SOUTH CAROLINA STATE OPTIONAL RETIREMENT PROGRAM
INVESTMENT POLICY STATEMENT

Adopted October 10, 2003
Revised September 14, 2005
Revised April 21, 2008
Revised January 26, 2010
Revised June 19, 2013

I. INTRODUCTION

The South Carolina State Optional Retirement Program ("State ORP" or "Plan") is a defined contribution plan qualified under Section 401(a) of the Internal Revenue Code. The State ORP is exempt from the Employee Retirement Income Security Act (ERISA), but will attempt to adhere to certain provisions of ERISA, where administratively possible and appropriate to do so.

The State ORP has developed this Investment Policy Statement ("Policy") to:

- Ensure a broad range of investment options that allows each participant to create a portfolio well suited to their individual risk and return objectives.
- Control the number and types of options offered so participants can effectively exercise their discretion in managing Plan assets.
- Define the asset classes and types of options that can be offered to participants.
- Establish guidelines and minimum criteria for the initial selection and ongoing monitoring of investment options.
- Establish a protocol for investment options that fail to meet the criteria, including termination and replacement.
- Provide a written record of the guidelines and expectations for each Third Party Administrator ("Recordkeeper" or "Vendor") serving the State ORP.

II. PLAN PURPOSE

The Plan is a long-term savings vehicle for participants to accumulate assets for retirement. Investment options offered within the Plan should be appropriate for participants of varying age, total return needs, risk tolerance, and investment knowledge. Investment options are proposed by each Vendor in accordance with the guidelines set forth in the Policy. Participants select a Vendor and direct the investments within their account using education and guidance provided by the State ORP, each Vendor, the individual investment management companies, and other sources. The primary function of the South Carolina Public Employee Benefit Authority ("PEBA"), and that of the Investment Consultant, as it pertains to the State ORP is to set and monitor compliance with the guidelines set forth in the Policy.

III. SELECTION GUIDELINES

A Vendor may offer State ORP participants a single investment option in each of the following major asset classes. It is not necessary that Vendors offer a product or products in each category. To avoid possible confusion caused by a large number of investment options, no Vendor may offer more than sixteen core investment options.

Core Options (Active or Passive)

- Fixed Income (no more than one option for each asset class)
  - Guaranteed Annuity or Stable Value (no more than one option in total)
  - Money Market
  - Core or Core Plus Bond
  - Inflation-Linked Fixed Income or Real Asset
- Equity (no more than one option for each asset class)
  - Large Cap Blend/Core
  - Large Cap Value
  - Large Cap Growth
  - Mid Cap Blend/Core
  - Small Cap Blend/Core
  - Small Cap Value
  - Small Cap Growth
  - Foreign Developed
  - Emerging Markets
- Specialty/Sector Options (no more than one option such as, Technology, Real Estate, or Healthcare)

Non-Core Options

- Asset Allocation Option (a "balanced strategy" with a static asset allocation)
- Target Maturity Options (a suite of options with asset allocations that evolve automatically)

Default Option Offering

In the event a participant fails to designate an investment election during the enrollment process, the member's contributions must be invested in an approved default option. The option offered should be consistent with a Qualified Default Investment Alternative (QDIA) as defined by current regulation.

Provision of Investment Advice to Participants

Subject to review and approval by PEBA and/or its Investment Consultant, Vendors may provide investment advice to State ORP participants. In the course of providing these services, vendors will be expected to:

1. Accept fiduciary responsibility in the provision of said advice to participants.
2. Incorporate a holistic approach to the participants' financial situation, taking into consideration their overall financial circumstances, retirement objectives, risk tolerance and additional sources of post-retirement income and other assets to the extent possible.
3. Ensure that its advisors are properly trained and possess adequate experience, certification, and licensing.
4. Provide adequate coverage across the State of South Carolina so that advisors are accessible to participants via personal meetings, group seminars, scheduled office hours, web access or telephone service.
5. Properly disclose to the State ORP and participant all fees associated with the service.

