SOUTH CAROLINA'S STATE PENSION BOARD

How the South Carolina Retirement System Investment Commission puts retirees and taxpayers at risk

Curtis M. Loftis, Jr., State Treasurer

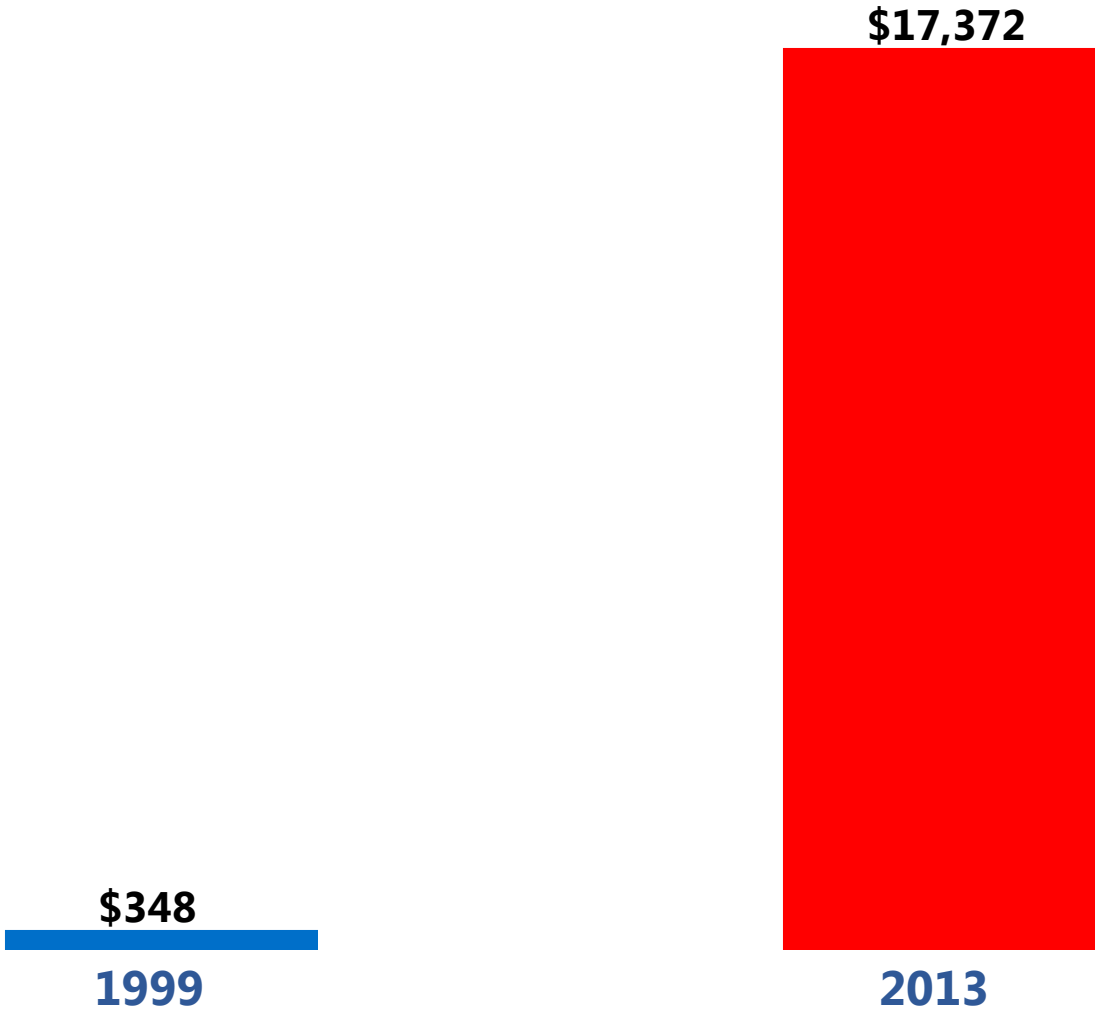
January 13, 2014

The South Carolina Retirement System Investment Commission:

