RETIREMENT SYSTEM INVESTMENT COMMISSION

Commission Meeting Agenda

Thursday, December 2, 2021 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 September 2021 Minutes

II. Chair's Report

III. Committee Reports

IV. CEO's Report
   a. Investment Authority Delegation Policy – Approval of Proposed Revisions
   b. Fiduciary Audit Scope Discussion

V. CIO's Report
   a. Quarterly Investment Performance Update

VI. Strategic Investment Topic Presentation – *Public Equity Benchmarking: S&P 500 vs. ACWI IMI* - Meketa

VII. Delegated Investment Report

VIII. Executive Session – Discuss investment matters pursuant to S.C. Code Sections 9-16-80 and 9-16-320; to discuss negotiations incident to contractual arrangements for the scope of service of a general investment consultant contract, and to receive advice from legal counsel pursuant to S.C. Code Section 30-4-70(a)(2).

IX. Potential Action Resulting from Executive Session

X. Adjournment

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

September 23, 2021 9:30 a.m.
Capitol Center
1201 Main Street, 15th Floor
Columbia, South Carolina 29201
Meeting Location: Video Presentation

Commissioners Present:
Mr. William Hancock, Chair
Dr. Ronald Wilder, Vice-Chair
Ms. Peggy Boykin, PEBA Executive Director
Mr. William J. Condon, Jr.
Mr. Edward Giobbe
Dr. Rebecca Gunnlaugsson
Ms. Melissa Schumpert
Mr. Reynolds Williams

I. Call to Order and Consent Agenda

Chair Mr. William H. Hancock called the meeting of the South Carolina Retirement System Investment Commission ("Commission") to order at 9:30 a.m. Mr. Edward Giobbe moved to approve the proposed agenda as presented. Mr. William J. Condon, Jr. seconded the motion, which was approved unanimously.

Dr. Ronald Wilder made a motion to approve the minutes from the June 3, 2021 Commission meeting as presented. Dr. Rebecca Gunnlaugsson seconded the motion, which passed unanimously.

II. Chair's Report

Chair Hancock turned the meeting over to Mr. Michael Hitchcock, Chief Executive Officer, to introduce new Commissioner, Ms. Melissa "Missy" Schumpert. Mr. Hitchcock stated that Ms. Schumpert was appointed by Mr. Murrell Smith, Chairman of the House Ways and Means Committee to succeed Mr. Allen Gillespie. Ms. Schumpert is a certified public accountant and has spent a significant part of her career serving as the Director of Administration with the McNair Law Firm, which is now part of Burr & Forman. In this role, she served as a member of the Senior Management Team for McNair. She has managed all the financial, human resources, IT, knowledge management and administration personnel and functions for all the firm's numerous offices. He stated that she has also served on the Retirement Plan Committee and served a very crucial role in the successful integration of McNair with Burr & Forman to facilitate their merger. Mr. Hitchcock stated that Ms. Schumpert is now responsible for the administration of the firm's eight (8) offices across the Carolinas. Mr. Hitchcock expressed how fortunate the Commission is to have her as a new Commissioner. Ms. Schumpert thanked Mr. Hitchcock for his introduction and expressed how thankful she is to be a part of the Commission and is looking forward to serving. Chair Hancock welcomed Ms. Schumpert.

III. Committee Reports

Chair Hancock recognized Dr. Wilder, Chair of the Human Resources and Compensation Committee ("HRCC") for his report. Dr. Wilder stated that HRCC had met twice since the last Commission Meeting. He reported that at the August 25, 2021, meeting the HRCC Committee was briefed on Staff updates and the implementation of the variable compensation plan, which was approved in June 2021 by the Commission. He also noted that at the September 20, 2021, meeting the Committee receded into executive session to discuss Mr. Hitchcock's annual performance evaluation. The HRCC evaluation report would be reviewed in executive session with the Commission. This concluded Dr. Wilder's report.

Chair Hancock then recognized Dr. Gunnlaugsson, Chair of the Audit and Enterprise Risk Management Committee ("AERMC"). Dr. Gunnlaugsson noted that the AERMC report had been made available for review by the Commissioners prior to the meeting. Hearing no questions, Dr. Gunnlaugsson concluded her report.

IV. CEO's Report

Chair Hancock recognized Mr. Michael Hitchcock, Chief Executive Officer, for his report. Mr. Hitchcock began by reviewing the annual budget recommendation for fiscal year ("FY") 2022-2023. He stated that he was requesting authorization to submit a budget as presented, with no changes in the amounts requested in the previous fiscal year. Mr. Hitchcock then presented an updated organizational chart, noting the current vacancies in the private equity asset class as well as the junior analyst program, were to be expected due to the rotation of analysts through the program. He then gave a brief history of RSIC's recent appropriations history and noted that there would be additional expenditures anticipated in FY 2021-2022, including filling some open positions, the buildout of the CRM system, and the cost associated with the statutorily required fiduciary audit. After a brief discussion of the fiduciary audit process and the State Auditor's role in selecting the firm, Mr. Condon requested that the CEO convey to the State Auditor that at least one Commissioner would like to see additional audit firms considered beyond Funston Advisory Services, which had conducted the two previous fiduciary audits.

Mr. Hitchcock then turned to a detailed review of the proposed budget and noted again that the budget request for FY 2022-2023 was identical to that requested for FY 2021-2022. After a brief discussion regarding the budget, Chair Hancock asked if there were any additional questions, hearing none, Mr. Reynolds Williams made a motion that the Commission authorize the CEO to submit a proposed FY 2023 detail budget substantially similar to the draft budget presented for inclusion in the Governor's annual budget. Dr. Gunnlaugsson seconded the motion, which was unanimously approved.

Mr. Hitchcock then turned to a discussion of the Investment Authority Delegation Policy ("Delegation Policy"). He briefly reviewed the history of the Delegation Policy and past practice prior to the Pension Reform legislation passed in 2017, and the Commission's adoption of the Delegation Policy in October, 2017. He noted that during the Pension Reform process, the Commission asked the General Assembly to consider delegating, within constraints, the final authority to invest to permit Staff to close an investment with an investment manager with the approval of the CIO and oversight by the CEO. Prior practice had required that Staff present all investments to the Commission for approval, which made the investment closing process longer and made it difficult to close certain investments due to timing issues. The General Assembly passed a provision that would allow the Commission to delegate its final authority to invest, with specific limitations based on the type and liquidity profile of the investment, and other requirements, including notification to the Commission within three-business days of a closing.

The Commission implemented the Delegation Policy with stricter constraints than those required under the Pension Reform Act and Staff had operated under the Delegation Policy since 2017.

Mr. Hitchcock stated that he, Mr. Condon, and Mr. Berg had recently met to address some concerns raised by Mr. Condon. Mr. Hitchcock noted that although he was presenting suggested edits, they were being presented for discussion only and would be presented for possible approval at the next Commission meeting. Mr. Hitchcock then went through the Delegation Policy and discussed the proposed changes and the rationale behind the proposed changes. The proposed changes included (1) edits to the treatment of co-investments; (2) clarification of the exceptions to the Delegation Policy, and (3) updates to the permissible list of assets to align the Delegation Policy with the current Consolidated Annual Investment Plan / Statement of Investment Objectives and Policies ("AIP/SIOP").

He then noted that the most substantial proposed change was to Section E, regarding notification to the Commission upon an investment closing. State statute required notification within three business days of an investment closing. Mr. Hitchcock pointed out that the Delegation Policy had carried over the prior practice of the three-business day review period, which required a three-business day review period prior to closing an investment previously approved by the Commission, rather than after the closing, as set forth in the statute. He stated that the review period in the Delegation Policy may have caused confusion among the Commissioners regarding what it meant and their potential responsibilities during the review period. He noted that the review period was not intended to impart any duty on the Commissioners to either accept or reject the investment, rather it was intended for notification only as outlined in the statute. Mr. Hitchcock stated that he believed that the current wording of the Delegation Policy did create the impression that there was something to be done during the review period.

The proposed change to the Delegation Policy would be to align the notification requirement with the statutory requirement, which would mandate notification of an investment closing within three-business days of the closing. Staff would include an executive summary with the notification of closing and would continue to provide the Commissioners with access to any of the documents Staff had relied on in making the investment. Those documents would include the due diligence report, operational due diligence report, and legal contracts, but would remove the key terms sheet and the legal certification. The legal certification process had been carried over from the previous practice whereby the Commission would approve an investment, subject to contract negotiation. Once Staff had negotiated the contracts, the legal certification was used to ensure that the final contract would match up to the proposed terms that the Commission had previously approved prior to the negotiation of the contract.

Mr. Hitchcock explained that under the Delegation Policy, Staff negotiates all terms and presents a proposed final contract to Mr. Berg and Mr. Hitchcock for final approval of the investment, with no lag time between the final approval and the closing of the final documents. He stated that there can be no difference between the terms approved and the contracts signed because the approval is contemporaneous, making the carryover legal certification process no longer necessary. Mr. Hitchcock then reminded the Commission of the lengthy list of documents used by Staff in making an investment decision, including the due diligence report, the operational due diligence report by Albourne, other reports by the specialty consultant, a completeness check by Compliance, and the final legal contracts. After a brief discussion, Chair Hancock asked if there were any additional questions or comments for Mr. Hitchcock, hearing none he explained that there was no need for a vote at this time and the proposed amendments would be considered at a subsequent meeting.

V. CIO's Report

Chair Hancock recognized Mr. Geoffrey Berg, Chief Investment Officer ("CIO"), for the quarterly and fiscal year investment performance review. Mr. Berg stated that he was very pleased to share that RSIC had a very strong fourth quarter as well as a strong fiscal year.

He reported that the Portfolio earned 6.6 percent during the fourth quarter and outperformed the policy benchmark by 1.5 percent. The fiscal year return was 28.57 percent, which was not only well ahead of the benchmark, but roughly four times the long-term assumed rate of return. He noted that, as a result of this return, the Portfolio was ahead of both the actuarial rate and the benchmark over trailing one, three, five and ten-year periods. Mr. Berg stated that the Portfolio began the year with a value of just below $31 billion and noted that during the year the System had just over $4.3 billion in requisitions versus $3.6 billion in deposits and a legislative inflow of $110 million. Investment performance returns contributed $8.8 billion, and as a result, the Portfolio ended the year with a value of just over $39 billion.

Next, Mr. Berg reviewed the performance of the Plan's asset classes. He stated that each of the asset classes outperformed its benchmark during the quarter. Mr. Berg noted that every investment that had negative returns last year performed quite well this year: emerging market debt (+10 percent), mixed credit (+18 percent), private debt (+19 percent), real estate investment trusts ("REITs") (+39 percent), and listed infrastructure (+20 percent) all performed significantly above their long-term expected rates of return. For compliance purposes, he noted that RSIC remained within the allowable ranges as outlined in the Consolidated Annual Investment Plan and Statement of Investment Objectives and Policies (“AIP/SIOP”).

Mr. Berg summarized the performance analysis section of his report by reviewing the Portfolio framework. He noted that the Reference Portfolio, a stock and bond portfolio, had continued to perform extraordinarily well in recent years relative to a more diversified portfolio. Mr. Berg informed the Commission that the Portfolio Structure decisions made during the year were quite positive, and, in aggregate, the Quality of Manager Selection was neutral for the year. He stated that the Portfolio’s overweights to public equity and credit and underweight to core bonds aided performance during the fiscal year, as did the overweights to REITS and listed infrastructure. He pointed out that although private equity was the top performing asset class, it trailed its benchmark during the year; private debt also had strong performance but underperformed its benchmark.

Mr. Berg then pointed out that the biggest impact in the fourth quarter in terms of Portfolio Structure was the decision to employ portable alpha. Other major impacts came from the decision to hold REITS and listed infrastructure in lieu of private real estate. He noted that the negative impacts came from the bonds portfolio, where the Portfolio was overweight cash, and the overweight to private debt, which underperformed the rest of the Portfolio in the quarter. Mr. Berg also noted that the manager selection impacts were positive across the Portfolio for the quarter, with the exception of private real estate.

Mr. Berg then turned to a brief review of the Portfolio’s three-year performance. He noted that (a) private equity and private debt returns have lagged while legacy issues in the above-mentioned portfolios continue to be resolved, (b) the real estate portfolio had performed very strongly over time, and (c) the hedge fund portfolio had generated nearly 5 percent excess returns during this three-year period.

Mr. Berg then reviewed the Portfolio’s exposures as of June 30, 2021. It was noted that the Portfolio ended the year overweight to equity and private debt and underweight to core bonds and real assets. Mr. Berg noted for the Commissioners that while the public equity portfolio is 100 percent passive, it continued to have a small overweight to developed market equities. Mr. Berg also noted that the bond portfolio held (a) some small positions in emerging market debt and non-investment grade bonds, as well as (b) 2.4 percent cash, largely in response to elevated valuations across all asset classes.

Mr. Berg then turned to a risk update. He noted that he and Mr. James Wingo, Director, had been reviewing the difference between the Portfolio’s forward and trailing risk statistics. He shared the forward risk estimates for the Portfolio as it existed on June 30, 2021, pointing out the increase in risk between the Policy and Implementation Portfolios. He then presented the volatility of the actual monthly returns, noting that the Reference Portfolio had exhibited much more volatility than the Policy Portfolio. He concluded that both approaches to risk are helpful to review. After a brief discussion with the Commissioners, he concluded his remarks.

VI. Delegated Investment Report

The Chair recognized Mr. Berg for the Delegated Investment Report. The following delegated investments were closed by Staff since the Commission's June 3, 2021, Commission meeting.

Asset Class	Investment	Investment Amount	Closing Date
Private Equity	Industry Ventures / IVPH VI	$50 M	June 9, 2021
Real Estate	CBRE U.S. Core Partners	$250 M	June 30, 2021
Private Equity	Horsely Bridge 14	$50 M	July 19, 2021
Private Equity	Horsely Bridge 14+	$40 M	July 19, 2021
Private Debt	Eagle Point Defensive Income Strategy	$55 M	July 21, 2021
Real Estate	Brookfield/BSREP IV	$100 M	July 26, 2021
Private Equity	WestCap Strategic Op. Fund II	$75 M	July 30, 2021
Private Debt	Owl Rock First Lien Fund II	$150 M	August 4, 2021

VII. Executive Session

Mr. Giobbe moved to recede into Executive Session to discuss investment matters pursuant to S.C. Code Sections 9-16-80 and 9-16-320; to discuss personnel matters pursuant to S.C. Code Ann. Section 40-4-70(a)(1) and to receive advice from legal counsel pursuant to S.C. Code Section 30-4-70(a)(2). Dr. Gunnlaugsson seconded the motion, which was unanimously approved at 10:49 a.m.

VIII. Potential Action Resulting from Executive Session

Mr. Hitchcock noted that the Commission did not take any reportable action while in Executive Session and 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.

IX. Adjournment

There being no further business, the chair adjourned the meeting by unanimous consent at 1:01 p.m.