PEBA and/or its Investment Consultant will periodically review the advisory service to determine if the offering and fees are appropriate for the Program and competitive within the marketplace.

Prohibited Investments

The following investment options may not be offered by a vendor:

1. Options that have a front-end or deferred load or 12(b)-1 fees in excess of 25 bps
2. Options that are not daily valued
3. Any option added to the lineup after January 1, 2010 with a liquidity restriction at the individual participant, or total plan level, exceeding 12 months
4. Options that do not have at least a three-year live performance track record. Options with a performance track record that is associated with another option with a three-year track record are permitted. This includes other share classes of the same fund or strategies offered in other vehicles (separate accounts, commingled trusts)
5. Real Estate strategies that are a) value added or opportunistic in nature, b) closed-end funds or those with liquidity restrictions, c) concentrations in geography or property type, and d) strategies that utilize leverage in excess of 30 percent

Guaranteed Annuities and Stable Value Options

Guaranteed Annuity and/or Stable Value Options may be offered. These products must adhere to the following minimum guidelines:

1. A guarantee of preservation of principal and income supported by a reputable, financially secure insurance company with an A.M. Best rating of A or better, and/or a Moody's rating of A1 or better or its equivalent as determined by a nationally recognized statistical rating agency.
2. Adequate liquidity to support the plan's liquidity needs.
3. Crediting rates that are competitive with similar products in the marketplace.

Equity and Bond Funds:

Actively managed options will be measured on an absolute and relative basis. Relative comparisons will be based on the appropriate peer universe and benchmarks. Selection of universe and benchmark will be based on the investment manager's stated strategy and benchmark, as well as analysis conducted by PEBA and/or its Investment Consultant. In the case of stable value, insurance annuity products, money market options and target maturity options, a peer universe comparison may be waived if an investment's unique strategy and process, or composition of the peer universe, would not result in a meaningful analysis.

Passive or index options will be evaluated on their tracking error to their specific index, which is expected to be consistent with similar strategies.

Actively managed options proposed for inclusion in the State ORP must meet the following minimum criteria:

1. Have a total return that ranks in the top 60th percentile of its peer universe over at least two of the most recent 1-year, 3-year and 5-year trailing periods.
2. Outperform its benchmark, net of fees, over at least two of the most recent 1-year, 3-year and 5-year trailing periods.

3. Be managed by the same person(s) or substantially the same group for at least the past three years.
4. Have an Information ratio rank in the top 50th percentile of peer universe over at least two of the most recent 1-year, 3-year and 5-year trailing periods.
5. For options added to the plan after January 1, 2010, investment expenses for any bond or equity option must not exceed the total in the following table. This expense includes all investment expenses such as the investment management expense ratio, 12(b)-1 fees, mortality charges, administrative charges or any other charge against the investment account of the participant.

Asset Class	Maximum Expense Ratio
Active Bond	0.75%
Bond Index	0.50%
Active Large Cap, Mid Cap, Target Maturity/Asset Allocation	1.25%
Small Cap	1.50%
Foreign Stock	1.50%
US and Foreign Equity Index	0.50%
Real Estate	1.50%

Target Maturity Options

Vendors may offer a series of target maturity options. In evaluating target maturity options, a number of factors including, but not limited to, the following will be considered:

1. The manager's experience managing multi-asset class portfolios;
2. The asset allocation "glide path";
3. The investment strategy and portfolio structure of the underlying products in the series, i.e., active or passive, extent of diversification across asset classes, and/or rebalancing procedures; and
4. The performance of the strategies relative to appropriate benchmark and peers.

Other Criteria

From those options that meet the basic requirements previously outlined for option selection, in making a final selection PEBA may consider, but is not limited to, the following criteria:

1. Assets under management
2. Tenure of management
3. Stability of organization
4. Management, 12(b)-l, and other fees
5. Relationship with recognized fund family
6. Administrative requirements of the Plan and Vendor
7. Number of options in the Plan with same or similar option family relationship
8. Performance as measured by various quantitative factors, some examples including but not limited to returns/holdings-based style analysis, Beta, Sharpe Ratio, sector distribution or duration

PEBA reserves the right to accept or reject any option proposed by any Vendor, or discontinue an option offered within the Plan, at any time, at its sole discretion.