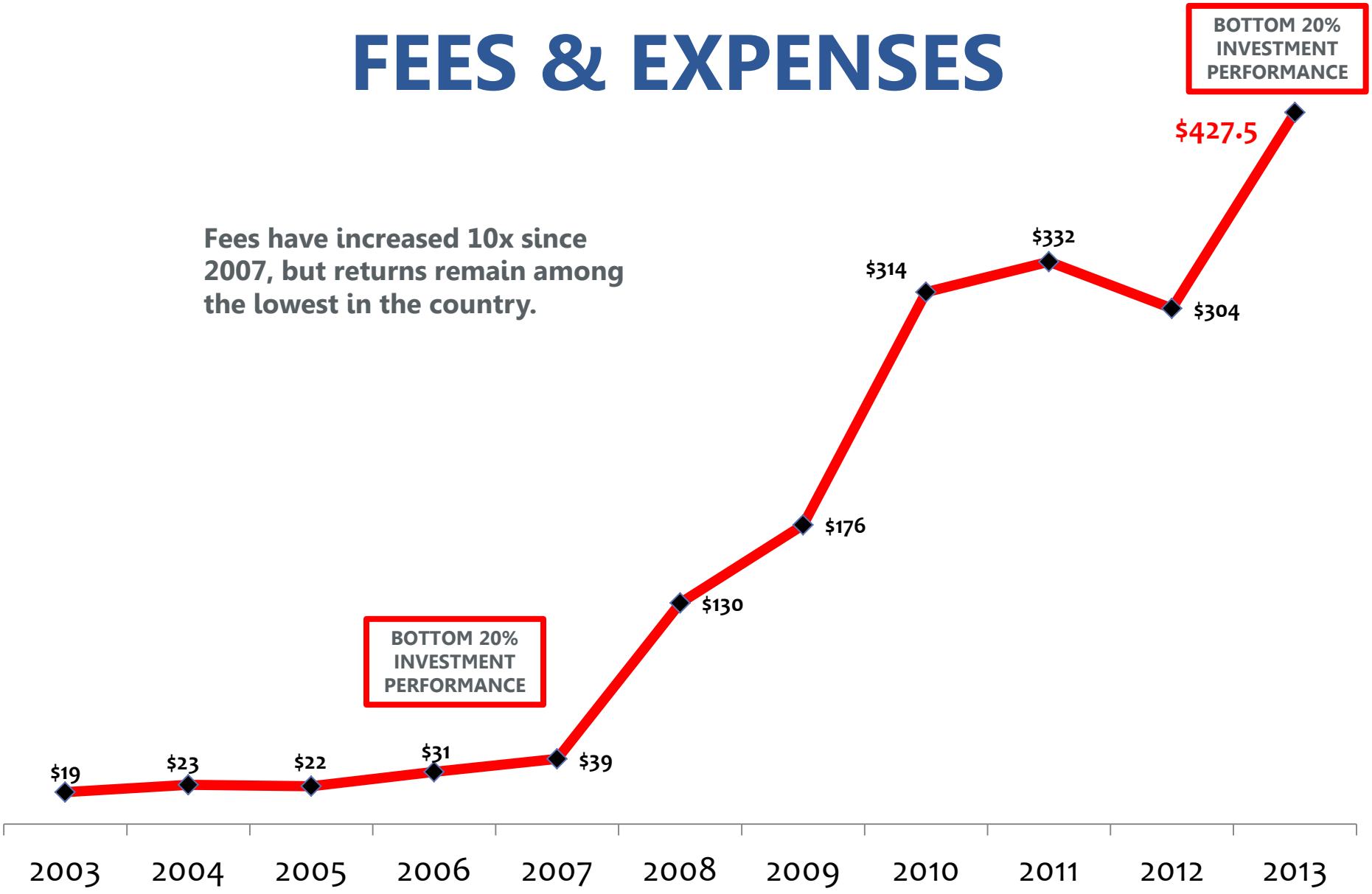
1. We pay too much
2. We earn too little
3. Our portfolio is overly expensive and complex
4. Puts Retirees and Taxpayers at risk

