

**South Carolina Retirement System
Investment Commission
Verification and Total Fund Composite
Performance Examination Report**

June 30, 2024





Verification and Performance Examination Report

We have verified whether South Carolina Retirement System Investment Commission (the “Asset Owner”) has, for the periods from July 1, 2017 through June 30, 2024, established policies and procedures for complying with the Global Investment Performance Standards (GIPS®) related to total fund and additional composite maintenance and the calculation, presentation, and distribution of performance that are designed in compliance with the GIPS standards, as well as procedures have been implemented on an Asset Owner-wide basis. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein. We have also examined the Asset Owner’s Total Fund for the periods from July 1, 2017 through June 30, 2024.

The Asset Owner’s management is responsible for its claim of compliance with the GIPS standards, the design and implementation of its policies and procedures, and for the accompanying Total Fund’s GIPS asset owner report. Our responsibilities are to be independent from the Asset Owner and to express an opinion based on our verification and performance examination. We conducted this verification and performance examination in accordance with the required verification and performance examination procedures of the GIPS standards, which includes testing performed on a sample basis. We also conducted such other procedures as we considered necessary in the circumstances.

In our opinion, for the periods from July 1, 2017 through June 30, 2024, the Asset Owner’s policies and procedures for complying with the GIPS standards related to total fund and additional composite maintenance, as well as the calculation, presentation, and distribution of performance, have been, in all material respects:

- Designed in compliance with the GIPS standards, and
- Implemented on an Asset Owner-wide basis.



Also, in our opinion, the Asset Owner has, in all material respects:

- Constructed the Total Fund and calculated the Total Fund's performance for the periods from July 1, 2017 through June 30, 2024 in compliance with the GIPS standards; and
- Prepared and presented the accompanying Total Fund's GIPS Asset Owner Report for the periods from July 1, 2017 through June 30, 2024 in compliance with the GIPS standards.

This report does not relate to or provide assurance on any specific performance report of the Asset Owner other than the Asset Owner's accompanying Total Fund's GIPS Asset Owner Report, or on the operating effectiveness of the Asset Owner's policies and procedures for complying with the GIPS standards.

ACA Group

ACA Group, Performance Services Division

December 12, 2024

| Fiscal Year | Total Fund Net Return % | Net-of-External-Cost-Only Return % | Net Money Weighted Return (IRR) % | Policy Benchmark Return % | % of Externally Managed Assets | Total Fund Assets (Equals Total Asset Owner Assets) (\$ billions) | 3-Year Annualized Information | | | |
|-------------|-------------------------|------------------------------------|-----------------------------------|---------------------------|--------------------------------|---|-------------------------------|----------|--------------------|----------|
| | | | | | | | Total Fund Net | | Benchmark | |
| | | | | | | | Standard Deviation | Return % | Standard Deviation | Return % |
| 2018 | 7.77 | 7.80 | 7.86 | 7.28 | 95 | 31.2 | n/a | n/a | n/a | n/a |
| 2019 | 5.69 | 5.73 | 5.66 | 6.50 | 93 | 31.9 | n/a | n/a | n/a | n/a |
| 2020 | -1.67 | -1.59 | -1.63 | 0.13 | 94 | 30.9 | 10.0 | 3.85 | 8.7 | 4.59 |
| 2021 | 28.54 | 28.56 | 28.46 | 24.86 | 98 | 39.1 | 11.2 | 10.14 | 9.7 | 10.02 |
| 2022 | -1.00 | -0.97 | -0.94 | -5.19 | 98 | 38.2 | 10.9 | 7.76 | 9.8 | 5.94 |
| 2023 | 6.80 | 6.83 | 6.77 | 5.49 | 97 | 40.6 | 8.9 | 10.77 | 9.5 | 7.83 |
| 2024 | 10.46 | 10.49 | 10.41 | 9.21 | 93 | 44.8 | 8.3 | 5.31 | 9.4 | 3.01 |

South Carolina Retirement System Investment Commission (RSIC) claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. RSIC has been independently verified for the periods from July 1, 2017 through June 30, 2024.

An asset owner that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the asset owner's policies and procedures related to total fund and composite maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on an asset owner-wide basis. The Total Fund has had a performance examination for the periods from July 1, 2017 through June 30, 2024. The verification and performance examination reports are available upon request.

