South Carolina Retirement System Investment Commission
Meeting Minutes

November 21, 2013

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

Commissioners Present:
Mr. Reynolds Williams, Chairman
Mr. Edward Giobbe, Vice Chairman
State Treasurer Curtis M. Loftis, Jr.
Dr. Rebecca Gunnlaugsson
Mr. Allen Gillespie
Dr. Ronald Wilder
Mr. David Avant

Others present for all or a portion of the meeting on Thursday, November 21, 2013:
Mike Addy, Melinda Al-Hasan, Josh Brade, Corleon Brown, Betsy Burn, Alexander Campbell, Andrew Chernick, Louis Darmstadter, Dori Ditty, Robert Feinstein, Lorelei Graye, Hershel Harper, Monica Houston, Adam Jordan, Dave Klauka, James Manning, Bryan Moore, David Phillips, Eric Rovelli, Jon Rychener, Greg Ryberg, Kathleen Shealy, Nancy Shealy, Lorrie Smith, Danny Varat, and Brian Wheeler from the South Carolina Retirement System Investment Commission; Faith Wright and Tammy Nichols from the Public Employee Benefit Authority; Clarissa Adams, Shakun Tahiliani, Bill Condon, Daniel Brennan, Bill Leidinger, Dinah Ravan, and Alex Stroman from the State Treasurer's Office; Andrea Taylor from Creel Court Reporting; Wayne Bell, Wayne Pruitt, Sam Griswold, and Donald Tudor from the State Retirees Association of South Carolina; Oscar Butler from the South Carolina Retirement and Pre-Retirement Advisory Board; Suzanne Bernard and Peter Kronas from Hewitt EnnisKnupp, Inc.; Jane Shuler from the South Carolina Senate Judiciary Committee; Ladson Howell, Jr. from Howell & Christmas, LLC; Seanna Adcox from the Associated Press; Adam Beam and Kim Foster from The State Newspaper; Porter Barron from the Free Times; Doug Ostrover from GSO Capital Partners; Kris Mastronardi and David Kostin from Goldman Sachs; Paul Podolsky and Alan Bowser from Bridgewater Associates; Greg Nordquist from Russell Implementation Services, Inc.; Aaron Montano from AllianceBernstein; Jim Zelter and Barry Cohen from Apollo; Michael Carrouth from Fisher & Phillips LLP; Corporal James Griffin from the South Carolina Bureau of Public Safety; and Jason Roberts from the Columbia Police Department.

I. CALL TO ORDER AND CONSENT AGENDA

Chairman Reynolds Williams called the meeting of the South Carolina Retirement System Investment Commission ("Commission") to order at 9:00 a.m. Chairman Williams referred to the proposed meeting agenda and asked for a motion to approve. Dr. Rebecca Gunnlaugsson made a motion, which was seconded by Mr. Allen Gillespie and passed unanimously, to approve the agenda as presented.

Chairman Williams referred to the draft minutes from the September 26, 2013 Commission meeting and asked if there were any objections or corrections. Mr. Gillespie stated that Section III of the draft minutes relating to the Audit Committee report should be corrected to read "Mr.

Gillespie also noted that the Committee had discussed documentation of policies and procedures, rebalancing policy, and ***will (or would)*** be discussing a report on investment fees at its next meeting." Mr. Curtis Loftis stated Section VIII of the draft minutes regarding the discussion of the BNYM Settlement Status should be corrected to reflect that a portion of the valuation for the settlement was not to the local government investment pool; that portion of the minutes should be corrected to read as follows: "Mr. Loftis stated that the valuation was comprised of $20 million to SCRS, $5.2 million to the ***State General Deposit Portfolio***, $9 million in attorneys' fees and costs, and the remaining $38 million in estimated service credits and potential future savings on BNYM services." Mr. Gillespie made a motion, which was seconded by Dr. Gunnlaugsson and passed unanimously, to approve the minutes from the September 26, 2013 Commission meeting as amended. Dr. Ronald Wilder abstained from voting since he was not a member of the Commission at the time of that meeting.