UNFUNDED ACTUARIAL LIABILITY

1999 TO 2013 ACCRUED (IN MILLIONS)



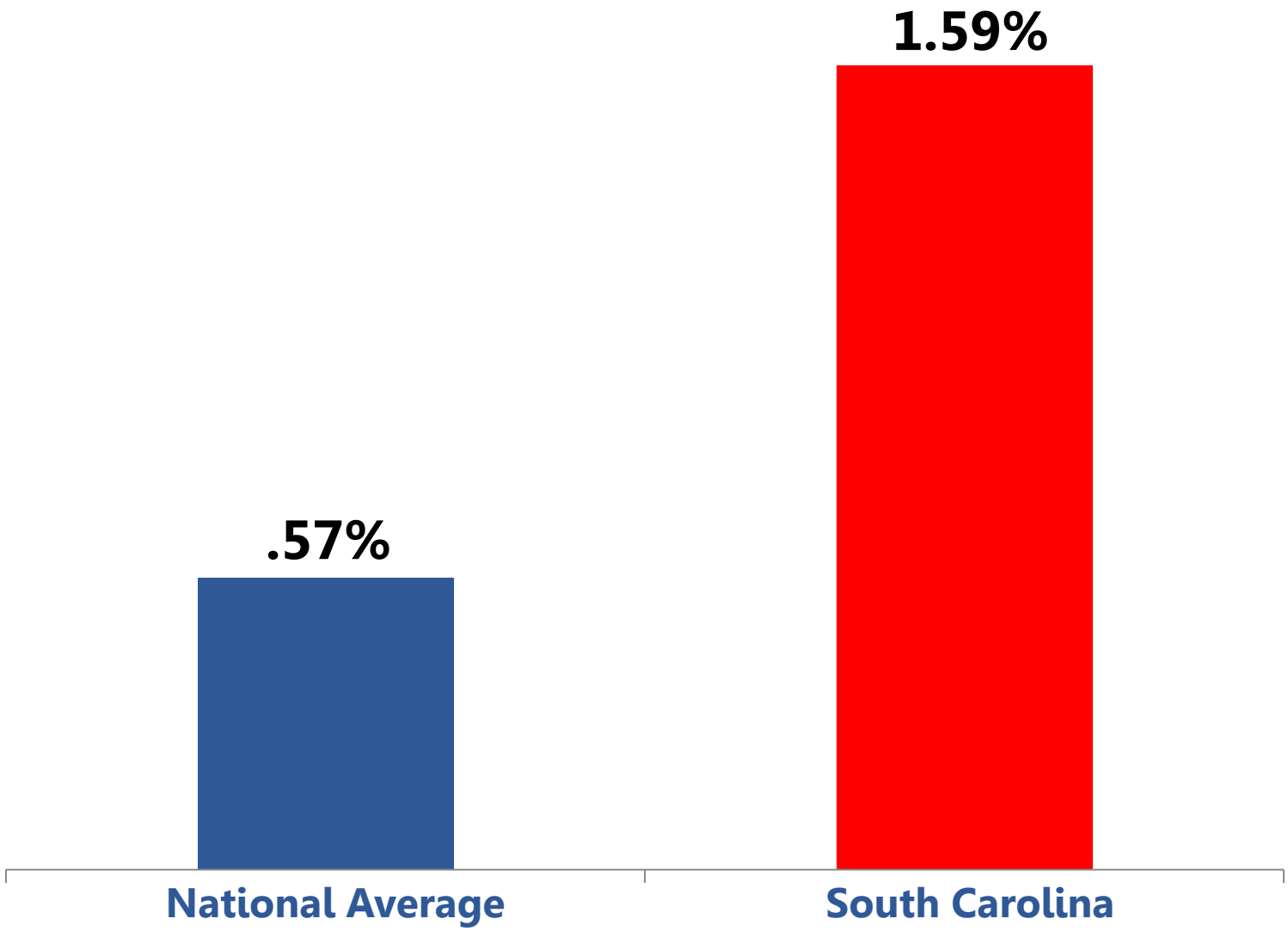
SC PENSION FUND FEES & EXPENSES



Fees have increased 10x since 2007, but returns remain among the lowest in the country.