Accompanying Notes

1. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization nor does it warrant the accuracy or quality of the content contained herein.

2. For the purpose of complying with the GIPS standards, the Asset Owner is defined as the South Carolina Retirement System Investment Commission (RSIC) which was established October 1, 2005 by the State Retirement System Preservation and Investment Reform Act (Act 153) and is responsible for investing and managing all assets held in trust for the participants and beneficiaries of the five defined benefit plans: South Carolina Retirement System (SCRS), South Carolina Police Officers Retirement System (PORS), Retirement System for Judges and Solicitors of the State of South Carolina (JSRS), Retirement System for Members of the General Assembly of the State of South Carolina (GARS), and the National Guard Retirement System (SCNG), collectively referred to hereinafter as the ("Retirement System") or ("Systems").

3. The Total Fund includes all discretionary assets held in trust and managed by RSIC for the benefit of participants and beneficiaries in the Retirement System. The Total Fund was both created and inception on July 1, 2017. The Policy Benchmark is calculated and rebalanced quarterly using a blend of asset class benchmarks based on the target weights for the respective asset classes. Prior to January 1, 2021, the Policy Benchmark was calculated and rebalanced monthly. The equity benchmark is net of foreign dividend withholdings. The Private Equity and Real Assets asset class policy benchmarks revise over time and these revisions are reflected in subsequent policy benchmark calculations. 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. For benchmarking purposes, there is a 0% weight assigned to Portable Alpha Hedge Funds in the Policy benchmark. The asset class weights listed below are as of June 30, 2024. Asset class benchmarks and policy weights are reviewed annually by the Commission's consultant and adopted by the Commission and have changed overtime. The policy benchmark return history represents a blend of these past policies. Information for asset class benchmarks and weights for other periods is available upon request.

| Asset Allocation | Policy Target 06/30/2024 | Actual Weight 06/30/2024 | Policy Benchmark |
|----------------------------|--------------------------|--------------------------|--|
| Public Equity | 46.0% | 43.9% | MSCI All Country World Index IMI Net |
| Bonds | 26.0% | 23.8% | Bloomberg Barclays US Aggregate Bond Index |
| Private Equity | 9.0% | 13.1% | Burgiss All Private Equity Universe |
| Private Debt | 7.0% | 8.3% | S&P LSTA Index + 150 bps |
| Real Assets | 12.0% | 10.9% | NCREIF ODCE Net |
| Portable Alpha Hedge Funds | 0.0% | 11.0% | |
| Total Plan | 100.0% | 100.0% | |

Asset Class Descriptions

Public Equity

The public equity asset class includes investments in the stock of publicly traded companies. The purpose of public equity in the portfolio is growth. The excess return expectations for this asset class are low. The asset class is highly liquid and can be accessed with minimal implementation cost. Current equity implementation is in passive mandates.

Bonds

The bonds asset class includes investments in debt securities issued by governments, corporations, or other issuers and includes short duration fixed income and cash. The primary purpose of bonds in the portfolio is diversification and the secondary purpose is to provide yield. The excess return expectations for this asset class are low and the asset class is expected to provide a persistent source of return while remaining highly liquid. Bonds are expected to serve a stabilizing purpose in times of market stress. The portfolio uses a combination of active and passive strategies.

Private Equity

The private equity asset class includes equity investments in privately held companies. The primary role of private equity in the overall portfolio is growth with an expected long-term return that exceeds public equity. The excess returns of this asset class are a source of magnitude of return for the portfolio the value of which is expected to exceed the higher cost of implementation as compared to public equity. Private equity strategies include buy-out, venture, growth, and secondaries.

Private Debt

The private debt asset class includes investments that provide alternative financing to businesses or assets and are in competition with traditional capital market or bank financing. Investors are compensated with incremental return over what can be achieved through traditional forms of lending in exchange for lower liquidity as compared to liquid credit markets and for serving as a solutions provider to these businesses. The primary role of this asset class in the portfolio is yield. The expectations for the consistency of return above what can be achieved through bonds or the liquid credit markets is high.

