RSIC
Retirement System Investment Commission

Commission Meeting Agenda

April 18-19, 2024

Thursday, April 18, 2024 at 9:30 a.m.

RSIC Presentation Center and Streaming Online (Business Meeting Only) at www.rsic.sc.gov

I. Business Meeting - Call to Order and Consent Agenda
   A. Adoption of Proposed Agenda
   B. Approval of March 2024 Minutes

II. Chair's Report

III. Committee Reports

IV. CEO's Report
   A. Consolidated Annual Investment Plan and Statement of Investment Objectives and Policies – AIP Approval

V. Delegated Investment Report

VI. Executive Session to discuss investment matters and specific real asset and private credit investments, and certain portions of the Consolidated Annual Investment Plan and Statement of Investment Objectives and Policies, pursuant to S.C. Code Sections 9-16-80 and 9-16-320; to discuss negotiations incident to proposed contractual arrangements pursuant to S.C. Code Section 30-4-70(a)(2); to discuss personnel matters and to receive advice from legal counsel pursuant to S.C. Code Section 30-4-70(a)(1)-(2).

VII. Potential Actions Resulting from Executive Session

VIII. End of Business Meeting; Recess

IX. Special Educational Session
   A. Governance Review and Investment Basics
   B. Risk Management
   C. Asset Class / Strategy Primers
      1. Public Equity
      2. Fixed Income
      3. Private Markets

X. Recess (End of Day One)

Friday, April 19, 2024 at 9:00 a.m.

RSIC Presentation Center

XI. Call to Order

XII. Special Education Session (Continued)
   A. Asset Class / Strategy Primers
      1. Private Markets, continued
      2. Hedge Funds
   B. Asset Allocation
      1. What has changed since the Commission's last Strategic Asset Allocation review in 2019-20

XIII. 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

March 7, 2024 9:30 a.m.
Capitol Center
1201 Main Street, 15th Floor
Columbia, South Carolina 29201
Meeting Location: 1201 Main Street, 15th Floor, Ste. 1510 & Streaming Online at www.rsic.sc.gov

Commissioners Present:
Mr. William Hancock, Chair
Ms. Melissa Schumpert, Vice Chair
Ms. Peggy Boykin, PEBA Executive Director
Mr. William J. Condon, Jr.
Mr. Kenneth F. Deon
Mr. Edward Giobbe
Dr. Holley H. Ulbrich
Mr. Reynolds Williams (absent)

I. Call to Order and Consent Agenda

Chair William H. Hancock called the meeting of the South Carolina Retirement System Investment Commission ("Commission") to order at 9:31 a.m. Ms. Melissa Schumpert made a motion to adopt the agenda as presented. Mr. Kenneth F. Deon seconded the motion, which was unanimously approved.

Mr. Deon made a motion to approve the minutes of the Commission's December 7, 2023, meeting. Ms. Schumpert seconded the motion, which was approved unanimously.

A link to the entire meeting is below:

2024 03 07 Commission Meeting (youtube.com)

II. Chair's Report

Chair Hancock stated that he had nothing to report.

III. Committee Reports

Chair Hancock recognized Mr. Michael R. Hitchcock, Chief Executive Officer ("CEO") for the both the Human Resources and Compensation Committee ("HRCC") and Audit and Enterprise Risk Management Committees ("AERMC") reports. Mr. Hitchcock stated that each Committee had made a report available to the Commissioners for review prior to the meeting. There being no questions, he concluded the reports.

IV. CEO's Report

Chair Hancock recognized Mr. Hitchcock for his report on the Consolidated Annual Investment Plan and Statement of Investment Objectives and Policies ("AIP/SIOP"). He noted that he would be presenting a summary of the proposed changes and that the Commission would vote on the proposal at the April 2024 Commission meeting to ensure compliance with the May 1st statutory deadline.

At 9:35 a.m. Dr. Holley H. Ulbrich joined the meeting.

Mr. Hitchcock then gave an overview of the proposed changes. He explained the conforming and technical proposed amendments to the AIP/SIOP. He noted that the majority of the amendments were additional verbiage, changing references and technical corrections. Mr. Hitchcock then turned the discussion to the proposed governance policy amendments. After presenting the proposed changes, Mr. Hitchcock asked for any questions, and hearing none, concluded his report.

A link to the CEO's Report is below:

https://www.youtube.com/watch?v=X5IZJSYIaQk&t=135s

V. CIO's Report

Chair Hancock recognized Mr. Geoffrey Berg, Chief Investment Officer ("CIO"), for the quarterly investment performance review. Mr. Berg reported that the total Plan return for the quarter ended December 31, 2023 was 6.73 percent, which outperformed the policy benchmark, despite the Plan's underweight to public equity. He noted the total Plan value as of December 31, 2023 was $42.47 billion, and had eclipsed the previous high Plan value. He stated that for the calendar year ending December 31, 2023, net benefit payments from the Plan were down to under $100 million.

Mr. Berg reviewed the three- and five-year returns. He reported that over the past three years, the Plan outperformed the policy benchmark by 2.82 percent, adding $3.5 billion to Plan value, while on a five-year basis, the outperformance (9.20 percent versus policy benchmark's return of 7.60 percent) had added close to $5 billion total to Plan value. Mr. Kenneth F. Deon asked Mr. Berg to review the policy benchmark. Following a brief discussion, Mr. Berg turned to discuss the portfolio performance framework. He stated that over the last year, the stock-bond Reference Portfolio had substantially outperformed the five-asset class policy benchmark's return, but the three-year performance demonstrated the benefit of diversification. He mentioned that over the last quarter the Plan had some underperformance in the quality of portfolio structure but there had been a modest, but positive, excess return fiscal year-to-date. He also compared the performance of the managers against the implementation benchmark, noting positive performance in all periods listed. Mr. Berg then turned to address the recent underperformance of the Plan versus the Reference Portfolio. He explained that two of the key factors had been the Plan's continuing overweight to private equity, and the offsetting underweight to public equity.

Mr. Berg then reviewed asset class performance, noting that for the period ending December 31, 2023, all asset classes outperformed their benchmarks over the three-and five-year periods. He also stated that bonds and private debt underperformed their benchmarks in the 12-month period. He explained that when the Plan holds cash, it is treated as bonds in the asset allocation, and that the Plan was holding more cash than it typically does in order to remain flexible during an uncertain economic and geopolitical moment.

After a brief discussion of the portable alpha hedge funds performance, Mr. Berg turned to a discussion of attribution and SIOP compliance. Mr. Berg noted that, at 13.1 percent, the private equity asset class allocation has continued to decrease, and was just outside its allowable range at December 31, 2023, while the total private markets exposure remained above the notification threshold. Mr. Berg reiterated his thanks to the Commission for their patience in permitting staff to prudently address these overweights. He concluded with a review of the portfolio risk estimates, explaining that the only meaningful changes were the declining tracking error due to actions taken to reduce the portfolio's private equity exposure. Mr. Berg then reviewed historical realized volatility versus forward volatility and its risk measurements. A link to the CIO's Report is below:

https://www.youtube.com/watch?v=X5IZJSYlaQk&t=1254s

VI. Actuarial Update – GRS Actuarial Consultants

Chair Hancock recognized Mr. Joe Newton and Mr. Danny White of GRS Actuarial Consultants ("GRS"), the actuaries for the South Carolina Retirement System ("SCRS") to provide an update on actuarial valuations as of July 1, 2023. Mr. White began the presentation with a summary of historical membership demographics for SCRS, including a breakdown of the beneficiaries by non-disabled retiree, disabled retiree, and beneficiary, as well as a breakdown of contributions versus benefit payments since 2011. Mr. White then presented a summary of the 2023 valuations and salary increases for both SCRS and the Police Officers Retirement System of South Carolina ("PORS"). Mr. Newton discussed the historical and projected liability assets for SCRS. He then provided a brief history of SCRS' unfunded accrued actuarial liability. He continued to report SCRS' 2022 and 2023 projected unfunded liability and valuation as well as its projected contribution rates and probabilities of outcomes. Mr. Newton then turned to discuss PORS' 2023 projected unfunded liability and valuation. Lastly, Mr. Newton concluded his presentation by providing a valuation comment summary.

A link to the presentation given by GRS is below:

https://www.youtube.com/watch?v=X5IZJSYlaQk&t=3098s

A 5-minute break was taken.

VII. Verus 2024 Capital Market Expectations

Chair Hancock then recognized Mr. Mark Brubaker and Ian Toner of Verus Advisory, Inc., to present Verus' Capital Market Expectations Assumptions Review for 2024. Mr. Brubaker explained that Verus formally updates its capital market assumptions annually, but also makes quarterly updates to reflect changes in market conditions over the course of a year. He stated that the portfolio is expected to return 7.3 percent using the 2024 capital market assumptions compared to 7.4 percent using the 2023 capital market assumption. Mr. Brubaker stated that the expected risk decreased from 12.7 percent to 12.5 percent. He then proceeded to discuss methodology and 10-year return and risk assumptions. Mr. Brubaker then reviewed the 2024 versus 2023 return forecast and the long-term expected return of the RSIC portfolio. Mr. Brubaker turned the presentation over to Mr. Toner to discuss the process and the portfolio structure. Mr. Toner began by explaining the range of likely 10-year outcomes and equity return forecasts. He continued to discuss variable long-term returns, 10-year and 30-year forecasts, and fixed income return forecasts. Mr. Toner then turned to discuss correlation assumptions. He gave context to inflation and the current environment. He noted that inflation had come down materially but stickiness within services had held prices above the Federal Reserve's 2 percent target. He stated that this has translated into a higher rate environment and that short-rates have significantly increased from the 2023 capital market assumptions. He continued to discuss equity fundamentals. Mr. Toner concluded his report by discussing the core fixed income market.

A link to the presentation given by Verus is below:

https://www.youtube.com/watch?v=X5IZJSYIaQk&t=5465s

A 15-minute break was taken at 12:04 p.m.

VIII. 2020 Asset Allocation Process Review

Mr. Hitchcock began the presentation by stating that the Commissioners conducted a significant review of the strategic asset allocation in 2019 and made substantial changes to the asset allocation in 2020. He noted that the Commission had reduced the policy allocation from 18 different asset classes and 21 benchmarks, to five. He continued to provide a summary of how these changes were made. After a brief presentation by Mr. James Wingo, Head of Quantitative Solutions Group, Mr. Hitchcock said that the discussion regarding the asset allocation process would continue during 2024 in order to assist the Commission in updating the strategic allocation in 2025. A link to the 2020 Asset Allocation Process Review is below:

https://www.youtube.com/watch?v=X5IZJSYIaQk&t=8472s

IX. Delegated Investment Report

Chair Hancock then recognized Mr. Berg for the delegated investment report. The following delegated investments were closed by Staff following the December 7, 2023, Commission meeting.

Delegated Investments (December 7, 2023 to March 6, 2024)			
Asset Class	Investment	Investment Amount	RSIC Commitment Date
Private Equity	Rubicon Fund II, LP	$40 M	February 9, 2024

Private Equity	Horsley Bridge Venture 15, LP	$50 M	February 12, 2024
Private Credit	KKR Asset Based Finance Partners II	Up to $100 M	February 27, 2024
Private Equity	Spark Capital VIII	$20 M	February 29, 2024
Private Equity	Spark Capital Growth Fund V	$40 M	February 29, 2024

X. Executive Session

Ms. Schumpert made a motion to recede into Executive Session to discuss investment matters and certain portions of the AIP/SIOP, pursuant to S.C. Code Sections 9-16-80 and 9-16-320, including a comprehensive review of the bonds portfolio performance and a discussion of various underlying holdings, and a review of potential investments in the due diligence process; to discuss personnel matters and to receive advice from legal counsel pursuant to S.C. Code Ann. Section 30-4-70(a)(1)-(2). Dr. Holley H. Ulbrich seconded the motion, which was approved unanimously. The Commission receded into Executive Session at 1:04 p.m.

XI. Potential Actions Resulting from Executive Session

Upon returning to open session, Mr. Hitchcock noted that the Commission did not take any action while in executive session.

XII. Adjournment

There being no further business, Ms. Schumpert made a motion to adjourn. Mr. Edward Giobbe seconded the motion, which was approved unanimously. The Commission adjourned at 3:32 p.m.

[Staff Note: In compliance with S.C. Code Section 30-4-80, public notice of and the agenda for this meeting were delivered to the press and to parties who requested notice and were posted at the entrance, in the lobbies, and near the 15th Floor Presentation Center at 1201 Main Street, Columbia, S.C. by 2:39 p.m., on March 5, 2024.]

SOUTH CAROLINA RETIREMENT SYSTEM INVESTMENT COMMISSION

CONSOLIDATED ANNUAL INVESTMENT PLAN AND STATEMENT OF INVESTMENT OBJECTIVES AND POLICIES

As amended and adopted on April ______~~20~~, 2024~~3; as amended on December 7, 2023~~

Role of this Document

The State of South Carolina administers five defined benefit pension plans: the South Carolina Retirement System ("SCRS"), the Police Officers Retirement System ("PORS"), the Retirement System for Members of the General Assembly ("GARS"), the Retirement System for Judges and Solicitors ("JSRS"), and the South Carolina National Guard Supplemental Plan ("SCNG") (together, the "Plan").

The South Carolina General Assembly established the Retirement System Investment Commission ("RSIC") as a state agency in 2005 and provided it with the exclusive authority to invest and manage the assets of the Plan which it does in one group trust. RSIC is governed by an eight-member board (the "Commission"). The Commission is a co-fiduciary of the assets of the Plan along with the South Carolina Public Employee Benefit Authority Board ("PEBA").

State law requires the Commission to adopt a Statement of Investment Objectives and Policies ("SIOP") and to review it annually and to either amend it or reaffirm it. The SIOP establishes investment and performance objectives, policies and guidelines, roles, responsibilities, and delegation of authority for the management of plan assets. State law also requires RSIC's Chief Investment Officer ("CIO") to develop an Annual Investment Plan ("AIP") which must be presented to and adopted by the Commission prior to May 1st of each year. Pursuant to state law, relevant portions of the SIOP may constitute parts of the AIP. This Consolidated SIOP and AIP also serves as the RSIC's strategic plan.

In order to ensure consistency and agreement between the SIOP and AIP, the Commission has consolidated the requirements of both into one document which it will review annually prior to May 1st. As part of the annual review, the Commission will amend or reaffirm, as it deems appropriate, those portions of this document intended to meet the requirements of the SIOP and the Commission will consider the CIO's recommendation of any necessary changes to those portions of this document intended to meet the requirements of the AIP. In order to assist the Commission and the CIO in meeting their respective annual requirements, RSIC's Chief Executive Officer ("CEO") will provide a guide that designates those portions of this document that are required by the SIOP and those that are required by the AIP.

Any gender-specific language in this policy is intended to apply equally.

The consolidated AIP and SIOP takes effect July 1, 2024~~3~~.

TABLE OF CONTENTS

I. STRATEGIC PURPOSE, INVESTMENT OBJECTIVE, AND BELIEFS

A. Purpose

The goal of the State's five defined benefit plans is to provide a lifetime of benefits in retirement to those who have dedicated a career of public service to the State and its political subdivisions. The funding to secure this promise of benefits comes from two sources - contributions made by the employee and employer and the investment return earned on the assets of the Plan. The General Assembly has provided the Retirement System Investment Commission with the sole authority to invest and manage the assets of the Plan. Thus, RSIC's purpose is to earn an investment return that aids in fulfilling the promise of benefit payments to our current and future retirees and their beneficiaries.

B. Investment Objective

RSIC's primary investment objective is to design an investment program that produces a long-term rate of return that when added to contributions, funds current and future benefit payments. In doing so, RSIC must remain mindful that the Commissioners, CEO, and CIO are named fiduciaries to the Plan's active employees, retirees, and their beneficiaries (collectively "beneficiaries"). The Plan's fiduciaries must carry out their respective responsibilities to invest and manage the Plan's assets solely in the interest of the Plan's beneficiaries, for the exclusive purpose of providing benefits, and in keeping with the highest duty of care the law recognizes. As a result, the return the investment program seeks to achieve should involve taking a prudent amount of investment risk.

Further, RSIC cannot design an investment program in isolation, but must instead design a program consistent with the realities of the Plan that is guided by the Plan's particular design, structure, and risk factors. An important guiding consideration is that the Plan is mature and as a result experiences net negative cash flows, in that the amount of annual contributions into the Plan is less than the annual amount of benefit payments flowing out of the Plan. As a result, the investment program must be designed in a way to provide sufficient liquidity to fund the net benefit payments to current retirees.

The investment program also must be guided by the consideration that the respective systems comprising the Plan are underfunded, in that the discounted liabilities of each system exceed the actuarial value of each system's assets. The 2023~~2~~ Actuarial Valuation report from the Plan's actuaries shows the funded status of each system as:

SCRS	PORS	GARS	JSRS	SCNG
5~~6.~~7.9%	65.9~~4~~%	6~~1.3~~7.4%	46.~~2~~4%	~~58.5~~62.9%

The underfunded nature of the Plan presents the risk that the Plan's assets will be insufficient to support future benefit payments. As a result, the investment program must also be designed in a way to grow the assets of the Plan to support payments to future retirees and their beneficiaries. The General Assembly did take significant action to address the underfunded nature of the Plan in the

2017 Pension Reform Bill. The 2017 Pension Reform Bill requires that the unfunded accrued actuarial liability ("UAAL") amortization period for SCRS and PORS be reduced by one year each fiscal year until each plan reaches a twenty-year amortization period. In order to support meeting this requirement, the General Assembly significantly increased contributions into SCRS and PORS. It should be noted that because of these efforts, the funding levels for both SCRS and PORS improved over the prior fiscal year and the amortization periods for both SCRS and PORS have been reduced to 16 ~~17~~ years~~ and 16 years respectively~~.

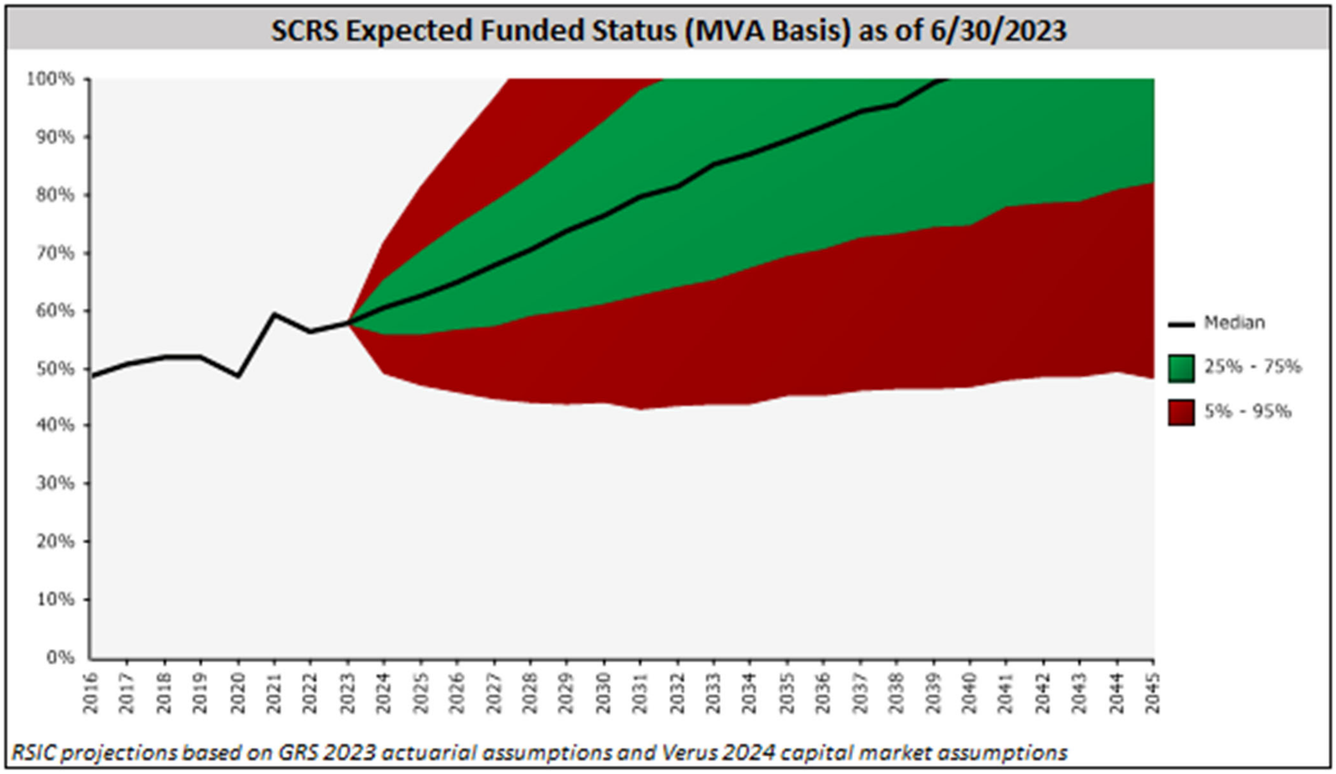
Thus, RSIC is tasked with designing an investment portfolio that balances the need to provide sufficient liquidity to fund current net benefit payments while also growing the portfolio to aid in providing benefits to future retirees.

Another guiding factor is that the General Assembly has set 7 percent as the assumed annual rateof investment return on the Plan's assets. The assumed rate of return not only serves as the discount rate to determine the net present value of the Plan's liabilities, but also serves as the primary driver of the Plan's funding policy. Investment performance relative to the assumed rate of return determines whether contribution rates are sufficient to meet the funding goals and requirements of the Plan.

RSIC realizes that investment performance will not meet or exceed the assumed rate of return every year, but rather strives to construct an investment portfolio that will meet or exceed this rate of return over time at a prudent level of market risk, in keeping with its fiduciary duty to the Plan's beneficiaries. RSIC recognizes that achieving a long-term rate of return that exceeds the assumed rate requires investing the portfolio in a greater percentage of assets with relatively high risk. As a result, the investment portfolio will experience greater market volatility which not only impacts the probability of the investment return exceeding the assumed rate over time, but also correspondingly impacts the probability of reaching the funded status goals of the Planwithout requiring additional contribution rate increases.

As a result, RSIC works to design an investment program that maximizes the probability that the Plan will meet the General Assembly's funded status goals, but also given the high level of contribution rates, strives to minimize the probability that the Plan will need additional contributions above those already required. RSIC believes that it can design an investment program with a significant probability of meeting or making significant progress towards both concerns as demonstrated by the stochastic analysis of our funded status expectations for SCRS set out in Table 1 below and a similar analysis of our contribution rate expectations set out in Table 2 below.

TABLE 1


SCRS Expected Funded Status (MVA Basis) as of 6/30/2023
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
2016 2017 2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 2033 2034 2035 2036 2037 2038 2039 2040 2041 2042 2043 2044 2045
Median
25% - 75%
5% - 95%
RSIC projections based on GRS 2023 actuarial assumptions and Verus 2024 capital market assumptions

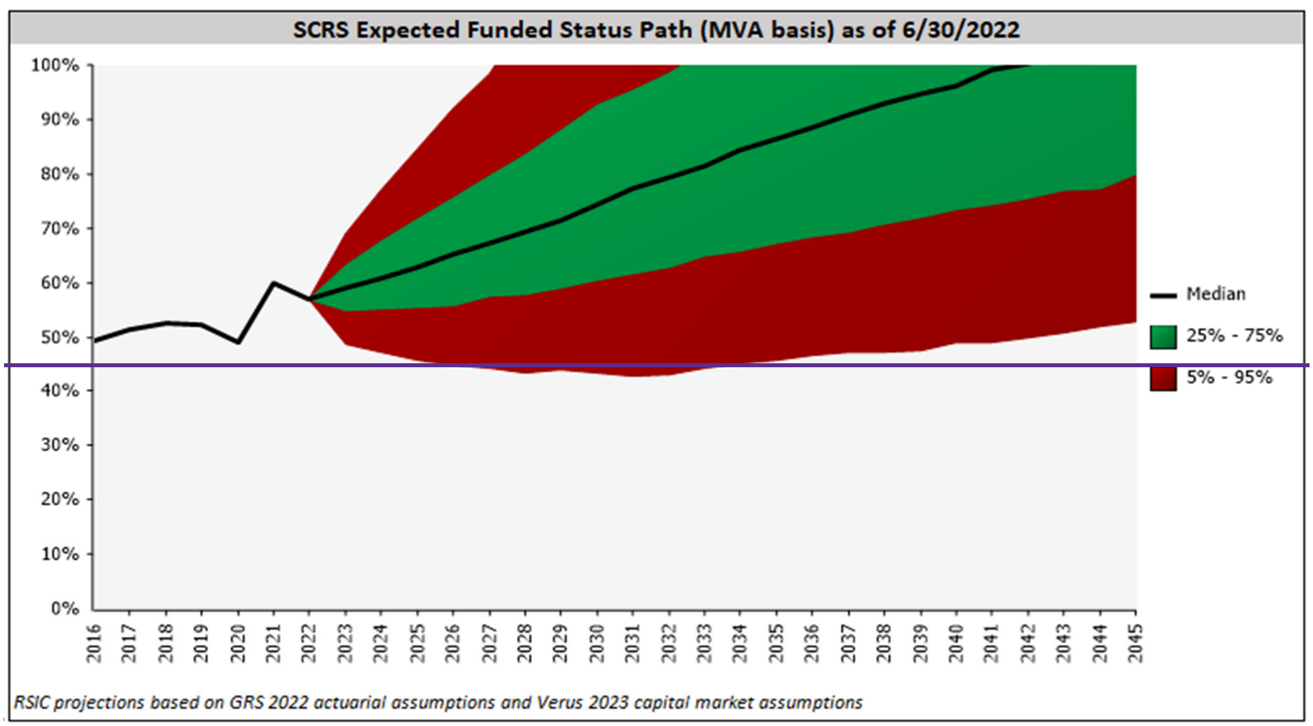

SCRS Expected Funded Status Path (MVA basis) as of 6/30/2022
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
2016 2017 2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 2033 2034 2035 2036 2037 2038 2039 2040 2041 2042 2043 2044 2045
Median
25% - 75%
5% - 95%
RSIC projections based on GRS 2022 actuarial assumptions and Verus 2023 capital market assumptions

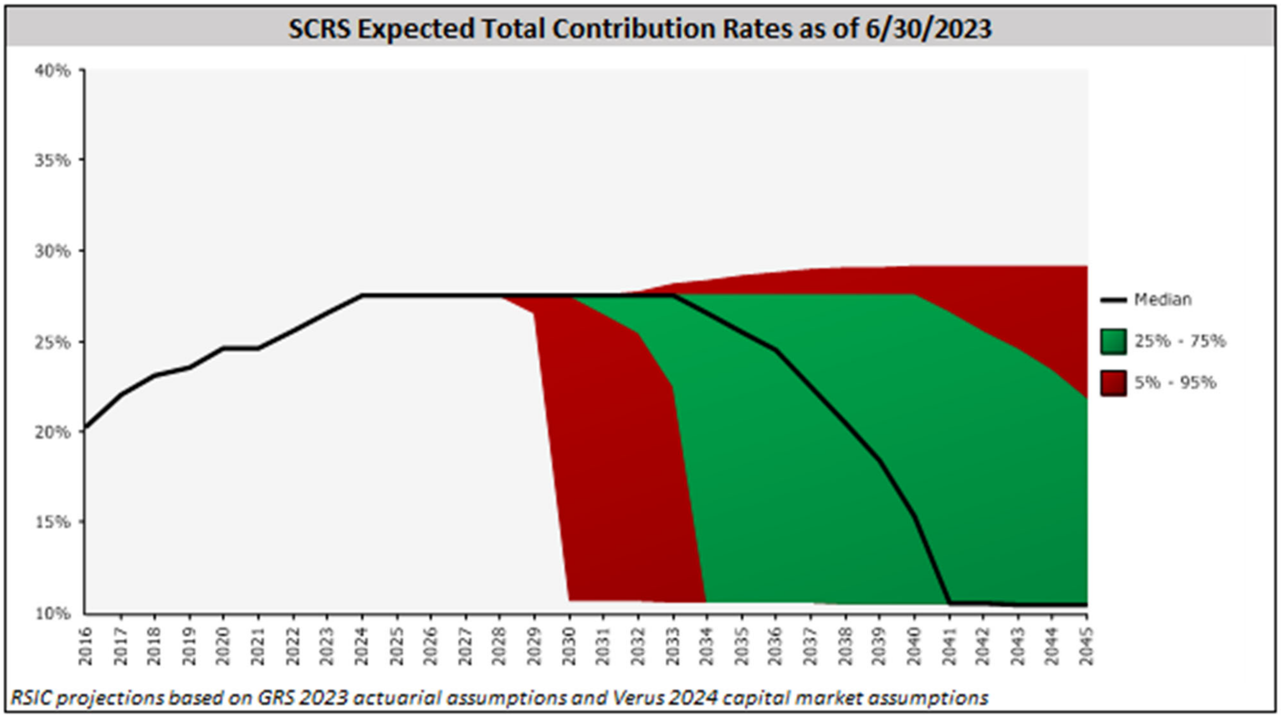
Table 1 tracks the actual, as well as expected, funded status of SCRS since 2016, the year prior to the passage of the 2017 Pension Reform Bill. SCRS is used as the example because its assets comprisethe greatest percentage of the total assets of the five systems. The reason for the stochastic approach to the expected funded status is to demonstrate the impact of market volatility on the probable funded status of SCRS through time. The model upon which the simulation is based incorporates the actual structure, components, and assumptions of SCRS, including the contribution policy put into effect by the 2017 Pension Reform Bill. The model uses the Commission's Policy Portfolio, described below, as the investment portfolio and includes thousands of iterations based on the 2024~~3~~ long-term capital market and volatility expectations provided by the Commission's Investment Consultant. The long-term expected return and volatility for the Policy Portfolio is discussed in Section III(D) below.

As can be seen in this table, the base case scenario is that SCRS reaches fully funded status by 2039~~42~~, which is within the funded status goals set by the 2017 Pension Reform Bill. However, if the Plan were to experience the unfavorable 95th percentile scenario, the funded status of the Plan would not improve and would be expected to be in approximately the same funded position in thirty years that it is in currently.

The table also shows the actual improvement of the funded status of SCRS since 2016. The actual improvement shown on the table is attributable to additional contributions flowing into SCRS resulting from the 2017 Pension Reform Bill and better than forecasted investment returns since the bill's passage.

In addition to this stochastic analysis, the 2023~~2~~ Actuarial Valuation shows the amortization period for SCRS as 16~~7~~ years, which is eight years ahead of the 2017 Pension Reform Bill's requirement of 24~~5~~ years. The PORS 2022 Actuarial Valuation also shows the amortization period as 16 years, which is ~~nine~~ eight years ahead of the Pension Reform Bill's requirement of 24~~5~~ years.

TABLE 2



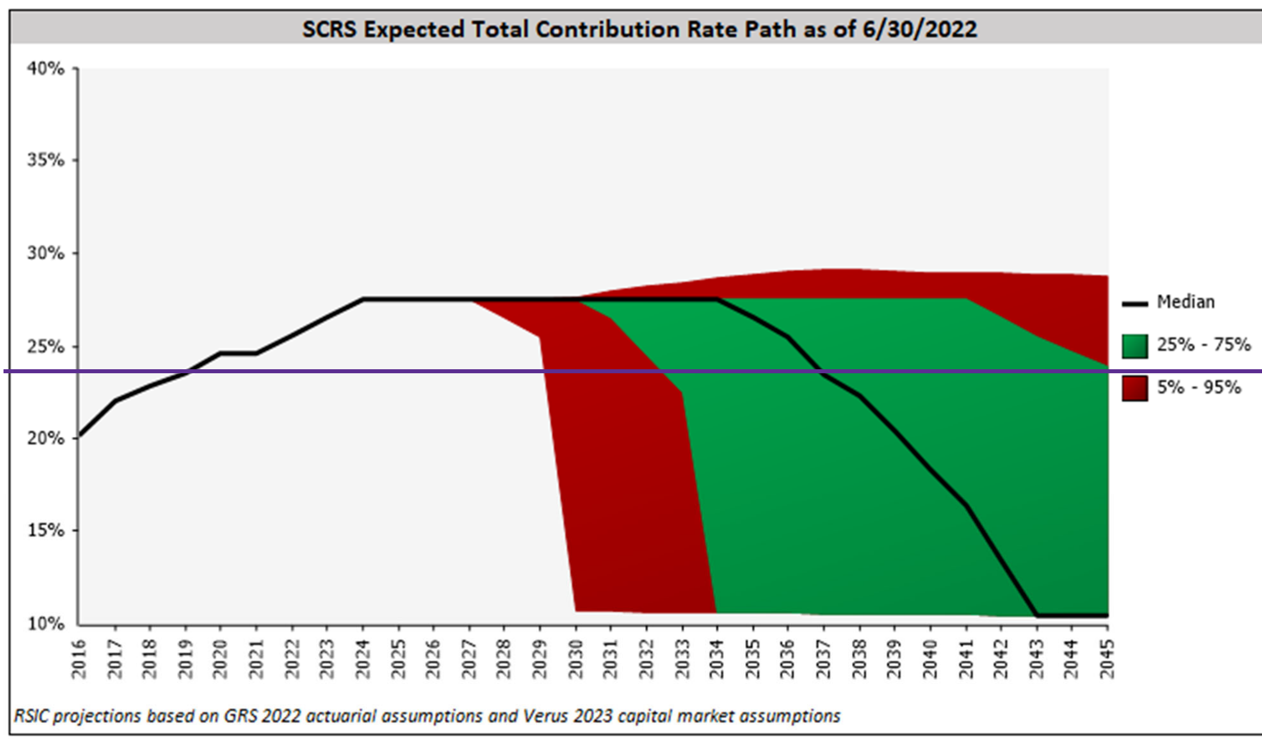


Table 2 tracks the actual, as well as expected, total employer and employee contribution rates for SCRS since 2016. This table also employs a stochastic approach to the expected combined contribution rate to more accurately demonstrate a range of probable outcomes due to market volatility. This analysis is based on the same assumptions used to produce Table 1.

As indicated in this table, the base case scenario shows combined employer and employee contribution rates for SCRS ~~increasing to~~ have increased to 27.56 percent pursuant to the schedule required by the 2017 Pension Reform Bill. The contribution rates are ~~then~~ expected to ~~level off and~~ begin to decline in 2034. The contribution rates are projected to decline to the approximately 10 percent normal cost contribution rate by 2041 ~~2043~~. The table indicates that there is some risk that contribution rates may increase above the 27.56 combined contribution rate required by the 2017 Pension Reform Bill. (Appendix XI contains historical versions of Tables 1 and 2 for each year since 2020 based on the corresponding year's capital market expectations).

C. Beliefs

As fiduciaries, the Commission and staff of RSIC are charged with exercising their roles and responsibilities to the Plan's participants and beneficiaries with the highest duty of care that the law recognizes. In order to ensure consistency in approach to decision making that is commensurate withthis fiduciary duty and focused on achieving the investment objective, the Commission and RSIC staffhave adopted a set of core beliefs to ensure that we are collectively guided by a unifying set of principles.

Belief 1 – We believe that the Policy Allocation set by the Commission is the main driver of the investment portfolio's risk, return, and cost.

Belief 2 – We believe that investors must be rewarded for incurring additional risk, cost, and complexity.

Belief 3 – We believe that we are long-term investors which requires us to instill *discipline* and *patience* into our investment decision making and assessment process.

Belief 4 – We believe that achieving our investment objective requires an organization with strong governance, that maintains core values, and employs talented professionals. In order to do this, we must:

1. establish a governance structure with clear lines of authority and means to assess the quality of decision making and resulting performance;
2. recruit and retain a talented investment and operational staff consistent with our Core Values of:
    a. Humility,
    b. Intellectual Curiosity, and
    c. Team Player
3. achieve a deep understanding of value creation through the investment process;
4. emphasize risk awareness and focus on mitigating investment and enterprise risk; and
5. provide the foundation, infrastructure, and systems necessary to meet the investment objective and mitigate risk.

II. ROLES AND RESPONSIBILITIES

1. In 2005, RSIC was established by South Carolina law to invest and manage the assets of the State's five defined benefit retirement plans. RSIC invests and manages the assets of all five plans in one group trust. RSIC is governed by an eight-member Commission. The Commission's primary purpose is to set the strategic direction for an investment program that is consistent with its fiduciary duty and strives to earn~~s~~ an investment return that when combined with contributions fulfills the promise of benefit payments to the Plan's current and future retirees and their beneficiaries. This includes setting a long-term asset allocation that meets the Commission's investment objective, oversight of the implementation of the investment portfolio and the business affairs of RSIC, approving certain investments, ensuring legal and ethical integrity, and maintaining accountability. The Commission also adopts a series of governance policies that define the roles and responsibilities of Commissioners and staff and provide general guidance for the operation of RSIC as an agency. (RSIC Governance Policies can be found at: https://www.rsic.sc.gov/_documents/2017.07.14%20Governance%20Policy%20Manual.pdf).

2. The Commission employs a CEO, who serves as the primary figure of accountability for RSIC. The CEO serves as the chief administrative officer of RSIC as an agency and is charged with the affirmative duty to carry out the mission, policies, and directives of the Commission. The CEO is delegated the Commission's authority necessary, reasonable, and prudent to carry out the operations and management of RSIC as an agency and to implement the Commission's decisions and directives. The CEO also serves as the chief risk officer for the organization. The CEO is charged with employing a CIO and all other agency staff who serve at the will of the CEO. The CEO is also delegated the final authority to close all investments and must certify that investments made pursuant to the Commission's Investment Authority Delegation Policy meet the requirements of the policy (*see* SECTION VI for the Investment Authority Delegation Policy).

3. The CIO manages RSIC's investment functions subject to the oversight of the CEO. RSIC primarily invests Plan assets by allocating capital to external investment managers who implement specific investment strategies to provide the exposures necessary to meet the requirements of the Commission's strategic asset allocation. The Commission has implemented an Investment Authority Delegation Policy which provides the CIO with the final authority to invest with external investment managers subject to the limits of the policy. For a proposed investment that exceeds the delegation policy, the CIO determines whether the investment is presented to the Commission for final approval. The CIO is also granted certain authority to manage the implementation and exposure of the portfolio. The CIO through the management of the investment staff also oversees investment risk management, investment manager oversight, and other related activities.

4. The Executive Leadership Team (ELT) is currently comprised of the CEO, CIO, Chief Operating Officer ("COO"), ~~and~~Chief Legal Officer ("CLO"), and Director of Human Resources, and serves as RSIC's primary management committee and aids the CEO inmaking strategic organizational and operational decisions.

5. The Internal Investment Committee ("IIC") is a committee of senior staff appointed by the CEO and is chaired by the CIO. The IIC's responsibilities are provided by the IIC Charter but the IIC is

primarily responsible for serving as the committee that vets and recommends new investments to the CIO for approval and execution, or recommendation to the Commission for its approval.

6. The Commission engages a general investment consultant ("Investment Consultant"), who reports to the Commission and assists and advises the Commission on asset allocation, asset/liability study, performance reporting, benchmarking/peer group comparisons, and general investment education and advice. The Commission Chair takes the lead in ensuring there is an effective and productive relationship between the Commission and the Investment Consultant and that the Investment Consultant has adequate clarity and direction in meeting the Commission's needs and requests. The CEO assists the Chair in managing the day-to-day relationship with the Investment Consultant and ensures effective collaboration and consultation between the Investment Consultant and RSIC staff. RSIC Staff may rely on the Consultant for data resources, external analyst inputs, and access to educational materials. The CEO may also retain specialty consultants to serve as an extension of RSICStaff in Private Equity, Private Debt, Real Estate, Infrastructure, and Hedge Funds.

7. The Internal Audit function is governed by the Commission's Audit and Enterprise Risk Management Committee and is primarily provided through external service providers. An internal staff member coordinates the relationship with external service providers and assists the committee with performing its duties and functions. The purpose of the Internal Audit function is to provide independent, objective assurance and recommendations designed to add value and improve RSIC operations. It assists the entity in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

8. The Enterprise Risk Management and Compliance ("ERM and Compliance") function reports to the CEO and serves as the primary staff to aid the CEO in fulfilling the role of chief risk officer. The ERM and Compliance function coordinates with the ~~Executive Team~~ ELT and other staff on the assessmentof, and provides oversight related to the identification and evaluation of, major strategic, operational,regulatory, informational, and external risks inherent in the business of RSIC. ERM and Compliance isalso responsible for overseeing the process for monitoring compliance with RSIC policies and applicable laws.

9. The Public Employee Benefit Authority ("PEBA") is a separate agency that administers a comprehensive program of retirement benefits, performing fiduciary duties as stewards of the contributions and disbursements for the Plan. PEBA is responsible for producing GAAP basis financial statements for the Plan and maintains a general ledger to support that process. The financial statements that are produced by PEBA contain information regarding the investments made by the Commission and as such contain the official accounting records for Plan investments. The financial statements are presented in accordance with GAAP and comply with the Governmental Accounting Standards Board standards. The financial statements are audited annually by an independent audit firm hired by the State Auditor's Office.

10. The Commission and the PEBA Board serve as co-trustees of the Plan's assets. PEBA is the custodian of the Plan's assets and RSIC is responsible for the Plan's custodial banking relationship.

11. Subject to the approval of the State Fiscal Accountability Authority, PEBA designates the Plan's Actuary. The Commission is a third-party beneficiary to the contract with the Plan's Actuary, with full rights to all actuarial valuations prepared by the actuary.

12. The South Carolina General Assembly has the authority to control the budget and staffing for RSIC and to set the actuarial annual assumed rate of return for the Plan. Starting in early 2021, and every four years thereafter, in consultation with the Commission and the Retirement System's Actuary, PEBA proposed a~~n~~ 7 percent assumed annual rate of return to the General Assembly that took effect at the beginning of the 2021-2022 fiscal year because the General Assembly took no action to amend or reject the recommendation. The General Assembly also conducts periodic legislative oversight hearings of RSIC.

III. ASSET ALLOCATION

A. Purpose

The Commission's primary responsibility is to establish an investment program that is designed to meet ~~-~~the Commission's investment objective. The most significant action the Commission takes in fulfilling this responsibility is by setting the long-term asset allocation. The Commission designs a portfolio that includes a mix of assets that it believes will likely generate a long-term rate of return that meets its investment objective which is conditioned by its fiduciary duty to only expose the Plan's assets to a prudent level of market risk. The target, or Policy Portfolio, is established with a long-term perspective and the Commission does not expect to change the portfolio to react to short-term market conditions or frequent fluctuations in capital market expectations.

The Commission recognizes employing a long-term perspective has certain risk management benefits. Most notably, this discourages the temptation to react to short-term market trends, which can lead an investor to chase returns in asset classes that have become expensive due to recent appreciation. The Commission believes that adherence to this long-term perspective will produce its greatest benefits during periods of adverse market conditions, during which time the Policy Portfolio will serve as a stabilizing force for the investment program.

State law also requires the Commission to diversify the assets of the investment portfolio and to consider: (i) general economic conditions; (ii) the possible effect of inflation or deflation; (iii) the role that each investment or course of action plays within the overall portfolio; (iv) the needs for liquidity, regularity of income, and preservation or appreciation of capital; and (v) the adequacy of funding for the Plan based on reasonable actuarial factors.

B. Background

The Commission undertook a review of the existing Policy Portfolio in early 2019. At the time the Commission began this process, the Policy Portfolio was comprised of eighteen separate asset classes with twenty-one different benchmarks. Many of the asset classes had small target weights – several with less than three percent. Both the CIO and the Investment Consultant expressed concern that the Policy Portfolio was over diversified and required a high level of complexity to exist in the Actual Portfolio without a clear improvement in risk or return. The Commission found this to be inconsistent with its investment belief that investors must be rewarded for incurring additional risk, cost, and complexity. The Commission also believed that the existing Policy Portfolio established the wrong balance between its role as setting the strategic direction of the investment program and investment staff's role in implementing the portfolio. As a result, the Commission determined that a more consolidated Policy Portfolio was in order which valued simplicity and required complexity in the Actual Portfolio to prove its value. The Commission determined that key to this effort was developing a series of benchmarks that would collectively form a Portfolio Framework to clearly determine the value of investment decisions.

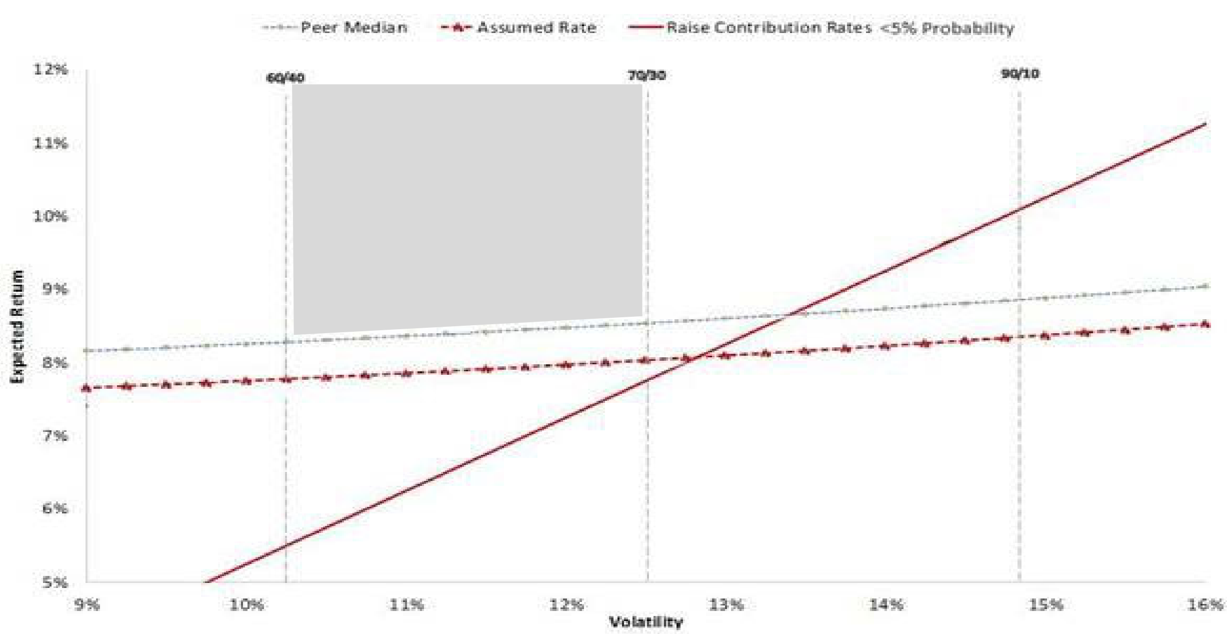
C. Reference Portfolio

The Commission decided that it would begin the development of this framework by setting a Reference Portfolio. The Reference Portfolio would be a simple two asset class benchmark portfolio comprised of stocks and bonds. The point of the Reference Portfolio was not to limit the portfolio toa simple mix of stocks and bonds, but rather to set a risk reference for establishing the Policy Portfolio. Although the intent was for the Reference Portfolio's risk to represent that of the Policy Portfolio, the Reference Portfolio would not serve as a risk limit for the Policy Portfolio, but rather a barometer to measure the value over time of diversifying into a multi-asset class portfolio.

The Commission attempted to set the allocation of the Reference Portfolio to one consistent with a portfolio that most closely expressed the risk required to earn a return that is expected to exceed the assumed annual rate of return while also avoiding a greater than 5 percent probability of requiring additional contributions increases in the next five years (other plan risks were also contemplated but would also be avoided because these risks would either fall along the same line or to the right of the red risk line represented on Table 3 below). In setting the Reference Portfolio, the Commission was mindful that South Carolina law provides that no more than seventy percent of the portfolio may be invested in equities. The law does not limit the types of assets that could make up the other thirty percent of the portfolio, which could conceivably include assets like high yield bonds which have an imbedded equity risk factor. However, the Commission believed it was prudent to constrain the Reference Portfolio to no more than seventy percent equity risk, as expressed by a seventy percent allocation to equities, and to mitigate the equity risk with a thirty percent allocation to bonds.

The Commission considered the appropriate Reference Portfolio at its April and June 2019 meetings. The Commission determined that a 70 percent Global Public Equities (*MSCI ACWI IMI Net*) and 30 percent Bonds (*Bloomberg Barclays Aggregate*) portfolio best represented the volatility of a diversified portfolio of assets that would be expected to earn a return that exceeds the assumed annual rate of return over time while also avoiding a greater than 5 percent probability of requiring additional contributions increases in the next five years. The Commission reached consensus on this allocation as the Reference Portfolio Benchmark. In reaching this consensus, the Commission accepted that a Reference Portfolio with a risk level associated with a seventy percent allocation to equities was prudently necessary to meet its investment objective.

Table 3



D. Policy Portfolio

The Commission then began establishing a Policy Portfolio that would serve as the Commission's long-term asset allocation. The Policy Portfolio would be a multi-asset class portfolio with similar expected volatility as the Reference Portfolio. The Policy Portfolio would be expected to consolidate the existing eighteen asset class Policy Portfolio into a more simplified allocation without substantially impacting the expected return, but with a similar level of risk as the Reference Portfolio. The purpose of setting the Policy Portfolio's risk target to that of the Reference Portfolio was to reveal the performance impact gained through diversification.

However, unlike the Reference Portfolio, the Policy Portfolio would be a portfolio that could be held and, in any respect, would serve as the gravitational pull to a more simplified Actual Portfolio.

The Commission considered the transition to a more simplified Policy Portfolio at its April and June 2019 meetings and reached consensus on the transition to the simplified target allocation in Table 4 below.

Table 4

Legacy Asset Allocation	
Nominal IG Bonds	6
Treasuries	5
TIPS	2
Mixed Credit	4
EM Debt	4
Private Debt	7
US Equity	18
Developed Int'l Equity	11
EM Equity	6
Equity Options	7
Private Equity	9
Real Estate (Public)	1
Real Estate (Private)	8
Infrastructure (Public)	1
Infrastructure (Private)	2
PA Hedge Funds	10
GTAA	7
Other Opportunistic	1

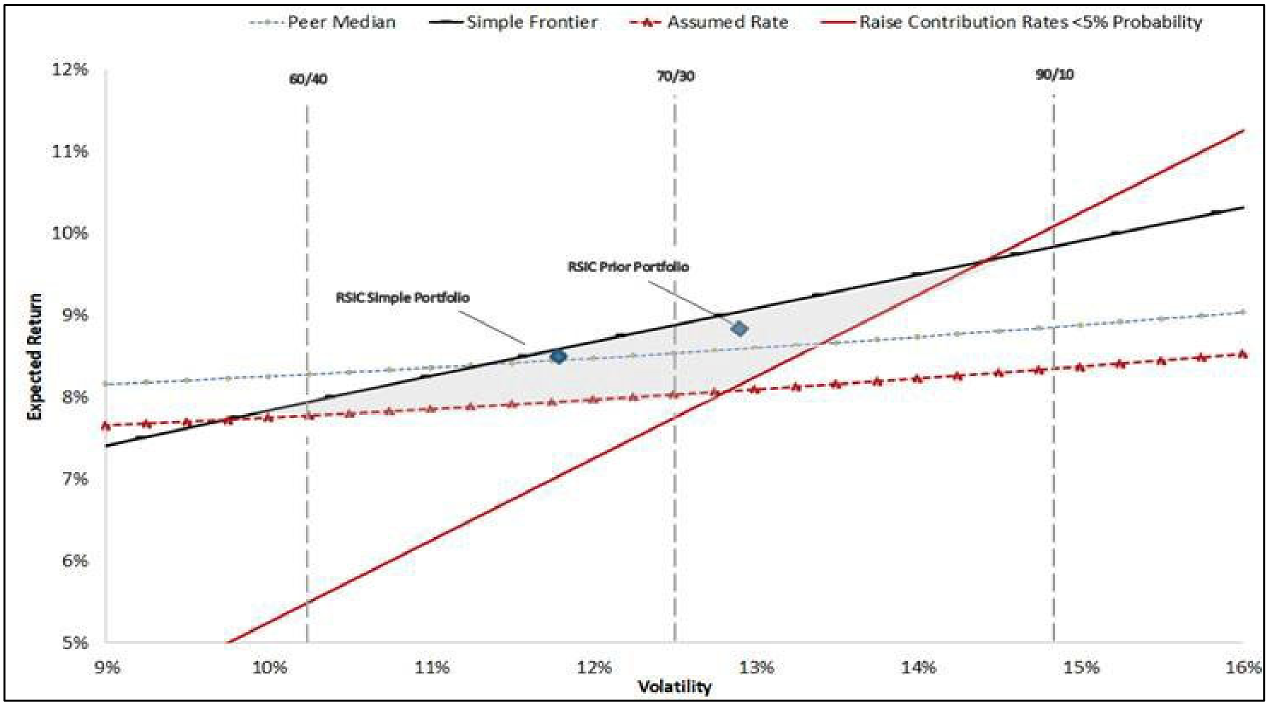
Current Asset Allocation	
Bonds	26
Private Debt	7
Global Equity	46
Private Equity	9
Real Assets	12

The Commission also analyzed whether the Policy Portfolio would meet the Commission's long-term investment objective in that it would likely exceed the assumed rate of return and avoid risks particular to the P~~p~~lan including not meeting the General Assembly's funded status objectives and avoiding a significant probability of requiring additional contribution increases. This analysis was based on the Investment Consultant's 2019 Capital Market Expectations.

As demonstrated in Table 5[2,] the Policy Portfolio would be expected to:

1. exceed the assumed rate of return,
2. compare favorably to the simple frontier[3],
3. compare favorably to the risk of the Reference Portfolio Benchmark; and
4. experience a less than 5 percent probability of requiring additional contributions increases in the next five years (again other plan risks were also contemplated but would also be avoided because these risks would either fall along the same line or to the right of the risk line represented on the table).

Table 5



In reaching consensus on the asset allocation, the Commission also considered what role each asset class would play in the overall portfolio with each asset class performing the primary role of growth, diversification, or yield:

Public Equity: This asset class includes investments in the stock of publicly traded companies. The purposeof public equity in the portfolio is growth. The excess return expectations for this asset class are low. The asset class is highly liquid and can be accessed with minimal implementation cost.

[2] Although the Investment Consultant's long-term capital market expectations were based on projected asset class returns over twenty years, the Reference and Policy Portfolios' risk and return were calculated using these expectations to produce thirty-year results.

[3] The simple or efficient frontier comprises investment portfolios that offer the highest expected return for a specific level of risk. In this case, the investment portfolios along the simple frontier are limited to a mix of the five asset classes from the simplified portfolio shown in Table 4.

Bonds: This asset class includes investments in debt securities issued by governments, corporations, or other issuers. The primary purpose of bonds in the portfolio is diversification and the secondary purpose is to provide yield. The excess return expectations for this asset class are low and the asset class is expected to provide a persistent source of return while remaining highly liquid. Bonds are expected to serve a stabilizing function ~~purpose~~ in times of market stress.

Private Equity: This asset class includes equity investments in privately held companies. Investors have historically been compensated with incremental return over comparable public equity investments in exchange for lower liquidity and increased business risk as compared to the public markets. The primary role of private equity in the overall portfolio is growth with an expected long-term return that exceeds public equity. The excess returns of this asset class are a source of magnitude of return for the portfolio the value of which is expected to exceed the higher cost of implementation as compared to public equity.

Private Debt: This asset class includes investments that provide alternative financing to businesses or assets and are in competition with traditional capital market or bank financing. Investors are compensated with incremental return over what can be achieved through traditional forms of lending inexchange for lower liquidity as compared to liquid credit markets and for serving as a solutions provider to these businesses. The primary role of this asset class in the portfolio is yield. The expectations for the consistency of return above what can be achieved through bonds or the liquid credit markets is high.

Real Assets: This asset class includes investments in physical assets like real property and infrastructure, as opposed to financial assets like stocks and bonds. The primary role of this asset class is diversificationwith the secondary purposes of providing inflation protection and yield. Although the expected liquidity for this asset class is low, the expectations for excess return are high.

Table 6

	Public Equity	Private Equity	Bonds	Private Debt	Real Assets
Primary role in portfolio (asset allocation)	Growth	Growth	Diversification	Yield	Diversification
Secondary role in portfolio (asset allocation)			Yield		Yield
Return expectation (20Y benchmark return)	High	> Public Equity	Low	> Bonds	Moderate
Alpha expectation where active: magnitude vs. cost	Low	High	Moderate	Moderate	Moderate
Consistency of excess return	Low	Moderate	Moderate	High	High
Expected liquidity	Very high	Very Low	Very high	Low	Low
RSIC Target Portfolio Expected Cost	Low	High	Low	Moderate	Moderate

The Commission believes that this change in approach to a five asset-class Policy Portfolio shifts the paradigm to one which values simplicity and holds a more complex portfolio accountable for improving risk-adjusted returns. A crucial component to ensure this accountability is having the appropriate benchmarks for the Policy Portfolio. The Commission was guided by the CFA Institute's recommendations that benchmarks are (i) specified in advance, (ii) appropriate, (iii) measurable, (iv) unambiguous, (v) reflective of investment options, (vi) owned, and (vii) investable. At its September 2019 meeting, the Commission reached consensus on the benchmarks in Table 7 for the Policy Portfolio.

Table 7

Asset Class	Benchmark[4]
Public Equity	*MSCI ACWI IMI Net*
Bonds	*Bloomberg Barclays Aggregate*
Private Equity	*Burgiss Private Equity*
Private Debt	*S&P LSTA +150 bps*
Real Assets	*NCREIF ODCE Net*

[4] *The Private Equity and Private Debt portfolios and benchmarks will be reported on a 3-month lag.*
MSCI ACWI IMI Net - Morgan Stanley Capital International All Country World Index Investable Market Index; S&P LSTA - Standard & Poor's Loan Syndication and Trading; and NCREIF ODCE – National Council of Real Estate Investment Fiduciaries Open End Diversified Core Equity.

Based on the 2019 Capital Market Expectations provided by the Commission's Investment Consultant that the Commission utilized when reaching consensus on the Policy Portfolio, the Policy Portfolio would have been expected to achieve a twenty-year annualized rate of return of a 7.83 percent with an expected volatility of 11.69 percent. The portfolio would have been expected to have a 58.41 percent probability of earning a twenty-year annualized rate of return that met or exceeded the then assumed rate of return of 7.25 percent.

In the years since the Commission adopted the Policy Portfolio, the annual capital market expectations have fluctuated primarily in response to significant market movement during the prior year. Based on the 2024 ~~2023~~ Capital Market Expectations provided by the Commission's General Investment Consultant, the Policy Portfolio is expected to achieve a 10~~-~~-year annualized rate of return of 7.32 ~~7.4~~ percent with an expected volatility of 11.8 ~~11.9~~ percent. The return and volatility expectations are in line with the ~~also show a notable improvement over~~ 2023~~2~~ expectations of a 10-year annualized return of 7.4 percent and an expected volatility of 11.9 percent.~~, when the Policy Portfolio was expected to earn a 10 -year annualized rate of return of 6.0 percent with an expected volatility of 12.0 percent. The difference in return expectations is attributable to the significant negative market performance in 2022~~.

The Commission believes that long-term investors should resist the temptation to adjust their long- term asset allocation in response to short term volatility in capital market expectations. As a result, the Commission believes that there is no interim asset allocation change to the Policy Portfolio that is absolutely critical to meeting its long-term investment objective and the Commission will not depart from the asset allocation review schedule established in Subsection H.

E. Implementation Portfolio Benchmark

The Commission recognizes that the CIO and investment staff may add value by structuring the Actual Portfolio in a manner that deviates from the Policy Portfolio target weights or may also pursue a strategy that causes the composition of an asset class to differ from the policy benchmark. As a result, the Commission provides the CIO and the investment staff with the discretion to structure the portfolio within the asset class and sub-asset class ranges in Table 8. In order to measure the risk and return impact of theseportfolio structure decisions, the Commission employs an Implementation Portfolio Benchmark that aggregates the underlying benchmarks of each asset class and sub-asset class strategy according to their actual weights. Providing this discretion while establishing a structure that measures the value of these decisions also sets the right balance of accountability for Commission decisions and those of the CIO andinvestment staff.

Table 8

Asset Class	Target	Range	
Public Equity	46%	30%	60%
Domestic	Index	Index +/- 6%	
Developed Non-US	Index	Index +/- 6%	
Emerging Market	Index	Index +/- 4%	
Equity Options	0%	0%	7%
Bonds	26%	10%	35%
Core Bonds (IG)	26%	10%	35%
Inflation-linked (IG)	0%	0%	5%
Mixed Credit (non-IG)	0%	0%	8%
EM Debt	0%	0%	6%
Net Cash/Short Duration	0%	0%	7%
Private Equity	9%	5%	13%
Private Debt	7%	3%	11%
Real Assets	12%	6%	18%
Real Estate	9%	5%	13%
Infrastructure	3%	0%	5%

F. Manager Selection

The Commission also recognizes that the CIO and investment staff strive to add additional value through manager selection. In September 2017, the Commission through the adoption of the Investment Delegation Policy delegated investment manager selection decisions to the CIO and investment staff within clearly defined limits and exceptions. The Investment Authority Delegation Policy is set out in Section VI. The value of manager selection is discernable by comparing the Implementation Portfolio Benchmark and the Actual Portfolio.

G. Performance Reporting

Essential to the Commission's oversight function is performance reporting that makes clear the value of three major investment decisions: diversification, portfolio structure, and implementation. The Commission requires staff to provide a Portfolio Reporting Framework that easily allows the Commission to judge the value of these three investment decisions by comparing the relative performance between the Reference Portfolio, Policy Portfolio, Implementation Portfolio, and Actual Portfolio:

1. *Diversification (Policy Portfolio Benchmark vs. Reference Portfolio Benchmark):* The comparison of the Policy and Reference Portfolios Benchmarks reveals the value from diversification beyond a simple two-asset portfolio. The benefit of designing these portfolios with

the same level of expected volatility is that the performance differential is an indication of the impact of diversification, rather than being a function of an expected risk differential. Although the effects are reported over shorter periods, the Commission should expect to see the value of diversification in this comparison over rolling five-year periods. Although these portfolios were established with the same level of expected volatility, the risk of these portfolios is expected to diverge during discrete periods of time but would generally be expected to rise and fall together over time.

2. *Portfolio Structure (Implementation Portfolio Benchmark vs. Policy Portfolio Benchmark):* This comparison supports an assessment of the quality of the portfolio structure. It reveals the performance impact of the decisions to structure the portfolio differently than the Policy Portfolio Benchmark. These impacts can be broken down into those resulting from the *weights* of asset classes and those resulting from the *composition* of asset classes. Although the effects are reported over shorter periods, the Commission should see the positive performance impact of implementation benchmark decisions over rolling three-year periods. The reporting framework also include risk reports to highlight whether and how changesin portfolio structure alter the risk characteristics of the portfolio.

3. *Implementation (Actual Portfolio vs. Implementation Portfolio Benchmark):* This comparison aids in the evaluation of the quality of implementation, a key component of which is the impact of manager selection. The Commission should expect to see differential individual manager performance as compared to the implementation benchmark over short periods of time, but the Commission should expect in aggregate to see consistent value added through manager selection. Providing this additional comparison between the Actual Portfolio and the Implementation Benchmarks also disaggregates the performance gained through portfolio structure and that gained through manager selection. As a result, the Commission may evaluate the quality of each of these portfolio decisions when prior to 2020, ~~previously~~ the actual portfolio was simply compared to an individual policy benchmark that combined both portfolio structure and manager selectiondecisions. This additional look through provides the Commission with an enhanced ability to effectively exercise oversight over both portfolio structure and investment manager selection decisions made by the investment staff.

H. Asset Allocation Review

The Commission will conduct an Asset-Liability Management Study and asset allocation review every five years. The Commission will continue to receive long-term capital market expectations from the Investment Consultant annually and assess the impact to the expected return and volatility of the Reference and Policy Benchmark Portfolios. However, consistent with its beliefs and long-term approach to asset allocation, the Commission intends to limit interim asset allocation changes to those the Commission determines are **absolutely critical** to meeting its long-term investment objective and are commensurate with its risk tolerance and fiduciary duties.

IV. STRATEGIC INITIATIVES

The Strategic Initiatives described in this Section are major ongoing staff projects contemplated to last up to three years and are likely to have a more significant impact to the portfolio, asset class, or an investment strategy than typical decisions. The CIO will include changes to these initiatives as part of the annual AIP proposal and will provide a quarterly update on progress towards these initiatives at regular Commission meetings.

1. Strategic Asset Allocation – The Commission, with the input and assistance of the General Investment Consultant and staff, will conduct an Asset-Liability Management study and a strategic asset allocation review as contemplated by Section III(H).

~~1.~~2. Risk Management – The Quantitative Solutions Group will continue to improve risk monitoring at the Portfolio, asset class, and manager levels. The team will place special emphasis on improving the quality of risk reporting at these levels.[5]

~~2.~~3. End of Fund Life - Establish a discipline to evaluate private investments approaching the end of fund life to optimize asset class performance.

~~3. Human Capital – Analyze the impact of anticipated baseline changes on asset class staffing needs and align human capital resources with updated portfolio priorities to ensure optimal coverage to source and perform due diligence on potential new investments.~~

[5] The Quantitative Solutions Group is a subset of the Investment Team responsible for quantitative analytical support on prospective investment managers as part of the investment due diligence process, and also for monitoring and reporting on investment risk.

V. INVESTMENT POLICIES

A. General

1. The Commission and staff must only consider pecuniary factors when making an investment decision or when allocating capital to an external investment manager. A "pecuniary factor" is a factor that a prudent person in a like capacity would reasonably believe has a material effect or impact on the financial risk or return on an investment, including a factor material to assessing an investment manager's operational capability, based on an appropriate investment horizon consistent with a retirement system's investment objectives and funding policy. The term excludes "non-pecuniary factors" which is any factor or consideration that is collateral to or not reasonably likely to ~~effect~~affect or impact the financial risk and return of the investment and include but are not limited to the promotion, furtherance, or achievement of environmental, social, or political goals, objectives, or outcomes. The closing documentation of every investment must include the CEO's certification that the decision to make the investment is based on pecuniary factors and is not being made to promote, further, or achieve any nonpecuniary goal, objective, or outcome.

2. IIC and Investment Approval Process - State law provides that the AIP is to be implemented by the Commission through the CIO. RSIC employs a team of investment professionals that support the CIO in carrying out investment management duties and responsibilities. One key component of this infrastructure is the IIC. The IIC assists the CIO by reviewing and providing recommendations to the CIO regarding proposed investments. The IIC also routinely monitors the Portfolio's investment performance and reviews relevant policies and procedures as part of its oversight function. The Commission adopted an Investment Authority Delegation Policy which grants the CIO the ability to approve those investments which fall within the parameters of this policy, subject to the oversight of the CEO. Other investments are presented to the Commission for its approval.

3. Due Diligence – The Investment Team maintains investment due diligence policies to provide consistency and oversight to the investment process. The Initial Due Diligence Policy outlines the key tenets of the RSIC's decision-making process in hiring investment managers. The Ongoing Due Diligence Policy outlines the process and criteria used to evaluate the retention/termination of external investment managers. Both due diligence policies are tested annually by either an Agreed Upon Procedures review by an independent auditor or by the Director of Enterprise Risk Management & Compliance. The results of this review are provided to the Audit and Enterprise Risk Management Committee.

4. Counterparty Risk Management – The Quantitative Solutions Group monitors two sources of potential counterparty risk: (1) the overlay program and (2) the System's master custodial bank. While the risk arising from the overlay program is actively monitored by its external manager, as an added layer of oversight, the Quantitative Solutions Group is responsible for reviewing and reporting on the external manager's prudent management of these counterparty risks.

5. Investment Strategies, Objectives, and Performance Standards:
   i. In Section III(~~.~~D), the Commission described the characteristics and established the role each asset class plays in the Policy Portfolio. Within defined limits and constraints, the Commission provides the CIO and investment staff the ability to structure the portfolio for each asset class in a manner that fulfills the role the asset class plays in the portfolio. The investment staff maintain a "Baseline" document for each asset class that creates a shared understanding of how the portfolio will be structured to achieve the purpose of the asset class established by the Commission. In general, the annual plan for an asset class will involve measures designed to improve its alignment with its Baseline. The following items are detailed in the Baseline document:

      a. The rationale and purpose of the asset class established by the Commission;

      b. Target steady-state asset class exposures (including sub-strategies, geographies, or other relevant factors);

      c. The target return, characteristics (income vs. appreciation), and expected active vs. passive implementation breakdown; and

      d. An estimate of normal cost to implement the portfolio, and an estimate of the flex cost which may be incurred when market conditions present compelling opportunities.

   ii. Baselines also address the following broader issues:

      a. The role private investments play in the Portfolio;

      b. The mix of private vs. public market investments; and

      c. How the portfolio is likely to change over time.

   iii. The Baseline document is reviewed and updated, as necessary, at least annually, and all RSIC ~~employees~~ staff are encouraged to present suggested revisions to any Baseline. Proposed changes to the Baseline documents are presented to the IIC for review and to the CIO for approval. In addition to addressing the investment objectives and performance standards foreach asset class, the Baseline also serves as a guide to workflow and portfolio management decisions. Investment decisions are reviewed against the Baseline for portfolio fit.

   iv. As part of the individual asset class in-depth examination at each Commission meeting, the investment staff will also provide a review of the particular asset class Baseline, progress towards attaining the Baseline, and any material deviations from the Baseline.

   v. The Commission will be informed promptly of any material change to a Baseline at the next Commission meeting following the change.

6. Allowable Investments and Limitations:

   i. With certain limitations discussed below, State law provides that RSIC may invest "in any kind of property or type of investment consistent with" Title 9, Chapter 16 of the S.C. Code and Section 9-1-1310. These investments include, but are not limited to, futures, forward contracts, swaps, and options, equities, bonds, loans, 144(A)'s, exchange traded funds, American Depository Receipts, real property, and real estate investment trusts. These investments may be listed, exchange traded, or over the counter, negotiated contracts or investments.

ii. In addition to the instruments outlined above, for every asset class, a variety of investment structures may be utilized depending on the nature of a particular investment. In accordance with the terms of the investment limitations outlined in this policy, these structures may include, but are not limited to, mutual funds, limited partnerships, limited liability companies, strategic partnerships, trusts, commingled vehicles, fund-of-funds, and separately managed accounts in which assets may be held by either the Retirement System's master custodial bank or an external custodian who is selected and monitored by the external manager or general partner.

iii. Any investment structure and the underlying instruments must be of a type generally expected to obtain exposure to an asset or sub-asset class contained in Table 8, Section III.

~~iv.~~ State law imposes certain limited restrictions on the investment of the Portfolio. The managers of the Portfolio's accounts **other than** index funds, commingled funds, limited partnerships, derivative instruments, or the like, are required to assist the Commission in meeting its obligations under S.C. Code Ann. §9-16-55, which sets forth limitations on investment in certain types of companies that are engaged in active business operations in Sudan. See Section IX for additional information.

~~v.~~iv. The Commission has also established a policy prohibiting an investment in any security or obligation issued by a company or a corporation that is a known sponsor of terrorist organizations or of a company domiciled in a country that is a recognized sponsor of terrorism or terrorist organizations as based on reports from the Office of Terrorism and Financial Intelligence of the Department of Treasury and the Country Reports on Terrorism by the Office of the Coordinator for Counterterrorism of the U.S. Department of State.

7. Internal Management and Overlay Program – Currently, the staff performs distribution management which is the management and disposition of in-kind distributions received from external investment managers or third parties. In addition, the CIO has discretion to use synthetic instruments, derivatives, equity baskets, and exchange traded funds in order to implement the asset allocationor otherwise manage the portfolio in accordance with the ranges established by the Commission.The Overlay program functions as a means by which the CIO and Investment Staff manage exposures and manage risk in an efficient manner using synthetic instruments, exchange-traded- funds/notes, equity or fixed income baskets, options, futures, swaps, and forward currency contracts.

8. Portable Alpha – The Commission provides the CIO with the discretion to use Portable Alpha Strategies not to exceed 15 percent of total plan assets. The use of Portable Alpha is an implementation decision that is reflected in the Implementation Portfolio Benchmark. The benchmark for Portable Alpha Strategies is the *Secured Overnight Financing Rate* (SOFR).

9. Alternative Investments – The Commission has established guidelines applicable to its alternative investments, which include Hedge Funds and Private Markets Assets:

i. The Commission's initial commitment to a fund will not exceed 25 percent of the committed capital of that fund, unless the Commission, or the CEO for a delegated investment, specifically waives or suspends this restriction (a) in order to take advantage of a new firm or product that has not yet built an asset base, or (b) in the case of a fund that has been created specifically for RSIC (e.g., a single LP fund) or specifically for RSIC and a limited number of other investors (e.g., two member LP fund or LLC). The closing certification for any delegated investment for which the CEO waives this requirement must conspicuously note that this limitation is being waived and identify the basis for the waiver;

ii. Unless otherwise approved by the Commission, no more than 15 percent of an alternative asset investment allocation may be invested with a single manager, general partner, or single fund, with the exception of Funds of One and Strategic Partnerships;

iii. Staff will notify the Commission if the collective exposure to Private Equity, Private Debt, Private Real Assets exceeds 30 percent of total plan assets; and

iv. Hedge funds may not exceed 15 percent of total plan assets.

10. Equity investments not to exceed 70 percent – State law provides that the AIP must also include the minimum and maximum allocations to equity investments on an ongoing basis, not to exceed 70 percent. The allowable ranges for equity investments are set forth in Table 8, Section III(~~.~~E). While State law does not stipulate whether the limitation of 70 percent is based on cost or market value, the Commission manages this limitation by the amount of exposure to equity on a market value basis. Therefore, if the exposure to equity investments exceeds 70 percent of the total market value of the Portfolio, the CIO is required to rebalance the Portfolio.

11. Managing Cost – In accordance with State law, the AIP addresses methods for managing the costs of RSIC's investment activities. RSIC strives to earn the highest risk-adjusted return on a net of fees basis and recognizes that cost is an important variable to consider. The Investment Team actively engages in an array of strategies to reduce the cost of the Portfolio, including the following:

i. Increasing the initial investment size;

ii. Seeking aggregation discounts from firms with which RSIC has ~~we have~~ multiple investment strategies;

iii. Utilizing co-investments in private markets;

iv. Quantifying and monitoring the effectiveness of active implementation across public market asset classes; and

v. Requesting reductions to, or elimination of, management fees, as appropriate.

12. Risk:

i. All investments carry some degree of risk. The focus of the RSIC risk function is managing and monitoring these risks to ensure that the Portfolio's risks are appropriate and that the overall level of risk taken is consistent with meeting the Commission's investment objective. Key risk initiatives are:

a. Incorporating the Plan's liability structure into the investment decision process; and

b. Developing and refining tools to facilitate the incorporation of the Plan's ~~of System~~ liabilities into portfolio management.

ii. RSIC Staff monitors risk levels both in absolute terms, but also in relation to the Reference Policy benchmark established by the Commission's asset allocation. This is accomplished using a mix of proprietary and third-party systems and tools.

iii. At the Portfolio level, Staff will:

a. Maintain the Portfolio's asset allocation within the limits established by this policy;

b. Employ an appropriate level of diversification and adhere to the limits within this policy or as contracted with the manager;

c. Adhere to policies and procedures established by the Commission; and

d. Maintain adequate liquidity for benefit payments and capital calls.

iv. Staff provides the Commission with risk reporting as part of the Portfolio Performance Framework to ensure that risk remains within acceptable levels and to judge the value of portfolio structure and manager selection decisions on a risk adjusted basis.

13. Manager Monitoring Guidelines - RSIC Staff maintains an Ongoing Due Diligence Policy that outlines the manager monitoring requirements in detail. In summary, the Investment Team is required to perform periodic reviews of each active manager. These reviews contribute to the decision to either retain or terminate that manager. These reviews involve both quantitative and qualitative assessments in order to ensure that any decision is made fairly and consistently, and to avoid untimely or undisciplined decisions that may adversely impact returns. Additionally, the Investment Team reviews audited financial statements, compliance certifications, and investment fees on an annual basis. Compliance with the Ongoing Due Diligence Policy is reviewed annually through an Agreed Upon Procedures audit performed by an independent auditor.

14. Proxy Voting – (1) Shareholder proxy votes must be cast in a manner in keeping with fiduciary duty and in a manner that is consistent with the best interest of the trust fund, based on pecuniary factors, and most likely to maximize shareholder value over an appropriate investment horizon. Any engagement with a company regarding the exercise of shareholder proxy votes or the proposal of a proxy question must be based on pecuniary factors and for the purpose of maximizing shareholder value, except that RSIC may engage with a company to express opposition to the proposal of or the merits of a proxy question that does not have a pecuniary impact.

(2) To the extent that it is economically practicable, RSIC must retain the authority to exercise shareholder proxy rights for shares that are owned directly or indirectly. RSIC may retain a proxy firm or advisory service to assist it in exercising shareholder proxy rights, but only if the proxy advisor has a practice of and commits to follow proxy guidelines that are consistent with the requirements of item (1).

(3) RSIC may only allocate capital to a public equity investment strategy if the manager of the investment strategy has a practice of and commits in writing to meet the requirements of item (1), unless it is not economically practicable to do so, or it is necessary to avoid the concentration of assets with any one or more investment managers. For any public equity investment strategy for which the manager does not have a practice of and does not commit in writing to meet the requirements of item (1), a summary of the terms, fees, and performance of the investment must be included in RSIC's annual investment report and published in a conspicuous location on the RSIC's website.

(4) The Commission must annually review compliance with this section regarding the exercise of shareholder proxy rights. The Commission must review a report that summarizes the votes

cast by or on the Commission's behalf or at the Commission's direction. The report must include a vote caption, RSIC's vote, the recommendation of company management, and the recommendation of any proxy advisor retained by RSIC. This report must be posted in a conspicuous location on the Commission's website.

(5) The Commission finds that the provisions of Section 9-16-30(G) of the South Carolina Code are intended to apply to public equity investments and are not intended to apply to private equity investments given the nature, structure, and characteristics of private equity investments.

B. Compliance

1. Placement Agent Policy – State law prohibits RSIC from making an investment where a placement agent receives compensation in connection with RSIC's investment. The Commission's Placement Agent Policy is set out in Section VIII.

2. Investment Manager Sourcing and Conflict Disclosure Policy – In order to enhance transparency and avoid even the appearance of impropriety, before an investment recommendation is made to the Commission or CIO, any Commissioner or RSIC staff member involved in the sourcing or due diligence of a new investment certifies compliance with~~etes a~~ the Sourcing and Conflict Disclosure Policy~~Form~~. Additionally, ~~T~~the CEO and CIO must certify compliance with the~~ete a~~ Sourcing and Conflict Disclosure Policy~~form~~ for each investment.

3. Annual Certification and Ongoing Testing of Guideline Compliance – The Ongoing Due Diligence Policy requires each manager to annually certify its compliance with the contractually specified guidelines. These certifications are reviewed by RSIC's Compliance function, as well as the Investment Team, and are subject to an annual audit. ~~There is also ongoing testing of guideline compliance –~~ F~~f~~or ~~those~~ public markets mandates which are governed by an Investment Management Agreement and custodied with the master custodial bank, automated reports are generated and reviewed on those mandates that can be monitored electronically.

C. Governance and Oversight

1. Performance Standards and Reporting - As noted above, State law requires that the AIP address the Commission's performance standards. The performance standards and benchmarks are described in Section III. In addition, RSIC receives monthly performance reports from the custody bank and the Commission receives quarterly performance reports prepared by RSIC's performance reporting staff and the general investment consultant. The performance reporting prepared by RSIC performance reporting staff must incorporate the Portfolio Performance Framework required in Section III.

2. Diversification – State law requires that the AIP address the topic of diversification, including sectors, issues and other allocations of assets that provide diversification in accordance with prudent investment standards. The Commission provides the CIO with parameters regarding its diversification objectives through the asset allocation, asset and sub-asset allocation ranges, and

performance standards set out in Section III. The Portfolio Reporting Framework required in Section III also provides the Commission the ability to oversee the implementation of the long-term portfolio strategy, as well as the actual implementation of the Commission's diversification directives.

3. Procedures regarding consultants, managers, service providers selections and terminations

i. Selection - State law requires that the AIP include procedures and policies for selecting, monitoring, compensating, and terminating investment consultants, equity investment managers, and other necessary professional service providers. Investment managers are primarily selected by the CIO, subject to the oversight of the CEO, pursuant to the Investment Authority Delegation Policy through an investment process that also complies with the Investment and Operational Due Diligence Polices. The CIO recommends to the Commission for its approval the selection of any manager of an investment that exceeds the limits of or falls into one of the exceptions to the investment delegation policy. Any investment recommended to the Commission for its approval must also comply with the Investment and Operational Due Diligence Policies. All other service provides are selected pursuant to the Commission's Service Provider Selection Policy which is included in the Commission's Governance Policies (RSIC Governance Policies can be found at: https://www.rsic.sc.gov/_documents/2017.07.14%20Governance%20Policy%20Manual.pdf.

~~ii.~~ Compensation, Fees and Expenses – Service providers, including consultants and investment managers, will be compensated commensurate with the services provided and

ii. industry practices. The Commission will pursue cost savings through structural efficiencies and will strive for fee reductions through negotiations. Investment management fees are evaluatedutilizing several metrics or tests. First, fees are examined relative to industry/peer standards. Second, when it reviews potential new mandates or restructurings of existing allocations, the investment staff assesses fees based on the cost relative to other implementation options. For example, in global public equities, the fees charged by active managers (as well as their expectedperformance and risk) are compared to other methods of obtaining similar market exposure, while in the private markets, fees (as well as expected performance and risk) are compared topublic market implementation alternatives. Lastly, to the extent practicable, fees will also beevaluated based on an assessment of the manager's ability to generate excess returns. Investment Staff gathers actual fees and provides annual public disclosure of all fees paid to external managers. The Commission receives an annual reports on the cost of its investment program from an independent expert, and may also call upon its investment consultants for assistance in analyzing and addressing issues relating to investment fees. Operating expenses applicable to internal investment operations and the general business of the RSIC are managedby the CEO within the parameters of the annual budget approved by the General Assembly.

iii. Term and Termination -The Commission or the CIO, as applicable, may terminate an investment manager whenever the Commission or CIO determines that its objectives can more efficiently or effectively be met by the selection of another manager or under a different management mandate. The Commission and CIO retain the right to terminate a manager with or without cause and at any time. It should be noted that termination rights may not apply to certain types of investment structures (e.g., typical private markets funds). Circumstances which suggest an immediate review and a possible termination include, but are not limited to, the following:

a. Manager changes strategy or investment style;

b. Critical elements of the investment process have deteriorated;

c. Transaction costs are unreasonable;

d. Management fees are higher than similarly styled managers for similarly sized portfolios;

e. Manager is unable to meet the performance expectations within the risk tolerance specified;

f. Material organizational or personnel changes;

g. Manager is not complying with the applicable provisions of the Commission's SIOP; and

h. Manager is not complying with the applicable provisions of the Commission's AIP.

4. Delegation of Authority to CIO - State law requires that the AIP and SIOP contain a detailed description of the delegation of final authority to invest made by the Commission. The Commission has delegated its final authority to invest to the CIO, subject to the oversight of the CEO, generally in the following amounts:

a. not to exceed 75 bps of plan value per investment for illiquid structures; and

b. not to exceed 200 bps of plan value per investment for liquid structures.

The Commission's full Investment Authority Delegation Policy is set out in Section VI.

5. Policies and Procedures to Adapt Portfolio to Market Contingencies - State law requires that the AIP include policies and procedures providing flexibility in responding to market contingencies. The ranges included with the Commission's asset and sub-asset class allocation ranges established in Section III provide the CIO with extensive flexibility to adapt the portfolio to market conditions. Similarly, the Commission's Investment Authority Delegation Policy provides the CIO the ability to adapt the Portfolio to changes in market conditions. To the extent that the CIO deems the scope of the authority delegated to the CIO insufficient, the CIO with the approval of CEO may take action deemed necessary to protect the Portfolio in an extreme market environment. The CIO will promptly inform the Commission of any such actions.

6. Portfolio Rebalancing - The Commission delegates to the CIO or his designee the authority to execute manager and/or securities transactions to implement rebalancing, manage liquidity, or to otherwise manage exposures within the allowable ranges. As part of this delegation, the Commission expects the CIO to articulate, implement and provide reporting to the Commission regarding the Portfolio's rebalancing and exposure management activities as requested. A high-level summary of the rebalancing and exposure management guidelines include:

i. The asset allocation is reviewed on an ongoing (typically monthly) basis by Staff and the CIO to ensure that the Portfolio is within its allocation ranges and to identify appropriate actions necessary to maintain compliance and to provide for the Plan's liquidity needs.

ii. The goal of the rebalancing and exposure management activities is to implement the investment strategy at a reasonable cost within the targets and ranges established by the Commission, recognizing that constant rebalancing to the exact target may not be economically justifiable. The following guidelines are used:

a. Rebalancing is currently performed quarterly unless a case has been made ***not*** to rebalance. Potential rebalancing activity is flagged for consideration based upon exposure reporting that is updated by RSIC's performance reporting staff. Rebalancing the portfolio incurs costs (trading commissions, bid-ask spread, and market impact) which are taken into consideration when rebalancing the Portfolio;

b. When an asset class reaches its minimum or maximum allocation, Staff will initiate rebalancing transactions to keep allocations within the approved ranges. Otherwise, Staff must seek Commission approval to remain outside the range; and

c. Concentration risk with respect to significant reliance on any single external manager is reviewed regularly by Staff. Mitigation of performance, operational, headline/reputational, or other fiduciary risks is typically achieved by maintaining a diversified allocation approach both within and across asset classes.

iii. RSIC Staff must balance the risks noted above with the economic benefits associated with a streamlined approach that uses fewer, larger allocations. Additional analyses of the costs and benefits of passive vs. active market exposure are an important input in these decisions.

D. Investment Manager Guidelines

1. General - In keeping with the responsibilities assigned to the CIO by State law and the Commission's Governance Policies, the Commission authorizes the CIO and his designees to develop and revise investment management guidelines for each internally and externally managed investment manager. In making this delegation, the Commission acknowledges that discretion in implementing the investment strategy, within the parameters of all applicable guidelines, will typically be granted to the Commission's investment managers. This discretion is usually limited to the selection of securities and the timing of transactions within the portion of the Portfolio allocated to each manager.

2. Funds of One - A Fund of One is an investment structure in which there is typically a majority investor in a specific vehicle or fund. The Commission or CIO as applicable may elect to use a Fund of One structure when the structure will have lower costs, customized exposure advantages, and/or other beneficial considerations. The CIO is responsible for the day-to-day investment responsibilities with respect to Funds of One, including providing affirmative or negative consent for underlying investments, as required.

3. Pooled or Commingled Funds:

i. Commingled investment vehicles can often provide lower costs and better diversification than can be obtained with a separately managed account pursuing the same investment objectives. However, commingled investment funds cannot customize investment policies and guidelines to the specific needs of individual clients. Recognizing these trade-offs, the Commission or the CIO, as applicable, may accept the policies of such funds in order to achieve the lower costs and diversification benefits of commingled vehicles, and exempt commingled investment vehicles from the requirements and guidelines of this policy if:

a. The investment practices of the commingled vehicle are consistent with the spirit of this policy and are not significantly different in letter; and

b. The benefits of using a commingled vehicle rather than a separate account are material.

ii. The Commission or CIO, as applicable, may structure a portfolio as a separate account that allows for the advantages of commingled vehicles, but with RSIC as the only investor. With international assets, commingled vehicles save the Commission from having to provide additional resources for currency and foreign custody issues as the manager will assume responsibility for these functions.

iii. If an investment mandate is structured through a commingled vehicle, the investment policies of that vehicle will be the legal governing policies of the investment of assets allocated to that vehicle.

4. Strategic Partnerships - The Commission may elect to establish Strategic Partnerships with certain asset managers who are believed to possess specific expertise, knowledge, and capabilities for a limited or broad range of investment strategies. The performance of each Strategic Partnership will be reviewed by the Commission periodically, with a more comprehensive review occurring approximately every 3 to 5 years. The investment approval and evaluation process within the Strategic Partnership is similar to that followed for other investments, however, in addition to passing RSIC's internal process, the investment must also be approved by the investment committee of the strategic partnership.