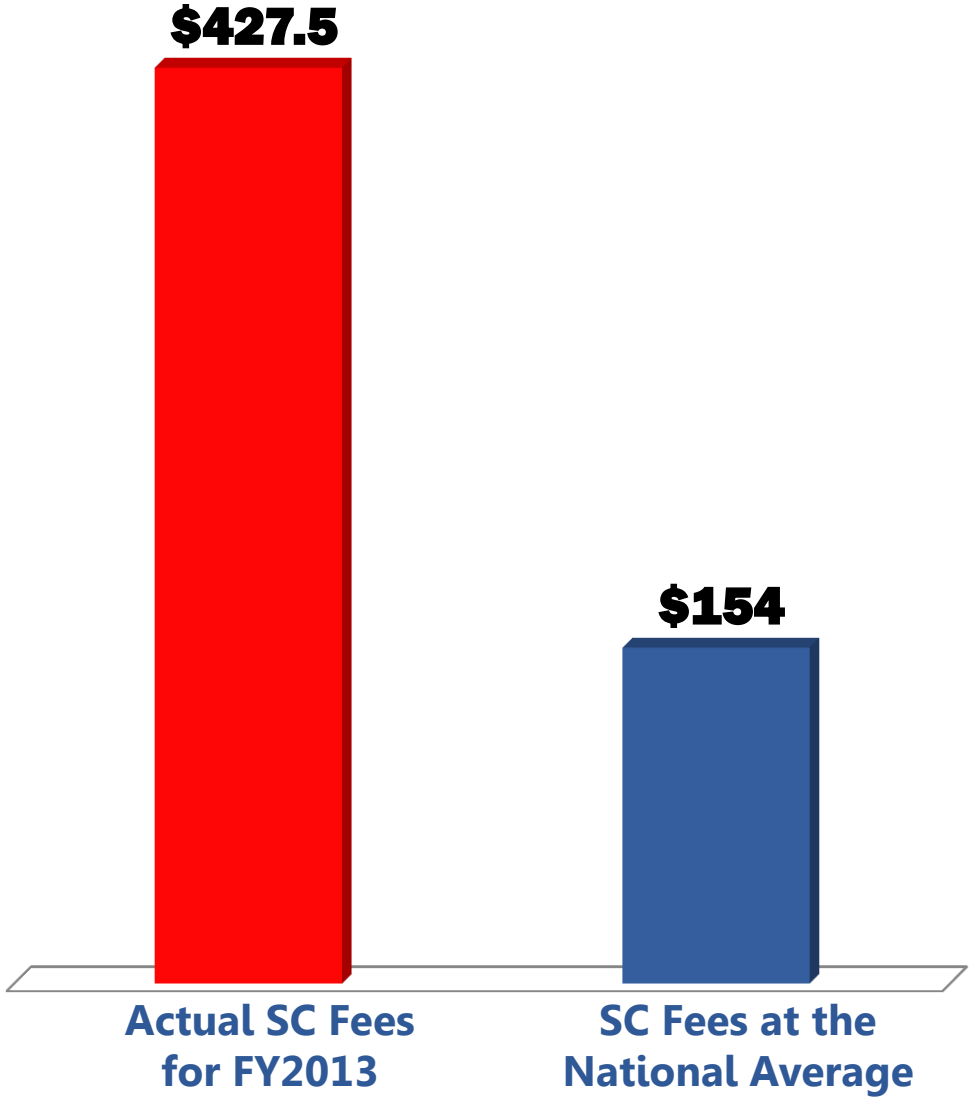
2013 INVESTMENT FEES & EXPENSES

(% of Ending Assets)