Chairman Williams referred to the draft minutes from the October 11, 2013 Commission meeting and asked for a motion to approve. Mr. Gillespie stated that he had reviewed the draft minutes but would like more detail about the discussions included before they were approved. He made a motion to carry over consideration of the minutes, and Mr. Loftis seconded the motion. Discussion ensued about the level of detail that should be included in the Commission's meeting minutes generally. The Commissioners discussed whether the minutes should be in the form of a full verbatim transcript, in summary form, or a combination. It was noted during the discussions that historically the Commission had adopted summary minutes in lieu of a full verbatim transcript, and the minutes as adopted by the Commission stood as the official record of the meeting. There was discussion about the "transcripts" that are now being prepared during the meetings. Ms. Nancy Shealy, General Counsel, stated that there would be problems with adopting the "transcripts" as the official minutes. She noted that the "transcripts" were more like detailed notes, there were errors, and some could be as long as 300 pages. She stated that in the past when the Commission wanted more detail than provided in the draft minutes, Commission staff ("Staff") had gone back to the tapes and other notes (including the "transcripts" when available) and added more detail and provided the revised draft minutes for consideration.

Mr. Loftis said outside of executive session, the Commission meetings were not very long, so he thought the Commission should provide the transcript for the whole meeting and attach the audio; he did not think it had to be in writing. He stated further that this was going to be the subject of litigation, so the Commission ought to have official minutes and they ought to accurately reflect what was said. Mr. Feinstein stated that Staff made every effort to ensure that the minutes accurately reflected the meetings, and he thought the process proposed to address Mr. Gillespie's request for the October 11, 2013 minutes (i.e., that Staff add more detail of the discussions and provide the Commissioners with a revised draft) was a decent solution and he hoped that they would continue to pursue similar solutions.

Chairman Williams said that the motion on the floor was simply to carry over the minutes from the October 11, 2013 meeting. He said that a revised draft of the minutes would be presented, and if they were unsatisfactory, then there should be specific recommendations on exactly what to change. Dr. Gunnlaugsson asked that a draft be re-circulated to the Commissioners prior to the next meeting, and Chairman Williams concurred. Chairman Williams called for a vote on the motion to carry over the minutes from the October 11, 2013 meeting, which passed unanimously.

II. CHAIRMAN'S REPORT

Chairman Williams recognized Ms. Sarah Corbett, Director of Operations and Operational Due Diligence, and asked her for the status of the audited financial statements of the South Carolina Retirement Systems Group Trust Fund ("Trust" or "SCRS"). Ms. Corbett confirmed that the Public Employee Benefit Authority ("PEBA") had issued the audited financial statements for the Trust for Fiscal Year ended June 30, 2013, which would be incorporated into PEBA's Comprehensive Annual Financial Report ("CAFR") and would be reconciled with the Commission's Annual Investment Report ("AIR").

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

Chairman Williams requested Commission ratification of his appointment of Dr. Wilder to replace Dr. Travis Pritchett as a member of the Commission's Compensation Committee, and his appointment of Dr. Gunnlaugsson to replace himself (Chairman Williams) as a member of the Compensation Committee. Chairman Williams explained that there were two new members of the Commission since the previous appointments were made and ratified by the Commission. (The Compensation Committee had been comprised of Dr. Pritchett (Committee Chairman), Mr. Edward Giobbe, and Mr. Williams). Chairman Williams reiterated that while he was Chairman of the Commission, he felt that the Retiree Representative Commissioner should serve on the Compensation Committee, so he was appointing Dr. Wilder as Dr. Pritchett's replacement. Also, Chairman Williams noted that he had said he intended to replace himself on the Compensation Committee when the Retiree Representative was elected, so he had appointed Dr. Gunnlaugsson to replace himself on the Compensation Committee. Mr. Loftis asked Chairman Williams for his rationale for having the Retiree Representative on the Compensation Committee. Chairman Williams replied that his rationale was the same as he discussed with the Commission previously; salaries were being paid out of the retirees' funds, so he thought the Retiree Representative Commissioner should have a vote on it. Mr. Loftis replied that salaries were the smallest thing the Commission paid, that the Commission paid much more in investment management fees yet the Retiree Representative was not on that committee. Chairman Williams replied that there was no committee that set the management fees; the Commission as a whole determined the appropriateness of fees and approved every contract that the Commission entered into that called for fees. There being no further discussion, the Chairman called the question of ratification of the appointments to the Compensation Committee, which passed unanimously. Dr. Wilder abstained from voting.

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

III. AUDIT COMMITTEE REPORT

Mr. Gillespie reported that the Commission's Audit Committee Charter ("Charter") had been updated, and he invited Ms. Monica Houston, Internal Audit and Compliance Officer, to provide further details. Ms. Houston stated that two technical changes were made to the Charter to align the Charter with the Commission's updated Governance Policies, and further to clarify the definition of "management letters" with regards to the Charter.

