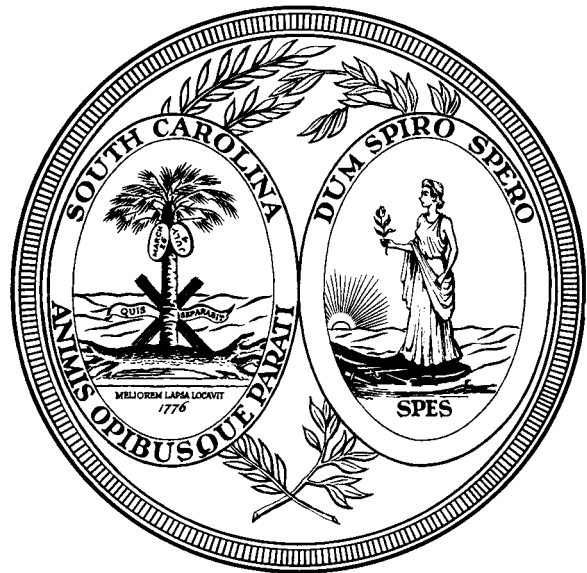


SOUTH CAROLINA RETIREMENT SYSTEM INVESTMENT COMMISSION



STATEMENT OF INVESTMENT OBJECTIVES

**As amended and adopted by the Retirement System Investment
Commission on July 13, 2006**

TABLE OF CONTENTS

MISSION	1
VISION	1
PURPOSE	1
OBJECTIVES	2
Investment Objectives	2
Asset Allocation Strategy	2
Investment Performance Guidelines	2
INVESTMENT GUIDELINES AND PERFORMANCE MEASUREMENT	
STANDARDS	3
Investment Managers	3
FIXED INCOME PORTFOLIO INVESTMENT GUIDELINES AND	
PERFORMANCE OBJECTIVES	4
Investment Guidelines	4
Investment Manager Oversight and Review	4
Performance Objectives	4
EQUITY PORTFOLIO INVESTMENT GUIDELINES AND PERFORMANCE	
OBJECTIVES	5
EQUITY PORTFOLIO INVESTMENT GUIDELINES AND PERFORMANCE	
OBJECTIVES	5
Investment Guidelines	5
Investment Manager Oversight and Review	5
Performance Objectives	6
ALTERNATIVE PORTFOLIO INVESTMENT GUIDELINES AND	
PERFORMANCE OBJECTIVES	7
Investment Guidelines	7
Investment Manager Oversight and Review	7
Performance Objectives	7

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;
- 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 in projecting achievable long-term rates of return;
- assist with education on investment matters;
- provide for open decision making and transparency of 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,
Retirement System for Members of the General Assembly,
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, will be designed to increase the probability of achieving those long-term objectives, and 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, a rebalancing will occur. Cash flows into or out of the portfolio will be managed within the fixed income portion of the portfolio. A cash account will be established for the payment of expenses related to the Retirement System and such account will be managed and invested by the State Treasurer's Office 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:

- Provide a real return sufficient to mitigate actual liability growth.
- Provide an annualized nominal rate of return that exceeds the actuarial return assumption set by the Budget & Control Board.
- Outperform the Policy Benchmark Index, as defined in the AIP.

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 registered investment 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 portfolio. The CIO will develop recommendations regarding portfolio structure and will set forth such recommendations in the AIP recommended to the Commission for adoption.

Investment Managers

Should the Commission, after receiving such consultation as it deems proper, determine that it is in the best interest of the portfolio, registered investment managers may be selected to handle all or certain portions of the portfolio. Termination of an investment manager will occur whenever the Commission determines that the objectives of the total portfolio can more efficiently or effectively be met by the selection of another manager or under a different investment strategy. The Commission retains the right to terminate a manager 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.

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 United States Treasury and Agency obligations, the fixed income portfolio shall contain no more than 5% 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 State Treasurer, 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., mortgage investments, 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 Index, as defined in the Statement of Investment Policies (SIP), for fixed income.

EQUITY PORTFOLIO INVESTMENT GUIDELINES AND PERFORMANCE OBJECTIVES

Investment Guidelines

The primary objectives of the equity portfolio are: to provide a broad market exposure that considers global economic activity, to cost-effectively access the 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 its benefit obligations.

ACCEPTABLE INVESTMENTS	As permitted pursuant to S.C. Const. art. X, §16, S.C. Code Ann. §§ 9-1-1310, 9-16-20, and 9-16-50, as delineated in the AIP. 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. No more than 15% of the total System's portfolio should be invested in real property.
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 may also utilize ETFs 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 Index, as defined in the SIP, 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 complete transparency and policy compliance reporting.

ACCEPTABLE INVESTMENTS	As permitted pursuant to S.C. Const. art. X, §16 S.C. Code Ann. §§ 9-1-1310, 9-16-20, and 9-16-50, 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.
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. These limitations for each particular manager manager/strategy will be delineated in the AIP.

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.