TRANSFER OF WEALTH

SC's WORKING CLASS TO WEALTHY MONEY MANAGERS



$427.5 million paid in 2013

minus

$154 million had we paid national average of .57%

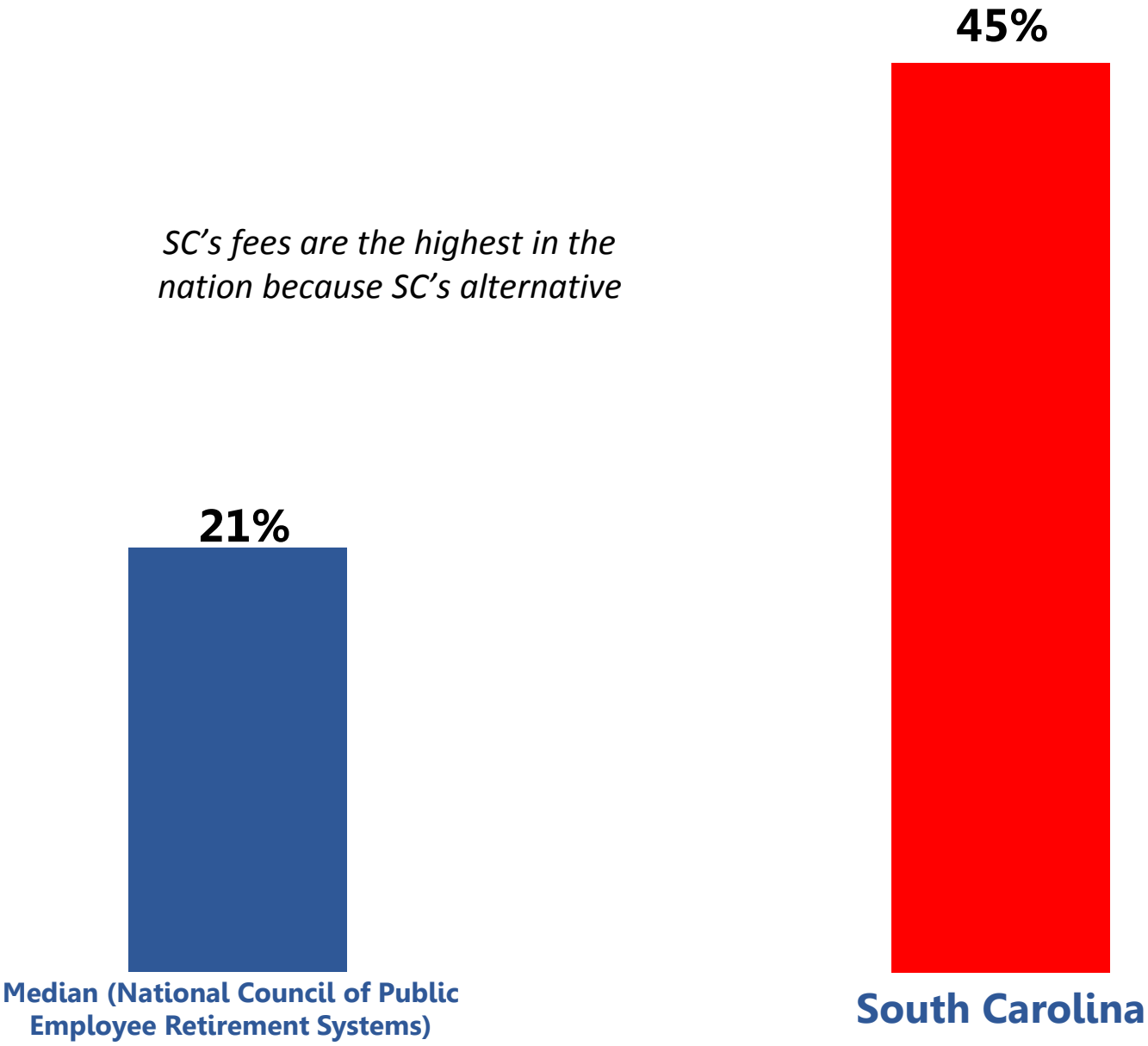
equals

$273,500,000

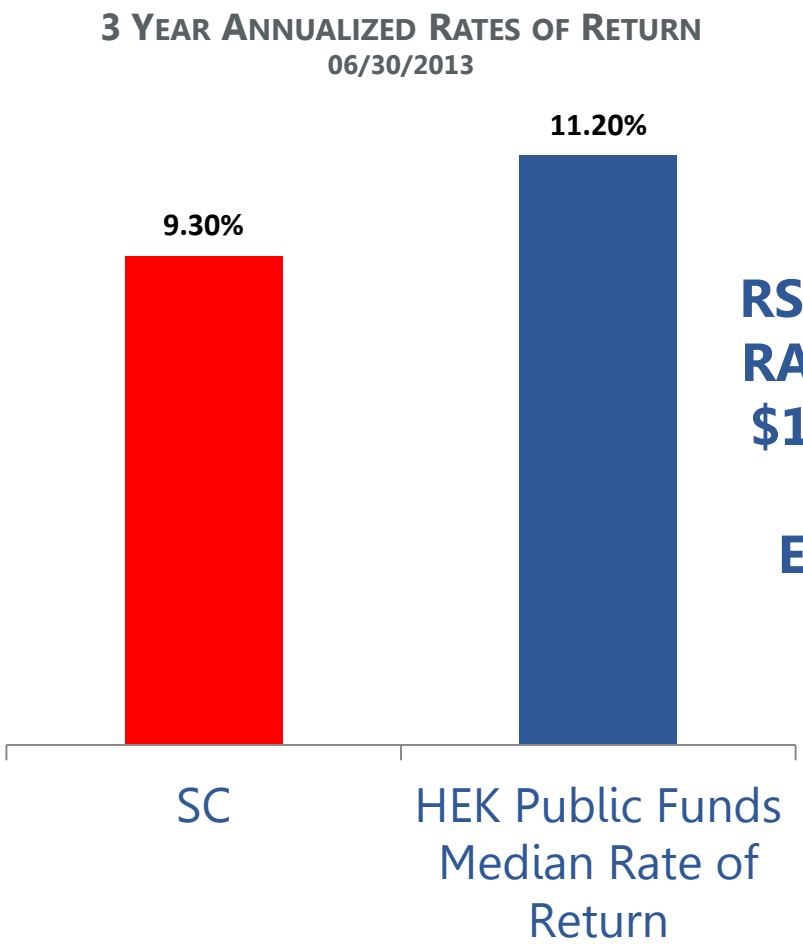
