SC PUBLIC EMPLOYEE BENEFIT AUTHORITY
BOARD OF DIRECTORS

MINUTES [adopted 1/15/14]

Wednesday, December 18, 2013 – 1:00 p.m.
202 Arbor Lake Drive, Columbia SC, Main Conference Room 2nd Floor

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Board Members Present:

Ms. Peggy Boykin (in person)
Mr. Frank Fusco (in person)
Mr. Steve Matthews (in person)
Vice Chairman Joe "Rocky" Pearce (in person)
Mr. Audie Penn (in person)
Mr. John Sowards (in person)
Mr. David Tigges (in person)
Mr. Steve Heisler (in person)
Ms. Stacy Kubu (in person
Sheriff Leon Lott (by phone)
Chairman Bjontegard (by phone for a portion of Executive Session)

Others present for all or a portion of the meeting:

David Avant, Lil Hayes, Stephen Van Camp, Justin Werner, Travis Turner, Matt Davis, Laura Smoak, David Quiat, Sue Sadik, Colleen Clark, Phyllis Buie, Tammy Nichols, and Virginia Wetzel from the South Carolina Public Employee Benefit Authority (PEBA); Donald Tudor, Wayne Pruitt and Sam Griswald with the State Retirees Association; Daniel Brennan with the SC State Treasurer's Office; Jami Craig with TIAA CREF, Joe Mack (retiree), Robert Kniceley with Prudential; Mike Madalena with Gabriel, Roeder, Smith & Company (GRS); Mike Shealy, Jennifer Yacoubian, and Senator Hugh Leatherman with SC Senate Finance Committee; William Kinney with Mullikin Law Firm; and Brooks Goodman with Blue Cross Blue Shield of South Carolina; and Whitney Williams with Fred Allen and Associates.

I. Call to order

In Chairman Bjontegard's absence, Vice Chairman, Rocky Pearce conducted the meeting, called the meeting to order at 1:00 p.m. Mr. Penn gave the invocation. Ms. Hayes confirmed meeting notice compliance with the Freedom of Information Act. Mr. Sowards moved to adopt the agenda and Mr. Penn seconded. The agenda was unanimously approved.

II. Approval of minutes from the last meetings – November 20, 2013

Mr. Pearce asked for amendments to the November 20, 2013, meeting minutes. There being no amendments, Mr. Sowards moved to adopt the minutes and Mr. Heisler seconded. The Board minutes from November 20, 2013, were unanimously approved.

III. Budget and Control Board – Chairman Hugh Leatherman

Mr. Pearce introduced Senator Hugh Leatherman, Chairman of the SC Senate Finance Committee and member of the SC Budget and Control Board.

Chairman Letterman's remarks:

"Please allow me to begin my remarks by saying thank you for your service to the State and most importantly your service to the retirees and active employees of our various

systems. All of you know just how important your decisions are to the hundreds of thousands of South Carolinians who receive retirement benefits or health insurance coverage. Additionally, the active employee community pays close attention to your actions since they too count on this Board to protect their present and future. Your mission is truly important.

And thank you Rocky Pearce for filling in as the Chairman as Art Bjontegard could not be here today. I was most pleased when Rocky accepted my invitation to appoint him to the PEBA Board because of his background in the business of health care insurance. Likewise, I would be remiss if I did not recognize Mr. Frank Fusco and Ms. Peggy Boykin. Both of these Board members served with distinction as employees of the Budget and Control Board.

My service as a member of the Budget and Control Board began in 2001, almost 13 years ago. I think that Peggy and Frank will agree with me that as the 2000's passed by, it became increasingly difficult to make sound financial decisions and sound humanitarian decisions regarding our retirement and health insurance systems in a Budget and Control Board meeting setting. Now, that is not the fault of anyone. But, we do now live in a political world with instant messaging, Twitter, Facebook, bloggers and pundits whose attention span is in terms of seconds and minutes. Yet, the decisions you now make regarding our retirement systems and employee health insurance systems require the ability to think longer term, sometimes for a thirty year time horizon. And, now you understand why it was necessary to create the Public Employee Benefit Authority.

The concept of a PEBA Board emerged from a subcommittee I appointed three years ago. Senators Thomas Alexander, Greg Ryberg, Nikki Setzler, Phil Leventis, Darryl Jackson and Danny Verdin began by holding hearings across the state and learning about the needs of the retirement system and its employees. In short, they listened first, asked questions second, and then developed a plan based on what they had learned.

The result of many long hours of legislative deliberation resulted in the passage of H4967, Act 278 of 2012. That act changes many of the elements of our retirement systems so that the Systems would survive and eventually thrive for the longer run. And of course, the legislation created PEBA. Of all of the elements of this landmark piece of legislation, I am most proud that the General Assembly created seats at the table for those who have the biggest stake in the success of PEBA. So, included on this Board is a retiree of the SC Retirement Systems, an active SC Retirement Systems member, an active member of the Police Officers Retirement System and a Public School District employee. Lest you other seven feel left out, you are here for a very important reason also --- to represent the taxpayers.

I think you all know that I care very deeply for our public servants, and I believe we must deliver on our promises regarding retirement benefits. But, as we move forward, I expect health insurance matters will be the most difficult issues to address, not only because of the Affordable Care Act, but because technology constantly increases our longevity and improves the quality of our lives. Additionally, I am beginning to see a *trend for health insurance systems to offer incentives for better health style choices versus just purchasing medical procedures. In the longer run, it is smarter to underwrite exercise programs, better diets and screenings than to pay for catastrophic illnesses and extended hospital care. These types of changes need much study, and decisions must be based on hard data. And, I know this Board is up to that challenge.*

I know that you are now in the midst of your search for a permanent Executive Director, and this may well be the most important collective decision you make here at PEBA. Both Bill Blume and David Avant served this Board very well in the role of interim director, and both gentlemen deserve our thanks. My challenge to you is that you find someone who is a sound manager, someone who is technologically savvy, and, above all an effective leader. A professional leader will help you create a vision that can act as a roadmap for your success as a Board. After you find that leader, the challenge before you will be to think long term and strategically.

Why is this important?

Number One- We have all made a promise to our government employees and retirees.

Number Two - A well run system of retirement benefits as well as health insurance system will attract leaders to serve in our government in the future.

Number Three - We must attain these goals while considering the cost constraints of public budgets.

So, in summary, thank you for your service on this Board that is at the heartbeat of our state and local governments, that is, the people who choose to serve as our teachers, policemen, prison guards, nurses, clerks, managers and all the rest.

Thank you again for the invitation to be with you today."

The Board thanked Chairman Leatherman for coming to the meeting and offering his comments.

IV. Committee Reports

A. Retirement Policy Committee

Mr. Sowards reported that the Retirement Committee met on December 4, 2013, and reviewed the following agenda items:

ORP Quarterly Report [in notebook materials]
Mr. Sowards reported that the Committee reviewed the ORP third quarter report for 2013. The Board received it as information.

Retirement Systems Valuations [in notebook materials]

Mr. Sowards reported that the Committee received a detailed report from Gabriel Roeder Smith & Company summarizing the actuarial valuations as of July 1, 2013, for SCRS, PORS, JSRS, GARS, and SCNG.

Action

Mr. Sowards asked the Board to accept as information the valuation prepared by the Board's actuary, Gabriel Roeder Smith ("GRS"),

For **SCRS** as of July 1, 2013, and **APPROVE** an increase in the employee contribution from 8.00 % to 8.16% and the employer contribution from 10.90% to 11.06% for the fiscal year beginning July 1, 2015.

For **PORS** as of July 1, 2013, and **APPROVE** an increase in the employee contribution from 8.41% to 8.74% and the employer contribution from 13.41% to 13.74% for the fiscal year beginning July 1, 2015.

For **JSRS** as of July 1, 2013, noting that the recommended employer contribution rate of 47.97% remains unchanged for the fiscal year beginning July 1, 2015.

For **GARS** as of July 1, 2013, and **APPROVE** an increase in the employer contribution from $4.275 million to $4.501 million for the fiscal year beginning July 1, 2015.

For **SCNG** as of July 1, 2013, and **APPROVE** an increase in the employer contribution from $4.586 million to $4.591 million for the fiscal year beginning July 1, 2014

The Board accepted each system's valuation and approved the associated contribution increases.

It was noted by Mr. Sowards that JSRS's valuation did not result in any changes to contribution rates for fiscal year beginning July 1, 2015. There was discussion as to whether this notation should be provided to the Budget and Control Board. It was the will of the Board to include this notation.

There was also discussion regarding the cumulative effects of smoothing, projected cost for each system, and the funding ratios of each system.

Defined Contribution Unit Best Practices
Mr. Sowards reported that the Committee reviewed ORP best practice recommendations from PEBA staff and PEBA's co-fiduciary, Summit Strategies Group. The Board received this as information.

B. Finance, Administration, Audit and Compliance (FAAC) Committee

Mr. Matthews advised that the FAAC Committee met on December 3, 2013, and reviewed the following agenda items:

Internal Auditor Charter [in notebook materials]

Action:
Mr. Matthews moved to approve the Internal Auditor's Charter as recommended by the FAAC Committee. Mr. Pearce seconded. Unanimously approved.

Health Financial Statements Audit [in notebook materials]
Mr. Matthews reported that the Committee reviewed the Health Financial Statements Audits for PEBA's Insurance Benefits, Retiree Health Insurance Trust Fund, and Long-Term Disability Insurance Trust Fund. The Board received this as information.

Mr. Matthews advised the Committee discussed the following issues that will need to be further reviewed by the Health Care Policy Committee: the acceleration of the completion of the Health Insurance Dependent Audits and the 150% overfunded ratio of the Long Term Disability Trust Fund.

Other Committee Updates:

2014 Legislation Request
Mr. Matthews reminded Board members to contact their appointers to sponsor the Board approved 2014 legislative request.

V. Old Business

Tobacco User Differential Study Update [in notebook material]
Mr. Avant reported that PEBA's actuarial consultant, Mike Madalena with Gabriel, Roeder, Smith & Company (GRS), revised the initial Tobacco User Differential Study.

Action:
Mr. Sowards moved for the Board to accept the revised report to be publicized for the required period of public comment prior to submitting to the General Assembly. Mr. Matthews seconded. Unanimously approved.

VI. New Business

There was no new business to be discussed.

VII. Round Table Discussion

Director's Report, David Avant:
Mr. Avant announced that he will not be pursuing the position of PEBA Executive Director, but thanked the Board for allowing him to serve as the interim director. He assured the Board that he leaves the agency in the professional and capable hands of PEBA's staff while they conduct a search for a permanent director.

Chairman's Report:
Mr. Pearce advised that Chairman Bjontegard has asked all members to evaluate their subcommittee assignment and prepare to rank their preferences in January 2014 in the event that someone might want to change committee.

VIII. Executive Session Pursuant to S.C. Code of Laws 30-4-70 (1), (2), & (3)

At 1:50 p.m., upon a motion by Mr. Sowards and second by Mr. Matthews, the Board voted unanimously to enter into executive session for the purpose of discussing personnel and employment, receiving legal advice, and discussing security personnel or devices.

Open meeting resumed at 3:45 p.m. following Executive Session. Vice Chairman Pearce announced that no action was taken by the Board while in Executive Session.

IX. Adjournment

There being nothing further to discuss, Mr. Pearce adjourned the meeting at 3:46 p.m.

SC Public Employee Benefit Authority
Board of Directors Meeting

202 Arbor Lake Drive, Columbia SC, 29223 ♦Main Conference Room

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Wednesday, December 18, 2013 – 1:00 P.M.

Agenda

1. **Adoption of Proposed Agenda**

2. **Minutes of Previous Meeting: November 20, 2013**

3. **Budget & Control Board:**
   Chairman Hugh Leatherman, Senate Finance Committee

4. **Committee Reports**

   a. **Retirement Policy Committee**
      i. **SC Retirement Systems Valuations**
   b. **Finance, Administration, Audit & Compliance Committee**
      i. **Internal Auditor Charter**

5. **Old Business**
   a. **Tobacco User Differential Study**

6. **New Business**

7. **Round Table Discussion**

8. **Executive Session Pursuant to S.C. of Laws § 30-4-70 (1), (2), and (3)**

SC PUBLIC EMPLOYEE BENEFIT AUTHORITY
BOARD OF DIRECTORS

DRAFT MINUTES

Wednesday, November 16, 2013 – 1:00 p.m.
202 Arbor Lake Drive, Columbia SC, Main Conference Room 2nd Floor

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Board Members Present:

Mr. Art Bjontegard, Chairman (in person)
Ms. Peggy Boykin (in person)
Mr. Frank Fusco (in person)
Mr. Steve Matthews (in person)
Mr. Joe "Rocky" Pearce (in person)
Mr. Audie Penn (in person)
Mr. John Sowards (in person)
Mr. David Tigges (in person)
Mr. Steve Heisler (in person)
Ms. Stacy Kubu (in person
Sheriff Leon Lott (by phone)

Others present for all or a portion of the meeting:

David Avant, Lil Hayes, Stephen Van Camp, Justin Werner, Travis Turner, Matt Davis, John Page, David Quiat, and Virginia Wetzel from the South Carolina Public Employee Benefit Authority (PEBA); Donald Tudor and Wayne Pruitt with the State Retirees Association; Carlton Washington with the South Carolina Employee Association; Daniel Brennan with the SC State Treasurer's Office; and Steve Smith, Miranda Weaver, Scott Honken, Colby Heiner with Catamaran.

I. Call to order

Chairman Bjontegard called the meeting to order at 1:00 p.m., and Mr. Sowards gave the invocation. Ms. Hayes confirmed meeting notice compliance with the Freedom of Information Act. Mr. Heisler moved to adopt the agenda and Mr. Sowards seconded. The agenda was unanimously approved.

II. Approval of minutes from the last meetings – October 16, 2013

Chairman Bjontegard asked for amendments to the October 16, 2013 meeting minutes. There being no amendments, Mr. Heisler moved to adopt the minutes and Mr. Sowards seconded. The Board minutes from October 16, 2013, were unanimously approved.

III. Executive Session Pursuant to § 30-4-70 (a)(1)

As noted on the agenda, an executive session was called and entered into unanimously at 1:05 p.m.

Open meeting resumed at 1:50 p.m. following the Executive Session. No action was taken by the Board while in Executive Session.

Action:
Mr. Fusco moved the PEBA Board to appoint David Avant as the agency's Interim Director effective January 1, 2014. Mr. Matthews seconded. The motion was unanimously approved.

Action:
Mr. Fusco moved for the Board to initiate a national search for a permanent agency director during which period Mr. Avant would serve as the interim director and noting that Mr. Avant's application would be graciously accepted by the PEBA Board. Mr. Matthews requested a roll call vote and Chairman Bjontegard asked for a show of hands. By a vote of six to five, the Board moved to conduct a national search.

Action:
Mr. Fusco moved for the FAAC Committee to be designated as the lead entity for the search process but allowing all PEBA Board members to attend related meetings. Mr. Matthews seconded. The motion was unanimously approved.

IV. Committee Reports

A. Finance, Administration, Audit and Compliance (FAAC) Report

Mr. Matthews reported that the FAAC Committee met on November 6, 2013, and reviewed the following agenda items.

SCRS Financial Statements Audit – Fiscal Year 2012/2013 [in notebook materials]
Mr. Matthews reported that the Independent Auditors' Report performed by CliftonLarsonAllen (CLA) resulted in an Unmodified "clean" opinion that the financial statements were presented fairly, in all material respects, and in conformity with the U.S. Generally Accepted Accounting Principles (GAAP). Mr. Matthews advised that future auditing standards will require all participating employers within the SC Retirement Systems (state agencies, local government entities, and school districts) to report their proportionate share of the total unfunded liability of the Systems. There was discussion regarding the collection of contributions from each entity. The Committee will continue to keep the Board informed as new standards are implemented. Mr. Matthews also suggested that going forward the Retirement Policy Committee should also review the audits of the Retirement Systems Financial Statements. The Board received the SCRS Financial Statements Audits as information.

FY 12/13 PEBA Human Resource Report [in notebook materials]
Mr. Matthews reported that the Committee received PEBA's Fiscal Year 12/13 HR report from HR Director, Kim Brown and requested to receive all subsequent fiscal year HR reports in August of each year. Mr. Matthews introduced Kim Brown who summarized her report. The Board received this as information.

PEBA Internal Auditor Report
Mr. Matthews advised that the Committee received an initial report from PEBA's Internal Auditor in accordance with the Board's recent approval of the reporting structure of the Internal Auditor to the FAAC Committee with a dotted line to the Agency Director. Mr. Matthews introduced PEBA's Internal Auditor, John Page who summarized his audit coverage, audit planning considerations, audit schedule, duties, time budget, current

initiatives, and his year-to-date accomplishments. Mr. Avant highlighted Mr. Page's extensive efforts related to the new reporting of fees within SCRS's Financial Statements for Fiscal Year 2013. The Board received his initial report as information and was advised that Mr. Page will be reporting quarterly to the Committee in the future.

2014 PEBA Legislation – Volume Two [in notebook materials]
Mr. Matthews advised that the Board approved the FAAC Committee's recommendation of Volume One of technical and substantive legislative changes during their October 2013 meeting. The Committee now recommended Volume Two of legislative changes for approval by the Board. Upon approval, both Volumes will be consolidated into finalized draft legislation in order to get a sponsor for legislative pre-filing in December 2013.

<u>Action:</u>
Mr. Matthews moved to approve 2014 PEBA Legislation, Volume Two, as recommended by the FAAC Committee. Mr. Bjontegard seconded. Unanimously approved.

B. Health Care Policy Committee Report

Mr. Pearce advised that the Health Care Policy Committee met earlier in the day, November 20, 2013, and reviewed the following agenda items.

Catamaran Presentation [in notebook materials]
Mr. Pearce advised that the Committee received an introductory presentation from PEBA's new Pharmacy Benefits Manager, Catamaran. He introduced the following representatives from Catamaran: Steve Smith, Scott Honken, Miranda Weaver, and Colby Heiner. They highlighted their company's measurable proof of value through a holistic approach to pharmacy benefits resulting in improved healthcare cost and outcomes, the details of their new partnership with PEBA, the value of their future on-campus presence at PEBA, the details of the Employer Group Waiver Plan to provide pharmacy benefits to retirees, and a summary of the implantation process thus far. The Board complemented the Catamaran team and the PEBA team for their extensive effort during the implementation process. Catamaran thanked the PEBA Team, noting everyone's dedication and professionalism. Chairman Bjontegard asked for the names of those PEBA employees and expressed his thanks and appreciation for everyone's hard work. Those noted were David Avant, Travis Turner, Laura Smoak, Phyllis Buie, Stephen Van Camp, Colleen Clark, Denise Hunter, Dewey King, Chuck Wilson, Helen Everson, Doug Hislop, Sharon Graham, Dayle DeLong, Patrick Harvin, Kevin Crosby, Nancy Higgins, David Quiat, Ken Turnbull, Thelma Hopkins, Michele Perrick, Wayne Sams, Nayeong Jeong, and Jeff Walton. There was discussion regarding Catamaran's satisfaction survey of participating members and the expected date of the survey results. Catamaran also highlighted their mobile application features.

Health Analytics [in notebook materials]
Mr. Pearce advised that the Committee received a presentation from W. David Patterson, PhD, Chief of Health and Demographics for the SC Office of Research and Statics. The presentation highlighted health care quality and cost reduction based on the need for care coordination and patient engagement. Based upon the State Health Plan's claims data gathered for plan year 2012, he defined health condition outliers that could benefit

significantly from patient coordination and management of care. He also provided a Patient Engagement Framework offered by the National eHealth Collaborative that informs, engages, empowers, partners, and creates a health community for the patient. The board received this as information.

Reports to the Legislature

2012 Abortion Report [in notebook materials]
Mr. Avant presented a report indicating the State Health Plan's portion of total member premiums paid to cover abortions performed under the Plan for 2012. The Committee received this as information. He advised that this report will be sent to the Chairman of the Senate Finance Committee and the House Ways and Means Committee.

Tobacco User Differential Study: FY 12/13
Mr. Avant presented a draft report of the claim cost analysis of State Health Plan members paying a tobacco surcharge for Fiscal Year 12/13. Mr. Avant advised the period of public comment will be scheduled soon. Mr. Pearce advised the Committee directed staff to further research the data available and other research sources prior to publishing the report and opening the period of public comment. There was discussion regarding discrepancies within the data collection process.

MUSC PCMH Pilot
PEBA Chief of Staff, Travis Turner informed the Committee that all plan details of MUSC's PCMH Pilot Plan have been finalized excluding the establishment of quality outcome measures, which should be completed very soon. The Committee will be reviewing MUSC's communications to their employees regarding the new PCMH Pilot Plan. There was discussion regarding the processes in place to measure the plan's success.

C. Retirement Policy Report

Mr. Sowards reported that the Retirement Policy Committee met on November 4, 2013, and reviewed the following agenda items.

ORP Plan Document Restatement [in notebook material]
Mr. Sowards advised that the Committee reviewed an ORP Plan Document Restatement in preparation for Cycle C filings for IRS determinations in January 2014. Changes were technical in nature to comply with IRS regulations and were recommended by PEBA's legal counsel and outside consultant, Ice Miller.

Action:
Mr. Sowards moved to approve the ORP Plan Document Restatement as recommended by the Retirement Policy Committee. Mr. Bjontegard seconded. Unanimously approved.

Defined Contribution Plan Best Practices [in notebook materials]
Mr. Sowards reported that the Committee reviewed NAGDCA's Defined Contribution industry best practices in comparison to South Carolina's Defined Contribution Plans (ORP and Deferred Compensation). He advised that the Committee will be reviewing defined

contribution recommendations from PEBA staff and outside consultant Summit Consultants during their retreat scheduled for December 4, 2013.

V. New Business

There was no new business discussed.

VI. Round Table Discussion

Director's Report, David Avant:

- Mr. Avant reported that PEBA's IT department is reviewing software options for tablets to be used by the Board members.
- Mr. Avant reported that PEBA's communications department is actively reviewing all communications sent to members to insure proper PEBA branding.
- Mr. Avant announced that there were twenty three state agencies that participated in the State Harvest Hope Food Drive this year and PEBA placed 3rd overall for their fundraising efforts.
- Mr. Avant reported that the Board's annual 2014 retreat has been scheduled for February 28, 2014, and March 1, 2014. February 28th will include presentations from speakers nationwide and will provide six or more hours of Board member continuing education. March 1st will serve as a normal business meeting for the Board.

Board members requested an update on the annual Health enrollment process that took place during the month of October 2013. Mr. Avant reported that from all accounts annual enrollment was very successful and all feedback has been positive.

Mr. Fusco reiterated his complements to PEBA staff and external partners for all of their hard work during the last quarter.

VII. Adjournment

There being nothing further to discuss, Chairman Bjontegard adjourned the meeting at 2:55 p.m.

PUBLIC EMPLOYEE BENEFIT AUTHORITY
BOARD AGENDA ITEM
(Reporting Committee: Retirement Policy Committee)

December 18, 2013 **Tab 3**

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1. Subject: Fiscal Year 12/13 Actuarial Retirement Valuations

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2. What is Board asked to do?

Accept as information the valuation prepared by the Board's actuary, Gabriel Roeder Smith ("GRS"),

1) For **SCRS** as of July 1, 2013, and **APPROVE** an increase in the employee contribution from 8.00 % to 8.16% and the employer contribution from 10.90% to 11.06% for the fiscal year beginning July 1, 2015.

2) For **PORS** as of July 1, 2013, and **APPROVE** an increase in the employee contribution from 8.41% to 8.74% and the employer contribution from 13.41% to 13.74% for the fiscal year beginning July 1, 2015.

3) For **JSRS** as of July 1, 2013 noting that the recommended employer contribution rate of 47.97% remains unchanged for the fiscal year beginning July 1, 2015.

4) For **GARS** as of July 1, 2013, and **APPROVE** an increase in the employer contribution from $4.275 million to $4.501 million for the fiscal year beginning July 1, 2015.

5) For **SCNG** as of July 1, 2013, and **APPROVE** an increase in the employer contribution from $4.586 million to $4.591 million for the fiscal year beginning July 1, 2014

4. Supporting Documents:

(a) List those attached:
1. SCRS Actuarial Valuations Presentation by GRS

(b) Available but not attached:
1. 2013 Retirement Valuations (SCRS, PORS, JSRS, GARS, SCNG)

South Carolina Retirement System

Actuarial Valuation as of July 1, 2013

Joe Newton and Danny White

December 4, 2013

GRS Gabriel Roeder Smith & Company
Consultants & Actuaries
www.gabrielroeder.com

Agenda

- 2013 Valuation Results – SCRS & PORS
  - Historical and Projected Experience
- 2013 Valuation Results – JSRS, GARS & SCNG

Actuarial Valuation as of June 30, 2013

- Purposes:
  - Measure the System's liabilities
  - Determine employer contribution rates for FY 2016
  - Provide other information for financial reporting
  - Explain changes in actuarial condition of the Retirement System

Legislation and Other Changes

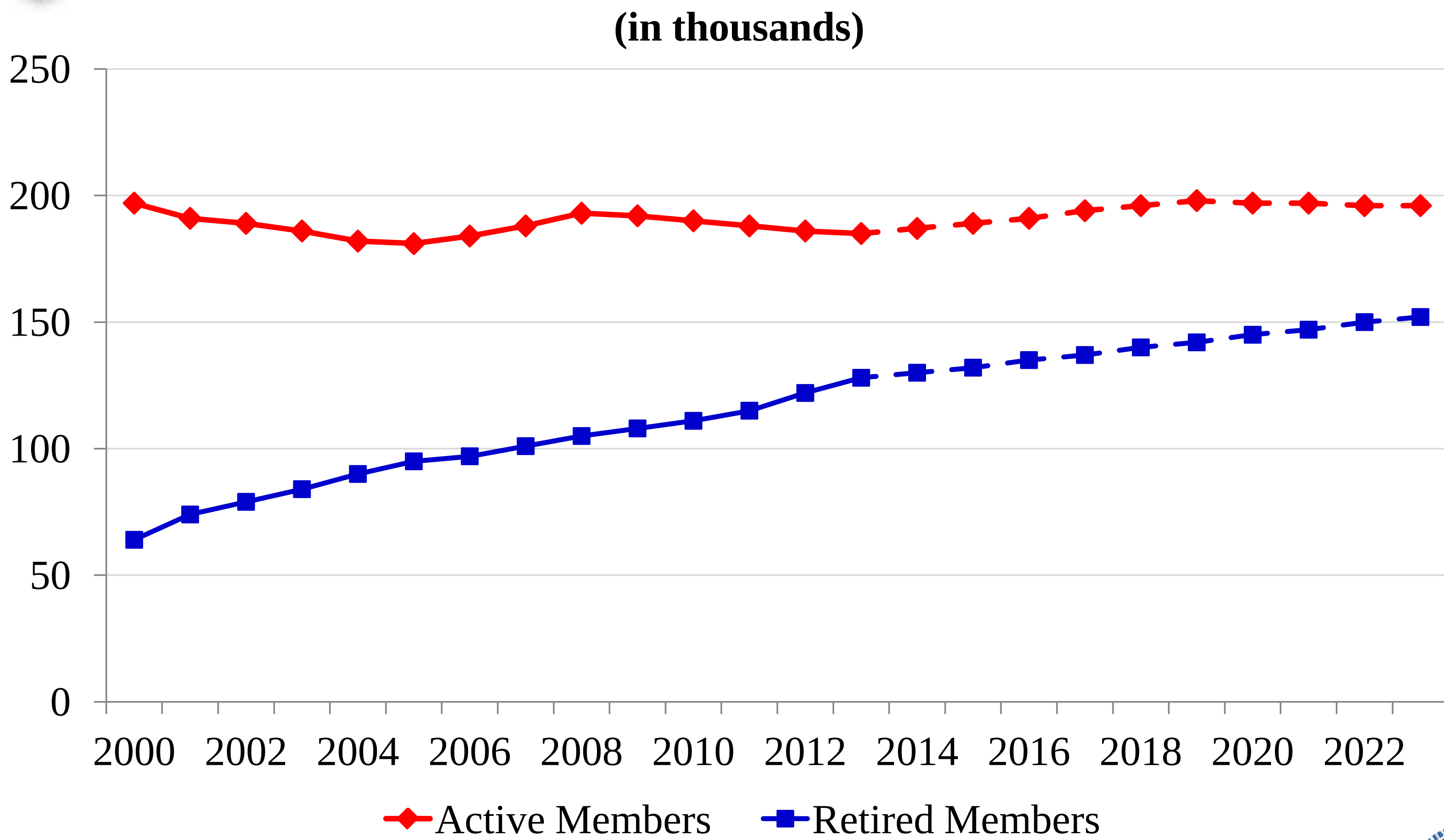
- Changes in the benefit provisions since the prior valuation
  - Act 69 enacted by the 2013 General Assembly rescinded the change in eligibility for a disability retirement allowance that was enacted by the Pension Reform Legislation enacted in 2012 for PORS
    - No change in the determination of the retirement allowance
- Changes in actuarial assumptions or methods
  - Disability incidence rates modified to reflect change enacted by Act 69
  - No other changes in assumptions or methods since the prior valuation

Summary of July 1, 2013 Valuation Results

Item	SCRS 2013	SCRS 2012	PORS 2013	PORS 2012
(1)	(2)	(3)	(4)	(5)
Actuarial accrued liability	$41,196	$39,458	$5,664	$5,357
Actuarial value assets	25,753	25,541	3,922	3,809
Unfunded liability (UAAL)	$15,443	$13,917	$1,742	$1,548
Funded ratio	63%	65%	69%	71%
Member contribution rate	8.16%	8.00%	8.74%	8.41%
Employer contribution rate	11.06%	10.90%	13.74%	13.41%
Total contribution rate (FY 2014)	19.22%	18.90%	22.48%	21.82%
Amortization period	30 Years	29 Years	30 Years	30 Years
Expected contributions				
Member	$733.0	$696.4	$106.9	$100.2
Employer	1,062.2	1,010.1	168.1	159.7
"New Money" Contributions				
Member	$14.4		$4.0	
Employer	16.2		4.0	

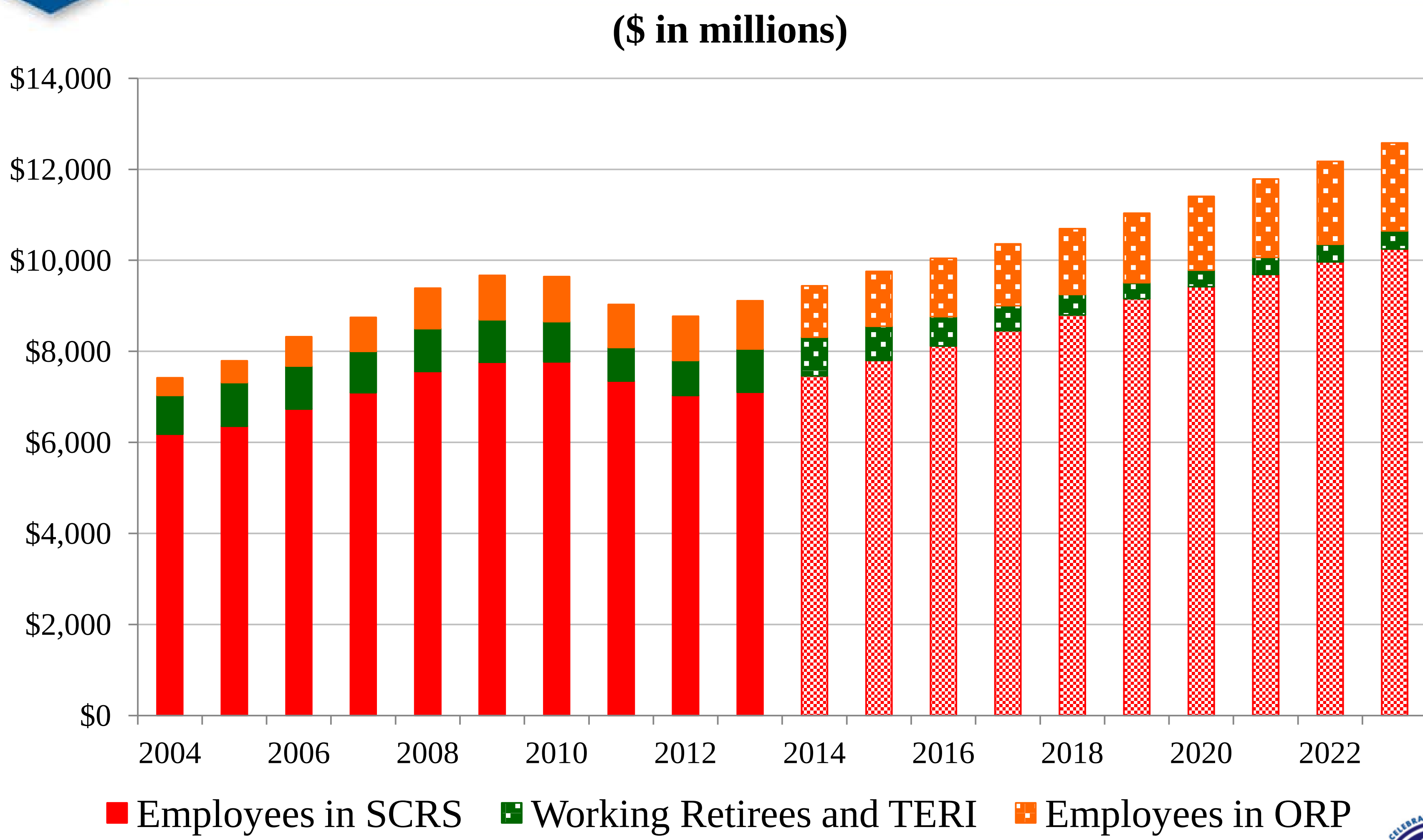
$ in millions

Active and Retired Members - SCRS

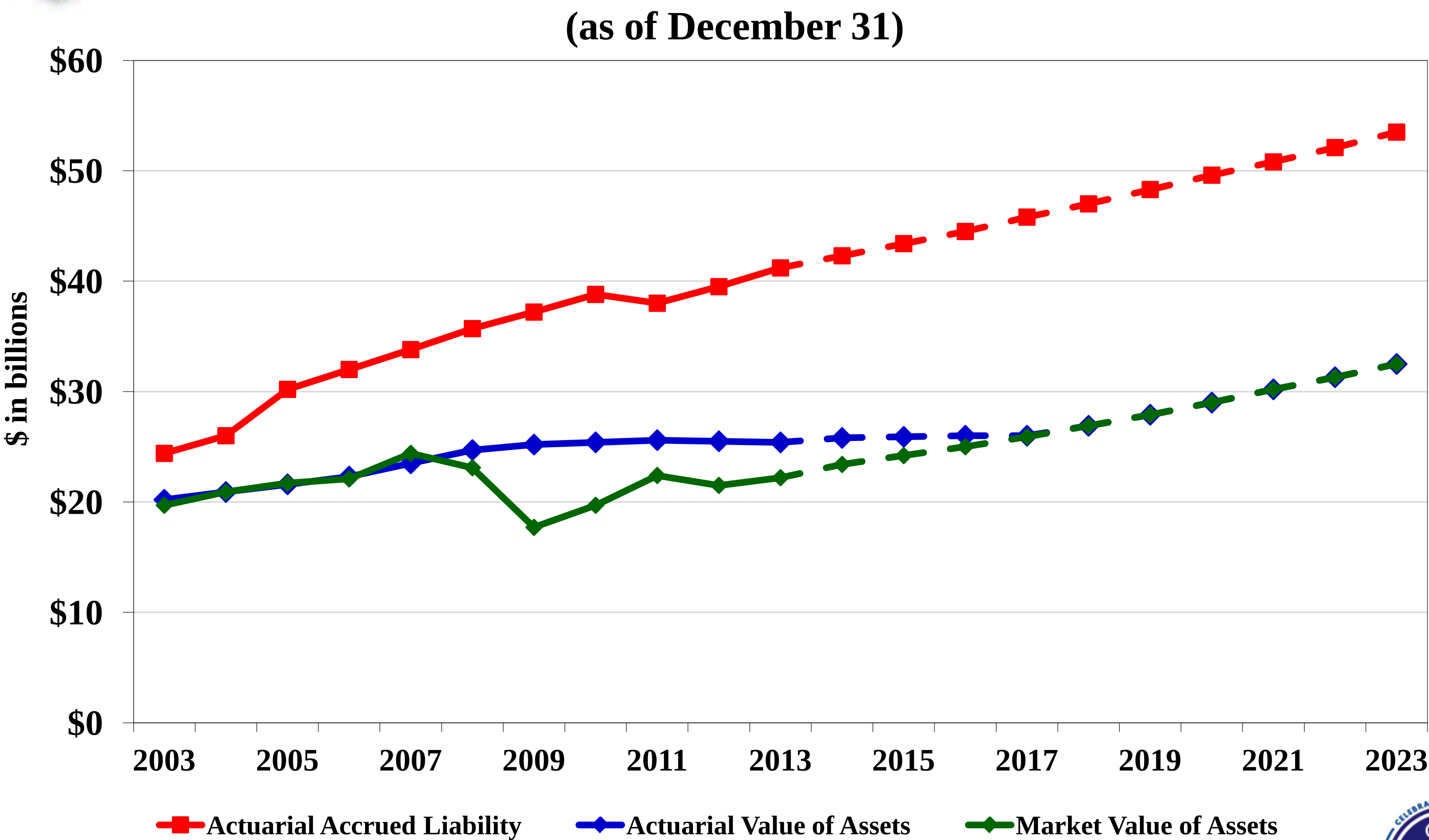


Note: Active membership count does not include working retirees and members in TERI and the ORP.

Contributing Payroll – SCRS



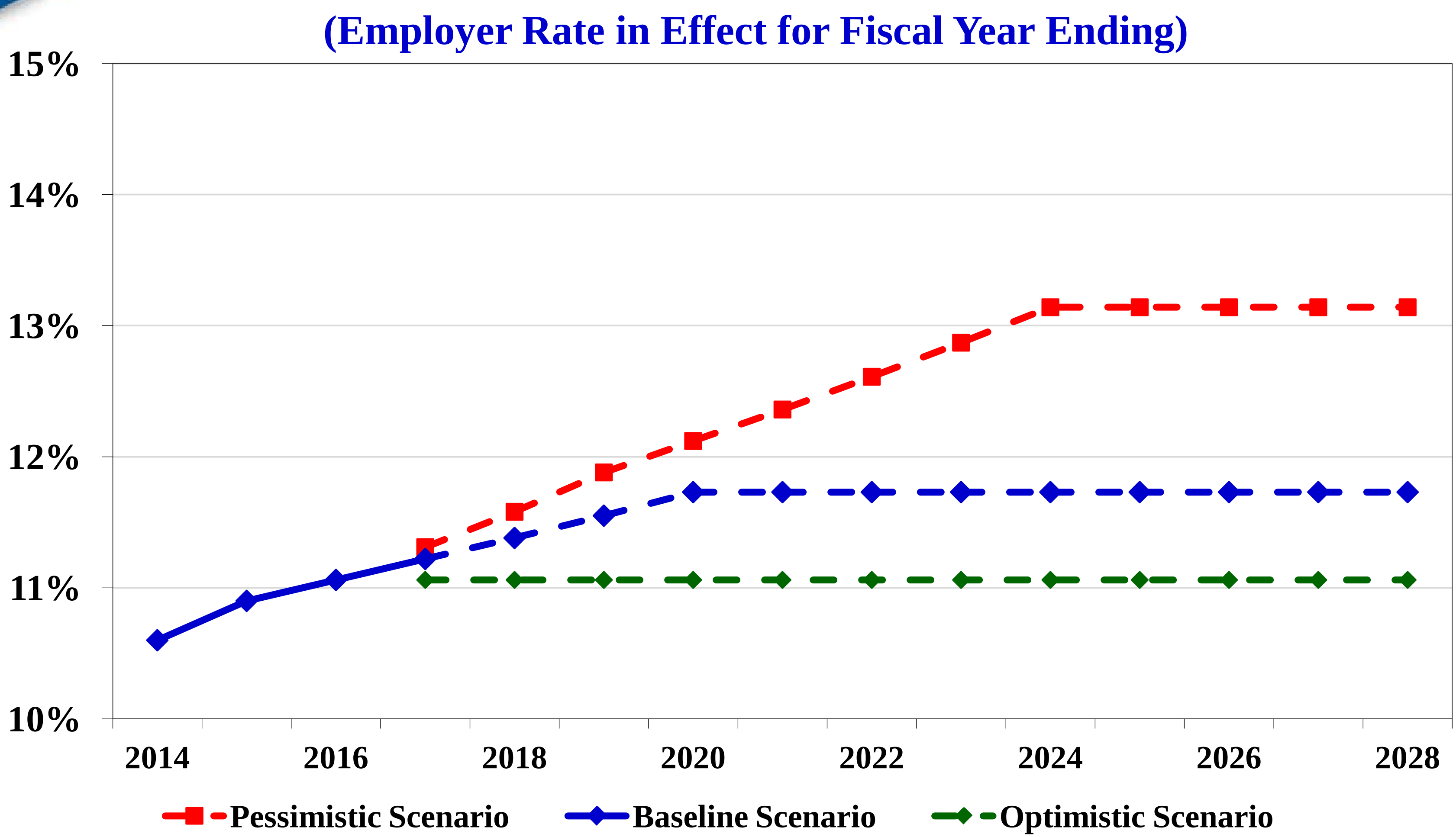
Liability and Assets - SCRS



Projected Cost - SCRS

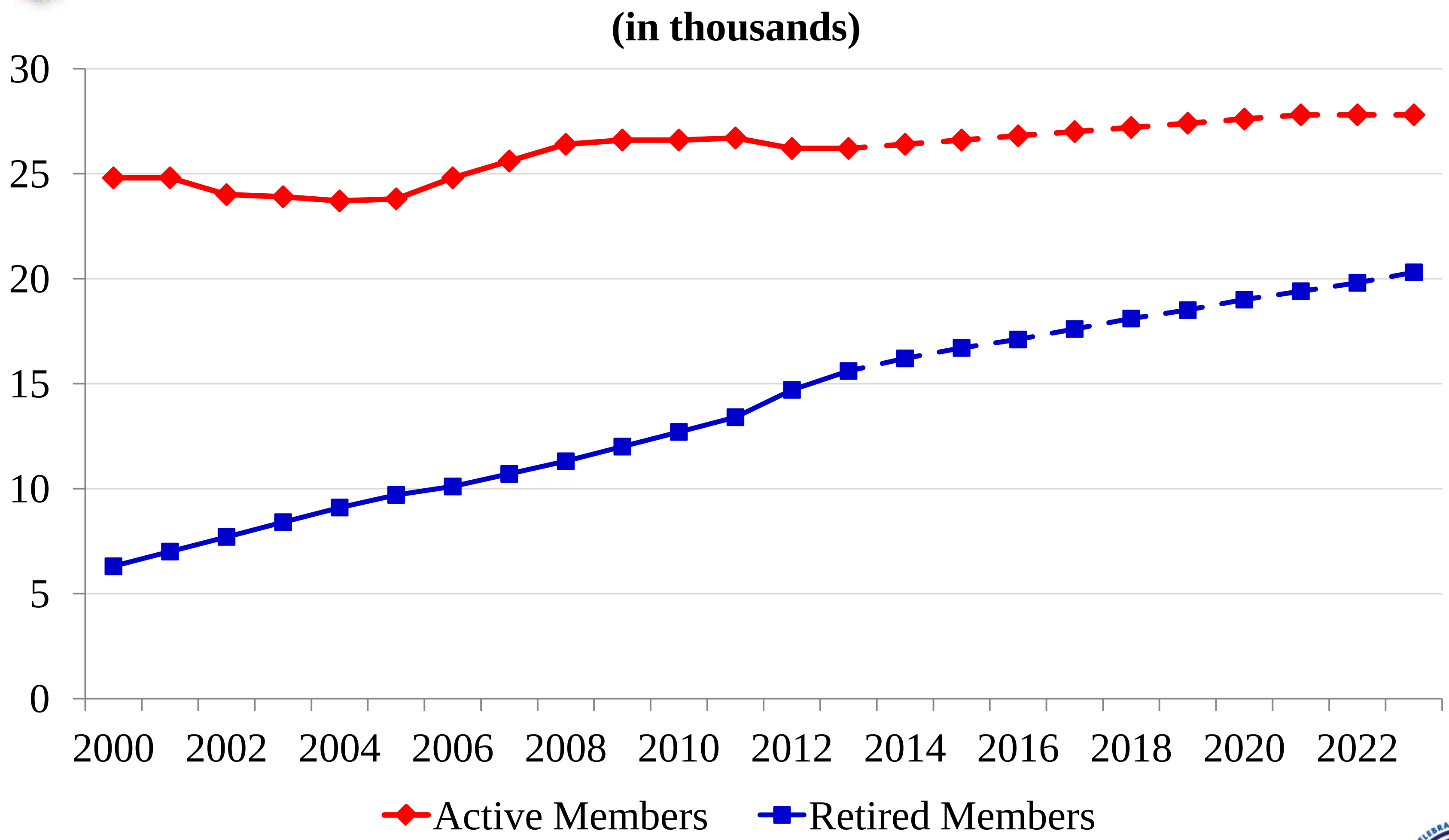
July 1,	Covered Payroll	Contribution Rate Employer	Contribution Rate Member	Actuarial Accrued Liability	Actuarial Value Assets	Unfunded Liability	Funded Ratio	Funding Period
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
2013	$ 7,435	10.60%	7.50%	$ 41,196	$ 25,753	$ 15,443	63%	30
2014	7,721	10.90%	8.00%	42,253	25,831	16,422	61%	30
2015	8,077	11.06%	8.16%	43,373	25,914	17,459	60%	30
2016	8,401	11.22%	8.32%	44,545	25,959	18,586	58%	30
2017	8,751	11.38%	8.48%	45,760	25,944	19,816	57%	30
2018	9,110	11.55%	8.65%	47,003	26,908	20,095	57%	30
2019	9,481	11.73%	8.83%	48,268	27,934	20,334	58%	28
2020	9,753	11.73%	8.83%	49,550	29,026	20,524	59%	27
2021	10,033	11.73%	8.83%	50,842	30,151	20,691	59%	26
2022	10,317	11.73%	8.83%	52,147	31,318	20,829	60%	25
2027	11,832	11.73%	8.83%	59,102	37,756	21,346	64%	20
2032	13,618	11.73%	8.83%	66,137	45,346	20,791	69%	15
2037	15,768	11.73%	8.83%	73,269	54,993	18,276	75%	10
2042	18,399	11.73%	8.83%	81,072	68,522	12,550	85%	5

Projected Employer Contribution Rates - SCRS



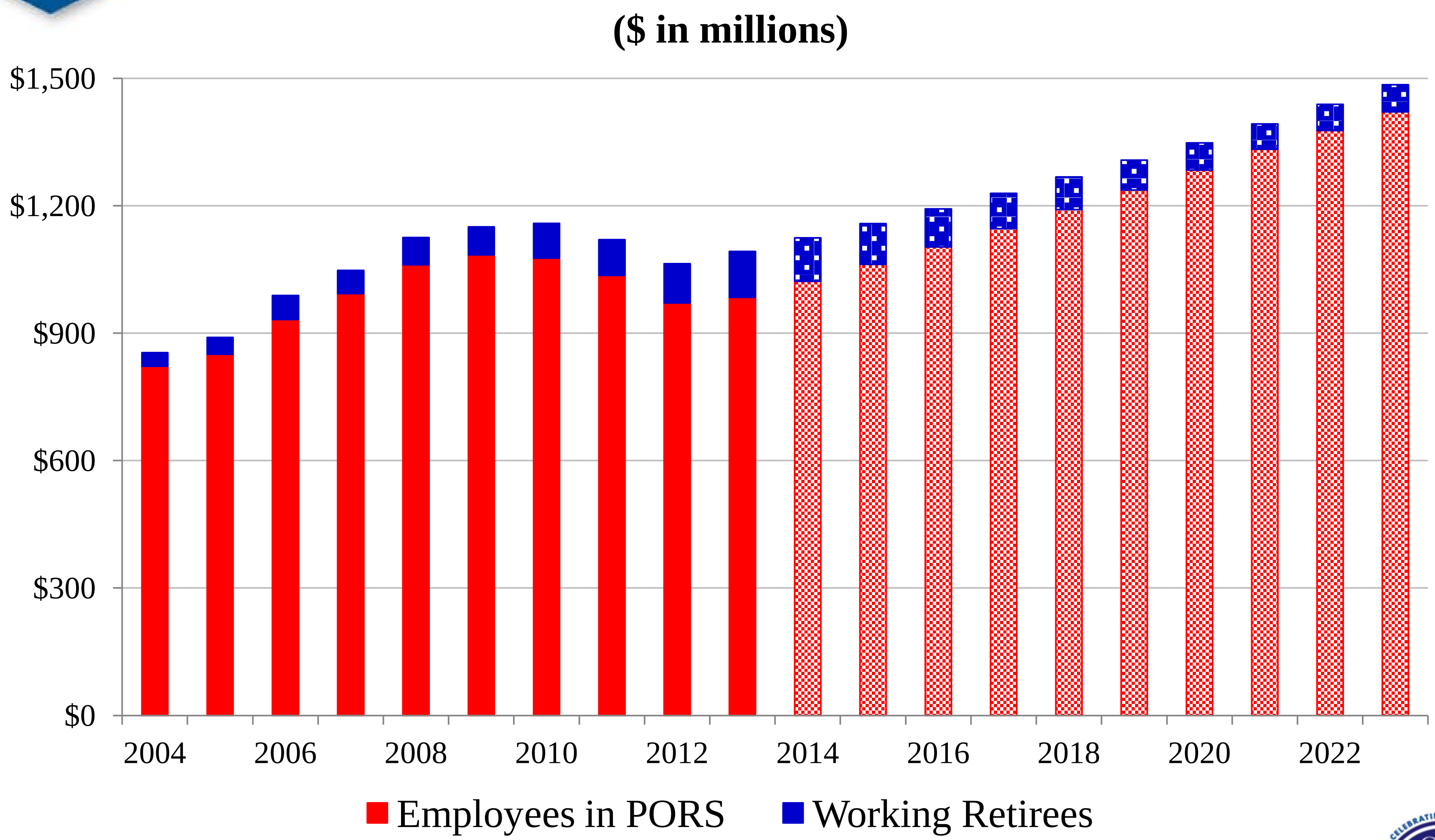
Return experience each fiscal year:	2014	2015	2016	2017	2018+
Pessimistic Scenario	-2.50%	0.00%	2.50%	5.00%	7.50%
Baseline Scenario	7.50%	7.50%	7.50%	7.50%	7.50%
Optimistic Scenario	17.50%	15.00%	12.50%	10.00%	7.50%

Active and Retired Members – PORS

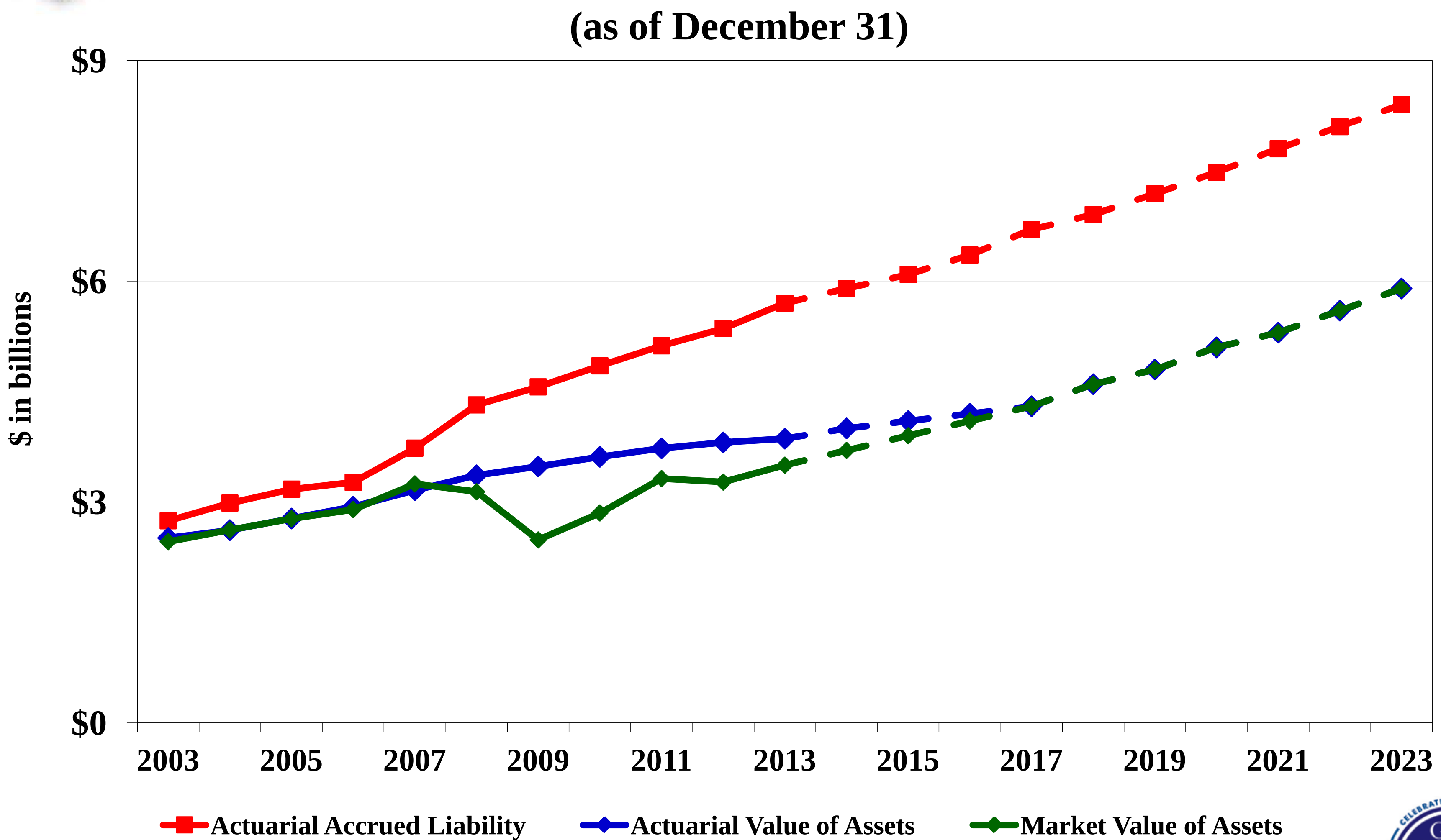


Note: Active membership count does not include working retirees.

Contributing Payroll – PORS



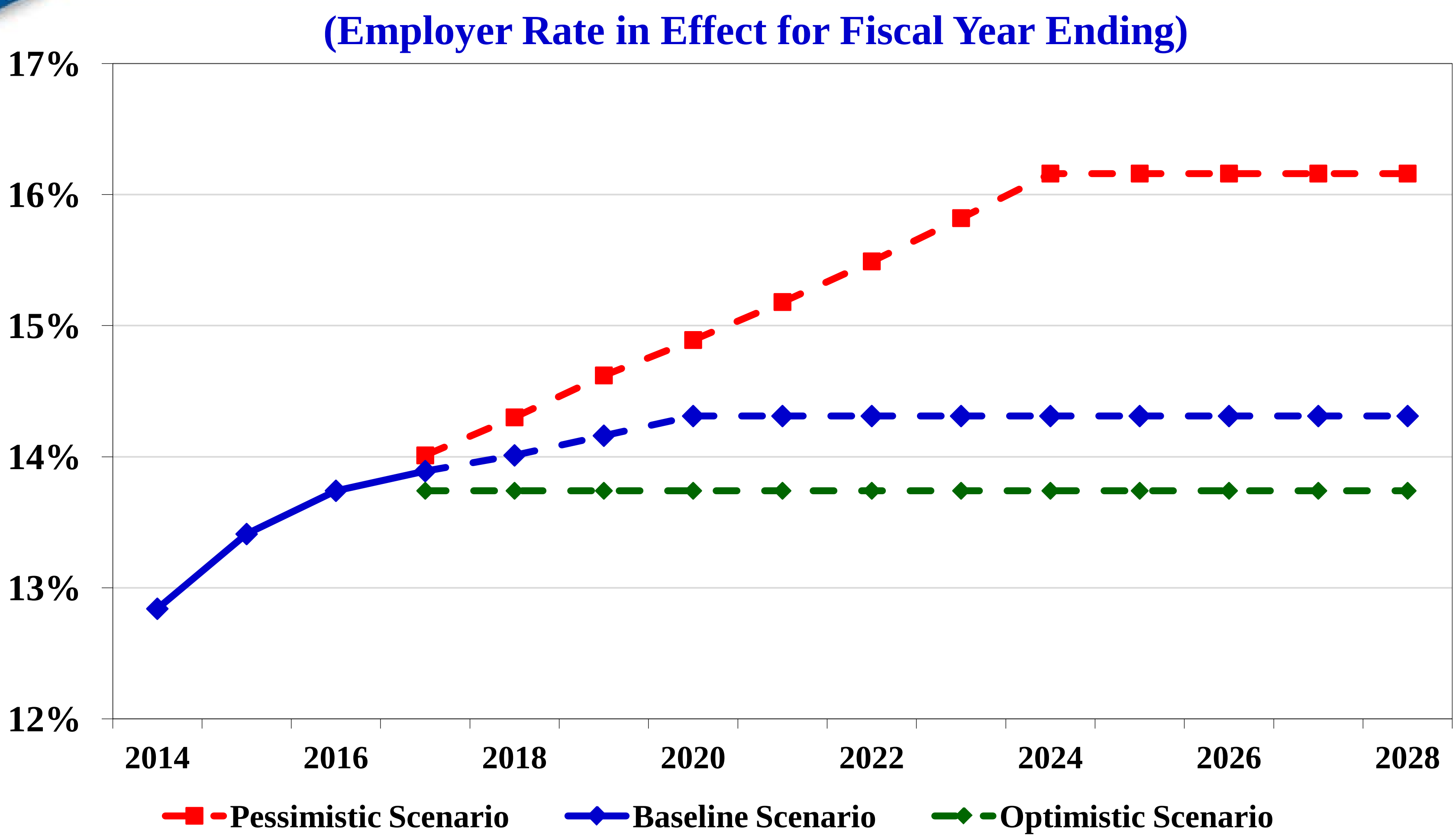
Liability and Assets - PORS



Projected Cost - PORS

July 1,	Covered Payroll	Contribution Rate Employer	Contribution Rate Member	Actuarial Accrued Liability	Actuarial Value Assets	Unfunded Liability	Funded Ratio	Funding Period
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
2013	$ 1,033	12.84%	7.84%	$ 5,664	$ 3,922	$ 1,742	69%	30
2014	1,062	13.41%	8.41%	5,900	4,018	1,882	68%	30
2015	1,104	13.74%	8.74%	6,147	4,120	2,027	67%	30
2016	1,146	13.89%	8.89%	6,402	4,224	2,178	66%	30
2017	1,191	14.01%	9.01%	6,667	4,325	2,342	65%	30
2018	1,238	14.16%	9.16%	6,939	4,560	2,379	66%	29
2019	1,286	14.31%	9.31%	7,218	4,809	2,409	67%	27
2020	1,335	14.31%	9.31%	7,503	5,069	2,434	68%	26
2021	1,387	14.31%	9.31%	7,794	5,340	2,454	69%	24
2022	1,432	14.31%	9.31%	8,092	5,622	2,470	69%	23
2027	1,676	14.31%	9.31%	9,679	7,204	2,475	74%	17
2032	1,968	14.31%	9.31%	11,381	9,108	2,273	80%	12
2037	2,323	14.31%	9.31%	13,217	11,481	1,736	87%	7
2042	2,765	13.00%	8.00%	15,288	14,545	743	95%	2

Projected Employer Contribution Rates - PORS



Return experience each fiscal year:	2014	2015	2016	2017	2018+
Pessimistic Scenario	-2.50%	0.00%	2.50%	5.00%	7.50%
Baseline Scenario	7.50%	7.50%	7.50%	7.50%	7.50%
Optimistic Scenario	17.50%	15.00%	12.50%	10.00%	7.50%

Summary of July 1, 2013 Valuation Results – Other Systems in SCRS

Item	JSRS		GARS		SCNG	
	2013	2012	2013	2012	2013	2012
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Actuarial accrued liability	$257	$252	$76	$74	$62	$61
Actuarial value assets	148	146	38	39	22	21
Unfunded liability (UAAL)	$109	$106	$38	$35	$40	$40
Funded ratio	58%	58%	50%	53%	36%	34%
Member contribution rate	10.00%	10.00%	11.0%	11.0%	N/A	N/A
Employer contribution rate	47.97%	47.97%	N/A	N/A	N/A	N/A
Amortization period	28 Years	30 Years	14 Years	15 Years	19 Years	20 Years
Expected contributions						
Member	$2.2	$2.0	$0.3	$0.4	$0.0	$0.0
Employer	10.4	9.8	4.5	4.3	4.6	4.6

$ in millions

Closing Comments

- Member and employer contribution rates are expected to continue to increase for SCRS and PORS in future years to maintain a 30-year funding period
  - Any adverse demographic or economic experience during next several years will put additional upward pressure on the future contribution requirements

Gabriel Roeder Smith & Company
Consultants & Actuaries

SOUTH CAROLINA RETIREMENT SYSTEM (SCRS)

ACTUARIAL VALUATION REPORT

AS OF JULY 1, 2013

GRS
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Consultants & Actuaries

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December 2, 2013

Public Employee Benefit Authority
South Carolina Retirement System
P.O. Box 11960
Columbia, SC 29211-1960

Subject: Actuarial Valuation as of July 1, 2013

Dear Members of the Board:

This report describes the current actuarial condition of the South Carolina Retirement System (SCRS), determines the calculated employer contribution rate, and analyzes changes in this contribution rate. In addition, the report provides information required by SCRS in connection with Governmental Accounting Standards Board Statement No. 25 (GASB 25), and it gives various summaries of the data. Results of this report should not be used for any other purpose without consultation with the undersigned. Valuations are prepared annually as of July 1, the first day of the plan year for SCRS. This report was prepared at the request of the Board of the South Carolina Public Employee Benefit Authority (Board) and is intended for use by the SCRS staff and those designated or approved by the Board.

FINANCING OBJECTIVES AND FUNDING POLICY

The employer and member contribution rate is determined in accordance with Section 9-1-1085 of the South Carolina Code. As specified by the Code, in the event the scheduled employer and member contribution rate is insufficient to maintain a thirty-year amortization period for financing the unfunded liability of the System, the Board shall increase the employer and member contribution rates in equal amounts, as necessary, to maintain a funding period that does not exceed thirty years. The contribution rate determined by a given actuarial valuation becomes effective twenty-four months after the valuation date. In other words, the contribution rate determined by this July 1, 2013 actuarial valuation will be used by the Board when certifying the employer and member contribution rates for the year beginning July 1, 2015 and ending June 30, 2016.

According to State code, the Board is not permitted to decrease the employer and member contribution rates until the funded ratio of the plan is at least 90%. Also, any decrease in the rates must maintain the 2.90% differential between the employer and member contribution rates.

If new legislation is enacted between the valuation date and the date the contribution rate becomes effective, the Board may adjust the calculated rate before certifying them, in order to reflect this new legislation. Such adjustments are based on information supplied by the actuary.

PROGRESS TOWARD REALIZATION OF FINANCING OBJECTIVES

The funded ratio (the ratio of the actuarial value of assets to the actuarial accrued liability) is a standard measure of a plan's funded status. In the absence of benefit improvements, it should increase over time, until it reaches at least 100%.

The funded ratio of the System decreased from 64.7% to 62.5%. This decrease was primarily due to the continual recognition of the extraordinary investment loss that occurred in prior years. Absent favorable investment or liability experience, we expect the funded ratio will continue to decrease for the next several years as those investment losses are fully recognized in the development of the actuarial value of assets.

If the market value of assets had been used in the calculation instead of the actuarial (smoothed) value of assets, the funded ratio for the System would have been 55.3%, compared to 54.6% in the prior year. The increase in the funded ratio on a market value basis is due to favorable investment experience during the last fiscal year. The market value of assets earned a 10.4% return on a dollar-weighted basis for the plan year ending June 30, 2013, net of expenses. The annual return on the market value for the same time period determined a time-weighted basis, net of expenses, was 9.99% as reported by the South Carolina Investment Commission.

ASSUMPTIONS AND METHODS

The actuarial assumptions used to perform this valuation remain unchanged from the prior valuation, including the use of a 7.50% investment return assumption. South Carolina State Code requires that an experience analysis that reviews the economic and demographic assumptions be performed every five years. The next experience analysis is scheduled for 2016.

It is our opinion that the recommended assumptions are internally consistent and reasonably reflect the anticipated future experience of the System. The actuarial assumptions and methods used in this report comply with the parameters for disclosure that appear in GASB 25.

The results of the actuarial valuation are dependent on the actuarial assumptions used. Actual results can, and almost certainly will, differ as actual experience deviates from the assumptions. Even seemingly minor changes in the assumptions can materially change the liabilities, calculated contribution rate, and funding periods. The actuarial calculations are intended to provide information for rational decision making.

BENEFIT PROVISIONS

The benefit provisions reflected in this valuation are those which were in effect on July 1, 2013. There were no legislative changes enacted since the previous valuation that had a measurable effect on the current valuation.

DATA

Member data for retired, active and inactive members was supplied as of July 1, 2013, by the SCRS staff. The staff also supplied asset information as of July 1, 2013. We did not audit this data, but we did apply a number of tests to the data, and we concluded that it was reasonable and consistent with the prior year's data. GRS is not responsible for the accuracy or completeness of the information provided to us by SCRS.

CERTIFICATION

We certify that the information presented herein is accurate and fairly portrays the actuarial position of SCRS as of July 1, 2013.

All of our work conforms with generally accepted actuarial principles and practices, and is in conformity with the Actuarial Standards of Practice issued by the Actuarial Standards Board. In our opinion, our calculations also comply with the requirements of South Carolina Code of Laws and, where applicable, the Internal Revenue Code, ERISA, and the Statements of the Governmental Accounting Standards Board.

The undersigned are independent actuaries and consultants. Mr. Newton and Mr. White are Enrolled Actuaries and Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries. Both are experienced in performing valuations for large public retirement systems.

Sincerely,

Gabriel, Roeder, Smith & Co.