IV. ONGOING EVALUATION OF ACTIVELY MANAGED INVESTMENT PRODUCTS

At the end of each calendar quarter or as deemed necessary by PEBA, the Investment Consultant will complete a comprehensive performance analysis. This analysis will include, but is not limited to, statistical measures of performance, risk, style consistency, characteristics, and other criteria used to evaluate the relative success of each investment option in meeting its objectives and PEBA's expectations. PEBA or its Investment Consultant will maintain a "Watch List" to efficiently track the performance of each investment option and determine if that option should remain in the Plan.

Existing actively managed options will be considered for retention based on the following criteria:

1. Primary Benchmarks:

   A. Performance exceeds the return of the independent benchmark appropriate for the respective asset class and category for at least two of the most recent 1-year, 3-year and 5-year trailing periods, ending with the most recently completed calendar quarter.

   B. Performance exceeds the 50th percentile return within the appropriate peer universe over the same time periods previously referenced. Due to the limited peer universe, target maturity strategies, stable value/GIC products, and money market funds are excluded from these criteria.

2. Secondary Benchmarks:

   A. The Information Ratio exceeds the 50th percentile return within the appropriate peer universe over the same time periods previously referenced.

   B. The Sharpe Ratio exceeds the 50th percentile return within the appropriate peer universe over the same time periods previously referenced.

3. Option Status:

Options will be classified as "Good" or placed on a "Watch List" according to the following table.

Primary Benchmarks	Secondary Benchmarks	Status
Both Pass	N/A	Good
Only 1 Passes	At Least 1 Passes	Good
Only 1 Passes	Both Fail	Watch List
Both Fail	N/A	Watch List

Passive Funds will be evaluated on their tracking error to the target benchmark. Tracking error should be consistent with that of similar strategies.

In addition to these quantitative assessments, PEBA and/or its Investment Consultant may also place options on this "Watch List", or may remove options from the plan entirely, at their discretion based on qualitative factors. Examples of these qualitative issues or events include, but are not limited to, the following:

1. Significant changes in firm ownership and/or structure
2. Loss of one or more key personnel
3. Significant loss of clients and/or assets under management
4. Shifts in the investment firm's philosophy or process
5. Changes in the investment strategy eliminating the need for a particular style or strategy
6. Any other issue or situation of which PEBA and/or its Investment Consultant become aware that is deemed material by them

PEBA and/or its Investment Consultant will notify the Vendors of the "Watch List" status of their respective offerings quarterly.

V. PROCEDURE FOR CLOSING OPTIONS

Options on the "Watch List" will be addressed in the following manner:

1. Once an investment option is placed on the watch list and remains there for eight sequential quarters or eight total (non-sequential) quarters in a rolling twelve quarter period, the Vendor will freeze the option to new contributions within a reasonable time period.
2. In the event the frozen investment option is replaced with an option of the same strategy or risk and return profile, existing assets in the frozen option will be mapped to the new option.
3. In the event the frozen investment option is not replaced with an option of the same strategy or risk and return profile, existing assets in the frozen option will be mapped to the default option offered within the Vendor's investment menu.
4. Under no circumstances should assets remain in the frozen investment option for greater than two quarters, unless the participant has the contractual right to retain those assets in the frozen option.
5. Frozen investment options will no longer fall under the governance of PEBA and are exempt from prospective monitoring.

VI. INVESTMENT POLICY CHANGES

PEBA retains the right to modify the above Policy as deemed necessary to meet its fiduciary responsibility for the Plan and to the participants.

Approval Date

The PEBA Board of Directors approved this policy on the date shown below:

Arthur M. Bjontegard, Jr.
Chairman

6/19/13
Date