TRANSFER OF WEALTH TO WALL STREET MONEY MANAGERS

45% OF SC'S RETIREMENT FUND INVESTED IN ALTERNATIVE INVESTMENTS

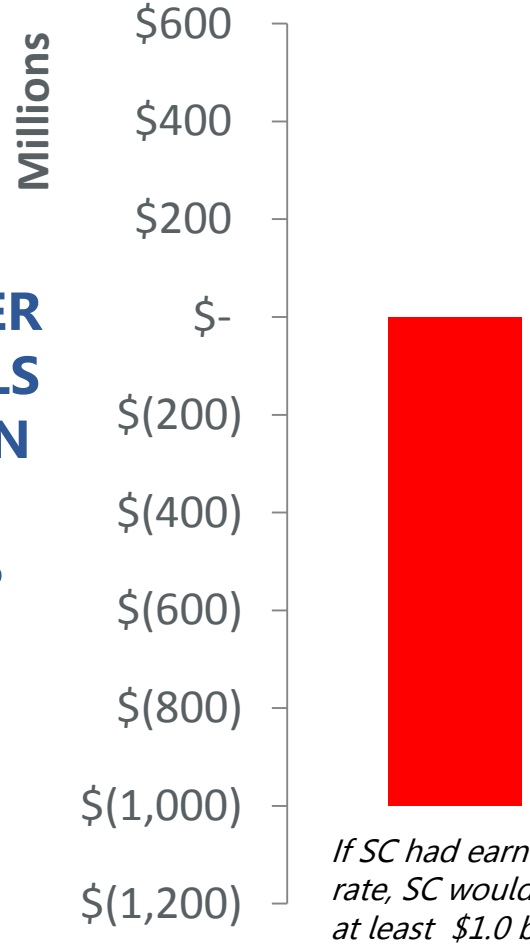
SC's fees are the highest in the nation because SC's alternative