Joseph P. Newton, FSA, MAAA, EA
Senior Consultant

Daniel J. White, FSA, MAAA, EA
Senior Consultant

TABLE OF CONTENTS

SECTION A

EXECUTIVE SUMMARY

Executive Summary

(Dollar amounts expressed in thousands)

	Valuation Date: July 1, 2013	Valuation Date: July 1, 2012
Membership		
• Number of		
- Active Members	184,690	185,748
- TERI Members	8,516	6,785
- Retirees and Beneficiaries	119,180	115,142
- Inactive Members	156,231	154,073
- Total	468,617	461,748
• Projected payroll of active members	$7,434,820	$7,356,231
• Projected payroll for all members, including members in ORP, TERI, and working retirees	$9,435,881	$9,086,962
Contribution Rates[1]		
• Employer contribution rate	11.06%	10.90%
• Member	8.16%	8.00%
Assets		
• Market value	$22,791,322	$21,536,908
• Actuarial value	25,753,068	25,540,749
• Return on market value	10.4%	0.4%
• Return on actuarial value	4.5%	3.5%
• Ratio of actuarial to market value of assets	113.0%	118.6%
• External cash flow %	-4.2%	-4.3%
Actuarial Information		
• Normal cost %	9.94%	10.05%
• Actuarial accrued liability (AAL)	$41,196,062	$39,457,708
• Unfunded actuarial accrued liability (UAAL)	15,442,994	13,916,959
• Funded ratio	62.5%	64.7%
• Funding period (years)	30	29
Reconciliation of UAAL		
• Beginning of Year UAAL	$13,916,959	$12,406,787
- Interest on UAAL	1,043,772	930,509
- Amortization payment with interest	(917,457)	(583,194)
- Assumption/method changes	0	0
- Asset experience	740,436	1,000,960
- COLA	0	0
- Salary experience	(28,062)	(130,469)
- Other liability experience	687,346	292,366
- Legislative Changes	0	0
• End of Year UAAL	$15,442,994	$13,916,959

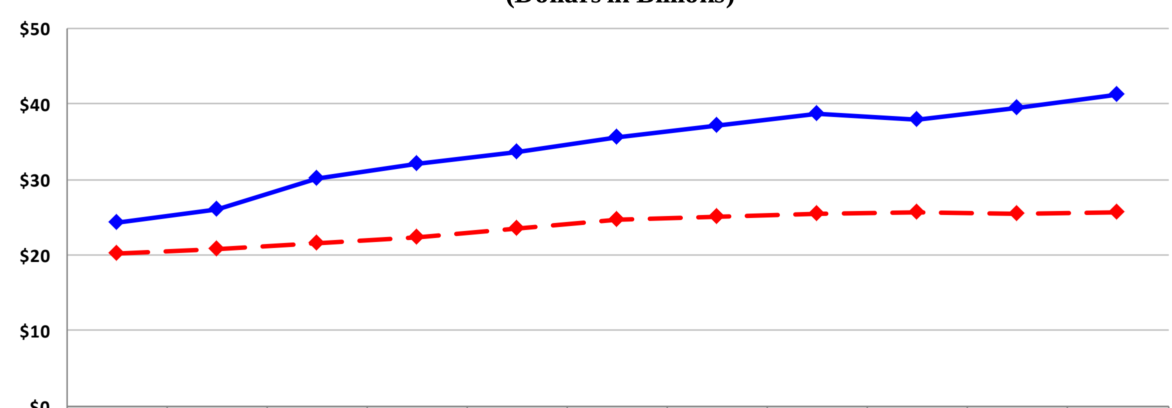
[1] The contribution rates determined by the 2013 valuation are established by Section 9-1-1085 of the South Carolina Code and become effective for the fiscal year beginning July 1, 2015. The employer contribution rates shown above include the cost of incidental death benefits.

EXECUTIVE SUMMARY (CONTINUED)

The unfunded actuarial accrued liability increased by $1.5 billion since the prior year's valuation to $15.4 billion. The single largest source of this increase is the result of continual recognition of deferred investment losses in the actuarial value of assets (i.e. $0.7 billion was recognized in the July 1, 2013 valuation). There was also a $0.7 billion loss in the liability primarily due to a large number of employees who commenced their retirement benefit before the return-to-work provisions changed effective January 2, 2013. There is still $3.0 billion in deferred investment losses as of the valuation date. Absent favorable investment experience, those deferred losses will be reflected in the actuarial value of assets over the next few years.

Below is a chart with the historical actuarial value of assets and actuarial accrued liability for SCRS. The divergence in the assets and liability over the last 10 years has generally been due to a combination of: (i) the actual investment experience being less than the System's expected investment return assumption and (ii) increases in the actuarial accrued liability due to ad hoc cost of living adjustments provided to retirees prior to the enactment of retirement reform legislation in 2012.

Chart 1. - History of Actuarial Assets vs. Actuarial Accrued Liability
(Dollars in Billions)



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
AVA	20.2	20.9	21.6	22.3	23.5	24.7	25.2	25.4	25.6	25.5	25.8
AAL	24.4	26.0	30.2	32.0	33.8	35.7	37.2	38.8	38.0	39.5	41.2

Based on the current funding policy, we expect the funded ratio (on an actuarial value of asset basis) to decline for the next four or five years before it begins to gradually improves.

The employer and member contribution rates that are in effect for fiscal year 2015 are no longer sufficient to maintain a funding period under 30 years. Therefore, the employer and member contribution rates for fiscal year 2016 will need to increase to satisfy the 30-year funding requirement specified in Section 9-1-1085 of the South Carolina Code. Specifically, the employer contribution rate will need to increase from 10.90% to 11.06% and the member contribution rate will increase from 8.00% to 8.16%. Absent legislative changes or significantly favorable experience, employer and member contribution rates will increase for the next several years as existing deferred investment losses become recognized in the actuarial value of assets.

Specifically, if emerging investment and liability experience is consistent with the current assumptions, the employer and member contribution rates are projected to increase an additional 0.60% to 0.70%, in total, in future years before reaching their ultimate contribution level while the funded ratio remains below 90%.

SECTION B

DISCUSSION

DISCUSSION

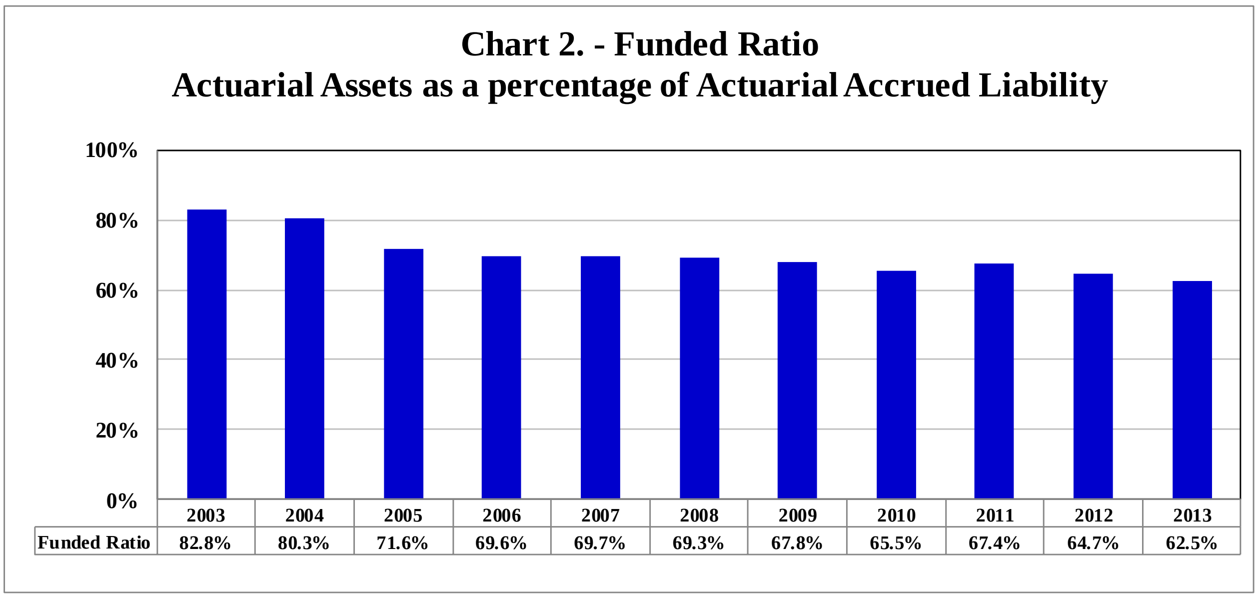
The results of the July 1, 2013 actuarial valuation of the South Carolina Retirement System are presented in this report. The primary purposes of the valuation report are to depict the current financial condition of the System, determine the annual required contribution, and analyze changes in the System's financial condition. In addition, the report provides information required by SCRS in connection with Governmental Accounting Standards Board Statement No. 25 (GASB 25), and it provides various summaries of the data.

This section discusses the determination of the current funding requirements and the System's funded status, as well as changes in financial condition of the retirement system.

All of the actuarial and financial tables referenced by the other sections of this Report appear in Section C. Section D provides member data and statistical information. Appendices A and B provide summaries of the principle actuarial assumptions and methods and plan provisions. Finally, Appendix C provides a glossary of technical terms that are used throughout this report.

Funding Progress

The funded ratio decreased from 64.7% to 62.5% since the prior valuation. The decrease in the funded status over the last 10 years has generally been due to a combination of: (i) the actual investment experience being less than the System's expected investment return assumption and (ii) increases in the actuarial accrued liability due to ad hoc cost of living adjustments provided to retirees prior to the enactment of retirement reform legislation in 2012. Table 10, Schedule of Funding Progress, in the following section of the report provides additional detail regarding the funding progress of the Retirement System.



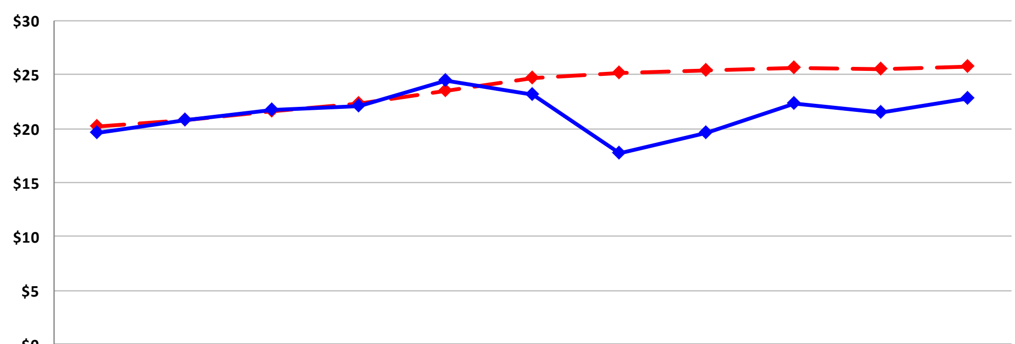
Asset Gains/ (Losses)

The actuarial value of assets ("AVA") is based on a smoothed market value of assets, using a systematic approach to phase-in actual investment return in excess of (or less than) the expected investment income. This is appropriate because it dampens the short-term volatility inherent in investment markets. The expected investment income is determined using the assumed annual investment return rate and the actuarial value of assets (adjusted for receipts and disbursements during the year). The returns are computed net of administrative and investment expenses. The actuarial value of assets increased from \$25.5 billion to \$25.8 billion since the prior valuation. Table 8 in the following section of the report provides the development of the actuarial value of assets.

The rate of return on the market value of assets on a dollar-weighted basis for fiscal year 2013 was 10.4%; which is more than the 7.50% expected annual return. The return on an actuarial (smoothed) asset value was 4.5%. This difference in the estimated return on market value and actuarial value illustrates the smoothing effect of the asset valuation method.

The market value of assets is less than the actuarial value of assets, which signifies that the retirement system is in a position of deferred losses. Therefore, unless the System experiences investment returns in excess of the assumed rate of return, the future recognition of these deferred losses is expected to increase the unfunded actuarial accrued liability and decrease the System's funded ratio over the next few years.

Chart 3. - History of Actuarial Value and Market Value of Assets
(Dollars in Billions)



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
AVA	20.2	20.9	21.6	22.3	23.5	24.7	25.2	25.4	25.6	25.5	25.8
MVA	19.7	20.9	21.7	22.1	24.4	23.1	17.7	19.7	22.4	21.5	22.8

Assets as of July 1,

Tables 6 and 7 in the following section of this report provide asset information that was included in the annual financial statements of the System. Also, Table 9 shows the estimated yield on a market value basis and on the actuarial asset valuation method.

Actuarial Gains/ (Losses) and the Funding Period

The annual actuarial valuation is a snapshot analysis of the benefit liabilities, assets and funded position of the System as of the first day of the plan year. In any one fiscal year, the experience can be better or worse from that which is assumed or expected. The actuarial assumptions do not necessarily attempt to model what the experience will be for any one given fiscal year, but instead try to model the overall experience over many years. Therefore, as long as the actual experience of the retirement system is reasonably close to the current assumptions, the long-term funding requirements of the System will remain relatively consistent.

The unfunded actuarial accrued liability (UAAL) has increased from $13.9 billion in 2012 to $15.4 billion in 2013. The table below shows the source of the gains and losses and the impact of those gains and losses on the UAAL.

Reconciliation of UAAL
(Dollars in thousands)

• Beginning of Year UAAL	$13,916,959
- Interest on UAAL	1,043,772
- Amortization payment with interest	(917,457)
- Assumption/method changes	0
- Asset Experience	740,436
- COLA	0
- Salary Experience	(28,062)
- Other liability experience	687,346
- Legislative changes	0
• End of Year UAAL	$15,442,994

The System experienced a net liability loss of $0.7 billion. This net loss was primarily related to more members retiring than expected during the last fiscal year (i.e. 7,028 members elected a normal or early retirement versus 4,344 expected retirements based on the actuarial assumptions). The increased number of retirements is attributable to members utilizing the TERI and return-to-work provisions before they became altered on January 2, 2013, by the pension reform bill enacted by the 2012 legislation session. For instance, 5,481, or 78%, of these members elected to retire during the first six months of the fiscal year, whereas only 1,547 members retired after January 2, 2013, when the new return-to-work provisions became effective. Note, while there were a significant number of members who commenced their retirement benefit during this last year, 4,076, or 74%, of those members who retired during the first six months of fiscal year continue to work for a participating employer of the system because they utilized the TERI or return-to-work provisions.

The employer and member contribution rates in effect for fiscal year 2015 are no longer sufficient to satisfy the 30-year funding requirement in the State code. Below is a table reconciling the change in the funding period from the prior year's valuation based on the contribution rates that go into effect for fiscal year 2015.

Change in Funding Period (Years)
Based on the Employer and Member Contribution
Rates in Effect for Fiscal Year 2015

• Prior Year	29.2
- Expected experience	(1.0)
- Assumption and method changes	0.0
- Asset experience	2.9
- Demographic experience	1.1
- Legislative changes	0.0
- Total Change	3.0
• Current Year Valuation (before reflecting the required increase in the conribution rate)	32.2

The liability experience had a smaller impact on the change in the funding period than the asset experience. This is because a majority of the members who commenced their retirement benefit during the last fiscal year remained in the workforce and the retirement system continues to receive contributions from the employers and members on the payroll of these members. Also, the contribution rate is defined as a percentage of payroll and is calculated based on the anticipation there would be a 3.50% increase in the total payroll of the system each year. The actual payroll that the system receives contributions on, including the payroll of members in ORP, TERI and working retirees, increased by 3.84% from fiscal year 2012 to 2013, which is favorable for the financing the retirement system.

Absent favorable investment experience, we expect that the funding period to increase in future years as deferred investment losses become fully recognized in the actuarial value of assets and calculation of the contribution rate.

Finally, note that the current funding policy utilizes a level percentage of payroll amortization, which assumes that covered payroll will increase at the rate of 3.50% per year in the future (it does not assume an increase in active membership). As a result, the amortization payments will not be sufficient to cover all of the interest charges on the UAAL until the funding period reaches approximately 19 years.

GASB No. 25 and No. 27 Disclosures

Accounting requirements for SCRS are provided by the Governmental Accounting Standards Board Statements No. 25 ("GASB 25") and No. 27 ("GASB 27"). Table 10 shows a historical summary of the funded ratios and other information for the System. Table 11 shows other information needed in connection with the required disclosures under GASB 25. GASB 27 governs reporting by the employers of government-sponsored retirement plans.

GASB 25 requires that plans calculate an Annual Required Contribution ("ARC"), and, if actual contributions received are less than the ARC, this must be disclosed. The ARC is calculated in accordance with certain parameters. In particular, it includes a payment to amortize the UAAL. This amortization payment must be computed using a funding period no greater than thirty (30) years. For this disclosure, SCRS treats the Board-established contribution rate as the ARC, as long as this produces a funding period that does not exceed 30 years.

Actuarial Assumptions and Methods

In determining costs and liabilities, actuaries use assumptions about the future, such as rates of salary increase, probabilities of retirement, termination, death and disability, and an annual investment return assumption. The actuarial assumptions and methods used to determine the results of the 2013 actuarial valuation are the same as those used for the prior year's valuation.

Appendix A includes a summary of the actuarial assumptions and methods used in this valuation.

It is our opinion that the assumptions are internally consistent, reasonable, and reflect anticipated future experience of the System. The actuarial assumptions and methods used in this report comply with the parameters for disclosure that appear in GASB 25.

Benefit Provisions

Appendix B of this report includes a summary of the benefit provisions for SCRS. There were no legislative changes enacted since the previous valuation that had a measurable effect on the current valuation. Below is a summary of the retirement provisions for Class Two members, members hired prior to July 1, 2012, and Class Three members, member hired after June 30, 2012.

Summary of Retirement Provisions for:

Class Two Members (members hired prior to July 1, 2012)

- Average Final Compensation (AFC) is based on the highest 12 consecutive quarters of compensation. The determination of a member's AFC also includes up to 45 days of unused annual leave paid at termination. Monthly benefits are based on one-twelfth of this amount.
- The retirement benefit amount is equal to the 1.82% of the member's AFC times the member's credited service (years). Credited service may include up to 90 days of unused sick leave.
- Members are eligible to commence their retirement benefit after they have (i) 28 years of credited service or (ii) attained age 65 with 5 years of earned service.
- At each July 1 after their first full year of retirement, annuitants will receive an automatic cost of living adjustment equal to the lesser of 1.00% of their retirement benefit or $500 per annum.

Class Three Members (members hired after June 30, 2012)

- Average Final Compensation (AFC) is based on the highest twenty (20) consecutive quarters of compensation. The determination of a member's AFC also will not include unused annual leave paid at termination. Monthly benefits are based on one-twelfth of this amount;
- The retirement benefit is equal to 1.82% of the member's AFC times the member's credited service (years). Credited service will not include unused sick leave.
- Members are eligible to commence a retirement benefit after they have (i) attained age 60 with eight years of earned service or (ii) the combination of the member's age and years of credited service equals or exceeds 90 (i.e. the rule of 90).
- At each July 1 after their first full year of retirement, annuitants will receive an automatic cost of living adjustment equal to the lesser of 1.00% of their retirement benefit or $500 per annum.

SECTION C

ACTUARIAL TABLES

ACTUARIAL TABLES

Summary of Cost Items

(Dollar amounts expressed in thousands)

		July 1, 2013 (1)	July 1, 2012 (2)
1.	Projected payroll of active members[1]	$ 7,434,820	$7,356,231
2.	Present value of future pay	$ 60,918,433	$ 59,977,144
3.	Normal cost rate		
	a. Total normal cost rate	9.94%	10.05%
	b. Less: member contribution rate	-8.16%	-8.00%
	c. Employer normal cost rate	1.78%	2.05%
4.	Actuarial accrued liability for active members		
	a. Present value of future benefits	$ 19,653,642	$ 19,751,278
	b. Less: present value of future normal costs	(5,877,599)	(5,880,298)
	c. Actuarial accrued liability	$ 13,776,043	$ 13,870,980
5.	Total actuarial accrued liability for:		
	a. Retirees and beneficiaries	$ 26,548,472	$ 24,732,406
	b. Inactive members	871,547	854,322
	c. Active members (Item 4c)	13,776,043	13,870,980
	d. Total	$ 41,196,062	$ 39,457,708
6.	Actuarial value of assets	$ 25,753,068	$ 25,540,749
7.	Unfunded actuarial accrued liability (UAAL) (Item 5d - Item 6)	$ 15,442,994	$ 13,916,959
8.	GASB No. 25 Annual Required Contribution Rate		
	a. Employer normal cost rate	1.78%	2.05%
	b. Employer contribution rate available to amortize the UAAL	9.28%	8.85%
	c. Total employer contribution rate	11.06%	10.90%
9.	Funding period based on the required employer contribution rate (years)	30	29
10.	Applicable statutorily required contribution rates[2]		
	a. Employer contribution rate	11.06%	10.90%
	b. Member contribution rate	8.16%	8.00%

[1] The projected payroll does not include payroll for members in ORP, TERI, and who are working retirees.

[2] The applicable employer and member contribution rates are determined in accordance with Section 9-1-1085 of the South Carolina Code. The contribution rates determined by the July 1, 2013 valuation become effective for the fiscal year beginning July 1, 2015. The contribution rate includes the cost of incidental death benefits.

Actuarial Present Value of Future Benefits

(Dollar amounts expressed in thousands)

		July 1, 2013 (1)	July 1, 2012 (2)
1.	Active members		
	a. Service retirement	$ 16,702,652	$ 16,696,027
	b. Deferred termination benefits and refunds	965,351	1,133,420
	c. Survivor benefits	748,645	685,374
	d. Disability benefits	1,236,994	1,236,458
	e. Total	$ 19,653,642	$ 19,751,279
2.	Retired members		
	a. Service retirement	$ 23,813,038	$ 22,102,446
	b. Disability retirement	1,679,629	1,620,766
	c. Beneficiaries	907,733	866,754
	d. Incidental death benefits	148,072	142,440
	e. Total	$ 26,548,472	$ 24,732,406
3.	Inactive members		
	a. Vested terminations	$ 675,620	$ 661,531
	b. Nonvested terminations	195,927	192,790
	c. Total	$ 871,547	$ 854,321
4.	Total actuarial present value of future benefits	$ 47,073,661	$ 45,338,006

Analysis of Normal Cost

		July 1, 2013 (1)	July 1, 2012 (2)
1.	Total normal cost rate		
	a. Service retirement	6.74%	6.69%
	b. Deferred termination benefits and refunds	2.03%	2.24%
	c. Survivor benefits	0.45%	0.41%
	d. Disability benefits	0.72%	0.71%
	e. Total	9.94%	10.05%
2.	Less: member contribution rate	8.16%	8.00%
3.	Net employer normal cost rate	1.78%	2.05%

Note: The normal cost includes the cost for incidental death benefits.

Results of July 1, 2013 Valuation
(Dollar amounts expressed in thousands)

			July 1, 2013 (1)
1.	Actuarial Present Value of Future Benefits		
	a. Present retired members and beneficiaries	$	26,548,472
	b. Present active and inactive members		20,525,189
	c. Total actuarial present value	$	47,073,661
2.	Present Value of Future Normal Contributions		
	a. Employee	$	4,970,944
	b. Employer		906,655
	c. Total future normal contributions	$	5,877,599
3.	Actuarial Liability	$	41,196,062
4.	Current Actuarial Value of Assets	$	25,753,068
5.	Unfunded Actuarial Liability	$	15,442,994
6.	UAAL Amortization Rates based on an employer contribution rate of 11.06%		
	a. Active members		9.28%
	b. TERI members (including employee contributions)		19.22%
	c. ORP members		6.06%
	d. Re-employed members (including employee contributions)		19.22%
7.	Unfunded Actuarial Liability Liquidation Period		30 years

Note: The employer contribution rate includes the cost for incidental death benefits.

Actuarial Balance Sheet

(Dollar amounts expressed in thousands)

	July 1, 2013 (1)	July 1, 2012 (2)
1. Assets		
a. Current assets (actuarial value)		
i. Employee annuity savings fund	$ 6,491,895	$ 6,459,192
ii. Employer annuity accumulation fund	19,261,173	19,081,557
iii. Total current assets	$ 25,753,068	$ 25,540,749
b. Present value of future member contributions	$ 4,970,944	$ 4,798,172
c. Present value of future employer contributions		
i. Normal contributions	$ 906,655	$ 1,082,126
ii. Accrued liability contributions	15,442,994	13,916,959
iii. Total future employer contributions	$ 16,349,649	$ 14,999,085
d. Total assets	$ 47,073,661	$ 45,338,006
2. Liabilities		
a. Employee annuity savings fund		
i. Past member contributions	$ 6,491,895	$ 6,459,192
ii. Present value of future member contributions	4,970,944	4,798,172
iii. Total contributions to employee annuity savings fund	$ 11,462,839	$ 11,257,364
b. Employer annuity accumulation fund		
i. Benefits currently in payment (including TERI)	$ 26,548,472	$ 24,732,406
ii. Benefits to be provided to other members	9,062,350	9,348,236
iii. Total benefits payable from employer annuity accumulation fund	$ 35,610,822	$ 34,080,642
c. Total liabilities	$ 47,073,661	$ 45,338,006

System Net Assets
Assets at Market or Fair Value
(Dollar amounts expressed in thousands)

Item			July 1, 2013		July 1, 2012
(1)			(2)		(3)
1.	Cash and cash equivalents (operating cash)	$	2,579,242	$	1,832,037
2.	Receivables		879,568		832,794
3.	Investments				
	a. Short-term securities	$	411,422	$	0
	b. Domestic fixed income		5,877,851		3,362,727
	c. Global fixed income		1,685,096		1,313,272
	d. Domestic equities		1,532,325		1,612,140
	e. Global equities		1,491,925		1,503,156
	f. Alternative investments		10,224,360		12,516,005
	g. Total investments	$	21,222,979	$	20,307,300
4.	Securities lending cash collateral invested	$	92,040	$	159,112
5.	Prepaid administrative expenses		1,092		598
6.	Capital assets, net of accumulated depreciation		2,770		2,688
7.	Total assets	$	24,777,691	$	23,134,529
8.	Liabilities				
	a. Due to other systems	$	492	$	507
	b. Accounts payable		1,174,897		784,847
	c. Investment fees payable		8,056		8,212
	d. Obligations under securities lending		92,040		159,112
	e. Deferred retirement benefits		468,074		385,716
	f. Due to employee insurance program		52,489		42,469
	g. Benefit payable		3,404		2,910
	h. Other liabilities		186,917		213,848
	i. Total liabilities	$	1,986,369	$	1,597,621
9.	Total market value of assets available for benefits (Item 7 - Item 8.i.)	$	22,791,322	$	21,536,908
10.	Asset allocation (investments)				
	a. Net invested cash		8.7%		5.7%
	b. Domestic fixed income		25.8%		15.6%
	c. Global fixed income		7.4%		6.1%
	d. Domestic equities		6.7%		7.5%
	e. Global equities		6.5%		7.0%
	f. Alternative investments		44.9%		58.1%
	g. Total investments		100.0%		100.0%

Reconciliation of System Net Assets

(Dollar amounts expressed in thousands)

	Year Ending July 1, 2013 (1)	Year Ending July 1, 2012 (2)
1. Value of assets at beginning of year	$ 21,536,908	$ 22,395,029
2. Revenue for the year		
a. Contributions		
i. Member contributions	$ 674,783	$ 586,818
ii. Employer contributions	948,814	825,385
iii. Total	$ 1,623,597	$ 1,412,203
b. Income		
i. Interest, dividends, and other income	$ 260,801	$ 211,910
ii. Investment expenses	(362,262)	(47,713)
iii. Net	$ (101,461)	$ 164,197
c. Net realized and unrealized gains (losses)	2,303,180	(54,890)
d. Total revenue	$ 3,825,316	$ 1,521,510
3. Expenditures for the year		
a. Disbursements		
i. Refunds	$ 87,212	$ 83,134
ii. Regular annuity benefits[1]	2,441,221	2,255,786
iii. Other benefit payments	19,769	19,028
iv. Transfers to other systems	3,396	2,184
v. Total	$ 2,551,598	$ 2,360,132
b. Administrative expenses and depreciation	19,304	19,499
c. Total expenditures	$ 2,570,902	$ 2,379,631
4. Increase in net assets (Item 2. - Item 3.)	$ 1,254,414	$ (858,121)
5. Value of assets at end of year (Item 1. + Item 4.)	$ 22,791,322	$ 21,536,908
6. Net external cash flow		
a. Dollar amount	$ (928,001)	$ (947,929)
b. Percentage of market value	-4.2%	-4.3%

[1] Amount includes the monthly benefits deferred in TERI and recorded as an expense for the year.

Development of Actuarial Value of Assets
(Dollar amounts expressed in thousands)

			July 1, 2013
			(1)
1.	Actuarial value of assets at the prior valuation date	$	25,540,749
2.	Market value of assets at the prior valuation date	$	21,536,908
3.	Net external cash flow during the year		
	a. Contributions	$	1,623,597
	b. Disbursements		(2,551,598)
	c. Subtotal	$	(928,001)
4.	Expected net investment income at 7.50% earned on		
	a. Actuarial value of assets at the prior valuation date	$	1,915,556
	b. Contributions		60,885
	c. Disbursements		(95,685)
	d. Subtotal	$	1,880,756
5.	Expected actuarial value of assets, end of year (Item 1. + Item 3.c. + Item 4.d.)	$	26,493,504
6.	Market value of assets as of the current valuation date	$	22,791,322
7.	Difference between expected actuarial assets and market value of assets (Item 6. - Item 5.)	$	(3,702,182)
8.	Excess/(shortfall) recognized (20% of Item 7.)	$	(740,436)
9.	Actuarial value of plan assets, end of year (Item 5. + Item 8.)	$	25,753,068
10.	Asset gain (loss) for year (Item 9. - Item 5.)	$	(740,436)
11.	Asset gain (loss) as % of the actuarial value of assets		(2.88%)
12.	Ratio of AVA to MVA		113.0%

Estimation of Yields
(Dollar amounts expressed in thousands)

		Year Ending	
		July 1, 2013	July 1, 2012
		(1)	(2)
1.	Market value yield		
a.	Beginning of year market assets	$ 21,536,908	$ 22,395,029
b.	Contributions to fund during the year	1,623,597	1,412,203
c.	Disbursements	(2,551,598)	(2,360,132)
d.	Investment income (net of investment and administrative expenses)	2,182,415	89,808
e.	End of year market assets	$ 22,791,322	$ 21,536,908
f.	Estimated dollar-weighted market value yield	10.4%	0.4%
2.	Actuarial value yield		
a.	Beginning of year actuarial assets	$ 25,540,749	$ 25,604,823
b.	Contributions to fund during the year	1,623,597	1,412,203
c.	Disbursements	(2,551,598)	(2,360,132)
d.	Investment income (net of investment and administrative expenses)	1,140,320	883,855
e.	End of year actuarial assets	$ 25,753,068	$ 25,540,749
f.	Estimated actuarial value yield	4.5%	3.5%

Schedule of Funding Progress
(Dollar amounts expressed in thousands)

July 1,	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL) (3) - (2)	Funded Ratio (2)/(3)	Annual Covered Payroll[1]	UAAL as % of Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
2001	$ 18,486,773	$ 21,162,147	$ 2,675,374	87.4%	$ 6,017,537	44.5%
2002	19,298,174	22,446,574	3,148,400	86.0%	6,147,712	51.2%
2003	20,197,936	24,398,931	4,200,995	82.8%	6,240,768	67.3%
2004	20,862,659	25,977,852	5,115,193	80.3%	6,180,599	82.8%
2005	21,625,510	30,217,471	8,591,961	71.6%	6,356,489	135.2%
2006	22,293,446	32,018,519	9,725,073	69.6%	6,733,379	144.4%
2007	23,541,438	33,766,678	10,225,240	69.7%	7,093,181	144.2%
2008	24,699,678	35,663,419	10,963,741	69.3%	7,559,172	145.0%
2009	25,183,062	37,150,315	11,967,253	67.8%	7,761,808	154.2%
2010	25,400,331	38,774,029	13,373,698	65.5%	7,769,820	172.1%
2011	25,604,823	38,011,610	12,406,787	67.4%	7,687,558	161.4%
2012	25,540,749	39,457,708	13,916,959	64.7%	7,356,231	189.2%
2013	25,753,068	41,196,062	15,442,994	62.5%	7,434,820	207.7%

[1] Covered payroll does not include payroll attributable to members in ORP, TERI, or working retirees.

Notes to Required Supplementary Information
(as required by GASB #25)

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date:	July 1, 2013
Actuarial cost method:	Entry Age Normal
Amortization method:	Level percentage of payroll
Amortization period for GASB 25 ARC:	30-year open period[1]
Asset valuation method:	5-year smoothed market
Actuarial assumptions:	
Investment rate of return[2]	7.50%
Projected salary increases[2]	3.50% to 12.50% (varies by service)
Inflation	2.75%
Post-retirement benefit adjustments[3]	1.00%

[1] The employer and member contribution rates are determined in accordance with Section 9-1-1085 of the South Carolina Code.

[2] Includes inflation at 2.75%

[3] The benefit increase is the lesser of 1.00% or $500 annually.

Solvency Test
(Dollar amounts expressed in thousands)

	Actuarial Accrued Liability				Portion of Aggregate Accrued Liabilities Covered by Assets		
July 1,	Active Member Contributions	Retirants & Beneficiaries	Active & Inactive Members (Employer Financed)	Valuation Assets	Active	Retirants	ER Financed
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
2001	$ 4,339,747	$ 10,367,913	$ 6,454,487	$ 18,486,773	100.0%	100.0%	58.6%
2002	4,512,402	11,600,395	6,333,777	19,298,174	100.0%	100.0%	50.3%
2003	4,627,360	13,240,368	6,531,203	20,197,936	100.0%	100.0%	35.7%
2004	4,750,077	14,184,765	7,043,010	20,862,659	100.0%	100.0%	27.4%
2005	4,915,423	16,891,954	8,410,094	21,625,510	100.0%	98.9%	0.0%
2006	5,229,175	17,800,254	8,989,090	22,293,446	100.0%	95.9%	0.0%
2007	5,464,756	19,084,672	9,217,250	23,541,438	100.0%	94.7%	0.0%
2008	5,708,022	20,624,862	9,329,937	24,699,678	100.0%	92.1%	0.0%
2009	5,980,022	21,381,561	9,788,732	25,183,062	100.0%	89.8%	0.0%
2010	6,222,854	22,585,243	9,965,932	25,400,331	100.0%	84.9%	0.0%
2011	6,472,646	23,160,658	8,378,306	25,604,823	100.0%	82.6%	0.0%
2012	6,459,192	24,732,406	8,266,110	25,540,749	100.0%	77.2%	0.0%
2013	6,491,895	26,548,472	8,155,695	25,753,068	100.0%	72.6%	0.0%

SECTION D

MEMBERSHIP DATA

MEMBERSHIP TABLES

Summary of Membership Data

		July 1, 2013 (1)	July 1, 2012 (2)
1.	Active members		
	a. Males	56,892	57,209
	b. Females	127,798	128,539
	c. Total members	184,690	185,748
	d. Total annualized prior year pay	$ 7,103,023,052	$ 7,031,748,709
	e. Average pay	$ 38,459	$ 37,856
	f. Average age	45.2	45.3
	g. Average service	10.2	10.4
	h. Member contributions with interest	$ 5,704,051,368	$ 5,681,226,665
	i. Average contributions with interest	$ 30,884	$ 30,586
2.	Vested inactive members		
	a. Number	18,641	18,234
	b. Total annual deferred benefits	$ 114,453,095	$ 110,708,433
	c. Average annual deferred benefit	$ 6,140	$ 6,072
3.	Nonvested inactive members		
	a. Number	137,590	135,839
	b. Member contributions with interest	$ 195,927,339	$ 192,790,075
	c. Average contributions with interest	$ 1,424	$ 1,419
4.	Service retirees		
	a. Number	105,813	100,685
	b. Total annual benefits	$ 2,227,337,459	$ 2,084,693,740
	c. Average annual benefit	$ 21,050	$ 20,705
	d. Average age at the valuation date	68.9	68.9
5.	Disabled retirees		
	a. Number	13,329	12,941
	b. Total annual benefits	$ 180,095,624	$ 172,979,230
	c. Average annual benefit	$ 13,512	$ 13,367
	d. Average age at the valuation date	62.4	62.2
6.	Beneficiaries		
	a. Number	8,554	8,301
	b. Total annual benefits	$ 99,194,071	$ 94,514,806
	c. Average annual benefit	$ 11,596	$ 11,386
	d. Average age at the valuation date	67.5	67.4

Summary of Contributing Membership Data
(Dollar amounts expressed in thousands)

		June 30, 2013 (1)		June 30, 2012 (2)
1. Active Members				
a. Number of state employees		49,198		50,318
Total annual compensation	$	2,093,573	$	2,092,882
b. Number of public school employees		82,325		82,329
Total annual compensation	$	3,099,720	$	3,053,114
c. Number of other agency employees		53,167		53,101
Total annual compensation	$	1,909,730	$	1,885,753
Total number of active members		184,690		185,748
Total annual compensation	$	7,103,023	$	7,031,749
2. TERI Paricipants				
a. Number of state employees		2,904		2,368
Total annual compensation	$	143,953	$	134,871
b. Number of public school employees		4,673		3,650
Total annual compensation	$	225,148	$	202,277
c. Number of other agency employees		939		767
Total annual compensation	$	41,975	$	40,727
Number of active TERI partipants		8,516		6,785
Total annual compensation	$	411,076	$	377,875
3. Rehired Retired Participants				
a. Number of state employees		5,226		4,898
Total annual compensation	$	161,904	$	154,623
b. Number of public school employees		9,804		8,866
Total annual compensation	$	262,615	$	241,616
c. Number of other agency employees		3,263		3,403
Total annual compensation	$	115,173	$	103,554
Number of rehired retired members		18,293		17,167
Total annual compensation	$	539,692	$	499,793
4. ORP Participants				
a. Number of state employees		12,612		13,488
Total annual compensation	$	739,367	$	721,905
b. Number of public school employees		8,288		6,134
Total annual compensation	$	319,030	$	248,057
Number of ORP members		20,900		19,622
Total annual compensation	$	1,058,397	$	969,962
5. All Groups Combined				
a. Number of state employees		69,940		71,072
Total annual compensation	$	3,138,797	$	3,104,281
b. Number of public school employees		105,090		100,979
Total annual compensation	$	3,906,513	$	3,745,064
c. Number of other agency employees		57,369		57,271
Total annual compensation	$	2,066,878	$	2,030,034
Total number members		232,399		229,322
Total annual compensation	$	9,112,188	$	8,879,379

Note: Total compensation is the annualized pay for the prior year.

Summary of Historical Active Membership

		Active Members		Covered Payroll[1]		Average Annual Pay			
July 1,	Number of Employers	Number	Percent Increase /(Decrease)	Amount in Thousands	Percent Increase /(Decrease)	Amount	Percent Increase /(Decrease)	Average Age	Average Service
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
2001	739	191,494	2.7%	$ 6,017,537	2.3%	$ 31,424	5.15%	N/A	N/A
2002	746	189,166	-1.2%	6,147,712	2.2%	32,499	3.42%	44	10
2003	763	185,538	-1.9%	6,240,768	1.5%	33,636	3.50%	44	10
2004	763	181,827	-2.0%	6,180,599	-1.0%	33,992	1.06%	44	10
2005	768	181,022	-0.4%	6,356,489	2.8%	35,114	3.30%	44	10
2006	763	184,282	1.8%	6,733,379	5.9%	36,538	4.06%	45	10
2007	777	187,968	2.0%	7,093,181	5.3%	37,736	3.28%	45	10
2008	776	192,820	2.6%	7,559,172	6.6%	39,203	3.89%	45	10
2009	781	192,319	-0.3%	7,761,808	2.7%	40,359	2.95%	45	10
2010	800	190,239	-1.1%	7,769,820	-4.7%	40,842	1.20%	45	10
2011	803	187,611	-1.4%	7,687,558	-1.1%	40,976	0.33%	45	11
2012	806	185,748	-1.0%	7,356,231	-4.3%	39,603	-3.35%	45	10
2013	808	184,690	-0.6%	7,434,820	1.1%	40,256	1.65%	45	10

[1] Covered payroll is the annualized, projected compensation for the following year and does not include payroll attributable to members in ORP, TERI, or working retirees.

Distribution of Active Members by Age and by Years of Service

	Years of Credited Service												
	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30-34	35 & Over	Total
Attained Age	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.
Under 20	186	22	3	1	0	0	0	0	0	0	0	0	212
	$4,971	$10,680	$36,943	$100	$0	$0	$0	$0	$0	$0	$0	$0	$5,993
20-24	2,302	1,749	722	240	120	66	0	0	0	0	0	0	5,199
	$11,595	$25,440	$27,468	$23,980	$24,221	$26,082	$0	$0	$0	$0	$0	$0	$19,504
25-29	2,798	3,143	2,535	1,893	1,593	3,530	38	0	0	0	0	0	15,530
	$15,013	$29,477	$32,241	$34,355	$34,131	$35,114	$23,718	$0	$0	$0	$0	$0	$29,661
30-34	1,953	2,077	1,526	1,284	1,362	8,685	2,077	42	0	0	0	0	19,006
	$15,567	$31,265	$33,826	$36,572	$36,978	$39,244	$43,007	$32,885	$0	$0	$0	$0	$35,558
35-39	1,721	1,700	1,274	993	1,102	6,174	5,962	1,893	27	0	0	0	20,846
	$15,363	$31,198	$34,888	$35,847	$37,254	$39,156	$47,017	$49,640	$40,785	$0	$0	$0	$39,226
40-44	1,660	1,792	1,316	1,106	1,117	5,984	5,194	5,938	1,617	63	0	0	25,787
	$14,023	$31,713	$33,082	$35,371	$38,598	$38,377	$44,805	$52,828	$54,307	$47,222	$0	$0	$41,599
45-49	1,527	1,422	1,194	941	949	5,494	4,609	4,010	4,498	1,537	18	0	26,199
	$15,486	$30,361	$31,453	$35,613	$36,082	$36,419	$41,858	$47,296	$54,649	$54,412	$52,387	$0	$41,421
50-54	1,328	1,253	1,058	929	927	5,221	4,771	4,042	3,656	3,398	328	7	26,918
	$15,359	$30,102	$32,198	$33,123	$36,553	$36,424	$39,802	$44,189	$50,727	$56,115	$58,817	$29,142	$41,279
55-59	949	1,084	876	769	759	4,599	4,227	4,065	3,384	2,275	521	109	23,617
	$14,956	$31,431	$31,381	$33,160	$34,860	$35,950	$39,405	$42,446	$47,941	$53,566	$61,323	$59,758	$40,425
60-64	509	575	517	479	559	3,186	2,705	2,556	2,090	1,324	270	164	14,934
	$13,291	$27,338	$29,340	$31,284	$31,931	$36,624	$40,567	$43,520	$47,111	$52,130	$68,126	$66,084	$40,502
65 & Over	334	351	324	251	316	1,758	1,267	806	461	358	112	104	6,442
	$11,816	$18,688	$18,338	$23,106	$26,368	$30,380	$34,358	$42,678	$45,332	$53,325	$67,636	$77,661	$33,772
Total	15,267	15,168	11,345	8,886	8,804	44,697	30,850	23,352	15,733	8,955	1,249	384	184,690
	$14,324	$29,630	$31,864	$34,102	$35,504	$37,219	$42,331	$46,912	$50,961	$54,412	$62,573	$66,750	$38,458

Schedule of Annuitants by Type of Benefit

Type of Benefit/ Form of Payment (1)	Number (2)		Annual Benefits Amount (3)		Average Monthly Benefit (4)
Service :					
Maximum & QDRO	71,313	$	1,393,738,321	$	1,629
100% J&S	16,151		370,483,840		1,912
50% J&S	11,037		300,592,755		2,270
10 Years C&L	552		10,796,863		1,630
Level Income	6,760		151,725,681		1,870
Subtotal:	105,813	$	2,227,337,459		1,754
Disability:					
Maximum	10,990	$	150,398,862	$	1,140
100% J&S	1,332		14,201,719		888
50% J&S	845		13,445,655		1,326
10 Years C&L	162		2,049,389		1,054
Subtotal:	13,329	$	180,095,624		1,126
Beneficiaries:	8,554	$	99,194,087	$	966
Total:	127,696	$	2,506,627,170	$	1,636

Distribution of Annuitants by Monthly Benefit

Monthly Benefit Amount	Number of Annuitants	Female	Male	Average Service
(1)	(2)	(3)	(4)	(5)
Under $200	7,288	4,842	2,446	7.16
$ 200 - 399	11,811	8,460	3,351	10.96
400 - 599	11,212	7,953	3,259	14.06
600 - 799	9,567	6,969	2,598	16.97
800 - 999	8,365	5,982	2,383	19.48
1,000 - 1,199	7,612	5,466	2,146	21.78
1,200 - 1,399	7,053	5,067	1,986	23.64
1,400 - 1,599	6,630	4,727	1,903	25.04
1,600 - 1,799	6,288	4,475	1,813	26.43
1,800 - 1,999	6,132	4,271	1,861	27.32
2,000 - 2,199	6,780	4,954	1,826	27.95
2,200 - 2,399	6,965	5,192	1,773	28.38
2,400 - 2,599	7,247	5,427	1,820	28.68
2,600 - 2,799	5,848	4,215	1,633	29.12
2,800 - 2,999	4,173	2,834	1,339	29.43
3,000 - 3,199	3,120	1,875	1,245	29.70
3,200 - 3,399	2,226	1,219	1,007	29.89
3,400 - 3,599	1,740	934	806	30.16
3,600 - 3,799	1,412	692	720	30.10
3,800 - 3,999	1,223	560	663	30.40
4,000 & Over	5,004	1,613	3,391	31.30
Total	127,696	87,727	39,969	22.19

Schedule of Retirants Added to And Removed from Rolls
(Dollar amounts except average allowance expressed in thousands)

	Added to Rolls		Removed from Rolls		Rolls End of the Year		% Increase	Average
Year Ended	Number	Annual Benefits	Number	Annual Benefits	Number	Annual Benefits	in Annual Benefit	Annual Benefit
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
2001	12,523	$ 284,739	2,474	$ 23,735	74,054	$ 1,085,634	31.7%	$ 14,660
2002	7,344	140,077	2,334	24,531	79,064	1,201,180	10.6%	15,193
2003	7,866	163,867	2,510	27,662	84,420	1,337,385	11.3%	15,842
2004	7,319	151,477	2,132	22,656	89,607	1,466,206	9.6%	16,363
2005	7,203	167,748	2,143	23,537	94,667	1,610,417	9.8%	17,011
2006	4,621	118,271	2,083	24,099	97,205	1,704,589	5.8%	17,536
2007	5,944	130,286	2,252	28,455	100,897	1,806,420	6.0%	17,904
2008	6,021	132,856	2,396	30,178	104,522	1,909,098	5.7%	18,265
2009	6,190	101,813	2,698	36,834	108,014	1,974,077	3.4%	18,276
2010	6,596	151,348	3,216	44,049	111,394	2,081,376	5.4%	18,685
2011	6,336	141,242	2,358	31,382	115,372	2,191,236	5.3%	18,993
2012	9,523	205,050	2,968	44,099	121,927	2,352,188	7.3%	19,292
2013	9,088	204,581	3,319	50,142	127,696	2,506,627	6.6%	19,630

Includes Teacher and Employee Retention Incentive (TERI) participants.

Annual benefits added to rolls includes the benefit adjustments provided to continuing retirees.

APPENDIX A

ACTUARIAL ASSUMPTIONS AND METHODS

Summary of Actuarial Methods and Assumptions

The following presents a summary of the actuarial assumptions and methods used in the valuation of the South Carolina Retirement System.

Investment Rate of Return

Assumed annual rate of 7.50% net of investment and administrative expenses composed of a 2.75% inflation component and a 4.75% real rate of return, net of investment and administration expenses.

Rates of Annual Salary Increase

Rates of annual salary increase are assumed to vary for the first 19 years of service due to expected merit and promotional increases which differs by employee group. Beginning with the 20th year of service, the assumed annual rate of increase is 3.50% for both groups and for all future years of service.

The 3.50% rate of increase is composed of a 2.75% inflation component and a 0.75% real rate of wage increase (productivity) component.

Active Male & Female Salary Increase Rate				
	General Employees		Teachers	
Years of Service	Annual Promotional/Longevity Rates of Increase	Total Annual Rate of Increase Including 3.50% Wage Inflation	Annual Promotional/Longevity Rates of Increase	Total Annual Rate of Increase Including 3.50% Wage Inflation
0	2.50%	6.00%	4.00%	7.50%
1	2.50%	6.00%	9.00%	12.50%
2	2.00%	5.50%	3.00%	6.50%
3	1.50%	5.00%	2.75%	6.25%
4	1.25%	4.75%	2.50%	6.00%
5	1.00%	4.50%	2.25%	5.75%
6	0.75%	4.25%	2.00%	5.50%
7	0.50%	4.00%	1.75%	5.25%
8	0.50%	4.00%	1.75%	5.25%
9	0.25%	3.75%	1.50%	5.00%
10	0.25%	3.75%	1.50%	5.00%
11	0.25%	3.75%	1.50%	5.00%
12	0.25%	3.75%	1.25%	4.75%
13	0.25%	3.75%	1.00%	4.50%
14	0.00%	3.50%	1.00%	4.50%
15	0.00%	3.50%	1.00%	4.50%
16	0.00%	3.50%	0.75%	4.25%
17	0.00%	3.50%	0.50%	4.00%
18	0.00%	3.50%	0.25%	3.75%
19	0.00%	3.50%	0.25%	3.75%
20+	0.00%	3.50%	0.00%	3.50%

Active Member Decrement Rates

a. Assumed rate of Service Retirement or TERI entry are shown in the following tables. The first table is for members who attain age 65 before attaining 28 years of service. The second table is based on service and is for members who attain 28 years of service before age 65.

Annual Age Based Retirement Rates

Members	Class Two								Class Three
	General Employees				Teachers				
Age	Reduced		Normal*		Reduced		Normal*		Rule of 90
	Male	Female	Male	Female	Male	Female	Male	Female	
55	4%	4%	0%	0%	2%	2%	0%	0%	20%
56	4%	4%	0%	0%	2%	2%	0%	0%	20%
57	4%	4%	0%	0%	2%	2%	0%	0%	20%
58	4%	4%	0%	0%	2%	2%	0%	0%	20%
59	4%	4%	0%	0%	2%	2%	0%	0%	20%
60	5%	7%	0%	0%	5%	6%	0%	0%	20%
61	5%	7%	0%	0%	6%	6%	0%	0%	20%
62	14%	13%	0%	0%	12%	11%	0%	0%	20%
63	10%	13%	0%	0%	12%	10%	0%	0%	20%
64	10%	13%	0%	0%	9%	10%	0%	0%	20%
65	0%	0%	20%	22%	0%	0%	20%	25%	20%
66	0%	0%	20%	22%	0%	0%	20%	25%	20%
67	0%	0%	17%	19%	0%	0%	20%	20%	20%
68	0%	0%	17%	19%	0%	0%	20%	20%	20%
69	0%	0%	17%	19%	0%	0%	20%	20%	20%
70	0%	0%	17%	19%	0%	0%	20%	20%	20%
71	0%	0%	17%	19%	0%	0%	20%	20%	20%
72	0%	0%	17%	19%	0%	0%	20%	20%	20%
73	0%	0%	17%	19%	0%	0%	20%	20%	20%
74	0%	0%	17%	19%	0%	0%	20%	20%	20%
75	0%	0%	100%	100%	0%	0%	100%	100%	100%

* Retirement rate 50% at the later of age 62 or when they are first eligible for a normal retirement benefit, the first age the member is eligible to concurrently commence benefits and continue employment.

Annual Service Based Retirement Rates*				
Class Two Members				
Years of Service	General Employees		Teachers	
	Male	Female	Male	Female
28	15%	18%	7%	8%
29	10%	10%	8%	9%
30	10%	10%	8%	9%
31	10%	10%	9%	10%
32	10%	10%	10%	11%
33	18%	20%	11%	12%
34	18%	20%	12%	18%
35	18%	20%	13%	18%
36	20%	20%	14%	18%
37	20%	20%	18%	18%
38	20%	20%	17%	19%
39	20%	20%	17%	20%
40	100%	100%	100%	100%
41	100%	100%	100%	100%
42	100%	100%	100%	100%
43	100%	100%	100%	100%
44	100%	100%	100%	100%
45	100%	100%	100%	100%
46	100%	100%	100%	100%
47	100%	100%	100%	100%
48	100%	100%	100%	100%

* Retirement rate 50% at the later of age 62 or when they are first eligible for a normal retirement benefit, the first age the member is eligible to concurrently commence benefits and continue employment.

b. Assumed rates of disability are shown in the following table.

Disability Rates				
Age	General Employees		Teachers	
	Males	Females	Males	Females
25	0.0504%	0.0464%	0.0419%	0.0458%
30	0.1008%	0.0650%	0.0629%	0.0616%
35	0.1512%	0.1299%	0.0838%	0.0616%
40	0.2520%	0.1670%	0.1572%	0.1074%
45	0.3528%	0.2413%	0.2620%	0.2200%
50	0.5040%	0.4083%	0.4192%	0.3520%
55	0.8064%	0.6496%	0.6812%	0.5720%
60	1.0080%	0.9930%	1.0480%	0.8800%
64	1.2600%	1.3827%	1.3100%	1.1000%

c. Active Member Mortality

Rates of active member mortality are based upon a client specific table with applicable multipliers to match the experience.

Active Mortality Rates (Multiplier Applied)				
Age	**General Employees**		**Teachers**	
	Males	**Females**	**Males**	**Females**
25	0.0414%	0.0166%	0.0432%	0.0145%
30	0.0488%	0.0211%	0.0511%	0.0185%
35	0.0850%	0.0380%	0.0889%	0.0333%
40	0.1187%	0.0565%	0.1241%	0.0494%
45	0.1659%	0.0899%	0.1734%	0.0787%
50	0.2352%	0.1341%	0.2459%	0.1173%
55	0.3332%	0.2021%	0.3483%	0.1768%
60	0.5366%	0.3145%	0.5610%	0.2752%
64	0.7731%	0.4343%	0.8082%	0.3800%
Multiplier	110%	80%	115%	70%

d. Rates of Withdrawal

Rate of withdrawal for active members prior to eligibility for retirement are for each employee group and differ by gender and service. Sample rates are shown in the tables below.

Withdrawal Rates - Male General Employees															
Age	**Years of Service**														
	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14
25	0.329	0.247	0.190	0.155	0.134	0.117	0.096	0.078	0.065	0.059	0.066	0.000	0.000	0.000	0.000
30	0.294	0.221	0.173	0.142	0.124	0.109	0.095	0.082	0.070	0.060	0.053	0.047	0.044	0.042	0.039
35	0.268	0.200	0.155	0.129	0.112	0.101	0.092	0.082	0.072	0.059	0.042	0.047	0.044	0.042	0.039
40	0.246	0.180	0.138	0.114	0.100	0.092	0.086	0.079	0.069	0.055	0.033	0.042	0.042	0.042	0.039
45	0.226	0.164	0.123	0.100	0.088	0.082	0.078	0.073	0.064	0.049	0.027	0.039	0.036	0.034	0.032
50	0.208	0.150	0.111	0.089	0.077	0.072	0.068	0.063	0.055	0.042	0.022	0.029	0.029	0.029	0.029
55	0.194	0.141	0.104	0.081	0.069	0.060	0.054	0.049	0.042	0.033	0.021	0.020	0.020	0.020	0.020
60	0.183	0.135	0.100	0.077	0.063	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

Age	**Years of Service (Continued)**													
	15	16	17	18	19	20	21	22	23	24	25	26	27	28+
25	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
30	0.036	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
35	0.036	0.034	0.032	0.029	0.027	0.025	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
40	0.036	0.034	0.032	0.029	0.027	0.025	0.023	0.022	0.020	0.018	0.017	0.000	0.000	0.000
45	0.029	0.029	0.029	0.029	0.027	0.025	0.023	0.022	0.020	0.018	0.017	0.016	0.014	0.000
50	0.029	0.027	0.025	0.023	0.022	0.020	0.020	0.020	0.020	0.018	0.017	0.016	0.014	0.000
55	0.020	0.020	0.020	0.020	0.020	0.020	0.018	0.017	0.016	0.014	0.000	0.000	0.000	0.000
60	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

Withdrawal Rates - Female General Employees

Age	Years of Service														
	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14
25	0.298	0.246	0.206	0.177	0.156	0.138	0.125	0.116	0.109	0.103	0.094	0.000	0.000	0.000	0.000
30	0.271	0.224	0.186	0.159	0.140	0.125	0.115	0.106	0.097	0.085	0.069	0.052	0.049	0.045	0.042
35	0.251	0.202	0.166	0.141	0.124	0.113	0.104	0.096	0.086	0.071	0.051	0.052	0.049	0.045	0.042
40	0.233	0.180	0.145	0.123	0.110	0.101	0.093	0.085	0.075	0.059	0.037	0.045	0.045	0.045	0.042
45	0.217	0.162	0.127	0.108	0.097	0.089	0.082	0.075	0.064	0.049	0.028	0.042	0.039	0.036	0.033
50	0.204	0.149	0.115	0.097	0.086	0.079	0.071	0.064	0.054	0.041	0.023	0.030	0.030	0.030	0.030
55	0.195	0.143	0.109	0.089	0.078	0.069	0.061	0.053	0.044	0.035	0.024	0.020	0.020	0.020	0.020
60	0.187	0.141	0.108	0.085	0.070	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

Age	Years of Service (Continued)													
	15	16	17	18	19	20	21	22	23	24	25	26	27	28+
25	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
30	0.039	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
35	0.039	0.036	0.033	0.030	0.028	0.025	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
40	0.039	0.036	0.033	0.030	0.028	0.025	0.023	0.022	0.020	0.018	0.017	0.000	0.000	0.000
45	0.030	0.030	0.030	0.030	0.028	0.025	0.023	0.022	0.020	0.018	0.017	0.016	0.015	0.000
50	0.030	0.028	0.025	0.023	0.022	0.020	0.020	0.020	0.020	0.018	0.017	0.016	0.015	0.000
55	0.020	0.020	0.020	0.020	0.020	0.020	0.018	0.017	0.016	0.015	0.000	0.000	0.000	0.000
60	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

Withdrawal Rates - Male Teachers

Age	Years of Service														
	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14
25	0.296	0.203	0.138	0.097	0.072	0.058	0.051	0.051	0.052	0.054	0.056	0.000	0.000	0.000	0.000
30	0.272	0.192	0.136	0.099	0.078	0.066	0.061	0.058	0.054	0.048	0.039	0.027	0.026	0.025	0.025
35	0.253	0.182	0.132	0.099	0.081	0.071	0.066	0.061	0.054	0.043	0.027	0.027	0.026	0.025	0.025
40	0.237	0.173	0.127	0.098	0.082	0.073	0.068	0.062	0.053	0.039	0.020	0.025	0.025	0.025	0.025
45	0.224	0.165	0.123	0.096	0.081	0.073	0.067	0.060	0.050	0.036	0.017	0.025	0.024	0.023	0.023
50	0.214	0.159	0.119	0.094	0.079	0.070	0.063	0.055	0.046	0.034	0.017	0.022	0.022	0.022	0.022
55	0.206	0.155	0.117	0.091	0.074	0.065	0.056	0.048	0.040	0.032	0.022	0.017	0.017	0.017	0.017
60	0.200	0.152	0.114	0.087	0.067	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

Age	Years of Service (Continued)													
	15	16	17	18	19	20	21	22	23	24	25	26	27	28+
25	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
30	0.024	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
35	0.024	0.023	0.023	0.022	0.021	0.020	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
40	0.024	0.023	0.023	0.022	0.021	0.020	0.019	0.018	0.017	0.015	0.014	0.000	0.000	0.000
45	0.022	0.022	0.022	0.022	0.021	0.020	0.019	0.018	0.017	0.015	0.014	0.012	0.009	0.000
50	0.022	0.021	0.020	0.019	0.018	0.017	0.017	0.017	0.017	0.015	0.014	0.012	0.009	0.000
55	0.017	0.017	0.017	0.017	0.017	0.017	0.015	0.014	0.012	0.009	0.000	0.000	0.000	0.000
60	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

Withdrawal Rates - Female Teachers															
Age	Years of Service														
	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14
25	0.230	0.161	0.121	0.101	0.089	0.084	0.083	0.080	0.073	0.066	0.060	0.000	0.000	0.000	0.000
30	0.227	0.166	0.126	0.101	0.088	0.080	0.075	0.070	0.062	0.053	0.043	0.032	0.030	0.028	0.026
35	0.217	0.160	0.121	0.097	0.083	0.075	0.068	0.062	0.054	0.043	0.030	0.032	0.030	0.028	0.026
40	0.204	0.148	0.111	0.088	0.076	0.068	0.062	0.055	0.048	0.037	0.021	0.028	0.028	0.028	0.026
45	0.193	0.136	0.100	0.080	0.068	0.062	0.056	0.050	0.044	0.033	0.016	0.026	0.024	0.023	0.021
50	0.187	0.130	0.094	0.074	0.063	0.057	0.052	0.048	0.042	0.032	0.015	0.020	0.020	0.020	0.020
55	0.188	0.131	0.094	0.073	0.063	0.054	0.051	0.047	0.042	0.033	0.019	0.013	0.013	0.013	0.013
60	0.195	0.138	0.099	0.076	0.066	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

Age	Years of Service (Continued)													
	15	16	17	18	19	20	21	22	23	24	25	26	27	28+
25	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
30	0.024	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
35	0.024	0.023	0.021	0.020	0.018	0.017	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
40	0.024	0.023	0.021	0.020	0.018	0.017	0.015	0.014	0.013	0.011	0.010	0.000	0.000	0.000
45	0.020	0.020	0.020	0.020	0.018	0.017	0.015	0.014	0.013	0.011	0.010	0.009	0.008	0.000
50	0.020	0.018	0.017	0.015	0.014	0.013	0.013	0.013	0.013	0.011	0.010	0.009	0.008	0.000
55	0.013	0.013	0.013	0.013	0.013	0.013	0.011	0.010	0.009	0.008	0.000	0.000	0.000	0.000
60	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

Post Retirement Mortality

a. Healthy retirees and beneficiaries – The valuation assumes fully generational mortality. The base mortality table used is the RP-2000 Mortality Table (Public School District Employees utilize the White Collar adjustment), adjusted by multipliers documented in the table below. Future mortality improvements are assumed each year using Scale AA. The following are sample rates:

Nondisabled Annuitant Mortality Rates Before Projection (Multiplier Applied)				
Age	General Employees		Teachers	
	Males	Females	Males	Females
50	0.2138%	0.1508%	0.2176%	0.1510%
55	0.3624%	0.2445%	0.3632%	0.2457%
60	0.6747%	0.4550%	0.6141%	0.4443%
65	1.2737%	0.8735%	1.2167%	0.8218%
70	2.2206%	1.5068%	2.1203%	1.4426%
75	3.7834%	2.5295%	3.6997%	2.4431%
80	6.4368%	4.1291%	6.5353%	4.0926%
85	11.0757%	6.9701%	11.5132%	7.0483%
90	18.3408%	11.8514%	19.6100%	11.9843%
Multiplier	100%	90%	110%	95%

The following table provides the life expectancy for individuals retiring in future years based on the assumption with full generational projection:

Life Expectancy for an Age 65 Retiree in Years				
Employee Type	**Year of Retirement**			
	2015	**2020**	**2025**	**2030**
General Employee – Male	19.6	20.0	20.4	20.7
General Employee – Female	22.3	22.5	22.7	22.9
Teacher – Male	19.5	19.9	20.3	20.6
Teacher - Female	22.4	22.6	22.8	22.9

b. A separate table of mortality rates is used for disabled retirees based on the RP-2000 Disabled Retiree Mortality Table. The following are sample rates:

Disabled Annuitant Mortality Rates (Multiplier Applied)				
Age	**General Employees**		**Teachers**	
	Males	**Females**	**Males**	**Females**
50	2.4629%	1.2689%	2.1731%	1.2689%
55	3.0126%	1.8198%	2.6581%	1.8198%
60	3.5736%	2.4023%	3.1531%	2.4023%
65	4.2648%	3.0829%	3.7631%	3.0829%
70	5.3196%	4.1398%	4.6937%	4.1398%
75	6.9757%	5.7453%	6.1550%	5.7453%
80	9.2966%	7.9543%	8.2029%	7.9543%
85	12.0363%	11.0223%	10.6202%	11.0223%
90	15.5897%	15.4054%	13.7556%	15.4054%
Multiplier	85%	110%	75%	110%

Asset Valuation Method

The actuarial value of assets is based on the market value of assets with five-year smoothing applied. This is accomplished by recognizing each year 20% of the difference between the market value of assets and the expected actuarial value of assets, based upon the assumed valuation rate of return.

Expected earnings are determined using the assumed investment rate of return and the beginning of year actuarial value of assets (adjusted for receipts and disbursements during the year). The returns are computed net of administrative and investment expenses.

Actuarial Cost Method

The Entry Age Normal actuarial cost method allocates the System's actuarial present value of future benefits to various periods based upon service. The portion of the present value of future benefits allocated to years of service prior to the valuation date is the actuarial accrued liability, and the portion allocated to years following the valuation date is the present value of future normal costs. The normal cost is determined for each active member as the level percent of payroll necessary to fully fund the expected benefits to be earned over the career of each individual active member. The normal cost is partially funded with active member contributions with the remainder funded by employer contributions.

An unfunded accrued liability exists in the amount equal to the excess of accrued liability over valuation assets. The amortization period of the System is the number of years required to fully amortize the unfunded accrued liability with the expected amount of employer contributions in excess of the employers' portion of the normal cost.

The calculation of the amortization period takes into account scheduled increases to contribution rates applicable to future years and payroll growth. Also, the calculation of the amortization period reflects additional contributions the System receives with respect to post July 1, 2005 TERI participants, ORP participants and return to work retirees. These contributions are assumed to grow at the same payroll growth rate as for active SCRS employees. It is assumed that amortization payments are made monthly at the end of the month.

Unused Annual Leave

To account for the effect of unused annual leave in Annual Final Compensation (AFC) of Class Two members, the AFC for Class Two members is increased 2.14% at their date of retirement.

Unused Sick Leave

To account for the effect of unused sick leave on credited service for Class Two members, the service of active Class Two members who retire is increased 3 months.

Future Post-Retirement Benefit Adjustments

Benefits are assumed to increase by the lesser of 1.00% annually or $500 beginning on the July 1st following the receipt of 12 monthly benefit payments. The $500 limit in the annual increase is not indexed to escalate in future years.