Real Assets

The real assets asset class includes investments in physical assets like real property and infrastructure, as opposed to financial assets like stocks and bonds. The primary role of this asset class is diversification with the secondary purposes of providing inflation protection and yield. Although the expected liquidity for this asset class is low, the expectations for excess return are high. All real estate and infrastructure investments are in fund structures and no real estate or infrastructure is owned directly by RSIC.

Portable Alpha Hedge Funds

These are hedge funds, used as the alpha strategy in the portable alpha implementation, which are expected to generate uncorrelated alpha while minimizing embedded market beta over time. For Policy benchmark purposes there is a zero target allocation but RSIC can allocate up to 15% as gross exposure as collateral supporting the Overlay program. Portable alpha hedge funds net to zero when calculating the total Plan allocation.

4. The assets of the RSIC are invested with a long-term horizon and are structured to achieve a diversified portfolio that earns a rate of return greater than the actuarially assumed rate of return, earns a rate of return greater than that of the Policy Asset Allocation return while maintaining a similar risk profile, earns a rate of return for each asset class greater than its benchmark return with a prudent level of risk, provides sufficient liquidity to pay benefits in a timely manner, and achieves an implementation of the asset allocation in an efficient manner. As of June 30, 2024, the actuarial rate of return is 7.00%.

5. Total Fund returns calculated as "Net Return" are calculated monthly using time-weighted rates of return and reflect the deduction of trading costs and are net of all external and internal investment costs. Returns calculated as "Net-of-External-Cost-Only Return" are calculated monthly using time-weighted rates of return, reflect the deduction of trading costs, are net of external investment costs only, and includes cash that is in the Plan but not available for investment. Returns calculated as "Net Money Weighted Return" are calculated using internal rate of return (IRR) for the fiscal year and reflect the deduction of trading costs and are net of all external and internal investment costs. External investment expenses include management fees, performance fees and carried interest (net of offsets and rebates), and other expenses and for Fiscal Year 2024 totaled \$464,117,739 or 1.14% of Total Fund Assets at the beginning of the fiscal year. Internal investment expenses are all RSIC budgeted expenses which include RSIC compensation, overhead, research and technology services, legal expenses, and consultant fees. Custody costs are paid through income generated from a securities lending program with the custodian bank. All returns reflect the reinvestment of dividends, net of withholding tax, and other earnings. All returns and asset values are calculated and expressed in US Dollars. A performance system calculation issue caused the restatement of performance returns prior to 06/30/2022. Total fund returns on this report may not agree with past GIPS Asset Owner Reports.

6. Policies for valuing investments, calculating performance, and preparing GIPS Asset Owner Reports are available upon request.

7. For all periods, RSIC hires external managers and allocates assets to them to manage. As of June 30, 2024 the percent of externally managed assets for the Total Fund was 92.6%. RSIC utilizes an overlay program, managed by an external manager, to efficiently gain passive exposures to manage incremental shifts in broad market exposures and manage risk in an efficient manner using both physical and synthetic securities, including, but not limited to options, futures, swaps and forward currency contracts. Actual asset allocation weights as of June 30, 2024 include exposures gained through the overlay program. While leverage is inherent in derivative securities, RSIC fully collateralizes these positions. A portable alpha strategy is run in conjunction with the overlay program where the collateral is invested along the risk spectrum of market neutral hedge funds, short duration securities, and cash investments. Leverage may also be present at the manager portfolio level due to the use of derivatives, short positions, and credit facilities.

8. The Total Fund includes all individual portfolios that are combined into one aggregate portfolio. The performance of the combined portfolio reflects the overall mandate of the plan. Because the Total Fund is a single aggregate portfolio for all periods, no measure of internal dispersion of annual portfolio returns is presented. Because the Total Fund represents 100% of the assets managed by RSIC, this presentation represents RSIC's list of composite descriptions.

9. The three-year annualized ex-post standard deviation measures the variability of the Total Fund and the benchmark for the 36 month period ended for the fiscal year. Periods that have not achieved 36 months of compliant history will be marked as not available (n/a). Standard deviation for the Total Fund is calculated using the Total Fund Net Return monthly returns. A performance system calculation issue caused the restatement of performance returns prior to 06/30/2022. Total fund standard deviation on this report may not agree with past GIPS Asset Owner Reports.