Mr. Gillespie made a motion on behalf of the Audit Committee that the Commission approve the recommendations to adopt the Audit Committee Charter as amended. The motion was adopted unanimously.

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

Mr. Andrew Chernick, Director of Audit and Compliance, provided an overview of recently completed employee compliance policies, which were designed to provide greater guidance to Staff. The compliance policies are:

1. Code of Ethics Acknowledgement;
2. Whistleblower Policy;
3. Conflict of Interest and Receipts of Gift Policy; and
4. Personal Trading Policy.

Mr. Chernick stated that the development of these policies was a combined effort of external legal counsel, counsel from the State Ethics Commission, and the Audit Committee. Mr. Chernick advised the Commission that implementation of these policies would include notification to and training of all existing Staff, and continued training on an annual basis. Mr. Chernick added that new Staff would be required to review the policies and to sign the Code of Ethics Acknowledgement during the orientation process. Chairman Williams asked whether management had already adopted the policies, and Mr. Chernick replied that training would be forthcoming and adoption of the policies would be forthcoming.

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

Mr. Gillespie stated that the Audit Committee had reviewed a full accounting of the investment fee report prepared for Commission management, and he recognized the individuals who were instrumental in providing the high level of accounting detail and transparency of the Commission's investment management fee structures.

Chairman Williams thanked Mr. Gillespie for the Audit Committee report.

Chairman Williams advised that he had additional Chairman's remarks, but he was waiting for Mr. Giobbe to arrive at the meeting.

A copy of a resolution for Dr. Pritchett was distributed to the Commission. Chairman Williams asked Commissioners to review the resolution for any technical changes and advised that a motion would be made regarding the resolution later in the meeting. Chairman Williams stated that the resolution appropriately recognized and thanked Dr. Pritchett for his service on the Commission, virtually from inception, and if approved, would be presented to Dr. Pritchett at a later date.

Chairman Williams stated that on October 28, 2013, the Spartanburg Herald Journal reported that Mr. Loftis received a gift in the form of iPads and gift cards from an unnamed investment firm. Chairman Williams said that he had asked Mr. Loftis to inform the Commission of the identity of the investment firm, and he was renewing his request of Mr. Loftis. Chairman Williams advised Mr. Loftis that he could feel free to communicate with the Commission's Legal or Compliance Staff, but he asked him to do so in the name of transparency and accountability to the Commission. Chairman Williams asked Mr. Loftis if the gifts were from an investment firm that the Commission did or was likely to do business with in the future. Mr. Loftis stated that in the interest of transparency, he would be happy to provide this information, but he requested additional time to retrieve his files. After further discussion, Mr. Gillespie raised the point of order that the matter was not on the agenda. Chairman Williams replied that it was part of the Chairman's Report.

It was noted that Mr. Giobbe arrived at the meeting at 9:32 a.m. due to traffic delays.

IV. COO'S REPORT

Chairman Williams introduced and welcomed the Honorable W. Greg Ryberg, former State Senator from Aiken, as the Commission's new Chief Operating Officer ("COO").

Mr. Ryberg thanked James Manning, Director of Information Technology, for his work in coordinating with SC ETV to enable the Commission to stream its meetings for full transparency to the public, and for handling the entrepreneurial negotiations between the two state agencies to deliver this service. Mr. Ryberg also recognized all retirees for their involvement in the operation and accountability of the Commission.

Mr. Ryberg provided a summary of his observations and expectations of the Commission and his tasks as COO. He noted that as a State Senator, he had authored or co-authored every piece of legislation dealing with the Commission going back to its creation in 2005, as well as the major 2012 legislation concerning the Trust, including the creation of PEBA. Mr. Ryberg said he had an intimate knowledge of the issues surrounding the Trust and the Commission and of the sentiments of decision-makers relative to those entities, which included the exclusive authority of the Commission - as a whole body - to make investment decisions.

Mr. Ryberg provided his observations of Staff over the past six weeks. He said that he was pleased to report that he found the atmosphere in the office to be calm and steady, hard-working and functioning like one would envision any other investment office of the Commission's size. Mr. Ryberg said that to date, he had found Staff to be honest, competent, hard-working and totally committed to maximizing the Trust's investment return within the risk profile that was consistent with the Annual Investment Plan. He said that he had not discovered any evidence of the assertions made by others including: altered financial statements; waste of state assets; inadequate internal controls; violation of state security laws; or ethics issues involving conflicts of interests. Mr. Ryberg said that he had not found anyone who was "dishonorable" or who lacked a "moral core". He said that he had found an excellent "moral core" at the Commission that had been unjustly belittled and demeaned, which had had an adverse effect on morale.