5. Trade Execution - For all accounts, the Commission expects the purchase and sale of its securities to be conducted in a manner designed to receive the best combination of price and execution. The Commission may evaluate policies that provide for the most efficient and effective trading process. The compliance with investment guidelines must be monitored by the investment managers on an ongoing basis and be based on then-current market values. Securities that, if purchased, would constitute a compliance violation may not be purchased. In the event of a compliance violation, the manager will be expected to promptly notify investment staff. If for some reason the manager does not believe that it is prudent to immediately bring the account back into compliance, the manager will be expected to present a justification as well as a proposal for bringing the account composition back into compliance.

E. Compliance with Section 9-16-320 of South Carolina Code:

1. S.C. Code Section 9-16-320 requires the Commission to meet at least once each fiscal quarter for the purpose of reviewing the performance of investments, assessing compliance with the annual investment plan, and determining whether to amend the plan.

2. The Commission has adopted a strategic calendar that sets a meeting schedule of five meetings per year with a least one meeting every fiscal quarter. The strategic calendar also contains standing agenda items for each meeting to ensure compliance with this Section to include:

i. Quarterly Investment Performance Review – at each meeting the Commission receives a report and presentation on the quarterly, fiscal year to date, one, five, and ten-year plan investment performance. The quarterly performance reports and presentations are based on the Portfolio Performance Reporting Framework described in Section III and are designed to provide the Commission with the ability to judge the absolute value of performance as well as the relative performance between the benchmark portfolios and actual portfolio's performance. The Commission also receives risk reports to judge the absolute and relative risk of the of these portfolios.

ii. AIP Compliance Review – At each meeting the Commission receives reports detailing compliance with the Annual Investment Plan to include:

a. A review of the asset class exposures and sub-asset class components of the portfolio to ensure compliance with the allowable ranges contained in Section III, Table 8, and to ensure adequate diversification of the portfolio and that the portfolio is not concentrated in any one industry sector, market sector, or issuer;

b. A review of relevant progress towards any of the Strategic Initiatives in Section IV;

c. Any significant market contingencies and review of any responsive action that resulted in a decision not to rebalance the portfolio pursuant to Section V.C.6 or any action taken to protect the Portfolio which fell outside the allowable ranges in Section III, Table 8;

d. Action resulting in significant cost savings to the Portfolio;

e. Any material deviation from the general operational and investment policies, and

f. As part of an in-depth review of one of the Policy Portfolio asset classes at each meeting, a review of the asset class baseline and progress towards meeting the baseline.

iii. The Commission retains the authority to amend any portion of the AIP requirements at any meeting and is required to consider amendments proposed by the CIO at its April meeting. However, if the Commission does not act to amend the AIP at any other meeting, it should be presumed that it determined not to amend the plan.

F. General Provisions Related to Alternative Investments

1. South Carolina law, the Employee Retirement Income Security Act of 1974 ("ERISA"), and the Uniform Management of Public Employee Retirement Systems Act of 1997 ("UMPERSA") each have similar or compatible, but not identical, definitions and responsibilities of fiduciaries with respect to managing and investing assets of retirement systems. For clarity and consistency, it is prudent for the Commission to declare standards for interpretation of certain terms used in these sources.

2. As relating to the use of alternative investment strategies, the “Plan Assets” of the Retirement System include the System’s ownership interest in the following entities (e.g., a share or a unit), but do not include the underlying assets owned by the entity itself:

i. a registered investment company;

ii. a registered security that is widely held and freely transferable;

iii. an entity in which “benefit plan investors” hold less than 25 percent of the equity interest asdefined and determined by ERISA §3(42);

iv. an “operating company” engaged in the production or sale of a product or service other than the investment of capital;

v. a “real estate operating company” or REOC (which actively manages and develops real estate consistent with U.S. Department of Labor ERISA regulations);

vi. a “venture capital operating company” or VCOC (which actively manages “venture capital investments” consistent with U.S. Department of Labor ERISA regulations); or

vii. a private investment partnership or offshore investment corporation the offering memorandum of which allows for the entity to take both long and short positions, use leverage and derivatives, and invest in many markets.

3. Whenever RSIC invests in an entity that does not hold Retirement System’s assets, the decision to invest in the entity will be subject, *inter alia*, to the South Carolina fiduciary rules and ethics standards provided by state law, but the transactions engaged in by the entity generally will not be subject to the same rules.

4. RSIC will at times need to interpret statutes while implementing and administering the investment program. Whenever the South Carolina statutes are substantively similar to provisions of ERISA or UMPERSA, and to the extent practicable and consistent with South Carolina law and other principles of general application relating to public pension plans, RSIC intends to use (1) pertinent provisions of ERISA; (2) interpretive rules and regulations of the U.S. Department of Labor relating to ERISA; and (3) the Reporter’s official comments to UMPERSA for guidance.

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 8, 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 quarterly ~~monthly~~ basis.

H. The delegation of the final authority to invest pursuant to this section includes the authority to terminate an investment manager as described in Section ~~I~~V.C.3.iii~~. 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.

L. This policy was amended on December 2, 2021 and took effect on December 2, 2021.

VII. SECURITIES LITIGATION POLICY ("POLICY")

A. Purpose and General Principles

a. The purpose of this Policy is to set forth the South Carolina Retirement System Investment Commission's[1] guidelines with respect to securities litigation. Interests in securities litigation matters will be managed as assets of the South Carolina Retirement Systems Group Trust (the "Trust") with the goal of enhancing the long-term value of the Trust.

b. The Commission acknowledges that it has a fiduciary duty to take reasonable actions to pursue and collect on legal claims held as an asset of the Trust. The Commission also recognizes that most, if not all, of the securities litigation claims in which the Trust may have an interest will be pursued by law firms from the class action bar regardless of whether RSIC takes an active role in the litigation.

c. This Policy outlines the Commission's procedures for monitoring the Trust's portfolio for potentially actionable losses, protecting the Trust's interests in litigation related to portfolio losses, and maximizing recoveries attainable by the Trust from such actionable losses.

d. This policy consists of four sections: 1) a section relating to asset recovery as passive class members in U.S.-based securities actions; 2) a section for litigation of securities listed on domestic exchanges where RSIC deems active participation is warranted; 3) a section for litigation of securities listed on foreign exchanges; and 4) a section related to the monitoring process for both foreign and domestic claims in which the Trust takes an active role.

B. Part One: Securities Litigation Policy for Filing Proofs of Claim ("Passive Participation")

a. Under U.S. federal law, securities class action lawsuits function as "opt-out" cases. This means that the Trust does not need to participate as a named party in order to recover its *pro rata* share of a class action recovery so long as the certified class claims include the losses incurred by the Trust. This type of participation is called Passive Participation. When notified of a class action settlement in which the Trust has suffered a loss, RSIC need only submit a timely and valid proof of claim in order to be included in any recovery.

b. The Trust's custodial bank, The Bank of New York Mellon ("BNY Mellon"), is responsible for completing and filing all proofs of claim, including the necessary supporting documents and information in every securities class action pending in the U.S. in which the Trust has a direct interest (i.e., for Trust assets that are custodied at BNY Mellon ("In-Bank Assets")). BNY Mellon is not responsible for filing proofs of claim for, or otherwise reporting on the management of, securities class action litigation for assets that are not custodied at BNY Mellon ("Out-of-Bank Assets").

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[1] "Commission" refers to the commission of eight members responsible for managing the South Carolina Retirement System Investment Commission, as specified in S.C. Code of Laws Ann. Section 9-16-315.

"South Carolina Retirement System Investment Commission" or "RSIC" refers to the agency established by South Carolina law for the purpose of investing and managing all assets held in trust for the participants and beneficiaries of the state's five separate defined benefit plans.

c. BNY Mellon’s claims filing responsibilities are set forth in more detail in the Service Level Description, dated July 21, 2019, between the Trust by and through RSIC and BNY Mellon (the “SLD”). The SLD outlines the process for: (i) identifying and reviewing all class action recoveries (whether by settlement or trial); (ii) providing timely notice of each settlement recovery to RSIC and the Commission; (ii) filing complete and accurate proofs of claim forms in a timely fashion on behalf of the Trust; (iv) providing quarterly reports outlining all claims filed on behalf of the Trust during the quarter; and (v) providing quarterly reports identifying all securities litigation proceeds recovered by the Trust directly or on its behalf. In the event of a claim involving securities that are not identified by a specific security identifier (e.g., CUSIP, ISIN, SEDOL, etc.), BNY Mellon will use commercially reasonable efforts to identify impacted securities recorded in BNY Mellon’s records relating to the security named in the documentation received. In the event that BNY Mellon is unable to file a claim on the Trust’s behalf (e.g., involving anti-trust claims), BNY Mellon, or in some cases a third party, will forward the relevant claim information to RSIC, and RSIC will utilize the services of third-party claims filing services that specialize in analyzing and filing such claims.

C. Part Two: Securities Litigation Policy for Securities Listed on a Domestic Exchange

a. While the Commission has a fiduciary obligation to take reasonable action to collect on legal claims held by the Trust, the Trust, acting by RSIC, may need to engage in active participation (“Active Participation”) on occasion. This type of participation involves serving as lead plaintiff in cases in the domestic exchange context. Active Participation in domestic securities class actions must be balanced with the Commission and RSIC’s primary obligation to maximize the investment returns of the Trust. This determination must also be weighed against the additional costs and burden on staff that may result by becoming lead plaintiff in a securities litigation case as well as the recognition that the Trust’s position as a lead plaintiff will not, in and of itself, entitle the Trust to any greater recovery.

b. **Authority to Seek Lead Plaintiff Designation:** Due to the time-sensitive nature of electing to seek a lead plaintiff designation and the Chief Executive Officer’s (“CEO”) statutory designation as the chief administrative officer of RSIC, the Commission, through this Policy, has delegated to the Executive Leadership Team the authority to elect to seek a lead plaintiff designation where appropriate, reasonable, and prudent to protect the interests of the Trust.

c. **Decision-Making Guidance for Active Participation:** The Executive Leadership Team will generally consider seeking lead plaintiff status (“Active Participation”) in a domestic class action when: (i) the Trust’s projected losses exceed $5 million U.S. Dollars (the “Loss Threshold”); or (ii) when the loss is substantial but less than the Loss Threshold and there are significant special factors justifying the Trust’s involvement. The determination of special factors will be made in the discretion of the Executive Leadership Team.

d. **Monitoring Procedures:** In addition to the reporting provided by BNY Mellon for class action litigation involving In-Bank Assets, the Trust may retain three or more securities litigation monitoring law firms (the “Firms”) to advise RSIC via periodic reporting of recently-filed class actions in which the Trust has sustained losses and which appear to have merit. The Firms will generally be engaged for up to five years, with the option to terminate earlier or renew for additional periods. Each of the Firms will provide reporting on at least a quarterly basis outlining all recently filed claims in which the Trust has sustained losses. Additionally, the Firms will submit written memos to RSIC on certain cases, including any cases exceeding the Loss Threshold, regarding the alleged facts of the case, the estimated losses, the Firm's view on the merits of the allegations, and a recommendation as to whether RSIC should seek a lead plaintiff position in the matter. RSIC Legal will perform an initial review of all reports and memos received from the Firms. Any reports or memos indicating a loss that exceeds the Loss Threshold will be forwarded to the CLO for further review. The CLO will review the reports and will follow up with the Firms that have provided the memorandum to get additional insight and information about potential claims exceeding the Loss Threshold ("Reviewable Claims") and will make additional inquiries or conduct additional research as needed.

e. After review by the CLO, the CLO will confer with the Executive Leadership Team regarding the merits of Reviewable Claims, including the projected losses incurred by the Trust, the specifics of the related investment(s), available staff resources, and the recommendations of the Firms regarding whether the Trust should seek a lead plaintiff position. Any decision to seek a lead plaintiff designation for a claim exceeding the Loss Threshold or based on special circumstances must be made by a unanimous vote of the Executive Leadership Team. The Executive Leadership Team will notify the Chair and Vice-Chair of the Commission about any decision to seek a lead plaintiff position and will update the Commission via reporting to the Commission's secure portal.

f. **Selection of Outside Counsel for Securities Litigation** If the Executive Leadership Team determines that it is prudent to hire one of the Firms or other legal counsel to represent the Trust in a securities litigation action to protect the assets of the Trust, all selection of counsel and retainer agreements shall be negotiated, executed, and monitored by the CEO with assistance from the CLO. The CEO may engage one of the Firms hired to monitor the Trust's portfolio, or the CEO may seek to engage other counsel after consultation with the CLO and notice and consultation with the Office of the South Carolina Attorney General, as required by S.C. Code Ann. Section 9-16-315(I). When RSIC first engages the Firms, RSIC will pre-negotiate a proposed engagement agreement for potential litigation, which must be approved by the CEO.

D. Part Three: Securities Litigation for Securities Listed on a Foreign Exchange

a. Due to the 2010 Supreme Court case, *Morrison v. National Australia Bank Ltd.*,[2] investors no longer have the protections of U.S. securities laws for securities that were purchased on a non-U.S. exchange. Unlike the U.S. class action process, foreign securities actions generally require investors to join as a named-plaintiff or "opt-in" at the commencement of the case in order to be entitled to a share of any recovery. This "opt-in" process requires affirmative decisions early in the process to join the lawsuit in order to participate in any recovery. In many cases, investors may be required to make these decisions before a foreign action is even filed.

[2] *Morrison v. National Australia Bank Ltd.*, 561 U.S. 247 (2010).

b. **Decision-Making Guidance for Active Management:** Because there is rarely an option for passive participation in foreign securities actions, the review for participation in these actions differs from those explained in Part Two of this Policy. The CLO will review notices of potential claims in foreign securities actions and will review recommendation memos received from the Firms or other sources in those cases where the loss threshold exceeds $1 million (the "Foreign Loss Threshold"). In foreign jurisdictions, various groups, including non-law firm litigation funding organizations, may act as a funding source for the litigation and work with a certain legal team to initiate litigation. In some cases, the group that first files a lawsuit may become a founding group ("Founding Group"). Founding Groups may impose differing terms and conditions in order to participate in a lawsuit. The CLO will review all available factors relating to participating in foreign actionsfor claims exceeding the Foreign Loss Threshold, including but not limited to: (i) the amount of the loss; (ii) the potential litigation fees; (iii) the litigation funding requirements; (iv) whether more than one litigation funding group is proposing participation; (v) the risk of adverse costs; (vi) the legal merits of the case; (vii) the contractual requirements for joining and/or bringing a claim; and (viii) the potential cost of staff's time. . After reviewing the above factors and the documentation required to elect to participate in the applicable foreign jurisdiction, the CLO will make a recommendation to the CEO on whether to participate, and if applicable, which Founding Group to elect based on the most suitable contract terms available for the Trust. The CEO,after reviewing the CLO's recommendation, will elect (A) whether or not to pursue participation in foreign litigation that exceeds the Foreign Loss Threshold; and (B) which funding group to select based on the terms and legal requirements of each. The CLO, working with the Firm(s), as applicable, will negotiate the required documentation and retain the right to change a recommendation to participate if suitable contract terms cannot be negotiated with the Founding Group.

E. Part Four: Litigation Monitoring for Active Participation in Domestic and Foreign Litigation

a. The CEO, acting via the CLO, will monitor any pending domestic or foreign cases in which RSIC is actively participating. The CLO will request quarterly written status updates from any Firms representing RSIC in Active Participation cases. The CLO will actively participate in discussions with the Firms regarding any participation by RSIC Staff or document production needs. The CEO and CLO will be actively involved in settlement discussions for any domestic litigation action. The CLO will submit periodic updates to the CEO and the Commission regarding such cases. In accordance with the CEO's statutory authority as chief administrative officer of the Commission, the CEO retains the ultimate authority related to the direction of any class action litigation and/or settlement pursuant to this Policy. The CEO may consult the Commission on any matter related to the initiation of or conduct of any lawsuit pursuant to this Policy. The CEO shall have full authority to approve a proposed settlement of any litigation. In addition, the CEO shall have full authority to execute all contracts, legal documents, settlements, certifications, and authorizations required to pursue litigation authorized by the Executive Leadership Team.

F. The Commission shall review this policy at least once every three (3) years to ensure that it remains relevant and appropriate.

VIII. Placement Agent Policy

A. Purpose. It is the intent of this Policy to comply with S.C. Code Ann. §9-16-100, which prohibits compensation being paid to a Placement Agent (as defined below) as a result of an investment by the Retirement System (as defined below).

B. Definitions. For purposes of this Policy, the following capitalized terms will have the defined meaning set forth below:

- **a.** Pursuant to §9-16-100(B), a "Placement Agent" means any individual directly or indirectly hired, engaged, or retained by, or serving for the benefit of or on behalf of an external manager or an investment fund managed by an external manager and who acts or has acted for compensation as a finder, solicitor, marketer, consultant, broker, or other intermediary in connection with making an investment with or investing in a fund managed by the external investment manager.
- **b.** "Placement Agent Policy Compliance Letter" means that letter which will be requested from prospective external investment management firms in accordance with the terms of this Policy.
- **c.** "Policy" means this Placement Agent Policy.
- **d.** "Retirement System" means the South Carolina Retirement Systems Group Trust.
- **e.** "RSIC" means the South Carolina Retirement System Investment Commission.

C. Procedure

- **a.** RSIC staff will inform prospective external investment management firms ("Investment Managers") as to the RSIC's Placement Agency Policy and statutory requirements as soon as practicable after RSIC staff begins the due diligence review of any potential investment. The RSIC staff member leading the due diligence review for the investment is responsible for sending written notice (paper, fax or email) to the Investment Manager requesting a Placement Agent Policy Compliance Letter. If a copy of this Policy has not already been provided to the Investment Manager, then this Policy will be made available to the Investment Manager prior to or at the time notice is given to the Investment Manager.
- **b.** The Placement Agent Policy Compliance Letter must be included in the RSIC investment Due Diligence Report packet.
- **c.** Investments will not be voted on by the Commission, Internal Investment Committee, or otherwise approved pursuant to RSIC policies, prior to receipt of the completed Placement Agent Policy Compliance Letter and confirmation from RSIC compliance staff that the letter is sufficient per Section G below.
- **d.** The following entities must complete the Placement Agent Policy Compliance Letter as outlined below:
  - **i.** Investment Managers that have a direct contractual investment management relationship with the RSIC or with an investment vehicle in which the RSIC is invested.
  - **ii.** Investment Managers that have an indirect contractual investment management relationship with the RSIC through an investment vehicle that invests in funds or other pooled investment vehicles or other assets.

D. Placement Agent Policy Compliance Letter. The Investment Manager will provide disclosure in the form of a letter addressing all requirements specified below:

- **a.** Certification that, in compliance with §9-16-100, no Placement Agent (as defined by State law) received, or will receive, compensation in connection with the RSIC making an investment with or investing in a fund managed by the Investment Manager.
- **b.** Representation that the Investment Manager has reviewed the applicable law and has not relied on the counsel or advice of RSIC or any employee, representative, agent or officer of RSIC regarding the interpretation and application of the applicable law.
- **c.** Representation that all information contained in the Placement Agent Policy Compliance Letter is true, correct, and complete in all material respects.

E. Open Records Law. RSIC may be required to disclose information in the Placement Agent Policy Compliance Letter under the South Carolina Freedom of Information Act.

F. Investments with Separate Account Investment Management Agreements ("IMAs"). If, after closing, the RSIC determines that the Placement Agent Policy Compliance Letter contains a material inaccuracy or omission, the RSIC will, to the fullest extent possible, seek the option, in its sole discretion and without liability to the Investment Manager or any third party, to terminate the IMA and to pursue all remedies that may otherwise be available to the RSIC without incurring any penalty under any agreement to which it is a party.

G. Investments in commingled investment structures (LPAs, LLCs, Trusts, etc.). The RSIC will endeavor to have provisions incorporated into the transaction documents for commingled investment structures which would permit the RSIC to take those actions described in the next sentence. If, after closing, the RSIC determines that the Placement Agent Policy Compliance Letter contains a material inaccuracy or omission, the RSIC will seek to obtain the option, in its sole discretion and without liability to the commingled investment structure, the General Partner or equivalent management entity, any other investor in the structure or third party, to cease making further capital contributions and/or direct payments to the investment and to pursue all remedies that may otherwise be available to the RSIC without being deemed to be a defaulting Limited Partner under the transaction documents and without incurring any other penalty under any agreement to which it is a party.

H. Review. RSIC's compliance staff will review Placement Agent Policy Compliance Letters and will determine whether each letter is sufficient. Any questions regarding the sufficiency of the letter will be referred to the RSIC legal department and will be reported to the CIO and applicable RSIC Staff.

I. Staff Contact. RSIC staff will provide notice about the prohibition in the state law to any party that contacts RSIC staff regarding a potential investment and appears to be acting in the role of a Placement Agent.

J. Obligation to Update. It is the Investment Manager's obligation to promptly inform RSIC staff of any material changes to a prior-filed Placement Agent Policy Compliance Letter, and to submit an updated Placement Agent Policy Compliance Letter where warranted prior to the RSIC's closing on an investment.

K. Review and History

- **a.** The Commission will review this policy at least every three years 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 committees generally, or as otherwise deemed appropriate by the Commission.
- **b.** 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.
- **c.** This policy was initially adopted on September 20, 2012.
- **d.** This policy was amended on June 22, 2017 and will take effect on July 1, 2017.

IX. SUDAN DIVESTMENT POLICY

A. Background. The State of South Carolina has enacted a Sudan divestment law, codified at S.C. Code Ann. §9-16-55 ("Act"). The uncodified preamble to the Act notes that "[d]ivestment is a course of last resort that should be used sparingly and under extraordinary circumstances," but states that "the genocide occurring in the Sudan is reprehensible and abhorrent," warranting this type of legislative response. The Act, which applies solely to the South Carolina Retirement Systems Group Trust ("Group Trust") managed by the South Carolina Retirement System Investment Commission ("Commission" as the governing body, "RSIC" as the agency), sets forth various criteria that are to be considered by the Commission in making the determinations required by the Act.

B. Purpose. The purpose of this Sudan Divestment Policy ("Policy") is to document the manner in which the Act is administered. The Commission has the exclusive authority to invest and manage the assets of the Group Trust pursuant to S.C. Code Ann. §9-16-20. The Commission also has the fiduciary duty to manage the assets of the Group Trust solely in the interests of the retirement systems, participants, and beneficiaries. The Commission must discharge these responsibilities in a manner consistent with all applicable statutes, regulations, and policies, including the Act.

C. Definitions. The Act utilizes the following defined terms:

a. "Active Business Operations" means a Company engaged in Business Operations that provide revenue to the Government of Sudan or a Company engaged in Oil-Related Activities.

b. "Business Operations" means maintaining, selling, or leasing equipment, facilities, personnel, or any other apparatus of business or commerce in Sudan, including the ownership or possession of real or personal property located in Sudan.

c. "Company" means a sole proprietorship, organization, association, corporation, partnership, venture, or other entity, its subsidiary or affiliate that exists for profit-making purposes or to otherwise secure economic advantage. "Company" also means a Company owned or controlled, either directly or indirectly, by the Government of Sudan, that is established or organized under the laws of or has its principal place of business in the Sudan.

d. "Government of Sudan" means the Government of Sudan or its instrumentalities as further defined in the Darfur Peace and Accountability Act of 2006.

e. "Investment" means the purchase, ownership, or control of stock of a Company, association, or corporation, the capital stock of a mutual water Company or corporation, bonds issued by the government or a political subdivision of Sudan, corporate bonds, or other debt instruments issued by a Company.

f. "Military Equipment" means weapons, arms, or military defense supplies.

g. "Oil-Related Activities" means, but is not limited to, the export of oil, extracting or producing oil, exploration for oil, or the construction or maintenance of a pipeline, refinery, or other oil field infrastructure.

h. "Public Employee Retirement Funds" means those assets as defined in §9-16-10(1).

i. "Scrutinized Companies" means any of the following:

i. The Company is engaged in Active Business Operations in Sudan; and
ii. The Company is engaged in Oil-Related Activities or energy or power-related operations, or contracts with another Company with Business Operations in the oil, energy, and power sectors of Sudan, and the Company has failed to take Substantial Action related to the Government of Sudan because of the Darfur genocide; or
iii. The Company has demonstrated complicity in the Darfur genocide.
iv. The Company is not engaged in Oil-Related Activities and lacks significant Business Operations in the eastern, southern, and western regions of Sudan; and
v. The Company is engaged in Oil-Related Activities or energy or power-related operations, or contracts with another Company with Business Operations in the oil, energy, and power sectors of Sudan, and the Company has failed to take Substantial Action related to the Government of Sudan because of the Darfur genocide; or
vi. The Company has demonstrated complicity in the Darfur genocide.
vii. The Company supplies Military Equipment within the borders of Sudan.[3]

j. "State" means the State of South Carolina.
k. "Substantial Action" means a boycott of the Government of Sudan, curtailing business in Sudan until that time described in Section I of this Policy, selling Company assets, equipment, or real and personal property located in Sudan, or undertaking significant humanitarian efforts in the eastern, southern, or western regions of Sudan.
l. "Sudan" means the Republic of the Sudan, a territory under the administration or control of the Government of Sudan, including, but not limited to, the Darfur region, or an individual, Company, or public agency located in Khartoum, northern Sudan, or the Nile River Valley that supports the Republic of the Sudan.

D. Identification of Companies

a. Identifying Scrutinized Companies. RSIC Staff ("Staff") has engaged the services of a specialized research firm ("Advisor") to (i) identify companies doing business in Sudan, as defined in the Act, and (ii) provide Staff with a list of such Scrutinized Companies ("Scrutinized Companies List").
b. Updates to Scrutinized Companies List. Staff shall ensure that the Scrutinized Companies List is updated on or about January 1 and July 1 of each year.

E. Engagement

a. Determining Scrutinized Status. For each Company identified by the Advisor pursuant to Section D of this Policy, RSIC (either via Staff or the Advisor) shall send a written notice informing the Company that it may become subject to divestment by RSIC. The notice

[3] If a Company provides equipment within the borders of Sudan that may be readily used for military purposes, including but not limited to, radar systems and military-grade transport vehicles, there is a strong presumption against investing in the Company unless that Company implements safeguards to prevent the use of that equipment for military purposes.

shall offer the Company the opportunity to clarify its Sudan-related activities within 90 days in order to avoid qualifying for potential divestment.

b. Compliance. If, following RSIC's notification (either via Staff or the Advisor) to a Company pursuant to Section E. a. of this Policy, that Company ceases the activities that caused the Company to be added to the Scrutinized Companies List, as determined by the Advisor, the Company shall be removed from the Scrutinized Companies List, and the provisions of this Section E shall cease to apply to the Company unless it resumes the activities that caused the Company to be added to the Scrutinized Companies List.

F. Determinations to be made by the Chief Investment Officer

a. Delegation to the Chief Investment Officer. The Commission has delegated authority to the Chief Investment Officer ("CIO") to, in consultation with RSIC's Chief Executive Officer, make the determinations required under the Act and to take actions necessary to implement this Policy.

b. General. If, following RSIC's engagement with a Company pursuant to Section E. a. of this Policy, the Company continues to be a Scrutinized Company, Staff will present the CIO with detailed information gathered from the Advisor, affected investment managers, and others regarding the Company, its Business Operations, the Group Trust's holdings, and any other information required by the Act and this Policy. The CIO will make determinations as to (i) whether Staff should sell, redeem, divest, or withdraw the Group Trust's interests in the Company, and (ii) the timing of any such sale, redemption, divestment, or withdrawal. The CIO will also make the determinations described in Section I of this Policy.

G. Prohibition. RSIC shall not use Public Employee Retirement Funds to acquire new Investments in Companies on the Scrutinized Companies List, except as provided in this Policy.

H. Permissible Investments under the Act

a. The Act does not apply to the following types of Investments:

i. Investments in a Company that is primarily engaged in supplying goods or services intended to relieve human suffering in Sudan;

ii. Investments in a Company that promotes health, education, journalistic, or religious activities in or welfare in the western, eastern, or southern regions of Sudan;

iii. Investments in a United States Company that is authorized by the federal government to have Business Operations in Sudan; and

iv. Investments that constitute indirect beneficial ownership through index funds, commingled funds, limited partnerships, derivative instruments, or the like.

b. In developing the Scrutinized Companies List, the Advisor shall determine, in good faith and with due professional care, whether any of the foregoing exemptions andexclusions set forth in the Act apply.

I. Determinations required to be made by the CIO pursuant to §9-16-55(D)(1). The Act states that nothing in the Act "requires the [C]ommission to take action as described in [the Act] unless the

[C]ommission determines, in good faith, that the action described in [the Act] is consistent with the fiduciary responsibilities of the [C]ommission as described in [Title 9, Chapter 16 of the Code]and there are appropriated funds of the State to absorb the expenses of the [C]ommission to implement this [Act].” §9-16-55(D)(1). Accordingly, whenever the CIO is asked to consider taking action under the terms of the Act or this Policy, Staff will assist the CIO in making the determinations required to be made as described in this Section.

J. Reporting. Staff shall, following the close of RSIC’s fiscal year, prepare a formal report to the Commission regarding actions taken pursuant to the Act. RSIC shall also publish the report. The report shall include all of the following information with respect to the previous fiscal year:

- **a.** The Scrutinized Companies List;
- **b.** A list of all Companies added to or removed from the Scrutinized Companies List;
- **c.** A summary of correspondence with Companies engaged by RSIC under the Act;
- **d.** A list of all Companies that RSIC will continue to engage concerning their Business Operations in Sudan;
- **e.** A summary of all Investments sold, redeemed, divested, or withdrawn under the Act; and
- **f.** A list of all Investments that were retained by RSIC pursuant to a determination by the CIO as set forth in Section I.

K. Expiration. The restrictions in the Act shall apply only until:

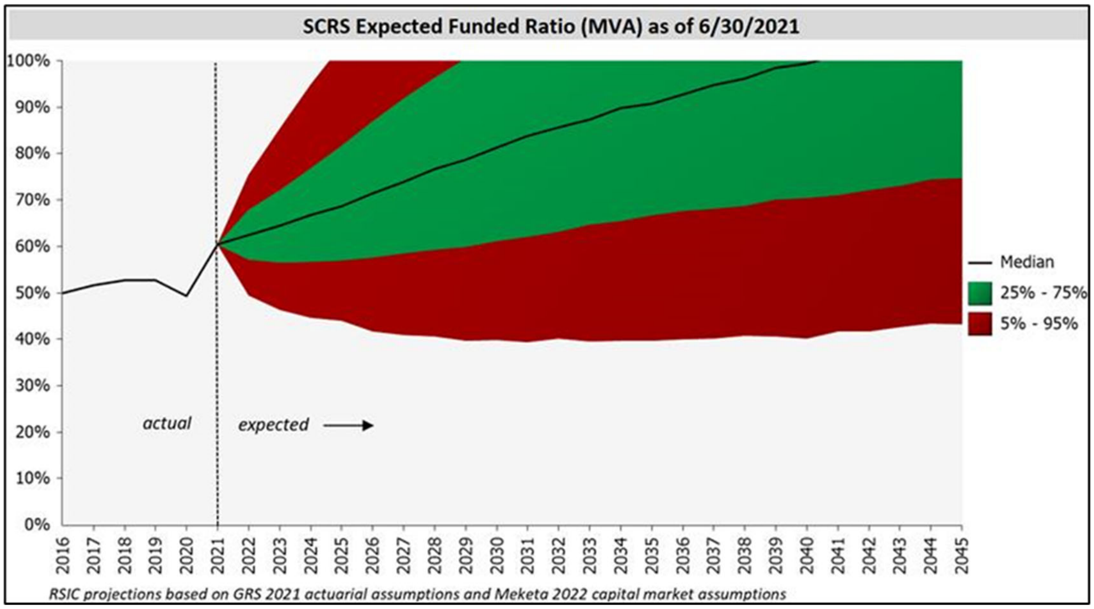
- **a.** The Government of Sudan halts the genocide in Darfur for twelve months as determined by both the Department of State and the Congress of the United States; or
- **b.** The United States revokes its current sanctions against Sudan.

L. Indemnification. The Act provides that present and former board members, officers, and employees of the State Fiscal Accountability Authority, present, future, and former directors, officers, and employees of the South Carolina Public Employee Benefit Authority, the Commission, and contract investment managers retained by the Commission must be indemnified from the general fund of the State and held harmless by the State from all claims, demands, suits, actions, damages, judgments, costs, charges, and expenses, including court costs and attorney’s fees, and against all liability, losses, and damages of any nature whatsoever that these present, future, or former board members, officers, employees, or contract investment managers shall or may at any time sustain by reason of any decision to restrict, reduce, or eliminate Investments pursuant to the Act.

X.
LONG-TERM ANNUALIZED RETURN AND VOLATILITY EXPECTATIONS (VERUS MARCH 202~~3~~4)

XI.
TABLES 1 AND 2 (2022, 2021, and 2020 VERSIONS)

TABLE 1 (2022)



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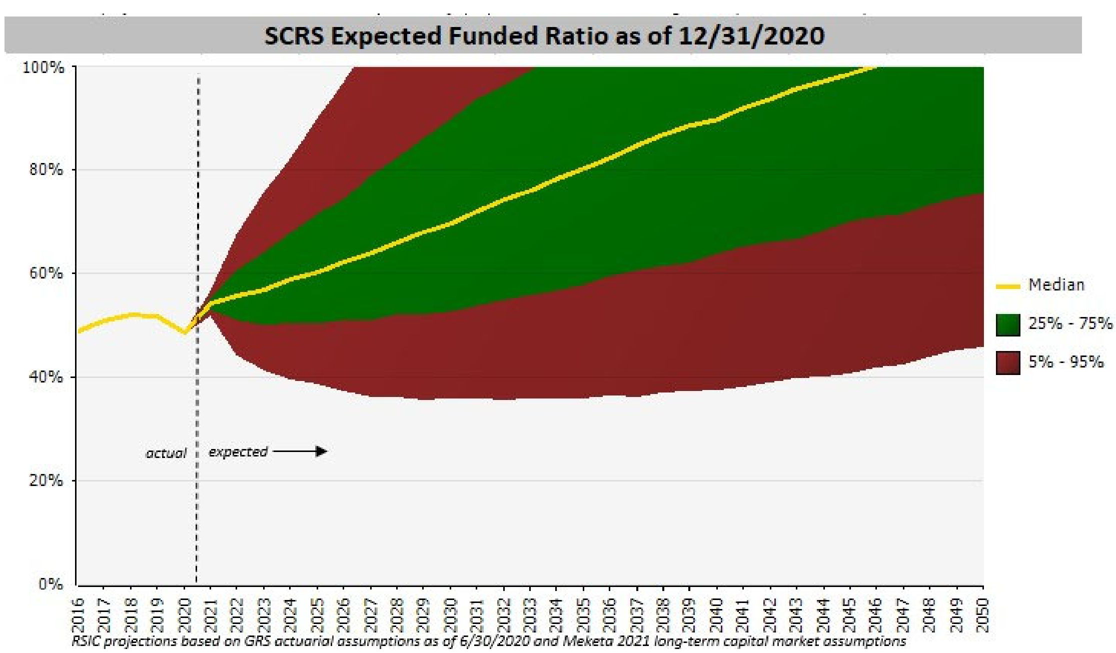

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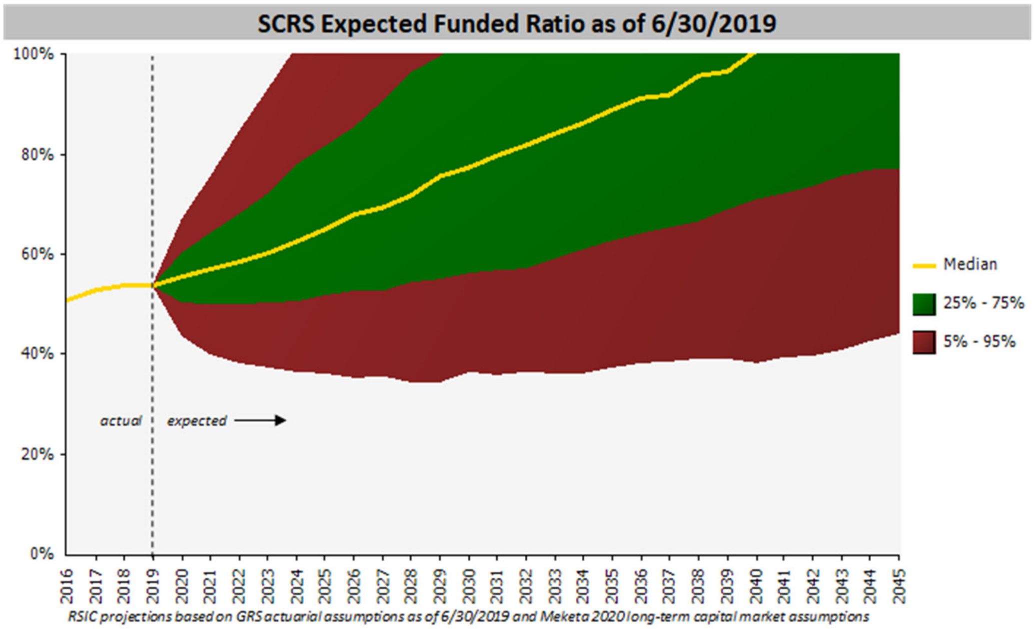

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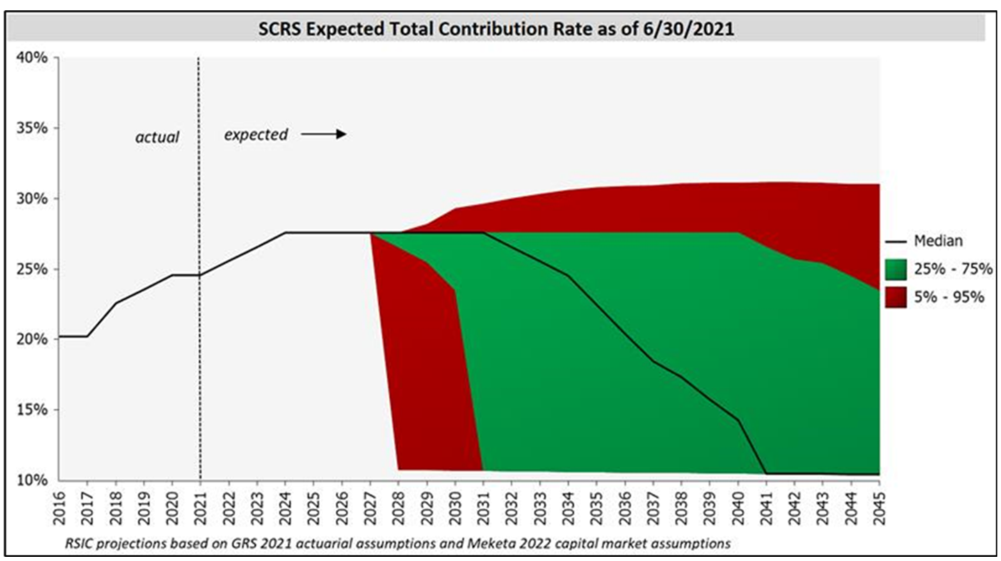

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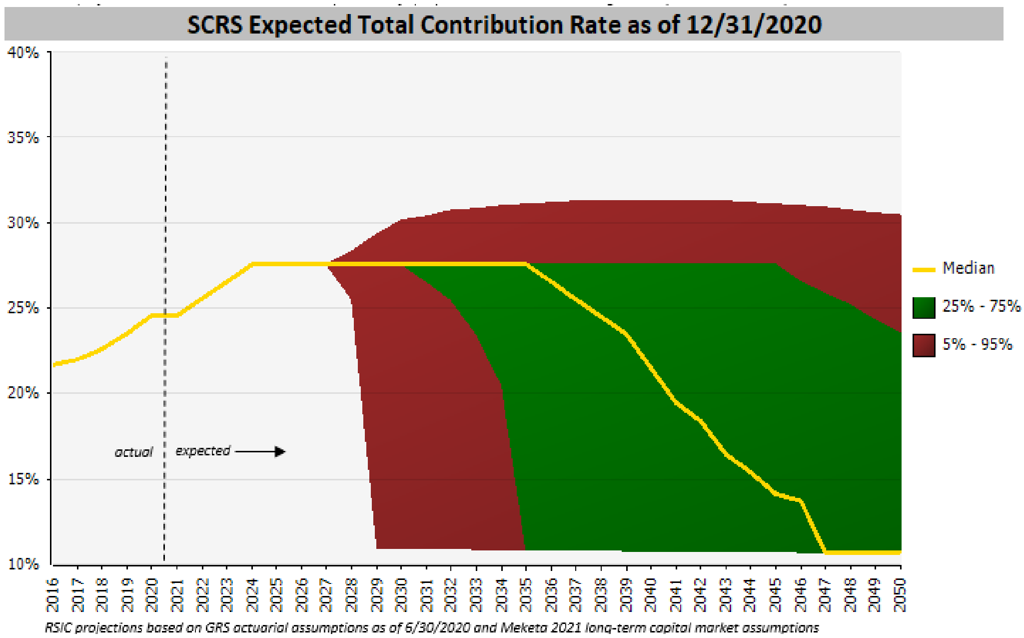
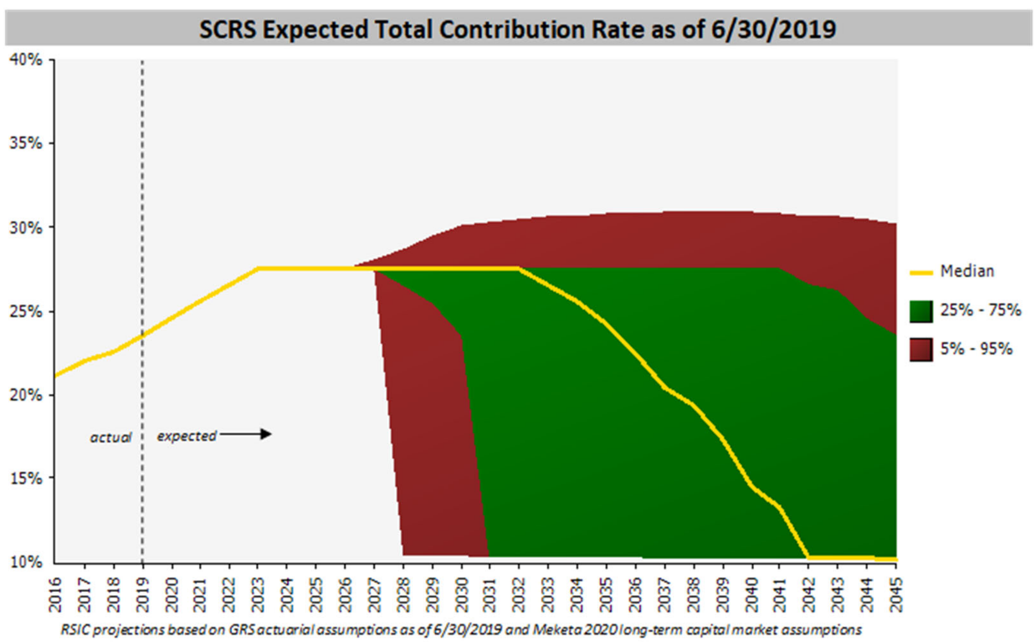


TABLE 2 (2020)



SOUTH CAROLINA RETIREMENT SYSTEM INVESTMENT COMMISSION

CONSOLIDATED ANNUAL INVESTMENT PLAN AND STATEMENT OF INVESTMENT OBJECTIVES AND POLICIES

As amended and adopted on April _____, 2024

Role of this Document

The State of South Carolina administers five defined benefit pension plans: the South Carolina Retirement System ("SCRS"), the Police Officers Retirement System ("PORS"), the Retirement System for Members of the General Assembly ("GARS"), the Retirement System for Judges and Solicitors ("JSRS"), and the South Carolina National Guard Supplemental Plan ("SCNG") (together, the "Plan").

The South Carolina General Assembly established the Retirement System Investment Commission ("RSIC") as a state agency in 2005 and provided it with the exclusive authority to invest and manage the assets of the Plan which it does in one group trust. RSIC is governed by an eight-member board (the "Commission"). The Commission is a co-fiduciary of the assets of the Plan along with the South Carolina Public Employee Benefit Authority Board ("PEBA").

State law requires the Commission to adopt a Statement of Investment Objectives and Policies ("SIOP") and to review it annually and to either amend it or reaffirm it. The SIOP establishes investment and performance objectives, policies and guidelines, roles, responsibilities, and delegation of authority for the management of plan assets. State law also requires RSIC's Chief Investment Officer ("CIO") to develop an Annual Investment Plan ("AIP") which must be presented to and adopted by the Commission prior to May 1st of each year. Pursuant to state law, relevant portions of the SIOP may constitute parts of the AIP. This Consolidated SIOP and AIP also serves as the RSIC's strategic plan.

In order to ensure consistency and agreement between the SIOP and AIP, the Commission has consolidated the requirements of both into one document which it will review annually prior to May 1st. As part of the annual review, the Commission will amend or reaffirm, as it deems appropriate, those portions of this document intended to meet the requirements of the SIOP and the Commission will consider the CIO's recommendation of any necessary changes to those portions of this document intended to meet the requirements of the AIP. In order to assist the Commission and the CIO in meeting their respective annual requirements, RSIC's Chief Executive Officer ("CEO") will provide a guide that designates those portions of this document that are required by the SIOP and those that are required by the AIP.

Any gender-specific language in this policy is intended to apply equally.

The consolidated AIP and SIOP takes effect July 1, 2024.

TABLE OF CONTENTS

I. STRATEGIC PURPOSE, INVESTMENT OBJECTIVE, AND BELIEFS

A. Purpose

The goal of the State's five defined benefit plans is to provide a lifetime of benefits in retirement to those who have dedicated a career of public service to the State and its political subdivisions. The funding to secure this promise of benefits comes from two sources - contributions made by the employee and employer and the investment return earned on the assets of the Plan. The General Assembly has provided the Retirement System Investment Commission with the sole authority to invest and manage the assets of the Plan. Thus, RSIC's purpose is to earn an investment return that aids in fulfilling the promise of benefit payments to our current and future retirees and their beneficiaries.

B. Investment Objective

RSIC's primary investment objective is to design an investment program that produces a long-term rate of return that when added to contributions, funds current and future benefit payments. In doing so, RSIC must remain mindful that the Commissioners, CEO, and CIO are named fiduciaries to the Plan's active employees, retirees, and their beneficiaries (collectively "beneficiaries"). The Plan's fiduciaries must carry out their respective responsibilities to invest and manage the Plan's assets solely in the interest of the Plan's beneficiaries, for the exclusive purpose of providing benefits, and in keeping with the highest duty of care the law recognizes. As a result, the return the investment program seeks to achieve should involve taking a prudent amount of investment risk.

Further, RSIC cannot design an investment program in isolation, but must instead design a program consistent with the realities of the Plan that is guided by the Plan's particular design, structure, and risk factors. An important guiding consideration is that the Plan is mature and as a result experiences net negative cash flows, in that the amount of annual contributions into the Plan is less than the annual amount of benefit payments flowing out of the Plan. As a result, the investment program must be designed in a way to provide sufficient liquidity to fund the net benefit payments to current retirees.

The investment program also must be guided by the consideration that the respective systems comprising the Plan are underfunded, in that the discounted liabilities of each system exceed the actuarial value of each system's assets. The 2023 Actuarial Valuation report from the Plan's actuaries shows the funded status of each system as:

SCRS	PORS	GARS	JSRS	SCNG
57.9%	65.9%	67.4%	46.4%	62.9%

The underfunded nature of the Plan presents the risk that the Plan's assets will be insufficient to support future benefit payments. As a result, the investment program must also be designed in a way to grow the assets of the Plan to support payments to future retirees and their beneficiaries. The General Assembly did take significant action to address the underfunded nature of the Plan in the 2017 Pension Reform Bill. The 2017 Pension Reform Bill requires that the unfunded accrued actuarial liability ("UAAL") amortization period for SCRS and PORS be reduced by one year each fiscal year until each plan reaches a twenty-year amortization period. In order to support meeting this requirement, the General Assembly significantly increased contributions into SCRS and PORS. It should be noted that because of these efforts, the funding levels for both SCRS and PORS improved over the prior fiscal year and the amortization periods for both SCRS and PORS have been reduced to 16 years.

Thus, RSIC is tasked with designing an investment portfolio that balances the need to provide sufficient liquidity to fund current net benefit payments while also growing the portfolio to aid in providing benefits to future retirees.

Another guiding factor is that the General Assembly has set 7 percent as the assumed annual rateof investment return on the Plan's assets. The assumed rate of return not only serves as the discount rate to determine the net present value of the Plan's liabilities, but also serves as the primary driver of the Plan's funding policy. Investment performance relative to the assumed rate of return determines whether contribution rates are sufficient to meet the funding goals and requirements of the Plan.

RSIC realizes that investment performance will not meet or exceed the assumed rate of return every year, but rather strives to construct an investment portfolio that will meet or exceed this rate of return over time at a prudent level of market risk, in keeping with its fiduciary duty to the Plan's beneficiaries. RSIC recognizes that achieving a long-term rate of return that exceeds the assumed rate requires investing the portfolio in a greater percentage of assets with relatively high risk. As a result, the investment portfolio will experience greater market volatility which not only impacts the probability of the investment return exceeding the assumed rate over time, but also correspondingly impacts the probability of reaching the funded status goals of the Planwithout requiring additional contribution rate increases.

As a result, RSIC works to design an investment program that maximizes the probability that the Plan will meet the General Assembly's funded status goals, but also given the high level of contribution rates, strives to minimize the probability that the Plan will need additional contributions above those already required. RSIC believes that it can design an investment program with a significant probability of meeting or making significant progress towards both concerns as demonstrated by the stochastic analysis of our funded status expectations for SCRS set out in Table 1 below and a similar analysis of our contribution rate expectations set out in Table 2 below.

TABLE 1

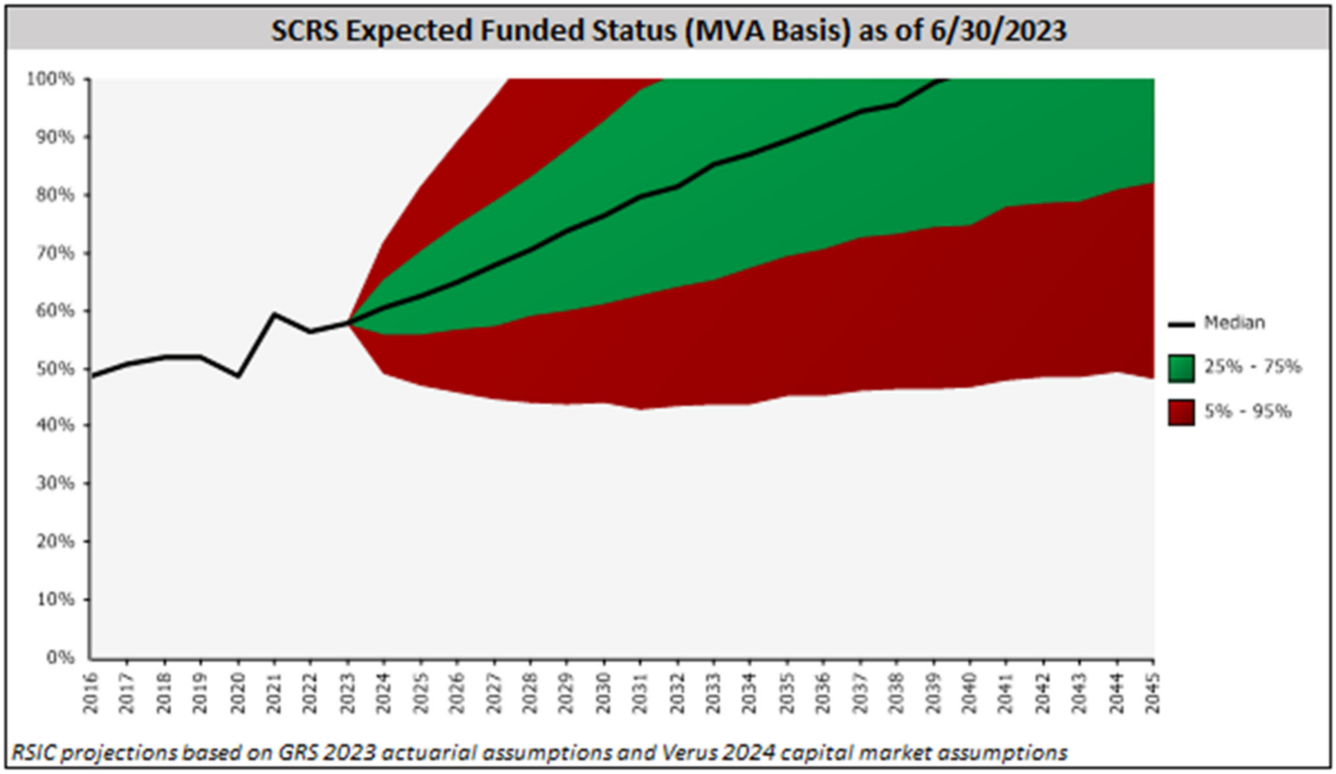


Table 1 tracks the actual, as well as expected, funded status of SCRS since 2016, the year prior to the passage of the 2017 Pension Reform Bill. SCRS is used as the example because its assets comprisethe greatest percentage of the total assets of the five systems. The reason for the stochastic approach to the expected funded status is to demonstrate the impact of market volatility on the probable funded status of SCRS through time. The model upon which the simulation is based incorporates the actual structure, components, and assumptions of SCRS, including the contribution policy put into effect by the 2017 Pension Reform Bill. The model uses the Commission's Policy Portfolio, described below, as the investment portfolio and includes thousands of iterations based on the 2024 long-term capital market and volatility expectations provided by the Commission's Investment Consultant. The long-term expected return and volatility for the Policy Portfolio is discussed in Section III(D) below.

As can be seen in this table, the base case scenario is that SCRS reaches fully funded status by 2039, which is within the funded status goals set by the 2017 Pension Reform Bill. However, if the Plan were to experience the unfavorable 95th percentile scenario, the funded status of the Plan would not improve and would be expected to be in approximately the same funded position in thirty years that it is in currently.

The table also shows the actual improvement of the funded status of SCRS since 2016. The actual improvement shown on the table is attributable to additional contributions flowing into SCRS resulting from the 2017 Pension Reform Bill and better than forecasted investment returns since the bill's passage.

In addition to this stochastic analysis, the 2023 Actuarial Valuation shows the amortization period for SCRS as 16 years, which is eight years ahead of the 2017 Pension Reform Bill's requirement of 24 years. The PORS 2022 Actuarial Valuation also shows the amortization period as 16 years, which is eight years ahead of the Pension Reform Bill's requirement of 24 years.

TABLE 2

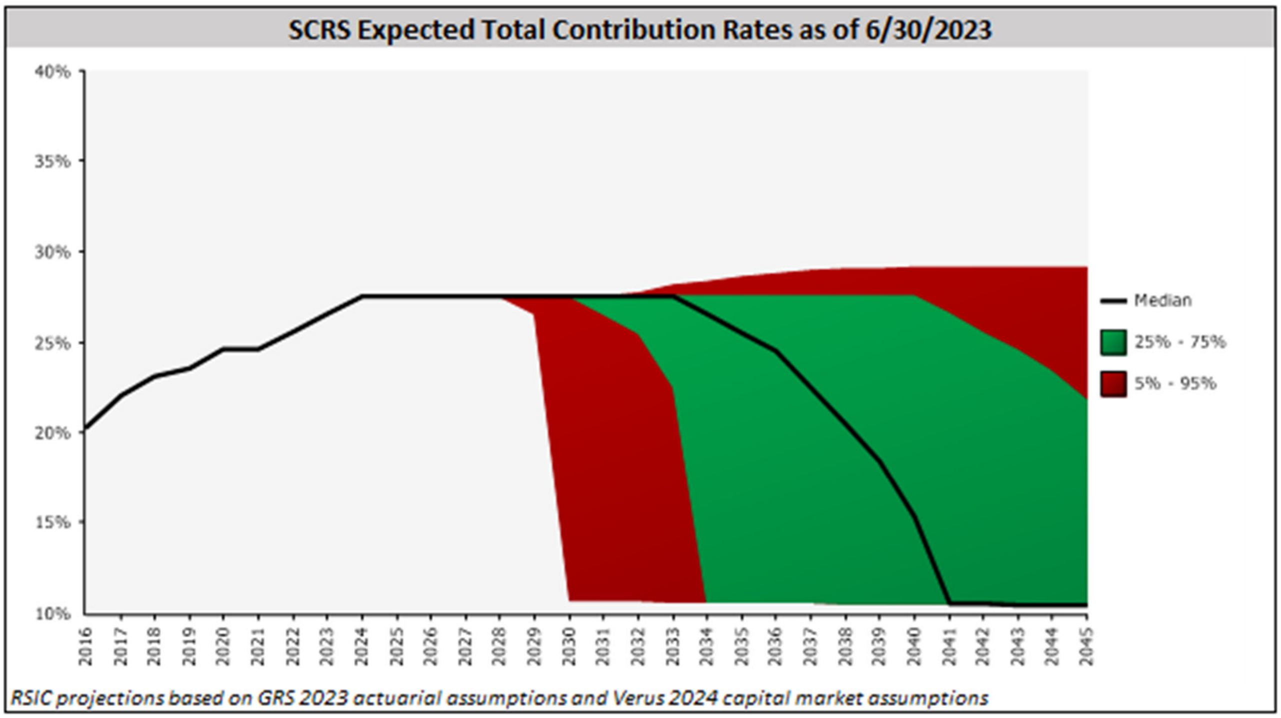


Table 2 tracks the actual, as well as expected, total employer and employee contribution rates for SCRS since 2016. This table also employs a stochastic approach to the expected combined contribution rate to more accurately demonstrate a range of probable outcomes due to market volatility. This analysis is based on the same assumptions used to produce Table 1.

As indicated in this table, the base case scenario shows combined employer and employee contribution rates for SCRS have increased to 27.56 percent pursuant to the schedule required by the 2017Pension Reform Bill. The contribution rates are expected to begin to decline in 2034. The contribution rates are projected to decline to the approximately 10 percent normal cost contribution rate by 2041. The table indicates that there is some risk that contribution rates may increase above the 27.56 combined contribution rate required by the 2017 Pension Reform Bill. (Appendix XI contains historical versions of Tables 1 and 2 for each year since 2020 based on the corresponding year's capital market expectations).

C. Beliefs

As fiduciaries, the Commission and staff of RSIC are charged with exercising their roles and responsibilities to the Plan's participants and beneficiaries with the highest duty of care that the law recognizes. In order to ensure consistency in approach to decision making that is commensurate withthis fiduciary duty and focused on achieving the investment objective, the Commission and RSIC staffhave adopted a set of core beliefs to ensure that we are collectively guided by a unifying set of principles.

Belief 1 – We believe that the Policy Allocation set by the Commission is the main driver of the investment portfolio's risk, return, and cost.

Belief 2 – We believe that investors must be rewarded for incurring additional risk, cost, and complexity.

Belief 3 – We believe that we are long-term investors which requires us to instill *discipline* and *patience* into our investment decision making and assessment process.

Belief 4 – We believe that achieving our investment objective requires an organization with strong governance, that maintains core values, and employs talented professionals. In order to do this, we must:

1. establish a governance structure with clear lines of authority and means to assess the quality of decision making and resulting performance;
2. recruit and retain a talented investment and operational staff consistent with our Core Values of:
    a. Humility,
    b. Intellectual Curiosity, and
    c. Team Player
3. achieve a deep understanding of value creation through the investment process;
4. emphasize risk awareness and focus on mitigating investment and enterprise risk; and
5. provide the foundation, infrastructure, and systems necessary to meet the investment objective and mitigate risk.

II. ROLES AND RESPONSIBILITIES

1. In 2005, RSIC was established by South Carolina law to invest and manage the assets of the State's five defined benefit retirement plans. RSIC invests and manages the assets of all five plans in one group trust. RSIC is governed by an eight-member Commission. The Commission's primary purpose is to set the strategic direction for an investment program that is consistent with its fiduciary duty and strives to earn an investment return that when combined with contributions fulfills the promise of benefit payments to the Plan's current and future retirees and their beneficiaries. This includes setting a long-term asset allocation that meets the Commission's investment objective, oversight of the implementation of the investment portfolio and the business affairs of RSIC, approving certain investments, ensuring legal and ethical integrity, and maintaining accountability. The Commission also adopts a series of governance policies that define the roles and responsibilities of Commissioners and staff and provide general guidance for the operation of RSIC as an agency. (RSIC Governance Policies can be found at: https://www.rsic.sc.gov/_documents/2017.07.14%20Governance%20Policy%20Manual.pdf).

2. The Commission employs a CEO, who serves as the primary figure of accountability for RSIC. The CEO serves as the chief administrative officer of RSIC as an agency and is charged with the affirmative duty to carry out the mission, policies, and directives of the Commission. The CEO is delegated the Commission's authority necessary, reasonable, and prudent to carry out the operations and management of RSIC as an agency and to implement the Commission's decisions and directives. The CEO also serves as the chief risk officer for the organization. The CEO is charged with employing a CIO and all other agency staff who serve at the will of the CEO. The CEO is also delegated the final authority to close all investments and must certify that investments made pursuant to the Commission's Investment Authority Delegation Policy meet the requirements of the policy (*see* SECTION VI for the Investment Authority Delegation Policy).

3. The CIO manages RSIC's investment functions subject to the oversight of the CEO. RSIC primarily invests Plan assets by allocating capital to external investment managers who implement specific investment strategies to provide the exposures necessary to meet the requirements of the Commission's strategic asset allocation. The Commission has implemented an Investment Authority Delegation Policy which provides the CIO with the final authority to invest with external investment managers subject to the limits of the policy. For a proposed investment that exceeds the delegation policy, the CIO determines whether the investment is presented to the Commission for final approval. The CIO is also granted certain authority to manage the implementation and exposure of the portfolio. The CIO through the management of the investment staff also oversees investment risk management, investment manager oversight, and other related activities.

4. The Executive Leadership Team (ELT) is currently comprised of the CEO, CIO, Chief Operating Officer ("COO"), Chief Legal Officer ("CLO"), and Director of Human Resources, and serves as RSIC's primary management committee and aids the CEO inmaking strategic organizational and operational decisions.

5. The Internal Investment Committee ("IIC") is a committee of senior staff appointed by the CEO and is chaired by the CIO. The IIC's responsibilities are provided by the IIC Charter but the IIC is

primarily responsible for serving as the committee that vets and recommends new investments to the CIO for approval and execution, or recommendation to the Commission for its approval.

6. The Commission engages a general investment consultant ("Investment Consultant"), who reports to the Commission and assists and advises the Commission on asset allocation, asset/liability study, performance reporting, benchmarking/peer group comparisons, and general investment education and advice. The Commission Chair takes the lead in ensuring there is an effective and productive relationship between the Commission and the Investment Consultant and that the Investment Consultant has adequate clarity and direction in meeting the Commission's needs and requests. The CEO assists the Chair in managing the day-to-day relationship with the Investment Consultant and ensures effective collaboration and consultation between the Investment Consultant and RSIC staff. RSIC Staff may rely on the Consultant for data resources, external analyst inputs, and access to educational materials. The CEO may also retain specialty consultants to serve as an extension of RSICStaff in Private Equity, Private Debt, Real Estate, Infrastructure, and Hedge Funds.

7. The Internal Audit function is governed by the Commission's Audit and Enterprise Risk Management Committee and is primarily provided through external service providers. An internal staff member coordinates the relationship with external service providers and assists the committee with performing its duties and functions. The purpose of the Internal Audit function is to provide independent, objective assurance and recommendations designed to add value and improve RSIC operations. It assists the entity in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

8. The Enterprise Risk Management and Compliance ("ERM and Compliance") function reports to the CEO and serves as the primary staff to aid the CEO in fulfilling the role of chief risk officer. The ERM and Compliance function coordinates with the ELT and other staff on the assessmentof, and provides oversight related to the identification and evaluation of, major strategic, operational, regulatory, informational, and external risks inherent in the business of RSIC. ERM and Compliance is also responsible for overseeing the process for monitoring compliance with RSIC policies and applicable laws.

9. The Public Employee Benefit Authority ("PEBA") is a separate agency that administers a comprehensive program of retirement benefits, performing fiduciary duties as stewards of the contributions and disbursements for the Plan. PEBA is responsible for producing GAAP basis financial statements for the Plan and maintains a general ledger to support that process. The financial statements that are produced by PEBA contain information regarding the investments made by the Commission and as such contain the official accounting records for Plan investments. The financial statements are presented in accordance with GAAP and comply with the Governmental Accounting Standards Board standards. The financial statements are audited annually by an independent audit firm hired by the State Auditor's Office.

10. The Commission and the PEBA Board serve as co-trustees of the Plan's assets. PEBA is the custodian of the Plan's assets and RSIC is responsible for the Plan's custodial banking relationship.

11. Subject to the approval of the State Fiscal Accountability Authority, PEBA designates the Plan's Actuary. The Commission is a third-party beneficiary to the contract with the Plan's Actuary, with full rights to all actuarial valuations prepared by the actuary.

12. The South Carolina General Assembly has the authority to control the budget and staffing for RSIC and to set the actuarial annual assumed rate of return for the Plan. Starting in early 2021, and every four years thereafter, in consultation with the Commission and the Retirement System's Actuary, PEBA proposed a 7 percent assumed annual rate of return to the General Assembly that took effect at the beginning of the 2021-2022 fiscal year because the General Assembly took no action to amend or reject the recommendation. The General Assembly also conducts periodic legislative oversight hearings of RSIC.

III. ASSET ALLOCATION

A. Purpose

The Commission's primary responsibility is to establish an investment program that is designed to meet the Commission's investment objective. The most significant action the Commission takes in fulfilling this responsibility is by setting the long-term asset allocation. The Commission designs a portfolio that includes a mix of assets that it believes will likely generate a long-term rate of return that meets its investment objective which is conditioned by its fiduciary duty to only expose the Plan's assets to a prudent level of market risk. The target, or Policy Portfolio, is established with a long-term perspective and the Commission does not expect to change the portfolio to react to short-term market conditions or frequent fluctuations in capital market expectations.

The Commission recognizes employing a long-term perspective has certain risk management benefits. Most notably, this discourages the temptation to react to short-term market trends, which can lead an investor to chase returns in asset classes that have become expensive due to recent appreciation. The Commission believes that adherence to this long-term perspective will produce its greatest benefits during periods of adverse market conditions, during which time the Policy Portfolio will serve as a stabilizing force for the investment program.

State law also requires the Commission to diversify the assets of the investment portfolio and to consider: (i) general economic conditions; (ii) the possible effect of inflation or deflation; (iii) the role that each investment or course of action plays within the overall portfolio; (iv) the needs for liquidity, regularity of income, and preservation or appreciation of capital; and (v) the adequacy of funding for the Plan based on reasonable actuarial factors.

B. Background

The Commission undertook a review of the existing Policy Portfolio in early 2019. At the time the Commission began this process, the Policy Portfolio was comprised of eighteen separate asset classes with twenty-one different benchmarks. Many of the asset classes had small target weights – several with less than three percent. Both the CIO and the Investment Consultant expressed concern that the Policy Portfolio was over diversified and required a high level of complexity to exist in the Actual Portfolio without a clear improvement in risk or return. The Commission found this to be inconsistent with its investment belief that investors must be rewarded for incurring additional risk, cost, and complexity. The Commission also believed that the existing Policy Portfolio established the wrong balance between its role as setting the strategic direction of the investment program and investment staff's role in implementing the portfolio. As a result, the Commission determined that a more consolidated Policy Portfolio was in order which valued simplicity and required complexity in the Actual Portfolio to prove its value. The Commission determined that key to this effort was developing a series of benchmarks that would collectively form a Portfolio Framework to clearly determine the value of investment decisions.

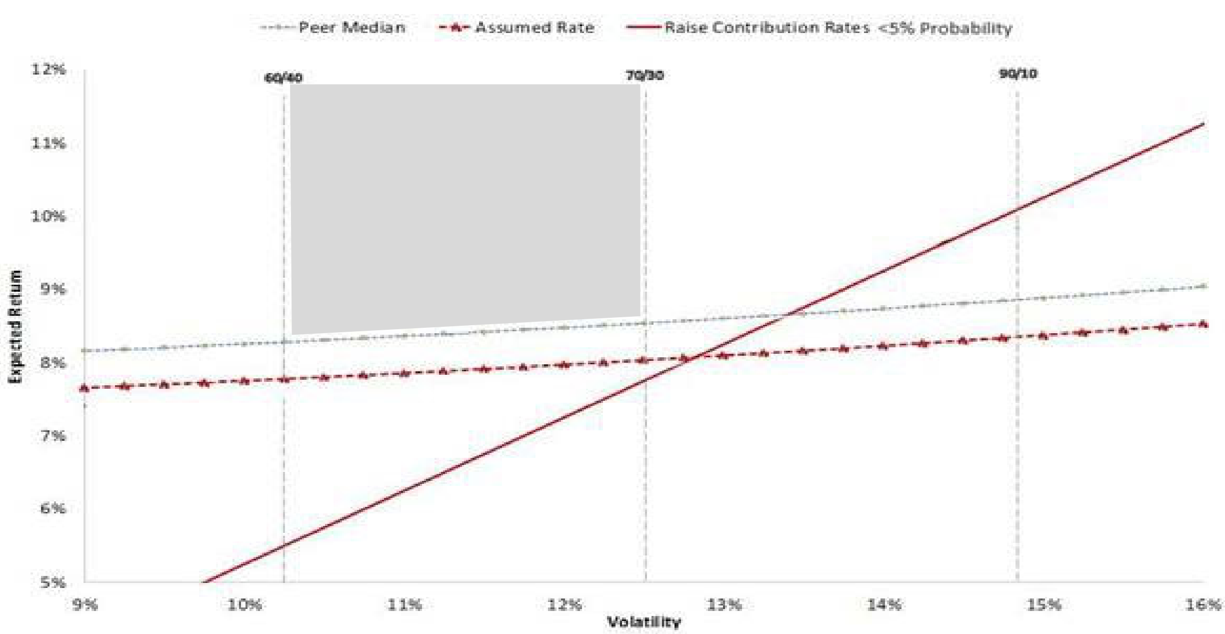
C. Reference Portfolio

The Commission decided that it would begin the development of this framework by setting a Reference Portfolio. The Reference Portfolio would be a simple two asset class benchmark portfolio comprised of stocks and bonds. The point of the Reference Portfolio was not to limit the portfolio toa simple mix of stocks and bonds, but rather to set a risk reference for establishing the Policy Portfolio. Although the intent was for the Reference Portfolio's risk to represent that of the Policy Portfolio, the Reference Portfolio would not serve as a risk limit for the Policy Portfolio, but rather a barometer to measure the value over time of diversifying into a multi-asset class portfolio.

The Commission attempted to set the allocation of the Reference Portfolio to one consistent with a portfolio that most closely expressed the risk required to earn a return that is expected to exceed the assumed annual rate of return while also avoiding a greater than 5 percent probability of requiring additional contributions increases in the next five years (other plan risks were also contemplated but would also be avoided because these risks would either fall along the same line or to the right of the red risk line represented on Table 3 below). In setting the Reference Portfolio, the Commission was mindful that South Carolina law provides that no more than seventy percent of the portfolio may be invested in equities. The law does not limit the types of assets that could make up the other thirty percent of the portfolio, which could conceivably include assets like high yield bonds which have an imbedded equity risk factor. However, the Commission believed it was prudent to constrain the Reference Portfolio to no more than seventy percent equity risk, as expressed by a seventy percent allocation to equities, and to mitigate the equity risk with a thirty percent allocation to bonds.

The Commission considered the appropriate Reference Portfolio at its April and June 2019 meetings. The Commission determined that a 70 percent Global Public Equities (*MSCI ACWI IMI Net*) and 30 percent Bonds (*Bloomberg Barclays Aggregate*) portfolio best represented the volatility of a diversified portfolio of assets that would be expected to earn a return that exceeds the assumed annual rate of return over time while also avoiding a greater than 5 percent probability of requiring additional contributions increases in the next five years. The Commission reached consensus on this allocation as the Reference Portfolio Benchmark. In reaching this consensus, the Commission accepted that a Reference Portfolio with a risk level associated with a seventy percent allocation to equities was prudently necessary to meet its investment objective.

Table 3



D. Policy Portfolio

The Commission then began establishing a Policy Portfolio that would serve as the Commission's long-term asset allocation. The Policy Portfolio would be a multi-asset class portfolio with similar expected volatility as the Reference Portfolio. The Policy Portfolio would be expected to consolidate the existing eighteen asset class Policy Portfolio into a more simplified allocation without substantially impacting the expected return, but with a similar level of risk as the Reference Portfolio. The purpose of setting the Policy Portfolio's risk target to that of the Reference Portfolio was to reveal the performance impact gained through diversification.

However, unlike the Reference Portfolio, the Policy Portfolio would be a portfolio that could be held and, in any respect, would serve as the gravitational pull to a more simplified Actual Portfolio.

The Commission considered the transition to a more simplified Policy Portfolio at its April and June 2019 meetings and reached consensus on the transition to the simplified target allocation in Table 4 below.

Table 4

Legacy Asset Allocation	
Nominal IG Bonds	6
Treasuries	5
TIPS	2
Mixed Credit	4
EM Debt	4
Private Debt	7
US Equity	18
Developed Int'l Equity	11
EM Equity	6
Equity Options	7
Private Equity	9
Real Estate (Public)	1
Real Estate (Private)	8
Infrastructure (Public)	1
Infrastructure (Private)	2
PA Hedge Funds	10
GTAA	7
Other Opportunistic	1

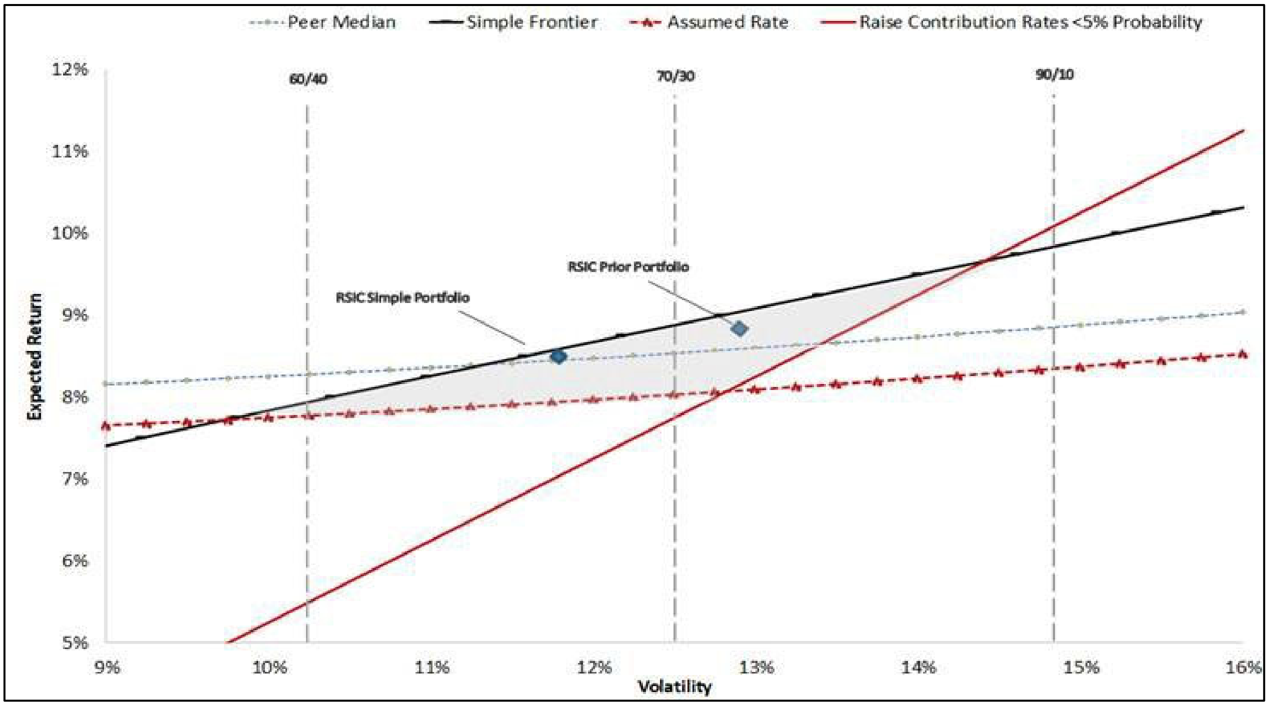
Current Asset Allocation	
Bonds	26
Private Debt	7
Global Equity	46
Private Equity	9
Real Assets	12

The Commission also analyzed whether the Policy Portfolio would meet the Commission's long-term investment objective in that it would likely exceed the assumed rate of return and avoid risks particular to the Plan including not meeting the General Assembly's funded status objectives and avoiding a significant probability of requiring additional contribution increases. This analysis was based on the Investment Consultant's 2019 Capital Market Expectations.

As demonstrated in Table 5[2,] the Policy Portfolio would be expected to:

1. exceed the assumed rate of return,
2. compare favorably to the simple frontier[3],
3. compare favorably to the risk of the Reference Portfolio Benchmark; and
4. experience a less than 5 percent probability of requiring additional contributions increases in the next five years (again other plan risks were also contemplated but would also be avoided because these risks would either fall along the same line or to the right of the risk line represented on the table).

Table 5



In reaching consensus on the asset allocation, the Commission also considered what role each asset class would play in the overall portfolio with each asset class performing the primary role of growth, diversification, or yield:

Public Equity: This asset class includes investments in the stock of publicly traded companies. The purposeof public equity in the portfolio is growth. The excess return expectations for this asset class are low. The asset class is highly liquid and can be accessed with minimal implementation cost.

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[2] Although the Investment Consultant's long-term capital market expectations were based on projected asset class returns over twenty years, the Reference and Policy Portfolios' risk and return were calculated using these expectations to produce thirty-year results.

[3] The simple or efficient frontier comprises investment portfolios that offer the highest expected return for a specific level of risk. In this case, the investment portfolios along the simple frontier are limited to a mix of the five asset classes from the simplified portfolio shown in Table 4.

Bonds: This asset class includes investments in debt securities issued by governments, corporations, or other issuers. The primary purpose of bonds in the portfolio is diversification and the secondary purpose is to provide yield. The excess return expectations for this asset class are low and the asset class is expected to provide a persistent source of return while remaining highly liquid. Bonds are expected to serve a stabilizing function in times of market stress.

Private Equity: This asset class includes equity investments in privately held companies. Investors have historically been compensated with incremental return over comparable public equity investments in exchange for lower liquidity and increased business risk as compared to the public markets. The primary role of private equity in the overall portfolio is growth with an expected long-term return that exceeds public equity. The excess returns of this asset class are a source of magnitude of return for the portfolio the value of which is expected to exceed the higher cost of implementation as compared to public equity.

Private Debt: This asset class includes investments that provide alternative financing to businesses or assets and are in competition with traditional capital market or bank financing. Investors are compensated with incremental return over what can be achieved through traditional forms of lending inexchange for lower liquidity as compared to liquid credit markets and for serving as a solutions provider to these businesses. The primary role of this asset class in the portfolio is yield. The expectations for the consistency of return above what can be achieved through bonds or the liquid credit markets is high.

Real Assets: This asset class includes investments in physical assets like real property and infrastructure, as opposed to financial assets like stocks and bonds. The primary role of this asset class is diversificationwith the secondary purposes of providing inflation protection and yield. Although the expected liquidity for this asset class is low, the expectations for excess return are high.

Table 6

	Public Equity	Private Equity	Bonds	Private Debt	Real Assets
Primary role in portfolio (asset allocation)	Growth	Growth	Diversification	Yield	Diversification
Secondary role in portfolio (asset allocation)			Yield		Yield
Return expectation (20Y benchmark return)	High	> Public Equity	Low	> Bonds	Moderate
Alpha expectation where active: magnitude vs. cost	Low	High	Moderate	Moderate	Moderate
Consistency of excess return	Low	Moderate	Moderate	High	High
Expected liquidity	Very high	Very Low	Very high	Low	Low
RSIC Target Portfolio Expected Cost	Low	High	Low	Moderate	Moderate

The Commission believes that this change in approach to a five asset-class Policy Portfolio shifts the paradigm to one which values simplicity and holds a more complex portfolio accountable for improving risk-adjusted returns. A crucial component to ensure this accountability is having the appropriate benchmarks for the Policy Portfolio. The Commission was guided by the CFA Institute's recommendations that benchmarks are (i) specified in advance, (ii) appropriate, (iii) measurable, (iv) unambiguous, (v) reflective of investment options, (vi) owned, and (vii) investable. At its September 2019 meeting, the Commission reached consensus on the benchmarks in Table 7 for the Policy Portfolio.

Table 7

Asset Class	Benchmark[4]
Public Equity	*MSCI ACWI IMI Net*
Bonds	*Bloomberg Barclays Aggregate*
Private Equity	*Burgiss Private Equity*
Private Debt	*S&P LSTA +150 bps*
Real Assets	*NCREIF ODCE Net*

[4] *The Private Equity and Private Debt portfolios and benchmarks will be reported on a 3-month lag.*
MSCI ACWI IMI Net - Morgan Stanley Capital International All Country World Index Investable Market Index; S&P LSTA - Standard & Poor's Loan Syndication and Trading; and NCREIF ODCE – National Council of Real Estate Investment Fiduciaries Open End Diversified Core Equity.

Based on the 2019 Capital Market Expectations provided by the Commission's Investment Consultant that the Commission utilized when reaching consensus on the Policy Portfolio, the Policy Portfolio would have been expected to achieve a twenty-year annualized rate of return of a 7.83 percent with an expected volatility of 11.69 percent. The portfolio would have been expected to have a 58.41 percent probability of earning a twenty-year annualized rate of return that met or exceeded the then assumed rate of return of 7.25 percent.

In the years since the Commission adopted the Policy Portfolio, the annual capital market expectations have fluctuated primarily in response to significant market movement during the prior year. Based on the 2024 Capital Market Expectations provided by the Commission's General Investment Consultant, the Policy Portfolio is expected to achieve a 10-year annualized rate of return of 7.32 percent with an expected volatility of 11.8 percent. The return and volatility expectations are in line with the 2023 expectations of a 10-year annualized return of 7.4 percent and an expected volatility of 11.9 percent..

The Commission believes that long-term investors should resist the temptation to adjust their long- term asset allocation in response to short term volatility in capital market expectations. As a result, the Commission believes that there is no interim asset allocation change to the Policy Portfolio that is absolutely critical to meeting its long-term investment objective and the Commission will not depart from the asset allocation review schedule established in Subsection H.

E. Implementation Portfolio Benchmark

The Commission recognizes that the CIO and investment staff may add value by structuring the Actual Portfolio in a manner that deviates from the Policy Portfolio target weights or may also pursue a strategy that causes the composition of an asset class to differ from the policy benchmark. As a result, the Commission provides the CIO and the investment staff with the discretion to structure the portfolio within the asset class and sub-asset class ranges in Table 8. In order to measure the risk and return impact of theseportfolio structure decisions, the Commission employs an Implementation Portfolio Benchmark that aggregates the underlying benchmarks of each asset class and sub-asset class strategy according to their actual weights. Providing this discretion while establishing a structure that measures the value of these decisions also sets the right balance of accountability for Commission decisions and those of the CIO andinvestment staff.

Table 8

Asset Class	Target	Range	
Public Equity	46%	30%	60%
Domestic	Index	Index +/- 6%	
Developed Non-US	Index	Index +/- 6%	
Emerging Market	Index	Index +/- 4%	
Equity Options	0%	0%	7%
Bonds	26%	10%	35%
Core Bonds (IG)	26%	10%	35%
Inflation-linked (IG)	0%	0%	5%
Mixed Credit (non-IG)	0%	0%	8%
EM Debt	0%	0%	6%
Net Cash/Short Duration	0%	0%	7%
Private Equity	9%	5%	13%
Private Debt	7%	3%	11%
Real Assets	12%	6%	18%
Real Estate	9%	5%	13%
Infrastructure	3%	0%	5%

F. Manager Selection

The Commission also recognizes that the CIO and investment staff strive to add additional value through manager selection. In September 2017, the Commission through the adoption of the Investment Delegation Policy delegated investment manager selection decisions to the CIO and investment staff within clearly defined limits and exceptions. The Investment Authority Delegation Policy is set out in Section VI. The value of manager selection is discernable by comparing the Implementation Portfolio Benchmark and the Actual Portfolio.

G. Performance Reporting

Essential to the Commission's oversight function is performance reporting that makes clear the value of three major investment decisions: diversification, portfolio structure, and implementation. The Commission requires staff to provide a Portfolio Reporting Framework that easily allows the Commission to judge the value of these three investment decisions by comparing the relative performance between the Reference Portfolio, Policy Portfolio, Implementation Portfolio, and Actual Portfolio:

1. *Diversification (Policy Portfolio Benchmark vs. Reference Portfolio Benchmark):* The comparison of the Policy and Reference Portfolios Benchmarks reveals the value from diversification beyond a simple two-asset portfolio. The benefit of designing these portfolios with the same level of expected volatility is that the performance differential is an indication of the impact of diversification, rather than being a function of an expected risk differential. Although the effects are reported over shorter periods, the Commission should expect to see the value of

diversification in this comparison over rolling five-year periods. Although these portfolios were established with the same level of expected volatility, the risk of these portfolios is expected to diverge during discrete periods of time but would generally be expected to rise and fall together over time.

2. *Portfolio Structure (Implementation Portfolio Benchmark vs. Policy Portfolio Benchmark):* This comparison supports an assessment of the quality of the portfolio structure. It reveals the performance impact of the decisions to structure the portfolio differently than the Policy Portfolio Benchmark. These impacts can be broken down into those resulting from the *weights* of asset classes and those resulting from the *composition* of asset classes. Although the effects are reported over shorter periods, the Commission should see the positive performance impact of implementation benchmark decisions over rolling three-year periods. The reporting framework also include risk reports to highlight whether and how changesin portfolio structure alter the risk characteristics of the portfolio.

3. *Implementation (Actual Portfolio vs. Implementation Portfolio Benchmark):* This comparison aids in the evaluation of the quality of implementation, a key component of which is the impact of manager selection. The Commission should expect to see differential individual manager performance as compared to the implementation benchmark over short periods of time, but the Commission should expect in aggregate to see consistent value added through manager selection. Providing this additional comparison between the Actual Portfolio and the Implementation Benchmarks also disaggregates the performance gained through portfolio structure and that gained through manager selection. As a result, the Commission may evaluate the quality of each of these portfolio decisions when prior to 2020, the actual portfolio was simply compared to an individual policy benchmark that combined both portfolio structure and manager selection decisions. This additional look through provides the Commission with an enhanced ability to effectively exercise oversight over both portfolio structure and investment manager selection decisions made by the investment staff.

H. Asset Allocation Review

The Commission will conduct an Asset-Liability Management Study and asset allocation review every five years. The Commission will continue to receive long-term capital market expectations from the Investment Consultant annually and assess the impact to the expected return and volatility of the Reference and Policy Benchmark Portfolios. However, consistent with its beliefs and long-term approach to asset allocation, the Commission intends to limit interim asset allocation changes to those the Commission determines are **absolutely critical** to meeting its long-term investment objective and are commensurate with its risk tolerance and fiduciary duties.

IV. STRATEGIC INITIATIVES

The Strategic Initiatives described in this Section are major ongoing staff projects contemplated to last up to three years and are likely to have a more significant impact to the portfolio, asset class, or an investment strategy than typical decisions. The CIO will include changes to these initiatives as part of the annual AIP proposal and will provide a quarterly update on progress towards these initiatives at regular Commission meetings.

1. Strategic Asset Allocation – The Commission, with the input and assistance of the General Investment Consultant and staff, will conduct an Asset-Liability Management study and a strategic asset allocation review as contemplated by Section III(H).

2. Risk Management – The Quantitative Solutions Group will continue to improve risk monitoring at the Portfolio, asset class, and manager levels. The team will place special emphasis on improving the quality of risk reporting at these levels.[5]

3. End of Fund Life - Establish a discipline to evaluate private investments approaching the end of fund life to optimize asset class performance.

[5] The Quantitative Solutions Group is a subset of the Investment Team responsible for quantitative analytical support on prospective investment managers as part of the investment due diligence process, and also for monitoring and reporting on investment risk.