LOST INVESTMENT INCOME FROM UNDERPERFORMANCE OVER 3 YEARS

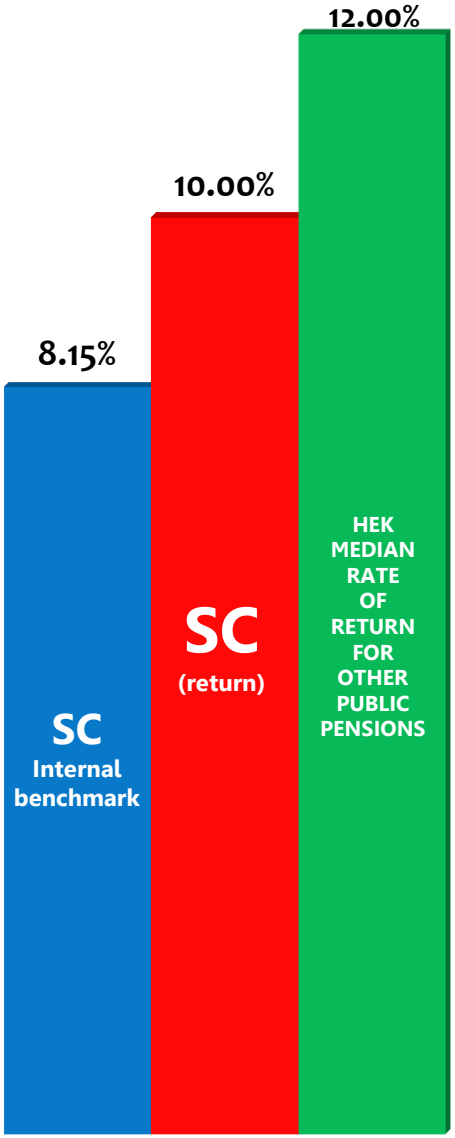


RSIC's LOWER RATE EQUALS $1.0 BILLION IN LOST EARNINGS

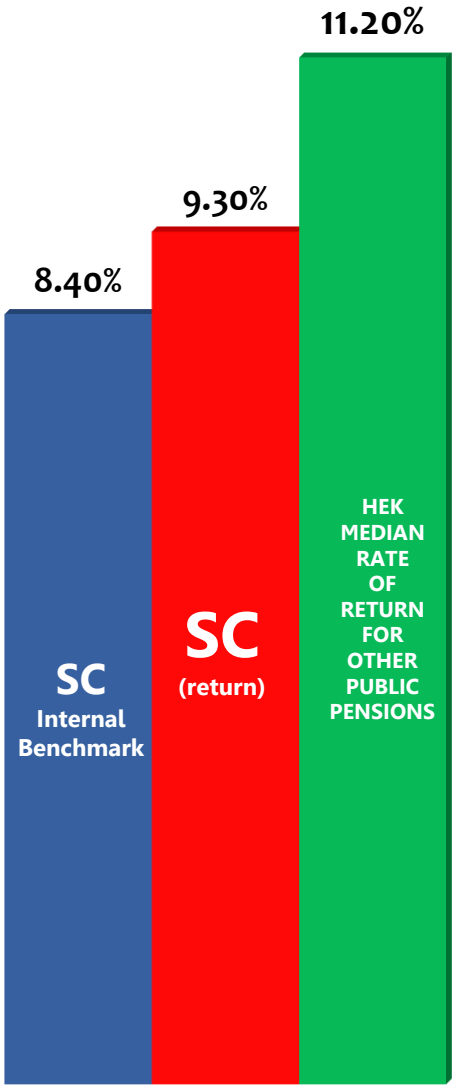


If SC had earned the median rate, SC would have earned at least $1.0 billion more.

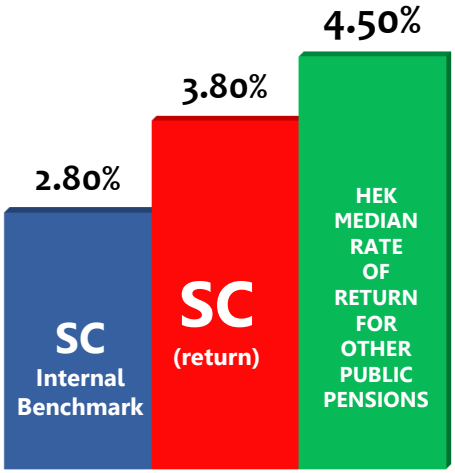
OUTPERFORMING INTERNAL BENCHMARKS, UNDERPERFORMING PEERS



