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CHAIR

PEGGY G. BOYKIN, CPA  
COMMISSIONER

WILLIAM (BILL) J. CONDON, JR. JD, MA, CPA  
COMMISSIONER

EDWARD N. GIOBBE, MBA  
COMMISSIONER



RETIREMENT SYSTEM INVESTMENT COMMISSION

RONALD P. WILDER, PH.D.  
VICE-CHAIR

ALLEN R. GILLESPIE, CFA  
COMMISSIONER

REBECCA M. GUNNLAUGSSON, PH. D  
COMMISSIONER

REYNOLDS WILLIAMS, JD, CFP  
COMMISSIONER

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# Commission Meeting Agenda

Thursday, June 3, 2021 9:30 a.m.

MEETING PARTICIPANTS WILL APPEAR VIA TELECONFERENCE

Meeting Streaming Via [www.rsic.sc.gov](http://www.rsic.sc.gov)

RSIC Presentation Center Open for Public Access to Teleconference

- I. Call to Order and Consent Agenda
  - A. Adoption of Proposed Agenda
  - B. Approval of April 2021 Minutes
- II. Chair's Report
- III. CEO's Report
  - A. Legislative Update
  - B. AIP/SIOP Amendment (Private Equity Policy Weight)
  - C. September Commission Meeting Schedule
- IV. CIO's Report
  - A. Investment Performance Update
- V. Delegated Investment Report
- VI. Committee Reports
  - A. HRCC – Variable Compensation Plan Proposal
- VII. Executive Session – To discuss investment matters and specific private equity and portable alpha investments pursuant to S.C. Code Sections 9-16-80 and 9-16-320; to discuss personnel matters and compensation pursuant to S.C. Code Ann. Section 30-4-70(a)(1); and receive advice from legal counsel pursuant to S.C. Code Section 30-4-70(a)(2).
- VIII. Potential Action Resulting from Executive Session
- IX. Adjourn

#### 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**

**April 15, 2021 9:30 a.m.**  
**Capitol Center**  
**1201 Main Street, 15<sup>th</sup> Floor**  
**Columbia, South Carolina 29201**  
**Meeting Location: Video Presentation**

**Commissioners Present:**

Mr. William Hancock, Chair  
Dr. Ronald Wilder, Vice-Chair  
Ms. Peggy Boykin, PEBA Executive Director  
Mr. William J. Condon, Jr.  
Mr. Allen Gillespie  
Mr. Edward Giobbe  
Dr. Rebecca Gunnlaugsson  
Mr. Reynolds Williams

**I. Call to Order and Consent Agenda**

Chair Mr. William H. Hancock called the meeting of the South Carolina Retirement System Investment Commission (“Commission”) to order at 9:31 a.m. Mr. Allen Gillespie moved to approve the proposed agenda as presented, Dr. Ronald Wilder seconded the motion, which was approved unanimously.

Dr. Rebecca Gunnlaugsson made a motion to approve the minutes from the March 4, 2021 Commission meeting as presented. Mr. Reynolds Williams seconded the motion, which passed unanimously.

**II. Chair’s Report**

The Chair stated that he had nothing to report.

**III. CEO’s Report**

The Chair recognized Mr. Michael R. Hitchcock, Chief Executive Officer, for his report. Mr. Hitchcock began by providing the Commission a summary of his recent appearance at the Senate Oversight Sub Committee (“Committee”) hearing held April 14, 2021 as part of the Committee’s routine oversight review of state agencies. He noted that he provided the Committee an update on the Commission’s recent simplification of the Portfolio, the continuing effort to reduce investment management fees, improvements in reporting, and other matters.

Next, Mr. Hitchcock presented the Commission with the revised Consolidated Annual Investment Plan and Statement of Investment Objectives and Policies (“AIP/SIOP”) for approval that had been presented for initial review at the previous Commission meeting. He stated that he had not received any additional feedback or comments since the discussion at the last meeting and was therefore presenting the AIP/SIOP for approval. There being no questions, Mr. Williams moved that the Commission adopt the recommendation of the CEO and CIO to approve the proposed revisions to the Consolidated Annual Investment Plan and Statement of Investment Objectives (“AIP/SIOP”) for fiscal year 2021-2022, as set forth in the red-numbered document [pages 12 to 58], with an effective date of July 1, 2021, and authorize Staff to finalize the AIP/SIOP by making any technical revisions or formatting edits consistent with the action taken by the Commission. Dr. Wilder seconded motion, which was approved unanimously.

#### IV. CIO’s Report

The Chair recognized Mr. Geoffrey Berg, Chief Investment Officer, for his report. Mr. Berg stated that his report would be brief, as Staff had just recently received estimated performance numbers through March and the previous quarter results had been discussed at the last meeting. He noted that the Plan is up an estimated 20.2 percent for the fiscal year. This concluded his report.

#### V. Delegated Investment Report

The Chair recognized Mr. Berg for the delegated investment report. The following delegated investments were closed by Staff since the March 4, 2021 Commission meeting.

<b>Asset Class</b>	<b>Investment</b>	<b>Investment Amount</b>	<b>Closing Date</b>
Private Credit	Ares Pathfinder Fund	\$75M	March 10, 2021
Private Equity	General Atlantic Investment Partners 2021	Up to \$50M	March 12, 2021
Private Equity	Resolve Growth Partners	Up to \$30M	March 18, 2021
Private Credit	ASI Hark Capital III	\$40M	March 31, 2021
Private Equity	Stonyrock Alt Fund I	Up to \$100M, not to exceed 25% of aggregate capital commitments	March 31, 2021
Infrastructure	Axiom Infrastructure II	Up to \$200M	April 5, 2021

**VI. Executive Session**

Mr. Williams moved to recede into Executive Session to discuss investment matters and specific real asset investments pursuant to S.C. Code Sections 9-16-80 and 9-16-320; and to receive advice as needed from legal counsel pursuant to S.C. Code Section 30-4-70(a)(2). Mr. Gillespie seconded the motion, which was unanimously approved.

**VII. Potential Action Resulting from Executive Session**

Upon return to open session, Mr. Hitchcock noted that the Commission did not take any action while in Executive Session.

**VIII. Adjournment**

There being no further business, Mr. Gillespie moved that the Commission meeting adjourn, Mr. William J. Condon, Jr. seconded the motion, which was unanimously approved. The meeting adjourned at 10:43 a.m.

[Staff Note: In compliance with S.C. Code Section 30-4-0, public notice of and the agenda for this meeting was delivered to the press and to parties who requested notice and were posted at the entrance, in the lobbies and near the 15<sup>th</sup> Floor Presentation Center at 1201 Main Street, Columbia, S.C., 2:25 p.m. on April 12, 2021]

# Performance Update

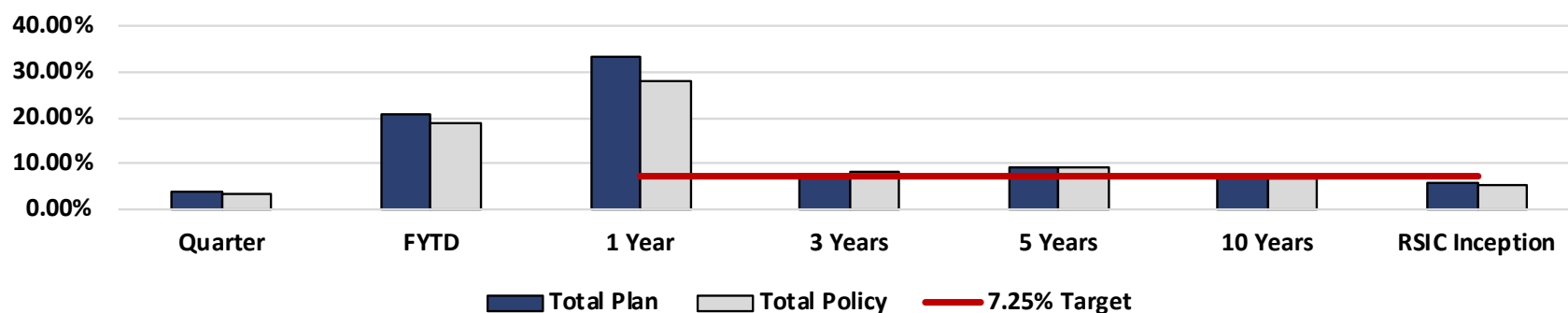
RSIC 06/03/2021 Investment Commission Meeting

