had only allocated $75 million, which was within the guidelines as a practical matter, although there would be an interim period where the Retirement System would have a greater interest relative to the total commitments of the fund. After discussion, Mr. Williams made a motion to reaffirm the total commitment to the W.L. Ross Absolute Recovery Hedge Fund, L.P., and to suspend the initial commitment policy limits with regard to this fund. Mr. Gillespie seconded the motion, which passed unanimously.

Mr. Borden discussed the hedge fund portfolio and noted that while the year to date return was negative 4.0 percent compared to a negative 11.4 percent return for the Standard & Poor's (S&P) 500 Index and a positive 2 percent return for the Lehman Aggregate Index, the hedge fund portfolio's performance resulted in $100 million of value preservation. He discussed the recent national performance of hedge funds and performance of the Retirement System's hedge funds. He noted that the Retirement System's legacy target allocation of 60/40 percent stock to bond mix would have yielded negative 6.0 percent. Mr. Borden stated that the Hedge Fund Research Fund of Funds Composite Index was down 6.3 percent. He said that the Retirement System's portfolio had held up 230 basis points (bps) better than the average fund of funds, which despite the environment being challenged, equated to about $100 million of value preservation. Mr. Gillespie questioned how much of the Lehman Aggregate Index's 2 percent increase was due to a 25 percent weight in Treasury Bonds, and Mr. Borden replied that net of cash, that number was much lower. He stated that the Retirement System's portfolio had weathered current market conditions much better than average and where it would have been if no changes had been made within the past year.

Mr. Borden referred to the monthly performance review and said that based on preliminary valuations, he estimated the portfolio was down 80 bps for the month ending August and negative 2 percent for the current fiscal year to date.

Mr. Borden introduced Mr. Doug Lybrand for a presentation on the sample Quarterly Investment Performance Analysis. Mr. Lybrand discussed the use of the Bank of New York Mellon's Workbench program for statistical performance computations. He said that the Workbench program provided sections on commentaries, additional markets, economy, general fund information, economic variables, asset allocation, and a performance summary over all managers and asset classes. After further discussion, Mr. Borden added that this report could be modified to the Commission's specifications. Mr. Williams asked if the report could morph into other Commission reports. Ms. Shealy replied that some information may be used in the compilation of reports required by statute, but reiterated that the report Mr. Lybrand shared with the Commission was in draft form for internal review purposes and to illustrate the types of information that staff could provide to the Commission. Mr. Borden added that this report was still in the design phases of development. Chairman Powers indicated that he was impressed with the information and data that could be generated through the use of this reporting system. Mr. Williams concurred with Chairman Powers' remarks and noted that the information was very helpful.

After further discussion about performance of the portfolio and managers, the Commission received the reports as information, and no amendments to the Annual Investment Plan were recommended.

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

Mr. Borden referred to information regarding internal Fixed Income Portfolio recommendations. He noted that the Fixed Income Portfolio performance had been attractive historically with a very low cost structure. However, as a result of the draft audit report prepared by Independent Fiduciary Services, he suggested outsourcing management of the fixed income portfolio and cash management functions. He said that outsourcing would alter internal controls, improve the implementation of the program, and overcome limited internal resources. He said that the massive transition of assets had caused shifts in the portfolio composition as cash had been raised to fund other managers, and he felt that institutionalization of the program should be a priority. Mr. Borden explained that the Commission was faced with a "buy" vs. "build" decision with regard to the internal fixed income portfolio and cash management activities.

Mr. Borden explained that if the Commission decided to "build" the fixed income and cash management program internally, additional resources should be committed to credit underwriting and structured security analysis. Mr. Borden added that given the current problems with Lehman Brothers, credit rating agencies could not be used as a reliable tool for credit management. He said that proper analysis required a substantial investment in human resources and data software. Mr. Borden noted that current opportunities were set up for structured vehicles, had complex cash flow mechanisms, and required the ability to model cash flows properly to determine fair value pricing. He said that if the Commission decided to build the program internally, he suggested creating a joint income advisory committee with membership consisting of strategic partners that would study and develop processes for goals, duration, credit, and portfolio shifts. He suggested further that the back-office functions be outsourced.

Mr. Borden explained that if the Commission decided to "buy" fixed income and cash management resources, core fixed income was a commodity that many firms had long histories of managing. He said that he instructed NEPC to search its databases for quality fixed income managers. Mr. Borden stated that outsourcing costs would be extremely low when compared with other outsourcing vehicles, but would be slightly higher than a build strategy. He said that risk-adjusted returns were competitive and internal controls within the firms were very well developed.