[Staff Note: In compliance with S.C. Code Section 30-4-0, public notice of and the agenda for this meeting was 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., 10:41 p.m. on September 20, 2021]

VI. Investment Authority Delegation Policy

A. Pursuant to Section 9-16-330(B) of the 1976 Code, the Commission delegates to the CIO the final authority to invest subject to the oversight of the CEO and the requirements and limitations of this policy. The size of any one investment made pursuant to this policy is limited to the percentage of total plan assets that applies to the particular asset class to which the investment pertains as provided in Section C of this policy and subject to any other limitation the Commission may place on this authority at any given time. The value of total plan assets to which the percentage limitations apply must be the estimated total value of plan assets included in the most recent quarterly investment performance report prepared pursuant to Section 9-16-90(A) of the 1976 Code. For purposes of this policy, a co-investment made outside of a co-investment partnership (e.g., the GCM Co-Investment Partnership or a co-investment vehicle attached to a fund investment) is considered a separate and distinct investment from an investment in a commingled fund, fund of one structure, or an amount committed to a separately managed account and is separately subject to the limitations and requirements of this policy. Individual investments made in a separately managed account or a fund of one structure are not considered separate investments for purposes of this policy and are subject in aggregate to the limitations and requirements of this policy regardless of whether some degree of discretion is retained by staff regarding individual investments to be included in the applicable account.

B. The investment process for any investment made pursuant to this policy must be substantially similar to the investment process employed prior to the adoption of this policy, but for the requirement that the Commission approve the investment prior to closing the investment and must adhere to RSIC's Due Diligence Guidelines and Policies. Notwithstanding the authority granted by this policy, an investment must be presented to the Commission for its approval if it meets any of the following criteria:
   1. An investment into an asset class other than (i) an asset class or sub-asset class provided in Table 7, Section III of the Consolidated AIP/SIOP or (ii) Portable Alpha Hedge Funds;
   2. The majority of the types of assets contemplated to underlie the investment have not been previously included in the investment portfolio;
   3. The strategy to be employed by the investment manager is not substantially similar to an investment that has been previously subject to the Commission's investment due diligence process; or
   4. The investment strategy, other than in publicly traded assets, has important direct connections to South Carolina residents, state policymakers, or South Carolina focused businesses, and/or a majority of the assets of the investments would be principally located in South Carolina.

C. 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. The size of an individual investment made pursuant this policy is subject to the following limitations provided for the asset class applicable to the investment:
   1. Public Markets - 2% of the total value of plan assets, unless it is reasonable to believe that due to the particulars of the investment strategy that liquidating the investment would ordinarily require longer than ninety days and, in such case, the limit is 1% of the total value of plan assets, for:

i. Global Public Equity:
   a. Domestic,
   b. Developed Non-US,
   c. Emerging Market,
   d. Equity Options;
ii. Bonds:
   a. Core Bonds (IG),
   b. Inflation-linked (IG),
   c. Mixed Credit (non-IG),
   d. EM Debt,
   e. Net Cash and Short Duration; and
iii. Portable Alpha Hedge Funds.

2. Publicly-Traded Real Estate - 1% of the total value of plan assets.
3. Private Markets - 75 bps of the total value of plan assets for:
   i. Private Equity,
   ii. Private Debt,
   iii. Private Real Assets,
      a. Real Estate, and
      b. Infrastructure.

D. Pursuant to Section 9-16-330(B)(2), the closing documentation of any investment made pursuant to this policy must include the CEO's certification that the investment conforms to the amount and extent of delegation provided by this policy.

E. The Commission must be informed of an investment made pursuant to this policy no later than three days following the closing of the investment. The notification must include an executive summary of the investment and provide access to any of the following documents relied upon by staff when making the investment:
   1. the investment due diligence report,
   2. the operational due diligence report,
   3. any memorandum and/or reports from the general or specialty consultant,
   4. the Internal Investment Committee action summary,
   5. the completeness check certification, and
   6. the final versions of pertinent legal documents, including the Investment contract, limited partnership agreement, the investment management agreement, as applicable, and/or other closing documents.

F. An investment made pursuant to this policy must be reviewed with the Commission at the next regularly scheduled Commission meeting.

G. The CIO must provide the Commission with an updated proposed investment pipeline on a monthly basis.

H. The delegation of the final authority to invest pursuant to this section includes the authority to terminate an investment manager if the investment was made pursuant to this policy or the amount of capital committed to the manager by the Commission would fall within the applicable limits provided in Section C. The CIO must approve any termination of a manager made pursuant to this policy, subject to the oversight of the CEO. The CIO must provide a memorandum to the Commission summarizing his justification for terminating the manager within three days of terminating the manager. The CIO must provide a review of the termination to the Commission at the next Commission meeting.

I. The Commission will review this policy annually to ensure that it remains relevant and appropriate, or when there has been an amendment to state law relevant to any section of this policy, or a Commission approved change in the responsibilities, duties or operations of the Commission or its Committee generally, or as otherwise deemed appropriate by the Commission.

J. No provision of this policy shall apply to the extent that it is in conflict with any provision of the Code of Laws of South Carolina, 1976, as amended. In the event of such conflict, the applicable Code provision shall apply in all respects.

K. This policy was adopted by the Commission on September 28, 2017, subject to final approval by the Chair of the incorporation of certain amendments into the policy. The Chair issued final approval of the policy on October 23, 2017.

VI. Investment Authority Delegation Policy

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B. The investment process for any investment made pursuant to this policy must be substantially similar to the investment process employed prior to the adoption of this policy, but for the requirement that the Commission approve the investment prior to closing the investment and must adhere to RSIC's Due Diligence Guidelines and Policies. Notwithstanding the authority granted by this policy, an investment must be presented to the Commission for its approval if it meets any of the following criteria:

1. An investment into an asset class other than (i) an asset class or sub-asset class provided in Table 7, Section III of the Consolidated AIP/SIOP or (ii) Portable Alpha Hedge Funds; ~~The investment is the initial investment in a new asset class;~~
2. The majority of the types of ~~underlying~~ assets contemplated to underlie~~y~~ ~~comprising~~ the investment have not been previously included in the investment portfolio;
3. The strategy to be employed by the investment manager is not substantially similar to an investment that has been previously subject to the Commission's investment due diligence process; or
4. The investment strategy, other than in publicly traded assets, has important direct connections to South Carolina residents, state policymakers, or South Carolina focused businesses, and/or a majority of the assets of the investments would be principally located in South Carolina.

C. 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. The size of an individual investment made pursuant this policy is subject to the following limitations provided for the asset class applicable to the investment:

1. Public Markets - 2% of the total value of plan assets, unless it is reasonable to believe that due to the particulars of the investment strategy that liquidating the investment would ordinarily require longer than ninety days and, in such case, the limit is 1% of the total value of plan assets, for:
   i. Global Public Equity:

a. Domestic,
b. Developed Non-US,
c. Emerging Market,
d. Equity Options;

ii. Bonds:

a. Core Bonds (IG),
b. Inflation-linked (IG),
c. Mixed Credit (non-IG),
d. EM Debt,
e. Net Cash and Short Duration; and

iii. Portable Alpha Hedge Funds.

2. Publicly-Traded Real Estate - 1% of the total value of plan assets.
3. Private Markets - 75 bps of the total value of plan assets for:

i. Private Equity,
ii. Private Debt,
iii. Private Real Assets,

a. Real Estate, and
b. Infrastructure.

- ~~Global Public Equity,~~

~~ii. Equity Options,~~
~~iii. Portable Alpha,~~
~~iv. Global Asset Allocation,~~

~~v. Mixed Credit,~~
~~vi. Emerging Market Debt,~~
~~vii. Other Opportunistic Strategies,~~
~~viii. Core Fixed Income, and~~
~~ix. Cash and Short Duration.~~

~~2. Publicly-Traded Real Estate - 1% of the total value of plan assets.~~
~~3. Private Markets - 75 bps of the total value of plan assets for:~~

~~i. Private Equity,~~
~~ii. Private Debt,~~
~~iii. Private Real Estate,~~
~~iv. Infrastructure, and~~
~~v. Opportunistic Hedge Funds.~~

~~4. For purposes of this policy, the asset classes indicated in this section are as they are described in the Annual Investment Plan.~~

D. Pursuant to Section 9-16-330(B)(2), the closing documentation of any investment made pursuant to this policy must include the CEO's certification that the investment conforms to the amount and extent of delegation provided by this policy.

E. The Commission must be informed of an ~~proposed~~ investment ~~to be~~ made pursuant to this policy no later ~~less~~ than three days following ~~before~~ the closing of the investment. The notification must include ~~and must be provided with~~ an executive summary of the investment and provide access to~~all applicable documentation and reports produced or~~ any of the following documents -relied upon by staff when making the investment~~recommendation including, but not limited to~~:

1. the investment due diligence report,
2. the operational due diligence report,

~~3. key terms sheet,~~
~~4.~~3. any memorandum and/or reports from the general or specialty consultant,
~~5.~~4. the Internal Investment Committee action summary,
~~6.~~5. the c~~C~~ompleteness check certification, and
~~7.~~6. the f~~F~~inal ~~draft~~ versions of pertinent legal documents, including the Investment contract, limited partnership agreement, the investment management agreement, as applicable, and/or other ~~applicable~~ closing documents.

F. An investment made pursuant to this policy must be reviewed with the Commission at the next regularly scheduled Commission meeting.

G. The CIO must provide the Commission with an updated proposed investment pipeline on a monthly basis.

H. The delegation of the final authority to invest pursuant to this section includes the authority to terminate an investment manager if the investment was made pursuant to this policy or the amount of capital committed to the manager by the Commission would fall within the applicable limits provided in Section C. The CIO must approve any termination of a manager made pursuant to this policy, subject to the oversight of the CEO. The CIO must provide a memorandum to the Commission summarizing his justification for terminating the manager within three days of terminating the manager. The CIO must provide a review of the termination to the Commission at the next Commission meeting.

I. The Commission will review this policy annually to ensure that it remains relevant and appropriate, or when there has been an amendment to state law relevant to any section of this policy, or a Commission approved change in the responsibilities, duties or operations of the Commission or its Committee generally, or as otherwise deemed appropriate by the Commission.

J. No provision of this policy shall apply to the extent that it is in conflict with any provision of the Code of Laws of South Carolina, 1976, as amended. In the event of such conflict, the applicable Code provision shall apply in all respects.

K. This policy was adopted by the Commission on September 28, 2017, subject to final approval by the Chair of the incorporation of certain amendments into the policy. The Chair issued final approval of the policy on October 23, 2017.

RETIREMENT SYSTEM
INVESTMENT COMMISSION

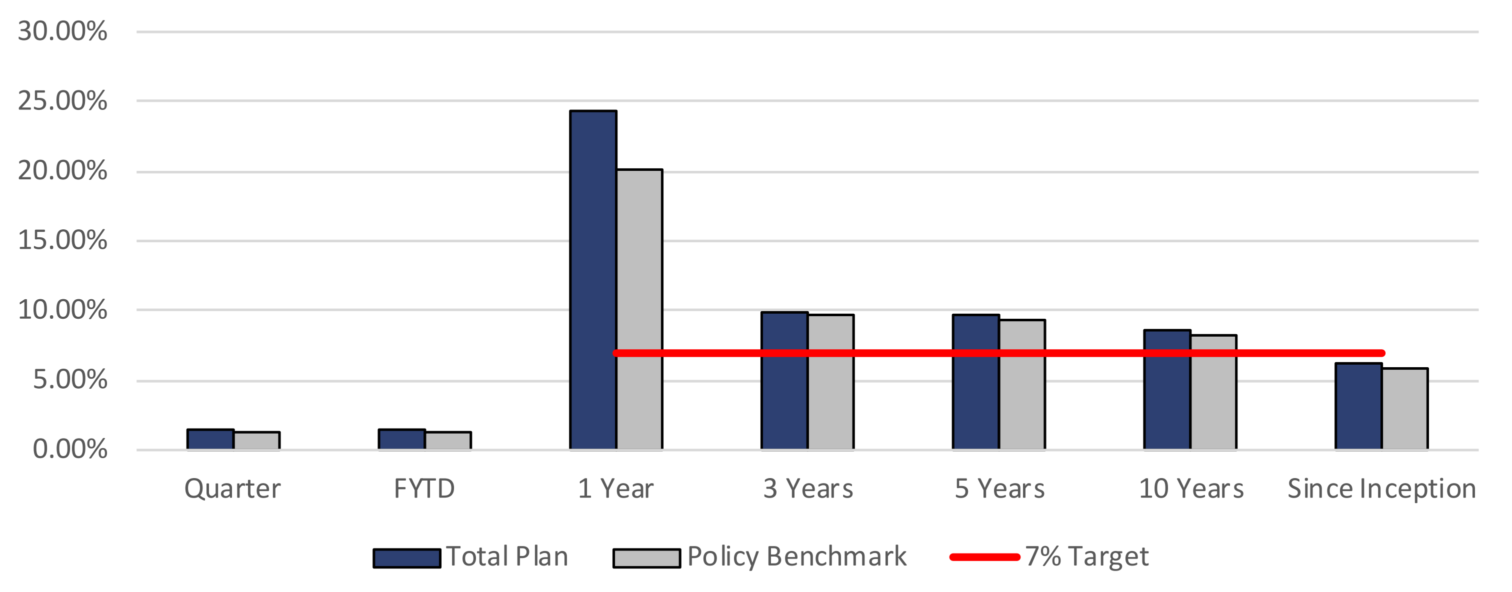
Performance Presentation

Data as of September 30th, 2021

Performance - Plan & Policy Benchmark[2]

As of September 30, 2021

Net of Fee Returns by Time Period[2]



Rolling period performance as of September 30, 2021[1]

Executive Summary	Market Value (millions)	Quarter	FYTD	1 Year	Annualized 3 Years	Annualized 5 Years	Annualized 10 Years	Annualized Since Inception
Total Plan	**$39,723**	**1.56%**	**1.56%**	**24.38%**	**9.95%**	**9.65%**	**8.63%**	**6.22%**
Policy Benchmark		1.28%	1.28%	20.12%	9.67%	9.43%	8.27%	5.78%
Excess Return		0.28%	0.28%	4.26%	0.28%	0.22%	0.37%	0.44%
Net Benefit Payments (millions)		($43)	($43)	($630)	($1,777)	($4,200)	($9,497)	($14,986)

Portfolio Performance Framework

As of September 30, 2021

Reference Portfolio	
Quarter	-0.75%
1-Year	19.39%
3-Years	10.64%

Policy Benchmark	
Quarter	1.28%
1-Year	20.12%
3-Years	9.67%

Implementation Benchmark	
Quarter	1.36%
1-Year	23.26%
3-Years	10.25%

Plan Return	
Quarter	1.56%
1-Year	24.38%
3-Years	9.95%

Value from Diversification	
Quarter	2.03%
1-Year	0.73%
3-Years	-0.97%

Quality of Portfolio Structure	
Quarter	0.08%
1-Year	3.14%
3-Years	0.58%

Quality of Manager Selection	
Quarter	0.20%
1-Year	1.13%
3-Years	-0.31%

Actual vs Reference	
Quarter	2.31%
1-Year	4.99%
3-Years	-0.69%

Actual vs Policy	
Quarter	0.28%
1-Year	4.26%
3-Years	0.27%

Asset Class Performance[1,3,4,5]

As of September 30, 2021

Performance	Portfolio Weight	Quarter	FYTD	1 Year	Annualized 3 Years	Annualized 5 Years
Public Equity	**45.7%**	-1.05%	-1.05%	29.32%	12.33%	12.98%
Benchmark		*-1.11%*	*-1.11%*	*28.92%*	*12.32%*	*12.96%*
Bonds	**23.5%**	0.30%	0.30%	2.10%	3.99%	2.99%
Benchmark		*0.05%*	*0.05%*	*-0.89%*	*3.80%*	*2.86%*
Private Equity	**11.0%**	10.02%	10.02%	52.60%	15.53%	15.73%
Benchmark		*9.80%*	*9.80%*	*58.71%*	*19.64%*	*19.39%*
Private Debt	**7.7%**	3.38%	3.38%	19.81%	5.95%	6.25%
Benchmark		1.86%	1.86%	13.15%	5.90%	6.49%
Real Assets	**12.2%**	4.36%	4.36%	17.32%	8.70%	8.13%
Benchmark		*6.41%*	*6.41%*	*13.64%*	*6.60%*	*6.50%*
Portable Alpha Hedge Funds	11.4%	2.05%	2.05%	17.66%	5.55%	5.32%
Total Plan	**100.0%**	**1.56%**	**1.56%**	**24.38%**	**9.95%**	**9.65%**
RSIC Policy Benchmark		***1.28%***	***1.28%***	***20.12%***	***9.67%***	***9.43%***

Explanation of Attribution

Policy Benchmark

- **Policy Benchmark:** The return of the five-asset class target portfolio.