Data as of March 31<sup>st</sup>, 2021

# Performance - Plan & Policy Benchmark<sup>2</sup>

As of March 31, 2021

## Net of Fee Returns by Time Period<sup>2</sup>



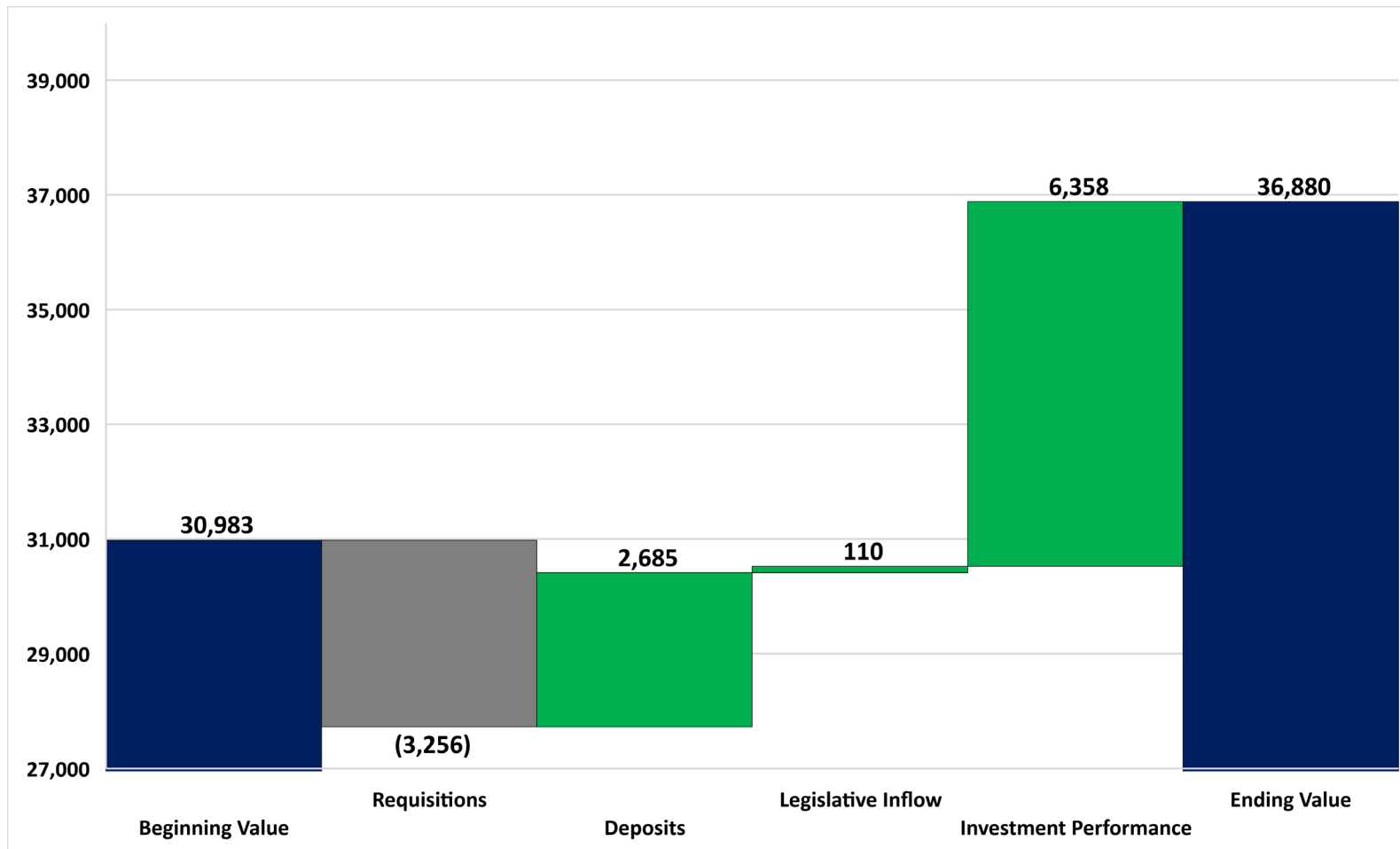
Rolling period performance as of March 31, 2021 <sup>1</sup>		Annualized						
Executive Summary	Market Value (millions)	Quarter	FYTD	1 Year	3 Years	5 Years	10 Years	RSIC Inception
<b>Total Plan</b>	<b>\$36,880</b>	<b>4.04%</b>	<b>20.59%</b>	<b>33.17%</b>	<b>7.98%</b>	<b>9.12%</b>	<b>7.04%</b>	<b>5.88%</b>
<b>Policy Benchmark</b>		3.23%	18.69%	27.85%	8.45%	9.17%	6.90%	5.52%
<b>Excess Return</b>		0.81%	1.90%	5.32%	-0.47%	-0.05%	0.14%	0.36%
<b>Net Benefit Payments (millions)</b>		( \$172)	( \$461)	( \$611)	( \$2,260)	( \$4,578)	( \$9,835)	n/a
<b>Current 3-month Roll off Return:</b>		10.4%	n/a	-15.5%	0.0%	0.5%	3.8%	n/a
<b>Next 3-month Roll off Return:</b>		4.0%	n/a	10.4%	0.2%	2.1%	1.2%	n/a

Current Quarter Roll off Return: represents the 3-month period that has fallen off of each time frame's rolling returns. If the current quarter underperforms the roll off return, the performance would decrease for the period.

Next Quarter Roll off Return: represents the 3-month period that will fall off of each time frame's rolling returns in the next quarter. If the next quarter underperforms the roll off return, the performance would decrease for the period.

# FYTD Benefits and Performance\*

FYTD March 31, 2021



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

# Performance – Plan & Asset Classes<sup>1,3,4</sup>

As of March 31, 2021

Performance	Portfolio Weight	Quarter	FYTD	1 Year	Annualized	
					3 Years	5 Years
<b>Public Equity</b>	<b>47.3%</b>	5.23%	31.87%	57.90%	11.21%	13.04%
<i>Benchmark</i>		5.14%	31.50%	57.46%	11.74%	13.10%
<b>Bonds</b>	<b>24.3%</b>	-2.25%	0.89%	8.20%	2.52%	3.35%
<i>Benchmark</i>		-3.37%	-2.12%	3.27%	2.90%	3.39%
<b>Private Equity</b>	<b>8.4%</b>	8.03%	24.48%	17.58%	8.44%	11.22%
<i>Benchmark</i>		15.35%	41.93%	13.45%	12.94%	15.33%
<b>Private Debt</b>	<b>8.7%</b>	5.70%	12.74%	9.66%	3.94%	6.04%
<i>Benchmark</i>		3.96%	19.46%	4.62%	5.51%	6.74%
<b>Real Assets</b>	<b>11.3%</b>	4.28%	8.43%	10.00%	7.74%	7.26%
<i>Benchmark</i>		1.89%	3.27%	5.17%	5.03%	6.00%
<b>Portable Alpha Hedge Funds**</b>	11.3%	4.45%	13.71%	18.27%	3.89%	4.22%
<b>Total Plan</b>	<b>100.0%</b>	<b>4.04%</b>	<b>20.59%</b>	<b>33.17%</b>	<b>7.98%</b>	<b>9.12%</b>
<b><i>RSIC Policy Benchmark</i></b>		<b>3.23%</b>	<b>18.69%</b>	<b>27.85%</b>	<b>8.45%</b>	<b>9.17%</b>

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



FYTD March 31, 2021

Asset Allocation	% of Total			
	Plan	Policy Targets	Difference	Allowable Ranges
Public Equity	47.3%	46.6%	0.6%	30.0% - 60.0%
Bonds	24.3%	26.0%	-1.7%	15.0% - 35.0%
Private Equity	8.4%	8.4%	0.0%	5.0% - 13.0%
Private Debt	8.7%	7.0%	1.7%	3.0% - 11.0%
Real Assets	11.3%	12.0%	-0.7%	6.0% - 18.0%
Portable Alpha Hedge Funds	11.3%*	0.0%	0.0%	0.0% - 12.0%
<b>Total Plan</b>	<b>100.0%</b>	<b>0.0%</b>	<b>100.0%</b>	

- As of 03/31/2021 All asset classes and sub-asset classes were within compliance of the SIOP ranges.

\*Portable Alpha Hedge Funds are expressed as gross exposure but, as collateral supporting the Overlay program, net to zero when calculating total Plan market value.

## Footnotes

1. The Policy Benchmark is calculated quarterly using a blend of asset class policy benchmarks and the policy weights for the respective asset classes. Prior to 12/31/2020 the Policy Benchmark was calculated monthly. Asset class benchmarks represent current policy benchmarks blended with past policy benchmarks which may have changed over time. See Benchmark Disclosure page for current and historic benchmark definitions.
2. Benefit payments are the net of Plan contributions and disbursements.
3. "Bonds" asset class includes Cash and Short Duration market value which is the aggregate cash held at the custodian, Russell Investments, and strategic partnerships, short duration within the portfolio, and hedge funds used in collateral pool for Portable Alpha program, net of the notional exposure in the overlay.
4. Asset class returns include Overlay returns as a blend of physical and synthetic returns (Public Equity, Real Assets, Bonds, Private Equity). Synthetic returns are provided by Russell Investments gross of financing costs. To accommodate for financing costs, LIBOR is added to the synthetic returns and removed from the collateral return.
5. Asset class weights include Overlay exposures which are net notional exposures provided by Russell Investments.
6. The policy target weight of Private Equity will be equal its actual weight, reported by the custodial bank, as of the prior quarter end. The Private Equity weight will affect the target allocation to Public Equity such that the combined target weight of both asset classes shall equal 55% of the Plan.