Mr. Ryberg said that he had reviewed previous Commission meetings via videos and the minutes, and he suggested processes for future meetings whereby meetings could be made more efficient and effective. For example, a list of items that arise during the meeting which need additional information could be compiled, and Staff could later provide the relevant facts that address those issues. He opined that such a process might help the Commission avoid lengthy distractions during the scheduled Commission meetings.

Mr. Ryberg discussed his expectations and his role in interactions with Staff, including his role with regard to individual Commissioners' interactions with Staff, and his role in ensuring that Staff would work in a safe environment. He reiterated that he had come to Commission to work in the best interest of the retirees and participants of the Trust. He said that his sole focus was on serving the Trust, which he found was the focus shared by Staff, and he would not allow that focus to be diverted.

Mr. Ryberg discussed the Commission's Fiscal Year 2014-2015 budget proposal that would seek several additional full-time equivalent employees ("FTEs") and the justification for the budget request. He also addressed the management policies regarding conflicts of interest, personal trading, and other topics concerning internal ethics and ethical conduct that would be discussed later in the meeting and said that he was pleased with Compliance's work to reduce the Commission's practices into written policies. He noted that reducing present practices to writing in no way suggested that any conduct other than strictly ethical conduct now occurs with the Commission or its Staff.

Mr. Ryberg concluded by stating that Staff would provide the Commission with a draft strategic plan via email in the near future, and he hoped it would be on the Commission's agenda at its next regular meeting. In the interim, he asked for the Commission's thoughts and comments. Chairman Williams thanked Mr. Ryberg for his report and comments.

Chairman Williams recognized Mr. Bryan Moore, Senior Investment Officer, and announced that Mr. Moore had been named by the West Columbia Jaycees as South Carolina's Outstanding Young American in the category of business, economic, and entrepreneurial accomplishments, and noted that Mr. Moore would be a leading candidate to receive a national award. Chairman Williams congratulated Mr. Moore for his notable achievement.

V. CIO'S REPORT

Chairman Williams said that the Commissioners should make a list of pending questions during the course of the meeting, and at the end, to the extent that the questions had not been answered, everyone would know pending items that needed to be addressed after the meeting.

Chairman Williams recognized Mr. Hershel Harper, Chief Investment Officer ("CIO"), for the CIO report. Mr. Harper outlined the presentations for the CIO's Report. He said that his comments were generally in two categories: brief manager updates, and some of the asset allocation points in the transition of the total portfolio ("Portfolio") from the last fiscal year to the current fiscal year.

With respect to managers, Mr. Harper stated that at the September 26, 2013 Commission meeting, the Commission authorized a commitment not to exceed $40 million to Industry Ventures Secondary VII, L.P. ("Main Fund") and an investment of up to $40 million in Industry Ventures Special Opportunities Fund II-A, L.P. ("Co-Invest Fund"), which invests in private equity by opportunistically buying fund interests from other investors on the so-called 'secondary' market. Mr. Harper advised that, due to the fund's oversubscription, an investment had not been made in the Co-Invest Fund, but the manager had mentioned the possibility of other investment opportunities. Mr. Harper advised that Staff would continue discussions with the manager and present any recommendations to the Commission.

Also with regard to managers, Mr. Harper referred to Strategos Capital Management ("Strategos"). He stated that Strategos was a manager that specialized in asset-backed securities, and noted that the Commission had previously authorized him (the CIO) to make modifications or redemptions to the account as he deemed appropriate. Mr. Harper advised that the Strategos account would be fully redeemed by the end of November 2013. He noted that the Strategos investment was a credit allocation, so redeeming the Strategos account would reduce the overweight to credit in the asset allocation transition.

Mr. Harper provided an update on securities lending, and he summarized how the losses in the collateral pool from 2008 had been managed. He explained that the initial loss was approximately $165 million. Between the payment to the collateral pool upon the transfer of assets to Strategos for management, the proceeds from the Bank of New York Mellon lawsuit, and mapping revenue from securities lending into a reserve account, the remaining losses would be approximately $50 million. Mr. Harper said that he expected that those losses would have to be made up if the collateral pool was terminated or a different manager was selected. He stated that he intended to make a presentation to the Commission at the February 2014 Commission meeting on securities lending options, including identifying and recommending the preferred structure and potential providers for these services.