V. INVESTMENT POLICIES

A. General

1. The Commission and staff must only consider pecuniary factors when making an investment decision or when allocating capital to an external investment manager. A “pecuniary factor” is a factor that a prudent person in a like capacity would reasonably believe has a material effect or impact on the financial risk or return on an investment, including a factor material to assessing an investment manager’s operational capability, based on an appropriate investment horizon consistent with a retirement system’s investment objectives and funding policy. The term excludes “non-pecuniary factors” which is any factor or consideration that is collateral to or not reasonably likely to affect or impact the financial risk and return of the investment and include but are not limited to the promotion, furtherance, or achievement of environmental, social, or political goals, objectives, or outcomes. The closing documentation of every investment must include the CEO’s certification that the decision to make the investment is based on pecuniary factors and is not being made to promote, further, or achieve any nonpecuniary goal, objective, or outcome.

2. IIC and Investment Approval Process - State law provides that the AIP is to be implemented by the Commission through the CIO. RSIC employs a team of investment professionals that support the CIO in carrying out investment management duties and responsibilities. One key component of this infrastructure is the IIC. The IIC assists the CIO by reviewing and providing recommendations to the CIO regarding proposed investments. The IIC also routinely monitors the Portfolio’s investment performance and reviews relevant policies and procedures as part of its oversight function. The Commission adopted an Investment Authority Delegation Policy which grants the CIO the ability to approve those investments which fall within the parameters of this policy, subject to the oversight of the CEO. Other investments are presented to the Commission for its approval.

3. Due Diligence – The Investment Team maintains investment due diligence policies to provide consistency and oversight to the investment process. The Initial Due Diligence Policy outlines the key tenets of the RSIC’s decision-making process in hiring investment managers. The Ongoing Due Diligence Policy outlines the process and criteria used to evaluate the retention/termination of external investment managers. Both due diligence policies are tested annually by either an Agreed Upon Procedures review by an independent auditor or by the Director of Enterprise Risk Management & Compliance. The results of this review are provided to the Audit and Enterprise Risk Management Committee.

4. Counterparty Risk Management – The Quantitative Solutions Group monitors two sources of potential counterparty risk: (1) the overlay program and (2) the System’s master custodial bank. While the risk arising from the overlay program is actively monitored by its external manager, as an added layer of oversight, the Quantitative Solutions Group is responsible for reviewing and reporting on the external manager’s prudent management of these counterparty risks.

5. Investment Strategies, Objectives, and Performance Standards:
    i. In Section III(D), the Commission described the characteristics and established the role each asset class plays in the Policy Portfolio. Within defined limits and constraints, the Commission provides the CIO and investment staff the ability to structure the portfolio for each asset class in a manner that fulfills the role the asset class plays in the portfolio. The investment staff maintain a "Baseline" document for each asset class that creates a shared understanding of how the portfolio will be structured to achieve the purpose of the asset class established by the Commission. In general, the annual plan for an asset class will involve measures designed to improve its alignment with its Baseline. The following items are detailed in the Baseline document:

        a. The rationale and purpose of the asset class established by the Commission;

        b. Target steady-state asset class exposures (including sub-strategies, geographies, or other relevant factors);

        c. The target return, characteristics (income vs. appreciation), and expected active vs. passive implementation breakdown; and

        d. An estimate of normal cost to implement the portfolio, and an estimate of the flex cost which may be incurred when market conditions present compelling opportunities.

    ii. Baselines also address the following broader issues:

        a. The role private investments play in the Portfolio;

        b. The mix of private vs. public market investments; and

        c. How the portfolio is likely to change over time.

    iii. The Baseline document is reviewed and updated, as necessary, at least annually, and all RSIC staff are encouraged to present suggested revisions to any Baseline. Proposed changes to the Baseline documents are presented to the IIC for review and to the CIO for approval. In addition to addressing the investment objectives and performance standards foreach asset class, the Baseline also serves as a guide to workflow and portfolio management decisions. Investment decisions are reviewed against the Baseline for portfolio fit.

    iv. As part of the individual asset class in-depth examination at each Commission meeting, the investment staff will also provide a review of the particular asset class Baseline, progress towards attaining the Baseline, and any material deviations from the Baseline.

    v. The Commission will be informed promptly of any material change to a Baseline at the next Commission meeting following the change.

6. Allowable Investments and Limitations:

    i. With certain limitations discussed below, State law provides that RSIC may invest "in any kind of property or type of investment consistent with" Title 9, Chapter 16 of the S.C. Code and Section 9-1-1310. These investments include, but are not limited to, futures, forward contracts, swaps, and options, equities, bonds, loans, 144(A)'s, exchange traded funds, American Depository Receipts, real property, and real estate investment trusts. These investments may be listed, exchange traded, or over the counter, negotiated contracts or investments.

ii. In addition to the instruments outlined above, for every asset class, a variety of investment structures may be utilized depending on the nature of a particular investment. In accordance with the terms of the investment limitations outlined in this policy, these structures may include, but are not limited to, mutual funds, limited partnerships, limited liability companies, strategic partnerships, trusts, commingled vehicles, fund-of-funds, and separately managed accounts in which assets may be held by either the Retirement System's master custodial bank or an external custodian who is selected and monitored by the external manager or general partner.

iii. Any investment structure and the underlying instruments must be of a type generally expected to obtain exposure to an asset or sub-asset class contained in Table 8, Section III.

State law imposes certain limited restrictions on the investment of the Portfolio. The managers of the Portfolio's accounts **other than** index funds, commingled funds, limited partnerships, derivative instruments, or the like, are required to assist the Commission in meeting its obligations under S.C. Code Ann. §9-16-55, which sets forth limitations on investment in certain types of companies that are engaged in active business operations in Sudan. See Section IX for additional information.

iv. The Commission has also established a policy prohibiting an investment in any security or obligation issued by a company or a corporation that is a known sponsor of terrorist organizations or of a company domiciled in a country that is a recognized sponsor of terrorism or terrorist organizations as based on reports from the Office of Terrorism and Financial Intelligence of the Department of Treasury and the Country Reports on Terrorism by the Office of the Coordinator for Counterterrorism of the U.S. Department of State.

7. Internal Management and Overlay Program – Currently, the staff performs distribution management which is the management and disposition of in-kind distributions received from external investment managers or third parties. In addition, the CIO has discretion to use synthetic instruments, derivatives, equity baskets, and exchange traded funds in order to implement the asset allocationor otherwise manage the portfolio in accordance with the ranges established by the Commission.The Overlay program functions as a means by which the CIO and Investment Staff manage exposures and manage risk in an efficient manner using synthetic instruments, exchange-traded- funds/notes, equity or fixed income baskets, options, futures, swaps, and forward currency contracts.

8. Portable Alpha – The Commission provides the CIO with the discretion to use Portable Alpha Strategies not to exceed 15 percent of total plan assets. The use of Portable Alpha is an implementation decision that is reflected in the Implementation Portfolio Benchmark. The benchmark for Portable Alpha Strategies is the *Secured Overnight Financing Rate* (SOFR).

9. Alternative Investments – The Commission has established guidelines applicable to its alternative investments, which include Hedge Funds and Private Markets Assets:

i. The Commission's initial commitment to a fund will not exceed 25 percent of the committed capital of that fund, unless the Commission, or the CEO for a delegated investment, specifically waives or suspends this restriction (a) in order to take advantage of a new firm or product that has not yet built an asset base, or (b) in the case of a fund that has been created specifically for RSIC (e.g., a single LP fund) or specifically for RSIC and a limited number of other investors (e.g., two member LP fund or LLC). The closing certification for any delegated investment for which the CEO waives this requirement must conspicuously note that this limitation is being waived and identify the basis for the waiver;

ii. Unless otherwise approved by the Commission, no more than 15 percent of an alternative asset investment allocation may be invested with a single manager, general partner, or single fund, with the exception of Funds of One and Strategic Partnerships;

iii. Staff will notify the Commission if the collective exposure to Private Equity, Private Debt, Private Real Assets exceeds 30 percent of total plan assets; and

iv. Hedge funds may not exceed 15 percent of total plan assets.

10. Equity investments not to exceed 70 percent – State law provides that the AIP must also include the minimum and maximum allocations to equity investments on an ongoing basis, not to exceed 70 percent. The allowable ranges for equity investments are set forth in Table 8, Section III(E). While State law does not stipulate whether the limitation of 70 percent is based on cost or market value, the Commission manages this limitation by the amount of exposure to equity on a market value basis. Therefore, if theexposure to equity investments exceeds 70 percent of the total market value of the Portfolio, the CIO is required to rebalance the Portfolio.

11. Managing Cost – In accordance with State law, the AIP addresses methods for managing the costs of RSIC's investment activities. RSIC strives to earn the highest risk-adjusted return on a net of fees basis and recognizes that cost is an important variable to consider. The Investment Team actively engages in an array of strategies to reduce the cost of the Portfolio, including the following:

i. Increasing the initial investment size;

ii. Seeking aggregation discounts from firms with which RSIC has multiple investmentstrategies;

iii. Utilizing co-investments in private markets;

iv. Quantifying and monitoring the effectiveness of active implementation across public market asset classes; and

v. Requesting reductions to, or elimination of, management fees, as appropriate.

12. Risk:

i. All investments carry some degree of risk. The focus of the RSIC risk function is managing and monitoring these risks to ensure that the Portfolio's risks are appropriate and that the overall level of risk taken is consistent with meeting the Commission's investment objective. Key risk initiatives are:

a. Incorporating the Plan's liability structure into the investment decision process; and

b. Developing and refining tools to facilitate the incorporation of the Plan's liabilities into portfolio management.

ii. RSIC Staff monitors risk levels both in absolute terms, but also in relation to the Reference Policy benchmark established by the Commission's asset allocation. This is accomplished using a mix of proprietary and third-party systems and tools.

iii. At the Portfolio level, Staff will:

a. Maintain the Portfolio's asset allocation within the limits established by this policy;

b. Employ an appropriate level of diversification and adhere to the limits within this policy or as contracted with the manager;

c. Adhere to policies and procedures established by the Commission; and

d. Maintain adequate liquidity for benefit payments and capital calls.

iv. Staff provides the Commission with risk reporting as part of the Portfolio Performance Framework to ensure that risk remains within acceptable levels and to judge the value of portfolio structure and manager selection decisions on a risk adjusted basis.

13. Manager Monitoring Guidelines - RSIC Staff maintains an Ongoing Due Diligence Policy that outlines the manager monitoring requirements in detail. In summary, the Investment Team is required to perform periodic reviews of each active manager. These reviews contribute to the decision to either retain or terminate that manager. These reviews involve both quantitative and qualitative assessments in order to ensure that any decision is made fairly and consistently, and to avoid untimely or undisciplined decisions that may adversely impact returns. Additionally, the Investment Team reviews audited financial statements, compliance certifications, and investment fees on an annual basis. Compliance with the Ongoing Due Diligence Policy is reviewed annually through an Agreed Upon Procedures audit performed by an independent auditor.

14. Proxy Voting – (1) Shareholder proxy votes must be cast in a manner in keeping with fiduciary duty and in a manner that is consistent with the best interest of the trust fund, based on pecuniary factors, and most likely to maximize shareholder value over an appropriate investment horizon. Any engagement with a company regarding the exercise of shareholder proxy votes or the proposal of a proxy question must be based on pecuniary factors and for the purpose of maximizing shareholder value, except that RSIC may engage with a company to express opposition to the proposal of or the merits of a proxy question that does not have a pecuniary impact.

(2) To the extent that it is economically practicable, RSIC must retain the authority to exercise shareholder proxy rights for shares that are owned directly or indirectly. RSIC may retain a proxy firm or advisory service to assist it in exercising shareholder proxy rights, but only if the proxy advisor has a practice of and commits to follow proxy guidelines that are consistent with the requirements of item (1).

(3) RSIC may only allocate capital to a public equity investment strategy if the manager of the investment strategy has a practice of and commits in writing to meet the requirements of item (1), unless it is not economically practicable to do so, or it is necessary to avoid the concentration of assets with any one or more investment managers. For any public equity investment strategy for which the manager does not have a practice of and does not commit in writing to meet the requirements of item (1), a summary of the terms, fees, and performance of the investment must be included in RSIC's annual investment report and published in a conspicuous location on the RSIC's website.

(4) The Commission must annually review compliance with this section regarding the exercise of shareholder proxy rights. The Commission must review a report that summarizes the votes cast by or on the Commission's behalf or at the Commission's direction. The report must include a vote caption, RSIC's vote, the recommendation of company management, and the

recommendation of any proxy advisor retained by RSIC. This report must be posted in a conspicuous location on the Commission's website.

(5) The Commission finds that the provisions of Section 9-16-30(G) of the South Carolina Code are intended to apply to public equity investments and are not intended to apply to private equity investments given the nature, structure, and characteristics of private equity investments.

B. Compliance

1. Placement Agent Policy – State law prohibits RSIC from making an investment where a placement agent receives compensation in connection with RSIC's investment. The Commission's Placement Agent Policy is set out in Section VIII.

2. Investment Manager Sourcing and Conflict Disclosure Policy – In order to enhance transparency and avoid even the appearance of impropriety, before an investment recommendation is made to the Commission or CIO, any Commissioner or RSIC staff member involved in the sourcing or due diligence of a new investment certifies compliance with the Sourcing and Conflict Disclosure Policy. Additionally, the CEO and CIO must certify compliance with the Sourcing and Conflict Disclosure Policy for each investment.

3. Annual Certification and Ongoing Testing of Guideline Compliance – The Ongoing Due Diligence Policy requires each manager to annually certify its compliance with the contractually specified guidelines. These certifications are reviewed by RSIC's Compliance function, as well as the Investment Team, and are subject to an annual audit. For public markets mandates which are governed by an Investment Management Agreement and custodied with the master custodial bank, automated reports are generated and reviewed on those mandates that can be monitored electronically.

C. Governance and Oversight

1. Performance Standards and Reporting - As noted above, State law requires that the AIP address the Commission's performance standards. The performance standards and benchmarks are described in Section III. In addition, RSIC receives monthly performance reports from the custody bank and the Commission receives quarterly performance reports prepared by RSIC's performance reporting staff and the general investment consultant. The performance reporting prepared by RSIC performance reporting staff must incorporate the Portfolio Performance Framework required in Section III.

2. Diversification – State law requires that the AIP address the topic of diversification, including sectors, issues and other allocations of assets that provide diversification in accordance with prudent investment standards. The Commission provides the CIO with parameters regarding its diversification objectives through the asset allocation, asset and sub-asset allocation ranges, and performance standards set out in Section III. The Portfolio Reporting Framework required in Section III also provides the Commission the ability to oversee the implementation of the long-

term portfolio strategy, as well as the actual implementation of the Commission's diversification directives.

3. Procedures regarding consultants, managers, service providers selections and terminations

i. Selection - State law requires that the AIP include procedures and policies for selecting, monitoring, compensating, and terminating investment consultants, equity investment managers, and other necessary professional service providers. Investment managers are primarily selected by the CIO, subject to the oversight of the CEO, pursuant to the Investment Authority Delegation Policy through an investment process that also complies with the Investment and Operational Due Diligence Polices. The CIO recommends to the Commission for its approval the selection of any manager of an investment that exceeds the limits of or falls into one of the exceptions to the investment delegation policy. Any investment recommended to the Commission for its approval must also comply with the Investment and Operational Due Diligence Policies. All other service provides are selected pursuant to the Commission's Service Provider Selection Policy which is included in the Commission's Governance Policies (RSIC Governance Policies can be found at: https://www.rsic.sc.gov/_documents/2017.07.14%20Governance%20Policy%20Manual.pdf.

ii. Compensation, Fees and Expenses – Service providers, including consultants and investment managers, will be compensated commensurate with the services provided and industry practices. The Commission will pursue cost savings through structural efficiencies and will strive for fee reductions through negotiations. Investment management fees are evaluated utilizing several metrics or tests. First, fees are examined relative to industry/peer standards. Second, when it reviews potential new mandates or restructurings of existing allocations, the investment staff assesses fees based on the cost relative to other implementation options. For example, in global public equities, the fees charged by active managers (as well as their expected performance and risk) are compared to other methods of obtaining similar market exposure, while in the private markets, fees (as well as expected performance and risk) are compared to public market implementation alternatives. Lastly, to the extent practicable, fees will also be evaluated based on an assessment of the manager's ability to generate excess returns. Investment Staff gathers actual fees and provides annual public disclosure of all fees paid to external managers. The Commission receives an annual reports on the cost of its investment program from an independent expert, and may also call upon its investment consultants for assistance in analyzing and addressing issues relating to investment fees. Operating expenses applicable to internal investment operations and the general business of the RSIC are managed by the CEO within the parameters of the annual budget approved by the General Assembly.

iii. Term and Termination -The Commission or the CIO, as applicable, may terminate an investment manager whenever the Commission or CIO determines that its objectives can more efficiently or effectively be met by the selection of another manager or under a different management mandate. The Commission and CIO retain the right to terminate a manager with or without cause and at any time. It should be noted that termination rights may not apply to certain types of investment structures (e.g., typical private markets funds). Circumstances which suggest an immediate review and a possible termination include, but are not limited to, the following:

a. Manager changes strategy or investment style;

b. Critical elements of the investment process have deteriorated;

c. Transaction costs are unreasonable;

d. Management fees are higher than similarly styled managers for similarly sized portfolios;

e. Manager is unable to meet the performance expectations within the risk tolerance specified;

f. Material organizational or personnel changes;

g. Manager is not complying with the applicable provisions of the Commission's SIOP; and

h. Manager is not complying with the applicable provisions of the Commission's AIP.

4. Delegation of Authority to CIO - State law requires that the AIP and SIOP contain a detailed description of the delegation of final authority to invest made by the Commission. The Commission has delegated its final authority to invest to the CIO, subject to the oversight of the CEO, generally in the following amounts:

a. not to exceed 75 bps of plan value per investment for illiquid structures; and

b. not to exceed 200 bps of plan value per investment for liquid structures.

The Commission's full Investment Authority Delegation Policy is set out in Section VI.

5. Policies and Procedures to Adapt Portfolio to Market Contingencies - State law requires that the AIP include policies and procedures providing flexibility in responding to market contingencies. The ranges included with the Commission's asset and sub-asset class allocation ranges established in Section III provide the CIO with extensive flexibility to adapt the portfolio to market conditions. Similarly, the Commission's Investment Authority Delegation Policy provides the CIO the ability to adapt the Portfolio to changes in market conditions. To the extent that the CIO deems the scope of the authority delegated to the CIO insufficient, the CIO with the approval of CEO may take action deemed necessary to protect the Portfolio in an extreme market environment. The CIO will promptly inform the Commission of any such actions.

6. Portfolio Rebalancing - The Commission delegates to the CIO or his designee the authority to execute manager and/or securities transactions to implement rebalancing, manage liquidity, or to otherwise manage exposures within the allowable ranges. As part of this delegation, the Commission expects the CIO to articulate, implement and provide reporting to the Commission regarding the Portfolio's rebalancing and exposure management activities as requested. A high-level summary of the rebalancing and exposure management guidelines include:

i. The asset allocation is reviewed on an ongoing (typically monthly) basis by Staff and the CIO to ensure that the Portfolio is within its allocation ranges and to identify appropriate actions necessary to maintain compliance and to provide for the Plan's liquidity needs.

ii. The goal of the rebalancing and exposure management activities is to implement the investment strategy at a reasonable cost within the targets and ranges established by the

Commission, recognizing that constant rebalancing to the exact target may not be economically justifiable. The following guidelines are used:

a. Rebalancing is currently performed quarterly unless a case has been made ***not*** to rebalance. Potential rebalancing activity is flagged for consideration based upon exposure reporting that is updated by RSIC's performance reporting staff. Rebalancing the portfolio incurs costs (trading commissions, bid-ask spread, and market impact) which are taken into consideration when rebalancing the Portfolio;

b. When an asset class reaches its minimum or maximum allocation, Staff will initiate rebalancing transactions to keep allocations within the approved ranges. Otherwise, Staff must seek Commission approval to remain outside the range; and

c. Concentration risk with respect to significant reliance on any single external manager is reviewed regularly by Staff. Mitigation of performance, operational, headline/reputational, or other fiduciary risks is typically achieved by maintaining a diversified allocation approach both within and across asset classes.

iii. RSIC Staff must balance the risks noted above with the economic benefits associated with a streamlined approach that uses fewer, larger allocations. Additional analyses of the costs and benefits of passive vs. active market exposure are an important input in these decisions.

D. Investment Manager Guidelines

1. General - In keeping with the responsibilities assigned to the CIO by State law and the Commission's Governance Policies, the Commission authorizes the CIO and his designees to develop and revise investment management guidelines for each internally and externally managed investment manager. In making this delegation, the Commission acknowledges that discretion in implementing the investment strategy, within the parameters of all applicable guidelines, will typically be granted to the Commission's investment managers. This discretion is usually limited to the selection of securities and the timing of transactions within the portion of the Portfolio allocated to each manager.

2. Funds of One - A Fund of One is an investment structure in which there is typically a majority investor in a specific vehicle or fund. The Commission or CIO as applicable may elect to use a Fund of One structure when the structure will have lower costs, customized exposure advantages, and/or other beneficial considerations. The CIO is responsible for the day-to-day investment responsibilities with respect to Funds of One, including providing affirmative or negative consent for underlying investments, as required.

3. Pooled or Commingled Funds:

i. Commingled investment vehicles can often provide lower costs and better diversification than can be obtained with a separately managed account pursuing the same investment objectives. However, commingled investment funds cannot customize investment policies and guidelines to the specific needs of individual clients. Recognizing these trade-offs, the Commission or the CIO, as applicable, may accept the policies of such funds in order to achieve the lower costs and diversification benefits of commingled vehicles, and exempt commingled investment vehicles from the requirements and guidelines of this policy if:

a. The investment practices of the commingled vehicle are consistent with the spirit of this policy and are not significantly different in letter; and

b. The benefits of using a commingled vehicle rather than a separate account are material.

ii. The Commission or CIO, as applicable, may structure a portfolio as a separate account that allows for the advantages of commingled vehicles, but with RSIC as the only investor. With international assets, commingled vehicles save the Commission from having to provide additional resources for currency and foreign custody issues as the manager will assume responsibility for these functions.

iii. If an investment mandate is structured through a commingled vehicle, the investment policies of that vehicle will be the legal governing policies of the investment of assets allocated to that vehicle.

4. Strategic Partnerships - The Commission may elect to establish Strategic Partnerships with certain asset managers who are believed to possess specific expertise, knowledge, and capabilities for a limited or broad range of investment strategies. The performance of each Strategic Partnership will be reviewed by the Commission periodically, with a more comprehensive review occurring approximately every 3 to 5 years. The investment approval and evaluation process within the Strategic Partnership is similar to that followed for other investments, however, in addition to passing RSIC's internal process, the investment must also be approved by the investment committee of the strategic partnership.

5. Trade Execution - For all accounts, the Commission expects the purchase and sale of its securities to be conducted in a manner designed to receive the best combination of price and execution. The Commission may evaluate policies that provide for the most efficient and effective trading process. The compliance with investment guidelines must be monitored by the investment managers on an ongoing basis and be based on then-current market values. Securities that, if purchased, would constitute a compliance violation may not be purchased. In the event of a compliance violation, the manager will be expected to promptly notify investment staff. If for some reason the manager does not believe that it is prudent to immediately bring the account back into compliance, the manager will be expected to present a justification as well as a proposal for bringing the account composition back into compliance.

E. Compliance with Section 9-16-320 of South Carolina Code:

1. S.C. Code Section 9-16-320 requires the Commission to meet at least once each fiscal quarter for the purpose of reviewing the performance of investments, assessing compliance with the annual investment plan, and determining whether to amend the plan.

2. The Commission has adopted a strategic calendar that sets a meeting schedule of five meetings per year with a least one meeting every fiscal quarter. The strategic calendar also contains standing agenda items for each meeting to ensure compliance with this Section to include:

i. Quarterly Investment Performance Review – at each meeting the Commission receives a report and presentation on the quarterly, fiscal year to date, one, five, and ten-year plan investment performance. The quarterly performance reports and presentations are based on the Portfolio Performance Reporting Framework described in Section III and are designed to provide the Commission with the ability to judge the absolute value of performance as well as the relative performance between the benchmark portfolios and actual portfolio's performance. The Commission also receives risk reports to judge the absolute and relative risk of the of these portfolios.

ii. AIP Compliance Review – At each meeting the Commission receives reports detailing compliance with the Annual Investment Plan to include:

a. A review of the asset class exposures and sub-asset class components of the portfolio to ensure compliance with the allowable ranges contained in Section III, Table 8, and to ensure adequate diversification of the portfolio and that the portfolio is not concentrated in any one industry sector, market sector, or issuer;

b. A review of relevant progress towards any of the Strategic Initiatives in Section IV;

c. Any significant market contingencies and review of any responsive action that resulted in a decision not to rebalance the portfolio pursuant to Section V.C.6 or any action taken to protect the Portfolio which fell outside the allowable ranges in Section III, Table 8;

d. Action resulting in significant cost savings to the Portfolio;

e. Any material deviation from the general operational and investment policies, and

f. As part of an in-depth review of one of the Policy Portfolio asset classes at each meeting, a review of the asset class baseline and progress towards meeting the baseline.

iii. The Commission retains the authority to amend any portion of the AIP requirements at any meeting and is required to consider amendments proposed by the CIO at its April meeting. However, if the Commission does not act to amend the AIP at any other meeting, it should be presumed that it determined not to amend the plan.

F. General Provisions Related to Alternative Investments

1. South Carolina law, the Employee Retirement Income Security Act of 1974 ("ERISA"), and the Uniform Management of Public Employee Retirement Systems Act of 1997 ("UMPERSA") each have similar or compatible, but not identical, definitions and responsibilities of fiduciaries with respect to managing and investing assets of retirement systems. For clarity and consistency, it is prudent for the Commission to declare standards for interpretation of certain terms used in these sources.

2. As relating to the use of alternative investment strategies, the "Plan Assets" of the Retirement System include the System's ownership interest in the following entities (e.g., a share or a unit), but do not include the underlying assets owned by the entity itself:

i. a registered investment company;

ii. a registered security that is widely held and freely transferable;

iii. an entity in which "benefit plan investors" hold less than 25 percent of the equity interest as defined and determined by ERISA §3(42);

iv. an "operating company" engaged in the production or sale of a product or service other than the investment of capital;

v. a "real estate operating company" or REOC (which actively manages and develops real estate consistent with U.S. Department of Labor ERISA regulations);

vi. a "venture capital operating company" or VCOC (which actively manages "venture capital investments" consistent with U.S. Department of Labor ERISA regulations); or

vii. a private investment partnership or offshore investment corporation the offering memorandum of which allows for the entity to take both long and short positions, use leverage and derivatives, and invest in many markets.

3. Whenever RSIC invests in an entity that does not hold Retirement System's assets, the decision to invest in the entity will be subject, *inter alia*, to the South Carolina fiduciary rules and ethics standards provided by state law, but the transactions engaged in by the entity generally will not be subject to the same rules.

4. RSIC will at times need to interpret statutes while implementing and administering the investment program. Whenever the South Carolina statutes are substantively similar to provisions of ERISA or UMPERSA, and to the extent practicable and consistent with South Carolina law and other principles of general application relating to public pension plans, RSIC intends to use (1) pertinent provisions of ERISA; (2) interpretive rules and regulations of the U.S. Department of Labor relating to ERISA; and (3) the Reporter's official comments to UMPERSA for guidance.

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 8, 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 quarterly basis.

H. The delegation of the final authority to invest pursuant to this section includes the authority to terminate an investment manager as described in Section V.C.3.iii. 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.

L. This policy was amended on December 2, 2021 and took effect on December 2, 2021.

VII. SECURITIES LITIGATION POLICY ("POLICY")

A. Purpose and General Principles

a. The purpose of this Policy is to set forth the South Carolina Retirement System Investment Commission's[1] guidelines with respect to securities litigation. Interests in securities litigation matters will be managed as assets of the South Carolina Retirement Systems Group Trust (the "Trust") with the goal of enhancing the long-term value of the Trust.

b. The Commission acknowledges that it has a fiduciary duty to take reasonable actions to pursue and collect on legal claims held as an asset of the Trust. The Commission also recognizes that most, if not all, of the securities litigation claims in which the Trust may have an interest will be pursued by law firms from the class action bar regardless of whether RSIC takes an active role in the litigation.

c. This Policy outlines the Commission's procedures for monitoring the Trust's portfolio for potentially actionable losses, protecting the Trust's interests in litigation related to portfolio losses, and maximizing recoveries attainable by the Trust from such actionable losses.

d. This policy consists of four sections: 1) a section relating to asset recovery as passive class members in U.S.-based securities actions; 2) a section for litigation of securities listed on domestic exchanges where RSIC deems active participation is warranted; 3) a section for litigation of securities listed on foreign exchanges; and 4) a section related to the monitoring process for both foreign and domestic claims in which the Trust takes an active role.

B. Part One: Securities Litigation Policy for Filing Proofs of Claim ("Passive Participation")

a. Under U.S. federal law, securities class action lawsuits function as "opt-out" cases. This means that the Trust does not need to participate as a named party in order to recover its *pro rata* share of a class action recovery so long as the certified class claims include the losses incurred by the Trust. This type of participation is called Passive Participation. When notified of a class action settlement in which the Trust has suffered a loss, RSIC need only submit a timely and valid proof of claim in order to be included in any recovery.

b. The Trust's custodial bank, The Bank of New York Mellon ("BNY Mellon"), is responsible for completing and filing all proofs of claim, including the necessary supporting documents and information in every securities class action pending in the U.S. in which the Trust has a direct interest (i.e., for Trust assets that are custodied at BNY Mellon ("In-Bank Assets")). BNY Mellon is not responsible for filing proofs of claim for, or otherwise reporting on the management of, securities class action litigation for assets that are not custodied at BNY Mellon ("Out-of-Bank Assets").

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[1] "Commission" refers to the commission of eight members responsible for managing the South Carolina Retirement System Investment Commission, as specified in S.C. Code of Laws Ann. Section 9-16-315.

"South Carolina Retirement System Investment Commission" or "RSIC" refers to the agency established by South Carolina law for the purpose of investing and managing all assets held in trust for the participants and beneficiaries of the state's five separate defined benefit plans.

c. BNY Mellon's claims filing responsibilities are set forth in more detail in the Service Level Description, dated July 21, 2019, between the Trust by and through RSIC and BNY Mellon (the "SLD"). The SLD outlines the process for: (i) identifying and reviewing all class action recoveries (whether by settlement or trial); (ii) providing timely notice of each settlement recovery to RSIC and the Commission; (ii) filing complete and accurate proofs of claim forms in a timely fashion on behalf of the Trust; (iv) providing quarterly reports outlining all claims filed on behalf of the Trust during the quarter; and (v) providing quarterly reports identifying all securities litigation proceeds recovered by the Trust directly or on its behalf. In the event of a claim involving securities that are not identified by a specific security identifier (e.g., CUSIP, ISIN, SEDOL, etc.), BNY Mellon will use commercially reasonable efforts to identify impacted securities recorded in BNY Mellon's records relating to the security named in the documentation received. In the event that BNY Mellon is unable to file a claim on the Trust's behalf (e.g., involving anti-trust claims), BNY Mellon, or in some cases a third party, will forward the relevant claim information to RSIC, and RSIC will utilize the services of third-party claims filing services that specialize in analyzing and filing such claims.

C. Part Two: Securities Litigation Policy for Securities Listed on a Domestic Exchange

a. While the Commission has a fiduciary obligation to take reasonable action to collect on legal claims held by the Trust, the Trust, acting by RSIC, may need to engage in active participation ("Active Participation") on occasion. This type of participation involves serving as lead plaintiff in cases in the domestic exchange context. Active Participation in domestic securities class actions must be balanced with the Commission and RSIC's primary obligation to maximize the investment returns of the Trust. This determination must also be weighed against the additional costs and burden on staff that may result by becoming lead plaintiff in a securities litigation case as well as the recognition that the Trust's position as a lead plaintiff will not, in and of itself, entitle the Trust to any greater recovery.

b. **Authority to Seek Lead Plaintiff Designation:** Due to the time-sensitive nature of electing to seek a lead plaintiff designation and the Chief Executive Officer's ("CEO") statutory designation as the chief administrative officer of RSIC, the Commission, through this Policy, has delegated to the Executive Leadership Team the authority to elect to seek a lead plaintiff designation where appropriate, reasonable, and prudent to protect the interests of the Trust.

c. **Decision-Making Guidance for Active Participation:** The Executive Leadership Team will generally consider seeking lead plaintiff status ("Active Participation") in a domestic class action when: (i) the Trust's projected losses exceed $5 million U.S. Dollars (the "Loss Threshold"); or (ii) when the loss is substantial but less than the Loss Threshold and there are significant special factors justifying the Trust's involvement. The determination of special factors will be made in the discretion of the Executive Leadership Team.

d. **Monitoring Procedures:** In addition to the reporting provided by BNY Mellon for class action litigation involving In-Bank Assets, the Trust may retain three or more securities litigation monitoring law firms (the "Firms") to advise RSIC via periodic reporting of recently-filed class actions in which the Trust has sustained losses and which appear to have merit. The Firms will generally be engaged for up to five years, with the option to terminate earlier or renew for additional periods. Each of the Firms will provide reporting on at least a quarterly basis outlining all recently filed claims in which the Trust has sustained losses. Additionally, the Firms will submit written memos to RSIC on certain cases, including any cases exceeding the Loss Threshold, regarding the alleged facts of the case, the estimated losses, the Firm's view on the merits of the allegations, and a recommendation as to whether RSIC should seek a lead plaintiff position in the matter. RSIC Legal will perform an initial review of all reports and memos received from the Firms. Any reports or memos indicating a loss that exceeds the Loss Threshold will be forwarded to the CLO for further review. The CLO will review the reports and will follow up with the Firms that have provided the memorandum to get additional insight and information about potential claims exceeding the Loss Threshold ("Reviewable Claims") and will make additional inquiries or conduct additional research as needed.

e. After review by the CLO, the CLO will confer with the Executive Leadership Team regarding the merits of Reviewable Claims, including the projected losses incurred by the Trust, the specifics of the related investment(s), available staff resources, and the recommendations of the Firms regarding whether the Trust should seek a lead plaintiff position. Any decision to seek a lead plaintiff designation for a claim exceeding the Loss Threshold or based on special circumstances must be made by a unanimous vote of the Executive Leadership Team. The Executive Leadership Team will notify the Chair and Vice-Chair of the Commission about any decision to seek a lead plaintiff position and will update the Commission via reporting to the Commission's secure portal.

f. **Selection of Outside Counsel for Securities Litigation** If the Executive Leadership Team determines that it is prudent to hire one of the Firms or other legal counsel to represent the Trust in a securities litigation action to protect the assets of the Trust, all selection of counsel and retainer agreements shall be negotiated, executed, and monitored by the CEO with assistance from the CLO. The CEO may engage one of the Firms hired to monitor the Trust's portfolio, or the CEO may seek to engage other counsel after consultation with the CLO and notice and consultation with the Office of the South Carolina Attorney General, as required by S.C. Code Ann. Section 9-16-315(I). When RSIC first engages the Firms, RSIC will pre-negotiate a proposed engagement agreement for potential litigation, which must be approved by the CEO.

D. Part Three: Securities Litigation for Securities Listed on a Foreign Exchange

a. Due to the 2010 Supreme Court case, *Morrison v. National Australia Bank Ltd.*,[2] investors no longer have the protections of U.S. securities laws for securities that were purchased on a non-U.S. exchange. Unlike the U.S. class action process, foreign securities actions generally require investors to join as a named-plaintiff or "opt-in" at the commencement of the case in order to be entitled to a share of any recovery. This "opt-in" process requires affirmative decisions early in the process to join the lawsuit in order to participate in any recovery. In many cases, investors may be required to make these decisions before a foreign action is even filed.

[2] *Morrison v. National Australia Bank Ltd.,* 561 U.S. 247 (2010).

b. **Decision-Making Guidance for Active Management:** Because there is rarely an option for passive participation in foreign securities actions, the review for participation in these actions differs from those explained in Part Two of this Policy. The CLO will review notices of potential claims in foreign securities actions and will review recommendation memos received from the Firms or other sources in those cases where the loss threshold exceeds $1 million (the "Foreign Loss Threshold"). In foreign jurisdictions, various groups, including non-law firm litigation funding organizations, may act as a funding source for the litigation and work with a certain legal team to initiate litigation. In some cases, the group that first files a lawsuit may become a founding group ("Founding Group"). Founding Groups may impose differing terms and conditions in order to participate in a lawsuit. The CLO will review all available factors relating to participating in foreign actionsfor claims exceeding the Foreign Loss Threshold, including but not limited to: (i) the amount of the loss; (ii) the potential litigation fees; (iii) the litigation funding requirements; (iv) whether more than one litigation funding group is proposing participation; (v) the risk of adverse costs; (vi) the legal merits of the case; (vii) the contractual requirements for joining and/or bringing a claim; and (viii) the potential cost of staff's time. . After reviewing the above factors and the documentation required to elect to participate in the applicable foreign jurisdiction, the CLO will make a recommendation to the CEO on whether to participate, and if applicable, which Founding Group to elect based on the most suitable contract terms available for the Trust. The CEO,after reviewing the CLO's recommendation, will elect (A) whether or not to pursue participation in foreign litigation that exceeds the Foreign Loss Threshold; and (B) which funding group to select based on the terms and legal requirements of each. The CLO, working with the Firm(s), as applicable, will negotiate the required documentation and retain the right to change a recommendation to participate if suitable contract terms cannot be negotiated with the Founding Group.

E. Part Four: Litigation Monitoring for Active Participation in Domestic and Foreign Litigation

a. The CEO, acting via the CLO, will monitor any pending domestic or foreign cases in which RSIC is actively participating. The CLO will request quarterly written status updates from any Firms representing RSIC in Active Participation cases. The CLO will actively participate in discussions with the Firms regarding any participation by RSIC Staff or document production needs. The CEO and CLO will be actively involved in settlement discussions for any domestic litigation action. The CLO will submit periodic updates to the CEO and the Commission regarding such cases. In accordance with the CEO's statutory authority as chief administrative officer of the Commission, the CEO retains the ultimate authority related to the direction of any class action litigation and/or settlement pursuant to this Policy. The CEO may consult the Commission on any matter related to the initiation of or conduct of any lawsuit pursuant to this Policy. The CEO shall have full authority to approve a proposed settlement of any litigation. In addition, the CEO shall have full authority to execute all contracts, legal documents, settlements, certifications, and authorizations required to pursue litigation authorized by the Executive Leadership Team.

F. The Commission shall review this policy at least once every three (3) years to ensure that it remains relevant and appropriate.

VIII. Placement Agent Policy

A. Purpose. It is the intent of this Policy to comply with S.C. Code Ann. §9-16-100, which prohibits compensation being paid to a Placement Agent (as defined below) as a result of an investment by the Retirement System (as defined below).

B. Definitions. For purposes of this Policy, the following capitalized terms will have the defined meaning set forth below:

- **a.** Pursuant to §9-16-100(B), a "Placement Agent" means any individual directly or indirectly hired, engaged, or retained by, or serving for the benefit of or on behalf of an external manager or an investment fund managed by an external manager and who acts or has acted for compensation as a finder, solicitor, marketer, consultant, broker, or other intermediary in connection with making an investment with or investing in a fund managed by the external investment manager.
- **b.** "Placement Agent Policy Compliance Letter" means that letter which will be requested from prospective external investment management firms in accordance with the terms of this Policy.
- **c.** "Policy" means this Placement Agent Policy.
- **d.** "Retirement System" means the South Carolina Retirement Systems Group Trust.
- **e.** "RSIC" means the South Carolina Retirement System Investment Commission.

C. Procedure

- **a.** RSIC staff will inform prospective external investment management firms ("Investment Managers") as to the RSIC's Placement Agency Policy and statutory requirements as soon as practicable after RSIC staff begins the due diligence review of any potential investment. The RSIC staff member leading the due diligence review for the investment is responsible for sending written notice (paper, fax or email) to the Investment Manager requesting a Placement Agent Policy Compliance Letter. If a copy of this Policy has not already been provided to the Investment Manager, then this Policy will be made available to the Investment Manager prior to or at the time notice is given to the Investment Manager.
- **b.** The Placement Agent Policy Compliance Letter must be included in the RSIC investment Due Diligence Report packet.
- **c.** Investments will not be voted on by the Commission, Internal Investment Committee, or otherwise approved pursuant to RSIC policies, prior to receipt of the completed Placement Agent Policy Compliance Letter and confirmation from RSIC compliance staff that the letter is sufficient per Section G below.
- **d.** The following entities must complete the Placement Agent Policy Compliance Letter as outlined below:
  - **i.** Investment Managers that have a direct contractual investment management relationship with the RSIC or with an investment vehicle in which the RSIC is invested.
  - **ii.** Investment Managers that have an indirect contractual investment management relationship with the RSIC through an investment vehicle that invests in funds or other pooled investment vehicles or other assets.

D. Placement Agent Policy Compliance Letter. The Investment Manager will provide disclosure in the form of a letter addressing all requirements specified below:

  a. Certification that, in compliance with §9-16-100, no Placement Agent (as defined by State law) received, or will receive, compensation in connection with the RSIC making an investment with or investing in a fund managed by the Investment Manager.

  b. Representation that the Investment Manager has reviewed the applicable law and has not relied on the counsel or advice of RSIC or any employee, representative, agent or officer of RSIC regarding the interpretation and application of the applicable law.

  c. Representation that all information contained in the Placement Agent Policy Compliance Letter is true, correct, and complete in all material respects.

E. Open Records Law. RSIC may be required to disclose information in the Placement Agent Policy Compliance Letter under the South Carolina Freedom of Information Act.

F. Investments with Separate Account Investment Management Agreements ("IMAs"). If, after closing, the RSIC determines that the Placement Agent Policy Compliance Letter contains a material inaccuracy or omission, the RSIC will, to the fullest extent possible, seek the option, in its sole discretion and without liability to the Investment Manager or any third party, to terminate the IMA and to pursue all remedies that may otherwise be available to the RSIC without incurring any penalty under any agreement to which it is a party.

G. Investments in commingled investment structures (LPAs, LLCs, Trusts, etc.). The RSIC will endeavor to have provisions incorporated into the transaction documents for commingled investment structures which would permit the RSIC to take those actions described in the next sentence. If, after closing, the RSIC determines that the Placement Agent Policy Compliance Letter contains a material inaccuracy or omission, the RSIC will seek to obtain the option, in its sole discretion and without liability to the commingled investment structure, the General Partner or equivalent management entity, any other investor in the structure or third party, to cease making further capital contributions and/or direct payments to the investment and to pursue all remedies that may otherwise be available to the RSIC without being deemed to be a defaulting Limited Partner under the transaction documents and without incurring any other penalty under any agreement to which it is a party.

H. Review. RSIC's compliance staff will review Placement Agent Policy Compliance Letters and will determine whether each letter is sufficient. Any questions regarding the sufficiency of the letter will be referred to the RSIC legal department and will be reported to the CIO and applicable RSIC Staff.

I. Staff Contact. RSIC staff will provide notice about the prohibition in the state law to any party that contacts RSIC staff regarding a potential investment and appears to be acting in the role of a Placement Agent.

J. Obligation to Update. It is the Investment Manager's obligation to promptly inform RSIC staff of any material changes to a prior-filed Placement Agent Policy Compliance Letter, and to submit an updated Placement Agent Policy Compliance Letter where warranted prior to the RSIC's closing on an investment.

K. Review and History

- **a.** The Commission will review this policy at least every three years 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 committees generally, or as otherwise deemed appropriate by the Commission.
- **b.** 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.
- **c.** This policy was initially adopted on September 20, 2012.
- **d.** This policy was amended on June 22, 2017 and will take effect on July 1, 2017.

IX. SUDAN DIVESTMENT POLICY

A. Background. The State of South Carolina has enacted a Sudan divestment law, codified at S.C. Code Ann. §9-16-55 ("Act"). The uncodified preamble to the Act notes that "[d]ivestment is a course of last resort that should be used sparingly and under extraordinary circumstances," but states that "the genocide occurring in the Sudan is reprehensible and abhorrent," warranting this type of legislative response. The Act, which applies solely to the South Carolina Retirement Systems Group Trust ("Group Trust") managed by the South Carolina Retirement System Investment Commission ("Commission" as the governing body, "RSIC" as the agency), sets forth various criteria that are to be considered by the Commission in making the determinations required by the Act.

B. Purpose. The purpose of this Sudan Divestment Policy ("Policy") is to document the manner in which the Act is administered. The Commission has the exclusive authority to invest and manage the assets of the Group Trust pursuant to S.C. Code Ann. §9-16-20. The Commission also has the fiduciary duty to manage the assets of the Group Trust solely in the interests of the retirement systems, participants, and beneficiaries. The Commission must discharge these responsibilities in a manner consistent with all applicable statutes, regulations, and policies, including the Act.

C. Definitions. The Act utilizes the following defined terms:

- **a.** "Active Business Operations" means a Company engaged in Business Operations that provide revenue to the Government of Sudan or a Company engaged in Oil-Related Activities.
- **b.** "Business Operations" means maintaining, selling, or leasing equipment, facilities, personnel, or any other apparatus of business or commerce in Sudan, including the ownership or possession of real or personal property located in Sudan.
- **c.** "Company" means a sole proprietorship, organization, association, corporation, partnership, venture, or other entity, its subsidiary or affiliate that exists for profit-making purposes or to otherwise secure economic advantage. "Company" also means a Company owned or controlled, either directly or indirectly, by the Government of Sudan, that is established or organized under the laws of or has its principal place of business in the Sudan.
- **d.** "Government of Sudan" means the Government of Sudan or its instrumentalities as further defined in the Darfur Peace and Accountability Act of 2006.
- **e.** "Investment" means the purchase, ownership, or control of stock of a Company, association, or corporation, the capital stock of a mutual water Company or corporation, bonds issued by the government or a political subdivision of Sudan, corporate bonds, or other debt instruments issued by a Company.
- **f.** "Military Equipment" means weapons, arms, or military defense supplies.
- **g.** "Oil-Related Activities" means, but is not limited to, the export of oil, extracting or producing oil, exploration for oil, or the construction or maintenance of a pipeline, refinery, or other oil field infrastructure.
- **h.** "Public Employee Retirement Funds" means those assets as defined in §9-16-10(1).
- **i.** "Scrutinized Companies" means any of the following:

i. The Company is engaged in Active Business Operations in Sudan; and
ii. The Company is engaged in Oil-Related Activities or energy or power-related operations, or contracts with another Company with Business Operations in the oil, energy, and power sectors of Sudan, and the Company has failed to take Substantial Action related to the Government of Sudan because of the Darfur genocide; or
iii. The Company has demonstrated complicity in the Darfur genocide.
iv. The Company is not engaged in Oil-Related Activities and lacks significant Business Operations in the eastern, southern, and western regions of Sudan; and
v. The Company is engaged in Oil-Related Activities or energy or power-related operations, or contracts with another Company with Business Operations in the oil, energy, and power sectors of Sudan, and the Company has failed to take Substantial Action related to the Government of Sudan because of the Darfur genocide; or
vi. The Company has demonstrated complicity in the Darfur genocide.
vii. The Company supplies Military Equipment within the borders of Sudan.[3]

j. "State" means the State of South Carolina.
k. "Substantial Action" means a boycott of the Government of Sudan, curtailing business in Sudan until that time described in Section I of this Policy, selling Company assets, equipment, or real and personal property located in Sudan, or undertaking significant humanitarian efforts in the eastern, southern, or western regions of Sudan.
l. "Sudan" means the Republic of the Sudan, a territory under the administration or control of the Government of Sudan, including, but not limited to, the Darfur region, or an individual, Company, or public agency located in Khartoum, northern Sudan, or the Nile River Valley that supports the Republic of the Sudan.

D. Identification of Companies

a. Identifying Scrutinized Companies. RSIC Staff ("Staff") has engaged the services of a specialized research firm ("Advisor") to (i) identify companies doing business in Sudan, as defined in the Act, and (ii) provide Staff with a list of such Scrutinized Companies ("Scrutinized Companies List").
b. Updates to Scrutinized Companies List. Staff shall ensure that the Scrutinized Companies List is updated on or about January 1 and July 1 of each year.

E. Engagement

a. Determining Scrutinized Status. For each Company identified by the Advisor pursuant to Section D of this Policy, RSIC (either via Staff or the Advisor) shall send a written notice informing the Company that it may become subject to divestment by RSIC. The notice

[3] If a Company provides equipment within the borders of Sudan that may be readily used for military purposes, including but not limited to, radar systems and military-grade transport vehicles, there is a strong presumption against investing in the Company unless that Company implements safeguards to prevent the use of that equipment for military purposes.

shall offer the Company the opportunity to clarify its Sudan-related activities within 90 days in order to avoid qualifying for potential divestment.

b. Compliance. If, following RSIC's notification (either via Staff or the Advisor) to a Company pursuant to Section E. a. of this Policy, that Company ceases the activities that caused the Company to be added to the Scrutinized Companies List, as determined by the Advisor, the Company shall be removed from the Scrutinized Companies List, and the provisions of this Section E shall cease to apply to the Company unless it resumes the activities that caused the Company to be added to the Scrutinized Companies List.

F. Determinations to be made by the Chief Investment Officer

a. Delegation to the Chief Investment Officer. The Commission has delegated authority to the Chief Investment Officer ("CIO") to, in consultation with RSIC's Chief Executive Officer, make the determinations required under the Act and to take actions necessary to implement this Policy.

b. General. If, following RSIC's engagement with a Company pursuant to Section E. a. of this Policy, the Company continues to be a Scrutinized Company, Staff will present the CIO with detailed information gathered from the Advisor, affected investment managers, and others regarding the Company, its Business Operations, the Group Trust's holdings, and any other information required by the Act and this Policy. The CIO will make determinations as to (i) whether Staff should sell, redeem, divest, or withdraw the Group Trust's interests in the Company, and (ii) the timing of any such sale, redemption, divestment, or withdrawal. The CIO will also make the determinations described in Section I of this Policy.

G. Prohibition. RSIC shall not use Public Employee Retirement Funds to acquire new Investments in Companies on the Scrutinized Companies List, except as provided in this Policy.

H. Permissible Investments under the Act

a. The Act does not apply to the following types of Investments:

i. Investments in a Company that is primarily engaged in supplying goods or services intended to relieve human suffering in Sudan;

ii. Investments in a Company that promotes health, education, journalistic, or religious activities in or welfare in the western, eastern, or southern regions of Sudan;

iii. Investments in a United States Company that is authorized by the federal government to have Business Operations in Sudan; and

iv. Investments that constitute indirect beneficial ownership through index funds, commingled funds, limited partnerships, derivative instruments, or the like.

b. In developing the Scrutinized Companies List, the Advisor shall determine, in good faith and with due professional care, whether any of the foregoing exemptions andexclusions set forth in the Act apply.

I. Determinations required to be made by the CIO pursuant to §9-16-55(D)(1). The Act states that nothing in the Act "requires the [C]ommission to take action as described in [the Act] unless the

[C]ommission determines, in good faith, that the action described in [the Act] is consistent with the fiduciary responsibilities of the [C]ommission as described in [Title 9, Chapter 16 of the Code]and there are appropriated funds of the State to absorb the expenses of the [C]ommission to implement this [Act].” §9-16-55(D)(1). Accordingly, whenever the CIO is asked to consider taking action under the terms of the Act or this Policy, Staff will assist the CIO in making the determinations required to be made as described in this Section.

J. Reporting. Staff shall, following the close of RSIC’s fiscal year, prepare a formal report to the Commission regarding actions taken pursuant to the Act. RSIC shall also publish the report. The report shall include all of the following information with respect to the previous fiscal year:

- **a.** The Scrutinized Companies List;
- **b.** A list of all Companies added to or removed from the Scrutinized Companies List;
- **c.** A summary of correspondence with Companies engaged by RSIC under the Act;
- **d.** A list of all Companies that RSIC will continue to engage concerning their Business Operations in Sudan;
- **e.** A summary of all Investments sold, redeemed, divested, or withdrawn under the Act; and
- **f.** A list of all Investments that were retained by RSIC pursuant to a determination by the CIO as set forth in Section I.

K. Expiration. The restrictions in the Act shall apply only until:

- **a.** The Government of Sudan halts the genocide in Darfur for twelve months as determined by both the Department of State and the Congress of the United States; or
- **b.** The United States revokes its current sanctions against Sudan.

L. Indemnification. The Act provides that present and former board members, officers, and employees of the State Fiscal Accountability Authority, present, future, and former directors, officers, and employees of the South Carolina Public Employee Benefit Authority, the Commission, and contract investment managers retained by the Commission must be indemnified from the general fund of the State and held harmless by the State from all claims, demands, suits, actions, damages, judgments, costs, charges, and expenses, including court costs and attorney’s fees, and against all liability, losses, and damages of any nature whatsoever that these present, future, or former board members, officers, employees, or contract investment managers shall or may at any time sustain by reason of any decision to restrict, reduce, or eliminate Investments pursuant to the Act.

X.
LONG-TERM ANNUALIZED RETURN AND VOLATILITY EXPECTATIONS (VERUS MARCH 2024)

XI.
TABLES 1 AND 2 (2022, 2021, and 2020 VERSIONS)

TABLE 1 (2022)

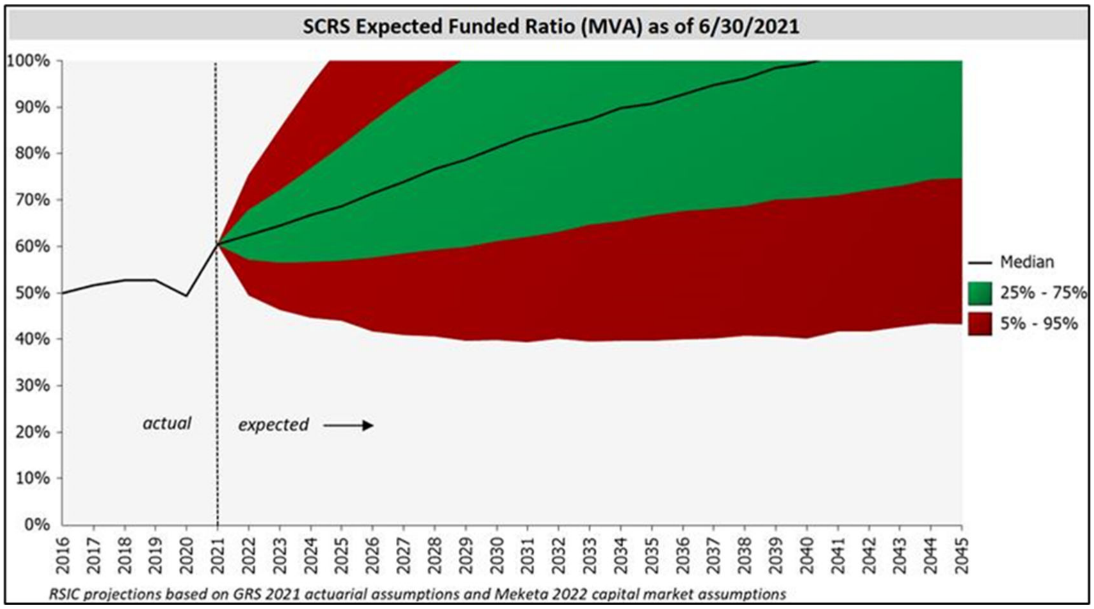
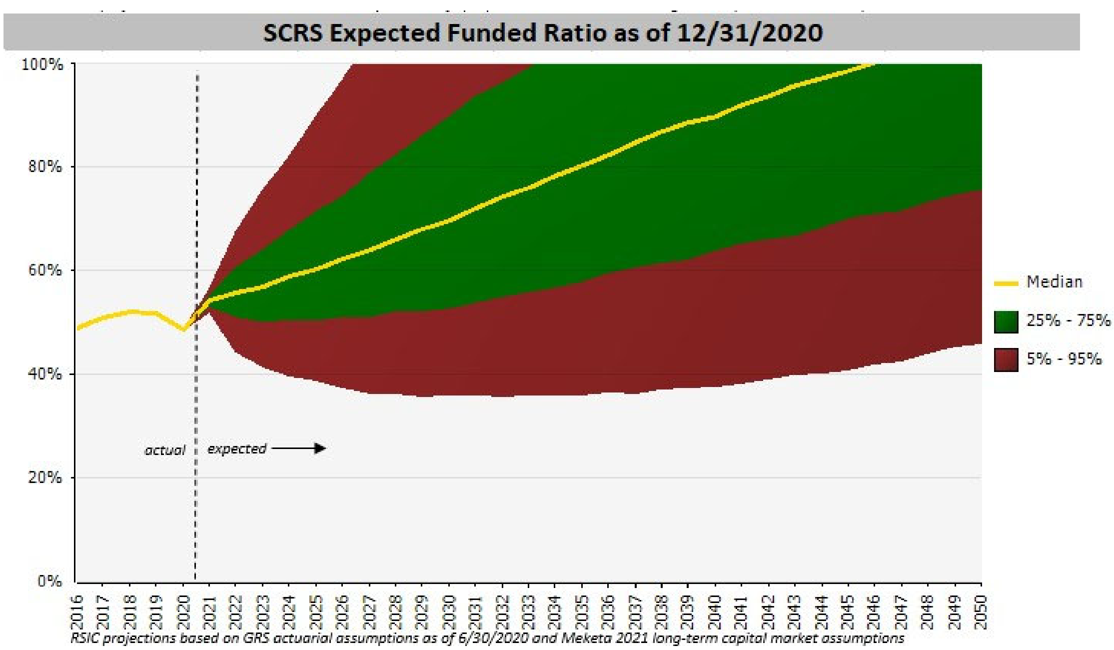


TABLE 1 (2021)



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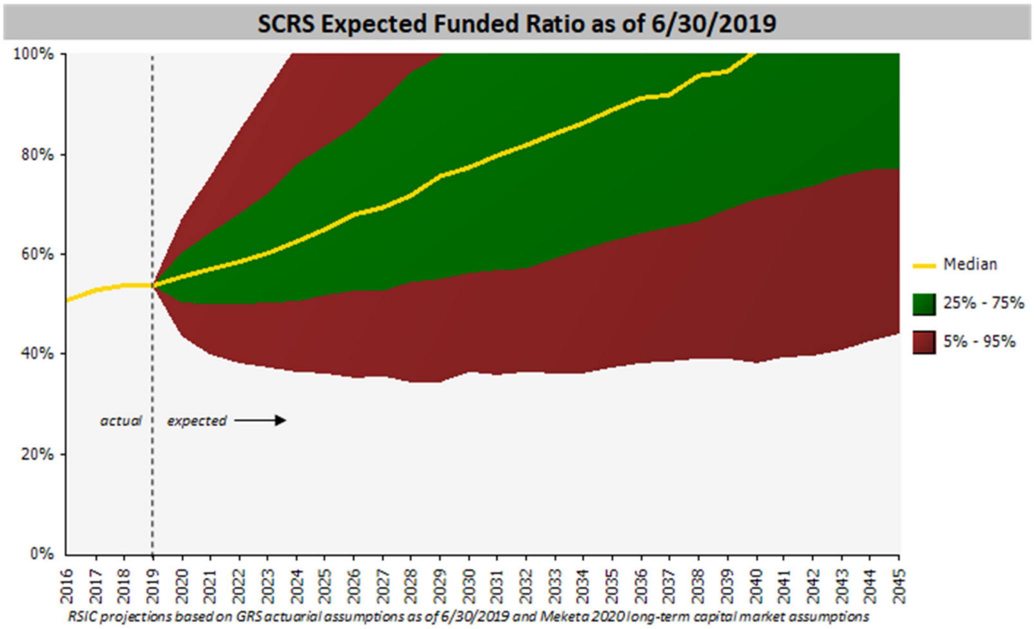


TABLE 2 (2022)

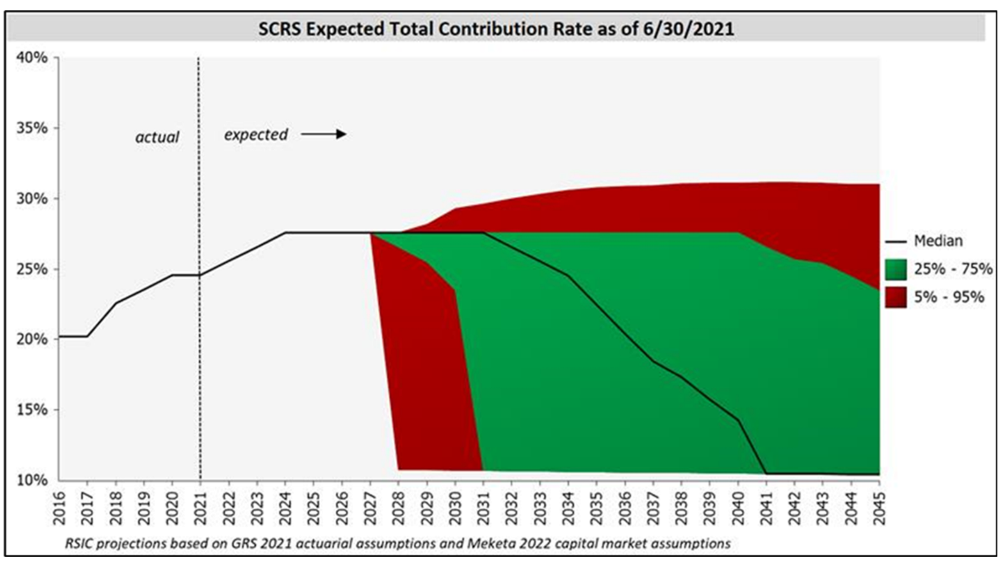


TABLE 2 (2021)

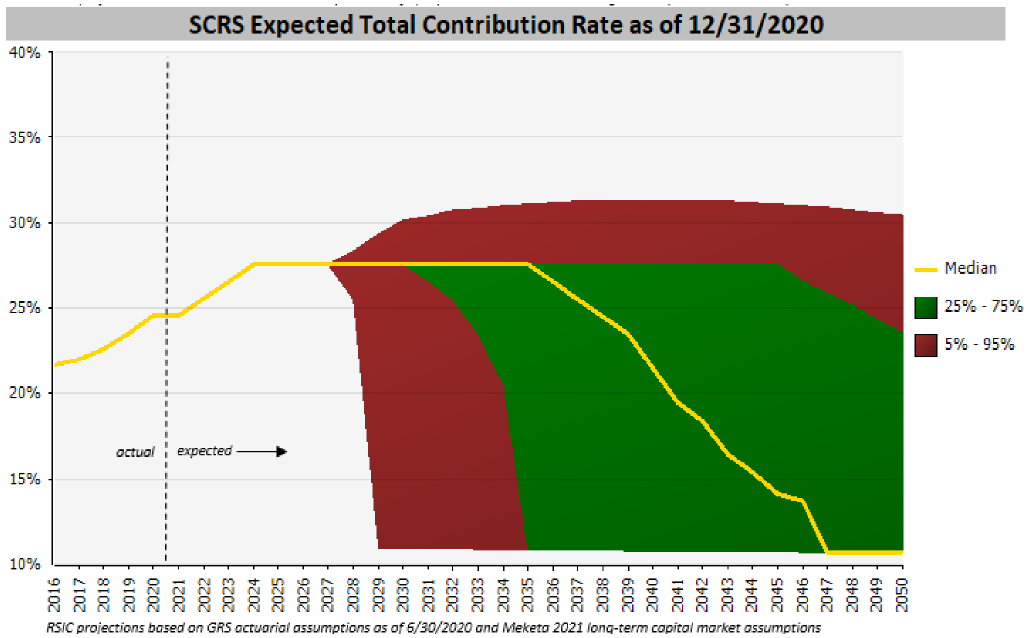
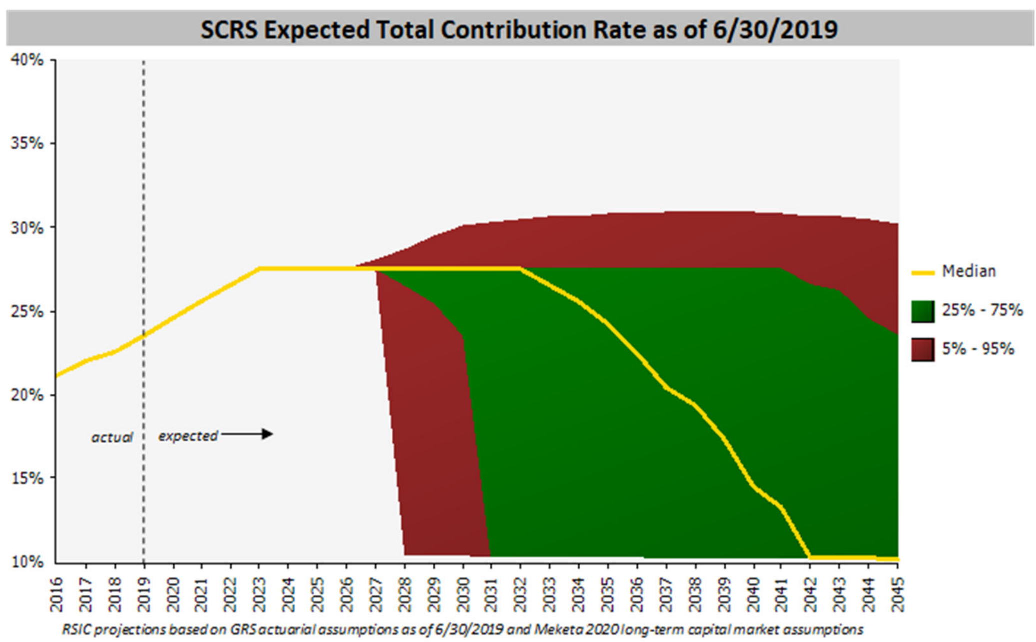


TABLE 2 (2020)



Policy I : *Commission Roles and Responsibilities*

(A) General. The South Carolina Retirement System Investment Commission ("RSIC") was established by South Carolina law for the purpose of investing and managing all assets held in trust for the participants and beneficiaries of five separate defined benefit plans (collectively referred to as the "South Carolina Retirement Systems Group Trust" or "SCRS"):

(1) South Carolina Retirement System
(2) South Carolina Police Officers Retirement System
(3) Retirement System for Judges and Solicitors of the State of South Carolina
(4) Retirement System for Members of the General Assembly of the State of South Carolina
(5) National Guard Retirement System

(B) Commission Membership

(1) **Composition.** The RSIC is under the management of a commission consisting of eight members ("Commission"), seven of which have voting privileges:
- (a) Two members appointed by the Governor of South Carolina, one of which is an active member of the Retirement System, Police Officers Retirement System, Retirement System for Judges and Solicitors, or the National Guard Retirement System
- (b) One member appointed by the State Treasurer (§9-16-315(A)(2))
- (c) One member appointed by the Comptroller General of South Carolina
- (d) One member appointed by the Chairman of the South Carolina Senate Finance Committee
- (e) One member appointed by the Chairman of the Ways and Means Committee of the South Carolina House of Representatives
- (f) One member who is a retired member of either the Retirement System, Police Officers Retirement System, Judges and Solicitors Retirement System, or National Guard Retirement System ("Representative Member"). This member must be appointed by unanimous vote of the voting members of the Commission. (§9-16-315(A))
- (g) The Executive Director of South Carolina Public Employee Benefit Authority ("PEBA"), ex officio, who shall serve without voting privileges.

(2) **Appointment Qualifications**
- (a) In making appointments, the appointing authorities shall select members who are representative of the racial, gender, and geographical diversity of the State.
- (b) A person may not be appointed to the Commission unless the person possesses at least one of the following qualifications:
  - (i) The Chartered Financial Analyst credential of the CFA Institute;
  - (ii) At least twelve years of experience as a Certified Financial Planner™ credentialed by the Certified Financial Planner Board of Standards;
  - (iii) The Chartered Alternative Investment Analyst certification of the Chartered Alternative Investment Analyst Association;
  - (iv) At least twenty years professional actuarial experience, including at least ten as an Enrolled Actuary licensed by a Joint Board of the Department of Treasury and the Department of Labor, to perform a variety of actuarial tasks required by pension plans in the United States by the Employee Retirement Income Security Act of 1974;

(v) At least twenty years professional teaching experience in economics or finance, ten of which must have occurred at a doctorate-granting university, master's granting college or university, or a baccalaureate college as classified by the Carnegie Foundation;

(vi) An earned Ph.D. in economics or finance from a doctorate-granting institution as classified by the Carnegie Foundation;

(vii) The Certified Internal Auditor credential of The Institute of Internal Auditors;

(viii) At least twelve years of professional experience in the financial management of pensions or insurance plans; or

(ix) At least twelve years of professional experience as a certified public accountant with financial management, pension, or insurance audit expertise (§9-16-315(D)).

(c) Except for the member appointed pursuant to subsection B(1)(f) or (g) above, no person may be appointed or continue to serve on the Commission who is an elected or appointed officer or employee of the State or any of its political subdivisions, including school districts. (§9-16-315(E))

(d) The Commission shall select one of the voting members to serve as Chair, another as Vice Chair, and shall select those other officers it determines necessary. (§9-16-315(C)) For information regarding the election process, see the *Commission Operations Policy*.

(e) Notwithstanding Section 2(b) above, members appointed prior to and serving on the Commission as of June 30, 2012 shall continue to serve for the remainder of their current term for which they are appointed. (Section 64(C) Act 278 of 2012).

(3) **Term of Office.** Except for the PEBA Executive Director serving ex officio, members shall serve for terms of four years and until their successors are appointed and qualify. Terms are deemed to expire after June 30th of the year in which the term is due to expire. Members are appointed for a term and may be removed before the term expires only by the Governor for the reasons provided in §1-3-240(C). A member may not be appointed to serve more than two consecutive full four-year terms. A member serving a second or greater term, beginning July 1, 2016, may not serve an additional consecutive four-year term upon the expiration of his term.

(4) **Commencement of Term of Office and Annual Filing Requirements**. A person appointed may not serve until the appointing official certifies to the Secretary of State that the appointee meets or exceeds the qualifications set forth above. A person appointed may not qualify to serve unless he first certifies that he meets or exceeds the qualifications applicable for his appointment. (§9-16-315(B)

(a) **Statement of Economic Interests**

(i) Commission members must file a Statement of Economic Interests with the State Ethics Commission prior to taking the oath of office or entering upon his official responsibilities. If the Commission member has no economic interests to disclose, he shall nevertheless file a statement of inactivity to that effect with the State Ethics Commission. (§8-13-1110(A)). The statement of economic interests filed must be on forms prescribed by the State Ethics Commission. (§8-13-1120(A))

(ii) No later than noon on March thirtieth of each calendar year after assuming office, Commission members must file an updated statement of economic interests for the previous calendar year with the State Ethics Commission. The Commission member's statement must list any addition, deletion, or change in his economic status with respect to which information is required to be supplied under the Ethics Reform Act. (§8-13-1140)

(b) **Oath of Office**

(i) Commission members are public officers of the State of South Carolina. (§8-1-10)

(ii) Before assuming their duties for the RSIC, all Commission members must take and subscribe to the following oath of office:

"I do solemnly swear (or affirm) that I am duly qualified, according to the Constitution of this State, to exercise the duties of the office to which I have been elected, (or appointed), and that I will, to the best of my ability, discharge the duties thereof, and preserve, protect, and defend the Constitution of this State and the United States. So help me God." (S.C. Const. art. VI, § 5; §8-3-10)

(iii) A notarized, original oath of office executed by each Commission member must be filed with the Secretary of State of South Carolina.

(5) **Removal from Office.** Commission members may only be removed from the Commission prior to the expiration of his or her term by the Governor for the following reasons:

(a) Malfeasance
(b) Misfeasance
(c) Incompetency
(d) Absenteeism
(e) Conflicts of interest
(f) Misconduct
(g) Persistent neglect of duty in office
(h) Incapacity (§1-3-240(c))

(C) General Responsibilities and Duties

(1) Oversee the management of the business and affairs of the RSIC in accordance with applicable laws.

(2) Ensure legal and ethical integrity, adhere to fiduciary duties, and maintain accountability.

(3) Support the Chief Executive Officer ("CEO") and ensure the RSIC leadership has the moral and professional support needed to further RSIC's goals.

(D) Investment Responsibilities

(1) Exercise all powers and perform all duties prescribed by law with respect to the investment of public trust and retirement funds. This includes, but is not limited to:

(a) Exclusive authority, subject to South Carolina Code Ann. §9-1-1310~~,~~ and §9-16-330(B)(1) to invest and manage the assets of the SCRS. (§§9-16-20(A);~~§9-16-50(A)(4)~~ 9-16-30(A); 9-16-50(A)(4))

(b) Duty to make a reasonable effort to verify facts relevant to the investment and management of assets of the SCRS.(§9-16-50(A)(3))

(c) Adopt a Statement of Investment Objectives and Policies for the Retirement System, which must include:

(i) Desired rate of return on assets overall
(ii) Desired rates of return and acceptable level of risk for each asset class
(iii) Asset allocation goals
(iv) Guidelines for delegation of authority
(v) Information on the types of reports to be used to evaluate investment performance (§9-16-50(B))

(d) Duty to review the Statement of Investment Objectives and Policies for the SCRS at least annually and change or reaffirm the statements.
(e) Ensure that a sound investment philosophy and strategy exist to guide the management of the investment program and achieve RSIC investment objectives.

(E) Administrative Responsibilities

(1) Approve and amend policies as necessary, including:
   (a) Policies clearly defining the roles and responsibilities of the Commission and its officers, Commission committees, and CEO.
   (b) Policies for the establishment, maintenance, and efficient delivery of services, and any other policies the Commission deems appropriate for RSIC.
   (c) Policies to ensure appropriate governance practices on the part of the RSIC, including provisions relating to standards of conduct.
   (d) Policies to assist the Commission members in securing knowledge required to properly execute their duties as fiduciaries.
(2) Select the CEO after a carefully considered and executed search process. The CEO shall serve as the chief administrative officer of the commission and is charged with the affirmative duty to carry out the mission, policies, and direction of the Commission as established by the Commission. (§9-16-315(G))
(3) Annually review the performance of the CEO.

(F) Monitoring and Reporting Responsibilities

(1) Regularly monitor the effectiveness and performance of the investment and management of the assets of the Retirement System, consistent with the investment and other policies of the Commission. This will include at a minimum:
   (a) Total funded status of Retirement System
   (b) Total fund performance relative to policy benchmark(s)
   (c) Asset class and investment manager/fund performance
   (d) Cost effectiveness of the investment program
(2) Regularly monitor the effectiveness and efficiency of the administration of RSIC through a review of, at a minimum:
   (a) Adoption and monitoring of the strategic plan.
   (b) Approval and monitoring of the operating budget.
   (c) Implementation of agency internal controls.
(3) Ensure effective organizational planning, actively participate in the strategic planning process, and assist in monitoring achievement of RSIC's goals.
(4) Ensure that appropriate monitoring and reporting practices are established and documented within the RSIC and made available to Commission members.
(5) Annually review the performance of the Commission itself in order to engage in self-analysis and discussion for the purpose of improving its effectiveness as a fiduciary body. *See Executive Staff and Commission Evaluation Policy*

(6) Receive reports from the Audit and Enterprise Risk Management Committee regarding the results of audits of the RSIC, including the fiduciary audit engaged by the State Auditor every four years pursuant to §9-16-380.
(7) Receive reports and request information from the CEO regarding the performance of the CIO as appropriate to fully inform the Commission of the CIO's performance and any concerns related thereto.

(G) Responsibilities of Individual Commission Members
(1) Be informed about RSIC's mission and policies.
(2) Attend Commission meetings, or if unable to attend, notify the CEO and/or the Chair as soon as possible to ensure that a quorum will be present.
(3) Review agenda and supporting materials prior to Commission and Committee meetings.
(4) Serve on Commission Committees and offer to take on special assignments.
(5) Keep up to date on developments in the pension and public fund area.
(6) Comply with ethics, fiduciary standards, conflict of interest, disclosure, and confidentiality laws and policies.
(7) Counsel and work with the CEO as appropriate.
(8) Assist the Commission in carrying out its fiduciary responsibilities. (§9-16-40)
(9) At all times meet high ethical standards to avoid even the appearance of impropriety.

(H) Standards for Discharge of Commission Duties
(1) As fiduciaries, each Commission member shall discharge his duties with respect to the Retirement System:
(a) Solely in the interest of the Retirement System and its participants and beneficiaries;
(b) For the exclusive purpose of providing benefits to participants and beneficiaries and paying reasonable expenses of administering the Retirement System;
(c) With the care, skill, and caution under the circumstances then prevailing which a prudent person acting in a like capacity and familiar with those matters would use in the conduct of an activity of like character and purpose;
(d) Impartially, taking into account any differing interest of participants and beneficiaries;
(e) Incurring only costs that are appropriate and reasonable; and
(f) In accordance with a good faith interpretation of the Code of Laws of South Carolina, 1976, as amended. (§9-16-40)

(I) Standards of Conduct for Commission Members; Conflicts of Interest While the Commission may not invest in any asset or with any entity in which a Commissioner or his immediate family has any interest, this restriction does not apply to publicly traded securities. (§9-16-100(C)) In conjunction with this provision, the following standards of conduct and conflicts of interest rules apply to the Commission.
(1) Except as may be provided by laws relating to the Retirement System, no Commission member shall:
(a) Have any direct interest in the gains or profits of any investment made by the RSIC.
(b) Directly or indirectly, for himself or as an agent in any manner use the funds of the RSIC except to make such current and necessary payments as are authorized by the South Carolina Budget and Control Board or Commission.

(c) Become an endorser or surety or in any manner an obligor for monies loaned or borrowed from the RSIC. (§9-1-1340)

(2) It is unlawful for a Commission member to use any information concerning RSIC activities to obtain any economic interest for himself, a member of his immediate family, an individual with whom he is associated, or a business in which he is associated. (§9-16-350(A))

(3) Commission members are prohibited from:

(a) Taking any action to purchase or acquire services or property for the RSIC or Retirement System where the Commission member or any employee of the Commission member or RSIC, their family, or their business associates have a financial interest in the services or property.

(b) Taking any action to invest Retirement System funds in any share, or other security if the Commission member or any employee of the Commission member or RSIC, their family, or their business associates have an interest in, are underwriters of, or receive any fees from the investment.

(c) Having any interest in the profits or receive any benefit from a contract entered into by the RSIC.

(d) Using their positions to secure, solicit, or accept things of value, including gifts, travel, meals and lodging, and consulting fees for payment for outside employment, from parties doing or seeking to do business with or who are interested in matters before the Commission member or RSIC.

(e) Representing, while serving as a Commission member and for one year after leaving membership on the Commission, any person, in any fashion, before any public agency, with respect to any matters in which the Commission member personally participated while serving as a Commission member.

(f) Taking any official action on matters that will result in a benefit to themselves, their family members, or their business associates.

(g) Disclosing or using confidential information acquired in their official capacity as a Commission member, without proper authorization, during or after their term of service.

(h) Using assets of the Retirement System for their own interests.

(i) Acting on behalf of a party whose interests are adverse to Retirement System, the RSIC, or the Commission, even if the Commission member receives no personal gain.

(j) Having any direct or indirect interest in the gains or profits of any Retirement System investment other than the indirect interest of a passive investor holding less than five percent of the outstanding equity in a publicly-traded security.

(k) Making investments through or purchases from, or otherwise doing any business with a former fiduciary member or employee or with a business that is owned or controlled by a former fiduciary member or employee, for a period of three years after the fiduciary member or employee leaves the fiduciary. (§9-16-360)

(4) Commission members shall comply with all applicable provisions of the Ethics Reform Act, codified at §§8-13-100 *et seq*., in addition to Title 9, Chapter 16 of the Code of Laws of South Carolina, 1976, as amended, Commission policies, and other applicable laws, including those relating to campaign contributions.

(5) In accordance with §8-13-700(B), no Commission member may make, participate in making, or in any way attempt to use his membership to influence a Commission decision

in which he, a family member, an individual with whom he is associated, or a business with which he is associated has an economic interest. A Commission member who, in the discharge of his official responsibilities, is required to take action or make a decision which affects an economic interest of himself, a family member, an individual with whom he is associated, or a business with which he is associated shall:

(a) Prepare a written statement describing the matter requiring action or decisions and the nature of his potential conflict of interest with respect to the action or decision;

(b) Furnish a copy of the statement to the Commission Chair, who shall cause the statement to be printed in the minutes and require that the member be excused from any votes, deliberations, and other actions on the matter on which the potential conflict of interest exists and shall cause the disqualification and the reasons for it to be noted in the minutes. (§8-13-700(B))

(6) In the event that a Commission member believes that a business or other relationship or connection may create a conflict of interest pursuant to State law or may create the appearance of a conflict or impropriety, he may abstain from deliberations about and voting related to the relationship.

(7) In the event of abstention due to a relationship that is not governed by the above referenced State law, the Commission member should disclose that he is abstaining from related discussions and voting and the nature of the relationship which he feels may create the appearance of impropriety. This abstention and nature of the relationship must be included in the meeting minutes.

(8) If the Commission member or a member of his immediate family holds an economic interest in a blind trust, he is not considered to have violated §9-16-350(A) (Section I(2) above) even if the acquisition of the economic interest by the blind trust would otherwise violate §9-16-350(A), if the existence of the blind trust and the manner of its control is disclosed to the State Ethics Commission and the Commission. (§9-16-350(B))

(J) <u>Breach of Duty</u>

(1) A Commission member who breaches a duty imposed by Title 9, Chapter 16 of the Code of Laws of South Carolina, 1976, as amended, is personally liable to the Retirement System for any losses resulting from the breach and any profits resulting from the breach or made by the Commission member through the use of assets of the Retirement System by the Commission member. The Commission member is subject to other equitable remedies, including but not limited to removal.(§9-16-70(A))

(2) An agreement that purports to limit the liability of a Commission member for a breach of duty imposed by Title 9, Chapter 16 of the Code of Laws of South Carolina, 1976, as amended, is void. (§9-16-70(B))

(3) The Retirement System may insure a Commission member against liability or losses occurring because of a breach of duty under Title 9, Chapter 16 of the Code of Laws of South Carolina, 1976, as amended. (§9-16-70(C))

(4) A Commission member may insure against personal liability or losses occurring because of a breach of duty under Title 9, Chapter 16 of the Code of Laws of South Carolina, 1976, as amended, if the insurance is purchased or provided by the individual Commission member who obtains the insurance pursuant to Title 9, Chapter 16. A Commission member who obtains such insurance must disclose all terms, conditions, and other

information relating to the insurance policy to the Retirement System and RSIC. (§9-16-70(D))

(K) Defense and Indemnification of Commission Members

(1) The State of South Carolina shall defend Commission members against a claim or suit that arises of or by virtue of their performance of official duties on behalf of the RSIC and must indemnify these members for a loss or judgment incurred by them as a result of the claim or suit, without regard to whether the claim or suit is brought against them in their individual or official capacities, or both. (§9-16-370)

(2) The commitment of the State of South Carolina to defend and indemnify extends to Commission members after they have left their membership on the Commission, if the claim or suit arises out of or by virtue of their performance of official duties on behalf of RSIC. (§9-16-370)

(L) Delegation of Functions by the Commission

(1) The Commission may delegate functions that a prudent person acting in a like capacity and familiar with those matters could properly delegate under the circumstances but final authority to invest cannot be delegated. (§9-16-30(A))

(2) The Commission must exercise reasonable care, skill, and caution in:
   (a) Selecting an agent
   (b) Establishing the scope and terms of the delegation, consistent with the purposes of the retirement program
   (c) Periodically reviewing the agent's performance and compliance with the terms of the delegation. (§9-16-30(B))

(3) A Commission member who complies with the above two subsections is not liable to the Retirement System or to its participants or beneficiaries for the decisions or actions of the agent to whom the function was delegated. (§9-16-30(D))

(4) The Commission may delegate any of its functions to the CEO as it deems appropriate for efficient administration and when such delegation is consistent with South Carolina law. (§9-16-30(A)).

(5) The CEO is delegated the authority of the Commission necessary, reasonable and prudent to carry out the operation and management of the Commission as an agency and to implement the Commission's decisions and directives. (§9-16-315(G)).

(6) In accordance with §9-16-315(G), the Commission delegates to the CEO the authority to execute on behalf of the Commission any documents necessary to implement a final decision to invest.

(7) Notwithstanding Section 9-16-30(A), the Commission may include a delegation to the Chief Investment Officer of the final authority to invest subject to the limitations set forth in §9-16-330(B) and the Investment Authority Delegation Policy as approved by the Commission.

(M) Compensation of Commission Members

(1) Effective beginning July 1, 2012, each Commission member, not including the Executive Director of the South Carolina Public Employee Benefit Authority, must receive an annual salary of twenty thousand dollars plus mileage and subsistence as provided by law for members of state boards, committees, and commissions paid as provided pursuant to §9-16-315(J)(2).

(2) Notwithstanding any other provision of law, membership on the Commission does not make a member eligible to participate in a retirement system administered pursuant to Title 9 of the Code of Laws of South Carolina, 1976, as amended, and does not make a member eligible to participate in the employee insurance program administered pursuant to Article 5, Chapter 11, Title 1, if the member is not otherwise eligible.

(3) Compensation paid on account of the Commission member's service on the Commission is not considered earnable compensation for purposes of any retirement system administered pursuant to Title 9 of the Code of Laws of South Carolina, 1976, as amended.

(N) Gender References, Policy Review and History

(1) Any gender-specific language in this policy shall include the other gender.

(2) The Commission will review this policy at least every three years to ensure that it remains relevant and appropriate, or when there has been an amendment to applicable law relevant to any section of this policy, or a Commission approved change in the responsibilities, duties, or operations of the Commission or its Committees generally, or as otherwise deemed appropriate by the Commission.

(3) 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.

(4) This policy was adopted on August 20, 2009.

(5) This policy was amended on November 8, 2012.

(6) This policy was amended on February 28, 2013.

(7) This policy was amended on June 3, 2014.

(8) This policy was amended on August 25, 2014.

(9) This policy was amended on February 26, 2015.

(10) This policy was ~~last~~ amended on November 19, 2015.

(11) This policy was ~~last~~ amended on June 22, 2017 and made effective as of July 1, 2017.

(12) This policy was last amended on --- and made effective as of ---.

Summary report: **Litera Compare for Word 11.6.0.100 Document comparison done on 2/20/2024 3:51:23 PM**	
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Intelligent Table Comparison: Active	
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Modified filename: 2024.02.20 GP I Commission Roles and Responsibilities updated clean.docx	
Changes:	
Add	9
~~Delete~~	5
~~Move From~~	0
Move To	0
Table Insert	0
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~~Table moves from~~	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
Total Changes:	14

Policy III : *Chief Executive Officer and Chief Investment Officer Roles and Responsibilities*

(A) Chief Executive Officer Role

(1) Serves as the agency head of the RSIC, reporting directly to the Commission, with functions and duties as assigned by the Commission.

(2) The Chief Executive Officer ("CEO") is a fiduciary who must discharge duties consistent with fiduciary standards at all times.(§9-16-30)

(3) The CEO is an at-will employee, selected by the Commission to serve as the chief administrative officer of the Commission and to manage and oversee the organization on behalf of the Commission and to act as the Commission on a day-to-day basis in this regard. The CEO is delegated the authority of the Commission necessary, reasonable and prudent to carry out the operation and management of the Commission as an agency and to implement the Commission's decisions and directives. (§9-16-315(G)).

(4) The CEO is the central source of authority and accountability for administrative decisions.

(5) Supports the Commission at all times in discharging its duties.

(6) The CEO shall employ a CIO. Prior to taking any action to employ a new CIO or to terminate the existing CIO, the CEO will discuss the contemplated action with the Chair and Vice-Chair. Further, the CEO will discuss with the full Commission the employment of a new CIO or the termination of the existing CIO as soon as practicable after any action is taken. In the case of a vacancy in the CIO position, the CEO will discuss a recruitment plan with the Chair and Vice-Chair and provide the plan to all of the Commissioners prior to taking action. (§9-16-315(H))

(7) The CEO serves as the primary point of contact for the Commissioners to the Staff and Commissioners shall, to the extent practicable, coordinate requests for information or assistance from Staff through the CEO to ensure that the request is assigned to the appropriate Staff member and to allow the CEO to ensure that Staff work load is managed and balanced in a manner that promotes efficiency and the most timely response possible.

(8) The CEO helps to set the "tone at the top" regarding ethics and the culture of the RSIC.

(B) Chief Executive Officer Responsibilities: General

(1) Develop and recommend to the Commission appropriate strategic direction, Strategic Plan, operating budget, internal controls, and enterprise risk parameters. Provide executive leadership in achieving the RSIC's mission, goals and objectives, and the Strategic Plan, and ensure that they are developed, monitored, implemented, and reviewed at least annually by the Commission.