## Disclosures

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

- **Global Public Equity Blend:**  
 7/2020 – Present: MSCI All Country World Index IMI  
 7/2018 – 6/2020 : Weighted average of regional sub-asset class targets in Policy Portfolio. 51.4% MSCI US IMI Index for U.S. Equity, 31.4% MSCI World ex-US IMI Index for Developed Market Equity (non-U.S.), and 17.1% MSCI Emerging Markets IMI Index for Emerging Market Equity  
 7/2016 – 6/2018: MSCI All-Country World Investable Markets Index (net of dividends)  
 Prior to 7/2016: MSCI All-Country World Index (net of dividends)
- **Equity Options Strategies:**  
 7/2018 – 6/2020: 50% CBOE S&P Buy Write Index (BXM) / 50% CBOE S&P 500 Put Write Index (PUT)  
 Prior to 6/2018: CBOE S&P 500 Buy Write Index (BXM)
- **Private Equity Blend:**  
 7/2020 – Present Burgiss All PE Universe  
 Prior to 6/20 80% Russell 3000 Index on a 3-month lag / 20% MSCI EAFE (net of dividends) on a 3-month lag Plus 300 basis points
- **Bonds**  
 7/2020 - Present Bloomberg Barclays US Aggregate Bond Index  
 Prior to 6/2020 **Blend of Core Fixed Income, Emerging Markets Debt, Mixed Credit, Bank Loans**
- **Core Fixed Income:**  
 Prior to 6/2020 Bloomberg Barclays US Aggregate Bond Index  
**Emerging Market Debt:** 50% JP Morgan EMBI Global Diversified (US Dollar) / 50% JP Morgan GBIEM Global Diversified (Local)  
**Mixed Credit Blend:**  
 7/2016 – 6/2020 : 1/2 Bloomberg Barclays US Corporate High Yield 2% Issuer Capped Bond Index  
 1/2 S&P/LSTA Leveraged Loan Index  
 1/3 Bloomberg Barclays US Corporate High Yield 2% Issuer Capped Bond Index  
 1/3 S&P/LSTA Leveraged Loan Index  
 1/3 Bloomberg Barclays US Mortgage Backed Securities (MBS) Index  
 Prior to 6/2016:
- **Private Debt :** S&P/LSTA Leveraged Loan Index + 150 basis points on a 3-month lag
- **GTAA Blend:**  
 7/2018 – 6/2020 : Total System Policy Benchmark ex-Private Markets and Portable Alpha  
 7/2016 – 6/2018: 50% MSCI World Index (net of dividends)  
 50% Bloomberg Barclays US Aggregate Bond Index  
 Prior to 7/2016: 50% MSCI World Index (net of dividends)  
 50% FTSE World Government Bond Index (WGBI)
- **Other Opportunistic:**  
 7/2018 – 6/2020 : Total System Policy Benchmark ex-Private Markets and Portable Alpha  
 7/2016 – 6/2018: 50% MSCI World Index (net of dividends)  
 50% Bloomberg Barclays US Aggregate Bond Index
- **Real Assets**  
 7/2020 – Present: **Blend of Private Real Estate, Public Real Estate, Infrastructure**

**Private Real Estate Blend:**  
 7/2020 – Present: NCREIF Open-End Diversified Core (ODCE) Index *Net of Fees*  
 7/2018 – 6/2020 : NCREIF Open-End Diversified Core (ODCE) Index *Net of Fees* + 100 basis points  
 Prior to 6/2018: NCREIF Open-end Diversified Core (ODCE) Index *Gross of Fees* + 75 basis points

**Public Real Estate:**  
 Prior to 6/2020: FTSE NAREIT Equity REITs Index

**Infrastructure:**  
 Prior to 6/2020 Dow Jones Brookfield Global Infrastructure Index
- **Cash & Short Duration:**  
 Prior to 6/2020: ICE BofA Merrill Lynch 3-Month US Treasury Bill Index

**Portable Alpha Hedge Fund Blend:**  
 7/2018 – 6/2020: ICE BofA Merrill Lynch 3-Month T-Bills + 250 basis points  
 7/2016-6/2018: *Prior to FY 2019, there was not a benchmark for Portable Alpha Hedge Funds, so effectively zero*  
 Prior to 7/2016

# Performance Analysis

Data as of March 31<sup>st</sup>, 2021

# Portfolio Framework – Current Policy Benchmark

As of March 31, 2021

Reference Portfolio		Policy Benchmark		Implementation Benchmark		Plan Return	
Quarter	2.54%	Quarter	3.23%	Quarter	4.19%	Quarter	4.04%
FYTD	20.66%	FYTD	18.69%	FYTD	21.72%	FYTD	20.59%
1-Year	38.27%	1-Year	27.85%	1-Year	33.44%	1-Year	33.17%
3-Years	10.08%	3-Years	8.45%	3-Years	8.87%	3-Years	7.98%

Value from Diversification		Quality of Portfolio Structure		Quality of Manager Selection	
Quarter	0.69%	Quarter	0.96%	Quarter	-0.15%
FYTD	-1.97%	FYTD	3.03%	FYTD	-1.13%
1-Year	-10.42%	1-Year	5.60%	1-Year	-0.27%
3-Years	-1.63%	3-Years	0.42%	3-Years	-0.89%

Actual vs Reference		Actual vs Policy	
Quarter	1.50%	Quarter	0.81%
FYTD	-0.07%	FYTD	1.90%
1-Year	-5.09%	1-Year	5.32%
3-Years	-2.10%	3-Years	-0.47%

- Outperformance vs. Benchmark
  - Underweight core bonds vs. public equity and credit
  - Portable alpha
  - Listed real assets vs. private
- Underperformance vs. Benchmark
  - Private Equity
- Performance In-Line with Benchmark
  - Listed real assets

# Quarterly Attribution – Portfolio Structure

As of March 31, 2021

Quality of Portfolio Structure Quarter	Impact to Plan (BPS)
Portable Alpha Hedge Funds	40
Bonds	31
Real Assets	21
Private Debt	1
Public Equity	1
Private Equity	0
<b>Total Plan</b>	<b>95</b>

Portable Alpha: hedge funds outperformed cash during quarter

Listed real assets continued to rebound, outperforming Core Real Estate (private)

Overweight equity/credit vs. Underweight to Core Bonds

# Quarterly Attribution – Manager Selection

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As of March 31, 2021

Non-IG (Bonds) managers significantly outperformed their benchmarks

Portable Alpha HFs outperformed HFRI

Private Equity significantly underperformed

Quality of Manager Selection - Quarter	Impact to Plan (BPS)
Private Debt	14
Bonds	10
Portable Alpha Hedge Funds	9
Real Assets	7
Public Equity	5
Private Equity	-61
<b>Total Plan</b>	<b>-15</b>



# Quarterly Attribution<sup>1</sup> – Rolling 4 Quarters

## Portfolio Structure

	Jun-20	Sep-20	Dec-20	Mar-21
Public Equity	14	1	5	1
Private Equity	108	0	0	0
Other Assets	-1	0	0	0
Real Assets	5	-5	31	21
Private Debt	0	-2	-9	1
Bonds	8	17	23	31
Portable Alpha Hedge Funds	49	25	63	40

Portfolio positioning for continued recovery  
 Portable Alpha recovery > Q1 2020 downturn  
 Very strong recovery in listed real assets  
 continued

## Selection

	Jun-20	Sep-20	Dec-20	Mar-21
Public Equity	28	4	4	5
Private Equity	1	-41	-10	-61
Other Assets	-8	0	0	0
Real Assets	-16	5	1	7
Private Debt	66	-61	-3	14
Bonds	16	16	21	10
Portable Alpha Hedge Funds	-15	-9	15	9

Private equity & debt below benchmarks  
 Hedge Fund caught up to HFRI universe  
 Private infrastructure performing well

## Total Value Added

	Jun-20	Sep-20	Dec-20	Mar-21
Public Equity	42	5	9	6
Private Equity	109	-40	-10	-61
Other Assets	-9	0	0	0
Real Assets	-11	0	32	28
Private Debt	66	-63	-12	16
Bonds	25	33	44	41
Portable Alpha Hedge Funds	34	17	78	50

Portable Alpha, Listed Real Assets, and credit  
 are adding value to plan.  
 Legacy Private Debt portfolio continuing to  
 slow turnaround  
 Private equity returns improving due to strong  
 performance from recent vintage years

<sup>1</sup>Asset class contributions are displayed as snapshots of RSIC's quarterly attribution (value added relative to policy benchmark) and are not necessarily additive to total Plan Excess Return over long periods of time

<b>Asset Class</b>	<b>Policy Target</b>	<b>Weight</b>	<b>Active Weight</b>	<b>Since Last Quarter</b>
<b>Public Equity</b>	46.6%	47.3%	0.6%	-1.4%
<b>Bonds</b>	26.0%	24.3%	-1.7%	0.4%
<b>Real Assets</b>	12.0%	11.3%	-0.7%	0.1%
<b>Private Equity</b>	8.4%	8.4%	0.0%	0.7%
<b>Private Debt</b>	7.0%	8.7%	1.7%	0.2%
<b>Portable Alpha</b>	0.0%	11.3%	11.3%	0.1%
<b>Total Plan</b>	100.0%	111.3%	11.3%	0.1%

\*Global Public Equity target weights float based on their private market counterpart as conveyed in the Statement of Investment Objectives and Policies.