Mr. Harper provided an update on the current status of other transitions to implement the asset allocation changes that became effective July 1, 2013. He reported that the 2.5 percent overweight to the mixed credit component of diversified credit had been reduced to the maximum weight due to the redemptions from Strategos and the Loomis Sayles Credit Long/Short Fund, L.P. Mr. Harper stated that the current hedge fund allocation had been reduced from approximately 18 percent, due to upcoming redemptions, with which would lower the hedge fund allocation to the target of eight percent, and a maximum of 15 percent for hedge funds across all asset classes.

Mr. Harper stated that the investment consultant, Hewitt EnnisKnupp, Inc. (“HEK”), would provide an update on asset allocation recommendations at the February 2014 meeting, and those changes would affect the Statement of Investment Objectives and Policies (“SIOP”) and the Annual Investment Plan for Fiscal Year 2014-2015 (“AIP”).

Mr. Harper asked if there were any questions, and Mr. Loftis asked how the previously approved index allocations would be funded. Mr. Harper replied that a portion would be funded from cash and portions from liquidations, and he detailed the process and the impact on the Overlay portfolio managed by Russell Implementation Services Inc. (“Russell”). Mr. Loftis said that he had asked Mr. Harper about the Overlay portfolio the previous month, and he asked Mr. Harper if he felt threatened in any way that he’d asked for the report and whether that was the reason why a representative from Russell was going to make a presentation to the Commission at this meeting. Mr. Harper replied that Russell had been asked to make a presentation to the Commission based on Audit Committee discussions and also questions from Mr. Loftis. Mr. Harper said that Staff had been responsive to Mr. Loftis’ questions, but he felt it would be beneficial to have the manager who was implementing the Overlay portfolio present to answer any additional questions.

Following Mr. Harper's response to Mr. Loftis’ questions relating to the CIO’s Report, Mr. Loftis said that he agreed with asking Russell to attend the Commission meeting to answer questions. Then Mr. Loftis digressed to unflatteringly characterize the COO’s report, at which point the Chairman declared him to be out of order: not part of the CIO agenda item and not responsive to the CIO's presentation; Mr. Loftis briefly continued out of order, characterizing the Chairman's ruling as an example of the lack of a moral core. Mr. Giobbe objected to Mr. Loftis’ comments, and Mr. Loftis interrupted Mr. Giobbe and asked the Chairman if Mr. Giobbe was not out of order. Mr. Giobbe asked Mr. Loftis to not interrupt while he was speaking and to show him the same courtesy as Mr. Giobbe afforded Mr. Loftis while he was speaking. Mr. Giobbe briefly stated that he concurred with the COO’s report and that he respected Mr. Ryberg for the job that he’s doing, had done, his experience, and his unqualified dedication to public service and that he thought the Commission was extraordinarily fortunate to have Mr. Ryberg in the position as COO and that he supported Mr. Ryberg unqualifiedly.

Chairman Williams recognized Mr. David Phillips, Deputy Chief Investment Officer. Mr. Phillips provided a performance update for the quarter ending September 30, 2013, and stated that all asset classes produced positive results for the period, with equity based markets outperforming the emerging market debt and fixed income markets. Mr. Phillips reported that the returns experienced in the US equity and GTAA asset classes were driven by continued economic recoveries, and emerging market performance was primarily driven by China. Mr. Phillips advised that the Portfolio returned 4.33 percent for the quarter, or 40 basis points above the policy benchmark. Mr. Phillips reviewed Portfolio exposures relative to target allocations, and stated that the Portfolio was most significantly overweight in the mixed credit category with 4.3 percent over the target allocation, and in the hedge fund low beta category, with an overage of 2.6 percent. Mr. Phillips also reviewed fiscal year-to-date performance by asset class, asset class performance versus policy benchmarks, and discussed the rankings of highest and lowest contributors to the performance within the public and private market categories. Mr. Phillips concluded his discussion by reviewing the Overlay portfolio exposure by asset class.

Ms. Suzanne Bernard from HEK introduced her colleague, Mr. Peter Kronas, to the Commission and provided additional quarterly performance highlights. Ms. Bernard added that the rising interest rates from a long-term perspective had an impact on the fixed income global markets, and the stock markets were the driving force behind the highest returns.

Ms. Bernard explained the differences between the benchmark indices for public and private equities and reviewed the Portfolio's risk and return profile versus other public funds, which included total return, total risk in terms of volatility, and Sharpe Ratio. Ms. Bernard commented that the Portfolio's total returns were lower than the average pension plan, but higher than the Commission's policy index, and that the Portfolio's volatility was also somewhat lower than the average.