(2) Represent RSIC before the South Carolina General Assembly and/or any of its committees or sub-committees and any State agencies with assistance from the CIO as necessary or appropriate.

(3) Develop and maintain communications and relationships with other state agencies, public retirement systems, stakeholder groups, legislative authorities and other organizations involved with or having an impact on public retirement issues that may affect the Retirement Systems.

(4) Develop, recommend and implement the Communication Plan approved by the Commission.

(5) Meet with the Chair to discuss organizational issues and to set the agenda for Commission meetings.
(6) Manage the RSIC in accordance with the operating policies established by the Commission and in compliance with state and federal laws and solicit advice from counsel and the Commission as necessary.
(7) In accordance with the Service Provider Selection Policy, appoint and remove service providers who are not "Named."
(8) Oversee and serve as the approval authority for the recruiting, hiring, terminating, and retaining of staff necessary to effectively and prudently address organizational priorities.
(9) Annually prepare and present to the Commission a report detailing the financial impact of all compensation paid each fiscal year to staff. The CEO will also provide regular updates to the Human Resources and Compensation Committee ~~for submission to the Commission an organizational chart of the Commission staff that clearly delineates lines of authority and position function and a summary of FTEs and the estimated salary range for each position.~~regarding changes in employee compensation, position and title, as well as hirings, terminations, or resignations.
(10) Maintain an organizational atmosphere through regular communication with the Staff that ensures that each staff member understands their role in the organizational structure in a manner that promotes a sense of value for the particular staff member's contribution to the overall success of the organization.
(11) Develop, recommend and implement an annual 360◦ review and evaluation of the CEO for use by the Commission.

~~(12) Annually conduct, in consultation with the Chair, a performance review of the CIO. The CEO shall provide the performance evaluation of the CIO to the Commissioners before it is finalized.~~

(12)~~(13)~~ Foster an atmosphere of creativity, ingenuity, initiative, teamwork, and cohesiveness within the investment division and the RSIC.

(C) Chief Executive Officer Responsibilities: Monitoring and Reporting

(1) Ensure that the Commission is provided with relevant, appropriate, and timely information to enable it to properly carry out its investment, management, monitoring and oversight responsibilities.
(2) Coordinate reporting requirements to RSIC and other stakeholders.
(3) Monitor that the RSIC operates within applicable laws, rules, regulations, and policies at all times.
(4) Monitor proposed changes in state and federal laws and, in consultation with legal counsel and Staff, analyze and evaluate proposed legislation affecting the RSIC or Retirement Systems' investments; when appropriate, develop and recommend to the Commission an official position for RSIC, consistent with RSIC's role and strategic direction.
(5) Ensure Human Resource policies and procedures are implemented and adequate to hire, monitor, mentor, develop and evaluate the performance of staff.
(6) Ensure the Commission receives recommendations for approval or dismissal of "Named" service providers in accordance with the Service Provider Selection Policy.
(7) Ensure the implementation of appropriate internal controls.

(8) Monitor and direct counsel with respect to legal actions involving RSIC, keeping the Commission apprised of such actions, and, when required, obtaining Commission approval before undertaking such actions.

(9) Ensure internal and external audits are performed as needed and findings are appropriately addressed.

(10) Execute a management representation letter from RSIC to the South Carolina Public Employee Benefit Authority ("PEBA") to be used in conjunction with the preparation of the annual financial statements and the annual external audit thereof. Appropriate representations should be made regarding the investment portfolio functions of the RSIC.

(11) Execute any management representation letters or audit engagement letters for engagements concerning the RSIC conducted by the State Auditor's Office.

(12) Coordinate implementation and compliance with audit findings and recommendations at the direction of the Audit and Enterprise Risk Management Committee.

(D) <u>Chief Investment Officer Role</u>

(1) Serves as chief investment officer, reporting to the CEO, for functions and duties provided by Title 9, Chapter 16 of the Code of Laws of South Carolina, 1976, as amended, and as appropriately delegated by the Commission.

(2) Reports to the CEO for day-to-day oversight and strategic planning objectives and for all other functions and duties delegated by the CEO. Subject to the oversight of the CEO, the CIO serves as the central source of authority and accountability for all investment decisions delegated to him or her by the Commission and state law.

(3) The Chief Investment Officer is an at-will employee, selected by the CEO, who is a fiduciary pursuant to State law, and must discharge his or her duties consistent with fiduciary standards at all times. (§§, 9-16-10(4), 9-16-40)

(4) Supports the Commission and the CEO at all times in discharging their duties.

(5) The Chief Investment Officer helps the CEO set the "tone at the top" regarding ethics and the culture of the RSIC.

(E) <u>CIO Responsibilities: General</u>

(1) Assist the CEO when the CEO represents the RSIC before the South Carolina General Assembly and/or any of its committees or subcommittees and any State agencies related to investment matters.

(2) In consultation with the CEO, develop investment business plans for incorporation into the Commission's Strategic Plan.

(3) Meet with the Chair and the CEO to discuss investment issues and to set the investment agenda for Commission meetings.

(4) Partner with the CEO to ensure the success of the investment program through regular reports on strategic direction, progress towards strategic initiatives, investment performance, investment risk management, SIOP/AIP compliance, and to keep the CEO apprised of key investment activities.

(5) Coordinate activities with the Investment Consultant(s), maintaining open communication and constructive relationships.

(6) Monitor and evaluate the activities and performance of external service providers engaged by RSIC or the Commission for investment functions, including contracts,

mandates, and performance expectations and results. *See Service Provider Selection Policy.*

(7) Oversee key aspects of the investment function including internal and external asset management, portfolio rebalancing, investment risk management, performance, procedures, and compliance with the SIOP and AIP.

(8) Manage personnel under his or her direction designated on the organizational chart.

(9) Provide decision-making authority as delegated by the Commission pursuant to S.C. Code § 9-16-330(B) and the Investment Authority Delegation Policy as approved by the Commission.

(10)~~(9)~~ Provide decision-making authority as delegated by the Commission within its Strategic Partnerships.

(11)~~(10)~~ Fosters an atmosphere of creativity, ingenuity, initiative, teamwork, and cohesiveness within the investment division and the RSIC.

(F) CIO Responsibilities: Investment Policy

(1) Develop and recommend to the Commission, Committees, CEO, and Staff, sound principles, policies, and guidelines for the investment and management of the Retirement System's assets and the Commission's underlying strategic allocations to be used to achieve RSIC objectives.

(2) Advise the Commission on investment matters and make recommendations for Commission action.

(3) Coordinate, direct, and conduct all necessary initial and ongoing due diligence relating to the engagement of investment managers, consultants, and providers of investment services to the RSIC.

(4) Invest, manage, and direct the investment strategies and plans approved by the Commission, including reviewing the performance of the investments and execute the Commission's portfolio rebalancing policy.

(5) Review all investment policies of the Commission and recommend appropriate policies and/or procedures to ensure efficient investment operations of the RSIC.

(6) Subject to the oversight of the CEO, develop a proposed annual investment plan ("AIP") and submit the proposed AIP to the Commission no later than April first of each year. (§9-16-320(A), §9-16-315(H)(1)). In developing the AIP, the CIO shall diversify the investments of the Retirement System (unless the CIO reasonably believes the Commission should determine that, because of special circumstances, it is clearly not prudent to do so) and make a reasonable effort to verify the facts relevant to the investment of the assets of the Retirement System. (§9-16-330(C)) The AIP must be consistent with the Commission's statement of general investment objectives and with that statement of actuarial assumptions developed by the Retirement System's actuary and approved by PEBA (§9-16-330(A)), and must include, but is not limited to, the following components:

(a) General operational and investment policies;

(b) Investment objectives and performance standards;

(c) Investment strategies, which may include indexed or enhanced indexed strategies as the preferred or exclusive strategies for equity investing, and an explanation of the reasons for the selection of each strategy;

(d) Industry sector, market sector, issuer, and other allocations of assets that provide diversification in accordance with prudent investment standards,

including desired rates of return and acceptable levels of risks for each asset class;
(e) Policies and procedures providing flexibility in responding to market contingencies;
(f) Procedures and policies for selecting, monitoring, compensating, and terminating investment consultants, equity investment managers, and other necessary professional service providers;
(g) Methods for managing the costs of the investment activities; and
(h) A detailed description of the amount and extent of the final authority to invest made by the Commission pursuant to §9-16-330(B)(§9-16-330(C))

(G) Delegation to the Chief Executive Officer, CIO and others

(1) The Commission may delegate, or revoke the delegation of, any of its functions to the CEO, CIO and/or others as it deems necessary and appropriate for efficient administration, and when such delegation or revocation is consistent with South Carolina law.
(2) In performing a delegated function, the CEO, CIO and others owe a duty to the Retirement System and to its participants and beneficiaries to comply with the terms of the delegation and to comply with applicable law. (§9-16-30(C), §9-16-40)
(3) Pursuant to a delegation of authority by the Commission, the CEO, CIO and others shall discharge duties with respect to the Retirement System:
 (a) Solely in the interest of the Retirement System, participants, and beneficiaries;
 (b) For the exclusive purpose of providing benefits to participants and beneficiaries and paying reasonable expenses of administering the Retirement System;
 (c) With the care, skill, and caution under the circumstances then prevailing which a prudent person acting in a like capacity and familiar with those matters would use in the conduct of an activity of a like character and purpose;
 (d) Impartially, taking into account differing interests of participants and beneficiaries;
 (e) Incurring only costs that are appropriate and reasonable; and
 (f) In accordance with a good faith interpretation of Title 9, Chapter 16 of the Code of Laws of South Carolina, 1976, as amended. (§9-16-40)

(H) Selection and Emergency Succession

(1) According to South Carolina law, the Commission employs a chief executive officer to serve as the chief administrative officer of the Commission as an agency and is charged with the affirmative duty to carry out the mission, policies and direction of the Commission as established by the Commission. (§9-16-315(G))
(2) The CEO has explicit statutory authority to employ a Chief Investment Officer and other professional, administrative, and clerical personnel it determines necessary. (§9-16-315(H))
(3) **CEO**. In the event ~~of a sudden loss of services of the CEO, his or her senior deputy will~~that the CEO is unable to fulfill his or her duty, the Chair may declare an incapacity and designate a senior officer of the RSIC to serve as ~~the~~ Acting Chief Executive Officer, responsible for carrying out the CEO's duties until such time as the Commission selects ~~an~~another acting or new CEO and that person assumes the position on a full time basis.

(4) **CIO.** In the event of a sudden loss of services of the CIO, the CEO will designate a senior member of the investment team to serve as the Acting CIO, responsible for carrying out the CIO's duties until such time as the CEO selects a new CIO and that person assumes the position on a full-time basis. The CEO will promptly notify the Commission of any action under this section.

(I) Defense and Indemnification

(1) The state of South Carolina shall defend the CEO, CIO and management employees of the RSIC against a claim or suit that arises out of or by virtue of performance of official duties, unless he or she was acting in bad faith, and must indemnify the CEO, CIO and management employees for a loss or judgment incurred by him or her as a result of such claim or suit, without regard to whether the claim or suit is brought against him or her in his individual or official capacities, or both. (§9-16-370).

(2) The commitment of the state of South Carolina to defend and indemnify extends to the CEO, CIO and management employees of the RSIC after he or she has left employment with the RSIC, if the claim or suit arises out of or by virtue of his or her performance of official duties on behalf of the RSIC. (§9-16-370)

(J) Gender References, Policy Review and History

(1) Any gender-specific language in this policy shall include the other gender.

(2) The Commission will review this policy at least every three years to ensure that it remains relevant and appropriate, or when there has been an amendment to applicable law relevant to any section of this policy, or a Commission approved change in the responsibilities, duties, or operations of the Commission or its Committees generally, or as otherwise deemed appropriate by the Commission.

(3) 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.

(4) This policy was adopted on August 20, 2009.

(5) This policy was amended on September 17, 2011.

(6) This policy was amended on February 28, 2013.

(7) This policy was amended on June 3, 2014.

(8) This policy was amended on August 25, 2014.

(9) This policy was amended on November 20, 2014.

(10)This policy was ~~last~~ amended on November 19, 2015.

(11)This policy was ~~last~~ amended on February 23, 2017.

(12)This policy was ~~last~~ amended on June 22, 2017 and made effective as of July 1, 2017.

(13)This policy was last amended on ---, 2024.

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Policy IV : *Commission Operations*

(A) General Operations

(1) The Commission will take the following under consideration for approval:
   (a) The basic organizational structure of the RSIC.
   (b) The Commission will approve the general processes to be used to establish the strategic and/or business plans, and operational budgets of the RSIC.
   (c) Based on the recommendations from of the Chief Executive Officer ("CEO") the Commission will approve:
      (i) Business and strategic plans
      (ii) Annual operating budget request
(2) The Commission will ensure that an effective process of enterprise risk management is in place.

(B) Officer Elections Process

(1) **Chair; Vice Chair**
   (a) The Officers of the Commission shall be a Chair and a Vice Chair, each of whom shall serve a two-year term ending June 30 of even numbered years. The Vice Chair shall act as Chair during the Chair's temporary absence or other inability to serve. In the event of the Chair's permanent absence, the Vice Chair will serve for the remainder of the Chair's term.
   (b) The Commission shall select a successor Vice Chair in the event of removal, resignation, or other reason for which the Vice Chair is unable to complete his or her term. The elected successor will serve the remaining portion of the previous Vice Chair's term in accordance with section (a) above.
   (c) The Executive Director of South Carolina Public Employee Benefit Authority may not serve as Chair or Vice Chair of the Commission.
   (d) The Chair and Vice Chair will serve until his or her successor is duly elected or until he or she resigns, is unable to serve, or is removed from office, whichever comes first.
   (e) Nominations. The Chair shall accept all nominations from voting members for the election of the successor Chair and Vice Chair.
   (f) The Commission may select other officers it determines necessary.
(2) **Retiree Representative Member**
   (a) The voting members of the Commission will appoint the Retiree Representative Member by unanimous vote. (§9-16-315(A)(6))
   (b) The Retiree Representative Member will serve for a term of four years and until a successor is appointed and qualified. The Retiree Representative Member's term will be deemed to expire after June 30th of the year in which the term expires. (§9-16-315(B))
   (c) By law, the Retiree Representative Member must be a retired member of the Retirement System, Police Officers Retirement System, Judges and Solicitors Retirement System, or National Guard Retirement System, and possess the qualifications required by §9-16-315. For qualifications, see *Commission Roles and Responsibilities Policy.*

(d) **Nominations.** During the year in which the incumbent Retiree Representative Member's term expires or in the event of a vacancy for any reason:

(i) Commission members and associations that represent stakeholders may present nominations for Retiree Representative Member;

(ii) The Commission will provide notice of the pending vacancy of the Retiree Representative Member at least one meeting prior to the expiration of the term in its regularly scheduled meeting agenda. If a Retiree Representative Member does not complete his or her term for any reason, the Commission will ensure the vacancy is announced at least one meeting prior to appointing a new Retiree Representative Member;

(iii) If nominations are received which meet the statutory requirements, nominees may be invited to meet with the Commission; and

(iv) The voting Commission members will endeavor to conclude the nomination process and appoint a Retiree Representative Member prior to June 30 of the year in which the incumbent's term is to expire. In the event of a vacancy for some other reason, the voting Commission members will endeavor to conclude the nomination process and appoint a Retiree Representative Member as soon as practicable.

(e) The Retiree Representative Member will serve until (i) his or her successor is duly elected and qualified or (ii) he or she resigns, is removed from office, or is otherwise unable to complete his or her term, whichever comes first.

(C) Special Elections and Removal of a Commission Officer

(1) If appropriate, the Commission may commence a special election to fill any vacancies of officers or the Retiree Representative Member occurring outside the scope of other policies.

(2) In the event a Commission member finds removal of a Commission Officer, including but not limited to, Chair, Vice Chair, or a Committee Chair, from his office is appropriate, he must communicate reasons supporting removal from office to the Commission.

(3) After receiving information regarding the potential removal of a Commission Officer, the voting Commission members will vote on whether removal from office is appropriate.

(4) In compliance with the governing law, only the Governor may remove a Commission member from the Commission and only for reasons stated in S.C. Code Ann. §1-3-240(C). *See Commission Roles and Responsibilities Policy*

(D) Education

(1) **Overview and Continuing Education**

(a) In order to help fulfill their fiduciary duties, Commissioners should continually develop and maintain their knowledge of pension investment and administration matters by attending educational presentations and events.

(b) Commissioners should report all continuing education related to the Commission to the Chair or CEO.

(c) Commissioners are encouraged to participate in at least 16 hours of continuing education annually, including ~~in-house seminars~~educational presentations at Commission meetings, pertinent national conferences, select investment and pension plan administration courses, and continuing educational courses offered through local colleges and universities.

(2) **Commissioner Orientation**
  (a) New Commissioners must attend an investment and administration orientation provided by RSIC management and staff within sixty days of becoming a Commissioner.
  (b) The orientation will include, but is not limited to:
    (i) CEO and CIO briefing on the history and background of RSIC ~~and instructions regarding accessing the RSIC's secure website~~, its governance framework, and investment program;
    (ii) A briefing by the Commission Chair on current issues before the Commission and backgrounds of other Commissioners;
    (iii) Introduction to staff members;
    (iv) A tour of RSIC's offices;
    (v) A briefing by RSIC legal counsel on Commissioner fiduciary duty, conflicts of interest guidelines, state ethics, and other pertinent laws affecting RSIC; and
    (vi) Distribution and review of copies of the RSIC policies, including governance policies, the Consolidated Statement of Investment Policies and Annual Investment Plan, Personnel Handbook, a copy of the CFA ~~Institute's Code of Conduct for Members of a Pension Scheme Governing Body~~Institute'sPrimer for Investment Trustees, and any other relevant information deemed appropriate by the Chair, CEO, or CIO.
  (c) New Commissioners are encouraged to attend at least one conference or seminar relating to pension fund investments within his or her first year as a Commissioner.

(E) Travel
(1) Commissioners must exercise the same care in incurring expenses that a prudent person would exercise if traveling on personal business and spending personal funds.
(2) All Commissioners' travel must comply with RSIC's *Travel Policy* and the *Comptroller General's Policy on Reimbursement for Travel and Subsistence Expenses*.
(3) Travel must pertain to RSIC business and enhance the knowledge and capabilities of the Commissioner relevant to his or her duties relating to the RSIC.
(4) Commissioners may provide copies of conference material to the CEO which may be distributed to other Commissioners and/or RSIC staff.

(F) Meeting Policies
(1) Regular meetings will be held at least once during each fiscal quarter and at other times as set by the Commission or Chair or requested by the Board of Directors of the South Carolina Public Employee Benefit Authority. (§9-16-320(B))
(2) The annual schedule may be modified by the Commission as necessary, and timely notice of such changes must be provided as appropriate in accordance with the South Carolina Freedom of Information Act ("FOIA").
(3) The Chair or a majority of the Commission may call a special meeting or cancel regular meetings, so long as notice is provided as appropriate in accordance with the FOIA.

(4) In providing timely notice of a meeting to the public, the Commission will post notice within a reasonable time not less than 24 hours prior to the meeting on the RSIC's website and at RSIC's office. (§30-4-80)

(5) As defined by South Carolina law, a "meeting" for purposes of the FOIA means the convening of a quorum of the constituent membership of a public body, whether corporal or by means of electronic equipment, to discuss or act upon a matter over which the public body has supervision, control, jurisdiction or advisory power. (§30-4-20(d)). Every meeting of ~~all~~ the Commission shall be open to the public unless closed pursuant to S.C. Code Ann. §30-4-70.

(6) Conference telephones or similar equipment may be used whenever the Commission meets, including executive session meetings as authorized by law. Commissioners may use conference telephones or similar communications equipment by means of which all members and other persons duly participating in the meeting can hear each other. Participation in a meeting pursuant to this policy will constitute presence for purposes of convening a quorum of the Commission. In the event of a telephone conference call or streaming via the internet, members of the public will be permitted to observe.(§30-4-20(d))

(7) No chance meeting, social meeting, or electronic communication may be used in circumvention of the spirit of FOIA requirements related to matters of the Commission. (§30-4-70(c))

(G) Rules of Order

(1) **General**

(a) The Commission and its Committees will follow as closely as practicable the rules of order prescribed for small assemblies or similar small bodies in the most recently published revision of Robert's Rules of Order in conducting its meetings, to the extent not suspended or modified by the Commission's policies or agreed upon practices.

(b) The Chair will be counted to establish quorum at meetings.

(c) Such rules of order will be construed to promote the orderly and efficient conduct of business and to avoid procedural complexity which may delay or hinder the taking of action required by law or advisable in the prudent exercise of the Commission's fiduciary responsibilities.

(2) **Order of Business-Meeting Agenda Format**

(a) The order of business is the established sequence in which business will be taken up at a Commission meeting.

(b) The order of business will be at the discretion of the Chair in consultation with the Commission, but will normally be as follows:

(i) Call to Order
(ii) Approval of Meeting Agenda
(iii) Approval of previous Commission meeting minutes
(iv) Reports from Officers and/or Committees
(v) Investment Items
(vi) Administrative Items
(vii) Other Business
(viii) Adjournment

(c) The Commission may rearrange the normal Order of Business outlined above by majority vote of the voting members of the Commission; however, no item which binds the Commission to action may be added to the agenda which has been posted pursuant to FOIA.

(3) **Agenda Items and Procedure**

(a) Draft proposed meeting agendas will be set by the Chair, in consultation with the CEO and Commissioners.

(b) Once set as described above, the draft proposed agenda will be distributed to the Commissioners.

(c) Commissioners may request to have items introduced for the Commission's consideration by submitting the request orally, or a proposed motion ("Main Motion") in writing, to the Commissioners and the CEO, as applicable at least three days prior to the meeting.

(d) Amendments to draft proposed agenda items, requested by a Commissioner more than three days prior to meeting, will be made at the Chair's discretion but must be made upon the request of any two Commissioners. The updated proposed agenda will be distributed not less than 24 hours prior to the meeting's scheduled commencement.

(e) Amendments to a draft proposed Main Motion, sought by a Commissioner less than three days prior to a meeting, should be submitted in writing at the meeting.

(f) Motions which change or affect how a Main Motion is addressed by the Commission ("Subsidiary Motions") may be made as information is presented and discussions ensue and are not required to be submitted in writing in the same manner as Main Motions.

(g) In accordance with state law, the Commission will not address business that has not been included in the meeting notice that binds the Commission of expenditure of funds except as provided by law.

(H) <u>Meeting Minutes</u>

(1) Minutes of Commission meetings will be taken in accordance with state law and such records are open to public inspection.

(a) The CEO will cause the minutes of all Commission meetings to be prepared, recording therein the time and place of each meeting, the names of the members present, and a summary of the actions of the Commission including: abstentions from voting and the reason for the abstention, the affirmative and dissenting votes, except where the action is unanimous, and when requested, a Commissioner's dissent or approval with reasons.

(b) The CEO will cause the minutes to be presented for approval at the next regular Commission meeting.

(2) Meetings during executive session are not subject to the above requirements. (§9-16-320(D))

(3) Commission minutes will focus on describing any actions that occurred, and will provide sufficient detail to evidence the Commission's due diligence in the matter.

(4) The minutes of a meeting during which an executive session is held will reflect the topic of the discussion at the executive session.

(5) If the Commission votes during executive session, RSIC will publish actions in a subsequent meeting when appropriate or otherwise make such information available to the public as applicable.
(6) The minutes as approved by the Commission, will be preserved as a part of the official public record of the Commission, and will be kept open to public inspection in accordance with law.
(7) A record of the Commission or its fiduciary agents that discloses deliberations about, or a tentative or final decision on, investments or other financial matters is exempt from the disclosure requirements of Chapter 4 of Title 30, the Freedom of Information Act, to the extent and so long as its disclosure would jeopardize the ability to implement an investment decision or program or to achieve investment objectives. (§9-16-80(B))

(I) Executive Session

(1) The Commission may conduct business in executive session, which will be closed to the public, under the following conditions:
  (a) The executive session is held during a regular or special meeting of the Commission;
  (b) The Commission announces to the public present at the meeting the topic of the discussion;
  (c) The executive session is held for the purpose of considering any matter enumerated in S.C. Code of Law Ann. §§9-16-80(A), 9-16-320(C), 30-4-70, or in accordance with any applicable law, including but not limited to:
    (i) Meetings of the Commission, or by its fiduciary agents, to deliberate about, or make tentative or final decisions on, investments or other financial matters if the disclosure of such deliberations or decisions would jeopardize the ability to implement a decision or to achieve investment objectives.
    (ii) Discussion of employment, appointment, compensation, promotion, demotion, discipline, or release of an employee, or a person regulated by a public body or the appointment of a person to a public body.
    (iii) The receipt of legal advice where the legal advice relates to a pending, threatened, or potential claim or other matters covered by the attorney-client privilege, settlement of legal claims, or the position of the public agency in other adversary situations involving the assertion against the agency of a claim.
(2) When executive session has commenced, only the following persons may be present:
  (a) Members of the Commission;
  (b) Staff members of the RSIC requested by the Commission, who may provide information or advice relating to the purpose(s) for which the body has convened in executive session; and
  (c) Others requested and approved by a majority of the voting members of the Commission, for the purposes of providing information or advice relating to the matter(s) for which the body has convened in executive session.
(3) Notwithstanding section I(2) above, the Commission must unanimously approve the attendance of any person other than RSIC legal counsel during an executive session or portion of an executive session relating to items described in I(1)(c)(iii) above.

(4) Fiduciaries and employees of fiduciaries are prohibited from, during or after their term of service, disclosing or using confidential information acquired in their official capacity as fiduciary or employee of the fiduciary, without proper authorization. §9-16-360(7)

(J) Quorum

(1) A quorum of at least five voting members must be present for the Commission to convene a meeting or to conduct business.
(2) The act of the majority of voting members present and voting at a meeting at which a quorum is present will constitute official action of the Commission.
(3) Any member of the Commission who would be required to vote on a matter that would result in a conflict of interest must abstain from voting, refrain from participating in any discussions pertaining to the matter, and prior to the vote being taken, explain the conflict and disclose the nature of his or her interest for Commission records. The CEO shall cause this information to be placed into the meeting minutes. For more information on standards of conduct for Commissioners, see *Commission Roles and Responsibilities Policy*.

(K) Gender References, Policy Review & History

(1) Any gender-specific language in this policy shall include the other gender.
(2) The Commission will review this policy at least every three years to ensure that it remains relevant and appropriate, or when there is an amendment to applicable law relevant to any section of this policy, or when there is a Commission approved change in the responsibilities, duties, or operations of the Commission or its Committees generally.
(3) 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.
(4) This policy was adopted on November 19, 2009.
(5) This policy was amended on November 17, 2011.
(6) This policy was amended on November 8, 2012.
(7) This policy was amended on February 28, 2013.
(8) This policy was amended on May 1, 2014.
(9) This policy was amended on June 3, 2014.
(10) This policy was amended on August 25, 2014.
(11) This policy was ~~last~~ amended on November 19, 2015.
(12) This policy was ~~last~~ amended on June 22, 2017 and made effective as of July 1, 2017.
(13) This policy was amended on [insert date].

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Policy V : *CEO and Commission Evaluations*

(A) CEO Evaluation

(1) The Commission is responsible for setting the evaluation criteria in advance of the performance period and evaluating the Chief Executive Officer's ("CEO") performance.

(2) Evaluation criteria include, but are not limited to:

(a) Achievement of appropriate performance targets for the RSIC;

(b) Implementation of the Strategic Plan and other business initiatives;

(c) Implementation of Commission policies and associated reporting to the Commission;

(d) Leadership, management, and related qualities and skills;

(e) Compliance with other criteria set by the Commission.

(3) The Commission will strive to ensure that each evaluation's criteria are objective in nature, measurable to the extent feasible, and pertain only to outcomes over which the CEO has a reasonable degree of control.

(4) Pursuant to the RSIC's Compensation Policy, the Commission will determine the CEO's salary. *See Compensation Policy.*

(5) **CEO Evaluation Process and Timeline**

(a) Annually, during the first or second quarter of the fiscal year, CEO will distribute a self-evaluation packet to the Commission members. The self-evaluation is designed to assist the Commission members in the evaluation process. It should describe the extent to which the CEO believes his or her evaluation criteria was met during the evaluation period, supported by relevant data.

(b) The self-evaluation packet will include:

(i) A report including the CEO's self-evaluation of his or her performance based on the individual's criteria and goals established by the Commission members for the evaluation year;

(ii) The CEO's proposed evaluation criteria and goals for the upcoming year;

(iii) A summary of the RSIC's Strategic Plan most recently adopted by the Commission, including the goals for which he or she has been responsible for completing;

(iv) Evaluation forms for the Commission members;

(v) Any supporting or additional documentation or information the CEO wishes to include.

(c) The documents provided by the CEO and the Commission members' evaluation forms will be treated as working papers and internal draft documents, as they are preliminary and will be used to compile the final evaluation summary. The Commission members' completed evaluation forms will be returned to the Chair or his designee within two weeks of receipt.

(d) The Commission members may meet as necessary to review the performance of the CEO.

(e) The Chair or his designee will summarize the completed evaluation forms and provide copies to the Commission members and to the CEO. The ~~completed evaluation forms summary should include~~Commission should provide specific guidance for the CEO concerning improvement opportunities~~.~~, which the HR Director will summarize and provide to the CEO

(f) The Commission members will meet with the CEO no later than the end of the ~~first~~second quarter of the fiscal year to discuss and establish
  (i) the evaluation summary, including the self-evaluation, and the extent to which the set criteria and goals were met for the fiscal year; and
  (ii) the proposed evaluation criteria and goals for the following year's evaluation

~~(g) After the discussion, the Chair must sign and retain a finalized evaluation summary in the CEO's personnel file.~~

(g) ~~(h)~~ The Commission members' discussions regarding the CEO's performance may be held in executive session in accordance with state law.

(B) <u>Commission Evaluation</u>

(1) The purpose of the evaluation is to provide the Commission members with a framework for evaluating the performance of the Commission and for identifying any concerns or suggestions the Commission members may have.
(2) The Commission is responsible for completing a self-evaluation at least once annually.
(3) The Chair will initiate the evaluation process.
(4) The Commission may retain a third party to provide support to the evaluation process.
(5) **Commission Evaluation Process and Timeline**
  (a) Annually, during the second calendar quarter of the evaluation year, the Chair or his designee will distribute a copy of the Commission Evaluation Discussion Guide ("CEDG") to each Commission member.
  (b) The Commission may review the CEDG and make modifications, as appropriate, at any time. Any changes to the CEDG should be made before Commission members receive the evaluations for a fiscal year. To ensure efficiency in the evaluation process, changes to the CEDG that are submitted after the Chair has distributed the CEDG to the Commission will not be effective until the next year's evaluation.
  (c) Commission members will complete the CEDG within two weeks and return them to the Chair or his designated third party.
  (d) The Chair or his designated third party will prepare and present a draft summary report of the completed CEDG forms by the close of the second calendar quarter of the evaluation year.
  (e) The Chair will present the draft summary report of the evaluations to the Commission members and facilitate a discussion of the results.
  (f) The Commission's discussions regarding the evaluation summary may be held in executive session to the extent permitted by state law.
  (g) The Chair will compile conclusions and recommendations based on the draft evaluation summary report and the Commission's discussion.

  ~~(h) The Chair will provide a summary of conclusions and recommendations, which will be recorded in the minutes of the next regular Commission meeting.~~

(C) <u>Gender References, Policy Review and History</u>

(1) Any gender-specific language in this policy shall include the other gender.
(2) The Commission will review this policy at least every three years to ensure that it remains relevant and appropriate, or when there has been an amendment to applicable law relevant to any section of this policy, or a Commission approved change in the

responsibilities, duties, or operations of the Commission or its Committees generally, or as otherwise deemed appropriate by the Commission.

(3) 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.
(4) This policy was adopted on March 18, 2010.
(5) This policy was amended on February 28, 2013.
(6) This policy was amended on June 3, 2014.
(7) This policy was amended on August 25, 2014.
(8) This policy was ~~last~~ amended on November 19, 2015.
(9) This policy was ~~last~~ amended on February 23, 2017.
(10) This policy was ~~last~~ amended on June 22, 2017 and made effective as of July 1, 2017.
(11) This policy was last amended on --.

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Policy I : *Commission Roles and Responsibilities*

(A) General. The South Carolina Retirement System Investment Commission ("RSIC") was established by South Carolina law for the purpose of investing and managing all assets held in trust for the participants and beneficiaries of five separate defined benefit plans (collectively referred to as the "South Carolina Retirement Systems Group Trust" or "SCRS"):

(1) South Carolina Retirement System
(2) South Carolina Police Officers Retirement System
(3) Retirement System for Judges and Solicitors of the State of South Carolina
(4) Retirement System for Members of the General Assembly of the State of South Carolina
(5) National Guard Retirement System

(B) Commission Membership

(1) **Composition.** The RSIC is under the management of a commission consisting of eight members ("Commission"), seven of which have voting privileges:

(a) Two members appointed by the Governor of South Carolina, one of which is an active member of the Retirement System, Police Officers Retirement System, Retirement System for Judges and Solicitors, or the National Guard Retirement System
(b) One member appointed by the State Treasurer (§9-16-315(A)(2))
(c) One member appointed by the Comptroller General of South Carolina
(d) One member appointed by the Chairman of the South Carolina Senate Finance Committee
(e) One member appointed by the Chairman of the Ways and Means Committee of the South Carolina House of Representatives
(f) One member who is a retired member of either the Retirement System, Police Officers Retirement System, Judges and Solicitors Retirement System, or National Guard Retirement System ("Representative Member"). This member must be appointed by unanimous vote of the voting members of the Commission. (§9-16-315(A))
(g) The Executive Director of South Carolina Public Employee Benefit Authority ("PEBA"), ex officio, who shall serve without voting privileges.

(2) **Appointment Qualifications**

(a) In making appointments, the appointing authorities shall select members who are representative of the racial, gender, and geographical diversity of the State.
(b) A person may not be appointed to the Commission unless the person possesses at least one of the following qualifications:

(i) The Chartered Financial Analyst credential of the CFA Institute;
(ii) At least twelve years of experience as a Certified Financial Planner™ credentialed by the Certified Financial Planner Board of Standards;
(iii) The Chartered Alternative Investment Analyst certification of the Chartered Alternative Investment Analyst Association;
(iv) At least twenty years professional actuarial experience, including at least ten as an Enrolled Actuary licensed by a Joint Board of the Department of Treasury and the Department of Labor, to perform a variety of actuarial tasks required by pension plans in the United States by the Employee Retirement Income Security Act of 1974;

(v) At least twenty years professional teaching experience in economics or finance, ten of which must have occurred at a doctorate-granting university, master's granting college or university, or a baccalaureate college as classified by the Carnegie Foundation;

(vi) An earned Ph.D. in economics or finance from a doctorate-granting institution as classified by the Carnegie Foundation;

(vii) The Certified Internal Auditor credential of The Institute of Internal Auditors;

(viii) At least twelve years of professional experience in the financial management of pensions or insurance plans; or

(ix) At least twelve years of professional experience as a certified public accountant with financial management, pension, or insurance audit expertise (§9-16-315(D)).

(c) Except for the member appointed pursuant to subsection B(1)(f) or (g) above, no person may be appointed or continue to serve on the Commission who is an elected or appointed officer or employee of the State or any of its political subdivisions, including school districts. (§9-16-315(E))

(d) The Commission shall select one of the voting members to serve as Chair, another as Vice Chair, and shall select those other officers it determines necessary. (§9-16-315(C)) For information regarding the election process, see the *Commission Operations Policy*.

(e) Notwithstanding Section 2(b) above, members appointed prior to and serving on the Commission as of June 30, 2012 shall continue to serve for the remainder of their current term for which they are appointed. (Section 64(C) Act 278 of 2012).

(3) **Term of Office.** Except for the PEBA Executive Director serving ex officio, members shall serve for terms of four years and until their successors are appointed and qualify. Terms are deemed to expire after June 30th of the year in which the term is due to expire. Members are appointed for a term and may be removed before the term expires only by the Governor for the reasons provided in §1-3-240(C). A member may not be appointed to serve more than two consecutive full four-year terms. A member serving a second or greater term, beginning July 1, 2016, may not serve an additional consecutive four-year term upon the expiration of his term.

(4) **Commencement of Term of Office and Annual Filing Requirements**. A person appointed may not serve until the appointing official certifies to the Secretary of State that the appointee meets or exceeds the qualifications set forth above. A person appointed may not qualify to serve unless he first certifies that he meets or exceeds the qualifications applicable for his appointment. (§9-16-315(B)

(a) **Statement of Economic Interests**

(i) Commission members must file a Statement of Economic Interests with the State Ethics Commission prior to taking the oath of office or entering upon his official responsibilities. If the Commission member has no economic interests to disclose, he shall nevertheless file a statement of inactivity to that effect with the State Ethics Commission. (§8-13-1110(A)). The statement of economic interests filed must be on forms prescribed by the State Ethics Commission. (§8-13-1120(A))

(ii) No later than noon on March thirtieth of each calendar year after assuming office, Commission members must file an updated statement of economic interests for the previous calendar year with the State Ethics Commission. The Commission member's statement must list any addition, deletion, or change in his economic status with respect to which information is required to be supplied under the Ethics Reform Act. (§8-13-1140)

(b) **Oath of Office**

(i) Commission members are public officers of the State of South Carolina. (§8-1-10)

(ii) Before assuming their duties for the RSIC, all Commission members must take and subscribe to the following oath of office:

"I do solemnly swear (or affirm) that I am duly qualified, according to the Constitution of this State, to exercise the duties of the office to which I have been elected, (or appointed), and that I will, to the best of my ability, discharge the duties thereof, and preserve, protect, and defend the Constitution of this State and the United States. So help me God." (S.C. Const. art. VI, § 5; §8-3-10)

(iii) A notarized, original oath of office executed by each Commission member must be filed with the Secretary of State of South Carolina.

(5) **Removal from Office.** Commission members may only be removed from the Commission prior to the expiration of his or her term by the Governor for the following reasons:

(a) Malfeasance
(b) Misfeasance
(c) Incompetency
(d) Absenteeism
(e) Conflicts of interest
(f) Misconduct
(g) Persistent neglect of duty in office
(h) Incapacity (§1-3-240(c))

(C) General Responsibilities and Duties

(1) Oversee the management of the business and affairs of the RSIC in accordance with applicable laws.
(2) Ensure legal and ethical integrity, adhere to fiduciary duties, and maintain accountability.
(3) Support the Chief Executive Officer ("CEO") and ensure the RSIC leadership has the moral and professional support needed to further RSIC's goals.

(D) Investment Responsibilities

(1) Exercise all powers and perform all duties prescribed by law with respect to the investment of public trust and retirement funds. This includes, but is not limited to:

(a) Exclusive authority, subject to South Carolina Code Ann. §9-1-1310 and §9-16-330(B)(1) to invest and manage the assets of the SCRS. (§§9-16-20(A); 9-16-30(A); 9-16-50(A)(4))

(b) Duty to make a reasonable effort to verify facts relevant to the investment and management of assets of the SCRS.(§9-16-50(A)(3))

(c) Adopt a Statement of Investment Objectives and Policies for the Retirement System, which must include:

(i) Desired rate of return on assets overall
(ii) Desired rates of return and acceptable level of risk for each asset class
(iii) Asset allocation goals
(iv) Guidelines for delegation of authority
(v) Information on the types of reports to be used to evaluate investment performance (§9-16-50(B))

(d) Duty to review the Statement of Investment Objectives and Policies for the SCRS at least annually and change or reaffirm the statements.
(e) Ensure that a sound investment philosophy and strategy exist to guide the management of the investment program and achieve RSIC investment objectives.

(E) <u>Administrative Responsibilities</u>

(1) Approve and amend policies as necessary, including:
(a) Policies clearly defining the roles and responsibilities of the Commission and its officers, Commission committees, and CEO.
(b) Policies for the establishment, maintenance, and efficient delivery of services, and any other policies the Commission deems appropriate for RSIC.
(c) Policies to ensure appropriate governance practices on the part of the RSIC, including provisions relating to standards of conduct.
(d) Policies to assist the Commission members in securing knowledge required to properly execute their duties as fiduciaries.

(2) Select the CEO after a carefully considered and executed search process. The CEO shall serve as the chief administrative officer of the commission and is charged with the affirmative duty to carry out the mission, policies, and direction of the Commission as established by the Commission. (§9-16-315(G))
(3) Annually review the performance of the CEO.

(F) <u>Monitoring and Reporting Responsibilities</u>

(1) Regularly monitor the effectiveness and performance of the investment and management of the assets of the Retirement System, consistent with the investment and other policies of the Commission. This will include at a minimum:
(a) Total funded status of Retirement System
(b) Total fund performance relative to policy benchmark(s)
(c) Asset class and investment manager/fund performance
(d) Cost effectiveness of the investment program

(2) Regularly monitor the effectiveness and efficiency of the administration of RSIC through a review of, at a minimum:
(a) Adoption and monitoring of the strategic plan.
(b) Approval and monitoring of the operating budget.
(c) Implementation of agency internal controls.

(3) Ensure effective organizational planning, actively participate in the strategic planning process, and assist in monitoring achievement of RSIC's goals.
(4) Ensure that appropriate monitoring and reporting practices are established and documented within the RSIC and made available to Commission members.
(5) Annually review the performance of the Commission itself in order to engage in self-analysis and discussion for the purpose of improving its effectiveness as a fiduciary body. *See Executive Staff and Commission Evaluation Policy*

(6) Receive reports from the Audit and Enterprise Risk Management Committee regarding the results of audits of the RSIC, including the fiduciary audit engaged by the State Auditor every four years pursuant to §9-16-380.
(7) Receive reports and request information from the CEO regarding the performance of the CIO as appropriate to fully inform the Commission of the CIO's performance and any concerns related thereto.

(G) <u>Responsibilities of Individual Commission Members</u>
(1) Be informed about RSIC's mission and policies.
(2) Attend Commission meetings, or if unable to attend, notify the CEO and/or the Chair as soon as possible to ensure that a quorum will be present.
(3) Review agenda and supporting materials prior to Commission and Committee meetings.
(4) Serve on Commission Committees and offer to take on special assignments.
(5) Keep up to date on developments in the pension and public fund area.
(6) Comply with ethics, fiduciary standards, conflict of interest, disclosure, and confidentiality laws and policies.
(7) Counsel and work with the CEO as appropriate.
(8) Assist the Commission in carrying out its fiduciary responsibilities. (§9-16-40)
(9) At all times meet high ethical standards to avoid even the appearance of impropriety.

(H) <u>Standards for Discharge of Commission Duties</u>
(1) As fiduciaries, each Commission member shall discharge his duties with respect to the Retirement System:
(a) Solely in the interest of the Retirement System and its participants and beneficiaries;
(b) For the exclusive purpose of providing benefits to participants and beneficiaries and paying reasonable expenses of administering the Retirement System;
(c) With the care, skill, and caution under the circumstances then prevailing which a prudent person acting in a like capacity and familiar with those matters would use in the conduct of an activity of like character and purpose;
(d) Impartially, taking into account any differing interest of participants and beneficiaries;
(e) Incurring only costs that are appropriate and reasonable; and
(f) In accordance with a good faith interpretation of the Code of Laws of South Carolina, 1976, as amended. (§9-16-40)

(I) <u>Standards of Conduct for Commission Members; Conflicts of Interest</u> While the Commission may not invest in any asset or with any entity in which a Commissioner or his immediate family has any interest, this restriction does not apply to publicly traded securities. (§9-16-100(C)) In conjunction with this provision, the following standards of conduct and conflicts of interest rules apply to the Commission.
(1) Except as may be provided by laws relating to the Retirement System, no Commission member shall:
(a) Have any direct interest in the gains or profits of any investment made by the RSIC.
(b) Directly or indirectly, for himself or as an agent in any manner use the funds of the RSIC except to make such current and necessary payments as are authorized by the South Carolina Budget and Control Board or Commission.

   (c) Become an endorser or surety or in any manner an obligor for monies loaned or borrowed from the RSIC. (§9-1-1340)

(2) It is unlawful for a Commission member to use any information concerning RSIC activities to obtain any economic interest for himself, a member of his immediate family, an individual with whom he is associated, or a business in which he is associated. (§9-16-350(A))

(3) Commission members are prohibited from:

   (a) Taking any action to purchase or acquire services or property for the RSIC or Retirement System where the Commission member or any employee of the Commission member or RSIC, their family, or their business associates have a financial interest in the services or property.

   (b) Taking any action to invest Retirement System funds in any share, or other security if the Commission member or any employee of the Commission member or RSIC, their family, or their business associates have an interest in, are underwriters of, or receive any fees from the investment.

   (c) Having any interest in the profits or receive any benefit from a contract entered into by the RSIC.

   (d) Using their positions to secure, solicit, or accept things of value, including gifts, travel, meals and lodging, and consulting fees for payment for outside employment, from parties doing or seeking to do business with or who are interested in matters before the Commission member or RSIC.

   (e) Representing, while serving as a Commission member and for one year after leaving membership on the Commission, any person, in any fashion, before any public agency, with respect to any matters in which the Commission member personally participated while serving as a Commission member.

   (f) Taking any official action on matters that will result in a benefit to themselves, their family members, or their business associates.

   (g) Disclosing or using confidential information acquired in their official capacity as a Commission member, without proper authorization, during or after their term of service.

   (h) Using assets of the Retirement System for their own interests.

   (i) Acting on behalf of a party whose interests are adverse to Retirement System, the RSIC, or the Commission, even if the Commission member receives no personal gain.

   (j) Having any direct or indirect interest in the gains or profits of any Retirement System investment other than the indirect interest of a passive investor holding less than five percent of the outstanding equity in a publicly-traded security.

   (k) Making investments through or purchases from, or otherwise doing any business with a former fiduciary member or employee or with a business that is owned or controlled by a former fiduciary member or employee, for a period of three years after the fiduciary member or employee leaves the fiduciary. (§9-16-360)

(4) Commission members shall comply with all applicable provisions of the Ethics Reform Act, codified at §§8-13-100 *et seq*., in addition to Title 9, Chapter 16 of the Code of Laws of South Carolina, 1976, as amended, Commission policies, and other applicable laws, including those relating to campaign contributions.

(5) In accordance with §8-13-700(B), no Commission member may make, participate in making, or in any way attempt to use his membership to influence a Commission decision

in which he, a family member, an individual with whom he is associated, or a business with which he is associated has an economic interest. A Commission member who, in the discharge of his official responsibilities, is required to take action or make a decision which affects an economic interest of himself, a family member, an individual with whom he is associated, or a business with which he is associated shall:

(a) Prepare a written statement describing the matter requiring action or decisions and the nature of his potential conflict of interest with respect to the action or decision;

(b) Furnish a copy of the statement to the Commission Chair, who shall cause the statement to be printed in the minutes and require that the member be excused from any votes, deliberations, and other actions on the matter on which the potential conflict of interest exists and shall cause the disqualification and the reasons for it to be noted in the minutes. (§8-13-700(B))

(6) In the event that a Commission member believes that a business or other relationship or connection may create a conflict of interest pursuant to State law or may create the appearance of a conflict or impropriety, he may abstain from deliberations about and voting related to the relationship.

(7) In the event of abstention due to a relationship that is not governed by the above referenced State law, the Commission member should disclose that he is abstaining from related discussions and voting and the nature of the relationship which he feels may create the appearance of impropriety. This abstention and nature of the relationship must be included in the meeting minutes.

(8) If the Commission member or a member of his immediate family holds an economic interest in a blind trust, he is not considered to have violated §9-16-350(A) (Section I(2) above) even if the acquisition of the economic interest by the blind trust would otherwise violate §9-16-350(A), if the existence of the blind trust and the manner of its control is disclosed to the State Ethics Commission and the Commission. (§9-16-350(B))

(J) Breach of Duty

(1) A Commission member who breaches a duty imposed by Title 9, Chapter 16 of the Code of Laws of South Carolina, 1976, as amended, is personally liable to the Retirement System for any losses resulting from the breach and any profits resulting from the breach or made by the Commission member through the use of assets of the Retirement System by the Commission member. The Commission member is subject to other equitable remedies, including but not limited to removal.(§9-16-70(A))

(2) An agreement that purports to limit the liability of a Commission member for a breach of duty imposed by Title 9, Chapter 16 of the Code of Laws of South Carolina, 1976, as amended, is void. (§9-16-70(B))

(3) The Retirement System may insure a Commission member against liability or losses occurring because of a breach of duty under Title 9, Chapter 16 of the Code of Laws of South Carolina, 1976, as amended. (§9-16-70(C))

(4) A Commission member may insure against personal liability or losses occurring because of a breach of duty under Title 9, Chapter 16 of the Code of Laws of South Carolina, 1976, as amended, if the insurance is purchased or provided by the individual Commission member who obtains the insurance pursuant to Title 9, Chapter 16. A Commission member who obtains such insurance must disclose all terms, conditions, and other

information relating to the insurance policy to the Retirement System and RSIC. (§9-16-70(D))

(K) Defense and Indemnification of Commission Members

(1) The State of South Carolina shall defend Commission members against a claim or suit that arises of or by virtue of their performance of official duties on behalf of the RSIC and must indemnify these members for a loss or judgment incurred by them as a result of the claim or suit, without regard to whether the claim or suit is brought against them in their individual or official capacities, or both. (§9-16-370)

(2) The commitment of the State of South Carolina to defend and indemnify extends to Commission members after they have left their membership on the Commission, if the claim or suit arises out of or by virtue of their performance of official duties on behalf of RSIC. (§9-16-370)

(L) Delegation of Functions by the Commission

(1) The Commission may delegate functions that a prudent person acting in a like capacity and familiar with those matters could properly delegate under the circumstances but final authority to invest cannot be delegated. (§9-16-30(A))

(2) The Commission must exercise reasonable care, skill, and caution in:
   (a) Selecting an agent
   (b) Establishing the scope and terms of the delegation, consistent with the purposes of the retirement program
   (c) Periodically reviewing the agent's performance and compliance with the terms of the delegation. (§9-16-30(B))

(3) A Commission member who complies with the above two subsections is not liable to the Retirement System or to its participants or beneficiaries for the decisions or actions of the agent to whom the function was delegated. (§9-16-30(D))

(4) The Commission may delegate any of its functions to the CEO as it deems appropriate for efficient administration and when such delegation is consistent with South Carolina law. (§9-16-30(A)).

(5) The CEO is delegated the authority of the Commission necessary, reasonable and prudent to carry out the operation and management of the Commission as an agency and to implement the Commission's decisions and directives. (§9-16-315(G)).

(6) In accordance with §9-16-315(G), the Commission delegates to the CEO the authority to execute on behalf of the Commission any documents necessary to implement a final decision to invest.

(7) Notwithstanding Section 9-16-30(A), the Commission may include a delegation to the Chief Investment Officer of the final authority to invest subject to the limitations set forth in §9-16-330(B) and the Investment Authority Delegation Policy as approved by the Commission.

(M) Compensation of Commission Members

(1) Effective beginning July 1, 2012, each Commission member, not including the Executive Director of the South Carolina Public Employee Benefit Authority, must receive an annual salary of twenty thousand dollars plus mileage and subsistence as provided by law for members of state boards, committees, and commissions paid as provided pursuant to §9-16-315(J)(2).

(2) Notwithstanding any other provision of law, membership on the Commission does not make a member eligible to participate in a retirement system administered pursuant to Title 9 of the Code of Laws of South Carolina, 1976, as amended, and does not make a member eligible to participate in the employee insurance program administered pursuant to Article 5, Chapter 11, Title 1, if the member is not otherwise eligible.

(3) Compensation paid on account of the Commission member's service on the Commission is not considered earnable compensation for purposes of any retirement system administered pursuant to Title 9 of the Code of Laws of South Carolina, 1976, as amended.

(N) <u>Gender References, Policy Review and History</u>

(1) Any gender-specific language in this policy shall include the other gender.

(2) The Commission will review this policy at least every three years to ensure that it remains relevant and appropriate, or when there has been an amendment to applicable law relevant to any section of this policy, or a Commission approved change in the responsibilities, duties, or operations of the Commission or its Committees generally, or as otherwise deemed appropriate by the Commission.

(3) 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.

(4) This policy was adopted on August 20, 2009.

(5) This policy was amended on November 8, 2012.

(6) This policy was amended on February 28, 2013.

(7) This policy was amended on June 3, 2014.

(8) This policy was amended on August 25, 2014.

(9) This policy was amended on February 26, 2015.

(10) This policy was amended on November 19, 2015.

(11) This policy was amended on June 22, 2017 and made effective as of July 1, 2017.

(12) This policy was last amended on --- and made effective as of ---.

Policy III : *Chief Executive Officer and Chief Investment Officer Roles and Responsibilities*

(A) Chief Executive Officer Role

(1) Serves as the agency head of the RSIC, reporting directly to the Commission, with functions and duties as assigned by the Commission.

(2) The Chief Executive Officer ("CEO") is a fiduciary who must discharge duties consistent with fiduciary standards at all times.(§9-16-30)

(3) The CEO is an at-will employee, selected by the Commission to serve as the chief administrative officer of the Commission and to manage and oversee the organization on behalf of the Commission and to act as the Commission on a day-to-day basis in this regard. The CEO is delegated the authority of the Commission necessary, reasonable and prudent to carry out the operation and management of the Commission as an agency and to implement the Commission's decisions and directives. (§9-16-315(G)).

(4) The CEO is the central source of authority and accountability for administrative decisions.

(5) Supports the Commission at all times in discharging its duties.

(6) The CEO shall employ a CIO. Prior to taking any action to employ a new CIO or to terminate the existing CIO, the CEO will discuss the contemplated action with the Chair and Vice-Chair. Further, the CEO will discuss with the full Commission the employment of a new CIO or the termination of the existing CIO as soon as practicable after any action is taken. In the case of a vacancy in the CIO position, the CEO will discuss a recruitment plan with the Chair and Vice-Chair and provide the plan to all of the Commissioners prior to taking action. (§9-16-315(H))

(7) The CEO serves as the primary point of contact for the Commissioners to the Staff and Commissioners shall, to the extent practicable, coordinate requests for information or assistance from Staff through the CEO to ensure that the request is assigned to the appropriate Staff member and to allow the CEO to ensure that Staff work load is managed and balanced in a manner that promotes efficiency and the most timely response possible.

(8) The CEO helps to set the "tone at the top" regarding ethics and the culture of the RSIC.

(B) Chief Executive Officer Responsibilities: General

(1) Develop and recommend to the Commission appropriate strategic direction, Strategic Plan, operating budget, internal controls, and enterprise risk parameters. Provide executive leadership in achieving the RSIC's mission, goals and objectives, and the Strategic Plan, and ensure that they are developed, monitored, implemented, and reviewed at least annually by the Commission.

(2) Represent RSIC before the South Carolina General Assembly and/or any of its committees or sub-committees and any State agencies with assistance from the CIO as necessary or appropriate.

(3) Develop and maintain communications and relationships with other state agencies, public retirement systems, stakeholder groups, legislative authorities and other organizations involved with or having an impact on public retirement issues that may affect the Retirement Systems.

(4) Develop, recommend and implement the Communication Plan approved by the Commission.

(5) Meet with the Chair to discuss organizational issues and to set the agenda for Commission meetings.
(6) Manage the RSIC in accordance with the operating policies established by the Commission and in compliance with state and federal laws and solicit advice from counsel and the Commission as necessary.
(7) In accordance with the Service Provider Selection Policy, appoint and remove service providers who are not "Named."
(8) Oversee and serve as the approval authority for the recruiting, hiring, terminating, and retaining of staff necessary to effectively and prudently address organizational priorities.
(9) Annually prepare and present to the Commission a report detailing the financial impact of all compensation paid each fiscal year to staff. The CEO will also provide regular updates to the Human Resources and Compensation Committee regarding changes in employee compensation, position and title, as well as hirings, terminations, or resignations.
(10) Maintain an organizational atmosphere through regular communication with the Staff that ensures that each staff member understands their role in the organizational structure in a manner that promotes a sense of value for the particular staff member's contribution to the overall success of the organization.
(11) Develop, recommend and implement an annual 360◦ review and evaluation of the CEO for use by the Commission.
(12) Foster an atmosphere of creativity, ingenuity, initiative, teamwork, and cohesiveness within the investment division and the RSIC.

(C) <u>Chief Executive Officer Responsibilities: Monitoring and Reporting</u>

(1) Ensure that the Commission is provided with relevant, appropriate, and timely information to enable it to properly carry out its investment, management, monitoring and oversight responsibilities.
(2) Coordinate reporting requirements to RSIC and other stakeholders.
(3) Monitor that the RSIC operates within applicable laws, rules, regulations, and policies at all times.
(4) Monitor proposed changes in state and federal laws and, in consultation with legal counsel and Staff, analyze and evaluate proposed legislation affecting the RSIC or Retirement Systems' investments; when appropriate, develop and recommend to the Commission an official position for RSIC, consistent with RSIC's role and strategic direction.
(5) Ensure Human Resource policies and procedures are implemented and adequate to hire, monitor, mentor, develop and evaluate the performance of staff.
(6) Ensure the Commission receives recommendations for approval or dismissal of "Named" service providers in accordance with the Service Provider Selection Policy.
(7) Ensure the implementation of appropriate internal controls.
(8) Monitor and direct counsel with respect to legal actions involving RSIC, keeping the Commission apprised of such actions, and, when required, obtaining Commission approval before undertaking such actions.
(9) Ensure internal and external audits are performed as needed and findings are appropriately addressed.
(10) Execute a management representation letter from RSIC to the South Carolina Public Employee Benefit Authority ("PEBA") to be used in conjunction with the preparation of

the annual financial statements and the annual external audit thereof. Appropriate representations should be made regarding the investment portfolio functions of the RSIC.

(11) Execute any management representation letters or audit engagement letters for engagements concerning the RSIC conducted by the State Auditor's Office.

(12) Coordinate implementation and compliance with audit findings and recommendations at the direction of the Audit and Enterprise Risk Management Committee.

(D) Chief Investment Officer Role

(1) Serves as chief investment officer, reporting to the CEO, for functions and duties provided by Title 9, Chapter 16 of the Code of Laws of South Carolina, 1976, as amended, and as appropriately delegated by the Commission.

(2) Reports to the CEO for day-to-day oversight and strategic planning objectives and for all other functions and duties delegated by the CEO. Subject to the oversight of the CEO, the CIO serves as the central source of authority and accountability for all investment decisions delegated to him or her by the Commission and state law.

(3) The Chief Investment Officer is an at-will employee, selected by the CEO, who is a fiduciary pursuant to State law, and must discharge his or her duties consistent with fiduciary standards at all times. (§§, 9-16-10(4), 9-16-40)

(4) Supports the Commission and the CEO at all times in discharging their duties.

(5) The Chief Investment Officer helps the CEO set the "tone at the top" regarding ethics and the culture of the RSIC.

(E) CIO Responsibilities: General

(1) Assist the CEO when the CEO represents the RSIC before the South Carolina General Assembly and/or any of its committees or subcommittees and any State agencies related to investment matters.

(2) In consultation with the CEO, develop investment business plans for incorporation into the Commission's Strategic Plan.

(3) Meet with the Chair and the CEO to discuss investment issues and to set the investment agenda for Commission meetings.

(4) Partner with the CEO to ensure the success of the investment program through regular reports on strategic direction, progress towards strategic initiatives, investment performance, investment risk management, SIOP/AIP compliance, and to keep the CEO apprised of key investment activities.

(5) Coordinate activities with the Investment Consultant(s), maintaining open communication and constructive relationships.

(6) Monitor and evaluate the activities and performance of external service providers engaged by RSIC or the Commission for investment functions, including contracts, mandates, and performance expectations and results. *See Service Provider Selection Policy.*

(7) Oversee key aspects of the investment function including internal and external asset management, portfolio rebalancing, investment risk management, performance, procedures, and compliance with the SIOP and AIP.

(8) Manage personnel under his or her direction designated on the organizational chart.

(9) Provide decision-making authority as delegated by the Commission pursuant to S.C. Code § 9-16-330(B) and the Investment Authority Delegation Policy as approved by the Commission.

(10) Provide decision-making authority as delegated by the Commission within its Strategic Partnerships.

(11) Fosters an atmosphere of creativity, ingenuity, initiative, teamwork, and cohesiveness within the investment division and the RSIC.

(F) CIO Responsibilities: Investment Policy

(1) Develop and recommend to the Commission, Committees, CEO, and Staff, sound principles, policies, and guidelines for the investment and management of the Retirement System's assets and the Commission's underlying strategic allocations to be used to achieve RSIC objectives.

(2) Advise the Commission on investment matters and make recommendations for Commission action.

(3) Coordinate, direct, and conduct all necessary initial and ongoing due diligence relating to the engagement of investment managers, consultants, and providers of investment services to the RSIC.

(4) Invest, manage, and direct the investment strategies and plans approved by the Commission, including reviewing the performance of the investments and execute the Commission's portfolio rebalancing policy.

(5) Review all investment policies of the Commission and recommend appropriate policies and/or procedures to ensure efficient investment operations of the RSIC.

(6) Subject to the oversight of the CEO, develop a proposed annual investment plan ("AIP") and submit the proposed AIP to the Commission no later than April first of each year. (§9-16-320(A), §9-16-315(H)(1)). In developing the AIP, the CIO shall diversify the investments of the Retirement System (unless the CIO reasonably believes the Commission should determine that, because of special circumstances, it is clearly not prudent to do so) and make a reasonable effort to verify the facts relevant to the investment of the assets of the Retirement System. (§9-16-330(C)) The AIP must be consistent with the Commission's statement of general investment objectives and with that statement of actuarial assumptions developed by the Retirement System's actuary and approved by PEBA (§9-16-330(A)), and must include, but is not limited to, the following components:

   (a) General operational and investment policies;
   (b) Investment objectives and performance standards;
   (c) Investment strategies, which may include indexed or enhanced indexed strategies as the preferred or exclusive strategies for equity investing, and an explanation of the reasons for the selection of each strategy;
   (d) Industry sector, market sector, issuer, and other allocations of assets that provide diversification in accordance with prudent investment standards, including desired rates of return and acceptable levels of risks for each asset class;
   (e) Policies and procedures providing flexibility in responding to market contingencies;

(f) Procedures and policies for selecting, monitoring, compensating, and terminating investment consultants, equity investment managers, and other necessary professional service providers;
(g) Methods for managing the costs of the investment activities; and
(h) A detailed description of the amount and extent of the final authority to invest made by the Commission pursuant to §9-16-330(B)(§9-16-330(C))

(G) <u>Delegation to the Chief Executive Officer, CIO and others</u>

(1) The Commission may delegate, or revoke the delegation of, any of its functions to the CEO, CIO and/or others as it deems necessary and appropriate for efficient administration, and when such delegation or revocation is consistent with South Carolina law.
(2) In performing a delegated function, the CEO, CIO and others owe a duty to the Retirement System and to its participants and beneficiaries to comply with the terms of the delegation and to comply with applicable law. (§9-16-30(C), §9-16-40)
(3) Pursuant to a delegation of authority by the Commission, the CEO, CIO and others shall discharge duties with respect to the Retirement System:
   (a) Solely in the interest of the Retirement System, participants, and beneficiaries;
   (b) For the exclusive purpose of providing benefits to participants and beneficiaries and paying reasonable expenses of administering the Retirement System;
   (c) With the care, skill, and caution under the circumstances then prevailing which a prudent person acting in a like capacity and familiar with those matters would use in the conduct of an activity of a like character and purpose;
   (d) Impartially, taking into account differing interests of participants and beneficiaries;
   (e) Incurring only costs that are appropriate and reasonable; and
   (f) In accordance with a good faith interpretation of Title 9, Chapter 16 of the Code of Laws of South Carolina, 1976, as amended. (§9-16-40)

(H) <u>Selection and Emergency Succession</u>

(1) According to South Carolina law, the Commission employs a chief executive officer to serve as the chief administrative officer of the Commission as an agency and is charged with the affirmative duty to carry out the mission, policies and direction of the Commission as established by the Commission. (§9-16-315(G))
(2) The CEO has explicit statutory authority to employ a Chief Investment Officer and other professional, administrative, and clerical personnel it determines necessary. (§9-16-315(H))
(3) **CEO**. In the event that the CEO is unable to fulfill his or her duty, the Chair may declare an incapacity and designate a senior officer of the RSIC to serve as Acting Chief Executive Officer, responsible for carrying out the CEO's duties until such time as the Commission selects another acting or new CEO and that person assumes the position on a full time basis.
(4) **CIO.** In the event of a sudden loss of services of the CIO, the CEO will designate a senior member of the investment team to serve as the Acting CIO, responsible for carrying out the CIO's duties until such time as the CEO selects a new CIO and that person assumes

the position on a full-time basis. The CEO will promptly notify the Commission of any action under this section.

(I) <u>Defense and Indemnification</u>

(1) The state of South Carolina shall defend the CEO, CIO and management employees of the RSIC against a claim or suit that arises out of or by virtue of performance of official duties, unless he or she was acting in bad faith, and must indemnify the CEO, CIO and management employees for a loss or judgment incurred by him or her as a result of such claim or suit, without regard to whether the claim or suit is brought against him or her in his individual or official capacities, or both. (§9-16-370).

(2) The commitment of the state of South Carolina to defend and indemnify extends to the CEO, CIO and management employees of the RSIC after he or she has left employment with the RSIC, if the claim or suit arises out of or by virtue of his or her performance of official duties on behalf of the RSIC. (§9-16-370)

(J) <u>Gender References, Policy Review and History</u>

(1) Any gender-specific language in this policy shall include the other gender.

(2) The Commission will review this policy at least every three years to ensure that it remains relevant and appropriate, or when there has been an amendment to applicable law relevant to any section of this policy, or a Commission approved change in the responsibilities, duties, or operations of the Commission or its Committees generally, or as otherwise deemed appropriate by the Commission.

(3) 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.

(4) This policy was adopted on August 20, 2009.

(5) This policy was amended on September 17, 2011.

(6) This policy was amended on February 28, 2013.

(7) This policy was amended on June 3, 2014.

(8) This policy was amended on August 25, 2014.

(9) This policy was amended on November 20, 2014.

(10) This policy was amended on November 19, 2015.

(11) This policy was amended on February 23, 2017.

(12) This policy was amended on June 22, 2017 and made effective as of July 1, 2017.

(13) This policy was last amended on ---, 2024.

Policy IV : *Commission Operations*

(A) General Operations

(1) The Commission will take the following under consideration for approval:
   (a) The basic organizational structure of the RSIC.
   (b) The Commission will approve the general processes to be used to establish the strategic and/or business plans, and operational budgets of the RSIC.
   (c) Based on the recommendations from of the Chief Executive Officer ("CEO") the Commission will approve:
      (i) Business and strategic plans
      (ii) Annual operating budget request

(2) The Commission will ensure that an effective process of enterprise risk management is in place.

(B) Officer Elections Process

(1) **Chair; Vice Chair**
   (a) The Officers of the Commission shall be a Chair and a Vice Chair, each of whom shall serve a two-year term ending June 30 of even numbered years. The Vice Chair shall act as Chair during the Chair's temporary absence or other inability to serve. In the event of the Chair's permanent absence, the Vice Chair will serve for the remainder of the Chair's term.
   (b) The Commission shall select a successor Vice Chair in the event of removal, resignation, or other reason for which the Vice Chair is unable to complete his or her term. The elected successor will serve the remaining portion of the previous Vice Chair's term in accordance with section (a) above.
   (c) The Executive Director of South Carolina Public Employee Benefit Authority may not serve as Chair or Vice Chair of the Commission.
   (d) The Chair and Vice Chair will serve until his or her successor is duly elected or until he or she resigns, is unable to serve, or is removed from office, whichever comes first.
   (e) Nominations. The Chair shall accept all nominations from voting members for the election of the successor Chair and Vice Chair.
   (f) The Commission may select other officers it determines necessary.

(2) **Retiree Representative Member**
   (a) The voting members of the Commission will appoint the Retiree Representative Member by unanimous vote. (§9-16-315(A)(6))
   (b) The Retiree Representative Member will serve for a term of four years and until a successor is appointed and qualified. The Retiree Representative Member's term will be deemed to expire after June 30th of the year in which the term expires. (§9-16-315(B))
   (c) By law, the Retiree Representative Member must be a retired member of the Retirement System, Police Officers Retirement System, Judges and Solicitors Retirement System, or National Guard Retirement System, and possess the qualifications required by §9-16-315. For qualifications, see *Commission Roles and Responsibilities Policy.*

(d) **Nominations.** During the year in which the incumbent Retiree Representative Member's term expires or in the event of a vacancy for any reason:
  (i) Commission members and associations that represent stakeholders may present nominations for Retiree Representative Member;
  (ii) The Commission will provide notice of the pending vacancy of the Retiree Representative Member at least one meeting prior to the expiration of the term in its regularly scheduled meeting agenda. If a Retiree Representative Member does not complete his or her term for any reason, the Commission will ensure the vacancy is announced at least one meeting prior to appointing a new Retiree Representative Member;
  (iii) If nominations are received which meet the statutory requirements, nominees may be invited to meet with the Commission; and
  (iv) The voting Commission members will endeavor to conclude the nomination process and appoint a Retiree Representative Member prior to June 30 of the year in which the incumbent's term is to expire. In the event of a vacancy for some other reason, the voting Commission members will endeavor to conclude the nomination process and appoint a Retiree Representative Member as soon as practicable.

(e) The Retiree Representative Member will serve until (i) his or her successor is duly elected and qualified or (ii) he or she resigns, is removed from office, or is otherwise unable to complete his or her term, whichever comes first.

(C) <u>Special Elections and Removal of a Commission Officer</u>

(1) If appropriate, the Commission may commence a special election to fill any vacancies of officers or the Retiree Representative Member occurring outside the scope of other policies.
(2) In the event a Commission member finds removal of a Commission Officer, including but not limited to, Chair, Vice Chair, or a Committee Chair, from his office is appropriate, he must communicate reasons supporting removal from office to the Commission.
(3) After receiving information regarding the potential removal of a Commission Officer, the voting Commission members will vote on whether removal from office is appropriate.
(4) In compliance with the governing law, only the Governor may remove a Commission member from the Commission and only for reasons stated in S.C. Code Ann. §1-3-240(C). *See Commission Roles and Responsibilities Policy*

(D) <u>Education</u>

(1) **Overview and Continuing Education**
  (a) In order to help fulfill their fiduciary duties, Commissioners should continually develop and maintain their knowledge of pension investment and administration matters by attending educational presentations and events.
  (b) Commissioners should report all continuing education related to the Commission to the Chair or CEO.
  (c) Commissioners are encouraged to participate in at least 16 hours of continuing education annually, including educational presentations at Commission meetings, pertinent national conferences, select investment and pension plan administration

courses, and continuing educational courses offered through local colleges and universities.

(2) **Commissioner Orientation**

(a) New Commissioners must attend an investment and administration orientation provided by RSIC management and staff within sixty days of becoming a Commissioner.

(b) The orientation will include, but is not limited to:

(i) CEO and CIO briefing on the history and background of RSIC, its governance framework, and investment program;

(ii) A briefing by the Commission Chair on current issues before the Commission and backgrounds of other Commissioners;

(iii) Introduction to staff members;

(iv) A tour of RSIC's offices;

(v) A briefing by RSIC legal counsel on Commissioner fiduciary duty, conflicts of interest guidelines, state ethics, and other pertinent laws affecting RSIC; and

(vi) Distribution and review of copies of the RSIC policies, including governance policies, the Consolidated Statement of Investment Policies and Annual Investment Plan, Personnel Handbook, a copy of the CFA Institute'sPrimer for Investment Trustees, and any other relevant information deemed appropriate by the Chair, CEO, or CIO.

(c) New Commissioners are encouraged to attend at least one conference or seminar relating to pension fund investments within his or her first year as a Commissioner.

(E) <u>Travel</u>

(1) Commissioners must exercise the same care in incurring expenses that a prudent person would exercise if traveling on personal business and spending personal funds.

(2) All Commissioners' travel must comply with RSIC's *Travel Policy* and the *Comptroller General's Policy on Reimbursement for Travel and Subsistence Expenses*.

(3) Travel must pertain to RSIC business and enhance the knowledge and capabilities of the Commissioner relevant to his or her duties relating to the RSIC.

(4) Commissioners may provide copies of conference material to the CEO which may be distributed to other Commissioners and/or RSIC staff.

(F) <u>Meeting Policies</u>

(1) Regular meetings will be held at least once during each fiscal quarter and at other times as set by the Commission or Chair or requested by the Board of Directors of the South Carolina Public Employee Benefit Authority. (§9-16-320(B))

(2) The annual schedule may be modified by the Commission as necessary, and timely notice of such changes must be provided as appropriate in accordance with the South Carolina Freedom of Information Act ("FOIA").

(3) The Chair or a majority of the Commission may call a special meeting or cancel regular meetings, so long as notice is provided as appropriate in accordance with the FOIA.

(4) In providing timely notice of a meeting to the public, the Commission will post notice within a reasonable time not less than 24 hours prior to the meeting on the RSIC's website and at RSIC's office. (§30-4-80)

(5) As defined by South Carolina law, a "meeting" for purposes of the FOIA means the convening of a quorum of the constituent membership of a public body, whether corporal or by means of electronic equipment, to discuss or act upon a matter over which the public body has supervision, control, jurisdiction or advisory power. (§30-4-20(d)). Every meeting of the Commission shall be open to the public unless closed pursuant to S.C. Code Ann. §30-4-70.

(6) Conference telephones or similar equipment may be used whenever the Commission meets, including executive session meetings as authorized by law. Commissioners may use conference telephones or similar communications equipment by means of which all members and other persons duly participating in the meeting can hear each other. Participation in a meeting pursuant to this policy will constitute presence for purposes of convening a quorum of the Commission. In the event of a telephone conference call or streaming via the internet, members of the public will be permitted to observe.(§30-4-20(d))

(7) No chance meeting, social meeting, or electronic communication may be used in circumvention of the spirit of FOIA requirements related to matters of the Commission. (§30-4-70(c))

(G) Rules of Order

(1) **General**

(a) The Commission and its Committees will follow as closely as practicable the rules of order prescribed for small assemblies or similar small bodies in the most recently published revision of Robert's Rules of Order in conducting its meetings, to the extent not suspended or modified by the Commission's policies or agreed upon practices.

(b) The Chair will be counted to establish quorum at meetings.

(c) Such rules of order will be construed to promote the orderly and efficient conduct of business and to avoid procedural complexity which may delay or hinder the taking of action required by law or advisable in the prudent exercise of the Commission's fiduciary responsibilities.

(2) **Order of Business-Meeting Agenda Format**

(a) The order of business is the established sequence in which business will be taken up at a Commission meeting.

(b) The order of business will be at the discretion of the Chair in consultation with the Commission, but will normally be as follows:

(i) Call to Order
(ii) Approval of Meeting Agenda
(iii) Approval of previous Commission meeting minutes
(iv) Reports from Officers and/or Committees
(v) Investment Items
(vi) Administrative Items
(vii) Other Business
(viii) Adjournment

(c) The Commission may rearrange the normal Order of Business outlined above by majority vote of the voting members of the Commission; however, no item which binds the Commission to action may be added to the agenda which has been posted pursuant to FOIA.

(3) **Agenda Items and Procedure**

(a) Draft proposed meeting agendas will be set by the Chair, in consultation with the CEO and Commissioners.

(b) Once set as described above, the draft proposed agenda will be distributed to the Commissioners.

(c) Commissioners may request to have items introduced for the Commission's consideration by submitting the request orally, or a proposed motion ("Main Motion") in writing, to the Commissioners and the CEO, as applicable at least three days prior to the meeting.

(d) Amendments to draft proposed agenda items, requested by a Commissioner more than three days prior to meeting, will be made at the Chair's discretion but must be made upon the request of any two Commissioners. The updated proposed agenda will be distributed not less than 24 hours prior to the meeting's scheduled commencement.

(e) Amendments to a draft proposed Main Motion, sought by a Commissioner less than three days prior to a meeting, should be submitted in writing at the meeting.

(f) Motions which change or affect how a Main Motion is addressed by the Commission ("Subsidiary Motions") may be made as information is presented and discussions ensue and are not required to be submitted in writing in the same manner as Main Motions.

(g) In accordance with state law, the Commission will not address business that has not been included in the meeting notice that binds the Commission of expenditure of funds except as provided by law.

(H) <u>Meeting Minutes</u>

(1) Minutes of Commission meetings will be taken in accordance with state law and such records are open to public inspection.

(a) The CEO will cause the minutes of all Commission meetings to be prepared, recording therein the time and place of each meeting, the names of the members present, and a summary of the actions of the Commission including: abstentions from voting and the reason for the abstention, the affirmative and dissenting votes, except where the action is unanimous, and when requested, a Commissioner's dissent or approval with reasons.

(b) The CEO will cause the minutes to be presented for approval at the next regular Commission meeting.

(2) Meetings during executive session are not subject to the above requirements. (§9-16-320(D))

(3) Commission minutes will focus on describing any actions that occurred, and will provide sufficient detail to evidence the Commission's due diligence in the matter.

(4) The minutes of a meeting during which an executive session is held will reflect the topic of the discussion at the executive session.

(5) If the Commission votes during executive session, RSIC will publish actions in a subsequent meeting when appropriate or otherwise make such information available to the public as applicable.
(6) The minutes as approved by the Commission, will be preserved as a part of the official public record of the Commission, and will be kept open to public inspection in accordance with law.
(7) A record of the Commission or its fiduciary agents that discloses deliberations about, or a tentative or final decision on, investments or other financial matters is exempt from the disclosure requirements of Chapter 4 of Title 30, the Freedom of Information Act, to the extent and so long as its disclosure would jeopardize the ability to implement an investment decision or program or to achieve investment objectives. (§9-16-80(B))

(I) Executive Session

(1) The Commission may conduct business in executive session, which will be closed to the public, under the following conditions:
  (a) The executive session is held during a regular or special meeting of the Commission;
  (b) The Commission announces to the public present at the meeting the topic of the discussion;
  (c) The executive session is held for the purpose of considering any matter enumerated in S.C. Code of Law Ann. §§9-16-80(A), 9-16-320(C), 30-4-70, or in accordance with any applicable law, including but not limited to:
    (i) Meetings of the Commission, or by its fiduciary agents, to deliberate about, or make tentative or final decisions on, investments or other financial matters if the disclosure of such deliberations or decisions would jeopardize the ability to implement a decision or to achieve investment objectives.
    (ii) Discussion of employment, appointment, compensation, promotion, demotion, discipline, or release of an employee, or a person regulated by a public body or the appointment of a person to a public body.
    (iii) The receipt of legal advice where the legal advice relates to a pending, threatened, or potential claim or other matters covered by the attorney-client privilege, settlement of legal claims, or the position of the public agency in other adversary situations involving the assertion against the agency of a claim.
(2) When executive session has commenced, only the following persons may be present:
  (a) Members of the Commission;
  (b) Staff members of the RSIC requested by the Commission, who may provide information or advice relating to the purpose(s) for which the body has convened in executive session; and
  (c) Others requested and approved by a majority of the voting members of the Commission, for the purposes of providing information or advice relating to the matter(s) for which the body has convened in executive session.
(3) Notwithstanding section I(2) above, the Commission must unanimously approve the attendance of any person other than RSIC legal counsel during an executive session or portion of an executive session relating to items described in I(1)(c)(iii) above.

(4) Fiduciaries and employees of fiduciaries are prohibited from, during or after their term of service, disclosing or using confidential information acquired in their official capacity as fiduciary or employee of the fiduciary, without proper authorization. §9-16-360(7)

(J) Quorum

(1) A quorum of at least five voting members must be present for the Commission to convene a meeting or to conduct business.
(2) The act of the majority of voting members present and voting at a meeting at which a quorum is present will constitute official action of the Commission.
(3) Any member of the Commission who would be required to vote on a matter that would result in a conflict of interest must abstain from voting, refrain from participating in any discussions pertaining to the matter, and prior to the vote being taken, explain the conflict and disclose the nature of his or her interest for Commission records. The CEO shall cause this information to be placed into the meeting minutes. For more information on standards of conduct for Commissioners, see *Commission Roles and Responsibilities Policy*.

(K) Gender References, Policy Review & History

(1) Any gender-specific language in this policy shall include the other gender.
(2) The Commission will review this policy at least every three years to ensure that it remains relevant and appropriate, or when there is an amendment to applicable law relevant to any section of this policy, or when there is a Commission approved change in the responsibilities, duties, or operations of the Commission or its Committees generally.
(3) 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.
(4) This policy was adopted on November 19, 2009.
(5) This policy was amended on November 17, 2011.
(6) This policy was amended on November 8, 2012.
(7) This policy was amended on February 28, 2013.
(8) This policy was amended on May 1, 2014.
(9) This policy was amended on June 3, 2014.
(10) This policy was amended on August 25, 2014.
(11) This policy was amended on November 19, 2015.
(12) This policy was amended on June 22, 2017 and made effective as of July 1, 2017.
(13) This policy was amended on [insert date].

<u>Policy V</u> : <u>***CEO and Commission Evaluations***</u>

(A) <u>CEO Evaluation</u>

(1) The Commission is responsible for setting the evaluation criteria in advance of the performance period and evaluating the Chief Executive Officer's ("CEO") performance.

(2) Evaluation criteria include, but are not limited to:

(a) Achievement of appropriate performance targets for the RSIC;

(b) Implementation of the Strategic Plan and other business initiatives;

(c) Implementation of Commission policies and associated reporting to the Commission;

(d) Leadership, management, and related qualities and skills;

(e) Compliance with other criteria set by the Commission.

(3) The Commission will strive to ensure that each evaluation's criteria are objective in nature, measurable to the extent feasible, and pertain only to outcomes over which the CEO has a reasonable degree of control.

(4) Pursuant to the RSIC's Compensation Policy, the Commission will determine the CEO's salary. *See Compensation Policy.*

(5) **CEO Evaluation Process and Timeline**

(a) Annually, during the first or second quarter of the fiscal year, CEO will distribute a self-evaluation packet to the Commission members. The self-evaluation is designed to assist the Commission members in the evaluation process. It should describe the extent to which the CEO believes his or her evaluation criteria was met during the evaluation period, supported by relevant data.

(b) The self-evaluation packet will include:

(i) A report including the CEO's self-evaluation of his or her performance based on the individual's criteria and goals established by the Commission members for the evaluation year;

(ii) The CEO's proposed evaluation criteria and goals for the upcoming year;

(iii) A summary of the RSIC's Strategic Plan most recently adopted by the Commission, including the goals for which he or she has been responsible for completing;

(iv) Evaluation forms for the Commission members;

(v) Any supporting or additional documentation or information the CEO wishes to include.

(c) The documents provided by the CEO and the Commission members' evaluation forms will be treated as working papers and internal draft documents, as they are preliminary and will be used to compile the final evaluation summary. The Commission members' completed evaluation forms will be returned to the Chair or his designee within two weeks of receipt.

(d) The Commission members may meet as necessary to review the performance of the CEO.

(e) The Chair or his designee will summarize the completed evaluation forms and provide copies to the Commission members and to the CEO. The Commission should provide specific guidance for the CEO concerning improvement opportunities, which the HR Director will summarize and provide to the CEO

(f) The Commission members will meet with the CEO no later than the end of the second quarter of the fiscal year to discuss and establish

(i) the evaluation summary, including the self-evaluation, and the extent to which the set criteria and goals were met for the fiscal year; and

(ii) the proposed evaluation criteria and goals for the following year's evaluation

(g) The Commission members' discussions regarding the CEO's performance may be held in executive session in accordance with state law.

(B) <u>Commission Evaluation</u>

(1) The purpose of the evaluation is to provide the Commission members with a framework for evaluating the performance of the Commission and for identifying any concerns or suggestions the Commission members may have.

(2) The Commission is responsible for completing a self-evaluation at least once annually.

(3) The Chair will initiate the evaluation process.

(4) The Commission may retain a third party to provide support to the evaluation process.

(5) **Commission Evaluation Process and Timeline**

(a) Annually, during the second calendar quarter of the evaluation year, the Chair or his designee will distribute a copy of the Commission Evaluation Discussion Guide ("CEDG") to each Commission member.

(b) The Commission may review the CEDG and make modifications, as appropriate, at any time. Any changes to the CEDG should be made before Commission members receive the evaluations for a fiscal year. To ensure efficiency in the evaluation process, changes to the CEDG that are submitted after the Chair has distributed the CEDG to the Commission will not be effective until the next year's evaluation.

(c) Commission members will complete the CEDG within two weeks and return them to the Chair or his designated third party.

(d) The Chair or his designated third party will prepare and present a draft summary report of the completed CEDG forms by the close of the second calendar quarter of the evaluation year.

(e) The Chair will present the draft summary report of the evaluations to the Commission members and facilitate a discussion of the results.

(f) The Commission's discussions regarding the evaluation summary may be held in executive session to the extent permitted by state law.

(g) The Chair will compile conclusions and recommendations based on the draft evaluation summary report and the Commission's discussion.

(C) <u>Gender References, Policy Review and History</u>

(1) Any gender-specific language in this policy shall include the other gender.

(2) The Commission will review this policy at least every three years to ensure that it remains relevant and appropriate, or when there has been an amendment to applicable law relevant to any section of this policy, or a Commission approved change in the responsibilities, duties, or operations of the Commission or its Committees generally, or as otherwise deemed appropriate by the Commission.

(3) 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.

(4) This policy was adopted on March 18, 2010.

(5) This policy was amended on February 28, 2013.
(6) This policy was amended on June 3, 2014.
(7) This policy was amended on August 25, 2014.
(8) This policy was amended on November 19, 2015.
(9) This policy was amended on February 23, 2017.
(10) This policy was amended on June 22, 2017 and made effective as of July 1, 2017.
(11) This policy was last amended on --.

Delegated Investments (March 7, 2024 to April 17, 2024)

Asset Class	Investment	Investment Amount	RSIC Commitment Date
PA Hedge Funds	Bayview MSR Opportunity Domestic Fund	$200 M	March 29, 2024
Private Equity	Industry Ventures Partnership Holdings VII	$75 M	April 4, 2024

Verus

PERSPECTIVES
THAT DRIVE
ENTERPRISE
SUCCESS

APRIL 2024

Governance Review and Investment Basics for Institutional Investors

South Carolina RSIC

What does it mean to be a fiduciary?

A fiduciary is generally defined as a person who:

- Manages property or assets for the benefit of another;
- Exercises discretionary authority or management control; and/or
- Acts in a professional capacity of trust and renders investment advice.

Fiduciary liability is not determined by investment performance, but rather by whether established prudent investment practices were followed.