Payroll Growth Rate

The total annual payroll of active members (also applies to TERI, ORP and rehired retiree participants) is assumed to increase at an annual rate of 3.50%. This rate represents the underlying expected annual rate of wage inflation and does not anticipate increases in the number of members.

Other Assumptions

1. Valuation payroll (used for determining the amortization contribution rate): Prior fiscal year payroll projected forward one year using the overall payroll growth rate. This was determined separately for TERI, and return to work employees by dividing the actual member contributions received during the prior fiscal year by the member contribution rate in effect for that year, and then projecting that amount forward one year.

2. Individual salaries used to project benefits: Actual salaries from the past fiscal year are used to determine the final average salary as of the valuation date. For future salaries, the salary from the last fiscal year is projected forward with one year's salary scale.

3. Pay increase timing: Beginning of (fiscal) year. This is equivalent to assuming that reported salaries represent amounts paid to members during the year ended on the valuation date.

4. Percent married: 100% of male and 100% of female employees are assumed to be married.

5. Age difference: Males are assumed to be three years older than their spouses.

6. Percent electing annuity on death (when eligible): All of the spouses of vested, married participants are assumed to elect an immediate life annuity.

7. Inactive Population: All non-vested members are assumed to take an immediate refund. Members with a vested benefit are assumed to elect a refund or a deferred benefit commencing at age 65, whichever is more valuable at the valuation date.

8. There will be no recoveries once disabled.

9. Decrement timing: Decrements of all types are assumed to occur mid-year.

10. Eligibility testing: Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.

11. Decrement relativity: Decrement rates are used directly from the experience study, without adjustment for multiple decrement table effects.

12. Incidence of Contributions: Contributions are assumed to be received continuously throughout the year based upon the computed percent of payroll shown in this report, and the actual payroll payable at the time contributions are made.

13. Benefit Service: All members are assumed to accrue one year of eligibility service each year.

14. All calculations were performed without regard to the compensation limit in IRC Section 401(a)(17) and the benefit limit under IRC Section 415.

Participant Data

Participant data was supplied in electronic text files. There were separate files for (i) active and inactive members, and (ii) members and beneficiaries receiving benefits.

The data for active members included birth date, gender, service with the current city and total vesting service, salary, and employee contribution account balances. For retired members and beneficiaries, the data included date of birth, gender, spouse's date of birth (where applicable), amount of monthly benefit, date of retirement, and form of payment code.

Salary supplied for the current year was based on the annualized earnings for the year preceding the valuation date.

Assumptions were made to correct for missing, bad, or inconsistent data. These had no material impact on the results presented.

APPENDIX B

BENEFIT PROVISIONS

SUMMARY OF BENEFIT PROVISIONS FOR SOUTH CAROLINA RETIREMENT SYSTEM (SCRS)

Effective Date: July 1, 1945.

Administration: The South Carolina Retirement System, organizationally aligned as a Division of the South Carolina Public Employee Benefit Authority, is responsible for the general administrative operations and day to day management of the Plan.

Type of Plan: This is a qualified governmental defined benefit retirement plan. Under GASB 25, it is considered to be a cost-sharing multiple-employer plan.

Eligibility: This System covers all permanent full-time or part-time employees of a covered employer (i.e. public school, state employer, city, county, and other local public governmental entity), unless specifically exempted by Statute or participate in the State Optional Retirement Program (ORP).

Employee Contributions: Members contributed 7.00%, 7.50% of earnable compensation for FY 2013 and 2014 respectively. The member contribution rate for FY 2015 and thereafter is 8.00%. Furthermore, in the event that these contribution rates are insufficient to maintain a 30-year amortization period, the Board shall increase the employer and member contribution rates by an equal amount (i.e. maintain at least a 2.90% differential between the employer and member rates) as necessary to maintain a 30-year funding period. The employer and member contribution rates may not decrease until the plan attains a 90% funded ratio. These contributions are "picked-up" under Section 414(h) of the Internal Revenue Code. Contributions are credited with interest at the rate of 4.0% per annum while the member is actively employed.

Average Final Compensation (AFC): The monthly average of the member's highest 12 consecutive quarters of earnable compensation (highest 20 consecutive quarters for Class Three members, members who are hired after June 30, 2012). Earnable compensation is the compensation that would be payable to a member if the member worked a full, normal working time, which includes gross salary, sick pay, and deferrals. Compensation due to overtime earned after December 31, 2012 will not be included unless that compensation is for time that is mandated by the employer.

The calculation of the AFC for Class One and Class Two members also includes up to 45 days pay for unused annual leave paid at termination. Members joining the System after January 1, 1996, have their compensation limited in accordance with IRC Section 401(a)(17) for determining benefits.

Service Retirement (Unreduced):

a. Eligibility: Class Two members may retire with an unreduced benefit at age 65 with five years of earned service or after 28 years of creditable service, if earlier. Class Three members may retire with an unreduced benefit at age 65 with eight years of earned service or after the satisfying the rule of 90 (i.e. age plus credited service equals or exceeds 90).

b. Monthly Benefit: 1.82% times the member's AFC times their years of creditable service.

c. Payment Forms: Maximum retirement allowance (Option A) and survivor allowances under Options B and C.

Service Retirement (Reduced):

a. Eligibility: Class Two members may retire with a reduced benefit upon attaining: (1) age 55 with 25 years of creditable service (minimum of 5 years of earned service), or (2) age 60 with five years of earned service. Class Three members may retire with a reduced benefit upon attaining age 60 with eight years of earned service.

b. Reduction: A Class Two member's benefit will be reduced by either an age or service based reduction factor described below, whichever results in the most favorable benefit. A Class Three member's benefit will be reduced by the age based reduction factor described below.

   Age Based: Members retiring after age 60 will have their benefit reduced at the rate of 5% per year for each year of their retirement age precedes age 65.

   Service Based: 4% per year for each year of creditable service that is less than 28.

c. Payment Forms: Maximum retirement allowance (Option A) and survivor allowances under Options B and C.

Disability Retirement:

a. Eligibility: The eligibility for a disability retirement will be based upon the member's entitlement for Social Security disability benefits.

b. Monthly Benefit: The net monthly disability benefit payable is equal to the member's benefit based on their credited service and AFC at the time of their disability.

c. Payment Form: Maximum retirement allowance (Option A) and survivor allowances under Options B and C.

d. Death while Disabled: A disabled member is treated as a retired member for purposes of determining a death benefit.

***Vesting and Refunds*:**

a. Eligibility: All members who are not vested are eligible for a refund when they terminate service. Class Two members are vested after five (5) years of earned service. Class Three members are vested after eight (8) years of earned service. Vested members may also elect to receive a refund in lieu of the deferred termination benefit described below.

b. Amount: The refund benefit is the accumulated value of the member's contributions plus interest credited by the fund while they were actively employed. Members do not earn interest on their employee contribution account balance while they are inactive.

***Deferred Termination Benefit*:**

a. Eligibility: Member must be vested (i.e. 5 years of earned service for Class Two members and 8 years of earned service for Class Three members) and must elect to leave his/her contributions on deposit.

b. Monthly Benefit: Same as the unreduced or reduced service retirement benefit, based on service and AFC at termination, and commencing once the member is eligible.

c. Payment Form: Maximum retirement allowance (Option A).

d. Death Benefit: The beneficiary of an inactive member who dies is entitled to receive the amount of the member's accumulated contributions (with interest). If the member met service eligibility requirement at their time of death, the beneficiary is eligible for a monthly survivor annuity benefit.

***Death while an Active Contributing Member*:**

a. In General: A refund of the member's accumulated contributions (with interest) is paid to the beneficiary of a deceased member.

b. Beneficiary Annuity: If the deceased member (i) attained 5 or more years of earned service and (ii) had attained the age of 60 or had accumulated 15 or more years of creditable service, may elect to receive, in lieu of the accumulated contributions, a monthly benefit for life of the beneficiary determined under "Option B" described under the Optional Forms of Benefit. For purposes of the benefit calculation, a member under the age of 60 with less than 28 years of creditable service is assumed to be 60 years of age and no age reduction applies.

***Optional Forms of Benefit*:** The System permits members to elect from three forms of benefit at retirement. In each case the benefit amount is adjusted to be actuarially equivalent to the "Option A" form. The optional forms are:

a. Option A (Maximum Retirement Allowance): A life annuity. Upon the member's death, any remaining member contributions will be paid to the member's designated beneficiary.

b. Option B (100% Joint & Survivor with Pop-up): A reduced annuity payable as long as either the member or his/her spouse is living. In the event the member's designated beneficiary predeceases the member, then the member shall receive a retirement allowance equal to the maximum retirement allowance (Option A), plus any applicable cost of living increases that would have been granted.

c. Option C (50% Joint & Survivor with Pop-up): A reduced annuity payable during the member's life, and continues after the member's death at 50% of the rate paid to the member for the life of the member's designated beneficiary. In the event the member's designated beneficiary predeceases the member, then the member shall receive a retirement allowance equal to the maximum retirement allowance (Option A), plus any applicable cost of living increases that would have been granted.

***Incidental Death Benefit*:**

a. Active Employees: The beneficiary (or estate) of an active employee of an employer participating in the Preretirement Death Benefit Program who completes at least one full year of membership service, will receive a death benefit equal to the member's annual earnable compensation at the time of death.

The one-year membership requirement is waived for members whose death is a result of an injury arising out of and in the course of performing his duties.

For purposes of incidental death benefits, active employees include those members who are receiving a retirement allowance and are actively reemployed with a participating employer.

b. Post Employment: The beneficiary (or estate) of a retiree, both current and future retiree, of an employer participating in the Preretirement Death Benefit Program will receive a one-time payment upon the retiree's death. The amount of the one-time payment is based on the retiree's years of credited service at retirement.

Years of Service Credit	Death Benefit
10 or more, but less than 20	$2,000
20 or more, but less than 28	$4,000
28 or more	$6,000

Postretirement Benefit Increases: Benefits paid to retired members or surviving spouses are increased annually in an amount equal to the lesser of 1.00% of the pension benefit or $500. The $500 limit in the annual increase is not indexed to escalate in future years.

A member electing a reduced early retirement is ineligible to receive a COLA until the second July 1 after the earlier of:

(1) the member attains age 60, or

(2) the member would have 28 years of creditable service had he not retired.

***Teacher and Employee Retention Incentive Program (TERI)*:**

a. Eligibility: Active member eligible for a service retirement benefit.

b. Benefits: A member electing to participate in the program agrees to continue employment for a period not to exceed five years. During this period, the member's service retirement benefit is placed in the system's trust fund on behalf of the member. No interest is paid on the member's deferred monthly benefit during the program period. Upon termination of the program, the member must receive the balance in the account.

c. Other Adjustments: After June 30, 2005, the System shall recalculate the member's final compensation to reflect compensation increases earned after participating in the program. The AFC shall also include up to 45 days of unused annual leave.

d. Death while in TERI: If a member dies during the program period, the member's designated beneficiary will receive a distribution of the balance of benefits accumulated in the member's TERI account.

e. No members may participate in TERI after June 30, 2018.

APPENDIX C

GLOSSARY

GLOSSARY

Actuarial Accrued Liability (AAL): That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of Future Plan Benefits which is not provided for by future Normal Costs. It is equal to the Actuarial Present Value of Future Plan Benefits minus the actuarial present value of future Normal Costs.

Actuarial Assumptions: Assumptions as to future experience under the Fund. These include assumptions about the occurrence of future events affecting costs or liabilities, such as:

- mortality, withdrawal, disablement, and retirement;
- future increases in salary;
- future rates of investment earnings and future investment and administrative expenses;
- characteristics of members not specified in the data, such as marital status;
- characteristics of future members;
- future elections made by members; and
- other relevant items.

Actuarial Cost Method or ***Funding Method:*** A procedure for allocating the Actuarial Present Value of Future Benefits to various time periods; a method used to determine the Normal Cost and the Actuarial Accrued Liability. These items are used to determine the ARC.

Actuarial Gain or ***Actuarial Loss:*** A measure of the difference between actual experience and that expected based upon a set of Actuarial Assumptions, during the period between two Actuarial Valuation dates. Through the actuarial assumptions, rates of decrements, rates of salary increases, and rates of fund earnings have been forecasted. To the extent that actual experience differs from that assumed, Actuarial Accrued Liabilities emerge which may be the same as forecasted, or may be larger or smaller than projected. Actuarial gains are due to favorable experience, e.g., the Fund's assets earn more than projected, salaries do not increase as fast as assumed, members retire later than assumed, etc. Favorable experience means actual results produce actuarial liabilities not as large as projected by the actuarial assumptions. On the other hand, actuarial losses are the result of unfavorable experience, i.e., actual results that produce actuarial liabilities which are larger than projected. Actuarial gains will shorten the time required for funding of the actuarial balance sheet deficiency while actuarial losses will lengthen the funding period.

Actuarially Equivalent: Of equal actuarial present value, determined as of a given date and based on a given set of Actuarial Assumptions.

Actuarial Present Value (APV): The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions. For purposes of this standard, each such amount or series of amounts is:

a. adjusted for the probable financial effect of certain intervening events (such as changes in compensation levels, marital status, etc.)

b. multiplied by the probability of the occurrence of an event (such as survival, death, disability, termination of employment, etc.) on which the payment is conditioned, and

c. discounted according to an assumed rate (or rates) of return to reflect the time value of money.

Actuarial Present Value of Future Plan Benefits: The Actuarial Present Value of those benefit amounts which are expected to be paid at various future times under a particular set of Actuarial Assumptions, taking into account such items as the effect of advancement in age and past and anticipated future compensation and service credits. The Actuarial Present Value of Future Plan Benefits includes the liabilities for active members, retired members, beneficiaries receiving benefits, and inactive, nonretired members either entitled to a refund or a future retirement benefit. Expressed another way, it is the value that would have to be invested on the valuation date so that the amount invested plus investment earnings would provide sufficient assets to pay all projected benefits and expenses when due.

Actuarial Valuation: The determination, as of a valuation date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values for a plan. An Actuarial valuation for a governmental retirement system typically also includes calculations of items needed for compliance with GASB 25, such as the funded ratio and the ARC.

Actuarial Value of Assets or ***Valuation Assets:*** The value of the Fund's assets as of a given date, used by the actuary for valuation purposes. This may be the market or fair value of plan assets, but commonly actuaries use a smoothed value in order to reduce the year-to-year volatility of calculated results, such as the funded ratio and the ARC.

Actuarially Determined: Values which have been determined utilizing the principles of actuarial science. An actuarially determined value is derived by application of the appropriate actuarial assumptions to specified values determined by provisions of the law.

Amortization Method: A method for determining the Amortization Payment. The most common methods used are level dollar and level percentage of payroll. Under the Level Dollar method, the Amortization Payment is one of a stream of payments, all equal, whose Actuarial Present Value is equal to the UAAL. Under the Level Percentage of Pay method, the Amortization payment is one of a stream of increasing payments, whose Actuarial Present Value is equal to the UAAL. Under the Level Percentage of Pay method, the stream of payments increases at the assumed rate at which total covered payroll of all active members will increase.

Amortization Payment: That portion of the pension plan contribution or ARC which is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability.

Annual Required Contribution (ARC): The employer's periodic required contributions, expressed as a dollar amount or a percentage of covered plan compensation, determined under GASB 25. The ARC consists of the Employer Normal Cost and the Amortization Payment.

Closed Amortization Period: A specific number of years that is counted down by one each year, and therefore declines to zero with the passage of time. For example if the amortization period is initially set at 30 years, it is 29 years at the end of one year, 28 years at the end of two years, etc. See Funding Period and Open Amortization Period.

Decrements: Those causes/events due to which a member's status (active-inactive-retiree-beneficiary) changes, that is: death, retirement, disability, or termination.

Defined Benefit Plan: A retirement plan that is not a Defined Contribution Plan. Typically a defined benefit plan is one in which benefits are defined by a formula applied to the member's compensation and/or years of service.

Defined Contribution Plan: A retirement plan, such as a 401(k) plan, a 403(b) plan, or a 457 plan, in which the contributions to the plan are assigned to an account for each member, and the plan's earnings are allocated to each account, and each member's benefits are a direct function of the account balance.

Employer Normal Cost: The portion of the Normal Cost to be paid by the employers. This is equal to the Normal Cost less expected member contributions.

Experience Study: A periodic review and analysis of the actual experience of the Fund which may lead to a revision of one or more actuarial assumptions. Actual rates of decrement and salary increases are compared to the actuarially assumed values and modified as deemed appropriate by the Actuary.

Funded Ratio: The ratio of the actuarial value of assets (AVA) to the actuarial accrued liability (AAL). Plans sometimes calculate a market funded ratio, using the market value of assets (MVA), rather than the AVA, although GASB 25 reporting requires the use of the AVA.

Funding Period or ***Amortization Period:*** The term "Funding Period" is used two ways. In the first sense, it is the period used in calculating the Amortization Payment as a component of the ARC. This funding period is chosen by the Board of Trustees. In the second sense, it is a calculated item: the number of years in the future that will theoretically be required to amortize (i.e., pay off or eliminate) the Unfunded Actuarial Accrued Liability, based on the statutory employer contribution rate, and assuming no future actuarial gains or losses.

GASB: Governmental Accounting Standards Board.

GASB 25 and ***GASB 27***: Governmental Accounting Standards Board Statements No. 25 and No. 27. These are the governmental accounting standards that set the accounting rules for public retirement systems and the employers that sponsor or contribute to them. Statement No. 27 sets the accounting rules for the employers that sponsor or contribute to public retirement systems, while Statement No. 25 sets the rules for the systems themselves.

Normal Cost: That portion of the Actuarial Present Value of pension plan benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method. Any payment in respect of an Unfunded

Actuarial Accrued Liability is not part of Normal Cost (see Amortization Payment). For pension plan benefits which are provided in part by employee contributions, Normal Cost refers to the total of employee contributions and employer Normal Cost unless otherwise specifically stated. Under the entry age normal cost method, the Normal Cost is intended to be the level cost (when expressed as a percentage of pay) needed to fund the benefits of a member from hire until ultimate termination, death, disability or retirement.

Open Amortization Period: An open amortization period is one which is used to determine the Amortization Payment but which does not change over time. In other words, if the initial period is set as 30 years, the same 30-year period is used in determining the Amortization Period each year. In theory, if an Open Amortization Period is used to amortize the Unfunded Actuarial Accrued Liability, the UAAL will never completely disappear, but will become smaller each year, either as a dollar amount or in relation to covered payroll.

Unfunded Actuarial Accrued Liability: The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. This value may be negative in which case it may be expressed as a negative Unfunded Actuarial Accrued Liability, also called the Funding Surplus.

Valuation Date or Actuarial Valuation Date: The date as of which the value of assets is determined and as of which the Actuarial Present Value of Future Plan Benefits is determined. The expected benefits to be paid in the future are discounted to this date.

Gabriel Roeder Smith & Company
Consultants & Actuaries

POLICE OFFICERS RETIREMENT SYSTEM (PORS)

ACTUARIAL VALUATION REPORT

AS OF JULY 1, 2013

GRS

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December 2, 2013

Public Employee Benefit Authority
South Carolina Retirement System
P.O. Box 11960
Columbia, SC 29211-1960

Subject: Actuarial Valuation as of July 1, 2013

Dear Members of the Board:

This report describes the current actuarial condition of the Police Officers Retirement System (PORS), determines the calculated employer contribution rate, and analyzes changes in this contribution rate. In addition, the report provides information required by the Retirement System in connection with Governmental Accounting Standards Board Statement No. 25 (GASB 25), and gives various summaries of the data. Results of this report should not be used for any other purpose without consultation with the undersigned. Valuations are prepared annually as of July 1, the first day of the plan year for PORS. This report was prepared at the request of the Board of Directors of the South Carolina Public Employee Benefit Authority (Board) and is intended for use by the South Carolina Retirement System (SCRS) staff and those designated or approved by the Board.

FINANCING OBJECTIVES AND FUNDING POLICY

The employer and member contribution rate is determined in accordance with Section 9-11-225 of the South Carolina Code. As specified by the Code, in the event the scheduled employer and member contribution rate is insufficient to maintain a thirty-year amortization period for financing the unfunded liability of the System, the Board shall increase the employer and member contribution rates in equal amounts, as necessary, to maintain a funding period that does not exceed thirty years. The contribution rate determined by a given actuarial valuation becomes effective twenty-four months after the valuation date. In other words, the contribution rate determined by this July 1, 2013 actuarial valuation will be used by the Board when certifying the employer and member contribution rates for the year beginning July 1, 2015 and ending June 30, 2016.

According to State code, the Board is not permitted to decrease the employer and member contribution rates until the funded ratio of the plan is at least 90%. Also, any decrease in the rates must maintain the 5.00% differential between the employer and member contribution rates.

If new legislation is enacted between the valuation date and the date the contribution rate become effective, the Board may adjust the calculated rate before certifying them, in order to reflect this new legislation. Such adjustments are based on information supplied by the actuary.

PROGRESS TOWARD REALIZATION OF FINANCING OBJECTIVES

The funded ratio (the ratio of the actuarial value of assets to the actuarial accrued liability) is a standard measure of a plan's funded status. In the absence of benefit improvements, it should increase over time, until it reaches at least 100%.

The funded ratio of the System decreased from 71.1% to 69.2%. This decrease was primarily due to the continual recognition of the extraordinary investment loss that occurred in prior years. Absent favorable experience, we expect the funded ratio will continue to decrease for the next several years as those investment losses are fully recognized in the development of the actuarial value of assets.

If the market value of assets had been used in the calculation instead of actuarial (smoothed) value of assets, the funded ratio for the System would have been 62.3%, compared to 61.0% in the prior year. The increase in the funded ratio on a market value basis is due to favorable investment experience during the last fiscal year. The market value of assets earned a 10.4% return on a dollar-weighted basis for the plan year ending June 30, 2013, net of expenses. The annual return on the market value for the same time period determined a time-weighted basis, net of expenses, was 9.99% as reported by the South Carolina Investment Commission.

ASSUMPTIONS AND METHODS

Except for the rates of disability incidence, the actuarial assumptions used to perform this valuation remain unchanged from the prior valuation, including the use of a 7.50% investment return assumption. The rates of disability incidence were modified to more appropriately model the system's anticipated experience as a result of the enactment of Act 69 on June 20, 2013.

South Carolina State Code requires that an experience analysis that reviews the economic and demographic assumptions be performed every five years. The next experience analysis is scheduled for 2016. It is our opinion that the recommended assumptions are internally consistent and reasonably reflects anticipated future experience of the System. The actuarial assumptions and methods used in this report comply with the parameters for disclosure that appear in GASB 25.

The results of the actuarial valuation are dependent on the actuarial assumptions used. Actual results can and almost certainly will differ, as actual experience deviates from the assumptions. Even seemingly minor changes in the assumptions can materially change the liabilities, calculated contribution rates and funding periods. The actuarial calculations are intended to provide information for rational decision making.

BENEFIT PROVISIONS

The benefit provisions reflected in this valuation are those which were in effect on July 1, 2013. Act 69, which was enacted on June 13, 2013, removed the requirement that members who apply for a disability retirement after December 31, 2013 are required to provide proof that they are entitled to a Social Security disability benefit after their third year of retirement in order to continue to receive their disability retirement allowance.

This legislative change did not change the calculation of the amount of disability retirement allowance that a disabled member will receive.

DATA

Member data for retired, active and inactive members was supplied as of July 1, 2013, by the SCRS staff. The staff also supplied asset information as of July 1, 2013. We did not audit this data, but we did apply a number of tests to the data, and we concluded that it was reasonable and consistent with the prior year's data. GRS is not responsible for the accuracy or completeness of the information provided to us by SCRS.

CERTIFICATION

We certify that the information presented herein is accurate and fairly portrays the actuarial position of PORS as of July 1, 2013.

All of our work conforms with generally accepted actuarial principles and practices, and is in conformity with the Actuarial Standards of Practice issued by the Actuarial Standards Board. In our opinion, our calculations also comply with the requirements of South Carolina Code of Laws and, where applicable, the Internal Revenue Code, ERISA, and the Statements of the Governmental Accounting Standards Board.

The undersigned are independent actuaries and consultants. Mr. Newton and Mr. White are Enrolled Actuaries and Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries. Both are experienced in performing valuations for large public retirement systems.

Sincerely,

Gabriel, Roeder, Smith & Co.

Joseph P. Newton, FSA, MAAA, EA
Senior Consultant

Daniel J. White, FSA, MAAA, EA
Senior Consultant

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SECTION A

EXECUTIVE SUMMARY

Executive Summary

(Dollar amounts expressed in thousands)

	Valuation Date: July 1, 2013	Valuation Date: July 1, 2012
Membership		
• Number of		
- Active members	26,194	26,179
- Retirees and beneficiaries	15,617	14,653
- Inactive members	12,506	11,840
- Total	54,317	52,672
• Projected payroll of active members	$1,033,189	$1,019,241
• Projected payroll for all active members, including working retirees	$1,141,888	$1,111,856
Contribution Rates[1]		
• Employer contribution rate	13.74%	13.41%
• Member	8.74%	8.41%
Assets		
• Market value	$3,526,448	$3,269,990
• Actuarial value	3,922,041	3,808,934
• Return on market value	10.1%	0.4%
• Return on actuarial value	4.9%	3.9%
• Ratio - actuarial value to market value	111.2%	116.5%
• External cash flow %	-2.1%	-1.9%
Actuarial Information		
• Normal cost %	14.48%	14.33%
• Actuarial accrued liability (AAL)	$5,663,756	$5,357,492
• Unfunded actuarial accrued liability (UAAL)	1,741,715	1,548,558
• Funded ratio	69.2%	71.1%
• Funding period (years)	30	30
Reconciliation of UAAL		
• Beginning of Year UAAL	$1,548,558	$1,394,260
- Interest on UAAL	116,142	104,570
- Amortization payment with interest	(98,108)	(83,655)
- Assumption/method changes	0	0
- Asset experience	98,898	134,736
- COLA	0	0
- Salary experience	14,424	(35,038)
- Other liability experience	60,981	33,686
- Legislative Changes	820	0
• End of Year UAAL	$1,741,715	$1,548,558

[1] The contribution rates determined by the 2013 valuation are established by Section 9-11-225 of the South Carolina Code and become effective for the fiscal year beginning July 1, 2015. The employer contribution rates shown above include the cost for both the accidental and incidental death benefits.

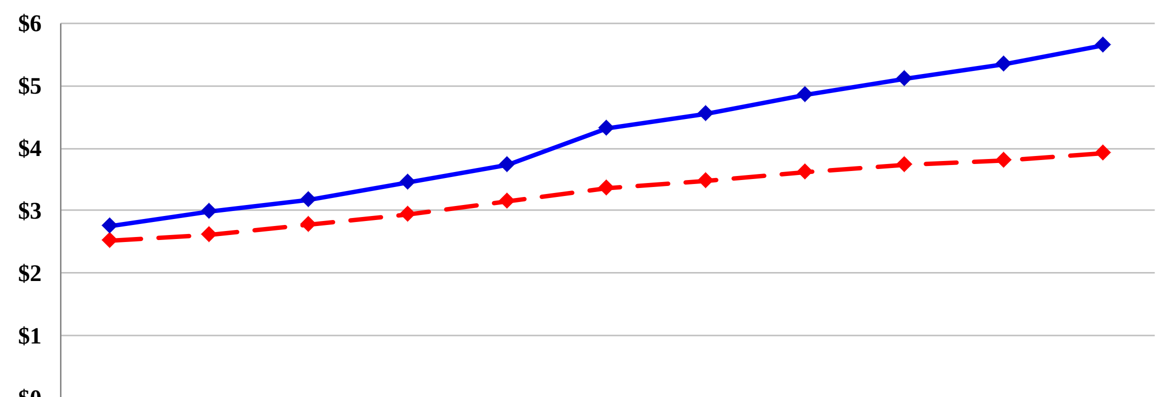
EXECUTIVE SUMMARY (CONTINUED)

The unfunded actuarial accrued liability increased by $0.2 billion since the prior year's valuation to $1.7 billion. The single largest source of this increase is due to the continual recognition of deferred investment losses in the actuarial value of assets. The plan also experienced some loss in the actuarial accrued liability, primarily due to a significant number of employees commencing their retirement benefit before the return-to-work provisions became more restrictive on January 2, 2013.

There is still $0.4 billion in deferred investment losses as of the valuation date. Absent favorable investment experience, those deferred losses will gradually be reflected in the actuarial value of assets over the next several years.

Below is a chart with the System's historical actuarial value of assets and actuarial accrued liability. The increased difference in the actuarial value of assets and the actuarial accrued liability over the last 10 years has generally been due to a combination of: (i) the actual investment experience being less than the System's expected investment return assumption and (ii) increases in the actuarial accrued liability due to ad hoc cost of living adjustments provided to the retirees prior to the enactment of retirement reform legislation in 2012.

Chart 1. - History of Actuarial Assets and Actuarial Accrued Liability
(Dollars in Billions)



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
AVA	2.5	2.6	2.8	2.9	3.2	3.4	3.5	3.6	3.7	3.8	3.9
AAL	2.7	3.0	3.2	3.5	3.7	4.3	4.6	4.9	5.1	5.4	5.7

Based on the current funding policy, we expect the funded ratio (on an actuarial value of asset basis) to decline for the next four or five years before it begins to gradually improve.

The employer and member contribution rates in effect for fiscal year 2015 are no longer sufficient to maintain a funding period under 30 years. Therefore, the employer and member contribution rates for fiscal year 2016 will need to increase to satisfy the 30-year funding requirement specified in Section 9-11-225 of the South Carolina Code. Specifically, the employer contribution rate will need to increase from 13.41% to 13.74% and the member contribution rate will increase from 8.41% to 8.74%. Absent legislative changes or significantly favorable experience, we expect the employer and member contribution rates to gradually increase for the next several years as existing deferred investment losses become recognized in the actuarial value of assets.

Specifically, if emerging investment and liability experience is consistent with the current assumptions, the employer and member contribution rates are projected to increase an additional 0.50% to 0.60%, in total, in future years before reaching their ultimate contribution level while the funded ratio remains below 90%.

SECTION B

DISCUSSION

Discussion

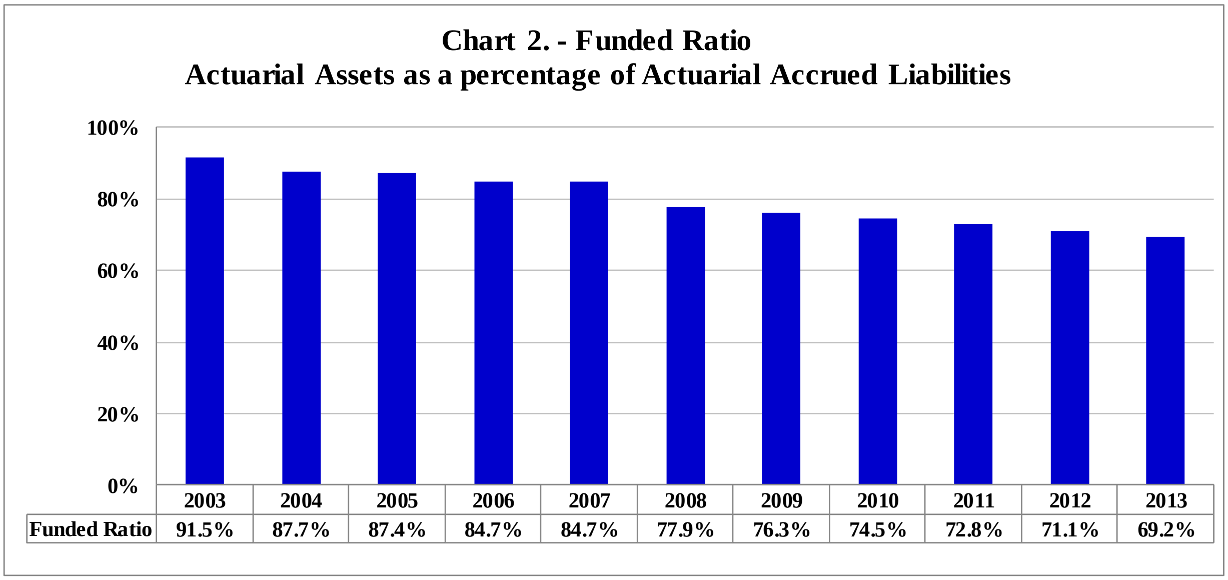
The results of the July 1, 2013 actuarial valuation of the Police Officers Retirement System are presented in this report. The primary purposes of the valuation report are to depict the current financial condition of the System, determine the annual required contribution, and analyze changes in the System's financial condition. In addition, the report provides information required by the Retirement System in connection with Governmental Accounting Standards Board Statement No. 25 (GASB 25), and it gives various summaries of the data.

This section discusses the determination of the current funding requirements and the System's funded status, as well as changes in financial condition of the retirement system.

All of the actuarial and financial Tables referenced by the other sections of this Report appear in Section C. Section D provides member data and statistical information. Appendices A and B provide summaries of the principle actuarial assumptions and methods and plan provisions. Finally, Appendix C provides a glossary of technical terms that are used throughout this report.

Funding Progress

The funded status of the System is shown in Table 10, Schedule of Funding Progress. The funded ratio decreased from 71.1% to 69.2%. This decrease in the funded status over the last 10 years has generally been due to a combination of: (i) the actual investment experience being less than the System's expected investment return assumption and (ii) increases in the actuarial accrued liability due to providing ad hoc cost of living adjustments to the retirees prior to the enactment of retirement reform legislation in 2012.



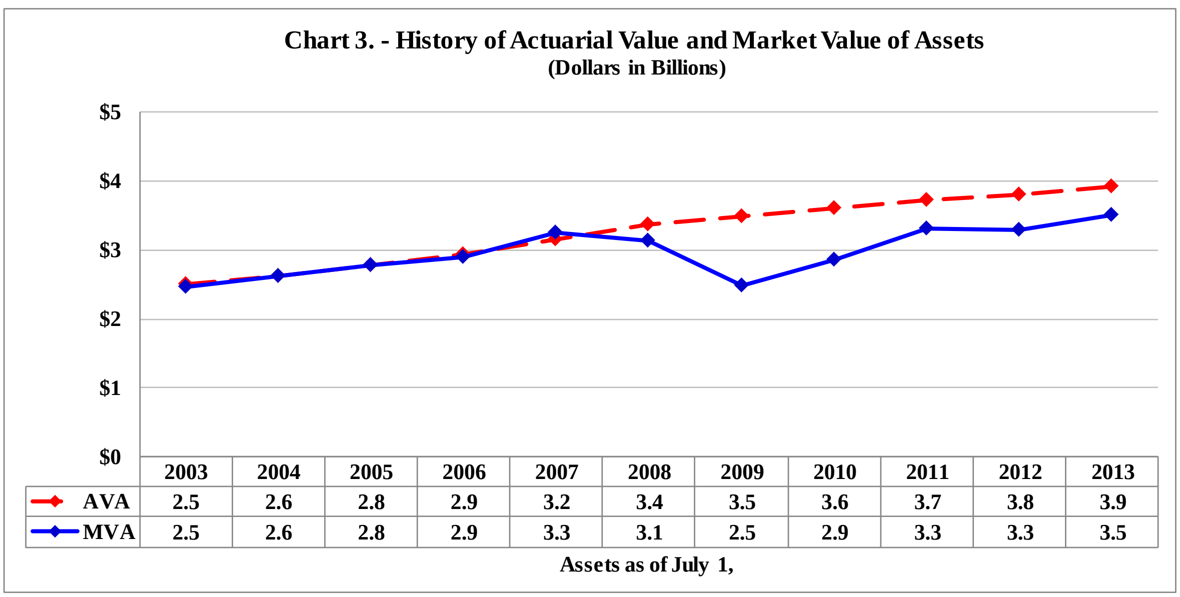
It is expected that the funded ratio (on an actuarial value of asset basis) will decline for the next several before it gradually improves, as $0.4 billion in existing deferred investment losses become recognized in the actuarial value of assets.

Asset Gains/ (Losses)

The actuarial value of assets ("AVA") is based on a smoothed market value of assets, using a systematic approach to phase-in actual investment return in excess of (or less than) the expected investment income. This is appropriate because it dampens the short-term volatility inherent in investment markets. The expected investment income is determined using the assumed annual investment return rate and the actuarial value of assets (adjusted for receipts and disbursements during the year). The returns are computed net of administrative and investment expenses. Table 8 shows the development of the actuarial value of assets. The actuarial value of assets increased from $3.8 billion to $3.9 billion since the prior valuation.

The rate of return on the market value of assets during the prior plan year was 10.1% on a dollar-weighted basis; the return on an actuarial (smoothed) asset value was 4.9%, which is below the 7.50% expected annual return. The difference in the estimated return on market value and actuarial value illustrates the smoothing effect of the asset valuation method.

The market value of assets is less than the actuarial value of assets, which signifies that the retirement system is in a position of deferred losses. Therefore, unless the System experiences investment returns in excess of the assumed rate of return, the future recognition of these deferred losses is expected to increase the unfunded actuarial accrued liability and decrease the System's funded ratio over the next few years.



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
AVA	2.5	2.6	2.8	2.9	3.2	3.4	3.5	3.6	3.7	3.8	3.9
MVA	2.5	2.6	2.8	2.9	3.3	3.1	2.5	2.9	3.3	3.3	3.5

Tables 6 and 7 provide asset information that was included in the annual financial statements of the System. Also, Table 9 shows the estimated yield on a market value basis and on the actuarial asset valuation method.

Actuarial Gains/ (Losses) and the Funding Period

The annual actuarial valuation is a snapshot analysis of the benefit liabilities, assets and funded position of the System as of the first day of the plan year. In any one fiscal year, the experience can be better or worse from that which is assumed or expected. The actuarial assumptions do not necessarily attempt to model what the experience will be for any one given fiscal year, but instead try to model the overall experience over many years. Therefore, as long as the actual experience of the retirement system is reasonably close to the current assumptions, the long-term funding requirements of the System will remain relatively consistent.

The unfunded actuarial accrued liability (UAAL) has increased from $1.5 billion in 2012 to $1.7 billion in 2013. The table below shows the source of the gains and losses and the impact of those gains and losses on the UAAL.

Reconciliation of UAAL
(Dollars in thousands)

• Beginning of Year UAAL	1,548,558
- Interest on UAAL	116,142
- Amortization payment with interest	(98,108)
- Assumption/method changes	0
- Asset experience	98,898
- COLA	0
- Salary experience	14,424
- Other liability experience	60,981
- Legislative changes	820
• End of Year UAAL	$1,741,715

The System experienced a net loss due to liability experience of $61 million. This net loss was primarily related to more members retiring than expected during the last fiscal year (i.e. 907 members elected to commence a retirement benefit versus 616 expected retirements based on the actuarial assumptions). The increased number of retirements is attributable to members utilizing the return-to-work provisions before they became altered on January 2, 2013 by the pension reform bill enacted by the 2012 legislation session. For instance, 752, or 83%, of these members elected to retire during the first six months of the fiscal year, whereas only 155 members retired after January 2, 2013, when the new return-to-work provisions became effective. Note, while there were a significant number of members who commenced their retirement benefit during the last year, 478, or 64%, of these members who retired during the first six months of the fiscal year continue to work for a participating employer of the retirement system because they utilized the prior return-to-work provisions.

The employer and member contribution rates in effect for fiscal year 2015 are no longer sufficient to satisfy the 30-year funding requirement in the State code and must be increased in fiscal year 2016 to maintain a 30-year funding period. Below is a table reconciling the change in the funding period from the prior year's valuation based on the contribution rates that go into effect for fiscal year 2015.

Change in Funding Period (Years)
Based on the Employer and Member Contribution
Rates in Effect for Fiscal Year 2015

• Prior Year	30.0
- Expected experience	(1.0)
- Assumption and method changes	0.0
- Asset experience	2.6
- Demographic experience	1.6
- Legislative changes	2.2
- Total change	5.4
• Current Year Valuation (before reflecting the required increase in the contribution rate)	35.4

The liability experience had a smaller impact on the change in the funding period than the asset experience. This is because a majority of the members who commenced their retirement benefit during the last fiscal year remained in the workforce and the retirement system continues to receive contributions from the employers and members on their pay.

Absent favorable investment experience, we expect the employer and member contribution rates will be required to increase in future years as remaining deferred investment losses become fully recognized in the actuarial value of assets.

Finally, note that the current funding policy utilizes a level percentage of payroll amortization, which assumes that covered payroll will increase at the rate of 3.50% per year in the future (it does not assume an increase in active membership). As a result, the amortization payments will not be sufficient to cover all the interest charges on the UAAL until the funding period reaches approximately 19 years.

GASB No. 25 and No. 27 Disclosures

Accounting requirements for the Retirement System are provided by the Governmental Accounting Standards Board Statements No. 25 ("GASB 25") and No. 27 ("GASB 27"). Table 10 shows a historical summary of the funded ratios and other information for the System. Table 11 shows other information needed in connection with the required disclosures under GASB 25. GASB 27 governs reporting by the employers of government-sponsored retirement plans.

GASB 25 requires that plans calculate an Annual Required Contribution ("ARC"), and, if actual contributions received are less than the ARC, this must be disclosed. The ARC is calculated in accordance with certain parameters. In particular, it includes a payment to amortize the UAAL. This amortization payment must be computed using a funding period no greater than thirty (30) years. For this disclosure, SCRS treats the Board-established contribution rate as the ARC, as long as this produces a funding period that does not exceed 30 years.

Actuarial Assumptions and Methods

In determining costs and liabilities, actuaries use assumptions about the future, such as rates of salary increase, probabilities of retirement, termination, death and disability, and an annual investment return assumption. Except for the rates of disability incidence, the actuarial assumptions and methods used to determine the results of the 2013 actuarial valuation are the same as those used for the prior year's valuation. The disability rates were updated to more appropriately reflect the anticipated plan experience as a result of the enactment of Act 69, which became effective June 13, 2013.

Appendix A includes a summary of the actuarial assumptions and methods used in this valuation.

It is our opinion that the assumptions are internally consistent, reasonable, and reflect anticipated future experience of the System. The actuarial assumptions and methods used in this report comply with the parameters for disclosure that appear in GASB 25.

Benefit Provisions

Appendix B of this report includes a summary of the benefit provisions for PORS. Act 69 became law in June 2013, which modified the eligibility requirements for members to be eligible to receive a disability retirement allowance. The legislative change increased the unfunded actuarial accrued liability by $820 thousand, the normal cost rate by 0.15% and the employer and member contribution rate increase by 0.12% (each).

Below is a summary of the retirement provisions for Class Two members, members hired prior to July 1, 2012, and Class Three members, member hired after June 30, 2012.

Summary of Retirement Provisions for:

Class Two Members (members hired prior to July 1, 2012)

- Average Final Compensation (AFC) is based on the highest twelve (12) consecutive quarters of compensation. The determination of a member's AFC also includes up to 45 days of unused annual leave paid at termination. Monthly benefits are based on one-twelfth of this amount.
- The retirement benefit is equal to 2.14% of the member's AFC times the member's credited service (years). Credited service may include up to 90 days of unused sick leave.
- Members are eligible to commence their retirement benefit after they have (i) 25 years of credited service or (ii) attained age 55 with 5 years of earned service.
- At each July 1 after their first full year of retirement, annuitants will receive an automatic post-retirement benefit adjustment equal to the lesser of 1.00% of their retirement benefit or $500 per annum.

Class Three Members (members hired after June 30, 2012)

- Average Final Compensation (AFC) is based on the highest twenty (20) consecutive quarters of compensation. The determination of a member's AFC also will not include unused annual leave paid at termination. Monthly benefits are based on one-twelfth of this amount.
- The retirement benefit is equal to 2.14% of the member's AFC times the member's credited service (years). Credited service will not include unused sick leave.
- Members are eligible to commence their retirement benefit after they have (i) 27 years of credited service or (ii) attained age 55 with 8 years of earned service.
- At each July 1 after their first full year of retirement, annuitants will receive an automatic post-retirement benefit adjustment equal to the lesser of 1.00% of their retirement benefit or $500 per annum.

SECTION C

ACTUARIAL TABLES

TABLES

Summary of Cost Items

(Dollar amounts expressed in thousands)

		July 1, 2013 (1)	July 1, 2012 (3)
1.	Projected payroll of active members[1]	$ 1,033,189	$1,019,241
2.	Present value of future pay[1]	$ 7,966,480	$ 7,905,745
3.	Normal cost rate		
	a. Total normal cost rate	14.48%	14.33%
	b. Less: member contribution rate	-8.74%	-8.41%
	c. Employer normal cost rate	5.74%	5.92%
4.	Actuarial accrued liability for active members		
	a. Present value of future benefits	$ 3,252,810	$ 3,202,568
	b. Less: present value of future normal costs	1,107,316	1,086,623
	c. Actuarial accrued liability	$ 2,145,494	$ 2,115,945
5.	Total actuarial accrued liability for:		
	a. Retirees and beneficiaries	$ 3,385,496	$ 3,118,016
	b. Inactive members	132,766	123,531
	c. Active members (Item 4.c.)	2,145,494	2,115,945
	d. Total	$ 5,663,756	$ 5,357,492
6.	Actuarial value of assets	$ 3,922,041	$ 3,808,934
7.	Unfunded actuarial accrued liability (UAAL) (Item 5.d. - Item 6.)	$ 1,741,715	$ 1,548,558
8.	GASB No. 25 Annual Required Contribution Rate		
	a. Employer normal cost rate	5.74%	5.92%
	b. Employer contribution rate available to amortize the UAAL	8.00%	7.49%
	c. Total employer contribution rate	13.74%	13.41%
9.	Funding period based on the required employer contribution rate (years)	30	30
10.	Applicable statuorily required contribution rates[2]		
	a. Employer contribution rate	13.74%	13.41%
	b. Member contribution rate	8.74%	8.41%

[1] The projected payroll does not include payroll for working retirees.

[2] The applicable employer and member contribution rates are determined in accordance with Section 9-11-225 of the South Carolina Code. The contribution rate includes the cost of incidental death benefits.

Actuarial Present Value of Future Benefits

(Dollar amounts expressed in thousands)

		July 1, 2013 (1)	July 1, 2012 (2)
1.	Active members		
	a. Service retirement	$ 2,608,011	$ 2,614,816
	b. Deferred termination benefits and refunds	270,258	266,632
	c. Survivor benefits	107,241	107,106
	d. Disability benefits	267,300	214,014
	e. Total	$ 3,252,810	$ 3,202,568
2.	Retired members		
	a. Service retirement	$ 2,712,774	$ 2,479,232
	b. Disability retirement	508,700	479,278
	c. Beneficiaries	128,136	125,064
	d. Incidental and accidental death benefits	35,886	34,442
	e. Total	$ 3,385,496	$ 3,118,016
3.	Inactive members		
	a. Vested terminations	$ 108,843	$ 100,934
	b. Nonvested terminations	23,923	22,597
	c. Total	$ 132,766	$ 123,531
4.	Total actuarial present value of future benefits	$ 6,771,072	$ 6,444,115

Analysis of Normal Cost

		July 1, 2013 (1)	July 1, 2012 (2)
1.	Total normal cost rate		
	a. Service retirement	8.54%	8.77%
	b. Deferred termination benefits and refunds	3.44%	3.44%
	c. Survivor benefits	0.50%	0.50%
	d. Disability benefits	2.00%	1.62%
	e. Total	14.48%	14.33%
2.	Less: member contribution rate	8.74%	8.41%
3.	Net employer normal cost rate	5.74%	5.92%

Note: The normal cost includes the cost of accidental and incidental death benefits.

Results of July 1, 2013 Valuation
(Dollar amounts expressed in thousands)

			July 1, 2013
			(1)
1.	Actuarial Present Value of Future Benefits		
	a. Present retired members and beneficiaries	$	3,385,496
	b. Present active and inactive members		3,385,576
	c. Total actuarial present value	$	6,771,072
2.	Present Value of Future Normal Contributions		
	a. Member	$	696,270
	b. Employer		411,046
	c. Total future normal contributions	$	1,107,316
3.	Actuarial Liability	$	5,663,756
4.	Current Actuarial Value of Assets	$	3,922,041
5.	Unfunded Actuarial Liability	$	1,741,715
6.	Unfunded Actuarial Liability Rate in Effect for FY 2016		8.00%
7.	Unfunded Actuarial Liability Liquidation Period[1]		30 years

[1] Funding period after reflecting the required increase in the contribution rates.

Note: The employer contribution rate includes the cost of accidential and incidental death benefits.

Actuarial Balance Sheet
(Dollar amounts expressed in thousands)

	July 1, 2013 (1)	July 1, 2012 (2)
1. Assets		
a. Current assets (actuarial value)		
i. Employee annuity savings fund	$ 793,414	$ 773,710
ii. Employer annuity accumulation fund	3,128,627	3,035,224
iii. Total current assets	$ 3,922,041	$ 3,808,934
b. Present value of future member contributions	$ 696,270	$ 664,873
c. Present value of future employer contributions		
i. Normal contributions	$ 411,046	$ 421,750
ii. Accrued liability contributions	1,741,715	1,548,558
iii. Total future employer contributions	$ 2,152,761	$ 1,970,308
d. Total assets	$ 6,771,072	$ 6,444,115
2. Liabilities		
a. Employee annuity savings fund		
i. Past member contributions	$ 793,414	$ 773,710
ii. Present value of future member contributions	696,270	664,873
iii. Total contributions to employee annuity savings fund	$ 1,489,684	$ 1,438,583
b. Employer annuity accumulation fund		
i. Benefits currently in payment	$ 3,385,496	$ 3,118,016
ii. Benefits to be provided to other members	1,895,892	1,887,516
iii. Total benefits payable from employer annuity accumulation fund	$ 5,281,388	$ 5,005,532
c. Total liabilities	$ 6,771,072	$ 6,444,115

System Net Assets
Assets at Market or Fair Value
(Dollar amounts expressed in thousands)

Item	July 1, 2013	July 1, 2012
(1)	(2)	(3)
1. Cash and cash equivalents (operating cash)	$ 408,862	$ 281,409
2. Receivables	122,704	116,550
3. Investments		
a. Short-term securities	$ 62,090	$ 0
b. Domestic fixed income	887,054	500,532
c. Global fixed income	254,306	195,477
d. Domestic equities	231,250	239,962
e. Global equities	225,153	223,741
f. Alternative investments	1,543,005	1,862,972
g. Total investments	$ 3,202,858	$ 3,022,684
4. Securities lending cash collateral invested	$ 13,890	$ 23,683
5. Prepaid administrative expenses	165	88
6. Capital assets, net of accumulated depreciation	292	275
7. Total assets	$ 3,748,771	$ 3,444,689
8. Liabilities		
a. Due to other Systems	$ 0	$ 0
b. Accounts payable	177,309	116,823
c. Investment fees payable	1,216	1,222
d. Obligations under securities lending	13,890	23,683
e. Deferred retirement benefits	0	0
f. Due to Employee Insurance Program	1,646	852
g. Benefit payable	264	250
h. Other liabilities	27,998	31,869
i. Total liabilities	$ 222,323	$ 174,699
9. Total market value of assets available for benefits (Item 7. - Item 8.i.)	$ 3,526,448	$ 3,269,990
10. Asset allocation (investments)		
a. Net invested cash	10.9%	7.6%
b. Domestic fixed income	25.2%	15.3%
c. Global fixed income	7.2%	6.0%
d. Domestic equities	6.6%	7.3%
e. Global equities	6.4%	6.8%
f. Alternative investments	43.7%	57.0%
g. Total investments	100.0%	100.0%

Reconciliation of System Net Assets

(Dollar amounts expressed in thousands)

		Year Ending	
		July 1, 2013	July 1, 2012
		(1)	(2)
1.	Value of assets at beginning of year	$ 3,269,990	$ 3,317,533
2.	Revenue for the year		
	a. Contributions		
	i. Member contributions	$ 97,164	$ 84,470
	ii. Employer contributions	143,419	134,333
	iii. Total	$ 240,583	$ 218,803
	b. Income		
	i. Interest, dividends, and other income	$ 39,342	$ 31,359
	ii. Investment expenses	(54,652)	(7,044)
	iii. Net	$ (15,310)	$ 24,315
	c. Net realized and unrealized gains (losses)	345,698	(7,117)
	d. Total revenue	$ 570,971	$ 236,001
3.	Expenditures for the year		
	a. Disbursements		
	i. Refunds	$ 14,983	$ 15,162
	ii. Regular annuity benefits	296,044	263,997
	iii. Other benefit payments	3,572	3,436
	iv. Transfers to other Systems	(3,013)	(1,923)
	v. Total	$ 311,586	$ 280,672
	b. Administrative expenses and depreciation	2,927	2,872
	c. Total expenditures	$ 314,513	$ 283,544
4.	Increase in net assets (Item 2.d.- Item 3.c.)	$ 256,458	$ (47,543)
5.	Value of assets at end of year (Item 1. + Item 4.)	$ 3,526,448	$ 3,269,990
6.	Net External Cash Flow		
	a. Dollar amount	$ (71,003)	$ (61,869)
	b. Percentage of market value	-2.1%	-1.9%

Development of Actuarial Value of Assets
(Dollar amounts expressed in thousands)

			July 1, 2013
			(1)
1.	Actuarial value of assets at the prior valuation date	$	3,808,934
2.	Market value of assets at the prior valuation date	$	3,269,990
3.	Net external cash flow during the year		
	a. Contributions	$	240,583
	b. Disbursements		(311,586)
	c. Subtotal	$	(71,003)
4.	Expected net investment income at 7.50% earned on		
	a. Actuarial value of assets at the prior valuation date	$	285,670
	b. Contributions		9,022
	c. Disbursements		(11,684)
	d. Subtotal	$	283,008
5.	Expected actuarial value of assets, end of year (Item 1. + Item 3.c. + Item 4.d.)	$	4,020,939
6.	Market value of assets as of the current valuation date	$	3,526,448
7.	Difference between expected actuarial assets and market value of assets (Item 6. - Item 5.)	$	(494,491)
8.	Excess/(shortfall) recognized (20% of Item 7.)	$	(98,898)
9.	Actuarial value of plan assets, end of year (Item 5. + Item 8.)	$	3,922,041
10.	Asset gain (loss) for year (Item 9. - Item 5.)	$	(98,898)
11.	Asset gain (loss) as % of the actuarial value of assets		(2.52%)
12.	Ratio of AVA to MVA		111.2%

Estimation of Yields

(Dollar amounts expressed in thousands)

		Year Ending	
		July 1, 2013	July 1, 2012
		(1)	(2)
1.	Market value yield		
	a. Beginning of year market assets	$ 3,269,990	$ 3,317,533
	b. Contributions to fund during the year	240,583	218,803
	c. Disbursements	(311,586)	(280,672)
	d. Investment income (net of investment and administrative expenses)	327,461	14,326
	e. End of year market assets	$ 3,526,448	$ 3,269,990
	f. Estimated dollar weighted market value yield	10.1%	0.4%
2.	Actuarial value yield		
	a. Beginning of year actuarial assets	$ 3,808,934	$ 3,728,241
	b. Contributions to fund during the year	240,583	218,803
	c. Disbursements	(311,586)	(280,672)
	d. Investment income (net of investment and administrative expenses)	184,110	142,562
	e. End of year actuarial assets	$ 3,922,041	$ 3,808,934
	f. Estimated actuarial value yield	4.9%	3.9%

Schedule of Funding Progress
(Dollar amounts expressed in thousands)

July 1,	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL) (3) - (2)	Funded Ratio (2)/(3)	Annual Covered Payroll[1]	UAAL as % of Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
2001	$ 2,197,982	$ 2,324,257	$ 126,275	94.6%	$ 757,335	16.7%
2002	2,351,100	2,527,876	176,776	93.0%	757,393	23.3%
2003	2,511,369	2,744,849	233,480	91.5%	800,394	29.2%
2004	2,616,835	2,984,584	367,749	87.7%	822,448	44.7%
2005	2,774,606	3,173,930	399,324	87.4%	850,610	46.9%
2006	2,935,841	3,466,281	530,440	84.7%	931,815	56.9%
2007	3,160,240	3,730,544	570,304	84.7%	992,849	57.4%
2008	3,363,136	4,318,955	955,819	77.9%	1,060,747	90.1%
2009	3,482,220	4,564,111	1,081,891	76.3%	1,084,154	99.8%
2010	3,612,700	4,850,457	1,237,757	74.5%	1,076,467	115.0%
2011	3,728,241	5,122,501	1,394,260	72.8%	1,087,587	128.2%
2012	3,808,934	5,357,492	1,548,558	71.1%	1,019,241	151.9%
2013	3,922,041	5,663,756	1,741,715	69.2%	1,033,189	168.6%

[1] Covered payroll does not include payroll attributable to working retirees.

Notes to Required Supplementary Information
(as required by GASB #25)

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date:	July 1, 2013
Actuarial cost method:	Entry Age Normal
Amortization method:	Level percentage of payroll
Amortization period for GASB 25 ARC:	30-year open period[1]
Asset valuation method:	5-year smoothed market
Actuarial assumptions:	
Investment rate of return[2]	7.50%
Projected salary increases[2]	4.00% to 10.00% (varies by service)
Inflation	2.75%
Post-retirement benefit adjustments[3]	0.00%

[1] The employer and member contribution rates are determined in accordance with Section 9-11-225 of the South Carolina Code.

[2] Includes inflation at 2.75%

[3] The benefit increase is the lesser of 1.00% or $500 annually.

Solvency Test

(Dollar amounts expressed in thousands)

	Actuarial Accrued Liability				Portion of Aggregate Accrued Liabilities Covered by Assets		
July 1,	Active Member Contributions	Retirants & Beneficiaries	Active & Inactive Members (Employer Financed)	Valuation Assets	Active	Retirants	ER Financed
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
2001	$ 464,217	$ 977,769	$ 882,271	$ 2,197,982	100.0%	100.0%	85.7%
2002	492,178	1,136,998	898,700	2,351,100	100.0%	100.0%	80.3%
2003	516,313	1,265,173	963,363	2,511,369	100.0%	100.0%	75.8%
2004	548,699	1,415,627	1,020,258	2,616,835	100.0%	100.0%	64.0%
2005	585,701	1,530,199	1,058,030	2,774,606	100.0%	100.0%	62.0%
2006	622,008	1,668,449	1,175,824	2,935,841	100.0%	100.0%	54.9%
2007	658,023	1,818,914	1,253,607	3,160,240	100.0%	100.0%	54.5%
2008	697,423	2,183,645	1,437,887	3,363,136	100.0%	100.0%	33.5%
2009	726,214	2,348,685	1,489,212	3,482,220	100.0%	100.0%	27.4%
2010	758,695	2,577,772	1,513,990	3,612,700	100.0%	100.0%	18.2%
2011	786,724	2,784,144	1,551,633	3,728,241	100.0%	100.0%	10.1%
2012	773,710	3,118,016	1,465,766	3,808,934	100.0%	97.3%	0.0%
2013	793,414	3,385,496	1,484,846	3,922,041	100.0%	92.4%	0.0%

SECTION D

MEMBERSHIP DATA

MEMBERSHIP TABLES

Summary of Membership Data

		July 1, 2013 (1)	July 1, 2012 (2)
1.	Active members		
	a. Males	19,674	19,676
	b. Females	6,520	6,503
	c. Total members	26,194	26,179
	d. Total annualized prior year pay	$ 984,185,233	$ 970,906,727
	e. Average pay	$ 37,573	$ 37,087
	f. Average age	39.5	39.6
	g. Average service	9.4	9.5
	h. Member contributions with interest	$ 705,317,985	$ 690,680,439
	i. Average contributions with interest	$ 26,927	$ 26,383
2.	Vested inactive members		
	a. Number	2,047	1,931
	b. Total annual deferred benefits	$ 15,327,552	$ 14,320,349
	c. Average annual deferred benefit	$ 7,488	$ 7,416
3.	Nonvested inactive members		
	a. Number	10,459	9,909
	b. Member contributions with interest	$ 23,923,330	$ 22,597,197
	c. Average refund due	$ 2,287	$ 2,280
4.	Service retirees		
	a. Number	12,153	11,328
	b. Total annual benefits	$ 247,127,574	$ 227,747,206
	c. Average annual benefit	$ 20,335	$ 20,105
	d. Average age at the valuation date	63.7	63.8
5.	Disabled retirees		
	a. Number	2,259	2,151
	b. Total annual benefits	$ 44,953,501	$ 42,234,375
	c. Average annual benefit	$ 19,900	$ 19,635
	d. Average age at the valuation date	53.9	53.6
6.	Beneficiaries		
	a. Number	1,205	1,174
	b. Total annual benefits	$ 14,325,696	$ 13,947,504
	c. Average annual benefit	$ 11,889	$ 11,880
	d. Average age at the valuation date	67.9	67.9

Summary of Contributing Membership Data
(Dollar amounts expressed in thousands)

		July 1, 2013 (1)		July 1, 2012 (2)
1. Active Members				
a. Number of State Employees		9,617		9,486
Total Annual Compensation	$	338,792	$	323,072
b. Number of Public School Employees		0		4
Total Annual Compensation	$	0	$	193
c. Number of Other Agency Employees		16,577		16,689
Total Annual Compensation	$	645,393	$	647,642
Total Number of Active Members		26,194		26,179
Total Annual Compensation	$	984,185	$	970,907
2. Rehired Retired Participants				
a. Number of State Employees		877		588
Total Annual Compensation	$	25,360	$	17,684
b. Number of Public School Employees		60		126
Total Annual Compensation	$	2,198	$	2,393
c. Number of Other Agency Employees		2,375		1,881
Total Annual Compensation	$	94,318	$	73,264
Number of Rehired Retired Members		3,312		2,595
Total Annual Compensation	$	121,876	$	93,341

Note: Total compensation is the annualized pay for the prior year.

Summary of Historical Active Membership

July 1,	Number of Employers[2]	Active Members: Number	Active Members: Percent Increase /(Decrease)	Covered Payroll[1]: Amount in Thousands	Covered Payroll[1]: Percent Increase /(Decrease)	Average Annual Pay: Amount	Average Annual Pay: Percent Increase /(Decrease)	Average Age	Average Service
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
2001	296	24,821	N/A	$ 757,335	N/A	$ 30,512	5.50%	N/A	N/A
2002	302	23,963	-3.5%	757,393	0.0%	31,607	3.59%	N/A	N/A
2003	314	23,871	-0.4%	800,394	5.7%	33,530	6.08%	N/A	N/A
2004	314	23,734	-0.6%	822,448	2.8%	34,653	3.35%	N/A	N/A
2005	314	23,795	0.3%	850,610	3.4%	35,747	3.16%	N/A	N/A
2006	314	24,813	4.3%	931,815	9.5%	37,554	5.05%	N/A	N/A
2007	313	25,645	3.4%	992,849	6.6%	38,715	3.09%	N/A	N/A
2008	313	26,427	3.0%	1,060,747	6.8%	40,139	3.68%	N/A	N/A
2009	318	26,598	0.6%	1,084,154	2.2%	40,761	1.55%	39.6	8.4
2010	322	26,568	-0.1%	1,076,467	-0.7%	40,517	-0.60%	39.8	8.7
2011	356	26,650	0.3%	1,087,587	1.0%	40,810	0.72%	39.8	9.6
2012	325	26,179	-1.8%	1,019,241	-6.3%	38,934	-4.60%	39.6	9.5
2013	356	26,194	0.1%	1,033,189	1.4%	39,444	1.31%	39.5	9.4

[1] Covered payroll does not include payroll attributable to members in working retirees.

[2] Number of employers that cover employees eligible for PORS benefits and that contributed to the system during the last fiscal year.