After further discussions, Ms. Bernard concluded her performance update by reviewing private markets portfolio performance and discussing the three major components of private market investments, including private debt, private equity, and real estate. Ms. Bernard stated that the private markets portfolio performance had remained very strong -- in excess of 11.5 percent net Internal Rate of Return ("IRR"). Ms. Bernard added that the real estate portfolio had a 7.3 percent net IRR.

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

Mr. Geoff Berg, Internal Asset Management Managing Director, introduced Mr. Greg Nordquist, Director of Overlay Services for Russell. Mr. Nordquist stated that Russell focuses on three core competencies:

1. Investment Advice,
2. Asset Management, and
3. Implementation services which include specialty asset management, exposure management, and execution management.

Mr. Nordquist reported that Russell's mandate with the Commission had focused on plan-level beta exposure management, including:

1. Implementing asset allocation shifts,
2. Overall beta management,
3. Managing cash flows, and
4. Eliminating unintended debts.

Mr. Nordquist stated that from 2007 until 2009, when the Commission broadly diversified the Portfolio, Russell's authority to transact was primarily a rules-based approach to achieve dollar-cost averaging. Thereafter, Russell had only transacted when specifically directed by Staff.

Commissioners asked questions and discussed various components of the Overlay portfolio with Mr. Nordquist and Staff throughout the presentation. Mr. Nordquist concluded his presentation by stating that Russell had played a central role in managing the Commission's counterparty risk by researching and monitoring counterparty credit risk, executing International Swaps and Derivatives Association ("ISDA") agreements, executing transactions, diversifying the counterparty pool, and by managing the cash and collateral associated with counterparty trading activity.

Chairman Williams thanked Mr. Nordquist for his presentation.

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

VI. EXECUTIVE SESSION

Mr. Gillespie made a motion, which was seconded by Dr. Wilder and passed unanimously, to recede to executive session to receive legal advice, discuss personnel matters, and discuss investment matters pursuant to S.C. Code Ann. §§30-40-70 (a) (1)-(2), 9-16-80 and 9-16-320.

Chairman Williams announced that the Commission would meet in executive session for the purpose of receiving legal advice, discussing personnel matters, and discussing investment matters. The Commission thereupon receded into executive session.

The Commission reconvened in open session, and Chairman Williams reported that no action was taken in executive session, and no action needed to be taken as a result of executive session.

VII. INVESTMENT ITEMS

Chairman Williams referred to information that had been provided to the Commission by Mr. Adam Jordan, Director of Strategic Partnerships, relating to the investment in the Apollo Palmetto Strategic Partnership, L.P. Mr. Giobbe made a motion, which was seconded by Dr. Gunnlaugsson and passed unanimously, that the Commission adopt the recommendation of the CIO and the Internal Investment Committee: to amend the Amended and Restated Limited Partnership Agreement of Apollo Palmetto Strategic Partnership, L.P. ("Agreement") by deleting the existing end date for the Partnership's investment period; to authorize the Chairman or his designee to negotiate and execute any necessary documents to implement the proposed amendment; and to authorize RSIC staff to make any technical revisions or formatting edits consistent with the action taken by the Commission.

VIII. ECONOMIC SPEAKERS

Chairman Williams introduced the first of three economic speakers, Mr. Doug Ostrover, Partner of GSO Capital Partners ("GSO"). Mr. Ostrover presented GSO's global market outlook and areas of opportunity moving forward. Mr. Ostrover reported that from the macro-economic perspective, headwinds remained due to: high unemployment in the US; uncertain regulatory environment; massive structural deficits in the US; debt ceiling/sequestration; challenged global banking system; the sovereign debt crisis; conflicts in the Middle East; and a weakness in emerging markets. Mr. Ostrover added that there were also positive developments owing to: Central Bank stimulus driving record-low interest rates; accommodative Federal Reserve policy through 2015; strong corporate earnings; corporate cash at an all-time high; the improving US housing market; and equity assets at all-time highs. Mr. Ostrover stated that fixed income spreads were tightening with the nearly $220 billion in new, low-rated high yield debt issued between 2010 and 2013, and he added that the amount of leveraged loans had increased dramatically since 2010 and surpassed pre-crisis levels of 2007.

Mr. Loftis left the meeting at 2:45 p.m.