Public Equity Breakout	Policy Target	Weight	Active Weight	Since Last Quarter
MSCI USA	23.6%	23.9%	0.3%	-0.4%
MSCI USA Small Cap	3.1%	3.1%	0.0%	0.0%
MSCI World ex-US	11.9%	12.1%	0.2%	-0.3%
MSCI World ex-US Small Cap	2.1%	2.1%	0.0%	-0.2%
MSCI EME	5.3%	5.4%	0.1%	-0.5%
MSCI EME Small Cap	0.6%	0.7%	0.0%	0.0%
<b>Total Equity</b>	<b>46.6%</b>	<b>47.3%</b>	<b>0.6%</b>	<b>-1.4%</b>

Slightly (0.6%) overweight equity

Equity portfolio now 100% passive

Bonds Breakout	Policy Target	Weight	Active Weight	Since Last Quarter
Investment Grade <sup>1</sup>	26.0%	19.7%	-6.3%	0.0%
EMD	0.0%	1.3%	1.3%	-0.4%
Mixed Credit	0.0%	1.1%	1.1%	0.0%
Cash and Short Duration (Net)	0.0%	2.2%	2.2%	0.8%
<b>Total Bonds</b>	<b>26.0%</b>	<b>24.3%</b>	<b>-1.7%</b>	<b>0.4%</b>

Portfolio slightly underweight duration

Overweight non-IG and EM Debt (risk > benchmark)

<sup>1</sup>Includes floating and fixed rate investment grade investments

Risk Estimates <sup>1</sup>				
March 2021 Exposures and Risk				
<b>Total Risk</b> <sup>2</sup>	Reference	Policy <sup>3</sup>	Implementation <sup>3</sup>	Actual <sup>5</sup>
	14.3%	15.4%	16.1%	16.3%
<b>Relative Risk</b> <sup>4</sup>	Reference vs Policy	Policy vs Implementation	Implementation vs Actual <sup>5</sup>	
	2.2%	1.0%	0.8%	

Footnotes:

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

# Appendix

# 3-Year Performance (Detail)<sup>2</sup>

as of 03/31/2021

Performance	Portfolio Weight	Quarter	FYTD	1 Year	Annualized	
					3 Years	5 Years
<b>Public Equity</b>	<b>47.3%</b>	5.23%	31.87%	57.90%	11.21%	13.04%
<i>Benchmark</i>		5.14%	31.50%	57.46%	11.74%	13.10%
<b>Bonds</b>	<b>24.3%</b>	-2.25%	0.89%	8.20%	2.52%	3.35%
<i>Benchmark</i>		-3.37%	-2.12%	3.27%	2.90%	3.39%
Investment Grade - Fixed	16.1%	-3.64%	-2.94%	0.44%	4.04%	2.89%
Investment Grade - Floating	3.6%	1.81%	9.90%	n/a	n/a	n/a
EMD	1.3%	-4.39%	5.13%	17.81%	0.37%	4.13%
Mixed Credit	1.1%	3.90%	15.70%	28.79%	6.33%	7.30%
Cash and Short Duration (Net)	2.2%	0.04%	0.16%	0.29%	1.59%	1.38%
<b>Private Equity</b>	<b>8.4%</b>	8.03%	24.48%	17.58%	8.44%	11.22%
<i>Benchmark</i>		15.35%	41.93%	13.45%	12.94%	15.33%
<b>Private Debt</b>	<b>8.7%</b>	5.70%	12.74%	9.66%	3.94%	6.04%
<i>Benchmark</i>		3.96%	19.46%	4.62%	5.51%	6.74%
<b>Real Assets</b>	<b>11.3%</b>	4.28%	8.43%	10.00%	7.74%	7.26%
<i>Benchmark</i>		1.89%	3.27%	5.17%	5.03%	6.00%
Private Real Estate	7.1%	3.79%	4.91%	2.78%	5.86%	7.34%
Public Real Estate	1.2%	8.71%	24.09%	39.34%	11.82%	n/a
Private Infrastructure	1.7%	2.29%	8.20%	8.79%	n/a	n/a
Public Infrastructure	1.3%	5.02%	12.26%	24.78%	9.55%	n/a
<b>Portable Alpha Hedge Funds</b>	<b>11.3%</b>	4.45%	13.71%	18.27%	3.89%	4.22%
<b>Total Plan</b>	<b>100.0%</b>	<b>4.04%</b>	<b>20.59%</b>	<b>33.17%</b>	<b>7.98%</b>	<b>9.12%</b>
<i>RSIC Policy Benchmark</i>		<b>3.23%</b>	<b>18.69%</b>	<b>27.85%</b>	<b>8.45%</b>	<b>9.17%</b>

<sup>2</sup>Asset class benchmarks are represented as blend of Policy benchmark as it has changed throughout time.

# Quarter Performance – Attribution Building Blocks as of 03/31/2021

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as of 03/31/2021

Attribution: 03/31/2021	Weights			Returns				Excess Returns (BPS)			Attribution (BPS)		
	Policy Target	Plan Weight (Avg)	Active Weight (BPS)	Asset Class Return	cR to Plan Return	Policy Return	Impl BM Return	Plan vs Policy (BPS)	Plan vs Impl. (BPS)	Impl vs Policy (BPS)	Portfolio Structure	Manager Selection	Total Value Add
Public Equity	47.2%	48.0%	0.8%	5.24%	2.52%	5.14%	5.13%	11	11	0	1	5	6
Bonds	26.0%	24.1%	-1.9%	-2.25%	-0.54%	-3.37%	-2.67%	112	42	70	31	10	41
Private Equity	7.8%	7.8%	0.0%	8.00%	0.63%	15.35%	15.35%	-735	-735	0	0	-61	-61
Private Debt	7.0%	8.7%	1.7%	5.70%	0.50%	3.96%	3.96%	173	173	0	1	14	16
Real Assets	12.0%	11.3%	-0.7%	4.28%	0.48%	1.89%	3.65%	240	64	176	21	7	28
Portable Alpha Hedge Funds	0.0%	11.2%	11.2%	4.50%	0.50%	0.00%	3.64%	450	86	364	40	9	50
Total Plan	100.0%	111.2%	11.2%	4.04%	4.04%	3.23%	4.19%	81	-15	96	95	-15	80

**Description:** This report is used to explain RSIC’s performance by asset class as well as attributing each asset classes’ excess return to three different effects.

**Allocation Effect:** The decisions made to over or underweight an asset class relative to RSICs policy targets. Because Global Public Equity is Overweight its target, and the benchmark outperformed the Plan Policy benchmark, it is adding 5BPS to the Plan’s excess return over the policy benchmark.

**Implementation Style Bias:** The performance coming from a manager (or collection of managers) that tracks a different benchmark(s) than that which is used to measure the asset class as a whole. For example, Private Equity is benchmarked to an 80/20 + 300 BPS public benchmark in the Policy BM, but RSIC tracks these assets versus a private markets benchmark.

**Manager Selection:** The value added by manager’s ability to outperform (or underperform) the benchmarks that we hired them to beat. This is a measure of manager “alpha”.



