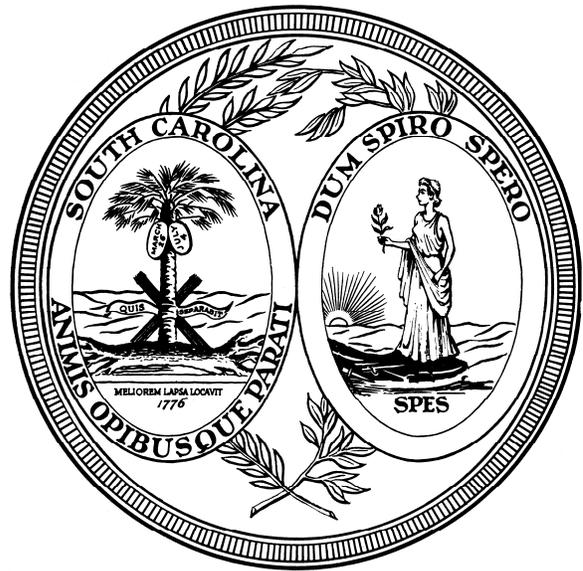


SOUTH CAROLINA RETIREMENT SYSTEM INVESTMENT COMMISSION



STATEMENT OF INVESTMENT OBJECTIVES

**As amended by the Retirement System Investment Commission on
August 16, 2007**

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MISSION

The South Carolina Retirement System Investment Commission (Commission) shall fulfill its fiduciary responsibility by prudently managing all assets held in trust for the sole benefit of the participants and beneficiaries of the South Carolina Retirement Systems (Retirement System). We shall seek superior long-term investment results at an acceptable level of risk.

VISION

To accomplish this Mission, the Vision of the Commission shall be to:

- set investment Objectives and Policies;
- create an investment strategy;
- establish a disciplined investment process;
- implement the strategy and investment process in accordance to Policy;
- engage in attentive management and monitoring of performance;
- seek to attain high risk-adjusted alpha relative to appropriate benchmarks;
- strive for low and reasonable investment expense;
- assist the Budget and Control Board (Board) in projecting achievable long-term rates of return;
- assist with education on investment matters; and
- provide for open decision making and transparency of the decision making process;

Our results will be subject to constraints imposed by law, prudent investment management, and the performance of money and capital markets over 20- to 30-year periods.

PURPOSE

The purpose of this document is to identify and present a set of Investment Objectives and performance goals for the assets of the Retirement System. The Commission is charged with the investment of the portfolio of assets representing the retirement plans that comprise the Retirement System:

South Carolina Retirement System,
Retirement System for Judges and Solicitors of the State of South Carolina,
Retirement System for Members of the General Assembly of the State of South Carolina,
South Carolina Police Officers Retirement System, and
National Guard Retirement System

At least annually, the Commission will review these Objectives to determine their continued applicability. If, at any time, the liquidity needs, actuarial return expectations, or the risk/return expectations of the Retirement System change, when the Commission deems appropriate, or as State law requires, these Objectives will be reassessed.

This Statement is communicated to the Chief Investment Officer (CIO) as the principal source for developing the investment strategy for the Retirement System's portfolio and must be the basis for the Annual Investment Plan (AIP) proposed to the Commission by the CIO.

OBJECTIVES

Investment Objectives

The primary investment objective is to provide, over the long-term, an adequate pool of assets to support the benefit obligations to participants, retirees, and beneficiaries of the Retirement System. A secondary objective is to reduce, over time, the unfunded liability of the Retirement System. In meeting these objectives, the Commission seeks to achieve a high level of investment return consistent with a prudent level of portfolio risk.

Asset Allocation Strategy

The assets of the Retirement System will be invested in conformity with the requirements of South Carolina law and will be designed to increase the probability of achieving those long-term objectives. The method by which the Commission will implement these objectives will be set forth in the AIP.

The asset allocation of the portfolio will be reviewed on a quarterly basis, using the most recently available and audited data from the Custodian. Should one of the asset classes exceed its minimum or maximum allocation, the Commission and the CIO will determine the rebalancing action most appropriate for the portfolio. Cash flows into or out of the portfolio will be managed within the fixed income portion of the portfolio. A cash account exists for the payment of expenses related to the Retirement System; this account is managed and invested by the Commission, pursuant to a delegation of authority, in accordance with S.C. Code Ann. §11-9-660, as amended.

Investment Performance Guidelines

The Retirement System portfolio is expected to achieve the following over rolling ten-year periods:

- A real return sufficient to mitigate actual liability growth.
- An annualized nominal rate of return that exceeds the actuarial return assumption set by the Budget & Control Board.
- A return greater than the Policy Benchmark Index, as defined in the AIPs.

INVESTMENT GUIDELINES AND PERFORMANCE MEASUREMENT STANDARDS

The Commission is responsible for the investment of all Retirement System's assets and for establishing sound policies and practices. All investments shall be made solely in the interest of the participants, beneficiaries, and retirees of the Retirement System.

The Commission may, at its discretion, retain investment managers or advisors to manage any portion of the assets of the Retirement System.

All assets should be properly diversified within each asset class to reduce the potential of a single investment style, single security, or single sector of securities having a disproportionate impact on the Retirement System's Total Portfolio (Portfolio). In order to express the strategy for implementation of the Commission-approved target asset allocation, the CIO will develop an Annual Investment Plan (AIP) for the Commission's consideration and adoption.

Investment Managers or Advisors

Should the Commission determine that it is in the best interest of the Portfolio to do so, after receiving such consultation as it deems proper, investment managers or advisors may be selected to handle all or certain portions of the Portfolio. Termination of an investment manager or advisor will occur whenever the Commission determines that the objectives of the Portfolio can more efficiently or effectively be met by the selection of another manager or advisor or under a different investment strategy. The Commission retains the right to terminate a manager or advisor with or without cause.