ONE YEAR



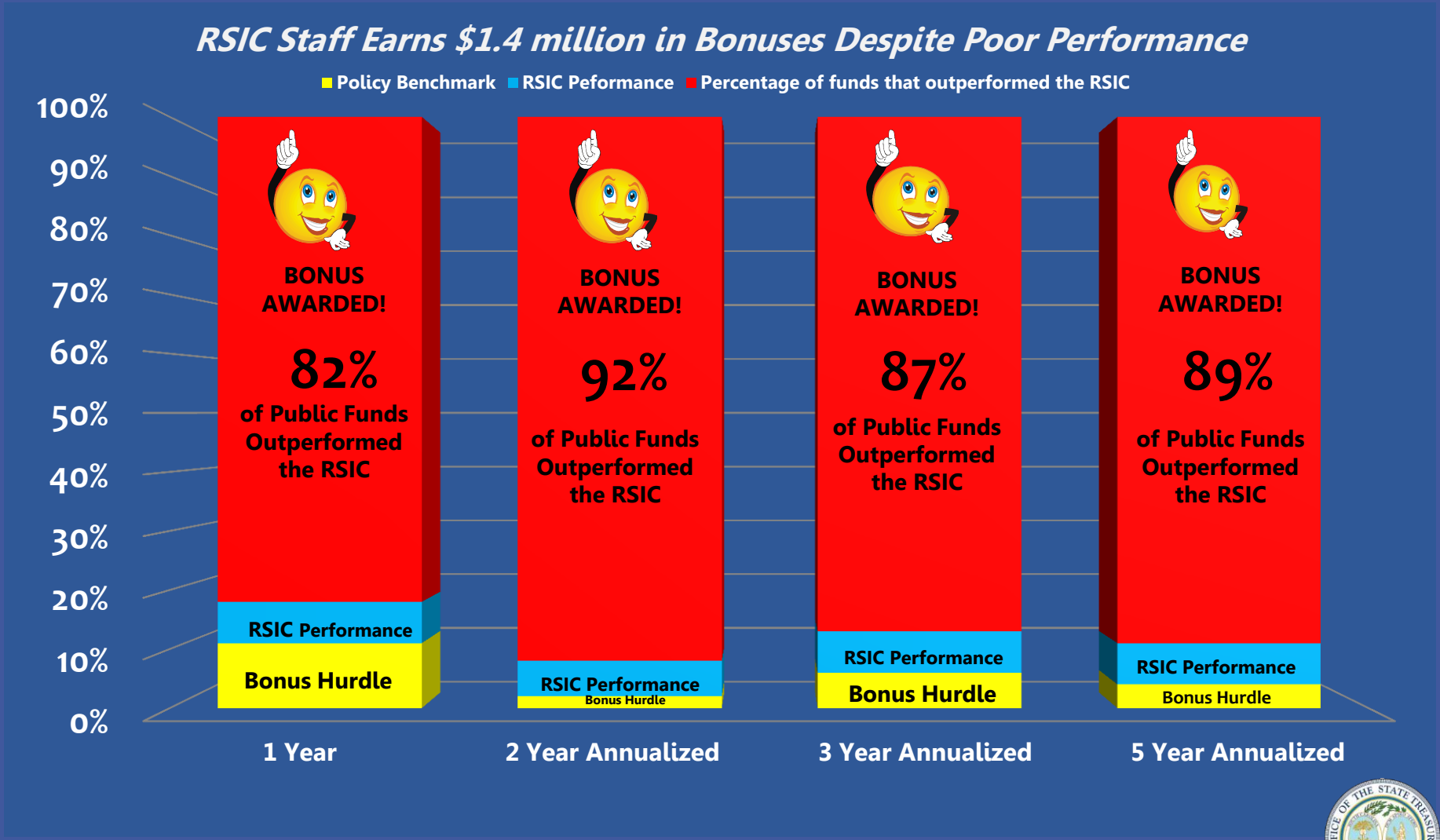
THREE YEAR



FIVE YEAR

RSIC BONUS REPORT

FISCAL YEAR 2013



Source: BNY for the rankings of both the Plan's return and the Policy Benchmark (Bonus Hurdle) return.

SOURCES

Slide 3: Actuarial Valuation for July 1, 2013; Gabriel, Roder & Smith

Slide 4: The SCRS financial statements for 2013; the RSIC annual report for 2006 through 2012; the SCRS financial statement s for 2003 through 2006.

Slide 5: SC's rate is calculated: investment expense is divided by Bank of New York's June 30, 2013 net asset value. The 2013 National Council of Public Employee Retirement Systems (NCPERS) Study is the source of the NCPERS average of 0.57%, page 9

Slide 6: The SCRS financial statements are the source of the amount of $420 million. The NCPERS average fee rate of 0.57% is multiplied by ending net assets for the amount of $154 million.

Slide 7: 2013 NCPERS Public Retirement System Study, page 21.

Slide 8: HEK quarterly report, 6/30/13

Slide 9: HEK quarterly report, 6/30/13

Slide 10: BNY for the rankings of both the plan's return and the Policy Benchmark (Bonus Hurdle) return.