Distribution of Active Members by Age and by Years of Service

	Years of Credited Service												
Attained Age	0 Count & Avg. Comp.	1 Count & Avg. Comp.	2 Count & Avg. Comp.	3 Count & Avg. Comp.	4 Count & Avg. Comp.	5-9 Count & Avg. Comp.	10-14 Count & Avg. Comp.	15-19 Count & Avg. Comp.	20-24 Count & Avg. Comp.	25-29 Count & Avg. Comp.	30-34 Count & Avg. Comp.	35 & Over Count & Avg. Comp.	Total Count & Avg. Comp.
Under 20	18	0	0	0	0	0	0	0	0	0	0	0	18
	$9,512	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$9,512
20-24	740	365	227	94	43	29	0	0	0	0	0	0	1,498
	$13,517	$30,687	$31,430	$32,807	$33,416	$34,543	$0	$0	$0	$0	$0	$0	$22,604
25-29	723	649	607	527	455	1,060	27	0	0	0	0	0	4,048
	$14,458	$31,848	$32,647	$35,085	$36,070	$36,887	$36,683	$0	$0	$0	$0	$0	$31,110
30-34	379	342	306	299	314	1,947	596	19	0	0	0	0	4,202
	$15,123	$32,298	$33,659	$34,705	$35,559	$38,616	$41,831	$47,872	$0	$0	$0	$0	$35,613
35-39	239	186	208	178	177	1,002	1,301	558	22	0	0	0	3,871
	$14,515	$30,926	$33,913	$35,484	$36,037	$38,173	$43,125	$46,389	$48,151	$0	$0	$0	$38,819
40-44	211	159	178	163	167	791	864	1,299	477	25	0	0	4,334
	$14,449	$33,919	$33,488	$35,374	$35,727	$37,860	$42,375	$47,435	$51,433	$58,121	$0	$0	$41,601
45-49	139	116	106	115	134	560	485	608	777	178	8	0	3,226
	$13,672	$34,461	$34,509	$35,006	$36,052	$36,250	$40,304	$45,610	$50,604	$58,034	$56,806	$0	$42,187
50-54	107	73	74	93	107	419	392	411	415	256	52	4	2,403
	$15,512	$32,198	$34,315	$34,335	$35,610	$36,776	$41,446	$43,857	$48,133	$54,404	$70,306	$66,233	$42,055
55-59	70	78	48	48	45	291	257	276	190	134	55	24	1,516
	$14,505	$32,740	$35,013	$35,126	$37,234	$36,158	$39,098	$42,734	$47,647	$48,146	$64,042	$66,359	$40,630
60-64	29	28	31	35	50	160	94	151	110	64	20	25	797
	$15,536	$27,401	$33,751	$37,018	$34,799	$38,714	$42,178	$41,945	$49,477	$46,683	$56,291	$56,006	$41,090
65 & Over	7	4	16	11	7	76	46	39	33	20	10	12	281
	$26,167	$22,748	$41,448	$35,836	$35,653	$38,151	$38,892	$45,542	$55,566	$53,589	$65,202	$78,744	$44,655
Total	2,662	2,000	1,801	1,563	1,499	6,335	4,062	3,361	2,024	677	145	65	26,194
	$14,307	$31,911	$33,233	$34,950	$35,801	$37,697	$41,909	$45,841	$50,008	$53,503	$64,900	$64,656	$37,574

Schedule of Annuitants by Type of Benefit

Type of Benefit/ Form of Payment (1)	Number (2)		Annual Benefits Amount (3)		Average Monthly Benefit (4)
Service :					
Maximum & QDRO	7,301	$	145,050,448	$	1,656
100% J&S	2,266		43,357,634		1,594
50% J&S	1,545		38,566,955		2,080
Level Income	1,041		20,152,537		1,613
Subtotal:	12,153	$	247,127,574		1,695
Disability:					
Maximum	1,829	$	37,729,949	$	1,719
100% J&S	232		3,189,570		1,146
50% J&S	198		4,033,982		1,698
Subtotal:	2,259	$	44,953,501		1,658
Beneficiaries:	1,205	$	14,325,696	$	991
Total:	15,617	$	306,406,771	$	1,635

Distribution of Annuitants by Monthly Benefit

Monthly Benefit Amount	Number of Annuitants	Female	Male	Average Service
(1)	(2)	(3)	(4)	(5)
Under $200	782	342	440	2.38
$ 200 - 399	1,109	458	651	7.32
400 - 599	1,182	492	690	9.36
600 - 799	1,150	504	646	11.86
800 - 999	1,120	419	701	13.71
1,000 - 1,199	999	335	664	15.51
1,200 - 1,399	966	294	672	17.60
1,400 - 1,599	983	294	689	19.83
1,600 - 1,799	1,029	220	809	21.12
1,800 - 1,999	995	183	812	22.35
2,000 - 2,199	965	183	782	23.23
2,200 - 2,399	854	132	722	23.76
2,400 - 2,599	713	91	622	24.49
2,600 - 2,799	625	79	546	25.11
2,800 - 2,999	453	50	403	26.22
3,000 - 3,199	359	44	315	26.60
3,200 - 3,399	287	38	249	27.12
3,400 - 3,599	234	21	213	27.91
3,600 - 3,799	166	11	155	28.33
3,800 - 3,999	145	18	127	28.86
4,000 & Over	501	40	461	31.81
Total	15,617	4,248	11,369	18.08

Schedule of Retirants Added to And Removed from Rolls

(Dollar amounts except average allowance expressed in thousands)

Year Ending June 30,	Added to Rolls Number	Added to Rolls Annual Benefits	Removed from Rolls Number	Removed from Rolls Annual Benefits	Rolls End of the Year Number	Rolls End of the Year Annual Benefits	% Increase in Annual Benefit	Average Annual Benefit
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
2001	989	$ 17,235	341	$ 3,986	6,970	$ 102,395	14.9%	$ 14,691
2002	956	17,378	220	2,639	7,706	117,134	14.4%	15,200
2003	947	18,614	226	2,733	8,427	133,015	13.6%	15,784
2004	894	16,256	265	2,923	9,056	146,348	10.0%	16,114
2005	778	12,576	173	2,147	9,661	160,756	9.8%	16,640
2006	678	16,880	205	2,691	10,134	174,945	8.8%	17,263
2007	772	16,474	205	2,745	10,701	188,674	7.8%	17,631
2008	779	17,458	194	2,691	11,286	203,441	7.8%	18,026
2009	931	17,937	267	3,879	11,950	217,499	6.9%	18,201
2010	943	21,877	327	5,000	12,566	234,376	7.8%	18,652
2011	1,042	22,580	250	2,970	13,358	253,986	8.4%	19,014
2012	1,566	34,086	271	4,143	14,653	283,929	11.8%	19,377
2013	1,278	27,584	314	5,106	15,617	306,407	7.9%	19,620

Annual benefits added to rolls includes the benefit adjustments for continuing retirees.

APPENDIX A

ACTUARIAL ASSUMPTIONS AND METHODS

Summary of Actuarial Methods and Assumptions

The following presents a summary of the actuarial assumptions and methods used in the valuation of the South Carolina Police Officers Retirement System.

Investment Rate of Return

Assumed annual rate of 7.50% net of investment and administrative expenses composed of a 2.75% inflation component and a 4.75% real rate of return, net of investment and administration expenses.

Rates of Annual Salary Increase

Rates of annual salary increase are assumed to vary for the first 11 years of service to include anticipated merit and promotional increases. The assumed annual rate of increase is 4.00% for all members with 12 or more years of service.

The 4.00% rate of increase is composed of a 2.75% inflation component and a 1.25% real rate of wage increase (productivity) component.

Active Male & Female Salary Increase Rate		
	PORS	
Years of Service	Annual Promotional/Longevity Rates of Increase	Total Annual Rate of Increase Including 4.00% Wage Inflation
0	6.00%	10.00%
1	5.00%	9.00%
2	2.00%	6.00%
3	1.00%	5.00%
4	0.75%	4.75%
5	0.50%	4.50%
6	0.25%	4.25%
7	0.25%	4.25%
8	0.25%	4.25%
9	0.25%	4.25%
10	0.25%	4.25%
11	0.25%	4.25%
12	0.00%	4.00%
13	0.00%	4.00%
14	0.00%	4.00%
15	0.00%	4.00%
16	0.00%	4.00%
17	0.00%	4.00%
18	0.00%	4.00%
19	0.00%	4.00%
20+	0.00%	4.00%

Active Member Decrement Rates

a. Assumed rates of Service Retirement are shown in the following tables. The first table is for members who attain age 55 before attaining 25 years of service (27 years of service for Class Three. The second table is based on service and is for members who attain 25 years of service before age 55.

Annual Age Based Retirement Rates		
Age	PORS	
	Male	Female
55	20%	20%
56	14%	14%
57*	50%	50%
58	12%	12%
59	12%	12%
60	12%	12%
61	12%	12%
62	35%	35%
63	25%	25%
64	25%	25%
65	30%	30%
66	30%	30%
67	30%	30%
68	30%	30%
69	30%	30%
70	100%	100%
71	100%	100%
72	100%	100%
73	100%	100%
74	100%	100%
75	100%	100%

* Age first eligible to concurrently commence benefits and continue employment.

Annual Service Based Retirement Rates*			
Years of Service		PORS	
Class Two	Class Three	Male	Female
25	27	18%	18%
26	28	13%	13%
27	29	11%	11%
28	30	11%	11%
29	31	11%	11%
30	32	11%	11%
31	33	11%	11%
32	34	11%	11%
33	35	11%	11%
34	36	11%	11%
35	37	11%	11%
36	38	11%	11%
37	39	11%	11%
38	40	11%	11%
39	41	11%	11%
40	42	100%	100%

* Retirement rate is 50% at age 57, the first age the member is eligible to concurrently commence benefits and continue employment.

b. Assumed rates of disability are shown in the following table. 25% of disabilities are assumed to be duty-related.

Disability Rates		
Age	PORS	
	Males	Females
25	0.1376%	0.1376%
30	0.1835%	0.1835%
35	0.3441%	0.3441%
40	0.4588%	0.4588%
45	0.6882%	0.6882%
50	0.8603%	0.8603%
55	0.0000%	0.0000%
60	0.0000%	0.0000%
64	0.0000%	0.0000%

c. Active Member Mortality

Rates of active member mortality are based upon a client specific table with applicable multipliers to match the experience.

Active Mortality Rates (Multiplier Applied)		
Age	PORS	
	Males	Females
25	0.0338%	0.0186%
30	0.0653%	0.0264%
35	0.0978%	0.0467%
40	0.1234%	0.0790%
45	0.1614%	0.1248%
50	0.2171%	0.1767%
55	0.3776%	0.2516%
60	0.7443%	0.4454%
64	1.2430%	0.8222%
Multiplier	90%	90%

d. Rates of Withdrawal

Rate of withdrawal for active members prior to eligibility for retirement are based upon actual experience from 2002 through 2010. Rates are developed for each employee group and differ by gender and service. Sample rates are shown in the tables below.

Annual Withdrawal Rate		
Years of Service	PORS	
	Male	Female
0	0.2500	0.2500
1	0.1800	0.1800
2	0.1400	0.1400
3	0.1200	0.1200
4	0.1070	0.1070
5	0.0954	0.0954
6	0.0850	0.0850
7	0.0758	0.0758
8	0.0675	0.0675
9	0.0602	0.0602
10	0.0537	0.0537
11	0.0478	0.0478
12	0.0426	0.0426
13	0.0380	0.0380
14	0.0339	0.0339
15	0.0302	0.0302
16	0.0269	0.0269
17	0.0240	0.0240
18	0.0214	0.0214
19	0.0191	0.0191
20	0.0170	0.0170
21	0.0151	0.0151
22	0.0135	0.0135
23	0.0120	0.0120

e. Post Retirement Mortality

Healthy retirees and beneficiaries – This valuation assumes fully generational mortality. The base mortality table is 115% of the RP-2000 Mortality Table with Blue Collar Adjustment. Future mortality improvements are assumed each year using Scale AA. The following are sample rates:

Nondisabled Annuitant Mortality Rates Before Projection (Multiplier Applied)		
Age	PORS	
	Males	Females
50	0.2774%	0.2257%
55	0.4825%	0.3214%
60	0.9511%	0.5691%
65	1.7870%	1.1958%
70	3.0772%	2.1429%
75	4.9601%	3.5521%
80	8.1129%	5.6296%
85	13.2339%	9.5565%
90	20.9021%	15.7189%
Multiplier	115%	115%

Life Expectancy for an Age 65 Retiree in Years				
	Year of Retirement			
Member	2015	2020	2025	2030
Male	17.8	18.2	18.6	19.0
Female	19.7	19.9	20.1	20.4

A separate table of mortality rates is used for disabled retirees based on the RP-2000 Disabled Retiree Mortality Table. The following are sample rates:

Disabled Annuitant Mortality Rates (Multiplier Applied)		
Age	PORS	
	Males	Females
50	1.7385%	0.6921%
55	2.1265%	0.9926%
60	2.5225%	1.3103%
65	3.0104%	1.6816%
70	3.7550%	2.2581%
75	4.9240%	3.1338%
80	6.5623%	4.3387%
85	8.4962%	6.0122%
90	11.0045%	8.4029%
Multiplier	60%	60%

Asset Valuation Method

The actuarial value of assets is based on the market value of assets with five-year smoothing applied. This is accomplished by recognizing each year 20% of the difference between the market value of assets and the expected actuarial value of assets, based upon the assumed valuation rate of return.

Expected earnings are determined using the assumed investment rate of return and the beginning of year actuarial value of assets (adjusted for receipts and disbursements during the year). The returns are computed net of administrative and investment expenses.

Actuarial Cost Method

The Entry Age Normal actuarial cost method allocates the plan's actuarial present value of future benefits to various periods based upon service. The portion of the present value of future benefits allocated to years of service prior to the valuation date is the actuarial accrued liability, and the portion allocated to years following the valuation date is the present value of future normal costs. The normal cost is determined for each active member as the level percent of payroll necessary to fully fund the expected benefits to be earned over the career of each individual active member. The normal cost is partially funded with active member contributions with the remainder funded by employer contributions.

An unfunded accrued liability exists in the amount equal to the excess of accrued liability over valuation assets. The amortization period of the System is the number of years required to fully amortize the unfunded accrued liability with the expected amount of employer contributions in excess of the employers' portion of the normal cost.

The calculation of the amortization period takes into account scheduled increases to contribution rates applicable to future years and payroll growth. Also, the calculation of the amortization period reflects additional contributions the System receives with respect to return to work retirees. These contributions are assumed to grow at the same payroll growth rate as for active employees. It is assumed that amortization payments are made monthly at the end of the month.

Unused Annual Leave

To account for the effect of unused annual leave in Annual Final Compensation (AFC) of Class Two members, the AFC for Class Two members is increased 3.75% at their projected date of termination or retirement.

Unused Sick Leave

To account for the effect of unused sick leave on credited service for Class Two members, the service of active Class Two members who retire is increased 3 months.

Future Post-Retirement Benefit Adjustments

Benefits are assumed to increase by the lesser of 1.00% annually or $500 beginning on the July 1st following the receipt of 12 monthly benefit payments. The $500 limit in the annual increase is not indexed to escalate in future years.

Payroll Growth Rate

The total annual payroll of active members (also applies to rehired retiree participants) is assumed to increase at an annual rate of 3.50%.

Other Assumptions

1. Valuation payroll (used for determining the amortization contribution rate): Prior fiscal year payroll projected forward one year using the overall payroll growth rate. This was determined separately for active employees and return to work employees by dividing the actual member contributions received during the prior fiscal year by the applicable member contribution rate for that fiscal year, and then projecting forward at 3.50%.
2. Individual salaries used to project benefits: Actual salaries from the past fiscal year are used to determine the final average salary as of the valuation date. For future salaries, the salary from the last fiscal year is projected forward with one year's salary scale.
3. Pay increase timing: Beginning of (fiscal) year. This is equivalent to assuming that reported salaries represent amounts paid to members during the year ended on the valuation date.
4. Percent married: 100% of male and 100% of female employees are assumed to be married.
5. Age difference: Males are assumed to be four years older than their spouses.
6. Percent electing annuity on death (when eligible): All of the spouses of vested, married participants are assumed to elect an immediate life annuity.
7. Inactive Population: All non-vested members are assumed to take an immediate refund. Vested members are assumed to take a deferred retirement benefit.
8. There will be no recoveries once disabled.
9. Decrement timing: Decrements of all types are assumed to occur mid-year.
10. Eligibility testing: Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.
11. Decrement relativity: Decrement rates are used directly from the experience study, without adjustment for multiple decrement table effects.
12. Incidence of Contributions: Contributions are assumed to be received continuously throughout the year based upon the computed percent of payroll shown in this report, and the actual payroll payable at the time contributions are made.
13. Benefit Service: All members are assumed to accrue 1 year of eligibility service each year.

Participant Data

Participant data was supplied in electronic text files. There were separate files for (i) active and inactive members, and (ii) members and beneficiaries receiving benefits.

The data for active members included birth date, gender, service with the current city and total vesting service, salary, and employee contribution account balances. For retired members and beneficiaries, the data included date of birth, gender, spouse's date of birth (where applicable), amount of monthly benefit, date of retirement, and form of payment code.

Salary supplied for the current year was based on the annualized earnings for the year preceding the valuation date.

Assumptions were made to correct for missing, bad, or inconsistent data. These had no material impact on the results presented.

APPENDIX B

BENEFIT PROVISIONS

Summary of Benefit Provisions for South Carolina Police Officers Retirement System (PORS)

Effective Date: July 1, 1962.

Administration: The South Carolina Retirement System, organizationally aligned as a Division of the South Carolina Public Employee Benefit Authority, is responsible for the general administrative operations and day to day management of the Plan.

Type of Plan: This is a qualified governmental defined benefit retirement plan. Under GASB 25, it is considered to be a cost-sharing multiple-employer plan.

Eligibility: This System covers police officers and firefighters employed by the state, and any participating political subdivision, agency, or department of the state. With the exception for magistrates and probate judges, eligible public safety employees must earn at least $2,000 per year and devote at least 1,600 hours per year, unless exempted by statute.

Employee Contributions: Members contributed 7.00% and 7.50% of earnable compensation for FY 2013 and 2014 respectively. The member contribution rate for FY 2015 and thereafter is 8.00%. Furthermore, in the event that these contribution rates are insufficient to maintain a 30-year amortization period, the Board shall increase the employer and member contribution rates by an equal amount (i.e. maintain at least a 5.00% differential between the employer and member rates) as necessary to maintain a 30-year funding period. The employer and member contribution rates may not decrease until the plan attains a 90% funded ratio. These contributions are "picked-up" under Section 414(h) of the Internal Revenue Code. Contributions are credited with interest at the rate of 4.0% per annum while the member is active. Members do not earn interest on their employee contribution account balance while they are inactive.

Average Final Compensation (AFC): The monthly average of the member's highest twelve (12) consecutive quarters of earnable compensation (20 consecutive quarters for Class Three members, members who are hired after June 30, 2012). Earnable compensation is the compensation that would be payable to a member if the member worked a full, normal working time, which includes gross salary, overtime, sick pay, and deferrals. The calculation of a member's AFC also includes up to 45 days pay for unused annual leave paid at termination.

Members joining the System after January 1, 1996, have their compensation limited in accordance with IRC Section 401(a)(17) for determining benefits.

Service Retirement:

a. Eligibility: A Class Two member may retire with an unreduced benefit at age 55 or after 25 years of creditable service, if earlier. The member must also have a minimum of 5 years of "earned" service to qualify for retirement. Class Three members may retire with an unreduced benefit at age 55 or after 27 years of creditable service, if earlier. Class Three members must also have a minimum of 8 years of "earned" service to qualify for retirement.

b. Monthly Benefit: 2.14% times Average Final Compensation (AFC) times years of creditable service. Class Two members will receive service credit for up to 90 days of unused sick leave where twenty days of sick leave constitutes one month of service credit.

c. Payment Form: Maximum retirement allowance (Option A) and survivor allowances under Options B and C.

Disability Retirement:

a. Eligibility: Member must be have five or more years of earned service (8 years for Class Three members), unless the disability is due to performing his or her job duties.

b. Monthly Benefit:

   The monthly benefit is equal to the member's service retirement benefit that would have been payable based on the member's AFC determined as of the date of his disability and a projected credited service amount that assumes the member continued employment to age 55, not to exceed their current service or 25 years. However, a member must receive a disability retirement allowance equal to at least 15% of his AFC.

c. Payment Form: Maximum retirement allowance (Option A) and survivor allowances under Options B and C.

d. Death while Disabled: A disabled member is treated as a retired member for purposes of determining a death benefit.

Vesting and Refunds:

a. Eligibility: All members who are not vested are eligible for a refund when they terminate service. Class Two members are vested after five years of earned service. Class Three members are vested after eight years of earned service. Vested members may also elect to receive a refund in lieu of the deferred termination benefit described below.

b. Amount: The refund benefit is the accumulated value of the member's contributions plus interest credited by the fund. Members do not earn interest on their employee contribution account balance while they are inactive.

Deferred Termination Benefit:

a. Eligibility: Member must be vested (5 years of earned service) and must elect to leave his/her contributions on deposit.

b. Monthly Benefit: Same as the unreduced or reduced service retirement benefit, based on service and AFC at termination, and commencing once the member is eligible.

c. Payment Form: Maximum retirement allowance (Option A) and survivor allowances under Options B and C.

d. Death Benefit: The beneficiary of an inactive member who dies is entitled to receive the amount of the member's accumulated contributions (with interest). In accordance with administrative policy, if the member met service eligibility requirements at their time of death, the beneficiary is eligible for a monthly survivor annuity benefit.

Death while an Active Member:

Members who die while actively employed will receive the regular death benefit described below. If the member was an employee of an employer participating in the Accidental Death Benefit Program and/or the Preretirement Death Benefit Program, then the beneficiary will receive additional death benefits.

Regular Death Benefit:

a. Refund: In the event of the death of an active member (duty or non-duty related), a refund of the member's accumulated contributions (with interest), subject to a minimum refund of $1,000, is paid to the beneficiary of a deceased member.

b. Beneficiary Annuity: If the deceased member (i) has 5 or more years of earned service and (ii) attained age 55 or accumulated 15 or more years of creditable service, the beneficiary may elect to receive, in lieu of the accumulated contributions, a monthly benefit for life of the beneficiary determined under "Option B" described under the Optional Forms of Benefit. For purposes of the benefit calculation, a member under the age of 55 is assumed to be 55 years of age.

Accidental Death Benefit Program:

The statutory beneficiary (i.e. surviving spouse, child, or parent of the member) of an active employee of an employer participating in the Accidental Death Benefit Program who dies as a result of a duty related event is entitled to the following beneficiary annuity.

a. Beneficiary Annuity: In the event a member dies as a result of a duty related event, a monthly benefit is provided for the duration of the beneficiary's lifetime equal to 50% of the member's compensation at the time of death.

Optional Forms of Benefit: The System permits members to elect from three forms of benefit at retirement. In each case the benefit amount is adjusted to be actuarially equivalent to the "Option A" form. The optional forms are:

a. Option A (Maximum Retirement Allowance): A life annuity. Upon the member's death, any remaining member contributions will be paid to the member's designated beneficiary.

b. Option B (100% Joint & Survivor with Pop-up): A reduced annuity payable as long as either the member or his/her beneficiary is living. In the event the member's designated beneficiary predeceases the member, then the member shall receive a retirement allowance equal to the maximum retirement allowance (Option A), plus any applicable cost of living increases that would have been granted.

c. Option C (50% Joint & Survivor with Pop-up): A reduced annuity payable during the member's life, and continues after the member's death at 50% of the rate paid to the member for the life of the member's designated beneficiary. In the event the member's designated beneficiary predeceases the member, then the member shall receive a retirement allowance equal to the maximum retirement allowance (Option A), plus any applicable cost of living increases that would have been granted.

Incidental Death Benefit:

a. Active Employees: The beneficiary (or estate) of an active employee of a employer participating in the Preretirement Death Benefit Program who completes at least one full year of membership service, will receive a death benefit equal to the member's annual earnable compensation at the time of death.

The one full year membership requirement is waived for members whose death is a result of an injury arising out of and in the course of performing his duties.

For purposes of determining eligibility for incidental death benefits, active employees include those members who are actively reemployed and contributing as a working retiree with a participating employer.

b. Post Employment: The beneficiary (or estate) of a retiree, both current and future retiree will receive a one-time payment upon the retiree's death if the employer was participating in the Preretirement Death Benefit Program at the time of the retired member's death. The amount of the one-time payment is based on the retiree's years of credited service at retirement.

Years of Service Credit	Death Benefit
10 or more, but less than 20	$2,000
20 or more, but less than 25	$4,000
25 or more	$6,000

Postretirement Benefit Increases: Benefits paid to retired members or surviving spouses are increased annually in an amount equal to the lesser of 1.00% of the pension benefit or $500 beginning on the July 1st following the receipt of 12 monthly benefit payments. The $500 limit in the annual increase is not indexed to escalate in future years.

APPENDIX C

GLOSSARY

GLOSSARY

Actuarial Accrued Liability (AAL): That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of Future Plan Benefits which is not provided for by future Normal Costs. It is equal to the Actuarial Present Value of Future Plan Benefits minus the actuarial present value of future Normal Costs.

Actuarial Assumptions: Assumptions as to future experience under the Fund. These include assumptions about the occurrence of future events affecting costs or liabilities, such as:

- mortality, withdrawal, disablement, and retirement;
- future increases in salary;
- future rates of investment earnings and future investment and administrative expenses;
- characteristics of members not specified in the data, such as marital status;
- characteristics of future members;
- future elections made by members; and
- other relevant items.

Actuarial Cost Method or ***Funding Method:*** A procedure for allocating the Actuarial Present Value of Future Benefits to various time periods; a method used to determine the Normal Cost and the Actuarial Accrued Liability. These items are used to determine the ARC.

Actuarial Gain or ***Actuarial Loss:*** A measure of the difference between actual experience and that expected based upon a set of Actuarial Assumptions, during the period between two Actuarial Valuation dates. Through the actuarial assumptions, rates of decrements, rates of salary increases, and rates of fund earnings have been forecasted. To the extent that actual experience differs from that assumed, Actuarial Accrued Liabilities emerge which may be the same as forecasted, or may be larger or smaller than projected. Actuarial gains are due to favorable experience, e.g., the Fund's assets earn more than projected, salaries do not increase as fast as assumed, members retire later than assumed, etc. Favorable experience means actual results produce actuarial liabilities not as large as projected by the actuarial assumptions. On the other hand, actuarial losses are the result of unfavorable experience, i.e., actual results that produce actuarial liabilities which are larger than projected. Actuarial gains will shorten the time required for funding of the actuarial balance sheet deficiency while actuarial losses will lengthen the funding period.

Actuarially Equivalent: Of equal actuarial present value, determined as of a given date and based on a given set of Actuarial Assumptions.

Actuarial Present Value (APV): The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions. For purposes of this standard, each such amount or series of amounts is:

a. adjusted for the probable financial effect of certain intervening events (such as changes in compensation levels, marital status, etc.)

b. multiplied by the probability of the occurrence of an event (such as survival, death, disability, termination of employment, etc.) on which the payment is conditioned, and

c. discounted according to an assumed rate (or rates) of return to reflect the time value of money.

Actuarial Present Value of Future Plan Benefits: The Actuarial Present Value of those benefit amounts which are expected to be paid at various future times under a particular set of Actuarial Assumptions, taking into account such items as the effect of advancement in age and past and anticipated future compensation and service credits. The Actuarial Present Value of Future Plan Benefits includes the liabilities for active members, retired members, beneficiaries receiving benefits, and inactive, nonretired members either entitled to a refund or a future retirement benefit. Expressed another way, it is the value that would have to be invested on the valuation date so that the amount invested plus investment earnings would provide sufficient assets to pay all projected benefits and expenses when due.

Actuarial Valuation: The determination, as of a valuation date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values for a plan. An Actuarial valuation for a governmental retirement system typically also includes calculations of items needed for compliance with GASB 25, such as the funded ratio and the ARC.

Actuarial Value of Assets or ***Valuation Assets:*** The value of the Fund's assets as of a given date, used by the actuary for valuation purposes. This may be the market or fair value of plan assets, but commonly actuaries use a smoothed value in order to reduce the year-to-year volatility of calculated results, such as the funded ratio and the ARC.

Actuarially Determined: Values which have been determined utilizing the principles of actuarial science. An actuarially determined value is derived by application of the appropriate actuarial assumptions to specified values determined by provisions of the law.

Amortization Method: A method for determining the Amortization Payment. The most common methods used are level dollar and level percentage of payroll. Under the Level Dollar method, the Amortization Payment is one of a stream of payments, all equal, whose Actuarial Present Value is equal to the UAAL. Under the Level Percentage of Pay method, the Amortization payment is one of a stream of increasing payments, whose Actuarial Present Value is equal to the UAAL. Under the Level Percentage of Pay method, the stream of payments increases at the assumed rate at which total covered payroll of all active members will increase.

Amortization Payment: That portion of the pension plan contribution or ARC which is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability.

Annual Required Contribution (ARC): The employer's periodic required contributions, expressed as a dollar amount or a percentage of covered plan compensation, determined under GASB 25. The ARC consists of the Employer Normal Cost and the Amortization Payment

Closed Amortization Period: A specific number of years that is counted down by one each year, and therefore declines to zero with the passage of time. For example if the amortization period is initially set at 30 years, it is 29 years at the end of one year, 28 years at the end of two years, etc. See Funding Period and Open Amortization Period.

Decrements: Those causes/events due to which a member's status (active-inactive-retiree-beneficiary) changes, that is: death, retirement, disability, or termination.

Defined Benefit Plan: A retirement plan that is not a Defined Contribution Plan. Typically a defined benefit plan is one in which benefits are defined by a formula applied to the member's compensation and/or years of service.

Defined Contribution Plan: A retirement plan, such as a 401(k) plan, a 403(b) plan, or a 457 plan, in which the contributions to the plan are assigned to an account for each member, and the plan's earnings are allocated to each account, and each member's benefits are a direct function of the account balance.

Employer Normal Cost: The portion of the Normal Cost to be paid by the employers. This is equal to the Normal Cost less expected member contributions.

Experience Study: A periodic review and analysis of the actual experience of the Fund which may lead to a revision of one or more actuarial assumptions. Actual rates of decrement and salary increases are compared to the actuarially assumed values and modified as deemed appropriate by the Actuary.

Funded Ratio: The ratio of the actuarial value of assets (AVA) to the actuarial accrued liability (AAL). Plans sometimes calculate a market funded ratio, using the market value of assets (MVA), rather than the AVA, although GASB 25 reporting requires the use of the AVA.

Funding Period or ***Amortization Period:*** The term "Funding Period" is used two ways. In the first sense, it is the period used in calculating the Amortization Payment as a component of the ARC. This funding period is chosen by the Board of Trustees. In the second sense, it is a calculated item: the number of years in the future that will theoretically be required to amortize (i.e., pay off or eliminate) the Unfunded Actuarial Accrued Liability, based on the statutory employer contribution rate, and assuming no future actuarial gains or losses.

GASB: Governmental Accounting Standards Board.

GASB 25 and ***GASB 27***: Governmental Accounting Standards Board Statements No. 25 and No. 27. These are the governmental accounting standards that set the accounting rules for public retirement systems and the employers that sponsor or contribute to them. Statement No. 27 sets the accounting rules for the employers that sponsor or contribute to public retirement systems, while Statement No. 25 sets the rules for the systems themselves.

Normal Cost: That portion of the Actuarial Present Value of pension plan benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method. Any payment in respect of an Unfunded

Actuarial Accrued Liability is not part of Normal Cost (see Amortization Payment). For pension plan benefits which are provided in part by employee contributions, Normal Cost refers to the total of employee contributions and employer Normal Cost unless otherwise specifically stated. Under the entry age normal cost method, the Normal Cost is intended to be the level cost (when expressed as a percentage of pay) needed to fund the benefits of a member from hire until ultimate termination, death, disability or retirement.

Open Amortization Period: An open amortization period is one which is used to determine the Amortization Payment but which does not change over time. In other words, if the initial period is set as 30 years, the same 30-year period is used in determining the Amortization Period each year. In theory, if an Open Amortization Period is used to amortize the Unfunded Actuarial Accrued Liability, the UAAL will never completely disappear, but will become smaller each year, either as a dollar amount or in relation to covered payroll.

Unfunded Actuarial Accrued Liability: The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. This value may be negative in which case it may be expressed as a negative Unfunded Actuarial Accrued Liability, also called the Funding Surplus.

Valuation Date or Actuarial Valuation Date: The date as of which the value of assets is determined and as of which the Actuarial Present Value of Future Plan Benefits is determined. The expected benefits to be paid in the future are discounted to this date.

Gabriel Roeder Smith & Company
Consultants & Actuaries

RETIREMENT SYSTEM FOR JUDGES AND SOLICITORS OF THE STATE OF SOUTH CAROLINA (JSRS)

ACTUARIAL VALUATION REPORT

AS OF JULY 1, 2013

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December 2, 2013

Public Employee Benefit Authority
South Carolina Retirement System
P.O. Box 11960
Columbia, SC 29211-1960

Subject: Actuarial Valuation as of July 1, 2013

Dear Members of the Board:

This report describes the current actuarial condition of the Retirement System for Judges and Solicitors of the State of South Carolina (JSRS), determines the calculated employer contribution requirement, and analyzes changes in this amount. In addition, the report provides information required by the Retirement System in connection with Governmental Accounting Standards Board Statement No. 25 (GASB 25), and gives various summaries of the data. Results of this report should not be used for any other purpose without consultation with the undersigned. Valuations are prepared annually as of July 1, the first day of the plan year for JSRS. This report was prepared at the request of the Board of Directors of the South Carolina Public Employee Benefit Authority (Board) and is intended for use by the South Carolina Retirement System (SCRS) staff and those designated or approved by the Board.

Under SCRS statutes, the Board must certify the employer contribution annually. This amount is determined actuarially, based on the Board's funding policy. The contribution rate is determined by a given actuarial valuation and becomes effective twenty-four months after the valuation date. In other words, the contribution rate determined by this July 1, 2013 actuarial valuation will be used by the Board when certifying the employer contribution rate for the year beginning July 1, 2015. If new legislation is enacted between the valuation date and the date the contribution rate becomes effective, the Board may adjust the calculated amount before certifying them, in order to reflect this new legislation. Such adjustments are based on information supplied by the actuary.

FINANCING OBJECTIVES AND FUNDING POLICY

The principle objectives in the funding policy that are maintained by the Board include:

- Establish a contribution rate that remains relatively level over time.
- To set a rate so that the measures of the System's funding progress which includes the unfunded actuarial accrued liability, funded ratio, and funding period will be maintained or improved.

- To set a contribution rate that will amortize the unfunded actuarial accrued liability (UAAL) over a period that does not exceed 30 years.

For JSRS, the Board's funding policy is to determine an employer contribution rate that is at least equal to the sum of the employer normal cost rate (which pays the current year's cost) and an amortization rate which results in the UAAL to be funded over a period that does not exceed 30 years in installments that increase at the assumed rate of growth in payroll for JSRS.

PROGRESS TOWARD REALIZATION OF FINANCING OBJECTIVES

The funded ratio (the ratio of the actuarial value of assets to the actuarial accrued liability) is a standard measure of a plan's funded status. In the absence of benefit improvements, it should increase over time, until it reaches at least 100%.

The funded ratio of the System slightly decreased from 57.8% to 57.5%. This decrease was primarily due to the continual recognition of deferred investment losses that occurred in prior years. Absent favorable experience, we expect the funded ratio will continue to decrease for the next few years as those investment losses are fully recognized in the development of the actuarial value of assets before the funded ratio is expected to begin to improve.

If market value of assets had been used in the calculation instead of actuarial (smoothed) value of assets, the funded ratio for the System would have been 51.1%, compared to 49.0% in the prior year.

ASSUMPTIONS AND METHODS

The actuarial assumptions used to perform this valuation remain unchanged from the prior valuation, including the use of a 7.50% investment return assumption. South Carolina State Code requires that an experience analysis that reviews the economic and demographic assumptions be performed every five years. The next experience analysis is scheduled for 2016.

It is our opinion that the recommended assumptions are internally consistent and reasonably reflect the anticipated future experience of the System. The actuarial assumptions and methods used in this report comply with the parameters for disclosure that appear in GASB 25.

The results of the actuarial valuation are dependent on the actuarial assumptions used. Actual results can, and almost certainly will, differ as actual experience deviates from the assumptions. Even seemingly minor changes in the assumptions can materially change the liabilities, calculated contribution rate, and funding periods. The actuarial calculations are intended to provide information for rational decision making.

BENEFIT PROVISIONS

The benefit provisions reflected in this valuation are those which were in effect on July 1, 2013. There were no legislative changes enacted since the previous valuation that had a measurable effect on the current valuation.

DATA

Member data for retired, active and inactive members was supplied as of July 1, 2013, by the SCRS staff. The staff also supplied asset information as of July 1, 2013. We did not audit this data, but we did apply a number of tests to the data, and we concluded that it was reasonable and consistent with the prior year's data. GRS is not responsible for the accuracy or completeness of the information provided to us by SCRS.

CERTIFICATION

We certify that the information presented herein is accurate and fairly portrays the actuarial position of JSRS as of July 1, 2013.

All of our work conforms with generally accepted actuarial principles and practices and with the Actuarial Standards of Practice issued by the Actuarial Standards Board. In our opinion, our calculations also comply with the requirements of South Carolina Code of Laws and, where applicable, the Internal Revenue Code, ERISA, and the Statements of the Governmental Accounting Standards Board.

The undersigned are independent actuaries and consultants. Mr. Newton and Mr. White are Enrolled Actuaries and Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries. Both are experienced in performing valuations for large public retirement systems.

Sincerely,

Gabriel, Roeder, Smith & Co.

Joseph P. Newton, FSA, MAAA, EA
Senior Consultant

Daniel J. White, FSA, MAAA, EA
Senior Consultant

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SECTION A

EXECUTIVE SUMMARY

Executive Summary

(Dollar amounts expressed in thousands)

Valuation Date:	July 1, 2013	July 1, 2012
Membership		
• Number of		
- Active members[1]	153	144
- Retirees and beneficiaries	183	183
- DROP and Retired-in-Place members	18	17
- Inactive members	2	3
- Total	338	330
• Projected payroll of active members	$20,407	$19,221
Contribution Rates		
• Employer contribution rate	47.97% [2]	47.97%
• Member	10.00%	10.00%
Assets		
• Market value	$131,278	$123,359
• Actuarial value	147,648	145,604
• Return on market value	10.3%	0.5%
• Return on actuarial value	4.6%	3.6%
• Ratio of actuarial to market value of assets	112.5%	118.0%
• External cash flow %	-3.6%	-3.6%
Actuarial Information		
• Normal cost %	27.30%	27.28%
• Actuarial accrued liability (AAL)	$256,988	$251,729
• Unfunded actuarial accrued liability (UAAL)	109,340	106,125
• Funded ratio	57.5%	57.8%
• Funding period (years)	28	30
Reconciliation of UAAL		
• Beginning of Year UAAL	$106,125	$98,587
- Interest on UAAL	7,959	7,394
- Amortization payment with interest	(6,839)	(5,699)
- Assumption/method changes	0	0
- Asset experience	4,093	5,561
- COLA	(5,358)	0
- Salary experience	2	(2,216)
- Other liability experience	3,358	2,498
- Legislative Changes	0	0
• End of Year UAAL	$109,340	$106,125

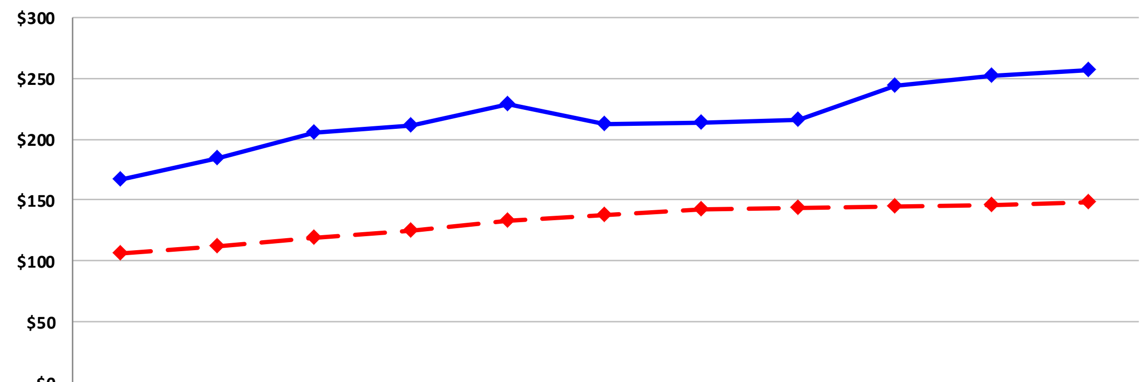
[1] Active member counts include unfilled positions and members in DROP or Retired-in-Place.

[2] The contribution rate determined by the July 1, 2013 actuarial valuation is subject to approval and adoption by the Public Employee Benefit Authority before becoming effective for the fiscal year beginning July 1, 2015. The contribution rate includes the cost of incidental death benefits.

EXECUTIVE SUMMARY (CONTINUED)

The unfunded actuarial accrued liability increased by $3.2 million since the prior year's valuation to $109.3 million. The single largest source of this increase is a result of continual recognition of deferred investment losses in the actuarial value of assets (an increase of $4.1 million). Below is a chart with the historical actuarial value of assets and actuarial accrued liability for JSRS.

Chart 1. - History of Actuarial Assets vs. Actuarial Accrued Liability
(Dollars in Millions)



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
AVA	$106	$112	$119	$125	$133	$138	$142	$143	$145	$146	$148
AAL	$167	$185	$205	$211	$229	$213	$214	$216	$244	$252	$257

There are still $16.4 million in deferred investment losses as of the valuation date (compared to $22.2 million in deferred investment losses in the prior year's valuation). Absent favorable investment experience, those deferred losses will be reflected in the actuarial value of assets over the next few years. Therefore, we expect the unfunded actuarial liability for the System to increase for several years and the funded ratio (on an actuarial value of asset basis) to decline before they improve.

Due to net actuarial gains in the actuarial accrued liability and an increase in the total covered payroll due to the expansion of the number of judicial positions, the recommended employer contribution rate remains unchanged at 47.97% of pay. Absent legislative changes or significantly favorable investment experience, it is likely that the contribution rate will increase in future years as the $16.4 million deferred investment loss becomes recognized in the actuarial value of assets.

SECTION B

DISCUSSION

DISCUSSION

The results of the July 1, 2013 actuarial valuation of the Retirement System for Judges and Solicitors are presented in this report. The purposes of the valuation report are to depict the current financial condition of the System, determine the amortization period resulting from the current contribution rates, and analyze changes in the System's financial condition. In addition, the report provides information required by SCRS in connection with Governmental Accounting Standards Board Statement No. 25 (GASB 25), and various summaries of the members participating in the plan.

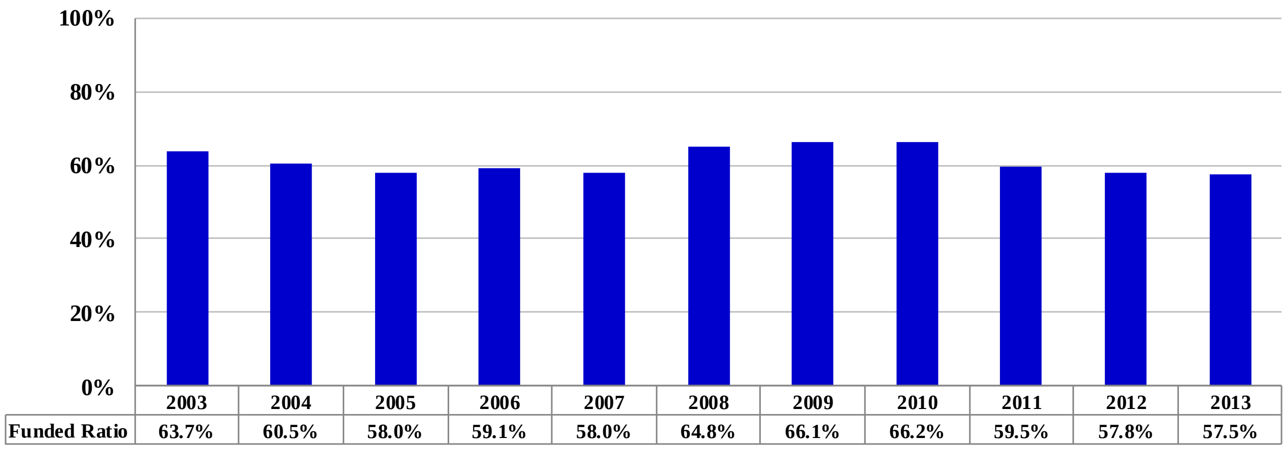
This section discusses the determination of the current funding requirements and the System's funded status, as well as changes in the financial condition of the retirement system.

All of the actuarial and financial tables referenced by the other sections of this report appear in Section C. Section D provides member data and statistical information. Appendices A and B provide summaries of the principle actuarial assumptions and methods and plan provisions. Finally, Appendix C provides a glossary of technical terms that are used throughout this report.

Funding Progress

The funded ratio slightly decreased from 57.8% to 57.5% since the prior valuation. As shown in the table below, the funding ratio has been relatively level over the past 10 years. Table 10, Schedule of Funding Progress, in the following section of the report provides additional detail regarding the funding progress of the Retirement System.

Chart 2. - Funded Ratio
Actuarial Assets as a percentage of Actuarial Accrued Liabilities



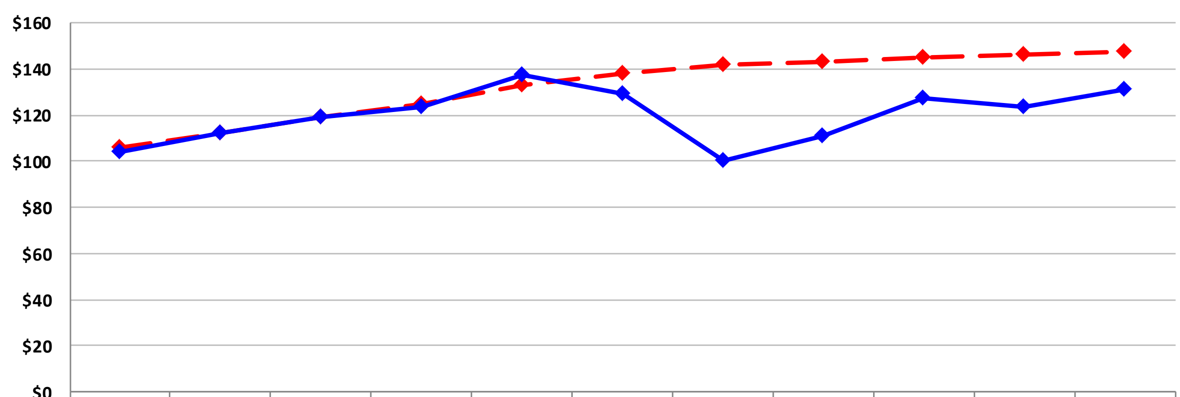
Asset Gains/(Losses)

The actuarial value of assets ("AVA") is based on a smoothed market value of assets, using a systematic approach to phase-in actual investment return in excess of (or less than) the expected investment income. This is appropriate because it dampens the short-term volatility inherent in investment markets. The expected investment income is determined using the assumed annual investment return rate and the actuarial value of assets (adjusted for receipts and disbursements during the year). The returns are computed net of administrative and investment expenses. The actuarial value of assets increased from $145.6 million to $147.6 million since the prior valuation. Table 8 in the following section of the report provides the development of the actuarial value of assets.

The rate of return on the mean market value of assets in 2013 was 10.3%. Additionally, because of the recognition of prior investment experience, the actuarial (smoothed) asset value returned only 4.6%. This difference in the estimated return on market value and actuarial value illustrates the smoothing effect of the asset valuation method.

The market value of assets is less than the actuarial value of assets, which signifies that the retirement system is in a position of deferred losses. Therefore, unless the System experiences investment returns in excess of the assumed rate of return, the future recognition of these deferred losses is expected to increase the unfunded actuarial accrued liability and decrease the System's funded ratio over the next few years.

Chart 3. - History of Actuarial Value and Market Value of Assets
(Dollars in Millions)



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
AVA	$106	$112	$119	$125	$133	$138	$142	$143	$145	$146	$148
MVA	$104	$112	$119	$124	$137	$129	$100	$111	$127	$123	$131

Assets as of July 1,

Tables 6 and 7 in the following section of this report provide asset information that was included in the annual financial statements of the System. Also, Table 9 shows the estimated yield on a market value basis and on the actuarial asset valuation method.

Actuarial Gains/(Losses) and the Contribution Requirement

The annual actuarial valuation is a snapshot analysis of the benefit liabilities, assets and funded position of the System as of the first day of the plan year. In any one fiscal year, the experience can be better or worse from that which is assumed or expected. The actuarial assumptions do not necessarily attempt to model what the experience will be for any one given fiscal year, but instead try to model the overall experience over many years. The demographic experience for the last year is briefly summarized in the chart below.

The unfunded actuarial accrued liability (UAAL) has increased from $106.1 million in 2012 to $109.3 million in 2013. The table below shows the source of the gains and losses and the impact of those gains and losses on the UAAL.

Reconciliation of UAAL
(Dollars in thousands)

• Beginning of Year UAAL	$106,125
- Interest on UAAL	7,959
- Amortization payment with interest	(6,839)
- Assumption/method changes	0
- Asset Experience	4,093
- COLA	(5,358)
- Salary Experience	2
- Other Liability Experience	3,358
- Legislative Changes	0
• End of Year UAAL	$109,340

The following table provides a reconciliation of the change in the funding period from 2012 to 2013 based on the current employer contribution rate of 47.97%. The liability experience providing the largest positive impact to the funding period includes a 0% benefit adjustment to retirees on July 1, 2013 and an increase in the covered payroll due to the expansion of the number of judicial positions.

Change in Funding Period (Years)
Based on a 47.97% Contribution Rate

• Prior Year	30.0
- Expected Experience	(1.0)
- Assumption Change	0.0
- Asset Experience	2.3
- COLA Experience	(3.2)
- Salary Experience	0.0
- Other Demographic Experience	(0.2)
- Legislative Changes	0.0
- Total Change	(2.1)
• Current Year Valuation	27.9

This funding method and contribution policy is designed to result in relatively level contribution requirements from year to year. However, absent favorable future investment or liability experience, it is possible the contribution requirement will increase over the next several years as existing deferred investment losses become fully recognized in the actuarial value of assets and the calculation of the recommended contribution rate.

GASB No. 25 and No. 27 Disclosures

Accounting requirements for JSRS are provided by the Governmental Accounting Standards Board Statements No. 25 ("GASB 25") and No. 27 ("GASB 27"). Table 10 shows a historical summary of the funded ratios and other information for the System. Table 11 shows other information needed in connection with the required disclosures under GASB 25. GASB 27 governs reporting by the employers of government-sponsored retirement plans.

GASB 25 requires that plans calculate an Annual Required Contribution ("ARC"), and, if actual contributions received are less than the ARC, this must be disclosed. The ARC is calculated in accordance with certain parameters. In particular, it includes a payment to amortize the UAAL. This amortization payment must be computed using a funding period no greater than thirty (30) years. For this disclosure, JSRS treats the Board-established contribution requirement as the ARC, as long as this produces an amortization period that does not exceed 30 years.

Actuarial Assumptions and Methods

In determining costs and liabilities, actuaries use assumptions about the future, such as probabilities of retirement, termination, death and disability, and an annual investment return assumption. The actuarial assumptions and methods used to determine the results of the 2013 actuarial valuation are the same as those used for the prior year's valuation.

Appendix A includes a summary of the actuarial assumptions and methods used in this valuation.

It is our opinion that the assumptions are internally consistent and are reasonable and reflect anticipated future experience of the System. The actuarial assumptions and methods used in this report comply with the parameters for disclosure that appear in GASB 25.

Benefit Provisions

Appendix B of this report includes a summary of the benefit provisions for JSRS. There have been no changes in the plan provisions since the preceding actuarial valuation.

Summary of Retirement Provisions

- A retirement benefit equal to 71.3% of the current active salary of the position from which the member retired plus an additional 2.67% of compensation for each year of service beyond 25 years for judges and 24 years for solicitors and public defenders (subject to a maximum retirement allowance that does not exceed 90% of salary).
- The normal form of payment for a married member is a 33 1/3 joint and survivor annuity.
- Active members contribute 10% of compensation.
- Members are eligible for retirement after they have (i) attained age 70 with 15 years of service, or (ii) attained age 65 with 20 years of service or (iii) completed 25 years of creditable service for judges and 24 years for solicitors and public defenders regardless of age.
- Members who have accrued a retirement allowance that is 90% of salary may elect to "retire in place" and begin to receive their accrued retirement benefits while remaining employed. Members who have retired in place but have not attained age 60 will have their retirement benefit paid into a deferred retirement option program (DROP) and receive the balance of their DROP account upon attaining age 60.
- The mandatory retirement age is 72.

SECTION C

ACTUARIAL TABLES

ACTUARIAL TABLES

Summary of Cost Items

(Dollar amounts expressed in thousands)

		July 1, 2013 (1)	July 1, 2012 (2)
1.	Projected payroll of active members[1]	$ 20,407	$19,221
2.	Present value of future pay	$ 136,404	$ 134,272
3.	Normal cost rate		
	a. Total normal cost rate	27.30%	27.28%
	b. Less: member contribution rate	-10.00%	-10.00%
	c. Employer normal cost rate	17.30%	17.28%
4.	Actuarial accrued liability for active members		
	a. Present value of future benefits	$ 114,454	$ 108,895
	b. Less: present value of future normal costs	(36,051)	(35,546)
	c. Actuarial accrued liability	$ 78,403	$ 73,349
5.	Total actuarial accrued liability for:		
	a. Retirees and beneficiaries	$ 178,526	$ 177,483
	b. Inactive members	59	897
	c. Active members (Item 4c)	78,403	73,349
	d. Total	$ 256,988	$ 251,729
6.	Actuarial value of assets	$ 147,648	$ 145,604
7.	Unfunded actuarial accrued liability (UAAL) (Item 5d - Item 6)	$ 109,340	$ 106,125
8.	GASB No. 25 Annual Required Contribution Rate		
	a. Employer normal cost rate	17.30%	17.28%
	b. Employer contribution rate available to amortize the UAAL	30.67%	30.69%
	c. Total employer contribution rate[2]	47.97%	47.97%
9.	Funding period based on the current employer contribution rate (years)	28	30

[1] The projected payroll is based on all filled and unfilled positions.

[2] The contribution rate of 47.33% for FY 2014 is scheduled to increase to 47.97% for FY 2015.

Actuarial Present Value of Future Benefits

(Dollar amounts expressed in thousands)

		July 1, 2013 (1)	July 1, 2012 (2)
1.	Active members		
	a. Service retirement	$ 104,368	$ 98,907
	b. Survivor benefits	3,094	3,073
	c. Disability benefits	6,992	6,915
	d. Total	$ 114,454	$ 108,895
2.	Retired members		
	a. Service retirement	$ 162,352	$ 160,435
	b. Disability retirement	761	785
	c. Beneficiaries	15,413	16,263
	d. Total	$ 178,526	$ 177,483
3.	Inactive members		
	a. Vested terminations	$ 0	$ 838
	b. Nonvested terminations	59	59
	c. Total	$ 59	$ 897
4.	Total actuarial present value of future benefits	$ 293,039	$ 287,275

Analysis of Normal Cost

	July 1, 2013 (1)	July 1, 2012 (2)
1. Total normal cost rate		
a. Service retirement	22.05%	21.98%
b. Survivor benefits	1.64%	1.66%
c. Disability benefits	3.61%	3.64%
d. Total	27.30%	27.28%
2. Less: member contribution rate	10.00%	10.00%
3. Net employer normal cost rate	17.30%	17.28%

Note: The normal cost includes the cost for incidental death benefits.

Results of July 1, 2013 Valuation
(Dollar amounts expressed in thousands)

			July 1, 2013
			(1)
1.	Actuarial Present Value of Future Benefits		
	a. Present retired members and beneficiaries	$	178,526
	b. Present active and inactive members		114,513
	c. Total actuarial present value	$	293,039
2.	Present Value of Future Normal Contributions		
	a. Employee	$	13,640
	b. Employer		22,411
	c. Total future normal contributions	$	36,051
3.	Actuarial Liability	$	256,988
4.	Current Actuarial Value of Assets	$	147,648
5.	Unfunded Actuarial Liability	$	109,340
6.	UAAL Amortization rates based on a 47.97% employer contribution rate		
	a. Active members		30.67%
	b. DROP and Retired-in-Place Members (including employee contributions)		57.97%
7.	Unfunded Actuarial Liability Liquidation Period		28 Years

Note: The employer contribution rate includes the cost for incidental death benefits.

Actuarial Balance Sheet

(Dollar amounts expressed in thousands)

	July 1, 2013 (1)	July 1, 2012 (2)
1. Assets		
a. Current assets (actuarial value)		
i. Employee annuity savings fund	$ 21,369	$ 20,005
ii. Employer annuity accumulation fund	126,279	125,599
iii. Total current assets	$ 147,648	$ 145,604
b. Present value of future member contributions	$ 13,640	$ 13,427
c. Present value of future employer contributions		
i. Normal contributions	$ 22,411	$ 22,119
ii. Accrued liability contributions	109,340	106,125
iii. Total future employer contributions	$ 131,751	$ 128,244
d. Total assets	$ 293,039	$ 287,275
2. Liabilities		
a. Employee annuity savings fund		
i. Past member contributions	$ 21,369	$ 20,005
ii. Present value of future member contributions	13,640	13,427
iii. Total contributions to employee annuity savings fund	$ 35,009	$ 33,432
b. Employer annuity accumulation fund		
i. Benefits currently in payment	$ 178,526	$ 177,483
ii. Benefits to be provided to other members	79,504	76,360
iii. Total benefits payable from employer annuity accumulation fund	$ 258,030	$ 253,843
c. Total liabilities	$ 293,039	$ 287,275

System Net Assets
Assets at Market or Fair Value
(Dollar amounts expressed in thousands)

Item		July 1, 2013		July 1, 2012
(1)		(2)		(3)
1. Cash and cash equivalents (operating cash)	$	16,807	$	11,538
2. Receivables		4,559		4,247
3. Investments				
a. Short-term securities	$	2,292	$	0
b. Domestic fixed income		32,743		18,850
c. Global fixed income		9,387		7,362
d. Domestic equities		8,536		9,037
e. Global equities		8,311		8,426
f. Alternative investments		56,957		70,159
g. Total investments	$	118,226	$	113,834
4. Securities lending cash collateral invested	$	513	$	892
5. Prepaid administrative expenses		6		3
6. Capital assets, net of accumulated depreciation		13		13
7. Total assets	$	140,124	$	130,527
8. Liabilities				
a. Due to other systems	$	0	$	59
b. Accounts payable		6,545		4,399
c. Investment fees payable		45		46
d. Obligations under securities lending		513		892
e. Deferred retirement benefits		707		586
f. Due to employee insurance program		0		0
g. Benefit payable		0		0
h. Other liabilities		1,036		1,186
i. Total liabilities	$	8,846	$	7,168
9. Total market value of assets available for benefits (Item 7 - Item 8.i.)	$	131,278	$	123,359
10. Asset allocation (investments)				
a. Net invested cash		11.7%		7.7%
b. Domestic fixed income		24.9%		15.3%
c. Global fixed income		7.2%		6.0%
d. Domestic equities		6.5%		7.3%
e. Global equities		6.3%		6.8%
f. Alternative investments		43.4%		56.9%
g. Total investments		100.0%		100.0%

Reconciliation of System Net Assets

(Dollar amounts expressed in thousands)

	Year Ending July 1, 2013 (1)	Year Ending July 1, 2012 (2)
1. Value of assets at beginning of year	$ 123,359	$ 127,152
2. Revenue for the year		
a. Contributions		
i. Member contributions	$ 2,596	$ 2,299
ii. Employer contributions	8,667	8,414
iii. Total	$ 11,263	$ 10,713
b. Income		
i. Interest, dividends, and other income	$ 1,521	$ 1,233
ii. Investment expenses	(2,023)	(269)
iii. Net	$ (502)	$ 964
c. Net realized and unrealized gains (losses)	13,142	(181)
d. Total revenue	$ 23,903	$ 11,496
3. Expenditures for the year		
a. Disbursements		
i. Refunds	$ 57	$ 134
ii. Regular annuity benefits[1]	15,866	15,171
iii. Other benefit payments	134	134
iv. Transfers to other systems	(184)	(261)
v. Total	$ 15,873	$ 15,178
b. Administrative expenses and depreciation	111	111
c. Total expenditures	$ 15,984	$ 15,289
4. Increase in net assets (Item 2. - Item 3.)	$ 7,919	$ (3,793)
5. Value of assets at end of year (Item 1. + Item 4.)	$ 131,278	$ 123,359
6. Net external cash flow		
a. Dollar amount	$ (4,610)	$ (4,465)
b. Percentage of market value	-3.6%	-3.6%

[1] Includes deferred retirement benefit payments.

Development of Actuarial Value of Assets
(Dollar amounts expressed in thousands)

		July 1, 2013	
			(1)
1.	Actuarial value of assets at the prior valuation date	$	145,604
2.	Market value of assets at the prior valuation date	$	123,359
3.	Net external cash flow during the year		
	a. Contributions	$	11,263
	b. Disbursements		(15,873)
	c. Subtotal	$	(4,610)
4.	Expected net investment income at 7.50% earned on		
	a. Actuarial value of assets at the prior valuation date	$	10,920
	b. Contributions		422
	c. Disbursements		(595)
	d. Subtotal	$	10,747
5.	Expected actuarial value of assets, end of year (Item 1. + Item 3.c. + Item 4.d.)	$	151,741
6.	Market value of assets as of the current valuation date	$	131,278
7.	Difference between expected actuarial assets and market value of assets (Item 6. - Item 5.)	$	(20,463)
8.	Excess/(shortfall) recognized (20% of Item 7.)	$	(4,093)
9.	Actuarial value of plan assets, end of year (Item 5. + Item 8.)	$	147,648
10.	Asset gain (loss) for year (Item 9. - Item 5.)	$	(4,093)
11.	Asset gain (loss) as % of the actuarial value of assets		(2.77%)
12.	Ratio of AVA to MVA		112.5%

Estimation of Yields
(Dollar amounts expressed in thousands)

		Year Ending July 1, 2013 (1)	Year Ending July 1, 2012 (2)
1.	Market value yield		
	a. Beginning of year market assets	$ 123,359	$ 127,152
	b. Contributions to fund during the year	11,263	10,713
	c. Disbursements	(15,873)	(15,178)
	d. Investment income (net of investment and administrative expenses)	12,529	672
	e. End of year market assets	$ 131,278	$ 123,359
	f. Estimated dollar weighted market value yield	10.3%	0.5%
2.	Actuarial value yield		
	a. Beginning of year actuarial assets	$ 145,604	$ 144,927
	b. Contributions to fund during the year	11,263	10,713
	c. Disbursements	(15,873)	(15,178)
	d. Investment income (net of investment and administrative expenses)	6,654	5,142
	e. End of year actuarial assets	$ 147,648	$ 145,604
	f. Estimated actuarial value yield	4.6%	3.6%

Schedule of Funding Progress

(Dollar amounts expressed in thousands)

July 1,	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL) (3) - (2)	Funded Ratio (2)/(3)	Annual Covered Payroll	UAAL as % of Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
2001	$ 94,795	$ 159,246	$ 64,451	59.5%	$ 14,109	456.8%
2002	100,074	166,440	66,366	60.1%	14,211	467.0%
2003	106,114	166,655	60,541	63.7%	14,437	419.3%
2004	112,016	185,052	73,036	60.5%	14,870	491.2%
2005	118,888	204,847	85,959	58.0%	15,465	555.8%
2006	124,837	211,384	86,547	59.1%	15,929	543.3%
2007	132,990	229,388	96,398	58.0%	16,407	587.5%
2008	138,323	213,406	75,083	64.8%	18,661	402.4%
2009	141,797	214,363	72,566	66.1%	18,661	388.9%
2010	142,871	215,823	72,952	66.2%	18,661	390.9%
2011	144,927	243,514	98,587	59.5%	18,661	528.3%
2012	145,604	251,729	106,125	57.8%	19,221	552.1%
2013	147,648	256,988	109,340	57.5%	20,407	535.8%

Notes to Required Supplementary Information
(as required by GASB #25)

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date:	July 1, 2013
Actuarial cost method:	Entry Age Normal
Amortization method:	Level percentage of payroll
Amortization period for GASB 25 ARC:	28-year open period[1]
Asset valuation method:	5-year smoothed market
Actuarial assumptions:	
Investment rate of return[2]	7.50%
Projected salary increases[2]	3.00%
Inflation	2.75%
Cost-of-living adjustments	3.00%

[1] The Board will maintain the prior year's contribution rate to the extent the amortization period does not exceed 30 years.

[2] Includes inflation at 2.75%

Solvency Test
(Dollar amounts expressed in thousands)

	Actuarial Accrued Liability				Portion of Aggregate Accrued Liabilities Covered by Assets		
July 1,	Active Member Contributions	Retirants & Beneficiaries	Active & Inactive Members (Employer Financed)	Valuation Assets	Active	Retirants	ER Financed
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
2001	$ 15,254	$ 97,512	$ 46,480	$ 94,795	100.0%	81.6%	0.0%
2002	16,162	101,716	48,562	100,074	100.0%	82.5%	0.0%
2003	16,545	96,409	53,701	106,114	100.0%	92.9%	0.0%
2004	17,640	106,159	61,253	112,016	100.0%	88.9%	0.0%
2005	20,005	110,876	73,966	118,888	100.0%	89.2%	0.0%
2006	21,857	112,823	76,704	124,837	100.0%	91.3%	0.0%
2007	18,999	149,435	60,954	132,990	100.0%	76.3%	0.0%
2008	17,367	141,510	54,529	138,323	100.0%	85.5%	0.0%
2009	18,431	144,464	51,468	141,797	100.0%	85.4%	0.0%
2010	17,816	150,696	47,311	142,871	100.0%	83.0%	0.0%
2011	18,864	169,841	54,809	144,927	100.0%	74.2%	0.0%
2012	20,005	177,483	54,241	145,604	100.0%	70.8%	0.0%
2013	21,369	178,526	57,093	147,648	100.0%	70.7%	0.0%

SECTION D

MEMBERSHIP DATA

Membership Tables

Summary of Membership Data

			July 1, 2013		July 1, 2012
			(1)		(2)
1.	Active members				
a.	Males		111		110
b.	Females		34		33
c.	Total members[1]		145		143
d.	Total annualized pay[2]	$	20,407,314	$	19,220,513
e.	Average pay[2]	$	133,381	$	133,476
f.	Average age		56.0		55.6
g.	Average credited service		15.5		15.1
h.	Member contributions with interest	$	21,369,000	$	20,005,000
i.	Average contributions with interest	$	147,372	$	139,895
2.	Vested inactive members				
a.	Number		0		1
b.	Total annual deferred benefits	$	0	$	50,062
c.	Average annual deferred benefit	$	0	$	50,062
3.	Nonvested inactive members				
a.	Number		2		2
b.	Member contributions with interest	$	59,482	$	59,482
c.	Average contributions with interest	$	29,741	$	29,741
4.	Service retirees				
a.	Number[1]		147		143
b.	Total annual benefits	$	14,359,793	$	13,991,064
c.	Average annual benefit	$	97,686	$	97,840
d.	Average age at the valuation date		70.2		69.7
5.	Disabled retirees				
a.	Number		1		1
b.	Total annual benefits	$	95,702	$	95,702
c.	Average annual benefit	$	95,702	$	95,702
d.	Average age at the valuation date		78.7		77.7
6.	Beneficiaries				
a.	Number		53		56
b.	Total annual benefits	$	1,501,885	$	1,633,601
c.	Average annual benefit	$	28,337	$	29,171
d.	Average age at the valuation date		69.6		70.6

[1] Includes members in DROP and Retired-in-Place. It does not include unfilled positions.

[2] Based on filled and unfilled positions.

Summary of Historical Active Membership

	Active Members		Covered Payroll	Average Annual Pay			
July 1,	Number of Employers	Number[1]	Amount in Thousands[1]	Amount	Percent Increase /(Decrease)	Average Age	Average Service
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
2001	2	128	$ 14,109	$ 110,223	4.26%	N/A	N/A
2002	2	128	14,211	111,026	0.73%	53	16
2003	2	128	14,437	112,789	1.59%	54	17
2004	2	128	14,870	116,172	3.00%	54	18
2005	2	128	15,465	120,820	4.00%	55	19
2006	2	128	15,929	124,445	3.00%	55	20
2007	2	128	16,407	128,176	3.00%	55	19
2008	3	144	18,661	129,590	1.10%	54	15
2009	3	144	18,661	129,590	0.00%	55.0	15.4
2010	3	144	18,661	129,590	0.00%	54.9	15.0
2011	3	144	18,661	129,590	0.00%	55.1	14.3
2012	3	144	19,221	133,476	3.00%	55.6	15.1
2013	3	153	20,407	133,381	-0.07%	56.0	15.5

[1] Includes filled and unfilled positions and members in DROP or Retired-in-Place.