Allocation

- **Allocation effect:** isolates the impact of making overweight or underweight decisions to each of the five asset classes.

Implement-ation

- **Implementation effect:** measures the impact of decisions to construct each asset class portfolio differently than the benchmark.

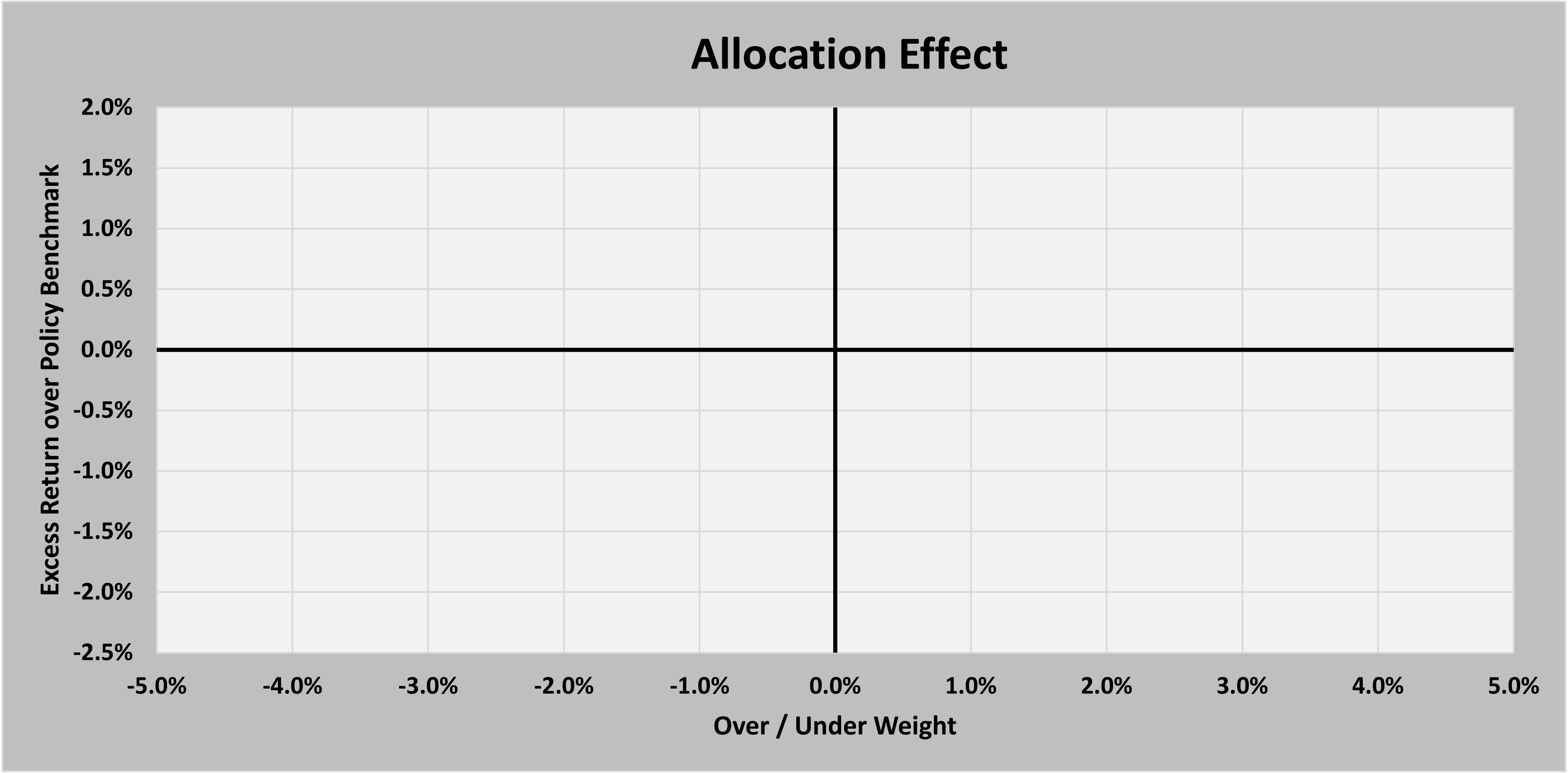
Selection

- **Selection effect:** evaluates the impact of manager selection decisions.

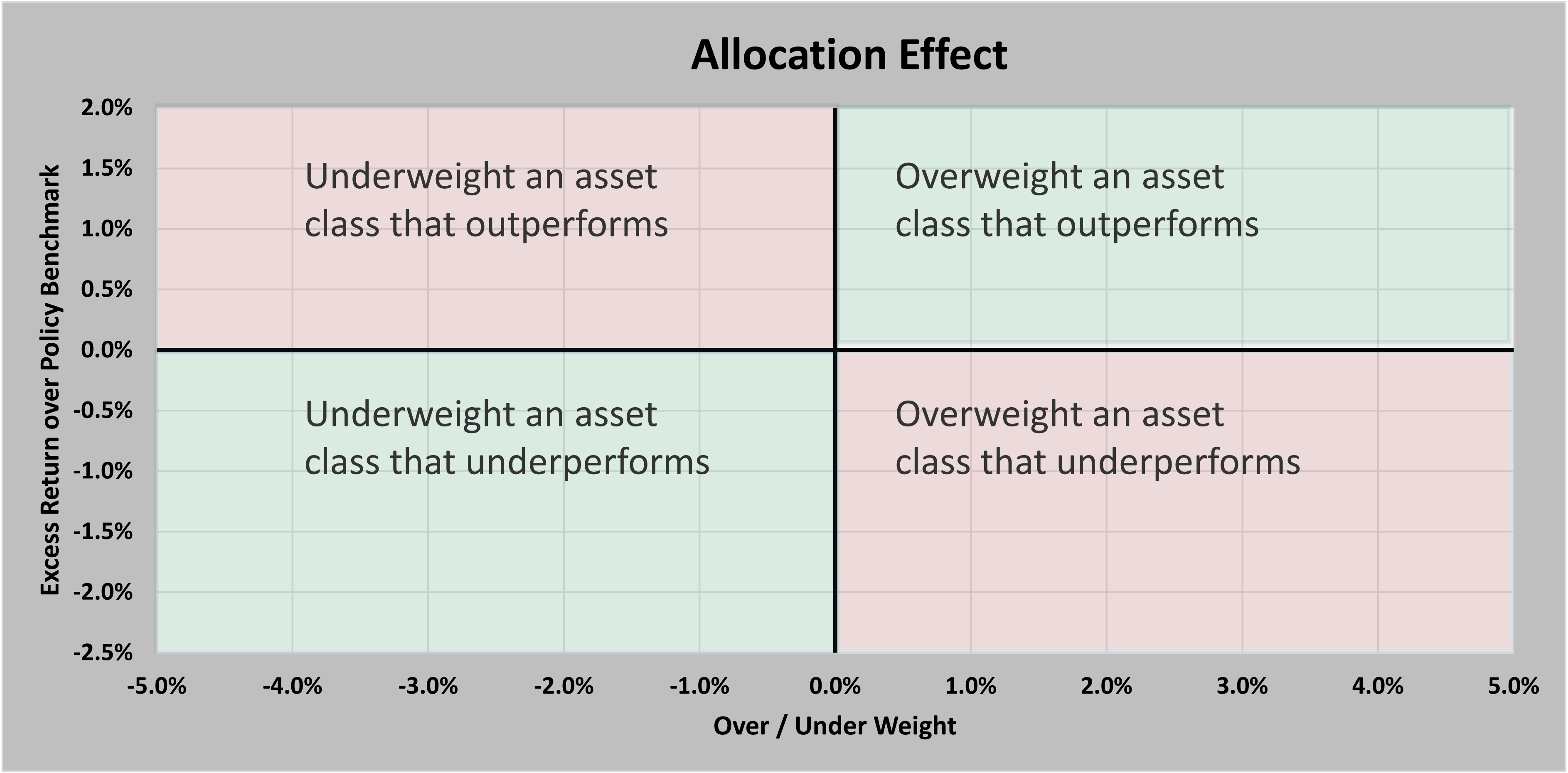
Actual Return

- The **Actual return** reflects the sum of all of these impacts.

