

South Carolina Retirement System Investment Commission

December 31, 2008 Quarterly Report

Pursuant to S.C. Code, Ann. §9-16-90 (A)

Investment Performance (12/31/08)

Market Value (12/31/2008): \$19.865 billion

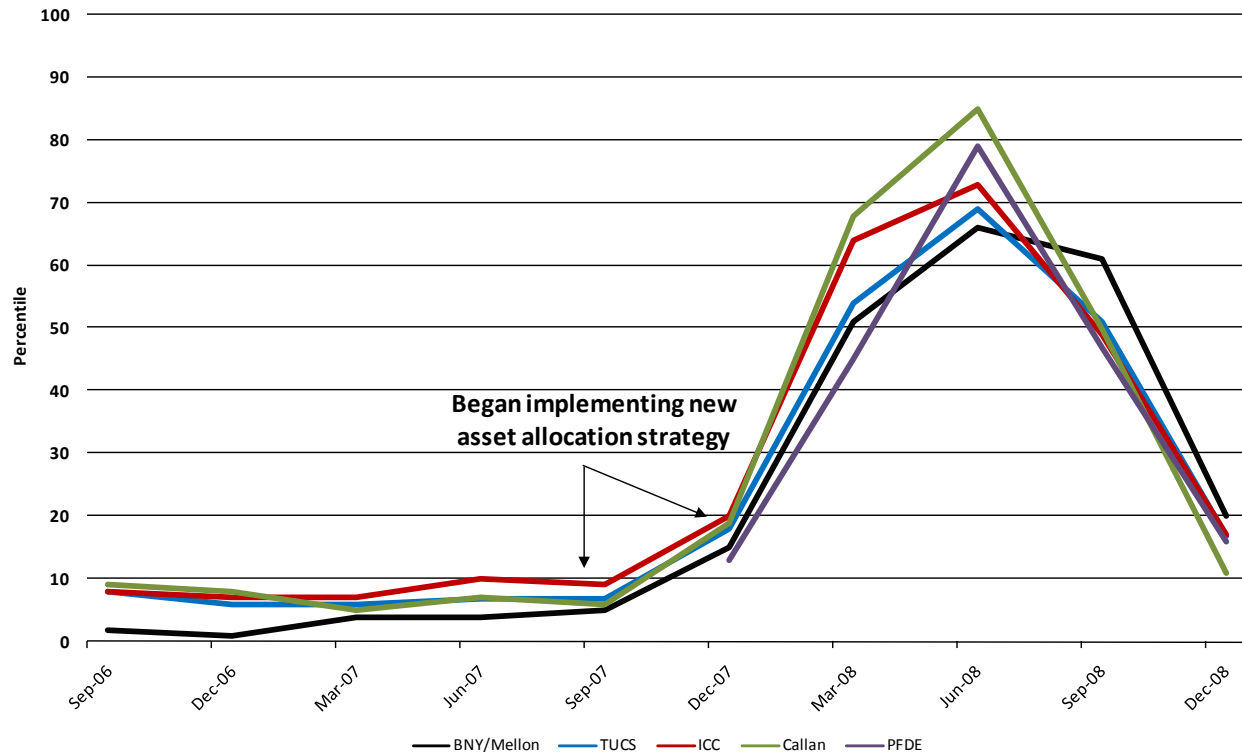
	Quarter	1 Year	3 Years	5 Years
Total Fund Return	(16.03)	(28.71)	(5.70)	(1.02)
Policy Benchmark Return	(13.75)	(26.41)	(4.83)	(0.80)
Strategy Benchmark Return	(13.52)	(26.16)	(4.72)	(0.75)
Large Fund Median Return	(13.20)	(24.90)	(2.20)	2.40
<i>Large Fund Percentile Rank^A</i>	11	17	3	1
Domestic Equity Return	(25.66)	(40.82)	(11.55)	(3.74)
Russell 3000 Return	(22.78)	(37.31)	(8.63)	(1.95)
<i>Equity Percentile Rank^B</i>	33	22	28	14
Domestic Fixed Income Return	1.82	1.77	4.44	4.35
Barclays Capital Aggregate Return	4.58	5.24	5.51	4.65
<i>Fixed Income Percentile Rank^C</i>	37	49	53	47

^A The ICC Large Fund Universe was comprised of 91 unique observations where 100 is best, 1 is worst.

^B The ICC Total Equity Universe was comprised of 112 unique observations where 100 is best, 1 is worst.

^C The ICC Total Fixed Income Universe was comprised of 112 unique observations where 100 is best, 1 is worst.