Distribution of Active Members by Age and by Years of Service

	Years of Credited Service												
	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30-34	35 & Over	Total
Attained Age	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.
Under 20	0	0	0	0	0	0	0	0	0	0	0	0	0
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
20-24	0	0	0	0	0	0	0	0	0	0	0	0	0
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
25-29	0	0	0	0	0	0	0	0	0	0	0	0	0
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
30-34	0	0	0	0	0	0	0	0	0	0	0	0	0
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
35-39	2	0	1	0	0	0	0	0	0	0	0	0	3
	$129,520	$0	$134,221	$0	$0	$0	$0	$0	$0	$0	$0	$0	$131,087
40-44	2	1	1	2	3	2	3	0	0	0	0	0	14
	$129,520	$130,689	$134,221	$130,104	$134,221	$132,455	$134,221	$0	$0	$0	$0	$0	$132,457
45-49	3	1	1	1	1	3	1	5	3	0	0	0	19
	$129,520	$130,689	$130,689	$134,221	$134,221	$133,044	$130,689	$133,515	$134,221	$0	$0	$0	$132,549
50-54	0	1	4	3	1	4	2	5	5	2	0	0	27
	$0	$134,221	$131,572	$131,866	$134,221	$134,221	$135,281	$132,102	$135,634	$134,221	$0	$0	$133,515
55-59	1	0	2	0	1	2	2	7	7	4	1	0	27
	$129,520	$0	$132,455	$0	$130,689	$132,455	$134,221	$132,707	$134,221	$135,104	$129,520	$0	$133,219
60-64	0	0	0	0	2	5	2	3	3	2	11	0	28
	$0	$0	$0	$0	$132,455	$132,808	$132,455	$130,689	$131,866	$137,753	$131,872	$0	$132,415
65 & Over	0	0	0	0	1	6	2	3	1	3	11	0	27
	$0	$0	$0	$0	$134,221	$132,455	$134,221	$131,866	$134,221	$134,221	$129,947	$0	$131,826
Total	8	3	9	6	9	22	12	23	19	11	23	0	145
	$129,520	$131,866	$132,259	$131,671	$133,436	$132,937	$133,809	$132,378	$134,221	$135,184	$130,849	$0	$132,654

Membership information includes active and retired-in-place. It does not include unfilled positions.

Distribution of Annuitants by Monthly Benefit

Monthly Benefit Amount	Number of Annuitants	Female	Male	Average Service
(1)	(2)	(3)	(4)	(5)
Under $500	0	0	0	0.00
$ 500 - 999	10	7	3	25.37
1,000 - 1,499	0	0	0	0.00
1,500 - 1,999	3	2	1	11.42
2,000 - 2,499	1	1	0	16.75
2,500 - 2,999	30	28	2	22.10
3,000 - 3,499	14	13	1	29.77
3,500 - 3,999	3	2	1	18.94
4,000 - 4,499	3	1	2	13.00
4,500 - 4,999	3	0	3	18.00
5,000 - 5,499	2	1	1	16.50
5,500 - 5,999	3	1	2	22.53
6,000 - 6,499	3	0	3	19.19
6,500 - 6,999	3	0	3	23.72
7,000 - 7,499	3	0	3	21.58
7,500 - 7,999	39	3	36	21.38
8,000 - 8,499	18	1	17	25.50
8,500 - 8,999	14	0	14	28.30
9,000 - 9,499	5	1	4	29.38
9,500 - 9,999	22	1	21	31.67
10,000 & Over	22	1	21	31.87
Total	201	63	138	25.19

Schedule of Retirants Added to and Removed from Rolls
(Dollar amounts except average allowance expressed in thousands)

	Added to Rolls		Removed from Rolls		Rolls End of the Year		% Increase	Average
July 1,	Number	Annual Benefits	Number	Annual Benefits	Number	Annual Benefits	in Annual Benefit	Annual Benefit
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
2001	9	$ 685	6	$ 442	118	$ 7,594	3.3%	$ 64,356
2002	13	706	5	248	126	8,052	6.0%	63,905
2003	11	716	7	493	130	8,275	2.8%	63,654
2004	11	925	2	139	139	9,061	9.5%	65,190
2005	3	581	1	27	141	9,615	6.1%	68,191
2006	4	464	1	28	144	10,051	4.5%	69,799
2007	32	2,690	1	30	175	12,711	26.5%	72,634
2008	6	545	3	156	178	13,100	3.1%	73,596
2009	10	903	4	259	184	13,744	4.9%	74,696
2010	18	1,210	8	593	194	14,361	4.5%	74,025
2011	9	827	5	196	198	14,992	4.4%	75,717
2012	6	912	4	184	200	15,720	4.9%	78,600
2013	10	279	9	42	201	15,957	1.5%	79,388

Beginning July 1, 2007, includes participants who have retired in place.
Annual benefits added to rolls include COLAs for continuing retirees.
The removed from rolls count does not include members who are replaced by beneficiaries.

APPENDIX A

ACTUARIAL ASSUMPTIONS AND METHODS

Summary of Actuarial Methods and Assumptions

The following presents a summary of the actuarial assumptions and methods used in the valuation of the Retirement System for Judges and Solicitors of South Carolina.

Investment Rate of Return

Assumed annual rate of 7.50% net of investment and administrative expenses composed of a 2.75% inflation component and a 4.75% real rate of return, net of investment and administration expenses.

Rates of Annual Salary Increase

Rates of salary are assumed to increase at an annual rate of 3.00%.

Active Member Decrement Rates

a. Assumed rates of service retirement are shown in the following table. In addition to the rates in the table below, all participants are assumed to retire upon reaching the mandatory retirement age of 72.

Assumed Rates of Retirement

Solicitors and Public Defenders				Judges			
Age	**Service**	**RIP Eligible**	**Not RIP Eligible**	**Age**	**Service**	**RIP Eligible**	**Not RIP Eligible**
70 to 72	15 to 23	12%	12%	70 to 72	15 to 24	12%	12%
65 to 69	20 to 23	40%	40%	65 to 69	20 to 24	40%	40%
Any	24	20%	40%	Any	25	15%	25%
Any	25	15%	25%	Any	26	10%	15%
Any	26	10%	12%	Any	27	10%	15%
Any	27	10%	12%	Any	28	10%	15%
Any	28	10%	12%	Any	29	10%	15%
Any	29	5%	12%	Any	30	5%	15%
Any	30	5%	12%	Any	31	5%	15%
Any	31+	100%	N/A	Any	32+	100%	N/A

b. An abbreviated table with the assumed rates of disability and mortality while employed is shown below. There is no active employment withdrawal assumption.

	Disability Rates		**Pre-Retirement Mortality**	
Age	**Males**	**Females**	**Males**	**Females**
25	0.0400%	0.0520%	0.0432%	0.0145%
30	0.0600%	0.0700%	0.0511%	0.0185%
35	0.0800%	0.0700%	0.0889%	0.0333%
40	0.1500%	0.1220%	0.1241%	0.0494%
45	0.2500%	0.2500%	0.1734%	0.0787%
50	0.4000%	0.4000%	0.2459%	0.1173%
55	0.6500%	0.6500%	0.3483%	0.1768%
60	1.0000%	1.0000%	0.5610%	0.2752%
65	1.2500%	1.2500%	0.8082%	0.3800%
Multiplier	N/A	N/A	115%	70%

Note: The multiplier has been applied to the decrement in the illustrative table.

Post Retirement Mortality

a. Healthy retirees and beneficiaries – The valuation assumes fully generational mortality. The base mortality table used is the RP-2000 Mortality Table with White Collar adjustment, adjusted by multipliers documented in the table below. Future mortality improvements are assumed each year using Scale AA. The following are sample rates:

Healthy Annuitant Mortality Rates Before Projection		
Age	**Males**	**Females**
50	0.2176%	0.1510%
55	0.3632%	0.2457%
60	0.6141%	0.4443%
65	1.2167%	0.8218%
70	2.1203%	1.4426%
75	3.6997%	2.4431%
80	6.5353%	4.0926%
85	11.5132%	7.0483%
90	19.6100%	11.9843%
Multiplier	110%	95%

Note: The multiplier has been applied to the decrement in the illustrative table.

The following table provides the life expectancy for individuals retiring in future years based on the assumption with full generational projection:

Life Expectancy for an Age 65 Retiree in Years				
	Year of Retirement			
Gender	**2015**	**2020**	**2025**	**2030**
Male	19.5	19.9	20.3	20.6
Female	22.4	22.6	22.8	22.9

b. A separate table of mortality rates is used for disabled retirees based on the RP-2000 Disabled Retiree Mortality Table. The following are sample rates:

Disabled Annuitant Mortality Rates		
Age	**Males**	**Females**
50	2.173%	1.269%
55	2.658%	1.820%
60	3.153%	2.402%
65	3.763%	3.083%
70	4.694%	4.140%
75	6.155%	5.745%
80	8.203%	7.954%
85	10.620%	11.022%
90	13.756%	15.405%
Multiplier	75%	110%

Note: The multiplier has been applied to the decrement in the illustrative table.

Asset Valuation Method

The actuarial value of assets is based on the market value of assets with five-year smoothing applied. This is accomplished by recognizing each year 20% of the difference between the market value of assets and the expected actuarial value of assets, based upon the assumed valuation rate of return.

Expected earnings are determined using the assumed investment rate of return and the beginning of year actuarial value of assets (adjusted for receipts and disbursements during the year). The returns are computed net of administrative and investment expenses.

Actuarial Cost Method

The Entry Age Normal actuarial cost method allocates the System's actuarial present value of future benefits to various periods based upon service. The portion of the present value of future benefits allocated to years of service prior to the valuation date is the actuarial accrued liability, and the portion allocated to years following the valuation date is the present value of future normal costs. The normal cost is determined for each active member as the level percent of payroll necessary to fully fund the expected benefits to be earned over the career of each individual active member. The normal cost is partially funded with active member contributions with the remainder funded by employer contributions.

An unfunded accrued liability exists in the amount equal to the excess of accrued liability over valuation assets. The amortization period of the System is the number of years required to fully amortize the unfunded accrued liability with the expected amount of employer contributions in excess of the employers' portion of the normal cost.

The calculation of the amortization period takes into account scheduled increases to contribution rates applicable to future years and payroll growth. Also, the calculation of the amortization period reflects additional contributions the System receives with respect to members in DROP and who are retired-in-place. These contributions are assumed to grow at the same payroll growth rate as for active employees. It is assumed that amortization payments are made monthly at the end of the month.

Future Cost-of-living Increases

Future benefits are assumed to increase at an annual rate of 3.00%.

Payroll Growth Rate

The total annual payroll of active members (including DROP and RIP participants) is assumed to increase at an annual rate of 3.00%. This rate represents the underlying expected annual rate of wage inflation and does not anticipate increases in the number of members.

Other Assumptions

1. Percent married: 95% of male and female employees are assumed to be married.
2. Age difference: Males are assumed to be four years older than their spouses.
3. Percent electing annuity on death (when eligible): All of the spouses of vested, married participants are assumed to elect an immediate life annuity.
4. Inactive Population: All non-vested members are assumed to take an immediate refund. Members with a vested benefit are assumed to elect a deferred benefit commencing at their earliest commencement possible age.
5. There will be no recoveries once disabled.
6. Decrement timing: Decrements of all types are assumed to occur mid-year.
7. Eligibility testing: Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.
8. Benefit Service: All active and members are assumed to accrue one year of eligibility service each year.

Participant Data

Participant data was supplied in electronic text files. There were separate files for (i) active and inactive members, and (ii) members and beneficiaries receiving benefits.

The data for active members included birth date, gender, service with the current city and total vesting service, salary, and employee contribution account balances. For retired members and beneficiaries, the data included date of birth, gender, spouse's date of birth (where applicable), amount of monthly benefit, date of retirement, and form of payment code.

Salary supplied for the current year was based on the annualized earnings for the year preceding the valuation date. Assumptions were made to correct for missing, bad, or inconsistent data. These had no material impact on the results presented.

APPENDIX B

BENEFIT PROVISIONS

SUMMARY OF BENEFIT PROVISIONS FOR RETIREMENT SYSTEM FOR JUDGES AND SOLICITORS FOR THE STATE OF SOUTH CAROLINA RETIREMENT SYSTEM (JSRS)

Effective Date: July 1, 1979.

Administration: The South Carolina Retirement System, organizationally aligned as a Division of the South Carolina Public Employee Benefit Authority, is responsible for the general administrative operations and day to day management of the Plan.

Type of Plan: This is a qualified governmental defined benefit retirement plan.

Eligibility: This System covers all solicitors, circuit public defenders, judges of a Circuit or Family Court, and justices of the Court of Appeals and Supreme Court who take office prior to age 72 are required to participate upon taking office unless exempted by statute.

Employee Contributions: Members contribute 10.00% of compensation per year. Contributions are credited with interest at the rate of 4.0% per annum.

Service Retirement*:*

a. Eligibility: There is a mandatory retirement age of 72. Members may retire if they have met one of the following eligibility conditions:
   i. Age 65 with 20 years of credited service.
   ii. Age 70 with 15 years of credited service.
   iii. Completed 25 years of credited service as a judge or 24 years as a solicitor or public defender.

b. Monthly Benefit: The monthly benefit is equal to one-twelfth ($1/12^{th}$) of the member's current salary, times 71.3% plus 2.67% of pay for each year of credited service beyond 25 for judges and 24 for solicitors and public defenders. The monthly benefit may not exceed one-twelfth of 90% of the member's current salary.

c. Payment Form: Standard Annuity Payment.

A JSRS member whose annuity as calculated at retirement exceeds the 90 percent maximum annuity will receive an additional lump-sum benefit at retirement. The additional benefit is equal to the member's contributions and interest paid in to the system after the member attained sufficient service credit to be eligible to receive the maximum annuity of 90 percent of the current active salary. The 90 percent maximum annuity amount is generally reached when the following JSRS service credit is obtained: 32 years for justices and judges; and 31 years for solicitors and circuit public defenders.

Disability Retirement:

a. Eligibility: Member must have five or more years of earned service.

b. Monthly Benefit: The monthly disability benefit payable is determined the same as a service retirement benefit and payable immediately.

c. Payment Form: Standard Annuity Payment.

d. Death while Disabled: A disabled member is treated as a retired member for purposes of determining a death benefit.

Vesting and Refunds:

a. Eligibility: Judges are vested in the system after attaining ten (10) years of earned service. Solicitors and public defenders are vested in the system after attaining eight (8) years of earned service. Vested members may also elect to receive a refund in lieu of the deferred termination benefit described below.

b. Amount: The refund benefit is the accumulated value of the member's contributions plus interest credited by the fund. Members do not earn interest on their employee contribution account balance while they are inactive.

Deferred Termination Benefit:

a. Eligibility: Member must be vested and must elect to leave his/her contributions on deposit. Members who began service before July 1, 2004 are eligible for a monthly benefit beginning at age 55. Members hired after July 1, 2004 are eligible to commence their deferred monthly benefit at age 65.

b. Monthly Benefit: The member's benefit is determined by multiplying the base benefit by a fraction, in which the numerator is the member's total credited service and twenty-four is the denominator.

c. Payment Form: Standard Annuity Payment.

d. Death Benefit: The beneficiary of an inactive member who dies is entitled to receive the amount of the member's accumulated contributions (with interest). A beneficiary of an inactive member who was eligible to commence his retirement annuity at the time of his death may elect a monthly survivor annuity equal to one-third the annuity that would have been payable to the deceased member.

Death while an Active Member:

a. In General: A refund of the member's accumulated contributions (with interest) is paid to the beneficiary of a deceased member.

b. Beneficiary Annuity: If the deceased member was married and eligible to commence his retirement annuity at the time of his death, then his beneficiary may elect a monthly survivor annuity equal to one-third the annuity that would have been payable to the deceased member.

Standard Annuity Payment: The monthly retirement benefit will be paid as follows. Other, reduced optional forms of payment are also available to a member to elect at retirement.

a. Unmarried Retiree: A life annuity. Upon the member's death, any remaining member contributions plus interest will be paid to the member's designated beneficiary.

b. Married Retiree (One-third Joint & Survivor): An unreduced annuity is payable during the member's life, and continues after the member's death at one-third of the rate paid to the member for the life of the surviving spouse, unless a contingent non-spousal beneficiary is named.

c. Optional Allowance: A reduced lifetime annuity is payable during the member's life, and continues after the member's death at one-third of the rate paid to the member for the life of the non-spousal beneficiary (or in equal shares to multiple beneficiaries).

Incidental Death Benefit:

a. Active Employees: The beneficiary (or estate) of an active employee who completes at least one full year of membership service, will receive a death benefit equal to the member's annual earnable compensation at the time of death.

The one full year membership requirement is waived for members whose death is a result of an injury arising out of and in the course of performing his duties.

b. Post Employment: The beneficiary (or estate) of a retiree, both current and future retiree, will receive a one-time payment upon the retiree's death. The amount of the one-time payment is based on the retiree's credited service.

Years of Service Credit	Death Benefit
10 or more, but less than 20	$1,000
20 or more, but less than 30	$2,000
30 or more	$3,000

Retire in Place: Members who have accrued their maximum monthly benefit (i.e. 90% of salary) may elect to "retire in place". These members will receive their monthly retirement benefit while they remain employed. Members who retire in plan under the age of 60 will have his retirement benefit accumulated into a deferred retirement option program (DROP). These members will receive a distribution of their DROP balance upon reaching the age of 60 or retirement (if earlier).

Postretirement Benefit Increases: Benefits paid to retired members or surviving spouses are increased annually by an amount equal to the percentage increase in the current salary paid to the respective position from which the member retired. The cost of living adjustment for non-spousal beneficiaries is based on the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W), and said beneficiaries will receive a 4.00% increase in their benefit in years the annual increase in CPI-W exceeds 3.00%.

APPENDIX C

GLOSSARY

GLOSSARY

Actuarial Accrued Liability (AAL): That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of Future Plan Benefits which is not provided for by future Normal Costs. It is equal to the Actuarial Present Value of Future Plan Benefits minus the actuarial present value of future Normal Costs.

Actuarial Assumptions: Assumptions as to future experience under the Fund. These include assumptions about the occurrence of future events affecting costs or liabilities, such as:

- mortality, withdrawal, disablement, and retirement;
- future increases in salary;
- future rates of investment earnings and future investment and administrative expenses;
- characteristics of members not specified in the data, such as marital status;
- characteristics of future members;
- future elections made by members; and
- other relevant items.

Actuarial Cost Method or ***Funding Method:*** A procedure for allocating the Actuarial Present Value of Future Benefits to various time periods; a method used to determine the Normal Cost and the Actuarial Accrued Liability. These items are used to determine the ARC.

Actuarial Gain or ***Actuarial Loss:*** A measure of the difference between actual experience and that expected based upon a set of Actuarial Assumptions, during the period between two Actuarial Valuation dates. Through the actuarial assumptions, rates of decrements, rates of salary increases, and rates of fund earnings have been forecasted. To the extent that actual experience differs from that assumed, Actuarial Accrued Liabilities emerge which may be the same as forecasted, or may be larger or smaller than projected. Actuarial gains are due to favorable experience, e.g., the Fund's assets earn more than projected, salaries do not increase as fast as assumed, members retire later than assumed, etc. Favorable experience means actual results produce actuarial liabilities not as large as projected by the actuarial assumptions. On the other hand, actuarial losses are the result of unfavorable experience, i.e., actual results that produce actuarial liabilities which are larger than projected. Actuarial gains will shorten the time required for funding of the actuarial balance sheet deficiency while actuarial losses will lengthen the funding period.

Actuarially Equivalent: Of equal actuarial present value, determined as of a given date and based on a given set of Actuarial Assumptions.

Actuarial Present Value (APV): The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions. For purposes of this standard, each such amount or series of amounts is:

a. adjusted for the probable financial effect of certain intervening events (such as changes in compensation levels, marital status, etc.)

b. multiplied by the probability of the occurrence of an event (such as survival, death, disability, termination of employment, etc.) on which the payment is conditioned, and

c. discounted according to an assumed rate (or rates) of return to reflect the time value of money.

Actuarial Present Value of Future Plan Benefits: The Actuarial Present Value of those benefit amounts which are expected to be paid at various future times under a particular set of Actuarial Assumptions, taking into account such items as the effect of advancement in age and past and anticipated future compensation and service credits. The Actuarial Present Value of Future Plan Benefits includes the liabilities for active members, retired members, beneficiaries receiving benefits, and inactive, non-retired members either entitled to a refund or a future retirement benefit. Expressed another way, it is the value that would have to be invested on the valuation date so that the amount invested plus investment earnings would provide sufficient assets to pay all projected benefits and expenses when due.

Actuarial Valuation: The determination, as of a valuation date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values for a plan. An Actuarial valuation for a governmental retirement system typically also includes calculations of items needed for compliance with GASB 25, such as the funded ratio and the ARC.

Actuarial Value of Assets or ***Valuation Assets:*** The value of the Fund's assets as of a given date, used by the actuary for valuation purposes. This may be the market or fair value of plan assets, but commonly actuaries use a smoothed value in order to reduce the year-to-year volatility of calculated results, such as the funded ratio and the ARC.

Actuarially Determined: Values which have been determined utilizing the principles of actuarial science. An actuarially determined value is derived by application of the appropriate actuarial assumptions to specified values determined by provisions of the law.

Amortization Method: A method for determining the Amortization Payment. The most common methods used are level dollar and level percentage of payroll. Under the Level Dollar method, the Amortization Payment is one of a stream of payments, all equal, whose Actuarial Present Value is equal to the UAAL. Under the Level Percentage of Pay method, the Amortization payment is one of a stream of increasing payments, whose Actuarial Present Value is equal to the UAAL. Under the Level Percentage of Pay method, the stream of payments increases at the assumed rate at which total covered payroll of all active members will increase.

Amortization Payment: That portion of the pension plan contribution or ARC which is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability.

Annual Required Contribution (ARC): The employer's periodic required contributions, expressed as a dollar amount or a percentage of covered plan compensation, determined under GASB 25. The ARC consists of the Employer Normal Cost and the Amortization Payment.

Closed Amortization Period: A specific number of years that is counted down by one each year, and therefore declines to zero with the passage of time. For example if the amortization period is initially set at 30 years, it is 29 years at the end of one year, 28 years at the end of two years, etc. See Funding Period and Open Amortization Period.

Decrements: Those causes/events due to which a member's status (active-inactive-retiree-beneficiary) changes, that is: death, retirement, disability, or termination.

Defined Benefit Plan: A retirement plan that is not a Defined Contribution Plan. Typically a defined benefit plan is one in which benefits are defined by a formula involving the member's compensation and/or years of service.

Defined Contribution Plan: A retirement plan, such as a 401(k) plan, a 403(b) plan, or a 457 plan, in which the contributions to the plan are assigned to an account for each member, and the plan's earnings are allocated to each account, and each member's benefits are a direct function of the account balance.

Employer Normal Cost: The portion of the Normal Cost to be paid by the employers. This is equal to the Normal Cost less expected member contributions.

Experience Study: A periodic review and analysis of the actual experience of the Fund which may lead to a revision of one or more actuarial assumptions. Actual rates of decrement and salary increases are compared to the actuarially assumed values and modified as deemed appropriate by the Actuary.

Funded Ratio: The ratio of the actuarial value of assets (AVA) to the actuarial accrued liability (AAL). Plans sometimes calculate a market funded ratio, using the market value of assets (MVA), rather than the AVA, although GASB 25 reporting requires the use of the AVA.

Funding Period or ***Amortization Period:*** The term "Funding Period" is used two ways. In the first sense, it is the period used in calculating the Amortization Payment as a component of the ARC. This funding period is chosen by the Board of Trustees. In the second sense, it is a calculated item: the number of years in the future that will theoretically be required to amortize (i.e., pay off or eliminate) the Unfunded Actuarial Accrued Liability, based on the statutory employer contribution rate, and assuming no future actuarial gains or losses.

GASB: Governmental Accounting Standards Board.

GASB 25 and ***GASB 27***: Governmental Accounting Standards Board Statements No. 25 and No. 27. These are the governmental accounting standards that set the accounting rules for public retirement systems and the employers that sponsor or contribute to them. Statement No. 27 sets the accounting rules for the employers that sponsor or contribute to public retirement systems, while Statement No. 25 sets the rules for the systems themselves.

Normal Cost: That portion of the Actuarial Present Value of pension plan benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method. Any payment in respect of an Unfunded Actuarial Accrued Liability is not part of Normal Cost (see Amortization Payment). For pension plan benefits which are provided in part by employee contributions, Normal Cost refers to the total of employee contributions and employer Normal Cost unless otherwise specifically stated. Under the entry age normal cost method, the Normal Cost is intended to be the level cost (when expressed as a percentage of pay) needed to fund the benefits of a member from hire until ultimate termination, death, disability or retirement.

Open Amortization Period: An open amortization period is one which is used to determine the Amortization Payment but which does not change over time. In other words, if the initial period is set as 30 years, the same 30-year period is used in determining the Amortization Period each year. In theory, if an Open Amortization Period is used to amortize the Unfunded Actuarial Accrued Liability, the UAAL will never completely disappear, but will become smaller each year, either as a dollar amount or in relation to covered payroll.

Unfunded Actuarial Accrued Liability: The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. This value may be negative in which case it may be expressed as a negative Unfunded Actuarial Accrued Liability, also called the Funding Surplus.

Valuation Date or Actuarial Valuation Date: The date as of which the value of assets is determined and as of which the Actuarial Present Value of Future Plan Benefits is determined. The expected benefits to be paid in the future are discounted to this date.

Gabriel Roeder Smith & Company
Consultants & Actuaries

RETIREMENT SYSTEM FOR MEMBERS OF THE GENERAL ASSEMBLY OF THE STATE OF SOUTH CAROLINA (GARS)

ACTUARIAL VALUATION REPORT

AS OF JULY 1, 2013

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December 2, 2013

Public Employee Benefit Authority
South Carolina Retirement System
P.O. Box 11960
Columbia, SC 29211-1960

Subject: Actuarial Valuation as of July 1, 2013

Dear Members of the Board:

This report describes the current actuarial condition of the Retirement System for Members of the General Assembly of the State of South Carolina (GARS), determines the calculated employer contribution requirement, and analyzes changes in this amount. In addition, the report provides information required by the Retirement System in connection with Governmental Accounting Standards Board Statement No. 25 (GASB 25), and gives various summaries of the data. Results of this report should not be used for any other purpose without consultation with the undersigned. Valuations are prepared annually as of July 1, the first day of the plan year for GARS. This report was prepared at the request of the Board of Directors of the South Carolina Public Employee Benefit Authority (Board) and is intended for use by the South Carolina Retirement System (SCRS) staff and those designated or approved by the Board.

Under SCRS statutes, the Board must certify the employer contribution annually. This amount is determined actuarially, based on the Board's funding policy. The contribution is determined by a given actuarial valuation and becomes effective twenty-four months after the valuation date. In other words, the contribution determined by this July 1, 2013 actuarial valuation will be used by the Board when certifying the employer contribution amount for the year beginning July 1, 2015. If new legislation is enacted between the valuation date and the date the contribution becomes effective, the Board may adjust the calculated amount before certifying them, in order to reflect this new legislation. Such adjustments are based on information supplied by the actuary.

Financing Objectives and Funding Policy

The principle objectives in the funding policy that is maintained by the Board include:

- Establish a contribution amount that remains relatively level over time.
- To set an amount so that the measures of the System's funding progress which include the unfunded actuarial accrued liability, funded ratio, and funding period will be maintained or improved.

- To set a contribution amount that will result in the unfunded actuarial accrued liability (UAAL) to be amortized over a period from the current valuation date that does not exceed 30 years.

For GARS, the Board's funding policy is to determine an employer contribution amount equal to the sum of the employer normal cost (which pays the current year's cost) and an amortization amount which will result in the UAAL to be funded by June 30, 2027.

PROGRESS TOWARD REALIZATION OF FINANCING OBJECTIVES

The funded ratio (the ratio of the actuarial value of assets to the actuarial accrued liability) is a standard measure of a plan's funded status. In the absence of benefit improvements, it should increase over time, until it reaches at least 100%.

The funded ratio of the retirement system decreased from 52.8% to 50.3%. This decrease was primarily due to the continual recognition of the extraordinary investment loss that occurred in prior years. Absent favorable experience, we expect the funded ratio will continue to decrease for the next several years as those investment losses are fully recognized in the development of the actuarial value of assets.

If market value of assets had been used in the calculation instead of actuarial (smoothed) value of assets, the funded ratio for the System would have been 42.2%, compared to 42.3% in the prior year.

ASSUMPTIONS AND METHODS

The actuarial assumptions used to perform this valuation remain unchanged from the prior valuation, including the use of a 7.50% investment return assumption. South Carolina State Code requires that an experience analysis that reviews the economic and demographic assumptions be performed every five years. The next experience analysis is scheduled for 2016.

It is our opinion that the recommended assumptions are internally consistent and reasonably reflect the anticipated future experience of the System. The actuarial assumptions and methods used in this report comply with the parameters for disclosure that appear in GASB 25.

The results of the actuarial valuation are dependent on the actuarial assumptions used. Actual results can, and almost certainly will, differ as actual experience deviates from the assumptions. Even seemingly minor changes in the assumptions can materially change the liabilities, calculated contribution rate, and funding periods. The actuarial calculations are intended to provide information for rational decision making.

BENEFIT PROVISIONS

The benefit provisions reflected in this valuation are those which were in effect on July 1, 2013. There were no legislative changes enacted since the previous valuation that had a measurable effect on the current valuation.

DATA

Member data for retired, active and inactive members was supplied as of July 1, 2013, by the SCRS staff. The staff also supplied asset information as of July 1, 2013. We did not audit this data, but we did apply a number of tests to the data, and we concluded that it was reasonable and consistent with the prior year's data. GRS is not responsible for the accuracy or completeness of the information provided to us by SCRS.

CERTIFICATION

We certify that the information presented herein is accurate and fairly portrays the actuarial position of GARS as of July 1, 2013.

All of our work conforms with generally accepted actuarial principles and practices, and is in conformity with the Actuarial Standards of Practice issued by the Actuarial Standards Board. In our opinion, our calculations also comply with the requirements of South Carolina Code of Laws and, where applicable, the Internal Revenue Code, ERISA, and the Statements of the Governmental Accounting Standards Board.

The undersigned are independent actuaries and consultants. Mr. Newton and Mr. White are Enrolled Actuaries and Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries. Both are experienced in performing valuations for large public retirement systems.

Sincerely,

Gabriel, Roeder, Smith & Co.

Joseph P. Newton, FSA, MAAA, EA	Daniel J. White, FSA, MAAA, EA
Senior Consultant	Senior Consultant

TABLE OF CONTENTS

SECTION A

EXECUTIVE SUMMARY

Executive Summary

(Dollar amounts expressed in thousands)

Valuation Date:	July 1, 2013	July 1, 2012
Membership		
• Number of		
- Active positions[1]	119	170
- Special contributors	14	18
- Retirees and beneficiaries	363	358
- Inactive members	42	33
- Total	538	579
• Projected payroll	$2,688	$3,854
Contribution Requirement		
• Member contribution rate	11.00%	11.00%
• Employer contribution requirement[2]	$4,501	$4,275
Assets		
• Market value	$31,904	$31,431
• Actuarial value	38,033	39,233
• Return on market value	9.8%	0.4%
• Return on actuarial value	3.6%	2.7%
• Ratio - actuarial value to market value	119.2%	124.8%
• External cash flow %	-8.3%	-10.2%
Actuarial Information		
• Normal cost %	21.26%	21.68%
• Actuarial accrued liability (AAL)	$75,639	$74,332
• Unfunded actuarial accrued liability (UAAL)	37,606	35,099
• Funded ratio	50.3%	52.8%
• Funding period from the valuation date	14 years	15 years
Reconciliation of UAAL		
• Beginning of Year UAAL	$35,099	$33,120
- Interest on UAAL	2,632	2,484
- Amortization payment with interest	(2,723)	(2,400)
- Assumption change	0	0
- Asset experience	1,532	1,950
- Liability experience	1,066	(55)
- Legislative changes	0	0
• End of Year UAAL	$37,606	$35,099

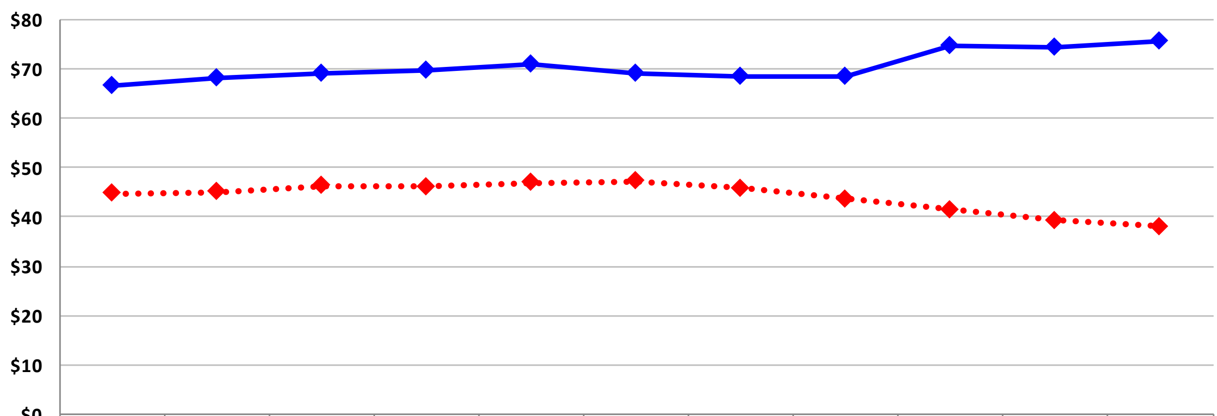
[1] The membership count for 2012 includes filled and unfilled positions. The plan was closed to new members after the 2012 general election.

[2] The contribution requirement determined by the July 1, 2013 actuarial valuation is subject to approval and adoption by the Public Employee Benefit Authority before becoming effective for the fiscal year beginning July 1, 2015.

EXECUTIVE SUMMARY (CONTINUED)

The unfunded actuarial accrued liability increased by $2.5 million since the prior year's valuation to $37.6 million. The single largest source of this increase is due to the continual recognition of deferred investment losses in the actuarial value of assets (i.e. $1.5 million was recognized in the July 1, 2013 valuation). Below is a chart with the historical actuarial value of assets and actuarial accrued liability for GARS.

Chart 1. - History of Actuarial Assets vs. Actuarial Accrued Liability
(Dollars in Millions)



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
AAL	$66.6	$68.3	$69.2	$69.7	$71.0	$69.1	$68.5	$68.7	$74.6	$74.3	$75.6
AVA	$44.7	$45.1	$46.3	$46.1	$46.9	$47.2	$45.9	$43.7	$41.5	$39.2	$38.0

There is still $6.1 million in deferred investment losses as of the valuation date. Absent favorable investment experience, those deferred losses will be reflected in the actuarial value of assets over the next several years. Therefore, we expect the unfunded actuarial liability for the System to increase for several years and the funded ratio (on an actuarial value of asset basis) to decline before these measures improve.

The recommended employer contribution requirement increased from $4.3 million in FY 2015 to $4.5 million in FY 2016. The plan's investment experience was the contributing factor to this increase in the recommended contribution. Absent legislative changes or significantly favorable investment experience, we expect the recommended contribution to continue to increase over the next several years as those deferred investment losses becomes recognized in the actuarial value of assets.

SECTION B

DISCUSSION

DISCUSSION

The results of the July 1, 2013 actuarial valuation of the Retirement System for Members of the General Assembly are presented in this report. The purposes of the valuation report is to depict the current financial condition of the System, determine the annual required contribution, and analyze changes in the System's financial condition. In addition, the report provides information required by SCRS in connection with Governmental Accounting Standards Board Statement No. 25 (GASB 25), and various summaries of the members participating in the plan.

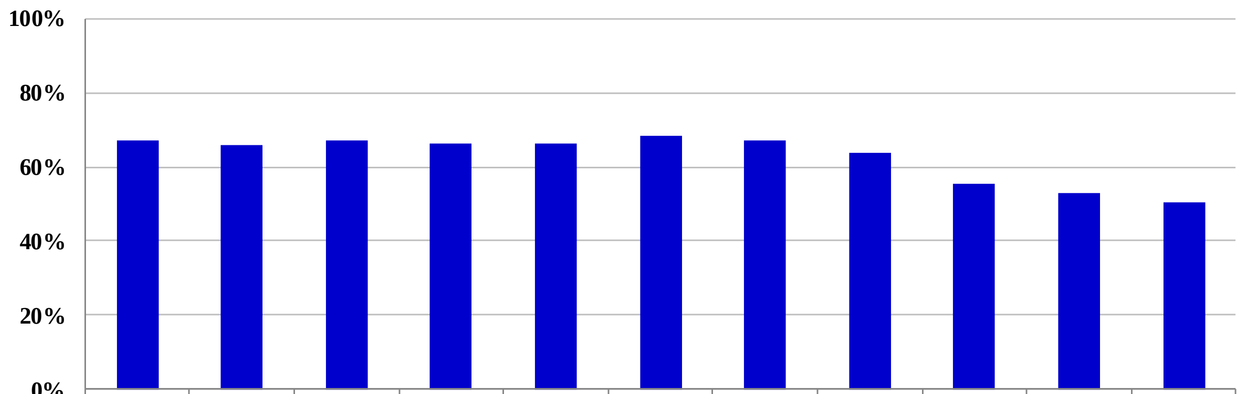
This section discusses the determination of the current funding requirements and the System's funded status, as well as changes in financial condition of the retirement system. The valuation results for the prior year are shown in this report for comparison purposes.

All of the actuarial and financial tables referenced by the other sections of this report appear in Section C. Section D provides member data and statistical information. Appendices A and B provide summaries of the principle actuarial assumptions and methods and plan provisions. Finally, Appendix C provides a glossary of technical terms that are used throughout this report.

Funding Progress

The funded ratio decreased from 52.8% to 50.3% since the prior valuation. Table 10, Schedule of Funding Progress, in the following section of the report provides additional detail regarding the funding progress of the Retirement System.

Chart 2. - Funded Ratio
Actuarial Assets as a percentage of Actuarial Accrued Liabilities



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Funded Ratio	67.1%	66.0%	67.0%	66.1%	66.1%	68.3%	67.0%	63.7%	55.6%	52.8%	50.3%

The Board's funding policy for this plan is to fully amortize the unfunded actuarial accrued liability (UAAL) by June 30, 2027. Under this funding policy, there are 14 years remaining in the funding period from the valuation date.

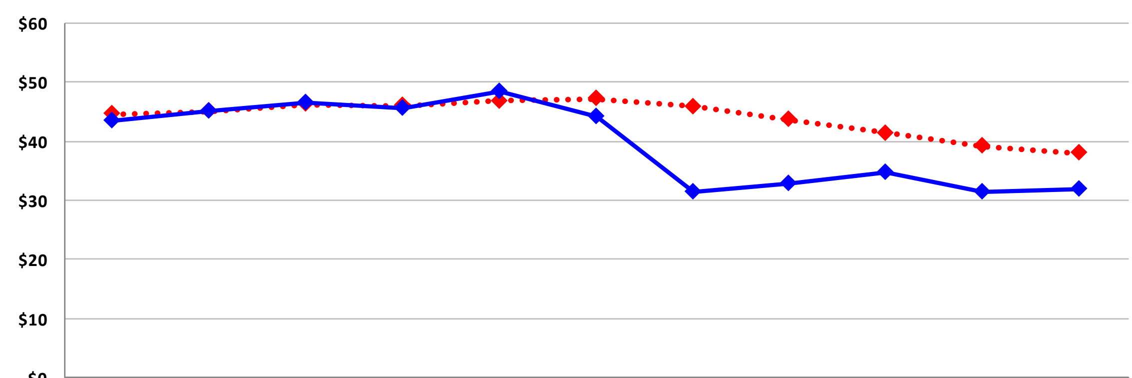
Asset Gains/ (Losses)

The actuarial value of assets ("AVA") is based on a smoothed market value of assets, using a systematic approach to phase-in actual investment return in excess of (or less than) the expected investment income. This is appropriate because it dampens the short-term volatility inherent in investment markets. The expected investment income is determined using the assumed annual investment return rate and the actuarial value of assets (adjusted for receipts and disbursements during the year). The returns are computed net of administrative and investment expenses. The actuarial value of assets decreased from $39.2 million to $38.0 million since the prior valuation. Table 8 in the following section of the report provides the development of the actuarial value of assets.

The rate of return on the mean market value of assets in 2013 was 9.8%; which is greater than the 7.50% expected annual return. The return on an actuarial (smoothed) asset value was 3.6%. This difference in the estimated return on market value and actuarial value illustrates the smoothing effect of the asset valuation method.

The market value of assets is less than the actuarial value of assets, which signifies that the retirement system is in a position of deferred losses. Therefore, unless the System experiences investment returns in excess of the assumed rate of return, the future recognition of these deferred losses is expected to increase the unfunded actuarial accrued liability and decrease the System's funded ratio over the next few years.

Chart 3. - History of Actuarial Value and Market Value of Assets
(Dollars in Millions)



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
AVA	44.7	45.1	46.3	46.1	46.9	47.2	45.9	43.7	41.5	39.2	38.0
MVA	43.5	45.3	46.7	45.7	48.5	44.2	31.5	32.8	34.7	31.4	31.9

Assets as of July 1,

Tables 6 and 7 in the following section of this report provide asset information that was included in the annual financial statements of the System. Also, Table 9 shows the estimated yield on a market value basis and on the actuarial asset valuation method.

Actuarial Gains/ (Losses) and the Contribution Requirement

The annual actuarial valuation is a snapshot analysis of the benefit liabilities, assets and funded position of the System as of the first day of the plan year. In any one fiscal year, the experience can be better or worse from that which is assumed or expected. The actuarial assumptions do not necessarily attempt to model what the experience will be for any one given fiscal year, but instead try to model the overall experience on average over many years. The demographic experience for the last year is briefly summarized in the chart below.

The unfunded actuarial accrued liability (UAAL) has increased from $35.1 million in 2012 to $37.6 million in 2013. The table below shows the source of the gains and losses and the impact of those gains and losses on the UAAL.

Reconciliation of UAAL
(Dollars in thousands)

• Beginning of Year UAAL	$35,099
- Interest on UAAL	2,632
- Amortization payment with interest	(2,723)
- Assumption change	0
- Asset experience	1,532
- Liability experience	1,066
- Legislative changes	0
- Total change	2,507
• End of Year UAAL	$37,606

The following table provides a reconciliation of the change in the recommended contribution from 2012 to 2013 valuation. The plan's investment experience, on an actuarial asset basis, had the largest single impact on the change in the recommended contribution.

Change in Recommended Employer Contribution
(Dollars in thousands)

• Prior year valuation	$4,275
- Expected change	0
- Assumption change	0
- Asset experience	213
- Liability experience	13
- Legislative changes	0
- Total change	226
• Current year valuation	$4,501

This funding method and contribution policy is designed to result in relatively level contribution requirements from year to year. However, absent favorable investment experience, we expect that the contribution requirement will continue to increase over the next several years as existing deferred investment losses become fully recognized in the actuarial value of assets and calculation of the recommended contribution.

GASB No. 25 and No. 27 Disclosures

Accounting requirements for GARS are provided by the Governmental Accounting Standards Board Statements No. 25 ("GASB 25") and No. 27 ("GASB 27"). Table 10 shows a historical summary of the funded ratios and other information for the System. Table 11 shows other information needed in connection with the required disclosures under GASB 25. GASB 27 governs reporting by the employers of government-sponsored retirement plans.

GASB 25 requires that plans calculate an Annual Required Contribution ("ARC"), and, if actual contributions received are less than the ARC, this must be disclosed. The ARC is calculated in accordance with certain parameters. In particular, it includes a payment to amortize the UAAL. This amortization payment must be computed using a funding period no greater than thirty (30) years. For this disclosure, GARS treats the Board-established contribution requirement as the ARC.

Actuarial Assumptions and Methods

In determining costs and liabilities, actuaries use assumptions about the future, such as probabilities of retirement, termination, death and disability, and an annual investment return assumption. The actuarial assumptions and methods used to determine the results of the 2013 actuarial valuation are the same as those used for the prior year's valuation.

Appendix A includes a summary of the actuarial assumptions and methods used in this valuation.

It is our opinion that the recommended assumptions are internally consistent and are reasonable and reflect anticipated future experience of the System. The actuarial assumptions and methods used in this report comply with the parameters for disclosure that appear in GASB 25.

Benefit Provisions

Appendix B of this report includes a summary of the benefit provisions for GARS. There were no legislative changes enacted since the previous valuation that had a measurable effect on the current valuation.

Summary of Retirement Provisions

- Membership was closed to new members after the 2012 general election.
- Earnable compensation is comprised of $10,400 annually plus 40 times the daily rate of remuneration (i.e. $22,400 in total earnable compensation annually). Certain line-item additional compensation for specified offices is also included. Monthly benefits are based on one-twelfth of this amount.
- The member contribution rate is 11% of earnable compensation.
- The retirement benefit amount is equal to the 4.82% of the member's earnable compensation times the member's credited service (years).
- Members are eligible for retirement after they have (i) attained age 60, or (ii) completed 30 years of creditable service. Members may commence their benefit before retiring from service upon the attainment of age 70 or after accruing 30 years of service.
- Members with eight (8) or more years of credited service that cease membership in the General Assembly may elect to continue earning future service in the system by contributing the required membership contributions (i.e. a special contributing member).

SECTION C

ACTUARIAL TABLES

ACTUARIAL TABLES

Summary of Cost Items

(Dollar amounts expressed in thousands)

		July 1, 2013 (1)		July 1, 2012 (2)
1. Projected payroll of active members[1]	$	2,688	$	3,854
2. Present value of future pay	$	17,790	$	21,519
3. Normal cost				
a. Total normal cost	$	572	$	836
b. Less: member contribution		(296)		(424)
c. Employer normal cost	$	276	$	412
4. Actuarial accrued liability for active members				
a. Present value of future benefits	$	16,337	$	18,051
b. Less: present value of future normal costs		(3,434)		(4,219)
c. Actuarial accrued liability	$	12,903	$	13,832
5. Total actuarial accrued liability for:				
a. Retirees and beneficiaries	$	59,592	$	58,213
b. Inactive members		3,144		2,287
c. Active members (Item 4c)		12,903		13,832
d. Total	$	75,639	$	74,332
6. Actuarial value of assets	$	38,033	$	39,233
7. Unfunded actuarial accrued liability (UAAL) (Item 5d - Item 6)	$	37,606	$	35,099
8. GASB No. 25 Annual Required Contribution				
a. Employer normal cost	$	276	$	412
b. Employer contribution to amortize the UAAL		4,225		3,863
c. Total employer contribution	$	4,501	$	4,275

[1] The projected payroll for 2012 was based on 170 filled positions. The plan was closed to new members after the general election of 2012.

Actuarial Present Value of Future Benefits
(Dollar amounts expressed in thousands)

		July 1, 2013 (1)	July 1, 2012 (2)
1.	Active members		
	a. Service retirment	$ 15,258	$ 16,853
	b. Disability retirement	563	620
	c. Survivors' benefits	517	578
	d. Total	$ 16,338	$ 18,051
2.	Retired members		
	a. Service retirement	$ 52,306	$ 50,717
	b. Disability retirement	0	0
	c. Beneficiaries	7,083	7,293
	d. Incidental death benefits	202	203
	e. Total	$ 59,591	$ 58,213
3.	Inactive members		
	a. Vested terminations	$ 2,910	$ 2,096
	b. Nonvested terminations	234	191
	c. Total	$ 3,144	$ 2,287
4.	Total actuarial present value of future benefits	$ 79,073	$ 78,551

Analysis of Normal Cost
(Dollar amounts expressed in thousands)

		July 1, 2013 (1)	July 1, 2012 (2)
1.	Total normal cost rate		
	a. Service retirement	18.87%	19.32%
	c. Survivor benefits	1.01%	1.04%
	d. Disability benefits	1.38%	1.32%
	f. Total	21.26%	21.68%
2.	Less: member contribution rate	11.00%	11.00%
3.	Net employer normal cost rate	10.26%	10.68%
4.	Projected valuation payroll[1]	$2,688	$3,854
5.	Projected employer normal cost contribution	$276	$412

[1] The projected payroll for 2012 was based on 170 filled and unfilled positions. The plan was closed to new members after the general election of 2012.

Results of July 1, 2013 Valuation
(Dollar amounts expressed in thousands)

			July 1, 2013 (1)
1.	Actuarial Present Value of Future Benefits		
	a. Present retired members and beneficiaries	$	59,592
	b. Present active and inactive members		19,481
	c. Total actuarial present value	$	79,073
2.	Present Value of Future Normal Contributions		
	a. Employee	$	1,957
	b. Employer		1,477
	c. Total future normal contributions	$	3,434
3.	Actuarial Liability	$	75,639
4.	Current Actuarial Value of Assets	$	38,033
5.	Unfunded Actuarial Liability	$	37,606
6.	Unfunded Actuarial Liability Liquidation Period from from the Valuation Date		14 years

Actuarial Balance Sheet

(Dollar amounts expressed in thousands)

	July 1, 2013 (1)	July 1, 2012 (2)
1. Assets		
a. Current Assets (Actuarial Value)		
i. Employee annuity savings fund	$ 7,164	$ 7,267
ii. Employer annuity accumulation fund	30,869	31,966
iii. Total current assets	$ 38,033	$ 39,233
b. Present Value of Future Member Contributions[1]	$ 1,957	$ 2,367
c. Present Value of Future Employer Contributions		
i. Normal contributions	$ 1,477	$ 1,852
ii. Accrued liability contributions	37,606	35,098
iii. Total future employer contributions	$ 39,083	$ 36,950
d. Total Assets	$ 79,073	$ 78,550
2. Liabilities		
a. Employee Annuity Savings Fund		
i. Past member contributions	$ 7,164	$ 7,267
ii. Present value of future member contributions[1]	1,957	2,367
iii. Total contributions to employee annuity savings fund	$ 9,121	$ 9,634
b. Employer Annuity Accumulation Fund		
i. Benefits currently in payment	$ 59,592	$ 58,213
ii. Benefits to be provided to other members	10,360	10,703
iii. Total benefits payable from employer annuity accumulation fund	$ 69,952	$ 68,916
c. Total Liabilities	$ 79,073	$ 78,550

[1] Includes expected contributions from special contributors.

System Net Assets
Assets at Market or Fair Value
(Dollar amounts expressed in thousands)

Item (1)	July 1, 2013 (2)	July 1, 2012 (3)
1. Cash and cash equivalents (operating cash)	$ 5,405	$ 3,970
2. Receivables	1,081	924
3. Investments		
a. Short-term securities	$ 527	$ 0
b. Domestic fixed income	7,524	4,626
c. Global fixed income	2,157	1,806
d. Domestic equities	1,961	2,218
e. Global equities	1,910	2,068
f. Alternative investments	13,088	17,220
g. Total investments	$ 27,167	$ 27,938
4. Securities lending cash collateral invested	$ 118	$ 219
5. Prepaid administrative expenses	2	1
6. Capital assets, net of accumulated depreciation	8	8
7. Total assets	$ 33,781	$ 33,060
8. Liabilities		
a. Due to other systems	$ 0	$ 0
b. Accounts payable	1,504	1,080
c. Investment fees payable	10	12
d. Obligations under securities lending	118	219
e. Deferred retirement benefits	0	0
f. Due to employee insurance program	0	0
g. Benefit payable	0	2
h. Other liabilities	245	316
i. Total liabilities	$ 1,877	$ 1,629
9. Total market value of assets available for benefits (Item 7. - Item 8.i.)	$ 31,904	$ 31,431
10. Asset allocation (investments)		
a. Net Invested cash	16.5%	11.1%
b. Domestic fixed income	23.6%	14.7%
c. Global fixed income	6.8%	5.7%
d. Domestic equities	6.1%	7.1%
e. Global equities	6.0%	6.6%
f. Alternative investments	41.0%	54.8%
g. Total investments	100.0%	100.0%

Reconciliation of System Net Assets
(Dollar amounts expressed in thousands)

	Year Ending	
	July 1, 2013	July 1, 2012
	(1)	(2)
1. Value of Assets at Beginning of Year	$ 31,431	$ 34,669
2. Revenue for the Year		
a. Contributions		
i. Member contributions	$ 1,091	$ 724
ii. Employer contributions	2,831	2,532
iii. Total	$ 3,922	$ 3,256
b. Income		
i. Interest, dividends, and other income	$ 362	$ 313
ii. Investment expenses	(466)	(71)
iii. Net	$ (104)	$ 242
c. Net realized and unrealized gains (losses)	$ 3,224	$ (70)
d. Total revenue	$ 7,042	$ 3,428
3. Expenditures for the Year		
a. Disbursements		
i. Refunds	$ 3	$ 31
ii. Regular annuity benefits	6,720	6,570
iii. Other benefit payments	16	35
iv. Transfers to other Systems	(199)	0
v. Total	$ 6,540	$ 6,636
b. Administrative expenses and depreciation	29	30
c. Total expenditures	$ 6,569	$ 6,666
4. Increase in Net Assets (Item 2. - Item 3.)	$ 473	$ (3,238)
5. Value of Assets at End of Year (Item 1. + Item 4.)	$ 31,904	$ 31,431
6. Net External Cash Flow		
a. Dollar amount	$ (2,618)	$ (3,380)
b. Percentage of market value	-8.3%	-10.2%

Development of Actuarial Value of Assets
(Dollar amounts expressed in thousands)

			July 1, 2013
			(1)
1.	Actuarial value of assets at the prior valuation date	$	39,233
2.	Market value of assets at the prior valuation date	$	31,431
3.	Net external cash flow during the year		
	a. Contributions	$	3,922
	b. Disbursements		(6,540)
	c. Subtotal	$	(2,618)
4.	Expected net investment income at 7.50% earned on		
	a. Actuarial value of assets at the prior valuation date	$	2,942
	b. Contributions		253
	c. Disbursements		(245)
	d. Subtotal	$	2,950
5.	Expected actuarial value of assets, end of year (Item 1. + Item 3.c. + Item 4.d.)	$	39,565
6.	Market value of assets as of the current valuation date	$	31,904
7.	Difference between expected actuarial assets and market value of assets (Item 6. - Item 5.)	$	(7,661)
8.	Excess/(shortfall) recognized (20% of Item 7.)	$	(1,532)
9.	Actuarial value of plan assets, end of year (Item 5. + Item 8.)	$	38,033
10.	Asset gain (loss) for year (Item 9. - Item 5.)	$	(1,532)
11.	Asset gain (loss) as % of actual actuarial assets		-4.0%
12.	Ratio of AVA to MVA		119.2%

Estimation of Yields
(Dollar amounts expressed in thousands)

		Year Ending	
		July 1, 2013	July 1, 2012
		(1)	(2)
1.	Market Value Yield		
	a. Beginning of year market assets	$ 31,431	$ 34,669
	b. Contributions to fund during the year	3,922	3,256
	c. Disbursements	(6,540)	(6,636)
	d. Investment income (net of investment and administrative expenses)	3,091	142
	e. End of year market assets	$ 31,904	$ 31,431
	f. Estimated dollar weighted market value yield	9.8%	0.4%
2.	Actuarial Value Yield		
	a. Beginning of year actuarial assets	$ 39,233	$ 41,484
	b. Contributions to fund during the year	3,922	3,256
	c. Disbursements	(6,540)	(6,636)
	d. Investment income (net of investment and administrative expenses)	1,418	1,129
	e. End of year actuarial assets	$ 38,033	$ 39,233
	f. Estimated actuarial value yield	3.6%	2.7%

Schedule of Funding Progress
(Dollar amounts expressed in thousands)

July 1,	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL) (3) - (2)	Funded Ratio (2)/(3)	Annual Covered Payroll[1]	UAAL as % of Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
2001	$ 42,788	$ 68,291	$ 25,503	62.7%	$ 4,761	535.6%
2002	43,841	73,046	29,205	60.0%	4,515	646.9%
2003	44,682	66,619	21,937	67.1%	3,844	570.8%
2004	45,087	68,332	23,245	66.0%	3,839	605.5%
2005	46,316	69,161	22,845	67.0%	3,853	592.9%
2006	46,075	69,734	23,659	66.1%	3,854	613.9%
2007	46,925	71,014	24,089	66.1%	3,854	625.0%
2008	47,189	69,122	21,933	68.3%	3,854	569.1%
2009	45,891	68,491	22,600	67.0%	3,854	586.4%
2010	43,712	68,671	24,959	63.7%	3,854	647.6%
2011	41,484	74,604	33,120	55.6%	3,854	859.4%
2012	39,233	74,332	35,099	52.8%	3,854	910.7%
2013	38,033	75,639	37,606	50.3%	2,688	1,399.0%

[1] For valuations prior to 2013 the annual covered payroll included the payroll of filled and unfilled positions.

Notes to Required Supplementary Information
(as required by GASB #25)

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	July 1, 2013
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar
Amortization period for GASB 25 ARC	14-year closed period
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return[1]	7.50%
Projected salary increases	None.
Inflation	2.75%
Cost-of-living adjustments	0.00%

[1] Includes inflation at 2.75%

Solvency Test

(Dollar amounts expressed in thousands)

	Actuarial Accrued Liability				Portion of Aggregate Accrued Liabilities Covered by Assets		
July 1,	Active Member Contributions	Retirants & Beneficiaries	Active & Inactive Members (Employer Financed)	Valuation Assets	Active	Retirants	ER Financed
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
2001	$ 9,329	$ 45,013	$ 13,949	$ 42,788	100.0%	74.3%	0.0%
2002	9,470	47,485	16,091	43,841	100.0%	72.4%	0.0%
2003	8,324	46,781	11,515	44,682	100.0%	77.7%	0.0%
2004	8,485	48,126	11,721	45,087	100.0%	76.1%	0.0%
2005	8,024	51,353	9,784	46,316	100.0%	74.6%	0.0%
2006	8,094	51,870	9,770	46,075	100.0%	73.2%	0.0%
2007	7,735	54,115	9,164	46,925	100.0%	72.4%	0.0%
2008	7,265	53,240	8,617	47,189	100.0%	75.0%	0.0%
2009	6,822	54,586	7,083	45,891	100.0%	71.6%	0.0%
2010	7,265	53,486	7,920	43,712	100.0%	68.1%	0.0%
2011	7,100	58,291	9,213	41,484	100.0%	59.0%	0.0%
2012	7,267	58,213	8,852	39,233	100.0%	54.9%	0.0%
2013	7,164	59,592	8,883	38,033	100.0%	51.8%	0.0%

SECTION D

MEMBERSHIP DATA

MEMBERSHIP TABLES

Summary of Membership Data

		July 1, 2013 (1)	July 1, 2012 (2)
1.	Active Members		
a.	Males	104	125
b.	Females	15	15
c.	Total members	119	140
d.	Total annualized prior year pay	$ 2,687,800	$ 3,147,528
e.	Average pay	$ 22,587	$ 22,482
f.	Average age	53.7	53.3
g.	Average service	11.8	10.8
h.	Member contributions with interest	$ 4,873,957	$ 5,118,647
i.	Average contributions with interest	$ 40,958	$ 36,562
2.	Special Contributors		
a.	Males	13	15
b.	Females	1	3
c.	Total members	14	18
d.	Member contributions with interest	$ 691,345	$ 933,117
e.	Average contributions with interest	49,382	51,840
3.	Vested Inactive Members		
a.	Number	19	15
b.	Total annual deferred benefits	$ 372,305	$ 274,960
c.	Average annual deferred benefit	$ 19,595	$ 18,331
4.	Nonvested Inactive Members		
a.	Number	23	18
b.	Member contributions with interest	$ 233,703	$ 190,490
c.	Average contributions with interest	$ 10,161	$ 10,583
5.	Service Retirees		
a.	Number	285	280
b.	Total annual benefits	$ 5,609,504	$ 5,521,922
c.	Average annual benefit	$ 19,682	$ 19,721
d.	Average age at the valuation date	71.9	72.1
6.	Disabled Retirees		
a.	Number	0	0
b.	Total annual benefits	$ 0	$ 0
c.	Average annual benefit	$ 0	$ 0
d.	Average age at the valuation date	N/A	N/A
7.	Beneficiaries		
a.	Number	78	78
b.	Total annual benefits	$ 1,144,515	$ 1,140,649
c.	Average annual benefit	$ 14,673	$ 14,624
d.	Average age at the valuation date	78.3	77.1

Summary of Historical Active Membership

		Active Members		Covered Payroll		Average Annual Pay			
July 1,	Number of Employers	Number[1]	Percent Increase /(Decrease)	Amount in Thousands[1]	Percent Increase /(Decrease)	Amount	Percent Increase /(Decrease)	Average Age	Average Service
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
2001	2	209	N/A	$ 4,761	N/A	22,781	-0.1%	N/A	N/A
2002	2	200	-4.3%	4,515	-5.2%	22,573	-0.9%	N/A	N/A
2003	2	170	-15.0%	3,844	-14.9%	22,612	0.2%	N/A	N/A
2004	2	170	0.0%	3,839	-0.1%	22,582	-0.1%	N/A	N/A
2005	2	170	0.0%	3,853	0.4%	22,668	0.4%	N/A	N/A
2006	2	170	0.0%	3,854	0.0%	22,671	0.0%	N/A	N/A
2007	2	170	0.0%	3,854	0.0%	22,671	0.0%	N/A	N/A
2008	2	170	0.0%	3,854	0.0%	22,671	0.0%	N/A	N/A
2009	2	170	0.0%	3,854	0.0%	22,671	0.0%	51.4	9.0
2010	2	170	0.0%	3,854	0.0%	22,671	0.0%	52.3	10.2
2011	2	170	0.0%	3,854	0.0%	22,671	0.0%	52.7	9.8
2012	2	170	0.0%	3,854	0.0%	22,671	0.0%	53.3	10.8
2013	2	119	-30.0%	2,688	-30.3%	22,588	-0.4%	53.7	11.8

[1] For valuations prior to 2013 the annual covered payroll included the payroll of filled and unfilled positions.

Distribution of Active Members by Age and Service

Attained Age	Years of Credited Service												
	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30-34	35 & Over	Total
Under 20	-	-	-	-	-	-	-	-	-	-	-	-	-
20-24	-	-	-	-	-	-	-	-	-	-	-	-	-
25-29	-	-	1	-	-	1	-	-	-	-	-	-	2
30-34	-	1	-	-	-	-	-	-	-	-	-	-	1
35-39	-	-	-	1	-	4	1	-	-	-	-	-	6
40-44	-	-	-	2	-	7	2	1	1	1	-	-	14
45-49	-	-	-	2	-	8	4	4	1	2	-	-	21
50-54	-	-	1	4	-	5	4	2	2	-	1	-	19
55-59	-	-	-	1	1	6	5	4	2	1	-	1	21
60-64	-	-	-	-	1	3	4	2	2	2	1	-	15
65 & Over	-	-	1	4	-	2	6	3	2	2	-	-	20
Total	-	1	3	14	2	36	26	16	10	8	2	1	119

Schedule of Annuitants by Type of Benefit

Type of Benefit/ Form of Payment	Number		Annual Benefits Amount		Average Monthly Benefit
(1)	(2)		(3)		(4)
Service :					
Maximum & QDRO	138	$	2,683,758	$	1,621
100% J&S	54		1,159,675		1,790
100% Pop-up	44		848,632		1,607
50% J&S	27		533,853		1,648
50% Pop-up	22		383,586		1,453
Subtotal:	285	$	5,609,504		1,640
Disability:					
Maximum	0	$	0	$	0
Beneficiaries:	78	$	1,144,515	$	1,223
Total:	363	$	6,754,019	$	1,551

Distribution of Annuitants by Monthly Benefit

Monthly Benefit Amount	Number of Annuitants	Female	Male	Average Service
(1)	(2)	(3)	(4)	(5)
Under $200	10	3	7	1.80
$ 200 - 399	14	8	6	9.57
400 - 599	16	8	8	6.94
600 - 799	23	8	15	13.74
800 - 999	38	14	24	13.95
1,000 - 1,199	30	12	18	15.90
1,200 - 1,399	27	6	21	19.11
1,400 - 1,599	33	11	22	20.06
1,600 - 1,799	43	7	36	20.95
1,800 - 1,999	42	8	34	22.67
2,000 - 2,199	24	8	16	28.96
2,200 - 2,399	13	2	11	29.62
2,400 - 2,599	15	2	13	30.60
2,600 - 2,799	13	3	10	33.08
2,800 - 2,999	5	0	5	29.80
3,000 - 3,199	5	1	4	33.20
3,200 - 3,399	5	3	2	43.40
3,400 - 3,599	1	0	1	41.00
3,600 - 3,799	1	0	1	30.00
3,800 - 3,999	2	0	2	29.50
4,000 & Over	3	1	2	37.33
Total	363	105	258	20.28

Schedule of Retirants Added to And Removed from Rolls

	Added to Rolls		Removed from Rolls		Rolls End of the Year		% Increase	Average
July 1,	Number	Annual Benefits($000)	Number	Annual Benefits($000)	Number	Annual Benefits($000)	in Annual Benefit	Annual Benefit
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
2001	27	$ 609	11	$ 204	251	$ 4,381	10.2%	$ 17,454
2002	24	453	9	160	266	4,674	6.7%	17,571
2003	40	839	12	226	294	5,287	13.1%	17,983
2004	12	185	9	119	297	5,353	1.2%	18,024
2005	22	486	7	125	312	5,716	6.8%	18,321
2006	13	238	8	179	317	5,775	1.0%	18,218
2007	18	321	2	13	333	6,083	5.3%	18,267
2008	19	337	10	134	342	6,286	3.3%	18,380
2009	26	505	15	266	353	6,525	3.8%	18,484
2010	7	148	14	261	346	6,412	-1.7%	18,532
2011	12	238	5	108	353	6,542	2.0%	18,534
2012	16	251	11	130	358	6,663	1.8%	18,611
2013	22	444	17	353	363	6,754	1.4%	18,606

APPENDIX A

ACTUARIAL ASSUMPTIONS AND METHODS

Summary of Actuarial Methods and Assumptions

The following presents a summary of the actuarial assumptions and methods used in the valuation of the Retirement System for Members of the General Assembly of South Carolina.

Investment Rate of Return

Assumed annual rate of 7.50% net of investment and administrative expenses composed of a 2.75% inflation component and a 4.75% real rate of return, net of investment and administration expenses.

Rates of Annual Salary Increase

No increases in salary are assumed.