Attribution Analysis – How It Works

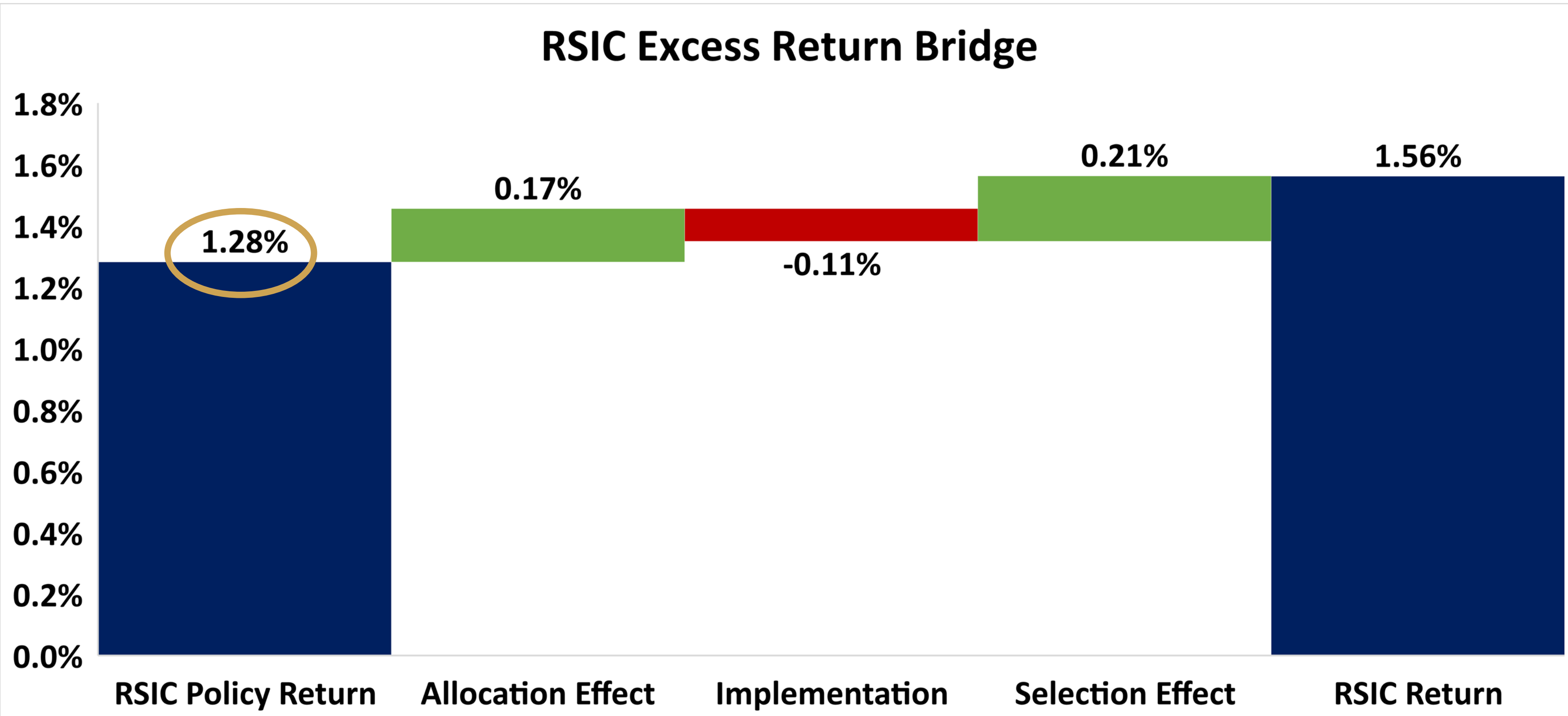


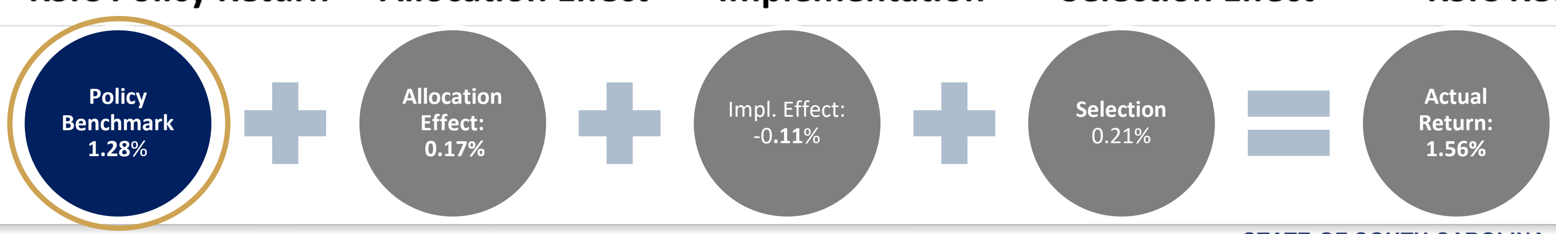
Attribution Analysis – How It Works



Attribution – FYTD – Return Bridge

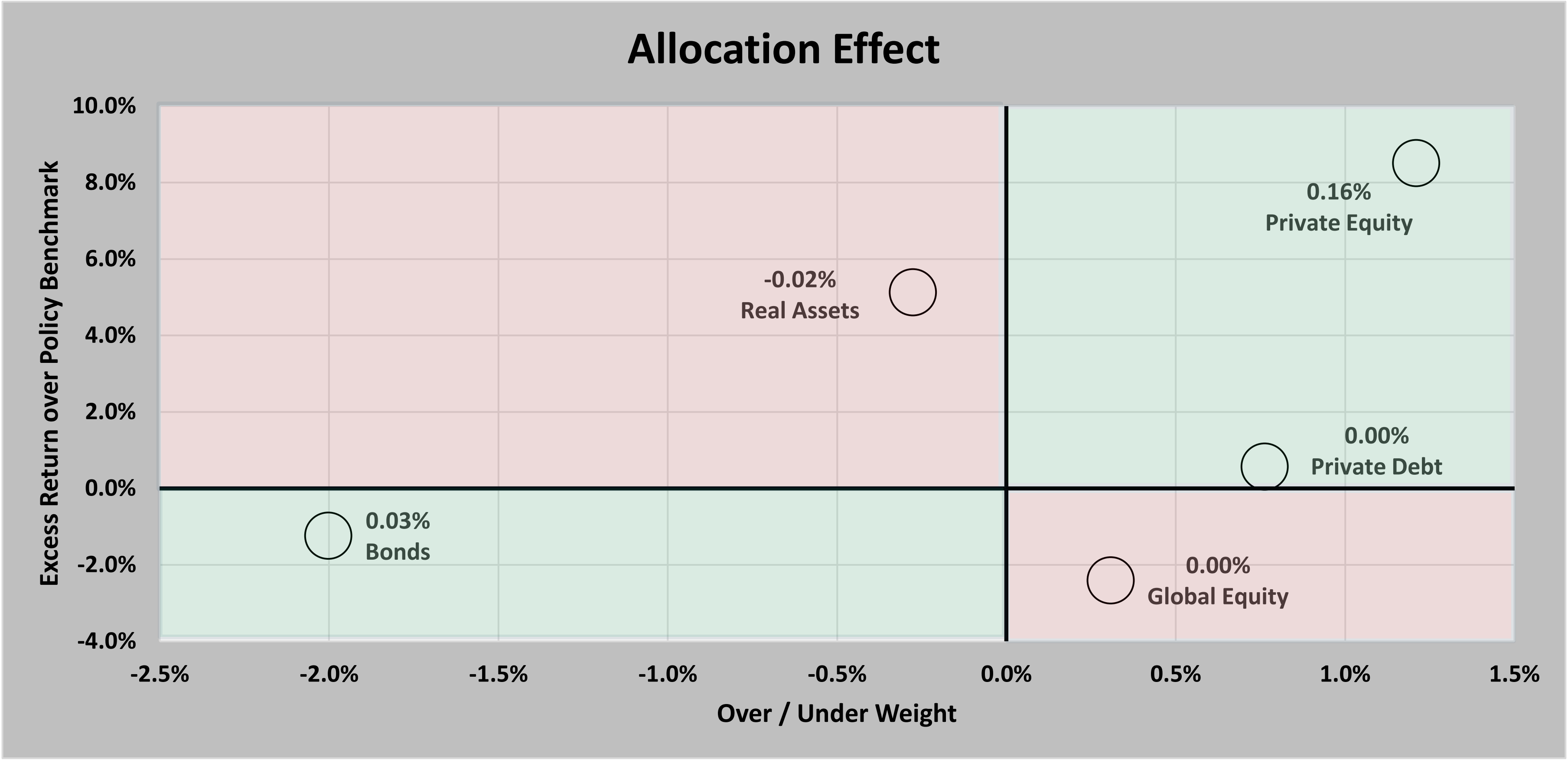
FYTD September 30, 2021

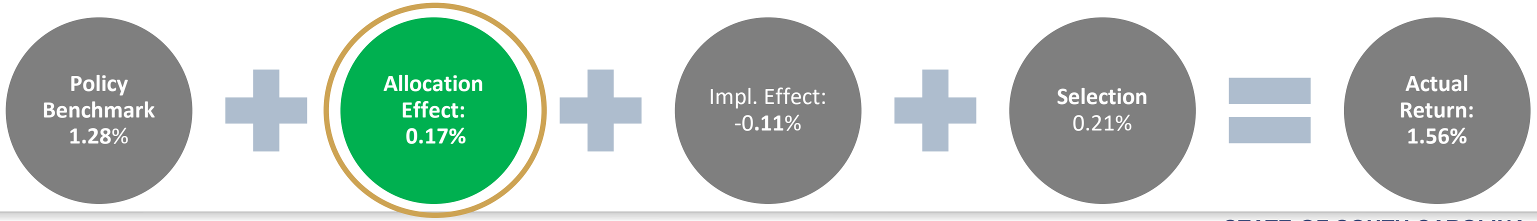




Attribution – FYTD – Allocation:

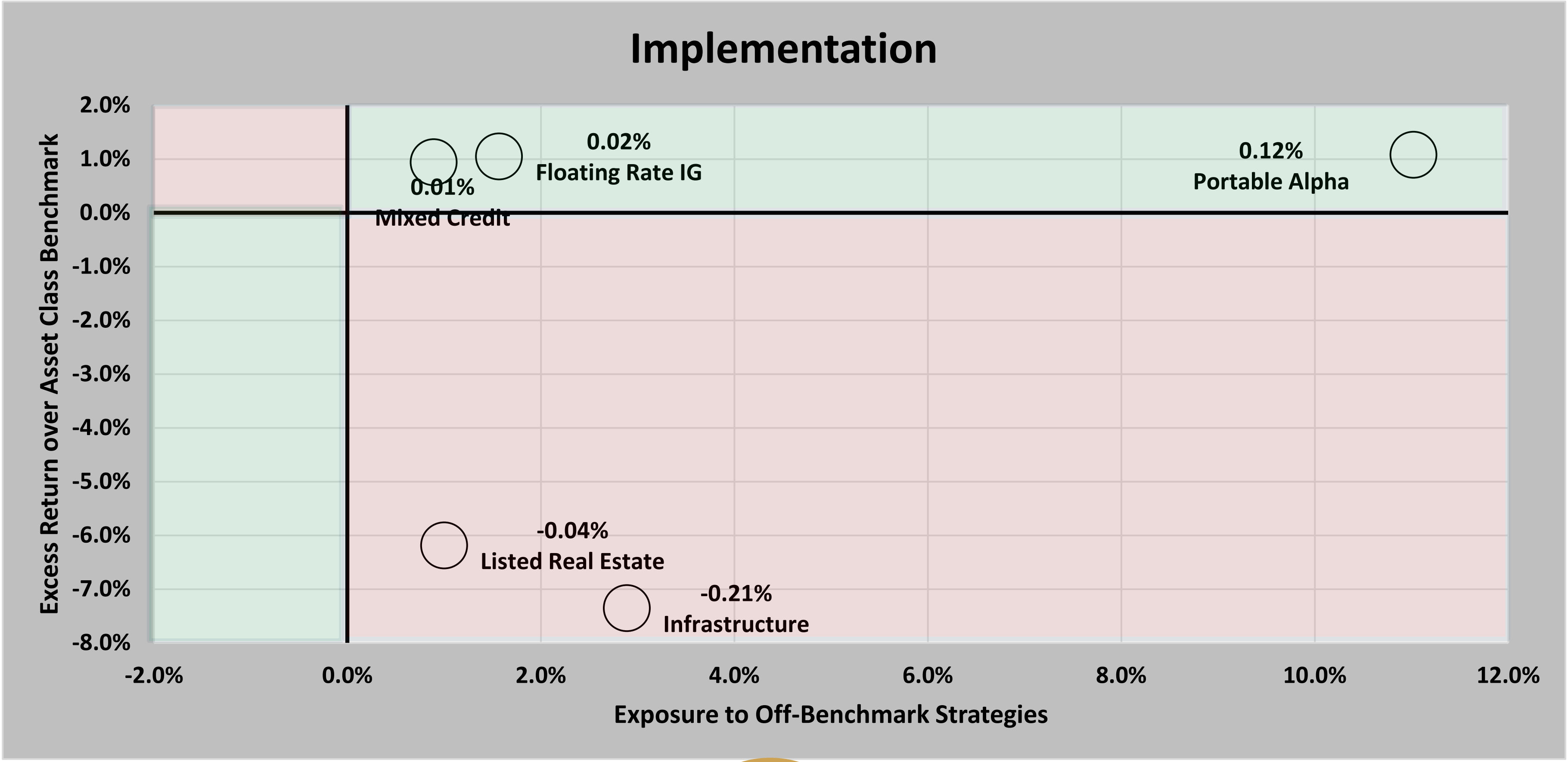
FYTD September 30, 2021





Attribution – FYTD – Implementation

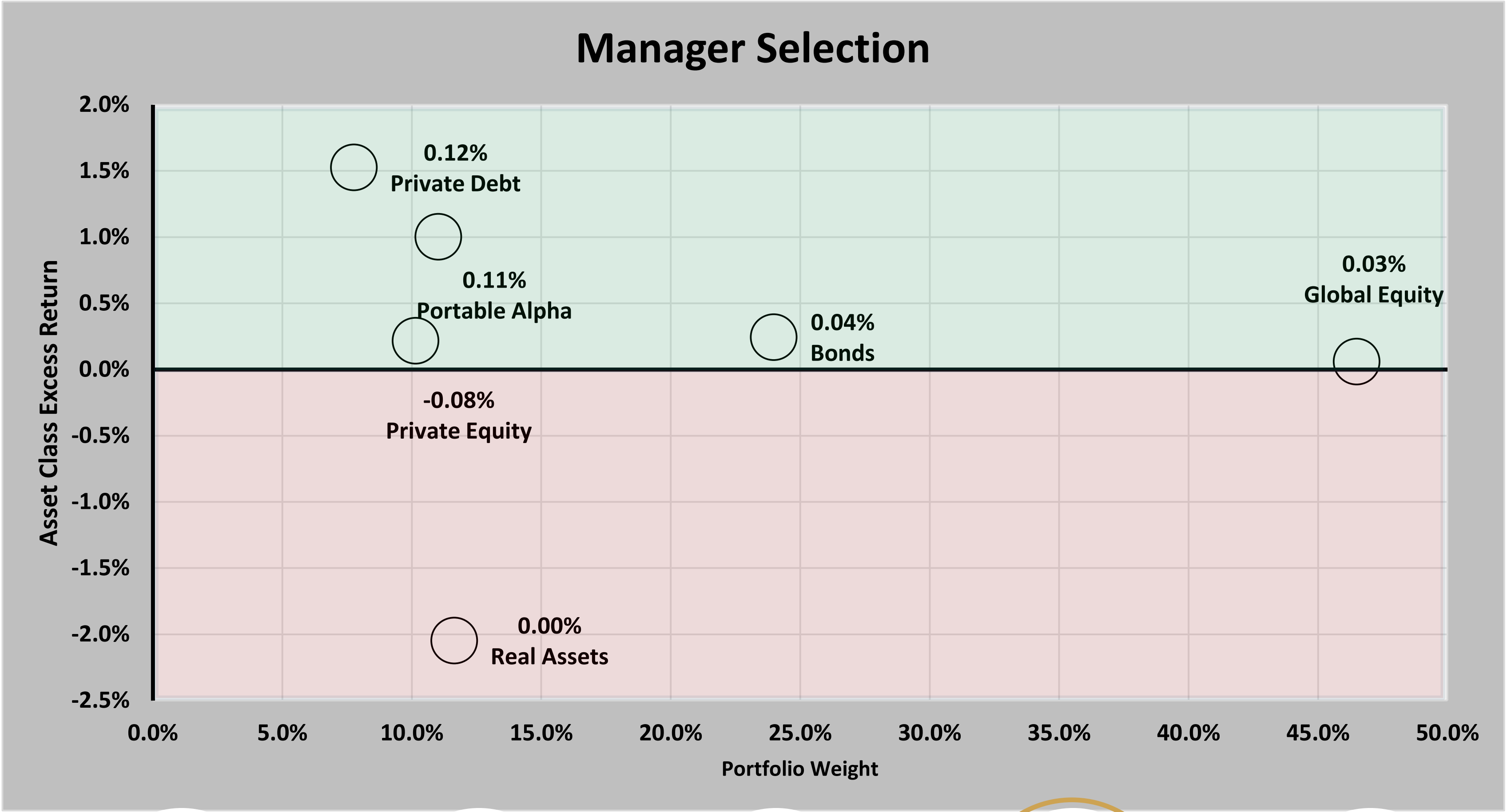
FYTD September 30, 2021



Policy Benchmark 1.28% + Allocation Effect: 0.17% + Impl. Effect: -0.11% + Selection 0.21% = Actual Return: 1.56%

Attribution – FYTD – Selection

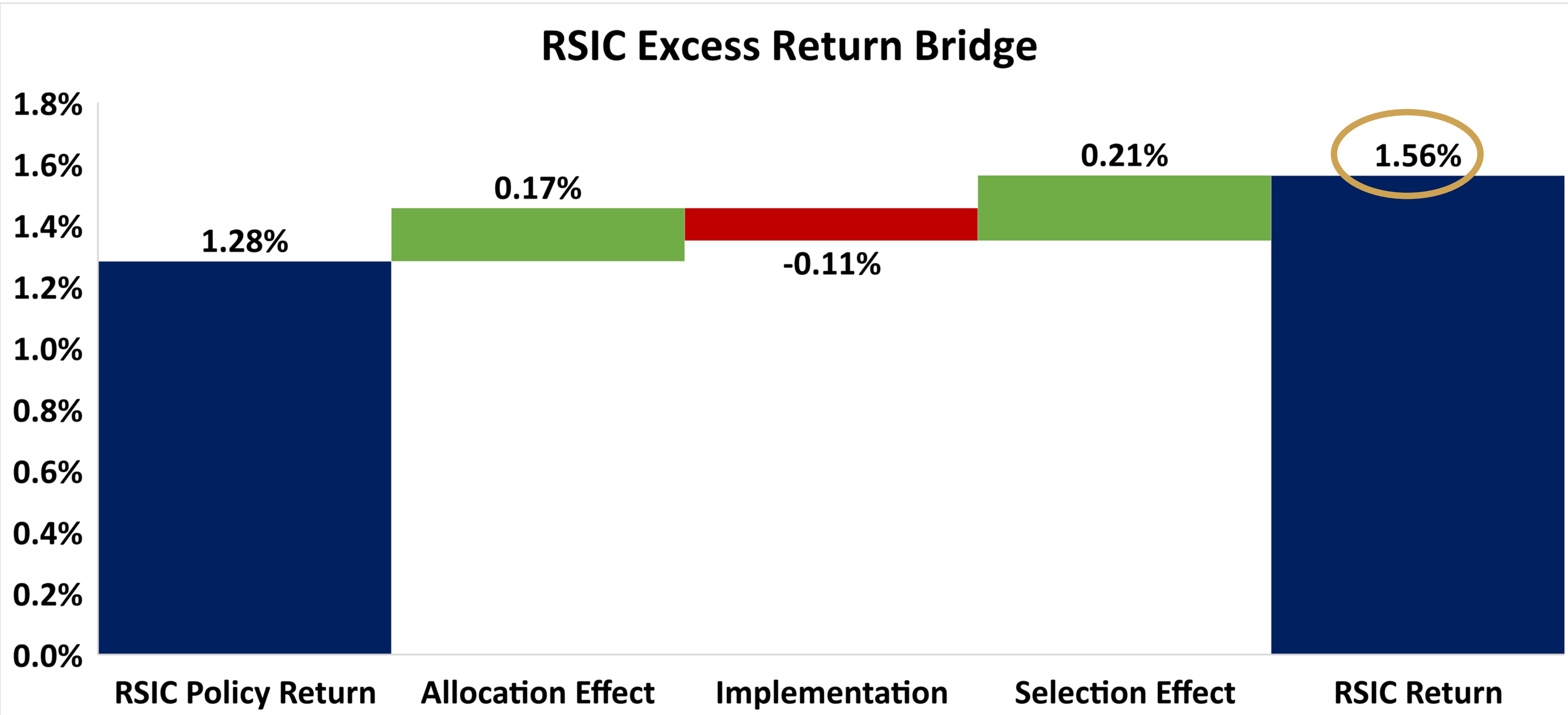
FYTD September 30, 2021



Policy Benchmark 1.28% + Allocation Effect: 0.17% + Impl. Effect: -0.11% + Selection 0.21% = Actual Return: 1.56%