Rolling 1-Year Period Percentile Rank



Commissioners: James Powers || Allen Gillespie || Blaine Ewing || Reynolds Williams || Travis Pritchett || Converse Chellis

Robert L. Borden || Chief Investment Officer || (803) 737-6885

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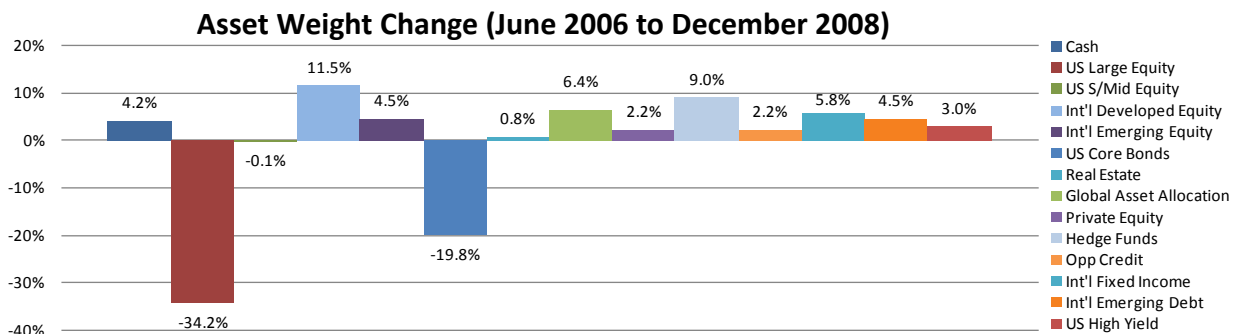
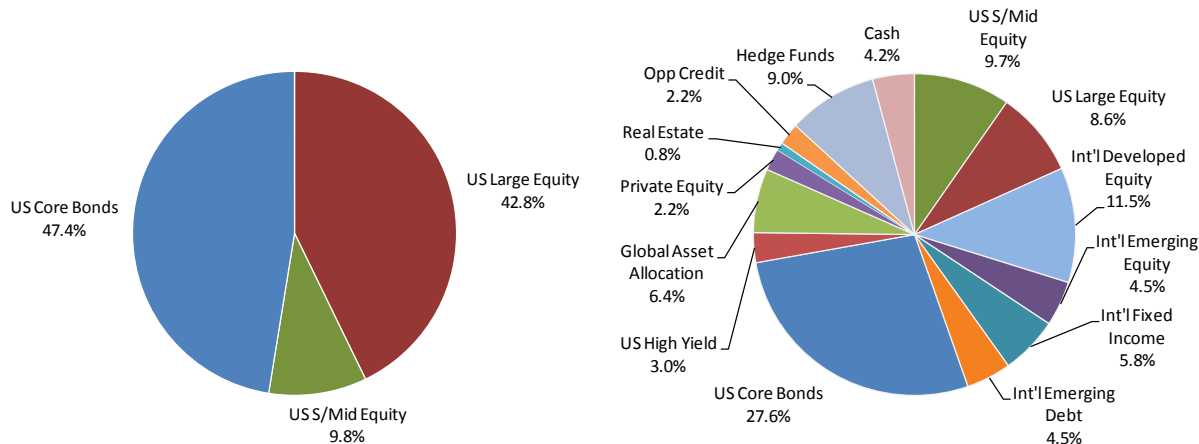
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December 31, 2008 Quarterly Report

Pursuant to S.C. Code, Ann. §9-16-90 (A)

June 30, 2006

December 31, 2008



Executive Summary:

- The global financial landscape continued to erode. Government intervention failed to ease nervous investors.
- Investors experienced a harsh fourth quarter. Virtually all global equity indices suffered sharp losses. Domestic equity markets saw their worst calendar year performance since 1937.
- The Fund's peer ranking declined on average due to the timing of measures taken to reduce risk to the portfolio.
- International equities fell more precipitously than U.S. equities, confirming the global nature of the recession.
- Liquidity began to return to some fixed income markets late in the quarter, boosting bond returns.
- Lack of differentiation of returns among value and growth indices suggests that the selloff was not entirely fundamental in nature. It was likely exacerbated by fear, deleveraging, and the desire for liquidity.
- The Plan ended the calendar year with a more modest exposure to equities, consistent with a growing view of a prolonged economic contraction.

Developments During the Quarter:

- Approved core fixed income managers PIMCO and Blackrock for up to \$1.5 billion each, respectively.
- Funded W.L. Ross' credit-oriented absolute return strategy for \$225 million; funded strategic partnership with Mariner Partners for \$173 million and Trust Company of the West for \$142 million.
- Contracts negotiated with Apollo Palmetto Strategic Partnership, L.P. (\$200m), and Mariner/Palmetto State Partners, L.P. (\$750m), that included waiver of S.C. Code §9-16-360(B); employees, affiliates, and subsidiaries are subject to their Codes of Conduct, which are substantively consistent with §9-16-360(B).
- Revised commitments with Penn Capital Mgmt., Post Advisory Group, Capital Guardian, Avenue Partners, Apollo Capital, and Goldman Sachs Strategic Partnership.
- Reduced synthetic exposures to domestic and international equity markets.
- Reduced allocations to Legg Mason, WCM, and AJO by \$75 million each.

Projects in Progress:

- Continue due diligence on International, Emerging Market, Private Equity, High Yield, Real Estate, Opportunistic Credit, and Emerging Market Debt strategies.
- Continue development and implementation of optimal risk control processes.

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