Best practices for fiduciaries

— Know and understand standards, laws, and trust provisions that apply

— Diversify investment portfolio to specific risk and return profile for the Plan

— Prepare an Investment Policy statement

— Use prudent experts and document due diligence

— Control and monitor investment expenses

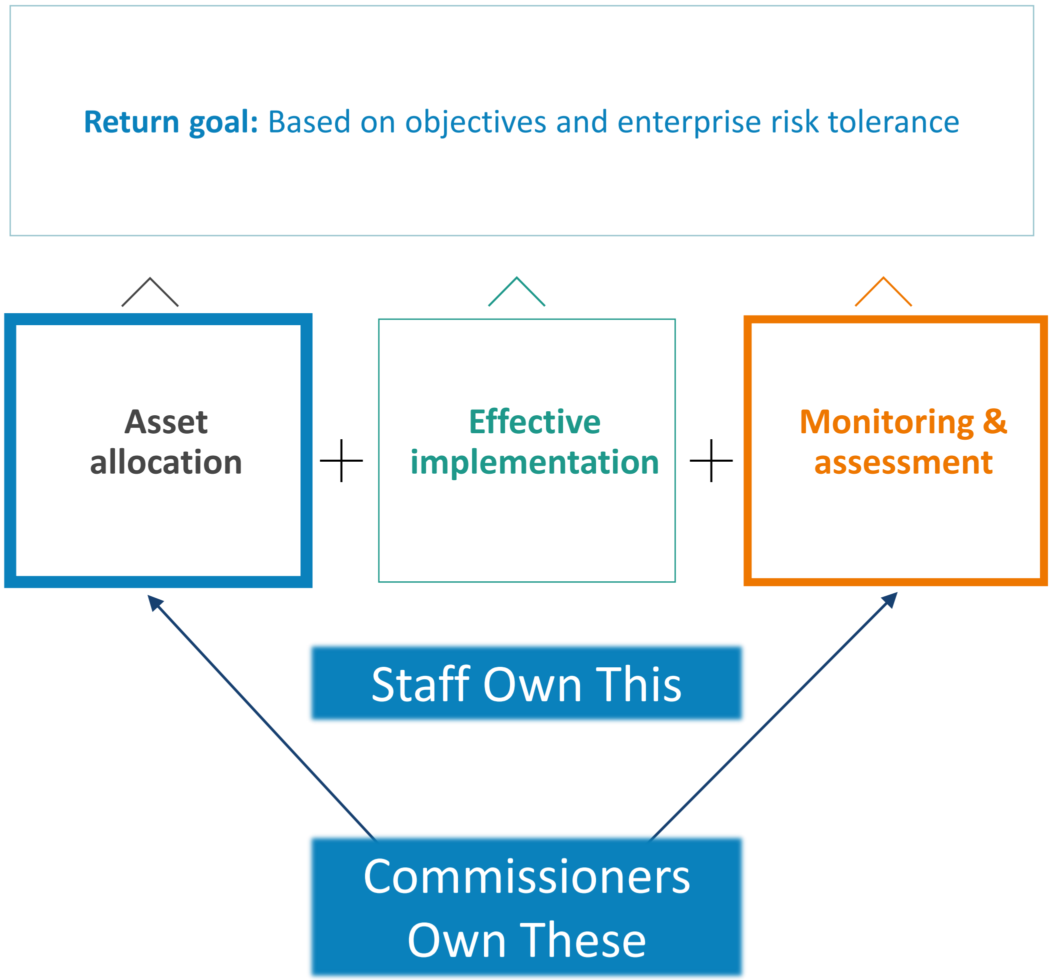
— Monitor the activity of the prudent experts

— Avoid conflicts of interest and prohibited transactions

— Delegate and rely on staff's expertise as appropriate

RSIC delegation of responsibilities

- Commission is responsible for selecting a thoughtful **strategic asset allocation** and **asset class ranges** based on your enterprise objectives and risk tolerance
- Implementation of the strategic asset allocation is delegated to staff
- Commission responsible for **monitoring** the portfolio to determine if portfolio goals are being achieved.

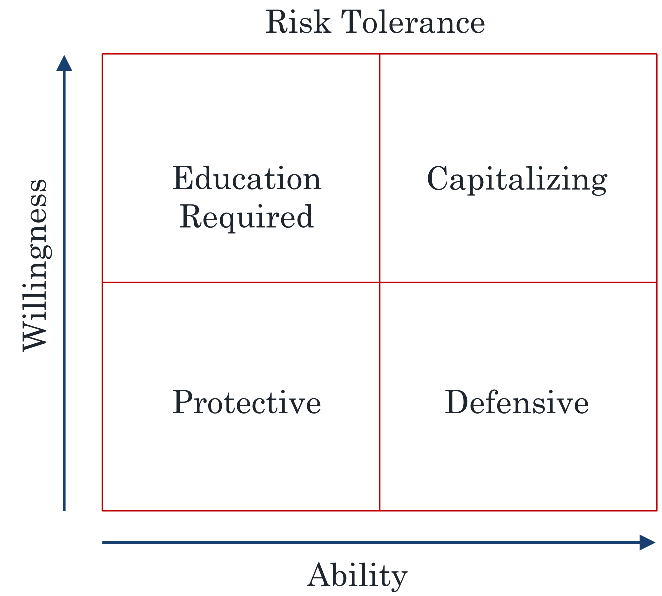


Who owns the investment decisions?

Commission	Staff & Consultant	Implementers
• Ultimate fiduciary • Define enterprise objectives • Develop and monitor investment policy • Can and should rely on advice from subject matter experts • Has delegated most direct investment approval to CIO, under CEO's review	• Help Commissioners define enterprise objectives and develop investment strategy and investment policy • Source investment ideas, conduct due diligence, and make investment recommendations to CIO for approval	• Investment staff • Investment Consultant • Investment managers

Assessing enterprise risk tolerance

- Identifying the appropriate risk tolerance for a plan involves viewing risk in terms of the Plan's willingness and ability to bear risk.
  - The ability to bear risk depends on financial and governance circumstances (funded status, expected cash flows, level of expected contributions, time horizon, board governance).
  - The willingness to bear risk is generally based on investor's attitudes and beliefs about investments.



Time Horizon	— Assets are for a specific purpose with a short timeframe	— In perpetuity, the portfolio seeks to growth and continue to have assets
Liquidity Needs	— Cannot have assets locked up and requires highly liquid investments	— Able to invest in illiquid investments such as private assets or strategies that may take a while to unwind
Cash Flow Sizes	— Cash flows represent a large percentage of the portfolio assets when they occur	— Cash flows are not a large percentage of the overall portfolio assets in the pool
Cash Flow Predictability	— Cash flow timing is not known and can happen on short notice at any time	— Cash flow timing is well known and can be established with high certainty
Drawdown Tolerance	— A market drawdown event could devastate the portfolio's ability to meet commitments	— The portfolio could sustain a market drawdown event and have time for the assets to recover

Behavioral biases to watch out for

Over-confidence
- Believing one's ability to forecast the future is better than it is (led to the collapse of LTCM)

Representativeness
- Making judgments based on stereotypes (failure to appreciate mean reversion)

Anchoring
- Inability to adjust views in response to new information (i.e., stuck in the past)

Familiarity
- Investing in what is familiar (leads to lack of appropriate diversification)

Loss Aversion
- Propensity to hold a losing position too long – and even to double down (led to the collapse of Barings Bank)

Regret Minimization
- Propensity to sell a winning position too soon

Hindsight Bias
- Propensity to remember good outcomes and forget bad ones (leads to over-confidence)

Role of Board members

— Strategic Planning (SIOP/AIP)

— Governance (Policies and Procedures/Audit Committee)

— Budget Oversight (annually)

— Hiring and Supervising CEO

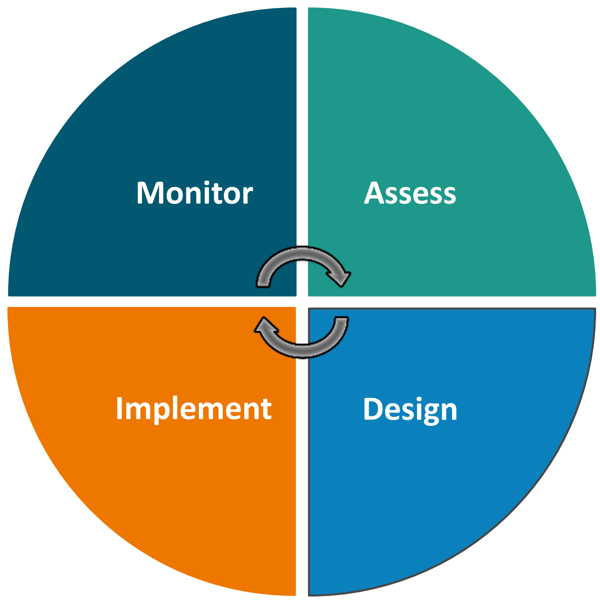
— Board Development and Evaluation

Institutional Investment Basics

Institutional investing process

- Quarterly Performance Reporting
- Annual Asset Class Deep Dives
- CIO/CEO Performance Reviews
- Commission Performance Review

- Liability structure
- Asset Allocation/Risk tolerance
- Governance structure
- Investment philosophy



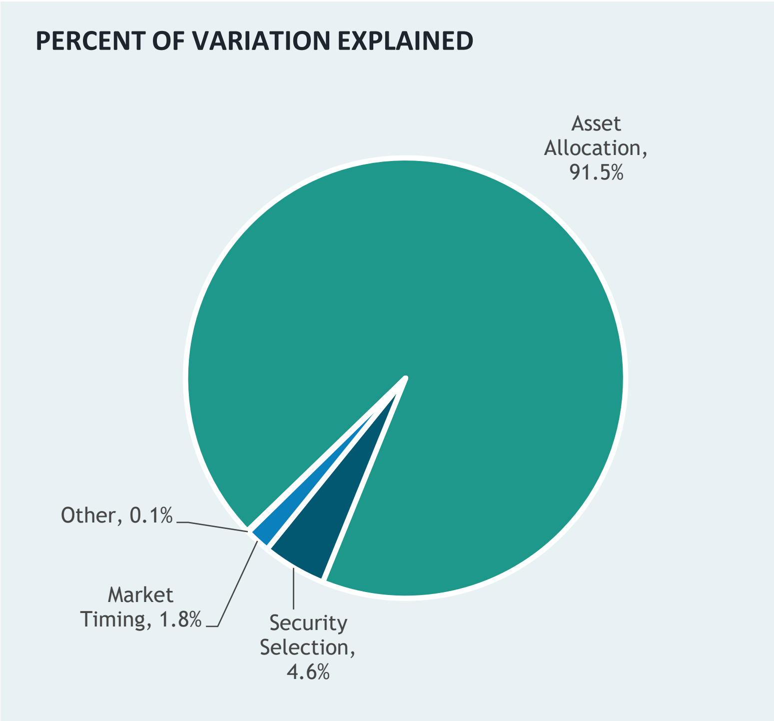
- Investment Hiring/Termination
- Rebalancing
- Tactical Allocations

- Baselines
- Internal Policies and Procedures
- Private Market Pacing
- Challenging Beliefs

Asset allocation drives the bulk of returns

Academic Support:

- Gary P. Brinson, L. Randolph Hood, and Gilbert L. Beebower. "Determinants of Portfolio Performance". Financial Analysts Journal, July/August 1986
- Gary P. Brinson, Brian D. Singer, and Gilbert L. Beebower. "Determinants of Portfolio Performance II: An Update". Financial Analysts Journal, 47, 3 (1991)
- Roger G. Ibbotson and Paul D. Kaplan. "Does Asset Allocation Policy Explain 40%, 90%, or 100% of Performance?" Financial Analysts Journal, January/February 2000



Source: Brinson, Singer & Beebower: Determinants of Portfolio Performance II: An Update

Asset allocation inputs

To construct a high quality, “efficient” portfolio, you must answer just four basic questions:

1. What are the appropriate Asset Classes to invest in (e.g., stocks, bonds, real estate)?
2. What is the expected Return for each asset class?
3. What is the expected Risk of investing in each asset class?
4. How are the returns of these asset classes Correlated over time?

Asset class risk vs. return

Different asset classes have very different risk and return profiles

In addition to different risk/return profiles, asset classes have varying levels of liquidity, transparency and complexity

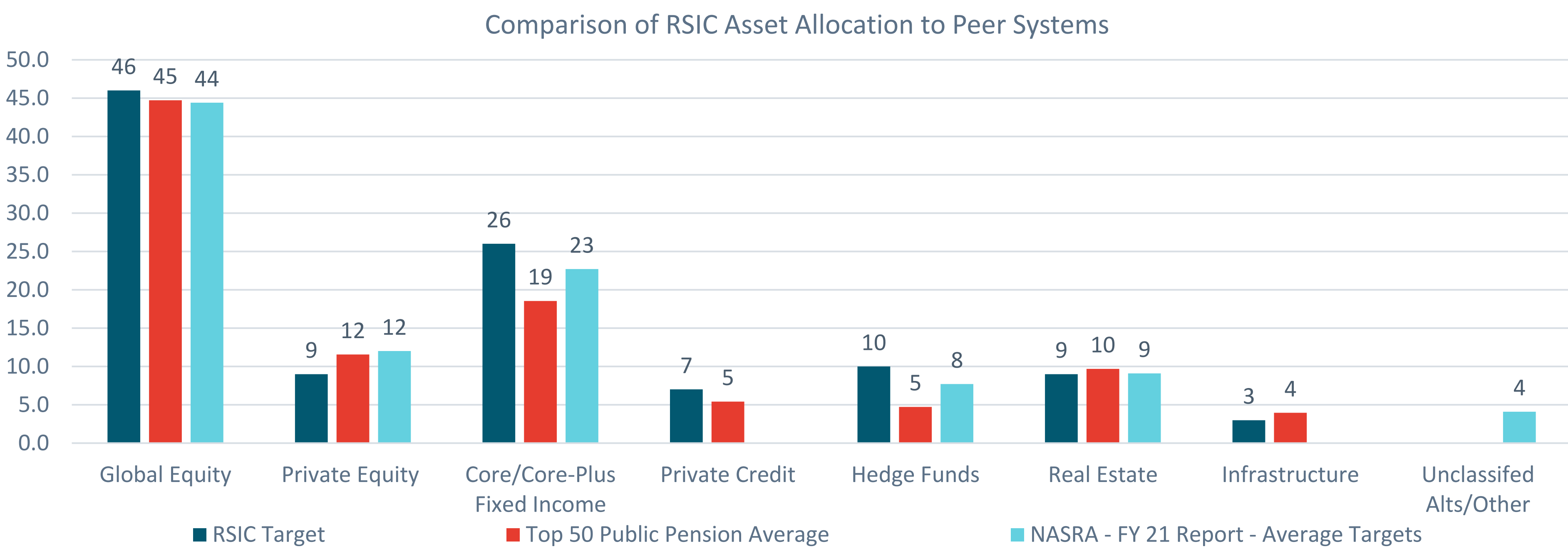
For illustrative purposes only

Role of asset classes in a portfolio

	Primary Purpose	Secondary Role	Key Characteristics
Public Equity	Growth/Returns		— Highly liquid — Highly correlated to overall economic activity
Private Equity	High Expected Returns		— Very illiquid — High return potential from top tier managers
Core Fixed Income	Risk reduction/portfolio stability	Income	— Negative correlation to interest rates — May be correlated to economic activity in times of severe stress
Alternative Credit	Diversification	Return potential	— Liquid market includes high yield, leveraged loans, EM Debt, securitized, and other strategies — Private credit opportunities
Real Assets	Diversification	Inflation protection	— Have varying ties to inflation — TIPS — Real Estate and Infrastructure investments — Commodities, Energy, Natural Resources
Hedge Funds	Diversification		— Various hedge fund strategies, in both equity and fixed income space

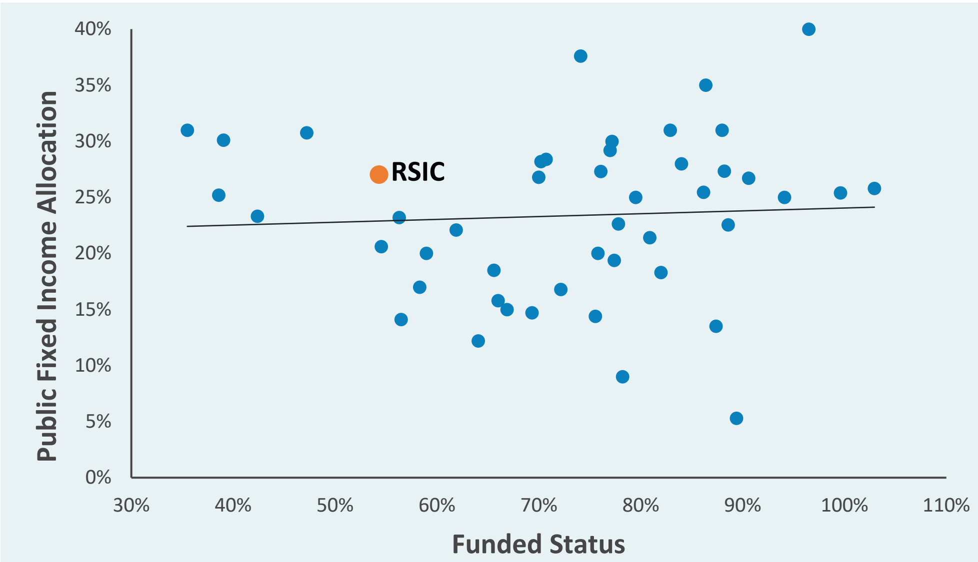
RSIC Asset Allocation Compared to Peer Public Systems

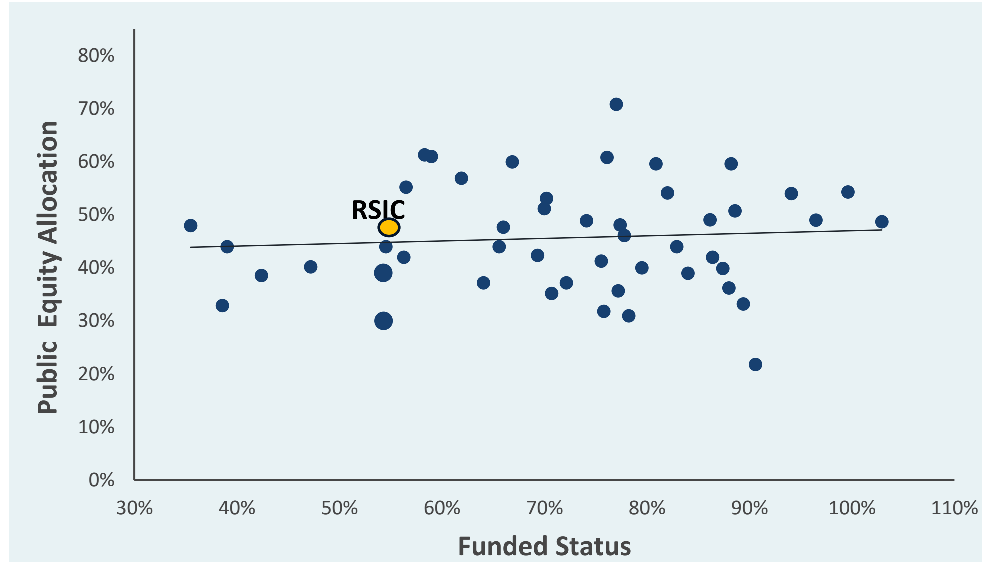
- Over the past 20+ years public fund retirement systems have been increasing allocations to alternative assets, especially private equity investments.
- When compared to other public fund systems, RSIC's target allocation to core/core-plus fixed income is a relative higher allocation.

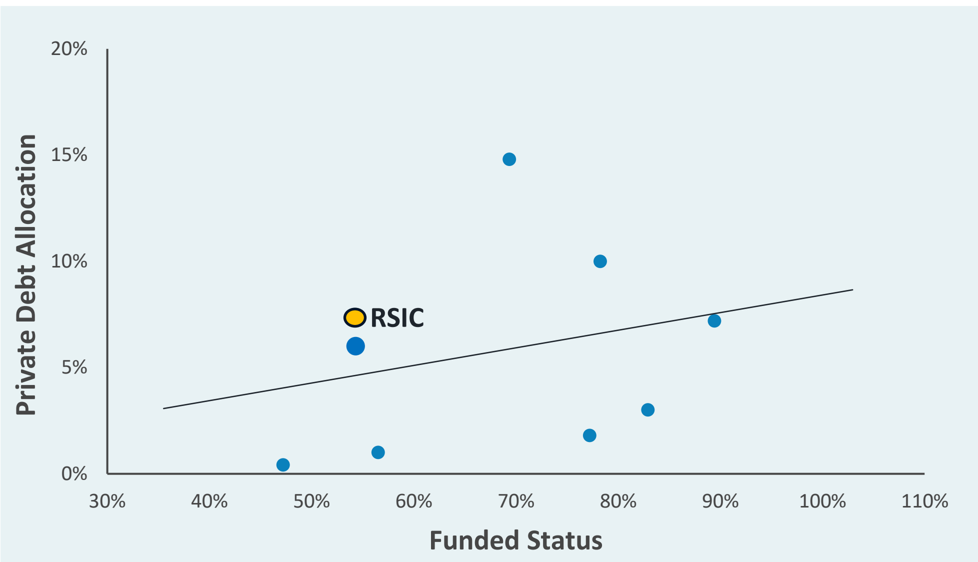


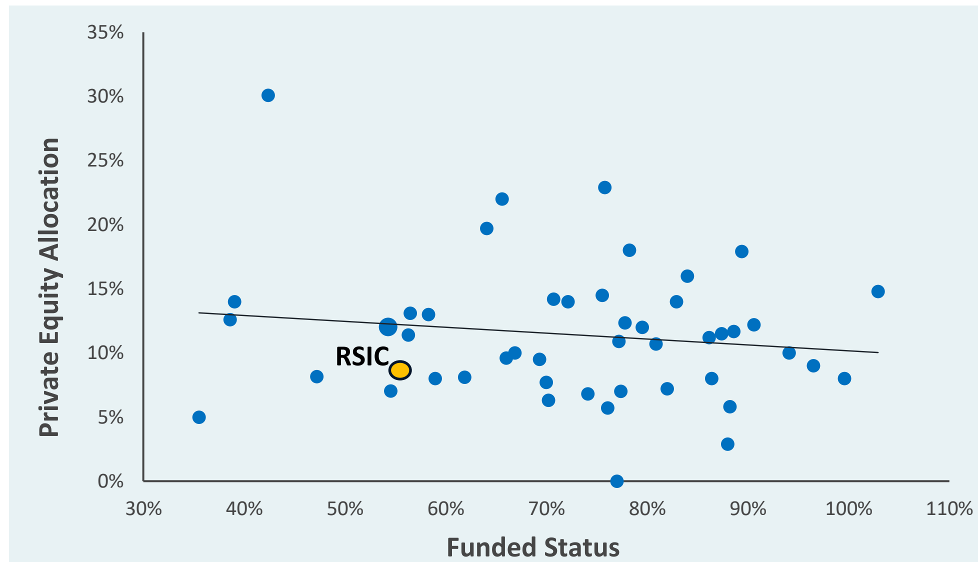
Notes: NASRA report data includes 147 systems with allocations to PE reporting target asset allocation as of FY 2021. Range of private equity targets was 3% to 43%. Systems with 0% allocations to private equity were excluded. There were 53 systems with 0% allocations to PE that were excluded. The average allocation to public equities of this group was 55%.

Peer comparison: Top 50 Public Pensions







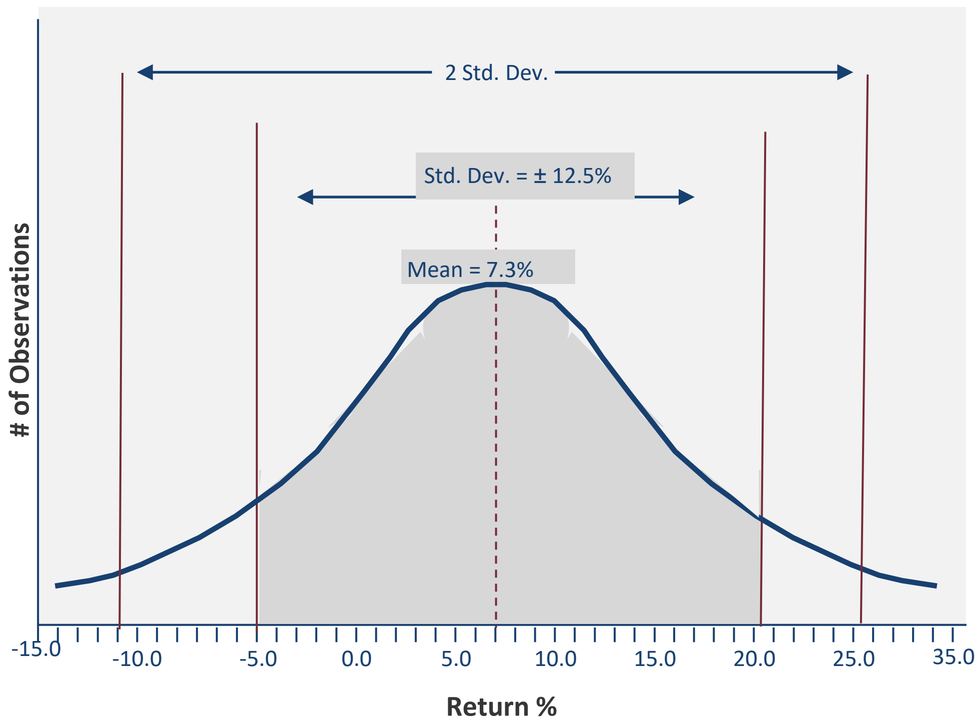


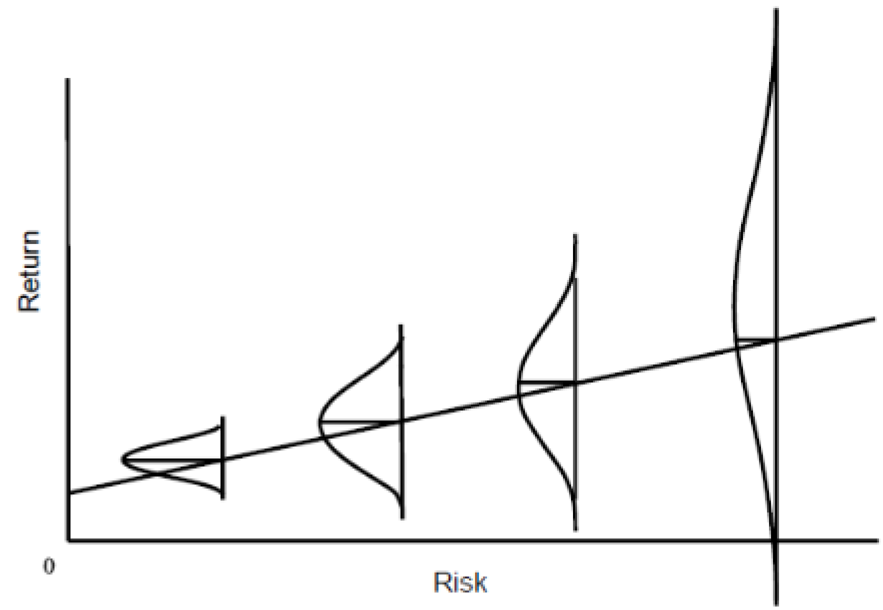
Source: Peer data based on annual reports, fiscal year ending 2020. RSIC allocations based on Current Target Allocations.

Standard deviation: a measure of risk

Standard deviation can be used as an effective measure of risk by indicating how far from the average, or **mean**, return one is likely to fall in any given time period.

The rules of statistics dictate that you will fall within 1 standard deviation of the mean 2/3 of the time, within 2 standard deviations 95% of the time, and within 3 standard deviations 99% of the time

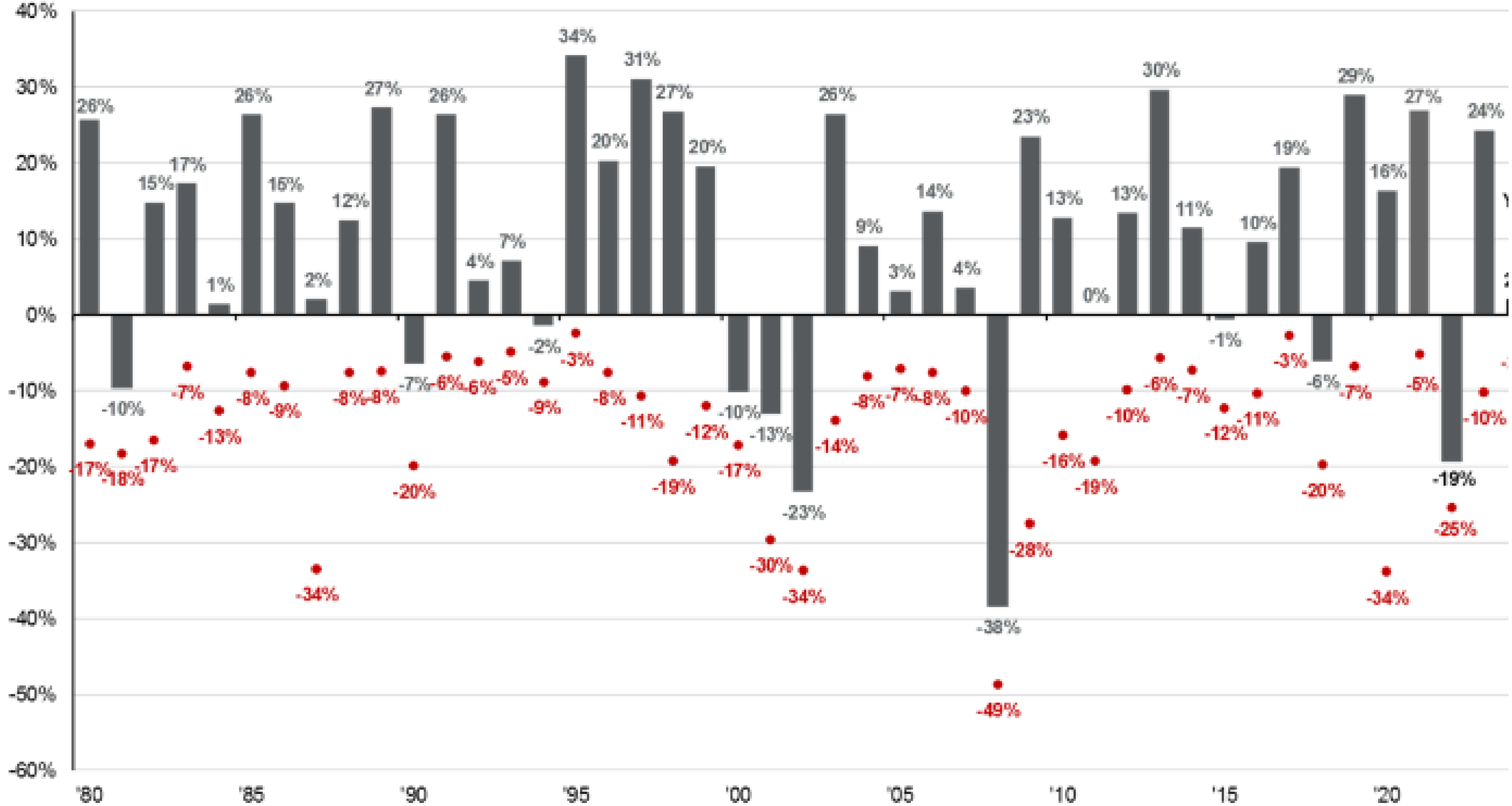




A picture of market volatility

S&P intra-year declines vs. calendar year returns

Despite average intra-year drops of 14.2%, annual returns were positive in 33 of 44 years



Correlation

— Correlation describes how different asset classes perform in relation to one another over time. It measures the sensitivity of the return of one asset class to that of another, and it is the key to effective diversification

— If two asset classes move directionally in identical ways over time, they are perfectly correlated with a correlation coefficient of one. In this case there is no diversification benefit

— If two different asset classes have returns that move in the opposite direction over time, they are said to have perfect negative correlation with a correlation coefficient of minus one. This case provides complete diversification but is practically impossible to achieve in the "real world"

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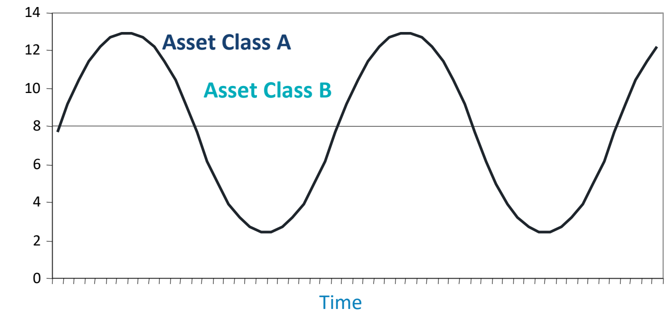

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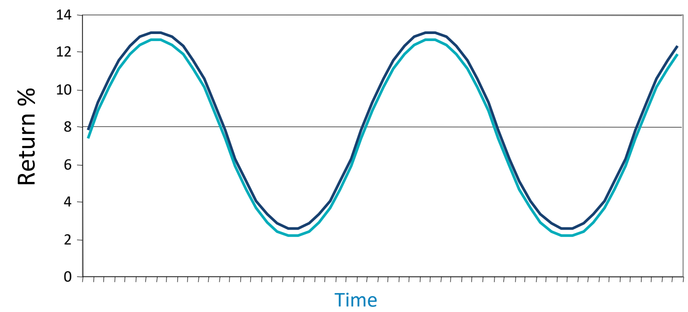

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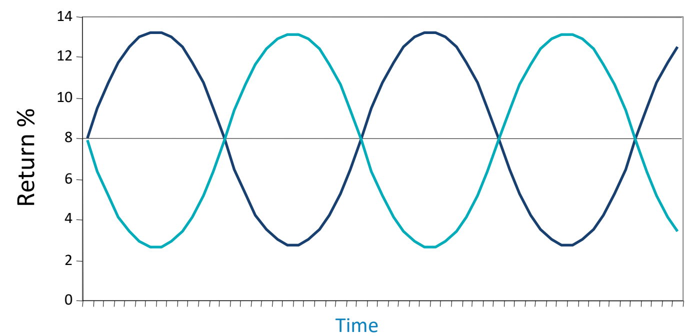


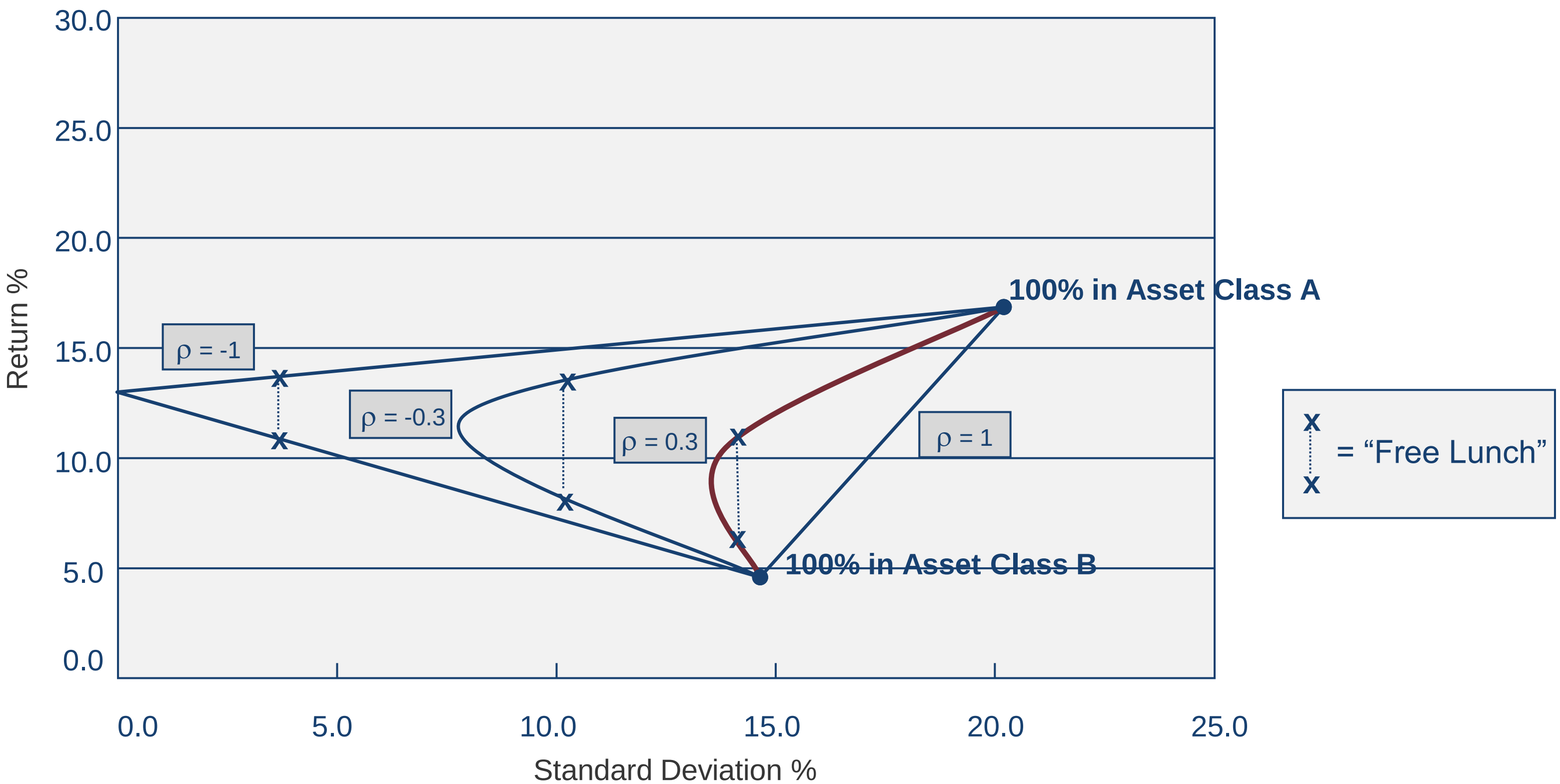
Correlation Matrix

	Cash	US Large	US Small	Intl Large	Intl Small	EM	Global Equity	PE	US TIPS	US Treasury	Global Sovereign ex-US	US Core	Core Plus	Short-Term Gov't/Credit	Short-Term Credit	Long-Term Credit	US HY	Bank Loans	Global Credit	EMD USD	EMD Local	Commodities	Hedge Funds	Real Estate	REITs	Infrastructure	Currency Beta	Risk Parity
Cash	1.0																											
US Large	-0.1	1.0																										
US Small	-0.2	0.9	1.0																									
Intl Large	-0.1	0.9	0.8	1.0																								
Intl Small	-0.1	0.9	0.8	1.0	1.0																							
EM	-0.1	0.7	0.6	0.8	0.8	1.0																						
Global Equity	-0.1	1.0	0.9	0.9	0.9	0.8	1.0																					
PE	-0.2	0.7	0.7	0.6	0.6	0.6	0.7	1.0																				
US TIPS	-0.1	0.4	0.3	0.4	0.4	0.4	0.5	0.2	1.0																			
US Treasury	0.0	0.1	-0.1	0.0	0.0	0.1	0.1	-0.1	0.7	1.0																		
Global Sovereign ex-US	0.1	0.3	0.2	0.4	0.4	0.5	0.4	0.1	0.7	0.6	1.0																	
US Core	0.0	0.3	0.2	0.3	0.3	0.4	0.3	0.0	0.8	0.9	0.7	1.0																
Core Plus	0.0	0.4	0.3	0.4	0.4	0.5	0.4	0.1	0.8	0.8	0.8	1.0	1.0															
Short-Term Gov't/Credit	0.2	0.2	0.0	0.2	0.2	0.3	0.2	0.0	0.7	0.8	0.6	0.8	0.8	1.0														
Short-Term Credit	0.2	0.4	0.3	0.4	0.4	0.4	0.4	0.2	0.6	0.5	0.7	0.7	0.8	0.7	1.0													
Long-Term Credit	0.0	0.5	0.4	0.5	0.5	0.5	0.6	0.2	0.8	0.7	0.7	0.9	0.9	0.6	0.8	1.0												
US HY	-0.1	0.8	0.8	0.8	0.8	0.7	0.8	0.5	0.6	0.1	0.5	0.4	0.6	0.3	0.6	0.7	1.0											
Bank Loans	-0.1	0.6	0.6	0.6	0.7	0.6	0.6	0.5	0.3	-0.2	0.2	0.1	0.3	0.0	0.5	0.4	0.8	1.0										
Global Credit	0.0	0.7	0.5	0.7	0.7	0.7	0.7	0.3	0.7	0.5	0.8	0.8	0.9	0.6	0.8	0.9	0.8	0.6	1.0									
EMD USD	-0.1	0.7	0.6	0.7	0.7	0.7	0.7	0.4	0.6	0.3	0.6	0.6	0.7	0.4	0.6	0.8	0.8	0.7	0.9	1.0								
EMD Local	0.0	0.5	0.4	0.7	0.6	0.8	0.7	0.4	0.4	0.2	0.6	0.4	0.5	0.4	0.5	0.6	0.7	0.5	0.8	0.8	1.0							
Commodities	-0.1	0.4	0.4	0.5	0.5	0.5	0.5	0.3	0.2	-0.2	0.2	0.0	0.1	0.0	0.2	0.1	0.5	0.5	0.3	0.4	0.4	1.0						
Hedge Funds	-0.1	0.8	0.9	0.8	0.9	0.8	0.9	0.6	0.3	-0.2	0.3	0.2	0.3	0.0	0.4	0.5	0.8	0.8	0.6	0.7	0.6	0.6	1.0					
Real Estate	-0.3	0.6	0.6	0.5	0.5	0.5	0.6	0.4	0.2	0.0	-0.1	0.1	0.2	0.0	-0.2	0.2	0.4	0.4	0.3	0.4	0.4	0.2	0.5	1.0				
REITs	-0.2	0.7	0.7	0.6	0.6	0.5	0.7	0.5	0.6	0.3	0.3	0.5	0.5	0.2	0.3	0.6	0.7	0.5	0.6	0.6	0.5	0.3	0.6	0.7	1.0			
Infrastructure	-0.2	0.8	0.7	0.8	0.8	0.7	0.8	0.6	0.5	0.1	0.5	0.4	0.5	0.2	0.5	0.6	0.8	0.7	0.7	0.8	0.7	0.6	0.8	0.6	0.7	1.0		
Currency Beta	-0.1	0.0	0.0	-0.2	-0.2	-0.2	-0.1	0.1	-0.2	-0.1	-0.3	-0.2	-0.2	-0.1	-0.3	-0.2	-0.1	-0.1	-0.3	-0.2	-0.2	-0.2	-0.1	0.1	0.0	-0.1	1.0	
Risk Parity	0.0	0.7	0.6	0.7	0.7	0.6	0.7	0.7	0.4	0.4	0.0	0.5	0.5	0.7	0.3	0.7	0.7	0.7	0.5	0.7	0.6	0.5	0.5	0.4	0.0	0.7	-0.2	1.0

Note: as of 9/30/23 - Correlation assumptions are based on the last ten years. Private Equity and Real Estate correlations are especially difficult to model – we have therefore used BarraOne correlation data to strengthen these correlation estimates.

The efficient frontier: a two-asset example

When asset classes are combined in the most efficient manner, a line or boundary emerges representing risk/return combinations with the highest rate of return for the least amount of risk. This line is known as the Efficient Frontier

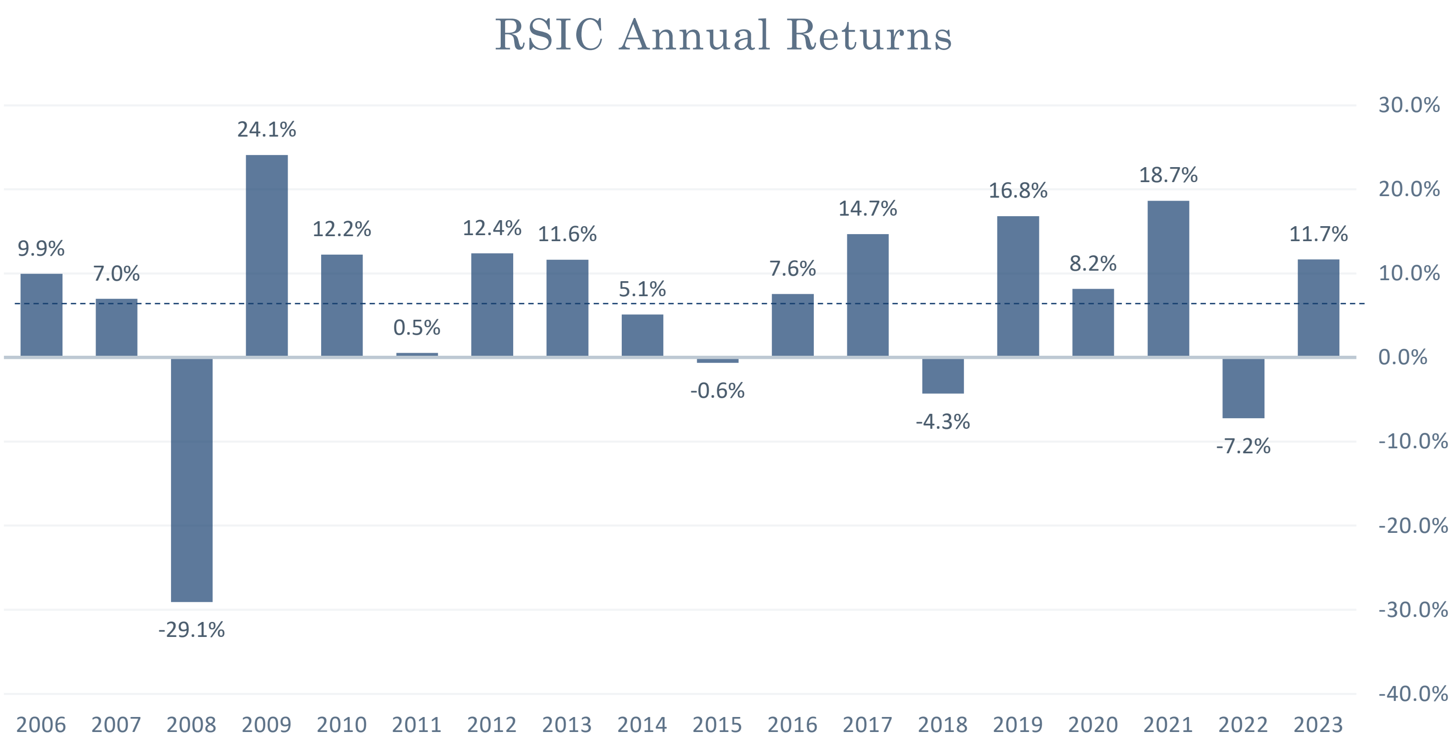


Note: ρ represents the correlation coefficient between the two asset classes

Bringing assets & liabilities together

Linking assets and liabilities

Current Assets + Investment Returns + Future Contributions = Future Benefits & Expenses



For most public pension plans, the correlation between asset and liability growth is low, which leads to contribution and funding volatility

Inputs to a liability model

- The plan's actuary takes real world plan experience and professional judgement to generate assumptions.

Mortality	Disability	Salary Raises
Retirement	Termination	Percent Married

- An objective of the model is to display the financial position of the fund to the public and to generate metrics which recommend a contribution amount. Doing this requires a couple extra pieces:

Actuarial Cost Method	Asset Smoothing	UAL Amortization

Analyzing potential outcomes: Stochastic forecasting

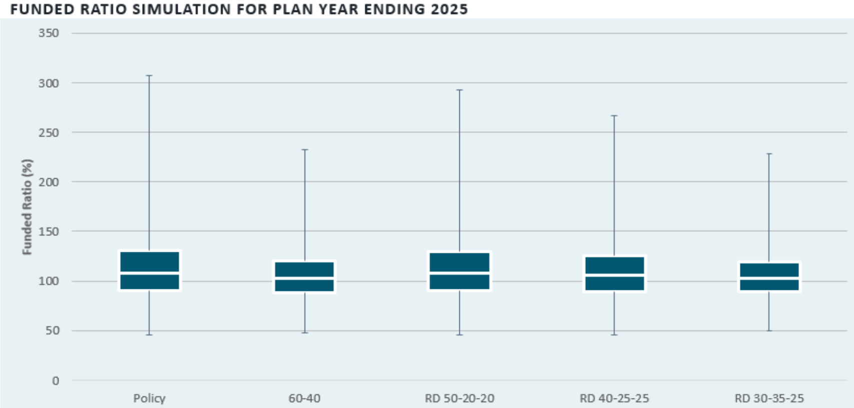
— Assigning probabilities to an unknown future

- Incorporating expected return and correlations, we generate 5,000 paths via a Monte Carlo simulation.
- Display median, volatility, range, and percentile outcomes

EXAMPLE

Expected funded ratio

FUNDED RATIO SIMULATION FOR PLAN YEAR ENDING 2025



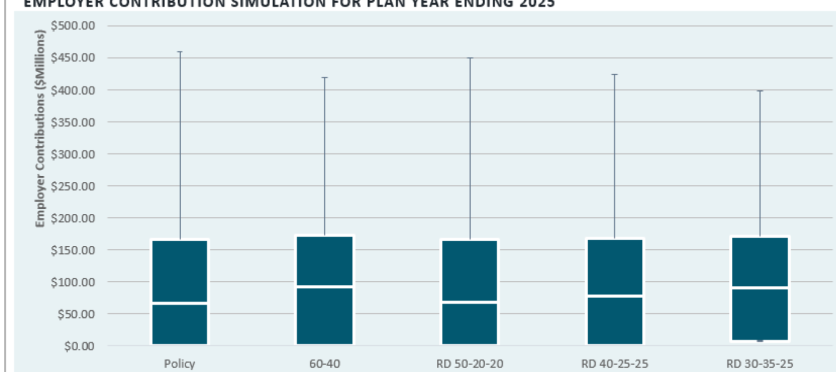
	Policy	60-40	RD 50-20-20	RD 40-25-25	RD 30-35-25
Best Case	307	232	293	267	229
Median	108	103	108	106	103
Worst Case	45	48	45	46	50

Based on 5,000 independent simulations. Best case defined as 100th percentile. Worst case defined as 0th percentile. Median outcome is the 50th percentile.

EXAMPLE

Expected employer contributions

EMPLOYER CONTRIBUTION SIMULATION FOR PLAN YEAR ENDING 2025



	Policy	60-40	RD 50-20-20	RD 40-25-25	RD 30-35-25
Best Case	-	-	-	-	-
Median	65,858,027.00	91,613,558.00	68,193,586.00	77,115,728.00	90,921,010.00
Worst Case	458,822,661.00	419,259,361.00	448,838,819.00	424,592,345.00	398,329,377.00

Based on 5,000 independent simulations. Best case defined as 0th percentile. Worst case defined as 100th percentile. Median outcome is the 50th percentile.

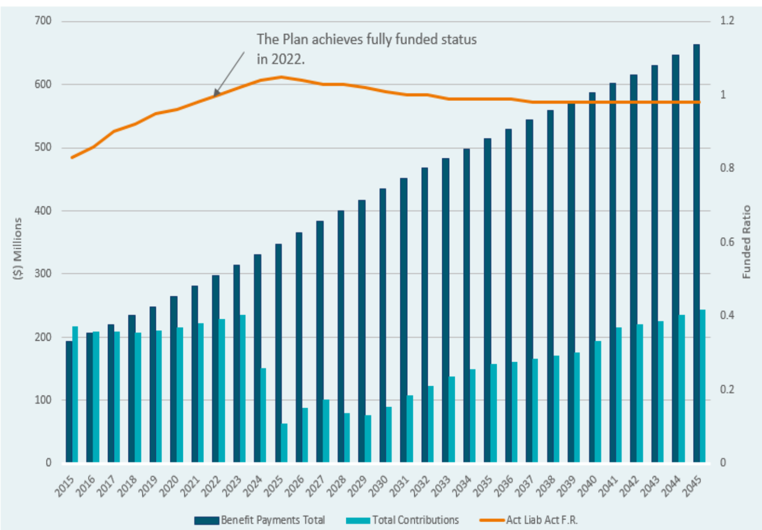
Analyzing potential outcomes: Deterministic forecasting

— Analyzing the impact of a pre-determined event

- Base Case: meeting assumptions.
- Economic Regimes
- Underperforming assumptions

EXAMPLE

Base case: the plan earns 7.0% every year for next 20 years



The Plan achieves fully funded status during 2022 if the base case were to hold true.

Notes: Contributions consist of employer and employee contributions. Funded status for all deterministic projections is based on the actuarial value of assets.

EXAMPLE

Funded status outcomes

Annual Returns

	5.50%	5.75%	6.00%	6.25%	6.50%	6.75%	7.00%
2015	0.83	0.83	0.83	0.83	0.83	0.83	0.83
2016	0.84	0.84	0.84	0.84	0.84	0.84	0.84
2017	0.86	0.87	0.87	0.87	0.87	0.87	0.87
2018	0.89	0.89	0.89	0.89	0.9	0.9	0.9
2019	0.9	0.91	0.91	0.92	0.92	0.92	0.93
2020	0.91	0.92	0.92	0.93	0.94	0.94	0.95
2021	0.93	0.93	0.94	0.95	0.96	0.96	0.97
2022	0.94	0.95	0.96	0.97	0.98	0.99	1
2023	0.95	0.96	0.97	0.99	1	1.01	1.02
2024	0.97	0.98	0.99	1.01	1.02	1.03	1.05
2025	0.97	0.98	1	1.01	1.03	1.04	1.06

These deterministic forecasts assume a 7.0% discount rate.

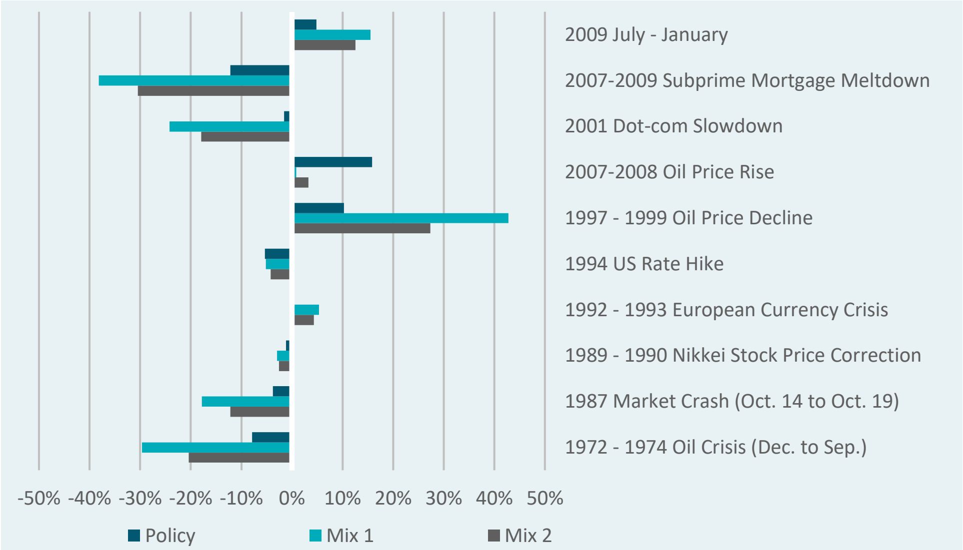
Scenario analysis and stress testing

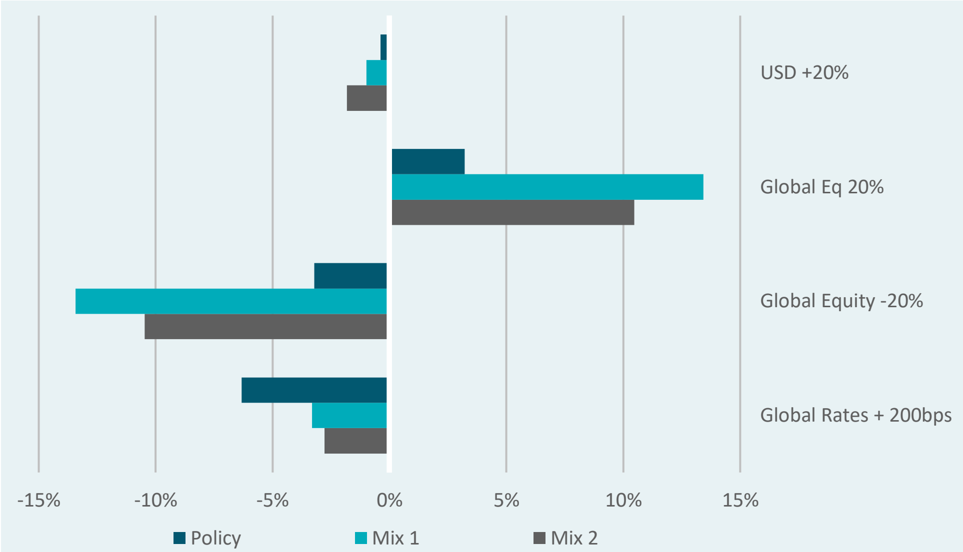
— In Verus' scenario analysis tool, factor shocks are used to calculate portfolio performance in times of financial stress such as the 2008 financial crisis or the 2001 tech bubble

— Verus' stress test tool uses a proprietary model to instantly shock portfolio risk factors and determine how a portfolio is expected to have performed

Purpose

— Examine risk in a portfolio by looking at how a portfolio would have performed during historical periods of market stress or how a portfolio might be expected to perform if certain factors were shocked





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PERSPECTIVES THAT DRIVE ENTERPRISE SUCCESS

APRIL 2024

Risk Management Education

South Carolina RSIC

What is risk?

Risk is uncertainty.

This doesn't mean risk can't be managed, it means there are a range of possible events in the future and we can't be certain what will happen.

> "Risk means more things can happen than will happen"
>
> — Elroy Dimson (London Business School)

Known: Negative possibilities exist in the future

Unknown: What event(s) will happen in the future

Action: Ensure we are properly compensated for the risk we take

The world of risks

Risk tolerance: Ability & willingness

Investment risk is the potential for loss accepted by an investor in order to earn a return

— Ability describes the amount of loss an investor ***can*** sustain over a given time horizon in pursuit of a desired return.

- It should reflect a reasoned approach to assessing what could happen under a worst-case scenario and how the plan would respond to it.

— Willingness describes the amount of loss an investor ***is willing to*** sustain over a given time horizon in pursuit of a desired return.

- It should be lower (i.e. less risky) than the level deemed appropriate by the Tolerance.

Investors accept risk to earn returns. But how much?...

Ability and Willingness help to frame this answer but are necessarily subjective concepts.

Which overall risks should an investor accept?

Accept greater volatility

Be different from peers

Employ portfolio leverage, which can change risk profile

Accept lower risk, but also lower expected performance

Take on illiquidity risk, which may lead to forced selling

Tilt into assets with higher expected return, but forecasts may be wrong

Make portfolio "bets" which might fail to pay off

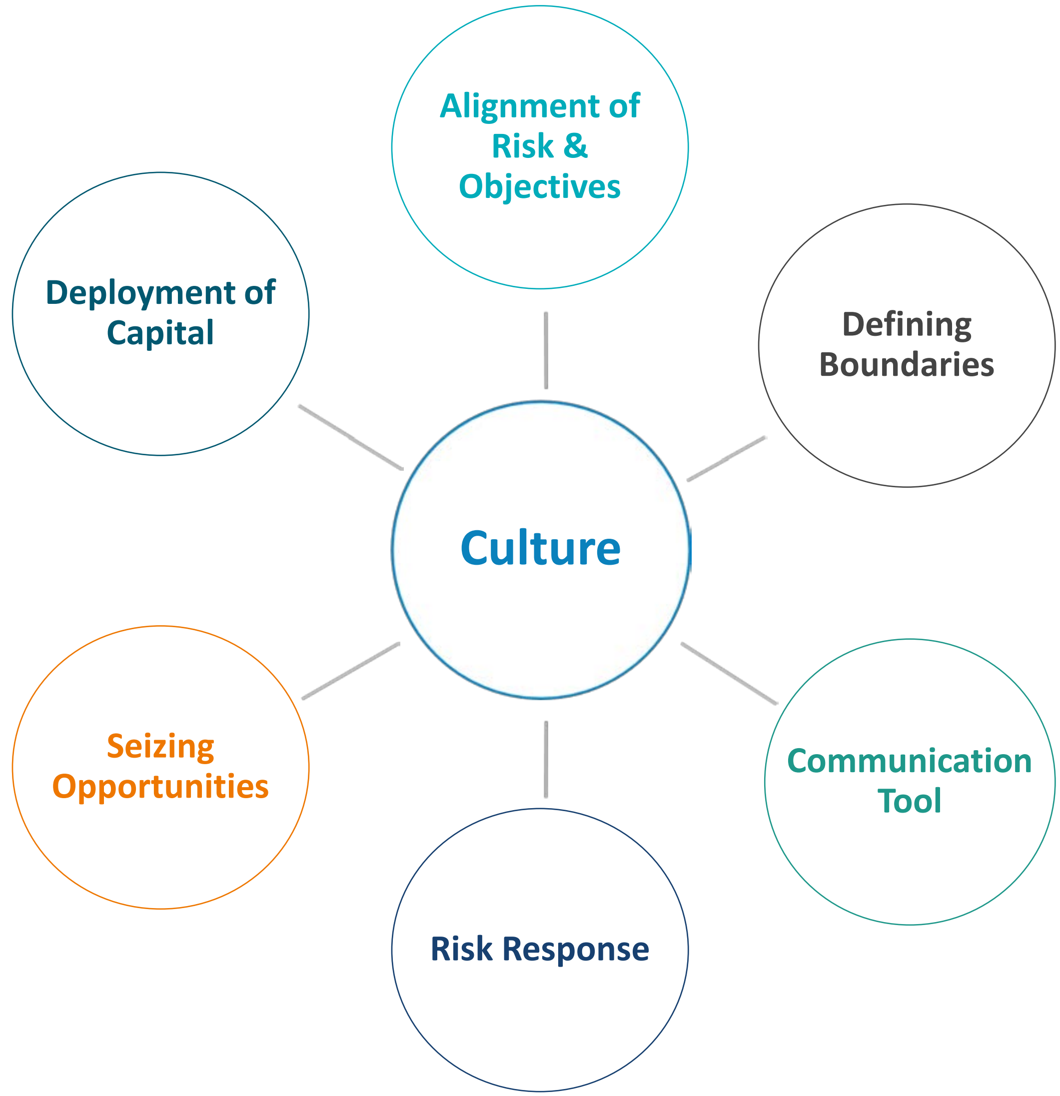
Rely on active managers who may fail to produce alpha

Over-diversify which might reduce return

Source: Bridgewater, Verus

What is risk management?

- Risk is NOT just the standard deviation of returns!
- Risk is first and foremost the risk of losing principal. At what point is the drawdown too deep?
- Risk is failing to meet the demands of the organization.
- Risk is an unexpected negative event.



Types of risks for the Commission to consider

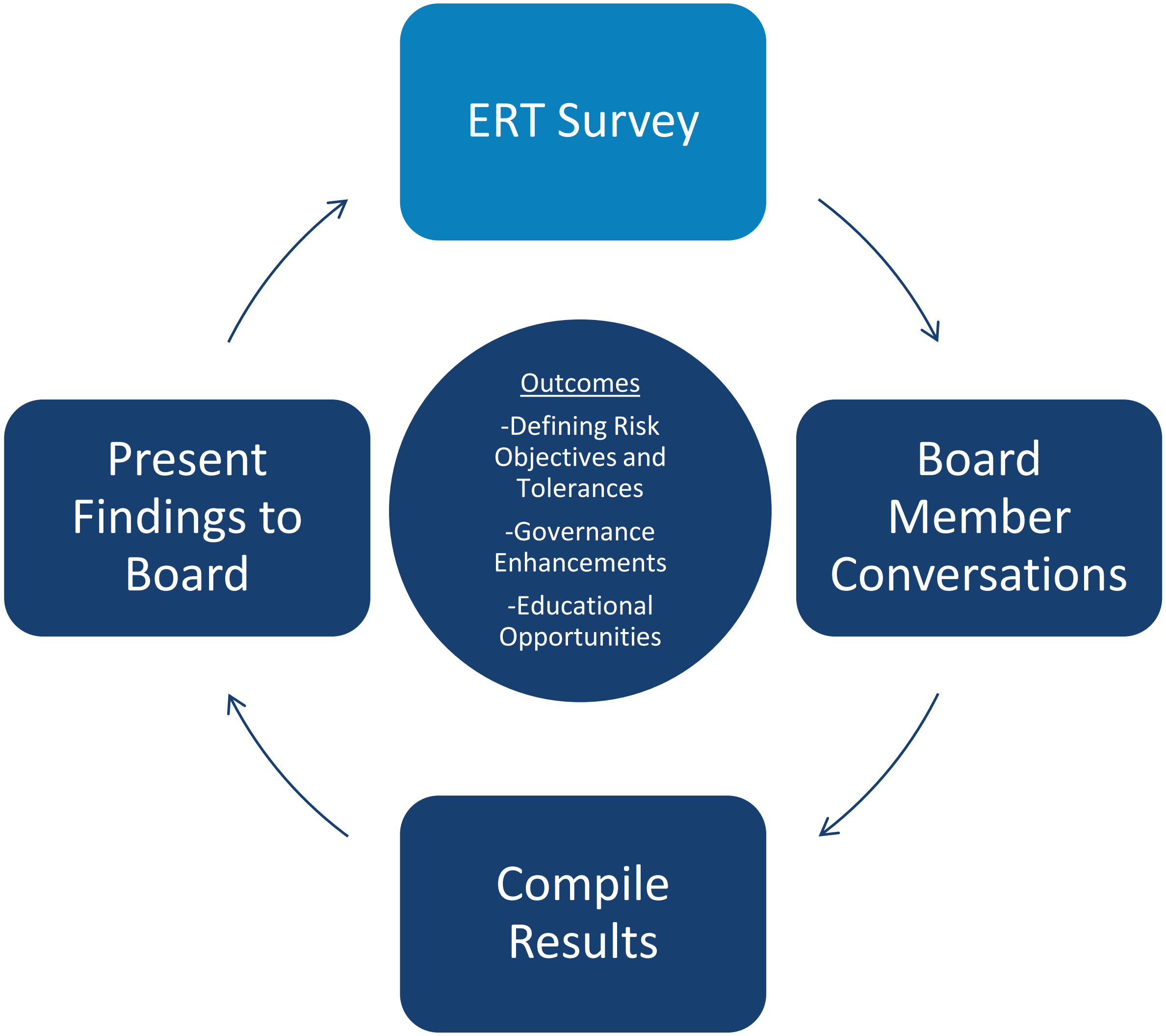
Funding Risk:

- Funding (Funded ratio cap, Funded ratio volatility, sensitivity to drawdowns)
- Cash Flows (contribution as % of pay, contribution limits, interest on unfunded liability)

Investment Risks:

- Absolute and relative risk
- Liquidity risk– ensure sufficient liquidity at all times to meet anticipated cash requirements in the short and long-term.
- Active manager risk
- Counterparty risks
- Risks associated with alternative illiquid investments

Enterprise Risk Tolerance Process

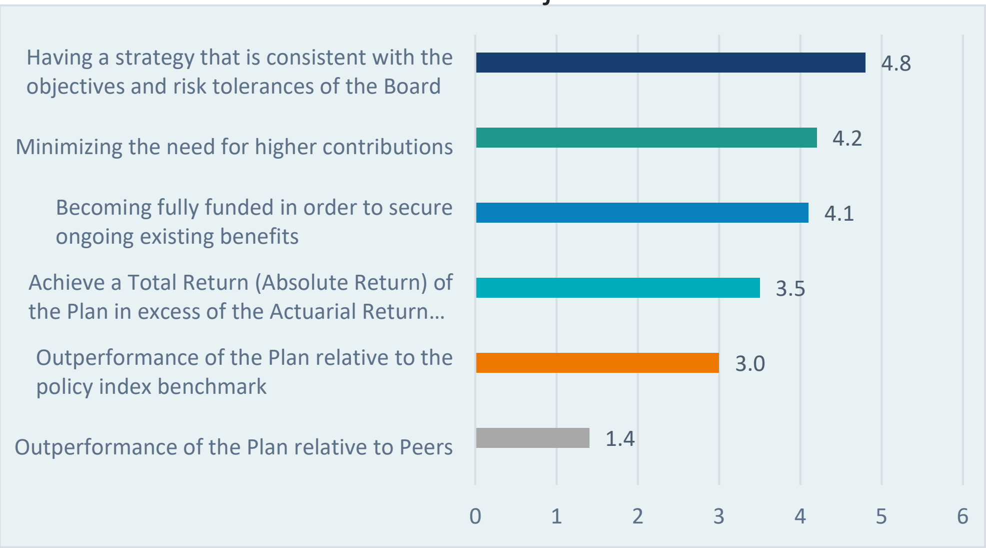


ERT Survey

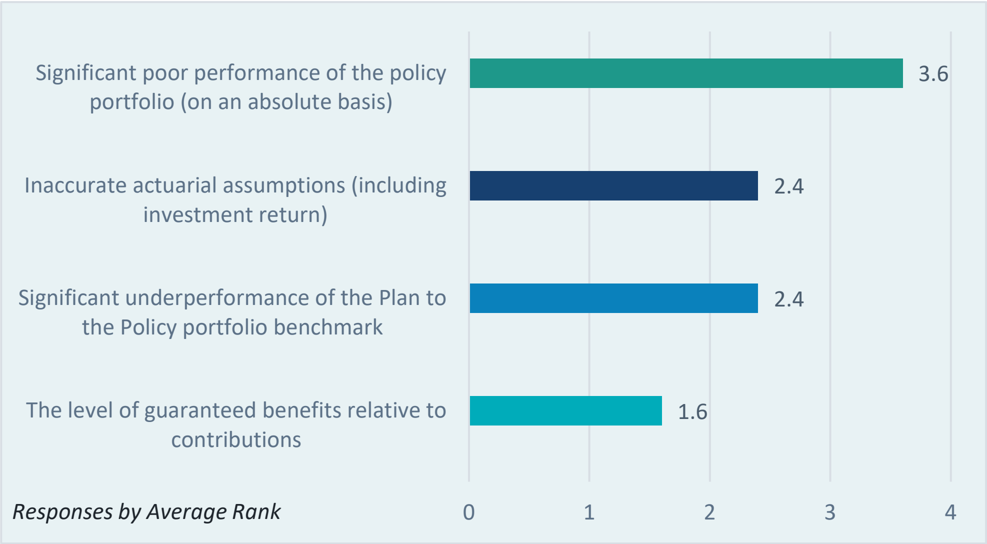
- Online questionnaire and conversations with commissioners
- Each Board member completed individually
- Results shared with the commission

Summary of views on plan objectives and risks from ERT

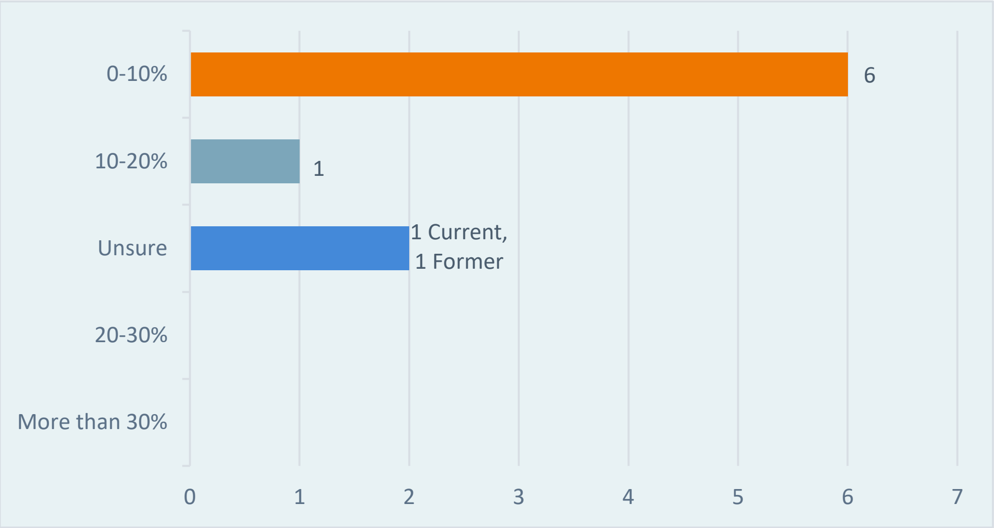
Views on Plan Objectives



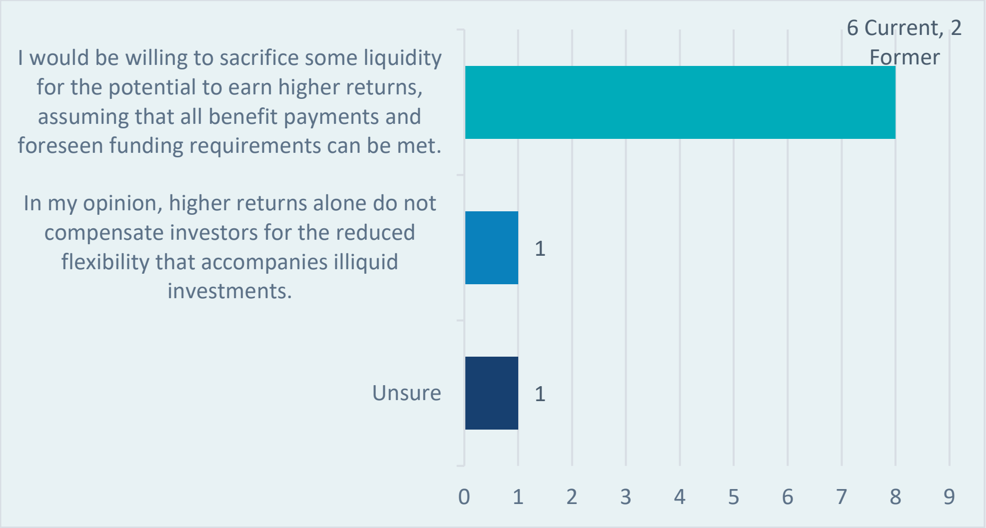
Main Risks to the Plan of not achieving objectives



Greatest Acceptable Return Drawdown in 1 Year?



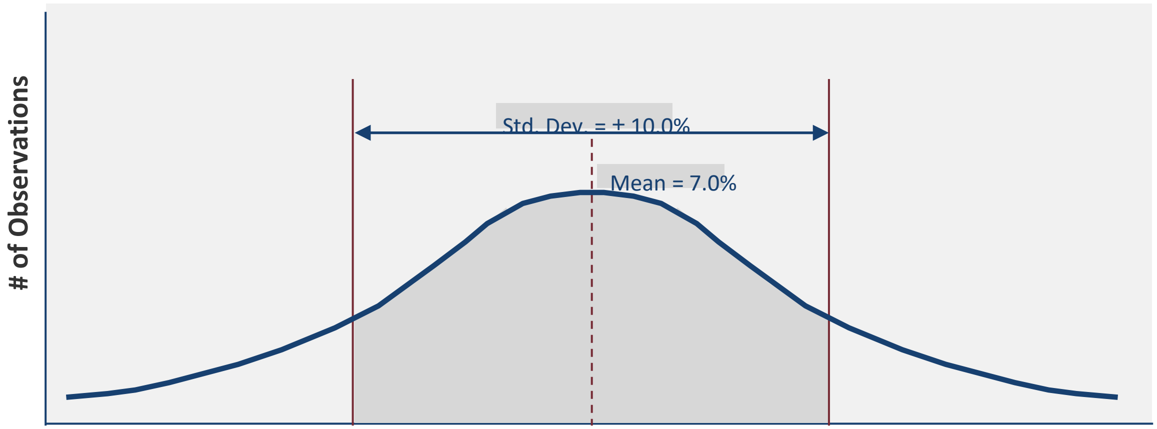
Views on Liquidity Risk



Common measurements of risk

Volatility

- Most widely cited measure of risk is volatility, as measured by standard deviation.
- Standard deviation is a measurement of the expected variance around a mean expected outcome.
  - Statistics dictate that you will fall within 1 standard deviation of the mean 2/3 of the time
  - Within 2 standard deviations 95% of the time
  - Within 3 standard deviations 99% of the time



Common measurements of risk continued

Tracking Error Risk:

- Tracking error is a measure of relative risk and can be evaluated at various levels of the portfolio.
  - For the total fund, it's the variance of returns relative to the policy benchmark
  - For asset class composites, it's the variance of the asset class composite return to the asset class benchmark (i.e. global equity portfolio vs. the MSCI AC World)
  - For individual asset managers, this is the volatility of the manager's returns relative to their specific benchmark
- Tracking error can be an indicator of how actively a fund is managed and its corresponding risk level.

Common measurements of risk continued

Liquidity Risk

- Measurement of a Plan's ability to continue to make payments (benefit payments, expenses, capital calls) in normal and stressed conditions
- Verus uses Liquidity Coverage Ratio to quantify liquidity risk

Liquidity Coverage Ratio (LCR):

$$\frac{Sum\ of\ liquid\ assets + expected\ contributions + expected\ distributions\ from\ privates + expected\ income}{Sum\ of\ expected\ benefit\ payments, capital\ calls, expenses}$$

LCR Value	Implication
<1	The plan will need to sell illiquid assets to cover cash flows
1	The plan has sufficient liquidity to cover all cash flows
>1	The plan will not be required to sell illiquid assets to cover liquidity needs

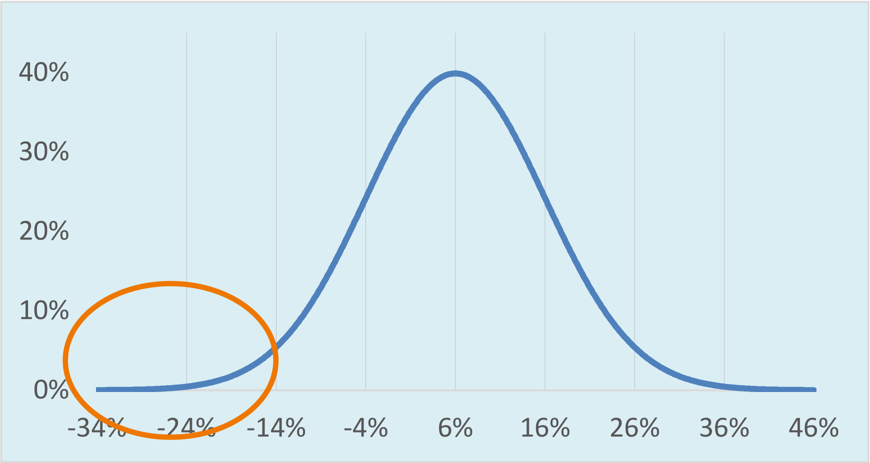
Common measurements of risk continued

- Liquidity Coverage Ratio tests can be helpful in evaluating liquidity risk in different timeframes.

Common measurements of risk continued

Tail Risk

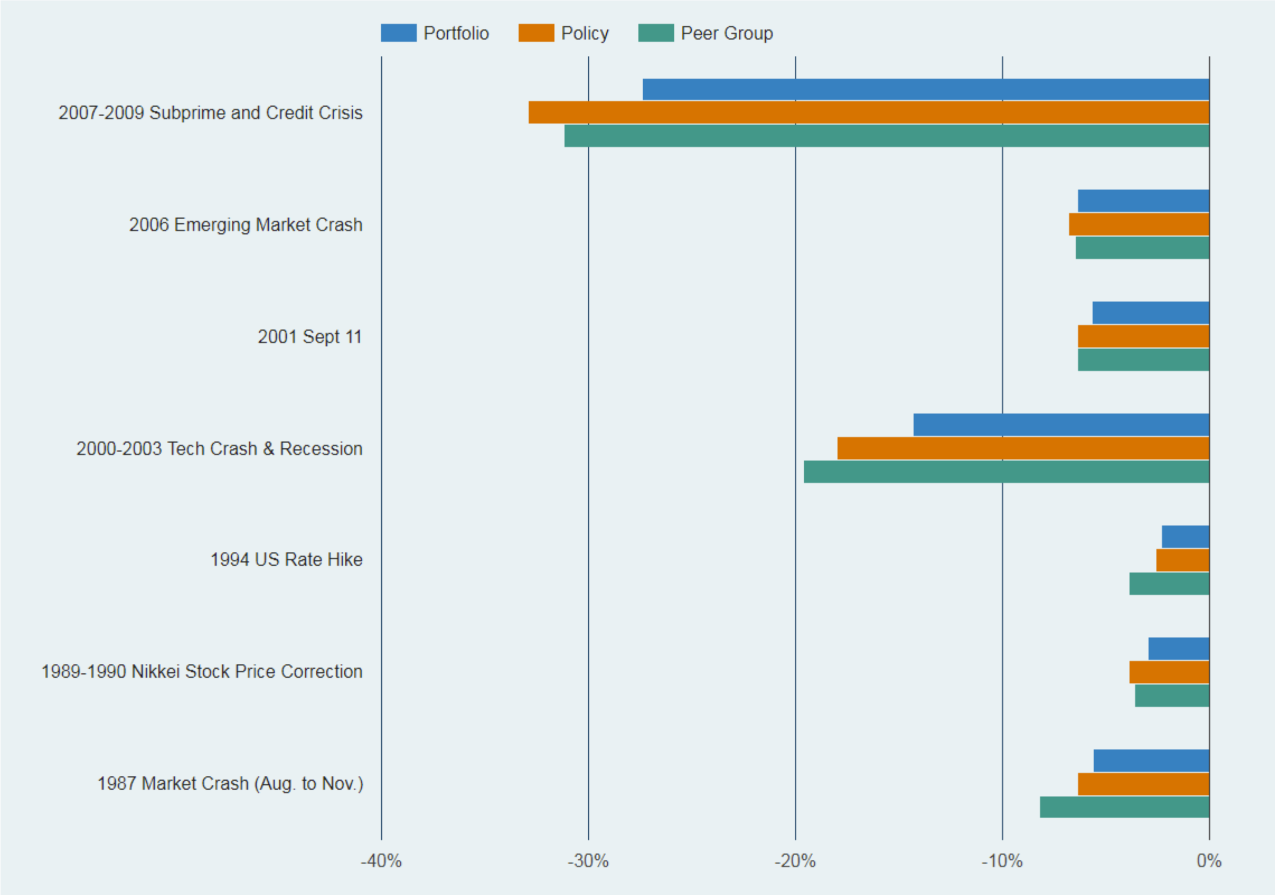
- Tail Risk is quantification of 'left tail' extreme events and impact on the portfolio.
- Tail-risk measures both the probability and expected returns of a significant loss.
- Also can be referred to as "Value-at-Risk" or VaR, Value at Risk is a statistic that quantifies the extent of possible financial losses a specific time frame
  - Typically indicates the level of loss in a 5th percentile (1 in 20) worst case type event
  - Timeframe for measurement is typically short term (1 year)



Common measurements of risk continued

Drawdown Risk

- Drawdown risk in a measure of both returns and time over which an investment experienced a decline in value from a peak to a trough.
- It is based on actual historical results. Drawdown is typically measured in percentage terms with notation of when the drawdown occurred. The recovery period from the drawdown is also frequently provided.
- Drawdown metrics capture results from the past. Exact historical conditions do not repeat exactly, so future results may be better or worse than drawdown metrics would show. Additionally, recovery periods from a drawdown should be expected to vary significantly.



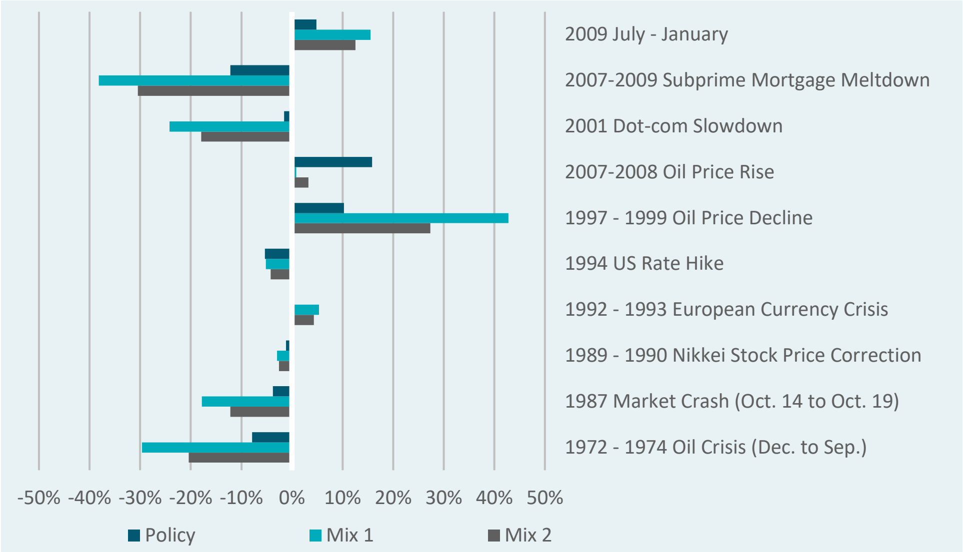
Scenario analysis and stress testing

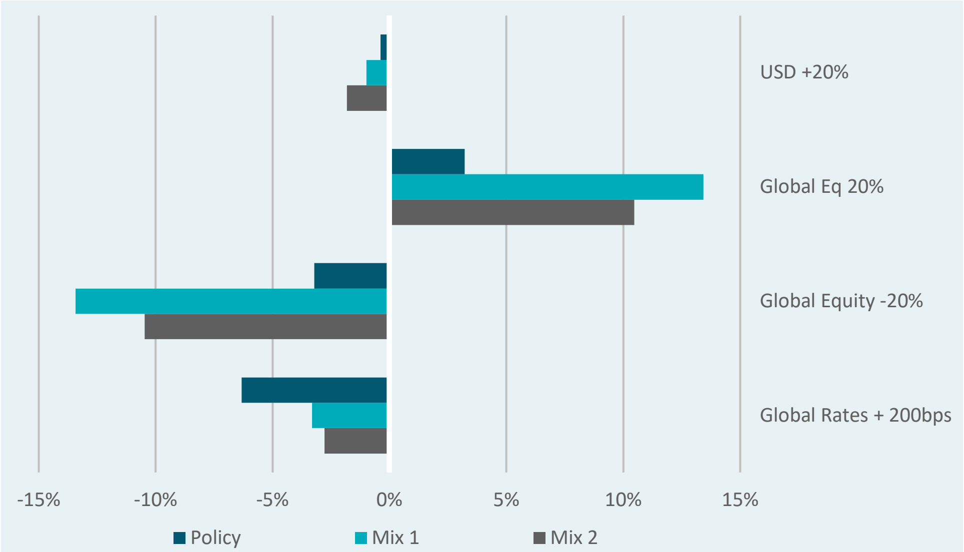
— In Verus' scenario analysis tool, factor shocks are used to calculate portfolio performance in times of financial stress such as the 2008 financial crisis or the 2001 tech bubble

— Verus' stress test tool uses a proprietary model to instantly shock portfolio risk factors and determine how a portfolio is expected to have performed

Purpose

— Examine risk in a portfolio by looking at how a portfolio would have performed during historical periods of market stress or how a portfolio might be expected to perform if certain factors were shocked





For illustrative purposes only

In conclusion…

- The future is uncertain
- Taking risk is needed to achieve return
- The amount of risk that a board is willing to take to earn return is specific to each entity
- Key to risk management is:
  - Know where we are taking risk
  - Measure risks to the extent we can
  - Ensure we are properly compensated for the risk we take

Notices & disclosures

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PERSPECTIVES THAT DRIVE ENTERPRISE SUCCESS

APRIL 2024

Public Equity Market Education

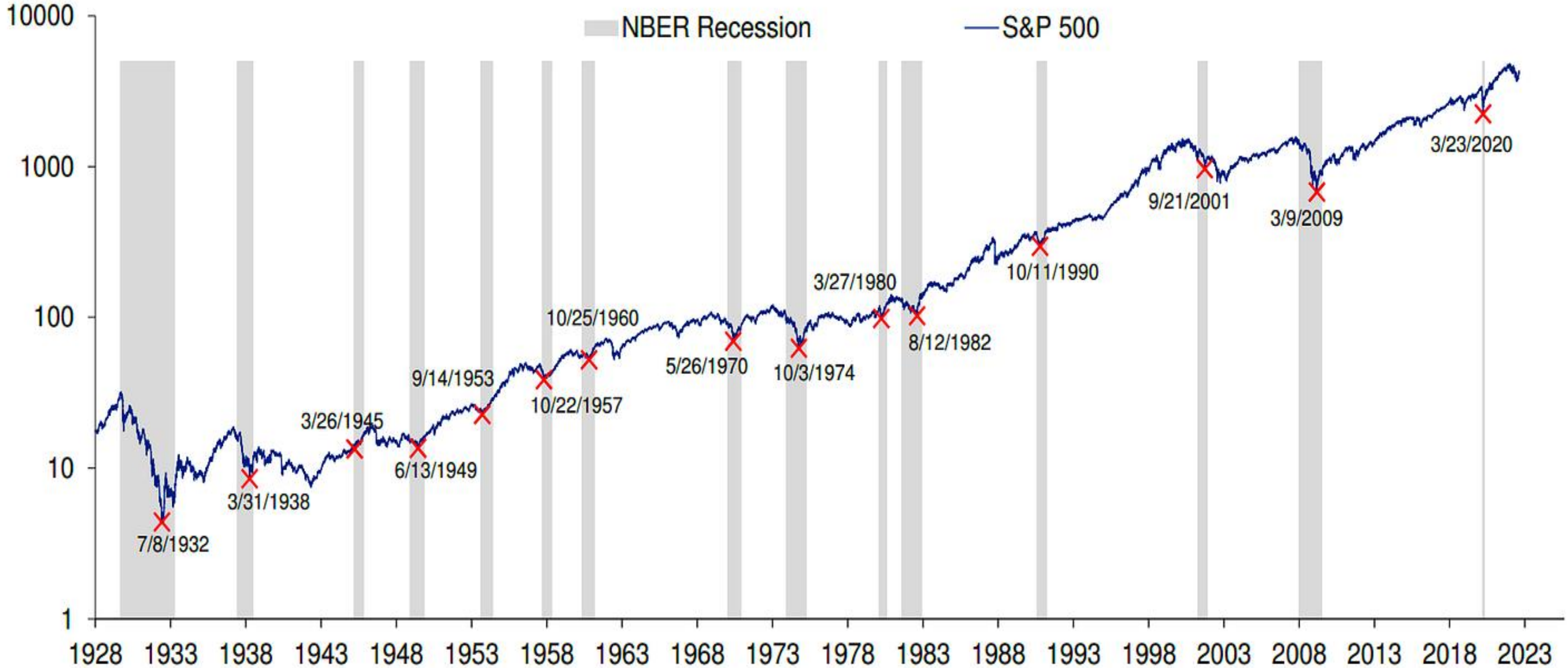
South Carolina RSIC

What is a stock?