Attribution – FYTD – Return Bridge

FYTD September 30, 2021



Policy Benchmark 1.28% + Allocation Effect: 0.17% + Impl. Effect: -0.11% + Selection 0.21% = Actual Return: 1.56%

Attribution – FYTD – Attribution Heatmap

FYTD as of September 30, 2021

Attribution Table (BPS)	Allocation	Implementation	Selection	Total
Bonds	3	2	4	**9**
Private Debt	0	0	12	**12**
Global Equity	0	0	3	**3**
Private Equity	16	0	-8	**8**
Real Assets	-2	-25	0	**-26**
Portable Alpha	n/a	12	11	**23**
Total	**17**	**-11**	**21**	**28**

- Sources of outperformance:
  - Portable Alpha (portfolio structure and manager selection)
  - Private Debt outperformed benchmark
  - Bonds underweight adding value as well as allocation to floating rate debt
- Sources of Underperformance:
  - Real Assets: Listed strategies underperform in a remarkable quarter for the benchmark

Portfolio Positioning/Activity

Equity
- Rebalanced equity portfolio to target weight after quarter-end

Real Assets
- Reduced listed infrastructure exposure by ~0.5% (opportunistic rebalancing)

Bonds
- Maintaining 2.5% underweight to Bonds
- Reduced portfolio duration during the quarter

PE
- Overweight driven by continued strong performance and attractive co-investment opportunities

Pvt. Debt
- Reduction in overweight coming from listed investments

Port. Alpha
- Exposure currently 11.4% vs. limit of 12%

Asset Allocation and SIOP Compliance[5]

FYTD September 30, 2021

Exposure Report as of 09/30/2021	Net Exposure	Policy Targets	Over / Under	Allowable Ranges	SIOP Compliance
Public Equity	**45.7%**	**46.0%**	**-0.3%**	**30% - 60%**	**Yes**
Bonds	**23.5%**	**26.0%**	**-2.5%**	**15% - 35%**	**Yes**
Private Equity	**11.0%**	**9.0%**	**2.0%**	**5% - 13%**	**Yes**
Private Debt	**7.7%**	**7.0%**	**0.7%**	**3% - 11%**	**Yes**
Real Assets	**12.2%**	**12.0%**	**0.2%**	**6% - 18%**	**Yes**
Portable Alpha Hedge Funds	11.4%	n/a	11.4%	0% - 12%	Yes
Total Plan	**100.0%**	**100.0%**	**0.0%**	**n/a**	**Yes**
Total Private Markets	**29.1%**	**28.0%**	**1.1%**	**0% - 30%**	**Yes**

Portfolio Risk Estimates (Forward)

Risk Estimates [1]

Sep 2021 Exposures and Risk

	Reference Portfolio	Policy [3]	Implementation [3]	Actual [5]
Total Risk [2]	*13.3%*	*13.0%*	*14.9%*	*15.0%*

	Reference vs Policy	Policy vs Implementation	Implementation vs Actual [5]
Relative Risk [4]	*1.4%*	*2.0%*	*0.4%*

Footnotes:

1 *Estimates based on an equal weighted (no-decay) model employing three years of monthly data.*
2 *Total risk shown as volatility, or annualized standard deviation of returns based on current positioning*
3 *Private benchmarks proxied with public alternatives.*
4 *Relative risk shown as relative volatility, or annualized standard deviation of the excess returns of one portfolio vs the other*
5 *Actual risk and actual vs implementation relative risk estimated from a set of assumptions and exposures*

Forward vs. Historical (Realized) Volatility

- Differences in methodologies driving dramatically different outcomes
  - *Historical* risk statistics a more useful comparison to historical returns
  - *Forward* risk statistics likely more useful when evaluating the impact of potential portfolio decisions

	Reference Portfolio	Policy	Implementation	Actual
Forward Risk	*13.3%*	*13.0%*	*14.9%*	*15.0%*

	Reference Portfolio	Policy [3]	Implementation [3]	Actual
Historical Risk [1,2]	*13.3%*	*9.8%*	*10.1%*	*11.4%*

Footnotes:

1 *Historical risk reflects actual historical volatility (rather than expected volatility) for RSIC portfolio, using the past 3 years of monthly data*

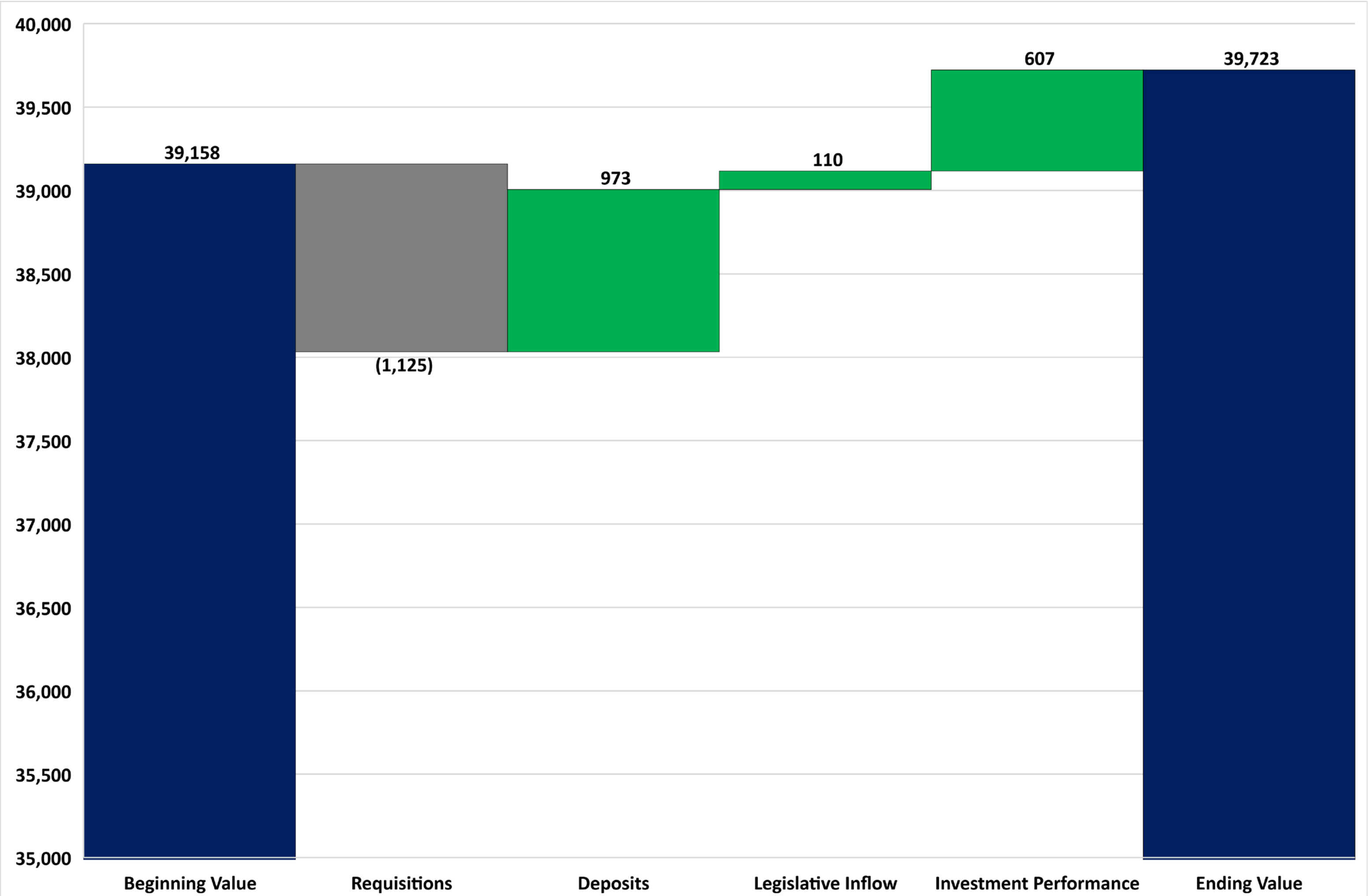
2 *Historical risk reflects actual historical positioning (rather than current positioning)*

3 *Policy and Implementation portfolio risk calculated using underlying performance benchmarks (rather than public proxy-based risk benchmarks)*

Appendix

FYTD Benefits and Performance

September 30, 2021



*Requisitions and deposits include equal and offsetting flows for insurance benefits which cannot be disaggregated from retirement benefit flows. The net of requisitions and deposits represents the surplus or shortfall of retirement deposits in relation to retirement benefit payments.

Asset Allocation and SIOP Compliance[5]

FYTD September 30, 2021

Exposure Report as of 09/30/2021	Net Exposure	Policy Targets	Over / Under	Allowable Ranges	SIOP Compliance
Public Equity	**45.7%**	**46.0%**	**-0.3%**	**30% - 60%**	**Yes**
Bonds	**23.5%**	**26.0%**	**-2.5%**	**15% - 35%**	**Yes**
Investment Grade - Fixed	15.3%	26.0%	-10.7%	10% - 35%	Yes
Investment Grade - Floating	3.9%	n/a	3.9%	0% - 5%	Yes
EMD	0.7%	n/a	0.7%	0% - 6%	Yes
Mixed Credit	0.9%	n/a	0.9%	0% - 8%	Yes
Cash and Short Duration (Net)	1.7%	n/a	1.7%	n/a	Yes
Private Equity	**11.0%**	**9.0%**	**2.0%**	**5% - 13%**	**Yes**
Private Debt	**7.7%**	**7.0%**	**0.7%**	**3% - 11%**	**Yes**
Real Assets	**12.2%**	**12.0%**	**0.2%**	**6% - 18%**	**Yes**
Private Real Estate	8.5%	9.0%	-0.5%	n/a	Yes
Public Real Estate	0.8%	n/a	0.8%	n/a	Yes
Private Infrastructure	1.9%	3.0%	-1.1%	n/a	Yes
Public Infrastructure	0.9%	n/a	0.9%	n/a	Yes
Portable Alpha Hedge Funds	11.4%	n/a	11.4%	0% - 12%	Yes
Total Plan	**100.0%**	**100.0%**	**0.0%**	**n/a**	**Yes**
Total Private Markets	**29.1%**	**28.0%**	**1.1%**	**0% - 30%**	**Yes**

Performance – Plan & Asset Classes[1,3,4,5]

Trailing Performance as of 09/30/2021	Portfolio Weight	Quarter	FYTD	1 Year	Annualized 3 Years	Annualized 5 Years
Public Equity	**45.7%**	**-1.05%**	**-1.05%**	**29.32%**	**12.33%**	**12.98%**
Benchmark		*-1.11%*	*-1.11%*	*28.92%*	*12.32%*	*12.96%*
Bonds	**23.5%**	**0.30%**	**0.30%**	**2.10%**	**3.99%**	**2.99%**
Benchmark		*0.05%*	*0.05%*	*-0.89%*	*3.80%*	*2.86%*
Investment Grade - Fixed	15.3%	0.03%	0.03%	-0.85%	5.00%	2.98%
Investment Grade - Floating	3.9%	1.08%	1.08%	9.11%	n/a	n/a
EMD	0.7%	-1.81%	-1.81%	6.10%	4.57%	2.93%
Mixed Credit	0.9%	1.80%	1.80%	14.78%	7.05%	6.69%
Cash and Short Duration (Net)	1.7%	0.04%	0.04%	0.23%	1.27%	1.34%
Private Equity	**11.0%**	**10.02%**	**10.02%**	**52.60%**	**15.53%**	**15.73%**
Benchmark		*9.80%*	*9.80%*	*58.71%*	*19.64%*	*19.39%*
Private Debt	**7.7%**	**3.38%**	**3.38%**	**19.81%**	**5.95%**	**6.25%**
Benchmark		*1.86%*	*1.86%*	*13.15%*	*5.90%*	*6.49%*
Real Assets	**12.2%**	**4.36%**	**4.36%**	**17.32%**	**8.70%**	**8.13%**
Benchmark		*6.41%*	*6.41%*	*13.64%*	*6.60%*	*6.50%*
Private Real Estate	8.5%	5.76%	5.76%	14.16%	7.13%	8.27%
Public Real Estate	0.8%	1.72%	1.72%	39.43%	13.14%	9.02%
Private Infrastructure	1.9%	1.61%	1.61%	9.54%	7.48%	n/a
Public Infrastructure	0.9%	-0.16%	-0.16%	20.57%	10.50%	7.47%
Portable Alpha Hedge Funds*	11.4%	2.05%	2.05%	17.66%	5.55%	5.32%
Total Plan	**100.0%**	**1.56%**	**1.56%**	**24.38%**	**9.95%**	**9.65%**
RSIC Policy Benchmark		*1.28%*	*1.28%*	*20.12%*	*9.67%*	*9.43%*

*Portable Alpha Hedge Funds are expressed as gross exposure but, as collateral supporting the Overlay program, net to zero when calculating total Plan market value. 3 and 5 year Portable Alpha hedge fund returns are considered supplemental information provided by Staff to illustrate performance of these hedge funds even though they were classified under a different asset class during these periods. Performance is expressed net of LIBOR as an estimate for Overlay financing costs.

Footnotes & Disclosures

Footnotes

1. The Policy Benchmark is calculated quarterly using a blend of asset class policy benchmarks and the policy weights for the respective asset classes. Prior to 12/31/2020 the Policy Benchmark was calculated monthly. Asset class benchmarks represent current policy benchmarks blended with past policy benchmarks which may have changed over time. See Benchmark Disclosure page for current definitions.
2. Benefit payments are the net of Plan contributions and disbursements.
3. "Bonds" asset class includes Cash and Short Duration market value which is the aggregate cash held at the custodian, Russell Investments, and strategic partnerships, short duration within the portfolio, and hedge funds used in collateral pool for Portable Alpha program, net of the notional exposure in the overlay.
4. Asset class returns include Overlay returns as a blend of physical and synthetic returns. Synthetic returns are provided by Russell Investments gross of financing costs. To accommodate for financing costs, LIBOR is added to the synthetic returns and removed from the collateral return. Asset class returns calculated using Caissa, a third-party multi-asset class analytics system.
5. Asset class weights include Overlay exposures which are net notional exposures provided by Russell Investments.