- Quality of Portfolio Structure: The combination of the Allocation Effect and Implementation Style Bias.
- Allocation Effect: The decisions made to over or underweight an asset class relative to RSICs policy targets. Because Global Public Equity is Overweight its target, and the benchmark outperformed the Plan Policy benchmark, it is adding 5BPS to the Plan's excess return over the policy benchmark. Allocation effect is calculated as:  $[\text{Asset Class Weight} - \text{Policy Weight}] * [\text{Asset Class Policy Benchmark} - \text{Total Plan Policy Benchmark}]$
- Implementation Style Bias: The performance coming from a manager (or collection of managers) that tracks a different benchmark(s) than that which is used to measure the asset class as a whole. For example, Private Equity is benchmarked to an 80/20 + 300 BPS public benchmark in the Policy BM, but RSIC tracks these assets versus a private markets benchmark. Implementation Style Bias is calculated as:  $[\text{Asset Class Implementation Benchmark Return} - \text{Asset Class Policy Benchmark Return}] * [\text{Asset Class Weight in Plan}]$
- Manager Selection: The value added by manager's ability to outperform (or underperform) the benchmarks that we hired them to beat. This is a measure of manager "alpha". Manager Selection is calculated as:  $[\text{Asset Class Return} - \text{Asset Class Implementation Benchmark Return}] * [\text{Asset Class Weight in Plan}]$
- Asset class exposures and returns include blended physical and synthetic returns and current notional values (EM Debt, GTAA, Global Public Equity, Real Estate, Core Fixed Income, Private Equity, TIPS, Equity Options, and Commodities). Synthetic returns are provided by Russell Investments gross of financing costs. To accommodate for financing costs, LIBOR is added to the synthetic returns and removed from the collateral return.
- Returns are provided by BNY Mellon and are time-weighted, total return calculations. Net of fee performance is calculated and presented after the deduction of fees and expenses. Periods greater than one year are annualized. Past performance is no guarantee of future results. Policy benchmark is the blend of asset class policy benchmarks using policy weights. Asset class benchmarks and policy weights are reviewed annually by the Commission's consultant and adopted by the Commission and have changed over time. The policy benchmark return history represents a blend of these past policies.
- Overlay allocation detail is provided by Russell Investments.
- This report was compiled by the staff of the South Carolina Retirement System Investment Commission and has not been reviewed, approved or verified by the external investment managers. No information contained herein should be used to calculate returns or compare multiple funds, including private equity funds.

- **Global Public Equity Blend:**  
 7/2020 – Present: MSCI All Country World Index IMI  
 7/2018 – 6/2020 : Weighted average of regional sub-asset class targets in Policy Portfolio. 51.4% MSCI US IMI Index for U.S. Equity, 31.4% MSCI World ex-US IMI Index for Developed Market Equity (non-U.S.), and 17.1% MSCI Emerging Markets IMI Index for Emerging Market Equity  
 7/2016 – 6/2018: MSCI All-Country World Investable Markets Index (net of dividends)  
 Prior to 7/2016: MSCI All-Country World Index (net of dividends)
- **Equity Options Strategies:**  
 7/2018 – 6/2020: 50% CBOE S&P Buy Write Index (BXM) / 50% CBOE S&P 500 Put Write Index (PUT)  
 Prior to 6/2018: CBOE S&P 500 Buy Write Index (BXM)
- **Private Equity Blend:**  
 7/2020 – Present Burgiss All PE Universe  
 Prior to 6/20 80% Russell 3000 Index on a 3-month lag / 20% MSCI EAFE (net of dividends) on a 3-month lag Plus 300 basis points
- **Bonds**  
 7/2020 - Present Bloomberg Barclays US Aggregate Bond Index  
 Prior to 6/2020 **Blend of Core Fixed Income, Emerging Markets Debt, Mixed Credit, Bank Loans**
- **Core Fixed Income:**  
 Prior to 6/2020 Bloomberg Barclays US Aggregate Bond Index  
**Emerging Market Debt:** 50% JP Morgan EMBI Global Diversified (US Dollar) / 50% JP Morgan GBIEM Global Diversified (Local)  
**Mixed Credit Blend:**  
 7/2016 – 6/2020 : 1/2 Bloomberg Barclays US Corporate High Yield 2% Issuer Capped Bond Index  
 1/2 S&P/LSTA Leveraged Loan Index  
 1/3 Bloomberg Barclays US Corporate High Yield 2% Issuer Capped Bond Index  
 1/3 S&P/LSTA Leveraged Loan Index  
 1/3 Bloomberg Barclays US Mortgage Backed Securities (MBS) Index  
 Prior to 6/2016:
- **Private Debt :** S&P/LSTA Leveraged Loan Index + 150 basis points on a 3-month lag
- **GTAA Blend:**  
 7/2018 – 6/2020 : Total System Policy Benchmark ex-Private Markets and Portable Alpha  
 7/2016 – 6/2018: 50% MSCI World Index (net of dividends)  
 50% Bloomberg Barclays US Aggregate Bond Index  
 Prior to 7/2016: 50% MSCI World Index (net of dividends)  
 50% FTSE World Government Bond Index (WGBI)
- **Other Opportunistic:**  
 7/2018 – 6/2020 : Total System Policy Benchmark ex-Private Markets and Portable Alpha  
 7/2016 – 6/2018: 50% MSCI World Index (net of dividends)  
 50% Bloomberg Barclays US Aggregate Bond Index
- **Real Assets**  
 7/2020 – Present: **Blend of Private Real Estate, Public Real Estate, Infrastructure**

**Private Real Estate Blend:**  
 7/2020 – Present: NCREIF Open-End Diversified Core (ODCE) Index *Net of Fees*  
 7/2018 – 6/2020 : NCREIF Open-End Diversified Core (ODCE) Index *Net of Fees* + 100 basis points  
 Prior to 6/2018: NCREIF Open-end Diversified Core (ODCE) Index *Gross of Fees* + 75 basis points

**Public Real Estate:**  
 Prior to 6/2020: FTSE NAREIT Equity REITs Index

**Infrastructure:**  
 Prior to 6/2020 Dow Jones Brookfield Global Infrastructure Index
- **Cash & Short Duration:**  
 Prior to 6/2020: ICE BofA Merrill Lynch 3-Month US Treasury Bill Index

**Portable Alpha Hedge Fund Blend:**  
 7/2018 – 6/2020: ICE BofA Merrill Lynch 3-Month T-Bills + 250 basis points  
 7/2016-6/2018: *Prior to FY 2019, there was not a benchmark for Portable Alpha Hedge Funds, so effectively zero*  
 Prior to 7/2016