Active Member Decrement Rates

a. Assumed rates of service retirement are shown in the following table. In addition to the rates in the table below, members with 30 years of service are assumed to immediately commence their retirement benefit. Special contributors are assumed to retire at the earlier of attaining age 60 or attaining 22 years of service.

Age Based Retirement Rates	
Age	**Assumed Rate**
60 & Under	40.00%
61 - 64	7.00%
65 - 69	15.00%
70 & older	100.00%

b. An abbreviated table with the assumed rates of disability and mortality while employed is shown below. There is no active employment withdrawal assumption.

	Disability Rates		Pre-Retirement Mortality	
Age	**Males**	**Females**	**Males**	**Females**
25	0.0575%	0.0525%	0.0414%	0.0166%
30	0.1150%	0.0735%	0.0488%	0.0211%
35	0.1725%	0.1470%	0.0850%	0.0380%
40	0.2875%	0.1890%	0.1187%	0.0565%
45	0.4025%	0.2730%	0.1659%	0.0899%
50	0.5750%	0.4620%	0.2352%	0.1341%
55	0.9200%	0.7350%	0.3332%	0.2021%
60	1.1500%	1.1235%	0.5366%	0.3145%
Multiplier			110%	80%

Note: The multiplier has been applied to the decrement in the illustrative table.

Post Retirement Mortality

a. Healthy retirees and beneficiaries – The RP-2000 Mortality Table projected using the AA projection table with multipliers based on plan experience. The following are sample rates:

Healthy Annuitant Mortality Rates Before Projection		
Age	**Males**	**Females**
50	0.2138%	0.1508%
55	0.3624%	0.2445%
60	0.6747%	0.4550%
65	1.2737%	0.8735%
70	2.2206%	1.5068%
75	3.7834%	2.5295%
80	6.4368%	4.1291%
85	11.0757%	6.9701%
90	18.3408%	11.8514%
Multiplier	100%	90%

Note: The multiplier has been applied to the decrement in the illustrative table.

The following table provides the life expectancy for individuals retiring in future years based on the assumption with full generational projection:

Life Expectancy for an Age 65 Retiree in Years				
	Year of Retirement			
Gender	**2015**	**2020**	**2025**	**2030**
Male	19.6	20.0	20.4	20.7
Female	22.3	22.5	22.7	22.9

b. A separate table of mortality rates is used for disabled retirees based on the RP-2000 Disabled Retiree Mortality Table. The following are sample rates:

Disabled Annuitant Mortality Rates		
Age	**Males**	**Females**
50	2.4629%	1.2689%
55	3.0126%	1.8198%
60	3.5736%	2.4023%
65	4.2648%	3.0829%
70	5.3196%	4.1398%
75	6.9757%	5.7453%
80	9.2966%	7.9543%
85	12.0363%	11.0223%
90	15.5897%	15.4054%
Multiplier	85%	110%

Note: The multiplier has been applied to the decrement in the illustrative table.

Asset Valuation Method

The actuarial value of assets is based on the market value of assets with five-year smoothing applied. This is accomplished by recognizing each year 20% of the difference between the market value of assets and the expected actuarial value of assets, based upon the assumed valuation rate of return.

Expected earnings are determined using the assumed investment rate of return and the beginning of year actuarial value of assets (adjusted for receipts and disbursements during the year). The returns are computed net of administrative and investment expenses.

Actuarial Cost Method

The Entry Age Normal actuarial cost method allocates the System's actuarial present value of future benefits to various periods based upon service. The portion of the present value of future benefits allocated to years of service prior to the valuation date is the actuarial accrued liability, and the portion allocated to years following the valuation date is the present value of future normal costs. The normal cost is determined for each active member as the level dollar amount necessary to fully fund the expected benefits to be earned over the career of each individual active member. The normal cost is partially funded with active member contributions with the remainder funded by employer contributions.

An unfunded accrued liability exists in the amount equal to the excess of accrued liability over valuation assets. The amortization period of the System is the number of years required to fully amortize the unfunded accrued liability with the expected amount of employer contributions in excess of the employers' portion of the normal cost.

Future Cost-of-living Increases

No increases are assumed.

Payroll Growth Rate

None assumed.

Other Assumptions

1. Percent married: 100% of active members are assumed to be married.

2. Age difference: Males are assumed to be four years older than their spouses.

3. Percent electing annuity on death (when eligible): All of the spouses of vested, married participants are assumed to elect an immediate life annuity.

4. Inactive Population: All non-vested members are assumed to take an immediate refund. Members with a vested benefit are assumed to elect a refund or a deferred benefit commencing at age 60, whichever is more valuable at the valuation date.

5. It is assumed there will be no recoveries once disabled.

6. Decrement timing: Decrements of all types are assumed to occur mid-year.

7. Eligibility testing: Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.

8. Benefit Service: All active and special contributing members are assumed to accrue one year of eligibility service each year.

Participant Data

Participant data was supplied in electronic text files. There were separate files for (i) active and inactive members, and (ii) members and beneficiaries receiving benefits.

The data for active members included birth date, gender, service with the current city and total vesting service, salary, and employee contribution account balances. For retired members and beneficiaries, the data included date of birth, gender, spouse's date of birth (where applicable), amount of monthly benefit, date of retirement, and form of payment code.

Salary supplied for the current year was based on the annualized earnings for the year preceding the valuation date. Assumptions were made to correct for missing, bad, or inconsistent data. These had no material impact on the results presented.

APPENDIX B

BENEFIT PROVISIONS

SUMMARY OF BENEFIT PROVISIONS FOR SOUTH CAROLINA GENERAL ASSEMBLY RETIREMENT SYSTEM (GARS)

Effective Date: January 1, 1966.

Administration: The South Carolina Public Employee Benefit Authority is responsible for the general administrative operations and day to day management of the Plan.

Type of Plan: This is a qualified governmental defined benefit retirement plan.

Eligibility: All members of the General Assembly who acquired office prior to the 2012 general election are required to participate, unless exempted by Statute. Members with eight (8) or more years of credited service that cease membership in the General Assembly may elect to continue earning future service in the system by contributing the required membership contributions (i.e. special contributing member).

Employee Contributions: Effective January 1, 2013, the active member contribution rate increased from 10% to 11% of compensation. Member contributions are credited with interest at the rate of 4.0% per annum. Retired members who are serving in office do not make employee contributions to the system.

Earnable Compensation: $10,400 annually plus 40 times the daily rate of remuneration (i.e. $22,400 in total earnable compensation annually). Certain line-item additional compensation for specified offices is also included.

Service Retirement:

a. Eligibility: A member may retire upon the attainment of age 60 or completing 30 years of credited service, if earlier. Members may commence their benefit before retiring from service upon the attainment of age 70 or after accruing 30 years of service.

b. Monthly Benefit: 4.82% of earnable compensation times credited service.

c. Payment Form: Standard annuity payment

Disability Retirement:

a. Eligibility: Members must have five or more years of credited service, unless the disability is due to performing his or her duties.

b. Monthly Benefit: The member will receive a service retirement benefit if they become disabled after attaining the age of 60 or completed at least 35 years of credited service. Otherwise the member will receive a benefit that is equal to the larger of 1. or 2. below.

1. 50% of the retirement benefit that would have been payable had he continued service to the earlier of age 60 or 35 years of credited service and his earnable compensation had remained unchanged.
2. 100% of the retirement benefit based on the member's service and earnable compensation at the time of his disability.

c. Payment Form: Standard annuity payment

d. Death while Disabled: A disabled member is treated as a retired member for purposes of determining a death benefit.

Vesting and Refunds:

a. Eligibility: All members who are not vested are eligible for a refund when they terminate service. Members are vested after eight (8) years of credited service. Vested members may also elect to receive a refund in lieu of the deferred termination benefit described below.

b. Amount: The refund benefit is the accumulated value of the member's contributions plus interest credited by the fund. Members do not earn interest on their employee contribution account balance while they are inactive.

Deferred Termination Benefit:

a. Eligibility: Member must be vested (8 years of credited service) and must elect to leave his/her contributions on deposit.

b. Monthly Benefit: Same as the service retirement benefit, based on service and earnable compensation at termination, and commencing once the member is eligible. Note, special contributors continue to accrue benefits under the system until the earlier of 22 years of creditable service or age 60.

c. Payment Form: Standard annuity payment

d. Death Benefit: The beneficiary of an inactive member who dies is entitled to receive the amount of the member's accumulated contributions (with interest).

Death while an Active Member:

a. In General: A refund of the member's accumulated contributions (with interest) is paid to the beneficiary of a deceased member.

b. Beneficiary Annuity: If the deceased member had attained the age of 60 or had accumulated 15 or more years of creditable service, may elect to receive, in lieu of the accumulated contributions, a monthly benefit for life of the beneficiary.

Optional Forms of Benefit: The System permit members to elect certain optional forms of benefit at retirement. In each case the benefit amount is adjusted to be actuarially equivalent to the "Maximum Option" form. The optional forms of payment include:

a. Maximum Option: A life annuity. Upon the member's death, any remaining member contributions will be paid to the member's designated beneficiary.

b. Option 1 (100% Joint & Survivor): A reduced annuity payable as long as either the member or his/her beneficiary is living.

c. Option 1A (100% Joint & Survivor with a revert to Maximum Option feature): A reduced annuity payable as long as either the member or his/her beneficiary is living. In the event the member's designated beneficiary predeceases the member, then the member shall receive a retirement allowance equal to the maximum option.

d. Option 2 (50% Joint & Survivor): A reduced annuity payable during the member's life, and continues after the member's death at 50% of the rate paid to the member for the life of the member's designated beneficiary.

e. Option 2B (50% Joint & Survivor with a revert to Maximum Option feature): A reduced annuity payable during the member's life, and continues after the member's death at 50% of the rate paid to the member for the life of the member's designated beneficiary. In the event the member's designated beneficiary predeceases the member, then the member shall receive a retirement allowance equal to the maximum option.

Incidental Death Benefit:

a. Active Employees: The beneficiary (or estate) of an active employee who completes at least one full year of membership service, will receive a death benefit equal to the member's annual earnable compensation at the time of death.

   The one full year membership requirement is waived for members whose death is a result of an injury arising out of and in the course of performing his duties.

b. Post Employment: The beneficiary (or estate) of a retiree, both current and future retiree, will receive a one-time payment upon the retiree's death. The amount of the one-time payment is based on the retiree's credited service.

Years of Service Credit	Death Benefit
10 or more, but less than 20	$1,000
20 or more, but less than 30	$2,000
30 or more	$3,000

Postretirement Benefit Increases: Retired members and beneficiaries will receive an adjustment to their benefit equal to the same percentage increase that the General Assembly approves in earnable compensation for active GARS members.

APPENDIX C

GLOSSARY

GLOSSARY

Actuarial Accrued Liability (AAL): That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of Future Plan Benefits which is not provided for by future Normal Costs. It is equal to the Actuarial Present Value of Future Plan Benefits minus the actuarial present value of future Normal Costs.

Actuarial Assumptions: Assumptions as to future experience under the Fund. These include assumptions about the occurrence of future events affecting costs or liabilities, such as:

- mortality, withdrawal, disablement, and retirement;
- future increases in salary;
- future rates of investment earnings and future investment and administrative expenses;
- characteristics of members not specified in the data, such as marital status;
- characteristics of future members;
- future elections made by members; and
- other relevant items.

Actuarial Cost Method or ***Funding Method:*** A procedure for allocating the Actuarial Present Value of Future Benefits to various time periods; a method used to determine the Normal Cost and the Actuarial Accrued Liability. These items are used to determine the ARC.

Actuarial Gain or ***Actuarial Loss:*** A measure of the difference between actual experience and that expected based upon a set of Actuarial Assumptions, during the period between two Actuarial Valuation dates. Through the actuarial assumptions, rates of decrements, rates of salary increases, and rates of fund earnings have been forecasted. To the extent that actual experience differs from that assumed, Actuarial Accrued Liabilities emerge which may be the same as forecasted, or may be larger or smaller than projected. Actuarial gains are due to favorable experience, e.g., the Fund's assets earn more than projected, salaries do not increase as fast as assumed, members retire later than assumed, etc. Favorable experience means actual results produce actuarial liabilities not as large as projected by the actuarial assumptions. On the other hand, actuarial losses are the result of unfavorable experience, i.e., actual results that produce actuarial liabilities which are larger than projected. Actuarial gains will shorten the time required for funding of the actuarial balance sheet deficiency while actuarial losses will lengthen the funding period.

Actuarially Equivalent: Of equal actuarial present value, determined as of a given date and based on a given set of Actuarial Assumptions.

Actuarial Present Value (APV): The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions. For purposes of this standard, each such amount or series of amounts is:

a. adjusted for the probable financial effect of certain intervening events (such as changes in compensation levels, marital status, etc.)

b. multiplied by the probability of the occurrence of an event (such as survival, death, disability, termination of employment, etc.) on which the payment is conditioned, and

c. discounted according to an assumed rate (or rates) of return to reflect the time value of money.

Actuarial Present Value of Future Plan Benefits: The Actuarial Present Value of those benefit amounts which are expected to be paid at various future times under a particular set of Actuarial Assumptions, taking into account such items as the effect of advancement in age and past and anticipated future compensation and service credits. The Actuarial Present Value of Future Plan Benefits includes the liabilities for active members, retired members, beneficiaries receiving benefits, and inactive, nonretired members either entitled to a refund or a future retirement benefit. Expressed another way, it is the value that would have to be invested on the valuation date so that the amount invested plus investment earnings would provide sufficient assets to pay all projected benefits and expenses when due.

Actuarial Valuation: The determination, as of a valuation date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values for a plan. An Actuarial valuation for a governmental retirement system typically also includes calculations of items needed for compliance with GASB 25, such as the funded ratio and the ARC.

Actuarial Value of Assets or ***Valuation Assets:*** The value of the Fund's assets as of a given date, used by the actuary for valuation purposes. This may be the market or fair value of plan assets, but commonly actuaries use a smoothed value in order to reduce the year-to-year volatility of calculated results, such as the funded ratio and the ARC.

Actuarially Determined: Values which have been determined utilizing the principles of actuarial science. An actuarially determined value is derived by application of the appropriate actuarial assumptions to specified values determined by provisions of the law.

Amortization Method: A method for determining the Amortization Payment. The most common methods used are level dollar and level percentage of payroll. Under the Level Dollar method, the Amortization Payment is one of a stream of payments, all equal, whose Actuarial Present Value is equal to the UAAL. Under the Level Percentage of Pay method, the Amortization payment is one of a stream of increasing payments, whose Actuarial Present Value is equal to the UAAL. Under the Level Percentage of Pay method, the stream of payments increases at the assumed rate at which total covered payroll of all active members will increase.

Amortization Payment: That portion of the pension plan contribution or ARC which is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability.

Annual Required Contribution (ARC): The employer's periodic required contributions, expressed as a dollar amount or a percentage of covered plan compensation, determined under GASB 25. The ARC consists of the Employer Normal Cost and the Amortization Payment

Closed Amortization Period: A specific number of years that is counted down by one each year, and therefore declines to zero with the passage of time. For example if the amortization period is initially set at 30 years, it is 29 years at the end of one year, 28 years at the end of two years, etc. See Funding Period and Open Amortization Period.

Decrements: Those causes/events due to which a member's status (active-inactive-retiree-beneficiary) changes, that is: death, retirement, disability, or termination.

Defined Benefit Plan: A retirement plan that is not a Defined Contribution Plan. Typically a defined benefit plan is one in which benefits are defined by a formula applied to the member's compensation and/or years of service.

Defined Contribution Plan: A retirement plan, such as a 401(k) plan, a 403(b) plan, or a 457 plan, in which the contributions to the plan are assigned to an account for each member, and the plan's earnings are allocated to each account, and each member's benefits are a direct function of the account balance.

Employer Normal Cost: The portion of the Normal Cost to be paid by the employers. This is equal to the Normal Cost less expected member contributions.

Experience Study: A periodic review and analysis of the actual experience of the Fund which may lead to a revision of one or more actuarial assumptions. Actual rates of decrement and salary increases are compared to the actuarially assumed values and modified as deemed appropriate by the Actuary.

Funded Ratio: The ratio of the actuarial value of assets (AVA) to the actuarial accrued liability (AAL). Plans sometimes calculate a market funded ratio, using the market value of assets (MVA), rather than the AVA, although GASB 25 reporting requires the use of the AVA.

Funding Period or ***Amortization Period:*** The term "Funding Period" is used two ways. In the first sense, it is the period used in calculating the Amortization Payment as a component of the ARC. This funding period is chosen by the Board. In the second sense, it is a calculated item: the number of years in the future that will theoretically be required to amortize (i.e., pay off or eliminate) the Unfunded Actuarial Accrued Liability, based on the employer contribution, and assuming no future actuarial gains or losses.

GASB: Governmental Accounting Standards Board.

GASB 25 and ***GASB 27***: Governmental Accounting Standards Board Statements No. 25 and No. 27. These are the governmental accounting standards that set the accounting rules for public retirement systems and the employers that sponsor or contribute to them. Statement No. 27 sets the accounting rules for the employers that sponsor or contribute to public retirement systems, while Statement No. 25 sets the rules for the systems themselves.

Normal Cost: That portion of the Actuarial Present Value of pension plan benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method. Any payment in respect of an Unfunded Actuarial Accrued Liability is not part of Normal Cost (see Amortization Payment). For pension plan benefits which are provided in part by employee contributions, Normal Cost refers to the total of employee contributions and employer Normal Cost unless otherwise specifically stated. Under the entry age normal cost method, the Normal Cost is intended to be the level cost (when expressed as a percentage of pay) needed to fund the benefits of a member from hire until ultimate termination, death, disability or retirement.

Open Amortization Period: An open amortization period is one which is used to determine the Amortization Payment but which does not change over time. In other words, if the initial period is set as 30 years, the same 30-year period is used in determining the Amortization Period each year. In theory, if an Open Amortization Period is used to amortize the Unfunded Actuarial Accrued Liability, the UAAL will never completely disappear, but will become smaller each year, either as a dollar amount or in relation to covered payroll.

Unfunded Actuarial Accrued Liability: The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. This value may be negative in which case it may be expressed as a negative Unfunded Actuarial Accrued Liability, also called the Funding Surplus.

Valuation Date or Actuarial Valuation Date: The date as of which the value of assets is determined and as of which the Actuarial Present Value of Future Plan Benefits is determined. The expected benefits to be paid in the future are discounted to this date.

Gabriel Roeder Smith & Company
Consultants & Actuaries

SOUTH CAROLINA NATIONAL GUARD SUPPLEMENTAL RETIREMENT PLAN (SCNG)

ACTUARIAL VALUATION REPORT

AS OF JULY 1, 2013

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December 2, 2013

Public Employee Benefit Authority
South Carolina Retirement System
P.O. Box 11960
Columbia, SC 29211-1960

Subject: Actuarial Valuation as of July 1, 2013

Dear Members of the Board:

This report describes the current actuarial condition of the South Carolina National Guard Supplemental Retirement Plan (SCNG), determines the calculated employer contribution requirement, and analyzes changes in this amount. In addition, the report provides information required by the Retirement System in connection with Governmental Accounting Standards Board Statement No. 25 (GASB 25), and it gives various summaries of the data. Results of this report should not be used for any other purpose without consultation with the undersigned. Valuations are prepared annually as of July 1, the first day of the plan year for SCNG. This report was prepared at the request of the Board of Directors of the South Carolina Public Employee Benefit Authority (Board) and is intended for use by the South Carolina Retirement System (SCRS) staff and those designated or approved by the Board.

Under SCRS statutes, the Board must certify the employer contribution annually. This amount is determined actuarially, based on the Board's funding policy. The contribution is determined by a given actuarial valuation and becomes effective twelve months after the valuation date. In other words, the contribution amount determined by this July 1, 2013 actuarial valuation will be used by the Board when certifying the employer contribution amount for the year beginning July 1, 2014. If new legislation is enacted between the valuation date and the date the contribution becomes effective, the Board may adjust the calculated amount before certifying them, in order to reflect this new legislation. Such adjustments are based on information supplied by the actuary.

FINANCING OBJECTIVES AND FUNDING POLICY

The principle objectives in the funding policy that is maintained by the Board include:

- Establish a contribution amount that remains relatively level over time.
- To set an amount so that the measures of the System's funding progress which include the unfunded actuarial accrued liability, funded ratio, and funding period will be maintained or improved.

- To set a contribution amount that will result in the unfunded actuarial accrued liability (UAAL) to be amortized over a period from the current valuation date that does not exceed 30 years.

The contribution amounts are based on the Board's current funding policy, which is expected to completely amortize the unfunded actuarial accrued liability by June 30, 2036.

PROGRESS TOWARD REALIZATION OF FINANCING OBJECTIVES

The funded ratio (the ratio of the actuarial value of assets to the actuarial accrued liability) is a standard measure of a plan's funded status. In the absence of benefit improvements, it should increase over time, until it reaches at least 100%.

The funded ratio of the System increased from 34.2% to 36.1%. If market value of assets had been used in the calculation instead of actuarial (smoothed) value of assets, the funded ratio for the System would have been 31.5%, compared to 28.6% in the prior year.

ASSUMPTIONS AND METHODS

The actuarial assumptions used to perform this valuation remain unchanged from the prior valuation, including the use of a 7.50% investment return assumption. South Carolina State Code requires that an experience analysis that reviews the economic and demographic assumptions be performed every five years. The next experience analysis is scheduled for 2016.

It is our opinion that the recommended assumptions are internally consistent and reasonably reflect the anticipated future experience of the System. The actuarial assumptions and methods used in this report comply with the parameters for disclosure that appear in GASB 25.

The results of the actuarial valuation are dependent on the actuarial assumptions used. Actual results can, and almost certainly will, differ as actual experience deviates from the assumptions. Even seemingly minor changes in the assumptions can materially change the liabilities, calculated contribution rate, and funding periods. The actuarial calculations are intended to provide information for rational decision making.

BENEFIT PROVISIONS

The benefit provisions reflected in this valuation are those which were in effect on July 1, 2013. There have been no changes in plan provisions since the preceding actuarial valuation.

DATA

Member data for retired, active and inactive members was supplied as of July 1, 2013, by the SCRS staff. The staff also supplied asset information as of July 1, 2013. We did not audit this data, but we did apply a number of tests to the data, and we concluded that it was reasonable and consistent with the prior year's data. GRS is not responsible for the accuracy or completeness of the information provided to us by SCRS.

CERTIFICATION

We certify that the information presented herein is accurate and fairly portrays the actuarial position of SCNG as of July 1, 2013.

All of our work conforms with generally accepted actuarial principles and practices and complies with the Actuarial Standards of Practice issued by the Actuarial Standards Board. In our opinion, our calculations also comply with the requirements of South Carolina Code of Laws and, where applicable, the Internal Revenue Code, ERISA, and the Statements of the Governmental Accounting Standards Board.

The undersigned are independent actuaries and consultants. Mr. Newton and Mr. White are Enrolled Actuaries and Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries. Both are experienced in performing valuations for large public retirement systems.

Sincerely,

Gabriel, Roeder, Smith & Co.

Joseph P. Newton, FSA, MAAA, EA
Senior Consultant

Daniel J. White, FSA, MAAA, EA
Senior Consultant

TABLE OF CONTENTS

SECTION A

EXECUTIVE SUMMARY

Executive Summary

(Dollar amounts expressed in thousands)

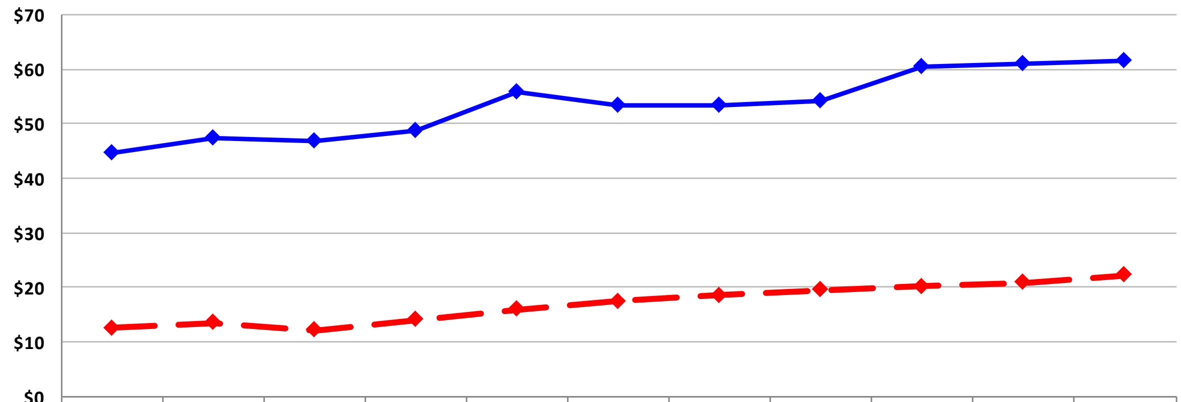
Valuation Date:	July 1, 2013	July 1, 2012
Membership		
• Number of		
- Active Members	11,997	12,041
- Retirees and Beneficiaries	4,541	4,419
- Inactive Members	2,292	2,484
- Total	18,830	18,944
GASB No. 25 Annual Required Contribution		
• Member	$0	$0
• Employer contribution[1]	$4,591	$4,586
Assets		
• Market value	$19,424	$17,417
• Actuarial value	22,208	20,814
• Return on market value	9.4%	0.4%
• Return on actuarial value	5.0%	4.4%
• Ratio - actuarial value to market value	114.3%	119.5%
• External cash flow %	1.9%	-0.7%
Actuarial Information		
• Normal cost	$679	$686
• Actuarial accrued liability (AAL)	61,576	60,942
• Unfunded actuarial accrued liability (UAAL)	39,368	40,128
• Funded ratio	36.1%	34.2%
• Amortization period (blended)	19	20
Reconciliation of UAAL		
• Beginning of Year UAAL	$40,128	$40,250
- Interest on UAAL	3,010	3,019
- Amortization payment with interest	(4,142)	(3,669)
- Assumption/method changes	0	0
- Asset experience	696	849
- Other liability experience	(324)	(321)
- Legislative changes	0	0
• End of Year UAAL	39,368	40,128

[1] The contribution amount determined by the actuarial valuation is effective for the following fiscal year.

EXECUTIVE SUMMARY (CONTINUED)

The unfunded actuarial accrued liability decreased by $760 thousand since the prior year's valuation to $39.4 million. Below is a chart with the historical actuarial value of assets and actuarial accrued liability for SCNG.

Chart 1. - History of Actuarial Assets vs. Actuarial Accrued Liability
(Dollars in Millions)



	2002	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
AVA	12.6	13.6	12.2	14.0	15.9	17.4	18.6	19.5	20.1	20.8	22.2
AAL	44.7	47.3	47.0	48.8	55.9	53.5	53.4	54.2	60.4	60.9	61.6

There is still $2.8 million in deferred investment losses as of the valuation date. Absent favorable investment experience, those deferred losses will be reflected in the actuarial value of assets over the next several years. Therefore, we expect the unfunded actuarial liability for the System and the funded ratio to improve relatively slowly for the next few years as those deferred investment losses become recognized in the actuarial value of assets.

The recommended employer contribution requirement remains relatively unchanged from the prior year by increasing $5 thousand dollars to $4.591 million for FY 2015. Absent legislative changes or significantly favorable investment experience, we expect the contribution requirement to gradually increase over the next several years as existing deferred investment losses becomes recognized in the actuarial value of assets.

SECTION B

DISCUSSION

Discussion

The results of the July 1, 2013 actuarial valuation of the South Carolina National Guard Supplemental Retirement Plan are presented in this report. The purposes of the valuation report is to depict the current financial condition of the System, determine the annual required contribution, and analyze changes in the System's financial condition. In addition, the report provides information required by SCRS in connection with Governmental Accounting Standards Board Statement No. 25 (GASB 25), and various summaries of the members participating in the plan.

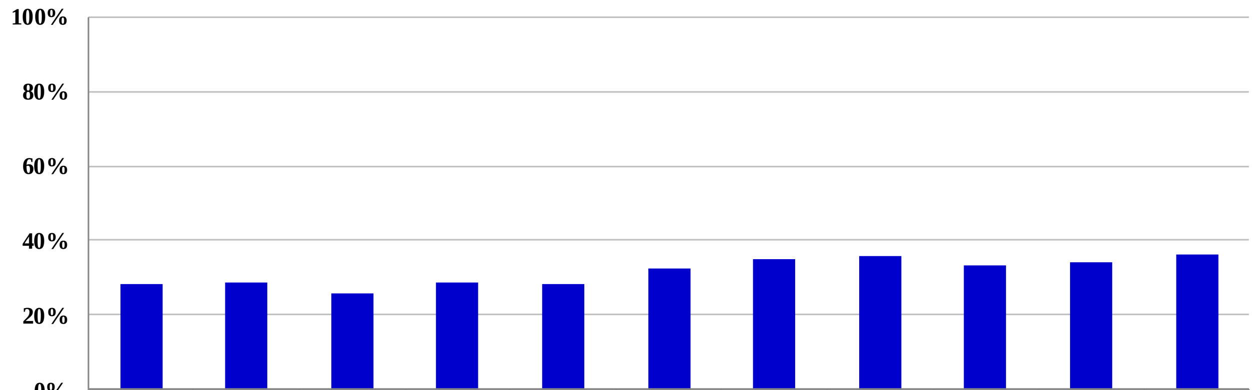
This section discusses the determination of the current funding requirements and the System's funded status, as well as changes in financial condition of the retirement system.

All of the actuarial and financial tables referenced by the other sections of this report appear in Section C. Section D provides member data and statistical information. Appendices A and B provide summaries of the principle actuarial assumptions and methods and plan provisions. Finally, Appendix C provides a glossary of technical terms that are used throughout this report.

Funding Progress

The funded ratio increased from 34.2% to 36.1% since the prior valuation and has generally trended upward since 2005 as shown in the graph below. Table 10, Schedule of Funding Progress, in the following section of the report provides additional detail regarding the funding progress of the Retirement System.

Chart 2. - Funded Ratio
Actuarial Assets as a Percentage of Actuarial Accrued Liabilities



	2002	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Funded Ratio	28.2%	28.7%	25.9%	28.8%	28.5%	32.6%	34.8%	35.9%	33.3%	34.2%	36.1%

The contribution policy established by the Board is to fully amortize the unfunded actuarial accrued liability (UAAL) over a 30 year period from July 1, 2006. Under this funding policy, there are 23 years remaining in the funding period from the valuation date.

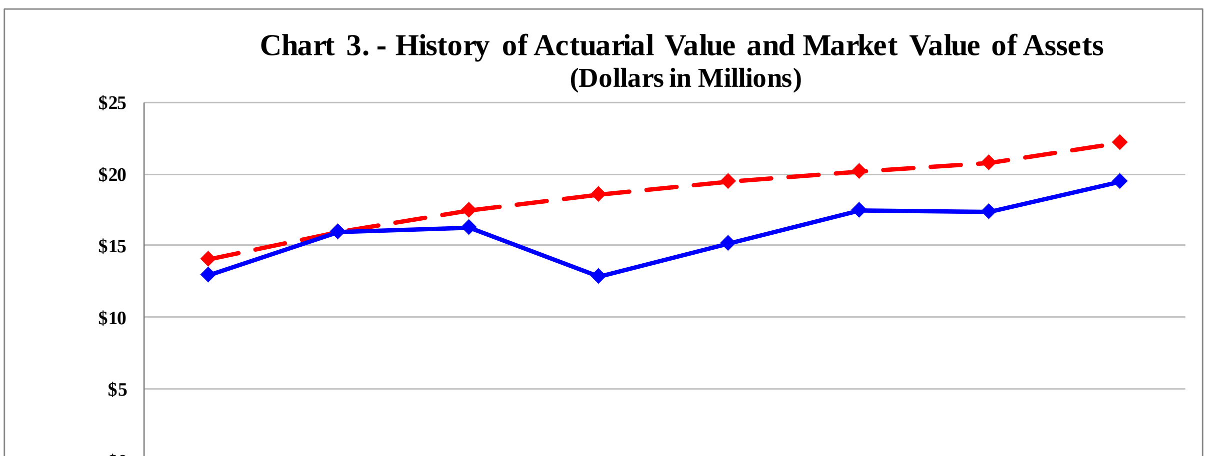
The State appropriation (i.e. employer contribution) is the dollar amount necessary to fund the annual normal cost and systematically amortize the UAAL. There is an amortization cost of $587,062 to amortize the remaining balance of $3,438,596 that was established at July 1, 2006 due to a legislation change that allowed guardsmen who became members of the National Guard after June 30, 1993 to become eligible for membership in the System effective January 1, 2007. The remaining amortization period for this amount as of July 1, 2013 is eight years. The UAAL from other sources of $35,928,928 is funded over a 30 year period beginning July 1, 2006. The remaining amortization period for this balance as of July 1, 2013 is 23 years. Therefore, the total State appropriation to be made for FY 2014 is $4,590,798.

Asset Gains/ (Losses)

The actuarial value of assets ("AVA") is based on a smoothed market value of assets, using a systematic approach to phase-in actual investment return in excess of (or less than) the expected investment income. This is appropriate because it dampens the short-term volatility inherent in investment markets. The expected investment income is determined using the assumed annual investment return rate and the actuarial value of assets (adjusted for receipts and disbursements during the year). The returns are computed net of administrative and investment expenses. The actuarial value of assets increased from $20.8 million to $22.2 million since the prior valuation. Table 8 in the following section of the report provides the development of the actuarial value of assets.

The rate of return on the mean market value of assets in 2013 was 9.0%, which is slightly above the expected annual return. However, because of the recognition of prior investment experience, the actuarial (smoothed) asset value returned only 5.0%. This difference in the estimated return on market value and actuarial value illustrates the smoothing effect of the asset valuation method.

The market value of assets is less than the actuarial value of assets, which signifies that the retirement system is in a position of deferred losses. Therefore, unless the System experiences investment returns in excess of the assumed rate of return, the future recognition of these deferred losses is expected to increase the State's contribution requirement.



	2006	2007	2008	2009	2010	2011	2012	2013
AVA	$14.0	$15.9	$17.4	$18.6	$19.5	$20.1	$20.8	$22.2
MVA	$12.9	$15.9	$16.2	$12.8	$15.1	$17.5	$17.4	$19.4

Assets as of July 1,

Tables 6 and 7 in the following section of this report provide asset information that was included in the annual financial statements of the System. Also, Table 9 shows the estimated yield on a market value basis and on the actuarial asset valuation method.

Actuarial Gains/ (Losses) and the Contribution Requirement

The annual actuarial valuation is a snapshot analysis of the benefit liabilities, assets and funded position of the System as of the first day of the plan year. In any one fiscal year, the experience can be better or worse from that which is assumed or expected. The actuarial assumptions do not necessarily attempt to model what the experience will be for any one given fiscal year, but instead try to model the overall experience on average over many years. The demographic experience for the last year is briefly summarized in the chart below.

The unfunded actuarial accrued liability (UAAL) has decreased from $40.128 million in 2012 to $39.368 million in 2013. The table below shows the source of the gains and losses and the impact of those gains and losses on the UAAL.

Reconciliation of UAAL
(Dollars in thousands)

• Beginning of Year UAAL	$40,128
- Interest on UAAL	3,010
- Amortization payment with interest	(4,142)
- Assumption change	0
- Asset experience	696
- Liability experience	(324)
- Legislative changes	0
- Total change	($760)
• End of Year UAAL	$39,368

The following table provides a reconciliation of the change in the recommended contribution from 2012 to 2013. The asset experience, which includes the recognition of prior deferred losses, had the largest single impact on the change in the recommended contribution.

Change in Recommended Contribution

•	Prior year valuation	$4,586
	- Expected change	0
	- Assumption change	0
	- Asset experience	42
	- Liability experience	(37)
	- Legislative changes	0
	- Total change	$5
•	Current year valuation	$4,591

This funding method and contribution policy is designed to result in relatively level contribution requirements from year to year. However, absent favorable investment experience, we expect that the contribution requirement will continue to gradually increase over the next several years as existing deferred investment losses become fully recognized in the actuarial value of assets and calculation of the recommended contribution.

GASB No. 25 and No. 27 Disclosures

Accounting requirements for SCNG are provided by the Governmental Accounting Standards Board Statements No. 25 ("GASB 25") and No. 27 ("GASB 27"). Table 10 shows a historical summary of the funded ratios and other information for the System. Table 11 shows other information needed in connection with the required disclosures under GASB 25. GASB 27 governs reporting by the employers of government-sponsored retirement plans.

GASB 25 requires that plans calculate an Annual Required Contribution ("ARC"), and, if actual contributions received are less than the ARC, this must be disclosed. The ARC is calculated in accordance with certain parameters. In particular, it includes a payment to amortize the UAAL. This amortization payment must be computed using a funding period no greater than thirty (30) years. For this disclosure, SCRS treats the Board-established contribution requirement as the ARC.

Actuarial Assumptions and Methods

In determining costs and liabilities, actuaries use assumptions about the future, such as probabilities of retirement, termination, death and disability, and an annual investment return assumption. The actuarial assumptions and methods used to determine the results of the 2013 actuarial valuation are the same as those used for the prior year's valuation.

Appendix A includes a summary of the actuarial assumptions and methods used in this valuation.

It is our opinion that the assumptions are internally consistent and are reasonable and reflect anticipated future experience of the System. The actuarial assumptions and methods used in this report comply with the parameters for disclosure that appear in GASB 25.

Benefit Provisions

Appendix B of this report includes a summary of the benefit provisions for SCNG. There have been no changes in the benefit provisions since the prior valuation.

Summary of Retirement Provisions

- All members of the South Carolina National Guard are covered by the Supplemental Retirement Plan.
- The retirement benefit amount is equal to $50 per month for 20 years' creditable service with an additional $5 per month for each additional year of service. The total pension is limited to $100 per month.
- Members with 20 years of military service are eligible for retirement after they have (i) attained age 60, or (ii) completed 30 years of creditable service. Eligible member may commence benefits at age 60.
- Member contributions are not required or permitted.

SECTION C

ACTUARIAL TABLES

ACTUARIAL TABLES

Summary of Cost Items

(Dollar amounts expressed in thousands)

			July 1, 2013 (1)	July 1, 2012 (2)
1.	Normal cost			
	a.	Total normal cost	$ 679	$ 686
	b.	Less: member contribution	0	0
	c.	Employer normal cost	$ 679	$ 686
2.	Actuarial accrued liability for active members			
	a.	Present value of future benefits	$ 22,344	$ 21,550
	b.	Less: present value of future normal costs	6,100	6,222
	c.	Actuarial accrued liability	$ 16,244	$ 15,328
3.	Total actuarial accrued liability for:			
	a.	Retirees and beneficiaries	$ 33,590	$ 32,989
	b.	Inactive members	11,742	12,625
	c.	Active members (Item 2.c.)	16,244	15,328
	d.	Total	$ 61,576	$ 60,942
4.	Actuarial value of assets		$ 22,208	$ 20,814
5.	Unfunded actuarial accrued liability (UAAL) (Item 3.d. - Item 4.)		$ 39,368	$ 40,128
6.	GASB No. 25 Annual Required Contribution			
	a.	Employer normal cost	$ 679	$ 686
	b.	Employer contribution available to amortize the UAAL	3,912	3,900
	c.	Total employer contribution	$ 4,591	$ 4,586

Actuarial Present Value of Future Benefits
(Dollar amounts expressed in thousands)

		July 1, 2013 (1)	July 1, 2012 (2)
1.	Active members		
	a. Service retirement	$ 2,645	$ 2,642
	b. Deferred termination benefits[1]	19,699	18,908
	c. Survivor benefits	0	0
	d. Disability benefits	0	0
	e. Total	$ 22,344	$ 21,550
2.	Retired and Inactive members		
	a. Members in payment status	$ 33,590	$ 32,989
	b. Inactive vested members	11,742	12,625
	c. Total	$ 45,332	$ 45,614
3.	Total actuarial present value of future benefits	$ 67,676	$ 67,164

[1] Attributable to members who terminate after attaining 20 years of service and prior to age 60, the age when retirement benefits commence.

Analysis of Normal Cost
(Dollar amounts expressed in thousands)

		July 1, 2013 (1)	July 1, 2012 (2)
1.	Total normal cost		
	a. Retirement benefits	$ 78	$ 83
	b. Deferred termination benefits	601	603
	c. Survivor benefits	0	0
	d. Disability benefits	0	0
	e. Total	679	686
2.	Less: member contributions	$ 0	$ 0
3.	Net employer normal cost	$ 679	$ 686

Results of July 1, 2013 Valuation
(Dollar amounts expressed in thousands)

			July 1, 2013
			(1)
1.	Actuarial Present Value of Future Benefits		
	a. Present Retired Members and Beneficiaries	$	33,590
	b. Present Active and Inactive Members		34,086
	c. Total Actuarial Present Value	$	67,676
2.	Present Value of Future Normal Contributions		
	a. Employee	$	0
	b. Employer		6,100
	c. Total Future Normal Contributions	$	6,100
3.	Actuarial Liability	$	61,576
4.	Current Actuarial Value of Assets	$	22,208
5.	Unfunded Actuarial Liability	$	39,368
6.	Unfunded Actuarial Liability Liquidation Period (blended)		19 years

Actuarial Balance Sheet

(Dollar amounts expressed in thousands)

	July 1, 2013 (1)	July 1, 2012 (2)
1. Assets		
a. Current assets (actuarial value)	$ 22,208	$ 20,814
b. Present value of future member contributions	0	0
c. Present value of future employer contributions		
i. Normal contributions	$ 6,100	$ 6,222
ii. Accrued liability contributions	39,368	40,128
iii. Total future employer contributions	$ 45,468	$ 46,350
d. Total assets	$ 67,676	$ 67,164
2. Liabilities		
a. Benefits to be paid to retired members	$ 33,590	$ 32,989
b. Benefits to be paid to former members entitled to deferred pensions	11,742	12,625
c. Benefits to be paid to current active members	22,344	21,550
d. Total liabilities	$ 67,676	$ 67,164

System Net Assets
Assets at Market or Fair Value
(Dollar amounts expressed in thousands)

Item	July 1, 2013	July 1, 2012
(1)	(2)	(3)
1. Cash and cash equivalents (operating cash)	$ 3,415	$ 2,473
2. Receivables	541	499
3. Investments		
a. Short-term securities	$ 321	$ 0
b. Domestic fixed income	4,582	2,522
c. Global fixed income	1,313	985
d. Domestic equities	1,195	1,209
e. Global equities	1,163	1,127
f. Alternative investments	7,970	9,385
g. Total investments	$ 16,544	$ 15,228
4. Securities lending cash collateral invested	$ 72	$ 119
5. Prepaid administrative expenses	1	1
6. Capital assets, net of accumulated depreciation	0	0
7. Total assets	$ 20,573	$ 18,320
8. Liabilities		
a. Due to other systems	$ 0	$ 0
b. Accounts payable	916	589
c. Investment fees payable	6	6
d. Obligations under securities lending	72	119
e. Deferred retirement benefits	0	0
f. Due to employee insurance program	0	0
g. Benefit payable	11	31
h. Other liabilities	144	158
i. Total liabilities	$ 1,149	$ 903
9. Total market value of assets available for benefits (Item 7. - Item 8.i.)	$ 19,424	$ 17,417
10. Asset allocation (investments)		
a. Net Invested cash	16.5%	12.6%
b. Domestic fixed income	23.6%	14.5%
c. Global fixed income	6.8%	5.7%
d. Domestic equities	6.2%	6.9%
e. Global equities	6.0%	6.5%
f. Alternative investments	40.9%	53.8%
g. Total investments	100.0%	100.0%

Reconciliation of System Net Assets
(Dollar amounts expressed in thousands)

		Year Ending July 1, 2013 (1)	Year Ending July 1, 2012 (2)
1.	Value of assets at beginning of year	$ 17,417	$ 17,466
2.	Revenue for the year		
	a. Contributions		
	i. Member contributions	$ 0	$ 0
	ii. Employer contributions	4,539	3,937
	iii. Total	$ 4,539	$ 3,937
	b. Income		
	i. Interest, dividends, and other income	$ 199	$ 155
	ii. Investment expenses	(279)	(33)
	iii. Net	$ (80)	$ 122
	c. Net realized and unrealized gains (losses)	1,756	(28)
	d. Total revenue	$ 6,215	$ 4,031
3.	Expenditures for the year		
	a. Disbursements		
	i. Refunds	$ 0	$ 0
	ii. Regular annuity benefits	4,193	4,065
	iii. Other benefit payments	0	0
	iv. Transfers to other Systems	0	0
	v. Total	$ 4,193	$ 4,065
	b. Administrative expenses and depreciation	15	15
	c. Total expenditures	$ 4,208	$ 4,080
4.	Increase in net assets (Item 2.d.- Item 3.c.)	$ 2,007	$ (49)
5.	Value of assets at end of year (Item 1. + Item 4.)	$ 19,424	$ 17,417
6.	Net external cash flow		
	a. Dollar amount	$ 346	$ (128)
	b. Percentage of market value	1.9%	-0.7%

Development of Actuarial Value of Assets
(Dollar amounts expressed in thousands)

				July 1, 2013
				(1)
1.	Actuarial value of assets at the prior valuation date		$	20,814
2.	Market value of assets at the prior valuation date		$	17,417
3.	Net external cash flow during the year			
	a.	Contributions	$	4,539
	b.	Disbursements		(4,193)
	c.	Subtotal	$	346
4.	Expected net investment income at 7.50% earned on			
	a.	Actuarial value of assets at the prior valuation date	$	1,561
	b.	Contributions		340
	c.	Disbursements		(157)
	d.	Subtotal	$	1,744
5.	Expected actuarial value of assets, end of year (Item 1. + Item 3.c. + Item 4.d.)		$	22,904
6.	Market value of assets as of the current valuation date		$	19,424
7.	Difference between expected actuarial assets and market value of assets (Item 6. - Item 5.)		$	(3,480)
8.	Excess/(shortfall) recognized (20% of Item 7.)		$	(696)
9.	Actuarial value of plan assets, end of year (Item 5. + Item 8.)		$	22,208
10.	Asset gain (loss) for year (Item 9. - Item 5.)		$	(696)
11.	Asset gain (loss) as % of actual actuarial assets			-3.1%
12.	Ratio of AVA to MVA			114.3%

Estimation of Yields
(Dollar amounts expressed in thousands)

		Year Ending	
		July 1, 2013	July 1, 2012
		(1)	(2)
1.	Market value yield		
	a. Beginning of year market assets	$ 17,417	$ 17,466
	b. Contributions to fund during the year	4,539	3,937
	c. Disbursements	(4,193)	(4,065)
	d. Investment income (net of investment and administrative expenses)	1,661	79
	e. End of year market assets	$ 19,424	$ 17,417
	f. Estimated dollar weighted market value yield	9.4%	0.4%
2.	Actuarial value yield		
	a. Beginning of year actuarial assets	$ 20,814	$ 20,138
	b. Contributions to fund during the year	4,539	3,937
	c. Disbursements	(4,193)	(4,065)
	d. Investment income (net of investment and administrative expenses)	1,048	804
	e. End of year actuarial assets	$ 22,208	$ 20,814
	f. Estimated actuarial value yield	5.0%	4.4%

Schedule of Funding Progress
(Dollar amounts expressed in thousands)

July 1,	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL) (3) - (2)	Funded Ratio (2)/(3)	Annual Covered Payroll	UAAL as % Payroll (4)/((
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1998	$ 8,640	$ 41,478	$ 32,838	20.8%	N/A	N/A
2000*	11,089	43,427	32,338	25.5%	N/A	N/A
2002	12,608	44,678	32,069	28.2%	N/A	N/A
2004	13,567	47,281	33,714	28.7%	N/A	N/A
2005	12,151	46,985	34,835	25.9%	N/A	N/A
2006	14,046	48,755	34,709	28.8%	N/A	N/A
2007	15,937	55,917	39,980	28.5%	N/A	N/A
2008	17,426	53,534	36,108	32.6%	N/A	N/A
2009	18,600	53,421	34,821	34.8%	N/A	N/A
2010	19,458	54,153	34,695	35.9%	N/A	N/A
2011	20,138	60,388	40,250	33.3%	N/A	N/A
2012	20,814	60,942	40,128	34.2%	N/A	N/A
2013	22,208	61,576	39,368	36.1%	N/A	N/A

*As of April 30, 2000.

Notes to Required Supplementary Information
(as required by GASB #25)

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	July 1, 2013
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar
Amortization period for GASB 25 ARC	19-year closed period[1]
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return[2]	7.50%
Projected salary increases	None
Inflation	2.75%
Cost-of-living adjustments	0.00%

[1] The blended amortization period as of the valuation date.
[2] Includes inflation at 2.75%.

Solvency Test

(Dollar amounts expressed in thousands)

	Actuarial Accrued Liability				Portion of Aggregate Accrued Liabilities Covered by Assets		
July 1,	Active Member Contributions	Retirants & Beneficiaries	Active & Inactive Members (Employer Financed)	Valuation Assets	Active	Retirants	ER Financed
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1998	$ 0	$ 14,651	$ 26,827	$ 8,640	N/A	59.0%	0.0%
2000	0	16,186	27,241	11,089	N/A	68.5%	0.0%
2002	0	17,597	27,081	12,608	N/A	71.6%	0.0%
2004	0	19,704	27,577	13,567	N/A	68.9%	0.0%
2005	0	20,804	26,181	12,151	N/A	58.4%	0.0%
2006	0	22,366	26,389	14,046	N/A	62.8%	0.0%
2007	0	24,627	31,290	15,937	N/A	64.7%	0.0%
2008	0	25,554	27,980	17,426	N/A	68.2%	0.0%
2009	0	27,558	25,863	18,600	N/A	67.5%	0.0%
2010	0	28,492	25,661	19,458	N/A	68.3%	0.0%
2011	0	32,038	28,350	20,138	N/A	62.9%	0.0%
2012	0	32,989	27,953	20,814	N/A	63.1%	0.0%
2013	0	33,590	27,986	22,208	N/A	66.1%	0.0%

SECTION D

MEMBERSHIP DATA

MEMBERSHIP TABLES

Summary of Membership Data

		July 1, 2013		July 1, 2012
		(1)		(2)
1. Active members				
a. Males		9,958		10,090
b. Females		2,039		1,951
c. Total members		11,997		12,041
d. Average age		32.0		31.8
e. Average service		9.5		9.2
2. Vested inactive members				
a. Number		2,292		2,484
b. Total annual deferred benefits	$	1,801,320	$	1,951,320
c. Average annual deferred benefit	$	786	$	786
3. Service retirees				
a. Number		4,541		4,419
b. Total annual benefits	$	4,167,540	$	4,072,980
c. Average annual benefit	$	918	$	922
d. Average age		69.3		69.0

Summary of Historical Active Membership

July 1,	Number of Employers	Number of Members	Annual Payroll	Average Pay	Percentage Increase in Average Pay	Average Age	Average Service
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1998	1	9,604	N/A	N/A	N/A	N/A	N/A
2000	1	5,289	N/A	N/A	N/A	N/A	N/A
2002	1	4,010	N/A	N/A	N/A	N/A	N/A
2004	1	3,425	N/A	N/A	N/A	N/A	N/A
2005	1	2,864	N/A	N/A	N/A	45	23
2006	1	2,502	N/A	N/A	N/A	45	23
2007	1	11,076	N/A	N/A	N/A	32	10
2008	1	12,559	N/A	N/A	N/A	31	8
2009	1	12,599	N/A	N/A	N/A	31.7	8.7
2010	1	12,445	N/A	N/A	N/A	31.9	9.0
2011	1	12,271	N/A	N/A	N/A	32.0	9.3
2012	1	12,041	N/A	N/A	N/A	31.8	9.2
2013	1	11,997	N/A	N/A	N/A	32.0	9.5

Distribution of Active Members by Age and by Years of Service

Attained	Years of Credited Service											
Age	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30-34	35 & Over	Total
Under 20	411	170	21	0	0	0	0	0	0	0	0	0	602
20-24	607	712	580	477	470	389	0	0	0	0	0	0	3,235
25-29	166	140	129	231	332	1,182	152	0	0	0	0	0	2,332
30-34	44	40	28	54	100	427	706	93	0	0	0	0	1,492
35-39	29	17	15	23	29	167	336	499	61	0	0	0	1,176
40-44	6	5	9	11	19	111	217	324	473	74	0	0	1,249
45-49	2	1	2	1	7	51	120	140	238	356	42	0	960
50-54	1	0	0	0	0	11	49	86	94	184	215	15	655
55-59	2	0	0	0	1	1	6	29	42	52	80	53	266
60-64	0	1	0	0	0	0	0	3	9	2	3	12	30
65 & Over	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	1,268	1,086	784	797	958	2,339	1,586	1,174	917	668	340	80	11,997

Distribution of Annuitants by Age
as of July 1, 2013

Age	Number of Annuitants	Total Annual Benefits	Average Annual Benefits
(1)	(2)	(3)	(4)
Under 50	0	$ 0	N/A
50 - 54	0	0	N/A
55 - 59	0	0	N/A
60 - 64	1,403	$ 1,243	$ 886
65 - 69	1,496	1,350	902
70 - 74	688	626	910
75 - 79	544	522	960
80 & Over	410	427	1,041
Total	4,541	$ 4,168	$ 918

Dollar amounts, except averages, are expressed in thousands.

Schedule of Retirants Added to And Removed from Rolls

(Dollar amounts except average allowance expressed in thousands)

	Added to Rolls		Removed from Rolls		Rolls End of the Year		% Increase	Average
		Annual		Annual		Annual	in Annual	Annual
July 1,	Number	Benefits	Number	Benefits	Number	Benefits	Benefit	Benefit
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1998	N/A	N/A	N/A	N/A	1,801	$ 1,808	13.6%	$ 1,004
2000	N/A	N/A	N/A	N/A	1,962	1,947	7.7%	992
2002	N/A	N/A	N/A	N/A	2,213	2,160	10.9%	976
2004	N/A	N/A	N/A	N/A	2,535	2,439	12.9%	962
2005	244	$ 214	89	$ 81	2,690	2,572	5.5%	956
2006	303	276	90	91	2,903	2,757	7.2%	950
2007	362	329	61	58	3,204	3,028	9.8%	945
2008	364	331	76	75	3,492	3,284	8.5%	940
2009	378	335	85	83	3,785	3,536	7.7%	934
2010	267	237	101	99	3,951	3,674	3.9%	930
2011	399	351	98	93	4,252	3,932	7.0%	925
2012	259	228	92	87	4,419	4,073	3.6%	922
2013	244	211	122	116	4,541	4,168	2.3%	918

APPENDIX A

ACTUARIAL ASSUMPTIONS AND METHODS

Summary of Actuarial Assumptions and Methods

The following presents a summary of the actuarial assumptions and methods used in the valuation of the South Carolina National Guard Supplemental Retirement Plan.

Investment Rate of Return

Assumed annual rate of 7.50% net of investment and administrative expenses composed of a 2.75% inflation component and a 4.75% real rate of return, net of investment and administration expenses.

Rates of Annual Salary Increase

No increases in salary are assumed. The benefit is not related to pay.

Active Member Decrement Rates

a. Assumed rates of service retirement are shown in the following table. Members who retire prior to age 60 are assumed to defer retirement benefits until age 60.

Age Based Retirement Rates		
Age	**Rate with 20 or more years of service**	**Rate with 30 or more years of service**
39 & Under	10.00%	100.00%
40-49	10.00%	100.00%
50-59	10.00%	100.00%
60 & older	100.00%	100.00%

b. An abbreviated table with the assumed rates of disability and mortality while employed is shown below. There is no active employment withdrawal assumption.

	Disability Rates		Pre-Retirement Mortality	
Age	**Males**	**Females**	**Males**	**Females**
25	0.0854%	0.0854%	0.0338%	0.0186%
30	0.1100%	0.1100%	0.0653%	0.0264%
35	0.1474%	0.1474%	0.0978%	0.0467%
40	0.2201%	0.2201%	0.1234%	0.0790%
45	0.3595%	0.3595%	0.1614%	0.1248%
50	0.6059%	0.6059%	0.2171%	0.1767%
55	1.0089%	1.0089%	0.3776%	0.2516%
60	1.6269%	1.6269%	0.7443%	0.4454%
Multiplier			90.0%	90.0%

Note: The multiplier has been applied to the decrement in the illustrative table.

Post Retirement Mortality

Retirees and beneficiaries – This valuation assumes fully generational mortality. The base mortality table is 115% of the RP-2000 Mortality Table with Blue Collar Adjustment. Future mortality improvements are assumed each year using Scale AA. The following are sample rates:

Annuitant Mortality Rates Before Projection (Multiplier Applied)		
Age	**Males**	**Females**
50	0.2774%	0.2257%
55	0.4825%	0.3214%
60	0.9511%	0.5691%
65	1.7870%	1.1958%
70	3.0772%	2.1429%
75	4.9601%	3.5521%
80	8.1129%	5.6296%
85	13.2339%	9.5565%
90	20.9021%	15.7189%
Multiplier	115%	115%

The following table provides the life expectancy for individuals retiring in future years based on the assumption with full generational projection:

Life Expectancy for an Age 65 Retiree in Years				
	Year of Retirement			
Gender	**2015**	**2020**	**2025**	**2030**
Male	17.8	18.2	18.6	19.0
Female	19.7	19.9	20.1	20.4

Asset Valuation Method

The actuarial value of assets is based on the market value of assets with five-year smoothing applied. This is accomplished by recognizing each year 20% of the difference between the market value of assets and the expected actuarial value of assets, based upon the assumed valuation rate of return.

Expected earnings are determined using the assumed investment rate of return and the beginning of year actuarial value of assets (adjusted for receipts and disbursements during the year). The returns are computed net of administrative and investment expenses.

Actuarial Cost Method

The Entry Age Normal actuarial cost method allocates the System's actuarial present value of future benefits to various periods based upon service. The portion of the present value of future benefits allocated to years of service prior to the valuation date is the actuarial accrued liability, and the portion allocated to years following the valuation date is the present value of future normal costs. The normal cost is determined for each active member as the level dollar amount necessary to fully fund the expected benefits to be earned over the career of each individual active member. The normal cost is partially funded with active member contributions with the remainder funded by employer contributions.

An unfunded accrued liability exists in the amount equal to the excess of accrued liability over valuation assets. The amortization period of the System is the number of years required to fully amortize the unfunded accrued liability with the expected amount of employer contributions in excess of the employers' portion of the normal cost.

Future Cost-of-Living Increases

No increases are assumed.

Payroll Growth Rate

None assumed.

Other Assumptions

1. There is not a marriage assumption.

2. Decrement timing: Decrements of all types are assumed to occur mid-year.

2. Eligibility testing: Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.

Participant Data

Participant data was supplied in electronic text files. There were separate files for (i) active, and (ii) members and beneficiaries receiving benefits.

The data for active members included birth date, gender, total military service and total South Carolina National Guard service. For retired members and beneficiaries, the data included date of birth, gender, spouse's date of birth (where applicable), amount of monthly benefit, date of retirement, and form of payment code.

Assumptions were made to correct for missing, bad, or inconsistent data. These had no material impact on the results presented.

APPENDIX B

BENEFIT PROVISIONS

SUMMARY OF BENEFIT PROVISIONS FOR SOUTH CAROLINA NATIONAL GUARD SUPPLEMENTAL RETIREMENT PLAN (SCNG)

Effective Date: July 1, 1975

Administration: The South Carolina Retirement System, organizationally aligned as a Division of the South Carolina Public Employee Benefit Authority, is responsible for the general administrative operations and day to day management of the Plan.

Eligibility: All members of the South Carolina National Guard who became members on or before June 30, 1993 are covered by the System. Effective January 1, 2007, eligibility for membership has been extended to those guardsmen who became members of the South Carolina National Guard after June 30, 1993.

Employee Contributions: Contributions from members are not permitted.

Service Retirement:

a. <u>Eligibility</u>: Members who are honorably discharged after attaining age 60 with at least 20 years of creditable military service, which include at least 15 years, 10 of which immediately preceding retirement, with the National Guard of South Carolina.

b. <u>Monthly Benefit</u>: $50 per month for 20 years of creditable service with an additional $5 per month for each additional year of service, subject to a maximum monthly benefit of $100 per month.

c. <u>Payment Form</u>: Life annuity.

Disability Retirement: None

Deferred Termination Benefit:

a. <u>Eligibility</u>: Members who are honorably discharged prior to attaining age 60 with at least 20 years of creditable military service, which include at least 15 years, 10 of which immediately preceding retirement, with the National Guard of South Carolina.

b. <u>Monthly Benefit</u>: Upon attaining age 60, the member will receive $50 per month for 20 years of creditable service with an additional $5 per month for each additional year of service, subject to a maximum monthly benefit of $100 per month.

c. <u>Payment Form</u>: Life annuity.

Active Member Death Benefit: None.

Postretirement Benefit Increases: None.

APPENDIX C

GLOSSARY

GLOSSARY

Actuarial Accrued Liability (AAL): That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of Future Plan Benefits which is not provided for by future Normal Costs. It is equal to the Actuarial Present Value of Future Plan Benefits minus the actuarial present value of future Normal Costs.

Actuarial Assumptions: Assumptions as to future experience under the Fund. These include assumptions about the occurrence of future events affecting costs or liabilities, such as:

- mortality, withdrawal, disablement, and retirement;
- future increases in salary;
- future rates of investment earnings and future investment and administrative expenses;
- characteristics of members not specified in the data, such as marital status;
- characteristics of future members;
- future elections made by members; and
- other relevant items.

Actuarial Cost Method or ***Funding Method:*** A procedure for allocating the Actuarial Present Value of Future Benefits to various time periods; a method used to determine the Normal Cost and the Actuarial Accrued Liability. These items are used to determine the ARC.

Actuarial Gain or ***Actuarial Loss:*** A measure of the difference between actual experience and that expected based upon a set of Actuarial Assumptions, during the period between two Actuarial Valuation dates. Through the actuarial assumptions, rates of decrements, rates of salary increases, and rates of fund earnings have been forecasted. To the extent that actual experience differs from that assumed, Actuarial Accrued Liabilities emerge which may be the same as forecasted, or may be larger or smaller than projected. Actuarial gains are due to favorable experience, e.g., the Fund's assets earn more than projected, salaries do not increase as fast as assumed, members retire later than assumed, etc. Favorable experience means actual results produce actuarial liabilities not as large as projected by the actuarial assumptions. On the other hand, actuarial losses are the result of unfavorable experience, i.e., actual results that produce actuarial liabilities which are larger than projected. Actuarial gains will shorten the time required for funding of the actuarial balance sheet deficiency while actuarial losses will lengthen the funding period.

Actuarially Equivalent: Of equal actuarial present value, determined as of a given date and based on a given set of Actuarial Assumptions.

Actuarial Present Value (APV): The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions. For purposes of this standard, each such amount or series of amounts is:

a. adjusted for the probable financial effect of certain intervening events (such as changes in compensation levels, marital status, etc.)

b. multiplied by the probability of the occurrence of an event (such as survival, death, disability, termination of employment, etc.) on which the payment is conditioned, and

c. discounted according to an assumed rate (or rates) of return to reflect the time value of money.

Actuarial Present Value of Future Plan Benefits: The Actuarial Present Value of those benefit amounts which are expected to be paid at various future times under a particular set of Actuarial Assumptions, taking into account such items as the effect of advancement in age and past and anticipated future compensation and service credits. The Actuarial Present Value of Future Plan Benefits includes the liabilities for active members, retired members, beneficiaries receiving benefits, and inactive, nonretired members either entitled to a refund or a future retirement benefit. Expressed another way, it is the value that would have to be invested on the valuation date so that the amount invested plus investment earnings would be sufficient to pay all projected benefits and expenses when due.

Actuarial Valuation: The determination, as of a valuation date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values for a plan. An Actuarial Valuation for a governmental retirement system typically also includes calculations of items needed for compliance with GASB 25, such as the funded ratio and the ARC.

Actuarial Value of Assets or ***Valuation Assets:*** The value of the Fund’s assets as of a given date, used by the actuary for valuation purposes. This may be the market or fair value of plan assets, but commonly actuaries use a smoothed value in order to reduce the year-to-year volatility of calculated results, such as the funded ratio and the ARC.

Actuarially Determined: Values which have been determined utilizing the principles of actuarial science. An actuarially determined value is derived by application of the appropriate actuarial assumptions to specified values determined by provisions of the law.

Amortization Method: A method for determining the Amortization Payment. The most common methods used are level dollar and level percentage of payroll. Under the Level Dollar method, the Amortization Payment is one of a stream of payments, all equal, whose Actuarial Present Value is equal to the UAAL. Under the Level Percentage of Pay method, the Amortization Payment is one of a stream of increasing payments, whose Actuarial Present Value is equal to the UAAL. Under the Level Percentage of Pay method, the stream of payments increases at the assumed rate at which total covered payroll of all active members will increase.

Amortization Payment: That portion of the pension plan contribution or ARC which is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability.

Annual Required Contribution (ARC): The employer’s periodic required contributions, expressed as a dollar amount or a percentage of covered plan compensation, determined under GASB 25. The ARC consists of the Employer Normal Cost and the Amortization Payment.

Closed Amortization Period: A specific number of years that is counted down by one each year, and therefore declines to zero with the passage of time. For example if the amortization period is initially set at 30 years, it is 29 years at the end of one year, 28 years at the end of two years, etc. See Funding Period and Open Amortization Period.

Decrements: Those causes/events due to which a member's status (active-inactive-retiree-beneficiary) changes, that is: death, retirement, disability, or termination.

Defined Benefit Plan: A retirement plan that is not a Defined Contribution Plan. Typically a defined benefit plan is one in which benefits are defined by a formula applied to the member's compensation and/or years of service.

Defined Contribution Plan: A retirement plan, such as a 401(k) plan, a 403(b) plan, or a 457 plan, in which the contributions to the plan are assigned to an account for each member, and the plan's earnings are allocated to each account, and each member's benefits are a direct function of the account balance.

Employer Normal Cost: The portion of the Normal Cost to be paid by the employers. This is equal to the Normal Cost less expected member contributions.

Experience Study: A periodic review and analysis of the actual experience of the Fund which may lead to a revision of one or more actuarial assumptions. Actual rates of decrement and salary increases are compared to the actuarially assumed values and modified as deemed appropriate by the Actuary.

Funded Ratio: The ratio of the actuarial value of assets (AVA) to the actuarial accrued liability (AAL). Plans sometimes calculate a market funded ratio, using the market value of assets (MVA), rather than the AVA, although GASB 25 reporting requires the use of the AVA.