- A stock is a security that represents a fraction of ownership of a company.
- Stocks are issued by companies to raise capital to fund new projects, grow the company, or for financing purposes. When the corporation issues new shares, it does so in exchange for capital. This is referred to as the primary market.
- Stocks can be purchased from other shareholders in the secondary market. Stocks are typically bought and sold on stock exchanges, such as the Nasdaq or the New York Stock Exchange (NYSE).
- A stock's price theoretically reflects the collective market view on all future expected free cash flows to the company and how much the market is willing to pay for those cash flows.
- Stocks differ from bonds in several ways.
  - Stockholders typically have voting rights and receive any dividends that are paid out.
  - Bondholders are creditors to the company, and creditors are given legal priority over other stakeholders in the event of a bankruptcy. Shareholders are the last to be repaid in the event of bankruptcy.

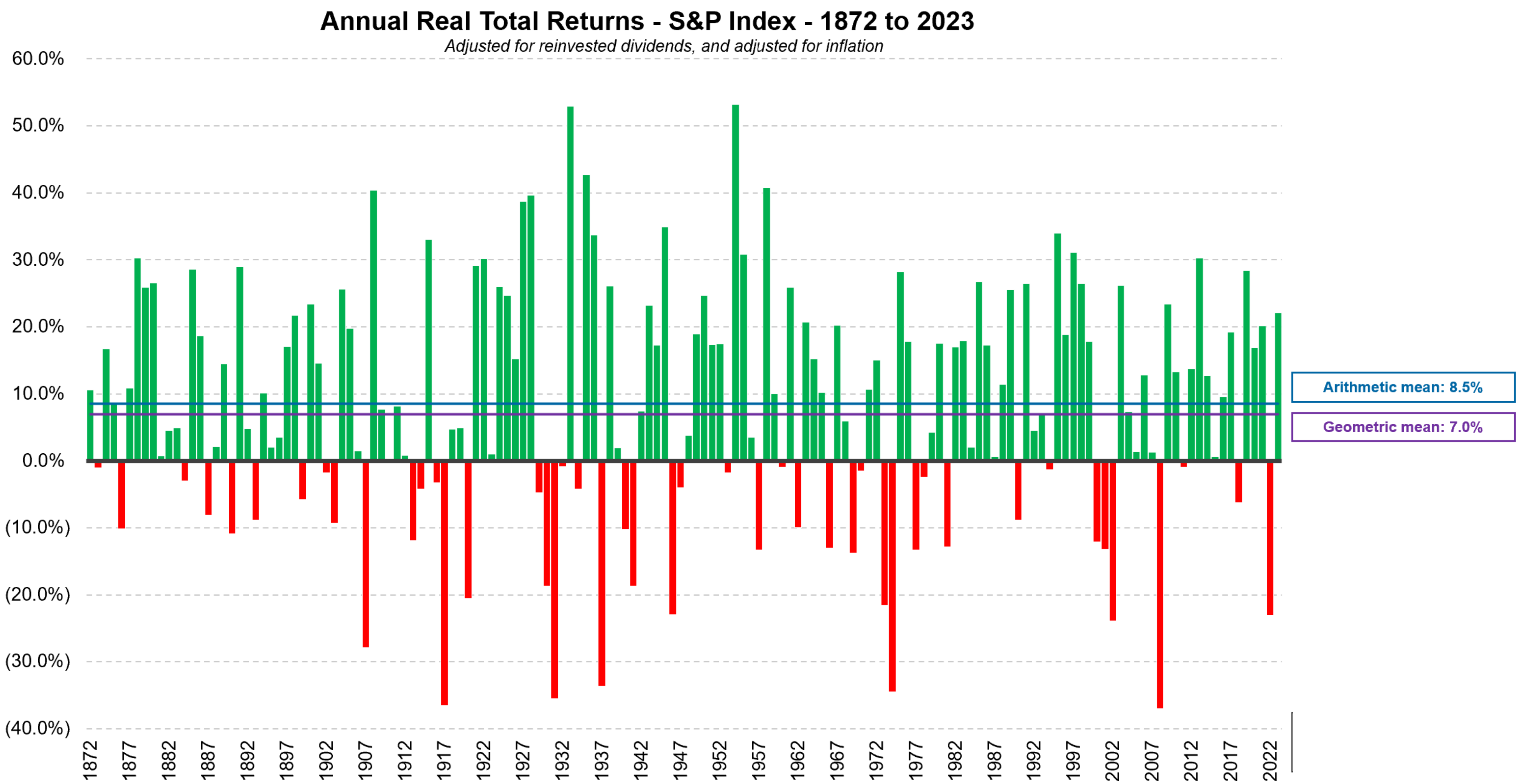
Long Term History of US Stock Market

Daily S&P 500 Index since 1928 (in log scale), alongside recessions and bottoms (red crosses)

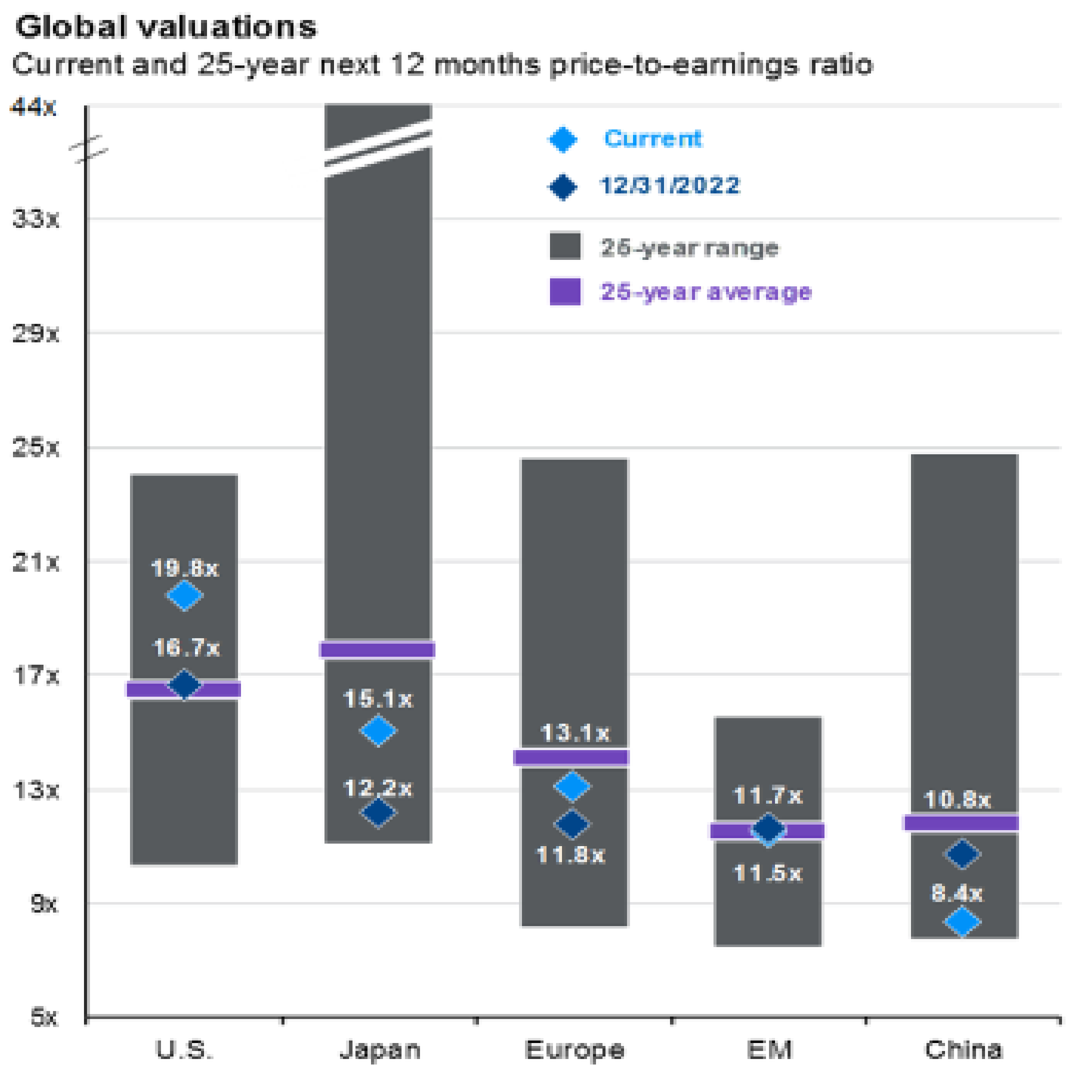


Source : Bloomberg Finance LP, NBER, Deutsche Bank

Long Term Returns of US Equity Market



Current equity market valuations (P/E basis)

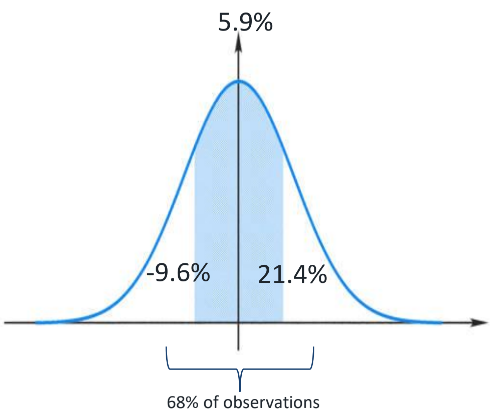


Data as of 12/31/2023

Expected Return and Risk of Equity Markets

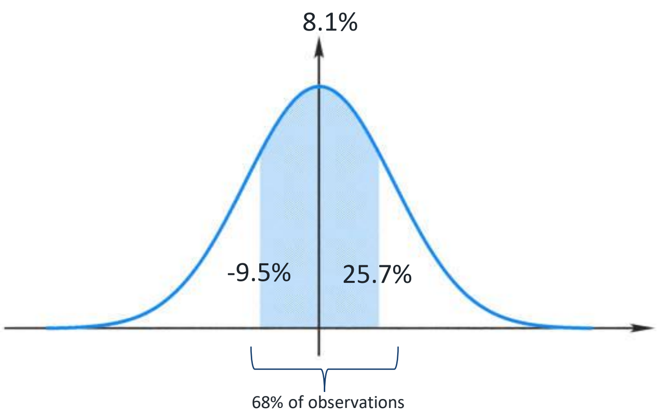
US Large Cap

Expected Return= 5.9%
Risk (std deviation) = 15.5%



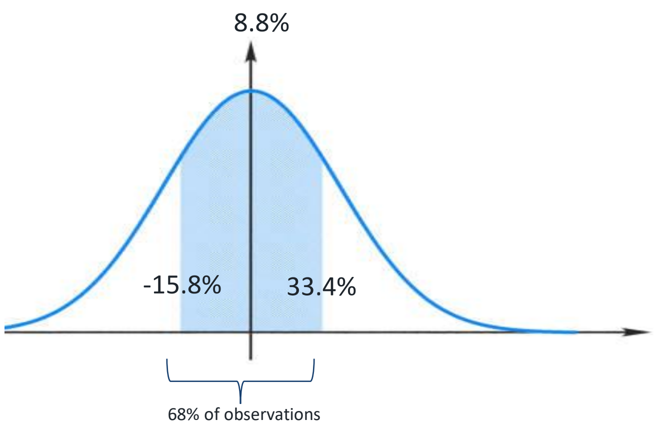
Developed International

Expected Return= 8.1%
Risk (std deviation) = 17.6%



Emerging Markets

Expected Return= 8.8%
Risk (std deviation) = 24.6%

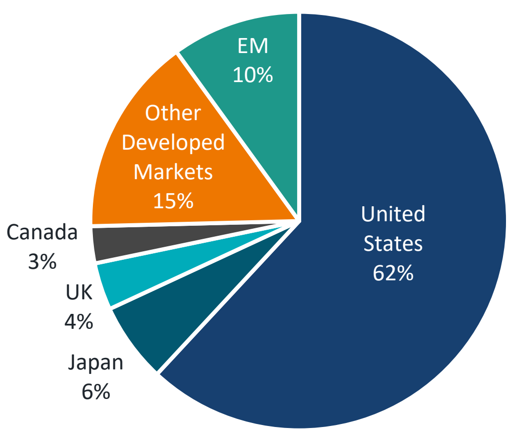


Data as of 12/31/2023

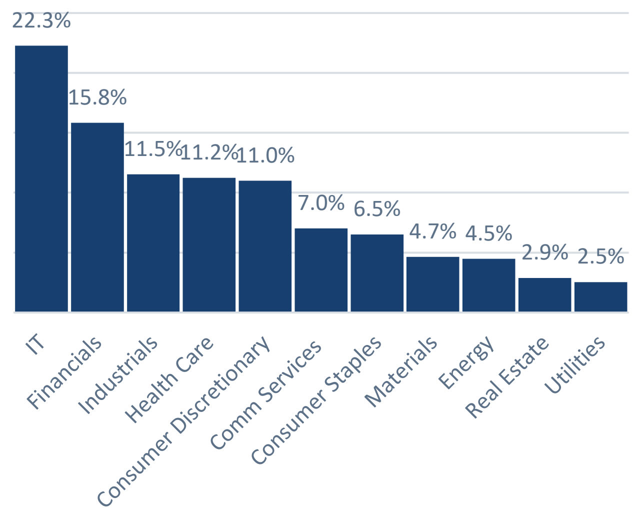
Global stock market opportunity set

The MSCI ACWI Investable Market Index (IMI) captures large, mid and small cap representation across 23 developed markets and 24 emerging markets countries. It is comprised of 9,070 constituents and represents approximately 99% of the global equity investment opportunity set.

Geographical Distribution



Sector Distribution



Market Capitalization	($ in M)
Index	75,902,955.66
Average	8,368.57
Median	1,101.05
Largest	2,882,952.38
Smallest	16.3

TOP 10 CONSTITUENTS

	Float Adj Mkt Cap (USD Billions)	Index Wt. (%)	Sector
APPLE	2,882.95	3.80	Info Tech
MICROSOFT CORP	2,806.23	3.70	Info Tech
NVIDIA	1,519.72	2.00	Info Tech
AMAZON.COM	1,441.18	1.90	Cons Discr
META PLATFORMS A	867.12	1.14	Comm Srvcs
ALPHABET A	831.21	1.10	Comm Srvcs
ALPHABET C	740.32	0.98	Comm Srvcs
TESLA	535.01	0.70	Cons Discr
BROADCOM	523.67	0.69	Info Tech
LILLY (ELI) & COMPANY	520.94	0.69	Health Care
Total	12,668.36	16.69	

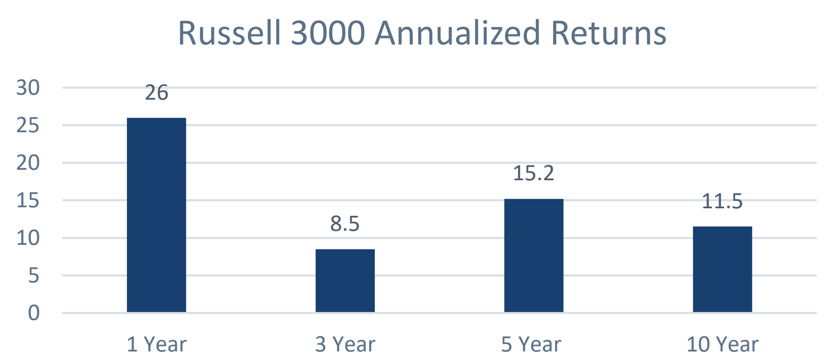
Data as of 12/31/2023

US equities

ROLE

- Provide ownership in public companies. Returns earned through dividend payments and price appreciation of underlying stock.
- Equities act as a primary driver of portfolio returns.
- A diversified basket of public equities may provide exposure to broad economic growth and can be used to cover future unfunded pension liabilities.

RETURN DRIVERS	RISKS
+ Inflation	Market risk
+ Dividend yield	Higher interest rates
+ Real earnings growth	Sensitivity to economic growth
+/- Change in valuations (Price/Earnings ratio)	
= Expected nominal return	



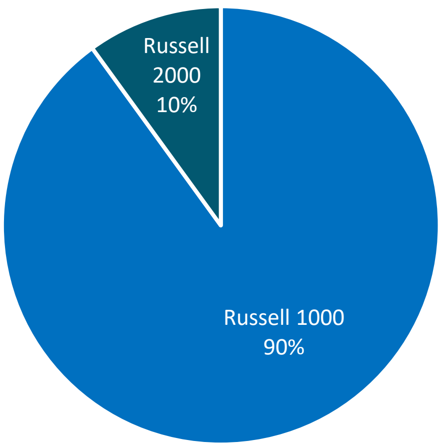
	US LARGE Correlation	US SMALL Correlation
US Large Equity	1.0	0.9
US Small Equity	0.9	1.0
Intl Dev Equity	0.9	0.8
US Treasury	-0.3	-0.4
US Core	0.0	-0.1
High Yield	0.8	0.7
Inflation	0.0	0.1

Data as of 12/31/2023

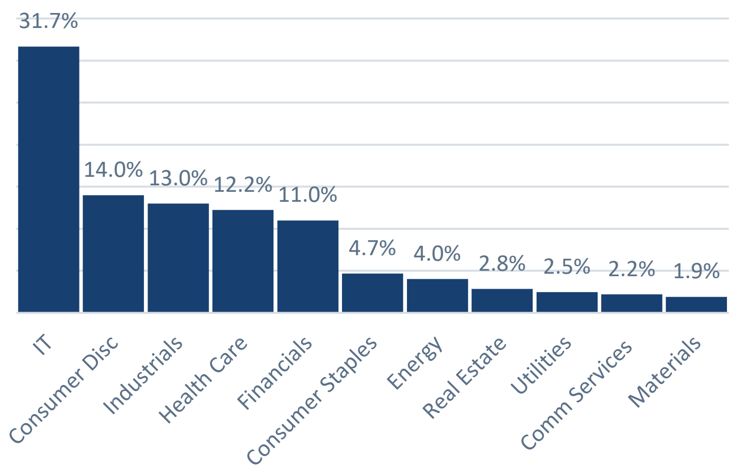
US Equity stock market

The Russell 3000® Index measures the performance of the largest 3,000 US companies representing approximately 96% of the investable US equity market.

Market Cap Distribution



Sector Distribution



Market Capitalization	($ in M)
Average	653,883,000
Median	2,120,000
Largest	2,965,201,000

TOP 10 CONSTITUENTS

AAPL	APPLE INC	Information Technology	Equity	$761,994,078.82	6.10
MSFT	MICROSOFT CORP	Information Technology	Equity	$751,110,568.88	6.01
AMZN	AMAZON COM INC	Consumer Discretionary	Equity	$367,394,718.50	2.94
NVDA	NVIDIA CORP	Information Technology	Equity	$315,811,698.40	2.53
GOOGL	ALPHABET INC CLASS A	Communication	Equity	$222,791,301.62	1.78
META	META PLATFORMS INC CLASS A	Communication	Equity	$210,124,460.44	1.68
GOOG	ALPHABET INC CLASS C	Communication	Equity	$189,848,776.02	1.52
TSLA	TESLA INC	Consumer Discretionary	Equity	$184,003,167.20	1.47
BRKB	BERKSHIRE HATHAWAY INC CLASS B	Financials	Equity	$175,284,480.26	1.40
LLY	ELI LILLY	Health Care	Equity	$132,398,619.60	1.06

Data as of 12/31/2023

International developed equities

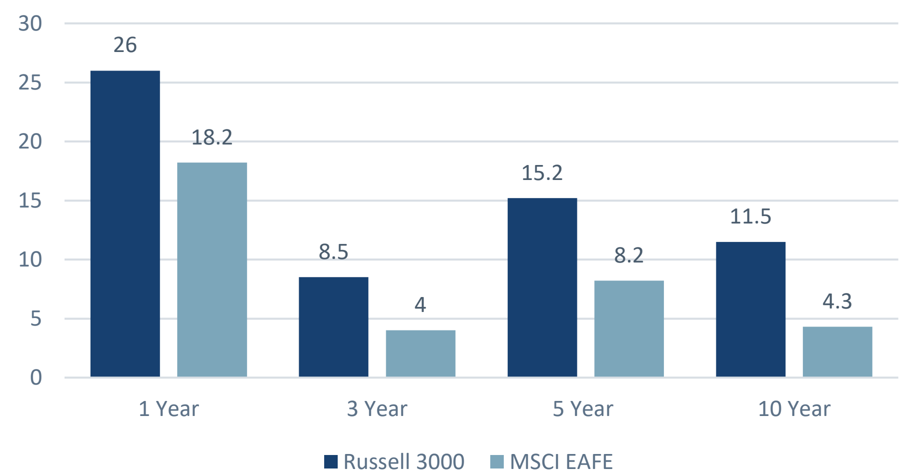
ROLE

— Provide ownership in public companies. Returns earned through dividend payments and price appreciation of underlying stock. Equities act as a primary driver of portfolio returns.

— International equities may provide exposure to broad economic growth in underlying countries.

— International equity may provide some diversification within a broader equity portfolio while providing equity risk exposure.

RETURN DRIVERS	RISKS
+ Inflation	Market risk
+ Dividend yield	Higher interest rates
+ Real earnings growth	Sensitivity to economic growth
+/- Change in valuations (Price/Earnings ratio)	Currency volatility
= Expected nominal return	



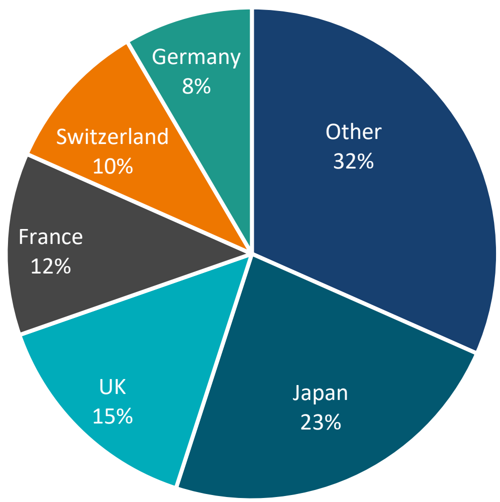
	INTL (UNHEDGED) Correlation
Intl Developed Equity	1.0
Intl Small Equity	1.0
EM Equity	0.8
Global Equity	1.0
US Core	0.0
Global Sovereign ex-US	0.3

Data as of 12/31/2023

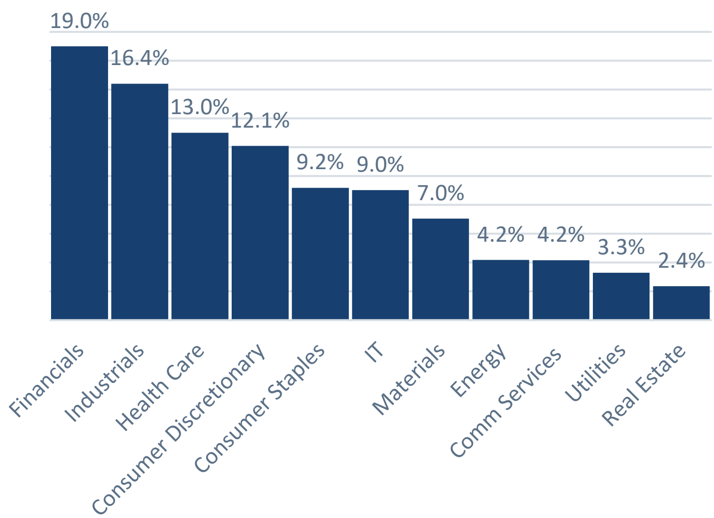
Developed International Equity Market

The MSCI EAFE Index is an equity index with large and mid cap representation across 21 Developed Markets countries, excluding the US and Canada. With 783 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

Geographical Distribution



Sector Distribution



Market Capitalization	($ in M)
Index	16,269,359.23
Average	20,778.24
Median	1,101.05
Largest	9,202.38
Smallest	1,393.57

TOP 10 CONSTITUENTS

	Country	Float Adj Mkt Cap (USD Billions)	Index Wt. (%)	Sector
NOVO NORDISK B	DK	368.48	2.26	Health Care
ASML HLDG	NL	349.54	2.15	Info Tech
NESTLE	CH	306.76	1.89	Cons Staples
LVMH MOET HENNESSY	FR	232.04	1.43	Cons Discr
TOYOTA MOTOR CORP	JP	217.64	1.34	Cons Discr
NOVARTIS	CH	213.61	1.31	Health Care
ASTRAZENECA	GB	207.24	1.27	Health Care
SHELL	GB	206.20	1.27	Energy
ROCHE HOLDING GENUSS	CH	202.37	1.24	Health Care
SAP	DE	182.39	1.12	Info Tech
Total		2,486.28	15.28	

Data as of 12/31/2023

Emerging markets equities

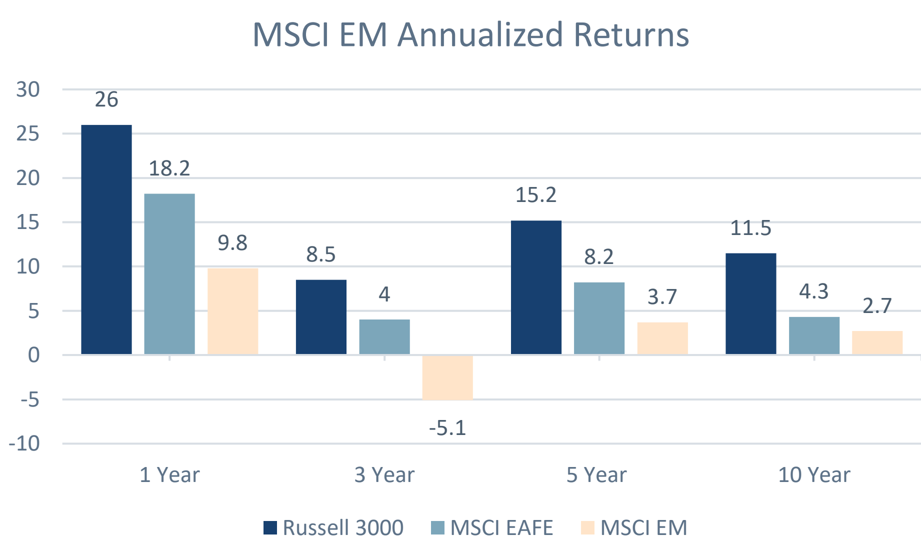
ROLE

— Provide ownership in public companies. Returns earned through dividend payments and price appreciation of underlying stock. Emerging market equities may provide exposure to economic growth in underlying countries.

— Further enhance the returns of a broader equity portfolio.

— Provide some diversification benefits within a broader equity portfolio while providing equity risk exposure.

RETURN DRIVERS	RISKS
+ Inflation	Market risk
+ Dividend yield	Higher interest rates
+ Real earnings growth	Sensitivity to economic growth
+/- Change in valuations (Price/Earnings ratio)	Currency volatility
= Expected nominal return	



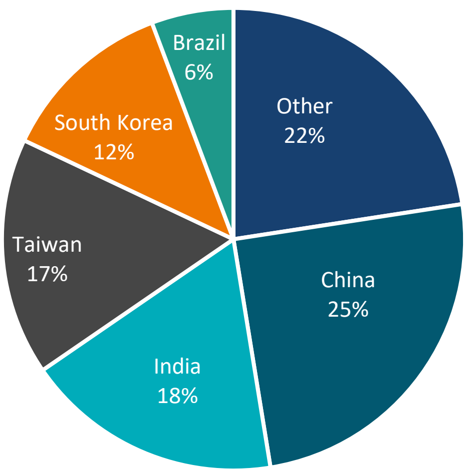
	E.M. (UNHEDGED) Correlation
EM Equity	1.0
US Large Equity	0.7
Global Equity	0.9
Commodities	0.6
Global Sovereign ex-US	0.5

Data as of 12/31/2023

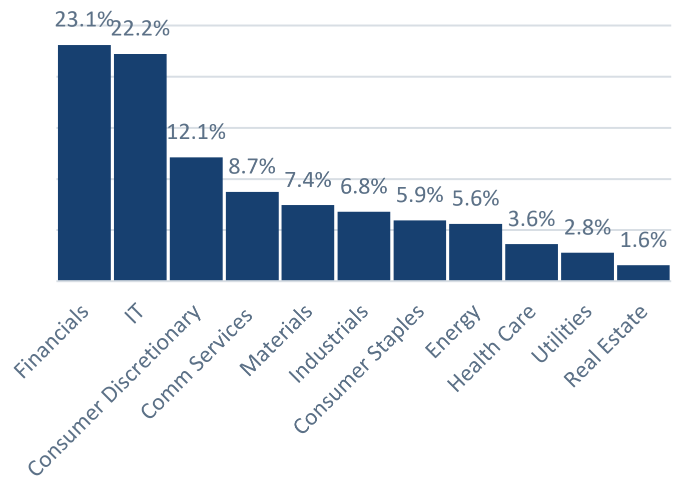
Emerging Markets

The MSCI EM Index captures large and mid cap representation across 24 Emerging Markets (EM) countries across 1,440 constituents.

Geographical Distribution



Sector Distribution



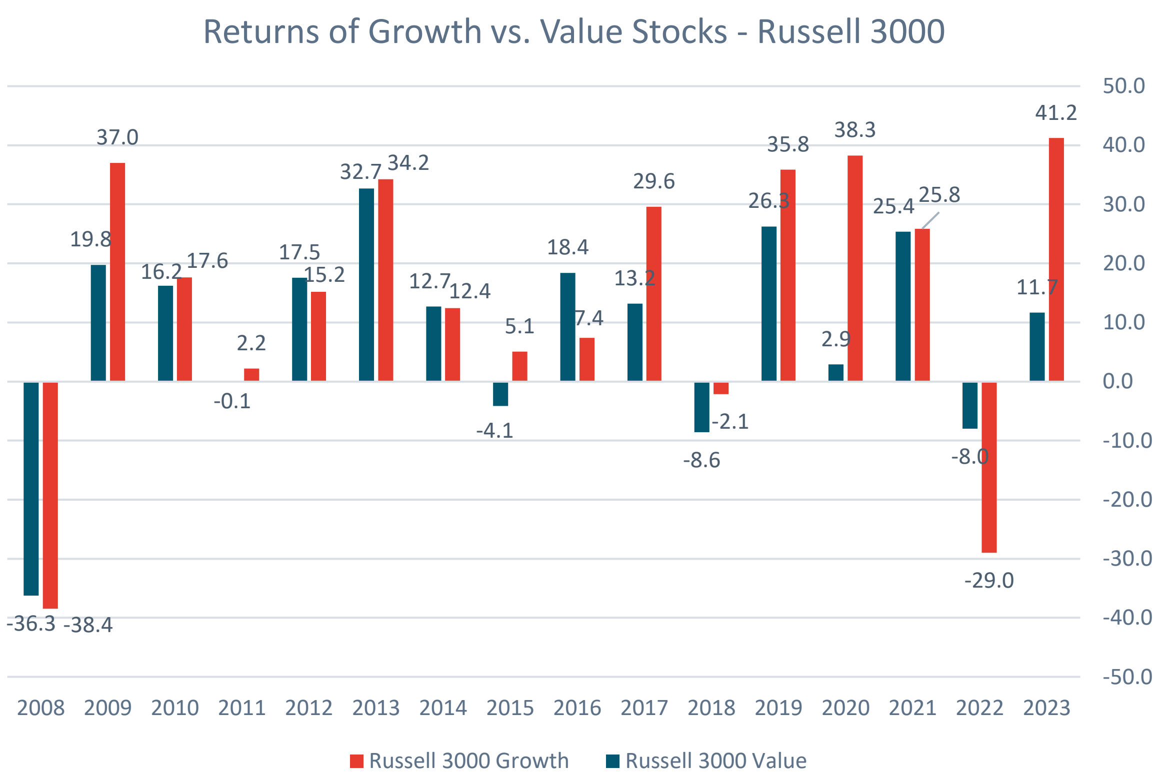
Market Capitalization	($ in M)
Index	6,736,584.18
Average	4,678.18
Median	1,731.81
Largest	494,291.40
Smallest	94.82

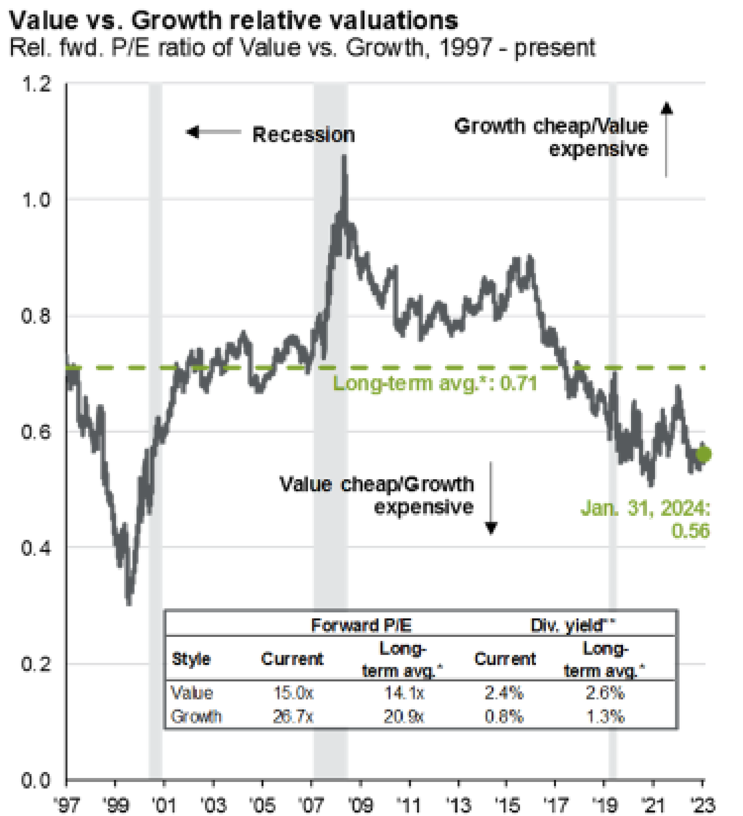
TOP 10 CONSTITUENTS

	Country	Float Adj Mkt Cap (USD Billions)	Index Wt. (%)	Sector
TAIWAN SEMICONDUCTOR MFG	TW	494.29	7.34	Info Tech
SAMSUNG ELECTRONICS CO	KR	260.15	3.86	Info Tech
TENCENT HOLDINGS LI (CN)	CN	230.86	3.43	Comm Srvcs
ALIBABA GRP HLDG (HK)	CN	144.82	2.15	Cons Discr
RELIANCE INDUSTRIES	IN	104.61	1.55	Energy
PDD HOLDINGS A ADR	CN	75.85	1.13	Cons Discr
INFOSYS	IN	66.41	0.99	Info Tech
ICICI BANK	IN	64.17	0.95	Financials
CHINA CONSTRUCTION BK H	CN	57.08	0.85	Financials
SK HYNIX	KR	55.11	0.82	Info Tech
Total		1,553.35	23.06	

Data as of 12/31/2023

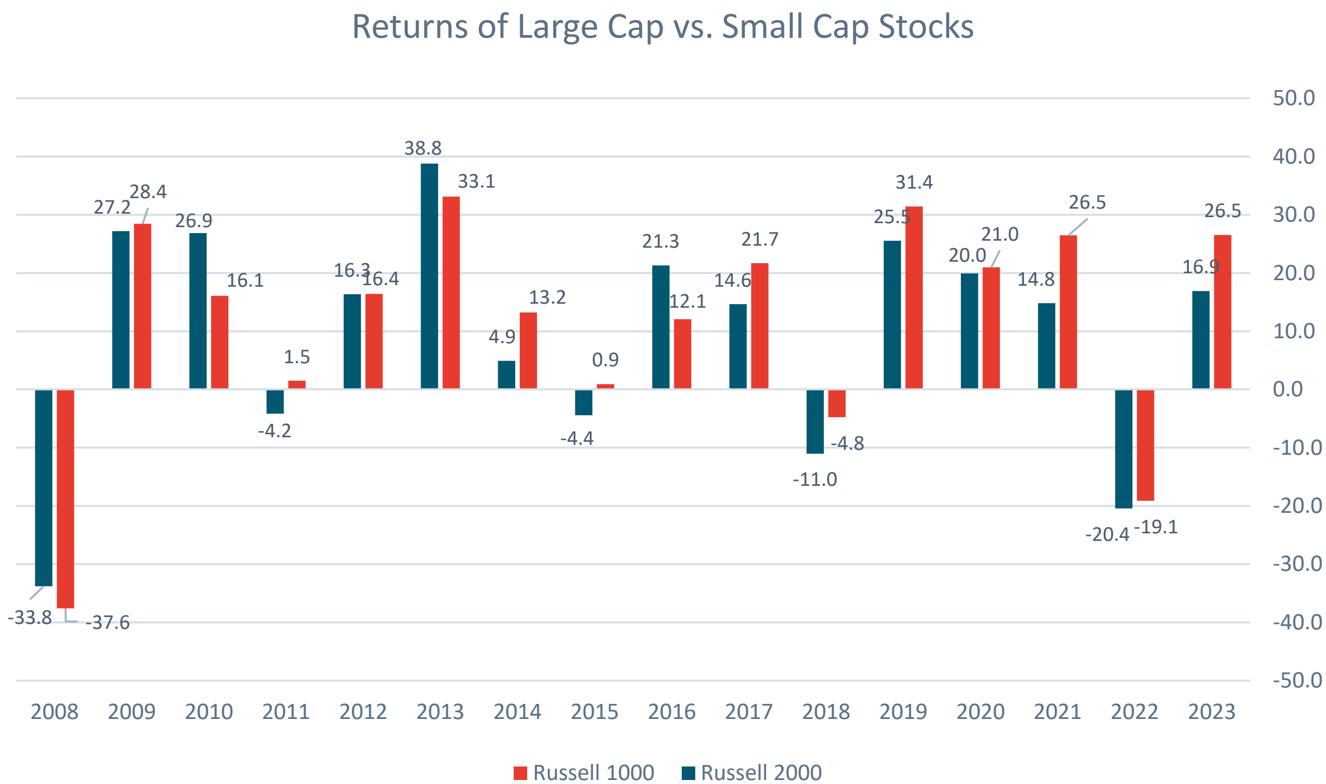
Value vs. Growth Style

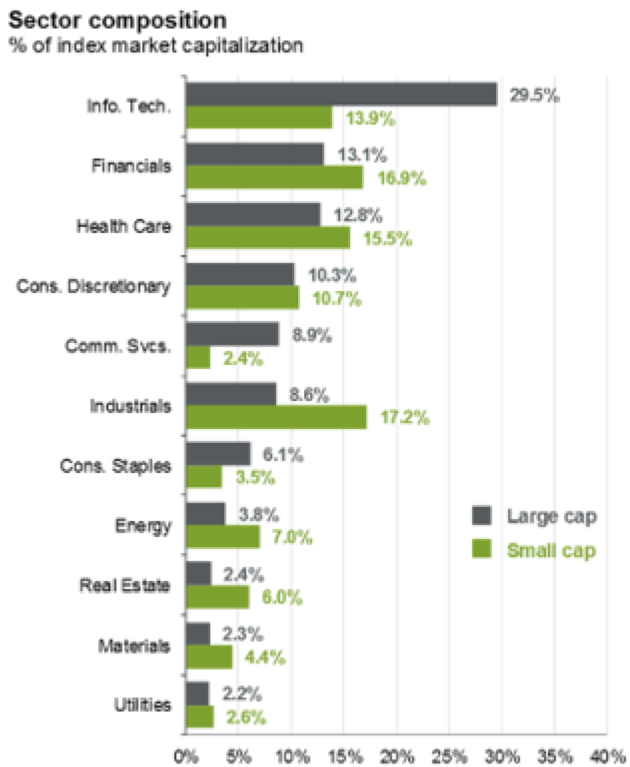




Data as of 12/31/2023

Large cap vs. Small Cap

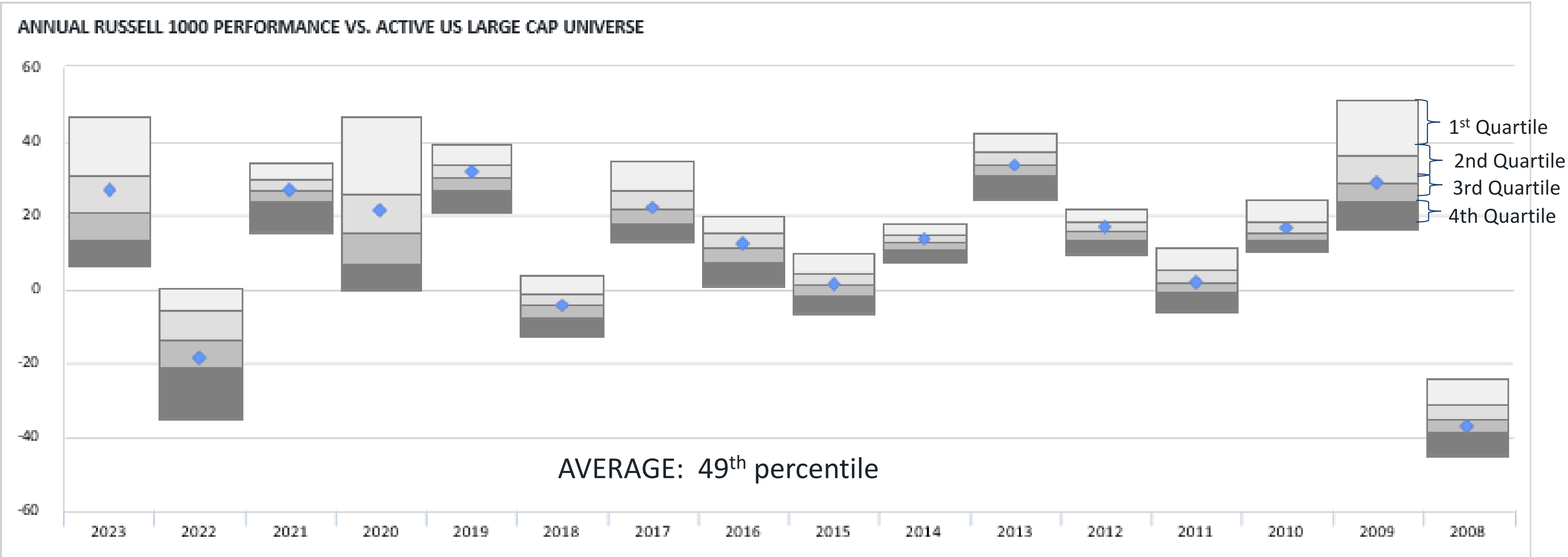




Data as of 12/31/2023

Examination of the use of active vs. passive management – US Large Cap

- The graphic below shows where the Russell 1000 index return falls within its respective universe of active large cap equity managers for each calendar year.



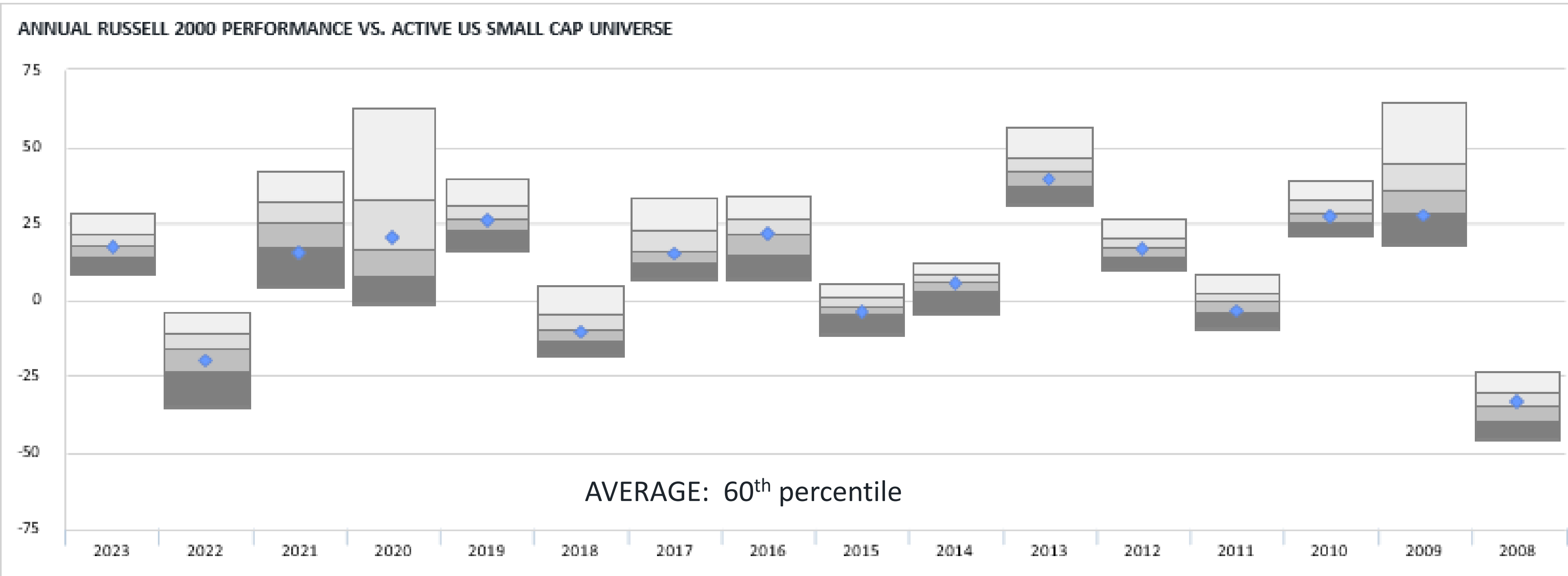
Russell 1000 Rank	34	69	51	35	39	51	48	43	49	40	53	40	51	39	51	67

	Number of years index ranks in
Top Quartile	0
2nd Quartile	9
3rd Quartile	7
Bottom Quartile	0

Data as of 12/31/2023

Examination of the use of active vs. passive management – US Small Cap

- The graphic below shows where the Russell 2000 index return falls within its respective universe of active small cap equity managers for each calendar year.



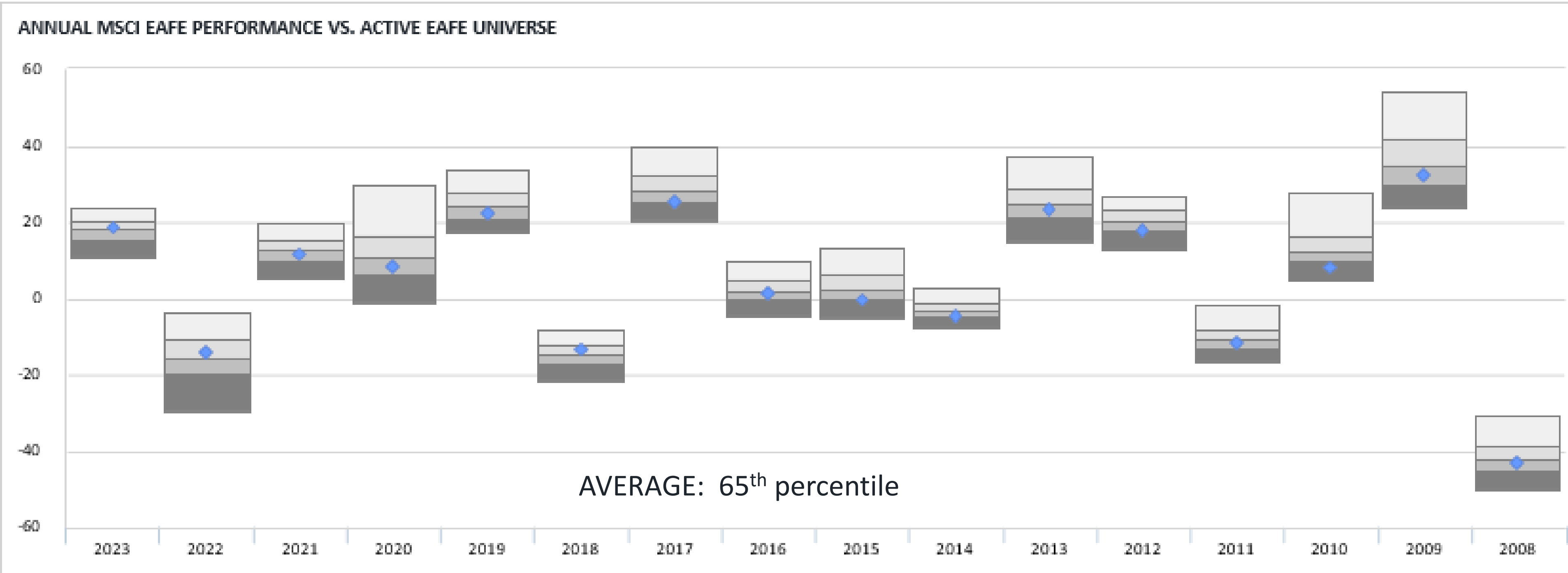
Russell 2000 Rank	56	66	80	42	54	56	46	48	68	56	65	54	74	61	79	41

	Number of years index ranks in
Top Quartile	0
2nd Quartile	4
3rd Quartile	10
Bottom Quartile	2

Data as of 12/31/2023

Examination of the use of active vs. passive management – International Developed

- The graphic below shows where the MSCI EAFE index return falls within its respective universe of active developed international equity managers for each calendar year.



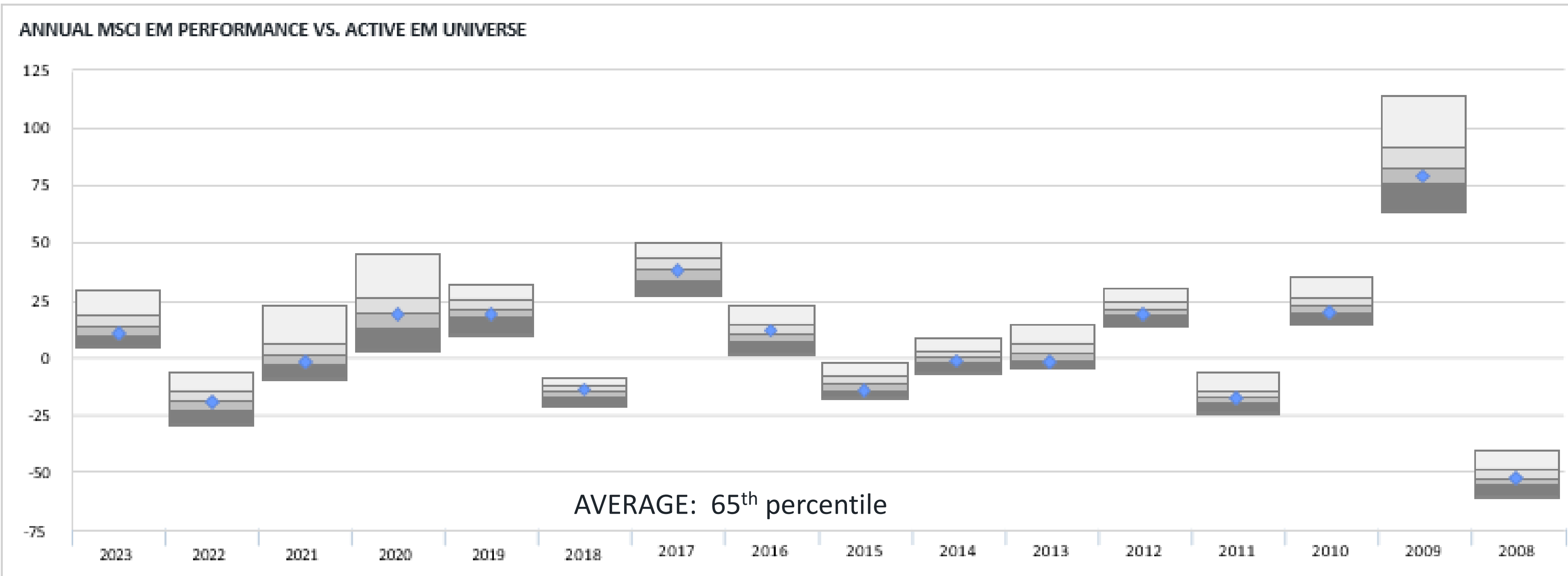
MSCI EAFE Rank	44	41	63	62	63	38	75	55	78	73	63	76	64	84	65	58

	Number of years index ranks in
Top Quartile	0
2nd Quartile	3
3rd Quartile	10
Bottom Quartile	3

Data as of 12/31/2023

Examination of the use of active vs. passive management – Emerging Markets

- The graphic below shows where the MSCI EM index return falls within its respective universe of active emerging market equity managers for each calendar year.



MSCI EM Ranking	58	64	71	51	67	42	55	44	78	72	85	74	65	75	63	51

	Number of years index ranks in
Top Quartile	0
2nd Quartile	2
3rd Quartile	12
Bottom Quartile	2

Data as of 12/31/2023

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The material may include estimates, outlooks, projections and other "forward-looking statements." Such statements can be identified by the use of terminology such as "believes," "expects," "may," "will," "should," "anticipates," or the negative of any of the foregoing or comparable terminology, or by discussion of strategy, or assumptions such as economic conditions underlying other statements. No assurance can be given that future results described or implied by any forward-looking information will be achieved. Actual events may differ significantly from those presented. Investing entails risks, including possible loss of principal. Risk controls and models do not promise any level of performance or guarantee against loss of principal.

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PERSPECTIVES THAT DRIVE ENTERPRISE SUCCESS

APRIL 2024

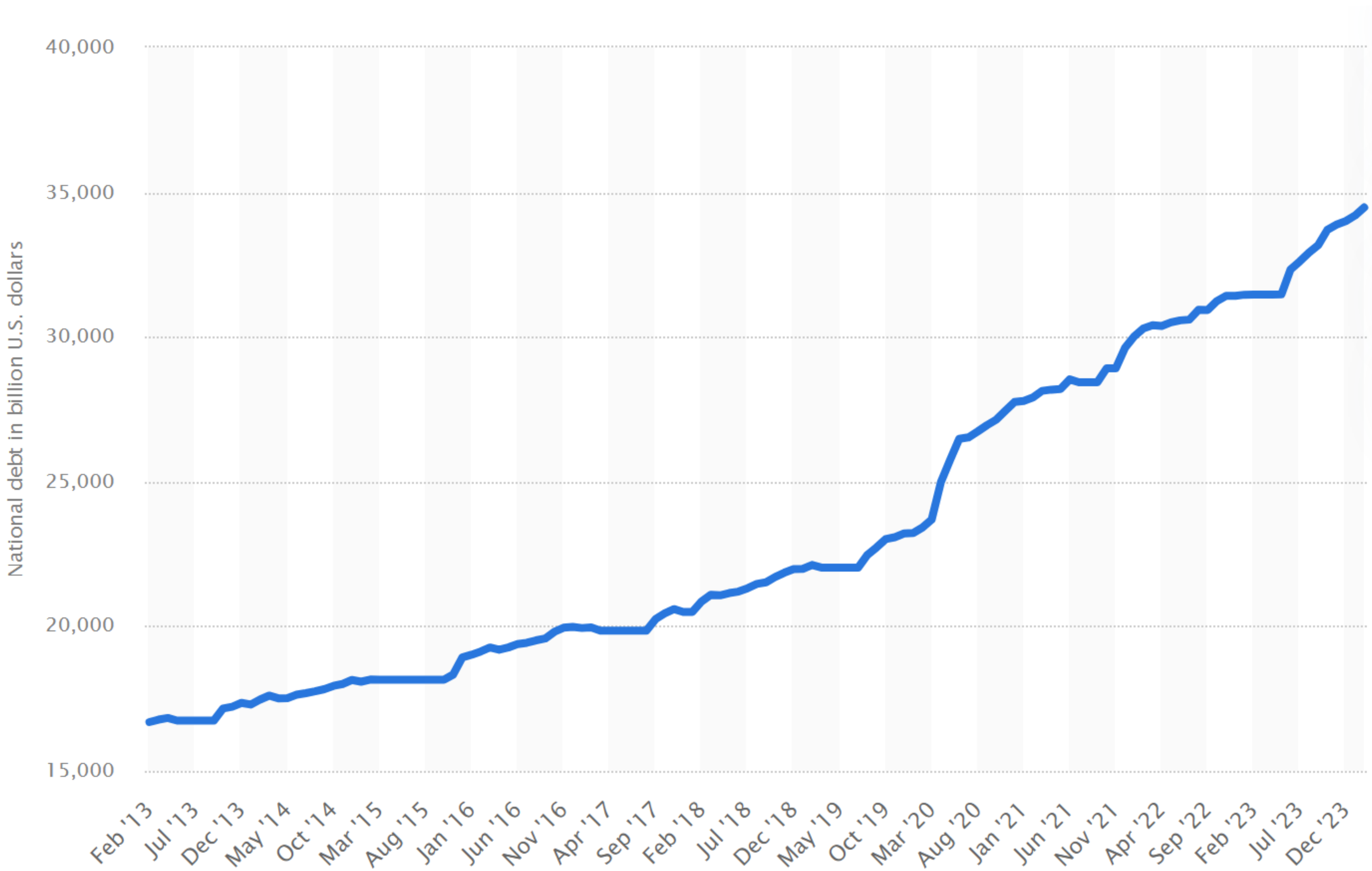
Fixed Income Education

South Carolina RSIC

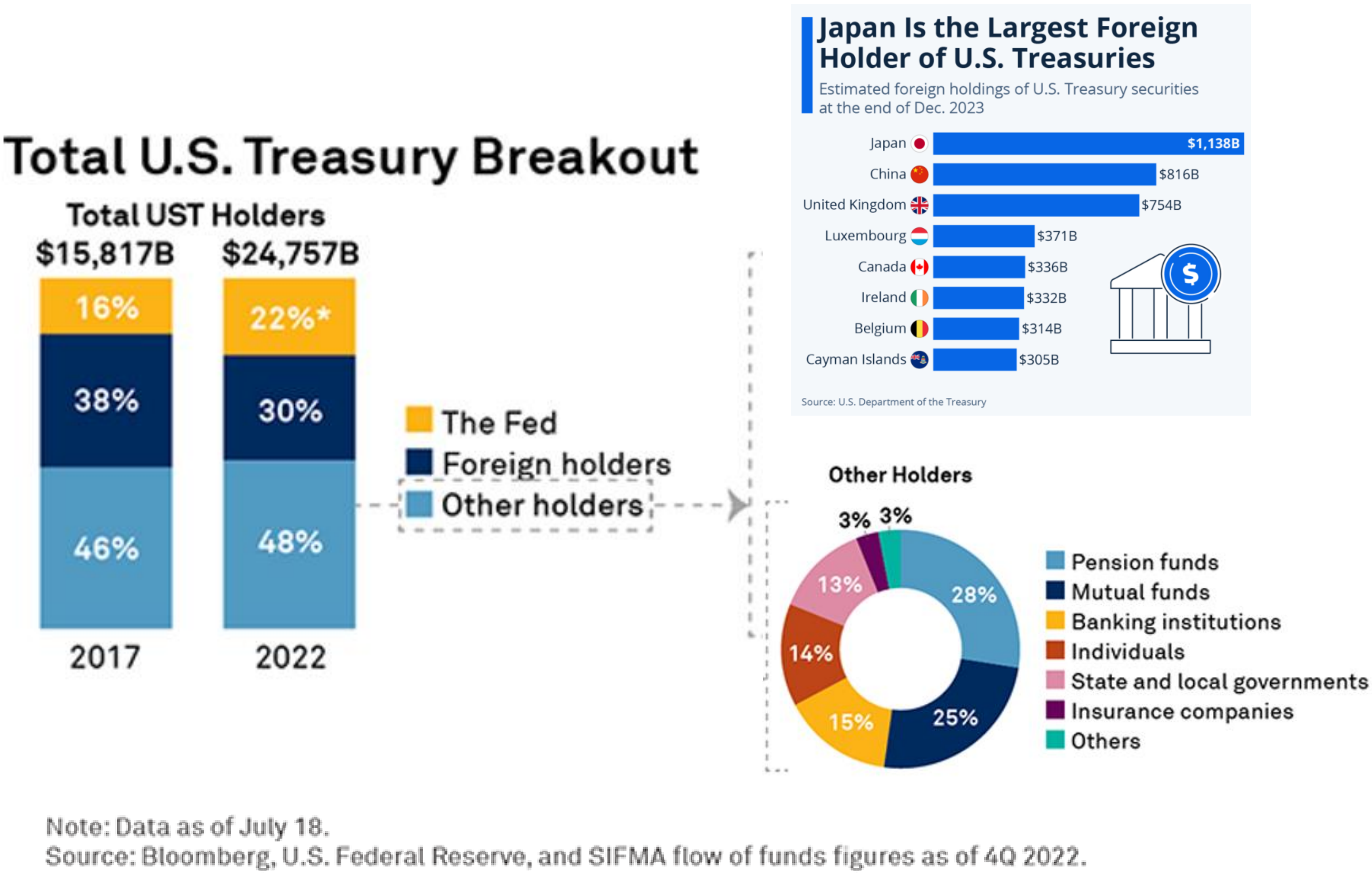
Key terms in fixed income investing

- A bond is a fixed income instrument that signifies a loan made by an investor (debtholder) to a borrower (i.e. the issuer).
- Main bond sectors:
  - *Government bonds* such as those issued by sovereign governments, such as the U.S. Treasury.
  - *Agency bonds* are those issued by government sponsored or government affiliated organizations (such as Fannie Mae or Freddie Mac).
  - *Municipal bonds* are issued by states and municipalities. Some municipal bonds offer tax-free coupon income for investors.
  - *Corporate bonds* are issued by companies (both investment grade and below investment grade).
- Key aspects of any particular bond include the end date when the principal of the loan is due (maturity date), the level of interest paid on the bond (coupon), the nature of the rate of interest on the bond (variable or fixed).
- The market price of a bond is dependent on several factors:
  - Credit quality of the issuer
  - The length of time until maturity
  - Yield compared to the general interest rate environment at the time.

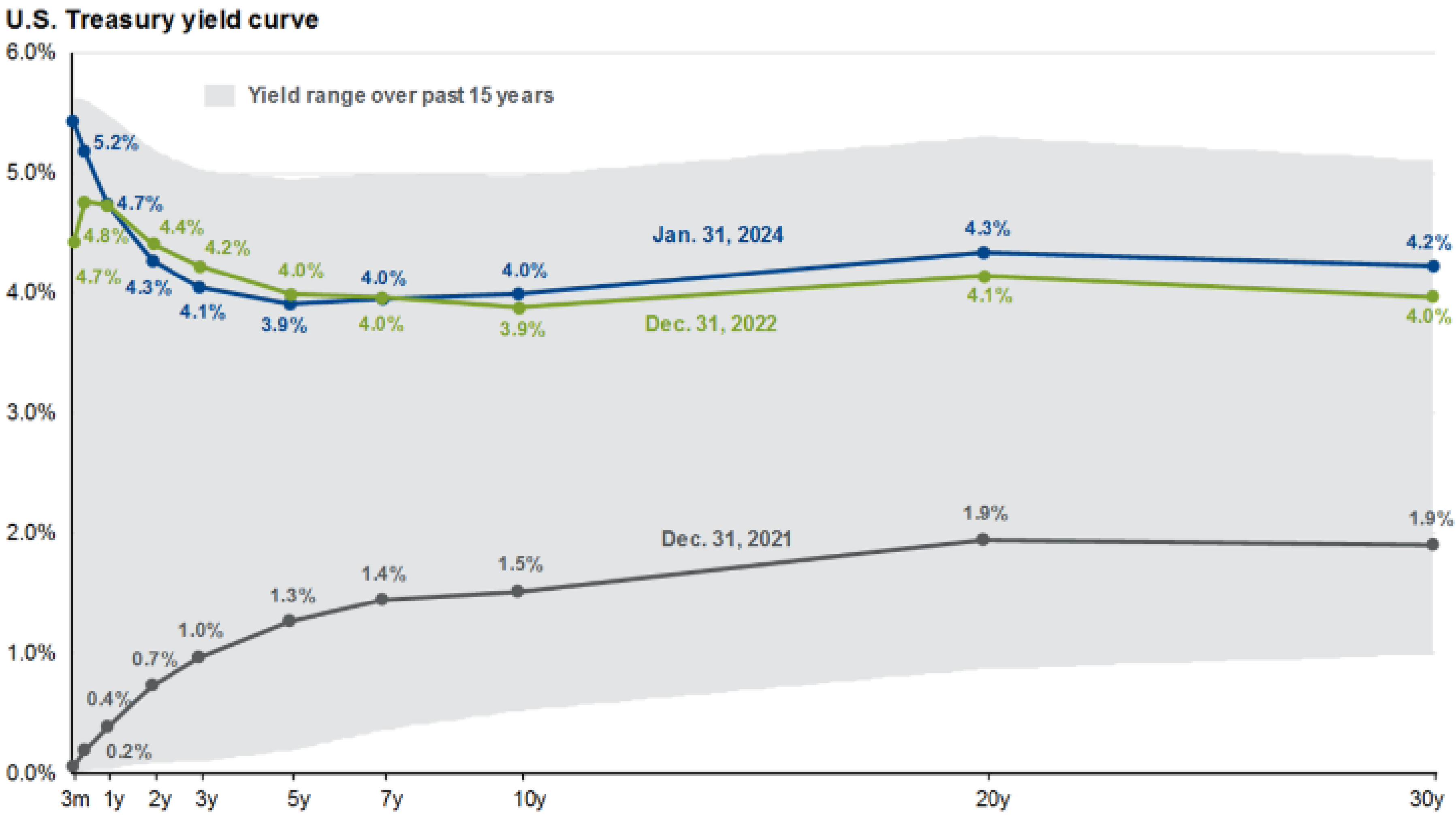
US Treasury debt as of Feb 2024



Holders of US Treasury debt



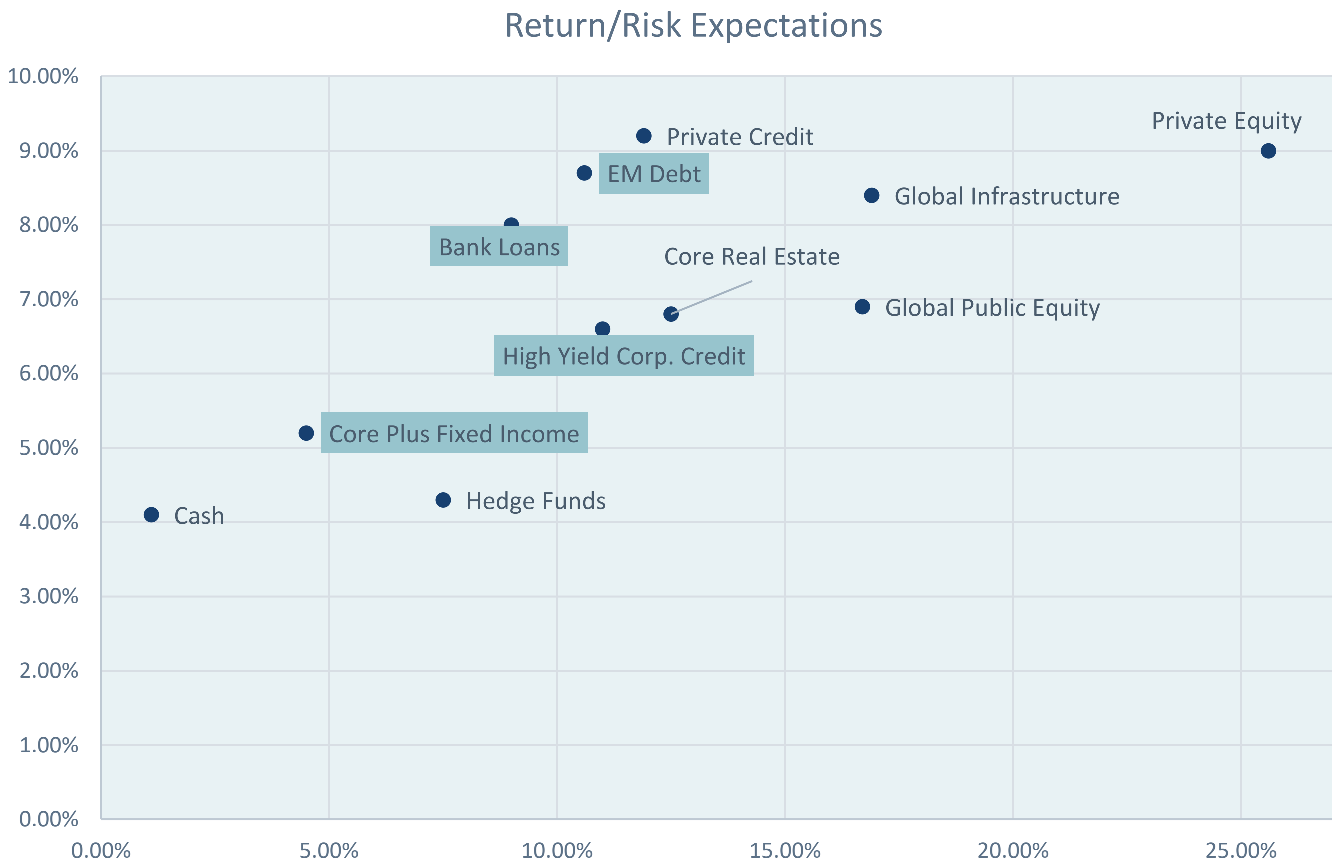
Treasury yield curve overview



Source: JP Morgan Guide to the Markets Q1 2024

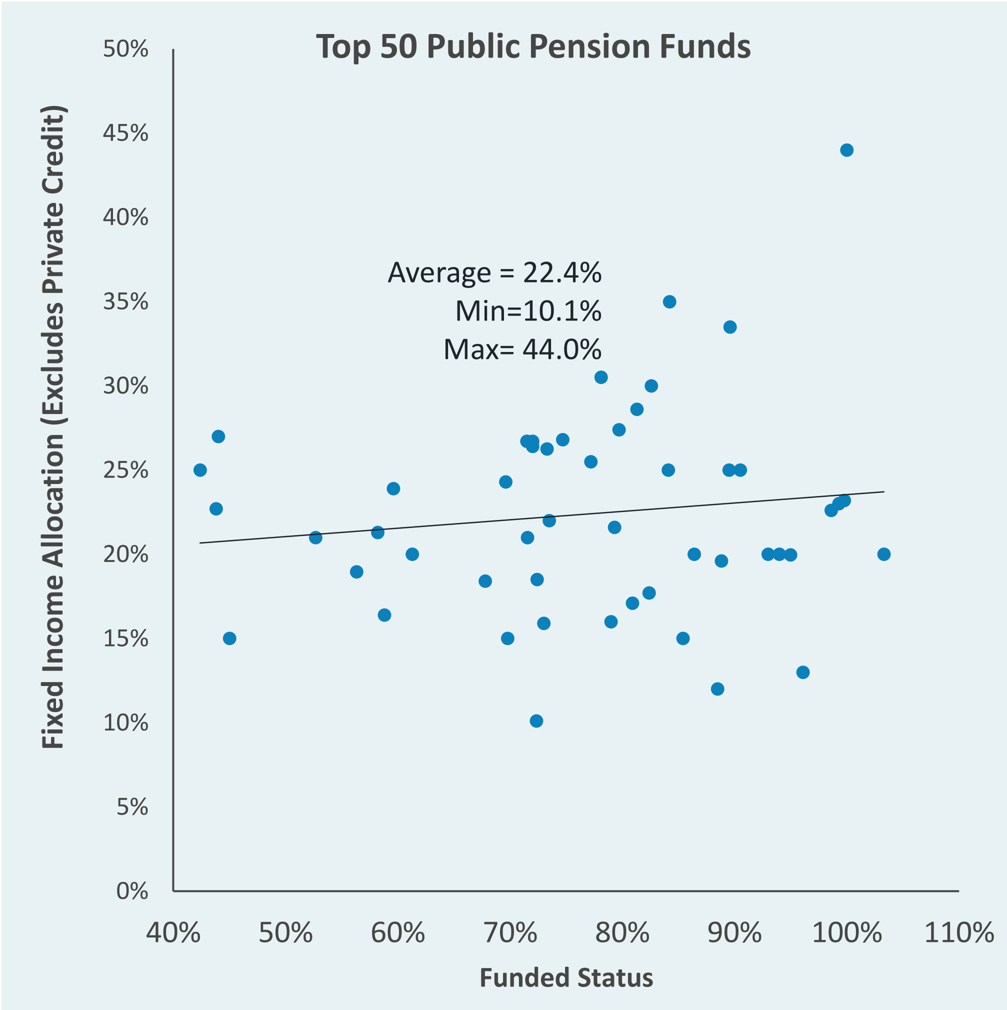
Public fixed income opportunity set

Core (Aggregate) Market Sectors	Main 'Plus' Sectors
Treasuries	High Yield Fixed Income
Mortgage-Backed Securities (MBS)	Bank Loans
Corporate Bonds (Investment Grade)	Emerging Market Debt



Peer systems' allocation to fixed income

	Primary Purpose	Secondary Role	Key Characteristics
Core Fixed Income	Risk reduction/ portfolio stability	Income	— Negative correlation to interest rates — May be correlated to economic activity in times of severe stress
Alternative Credit	Diversification	Return potential	— Liquid market includes high yield, leveraged loans, EM Debt, securitized, and other strategies — Private credit opportunities
Private Credit	Growth/Returns		— Illiquid — Highest return potential from fixed income opportunity set



Fixed Income Investing Risks

Below are the main risks associated with fixed income investing:

— Interest Rate Risk: sensitivity of bond's value (price) to changes in interest rates. This is measured by duration.

— Credit Risk: risk of default due to the creditworthiness of the issuer. The higher the risk, the more credit risk premium the investor will demand.

— Call risk: a callable bond enables the issuer to call, i.e. repay, the bond early. When a bond is called, investors theoretically reinvest at current market interest rates which are usually lower.

— Prepayment Risk: risk involved with the premature return of principal on a fixed-income security. When prepayment occurs, investors theoretically reinvest at current market interest rates which are usually lower.

- Mainly affects MBS

— Liquidity Risk: the bond market (especially the corporate bond market) can be fragmented, and the level of liquidity of any given bond may fluctuate over time.

Defining duration

— A key concept in fixed income is *duration.*

— A bonds value will rise or fall in value as interest rates change, in the inverse direction.

— Duration is a measure of a bond’s sensitivity to changes in the interest rates. Stated as a numerical value, duration is the percentage change in the value of a bond per 1% change in interest rates.

  — A bond with a duration of 6 will increase(decrease) in value by 6% with every 1% decrease(increase) in interest rates.

  — A longer duration bond with a duration of 12 will increase(decrease) in value by 12% with every 1% decrease(increase) in interest rates.

— Thus, the longer the duration, the higher the expected volatility of the bond.

Credit Ratings

Credit Ratings are forward-looking opinions about the capacity and willingness of an entity to meet its financial commitments as they come due and the relative likelihood that the issue may default.

TOP QUALITY ⟷ POOREST QUALITY

	Investment-Grade				Speculative-Grade			Distressed Debt		Defaulted
S&P	AAA	AA	A	BBB	BB	B	CCC	CC	C	D
Moody's	Aaa	Aa	A	Baa	Ba	B	Caa	Ca	C	-

Sources: Standard and Poor's, Moody's

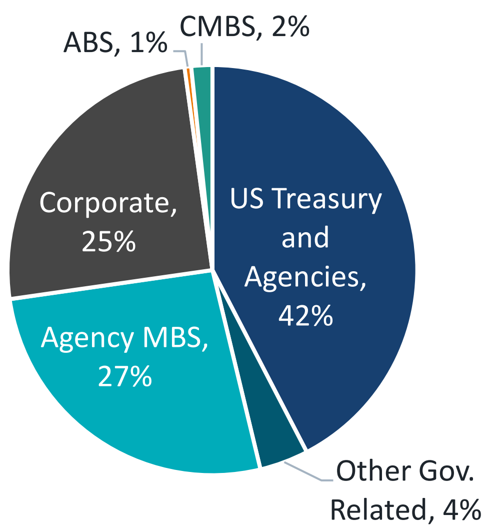
Core Fixed Income Market Characteristics

as represented by Barclays US Aggregate Index

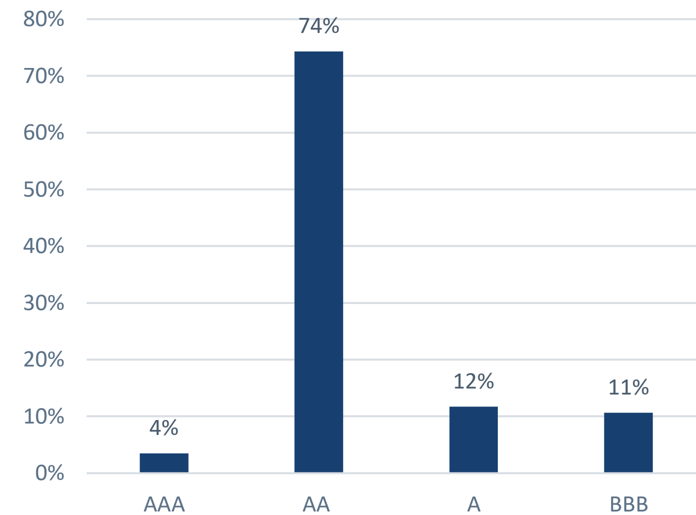
Key Characteristics

Average Duration	6.2
Yield to Maturity	4.5
Number of Holdings	13,334

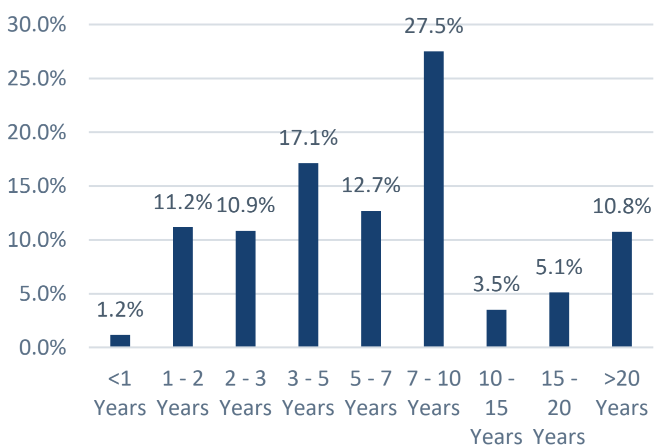
Barclays Aggregate US Aggregate Composition



Composition by Quality Rating



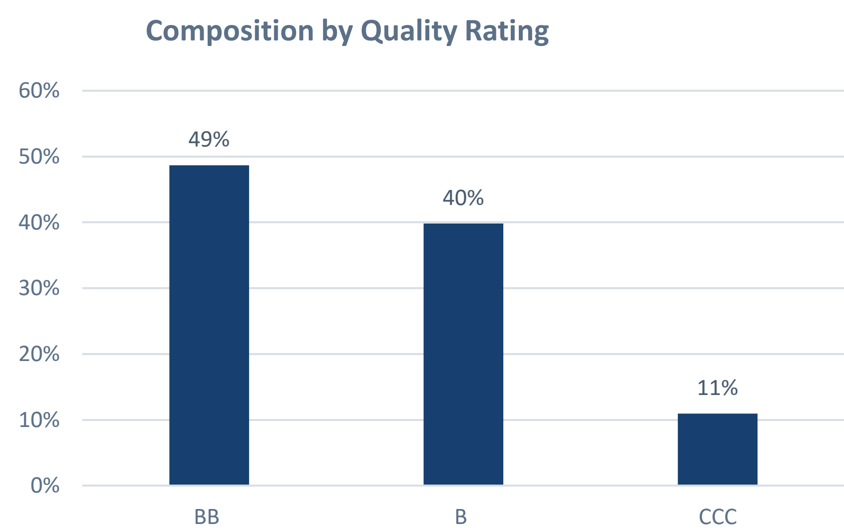
Distribution by Maturity

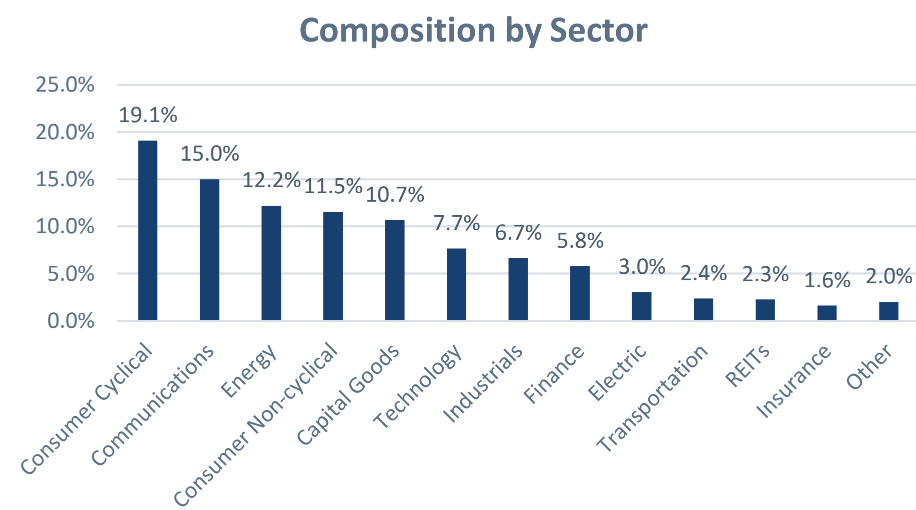


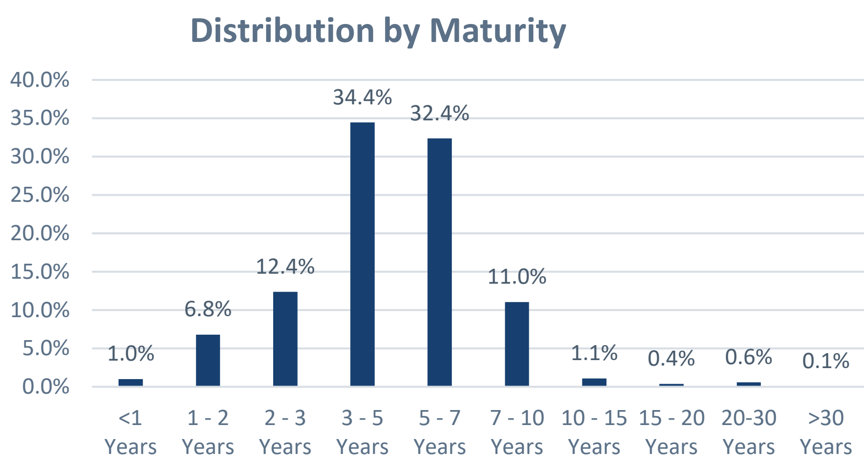
Data as of 12/31/2023

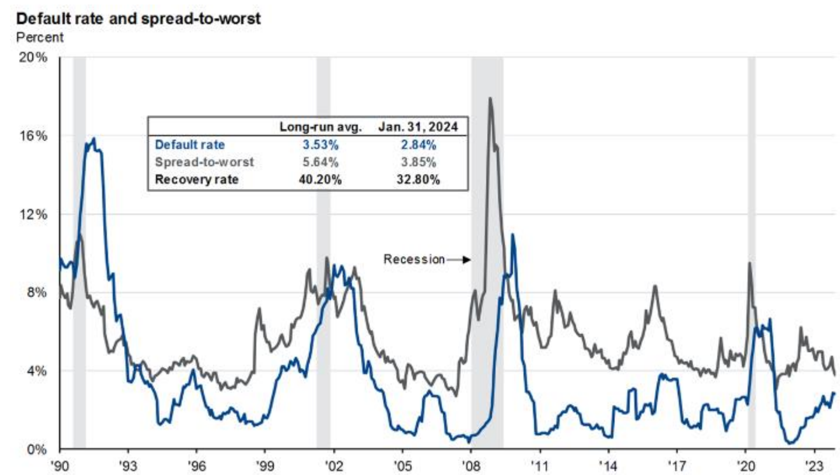
High Yield Market Characteristics

as represented by ICE BofA US High Yield Index





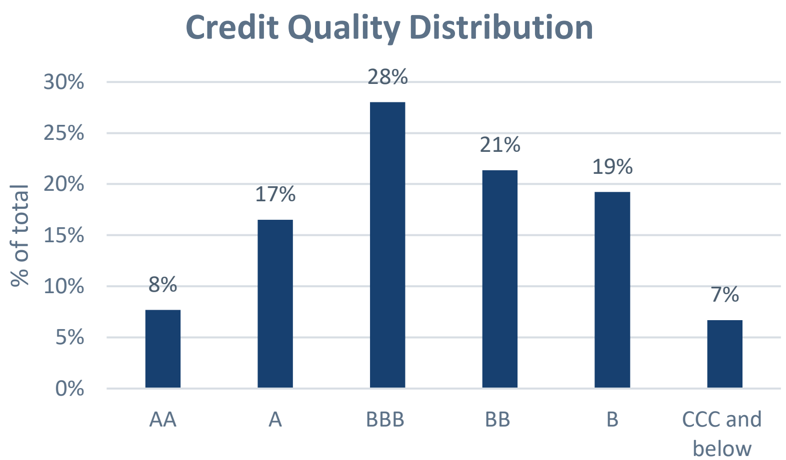


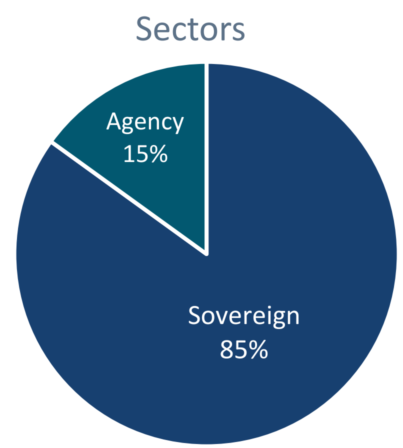


Data as of 12/31/2023

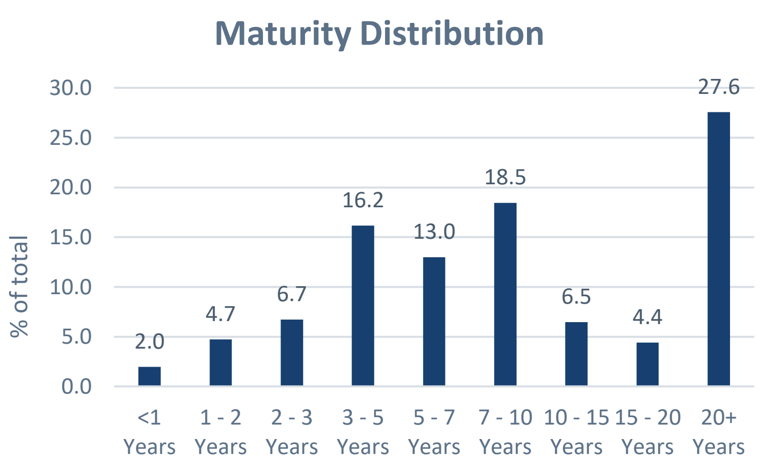
Emerging Market Debt Characteristics

as represented by J.P. Morgan EMBI Global Core Index





Geographical Distribution	
Saudi Arabia	6.04
Mexico	5.98
Turkey	5.12
Indonesia	5.08
United Arab Emirates	4.54
Qatar	4.10
Brazil	3.75
China	3.71
Oman	3.56
Philippines	3.56
Chile	3.45
Dominican Republic	3.38
Colombia	3.32
South Africa	2.97
Peru	2.91
Hungary	2.84
Bahrain	2.84
Panama	2.76
Egypt	2.75
Romania	2.73
Uruguay	2.11
Nigeria	2.04
Poland	2.00
Malaysia	1.94
Argentina	1.77
Angola	1.12
Ecuador	1.07
Costa Rica	1.07
Other	11.59



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APRIL 2024

Private Markets Education

South Carolina RSIC

What are private markets?