# South Carolina Retirement System Investment Commission

March 31, 2021

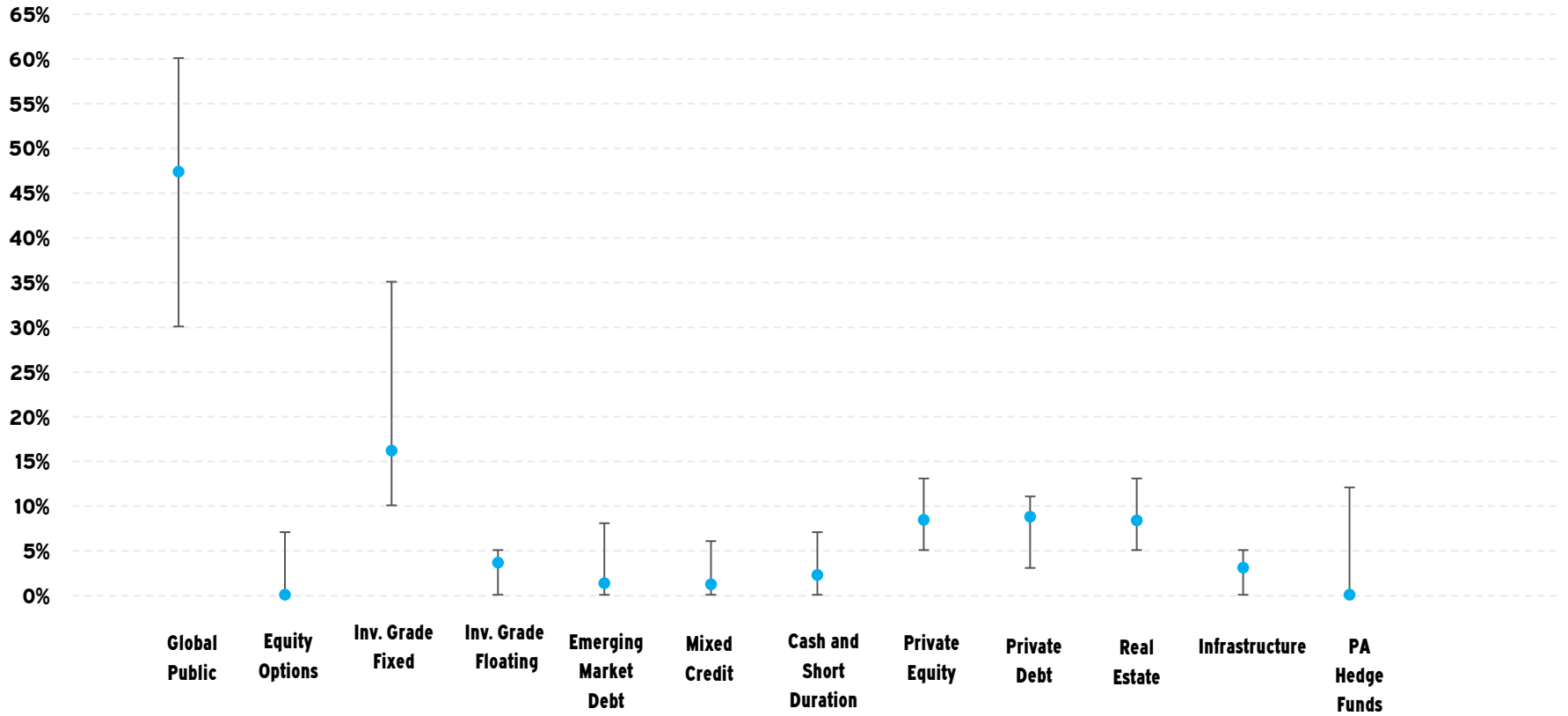
Performance Report

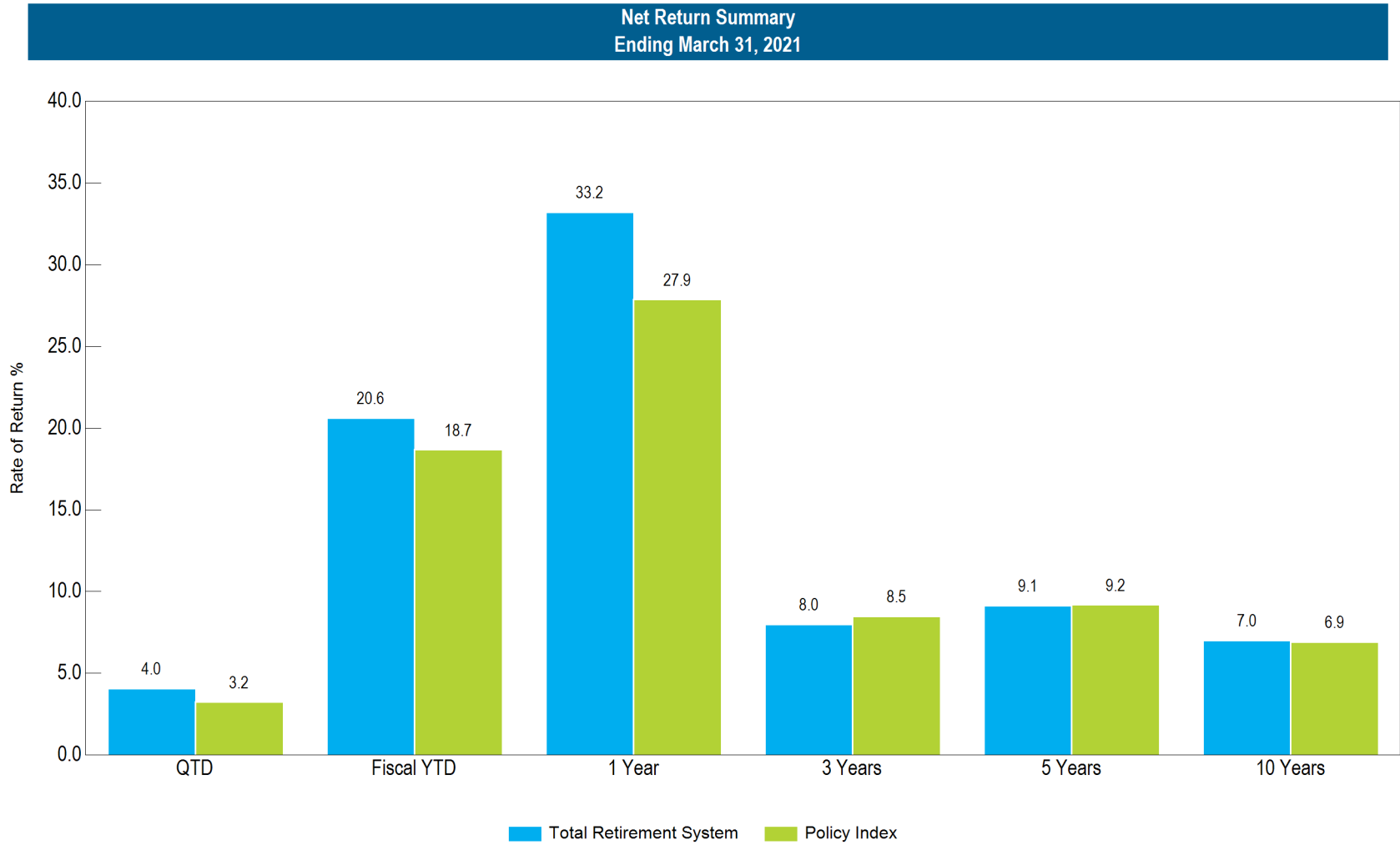
	Allocation vs. Targets and Policy							
	MV at 3/31/2021	Overlay Exposures	Net Position	% of Total System	% of Total System (Net)	Policy Targets	Allowable Ranges	SIOP Compliance?
<b>Total System</b>	<b>36,880,419,258</b>	-	<b>36,880,419,258</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	-	-
<b>Public Equity</b>	<b>17,441,195,624</b>	-	<b>17,441,195,624</b>	<b>47%</b>	<b>47%</b>	<b>47%</b>	<b>30%-60%</b>	<b>Yes</b>
Public Equity	17,441,195,624	-	17,441,195,624	47%	47%	47%	30%-60%	Yes
Equity Options	-	-	-	0%	0%	0%	0%-7%	Yes
<b>Bonds</b>	<b>4,813,997,671</b>	<b>4,156,924,698</b>	<b>8,970,922,369</b>	<b>13%</b>	<b>24%</b>	<b>26%</b>	<b>15%-35%</b>	<b>Yes</b>
Investment Grade - Fixed	736,622,321	5,206,518,816	5,943,141,137	2%	16%	26%	10%-35%	Yes
Investment Grade - Floating	1,319,900,265		1,319,900,265	4%	4%	0%	0-5%	Yes
Emerging Market Debt	476,486,108	-	476,486,108	1%	1%	0%	0-8%	Yes
Mixed Credit	422,966,110	-	422,966,110	1%	1%	0%	0-6%	Yes
Cash and Short Duration	1,858,022,867	(1,049,594,118)	808,428,749	5%	2%	0%	0-7%	Yes
<b>Private Equity</b>	<b>3,079,815,889</b>	-	<b>3,079,815,889</b>	<b>8%</b>	<b>8%</b>	<b>8%</b>	<b>5-13%</b>	<b>Yes</b>
<b>Private Debt</b>	<b>3,213,799,088</b>	-	<b>3,213,799,088</b>	<b>9%</b>	<b>9%</b>	<b>7%</b>	<b>3-11%</b>	<b>Yes</b>
<b>Real Assets</b>	<b>4,174,686,288</b>	-	<b>4,174,686,288</b>	<b>11%</b>	<b>11%</b>	<b>12%</b>	<b>6-18%</b>	<b>Yes</b>
Real Estate	3,059,176,997	-	3,059,176,997	8%	8%	9%	5-13%	Yes
Infrastructure	1,115,509,291	-	1,115,509,291	3%	3%	3%	0-5%	Yes
<b>Portable Alpha Hedge Funds</b>	<b>4,156,924,698</b>	<b>(4,156,924,698)</b>	<b>-</b>	<b>11%</b>	<b>0%</b>	<b>0%</b>	<b>0-12%</b>	<b>Yes</b>

Includes cash in the Russell Overlay separate account.

Percentages may not sum to 100% due to rounding.

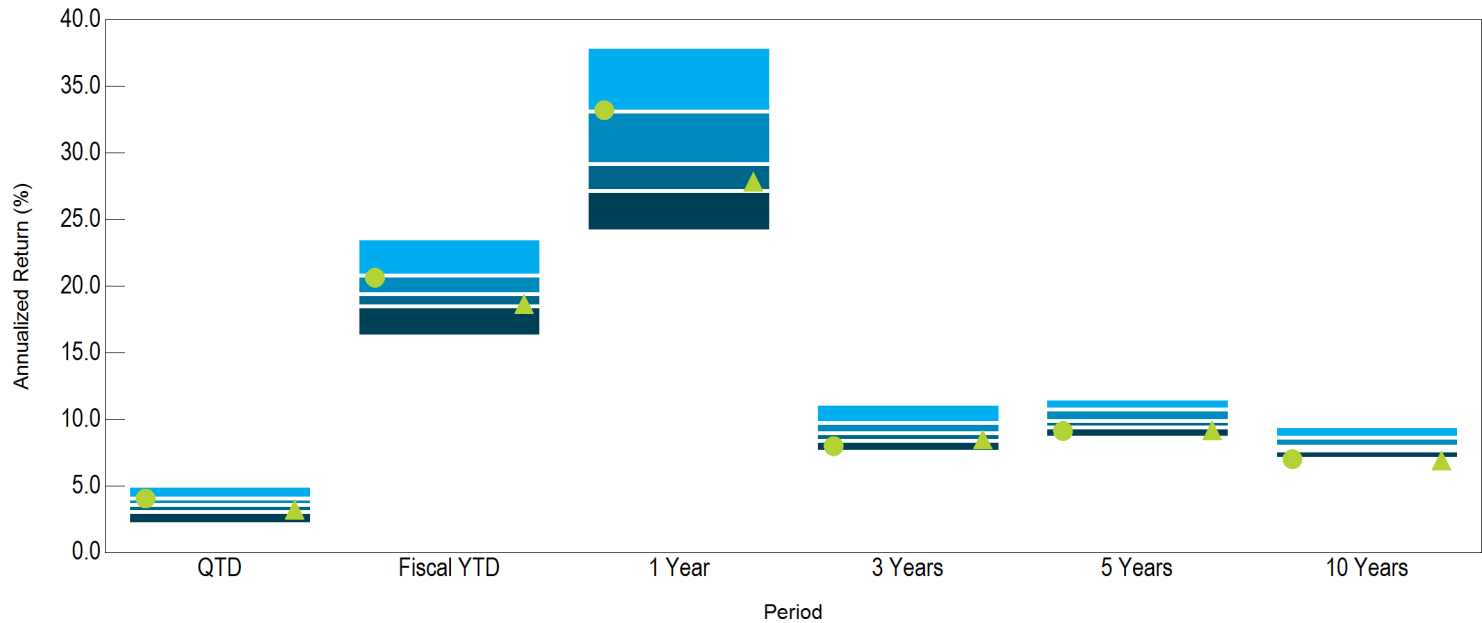
### Actual vs. Policy Ranges: (Including Overlay)





Returns for periods greater than one year are annualized.