Disclosures

- Plan Returns are provided by BNY Mellon. All returns are time-weighted, total return calculations. Net of fee performance is calculated and presented after the deduction of fees and expenses. Periods greater than one year are annualized. Past performance is no guarantee of future results. Asset class returns are based on values obtained from BNY Mellon and adjusted for overlay exposures provided by Russell Investments. Policy benchmark is the blend of asset class policy benchmarks using policy weights. Asset class benchmarks and policy weights are reviewed annually by the Commission's consultant and adopted by the Commission and have changed over time. The policy benchmark return history represents a blend of these past policies.
- Overlay allocation detail is provided by Russell Investments.
- This report was compiled by the staff of the South Carolina Retirement System Investment Commission and has not been reviewed, approved or verified by the external investment managers. No information contained herein should be used to calculate returns or compare multiple funds, including private equity funds.
- Effective October 1, 2005, the State Retirement System Preservation and Investment Reform Act ("Act 153") established the Commission and devolved fiduciary responsibility for investment and management of the assets of the South Carolina Retirement Systems upon RSIC.
- Allocation / exposure percentages might not add up to totals due to rounding.

Benchmarks

- **Core Fixed Income**: Bloomberg US Aggregate Bond Index
- **Global Public Equity Blend**: MSCI All Country World Index IMI
- **Private Equity Blend**: Burgiss All PE Benchmark
- **Private Debt** : S&P/LSTA Leveraged Loan Index + 150 basis points on a 3-month lag
- **Private Real Estate Blend:** NCREIF-Open Ended Diversified Core (ODCE) Index *Net of Fees*

Benchmarks Displayed in this report represent current policy benchmarks as of the SIOP effective 7/1/2020. Asset class benchmarks and policy weights are reviewed annually by the Commission's consultant and adopted by the Commission and have changed over time. The policy benchmark return history represents a blend of these past policies.

MEKETA
INVESTMENT GROUP

South Carolina Retirement System Investment Commission

September 30, 2021

Performance Report

MEKETA

South Carolina Retirement System Investment Commission

Total Retirement System | As of September 30, 2021

Allocation vs. Targets and Policy								
	MV at 9/30/2021	Overlay Exposures	Net Position	% of Total System	% of Total System (Net)	Policy Targets	Allowable Ranges	SIOP Compliance?
Total System	**39,723,456,252**	**-**	**39,723,456,252**	**100%**	**100%**	**100%**	**-**	**-**
Public Equity	**18,148,466,044**	**-**	**18,148,466,044**	**46%**	**46%**	**46%**	**30%-60%**	**Yes**
Public Equity	18,148,466,044	-	18,148,466,044	46%	46%	46%	30%-60%	Yes
Bonds	**4,794,367,216**	**4,526,692,490**	**9,321,059,706**	**12%**	**23%**	**26%**	**15%-35%**	**Yes**
Investment Grade - Fixed	751,990,085	5,312,086,689	6,064,076,774	2%	15%	26%	10%-35%	Yes
Investment Grade - Floating	1,566,586,703		1,566,586,703	4%	4%	0%	0-5%	Yes
Emerging Market Debt	268,851,244	-	268,851,244	1%	1%	0%	0-8%	Yes
Mixed Credit	340,476,978	-	340,476,978	1%	1%	0%	0-6%	Yes
Cash and Short Duration	1,866,462,205	(785,394,199)	1,081,068,006	5%	3%	0%	0-7%	Yes
Private Equity	**4,353,127,324**	**-**	**4,353,127,324**	**11%**	**11%**	**9%**	**5-13%**	**Yes**
Private Debt	**3,047,212,078**	**-**	**3,047,212,078**	**8%**	**8%**	**7%**	**3-11%**	**Yes**
Real Assets	**4,853,591,100**	**-**	**4,853,591,100**	**12%**	**12%**	**12%**	**6-18%**	**Yes**
Real Estate	3,718,436,419	-	3,718,436,419	9%	9%	9%	5-13%	Yes
Infrastructure	1,135,154,681	-	1,135,154,681	3%	3%	3%	0-5%	Yes
Portable Alpha Hedge Funds	**4,526,692,490**	**(4,526,692,490)**	**-**	**11%**	**0%**	**0%**	**0-12%**	**Yes**

Includes cash in the Russell Overlay separate account.

Percentages may not sum to 100% due to rounding.

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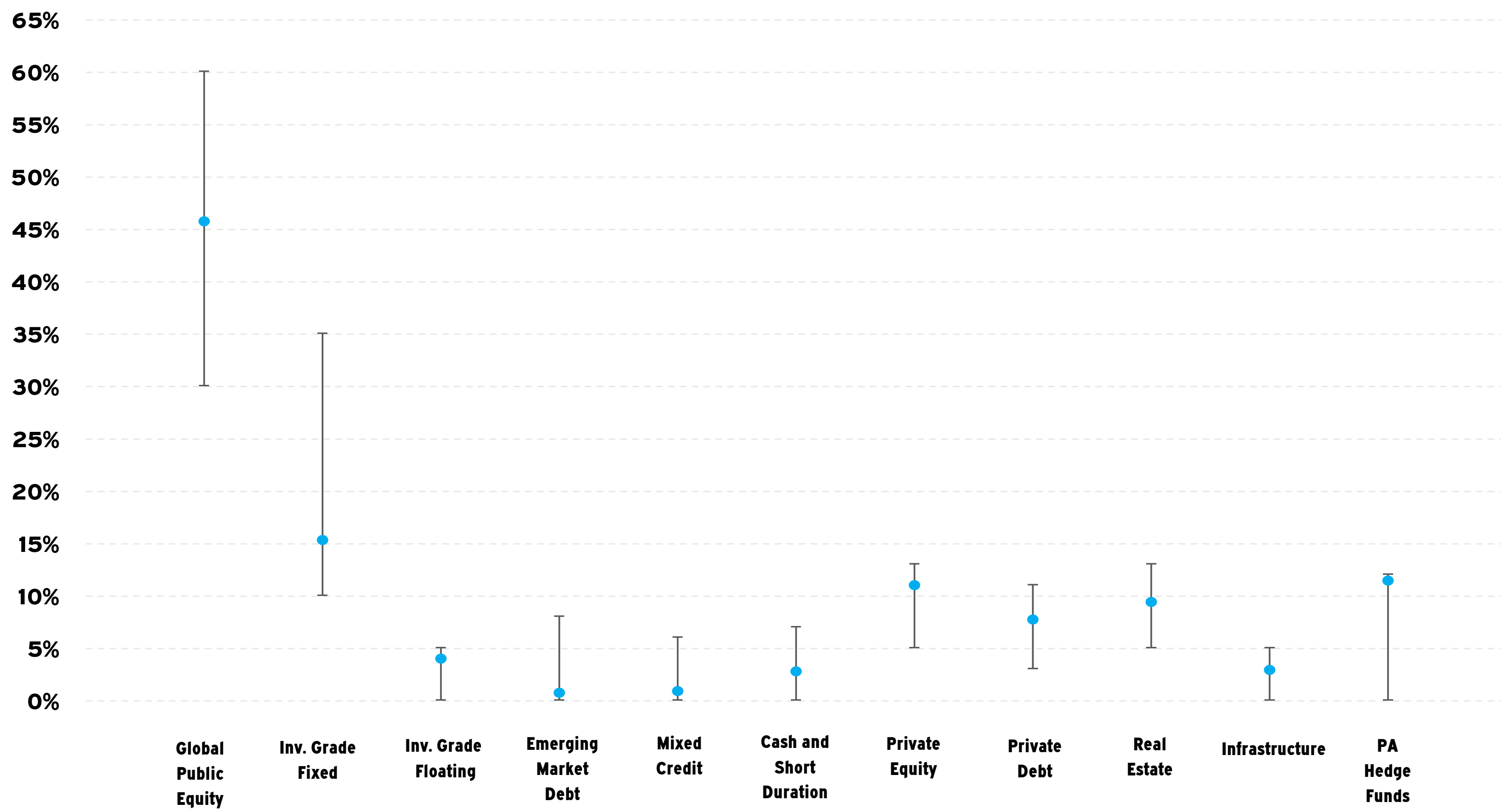
South Carolina Retirement System Investment Commission

Total Retirement System | As of September 30, 2021

Actual vs. Policy Ranges:
(Including Overlay)



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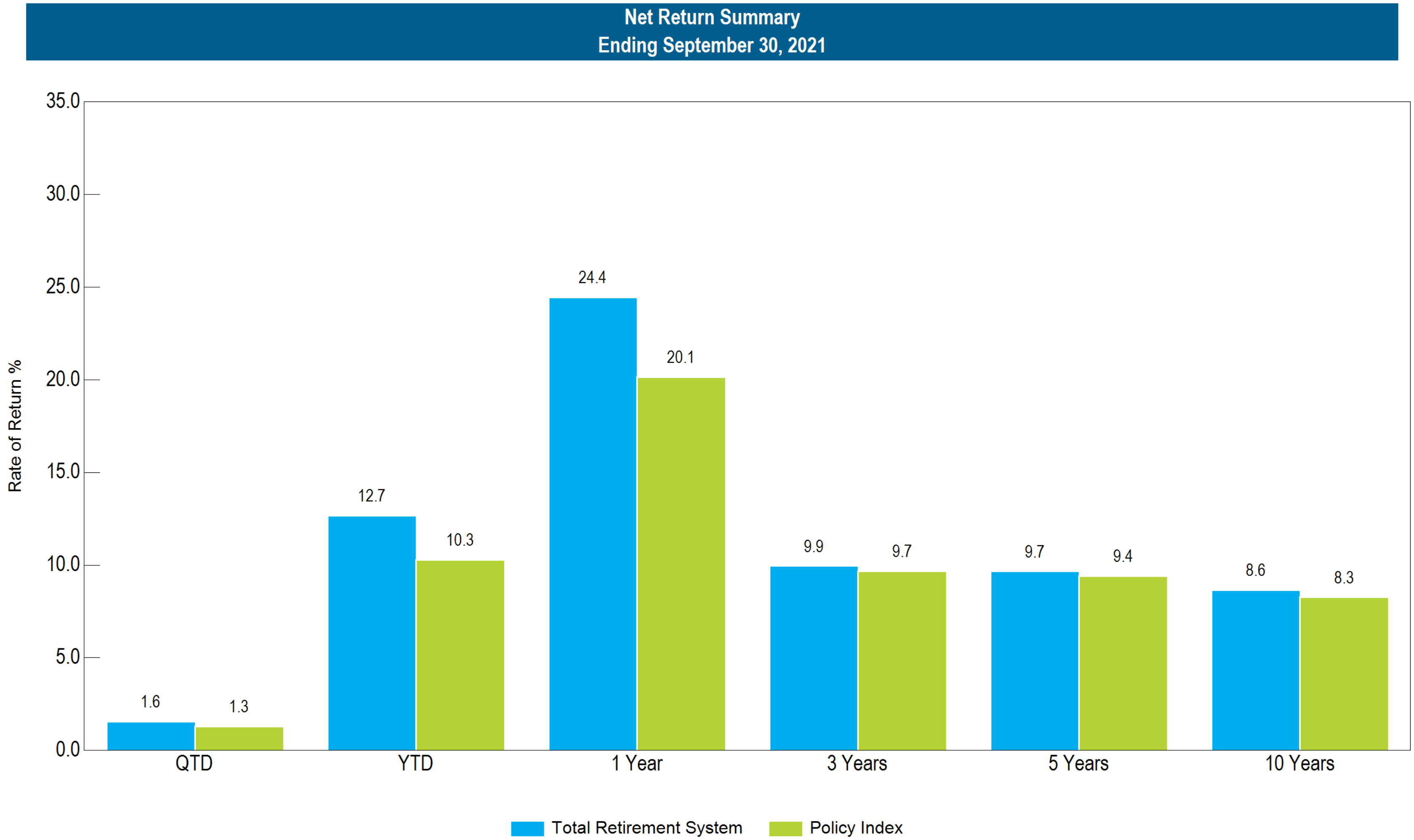
South Carolina Retirement System Investment Commission

Total Retirement System | As of September 30, 2021



Returns for periods greater than one year are annualized.

Fiscal YTD performance is equal to QTD.

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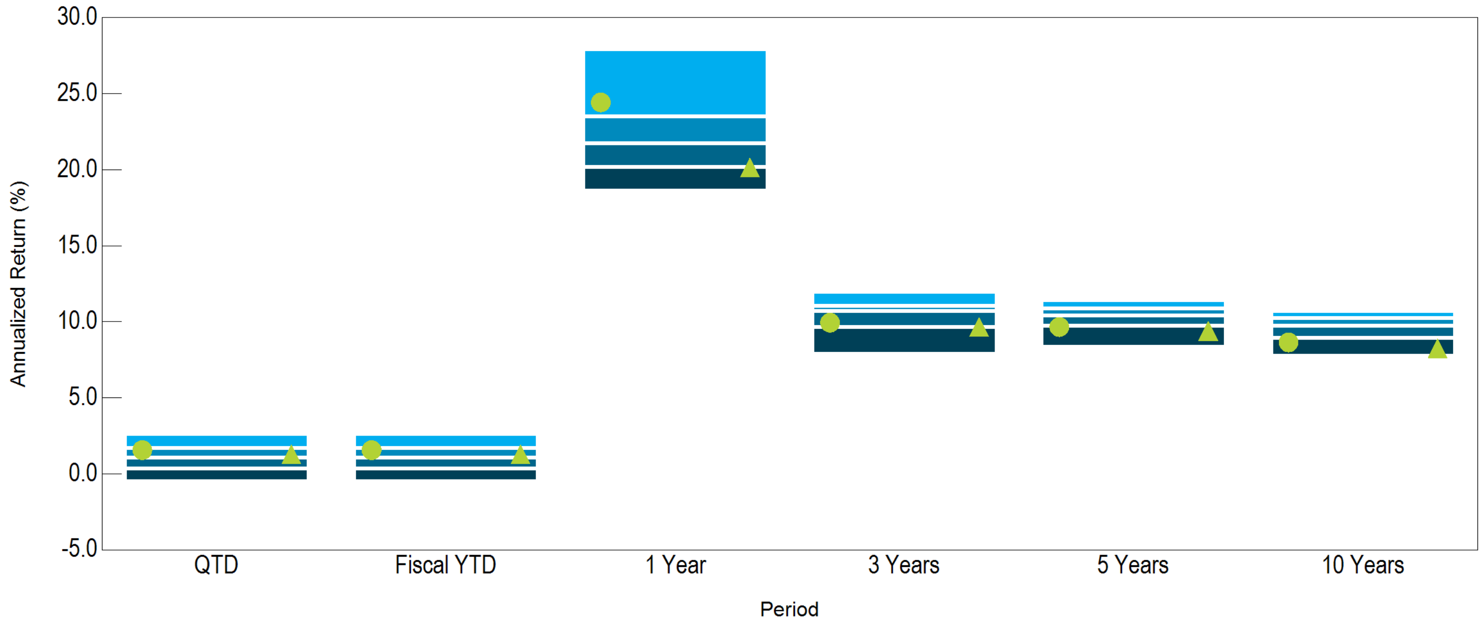
South Carolina Retirement System Investment Commission