Private Equites	Private Debt	Private Real Estate	Private Real Assets
Venture Capital -Early Stage -Late Stage	Direct Lending	Core	Infrastructure
Growth Equity	Distressed Debt -Control -Trading	Value-add	Natural resources
Buyouts	Real estate/real asset	Opportunistic	Agriculture
Secondaries	Other non-corporates		Energy

Private markets investments are not listed on market exchanges

These are institutional investments not available to retail investors and which have large minimum investment sizes (i.e., ≥ $5millon)

Investments are made via subscription agreements with extensive contract provisions

Size of private markets

McKinsey estimates that private markets assets under management (AUM) exceeded $11.7 trillion in 2022:

— Private equity: $7.6 trillion

— Private debt: $1.3 trillion

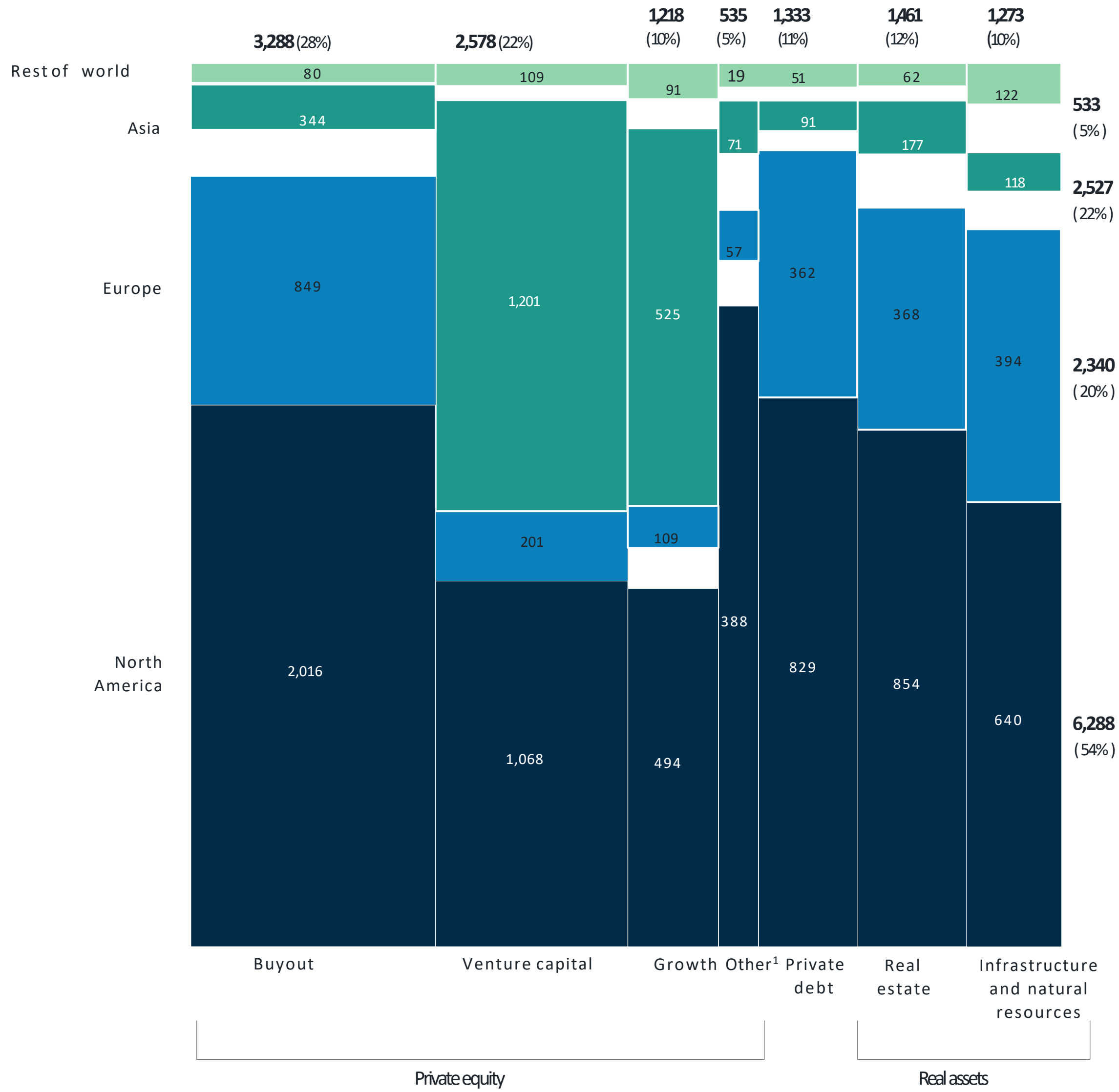
— Real estate: $1.5 trillion

— Infrastructure and natural resources: $1.3 trillion

Global public equity markets exceeded $101.2 trillion in market cap at year-end 2022

Private markets AUM has grown 18% annually since 2017

PRIVATE MARKETS ASSETS UNDER MANAGEMENT, H1 2022, ($ BILLION)



Source: Preqin and McKinsey

Private markets in the investment opportunity set

Who invests in private markets?

Investor Type	Average Allocation
Family Office	19%
Endowment/Foundation	17%
Public Pension Funds	12%
Insurance	13%
Corporate Pensions	4.3%
High New Worth*	35-52%

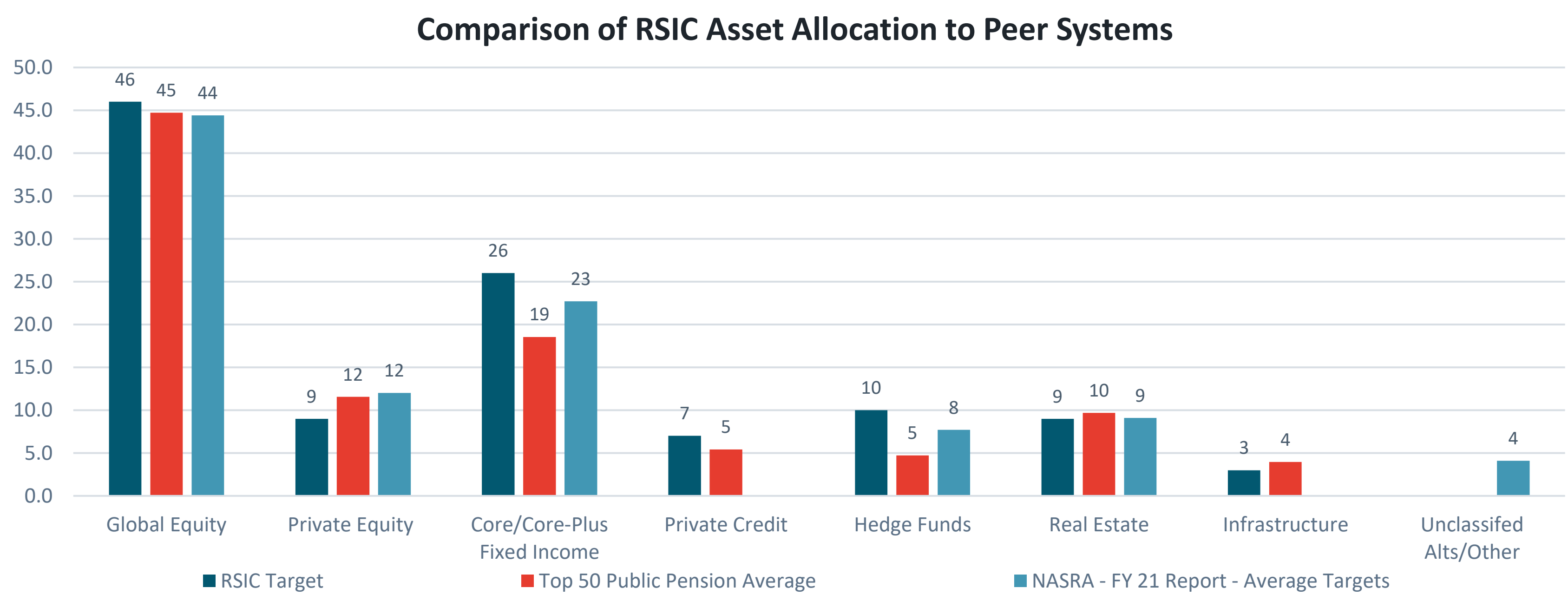
Top 50 Pension Funds Allocation to Private Equity

Source: P&I, WillisTowersWatson, KKR, Peltz International

** High net worth range includes high net worth and ultra high net worth*

RSIC Asset Allocation Compared to Peer Public Systems

- Over the past 20+ years public fund retirement systems have been increasing allocations to alternative assets, especially private equity investments.
- When compared to other public fund systems, RSIC's target allocation to private equity is lower than peer systems that invest in private equity. The average allocation to core/core-plus fixed income is the offsetting higher allocation.



Notes: NASRA report data includes 147 systems with allocations to PE reporting target asset allocation as of FY 2021. Range of private equity targets was 3% to 43%. Systems with 0% allocations to private equity were excluded. There were 53 systems with 0% allocations to PE that were excluded. The average allocation to public equities of this group was 55%.

Why invest in private markets?

Primary reason: higher net expected returns versus public markets

Structural features underlying outperformance

— Enhanced alignment of interests

— Investment structures with return guarantees, preferred payouts, etc.

— Operational expertise of select investment managers:

- Sector / asset selection
- Revenue growth
- Margin improvement

— Flexibility in timing of capital deployment and exits: multiple expansion

— Utilization of leverage (buyouts and real assets)

Features that in our view generally persist over the long-term.

Key differences between public and private markets

Traditional Assets:

— Listed companies on regulated exchanges; can be sold, thus liquid

— Immediate exposure to investments

— Index covers ~entire universe of companies

— "Active Management:" stock selection from defined universe

— **Fees: typically, less than 1% of invested capital**

— GIPS (Global Investment Performance Standards) compliant returns

Private Equity/Private Credit:

— Unlisted companies held in private partnerships (i.e. funds); negotiated and sold over time, thus illiquid

— Peak exposure (60-70% of commitment size) lags commitment to a fund

— Index captures performance and cashflows of (a subset of) private partnerships

— "Active Management:" company selection from undefined universe; and transformation of portfolio companies

— **Fees: 1.5-2% of commitments, plus 10-20% of profits (subject to 6-8% hurdle)**

— Diligence, reporting, etc.: standards vary

Key risks of private markets

- ***Illiquidity risk****:* cumbersome, time-intensive, and costly to liquidate assets
  - *Mitigated via liquidity analysis during asset allocation; diversification*
- ***Market risk****:* volatility driven by broader risk factors such as equity, inflation, interest rates, etc.
  - *Mitigated by investment managers*
- ***Financial structure risk****:* complexity, leverage, and different rights of varying investors
  - *Mitigated by investment managers*
- ***Capital risk****:* loss of capital due to investment in speculative strategies or other factors such as credit events
  - *Mitigated by investment managers*
- ***Manager selection risk****:* below expected returns due to inferior manager selection and active bets
  - *Mitigated via more extensive due diligence; diversification*
- ***Operational risk****:* losses from inadequate processes and systems supporting the GP's investment process
  - *Mitigated via alignment of program discretionary model with approval process, staffing, organization*
  - *Also mitigated by operational due diligence process*

Once allocation to privates is determined, investors generally focus on mitigating manager selection risks.

Implementation aspects of private markets investing

Implementation approaches to private markets

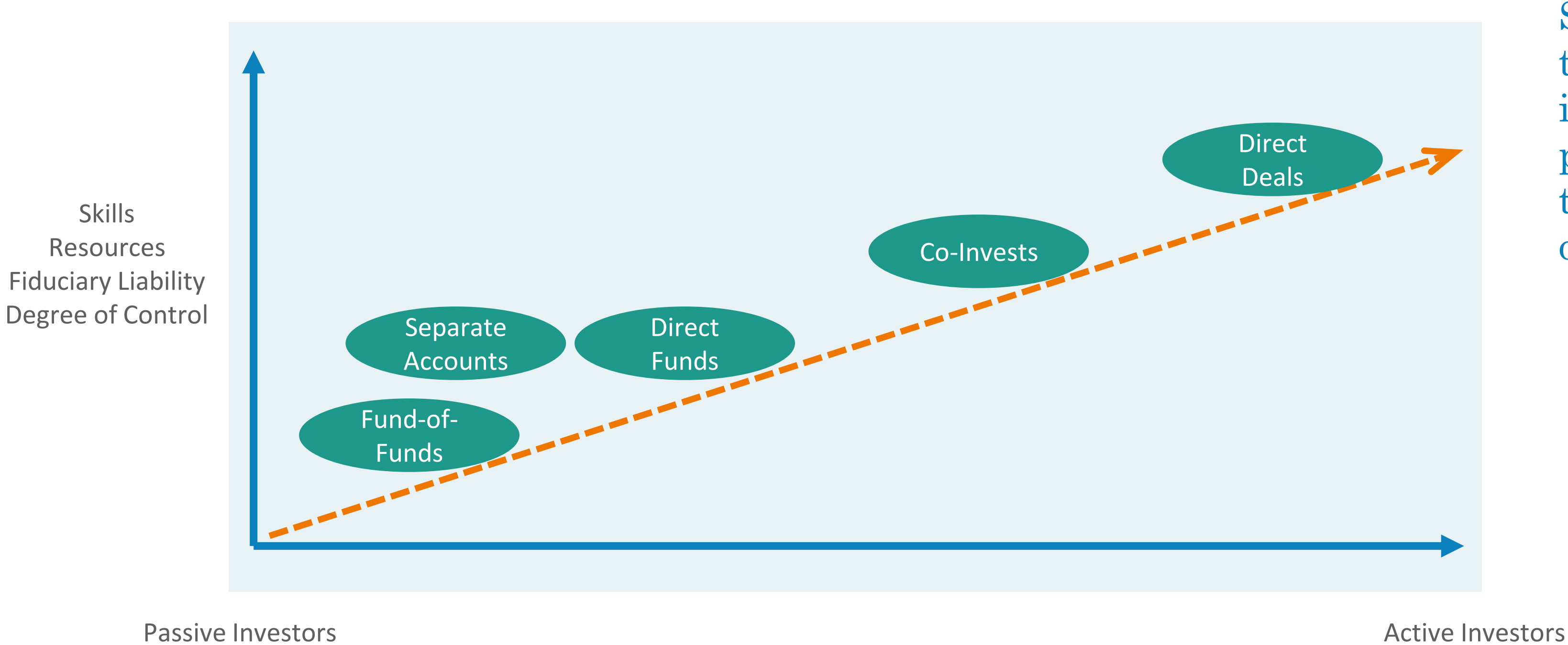
Implementation approach driven by each investor's:

— Investment objectives

— Internal skills and resources

— Tolerance for control, risks, cost

ACTIVE-PASSIVE INVESTOR SPECTRUM



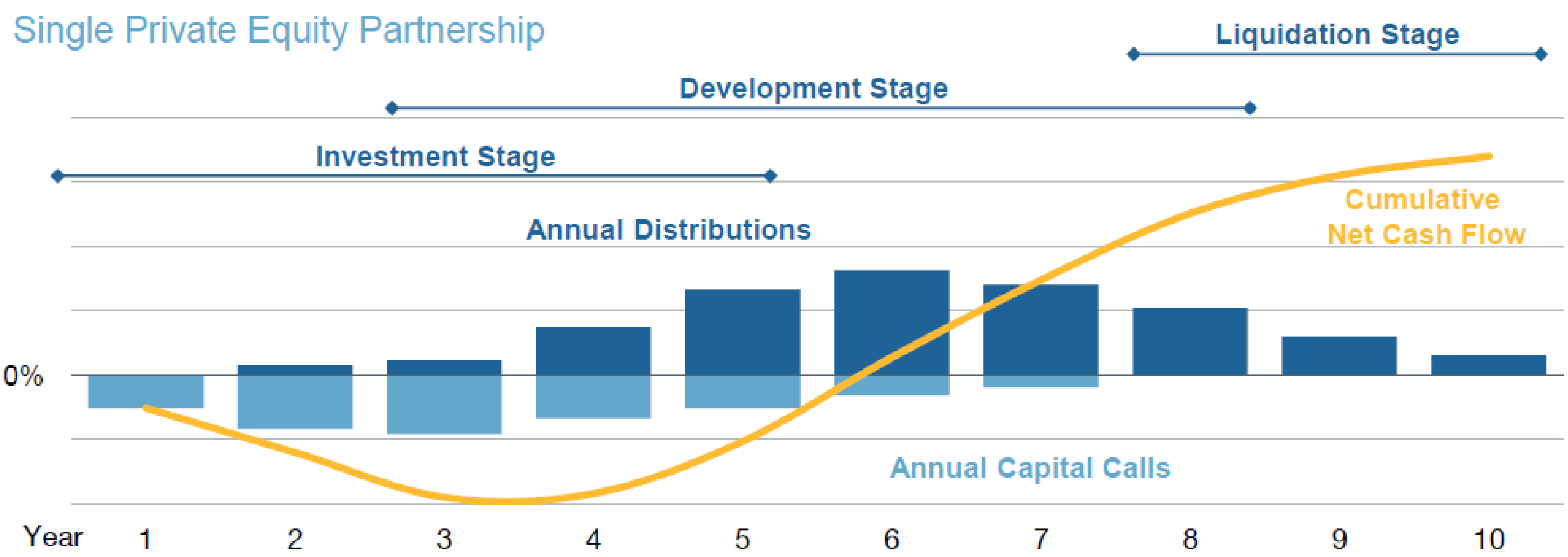
Institutions of size seeking to retain control typically adopt the "direct funds" model to launch their programs.

Smaller investors tend to outsource investing in private markets to fund-of-funds or OCIOs.

Comparison of private markets key terms

	Private Credit	Private Equity	Private Real Estate	Private Real Assets
Typical Fund Life	5 – 7 years	10 – 12 years	7 – 10 years	10 – 20+ years
Typical Investment Period	3 – 4 years	5 – 6 years	3 – 4 years	5-7 years
Management Fee	0.5% - 2% on invested capital	1.5% - 2% on committed capital	1.25% - 1.50%	1.25% - 2.0%
GP Commitment	> 1%	> 2%	1-5%	1-2%
Typical Fund Leverage	Yes, 0x – 2x	No	Yes, 40 – 70%	No
Target Return	8%-12% net	15%+ net	11-14% net (value-added), 15%+ net (opportunistic)	8%-15+%

J-curve and lifecycle of fund cash flows



Investment Stage (Years 1-5)

- Capital commitments are made by limited partner at partnership's closing
- Investments are made in portfolio companies and typically can be made through Year 5
- Capital is called to fund investments as needed

Development Stage (Years 3-8)

- Manager works to add value to portfolio companies
- Follow-on investments are made
- Initial investments start to mature
- Mature investments are exited
- Cash distributions are paid to investors

Liquidation Stage (Years 8-10)

- Many investments have been exited
- Several investments are left to wind down
- Provisions to extend usually in one to two year increments up to a maximum of four years

J-curve can produce negative returns in early years on temporary basis

Secondaries can mitigate the J-curve as they generally invest in more mature funds

As cash is iteratively called and distributed, investors need to (a) overcommit to hit target exposures; and (b) commit to funds ongoing to maintain exposure

Source: HarbourVest

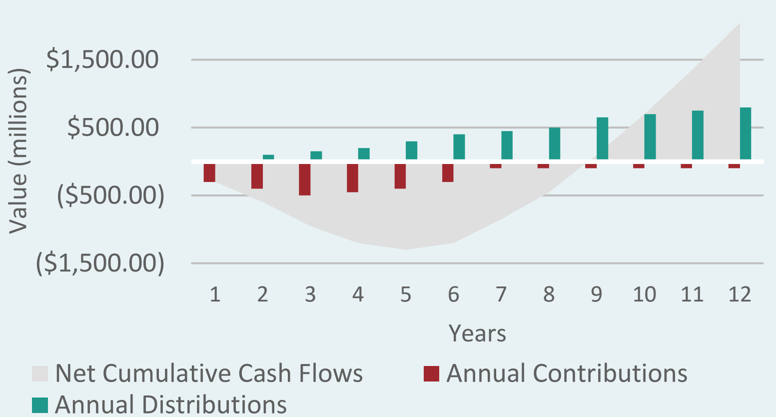
This example is shown for illustrative purposes only and is intended to demonstrate the mechanics and cash flows of a private equity fund. It is not intended to predict the performance or cash flows of any specific fund and should not be construed as predicting the future. The actual pace and timing of cash flows of a private equity fund are highly dependent on the fund's investment pace, the types of investments made by the fund, and market conditions. Private equity investing involves significant risks, including loss of the entire investment. Investments in private equity fund involve significant risk, including loss of the entire investment.

Commitment planning

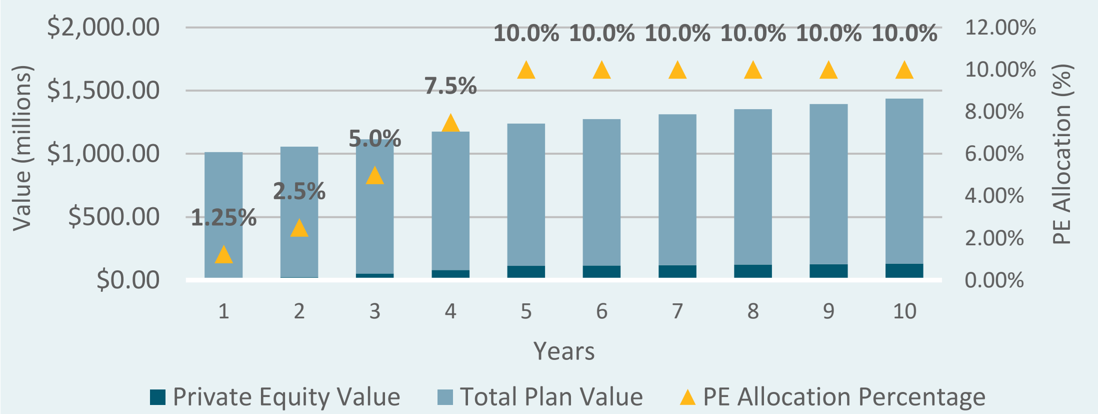
VERUS PE ROADMAP

Purpose	Plan future commitments given varying cash flows and valuations of existing fund commitments
Process	— Each underlying existing commitment projected — Projections aggregated to total portfolio level to determine PE allocation in future years — Once future PE allocations forecasted, adjust future commitments to reach PE allocation target by certain year
Benefits	— Flexibility in adjusting future commitments — Ability to conduct scenario analysis
Verus Assumptions	— Organized by sub-class — Iteratively developed over years — Based on Venture Economics, Private I, and vast knowledge and experience of our private markets team

TOTAL PRIVATE EQUITY - CASH FLOWS



PRIVATE EQUITY ALLOCATION



Private Equity

Overview of private equity

— Investments in privately held companies:

- Generally illiquid / limited liquidity
- Few established industry benchmarks
- Sub-classes differ in cash-flow and performance attributes

— Long term investment horizon: 3-12+ years

— Primary reason to invest: **Return enhancement**

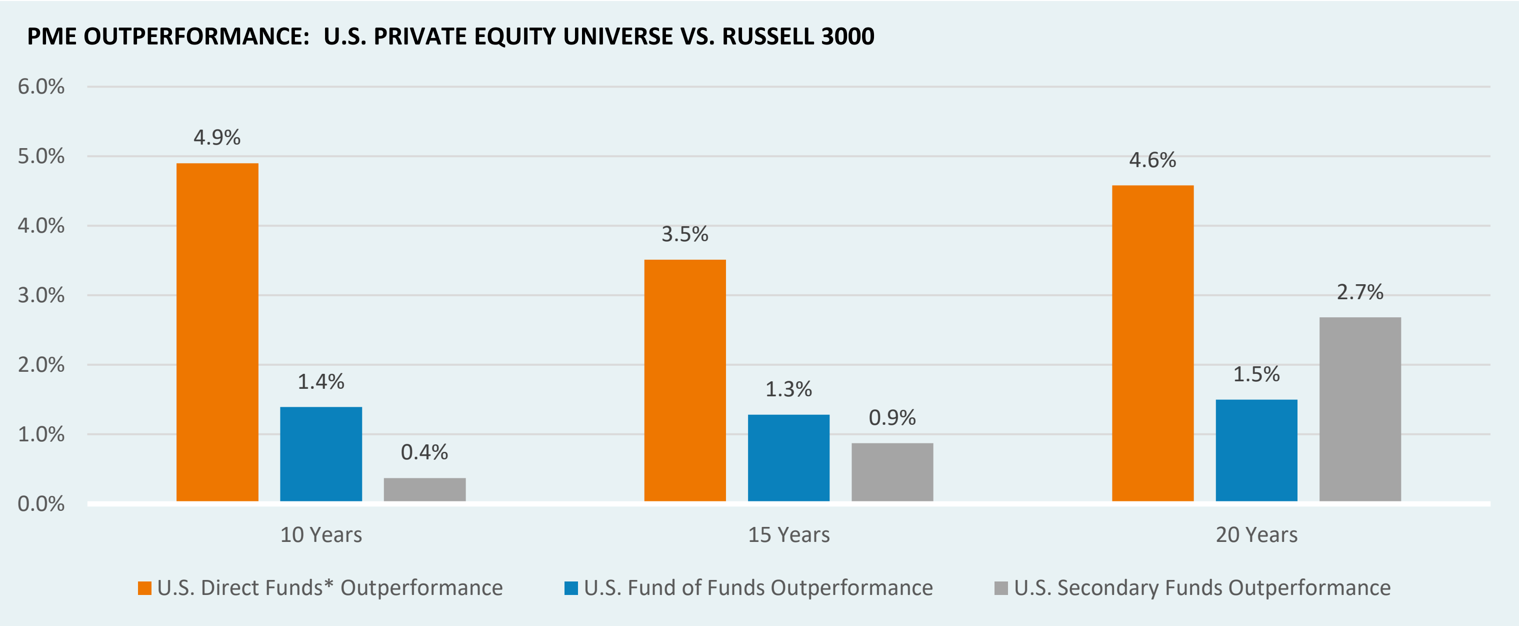
Returns and outperformance tend to bake in over the long-term.

	1 Year	3 Years	5 Years	10 Years	20 Years
Venture Capital	--18.7%	23.8%	21.7%	18.9%	12.5%
Buyouts	-3.2%	17.8%	15.7%	15.2%	14.9%
Growth Equity	-14.1%	18.4%	17.1%	15.2%	14.2%
Fund of Funds / Secondaries	-8.7%	19.7%	16.2%	13.8%	11.9%
All Private Equity*	**-7.9%**	**18.4%**	**16.2%**	**14.9%**	**13.5%**
S&P 500	-18.1%	7.7%	9.4%	12.6%	9.8%
Russell 3000	-19.2%	7.1%	8.8%	12.1%	9.9%
Bloomberg Barclays Aggregate	-13.0%	-2.7%	0.0%	1.1%	3.1%
91 Day T-Bill	1.5%	0.6%	1.2%	0.7%	1.2%

Source: Refinitiv and InvestmentMetrics as of December 31, 2022.

** Includes Venture Capital, Buyouts, Growth Equity, Fund of Funds and Secondaries.*

U.S. private markets funds performance vs. public market equivalent



	10 Years	15 Years	20 Years
U.S. Direct Funds*	17.6%	12.6%	14.4%
PME (Russell 3000)	*12.7%*	*9.0%*	*9.8%*
U.S. Fund of Funds	15.3%	10.7%	11.4%
PME (Russell 3000)	*13.9%*	*9.4%*	*9.9%*
U.S. Secondary Funds	13.4%	11.3%	13.3%
PME (Russell 3000)	*13.0%*	*10.4%*	*10.6%*

Source: Refinitiv as of December 31, 2022.

** Buyout, Venture Capital and Growth Equity.*

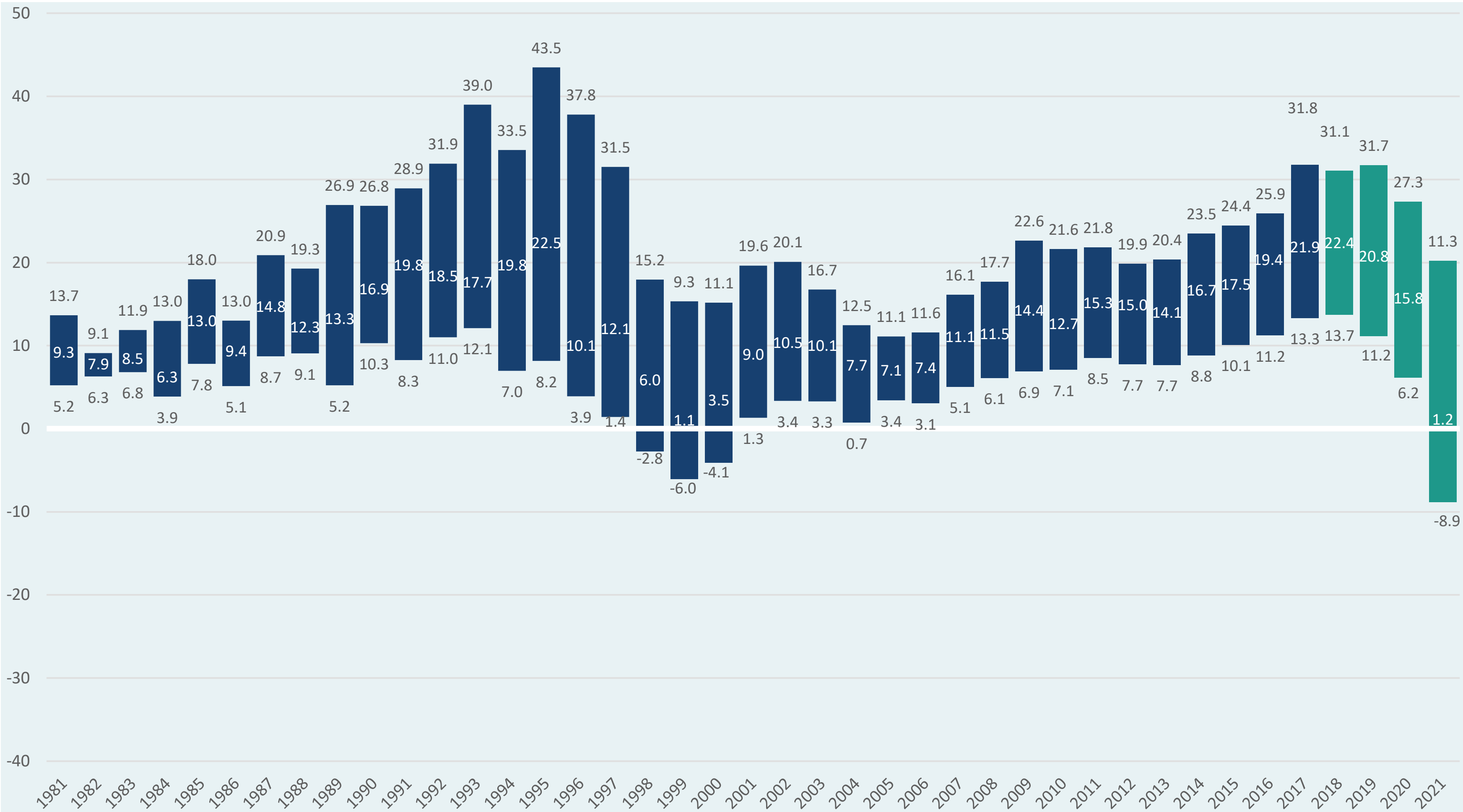
Most recent data suggests that private equity outperformed public equity by a wide margin over the long-term.

Direct funds outperformed by a wider margin than US FoFs and Secondary funds.

FoFs tend to be less liquid than Directs and Secondaries.

Manager selection is critical to results

DISPERSION BETWEEN TOP AND BOTTOM QUARTILE FUND RETURNS



Mature funds avg. dispersion: 15.58%

Active funds avg. dispersion: 19.81%

Source: Thomson Reuters C|A U.S. All Private Equity net IRRs, as of 12/31/22

For illustrative purposes only as dispersion of returns varies by sub-asset class. Mature funds defined as those whose 80% or more of total value has been distributed.

Private Credit

Overview of private credit

- Investments into privately negotiated debt or debt-like transactions primarily to companies or assets of small to medium size (i.e., "middle market") as determined by earnings, number of employees, or asset value:
  - Generally illiquid / limited liquidity
  - Few established industry benchmarks
  - Debt tranches differ in cash-flow and performance attributes
- Medium term investment horizon: 2-5+ years
- Primary reason to invest: **High income and return enhancement**

Private Credit funds tend to produce yield during holding periods, and shallower J-curve as compared to Private Equity.

	1 Year	3 Years	5 Years	10 Years	20 Years
Private Credit	3.9%	12.6%	9.9%	10.1%	10.7%
Direct Lending	2.1%	5.6%	5.9%	6.6%	6.8%
Distressed Debt	4.1%	14.2%	10.4%	10.4%	10.9%
S&P/LSTA Levered Loan	-0.6%	2.5%	3.3%	3.7%	n/a
Bloomberg Barclays Universal	-13.0%	-2.5%	0.2%	1.3%	3.4%
Bloomberg Barclays Aggregate	-13.0%	-2.7%	0.0%	1.1%	3.1%
91 Day T-Bill	1.5%	0.6%	1.2%	0.7%	1.2%

Source: Refinitiv and InvestmentMetrics as of December 31, 2022.

Private credit landscape

Legend
- Direct lending
- Junior debt / mezzanine
- Credit opportunities
- Distressed debt

Direct lending

U.S. middle market lending
- Sr. focus
- Opportunistic
- Lower middle market (sponsored focus)
- Lower middle market (non-sponsored focus)
- Private BDC's

European middle market lending
- Sr. focus
- Opportunistic
- Lower middle market
- Country-specific funds

Emerging markets lending
- Asia lending
- Africa lending
- CEE/Middle East lending
- Latin America lending
- Pan-EM lending

Global middle market lending

SBIC lending

Mezzanine

U.S. mezzanine
- Upper middle market
- Middle market
- Lower middle market

European mezzanine

Real estate credit

U.S. CRE lending
- Bridge lending
- Transitional lending
- Core lending

European CRE lending
- Bridge lending
- Transitional lending
- Core lending

Emerging markets CRE lending

Residential mortgages
- Residential NPLs
- Single family rental
- Mortgage servicing rights
- U.S. resi origination
- European resi origination

Real assets credit

Infrastructure lending
- Sr. focus
- Mezz focus

Energy credit
- Direct lending
- Opportunistic credit

Trade finance

Metals & mining finance

Agriculture credit

Specialty finance

Consumer & SME lending
- Marketplace finance
- Lender/platform finance

Factoring & receivables

Regulatory capital relief

Royalties

Healthcare lending

Venture lending

Insurance linked

Litigation finance

Merger appraisal rights

Structured credit

CLO
- CLO debt
- CLO multi
- CLO risk retention
- 3rd party CLO equity

CRE
- Non-agency CRE B-piece
- Agency CRE B-piece
- CMBS/CRE

RMBS

Consumer ABS

Esoteric ABS

Europe structured credit

Structured credit multi-sector

Distressed & special situations

Corporate distressed
- U.S.
- European
- Emerging markets
- Global
- Single trade

Stressed credit

Real estate distressed
- U.S.
- European
- Global

Cross-asset
- U.S.
- European
- Emerging markets
- Global

Real Assets

Overview of private real assets

— Investments in tangible and intangible assets that should provide a degree of inflation protection (Infrastructure, Natural Resources, Commodities, Real Estate):

- Generally illiquid / limited liquidity
- Few established industry benchmarks
- Sub-classes differ in inflation protection, cash-flow and performance attributes
- Value appreciation from scarcity (i.e., limited supply) versus demand for natural resources

— Long term investment horizon: 7-15+ years

— Primary reason to invest: **Inflation protection, diversification, income and return enhancement**

Outperformance can be period-dependent.

	1 Year	3 Years	5 Years	10 Years	20 Years
Infrastructure	8.1%	11.2%	10.4%	10.8%	9.4%
Natural Resources	20.8%	10.9%	5.0%	3.6%	7.6%
Timber	13.5%	8.2%	5.1%	4.2%	4.5%
Real Estate	2.9%	9.8%	9.1%	10.8%	7.7%
S&P Global Natural Resources	10.3%	11.6%	7.3%	4.9%	n/a
S&P Global Infrastructure	-0.2%	1.7%	3.9%	6.5%	n/a
NCREIF ODCE	6.5%	9.0%	7.7%	9.1%	n/a

Source: Refinitiv and InvestmentMetrics as of December 31, 2022.

Real Estate Categories

- Core includes properties that are considered lowest-risk on the real estate spectrum, with stable and predictable cash flows, but with some growth in value, typically from anticipated growth in rents.
- Core-Plus strategies lie between Core and Value-Add, and invest in real estate with high-quality tenants, in good (but not best) locations. Core plus properties tend to be of slightly lower quality than Core properties.
- Value-added real estate includes properties that need renovation, repositioning, and/or lease-up. Properties may also be classified as value-added due to their lower quality and/or location. Greater amounts of leverage are usually employed. An increase in risk also increases the expected return of the asset class.
- Opportunistic is the riskiest category and often presents a classic boom/bust return profile. Opportunistic properties span all asset classes including apartment buildings and office buildings

LESS RISK, LESS RETURN

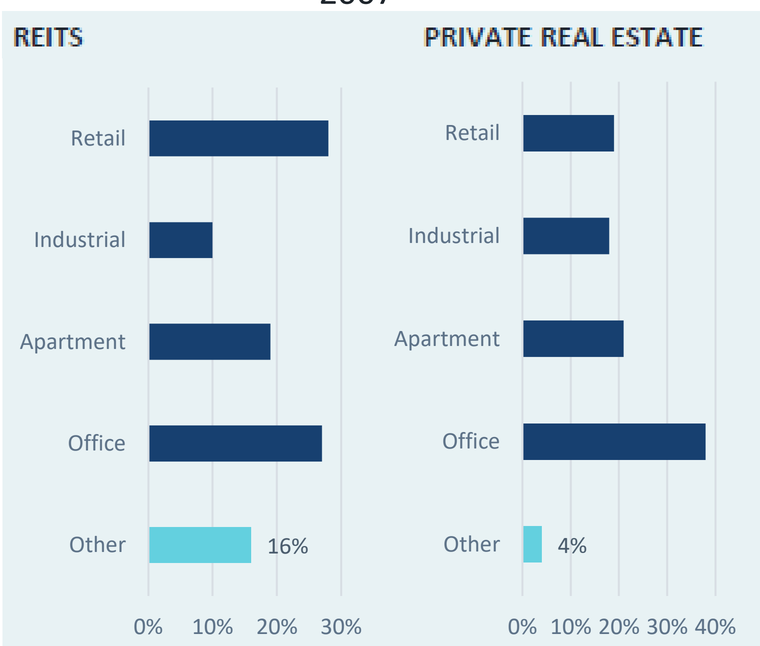
MORE RISK, MORE RETURN

	Core	Value-Added	Opportunistic
Leverage	Low	Moderate	Higher
Holdings	Fully leased trophy properties in desirable metropolitan hubs	Properties in growing urban areas, require repositioning, some redevelopment, lease-up	Properties generally require substantial renovation, may involve new construction, investments are more tactical in nature
Source of return	Stable rental income	Mix of rental income and capital appreciation	Mostly capital appreciation
Return expectation	< 10%	10% – 18%	> 18%

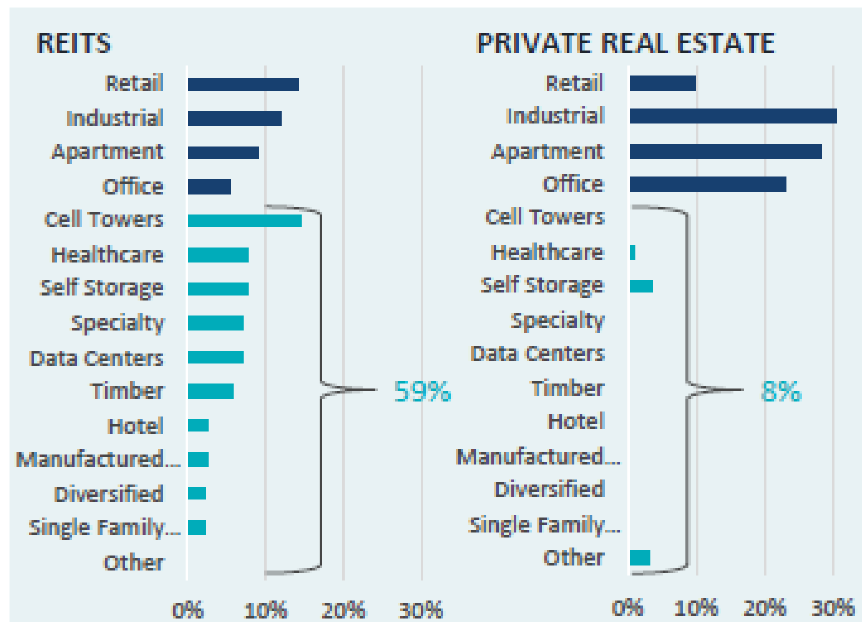
Real Estate Sectors: Private vs. REITs

- Over the past 15 years, the relative weighting of the traditional core property types (office, retail, industrial, and multifamily) has decreased as a component of the public REIT market from approximately 84% to 40%.
- The current composition of private real estate (represented by the NCREIF ODCE index) is still above 90% in the four traditional property types.
- The REIT market provides more exposure to alternative property types include self storage, senior/student housing, life science, data centers and single-family home rentals.

2007



2022



What is infrastructure

- Infrastructure can be defined as the essential facilities and services upon which the economic productivity of society depends. These assets include transportation, communication, regulated assets such as water and sewage treatment as well as social infrastructure such as schools, hospitals, and prisons.
- Infrastructure investments can be funded publicly, privately, or through public-private partnerships
- Return profiles for infrastructure investments are spread out along the risk/return spectrum:

LESS RISK, LESS RETURN

MORE RISK, MORE RETURN

Core and Core Plus	Value-Added	Opportunistic
Bridges, Tunnels, Toll Roads	Airports, Seaports	Development Projects
Pipelines, Energy Transmission and Distribution	Rail Lines	Satellite Networks
Water and Wastewater Systems	Contracted Power Generation	Merchant Power Generation
	Rapid Transit	Non-OECD Country Infrastructure

Benchmarking and Reporting

Benchmark issues – Private markets

Three primary types of benchmarks for private markets

Benchmark	Public markets “plus”	Public markets equivalent (“PME”)	Peer group
Definition	Published public markets benchmark plus a premium (e.g., Russell 3000 +3%)	Internal rate of return calculated using published public market index and partnership cash flows	Universe of limited partner private markets funds across sectors and vintage years
Calculation Methodology	Time weighted rate of return (“TWR”)	Internal rate of return (“IRR”)	Internal rate of return (“IRR”)
How commonly used?	Gauges private portfolio performance vs. public markets plus expected hurdle	Exact comparison of cash flows invested in private markets versus public markets	Compares private portfolio performance versus a larger universe of private investments
Quality	Low	Moderate to High	Low to Moderate
Comments	— Easiest to use and understand	— More complex to understand and to calculate relative to others	— Subject to typical peer group cons such as survivorship and selection bias
	— Benchmark misfit risk is largest compared to others	— Least amount of benchmark misfit risk	— Less misfit risk. Better alignment due to IRR calculation

Time weighted rates of return vs. internal rates of return

— **Time weighted** rate of return (“TWR”) is the industry standard return calculation methodology for public market investment portfolios

- TWR measures compound growth rate and is not sensitive to withdrawals or contributions (i.e., assumes stable invested pool) for a given measurement period
  - ‘geometric mean’ return for period

— For private market investments, in which exposure values change over time, the industry convention is to employ the Internal Rate of Return (“IRR”) calculation methodology

- IRR is the discount rate that sets the present value of all cash flows (positive and negative) to the net present value of zero
- IRR is single calculation that considers all cash flows which have occurred during the entire life of the investment to the end of the current measurement period. As such, it is often referred to as *dollar-weighted* return

— An additional way to measure private investment returns is through Total Value to Paid-In Capital.

- This is a multiple and represents the total value of a fund relative to the amount of capital paid into the fund to date

Performance Example- IRR and TVPI

Vintage Year	Manager Fund Name	Market Value $	Total Commitment $	Capital Called $	% Called	Remaining Commitment	Distributions $	TVPI Multiple	IRR (%)
2008	Select EQT Infrastructure Fund I	8,233	1,350,000	1,212,270	89.8	137,730	1,795,611	1.5	6.6
2017	Select EQT Infrastructure Fund III	1,158,675	2,325,000	2,325,000	100.0	-	3,143,128	1.9	14.2

Strong multiple of almost 2x invested capital

Solid IRR indicates good generation of distributions early in the investment period

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PERSPECTIVES THAT DRIVE ENTERPRISE SUCCESS

APRIL 2024

Hedge Fund Education

South Carolina RSIC

Overview of Hedge Funds

- A hedge fund is a generic term that represents a strategy that doesn't fit into traditional, long-only asset classes. HF strategies can invest in almost any opportunity within in its respective market focus where it foresees the potential for profit.

- It is important to consider hedge funds not as unique asset class in their own, but rather a means to get exposure to an asset class.
  - Hedge funds can be comprised of public investments in equities, fixed income, commodities, currencies, and a variety of derivative instruments.
  - How hedge fund managers make investments and the ability to invest in non-traditional securities make hedge funds unique from traditional public market investing.
    - Hedge funds are not tied to a benchmark and primarily focus on delivering absolute returns
    - The combination of investments used to implement a thesis can be complex
    - There can be limited transparency to underlying exposures (although this has somewhat improved over time)

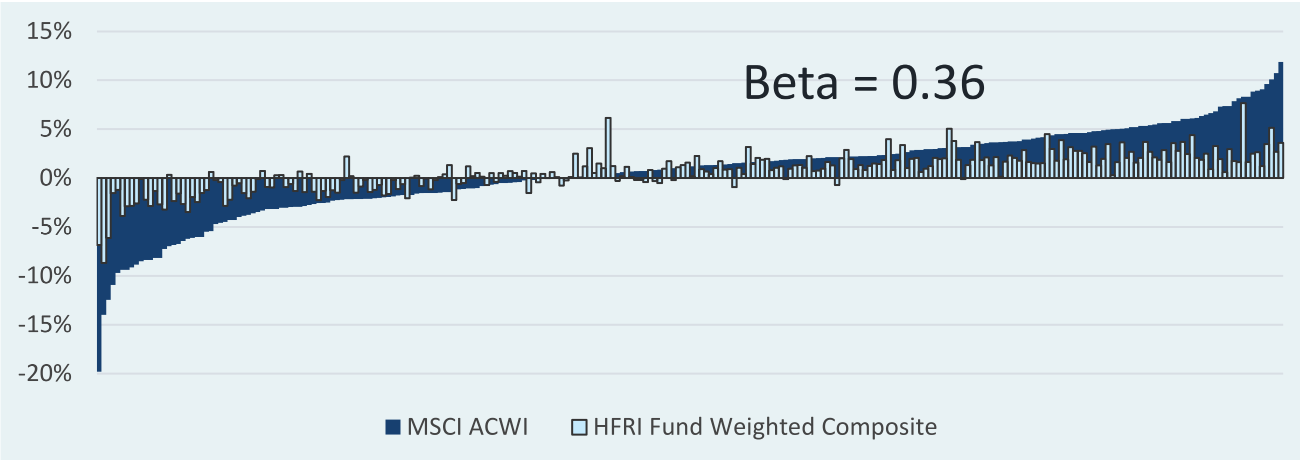
- The flexibility granted to hedge fund managers is part of their advantage and reasoning for having them in a portfolio.

Role of hedge funds in a portfolio

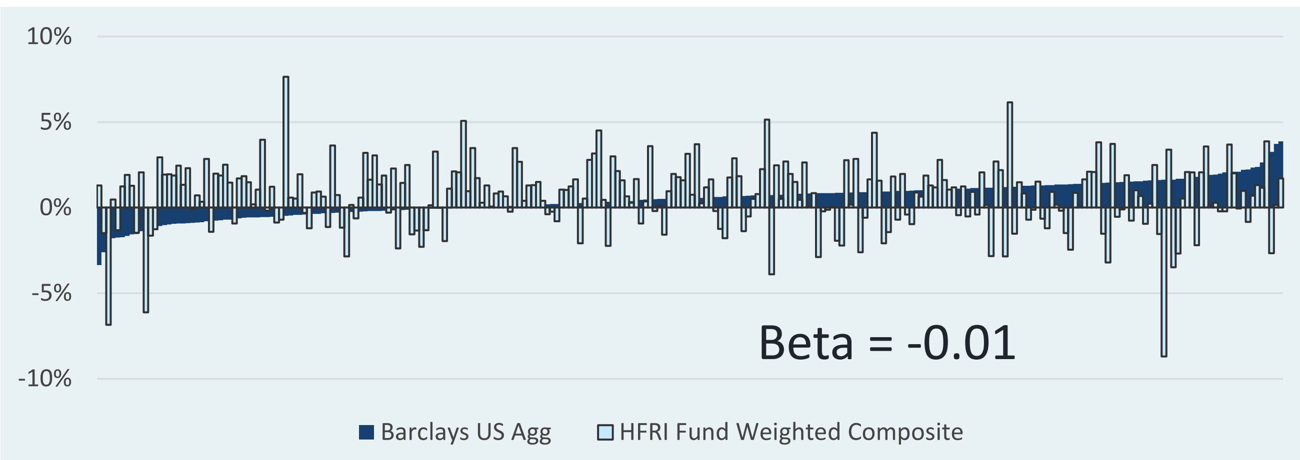
	Primary Purpose	Secondary Role	Key Characteristics
Public Equity	Growth/Returns		— Highly liquid — Highly correlated to overall economic activity
Private Equity	Growth/Returns		— Very illiquid — High return potential from top tier managers
Core Fixed Income	Risk reduction/portfolio stability	Income	— Negative correlation to interest rates — May be correlated to economic activity in times of severe stress
Alternative Credit	Diversification	Return potential	— Liquid market includes high yield, leveraged loans, EM Debt, securitized, and other strategies — Private credit opportunities
Real Assets	Diversification	Inflation protection	— Have varying ties to inflation — TIPS — Real Estate and Infrastructure investments — Commodities, Energy, Natural Resources
Hedge Funds	Diversification		— Various hedge fund strategies, in both equity and fixed income space

Relationship to traditional asset classes

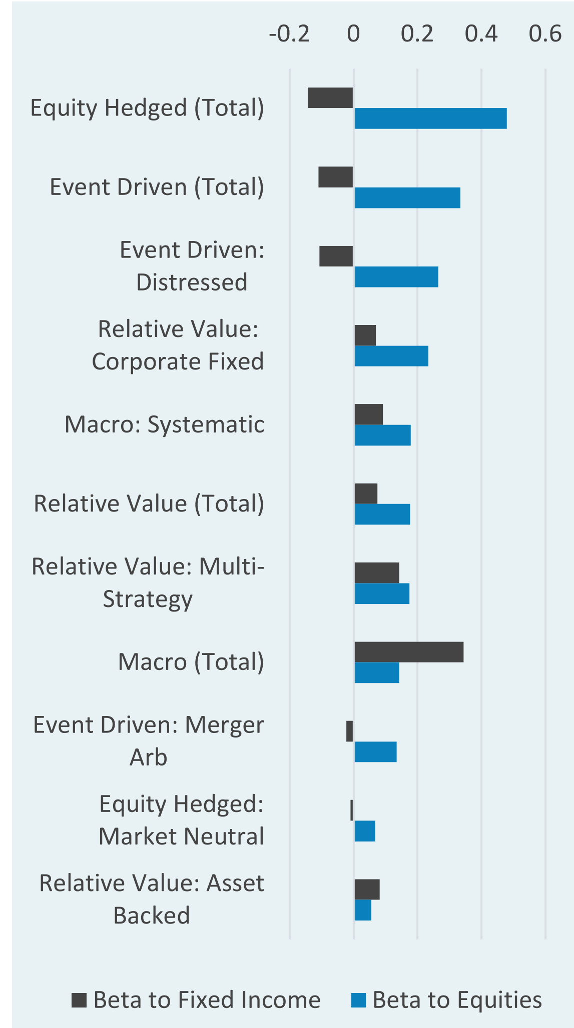
HEDGE FUND RETURNS VS SORTED EQUITY RETURNS



HEDGE FUND RETURNS VS SORTED FIXED INCOME RETURNS



SENSITIVITY TO EQUITIES AND FIXED INCOME VARIES BY STRATEGY

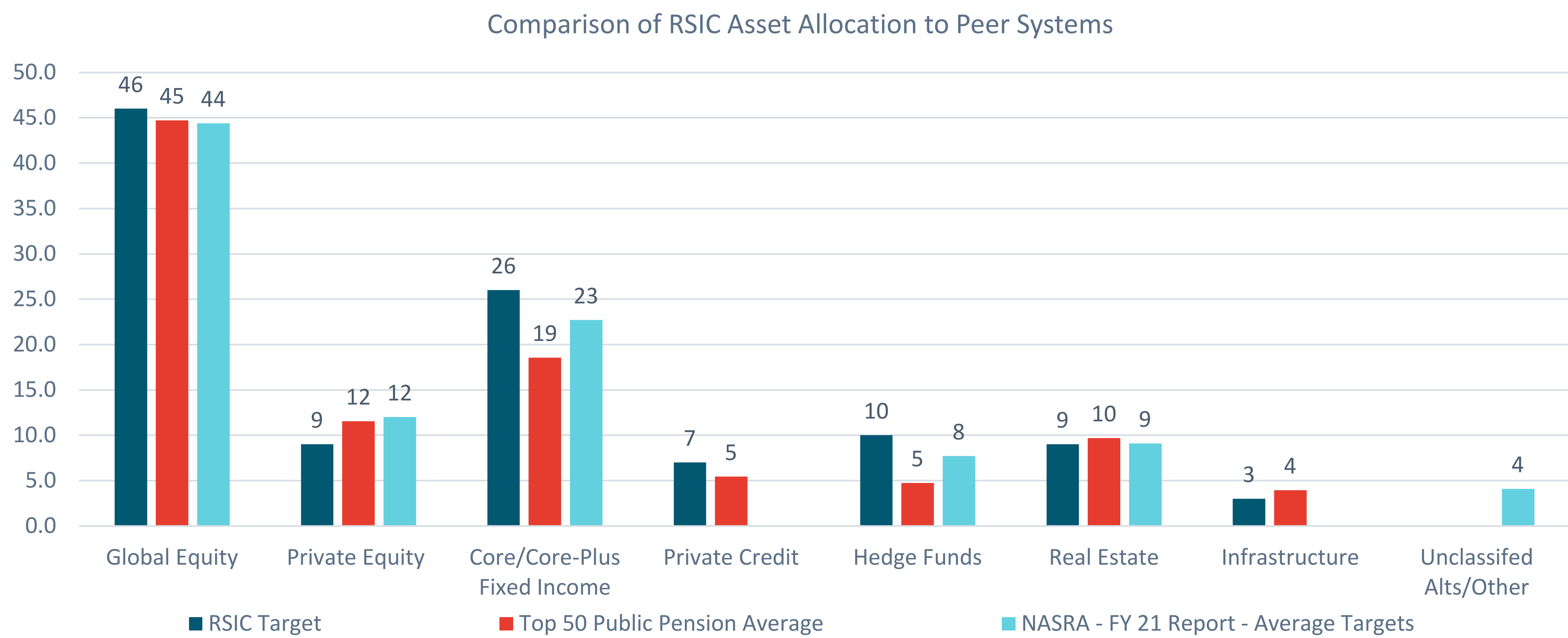


1. Source: MSCI, Barclays, Bloomberg, HFRI, Verus. Data from January 1995 to February 2016.

Hedge Funds in the investment opportunity set

RSIC Asset Allocation Compared to Peer Public Systems

- In compared to other public fund systems, RSIC's allocation to hedge fund strategies through the portable alpha program is marginally higher than other public systems.



Notes: NASRA report data includes 147 systems with allocations to PE reporting target asset allocation as of FY 2021. Range of private equity targets was 3% to 43%. Systems with 0% allocations to private equity were excluded. There were 53 systems with 0% allocations to PE that were excluded. The average allocation to public equities of this group was 55%.

Hedge fund equity strategies

Equity hedge funds can have concentrated long books, diversified short books, and may engage in corporate activism.

Strategy	Summary	Potential Alpha	Volatility of Potential Alpha	Liquidity	Fees
Long-only versions of L/S funds	Common for hedge funds to offer long-only versions of their flagship long/short funds.	Lower	Lower	Higher	Lower
Long/short (Beta-1)	Typically seen in a 130/30 or similar construct, can be quantitative or fundamental.				
Long/short (Traditional)	Typical fundamental long/short stock picker. Usually specialize in region, sector, or style.				
Activist	Concentrated, long-biased strategy with blend of traditional l/s, activism, and other event equity.				
Hybrid	L/S HF managers now launching hybrid public/private equity vehicles.	Higher	Higher	Lower	Higher

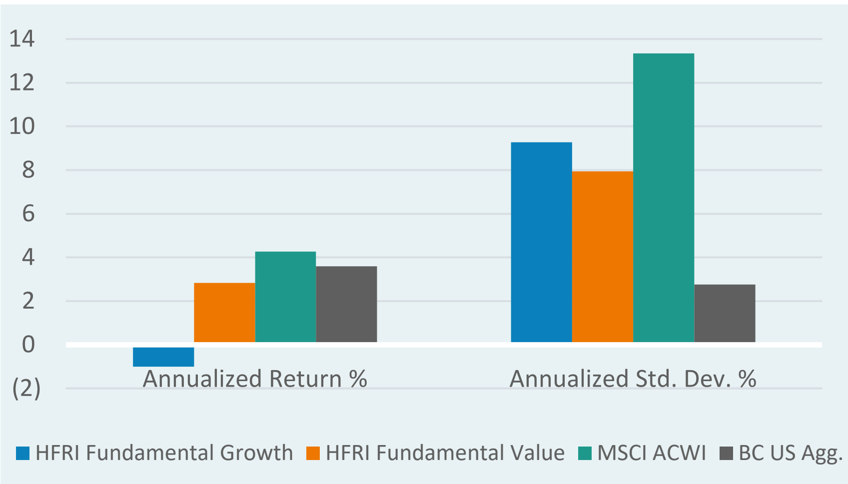
Long/short equity - fundamental

— Approach: typically rooted in fundamental analysis but can incorporate top-down macro or thematic styles to some extent. Recent years have seen the growth of sector and industry specialists (energy, health care, etc.)

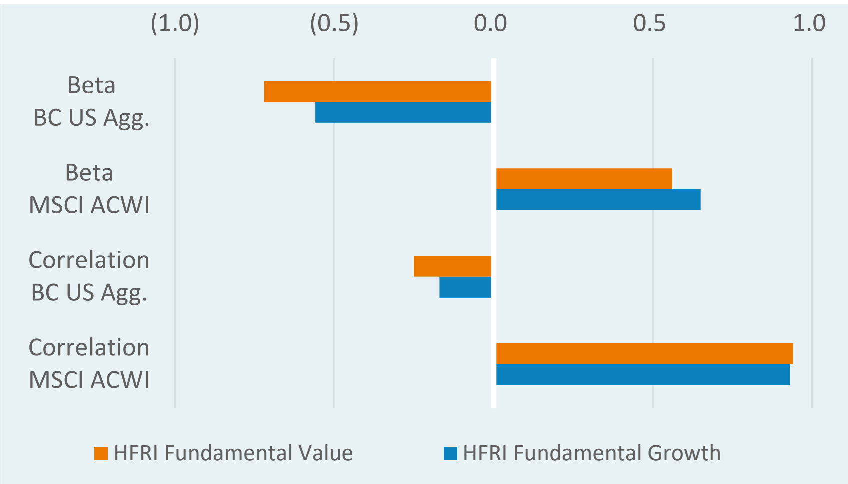
— Portfolio: often more concentrated long positions than traditional equity strategies while shorts are often smaller positions.

— Example: long Home Depot, short IBM

PERFORMANCE AND RISK – LAST 5 YEARS



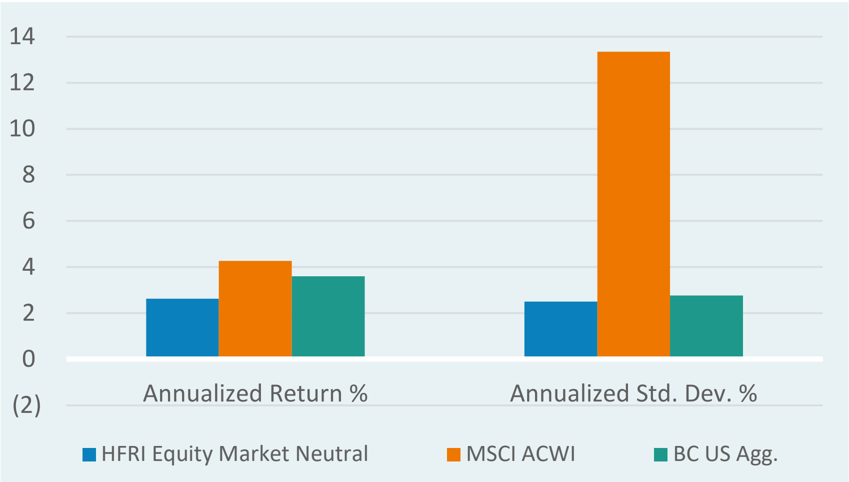
CORRELATION AND BETA – LAST 5 YEARS



Long/short equity – market neutral

- Approach: Primarily quantitatively driven strategies that seek to maintain an average net exposure close to zero (gross long value = gross short value) while exploiting mispricing between securities based on proprietary factors or metrics.
- Portfolio: Very diversified with near equal amount of long and short trades. Can have hundreds or thousands of positions.
- Example: rank stocks on proprietary factor, buy top ranking stocks, short bottom ranking stocks

PERFORMANCE AND RISK – LAST 5 YEARS



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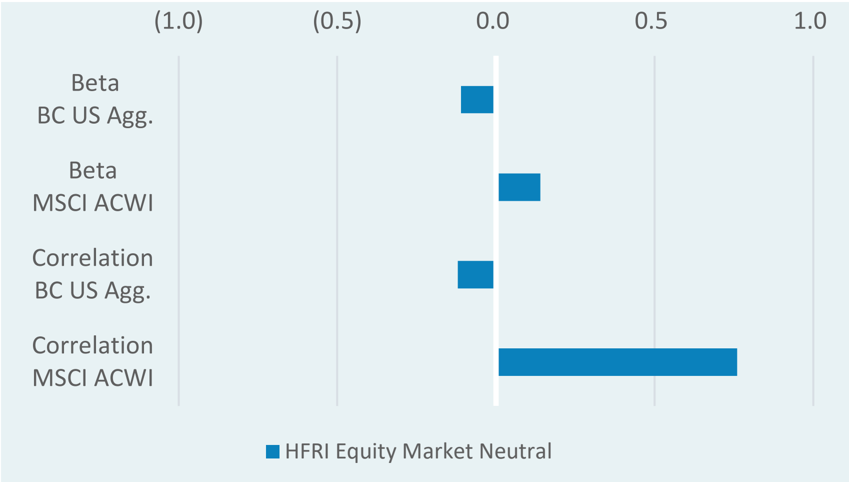
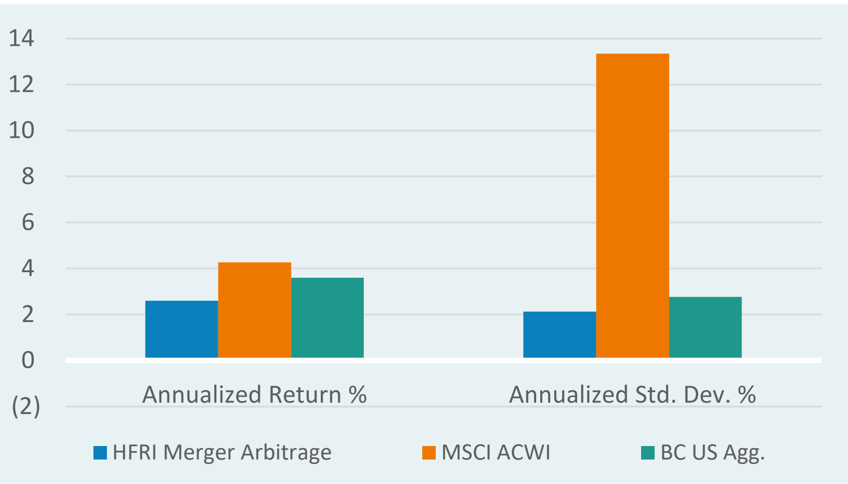


Event driven – merger arbitrage

- Approach: long and short securities of companies that are part of announced deals. Positions based on the likelihood of deal completion or failure.
- Portfolio: Moderate to heavy use of leverage if spreads are tight. Number of positions depends on how many announced deals are available. Each deal often involves long and a short or hedge to keep market directionality low.
- Example: long the company being acquired and short the acquiring company.

PERFORMANCE AND RISK – LAST 5 YEARS



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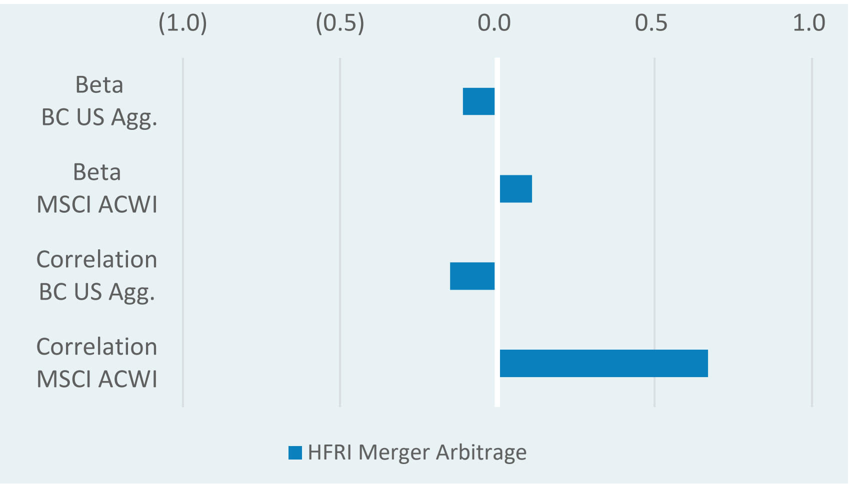


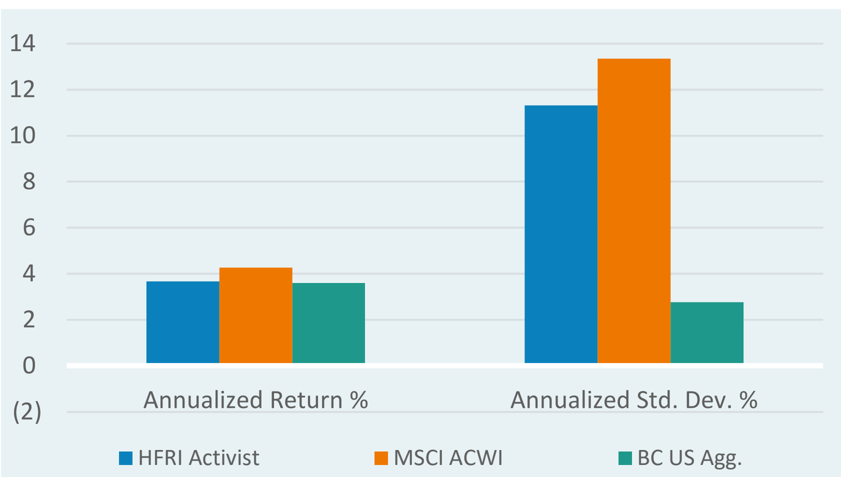
Event driven - activist

— Approach: build large, public equity positions to effect strategic, operational or financial changes. Managers can seek board representation or management replacement to drive process.

— Portfolio: very concentrated and primarily long positions in a handful of names

— Example: build 5% stake in fast food company, make a case to management to spin-off Chinese operations, publicly voice opinions if management doesn't listen, force your way on to board if needed.

PERFORMANCE AND RISK – LAST 5 YEARS



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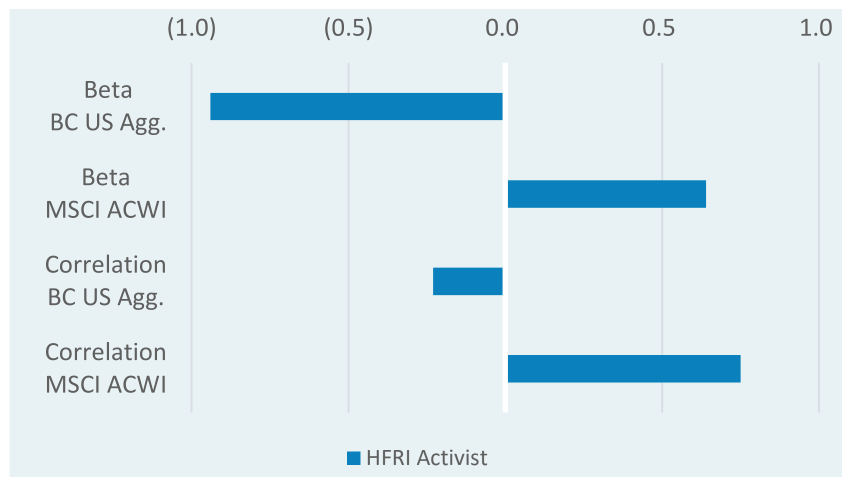


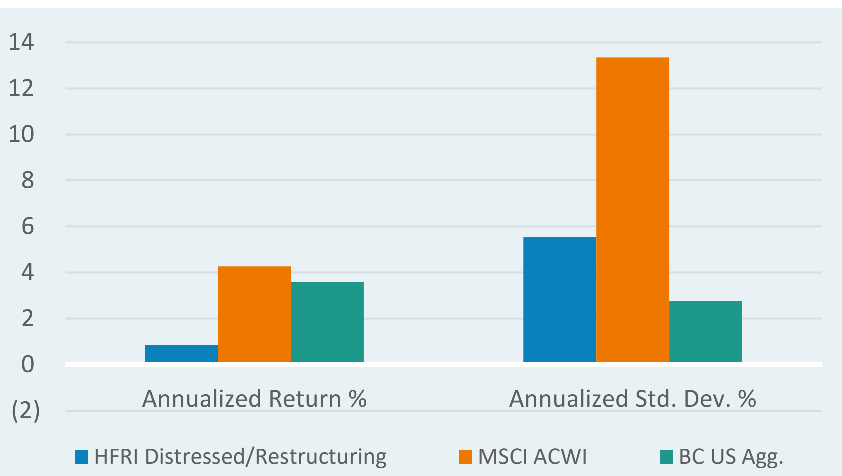
Event driven – distressed

— Approach: Focus on stressed, distressed, bankruptcy and restructuring situations. Often process-driven with complex legal and financial situations.

— Portfolio: Diversified, but can be quite illiquid. Primarily long-biased credit with smaller allocations to equities and soft-catalyst events.

— Example: buy Lehman claims, work out distributions in court

PERFORMANCE AND RISK – LAST 5 YEARS



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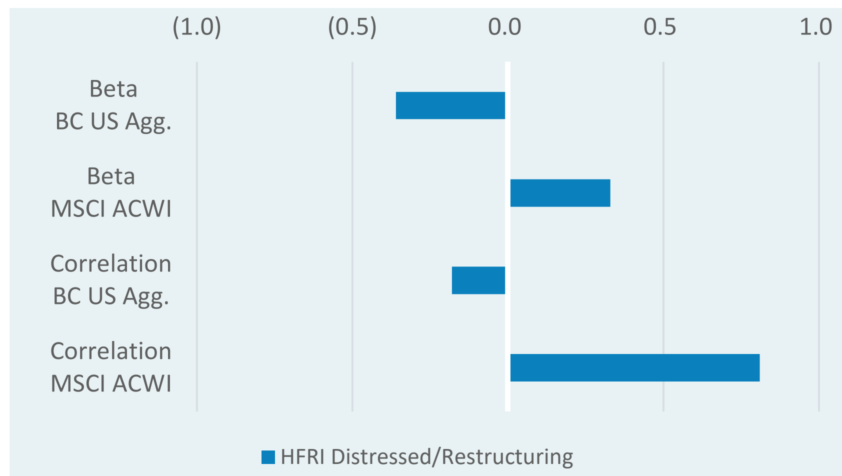
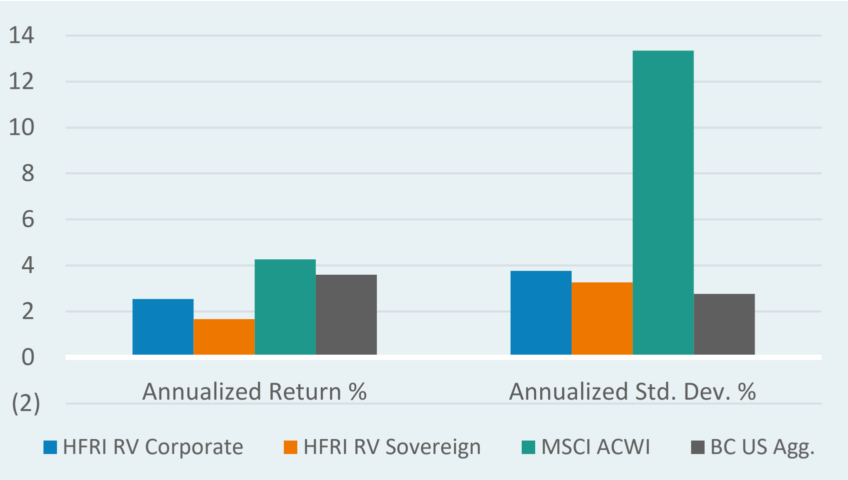


Relative value – long/short fixed income

- Approach: Attempt to exploit mispricing between fixed income instruments and can be based on fundamental, macro and/or technical factors.
- Portfolio: Implemented through credits, sovereigns or sovereign-like securities such as agency MBS. Managers may have fairly broad mandates that can include some interest rates or FX.
- Example: long undervalued Apple bonds, short overvalued GE bonds

PERFORMANCE AND RISK – LAST 5 YEARS



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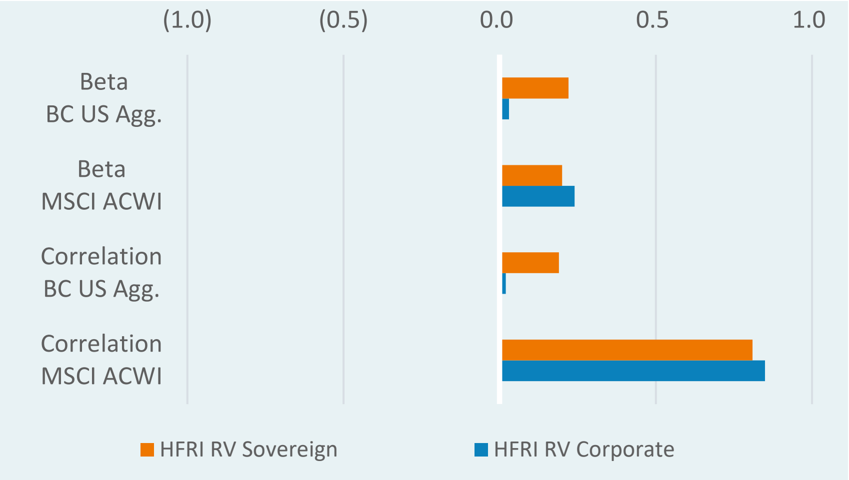


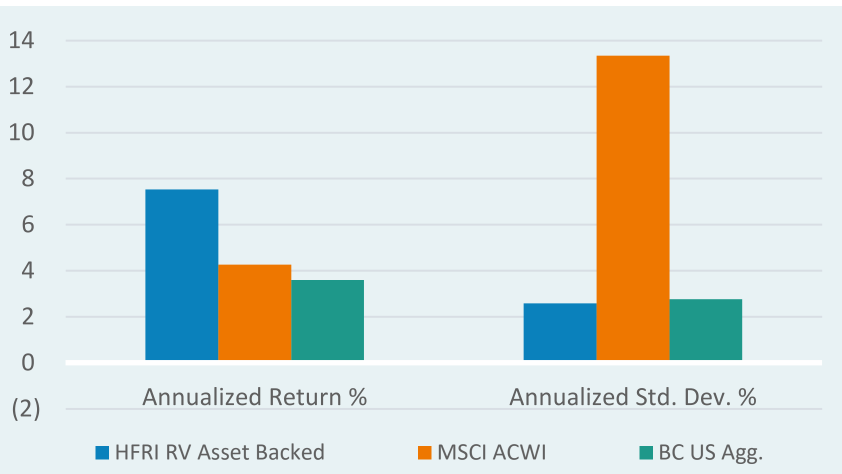
Relative value – structured/asset backed

— Approach: Investments are predicated on fundamental analysis of the legal structure and underlying collateral of a securitization.

— Portfolio: Primarily long tranches of RMBS, CMBS, ABS, CLOs and CDOs. Many managers hedge the long positions with related indices or short positions in credit, equity and interest rate markets.

— Trade example: long CLO equity tranche, hedge using equity index ETF

PERFORMANCE AND RISK – LAST 5 YEARS



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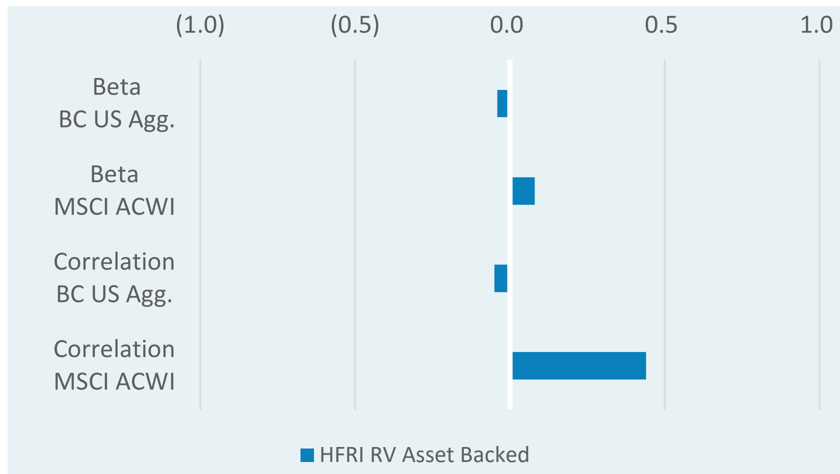


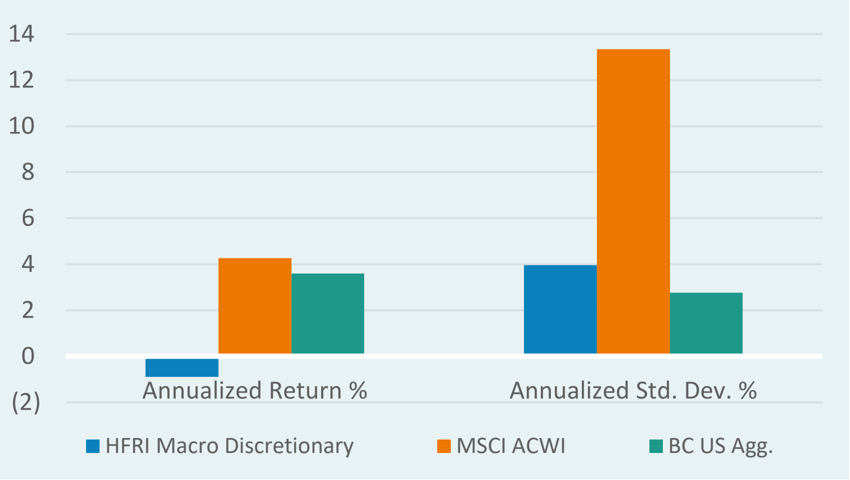
Macro - discretionary

— Approach: Top-down, macro research drives bearish or bullish views on specific countries, regions, markets or asset classes. Trades based on human discretion.

— Portfolio: Typically focus is on interest rates, FX and volatility. Equities, credit and commodities are used to a lesser extent. Resulting portfolio should be uncorrelated to traditional asset class betas.

— Example: long Bunds, short Euro based on European QE effects

PERFORMANCE AND RISK – LAST 5 YEARS



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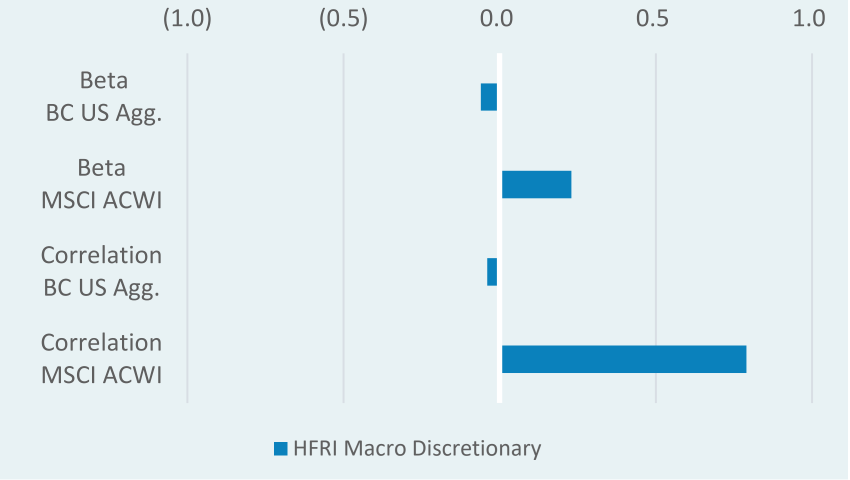
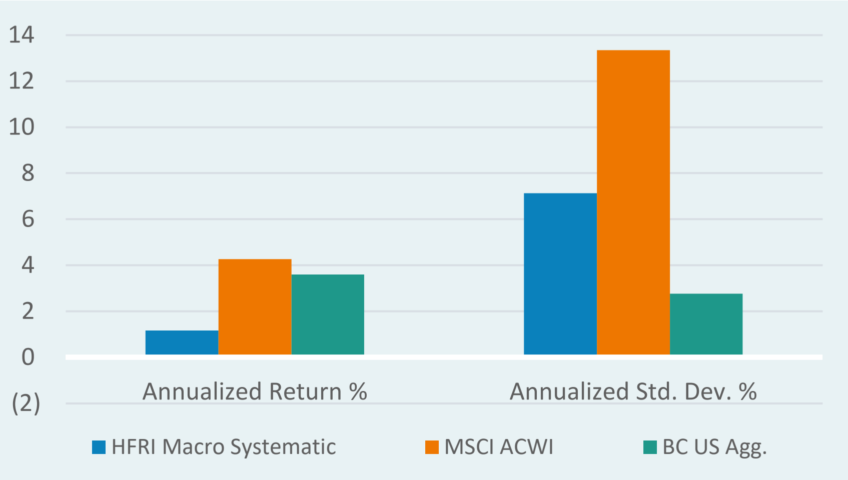


Macro – systematic/CTA

- Approach: constructs signals based on technical indicators or proprietary analytical models. Strategies will differ based on time horizon, markets traded, and research capabilities.
- Portfolio: Traditionally futures and forwards, but not uncommon to see cash equities used as well. Constructed and managed systematically by optimization process, usually with higher leverage than other strategies.
- Example: trades around short-term momentum signals in commodity markets

PERFORMANCE AND RISK – LAST 5 YEARS



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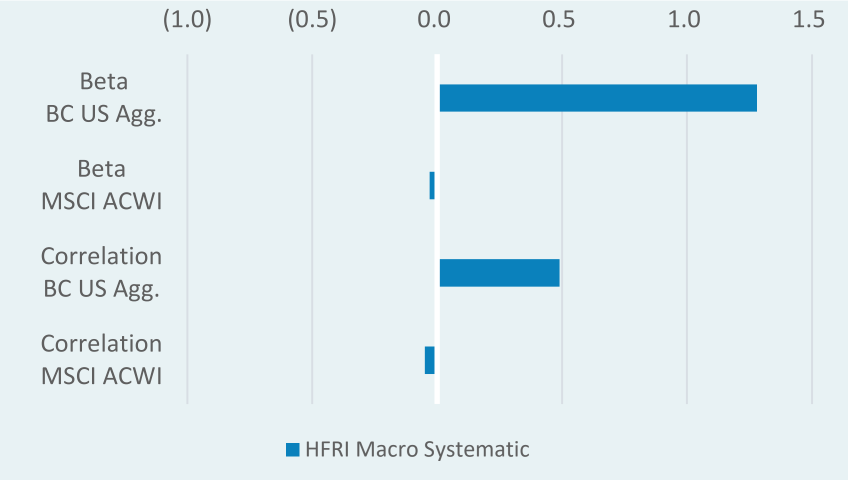


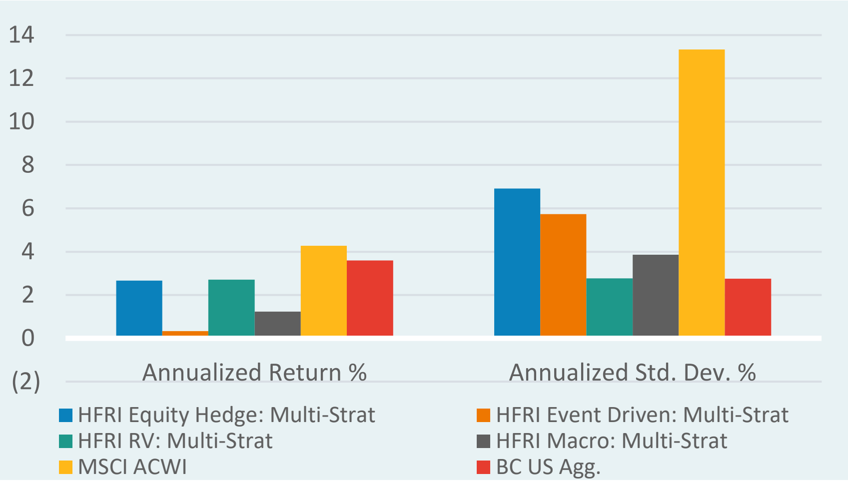
Multi-strategy

— Approach: May be a single team implementing a core philosophy/style across all regions, asset classes or may be a platform of multiple PMs and teams with varying unique strategies.

— Portfolio: Very diversified portfolios. May invest in all types of securities, long or short, process may be discretionary or systematic, research can be bottom-up fundamental or top-down thematic.

— Example: some or all of the previous strategies, wrapped into one portfolio

PERFORMANCE AND RISK – LAST 5 YEARS



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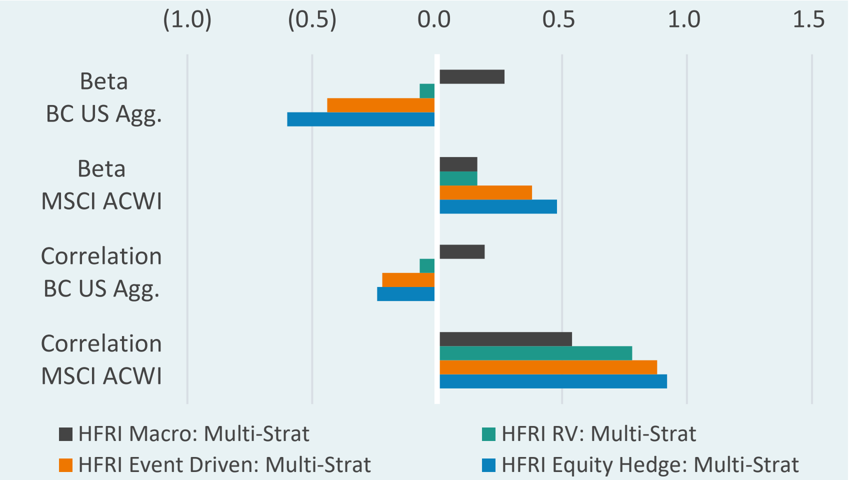

Hedge funds are not without challenges

Complex
- Activism
- Shorting
- Legal situations
- High frequency trading

Fees
- $$$

Risk
- Leverage
- Counterparty
- Operational
- Headline
- Regulatory

Opaque
- Secrecy
- Hidden beta
- Frequent trading

Use of Leverage

Funds can borrow against their balance sheet or use derivatives

— Explicit leverage

- Borrowing against the fund's balance sheet from prime brokers to obtain additional buying power aka going on margin.
- Using proceeds from securities sold short to fund additional purchases.
- Measured by the ratio of gross market value of securities owned to fund NAV.

—Strategies typically with higher leverage: Market neutral, Macro, Merger Arb, Fixed Income Arb

— Implicit leverage

- Investing in options, swaps, futures, or forwards to gain exposure without paying for it
- Can be done over the counter via banks (swaps) or through exchanges which use clearing houses.
- Measured by the ratio of notional exposure to fund NAV.

—Strategies with typically lower leverage: Long/Short Equity, Long/Short Credit, Distressed, Activist,

Liquidity

Potential asset/liability risk for managers with illiquid positions

— Liquidity risk arises when there is demand for liquidity from investors, but the hedge fund is invested in illiquid assets. To allow for redemptions, funds may be forced to sell the most liquid positions, increasing the illiquidity of the fund.