Mr. Borden discussed key considerations for enhancing the fixed income and cash management program. He noted the Commission's internal investment operations were resource-constrained currently, and internal control requirements for internally managed assets would require significant additional resources. He said that he needed one of the two remaining Full Time Equivalent (FTE) positions to be used to expand the Alternative Investment Program to redirect limited internal resources to high alpha opportunities. Mr. Borden also mentioned the need for additional diversion of internal resources to risk management and hedge fund data evaluation.

After further discussions, Mr. Borden said that he had reviewed the core fixed income manager search materials provided by NEPC and conducted additional due diligence. He recommended that the Commission approve outsourcing management of the fixed income and cash management portfolio by allocating $1 billion to $1.5 billion to Blackrock in a core fixed income portfolio, $1 billion to $1.5 billion to Pacific Investment Management Company LLC (PIMCO) in a core plus fixed income portfolio, reserving $750 million to $1.25 billion to invest in a Core Plus strategy product-launch with Mariner Partners (Mariner) with equity participation by the Retirement System, and to allocate $750 million to $1.5 billion to cash to be managed in Bank of New York Mellon and Russell Implementation Services sweep vehicles. Mr. Borden advised that this move would free internal resources and eliminate several internal control and governance issues.

State Treasurer Converse Chellis questioned the broad range between the minimum and maximum suggested outsourced fixed income allocations and the liquidity of Mr. Borden's proposal. Mr. Borden responded that approximately $7 billion was in the program currently and the target allocation was 15 percent of the total portfolio, or approximately $4 billion. He said that current liquidity was sufficient to fund all current commitments including benefit payments for the Retirement System, but future commitments would need additional funding. Dr. Pritchett inquired about the additional challenges that Mr. Borden's proposal would create. Mr. Borden responded that the yearly benefit distribution of approximately $750 million would increase every year and said that at a minimum, this plan would always cover the yearly benefit distribution and would create the liquidity needed for flexibility in new asset allocations. Mr. Williams questioned the fees for outsourcing, and Mr. Borden responded that Blackrock had a tier level calculation of 9 bps and PIMCO's calculation was 21 bps. Mr. Williams questioned the broad difference between the two firms, and Mr. Borden responded that PIMCO believed its ability to generate additional alpha was worth the additional costs, but he requested authorization from the Commission to negotiate a more favorable fee structure. He added that if PIMCO was unresponsive, the allocation could be diverted to Blackrock. Chairman Powers questioned the number of staff needed for an internal reorganization of the fixed income management program. Mr. Borden responded that 2-3 additional people would be needed at a minimum. Ms. Shealy questioned if a search team had been created for the manager search, and Chairman Powers responded that he and Messrs. Ewing and Gillespie had vetted the managers and conducted due diligence. Mr. Williams questioned the timeframe for Mr. Borden's proposal, and Mr. Borden estimated that outsourcing could be completed by year end, whereas it could take at least a year to acquire sufficient internal resources. In reply to questions by Mr. Chellis, Mr. Rhett Humphreys of NEPC explained that NEPC's database analyzed a multitude of factors and that the recommended managers had the highest favorable ratings and experience. Chairman Powers added that a fixed income search had vetted at least 15 mangers prior to Mr. Chellis joining the Commission. The Commission discussed diversification and how the portfolios would be benchmarked. Mr. Borden noted that the Lehman Aggregate Index would be used, but that they could also create a broader, blended benchmark.

Mr. Gillespie expressed concerns about paying fees for investing in treasury bonds and stated that he felt those securities should be handled internally. Mr. Chellis asked for additional information about the costs of outsourcing versus internal management. Mr. Borden responded that he believed that enough cash could be generated that would more than cover the additional cost of outsourcing.

Mr. Borden reiterated that core fixed income should be a source of liquidity. Mr. Chellis questioned if the return from outsourcing the fixed income portfolio would outweigh the cost of hiring additional staff to manage the portfolios internally, and Mr. Borden reiterated his desire to shift internal resources to other functions. Mr. Gillespie stated that he supported the outsourcing of credit related investments, but he believed that treasury bonds and a high quality mortgage portfolio should be managed internally. Chairman Powers stated that the low grade corporate portfolio should be outsourced and questioned if Blackrock or PIMCO had a core plus-plus fund that would address Mr. Gillespie's concerns. Mr. Borden responded that either firm could create a custom product based on the Commission's instructions.

Mr. Chellis reiterated continued concerns regarding outsourcing. Mr. Borden noted that any allocation in the internal fixed income portfolio would need to be addressed by internal controls. Chairman Powers stated that he believed that Blackrock and PIMCO could generate enough alpha for outsourcing to be in the Commission's best interest.