FIXED INCOME PORTFOLIO INVESTMENT GUIDELINES AND PERFORMANCE OBJECTIVES

Investment Guidelines

The primary objectives of the fixed income portfolio are to generate income, minimize the risk of a material loss of real principal, and decrease the volatility of the portfolio. These guidelines reflect the Commission's intent for the evaluation of the total fixed income portfolio and are not designed to apply to each manager or discipline individually.

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| ACCEPTABLE INVESTMENTS | Fixed income securities shall mean those fixed income investments permitted pursuant to S.C. Code Ann. § 9-1-1310, 9-16-20, and 9-16-50, as delineated in the AIP. |
| QUALITY | Securities shall bear a rating suitable to the strategy being implemented. These ratings standards will be set forth in the AIP. |
| TURNOVER | The rate of turnover will not be a factor in the evaluation of the portfolio. |
| DIVERSIFICATION | Except for G-7 Sovereign and Agency obligations, the total fixed income portfolio shall contain no more than 6% exposure to any single issuer. |
| MATURITY | The weighted average maturity and the weighted average duration of the fixed income portfolio shall be monitored and reported, but are not material to these Objectives. |
| CASH RESERVES | Cash reserves will be limited to cash equivalent instruments of maturities less than one year; the pooled cash fund of the custodian bank and commingled funds meeting this requirement are permitted. |

Investment Manager Oversight and Review

The assets of the core fixed income portfolio may be managed in large part by the CIO, subject to the oversight and direction established herein and in the AIP. To the extent that sub-portfolios are developed for the purpose of gaining exposure to managers with expertise in a particular area (e.g., high yield, global or emerging markets, inflation-protected securities), the CIO will recommend specific guidelines and objectives for those sub-portfolios as part of the AIP. The Commission will evaluate the contribution of each sub-portfolio within the context of the total fixed income portfolio's ability to meet its objectives.

Performance Objectives

- Provide a real return sufficient to mitigate actual liability growth.
- Outperform the Policy Benchmark Indices, as defined in the AIPs, for fixed income.

EQUITY PORTFOLIO INVESTMENT GUIDELINES AND PERFORMANCE OBJECTIVES

Investment Guidelines

The primary objectives of the equity portfolio are: to provide broad market exposure to cost-effectively access the global markets while achieving representative exposure, and to produce returns superior to the risks undertaken.

Over long periods, twenty to thirty years, the equity portfolio is intended to provide growth in principal to increase the probability of maintaining an adequate pool of assets to support the Retirement System's benefit obligations.

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| ACCEPTABLE INVESTMENTS | It is anticipated that the portfolio will maintain a broadly diversified and representative exposure to companies and other equity which is reflective of the global economy. |
| QUALITY | There are no qualitative guidelines suggested with regard to equity ratings, rankings, etc., except that prudent standards should be applied to the portfolio as a whole. |
| TURNOVER | The rate of turnover will not be a factor in the evaluation of the portfolio. |
| DIVERSIFICATION | No more than 6% (or the Russell 3000 Index weighting plus 200 basis points, if higher) of the total equity portfolio should be invested in any one company (valued at market). Sector weightings for the total equity portfolio should be generally reflective of the global markets. No more than 30% of the total System's portfolio should be invested in international equity strategies. |
| CASH RESERVES | Although the equity portfolio is expected to be fully invested, cash reserves instruments with maturities less than one year or the pooled cash fund of the custodian bank and commingled funds meeting this requirement are permitted. The portfolio should strive to utilize ETFs and/or other suitable liquid investment vehicles that are representative of an assigned benchmark (style-specific) in lieu of cash. |

Investment Manager Oversight and Review

The assets of the equity portfolio may be managed actively or passively, using commingled accounts or separately managed portfolios, subject to the guidelines, objectives, and standards established herein. Investment managers may be selected to handle sub-portfolios, providing access to a diversified array of investment styles and specialty allocations. The Commission will evaluate the contribution of each sub-portfolio within the context of the total equity portfolio's ability to meet its objectives.

Performance Objectives

- Provide a real return sufficient to mitigate actual liability growth.
- Outperform the Policy Benchmark Indices, as defined in the AIPs, for equity.

ALTERNATIVE PORTFOLIO INVESTMENT GUIDELINES AND PERFORMANCE OBJECTIVES

Investment Guidelines

The primary objectives of the alternative portfolio are to provide further diversification and enhance returns through non-traditional asset classes and strategies. The Commission shall only invest in alternative assets when there is adequate transparency and policy compliant reporting.

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| ACCEPTABLE INVESTMENTS | As delineated in the AIP. |
| QUALITY | There are no qualitative guidelines suggested with regard to alternative asset ratings, rankings, etc. except that prudent standards should be applied to the portfolio as a whole. |
| TURNOVER | The rate of turnover will not be a factor in the evaluation of the portfolio. |
| DIVERSIFICATION | No more than 25% of the total allocation to alternative assets should be invested in any single fund of funds. No more than 5% of the total allocation to alternative assets should be invested in one general partnership or equivalent. No more than 15% of the total System's portfolio should be invested in real property. |
| CASH RESERVES | Limitations on cash reserves will be determined on a case by case basis, since many strategies may use cash as a major portion of the investment strategy, whereas other alternative investment strategies may be expected to remain fully invested at all times. |

Investment Manager Oversight and Review

Investment managers, funds of funds, or other specialists may be selected to handle strategies, providing access to a diversified array of investment styles and specialty allocations. The Commission will evaluate the contribution of each sub-portfolio within the context of the total alternative portfolio's ability to meet its objectives.

Performance Objectives

- Provide a real return significantly higher than the traditional equity portfolio, as measured over long time periods.