Funding Period or ***Amortization Period:*** The term "Funding Period" is used two ways. In the first sense, it is the period used in calculating the Amortization Payment as a component of the ARC. This funding period is chosen by the Board of Trustees. In the second sense, it is a calculated item: the number of years in the future that will theoretically be required to amortize (i.e., pay off or eliminate) the Unfunded Actuarial Accrued Liability, based on the statutory employer contribution rate, and assuming no future actuarial gains or losses.

GASB: Governmental Accounting Standards Board.

GASB 25 and ***GASB 27***: Governmental Accounting Standards Board Statements No. 25 and No. 27. These are the governmental accounting standards that set the accounting rules for public retirement systems and the employers that sponsor or contribute to them. Statement No. 27 sets the accounting rules for the employers that sponsor or contribute to public retirement systems, while Statement No. 25 sets the rules for the systems themselves.

Normal Cost: That portion of the Actuarial Present Value of pension plan benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method. Any payment in respect of an Unfunded Actuarial Accrued Liability is not part of Normal Cost (see Amortization Payment). For pension plan benefits which are provided in part by employee contributions, Normal Cost refers to the total of employee contributions and employer Normal Cost unless otherwise specifically stated. Under the entry age normal cost method, the Normal Cost is intended to be the level cost (when expressed as a percentage of pay) needed to fund the benefits of a member from hire until ultimate termination, death, disability or retirement.

Open Amortization Period: An open amortization period is one which is used to determine the Amortization Payment but which does not change over time. In other words, if the initial period is set as 30 years, the same 30-year period is used in determining the Amortization Period each year. In theory, if an Open Amortization Period is used to amortize the Unfunded Actuarial Accrued Liability, the UAAL will never completely disappear, but will become smaller each year, either as a dollar amount or in relation to covered payroll.

Unfunded Actuarial Accrued Liability: The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. This value may be negative in which case it may be expressed as a negative Unfunded Actuarial Accrued Liability, also called the Funding Surplus.

Valuation Date or Actuarial Valuation Date: The date as of which the value of assets is determined and as of which the Actuarial Present Value of Future Plan Benefits is determined. The expected benefits to be paid in the future are discounted to this date.

PUBLIC EMPLOYEE BENEFIT AUTHORITY
BOARD AGENDA ITEM
(Reporting Committee: Retirement Policy Committee)

December 18, 2013 **Tab 4**

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1. Subject: SC Optional Retirement Program (ORP) Quarterly Report

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2. Summary: 3Q 2013 Quarterly Performance Summary

Background Information: Summit Strategies Group held a call on November 21 to review the 3Q 2013 quarterly performance for the ORP. This summary provides a recap of key details from the call.

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3. What is Board asked to do? Receive as information

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4. Supporting Documents:

(a) List those attached:
1. 3Q 2013 Summit Performance Summary

Summit Strategies Group
8182 Maryland Avenue, 6th Floor
St. Louis, Missouri 63105
314.727.7211

3rd Quarter 2013 Performance Summary

South Carolina Optional Retirement Program

September 30, 2013

EXECUTIVE SUMMARY

CAPITAL MARKET UPDATE

- Spurred by continued Fed support, the equity and fixed income markets performed strongly during the third quarter.
  - The S&P 500 Index returned 19.8% year-to-date and finished the quarter just 2% below its all-time high set on September 18.
  - The MSCI EAFE Index rebounded in Q3 posting 11.6% versus a Q2 return of -0.98% as the Eurozone emerged from recession.
  - The MSCI Emerging Markets index has lagged the EAFE for the last four quarters by an average of 5.2%.
  - Fixed income sectors were positive for the quarter, but are still largely negative over the last twelve months.

DC MARKET UPDATE

- International Paper Co. of Memphis, Tennessee has agreed to pay $30 million to settle a class -action lawsuit in which the company was alleged to have breached its fiduciary duties by charging "excessive fees" for two 401(k) plans.
- Average 401(k) balances at Fidelity recordkept plans dipped slightly in the second quarter from $80,900 to $80,600.

ORP PLAN UPDATE

- As of June 30, 2013, the Optional Retirement Program (ORP) had $1.3 billion in total Plan assets comprised of the following:
  - MassMutual: $169.8 million (13%) with 6,936 participants (18%).
  - MetLife: $125.2 million (10%) with 6,243 participants (17%).
  - TIAA-CREF: $707.6 million (55%) with 15,743 participants (42%).
  - VALIC: $279.3 million (22%) with 8,638 participants (23%).

FUND MONITOR – MASSMUTUAL

- Two funds are on the Watch List for the third quarter. The number of times a fund has appears on the Watch List over the trailing 12 quarters is also noted.
- The Baron Small Cap Fund was added to the Watch List this quarter.
- The American Funds EuroPacific Growth Fund remains on the Watch List for the second consecutive quarter.
- No action needed.

Fund	Tracking Error	Primary Benchmarks: Excess Performance[1]	Primary Benchmarks: Peer Universe Rank[2]	Secondary Benchmarks: Information Ratio Rank[3]	Secondary Benchmarks: Sharpe Ratio Rank[4]	Status	# of Quarters on Watch List for Trailing 12 Quarters[5]	Change
US Equity: Large Cap								
SSgA S&P 500 Index CIT (P)	Pass	-	-	-	-	Good		
Columbia Contrarian Core A (LCCAX)	-	Pass	Pass	Pass	Pass	Good		
Hartford Dividend & Growth HLS IA (HIADX)	-	Fail	Pass	Fail	Pass	Good		
Highland Premier Growth Equity A (HPEAX)	-	Pass	Pass	Pass	Fail	Good	5	
US Equity: Non-Large Cap								
Munder Midcap Core Growth Y (MGOYX)	-	Fail	Pass	Pass	Pass	Good	1	
Baron Small Cap Retail (BSCFX)	-	Fail	Fail	Fail	Pass	Watch List	4	Down
International Equity								
Amer Funds EuroPacific Growth R5 (RERFX)	-	Fail	Fail	Fail	Fail	Watch List	2	
Balanced Funds								
Oakmark Equity and Income I (OAKBX)	-	Pass	Pass	Pass	Pass	Good	5	
SSgA DJ Target Strat Target-Date Suite	-	-	-	-	-	-		
Sector Fund								
DWS RREEF Real Estate Secs A (RRRAX)	-	Fail	Pass	Fail	Pass	Good		
Fixed Income								
PIMCO Total Return A (PTTAX)	-	Pass	Pass	Pass	Pass	Good		
PIMCO Real Return Admin (PARRX)	-	Fail	Pass	Pass	Pass	Good		
Stable Value								
General Fixed Interest Account	-	-	-	-	-	-		

Source: Lipper

FUND MONITOR – METLIFE

- Three funds are on the Watch List as of the third quarter.
- The Oppenheimer Equity Fund will be replaced with the JPMorgan Disciplined Equity Fund effective December 16, 2013.
- The Royce Premier Investment Fund remains on the Watch List.
- The American Funds EuroPacific Growth Fund remains on the Watch List.
- The American Funds Fundamental Investors Fund was removed from the Watch List this quarter.
- No action needed.

		Primary Benchmarks		Secondary Benchmarks			# of Quarters on	
Fund	Tracking Error	Excess Performance[1]	Peer Universe Rank[2]	Information Ratio Rank[3]	Sharpe Ratio[4]	Status	Watch List for Trailing 12 Quarters[5]	Change
US Equity: Large Cap								
SSgA S&P 500 Index Inst (SVSPX) (P)	Pass	-	-	-	-	Good		
Oppenheimer Equity A (OEQAX)*	-	Fail	Fail	Fail	Fail	Watch List	9	
Amer Funds Fundamental Investors A (ANCFX)	-	Pass	Pass	Pass	Pass	Good	1	Up
Franklin Dyna Tech A (FKDNX)	-	Pass	Pass	Pass	Pass	Good		
US Equity: Non-Large Cap								
Columbia Mid Cap Index A (NTIAX)	Pass	-	-	-	-	Good		
Royce Premier Invmt (RYPRX)	-	Fail	Fail	Fail	Fail	Watch List	5	
International Equity								
Amer Funds EuroPacific Growth A (AEPGX)	-	Fail	Fail	Fail	Fail	Watch List	2	
Balanced Funds								
Invesco Equity and Income A (ACEIX)	-	Pass	Pass	Pass	Pass	Good	3	
AllianceBern Retirement Strat Target-Date Suite	-	-	-	-	-			
Sector Fund								
Cohen & Steers Realty Shares (CSRSX)	-	Fail	Pass	Pass	Pass	Good	5	
Fixed Income								
PIMCO Total Return Admin (PTRAX)	-	Pass	Pass	Pass	Pass	Good		
Money Market/Stable Value								
SSgA Money Market Inst (SSMXX)	-	-	-	-	-	-		
Metlife Gold Track Select	-	-	-	-	-	-		

Source: Lipper

FUND MONITOR – TIAA-CREF

- Two funds are on the Watch List as of the third quarter.
- The American Funds EuroPacific Growth and Neuberger Berman Real Estate funds remain on the Watch List this quarter.
- No action needed.

Fund	Tracking Error	Primary Benchmarks: Excess Performance[1]	Primary Benchmarks: Peer Universe Rank[2]	Secondary Benchmarks: Information Ratio Rank[3]	Secondary Benchmarks: Sharpe Ratio Rank[4]	Status	# of Quarters on Watch List for Trailing 12 Quarters[5]	Change
US Equity: Multi Cap								
CREF Equity Index Annuity (P)	Pass	-	-	-	-	Good		
US Equity: Large Cap								
Vanguard Windsor II Adm (VWNAX)	-	Pass	Pass	Pass	Pass	Good		
Prudential Jennison Growth Z (PJFZX)	-	Pass	Pass	Fail	Fail	Good	1	
US Equity: Non-Large Cap								
Vanguard Mid Cap Index Inst (VMCIX) (P)	Pass	-	-	-	-	Good		
TIAA-CREF Small Cap Index Ret (TRBIX) (P)	Pass	-	-	-	-	Good		
International Equity								
CREF Stock Annuity	-	Fail	Pass	Fail	Pass	Good		
Amer Funds EuroPacific Growth R5 (RERFX)	-	Fail	Fail	Fail	Fail	Watch List	2	
Balanced Funds								
CREF Social Choice Annuity		Fail	Pass	Pass	Pass	Good		
TIAA-CREF Lifecycle Target-Date Suite	-	-	-	-	-			
Sector Fund								
Neuberger Berman Real Estate I (NBRIX)	-	Fail	Fail	Fail	Fail	Watch List	2	
Fixed Income								
Dreyfus Bond Market Index Inv (DBMIX) (P)	Pass	-	-	-	-	Good		
CREF Inflation-Linked Bond Annuity	-	Fail	Pass	Fail	Pass	Good	1	
Money Market/Stable Value								
CREF Money Market Annuity	-	-	-	-	-	-		
TIAA Traditional Annuity	-	-	-	-	-	-		

Source: Lipper

FUND MONITOR – VALIC

- Three funds are on the Watch List as of the third quarter.
- The American Funds American Mutual Fund remains on the Watch List this quarter.
- The Perkins Small Cap Value and Prudential Jennison Small Company funds were recently removed as part of VALIC's move to passive options in the domestic non-large cap asset classes.
- The Columbia Small Cap Core and Vanguard Health Care funds were removed from the Watch List this quarter.
- No action needed.

Fund	Tracking Error	Primary Benchmarks: Excess Performance[1]	Primary Benchmarks: Peer Universe Rank[2]	Secondary Benchmarks: Information Ratio Rank[3]	Secondary Benchmarks: Sharpe Ratio Rank[4]	Status	# of Quarters on Watch List for Trailing 12 Quarters[5]	Change
US Equity: Large Cap								
Vanguard Institutional Index Inst (VINIX) (P)	Pass	-	-	-	-	Good		
Amer Funds Fundamental Investors R5 (RFNFX)	-	Pass	Pass	Pass	Pass	Good	2	
Amer Funds American Mutual R5 (RMFFX)	-	Fail	Fail	Pass	Pass	Watch List	2	
MFS Mass Investors Growth Stock R3 (MIGHX)	-	Fail	Pass	Pass	Pass	Good		
US Equity: Non-Large Cap								
Aston/Fairpointe Mid Cap N (CHTTX)	-	Pass	Pass	Pass	Fail	Good		
Columbia Small Cap Core Z (SMCEX)	-	Pass	Pass	Pass	Pass	Good	4	Up
Perkins Small Cap Value A (JDSAX)	-	Fail	Fail	Fail	Fail	Watch List	7	
Prudential Jennison Small Company Z (PSCZX)	-	Fail	Fail	Fail	Fail	Watch List	7	
International Equity								
Oppenheimer International Growth A (OIGAX)	-	Pass	Pass	Pass	Pass	Good		
Balanced Funds								
Amer Funds American Balanced R5 (RLBFX)	-	Pass	Pass	Pass	Pass	Good		
T. Rowe Price Retirement Target-Date Suite	-	-	-	-	-	-		
Sector Fund								
Vanguard Health Care Adm (VGHAX)	-	Pass	Fail	Fail	Pass	Good	4	Up
Fixed Income								
Vanguard Interm Term Invest Grade Adm (VFIDX)	-	Fail	Pass	Pass	Fail	Good		
PIMCO Real Return Admin (PARRX)	-	Fail	Pass	Pass	Pass	Good		
Stable Value								
VALIC Fixed Interest Option	-	-	-	-	-	-		

Source: Lipper

PUBLIC EMPLOYEE BENEFIT AUTHORITY
BOARD AGENDA ITEM
(Reporting Committee: Finance, Administration, Audit and Compliance Committee)

December 18, 2013 **Tab 5**

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1. Subject: PEBA Internal Auditor Charter

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2. Summary:

The International Standards for the Professional Practice of Internal Auditing require the purpose, authority, and responsibility of the internal audit activity to be formally defined in a Charter.

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3. What is Board asked to do? Approve the Internal Auditor Charter as recommended by the FAAC Committee.

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4. Supporting Documents:

(a) Attached:
1. PEBA IA Charter

S.C. PUBLIC EMPLOYEE BENEFIT AUTHORITY

MEMORANDUM

Date: November 19, 2013

To: David K. Avant, Interim Executive Director
Steve A. Mathews, Chair of the FAAC Committee
Peggy G. Boykin, FAAC Committee Member
Leon Lott, FAAC Committee Member

From: John E. Page – Internal Auditor

Subject: Internal Audit Department Charter

The International Standards for the Professional Practice of Internal Auditing require that the purpose, authority, and responsibility of the internal audit activity be formally defined in a Charter. Therefore, I would like to the FAAC Committee to review and approve the following draft Internal Audit Department Charter that is based upon a model endorsed by the Best Practices Committee of the Association of Public Pension Fund Auditors (APPFA).

Please let me know if you have any questions or would like to make changes.

Thank you very much.

Attachments:

1. Draft Internal Audit Department Charter

SC Public Employee Benefit Authority

Internal Audit Department Charter

Table of Contents

I. MISSION

The mission of the Internal Audit Department is to provide independent, objective assurance, and consulting services designed to add value and improve the organization's operations. The Internal Audit Department helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes. The Internal Audit Department:

- Provides a wide range of quality independent internal auditing services for SC PEBA’s Finance, Administration, Audit and Compliance Committee (FAAC Committee) and executive management

- Performs independent assessments of the systems of risk management, internal controls and operating efficiency, guided by professional standards and using innovative approaches

- Supports the organization’s efforts to achieve its objectives through independent assurance and consulting services

- Maintains a dynamic, team-oriented environment that encourages personal and professional growth, and challenges and rewards internal audit staff for excellence and reaching their full potential

II. OBJECTIVES AND SCOPE

A. Assurance Objectives

The objectives of the Internal Audit Department's assurance services are to provide independent assurance to Board of Directors (Board); the FAAC Committee; and management that the organization's assets are safeguarded, operating efficiency is enhanced, and compliance is maintained with prescribed laws, and the organization's policies. Assurance objectives include independent assessment of the organization's governance, risk management, and control processes.

B. Consulting Objectives

The objectives of the Internal Audit Department's consulting services, the nature and scope are agreed with management, are to provide assessments and advice for improving the organization's governance, risk management, and control without internal audit staff assuming management responsibility. In particular, the consulting objectives are to provide assessments and advice at the beginning of a project so that risks may be identified, managed, and internal controls may be designed adequately.

C. Scope

The scope of work of the Internal Audit Department is to determine whether the organization's network of risk management, internal control, and governance processes, as designed and represented by management, is adequate and functioning to ensure:

- Programs are operating within fiduciary standards and are in compliance with laws, regulations, policies, and procedures.

- Risks are appropriately identified and managed.

- Programs and processes are consistent with industry best practices, using the best available public and private examples as benchmarks.

- Operations, processes, and programs are consistent with established missions, objectives and goals and whether they are being carried out as planned.

- Existing policies and procedures are appropriate and updated.

- Significant financial, managerial, and operating information is accurate, reliable, and timely.

- Resources are acquired economically, used efficiently, and adequately protected.

- Quality and continuous improvement are fostered in the organization's control process.

- Employers appropriately enroll employees, accurately report employee earnings, and appropriately report other employee data.

- Significant legislative or regulatory issues affecting the organization are recognized and addressed appropriately.

III. AUTHORITY

The internal audit function is established by this organization pursuant to state statute, customs of governance, and best practices. This Charter and all future amendments are to be approved by the FAAC Committee through a majority vote. This Charter shall be reviewed at least annually and updated as necessary.

The Director of Internal Audit reports functionally to the FAAC Committee and reports administratively to PEBA's Executive Director. The Director of Internal Audit is hired, evaluated, retained, and terminated by the FAAC Committee. The FAAC Committee will seek input from the Executive Director in making its selection.

The Director of Internal Audit is delegated the authority to manage the Internal Audit Department. The Director of Internal Audit is authorized to allocate resources, set project frequencies, select audit subjects, determine scope of work, and apply the techniques necessary to accomplish the audit objectives. The Director of Internal Audit is authorized to help hire, train, manage, and terminate internal audit staff, when necessary, to achieve the objectives of the Internal Audit Department.

The Director of Internal Audit and internal audit staff are not authorized to perform operational duties for the organization and/or its affiliates and contractors. Internal Audit Department members are not authorized to:

- Initiate or approve accounting transactions external to the Internal Audit Department.

- Direct the activities of any organization employee not employed by the Internal Audit Department except to the extent such employees have been appropriately assigned to auditing teams or directed to assist the internal auditors.

IV. ACCESS

The Director of Internal Audit and designated audit staff, as appropriate, shall have full, free, and unrestricted access to all of the organizations' functions, records, files and information systems, personnel, contractors, physical properties, rental locations, and any other item relevant to the function, process, or department under review. All contracts with vendors shall contain the organization's standard audit language enabling the organization's internal auditors, other auditors and specialists to have access to relevant records and information. All of the employees of the organization are required to assist the staff of the Internal Audit Department in fulfilling their function.

The Director of Internal Audit shall have free and unrestricted access to the Chair, members of the FAAC Committee, and Board of Directors. The Director of Internal Audit shall also have free and unrestricted access to the Executive Director, other executives, management, all personnel, contractors, vendors, employers, members, retirees and beneficiaries of the organization.

Documents and information given to the Internal Audit Department shall be handled in the same prudent and confidential manner as by those employees normally accountable for them. The Director of Internal Audit shall ensure that internal audit staff members are adequately coached in the handling and safeguarding of confidential information.

V. INDEPENDENCE

A. Organizational Placement

To provide for the independence of the Internal Audit Department, its personnel report to the Director of Internal Audit, who in turn reports functionally to the FAAC Committee and administratively to the Executive Director. The Director of Internal Audit shall freely discuss audit policies, audit findings and recommendations, audit follow-up, issues, and other matters as necessary.

B. Professional Standards of Independence

The FAAC Committee recognizes that professional independence requires that the internal auditors have knowledge of operations and appropriate expertise in the subject matter that is being audited. Therefore, the Director of Internal Audit will report to the FAAC Committee the qualifications, certifications, and training requirements of the internal audit staff. The Director of Internal Audit shall periodically discuss standards of professional audit independence with the FAAC Committee. The standards of independence used as benchmarks will be those of the organizations mentioned in Section VII of this document.

C. Impairment of Independence

The Director of Internal Audit should discuss any potential issues regarding impairment of independence and/or conflicts of interest and their mitigation(s) with the FAAC Committee, as necessary. If objectivity or independence is impaired in fact or appearance, the details of the impairment should be disclosed to the appropriate parties. The nature of the disclosure will depend on the impairment. The internal auditors should annually certify to the FAAC Committee that they have no actual or perceived conflicts of interest that would impair their objectivity or independence.

VI. RESPONSIBILITIES AND ACCOUNTABILITY

The Director of Internal Audit is responsible for the following in order to meet the mission, objectives, and scope of this Charter and the Internal Audit Department.

1. Select, train, develop, and retain a competent internal audit staff that collectively has the abilities, knowledge, skills, experience, expertise and professional certifications necessary to accomplish the mission, objectives and scope of this Charter; provide opportunity and support for staff obtaining professional training, examinations, and certifications.

2. Establish policies for conducting Internal Audit Department activities according to the organization's policies, direction provided by the FAAC Committee, and professional standards described in Section VII.

3. Perform an annual risk assessment. Develop and implement a flexible annual audit plan (audit plan) using an appropriate risk-based methodology, including any risks or concerns identified by management, and submit the audit plan to the FAAC Committee for review and approval. The audit plan will include some unassigned hours to provide flexibility for changing conditions. Performance of the audit plan will be periodically reviewed and reported to the FAAC Committee. The audit plan may be updated, if necessary.

4. Prepare a budget that is complementary to the implementation of the audit plan.

5. Perform independent analyses of significant operations to evaluate the adequacy and effectiveness of existing systems of internal control and the quality of performance (economy, efficiency, and effectiveness) in carrying out its business objectives.

6. Establish and maintain a follow-up system to monitor the disposition of results communicated to management and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.

7. Issue periodic reports to the FAAC Committee and management summarizing results of assurance and consulting services, any management letters issued should also be reported to the FAAC Committee.

8. Assess periodically whether the purpose, authority, and responsibility, as defined in this Internal Audit Department Charter, continue to be adequate to enable the Internal Audit Department to accomplish its mission, objectives, and scope. The result of this periodic assessment should be communicated to the FAAC Committee and the Executive Director.

9. Implement a quality assurance and improvement program; obtain an external assessment no less frequently than every five years [*International Standards for the Professional Practice of Internal Auditing*]. Conduct periodic internal quality assurance and ongoing quality procedures; results of the quality assurance and improvement program should be reported to the FAAC Committee.

10. Participate in the selection of external audit firms as needed. Assist with the management of the contract(s) with any external audit firms and evaluate their performance. Report to the FAAC Committee on activities and associated cost of work performed by the external audit firms.

11. Consider the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to the organization at a reasonable overall cost.

12. Serve as a point of contact for handling matters related to audits, examinations, investigations or inquiries of the state auditor or other appropriate state or federal auditors.

13. As appropriate, provide consulting services to management that add value and improve the organization’s governance, risk management, and control processes without assuming management responsibility.

14. Assist in the investigation of suspected fraudulent activities within the organization and notify the FAAC Committee, the Executive Director and other Executives, as appropriate, of the results.

15. Inform the FAAC Committee of significant risk exposures and control issues including fraud risks, governance issues and other significant matters.

16. Inform the FAAC Committee of emerging trends and successful practices in internal auditing.

17. Attend FAAC Committee meetings, and ensure attendance of additional audit staff and auditees, as appropriate.

VII. PROFESSIONAL STANDARDS & GUIDANCE

The Internal Audit Department shall follow the professional standards of relevant professional organizations and the Internal Audit Department should consider professional guidance published by these organizations. These professional standards and guidance include, but are not limited to, the following:

- The Institute of Internal Auditors mandatory guidance which includes the International Standards for the Professional Practice of Internal Auditing, Code of Ethics, and Definition of Internal Auditing. The current versions of these documents are part of this Internal Audit Department Charter and are appended thereto.

- IS Auditing Standards, Guidelines, and Procedures, and the Code of Professional Ethics of the ISACA; the Control Objectives for Information Technology will be used as a reference. The current versions of these documents are part of this Charter and are appended thereto.

- Professional Standards and Code of Ethics of the American Institute of Certified Public Accountants, as applicable

- Generally Accepted Government Auditing Standards from the United States General Accountability Office, as applicable

- Public Company Accounting Oversight Board (PCAOB) auditing standards, as applicable

- Other professional standards, such as those of the Institute of Management Accountants (IMA) and the Association of Certified Fraud Examiners (ACFE), as applicable

- Other professional guidance such as The Institute of Internal Auditors Practice Advisories, Practice Guides, and Position Papers

VIII. RELATIONSHIP TO RISK MANAGEMENT AND INTERNAL CONTROL PROGRAMS

The Board has overall responsibility for ensuring that risks are managed. In practice, the Board delegates to management the operation and implementation of the risk management system. The Internal Audit Department's role is to provide an independent and objective assurance on the effectiveness of the risk management system.

Management is responsible for implementing a system of internal control. The Internal Audit Department's role is to provide an independent and objective assurance that the internal control system is operating effectively.

Opportunities for improving member service, management of risks, internal control, governance, and the organization's effectiveness and image may be identified during audits. This information will be communicated to the FAAC Committee and to appropriate levels of management.

IX. PROCUREMENT OF OUTSIDE EXPERTISE

The Director of Internal Audit may occasionally need to obtain the expertise of persons outside of the Internal Audit Department. When the Director of Internal Audit intends to use and rely on the work of a person outside the Internal Audit Department, the Director of Internal Audit needs to consider the competence, independence, and objectivity of the person.

Expertise may be obtained within the organization through appropriate arrangements with management. When obtaining this expertise within the organization, care must be taken to avoid conflicts of interest that could damage the quality of the audit work performed and/or conclusions obtained.

Expertise may also be obtained from outside the organization. In such cases, the Director of Internal Audit needs to obtain sufficient information regarding the scope of work of the external service provider to ensure the scope of work is adequate for the purposes of the internal audit activity. The Director of Internal Audit must document the scope of work, professional standards to be used, deliverables, deadlines, and other matters in an engagement letter or contract. The FAAC Committee should be informed about the use of an external service provider.

XI. SIGNATURE PAGE

This Internal Audit Department Charter was adopted by the FAAC Committee on _________________, 201_ and approved by the Board. This Internal Audit Department Charter is effective this day and is hereby signed by the following persons who have authority and responsibilities under this Charter.

____________________	________	_________________________	_________
Chair, FAAC Committee	Date	Chair, Board of Directors	Date
____________________	________	_________________________	_________
Executive Director	Date	Director of Internal Audit	Date

PUBLIC EMPLOYEE BENEFIT AUTHORITY
BOARD AGENDA ITEM
(Reporting Committee: Finance, Administration, Audit and Compliance Committee)

December 18, 2013 **Tab 6**

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1. Subject: Health Financial Statements Audits

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2. What is Committee asked to do? Receive as information

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3. Supporting Documents:

(a) Attached:
1. Presentation by DeLoach & Williamson, L.L.P.

(b) Available but not attached
1. Insurance Benefits Financials Audit. FY 12/13
2. OPEB Financials Audit. FY 12/13
3. Long Term Disability Financials Audit. FY 12/13

Results of June 30, 2013 Audits

South Carolina Public Employee Benefit Authority – Insurance Benefits and Related Trusts

Presented By:

Ray Williamson, CPA

DeLoach & Williamson, LLP

Agenda

This information is being presented as an Executive Overview of the results of our audit of the financial statements of the Fund

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- Independent Auditors Report
- Internal Control
- Statement of Net Position
- Statement of Revenues, Expenses and Changes in Net Position
- Updates on Audits of Trusts

Independent Auditors Report

- Our report on the financial statements of SCPEBA – IB (the “Fund”) was an unmodified or “clean” opinion – which is the highest level of reporting assurance an organization can receive from its independent auditors.

- This is an unlimited scope audit – full access to the books and records of the Fund. No restrictions were placed upon us.

- We had the full cooperation of all of the staff of the Fund as well as the other service providers employed by the Fund

Audit Findings – Internal Control Issues

- In planning and performing our audit of the financial statements, we considered the organizations internal control over financial reporting (internal control) as a basis for <u>designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of its internal control.</u> Accordingly, we do not express an opinion on the effectiveness of internal control.
- In doing this, we are required to report any control deficiencies that we find. Accountants normally report on two types of control deficiencies. A <u>**significant deficiency**</u> is a control deficiency, or combination of control deficiencies, that adversely affects the entity's and organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of its financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.
- A <u>**material weakness**</u> is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the its internal control.
- Our consideration of internal control was for the limited purpose described in the first bullet above and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. With this in mind, we did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

Statements of Net Position

- Total assets were approximately $424.6 M at year-end 2013. Cash and Cash Equivalents and Prescription Drug Rebate Receivable account for 98% of total assets.
- Liabilities were approximately $238.5 M at year-end 2013. Claims liabilities and deferred revenues comprised 99% of total liabilities.
- Net position amounted to $186,051,730 at June 30, 2013.

Statements of Revenues, Expenses and Changes in Net Position

- Operating income amounted to approximately $65.3M. This was on revenues of $2,112,820,452 and expenses of $2,047,499,793.
- Non-operating income (income from deposits) was approximately $6.5M.
- Transfers to the OPEB Health Insurance Trust approximated $64.6M for the year.
- The change in net position was an increase of approximately $7.2M.

Update on SC Retiree Health Insurance Trust Fund Audit

- The SCRHITF received an unmodified opinion on its financial statements.
- No material weaknesses were noted during our audit.
- Net position of the Trust approximated $668.9M at June 30, 2013
- The Trust had total additions of $421.8M and total deductions of $345.2M for the year. The increase in net position held in Trust was $76,635,241 for the year.

Update on SC Long-Term Disability Insurance Trust Fund Audit

- The SCLTDITF received an unmodified opinion on its financial statements.
- No material weaknesses were noted during our audit.
- Net position of the Trust approximated $35.4M at June 30, 2013
- The Trust had total additions of $7.2M and total deductions of $7.4M for the year. The decrease in net position held in Trust was ($150,366) for the year.

SOUTH CAROLINA PUBLIC EMPLOYEE BENEFIT AUTHORITY
INSURANCE BENEFITS

AUDITED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

WITH

INDEPENDENT AUDITORS REPORT

State of South Carolina

Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

RICHARD H. GILBERT, JR., CPA
DEPUTY STATE AUDITOR

(803) 253-4160
FAX (803) 343-0723

October 9, 2013

The Honorable Nikki R. Haley, Governor
and
Members of the South Carolina Public Employee
Benefit Authority
Columbia, South Carolina

This report on the audit of the financial statements of the South Carolina Public Employee Benefit Authority Insurance Benefits for the fiscal year ended June 30, 2013, was issued by DeLoach & Williamson, L.L.P., Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

If you have any questions regarding this report, please let us know.

Respectfully submitted,

Richard H. Gilbert, Jr., CPA
Deputy State Auditor

RHGjr/cwc

SOUTH CAROLINA PUBLIC EMPLOYEE BENEFIT AUTHORITY
INSURANCE BENEFITS

AUDITED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

WITH

INDEPENDENT AUDITORS REPORT

SOUTH CAROLINA PUBLIC EMPLOYEE BENEFIT AUTHORITY
INSURANCE BENEFITS

AUDITED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

WITH

INDEPENDENT AUDITORS REPORT

CONTENTS

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CERTIFIED PUBLIC ACCOUNTANTS
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PHONE: (803) 771-8855
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INDEPENDENT AUDITORS REPORT

Mr. Richard H. Gilbert, Jr., CPA
Deputy State Auditor
Office of the State Auditor
Columbia, South Carolina

We have audited the accompanying financial statements of the business-type activities of the South Carolina Public Employee Benefit Authority, Insurance Benefits (the "Fund"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Fund as of June 30, 2013, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in *Note 1*, the accompanying financial statements of the Fund are intended to present the financial position and results of operations and cash flows of its proprietary fund type of only that portion of the funds of the State of South Carolina that is attributable to the transactions of the Insurance Benefits of the South Carolina Public Employee Benefit Authority. They do not purport to, and do not, present fairly the financial position of the State of South Carolina as of June 30, 2013 and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and on pages 3 - 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated October 1, 2013, on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.

Deloach & Williamson, L.L.P.

Columbia, South Carolina

October 1, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

The financial statement presentation required under governmental accounting standards provides a comprehensive perspective of the South Carolina Public Employee Benefit Authority – Insurance Benefit's assets, liabilities, net position, revenues, expenses, changes in net position and cash flows. This section of the South Carolina Public Employee Benefit Authority (PEBA), Insurance Benefits Audited Financial Statements and Other Financial Information presents management's discussion and analysis of PEBA – Insurance Benefit's financial performance during the fiscal year ended June 30, 2013. This discussion should be read in conjunction with the financial statements and the notes, which follow this section.

Financial Highlights:

Business Type activities reported an increase in net position of $7,189,242 and total net position of $186,051,730 for the year ended June 30, 2013. In comparison, a decrease in net position of $33,130,065 was reported for the year ended June 30, 2012 with total net position of $178,862,488 at 2012 year-end.

Overview of Financial Statements:

The PEBA – Insurance Benefits is an internal service fund proprietary type engaged in governmental activities. Following is a condensed Statement of Net Position, a condensed Statement of Activities and a condensed Statement of Cash Flows.

The Statement of Net Position presents the financial position of PEBA – Insurance Benefits at the end of the fiscal year and requires classification of assets and liabilities into current and noncurrent categories. The difference between total assets and total liabilities is reflected in the net position section, which displays investment in capital assets, restricted net position and unrestricted net position. Net position is generally an indicator of the current financial condition of PEBA – Insurance Benefits, while the change in net position is generally an indicator of the overall financial condition for the year.

In accordance with the provisions of the South Carolina Retiree Health Insurance Trust (Trust), excess Plan reserves above 140% of incurred but not reported claims as of December 31 each year will be transferred to the Trust the following January. This year, $64,626,715 was transferred to the Trust. The increase in net position before this transfer amounted to $71,815,957, which is attributed to better than expected claims trend.

The Statement of Revenue, Expenses, and Changes in Net Position present revenue and expenses as operating and are detailed by classification.

The Statement of Cash Flows will aid readers in identifying the sources and uses of cash by the categories of operating, non-capital financing and investing activities.

Financial Analysis of PEBA – Insurance Benefits:

This schedule is a condensed version of PEBA – Insurance Benefit's assets, liabilities, and net position and is prepared from the Statement of Net Position.

Condensed Statements of Net Position
(in millions)

	June 30, 2013	June 30, 2012
Assets		
Current assets	$ 424.5	$ 383.6
Noncurrent assets:	0.1	-
Total assets	424.6	383.6
Liabilities		
Current liabilities	238.2	204.4
Noncurrent liabilities	0.3	0.3
Total liabilities	238.5	204.7
Net position		
Investment in capital assets	0.1	-
Restricted	-	13.6
Unrestricted	186.0	165.3
Total net position	$ 186.1	$ 178.9

The following schedule is a summary of the PEBA – Insurance Benefit's operating results for the fiscal year.

Condensed Statements of Revenues, Expenses, and Changes in Net Position
Year Ended June 30,
(in millions)

	2013	2012
Governmental activities:		
Program revenue	$ 2,112.8	$ 2,005.1
Expenses	(2,047.5)	(1,942.5)
Total governmental activities	65.3	62.6
General revenue and transfers:		
Earnings on investments	6.5	8.3
Transfer to other agencies and trusts	(64.6)	(104.0)
Total general revenue and transfers	(58.1)	(95.7)
Change in net position	7.2	(33.1)
Net position, beginning of the year	178.9	212.0
Net position, end of the year	$ 186.1	$ 178.9

A condensed version of Statement of Cash Flows is presented as follows:

Condensed Statements of Cash Flows
Year Ended June 30,
(in millions)

	2013	2012
Cash flows from operating activities	$ 69.4	$ 146.4
Cash flows from noncapital financing activities	(64.6)	(104.0)
Cash flows from capital and related financing activities	(0.2)	-
Cash flows from investing activities	6.6	8.2
Net increase in cash and cash equivalents	11.2	50.6
Cash and cash equivalents, beginning of year	349.3	298.7
Cash and cash equivalents, end of year	$ 360.5	$ 349.3

Overview of PEBA – Insurance Benefits:

PEBA – Insurance Benefits manages group health, dental, life, accidental death and dismemberment, and disability programs as authorized in § 1-11-710 and § 1-11-720 of the South Carolina Code of Laws, as well as the long-term care program authorized in § 1-11-740, the flexible benefits program (MoneyPlus) as authorized in § 9-1-60, and the employee adoption assistance program, pursuant to Proviso 80A.14 of the 2012-2013 General Appropriations Act.

Following is a list of benefits offered by PEBA – Insurance Benefits differentiated according to self-insured versus insured status.

Self-Insured Programs

- State Health Plan:
  Standard Plan (PPO)
  Medicare Supplement
  Savings Plan (HDHP)
- BlueChoice (HMO - ended December 31, 2012)
- CIGNA (HMO – ended December 31, 2012)
- State Dental Plan
- Basic Long Term Disability
- Adoption Assistance Program

Insured Programs

- BlueChoice (HMO – began January 1, 2013)
- Dental Plus
- State Life
- Optional Life
- Dependent Life
- Long Term Care
- Supplemental Long Term Disability
- Vision

Benefits are offered to eligible employees and retirees of all state agencies and public school districts, and many local governments. As of June 2013, 681 employers participate in the program. The State Health Plan is PEBA – Insurance Benefit's "flagship" product, a "Preferred Provider Organization" model plan which encompasses medical, prescription drug, and behavioral health coverage. The State Health Plan is the most significant driver of PEBA – Insurance Benefit's financial activity, accounting for approximately 94% of all medical revenue.

Overview of the State Health Plan:

The State Health Plan (Plan) consists of the Standard Plan, the Medicare Supplement Plan, and the Savings Plan. The majority of Plan subscribers (76%) are enrolled in the Standard Plan, a PPO option available to non-Medicare and Medicare enrollees. Of the remaining subscribers, 21% are enrolled in the Medicare Supplement, a retiree option for those enrolled in Medicare and 3% are enrolled in the Savings Plan. The Savings Plan is a qualified high deductible health plan (HDHP) available to non-Medicare enrollees.

The State Health Plan remains competitive with other southern state health plans in terms of plan deductibles, coinsurance, and prescription drug coverage. In aggregate, the employer contributes around 73% of the total contribution for State Health Plan coverage. The Plan self-contracts provider networks for hospitals and physicians. These networks continue to maintain extremely high participation rates. Following is a look at total enrollment in the State's medical insurance programs and enrollment in the State Health Plan (as of June 2013).

	Program	**State Health Plan**
Total Insured Persons:	**443,731**	**426,759**
Subscribers:	254,363	242,262
Spouses:	71,726	70,765
Children:	117,642	113,732
Total Subscribers:	**254,363**	**242,262**
Employees:	174,937	164,130
Retirees:	75,823	74,568
Survivors:	2,722	2,708
COBRA:	881	856
Active Employees:	**174,937**	**164,130**
State Agencies:	57,195	53,268
School Districts:	80,537	76,120
Local Government	37,205	34,742

State Health Plan Premiums:

The State Health Plan operates under a 4-tier premium structure, varying contribution levels according to level of coverage. The coverage levels include Employee Only, Employee/Spouse, Employee/Child, and Full Family. As of June 30, 2013, 52% of subscribers had Employee Only coverage, and the remaining 48% covered at least one dependent.

Premiums range from $4,898.40 annually for Employee Only coverage to $12,920.16 annually for Full Family coverage. Following are the monthly 2013 State Health Plan employee and employer rates.

2013 State Health Plan
(Standard Plan)
Monthly Premiums

ACTUAL RATES

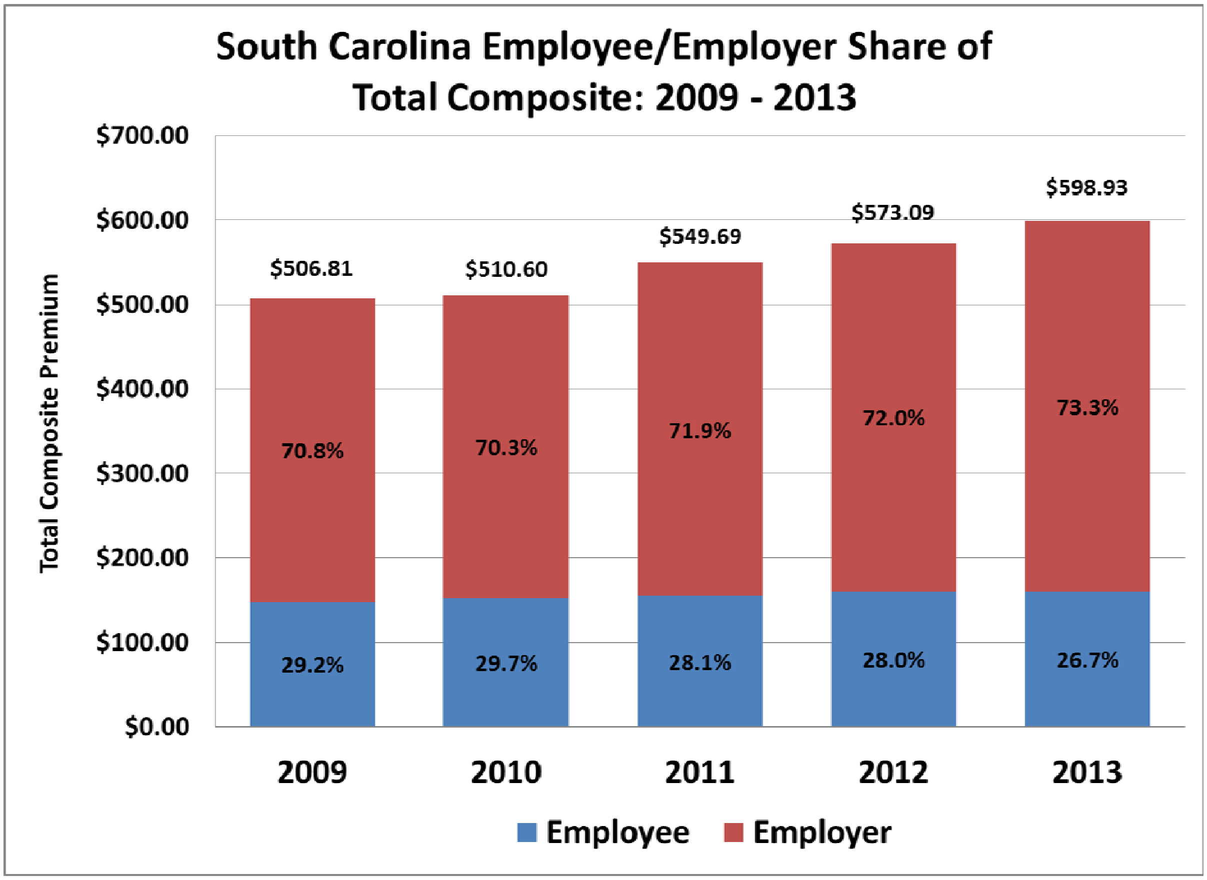
	Employee	**Employer**	**Total**
Employee Only	$97.68	$310.52	$408.20
Employee / Spouse	$253.36	$615.08	$868.44
Employee / Child(ren)	$143.86	$476.60	$620.46
Full Family	$306.56	$770.12	$1,076.68

SMOKER ADJUSTED RATES FOR COMPOSITE CALCULATION

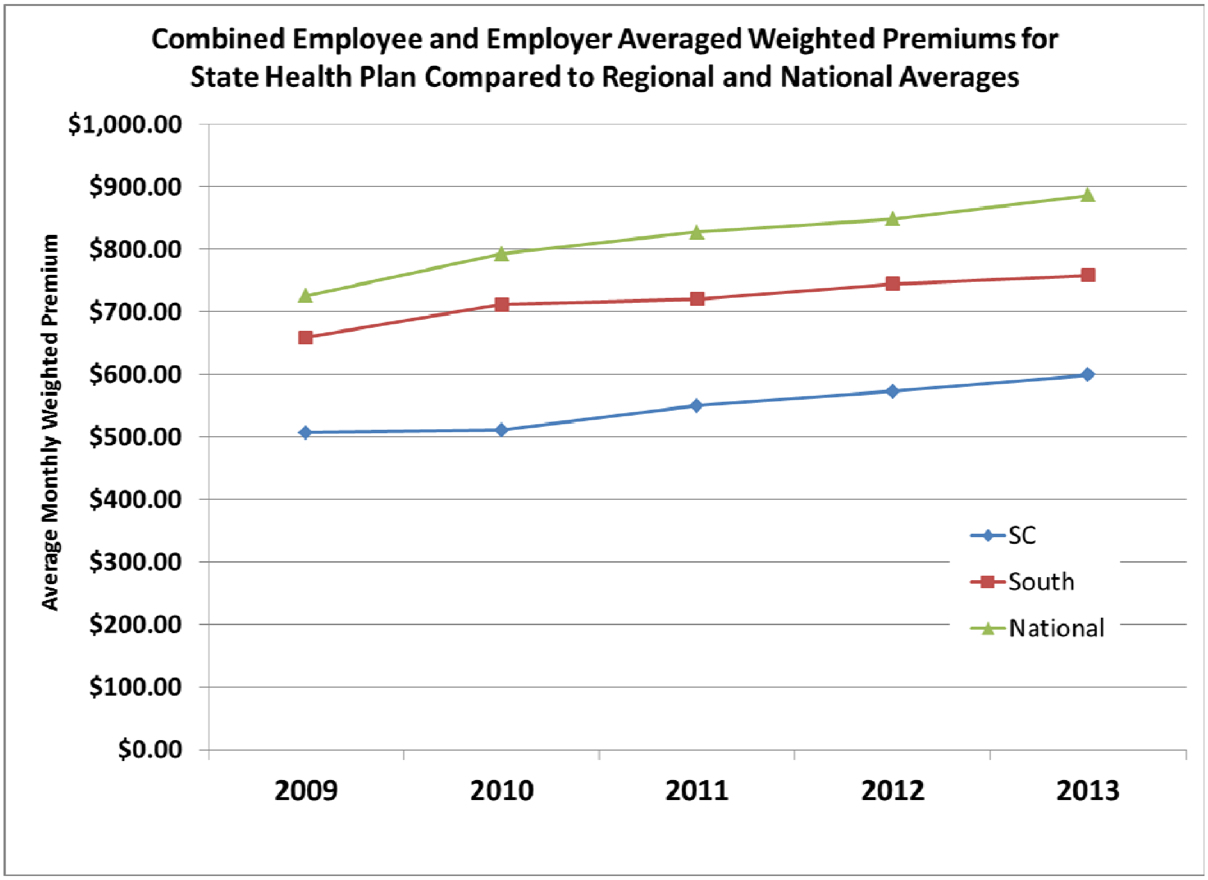
	Employee	**Employer**	**Total**
Employee Only	$101.89	$310.52	$412.41
Employee / Spouse	$259.67	$615.08	$874.75
Employee / Child(ren)	$150.17	$476.60	$626.77
Full Family	$312.87	$770.12	$1,082.99
Composite Rate	**$159.85**	**$439.08**	**$598.93**

Premium revenue is shared between the employer and the employee (or retiree).

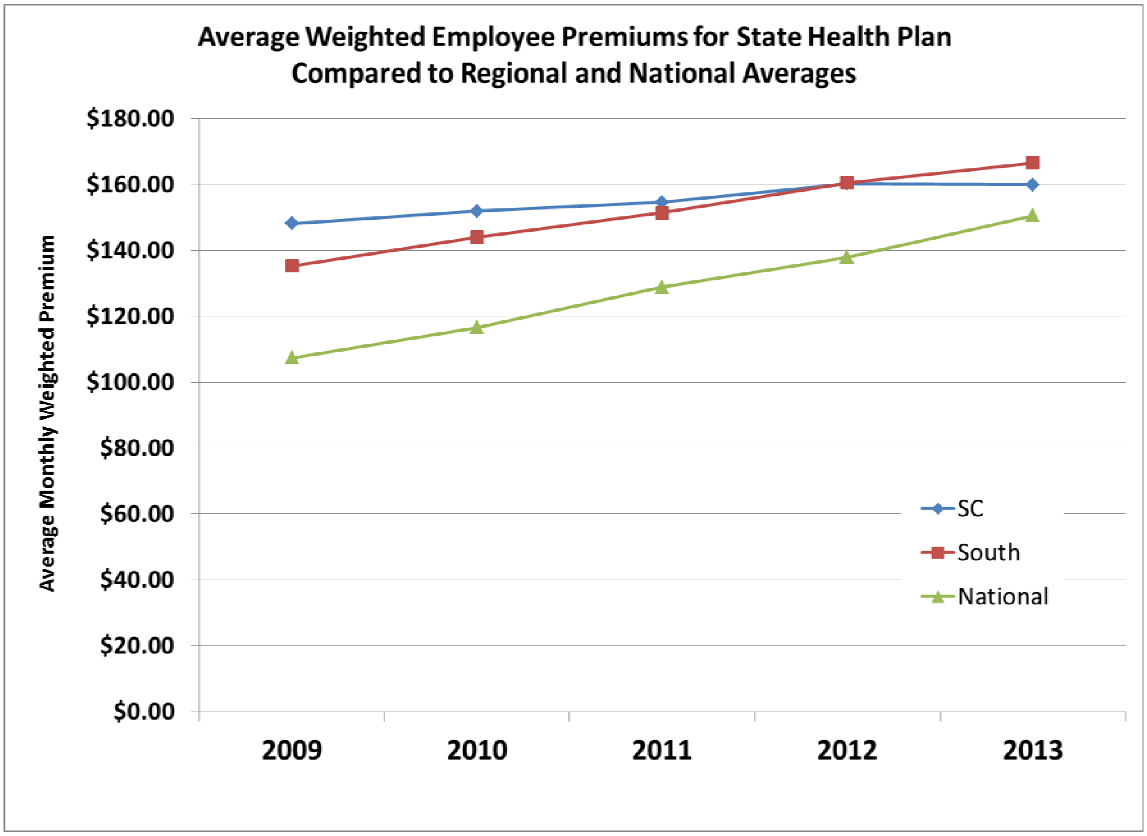
For 2013, the employer share of premiums increased 6.37% and the employee share remained constant. The 2013 employee share reflects 27% of the total premium.



The 2013 composite total premium remains fairly well below both the southern and national levels. For 2013, the State Health Plan composite total premium was approximately 79% of the southern premium and 68% of the national premium.



For 2013, the SHP employee composite dropped slightly below the regional composite, although still remains above the national composite, due to prior years of employer contribution levels remaining either stagnant or increasing at levels insufficient to sustain claims expense.



State Health Plan Contribution Increases:

Contribution increases since 2000 are outlined below.

State Health Plan
Contribution Increases

	Employer Rate Increase	Employee Rate Increase	Total
2000	10.0%	0.0%	8.0%
2001	20.0%	10.4%	18.3%
2002	9.5%	22.6%	11.7%
2003	0.0%	36.9%	6.9%
2004	0.0%	27.6%	6.6%
2005	6.1%	29.7%	13.0%
2006	4.8%	0.0%	3.2%
2007	3.1%	0.0%	2.1%
2008	9.7%	0.0%	6.7%
2009	0.0%	0.0%	0.0%
2010	0.0%	0.0%	0.0%
2011	10.3%	0.0%	7.2%
2012	4.5%	4.5%	4.5%
2013	6.37%	0.0%	4.6%

Status of the Plan:

The State Health Plan is currently in a stable financial position and has been able to transfer excess cash reserves during this reporting period, as well as for the previous four reporting periods, to the South Carolina Retiree Health Insurance Trust Fund.

Following are the changes in growth rate in payments per subscriber since 2001.

Plan Year	Change in Payout/Subscriber
2001	+11.0%
2002	+8.3%
2003	+12.9%
2004	-0.7%
2005	+4.7%
2006	+7.0%
2007	+6.3%
2008	+3.9%
2009	+8.8%
2010	+0.5%
2011	+3.5%
2012	+6.3%

Following are the medical utilization rates (and growth rates) per 1000 insured persons (SHP primary) from 2000 through 2012 for office visits, ER visits, inpatient cases, and outpatient surgery.

	Office Visits		**ER Visits**		**I/P Cases**		**O/P Surgery**	
	Utilization	**Growth**	**Utilization**	**Growth**	**Utilization**	**Growth**	**Utilization**	**Growth**
2000	$5,492.54		$ 253.76		$ 67.76		$ 105.54	
2001	5,856.76	+6.6%	254.99	+0.5%	69.27	+2.2%	101.11	-4.2%
2002	5,936.99	+1.4%	251.34	-1.4%	68.99	-0.4%	102.66	+1.5%
2003	6,230.36	+4.9%	253.66	+0.9%	69.03	+0.1%	114.39	+11.4%
2004	6,119.04	-1.8%	235.97	-7.0%	68.88	-0.2%	115.19	+0.7%
2005	6,287.92	+2.8%	240.27	+1.8%	63.93	-7.2%	106.87	-7.2%
2006	6,391.54	+1.6%	239.22	-0.4%	62.82	-1.7%	99.57	-6.8%
2007*	6,519.21		184.15		63.23		205.58	
2008	6,495.30	-0.4%	181.69	-1.3%	61.29	-3.1%	208.18	+1.3%
2009	6,798.85	+4.7%	189.44	+4.3%	60.40	-1.5%	209.76	+0.8%
2010	6,365.96	-6.4%	181.97	-3.9%	58.44	-3.2%	219.12	+4.5%
2011	6,319.44	-0.7%	183.43	+0.8%	55.94	-4.3%	232.18	+6.0%
2012	6,816.70	+7.9%	190.90	+4.1%	59.17	+5.8%	236.20	+1.7%

* Improved data collection methods beginning in 2007 more accurately capture place of service.

Prescription drug utilization has also moderated, as well as shifted to more cost effective delivery channels, as indicated below.

	Rx/Insured			
	Utilization	**Growth**	**Generic Share**	**Mail Service Share**
2000	$ 13.12		34.9%	n/a
2001	14.75	+12.5%	34.8%	n/a
2002	15.75	+6.9%	37.1%	3.8%
2003	17.10	+8.5%	39.1%	4.7%
2004	16.81	-1.7%	43.3%	9.6%
2005	17.46	+3.9%	47.1%	9.5%
2006	17.99	+3.0%	50.5%	9.8%
2007	18.41	+2.3%	55.2%	9.9%
2008	18.22	-1.0%	61.3%	9.9%
2009	18.31	+0.5%	62.9%	9.2%
2010	18.06	-1.4%	67.4%	8.9%
2011	17.95	-0.6%	70.2%	8.5%
2012	18.21	+1.4%	74.2%	8.1%

Cost containment initiatives continue to influence the Plan's positive trend and include:

- Provider reimbursement pricing policy with provider networks (inpatient and outpatient hospital settings, professional fee schedules and pharmacy pricing)
- Utilization review and management (precertification of inpatient cases and certain outpatient procedures, disease management of specified conditions, complex care management and chronic kidney disease management)
- Chiropractic limit of $2,000/person/year and limit of one manual therapy unit per visit (implemented 2010)
- Pre-authorization process for high-end radiology procedures (implemented 2010)
- Tobacco surcharge of $40/contract/month for members with single coverage who use tobacco and $60/contract/month for members with dependent coverage who use tobacco or cover a family member that does
- "Evidence-based medicine" initiative involving analysis of claims data and communications with doctors regarding best practices
- Mail service pharmacy through Pharmacy Benefits Manager
- Prior authorization/step therapy requirements for specified medications, including "preferred step therapy" program to steer business to "front-line" generics
- Preferred drug list
- "Pay-the-difference" policy for brand drugs with generic equivalents
- Managed care approach for behavioral health services
- "Gold standard" smoking cessation program
- Health education, disease management workshops, and preventive screenings provided through office wellness staff
- Voluntary Data Sharing Agreement with Medicare (maintain current Medicare eligibility on all subscribers yielding significant cost savings)
- Self-funding of all HMO business
- Significant patient cost sharing for all service types
- Pharmaceutical manufacturer rebates (for all health plans); the Plan received about $75.3 M. in rebates during 2013
- Medicare Part D prescription drug subsidies; the Plan received about $44.4 M. in subsidies during 2013
- A Wellness Incentive, which provides free generic drugs for participants with cardiovascular disease or diabetes who participate in a wellness program for these conditions (implemented 2010)

Going Forward:

Several points of interest going forward include:

- PEBA – Insurance Benefits will retain its “grandfathered” status under the Patient Protection and Affordable Care Act for 2014

- This year’s legislative session provided for a 6.8% increase in the employer contribution rates beginning January 2014. Also, deductibles and copayments will be increased 20% beginning January 2014 to meet projected Plan obligations through 2014

- The dependent audit that was implemented in the spring of 2011, continues to yield results in line with estimates of an ineligibility rate of 4% to 8% (audit is approximately 46% complete, and a total of 5,604 ineligible dependents have been removed from health coverage with an estimated annual savings of $15.365 million.)

- BlueChoice will be the only HMO option for 2014, offered again on a fully insured basis

- A Tricare supplement will be offered effective January 1, 2014 to non-Medicare subscribers on an employee pay all basis

- A patient centered heath plan will be offered as a pilot to employees and dependents of MUSC and the Medical University Hospital Authority beginning January 2014 (to reduce health care costs while improving the health of an entire population)

Always a significant challenge is the anticipation of re-acceleration of health care trend. Although we continue to experience stable growth, the dynamics that drive health care expenditure growth remain present, including an aging population, advances in medical technology, third-party payment, and government regulations.

<u>Contact Information:</u>

Please direct questions related to the Management Discussion and Analysis and the accompanying financial statements to Phyllis Buie, Chief Financial Officer, at (803) 734-0326.

SOUTH CAROLINA PUBLIC EMPLOYEE BENEFIT AUTHORITY
INSURANCE BENEFITS

STATEMENT OF NET POSITION

JUNE 30, 2013

Assets	
Current assets:	
Cash and cash equivalents	$ 360,522,155
Premiums receivable	2,293,296
Prescription drug rebate receivable	54,041,350
Medicare Part D Subsidy receivable	7,370,529
Accrued interest	15,516
Due from South Carolina Retiree Health Insurance Trust Fund	174,046
Due from South Carolina Long Term Disability Trust Fund	31,200
Total current assets	424,448,092
Non-current assets:	
Capital assets, net of accumulated depreciation	145,900
Total assets	424,593,992
Liabilities	
Current liabilities:	
Accounts payable and accrued payroll	660,083
Accrued compensated absences - current portion	197,893
Deferred premium revenue	22,837,428
Claims payable	70,963,228
Claims incurred but not reported	143,533,697
Total current liabilities	238,192,329
Long-term liabilities:	
Accrued compensated absences - long term	349,933
Total long-term liabilities	349,933
Total liabilities	238,542,262
Contingencies *(Note 10)*	
Net Position	
Investment in capital assets	145,900
Unrestricted	185,905,830
Total net position	$ 186,051,730

See accompanying notes.

SOUTH CAROLINA PUBLIC EMPLOYEE BENEFIT AUTHORITY
INSURANCE BENEFITS

STATEMENT OF REVENUE, EXPENSES,
AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2013

Operating Revenue	
Insurance premiums:	
Active employees	$ 1,438,229,179
Retirees	541,871,753
Total insurance premiums	1,980,100,932
Prescription drug rebates	75,307,895
Medicare Part D Subsidy	44,429,193
Administrative fees and other	12,982,432
Total operating revenue	2,112,820,452
Operating Expenses:	
Claims	1,817,587,525
Premiums	165,911,690
Third party administrative fees	54,469,069
Salaries and benefits	5,685,825
Other services	2,325,901
Professional services	626,133
Adoption assistance program	271,275
Supplies	126,585
Telephone and utilities	112,698
Other operating expenses	383,092
Total operating expenses	2,047,499,793
Operating income	65,320,659
Non-operating revenue:	
Income from deposits	6,495,298
Transfers:	
Transfers to OPEB trust	(64,626,715)
Change in net position	7,189,242
Net position, beginning of year	178,862,488
Net position, end of year	$ 186,051,730

See accompanying notes.

SOUTH CAROLINA PUBLIC EMPLOYEE BENEFIT AUTHORITY
INSURANCE BENEFITS

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2013

Cash Flows from Operating Activities	
Insurance premiums from customers	$ 1,978,944,809
Other receipts	100,344,258
Payments to employees	(5,495,264)
Payments to providers, suppliers and others	(2,004,354,671)
Net cash from operating activities	69,439,132
Cash Flows from Noncapital Financing Activities	
Transfers to OPEB Trust	(64,626,715)
Net cash from noncapital financing activities	(64,626,715)
Cash Flows from Capital and Related Financing Activities	
Purchase of capital assets	(148,860)
Net cash from capital and related financing activities	(148,860)
Cash Flows from Investing Activities	
Interest received-deposits and investments	6,541,385
Net cash from investing activities	6,541,385
Net increase in cash and cash equivalents	11,204,942
Cash and cash equivalents, beginning of year	349,317,213
Cash and cash equivalents, end of year	$ 360,522,155

(CONTINUED)

SOUTH CAROLINA PUBLIC EMPLOYEE BENEFIT AUTHORITY
INSURANCE BENEFITS

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2013

(CONTINUED)

Reconciliation of operating income to net cash from operating activities		
Operating income	$	65,320,659
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation expense		20,244
Change in assets:		
Premiums receivable		1,085,240
Prescription drug rebate receivable		(30,057,409)
Medicare Part D Subsidy receivable		(677,419)
Other receivable		19,372
Due from South Carolina Retiree Health Trust		(83,200)
Due from South Carolina Long Term Disability Trust		(5,000)
Change in liabilities:		
Accounts payable, accrued payroll and compensated absences		(66,294)
Deferred premium revenue		(3,812,970)
Claims payable and incurred but not reported		37,695,909
Net cash from operating activities	$	69,439,132

See accompanying notes.

1. Basis of Presentation and Summary of Significant Accounting Policies

The financial statements of all funds of the South Carolina Public Employee Benefit Authority, Insurance Benefits (the "Fund") were prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Fund's accounting policies are described below.

Reporting Entity
The core of the financial reporting entity is the primary government, which has a separately elected governing body. As required by accounting principles generally accepted in the United States of America, the financial reporting entity includes both the primary government and all of its component units. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In turn component units may have component units.

An organization other than a primary government may serve as a nucleus for a reporting entity when it issues separate financial statements. That organization is identified herein as a primary entity.

The primary government or entity is financially accountable if it appoints a voting majority of the organization's governing body including situations in which the voting majority consists of the primary entity's officials serving as required by law (e.g., employees who serve in an ex officio capacity on the component unit's board are considered appointments by the primary entity) and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary entity. The primary entity also may be financially accountable if an organization is fiscally dependent on it even if it does not appoint a voting majority of the board. An organization is fiscally dependent on the primary entity that holds one or more of the following powers:

(1) Determine its budget without another government's having the authority to approve and modify that budget.
(2) Levy taxes or set rates or charges without approval by another government.
(3) Issue bond debt without approval by another government.

-CONTINUED-

1. Basis of Presentation and Summary of Significant Accounting Policies (Continued)

Reporting Entity (Continued)
Based on these criteria, the Fund has determined that it has no component units. This financial reporting entity includes only the Fund, a primary entity.

The Fund is a fund of the South Carolina Public Employee Benefit Authority ("PEBA"), which is a part of the State of South Carolina primary government. This report contains only the Fund and no other Offices or funds of the South Carolina Public Employee Benefit Authority or any other part of the State of South Carolina primary government are included.

PEBA was created July 1, 2012, by the South Carolina General Assembly as part of Act No. 278. PEBA is a state agency responsible for the administration and management of the state's employee insurance programs and retirement systems.

This act amends Chapter 4, Title 9, relating to retirement law, so as to establish the PEBA, provide for its membership and their compensation, devolve from the State Budget and Control Board to PEBA the administration of the Employee Insurance Program (EIP), administration of the Retirement Division, cotrusteeship of the State Retirement System, and the duties of the South Carolina Deferred Compensation Commission (SCDCC), to provide those actions of PEBA requiring approval by the State Budget and Control Board or its successor, to require PEBA to maintain a public transaction register, and to require an annual fiduciary audit of PEBA.

To amend Chapter 2, Title 9, relating to various elements of the Employee Insurance Program, State Retirement system, and the South Carolina Deferred Compensation Commission, so as to conform these provisions to PEBA governance.

Consequently, effective July 1, 2012, the operations of the Employee Insurance Program were transferred from the South Carolina Budget and Control Board to the newly formed PEBA.

The Fund operates as a unit under the PEBA Board and its Executive Director. The laws of the State and the policies and procedures specified by the State for State agencies are applicable to the Fund's activities. The accompanying financial statements present the financial position and results of operations solely of the Fund and do not include any other agencies or any component units of the State of South Carolina.

1. Basis of Presentation and Summary of Significant Accounting Policies (Continued)

The group health, dental, life, accidental death and dismemberment and disability programs managed by the Fund are authorized in Sections 1-11-710 and 1-11-720 of the South Carolina Code of Laws of 1976, as amended.

The Fund provides health insurance to eligible employees and retirees of State agencies and its political subdivisions who elect coverage. Coverage elections include four self-insured health plans. The State Health Plan offers a High Deductible Health Plan (SHP Savings Plan), a Preferred Provider Organization (SHP Standard Plan) and Medicare Supplement. The Traditional HMOs offered are the BlueChoice HMO and CIGNA HMO. The BlueChoice HMO changed from self-insured to fully-insured effective January 1, 2013 and CIGNA HMO ended December 31, 2012. All dental coverage is through the State's self-insured plan, which is available to eligible employees and retirees. An additional dental option is offered to subscribers, Dental Plus, which is a fully insured product. The Basic Long-Term Disability Plan is a self-insured group long-term disability plan available to eligible active employees enrolled in a State health plan. Supplemental long-term disability, a fully insured product, is also offered to subscribers. Optional Life and Dependent Life are fully insured products offered to eligible employees. Long-term care insurance, a fully insured program, is also available to eligible employees. For active employees, the employee share of premiums is paid through payroll deductions. The respective employer pays the employer's premium portion for active employees. For retirees of the State and School Districts, the employee portion of the premiums is withheld from the individual retirement check. The employer premium share for retirees of the State and School Districts is paid through retiree insurance surcharge. For Local Subdivisions, the employer is responsible for collecting the retiree premium and remitting the entire premium to the Employee Insurance Program. Effective May 2008, Basic Long Term Disability premiums were transferred to the South Carolina Long Term Disability Insurance Trust Fund in accordance with Act 195. Basic Long Term Disability Claims are transferred each month out of this Trust.