Mr. Ostrover stated that GSO believed senior secured loans offered the best value because they are secured and hold a senior claim to bonds and equity, have higher recoveries compared to high yield in the event of default, have a floating rate based on 3-month Libor rate, and they should outperform in a rising rate environment. Mr. Ostrover added that perhaps most importantly, the senior secured loans provide a valuable hedge to rising interest rates, and the demand for this type of borrowing exists because the traditional sources of funding are not available, particularly in Europe where companies have less access to public markets and are heavily reliant upon banks for their lending. Mr. Ostrover stated that this is evidenced by the 300 percent growth in the European High Yield market since 2008. Mr. Ostrover concluded his comments by stating that being a direct provider of capital commands a substantial illiquidity premium, which is often achieved with less risk.

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

Mr. Phillips introduced Mr. David Kostin, Chief US Equity Strategist, within the Global Investment Research Department of Goldman Sachs Asset Management ("GSAM"). Mr. Kostin presented GSAM's outlook on the near and long-term US equity market and stated in the near-term, GSAM expects US economic growth of 2.8 percent in 2014, and an eight percent Earnings Per Share ("EPS") growth in 2014, with a money inflow of $200 billion into US equities led by $450 billion in buybacks. Mr. Kostin reported that GSAM expects a Federal Reserve taper in March 2014, but the Federal Funds rate to remain unchanged until 2016. Mr. Kostin stated that in the long term, GSAM expects a seven percent annualized S&P 500 total return through 2023, led by the belief that stocks have a 90 percent likelihood of outperforming bonds over the next ten years. Mr. Kostin added that the long-term risks would be attributable to a low labor share of Gross Domestic Product ("GDP") versus high profit share of GDP, the normalization of long-term interest rates, potential for baby boomers to divest their assets, and high performing companies continuing to rotate into the S&P 500 as it sheds the lower performing companies. Mr. Kostin added that GSAM expects a median drawdown of nine percent in 2014 based on historicals. Mr. Kostin concluded his comments by stating that the Federal Reserve's decision to taper was dependent upon both inflationary and unemployment figures.

(Information relating to this matter has been retained in the Commission’s files and is identified as Exhibit H).

Mr. Berg introduced Mr. Paul Podolsky, Portfolio Strategist from Bridgewater Associates. Mr. Podolsky reviewed current market conditions and portfolio implications. He stated that there were three pieces to the big economic picture:

1. It had been an extraordinary time period, economically and financially, since 2006;
2. The tools the policymakers had used solved some problems, but created other problems. The US averted deflationary depression by inflating asset prices, but this depressed the value of cash and drove up the value of assets; and
3. There were no easy solutions going forward. Choices would have to be made between different goals and significant risks accompanying these goals.

Given the global economic picture, Mr. Podolsky stated that possible solutions for the Trust included: increasing contributions to the Trust, adopting a riskier asset allocation for the Portfolio, and/or making more profitable tactical tilts in the Portfolio.

Mr. Podolsky commented that nations had reacted differently to the global environment. He added that the US government policy of high borrowing and spending had compensated for a weak private sector. Mr. Podolsky stated that the US had been weaker than average, which would impact the pricing of stocks and bonds, while the European Central Bank had been reducing its balance sheet as opposed to expanding it, so their environment had generally not improved as much as the US. Mr. Podolsky opined that booming emerging markets offset US and Europe weaknesses, but emerging countries must now reduce their overspending. Mr. Podolsky advised that the world environment was in a very fragile place, resulting from the US being too dependent on the Federal Reserve, the weaknesses of Europe, and the increasing debt of emerging market countries.

Mr. Podolsky stated that heavy borrowing by all countries and the resulting high asset prices was expected to lower future returns to four or five percent over the next ten years. Pension plans could only control two levers, beta and alpha, to compensate for lower expected returns. Mr. Podolsky added that beta and alpha could be increased by improving the Sharpe Ratio and/or taking on additional risk in expectation of higher returns. Mr. Podolsky concluded his comments by stating that diversification into uncorrelated portfolios or assets could also improve the Sharpe Ratio.

(Information relating to this matter has been retained in the Commission’s files and is identified as Exhibit I).

Chairman Williams thanked each of the presenters for their excellent presentations. He noted that the information from all of the presentations would factor into asset allocation discussions at the February 2014 meeting.