**InvMetrics Public DB > \$5B Net Return Comparison  
Ending March 31, 2021**



	QTD		Fiscal YTD		1 Year		3 Years		5 Years		10 Years	
<b>5th Percentile</b>	5.0		23.6		38.0		11.2		11.5		9.4	
<b>25th Percentile</b>	4.1		20.8		33.1		9.8		10.8		8.7	
<b>Median</b>	3.6		19.4		29.2		9.0		9.9		8.0	
<b>75th Percentile</b>	3.1		18.5		27.2		8.4		9.4		7.7	
<b>95th Percentile</b>	2.1		16.3		24.1		7.6		8.7		7.1	
<b># of Portfolios</b>	28		28		28		28		28		26	
<b>● Total Retirement System</b>	4.0	(26)	20.6	(30)	33.2	(25)	8.0	(90)	9.1	(87)	7.0	(97)
<b>▲ Policy Index</b>	3.2	(68)	18.7	(72)	27.9	(69)	8.5	(73)	9.2	(87)	6.9	(97)

Quarterly Excess Performance vs. Policy Benchmark





Net Asset Class Performance Summary										
	Market Value (\$)	% of Portfolio	QTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
<b>Total Retirement System</b>	<b>36,880,419,258</b>	<b>100.0</b>	<b>4.0</b>	<b>20.6</b>	<b>33.2</b>	<b>8.0</b>	<b>9.1</b>	<b>7.0</b>	<b>6.6</b>	<b>Jul-94</b>
<i>Policy Index</i>			3.2	18.7	27.9	8.5	9.2	6.9	6.1	Jul-94
<b>Public Equity</b>	<b>17,441,195,624</b>	<b>47.3</b>	<b>5.2</b>	<b>32.2</b>	<b>58.9</b>	<b>10.1</b>	<b>12.6</b>	<b>8.0</b>	<b>5.5</b>	<b>Jun-99</b>
<i>MSCI ACWI IMI Net USD</i>			5.1	31.5	57.6	11.9	13.2	9.2	6.4	Jun-99
<b>Bonds</b>	<b>4,813,997,671</b>	<b>11.9</b>	<b>0.1</b>	<b>4.9</b>	<b>11.7</b>	<b>2.9</b>	<b>3.6</b>	<b>2.6</b>	<b>5.5</b>	<b>Jul-94</b>
<i>BBgBarc US Aggregate TR</i>			-3.4	-2.1	0.7	4.7	3.1	3.4	5.4	Jul-94
<b>Investment Grade-Fixed</b>	<b>736,622,321</b>	<b>2.0</b>	<b>-1.6</b>	<b>1.7</b>	<b>6.2</b>	<b>6.0</b>	<b>4.4</b>	<b>--</b>	<b>4.3</b>	<b>Jul-15</b>
<b>Investment Grade-Floating</b>	<b>1,319,900,265</b>	<b>3.6</b>	<b>1.8</b>	<b>9.9</b>	<b>23.7</b>	<b>4.3</b>	<b>6.4</b>	<b>--</b>	<b>5.4</b>	<b>Apr-15</b>
<b>Mixed Credit</b>	<b>422,966,110</b>	<b>1.2</b>	<b>3.9</b>	<b>15.7</b>	<b>28.8</b>	<b>6.3</b>	<b>7.3</b>	<b>4.9</b>	<b>6.7</b>	<b>May-08</b>
<i>50% S&amp;P LSTA Leveraged Loan Index/50% Barclays High Yield Index</i>			1.3	11.2	22.2	5.5	6.5	5.1	6.0	May-08
<b>Emerging Market Debt</b>	<b>476,486,108</b>	<b>1.3</b>	<b>-4.4</b>	<b>5.1</b>	<b>17.8</b>	<b>0.4</b>	<b>4.1</b>	<b>2.8</b>	<b>4.7</b>	<b>Jul-09</b>
<i>50% JP Morgan EMBI Global Diversified (USD)/50% JP Morgan EMBI Global Diversified</i>			-5.6	3.1	14.5	1.7	4.1	3.1	5.0	Jul-09
<b>Cash and Overlay</b>	<b>1,327,195,702</b>	<b>2.4</b>	<b>-0.2</b>	<b>0.1</b>	<b>1.7</b>	<b>1.7</b>	<b>1.0</b>	<b>0.4</b>	<b>1.2</b>	<b>Oct-05</b>
<i>ICE BofA 91 Days T-Bills TR</i>			0.0	0.1	0.1	1.5	1.2	0.6	1.3	Oct-05
<b>Short Duration</b>	<b>530,827,165</b>	<b>1.4</b>	<b>0.3</b>	<b>2.2</b>	<b>5.4</b>	<b>3.1</b>	<b>2.3</b>	<b>1.9</b>	<b>2.1</b>	<b>Mar-10</b>
<i>BBgBarc US Govt/Credit 1-3 Yr. TR</i>			0.0	0.4	1.6	3.0	2.0	1.6	1.6	Mar-10
<b>Private Equity</b>	<b>3,079,815,889</b>	<b>8.4</b>	<b>8.0</b>	<b>24.5</b>	<b>17.6</b>	<b>8.4</b>	<b>11.1</b>	<b>11.4</b>	<b>7.9</b>	<b>Apr-07</b>
<i>Burgiss Private Equity 1Q Lagged</i>			15.4	41.9	30.8	20.0	17.8	--	--	Apr-07
<b>Private Debt</b>	<b>3,213,799,088</b>	<b>8.7</b>	<b>5.7</b>	<b>12.7</b>	<b>9.7</b>	<b>3.9</b>	<b>6.1</b>	<b>6.3</b>	<b>6.5</b>	<b>Jun-08</b>
<i>S&amp;P LSTA Leveraged Loan Index + 150 bps on a 3-month lag</i>			4.0	19.5	4.6	5.5	6.7	5.8	5.2	Jun-08

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

## South Carolina Retirement System Investment Commission

Total Retirement System | As of March 31, 2021

	Market Value (\$)	% of Portfolio	QTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
<b>Real Assets</b>	<b>4,174,686,289</b>	<b>11.3</b>	<b>4.3</b>	<b>8.4</b>	<b>10.0</b>	<b>7.7</b>	<b>7.3</b>	<b>10.6</b>	<b>7.6</b>	<b>Jul-08</b>
<i>NCREIF-ODCE NR USD</i>			<i>1.9</i>	<i>3.3</i>	<i>1.5</i>	<i>4.0</i>	<i>5.3</i>	<i>8.7</i>	<i>4.2</i>	<i>Jul-08</i>
<b>Private Real Estate</b>	<b>2,619,925,475</b>	<b>7.1</b>	<b>3.8</b>	<b>4.9</b>	<b>2.8</b>	<b>5.9</b>	<b>7.4</b>	<b>10.6</b>	<b>6.8</b>	<b>Jul-08</b>
<i>NCREIF ODCE Net + 100 BPS SC Custom</i>			<i>2.1</i>	<i>4.1</i>	<i>2.6</i>	<i>5.1</i>	<i>6.6</i>	<i>10.4</i>	<i>5.6</i>	<i>Jul-08</i>
<b>Public Real Estate</b>	<b>439,251,522</b>	<b>1.2</b>	<b>8.7</b>	<b>24.1</b>	<b>39.3</b>	<b>11.9</b>	--	--	<b>6.2</b>	<b>Jul-16</b>
<i>FTSE NAREIT Equity REIT</i>			<i>8.9</i>	<i>23.2</i>	<i>37.8</i>	<i>9.5</i>	<i>5.3</i>	<i>8.6</i>	<i>4.1</i>	<i>Jul-16</i>
<b>Private Infrastructure</b>	<b>623,935,690</b>	<b>1.7</b>	<b>2.3</b>	<b>8.2</b>	<b>8.8</b>	--	--	--	<b>6.4</b>	<b>Jul-18</b>
<i>DJ Brookfield Global Infrastructure</i>			<i>5.3</i>	<i>11.1</i>	<i>23.9</i>	<i>7.0</i>	<i>7.0</i>	<i>8.0</i>	<i>6.1</i>	<i>Jul-18</i>
<b>Public Infrastructure</b>	<b>491,573,601</b>	<b>1.3</b>	<b>5.0</b>	<b>12.3</b>	<b>24.8</b>	<b>9.6</b>	--	--	<b>6.9</b>	<b>Jun-16</b>
<i>DJ Brookfield Global Infrastructure</i>			<i>5.3</i>	<i>11.1</i>	<i>23.9</i>	<i>7.0</i>	<i>7.0</i>	<i>8.0</i>	<i>6.7</i>	<i>Jun-16</i>
<b>Hedge Funds Portable Alpha</b>	<b>4,156,924,698</b>	<b>11.3</b>	<b>4.5</b>	<b>13.9</b>	<b>18.7</b>	<b>5.6</b>	<b>5.7</b>	<b>7.2</b>	<b>8.1</b>	<b>Jul-07</b>
<i>HFRI Conservative Fund of Funds less LIBOR</i>			<i>3.6</i>	<i>12.5</i>	<i>18.6</i>	<i>3.3</i>	<i>3.2</i>	<i>2.3</i>	<i>0.7</i>	<i>Jul-07</i>