Chairman Powers stated that Mariner proposed developing a long-only product and providing the Commission with a 15 percent equity share in future fixed income portfolio management relationships with other organizations in return for managing the Commission's fixed income portfolio. Mr. Borden stated that the opportunity to obtain additional alpha by allowing Mariner to manage the fixed income portfolio would be of benefit to the Commission. Mr. Williams said that if the Commission did not outsource the fixed income portfolio, it would have to be assumed that anyone the Commission hires would have the same knowledge and expertise that the proposed fund managers have. Mr. Gillespie stated that the traditional top down management of the fixed income portfolio would still be possible if it was outsourced, but with the added benefit of the manager's knowledge and expertise. After further discussion, Chairman Powers suggested that Mr. Borden present a cost benefit analysis report at the next Commission meeting.

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

Mr. Borden referred to materials that had been provided to the Commission prior to the meeting regarding a real estate co-investment and recommended the approval of the co-investment with Intercontinental Real Estate for the purchase of a 40 percent share of the Capitol Center Building for approximately $7 million dollars. Mr. Borden said that the building was almost 100 percent occupied and noted that the majority of lease holders were state agencies. He noted the lease holders were very stable and believed that there would be no issue with keeping the building occupied. Mr. Borden projected an estimated 10-11 percent return on this proposed investment, which would be better that the assumed rate of return of 6 percent for this type of investment. In addition, he stated that empty office space could be used for future office space for the Commission. After further discussion, Dr. Pritchett made a motion to invest an amount not to exceed $7 million for the purchase of a 40 percent share of the Capitol Center, to authorize the Chairman to negotiate and to execute any necessary documents to implement the investment, subject to approval for legal sufficiency by General Counsel. Mr. Williams 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).

Mr. Borden introduced Ms. Hilary Wiek for a presentation on private equity recommendations from the search team, which was comprised of Dr. Pritchett, Ms. Wiek and representatives from NEPC. Ms. Wiek stated that the Commission was 9 percent underweight in venture capital commitments and said that the search team focused on top tier firms for venture capital investments. She said that the search team recommended investments in the Silicon Valley Bank's SVB Strategic Investors Fund IV, L.P. (SVB) and Industry Ventures Fund V, L.P. (Industry Ventures).

Ms. Wiek reviewed information about SVB, including the investment strategies, processes, and fees. She noted that she was impressed with SVB's due diligence process and its involvement with high quality venture capital and entrepreneurs. Dr. Pritchett concurred with Ms. Wiek's remarks and said that this opportunity would provide the Commission access to businesses and firms where the Commission did not currently have access, and he highlighted other positive factors about the partnership. Mr. Gillespie asked about the status of SVB's prior funds, and Ms. Wiek replied that their insights and relationships with banks and other firms had contributed to their success. She also noted that they were independent and were not vulnerable to bank pressure. Ms. Wiek said that SVB received quarterlies and attended meetings with many businesses, resulting in a depth of knowledge that was matched by few, if any, other venture capital firms. Since this fund was only their fifth fund since 2000, Mr. Gillespie questioned SVB's long-term strategy, performance, and the changing nature of venture capital. Ms. Wiek responded that SVB's growth equity fund was designed with the foresight that venture capital was changing, lasting longer and needed more funding streams. Mr. Borden stated that Silicon Valley Bank's access to deal flow and venture capital could help the Commission co-invest and offer insight for regional opportunities. Mr. Chellis questioned SVB's volatility and expertise since they had only raised five funds since 2000 and Silicon Valley Bank's rating compared to other banks. Ms. Wiek responded that Silicon Valley Bank had the most experience as a venture capital banking institution and did not conduct retail banking. After further discussion, Mr. Borden and Mr. Williams said Silicon Valley Bank's reputation of being the leader in their area of expertise lent itself to being a quality firm. Mr. Humphreys stated that NEPC recommended the investment and felt that it would complement the Commission's strategy and provide a positive yield, and he referred the Commission to NEPC materials that had been provided.

Dr. Pritchett made a motion to approve the search team's recommendations as presented in the materials and to invest an amount not to exceed $50 million in the SVB Strategic Investors Fund IV. L.P., to authorize the Chairman or his designee to negotiate fees not to exceed those presented by the search team, and to authorize the Chairman to negotiate and to execute any necessary documents to invest in the fund, subject to approval for legal sufficiency by General Counsel. Mr. Williams seconded the motion, which passed unanimously.

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

Ms. Wiek referred to materials that had been provided relating to the search team's recommendations to invest in Industry Ventures. She noted that Industry Ventures operated in a small niche market and had a substantial quantity of late stage, low risk capital. She also noted that they were buying less that $10 million ventures into venture capital portfolios and that that they had flexibility in pricing the portfolios. She stated that unlike the SVB product, this fund followed a short-term strategy, which would require a larger initial call, but would be liquidated within one to three years. Dr. Pritchett concurred with Ms. Wiek's comments and noted that Industry Ventures' mangers had substantial expertise and background with venture capital funds. He also added that he was impressed that they had a 30 percent hurdle rate for initial investments whereas similar funds only had a 20-25 percent hurdle rate. After further discussion, Mr. Gillespie questioned the fund commitments, noting that given the current market environment, commitments should be closely monitored. Ms. Wiek replied that the funds were near their target closing amounts.