— Methods for managing liquidity risk include:

- Redemption gates: Limits the proportion of assets that can be withdrawn on any one redemption date. Can be in place at the investor level or the fund level.
- Suspend redemptions: Provision in place to allow the fund to refuse to redeem shares strictly due to liquidity concerns.
- Payment in specie: Fulfilling redemptions with securities rather than cash, to avoid selling illiquid assets at significant discounts.
- Side pockets: Illiquid assets are placed in a side pocket, which becomes a separate vehicle. Holders of side pocket shares cannot redeem until the side pocket is liquidated.

Regulatory Considerations

Managers have seen increased scrutiny since the financial crisis

— Funds that invest in multiple markets and must be knowledgeable of local rules and securities laws.

- Opening of the Chinese stock market has come with some unknown risks given the level of control and intervention seen by the Chinese government

— Development of "liquid alternative" investment vehicles has created access to hedge funds via mutual funds, which brings hedge funds under much tighter regulatory limits and requirements.

- Most hedge fund strategies that are part of a mutual fund-of-funds only include the most liquid part of a manager's strategy, and do not represent a true exposure

— Growth of social media has seen reassessment of what constitutes public or insider information

- Announcements on twitter from activists have driven huge moves in individual securities

Operational Considerations

Risk of failed internal processes, people and systems

- Valuation
  - Independent
  - Transparent
  - Consistent
- Fees
  - Calculation methodology
  - Charged to fund or firm
- Prime Brokers
  - Conflicts of interest
  - Dependency
  - Quality
- Auditors
  - Independent
  - Qualified
- Risk management
  - Dedicated risk manager
  - Clearly-defined risk limits
  - Leverage
- Human resources
  - Background checks
  - Compliance
  - Key man risk

Implementation considerations

Constraint	Summary
Liquidity	Expect quarterly liquidity available for rebalancing purposes, but full redemptions will take place over 1-2 years.
Lockups	Initial lockups of 1-2 years are common but not standard. Longer-lock or rolling-lock share classes in exchange for discounted fees are becoming more popular.
Fees	Management fees will range from 1-2%, while performance incentive fees typically 20% (or higher for top performing managers). Discounts for size for the management fee are possible. Equity funds are often a bit cheaper than fixed income.
Vehicles	Most managers only offer commingled vehicles for investment, with Onshore and Offshore versions standard. Separate accounts may be available for larger clients. Mutual funds are practically non-existent.
Reporting	Holdings for equity strategies typically only available on a several-months lagged basis, and may include derivatives, unlisted securities, or other holdings difficult to use as inputs for traditional risk models, attribution reporting, etc. Returns typically only reported net of fees.

Notices & disclosures

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Strategic Asset Allocation

April 19, 2024

James Wingo, CFA, CAIA

Jonathan Graab, CFA, CAIA

Ronnie Hord, CFA, CAIA

Agenda

1. **What has changed since last time?**

2. **Liabilities review**
   Deep dive on how our Plan's liability structure has evolved

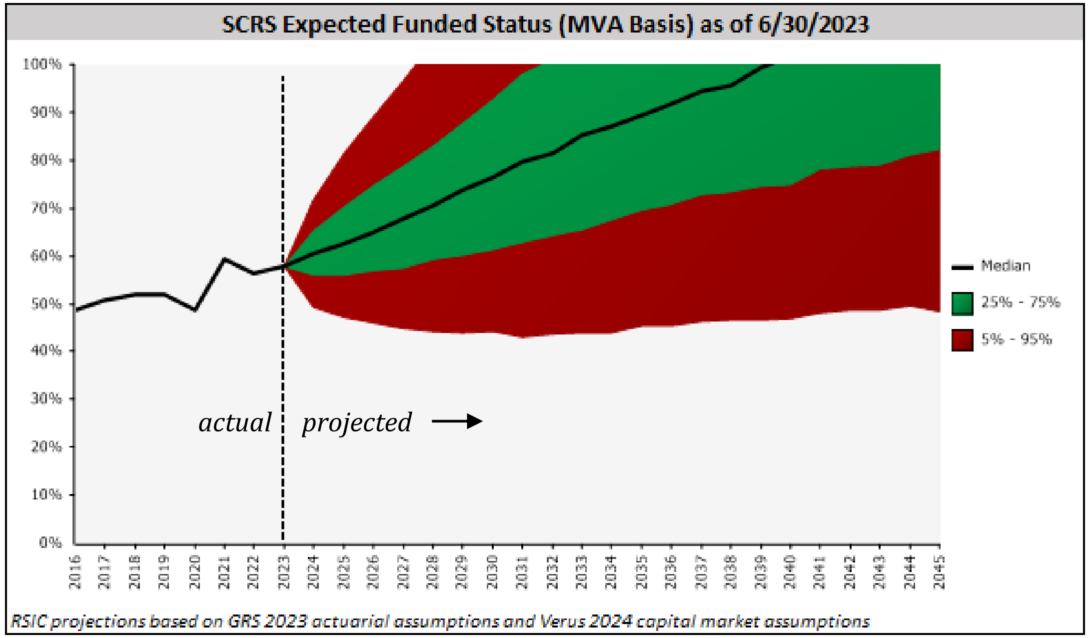
3. **Capital markets review**
   Have asset class return expectations or correlations changed materially?

4. **Bringing it all together**
   How do our unique Plan needs inform our asset allocation strategy?

The future is uncertain… but degrees matter

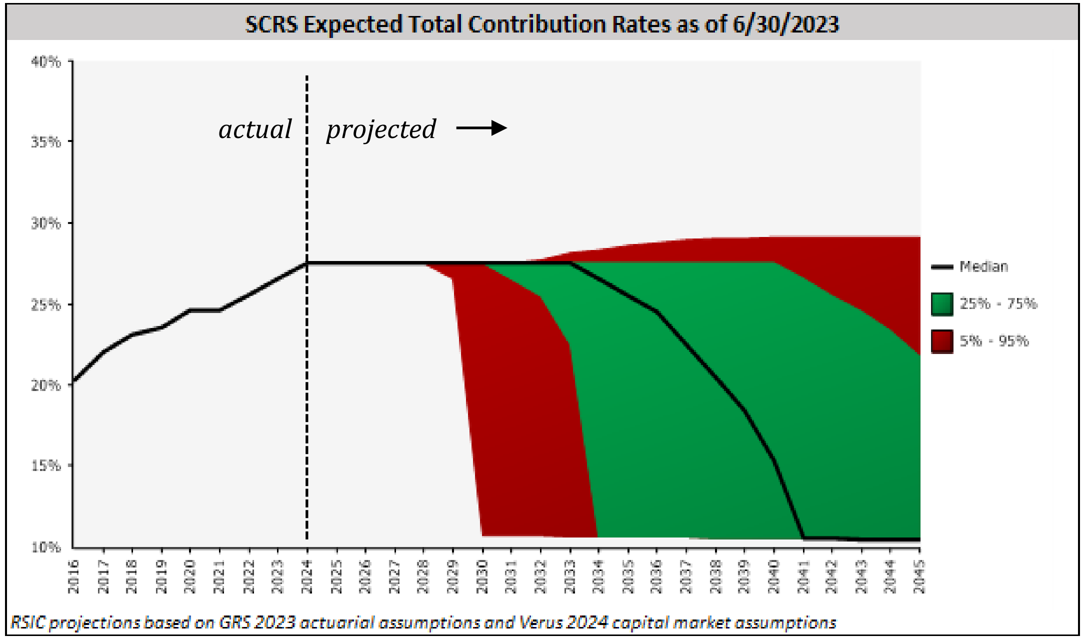
Funded status projection

Looking forward, our funded status is best viewed as a range of possible outcomes, rather than a point estimate



Contribution rate projection

Forward contribution rates also exhibit a degree of uncertainty, or risk, that we may seek to manage



What has changed since last time?

Liability Summary

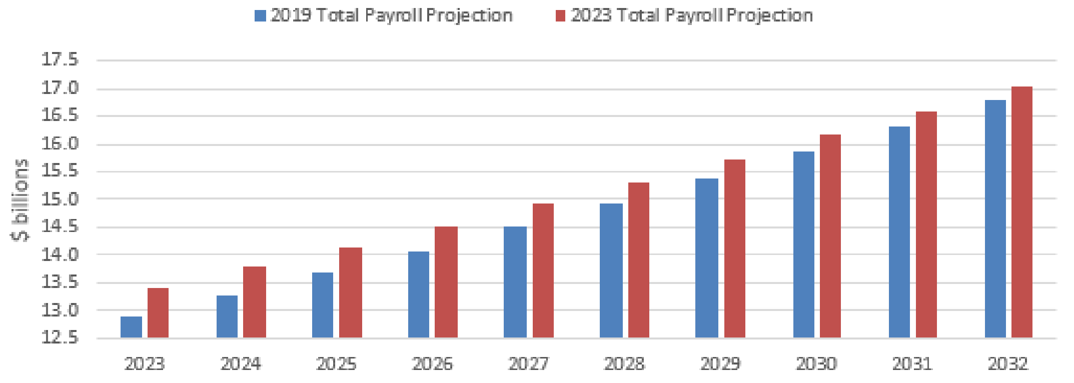
- Significant assumption change: assumed rated reduced from 7.25% to 7.00%: +~$1.6 billion AAL/UAAL impact
- Payrolls materially higher than expected:
  - Higher liability: +~$1.2 billion AAL/UAAL impact
  - Higher contributions than expected
- Postponed a planned contribution rate increase during the pandemic (FY 2021)

Asset Summary

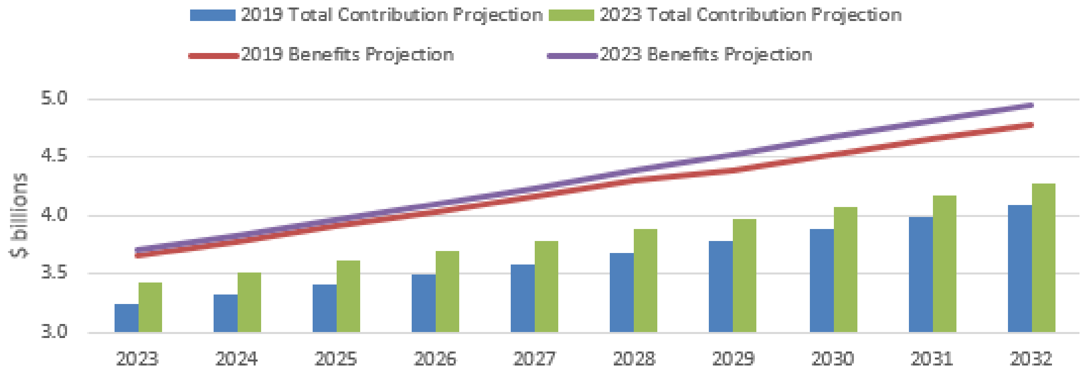
- Investment returns exceeded expectations: 7.6% compound return vs 7.0% expected FYs 2019-2023
- Payrolls materially higher than expected:
  - Higher contributions than expected
  - Higher asset growth than expected
- Capital market assumption changes:
  - Higher interest rates
  - Higher return expectations across fixed income
  - Compressed risk premia across equities

What has changed since last time with our liabilities?

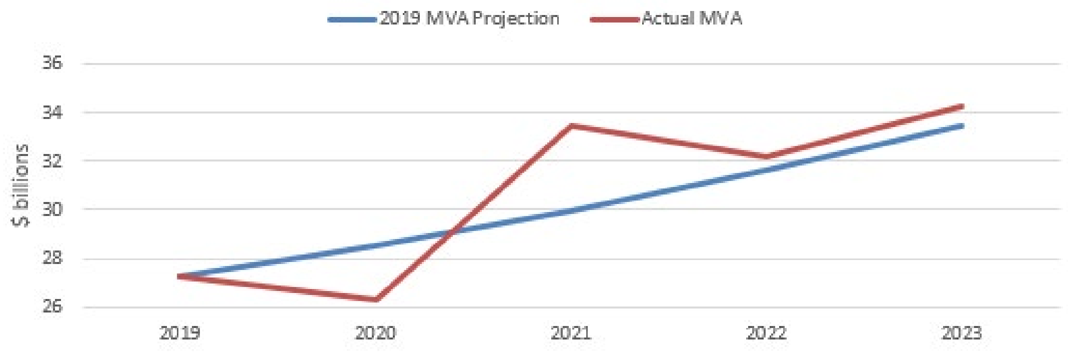
Payrolls surprise on the upside…



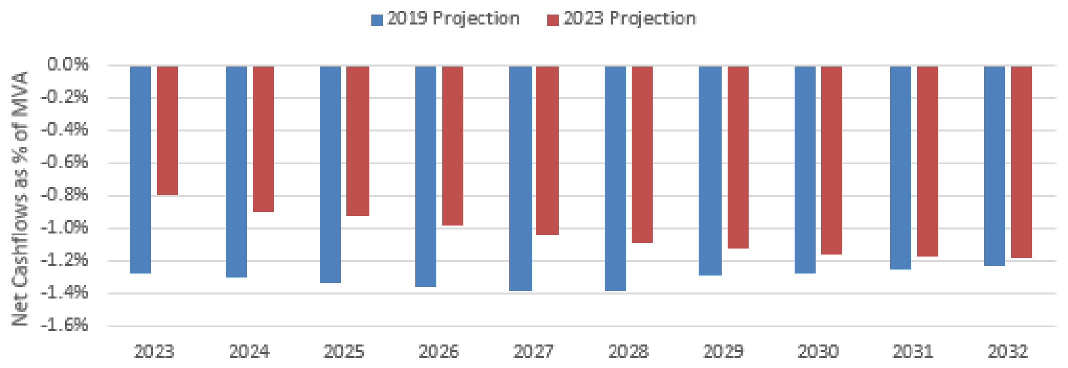
Leading to higher contributions…



And asset growth above expectations…



…Net cashflow % projection materially improved

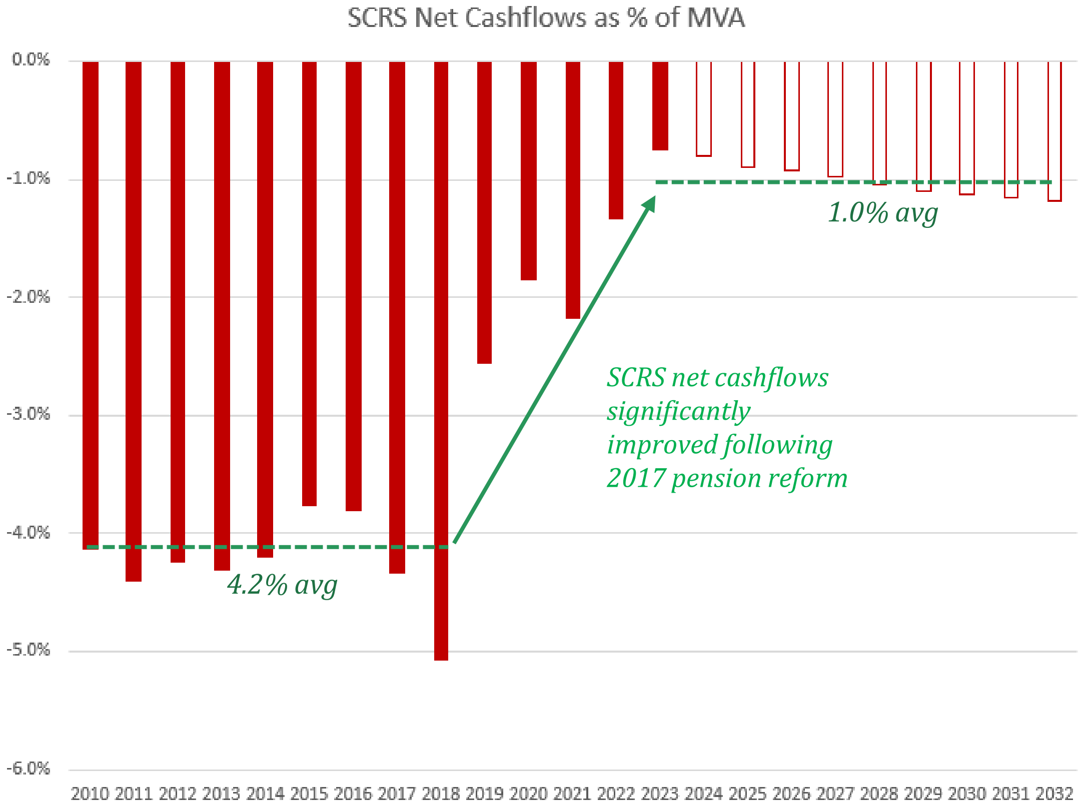


What has changed since last time for our liabilities?

Liability Liquidity Risk Summary

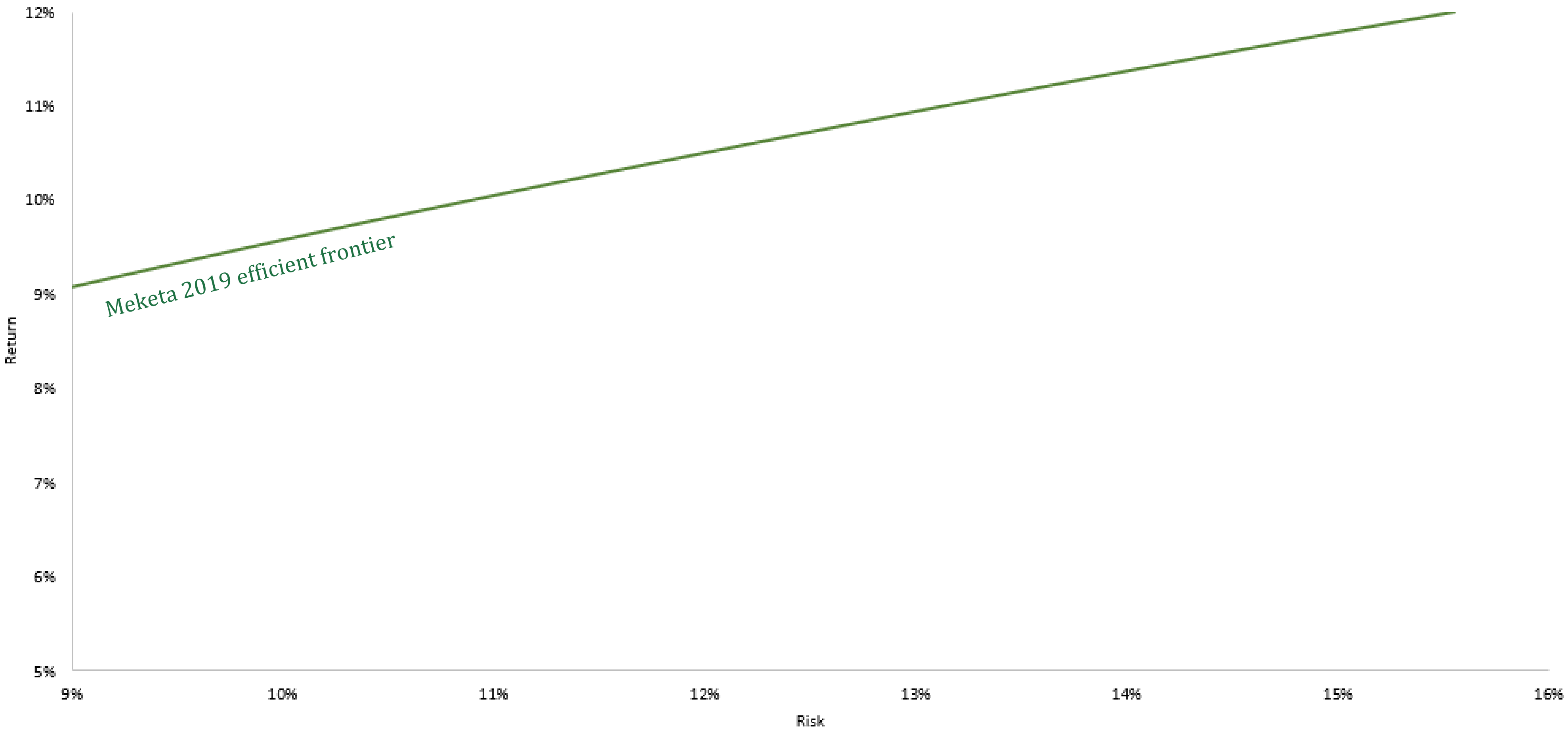
- SCRS Net cashflows are materially different compared with the last time Strategic Asset Allocation was reviewed
- Net cashflows improved due to:
  - 2017 Pension Reform
  - Payroll growth above expectations
  - Investment returns above expectations
- Material improvement in liquidity risk posture enables higher investment allocation to illiquid asset classes

Net Cashflow Historical & Projected Analysis



What has changed since last time for capital markets?

2019 vs 2024 efficient frontiers



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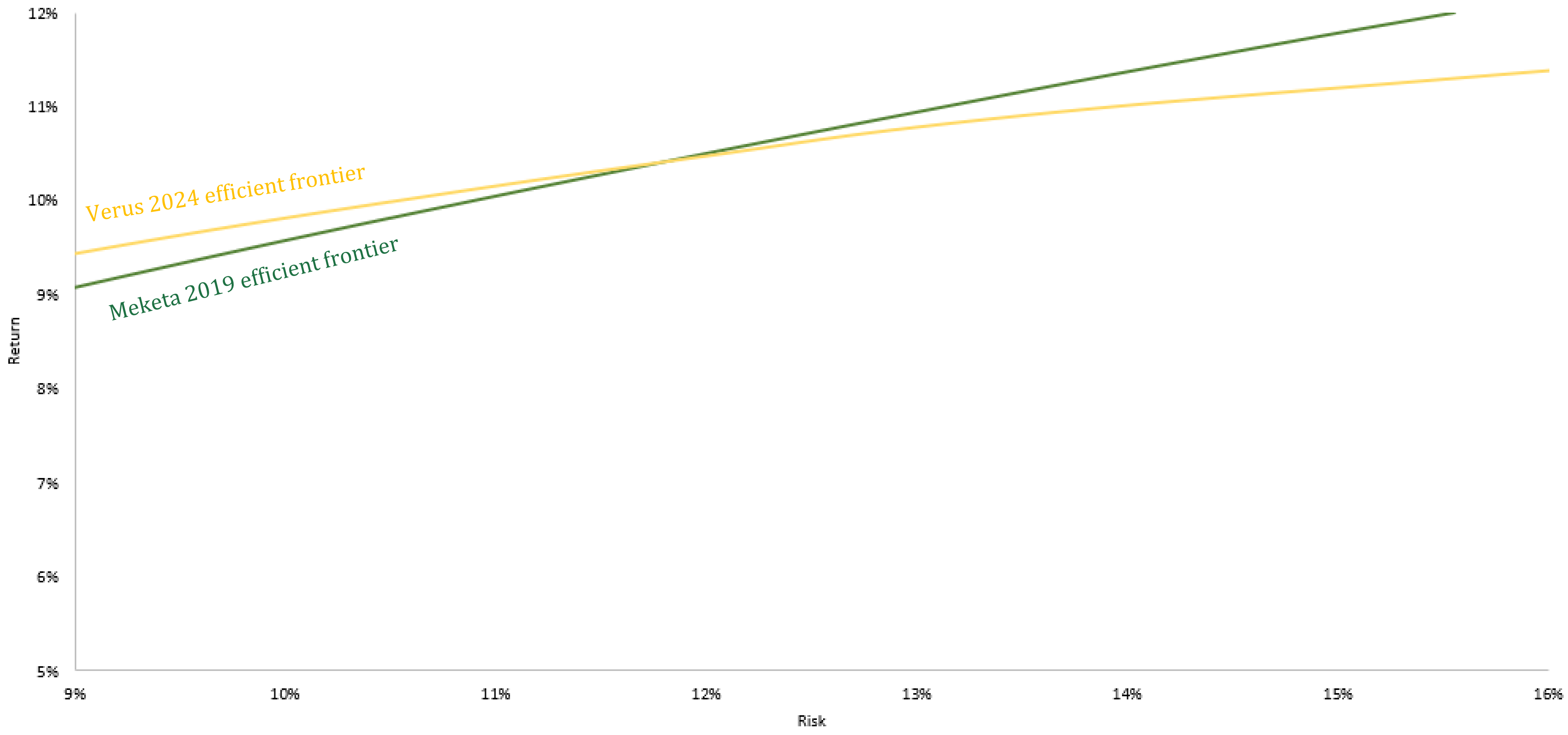

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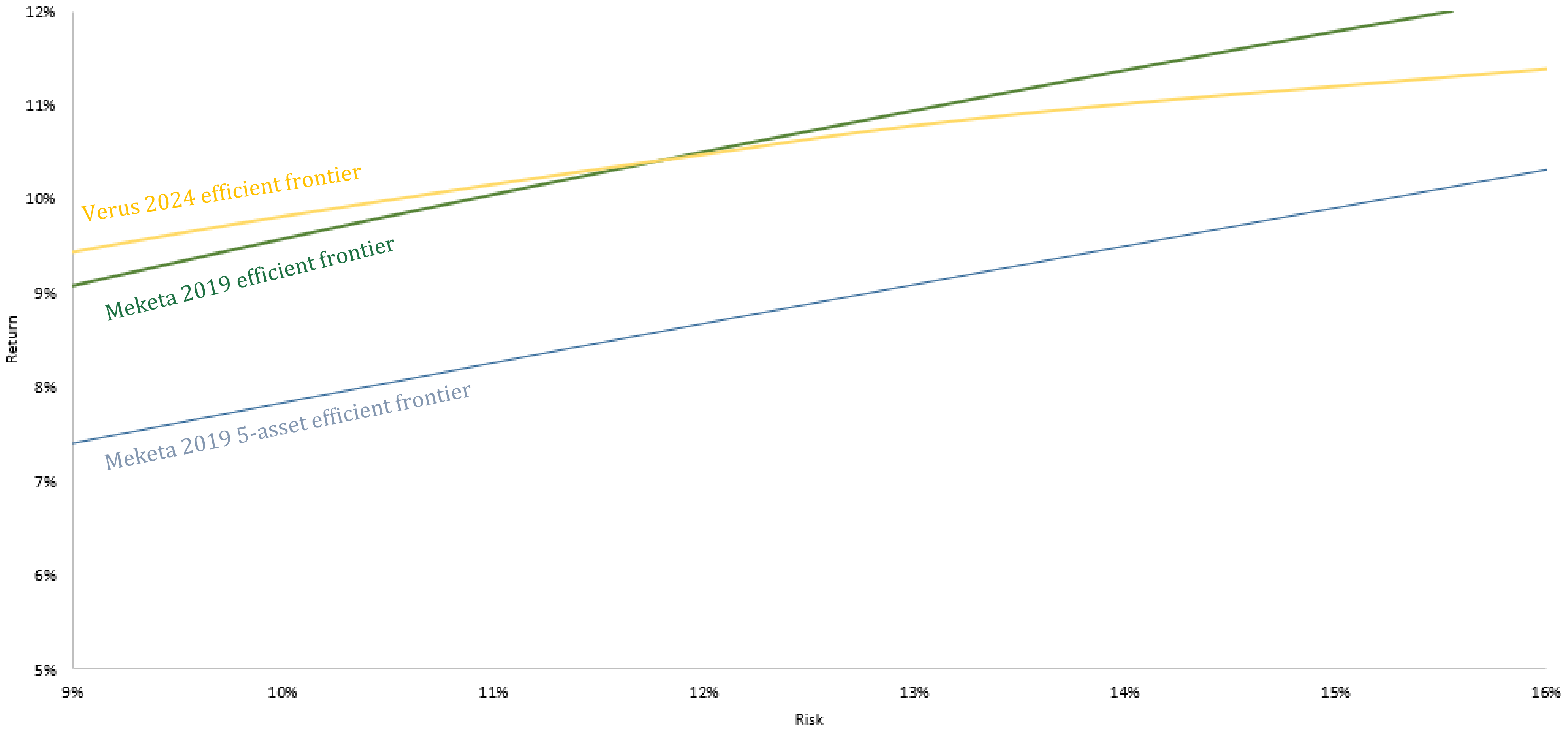

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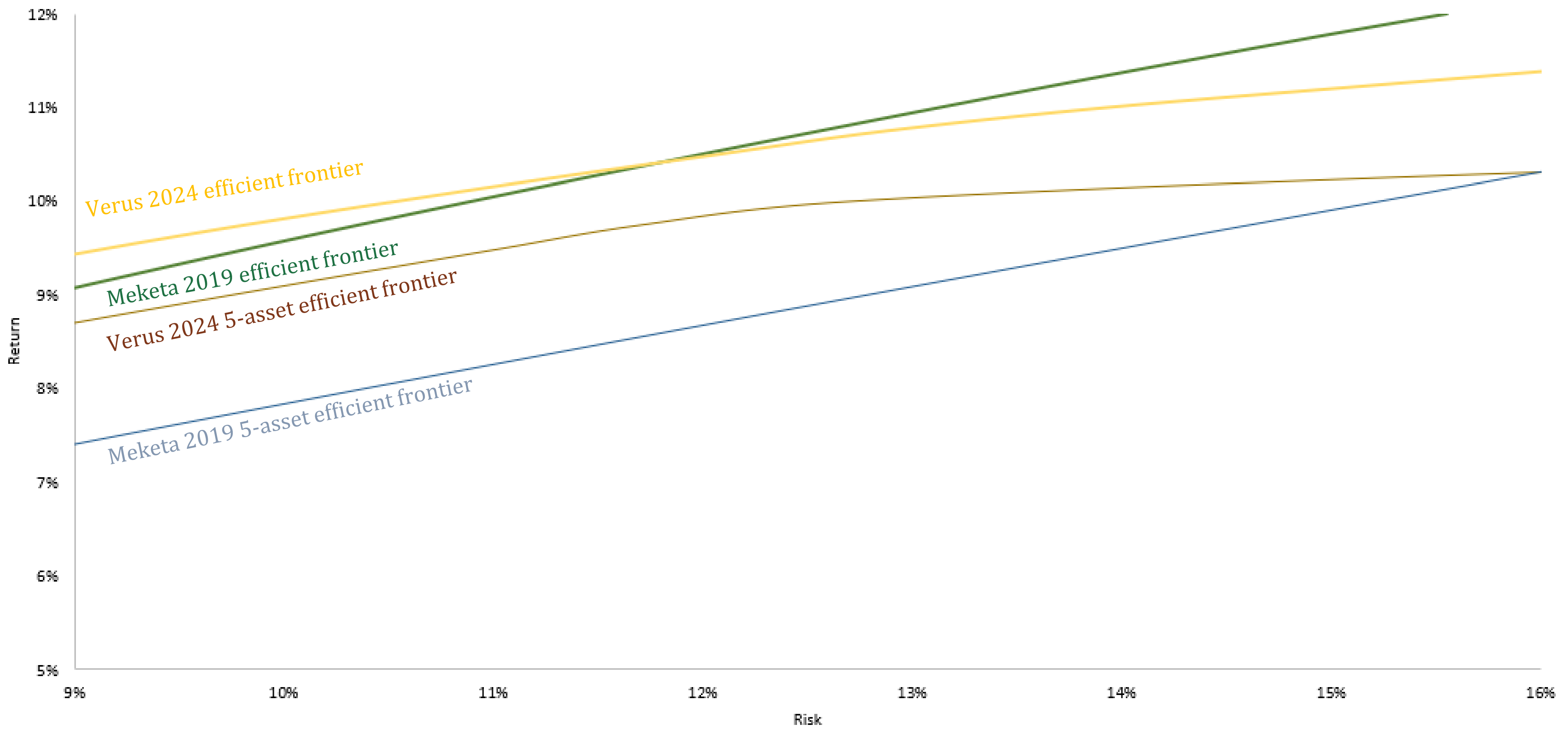


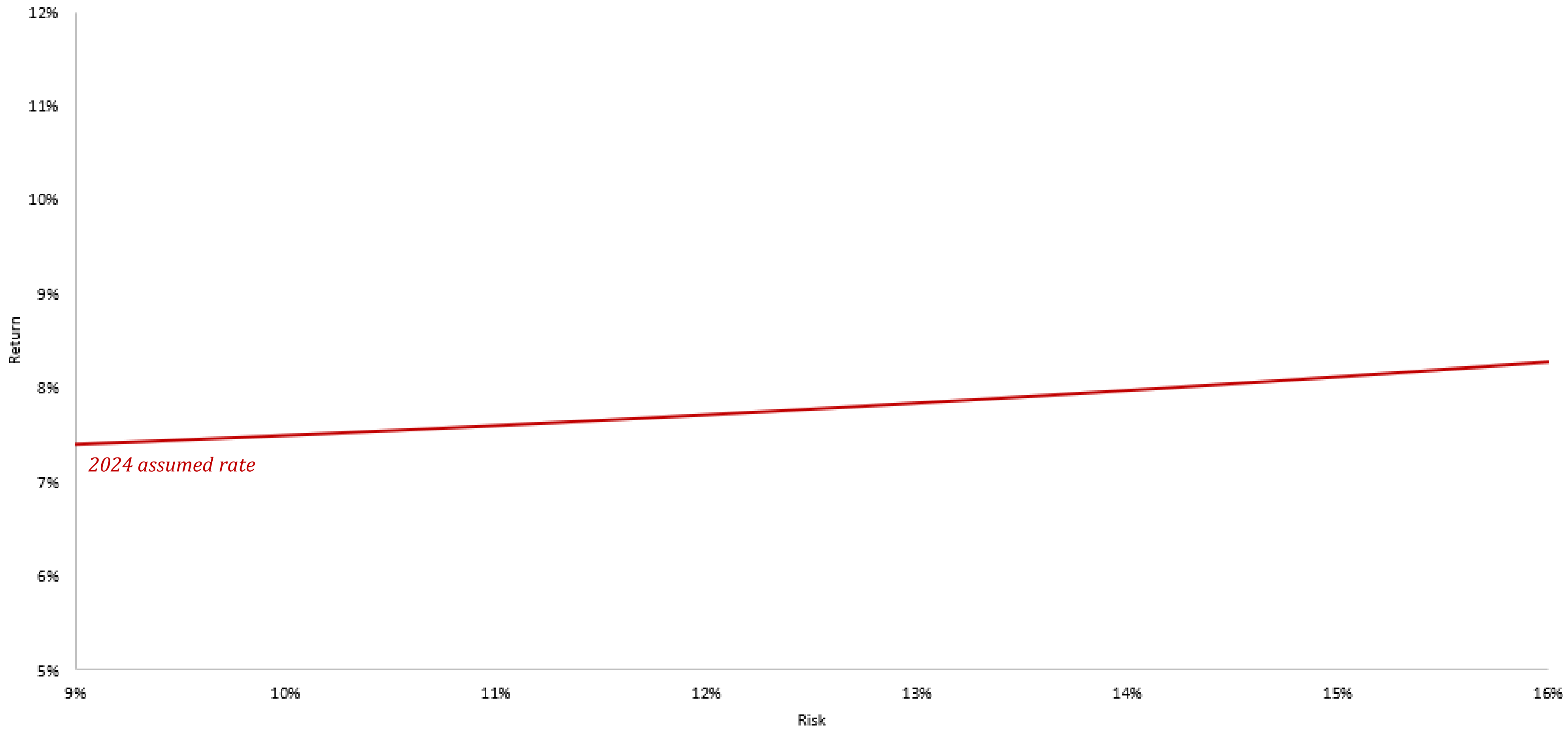
Bringing it all together

What risks are top of mind?

- Plan Assumed Rate: Maximize probability of meeting or exceeding Plan's assumed rate
- Plan Funding Ratio: Maximize probability of achieving full funding levels within a given time period
- Plan Contribution Rates: Minimize probability of additional rate increases
- Plan Tail Risk: Minimize probability of catastrophic Plan outcomes

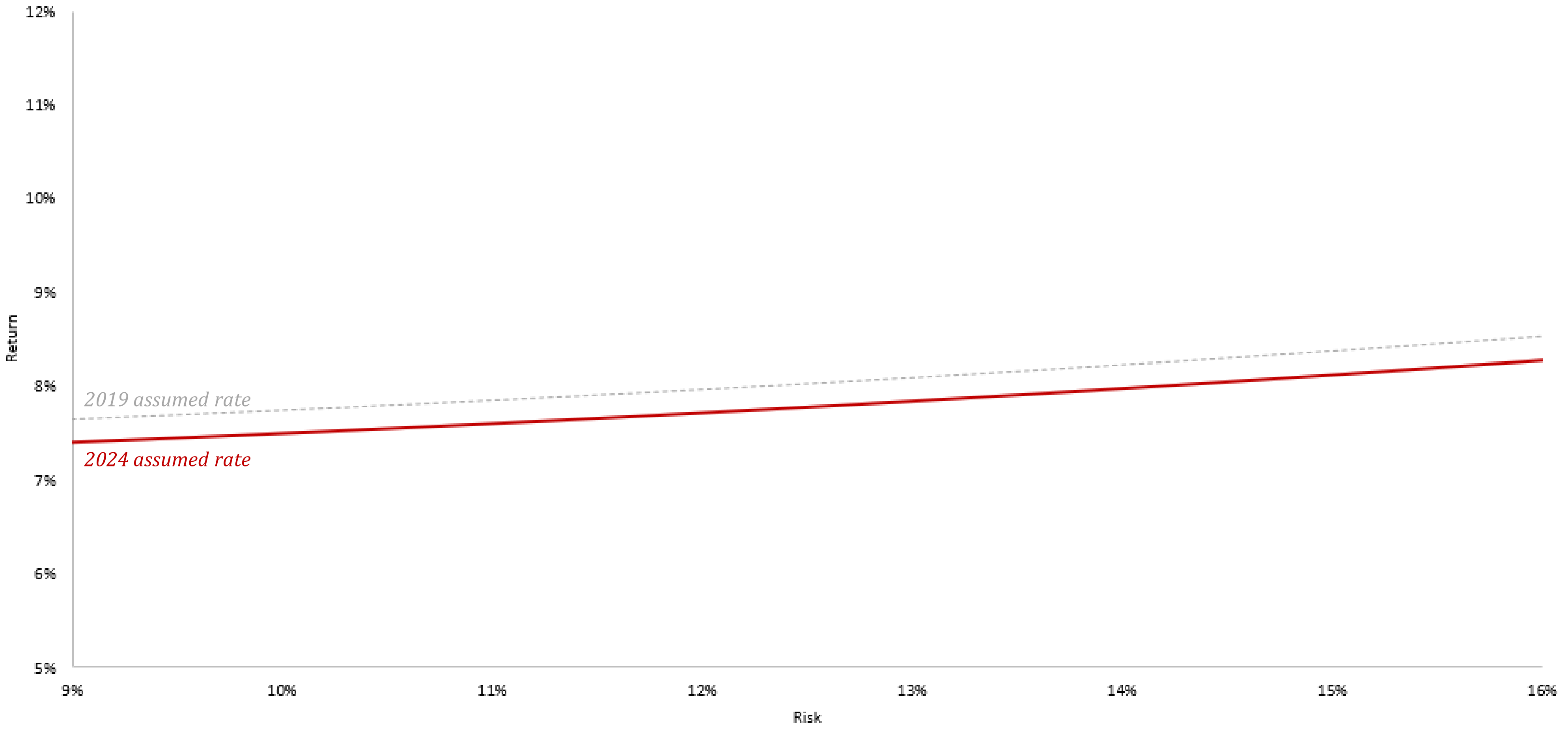
Bringing it all together

2024 risk limits

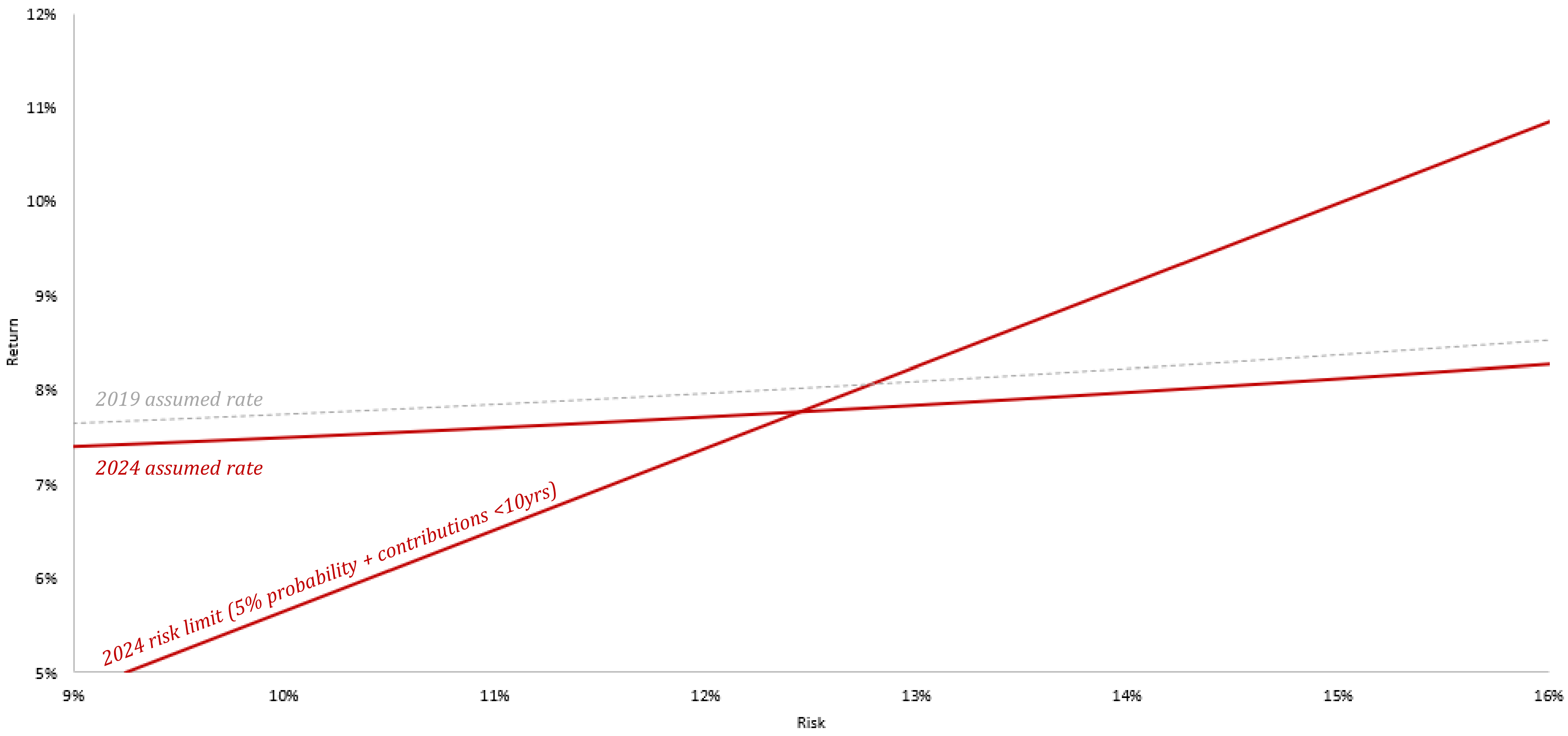


Bringing it all together

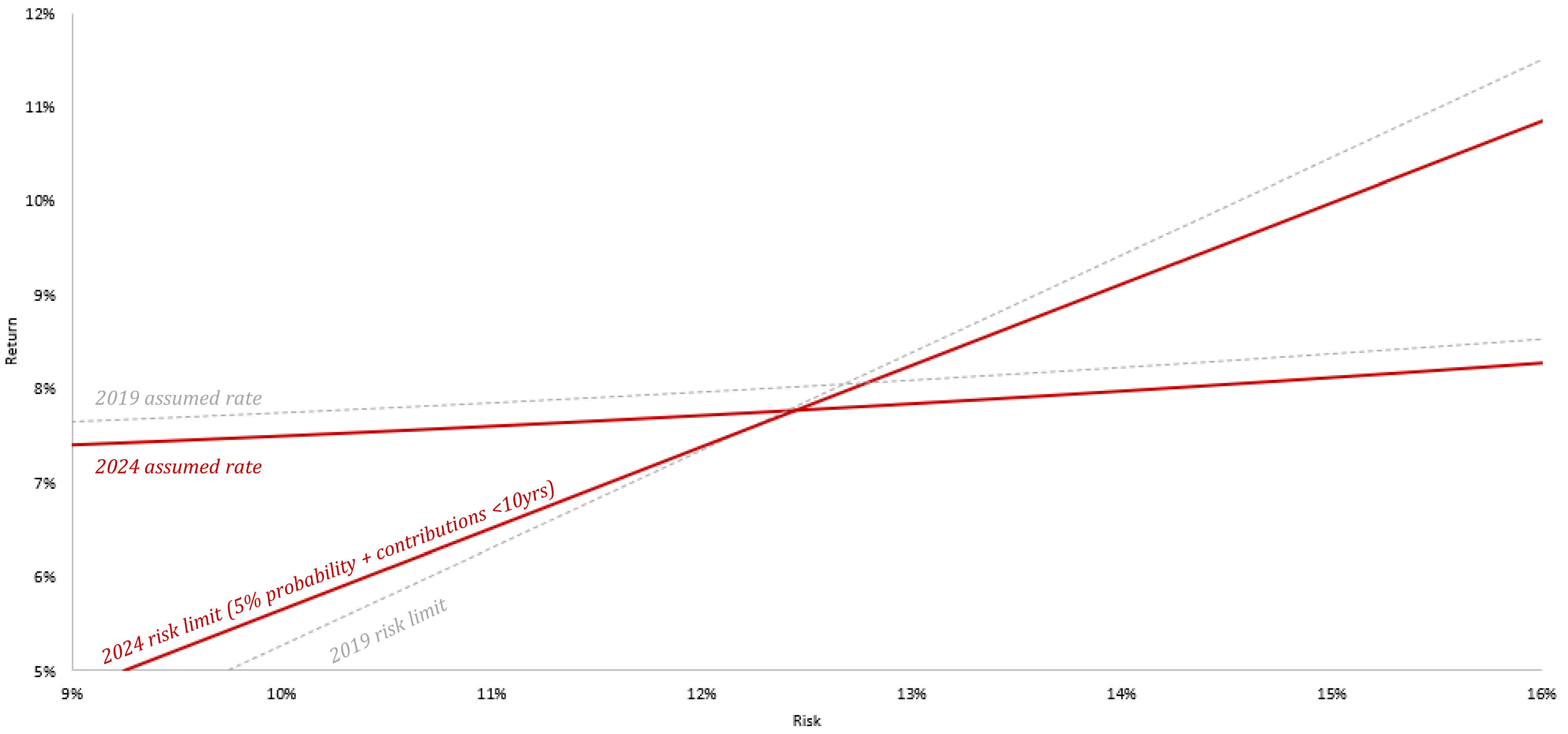
2024 risk limits



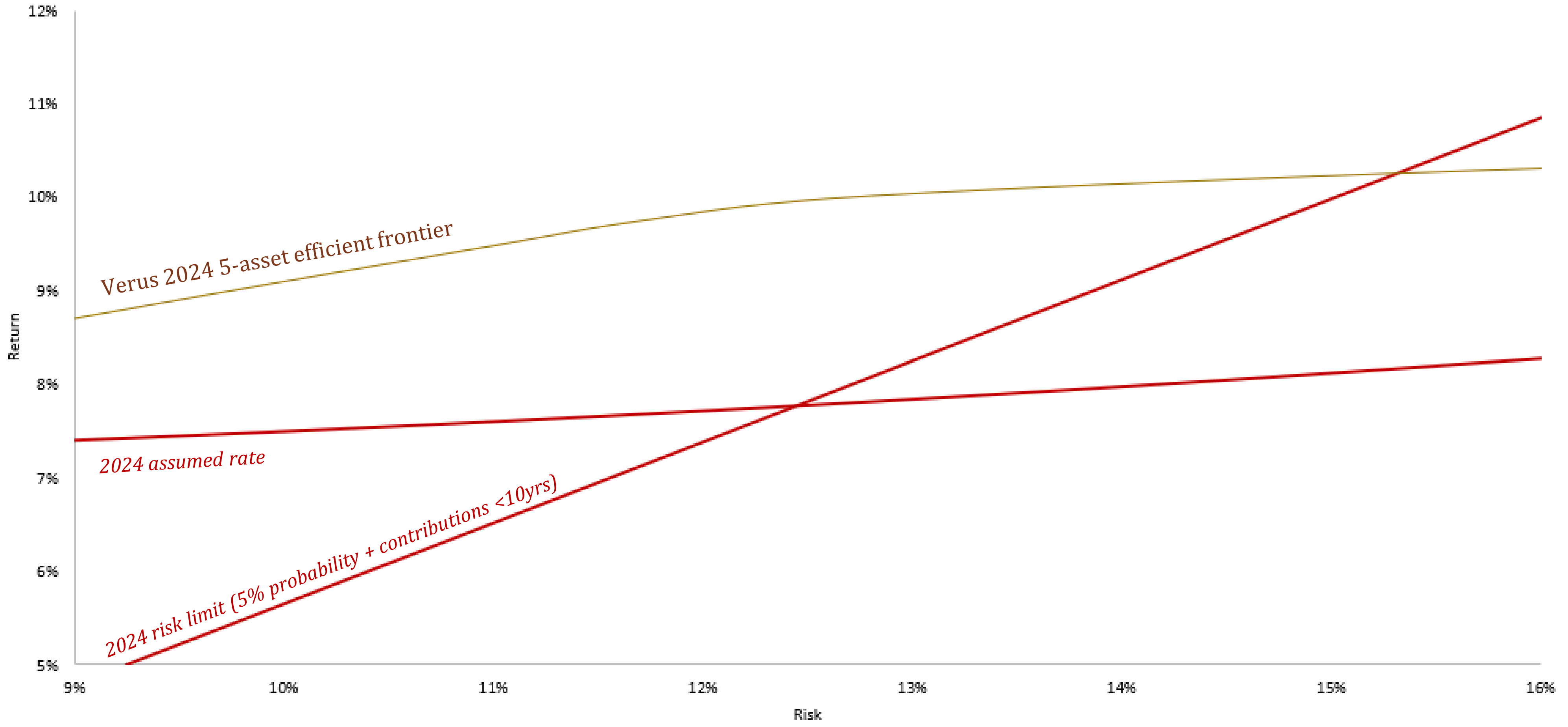
2019 vs 2024 risk limits



2019 vs 2024 risk limits

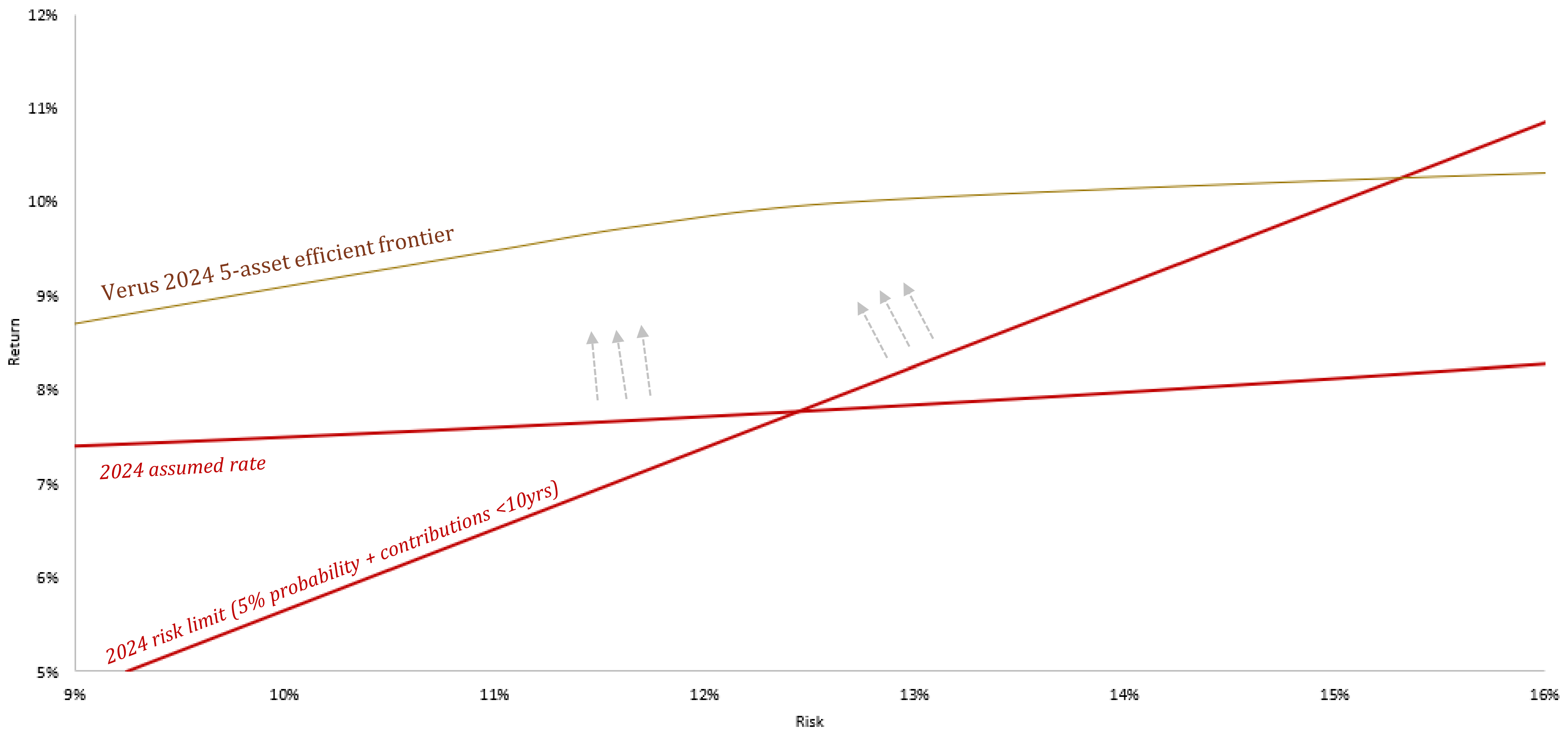


2024 risk limits and frontier

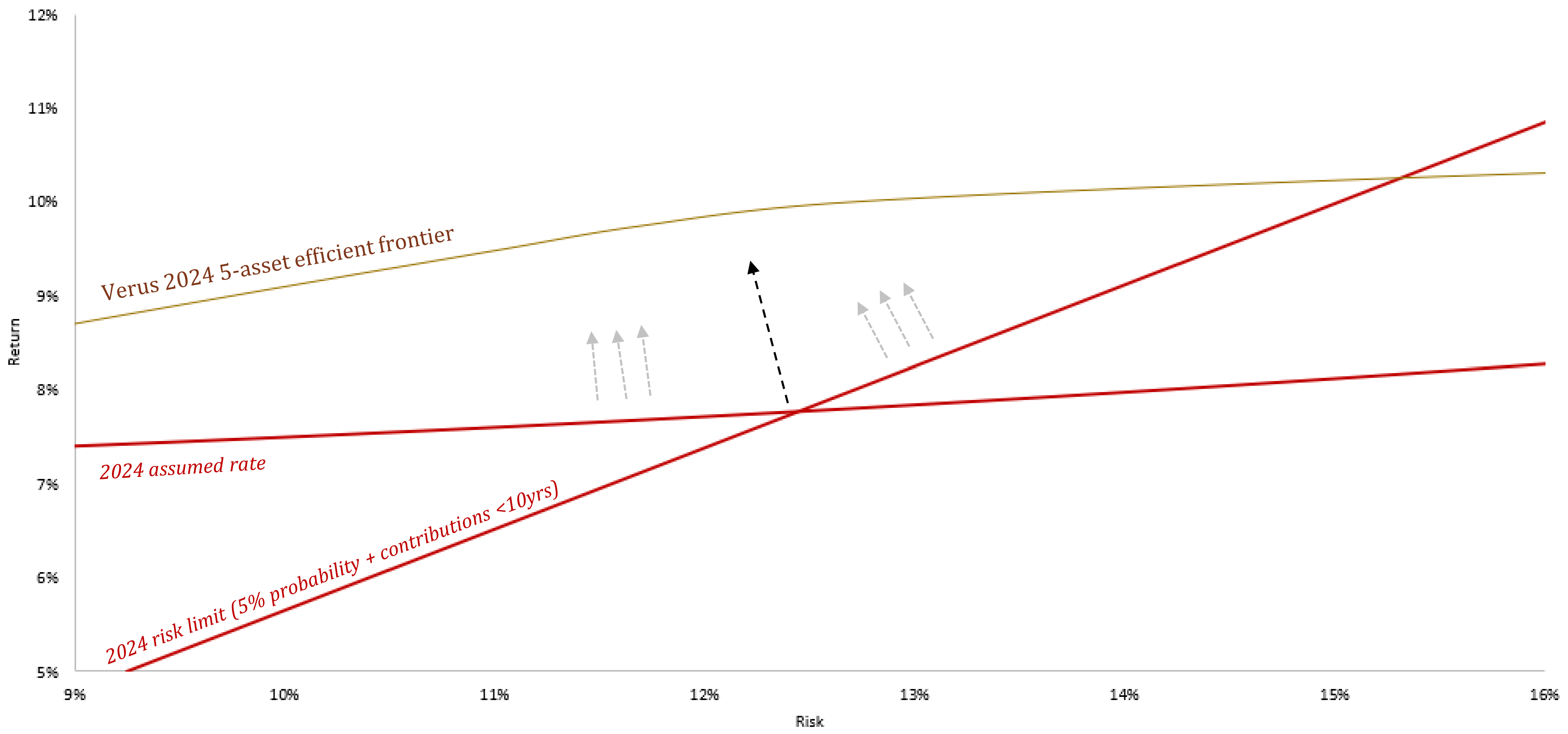


Bringing it all together

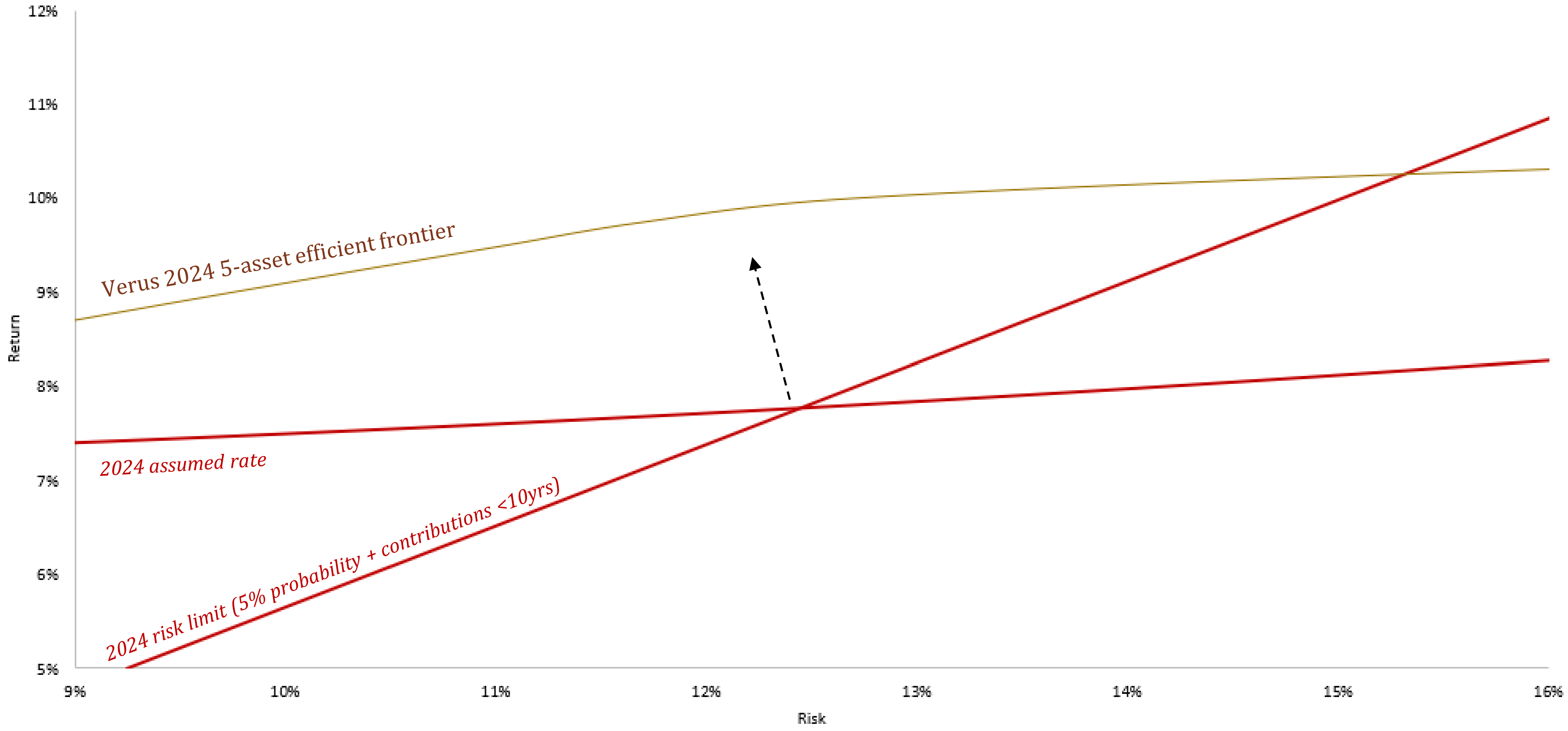
2024 risk limits and implied direction



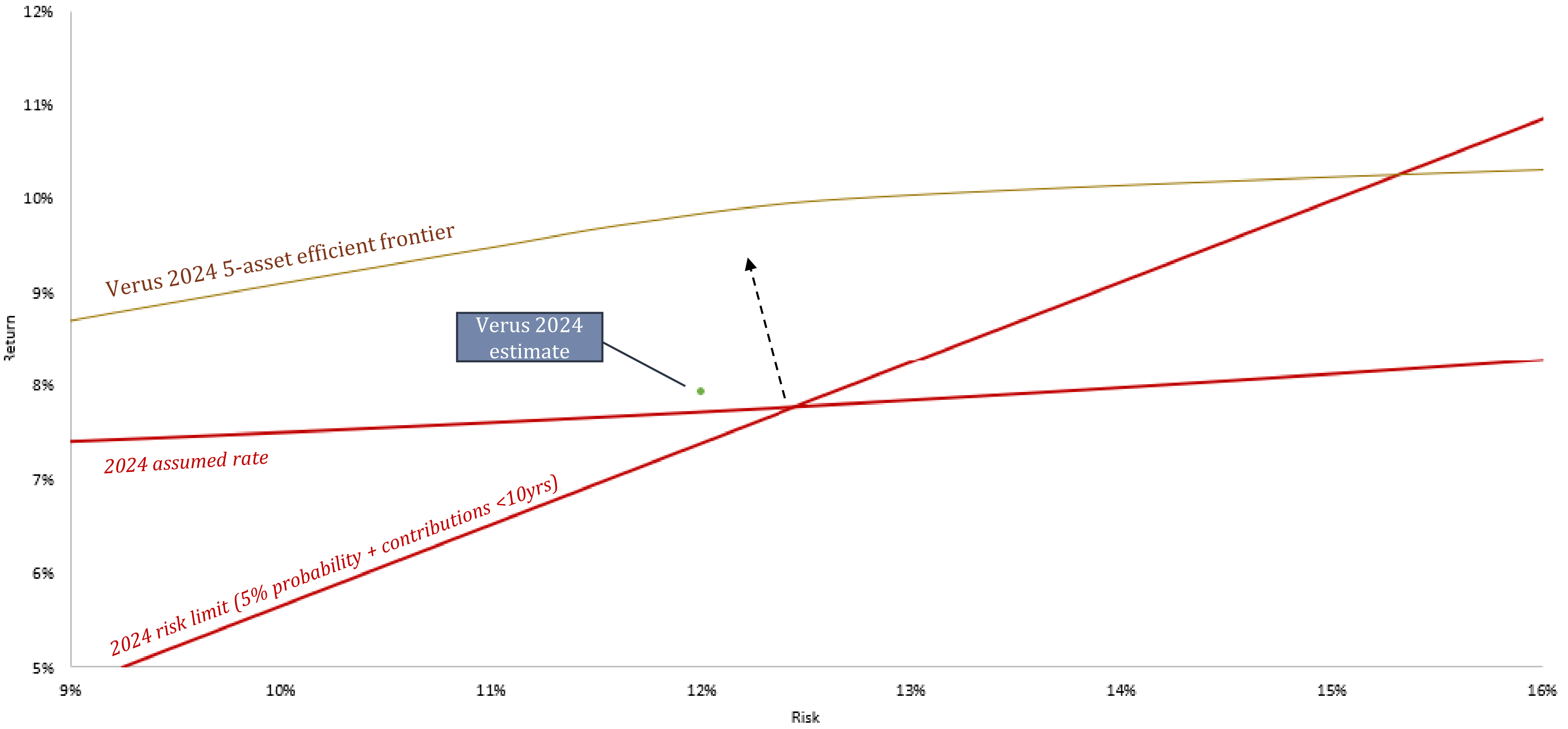
2024 risk limits and implied direction



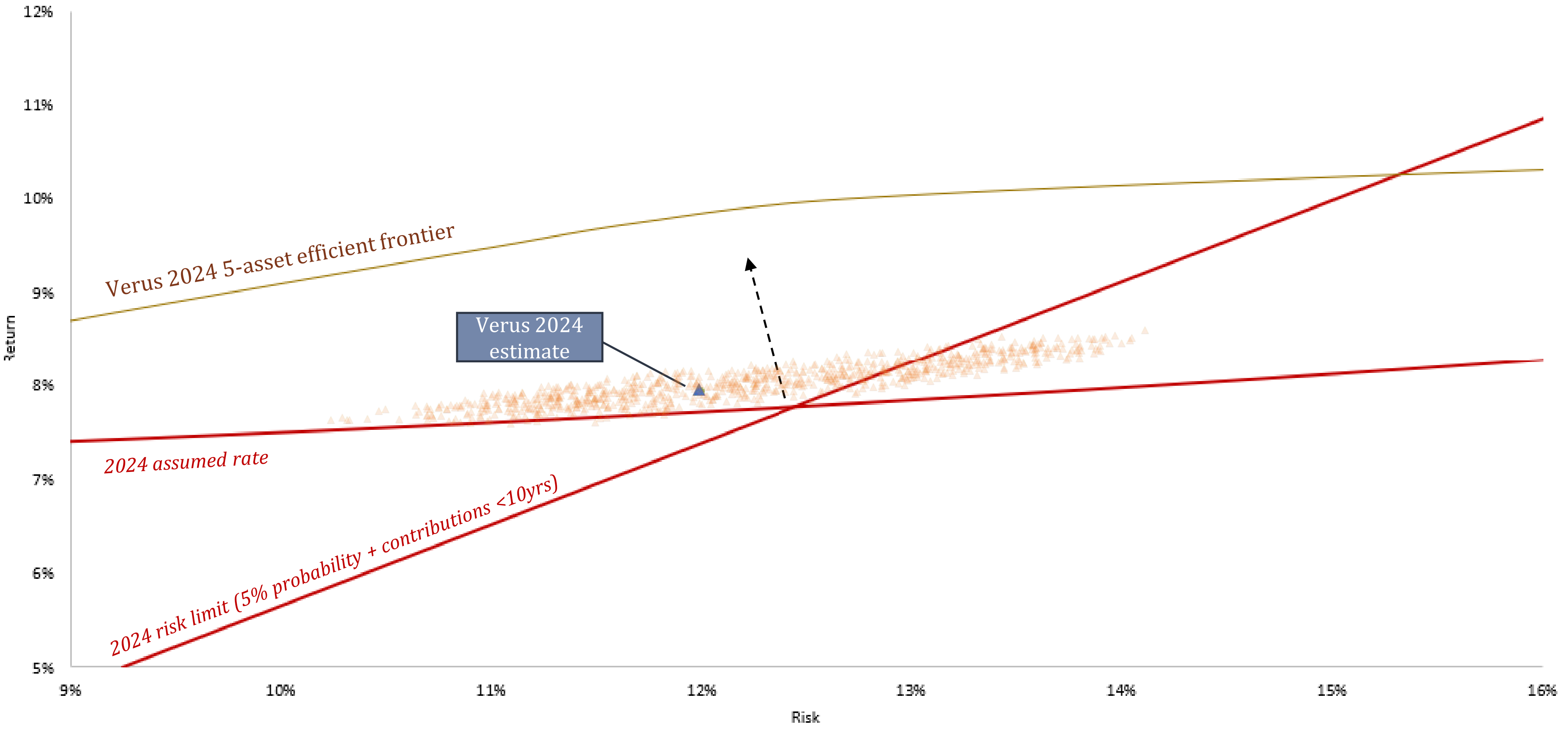
2024 risk limits and implied direction



2024 risk limits and implied direction

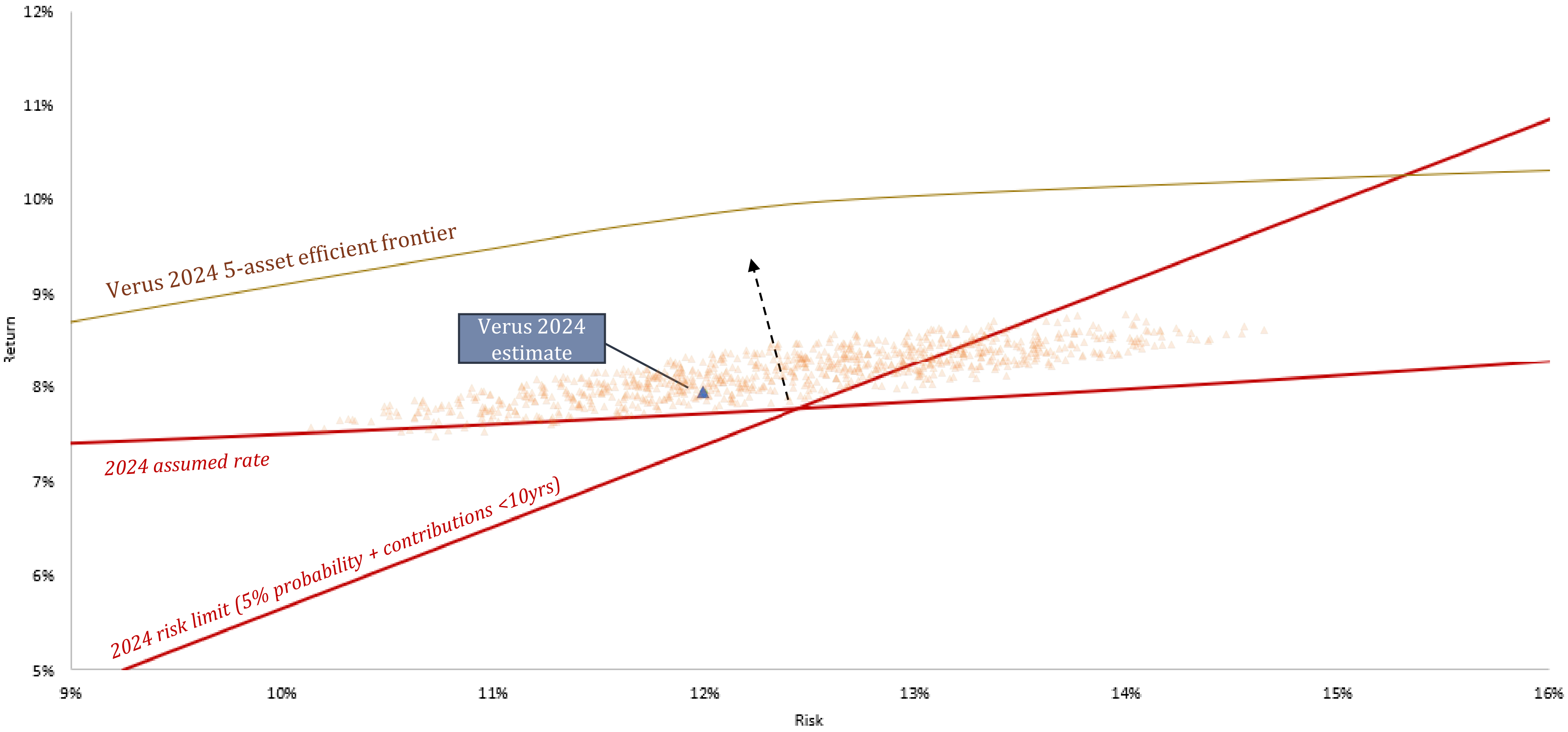


2024 risk limits and implied direction



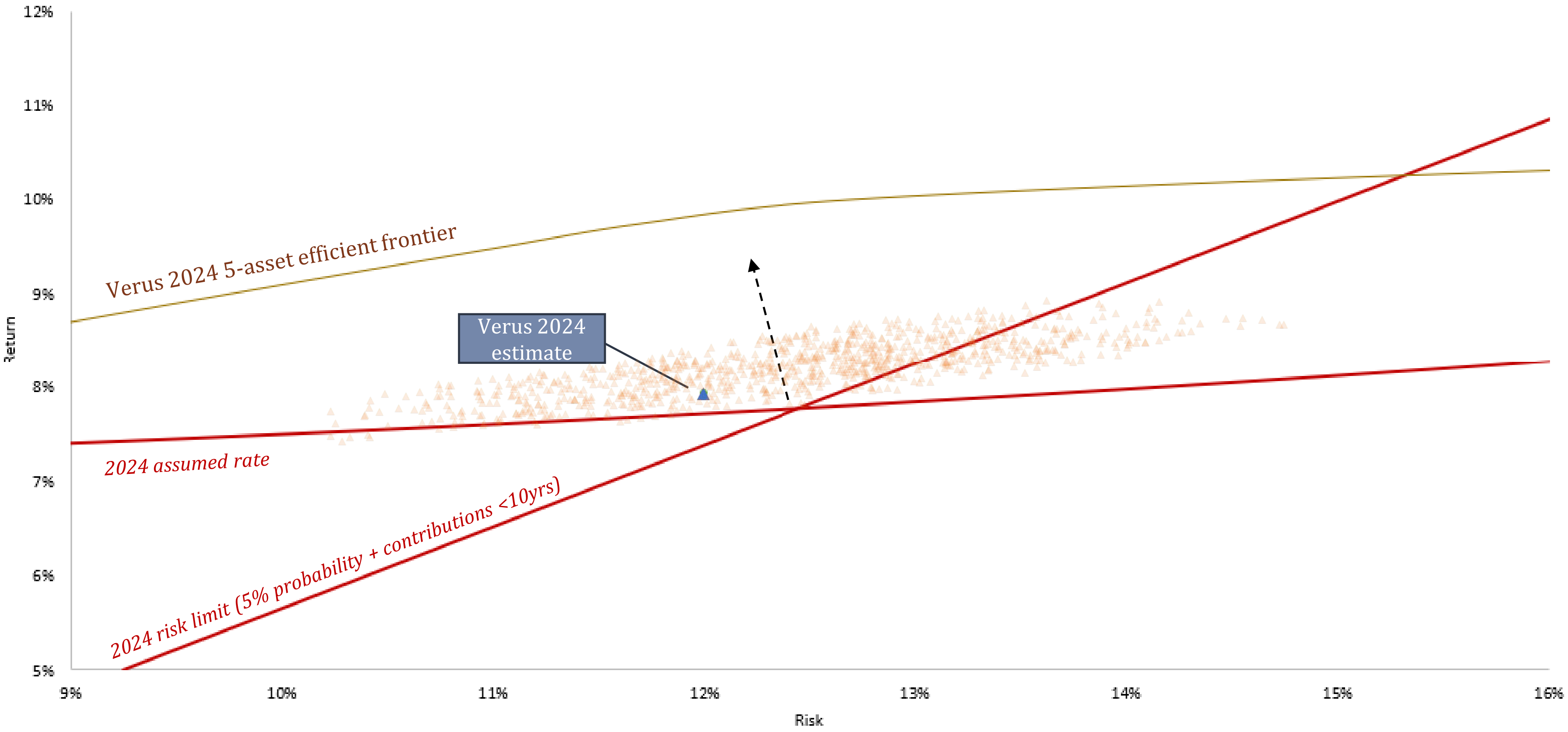
Current SIOP + 5% Upper Bound to Alts Possible Portfolios

2024 risk limits and implied direction

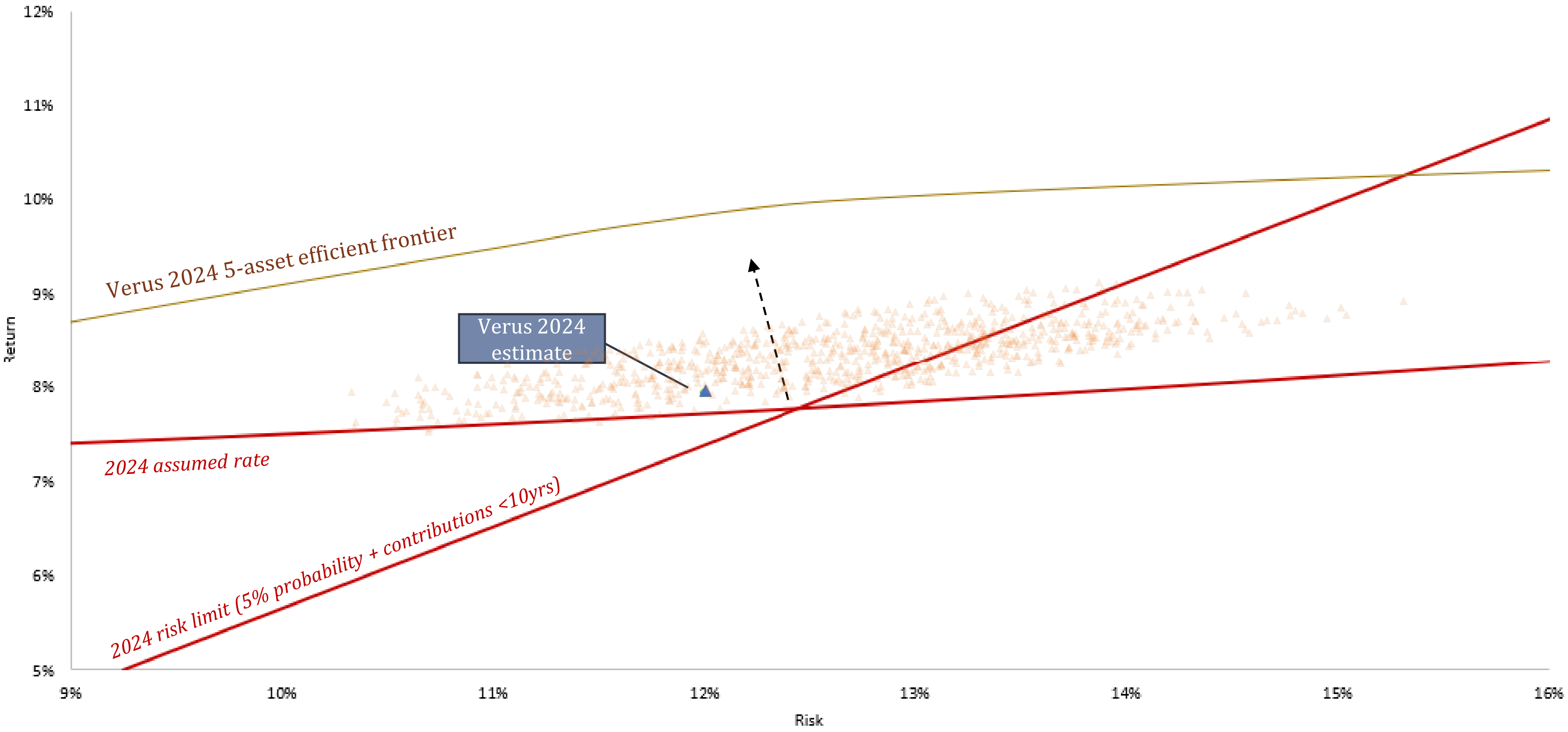


Current SIOP + 10% Upper Bound to Alts Possible Portfolios

2024 risk limits and implied direction

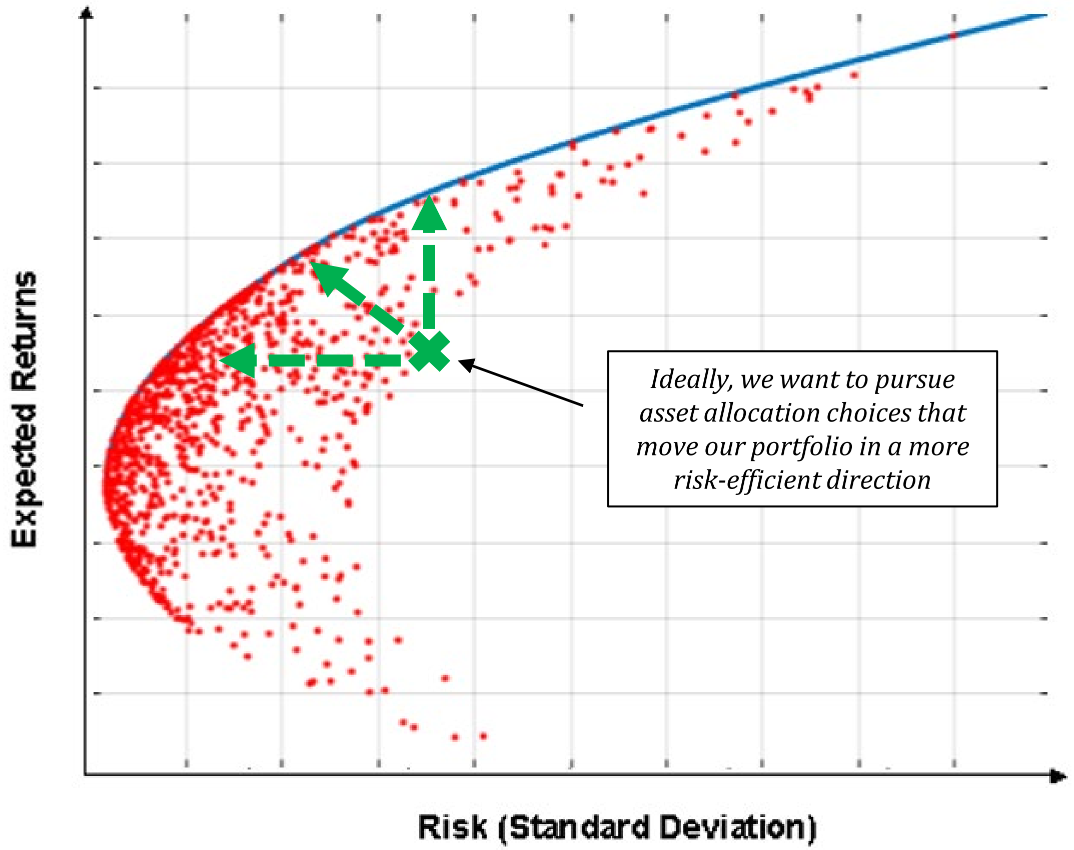


2024 risk limits and implied direction

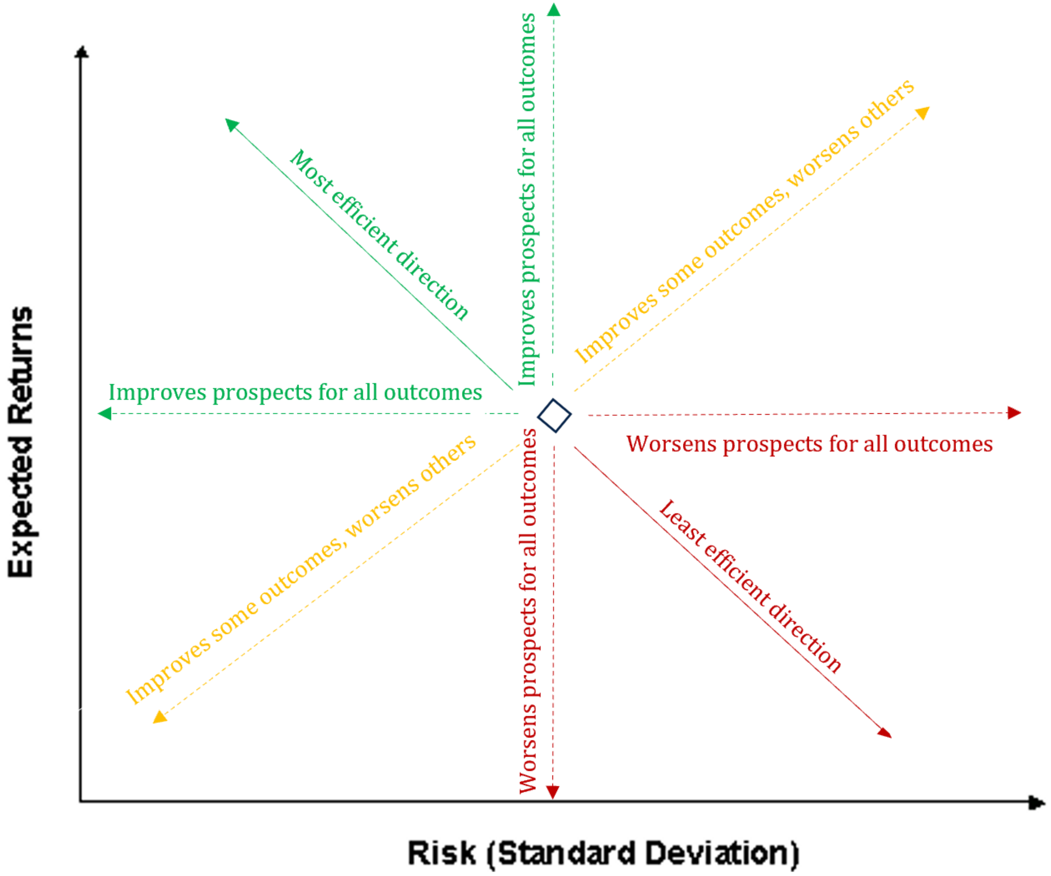


What has changed since last time for capital markets?

Efficient frontier summary

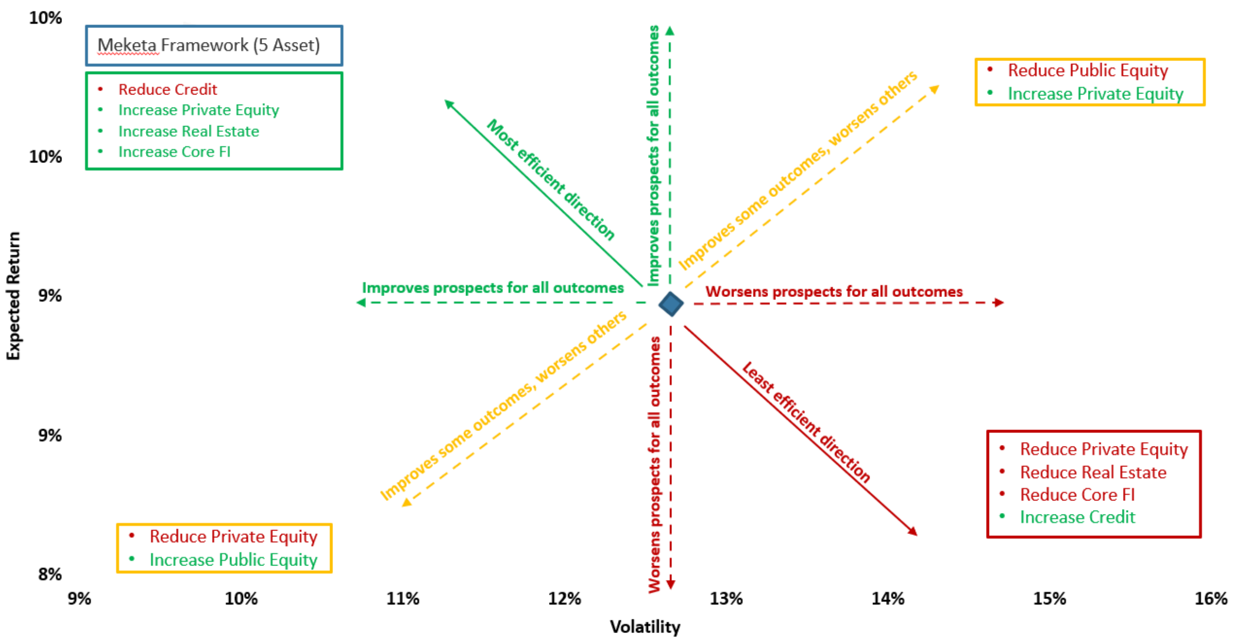


Risk efficiency in asset allocation choices



What has changed since last time for capital markets?

2019 implied asset allocation changes



2024 implied asset allocation changes