Total Retirement System | As of September 30, 2021



	Return (Rank)											
5th Percentile	2.6		2.6		27.9		12.0		11.4		10.7	
25th Percentile	1.7		1.7		23.5		11.1		10.9		10.3	
Median	1.1		1.1		21.8		10.7		10.4		9.8	
75th Percentile	0.4		0.4		20.2		9.7		9.7		9.0	
95th Percentile	-0.5		-0.5		18.6		7.9		8.4		7.8	
# of Portfolios	26		26		26		26		26		24	
● **Total Retirement System**	1.6	(35)	1.6	(35)	24.4	(17)	9.9	(71)	9.7	(77)	8.6	(90)
▲ **Policy Index**	1.3	(46)	1.3	(46)	20.1	(76)	9.7	(76)	9.4	(81)	8.3	(93)

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Quarterly Excess Performance vs. Policy Benchmark

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South Carolina Retirement System Investment Commission

Total Retirement System | As of September 30, 2021

Net Asset Class Performance Summary	Market Value ($)	% of Portfolio	QTD (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
Total Retirement System	**39,723,456,252**	**100.0**	**1.6**	**12.7**	**24.4**	**10.0**	**9.7**	**8.6**	**6.2**	**Oct-05**
Policy Index			*1.3*	*10.3*	*20.1*	*9.7*	*9.4*	*8.3*	*5.7*	*Oct-05*
Public Equity	**18,148,466,044**	**45.7**	**-1.1**	**11.7**	**29.4**	**10.9**	**12.0**	**11.4**	**6.8**	**Oct-05**
Public Equity Blended Benchmark			*-1.1*	*11.4*	*28.9*	*12.3*	*13.0*	*11.8*	*7.6*	*Oct-05*
Bonds	**4,218,380,602**	**10.6**	**0.5**	**2.3**	**5.5**	**4.2**	**3.2**	**2.7**	**3.8**	**Oct-05**
Bonds Blended Benchmark			*0.0*	*-1.6*	*-0.9*	*3.8*	*2.9*	*3.2*	*--*	*Oct-05*
Investment Grade-Fixed	**751,990,085**	**1.9**	**0.4**	**0.7**	**2.2**	**6.8**	**4.3**	**--**	**4.4**	**Jul-15**
Investment Grade-Floating	**1,566,586,703**	**3.9**	**1.1**	**5.0**	**9.1**	**--**	**--**	**--**	**10.6**	**Jul-20**
Mixed Credit	**340,476,978**	**0.9**	**1.8**	**8.4**	**14.8**	**7.1**	**6.7**	**6.1**	**6.8**	**May-08**
50% S&P LSTA Leveraged Loan Index/50% Barclays High Yield Index			*1.0*	*4.5*	*9.8*	*5.5*	*5.6*	*5.6*	*6.0*	*May-08*
Emerging Market Debt	**268,851,244**	**0.7**	**-1.8**	**-1.3**	**6.1**	**4.6**	**2.9**	**3.7**	**4.8**	**Jul-09**
50% JP Morgan EMBI Global Diversified (USD)/50% JP Morgan EMBI Global Diversified			*-1.9*	*-3.9*	*3.5*	*4.7*	*3.0*	*3.5*	*4.9*	*Jul-09*
Cash and Overlay	**1,290,475,592**	**3.2**	**0.0**	**0.2**	**0.8**	**2.0**	**1.5**	**1.1**	**0.1**	**Oct-05**
ICE BofA 91 Days T-Bills TR			*0.0*	*0.0*	*0.1*	*1.2*	*1.2*	*0.6*	*1.2*	*Oct-05*
Short Duration	**535,421,860**	**1.3**	**0.3**	**1.1**	**2.1**	**3.0**	**2.2**	**2.0**	**2.0**	**Mar-10**
Bloomberg US Govt/Credit 1-3 Yr. TR			*0.1*	*0.1*	*0.3*	*2.9*	*1.9*	*1.5*	*1.5*	*Mar-10*
Private Equity	**4,353,127,324**	**11.0**	**10.0**	**38.0**	**52.6**	**15.5**	**15.6**	**13.7**	**9.5**	**Apr-07**
Private Equity Blended Benchmark			*9.8*	*42.2*	*58.7*	*26.8*	*22.7*	*18.8*	*12.9*	*Apr-07*
Private Debt	**3,047,212,078**	**7.7**	**3.4**	**15.1**	**19.8**	**6.0**	**6.3**	**7.5**	**6.9**	**Jun-08**
S&P LSTA Leveraged Loan Index + 150 bps 3-mo lag			*1.9*	*8.3*	*13.1*	*5.9*	*6.5*	*5.9*	*5.4*	*Jun-08*

Return calculations are rounded to the nearest tenth of percent and may differ slightly from BNYM reported returns.

Fiscal YTD performance is equal to QTD.

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South Carolina Retirement System Investment Commission

Total Retirement System | As of September 30, 2021

	Market Value ($)	% of Portfolio	QTD (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
Real Assets	**4,853,591,099**	**12.2**	**4.4**	**13.2**	**17.3**	**8.7**	**8.1**	**11.4**	**8.8**	**Jul-08**
Real Assets Blended Benchmark			*6.4*	*12.5*	*13.7*	*6.6*	*6.5*	*5.5*	*3.5*	*Jul-08*
Private Real Estate	**3,390,816,118**	**8.5**	**5.8**	**12.5**	**14.2**	**7.1**	**8.3**	**11.5**	**7.2**	**Jul-08**
Private Real Estate Blended Benchmark			*6.4*	*12.5*	*13.7*	*6.7*	*7.6*	*10.5*	*5.6*	*Jul-08*
Public Real Estate	**327,620,301**	**0.8**	**1.7**	**24.5**	**39.4**	**13.2**	**9.1**	**--**	**8.4**	**Jul-16**
FTSE NAREIT Equity REIT			*1.0*	*23.1*	*37.4*	*10.0*	*6.8*	*11.3*	*6.2*	*Jul-16*
Private Infrastructure	**759,086,533**	**1.9**	**1.6**	**6.3**	**9.6**	**7.5**	**--**	**--**	**6.7**	**Jul-18**
DJ Brookfield Global Infrastructure			*-0.9*	*11.5*	*19.6*	*7.9*	*6.2*	*8.8*	*7.0*	*Jul-18*
Public Infrastructure	**376,068,148**	**0.9**	**-0.2**	**12.4**	**20.6**	**10.9**	**7.7**	**--**	**7.6**	**Jun-16**
DJ Brookfield Global Infrastructure			*-0.9*	*11.5*	*19.6*	*7.9*	*6.2*	*8.8*	*7.2*	*Jun-16*
Hedge Funds Portable Alpha	**4,526,692,490**	**11.4**	**2.1**	**9.9**	**17.9**	**7.6**	**7.2**	**7.0**	**8.2**	**Jul-07**
HFRI Conservative Fund of Funds less LIBOR			*1.0*	*6.8*	*13.0*	*4.1*	*3.4*	*3.1*	*0.9*	*Jul-07*

Return calculations are rounded to the nearest tenth of percent and may differ slightly from BNYM reported returns.

Statistics Summary

5 Years Ending September 30, 2021

	Anlzd Return	Anlzd Standard Deviation	Information Ratio	Beta	Sharpe Ratio	Tracking Error
Total Retirement System	9.7%	9.1%	0.1	1.0	0.9	2.6%
Policy Index	9.4%	8.4%	--	1.0	1.0	0.0%
Public Equity	12.4%	15.4%	-0.4	1.0	0.7	1.7%
Public Equity Blended Benchmark	13.1%	15.0%	--	1.0	0.8	0.0%
Bonds	3.2%	8.4%	-0.3	1.6	0.0	6.2%
Bonds Blended Benchmark	2.9%	3.8%	--	1.0	0.5	0.0%
Mixed Credit	6.7%	6.8%	0.8	0.9	1.0	2.6%
50% S&P LSTA Leveraged Loan Index/50% Barclays High Yield Index	5.6%	6.9%	--	1.0	0.6	0.0%
Emerging Market Debt	2.9%	10.9%	0.0	1.1	0.2	2.2%
50% JP Morgan EMBI Global Diversified (USD)/50% JP Morgan EMBI Global Diversified	3.0%	9.5%	--	1.0	0.2	0.0%
Cash and Overlay	1.5%	8.4%	-0.4	-6.9	-0.4	8.5%
ICE BofA 91 Days T-Bills TR	1.2%	0.3%	--	1.0	0.2	0.0%
Short Duration	2.2%	1.5%	0.3	0.6	0.8	1.5%
Bloomberg US Govt/Credit 1-3 Yr. TR	1.9%	0.9%	--	1.0	0.9	0.0%
Private Equity	15.6%	6.9%	-0.4	-0.1	2.1	18.8%
Private Equity Blended Benchmark	22.3%	16.2%	--	1.0	1.3	0.0%
Private Debt	6.3%	4.3%	0.0	-0.1	1.2	8.6%
S&P LSTA Leveraged Loan Index + 150 bps 3-mo lag	6.5%	6.7%	--	1.0	0.8	0.0%

	Anlzd Return	Anlzd Standard Deviation	Information Ratio	Beta	Sharpe Ratio	Tracking Error
Real Assets	8.1%	4.8%	0.7	0.6	0.8	8.1%
Real Assets Blended Benchmark	6.5%	5.8%	--	1.0	0.9	0.0%
Private Real Estate	8.3%	2.5%	0.3	0.2	2.9	3.9%
Private Real Estate Blended Benchmark	7.6%	4.0%	--	1.0	1.6	0.0%
Public Real Estate	9.1%	16.1%	0.9	0.9	0.5	2.5%
FTSE NAREIT Equity REIT	6.8%	17.1%	--	1.0	0.3	0.0%
Private Infrastructure	--	--	--	--	--	--
DJ Brookfield Global Infrastructure	6.2%	13.5%	--	1.0	0.4	0.0%
Public Infrastructure	7.5%	12.5%	0.7	0.9	0.5	2.3%
DJ Brookfield Global Infrastructure	6.2%	13.5%	--	1.0	0.4	0.0%
Hedge Funds Portable Alpha	6.8%	4.7%	1.2	0.8	1.3	3.2%
HFRI Conservative Fund of Funds less LIBOR	3.4%	4.4%	--	1.0	0.5	0.0%

Disclaimer

Disclaimer

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INVESTMENT GROUP

Retirement System Investment Commission

December 2021

Public Equity Benchmarking

Introduction

- The South Carolina Retirement System Investment Commission ("RSIC") currently benchmarks its public equity portfolio to the MSCI All Country World Index ("ACWI").
- The RSIC public equity portfolio has a majority (87.3%) of the assets invested passively in the MSCI ACWI.
  - This product provides RSIC with broad diversification across stocks, market capitalization, sectors, and geography.
- The RSIC and Staff recently asked Meketa to review this exposure and evaluate it relative to investing exclusively in the U.S. through an S&P 500 index.
- The following pages of this document evaluate the impact of investing the RSIC's assets globally.
- For several reasons illustrated in this document, Meketa recommends the RSIC maintain the global benchmark, MSCI ACWI, for the RSIC's public equity portfolio.

Benefits of Investing in International Stocks

- Geographical diversification
- Higher long-term return potential
- Dampening of overall Fund volatility
- Current valuations indicate that international stocks appear cheaper than domestic equities

Historical Performance
(As of September 30, 2021)

	S&P 500	MSCI ACWI
Trailing Annualized Returns (%):		
1-Year	30.0	27.4
3-Year	16.0	12.6
5-Year	16.9	13.2
7-Year	14.0	9.9
10-Year	16.6	11.9
20-Year	9.5	8.1
Common Period (January 1990)	10.5	7.3
Calendar Annual Returns (%):		
2020	18.4	16.3
2019	31.5	26.6
2018	-4.4	-9.4
2017	21.8	24.0
2016	12.0	7.9
2015	1.4	-2.4
2014	13.7	4.2
2013	32.4	22.8
2012	16.0	16.1
2011	2.1	-7.3
2010	15.1	12.7
2009	26.5	34.6
2008	-37.0	-42.2

Endpoint Bias

- The recent outperformance of U.S. stocks is causing investors to reconsider the global orientation of equity portfolios; however, we need to be cautiously aware of the impact of endpoint bias.
- For the ten-year period ending December 1999, the S&P 500 index earned 6.5% more than the MSCI ACWI index, annually.
  - Japanese stocks were responsible for dragging down performance of the global equity index through the 1990s.
- When measured ten years later, the situation was moderately reversed: global equities exhibited an annualized ten-year outperformance of 1.5%.
- This trend has reversed once again, with U.S. equities significantly outperforming global equities by 4.8% over the trailing ten-year period ending December 2019.
  - The "FAANG + M" (Facebook/Meta, Amazon, Apple, Netflix, Google, and Microsoft) stocks have driven a lot of the outperformance recently experienced in the S&P 500 index; however, Meketa anticipates international equities will outperform U.S. equities over the next 10 years.

	10 Years As of 12/99	10 Years As of 12/09	10 Years As of 12/19
MSCI ACWI	11.7%	0.5%	8.8%
S&P 500	18.2%	-1.0%	13.6%

Portfolio Characteristics[1] (As of September 30, 2021)

	S&P 500		MSCI ACWI	
Number of Holdings	505		2,979	
% of Portfolio in Top 10 Holdings:	28%		16%	
Price-Earnings Ratio	24.3x		18.3x	
Dividend Yield	1.4%		1.7%	
Weighted Average Market	$558.7B		$342.8B	
Median Market Cap	$30.7B		$13.1B	
Market Cap > $50bn	78%		64%	
Market Cap $15bn - $50bn	21%		26%	
Market Cap < $15bn	1%		10%	
Sector Weightings	Info.Tech.	28%	Info.Tech.	22%
	Health Care	13%	Financials	14%
	Cons Disc.	12%	Cons. Disc.	12%
	Financials	11%	Health Care	12%
	Comm. Services	11%	Industrials	10%
Region Weightings	U.S.	100%	U.S.	60%
			Developed	27%
			Emerging	13%

- The MSCI ACWI gives the Fund exposure to nearly six times more stocks.
- Within the S&P 500 index, 28% of the portfolio is concentrated in ten names, creating significantly more idiosyncratic risk.
  - This has been a benefit recently with the large concentration of the aforementioned FAANG + M stocks; however, that concentration has also weighed on performance in past environments.
  - In addition, the ACWI provides broader geographic, sector, and market capitalization diversification for the Fund.