Chairman Williams referred to a resolution commending Dr. Pritchett for his service on the Commission, which was approved by unanimous consent of the Commission and reads as follows:

“RESOLUTION

OF THE

WHEREAS, Dr. S. Travis Pritchett, Professor *Emeritus* of Finance and Insurance at the Moore School of Business, University of South Carolina, was unanimously elected by the Commissioners to serve as the first Retiree Representative for the Retirement System Investment Commission on December 8, 2005, unanimously re-elected for two successive terms on July 6, 2006, and April 21, 2011, and rendered loyal and faithful service to the Commission until October 25, 2013; and

WHEREAS, Dr. S. Travis Pritchett made immeasurable contributions to the Commission and its staff throughout his tenure in the development of processes, internal controls, and internal structure, which included service on the Commission's Audit Committee from November 17, 2010 through July 31, 2012, a member of the Compensation Committee from November 17, 2011 through August 22, 2012, and as Chairman of the Compensation Committee from August 23, 2012 through October 25, 2013; and

WHEREAS, Dr. S. Travis Pritchett was a visionary in leading the Commission in the development of its Comprehensive Strategic Plan and a champion of compromise while chairing the Ad Hoc Governance Policy Committee which comprehensively revised the Commission's Governance Policies; and

WHEREAS, Dr. S. Travis Pritchett was a valuable participant in matters relating to the investments of the South Carolina Retirement Systems, both prior to the creation of the Commission through his interactions with the State Retirement Systems Investment Panel, the South Carolina Retirement Systems, and the South Carolina Legislature, and after he was appointed to the Commission; and

WHEREAS, Dr. S. Travis Pritchett participated in all major Commission decisions while he served as the Retiree Representative and provided valuable insight and expertise to the Commission during the transition and diversification of the investment portfolio into a variety of assets classes, including global fixed income and global equity, as well as alternative investment strategies; and

WHEREAS, Dr. S. Travis Pritchett was particularly tireless in his efforts regarding due diligence in private equity investments as he faithfully traveled near and far within the United States and abroad with staff to meet with prospective and existing private equity firms, ever mindful to ensure prudence was exercised in the investment and management of the South Carolina Retirement Systems' assets; and

WHEREAS, Dr. S. Travis Pritchett diligently kept stakeholder groups informed on issues that affected the investments of the South Carolina Retirement Systems for several years prior to the creation of the Commission and continuing during his tenure while a member of the Commission; and

WHEREAS, Dr. S. Travis Pritchett was always prepared, on time for Commission meetings, and always made positive and respectful contributions towards its mission; and

WHEREAS, Dr. S. Travis Pritchett was concerned about and fostered growth of the professional lives of Commission staff members and treated all staff as professionals with the utmost respect and dignity; and

WHEREAS, Dr. S. Travis Pritchett's immeasurable contributions to the Commission have set the standard for leadership and professionalism and have earned him the unqualified respect of his peers both in the public and private sectors.

NOW, THEREFORE, BE IT RESOLVED that the South Carolina Retirement System Investment Commission formally recognizes, commends, and extends its deep appreciation and gratitude to Dr. S. Travis Pritchett for his distinguished public service and for sharing his investment expertise, providing an exemplary example as a voice of wisdom, respect and consideration, patience, diligence, and professionalism to others, and for his long and devoted service as a fiduciary responsible solely to the participants and beneficiaries of the South Carolina Retirement Systems; and

BE IT FURTHER RESOLVED that the Commission directs that a copy of this Resolution be presented to Dr. S. Travis Pritchett and that a copy be retained among the Commission's official records.

Unanimously adopted this twenty-first day of November, 2013, at the meeting of the South Carolina Retirement System Investment Commission."

Chairman Williams asked Staff to prepare the resolution for presentation to Dr. Pritchett.

Chairman Williams reminded the Commissioners that the CIO evaluation was due, and the formal evaluation process would take place at the next regular Commission meeting.

Upon Mr. Ryberg's suggestion, Chairman Williams read the open issues that were compiled during the meeting. It was noted that Staff would provide the relevant facts to address the questions. The open topics of discussion were as follows:

1. The gold commodities futures position within the commodities index overlay,
2. Report on investment manager gifts, and
3. Completion of the CIO evaluations.

IX. ADJOURNMENT

There being no further business and upon motion made by Mr. Giobbe, which was seconded by Mr. Gillespie and passed unanimously, the meeting adjourned at 4:34 p.m.

[Staff Note: In compliance with S.C. Code Ann. §30-4-80, public notice of and the agenda for this meeting were delivered to the press and to parties who requested notice and were posted at the entrance, in the lobbies, and near the 15th Floor Conference Room at 1201 Main Street, Columbia, SC, at 8:34 a.m. on November 20, 2013.]