After further discussion, Dr. Pritchett made a motion to approve the search team's recommendations as presented in the materials and to invest an amount not to exceed $40 million in the Industry Ventures Fund V, LP, to authorize the Chairman or his designee to negotiate fees not to exceed those presented in the search team's materials, and to authorize the Chairman to negotiate and to execute any necessary documents to invest in the fund, subject to approval for legal sufficiency by General Counsel. Mr. Williams seconded the motion, which passed unanimously.

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

Mr. Borden referred to materials that had been provided to the Commission regarding proposed changes in the Investment Division's organizational chart and draft position descriptions for a Deputy Chief Investment Officer and a Director of Public and Private Debt. Chairman Powers asked if the proposed changes were internal budget shifts or requests for additional funding. Mr. Borden stated that these positions were in the current budget. After further discussion, Mr. Williams made a motion, which was seconded by Dr. Pritchett and passed unanimously, to adopt Mr. Borden's recommendations to change the Investment Division's organizational chart and respective positions and to authorize the CIO to recruit and hire a Deputy Chief Investment Officer and a Director of Public and Private Debt.

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

Dr. Pritchett suggested the inclusion of a risk management calculation in any type of future incentive performance pay plan for employees. Mr. Williams and Mr. Powers agreed with Dr. Pritchett's comments and noted that they had discussed the issue previously. Mr. Chellis requested additional information and asked that a discussion be included as an item for a future Commission meeting. Chairman Powers, stating that risk management would be the primary topic of next month's meeting, said that adding a risk management component to incentive pay plan would be appropriate.

III. ADMINISTRATIVE MATTERS

Mr. Chellis reported that the Compliance Officer position posting had generated approximately 60-70 applications, which had been narrowed to candidates who met the minimum qualifications. He stated that Mr. Ewing had concerns regarding international and investment risk assessment experience. Mr. Chellis asked the Commission if they were looking for someone who had already been a compliance officer or had certain credentials in other related areas. Mr. Williams questioned the relationship between investment risk management and compliance, and Mr. Chellis said that while he was not trying to speak for Mr. Ewing, it was his understanding that Mr. Ewing believed that the Compliance Officer should have an in-depth understanding of the funds across all global markets and would evaluate and audit them on a yearly basis. Mr. Williams stated that he believed that the Commission should be responsible for risk management, not necessarily the Compliance Officer. Chairman Powers concurred with Mr. Williams' comments and suggested that the Compliance Officer should be more concerned with internal compliance. Mr. Gillespie noted that similar organizations hired outside accounting firms to audit their managers. After further discussion, Mr. Chellis suggested that the search team conduct initial interviews with the leading candidates and make recommendations for finalists for interviews by the Commission. The Commission asked the search team to proceed with initial screenings based on the position description previously discussed and asked Mr. Chellis to provide updates as the process continued.

Ms. Shealy stated that the Resource Coordinator position would be posted soon and noted that staff of the Administrative Division was attending training for the South Carolina Enterprise Information System (SCEIS) accounting system. She also said that the internal accounting system would be shut down for two weeks beginning in the middle of October. Ms. Shealy noted that she was working on internal polices and procedures, in addition to 14 pending investment contracts that included six strategic partnerships. She stated that the W.L. Ross Absolute Recovery Hedge Fund, L.P., and the Goldman Sachs Palmetto State Funds had closed. Ms. Shealy also said that she had received amendments to limited partnerships resulting from most favored nations provisions, which she was processing and verifying for execution by the Chairman pursuant to prior authorization by the Commission.

IV. OTHER BUSINESS

Chairman Powers discussed the Investment Retreat scheduled for December 4-5, 2008, noting that the Retreat would be held at Wampee due to cost considerations and availability. In addition to general discussions, he requested proposals for ideas for future planning. Chairman Powers suggested having an economist conduct a presentation and discussion. Mr. Borden stated he would like have 4-6 unanimous themes come out of discussions at Wampee that would help create a roadmap for the Commission's future planning. Ms. Shealy suggested a presentation on fiduciary responsibility. Mr. Chellis suggested having a panel discussion since economists have different perspectives. Mr. Borden suggested having the Commission's strategic partners examine the total portfolio and offer suggestions at the retreat. Chairman Powers stated he would discuss these suggestions with Mr. Ewing, who had been designated as the coordinator for the Retreat.

V. ADJOURNMENT

There being no further business, Chairman Powers thanked everyone for attending and adjourned the meeting at 12:15 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 main entrance and bulletin board at the Commission's Office and at the entrance, in the lobbies, and near the 2nd Floor Conference Room at 202 Arbor Lake Drive, Columbia, SC, on September 16, 2008.]