1 Source: S&P and MSCI. Sector weightings may not sum to 100% due to rounding.

Historical Correlations[1]
(Jan 1989 through June 2021)

Asset Class	U.S. Equities	Investment Grade Bonds	High Yield Bonds	Foreign Equities
U.S. Equities	1.00			
Investment Grade Bonds	0.12	1.00		
High Yield Bonds	0.60	0.62	1.00	
Foreign Equities	0.74	0.09	0.55	1.00

- Returns of foreign equities over the last two decades have simultaneously been:
  - Increasingly correlated with U.S. stocks.
  - Exhibiting low correlation with U.S. bonds.

[1] Each asset class is represented by the following indices: US Equity = S&P 500, Investment Grade Bonds = Bloomberg US Aggregate, High Yield Bonds = Bloomberg High Yield Bond, Foreign Equities = MSCI EAFE

Where Is GDP Growth Expected to Come From?

- Economist's project higher growth internationally, and specifically emerging markets are expected to provide most of that growth.

Emerging Markets

Country	Projected Real GDP Growth[1]
Brazil	2.3%
China	5.2%
India	7.2%
South Korea	2.5%
Russia	2.0%
South Africa	2.4%
Average:	*3.6%*

Developed Markets

Country	Projected Real GDP Growth
Australia	3.2%
France	2.3%
Germany	1.5%
Japan	1.3%
United Kingdom	2.3%
United States	2.5%
Average:	*2.2%*

[1] Source Oxford Economics as of May, 2020. Figures represent 10-year annualized averages from 2021 through 2030.

Expected Returns

	Consulting Industry		Meketa	
	10-Year	20-Year	10-Year	20-Year
U.S. Equity Large Cap	5.8%	6.7%	5.2%	6.7%
U.S. Equity Small/Mid Cap	6.3%	7.0%	5.7%	7.0%
Non-U.S. Equity – Developed	6.4%	7.1%	6.7%	7.1%
Non-U.S. Equity – Emerging	7.2%	7.8%	7.5%	8.1%

- Annually, Horizon Actuarial Services, LLC publishes a survey of capital market assumptions that it collects from various investment advisors.[1] In addition, Meketa also publishes its own annual capital markets assumptions.
- Meketa and the consulting industry more broadly, as measured by Horizon, all believe that over both shorter-term periods (10 years) and longer-term periods (20 years), international developed equities and emerging market equities will outperform their domestic equity counterparts.
- The shorter-term results are more heavily driven by current valuations in domestic and international equity markets, while longer-term return expectations put a larger emphasis on dividend yield and GDP growth projections.

[1] The 2021 survey included 39 respondents. The 10-year horizon included all 39 respondents, and the 20-year horizon included 24 respondents. Figures based on Meketa's 2021 Capital market expectations.

Impact of Diversifying

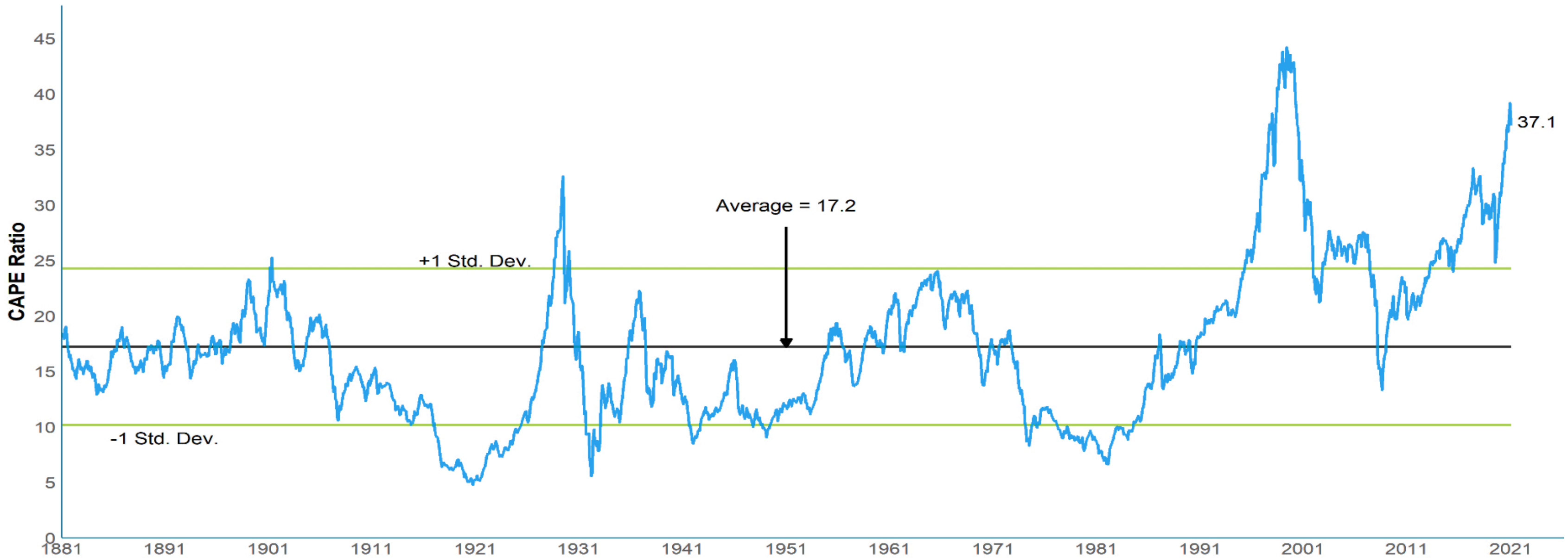
- By diversifying globally, long-term investors can increase portfolio expected returns, while maintaining similar risk levels, resulting in more efficient portfolios.[1]

	Current Equity Portfolio	U.S. Only Equity Portfolio	Change
Expected Return (%)	7.33	7.03	-0.30
Standard Deviation (%)	18.00	18.00	0.00
Sharpe Ratio	0.35	0.33	-0.02

- A globally diversified equity portfolio pushes the Fund's efficient frontier out, increasing the return earned per unit of risk.
- By eliminating the international equity exposure, the expected return on the Fund's equity portfolio would decline by 0.3%, per year, resulting in an estimated $1.1 billion less earned over the next 20 years.
- In addition, a U.S. focused equity portfolio would reduce the Fund's expected return by an average of 0.16%, per year, over the next 20 years, while simultaneously increasing the Fund's volatility by 0.14%., and reducing the Sharpe ratio from a projected 0.44 to 0.42.

[1] Note: based on Meketa's 2021 capital markets assumptions.

US Equity Cyclically Adjusted P/E[1]
(As of September 30, 2021)

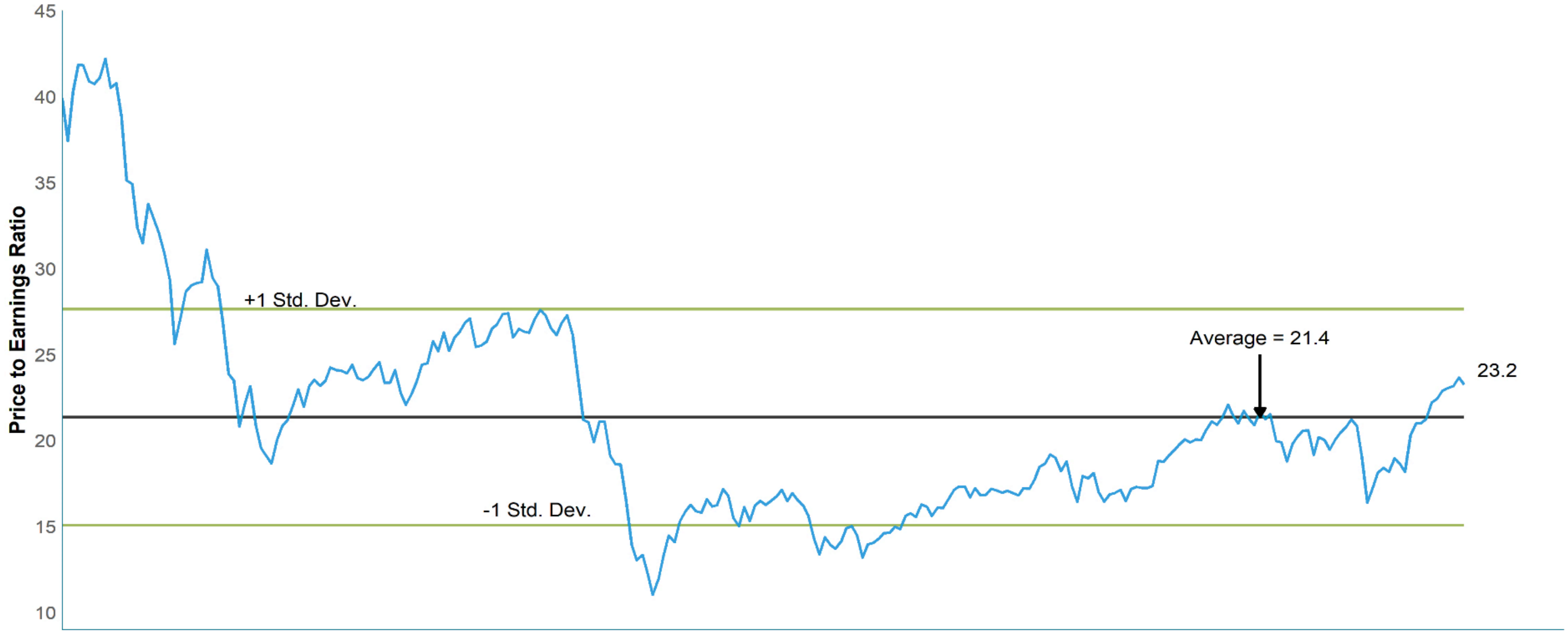


- This chart details one valuation metric for U.S. equities with a higher (lower) figure indicating more expensive (cheaper) valuation relative to history.
- U.S. equities are near all-time high valuations, with a cyclically adjusted PE ratio of 37.1, more than double the historical average.

[1] US Equity Cyclically Adjusted P/E on S&P 500 Index. Source: Robert Shiller, Yale University, and Meketa Investment Group.

Developed International Equity Cyclically Adjusted P/E[1]

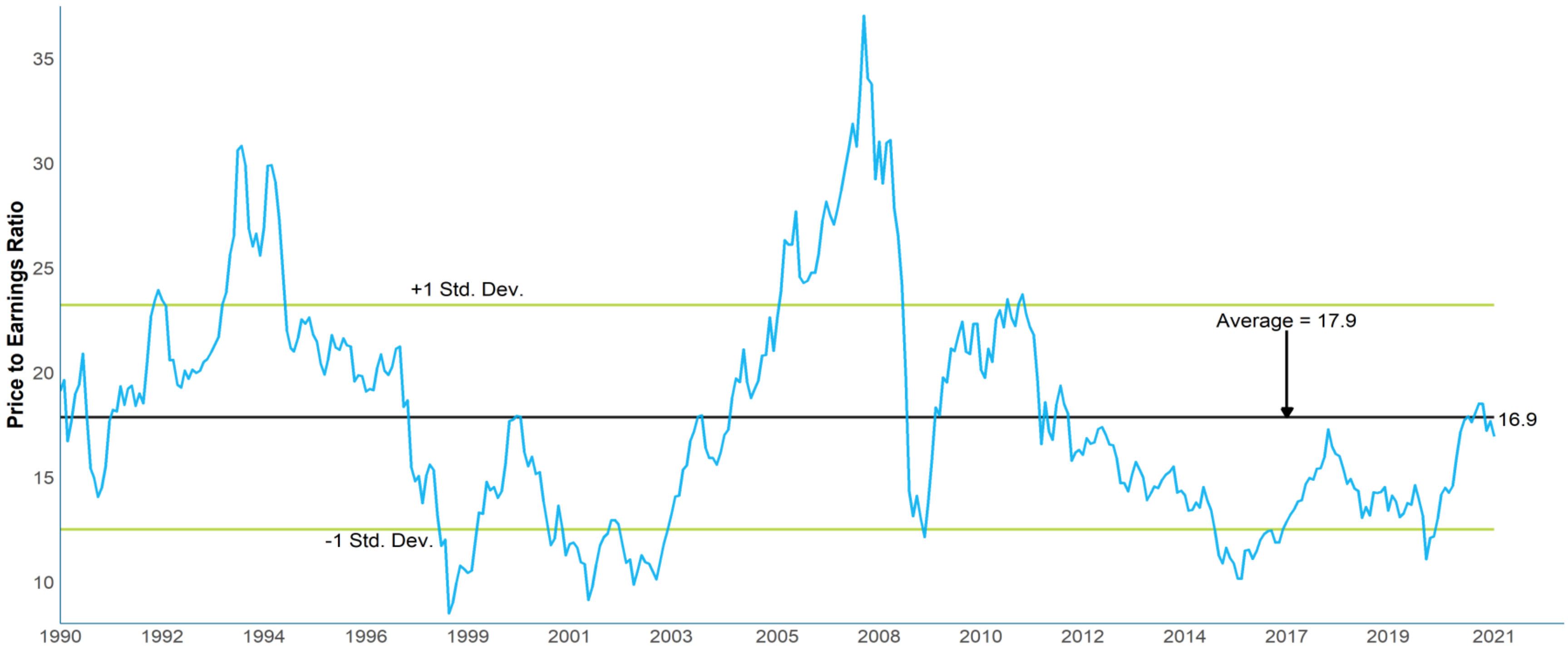
(As of September 30, 2021)



- Currently, international developed equities appear slightly more expensive than their historical average.

[1] Developed International Equity (MSCI EAFE Index) Cyclically Adjusted P/E – Source: MSCI and Bloomberg. Earnings figures represent the average of monthly "as reported" earnings over the previous ten years.

Emerging Market Equity Cyclically Adjusted P/E[1]
(As of September 30, 2021)



- Emerging market equities are slightly less expensive than their historical average.

[1] Emerging Market Equity (MSCI Emerging Markets Index) Cyclically Adjusted P/E – Source: MSCI and Bloomberg. Earnings figures represent the average of monthly "as reported" earnings over the previous ten years.

Summary

- On average, large public plans invest 19% of their overall Fund or approximately 42% of their public equity allocation in international equities, which is similar to the RSIC's exposure.
- Meketa Investment Group believes by diversifying its public equities globally, the RSIC enhances the efficiency of the overall Fund, by increasing its long-term return potential and reducing overall projected volatility.
- Currently U.S. equities are at historically high valuations, while international developed equities are slightly more expensive than average, and emerging markets are cheaper than their historical average valuation. Therefore, projections for the next 10 years favor investments in international equities.
- With all these factors in mind, Meketa believes the current public equity benchmark, the MSCI ACWI, is prudent for the RSIC to maintain.

Delegated Investments (September 23, 2021 to December 1, 2021)

Asset Class	Investment	Investment Amount	Closing Date
Private Equity	Great Hill Equity Partners VIII	$75 M	October 29, 2021
Private Credit	KKR Asset-Based Finance Partners, L.P.	$100 M	November 4, 2021
Private Equity	Blackstone Strategic Partners IX	Up to $100 M	November 18, 2021
Infrastructure	Stonepeak Infrastructure Fund IV	Up to $75 M	November 26, 2021