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SOUTH CAROLINA DEFERRED COMPENSATION PROGRAM

South Carolina Deferred Compensation Commission Investment Committee Meeting Friday, February 22, 2013

Commissioners Present: Brett A. Dalton (conference call), David K. Avant, Harry Tom Cone, and Hershel Harper, Jr.

Others Present: Justin Werner, Matthew Davis, and Stephen Van Camp, South Carolina Public Employee Benefit Authority; Robert Liberto (conference call) and Rosemary Guillette (conference call), Segal Rogerscasey; Amy Heyel (conference call), Lisa Tilley (conference call), and Nancy Ornduff (conference call), Great-West Retirement Services; Mike McDermott, State Treasurer's Office.

I. Call to Order

Chairman Harper called the meeting to order at 10:03 a.m. He acknowledged and welcomed Commissioner Avant, who was appointed to serve on the committee on February 6, 2013. There were no requests to change the agenda.

II. Approval of Minutes

Commissioner Avant moved to adopt the November 20, 2012, meeting minutes. The motion was seconded by Commissioner Dalton and carried unanimously.

III. Analysis of Investment Performance – Fourth Quarter 2012

Chairman Harper asked Ms. Rosemary Guillette from Segal Rogerscasey (Segal) to give an update on the recent fund replacements and to provide a review of the fourth quarter investment performance. Ms. Guillette explained that, during the quarter, the Keeley Small Cap Value fund was replaced by the American Beacon Small Cap Value fund and that the Jacob Micro Cap Growth fund was replaced by the AllianceBernstein Small Cap Growth fund. She also presented information on financial market conditions and performance of market indices for the quarter.

Mr. Robert Liberto from Segal provided a brief summary of plan activity. He noted that withdrawals from the plans seem to be exceeding contributions and that market performance was generally flat for the quarter. He

pointed out that contributions into the stable value fund have decreased significantly as participants have begun to increase contribution allocations to equities.

Mr. Liberto then gave a summary of the fund evaluation sheet. He pointed out that the Dodge and Cox Stock fund and the T. Rowe Price Growth Stock fund failed the report card but that both fund have had strong one-year returns and seem to be recovering nicely. Mr. Liberto explained that the funds in the Program have been performing well. He noted that the stable value fund has had very strong performance and continues to exceed returns of many other stable value funds in the market.

Ms. Guillette gave a brief summary of the 2012 Segal S³ Report, an annual report produced by Segal to rate each fund in the lineup. She explained that all of the funds performed very well during 2012 and confirmed that there is no need for concern at this time.

[Exhibit A – Segal 4Q 2012 Analysis of Investment Performance]

[Exhibit B – 2012 Segal S³ Report]

IV. GTAA and Real Return Strategies

Chairman Harper commented that it might be beneficial to add a fund to address inflation and total return that has more of a tactical nature to it. He introduced Ms. Guillette from Segal to discuss Global Tactical Asset Allocation (GTAA) strategies, which have been discussed at a high level in prior meetings.

Ms. Guillette gave a brief introduction to GTAA strategies, explaining that they are sometimes classified as “balanced funds on steroids.” She added that the strategies can have holdings in a combination of bonds, equities, real estate, or commodities and have the versatility to invest in areas where the manager believes it can achieve the highest real return. She pointed out that these strategies typically perform very well during inflationary periods, as the managers have a real skill at getting in and out of different asset classes.

Ms. Guillette went on to cover the Segal GTAA Report, consisting of what Segal believes to be the top four managers who offer mutual funds in the GTAA space. She explained that the four funds in the report are the Blackrock Global Allocation Institutional fund, the Dreyfus Global Real Return fund, the Invesco Balanced-Risk Allocation fund, and the PIMCO All Asset Institutional fund. She shared how Segal benchmarks these strategies and gave details on each fund including the inception date, the number of holdings, and various ratios. Ms. Guillette pointed out that the Blackrock and PIMCO funds have been around for a long time and that the Dreyfus and Invesco funds are relatively new. She went on to cover each of the four funds in detail.

After some discussion, Chairman Harper stated that the committee would take this report as information and that he would like to see the full due diligence at the next committee meeting and further discuss the prospect of adding these strategies to the Program.

[Exhibit C – Segal GTAA Report]

V. Adjournment

Commissioner Cone made a motion to adjourn, and Commissioner Avant seconded. With there being no further business, Chairman Harper adjourned the meeting at 10:45 a.m.