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

Statistics Summary						
5 Years Ending March 31, 2021						
	Anlzd Return	Anlzd Standard Deviation	Information Ratio	Beta	Sharpe Ratio	Tracking Error
Total Retirement System	9.1%	8.9%	0.0	1.1	0.9	2.0%
Policy Index	9.2%	7.8%	--	1.0	1.0	0.0%
Public Equity	12.6%	15.2%	-0.3	1.0	0.8	1.9%
MSCI ACWI IMI Net USD	13.2%	14.8%	--	1.0	0.8	0.0%
Bonds	3.6%	8.4%	-0.2	0.5	0.0	8.4%
BBgBarc US Aggregate TR	3.1%	3.3%	--	1.0	0.6	0.0%
Mixed Credit	7.3%	6.8%	0.7	0.9	1.0	2.6%
50% S&P LSTA Leveraged Loan Index/50% Barclays High Yield Index	6.5%	7.0%	--	1.0	0.8	0.0%
Emerging Market Debt	4.1%	11.1%	0.0	1.1	0.3	2.1%
50% JP Morgan EMBI Global Diversified (USD)/50% JP Morgan EMBI Global Diversified	4.1%	9.7%	--	1.0	0.3	0.0%
Cash and Overlay	1.5%	8.4%	-0.4	-7.2	-0.4	8.5%
ICE BofA 91 Days T-Bills TR	1.2%	0.3%	--	1.0	0.2	0.0%
Short Duration	2.3%	1.5%	0.3	0.6	0.8	1.5%
BBgBarc US Govt/Credit 1-3 Yr. TR	2.0%	0.9%	--	1.0	0.9	0.0%
Private Equity	11.1%	5.3%	-0.5	0.1	1.9	11.4%
Burgiss Private Equity 1Q Lagged	17.8%	10.8%	--	1.0	1.5	0.0%
Private Debt	6.1%	4.2%	-0.1	-0.1	1.2	8.7%
S&P LSTA Leveraged Loan Index + 150 bps on a 3-month lag	6.7%	6.9%	--	1.0	0.8	0.0%

	Anlzd Return	Anlzd Standard Deviation	Information Ratio	Beta	Sharpe Ratio	Tracking Error
Real Assets	7.3%	--	--	--	--	--
NCREIF-ODCE NR USD	5.3%	2.7%	--	1.0	1.5	0.0%
Private Real Estate	7.4%	2.3%	0.2	0.2	2.7	3.3%
NCREIF ODCE Net + 100 BPS SC Custom	6.5%	2.9%	--	1.0	1.9	0.0%
Public Real Estate	--	--	--	--	--	--
FTSE NAREIT Equity REIT	5.3%	16.9%	--	1.0	0.2	0.0%
Private Infrastructure	--	--	--	--	--	--
DJ Brookfield Global Infrastructure	7.0%	13.5%	--	1.0	0.4	0.0%
Public Infrastructure	--	--	--	--	--	--
DJ Brookfield Global Infrastructure	7.0%	13.5%	--	1.0	0.4	0.0%
Hedge Funds Portable Alpha	5.7%	4.7%	0.9	0.8	1.1	3.3%
HFRI Conservative Fund of Funds less LIBOR	3.2%	4.4%	--	1.0	0.5	0.0%

## Disclaimer

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PERFORMANCE DATA CONTAINED HEREIN REPRESENT PAST PERFORMANCE. PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS.

# Delegated Investments (April 15, 2021 to June 3, 2021)

Asset Class	Investment	Investment Amount	Closing Date
Bonds	Barings / Thompson Rivers LLC	\$150 M	April 30, 2021
Private Equity	TA XIV	Up to \$75 M	May 6, 2021
Private Equity	PSG V	\$50 M	May 14, 2021

# Variable Compensation Plan Proposal

Geoffrey Berg  
Michael Hitchcock



- **Belief:** Compensation is an under-utilized management tool. A thoughtful approach to variable compensation can improve alignment with key organizational objectives.
- We believe that the most effective plan should include the following:
  - A component of an employee's pay that is tied closely to *their* portfolio returns,
  - A consistency factor for employees in asset classes in which we strive for *persistence*,
  - A forward-looking (behavioral) element designed to *reduce risk* by preventing mistakes that can impair future returns,
  - A multi-year payout of the amount earned (or lost) in any given year, in order to improve employee retention,
  - A mechanism for the CEO to determine the potential upside and downside for each position based upon an individual's unique circumstances,
  - The plan should be easy to measure.

- Investment team employees would risk 10% of current salary in order to have 25% upside salary potential
- Earned amounts are paid out as salary over three years (1/3 per year)
  - Maximum benefit achieved only if strong outcomes are repeated for three years
  - Poor outcomes lead to a reduction in pay
  - Successful employees must remain at RSIC in order to receive full benefit
- Annual measurement periods of:
  - Three-year trailing returns vs. benchmarks
  - Behavioral elements that we believe improve probability of future success
- CEO can modify this as necessary, but would maintain the 2.5-to-1 upside-to-downside ratio

- Portfolio Returns Factors
  - **Performance Level:** Is the 3-year return above the benchmark?
  - **Performance Pattern:** How many of the last three years have returns been above the benchmark?
- Behavior Factors
  - **Sourcing:** Did the employee perform (*and document in DealCloud*) an initial diligence evaluation of at least **[15]** new strategies?
  - **Portfolio Quality:** Is at least **[80%]** of the asset class portfolio with quality firms (highly-rated by the consultant or referred by a strategic partner)?
  - **Exposure Management:** Do we have a plan to enable us to maintain target exposure in the event of a +/- 15% change in total plan value?
  - **Ongoing Diligence:** Did the employee deliver an annual report of performance, KPIs, and other areas of portfolio monitoring?
  - **Portfolio Construction:** Were sub-strategy exposures within allowable bands (as outlined in the Baseline) for the year?

# Example 2: New Employee

- New employees have reduced participation until the third year
- Emphasize behavioral factors in early years
- Converges to “steady state” 80% returns / 20% behaviors in Year 3

	<b>Stub Year</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
<b>Returns Factor</b>	N/A	0%	40%	80%
<b>Behavioral Factor</b>	N/A	100%	60%	20%

	<b>Stub Year</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
<b>Participation Limit</b>	N/A	50%	75%	100%
<b>Maximum Upside</b>	N/A	12.5%	18.75%	25%
<b>Maximum Downside</b>	N/A	-5%	-7.5%	-10%

- Two common situations in which we are likely to use a “phase-in” period
- **New Employee** (any situation in which the employee does not yet have a *three-year* track record, except for an internal transfer, as outlined below)
  - We will use a shorter return stream and apply a greater weight to behavioral factors
  - During phase-in period, the employee will have reduced earning potential:
    - Year 1 (plus any partial year): Upside/downside limited to 50% of normal amounts
    - Year 2: 75% limit
    - Year 3: Full participation
- **Internal Transfer** (employee moves from one asset class to another)
  - Earned amounts from the prior position continue to be paid as expected.
  - Transferred employees will begin a new “phase-in” period but will not be penalized with reduced earning potential.
  - We will use a heavier weighting to the behavioral factors for the new position

- Employees with oversight of multiple asset classes or teams will be evaluated based on a weighted composite of all that they oversee.
- Voting members of the Internal Investment Committee will also be evaluated based on the total plan return versus the Policy Benchmark.
- We will employ a modified structure for investment support personnel (individuals on the investment team not responsible for making investment recommendations).
  - Salary variability: 0-8%
  - Based upon the total plan return vs. the Policy Benchmark
- CEO will annually review the impact of the variable compensation program for each eligible employee with the HRCC