The South Carolina Retirement System began transferring the surcharge for state agencies and school districts effective with the May 2008 surcharge in accordance with Act 195. Effective May 2008, the Fund began transferring the employer portion of retiree premiums from the South Carolina Retiree Health Insurance Trust Fund for claims payment.

Details on eligibility requirements and coverage for all plans are contained in the *Insurance Benefits Guide*. Premium rates for all plans are reviewed on a calendar year basis and adjusted as considered necessary after actuarial calculation.

1. Basis of Presentation and Summary of Significant Accounting Policies (Continued)

The State as the predominant participant retains the risk of loss for the self-insured health, dental and basic long-term disability coverages.

Basis of Presentation
The financial statements present all proprietary funds of the Fund.

The financial statement presentation for the Fund meets the requirements of governmental accounting standards. Additionally, the Trust has adopted the provisions of GASB 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The Trust has determined that no amounts were required to be reclassified or otherwise recognized as deferred inflows or outflows resources for the year ended June 30, 2013.

As an internal service fund, the Fund in its stand-alone financial statements is considered a proprietary fund. However, the applicable guidance requires internal service funds included in the basic financial statements of the primary government to be reported as part of the governmental activity. Therefore, presentation in the Comprehensive Annual Financial Report of the State of South Carolina will include this fund as a governmental activity. The financial statement presentation provides a comprehensive, entity-wide perspective of the Fund's net position, revenue, expenses and changes in net position and cash flows that replaces the fund-group perspective previously required.

Financial Statements
The Fund is an internal service fund within PEBA as the State's managers have determined that the State is the predominant participant in the Fund.

Basis of Accounting
The Fund's financial statements have been presented using the economic resources measurement focus, which is based upon a determination of net income, financial position, and cash flows. Under this method, all assets and all liabilities associated with the operation of the Fund are included on the statement of net position. Net position is segregated into investment in capital assets, net of related debt, restricted net position and unrestricted net position components.

The Fund uses the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and become measurable; expenses are recognized in the period incurred, if measurable. The Fund reports claims liabilities when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

1. Basis of Presentation and Summary of Significant Accounting Policies (Continued)

The accounting policies of the Fund conform to accounting principles generally accepted in the United States of America applicable to governmental and proprietary activities as prescribed by GASB.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Fund considers all highly liquid securities with a maturity of three months or less at the time of purchase to be cash equivalents. Most State agencies including the Fund participate in the internal cash management pool; however, some agency accounts are not included in the pool because of restrictions on the use of funds. Because the State's internal cash management pool operates as a demand deposit account, amounts invested in the pool are classified as cash and cash equivalents. The State Treasurer administers the cash management pool.

The State's internal cash management pool consists of a general deposit account and several special deposit accounts. The State records each fund's equity interest in the general deposit account; however, all earnings on that account are credited to the General Fund of the State. Deposits in the general deposit account are recorded and reported at cost. However, the Fund reports its deposits in the special deposit accounts at fair value. Interest earned by the agency's special deposit accounts is posted to the agency's account at the end of each month and is retained by the agency. Interest earnings are allocated based on the percentage of an agency's accumulated daily interest receivable to the total income receivable of the pool.

The amounts shown in the financial statements as "cash and cash equivalents" represent cash on deposit with the State Treasurer as a part of the State's internal cash management pool, and cash invested in various short-term instruments by the State Treasurer and held in separate agency accounts.

1. Basis of Presentation and Summary of Significant Accounting Policies (Continued)

Premium Revenue
Premiums billed to employers, employees and retirees (premiums receivable) for insurance coverage are recorded as revenue when earned on a monthly basis. The retiree surcharge on employees is recognized as the liability is incurred by the various State agencies and school districts.

Deferred Premium Revenue
Premiums billed in advance of coverage, payments received in advance of coverage, or in excess of amounts billed and premiums collected but unearned are recorded as deferred premium revenue.

Capital Assets
Capital assets are capitalized at cost if purchased. Capital assets contributed by other State agencies or funds are recorded at the State's original acquisition cost less accumulated depreciation from the purchase date. Assets donated by other parties are valued at fair market value at the date of gift. The Fund has one class of capital assets, equipment, which is depreciated on a straight-line basis over the estimated useful lives of 3-10 years. The capitalization dollar threshold limit for capital assets is $5,000.

Claims Incurred But Not Reported (IBNR)
Losses are recorded at estimated amounts at the time they are reported and include a provision for expenses associated with claim settlements. Insurance claims are expensed as incurred over the period of coverage. The Fund establishes an unpaid claim liability for claims in the process of review, and for IBNR claims. The liability for IBNR claims is actuarially estimated based on the most current historical claims experience of previous payments, changes in number of members and participants, inflation, award trends, and estimates of health care trend (cost, utilization and intensity of services) changes. Estimates of liabilities for incurred claims are continually reviewed and revised as changes in these factors occur and revisions are reflected in the current year's operating statement in the applicable claims expense. Amounts for allocated and unallocated claims adjustment expenses have been included in the calculation of IBNR.

Claims Payable
Claims payable represents claims related to health claims, dental claims and long-term disability claims payable at June 30, 2013. The claims payable balance is based on claims that have been paid by the third party administrators on behalf of the Fund.

1. Basis of Presentation and Summary of Significant Accounting Policies (Continued)

Compensated Absences

Generally all permanent full-time State employees and certain part-time employees scheduled to work at least twenty hours per workweek are entitled to accrue and carry forward at calendar year-end maximums of 180 days sick leave and of 45 days annual vacation leave. Upon termination of State employment, employees are entitled to be paid for accumulated unused annual vacation leave up to the maximum, but are not entitled to any payment for unused sick leave. The compensated absences liability includes accrued annual leave earned for which the employees are entitled to paid time off or payment at termination. The leave liability also includes an estimate for unused sick leave and leave from the Fund's leave transfer pool for employees who have been approved as leave recipients under personal emergency circumstances. The Fund calculates the gross compensated absences liability based on recorded balances of unused leave. The entire unpaid liability for which the employer expects to compensate employees through paid time off or cash payments, inventoried at fiscal year-end current salary costs and the cost of the salary-related benefit payments, is recorded in the Fund.

Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Fund does not currently have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Fund does not currently have any items that qualify for reporting in this category.

Net Position

The Fund's net position is recorded in three categories:

Investment in capital assets consists of capital assets net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction or improvement of those assets.

1. Basis of Presentation and Summary of Significant Accounting Policies (Continued)

Restricted net position results when constraints placed on the use of net position are either imposed by creditors, grantors, contributors, and the like or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position that does not meet the definition of restricted net position or investment in capital assets.

The Fund applies expenses that can use both restricted and unrestricted resources against restricted resources then unrestricted resources.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Classification of Revenue
The Fund has established the following criteria for reporting operating revenue or nonoperating revenue:

Operating revenue generally results from exchange transactions to provide the services authorized by State Statute. These revenues include (1) premiums for insurance coverage, (2) administrative fees, and (3) other receipts arising from services provided.

Nonoperating revenue includes activities that have the characteristics of nonexchange transactions. These revenues include appropriations, investment income, and contract revenue not classified as operating revenue or restricted by the provider to be used exclusively for capital purposes.

2. Deposits

As prescribed by Statute, the State Treasurer is the custodian and investment manager of all deposits of the Fund.

Deposits
All deposits with financial institutions are required to be insured or collateralized with securities held by the State or its agent in the State Treasurer's name as custodian. At June 30, 2013, the Fund had no deposits with financial institutions. The Fund had cash of $360,522,155 held by the State Treasurer as of June 30, 2013.

2. Deposits (Continued)

Fair market value for cash and cash equivalents reported approximate the carrying value.

During the year, the following amounts were included in income from deposits:

Interest earned	$ 6,495,298

The following schedule reconciles investments and deposits as reported in the statement of net position to disclosures included in this note.

	Statements	**Note Disclosure**
Held by State Treasurer:		
Cash and cash equivalents	$ 360,522,155	$ -
Deposits	-	360,522,155
Total	$ 360,522,155	$ 360,522,155

3. Premiums Receivable

Premiums receivable at June 30, 2013, consist of the following:

Local government	$ 860,478
State government *(Note 9)*	876,218
Individuals	505,008
School districts	51,553
Other	39
	$ 2,293,296

As of June 30, 2013, all of the receivables are considered by management to be collectible. Therefore, no allowance for doubtful accounts has been recognized. In addition, the Fund has applied no discounts to its receivables as of June 30, 2013.

4. Capital Assets

The following summarizes changes in capital assets for the year.

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Furniture and equipment	$ 336,410	$ 148,860	$ -	$ 485,270
Accumulated depreciation	(319,126)	(20,244)	-	(339,370)
Capital assets, net	$ 17,284	$ 128,616	$ -	$ 145,900

Depreciation expense for the year ended June 30, 2013 was $20,244.

5. Lease Obligations

The Fund leases office space from a party outside of State government and is accounted for as an operating lease. During the current year, the Fund was under a lease with the SC Budget and Control Board. The office space lease was amended effective July 1, 2010, with a monthly charge of $21,392. Rental expense under this lease for the year ended June 30, 2013 was $264,367. Effective July 1, 2013, a new lease was signed with PEBA that expires on June 30, 2018. The payment details and the future minimum lease payments due under this lease are:

Year Ending June 30,	Required Number of Payments	Payment Amount	Total
2014	9	$ 17,379	$ 156,411
2015	11	17,726	194,986
2016	11	18,087	198,957
2017	11	18,448	202,928
2018	11	18,809	206,899
			$ 960,181

5. Lease Obligations (Continued)

The Fund has also entered into an operating lease from a party outside of State government for office equipment which contains a cancellation provision and is subject to annual appropriation. In the normal course of business, operating leases are generally renewed or replaced by other leases. Operating leases are generally payable on a monthly basis. For the year ended June 30, 2013, expenses under this lease was approximately $27,811.

6. Pension Plans

The majority of employees of the Fund are covered by a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division of the PEBA, a public employee retirement system. Generally, all full-time or part-time equivalent State employees in a permanent position are required to participate in and contribute to the SCRS as a condition of employment unless exempted by law as provided in Section 9-1-480 of the South Carolina Code of Laws, as amended, or are eligible and elect to participate in the State Optional Retirement Program (ORP). The SCRS plan provides a life-time monthly retirement annuity benefits to members as well as disability, survivor options, annual benefit adjustments, death benefits, and incidental benefits to eligible employees and retired members.

The Retirement Division maintains five independent defined benefit plans and issues its own publicly available Comprehensive Annual Financial Report (CAFR) which includes financial statements and required supplementary information. A copy of the separately issued CAFR may be obtained by writing to the South Carolina Public Employee Benefit Authority, P.O. Box 11960, Columbia, South Carolina 29211-1960. Furthermore, the Division and the five pension plans are included in the State of South Carolina's CAFR.

6. Pension Plans (Continued)

Under the SCRS, Class II members are eligible for a full service retirement annuity upon reaching age 65 or completion of 28 years of credited service regardless of age. Employees who first became members of the System after June 30, 2012 are considered Class III members and are eligible for a full service retirement annuity upon reaching age 65 or upon meeting the rule of 90 requirement (i.e., the members age plus the years of service add up to a total of at least 90). The benefit formula for full benefits effective since July 1, 1989 for the SCRS is 1.82 percent of an employee's average final compensation (AFC) multiplied by the number of years of credited service. For Class II members, AFC is the average annual earnable compensation during 12 consecutive quarters and includes an amount for up to 45 days termination pay at retirement for unused annual leave. For Class III members, AFC is the average annual earnable compensation during 20 consecutive quarters and termination pay for unused annual leave at retirement is not included. Early retirement options with reduced benefits are available as early as age 55 for Class II members and age 60 for Class III members. Class II members are vested for a deferred annuity after five years of earned service. Class III members are vested for a deferred annuity after eight years of earned service. Members qualify for a survivor's benefit upon completion of 15 years of credited service (five years effective January 1, 2002).

Disability annuity benefits are payable to Class II members if they have permanent incapacity to perform regular duties of the member's job and they have at least 5 years of earned service (this requirement does not apply if the disability is a result of a job related injury). Class III members qualify for disability annuity benefits provided they have a minimum of eight years of credited service. An incidental death benefit equal to an employee's annual rate of compensation is payable upon the death of an active employee with a minimum of one year of credited service or to a working retired contributing member. There is no service requirement for death resulting from actual performance of duties for an active member. For eligible retired members, a lump-sum payment is made to the retiree's beneficiary of up to $6,000 based on years of service at retirement. TERI participants and retired contributing members are eligible for the increased death benefit equal to their annual salary in lieu of the standard retired member benefit.

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows employees eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years.

6. Pension Plans (Continued)

Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any cost of living adjustments granted during the TERI period. Because participants are considered retired during the TERI period, they do not earn service credit, and are ineligible to receive group life insurance benefits or disability retirement benefits. The TERI program will end effective June 30, 2018.

Effective July 1, 2012, employees participating in the SCRS were required to contribute 7.00% of all earnable compensation. The employee contribution rate for SCRS was 15.15%. Included in the total SCRS employer contribution rate is a base retirement contribution of 10.45%, .15% for the incidental death program and a 4.55% surcharge that will fund retiree health and dental insurance coverage. Employer contributions for State ORP include a 5.45% employer retirement contribution, 4.55% retiree insurance surcharge and .15% incidental death benefit. The Fund's actual contributions to the SCRS for the years ended June 30, 2013, 2012, and 2011 were approximately $624,065, $534,798, and $558,053, respectively, and equaled the required retirement contribution rate, including surcharge, of 10.45% for 2013, 9.385% for 2012 and 9.24% for 2011. Also, the Fund paid employer incidental death program contributions of approximately $6,053, $5,852 and, $6,239, at the rate of .15% of compensation for the current fiscal years ended June 30, 2013, 2012, and 2011, respectively.

Article X, Section 16, of the South Carolina Constitution requires that all State-operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefit, and employee/employer contributions for each retirement system. Employee and employer contribution rates to SCRS and PORS are actuarially determined.

The surcharges to fund retiree health and dental insurance are not part of the actuarially established rates.

6. Pension Plans (Continued)

For the current fiscal year, the SCRS did not make separate measurements of assets and pension obligations for individual employers within the cost-sharing plan. Under Title 9 of the South Caroline Code of Laws, the Fund's liability under the plans is limited to the amount of required employer contributions (stated as a percentage of covered payroll) as established by the PEBA and as appropriated in the South Carolina Appropriation Act and from other applicable revenue sources. Accordingly, the Fund recognizes no contingent liability for unfunded costs associated with participation in the plans.

7. Post Employment and Other Employee Benefits

In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides post-employment health and dental and long-term disability benefits to retired State and school district employees and their covered dependents. The Fund contributes to the South Carolina Retiree Health Insurance Trust Fund (SCRHITF) and the South Carolina Long-Term Disability Insurance Trust Fund (SCLTDITF), cost-sharing multiple employer defined benefit postemployment healthcare, and long-term disability plans administered by the Fund, a part of the PEBA.

Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit. For new hires beginning employment May 2, 2008 and after, retirees are eligible for benefits if they have established 25 years of service for 100% employer funding and 15 through 24 years of service for 50% employer funding.

Benefits become effective when the former employee retires under a State retirement system. Basic Long-Term Disability (BLTD) benefits are provided to active state, public school district, and participating local government employees approved for disability.

7. Post Employment and Other Employee Benefits (Continued)

Funding Policies

Section 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment and long-term disability benefits be funded through annual appropriations by the General Assembly for active employees to the Fund and participating retirees to PEBA, except for the portion funded through the pension surcharge and provided from the other applicable sources of the Fund, for its active employees who are not funded by State General Fund appropriations participating employers are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget, 4.55% of annual covered payroll for 2013 and 4.30% of annual covered payroll for 2012. The Fund sets the employer contribution rate based on a pay-as-you-go basis. The Fund paid approximately $198,539 and $167,766 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2013 and 2012, respectively. BLTD benefits are funded through a person's premium charged to State agencies, public school districts, and other participating local governments. The monthly premium per active employee paid to Fund was $3.22 for the fiscal years ended June 30, 2013 and 2012.

Effective May 1, 2008 the State established two trust funds through Act 195 for the purpose of funding and accounting for the employer costs of retiree health and dental insurance benefits and long-term disability insurance benefits. The SCRHITF is primarily funded through the payroll surcharge. Other sources of funding include additional State appropriated dollars, accumulated Fund reserves, and income generated from investments. The SCLTDITF is primarily funded through investment income and employer contributions.

A copy of the complete financial statements for the benefit plans and the trust funds from PEBA Retirement Benefits and Insurance Benefits, 202 Arbor Lake Drive, Suite 360, Columbia, SC 29223.

Other Employee Benefits

In accordance with the South Carolina Code of Laws and the annual Appropriation Act, the State of South Carolina provides certain health care, dental, and life insurance benefits to all permanent full-time and certain permanent part-time employees of the Fund. These benefits are provided on a reimbursement basis by the employer agency based on rates established at the beginning of the service period by the Fund within the PEBA.

7. Post Employment and Other Employee Benefits (Continued)

The Fund recorded benefit expenses for these insurance benefits for active employees in the amount of $417,637, $421,969 and $383,684 for the years ended June 30, 2013, 2012 and 2011, respectively.

8. Deferred Compensation Plans

Several optional deferred compensation plans are available to State employees and employers of its political subdivisions. Certain employees of the Fund have elected to participate.

The multiple-employer plans, created under Internal Revenue Code Sections 457, 401(k), and 403(b), are administered by third parties and are not included in the Comprehensive Annual Financial Report of the State of South Carolina. Compensation deferred under the plans is placed in trust for the contributing employee. The State has no liability for losses under the plans. Employees may withdraw the current value of their contributions when they terminate State employment. Employees may also withdraw contributions prior to termination if they meet requirements specified by the applicable plan.

This Fund made no contributions for the fiscal year ending June 30, 2013.

9. Transactions with State Entities

The Fund has significant transactions with the State of South Carolina and various State agencies.

Services received at no cost include payroll processing, disbursement processing and maintenance of certain accounting records from the Comptroller General; check preparation, banking and investment functions from the State Treasurer; and legal services from the Attorney General.

The following services are provided for a fee to various State agencies and within the South Carolina Public Employee Benefit Authority. The fees are recorded as revenues in the financial statements for the Fund.

Insurance coverage for state agencies and local governments:

Health
Dental
Vision
Life
Long-Term Disability

9. Transactions with State Entities (Continued)

The following details the insurance premiums charged by the Fund to other State agencies and divisions of the PEBA during the year ended June 30, 2013:

Adjutant General's Office	$ 1,560,821
Aid to Subdivisions	487,239
Aiken Technical College	1,057,461
Attorney General's Office	1,146,946
Budget and Control Board - State Auditor	225,033
Central Carolina Technical College	1,762,635
Clemson University	31,559,510
Coastal Carolina University	8,450,331
College of Charleston	10,535,604
Commission on Higher Education	275,225
Comptroller General's Office	187,704
Denmark Technical College	701,040
Department of Agriculture	892,989
Department Archives and History	283,251
Department of Education	7,247,386
Department of Health and Environmental Control	24,394,953
Department of Labor, Licensing and Regulations	2,526,240
Department of Mental Health	26,010,722
Department of Parks, Recreation and Tourism	2,810,617
Department of Revenue	4,840,354
Department of Social Services	22,033,404
Department of Transportation	32,538,538
Department of Employment and Workforce	6,460,009
Florence-Darlington Technical College	1,858,464
Forestry Commission	2,448,123
Francis Marion University	3,790,922
Governor's Office	1,842,284
Greenville Technical College	5,507,902
Health and Human Services	7,544,625
Higher Education Tuition Grants Commission	33,728
Horry-Georgetown Technical College	2,439,716
House of Representatives	1,516,806
John de la Howe School	395,969
Lander University	2,958,792
Legislative Audit Council	145,989
Legislative Council	215,319
Legislative Printing, Information and Technology Systems	171,827
Lieutenant Governor's Office	266,252
Medical University Hospital Authority	41,322,002
Medical University of South Carolina	33,168,823

9. Transactions with State Entities (Continued)

Midlands Technical College	4,183,518
Northeastern Technical College	692,097
Office of the Inspector General	13,632
Office of Regulatory Staff	476,622
Office of State Infrastructure Bank	9,432
Orangeburg-Calhoun Technical College	1,335,087
Patients' Compensation Fund	47,433
Patriot's Point Development Authority	510,605
Piedmont Technical College	2,112,018
Procurement Review Panel	5,228
Public Service Commission	327,083
Retirement System Investment Commission	284,507
Arts Commission	133,647
Department of Consumer Affairs	210,059
Department of Insurance	560,494
Department of Motor Vehicles	7,858,186
Department of Natural Resources	5,411,178
Department of Probation, Parole and Pardon Services	4,207,834
Education Oversight Committee	43,192
Educational Television Commission	1,033,580
Human Affairs Commission	109,154
Jobs Economic Development Authority	12,667
School for the Deaf and Blind	2,493,259
State Library	226,720
State Senate	1,206,998
South Carolina State University	4,770,157
Workers' Compensation Commission	386,478
Department of Public Safety	10,133,477
Administrative Law Court	246,475
Commission for the Blind	670,149
Commission for Indigent Defense	468,530
Commission on Prosecution Coordination	317,281
Department of Commerce	490,781
Department of Juvenile Justice	8,900,307
Department of Alcohol and Other Drug Abuse Services	288,722
Department of Disabilities and Special Needs	11,403,042
Rural Infrastructure Authority	7,693
State Housing Finance and Development Authority	937,335
Sea Grant Consortium	102,444
Second Injury Fund	154,985

9. Transactions with State Entities (Continued)

Secretary of State's Office	207,946
Aeronautics Commission	76,603
Budget and Control Board	6,130,806
Conservation Bank	7,364
Criminal Justice Academy	847,740
Department of Corrections	36,286,688
First Steps to School Readiness	206,208
Judicial Department	4,151,782
State Museum Commission	205,531
Public Employee Benefit Authority	1,090,346
Spartanburg Community College	2,315,041
State Accident Fund	469,311
Technical and Comprehensive Education	491,939
State Board of Financial Institutions	295,355
State Commission for Minority Affairs	51,576
State Election Commission	110,616
State Ethics Commission	45,405
State Law Enforcement Division	3,274,648
State Treasurer's Office	480,195
Technical College of Lowcountry	1,081,227
The Citadel	4,730,648
Tri County Technical College	2,510,899
Trident Technical College	5,305,720
University of South Carolina	51,147,332
Department of Vocational Rehabilitation	7,661,210
Wil Lou Gray Opportunity School	411,045
Williamsburg Technical College	459,261
Winthrop University	6,455,306
York Technical College	2,166,632
	$ 505,072,021

9. Transactions with State Entities (Continued)

The South Carolina Retiree Health Insurance Trust Fund was established by the State of South Carolina through Act 195 on May 1, 2008. In accordance with Act 195, the Trust was created to provide for the employer costs of retiree post-employment health and dental insurance benefits for retired state employees and retired employees of public school districts. The Fund administers the Trust and the PEBA is the Trustee. The State Treasurer is the custodian of the funds held in the Trust and invests those funds in accordance with the statutes of the State. The primary sources which finance the health and dental benefits the Trust provides are the collection of Employer Contributions, additional State appropriations, accumulated Fund reserve balances, and income generated from investments. In accordance with the Act, an annual transfer is based on an actuarial calculation of the amount of cash reserves available over 140% of the incurred but not reported claims. The amount of this transfer was $64,626,715 in 2013.

The South Carolina Long Term Disability Trust Fund was established by the State of South Carolina through Act 195 on May 1, 2008. In accordance with Act 195, the Trust was created to fund and account for the employer costs of the State's Basic Long-Term Disability Income Benefit Plan. The Fund administers the Trust and the PEBA is the Trustee. The State Treasurer is the custodian of the funds held in the Trust and invests those funds in accordance with the statutes of the State. The primary sources which finance the long-term disability benefits the Trust provides are investment income and the collection of employer contributions.

The Fund had financial transactions with various State agencies during the fiscal year. Significant payments were made to Divisions (Funds) of the State Budget and Control Board for retirement and insurance plans contributions, vehicle rental, printing, and telephone, interagency mail, data processing services, purchasing, record maintenance, internal audit, personnel services, unemployment, and workers' compensation coverage for employees. The identifiable amounts of 2013 expenses applicable to related party transactions are as follows:

South Carolina Retirement Division	$	624,065
South Carolina State Accident Fund		5,383
South Carolina Department of Employment and Workforce		8,134
	$	637,582

In addition, transfers include the following:

Transfers of funds to the South Carolina Retiree Health Insurance Trust Fund	$	64,626,715

9. Transactions with State Entities (Continued)

A significant portion of the Fund's total insurance premium revenue is for insurance premiums charged to other state agencies and divisions of the PEBA. Premiums owed from these entities at June 30, 2013 were:

Adjutant General's Office	$	7,635
Aid to Subdivisions		20
Attorney General's Office		3,874
Commission on Higher Education		1,607
Department of Agriculture		6
Department of Archives and History		60
Department of Education		1,136
Department of Health and Environmental Control		2,005
Department of Labor, Licensing and Regulations		390
Department of Mental Health		57,323
Department of Parks, Recreation and Tourism		149,018
Department of Revenue		215,982
Department of Social Services		13,709
Department of Transportation		15,983
Department of Employment and Workforce		12,921
Forestry Commission		1,535
Governor's Office		31,265
Health and Human Services		4,941
Higher Education Tuition Grants Commission		40
John de la Howe School		124
Lieutenant Governor's Office		1,688
Office of State Infrastructure Bank		266
Patients' Compensation Fund		62
Patriot's Point Development Authority		29,142
Public Service Commission		23
Retirement System Investment Commission		5,132
Arts Commission		200
Department of Consumer Affairs		8,870
Department of Insurance		6,601
Department of Motor Vehicles		35,959
Department of Natural Resources		11,010
Department of Probation, Parole and Pardon Services		709
Educational Television Commission		10,616
Human Affairs Commission		109
Jobs Economic Development Authority		25
School for the Deaf and Blind		675
State Library		27

9. Transactions with State Entities (Continued)

Technical and Comprehensive Education	83
Worker's Compensation Commission	778
Department of Public Safety	982
Administrative Law Court	3,378
Commission of the Blind	244
Commission on Indigent Defense	215
Commission on Prosecution Coordination	5,426
Department of Commerce	11
Department of Juvenile Justice	1,143
Department of Alcohol and Other Drug Abuse Services	1,631
Department of Disabilities and Special Needs	163,614
Rural Infrastructure Authority	18
State Housing Finance and Development Authority	663
Sea Grant Consortium	30,017
Second Injury Fund	2,155
Secretary of State's Office	3,350
Aeronautics Commission	228
Budget and Control Board	415
Criminal Justice Academy	650
Department of Corrections	7,071
Judicial Department	462
State Museum Commission	1
Public Employee Benefit Authority	1,910
State Accident Fund	130
State Treasurer's Office	1,225
Department of Vocational Rehabilitation	3,844
Wil Lou Gray Opportunity School	15,886
	$ 876,218

The fund acted as a fiduciary for premiums collected from state agencies for State Life and Long-Term Disability. During the year ended June 30, 2013, $6,763,897 was collected from state agencies and disbursed to the State Life and Long-Term Disability carrier.

10. Contingencies

By the nature of its operations and responsibilities as an insurer, the Fund has been named in a number of lawsuits, many of which are pending. A provision has been made in the financial statements for the payment of routine insurance claims. Management is not aware of any other claims that, in their opinion, would have a material effect on the financial statements and, therefore, no liability has been recorded.

11. Risk Management/Reinsurance

The Fund is exposed to various risks of loss and maintains State or commercial insurance coverage for each of those risks except for certain types of risks for which it is self-insured (these risks are further described herein). Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. There were no significant reductions in insurance coverage from coverage in the prior year. Settled claims have not exceeded this coverage in any of the past three years.

The Fund pays insurance premiums to itself and certain other State agencies and commercial insurers to cover risks that may occur in normal operations. The insurers promise to pay to or on behalf of the insured for covered economic losses sustained during the policy period in accord with insurance policy and benefit program limits.

State management believes it is more economical to manage certain risks internally and set aside assets for claim settlement. Several State funds accumulate assets and the State itself assumes substantially all risks for the following:

1. Claims of State employees for unemployment compensation benefits (Department of Employment and Workforce);
2. Claims of covered employees for workers' compensation benefits for job-related illnesses or injuries (State Accident Fund);
3. Claims of covered public employees for health and dental insurance benefits (PEBA – Insurance Services); and
4. Claims of covered public employees for long-term disability and group life insurance (PEBA – Insurance Services).
5. Claims of covered property damage, theft, collision (automobile), liability, and general tort (Insurance Reserve Fund).

11. Risk Management/Reinsurance (Continued)

Employees elect health coverage through the State Health Plan or a health maintenance organization. All health plans offered through the Fund are self-insured products.

State agencies and other entities are the primary participants in the Fund.

The Fund obtains coverage of up to $750,000 per loss through a commercial carrier for employee fidelity bond insurance for all employees for losses arising from theft or misappropriation.

The Fund has recorded insurance premium expense regarding its internal operations in the applicable administrative expense categories.

The Fund has not transferred the portion of the risk of loss related to insurance policy deductibles and limits. The Fund has not reported an estimated claims loss expense and the related liability at June 30, 2013 because information at June 30 did not indicate that an asset had been impaired or a liability had been incurred. A liability for claims must be reported only if information prior to issuance of the financial statements indicates that it is probable that an asset has been impaired or a liability has been incurred on or before June 30 and the amount of loss is reasonably estimable.

The Fund self-insures health and dental insurance for all participating governmental employees, including those of the Fund. The Fund also offers HMO products through BlueChoice and Cigna, which are self-insured. As of January 1, 2013 BlueChoice HMO became fully insured. The basic long-term disability product is a self-insured product. The Fund also offers Dental Plus and State Life products, which are fully insured. The Fund purchases coverage for basic life, optional life, dependent life, supplemental long-term disability, and long-term care from commercial carriers.

12. Reconciliation of Claims Liabilities by Fund

The schedule below presents the changes in claims liabilities for the past two years for the Fund.

	(in thousands) 2013	2012
Unpaid claims and claim adjustment expenses at beginning of the fiscal year	$ 176,801	$ 144,880
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current fiscal year	1,128,404	1,139,562
Increases in provision for insured events of prior fiscal years	689,183	631,981
Total incurred claims and claim adjustment expenses	1,817,587	1,771,543
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current fiscal year	1,022,622	1,037,653
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	757,270	701,969
Total payments	1,779,892	1,739,622
Total unpaid claims and claim adjustment expenses at end of the fiscal year	$ 214,496	$ 176,801
The above totals are comprised of the following:		
Claims payable	$ 70,963	$ 41,856
Claims incurred but not reported	143,533	134,945
Total	$ 214,496	$ 176,801

The HMO self-insured managed care plan liability at June 30, 2013 and 2012 was $29,707 and $6,031,088, respectively, and is included in the claims liability listed above.

13. Changes in Long-Term Liabilities

Changes in long-term obligations for the year ended June 30, 2013, were as follows:

	Beginning Balance July 1, 2012	Increases	Decreases	Ending Balance June 30, 2013	Due Within One Year
Compensated absences payable	$ 422,917	$ 301,066	$(176,157)	$ 547,826	$197,893

14. Medicare Part D Subsidy

The new Medicare Part D prescription drug benefit became effective in January 2006. The Plan elected to maintain primary coverage for pharmaceuticals for its Medicare eligible retirees. By providing drug coverage at least as valuable as that in the standard Medicare Part D program, the Plan qualifies for the Retiree Drug Subsidy (RDS), an incentive provided in the federal Part D law to encourage employers to retain good prescription benefits for retirees. The Plan earned and recorded $44,429,193 in RDS funding for the year ended June 30, 2013. As of June 30, 2013, the Plan had a receivable of $7,370,529.

15. Direct Premium Revenues and Insurance Related Expenses

Total insurance premium revenues and direct expenses by line of insurance are as follows:

	Premium Revenues			Expenses		
	Active Employees	Retirees	Total Premium Revenue	Claims Expenses	Premium Expenses	Third Party Administrative Expenses
Medical-PPO	$ 1,196,843,467	$ 499,993,908	$ 1,696,837,375	$ 1,114,792,160	$ -	$ 46,923,528
Medical-HMO	100,139,439	12,749,709	112,889,148	71,931,484	50,608,064	3,251,503
Dental	77,184,527	26,508,431	103,692,958	52,280,151	48,636,367	2,212,987
Prescription drug (1)	-	-	-	578,583,730	-	2,081,051
Life and optional dependent life	44,081,463	-	44,081,463	-	44,064,888	-
Vision	13,329,838	2,619,705	15,949,543	-	15,951,056	-
Long-term disability	6,650,445	-	6,650,445	-	6,651,315	-
	$ 1,438,229,179	$ 541,871,753	$ 1,980,100,932	$ 1,817,587,525	$ 165,911,690	$ 54,469,069

(1) Prescription drug claims relate to the individual lines but are presented here in aggregate.

16. USDHHS Early Retiree Reinsurance Program

The Fund received funds from the United States Department of Health and Human Services to initially fund the “Early Retiree Reinsurance Program.” In the application for these funds, the Fund stated that a portion of these funds would be used to reduce premiums charged to plan participants in the 2013 calendar year. During the year ended June 30, 2013, the Fund utilized the remaining amount of $13,571,251 for current operations.

17. Subsequent events

Subsequent events were evaluated through October 1, 2013, which is the date the financial statements were available for issue. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

DELOACH & WILLIAMSON, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS
1401 MAIN STREET, SUITE 660
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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with *Government Auditing Standards*

Mr. Richard H. Gilbert, Jr., CPA
Deputy State Auditor
Office of the State Auditor
Columbia, South Carolina

Dear Mr. Gilbert:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the South Carolina Public Employee Benefit Authority, Insurance Benefits (the "Fund"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated October 1, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DeLoach & Williamson, L.L.P.

Columbia, South Carolina

October 1, 2013

SOUTH CAROLINA LONG-TERM DISABILITY INSURANCE TRUST FUND

AUDITED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

WITH

INDEPENDENT AUDITORS REPORT

State of South Carolina

Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

RICHARD H. GILBERT, JR., CPA
DEPUTY STATE AUDITOR

(803) 253-4160
FAX (803) 343-0723

October 9, 2013

The Honorable Nikki R. Haley, Governor
and
Members of the South Carolina Public Employee
Benefit Authority
Columbia, South Carolina

This report on the audit of the financial statements of the South Carolina Long-Term Disability Insurance Trust Fund for the fiscal year ended June 30, 2013, was issued by DeLoach & Williamson, L.L.P., Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

If you have any questions regarding this report, please let us know.

Respectfully submitted,

Richard H. Gilbert, Jr., CPA
Deputy State Auditor

RHGjr/cwc

SOUTH CAROLINA LONG-TERM DISABILITY INSURANCE TRUST FUND

AUDITED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

WITH

INDEPENDENT AUDITORS REPORT

SOUTH CAROLINA LONG-TERM DISABILITY
INSURANCE TRUST FUND

AUDITED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

WITH

INDEPENDENT AUDITORS REPORT

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INDEPENDENT AUDITORS REPORT

Mr. Richard H. Gilbert, Jr., CPA
Deputy State Auditor
Office of the State Auditor
Columbia, South Carolina

We have audited the accompanying Statement of Plan Net Position of the South Carolina Long-Term Disability Insurance Trust Fund (the "Trust") as of June 30, 2013, and the Statement of Changes in Plan Net Position for the year then ended and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the South Carolina Long-Term Disability Insurance Trust Fund, as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As discussed in *Note 1*, the financial statements present only the South Carolina Long-Term Disability Insurance Trust Fund and do not purport to, and do not, present fairly the financial position of the State of South Carolina, as of June 30, 2013, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters
Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3-5), the schedule of funding progress (page 15) and the schedule of employer contributions (page 16) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2013, on our consideration of the Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal control over financial reporting and compliance.

Peloach & Williamson, L.L.P.

Columbia, South Carolina

October 1, 2013

SOUTH CAROLINA LONG-TERM DISABILITY INSURANCE TRUST FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2013

This Management's Discussion and Analysis (MD&A) of the financial activities of the South Carolina Long-Term Disability Insurance Trust Fund (the Trust) is an overview of its fiscal operations for the year ended June 30, 2013. Readers are encouraged to consider the information presented in conjunction with the Financial Statements.

Overview of the Trust

The Trust was established by the State of South Carolina through Act 195 on May 1, 2008. In accordance with Act 195, the Trust was created to fund and account for the employer costs of the State's Basic Long-Term Disability Income Benefit Plan. As of June 30, 2012 (the latest plan actuarial valuation date), there were 681 participating employers and 193,890 eligible plan participants (192,861 active and 1,029 retired). The South Carolina Public Employee Benefit Authority (PEBA) administers the Trust and the PEBA Board has been designated as the Trustee. The State Treasurer is the custodian of the funds held in the Trust and invests those funds in accordance with the statutes of the State.

Financial Highlights

- Net position held in trust for other post employment benefits (OPEB), as reported in the Statement of Plan Net Position, total $35.426 million.
- Total additions as reflected in the Statement of Changes in Plan Net Position of $7,209,456 represent contributions revenue, investment income and securities lending activities income.
- Total deductions as reflected in the Statement of Changes in Plan Net Position of $7,359,822 represent benefits expense.
- The actuarial valuation completed by Gabriel, Roeder, Smith and Company, the Trust's independent actuary, as of June 30, 2012, determined the annual required contribution (ARC) for the year ended June 30, 2013 to be $9.410 million, of which 72.23% was contributed in the current period.

Overview of Financial Statements

This MD&A serves as an introduction to the basic financial statements. The Trust has two basic financial statements, the notes to the financial statements, and the two required supplementary schedules. The basic financial statements and the required disclosures are in compliance with the accounting principles and reporting guidelines as set forth by the Governmental Accounting Standards Board, utilizing the accrual basis of accounting.

The Statement of Plan Net Position is the first basic financial report. This is a snapshot of account balances at fiscal year end. This statement reflects assets available for future payments to beneficiaries and any current liabilities owed as of fiscal year end.

This schedule is a condensed version of the Trust's assets, liabilities, and net position and is prepared from the Statement of Plan Net Position:

Condensed Statements of Plan Net Position

	2013	2012
Total assets	$ 35,822,505	$ 35,841,267
Total liabilities	396,744	265,140
Net position held in trust for other postemployment benefits	$ 35,425,761	$ 35,576,127

The Statement of Changes in Plan Net Position is the second financial report. This report reflects all the activities that occurred during the fiscal year and shows the impact of those activities as additions or deductions to the plan. The trend of additions versus deductions to the plan will indicate the condition of the Trust's financial position over time.

This schedule is a condensed version of the Trust's additions, deductions and changes in changes in plan net position and is prepared from the Statement of Changes in Plan Net Position:

Condensed Statements of Changes in Plan Net Position

	2013	2012
Total additions	$ 7,209,456	$ 9,373,214
Total deductions	7,359,822	7,080,219
Net increase (decrease) in net position held in trust for other postemployment benefits (OPEB)	(150,366)	2,292,995
Net position held in trust for OPEB, beginning of year	35,576,127	33,283,132
Net position held in trust for OPEB, end of year	$ 35,425,761	$ 35,576,127

The Notes to the Financial Statements (Notes) are an integral part of the financial reports. The Notes provide detailed discussion of key policies, programs, and activities that occurred during the period.

The Schedule of Funding Progress, a required supplementary schedule, includes historical trend information about the actuarially funded status of the plan and the progress made in accumulating sufficient assets to pay benefits when due. The other required supplementary schedule, the Schedule of Employer Contributions, presents historical trend information about the annual required contributions of the employer and the actual contributions made. These schedules provide information to help promote understanding of the changes in the funded status of the plan over time.

Plan Assets and Funding Ratio
As of June 30, 2013, the Trust has $35,425,761 in net position. The net position represents funds available for future payments.

In order to determine whether total plan net position will be sufficient to meet future obligations, the actuarial funding status needs to be calculated. On the valuation date, the assets available for the payment of disability benefits are appraised. These assets are compared with the actuarial liabilities, which are the actuarial present value of all future benefits expected to be paid for each member. The purpose of the valuation is to determine what future contributions by the participating employers are needed to pay all expected future benefits.

The Trust's independent actuary, Gabriel, Roeder, Smith and Company, performed an actuarial valuation as of June 30, 2012 and determined the actuarial accrued liability to be $23,586,000. The funded ratio was 151% as of the valuation.

Additions and Deductions to Plan Net Position
The primary sources which finance the long-term disability benefits the Trust provides are investment income and the collection of employer contributions. For the period ended June 30, 2013, total additions amounted to $7,209,456. Employer contributions to the Trust were $6,796,468 for premiums that are billed and transferred by PEBA – Insurance Benefits on a monthly basis. At June 30, 2013, there was a net gain in investment income of $412,988 that is composed of interest earnings of $1,318,637, premium amortization of ($22,396), and unrealized losses of ($883,253).

For the period ending June 30, 2013, total deductions amounted to $7,359,822 as a result of benefits expense (claims expense and administrative expenses).

Future Funding of the Trust
The Actuarial Accrued Liability is over 100% funded and going forward into 2014, the premium charged to employers will remain static.

Request for Additional Information
Questions about this report, or requests for additional financial information should be addressed as follows:

Phyllis Buie, Finance Officer
PEBA – Insurance Benefits
202 Arbor Lake Drive
Columbia, SC 29223

SOUTH CAROLINA LONG-TERM DISABILITY INSURANCE TRUST FUND

STATEMENT OF PLAN NET POSITION

JUNE 30, 2013

Assets :		
Cash and cash equivalents	$	4,291,158
Accrued interest receivable		326,710
Investments		31,204,637
Total assets		35,822,505
Liabilities :		
Due to PEBA Insurance Benefits		31,200
Claims payable		281,185
Due to South Carolina Retiree Health Insurance Trust Fund		84,359
Total liabilities		396,744
Net position held in trust for other postemployment benefits (OPEB)	$	35,425,761

See accompanying notes.

SOUTH CAROLINA LONG-TERM DISABILITY INSURANCE TRUST FUND

STATEMENT OF CHANGES IN PLAN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2013

Additions:	
Contributions	$ 6,796,468
Investment income *(Note 3)*	412,988
Total additions	7,209,456
Deductions:	
Benefits expense	7,354,822
Administrative expenses	5,000
Total deductions	7,359,822
Net decrease in net position held in trust for OPEB	(150,366)
Net position held in trust for OPEB, beginning of year	35,576,127
Net position held in trust for OPEB, end of year	$ 35,425,761

See accompanying notes.

1. Trust Description

General

The South Carolina Long-Term Disability Insurance Trust Fund (the "Trust") was established by the State of South Carolina (the "State") as Act 195 (the Act) which became effective on May 1, 2008. The Trust was created to fund and account for the employer costs of the State's Basic Long-Term Disability Income Benefit Plan (the "Plan") in compliance with Governmental Accounting Standards.

The Trust is a part of the State of South Carolina's primary government and is included in the *Comprehensive Annual Financial Report of the State of South Carolina*. In making this determination, factors of financial accountability, governance and fiduciary responsibility of the State were considered.

In accordance with the Act, the Trust is administered by the South Carolina Public Employee Benefit Authority (PEBA) Insurance Benefits division and the State Treasurer is the custodian of the funds held in the Trust. The Board of Directors of PEBA has been designated as the Trustee.

Plan Description and Contribution Information

The Trustee has determined that the Plan is a cost-sharing multiple-employer defined benefit long-term disability plan that covers employees of the State including all agencies and public school districts and all participating local governmental entities (the "Employers"). The Plan provides disability payments to eligible employees as defined in Article 5 of the State Code of Laws (the "Code") that become disabled. Article 5 of the Code authorizes the Trustee to at any time adjust the Plan, including its benefits and contributions, as necessary to insure the fiscal stability of the Plan.

The Trust receives employer contributions only. For the period ended June 30, 2013, Employers contributed $6,796,468 to the Trust.

Administrative costs of the Plan are paid from Plan assets.

-CONTINUED-

1. Trust Description (Continued)

Eligible participants of the Plan consisted of the following at June 30, 2012, the date of the latest actuarial valuation:

Active participants	192,861
Retired participants	1,029
Total participants	193,890
Number of participating employers	681

Risks and Uncertainties

The Trust invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of plan net position available for benefits.

2. Summary of Significant Accounting Policies

Basis of Accounting

These financial statements have been prepared in accordance with the standards issued by the Governmental Accounting Standards Board (GASB). Additionally, the Trust has adopted the provisions of GASB 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The Trust has determined that no amounts were required to be reclassified or otherwise recognized as deferred inflows or outflows resources for the year ended June 30, 2013.

As required under these standards, the financial statements of the Trust are prepared using the accrual basis of accounting. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the Plan.

Method Used to Value Investments

Investments are stated at fair value as determined by the custodian from quoted market prices. Net unrealized appreciation or depreciation for the year is reflected in the statement of changes in plan net position and is included as a component of investment income.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Administrator of the Trust to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

3. Investments, Deposits and Securities Lending Transactions

As prescribed by Statute, the State Treasurer is the custodian and investment manager of all investments, deposits and securities lending transactions of the Trust.

Investments

In accordance with State Law, the Trust may invest in a variety of instruments including obligations of the United States and its agencies and securities fully guaranteed by the United States, certain corporate obligations, certain shares of Federal savings and loan associations and State chartered savings and loan associations, and collateralized repurchase agreements. All investments are required to be insured or registered, or held by the State or its agent in the name of the State Treasurer as custodian.

With respect to investments in the State's internal cash management pool, all of the State Treasurer's investments are insured or registered or are investments for which the securities are held by the State or its agents in the State's name. Information pertaining to the reported amounts, fair values, and credit risk of the State Treasurer's investments is disclosed in the *Comprehensive Annual Financial Report* of the State of South Carolina.

The following table presents the fair values of the investments (including invested securities lending collateral) of the Trust at June 30, 2013:

	Fair Value
Collateralized mortgage-backed obligations	$ 1,919,207
Other Governmental guaranteed investments	7,243,716
Repurchase agreement	4,290,000
Corporate bonds	15,510,764
Financial paper	6,530,950
Total	$ 35,494,637

The accounts classified as investments in the financial statements comprise investments held for the Trust and the State of South Carolina, which are legally restricted and earnings thereon become revenue of the specific fund from which the investment was made. These investments are specific, identifiable investment securities, some of which may be included in one of the State Treasurer's investment pools.

3. Investments, Deposits and Securities Lending Transactions (Continued)

For all investment classifications reported above, the balances therein fluctuated minimally in excess of the year-end balances throughout the year ended June 30, 2013. As discussed in *Note 2*, investments are reported at fair value. Therefore, gains and losses recognized due to market fluctuations are recognized as investment income. The Fund held no short-term investments at June 30, 2013.

The investment types listed above include all investment types in which monies were held throughout the year ended June 30, 2013. Due to higher cash flows at certain times during the year, the Fund's investment in repurchase agreements fluctuated significantly. The maximum amounts held in this classification during the year ended June 30, 2013, was $5,275,000.

Deposits

All deposits with financial institutions are required to be insured or collateralized with securities held by the State or its agent in the State Treasurer's name as custodian. At June 30, 2013, the Fund had no deposits with financial institutions. The Fund had $1,158 held by the State Treasurer as of June 30, 2013.

Fair value for cash and cash equivalents reported approximates the carrying value.

During the year, the following amounts (which apply to all investments) were included in investment earnings:

Interest earned	$ 1,318,637
Premium amortization	(22,396)
Gains and (losses) on investments	(883,253)
Investment earnings	$ 412,988

3. Investments, Deposits and Securities Lending Transactions (Continued)

The following schedule reconciles investments and deposits as reported in the statement of net position to disclosures included in this note.

	Statements	Note Disclosure
Held by State Treasurer:		
Cash and cash equivalents	$ 4,291,158	$ -
Pooled investments	31,204,637	-
Deposits	-	1,158
Specifically identified investments	-	35,494,637
Total	$ 35,495,795	$ 35,495,795

Securities Lending

Through its custodial agent, the Trust participates in a securities lending program whereby securities are loaned for the purpose of generating additional income. The Trust lends securities from its investment portfolio on a collateralized basis to third parties, primarily financial institutions. The market value of the required collateral must initially meet or exceed 102 percent of the market value of the securities, loaned, providing a margin against a decline in the market value of the collateral, and requires additional collateral if the collateral value falls below 100 percent.

There are no restrictions on the amount of securities that may be loaned. The types of securities available for loan during the year ended June 30, 2013, included U.S. Government securities, U.S. Government agencies, corporate bonds, and convertible bonds. The contractual agreement with the Trusts' custodial bank provides indemnification in the event the borrower fails to pay the Trust income distribution by the securities' issuers while the securities are on loan. Cash and U.S. Government securities were received as collateral for these loans. The Trust cannot pledge or sell collateral securities without a borrower default. The trust invests cash collateral received; accordingly, investments made with cash collateral appear as an asset. A corresponding liability is recorded as the Trust must return the cash collateral to the borrower upon the expiration of the loan.

At June 30, 2013, the Trust did not have any securities on loan.

With regard to custodial credit risk, the Trusts' cash collateral invested is held by the counterparty and is uninsured. All securities loaned can be terminated on demand by either the Trust or the borrower.

4. Funded Status and Funding Progress

The latest actuarial valuation was performed as of June 30, 2012 by the Trust's independent consulting actuary, Gabriel, Roeder, Smith and Company.

The funded status of the Plan as of the most recent actuarial valuation date is as follows ($ in'000s):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of covered Payroll ({b - a} /c)
June 30, 2012	$ 35,576	$ 23,586	$ (11,990)	151%	$ 7,871,635	0%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The accompanying schedules of employer contributions present trend information about the amounts contributed to the Trust by employers in comparison to the annual required contribution (the ARC), an amount that is actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

4. Funded Status and Funding Progress (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and plan participants) and include the types of benefits provided at the time of the valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2012
Actuarial cost method	Individual entry age
Amortization method	Level percent open
Remaining amortization periods	30 years
Asset valuation method	Market
Actuarial assumptions:	
Investment rate of return	6.00%
Payroll growth rate	3.50%

5. Subsequent events

Subsequent events were evaluated through October 1, 2013, which is the date the financial statements were available for issue. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

SOUTH CAROLINA LONG-TERM DISABILITY INSURANCE TRUST FUND

SCHEDULE OF FUNDING PROGRESS

AS OF JUNE 30, 2013

($ IN '000S)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of covered Payroll ({b - a} /c)
June 30, 2008	$ 27,468	$ 26,341	$ (1,127)	104%	$ 8,307,740	0%
June 30, 2009	$ 29,440	$ 23,610	$ (5,830)	125%	$ 8,418,750	0%
June 30, 2010	$ 32,690	$ 25,855	$ (6,835)	126%	$ 8,295,065	0%
June 30, 2011	$ 33,283	$ 24,957	$ (8,326)	133%	$ 7,837,796	0%
June 30, 2012	$ 35,576	$ 23,586	$ (11,990)	151%	$ 7,871,635	0%

SOUTH CAROLINA LONG-TERM DISABILITY INSURANCE TRUST FUND

SCHEDULE OF EMPLOYER CONTRIBUTIONS

AS OF JUNE 30, 2013

($ IN '000S)

Year Ended June 30	**Annual Required Contribution**	**Percentage Contributed**
2008	$ 10,038	332.33%
2009	$ 9,469	73.57%
2010	$ 9,590	71.43%
2011	$ 9,456	71.25%
2012	$ 9,231	73.11%
2013	$ 9,410	72.23%

DELOACH & WILLIAMSON, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS
1401 MAIN STREET, SUITE 660
COLUMBIA, SOUTH CAROLINA 29201

PHONE: (803) 771-8855
FAX: (803) 771-6001

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with *Government Auditing Standards*

Mr. Richard H. Gilbert, Jr., CPA
Deputy State Auditor
Office of the State Auditor
Columbia, South Carolina

Dear Mr. Gilbert:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the South Carolina Long-Term Disability Insurance Trust Fund (the "Trust"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Trust's financial statements, and have issued our report thereon dated October 1, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Trust's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of the Trust's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the Trust's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Deloach & Williamson, L.L.P.

Columbia, South Carolina

October 1, 2013

SOUTH CAROLINA RETIREE HEALTH INSURANCE TRUST FUND

AUDITED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

WITH

INDEPENDENT AUDITORS REPORT

State of South Carolina

Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

RICHARD H. GILBERT, JR., CPA
DEPUTY STATE AUDITOR

(803) 253-4160
FAX (803) 343-0723

October 9, 2013

The Honorable Nikki R. Haley, Governor
and
Members of the South Carolina Public Employee
Benefit Authority
Columbia, South Carolina

This report on the audit of the financial statements of the South Carolina Retiree Health Insurance Trust Fund for the fiscal year ended June 30, 2013, was issued by DeLoach & Williamson, L.L.P., Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

If you have any questions regarding this report, please let us know.

Respectfully submitted,

Richard H. Gilbert, Jr., CPA
Deputy State Auditor

RHGjr/cwc

SOUTH CAROLINA RETIREE HEALTH INSURANCE TRUST FUND

AUDITED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

WITH

INDEPENDENT AUDITORS REPORT

SOUTH CAROLINA RETIREE HEALTH
INSURANCE TRUST FUND

AUDITED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

WITH

INDEPENDENT AUDITORS REPORT

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DELOACH & WILLIAMSON, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS
1401 MAIN STREET, SUITE 660
COLUMBIA, SOUTH CAROLINA 29201

PHONE: (803) 771-8855
FAX: (803) 771-6001

INDEPENDENT AUDITORS REPORT

Mr. Richard H. Gilbert, Jr., CPA
Deputy State Auditor
Office of the State Auditor
Columbia, South Carolina

We have audited the accompanying Statement of Plan Net Position of the South Carolina Retiree Health Insurance Trust Fund (the "Trust") as of June 30, 2013, and the Statement of Changes in Plan Net Position for the year then ended and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the South Carolina Retiree Health Insurance Trust Fund, as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in *Note 1*, the financial statements present only the South Carolina Retiree Health Insurance Trust Fund and do not purport to, and do not, present fairly the financial position of the State of South Carolina, as of June 30, 2013, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3-5), the schedule of funding progress (page 17) and the schedule of employer contributions (page 18) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated October 1, 2013, on our consideration of the Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal control over financial reporting and compliance.

Deloach & Williamson, L.L.P.

Columbia, South Carolina
October 1, 2013

SOUTH CAROLINA RETIREE HEALTH INSURANCE TRUST FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2013

This Management's Discussion and Analysis (MD&A) of the financial activities of the South Carolina Retiree Health Insurance Trust Fund (the Trust) is an overview of its fiscal operations for the fiscal year ended June 30, 2013. Readers are encouraged to consider the information presented in conjunction with the Financial Statements.

Overview of the Trust

The Trust was established by the State of South Carolina through Act 195 on May 1, 2008. In accordance with Act 195, the Trust was created to provide for the employer costs of retiree post-employment health and dental insurance benefits for retired state employees and retired employees of public school districts. As of the Trust valuation date of June 30, 2012 (the latest plan actuarial evaluation date), there were 222 participating employers and 245,932 eligible plan participants (171,043 active, 74,362 retired, and 527 vested terminated). The South Carolina Public Employee Benefit Authority (PEBA) administers the Trust and the PEBA Board has been designated as the Trustee. The State Treasurer is the custodian of the funds held in the Trust and invests those funds in accordance with the statutes of the State.

Financial Highlights

- Net position held in trust for other post employment benefits (OPEB), as reported in the Statement of Plan Net Position, totaled $668.972 million at June 30, 2013.
- Total additions as reflected in the Statement of Changes in Plan Net Position total $421.798 million are a result of contributions and investment income.
- Total deductions as reflected in the Statement of Changes in Plan Net Position total $345.163 million and are a result of benefits and administrative expenses.
- The actuarial valuation completed by Gabriel, Roeder, Smith and Company, the Trust's independent actuary, as of June 30, 2012, determined the annual required contribution (ARC) for the year ended June 30, 2013 to be $818.861 million, of which 50.02% was contributed in the current period.

Overview of Financial Statements

This MD&A serves as an introduction to the basic financial statements. The Trust has two basic financial statements, the notes to the financial statements and the two required supplementary schedules. The basic financial statements and the required disclosures are in compliance with the accounting principles and reporting guidelines as set forth by the Governmental Accounting Standards Board, utilizing the accrual basis of accounting.

The Statement of Plan Net Position is the first basic financial report. This is a snapshot of account balances at fiscal year end. This statement reflects assets available for future payments to retirees and their beneficiaries and any current liabilities owed as of fiscal year end.

This schedule is a condensed version of the Trust's assets, liabilities, and net position and is prepared from the Statement of Plan Net Position:

Condensed Statements of Plan Net Position

	2013	2012
Total assets	$ 674,392,519	$ 604,322,618
Total liabilities	5,420,526	11,985,866
Net position held in trust for other postemployment benefits	$ 668,971,993	$ 592,336,752

The Statement of Changes in Plan Net Position is the second financial report. This report reflects all the activities that occurred during the fiscal year and shows the impact of those activities as additions or deductions to the plan. The trend of additions versus deductions to the plan will indicate the condition of the Trust's financial position over time.

This schedule is a condensed version of the Trust's additions, deductions and changes in changes in plan net position and is prepared from the Statement of Changes in Plan Net Position:

Condensed Statements of Changes in Plan Net Position

	2013	2012
Total additions	$ 421,798,349	$ 434,305,165
Total deductions	345,163,108	319,091,975
Net increase (decrease) in net position held in trust for other postemployment benefits (OPEB)	76,635,241	115,213,190
Net position held in trust for OPEB, beginning of year	592,336,752	477,123,562
Net position held in trust for OPEB, end of year	$ 668,971,993	$ 592,336,752

The Notes to the Financial Statements (Notes) are an integral part of the financial reports. The Notes provide detailed discussion of key policies, programs, and activities that occurred during the period.

The Schedule of Funding Progress, a required supplementary schedule, includes historical trend information about the actuarially funded status of the plan and the progress made in accumulating sufficient assets to pay benefits when due. The other required supplementary schedule, the Schedule of Employer Contributions, presents historical trend information about the annual required contributions of the employer and the actual contributions made. These schedules provide information to help promote understanding of the changes in the funded status of the plan over time.

Plan Assets and Funding Ratio
As of June 30, 2013, the Trust had $668.972 million in net position (total assets of $674.393 million exceeding total liabilities of $5.421 million). Net position represents funds available for future payments.

In order to determine whether total plan net position will be sufficient to meet future obligations, the actuarial funding status needs to be calculated. On the valuation date, the assets available for the payment of health and dental benefits are appraised. These assets are compared with the actuarial liabilities, which are the actuarial present value of all future benefits expected to be paid for each member. The purpose of the valuation is to determine what future contributions by the participating employers are needed to pay all expected future benefits.

The Trust's independent actuary, Gabriel, Roeder, Smith and Company, performed an actuarial valuation as of June 30, 2012 and determined the actuarial accrued liability to be $10.328 billion (and a funded ratio of 6%).

Additions and Deductions to Plan Net Position
The primary sources which finance the health and dental benefits the Trust provides are the collection of employer contributions, additional State appropriations, accumulated PEBA – Insurance Benefits reserve balances, and income generated from investments. For the period ending June 30, 2013, total additions amounted to $421,798,349. Employer contributions accounted for $342,590,261 that is a result of a surcharge of 4.55% on each employer's payroll. The surcharge is an estimated amount to cover the employer portion of the "pay go" costs of retiree claims and is collected by and transferred from the South Carolina Retirement System to the Trust. Other additions were state appropriations of $2,375,300, a transfer of $64,626,715 based on the amount of PEBA – Insurance Benefits cash reserves available over 140% of the actuarial determined IBNR at December 31, 2012, and $12,193,961 in investment income. Investment income is comprised of $20,239,108 of interest earnings, premium amortization of $586,893, unrealized losses of ($13,265,246) and changes in unrealized gains and (losses) from value in securities lending of $4,633,206.

For the period ending June 30, 2013, total deductions amounted to $345,163,108, which was a result of claims and administrative expenses.

Future Funding
Going forward into 2014, the actuarial accrued liability and the annual required contribution will be funded primarily through the surcharge on employer's payroll. Effective July 1, 2013, the surcharge will be 4.92%. Other funding sources will include excess PEBA – Insurance Benefits reserves, additional State appropriations (which in this year's budget totaled $2,375,300) and investment earnings.

Request for Additional Information
Questions about this report, or requests for additional financial information should be addressed as follows:

Phyllis Buie, Finance Officer
PEBA – Insurance Benefits
202 Arbor Lake Drive
Columbia, SC 29223

SOUTH CAROLINA RETIREE HEALTH INSURANCE TRUST FUND

STATEMENT OF PLAN NET POSITION

JUNE 30, 2013

Assets :		
Cash and cash equivalents	$	58,524,896
Invested securities lending collateral		1,516,733
Due from South Carolina Retirement Systems		54,135,259
Accrued interest receivable		4,818,058
Investments		555,313,214
Due from South Carolina Long-Term Disability Insurance Trust Fund		84,359
Total assets		674,392,519
Liabilities :		
Collateral for loaned securities		5,246,480
Due to PEBA Insurance Benefits		174,046
Total liabilities		5,420,526
Net position held in trust for other postemployment benefits (OPEB)	$	668,971,993

See accompanying notes.

SOUTH CAROLINA RETIREE HEALTH INSURANCE TRUST FUND

STATEMENT OF CHANGES IN PLAN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2013

Additions:		
Contributions	$	409,592,276
Investment income *(Note 5)*		12,193,961
Securities lending activities income:		
Gross earnings from interest and fees		8,474
Gross borrower rebates		5,435
Bank fees		(1,797)
Net earnings from securities lending activities		12,112
Total additions		421,798,349
Deductions:		
Benefits expense		345,079,908
Administrative expenses		83,200
Total deductions		345,163,108
Net increase in net position held in trust for OPEB		76,635,241
Net position held in trust for OPEB, beginning of year		592,336,752
Net position held in trust for OPEB, end of year	$	668,971,993

See accompanying notes.

1. Trust Description

General

The South Carolina Retiree Health Insurance Trust Fund (the "Trust") was established by the State of South Carolina (the "State") as Act 195 (the Act) which became effective on May 1, 2008. The Trust was created to fund and account for the employer costs of the State's retiree health and dental plans (the "Plan") in compliance with Governmental Accounting Standards.

The Trust is a part of the State of South Carolina's primary government and is included in the *Comprehensive Annual Financial Report of the State of South Carolina*. In making this determination, factors of financial accountability, governance and fiduciary responsibility of the state were considered.

In accordance with the Act, the Trust is administered by the South Carolina Public Employee Benefit Authority (PEBA) Insurance Benefits division and the State Treasurer is the custodian of the funds held in the Trust. The Board of Directors of PEBA has been designated as the Trustee.

Plan Description and Contribution Information

The Trustee has determined that the plan is a cost-sharing multiple-employer defined benefit healthcare plan that covers retired employees of the State including all agencies and public school districts (the Employers). The Plan provides health and dental insurance benefits to eligible retirees as defined in Article 5 of the State Code of Laws (the Code). Article 5 of the Code authorizes the Trustee to at any time adjust the Plan, including its benefits and contributions, as necessary to insure the fiscal stability of the Plan.

The Trust receives employer contributions, State appropriations, and mandatory transfers. For the year ended June 30, 2013, contributions were as follows:

Transfer to the Trust from IBNR reserves	$	64,626,715
State appropriations		2,375,300
Monthly employer contributions		342,590,261
	$	409,592,276

The monthly Employer contributions are based on a surcharge of 4.55% of the employer's annual covered payroll.

-CONTINUED-

1. Trust Description (Continued)

Administrative costs of the Plan are paid from Plan assets.

Eligible participants of the Plan consisted of the following at June 30, 2012, the date of the latest actuarial valuation:

Active participants	171,043
Retired participants	74,362
Vested terminated participants	527
Total participants	245,932
Number of participating employers	222

Risks and Uncertainties

The Trust invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of plan net position available for benefits.

2. Summary of Significant Accounting Policies

Basis of Accounting

These financial statements have been prepared in accordance with the standards issued by the Governmental Accounting Standards Board (GASB). Additionally, the Trust has adopted the provisions of GASB 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The Trust has determined that no amounts were required to be reclassified or otherwise recognized as deferred inflows or outflows resources for the year ended June 30, 2013.

As required under these standards, the financial statements of the Trust are prepared using the accrual basis of accounting. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the Plan.

Method Used to Value Investments

Investments are stated at fair value as determined by the custodian from quoted market prices. Net unrealized appreciation or depreciation for the year is reflected in the statement of changes in plan net position and is included as a component of investment income.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Administrator of the Trust to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

3. Due from Other State Agencies

The South Carolina Retirement System had collected $54,135,259 in monthly employer contributions attributable to May and June that had not been remitted to the Trust as of June 30, 2013.

4. Due to PEBA – Insurance Benefits

At June 30, 2013, the total due to PEBA Insurance Benefits from the Trust was $174,046 for various administrative expenses.

PEBA Insurance Benefits develops blended group health premiums by coverage tier each year. These premiums are derived by blending the expected cost of coverage among both active and retired participants. The blended premium is generally lower than the actual cost of retiree coverage and higher than the actual cost of active coverage.

By applying the blended premiums to active coverage the State is essentially financing a portion of the total retiree cost. The portion of the retiree cost funded by active coverage is known as the implicit subsidy.

Based on legislation, PEBA Insurance Benefits has historically performed the implicit subsidy calculation at fiscal year-end and transferred this amount from the Trust to PEBA Insurance Benefits. Recently, it has been determined that while the calculation is necessary for reporting purposes, the amount should not be transferred from the Trust. Because PEBA Insurance Benefits is receiving the total blended premium for active employees, as well as the total blended premium for retirees (through transfer from the OPEB Trust for the employer contribution), PEBA Insurance Benefits is receiving the total expected cost for both active and retired participants. PEBA Insurance Benefits will therefore, discontinue the practice of transferring the implicit subsidy from the Trust to PEBA Insurance Benefits. By discontinuing this practice, the Trust did not have to transfer the calculated implicit subsidy of $23,791,970 for the year ended June 30, 2013.

5. Investments, Deposits and Securities Lending Transactions

As prescribed by Statute, the State Treasurer is the custodian and investment manager of all investments, deposits and securities lending transactions of the Trust.

<u>Investments</u>
In accordance with State Law, the Trust may invest in a variety of instruments including obligations of the United States and its agencies and securities fully guaranteed by the United States, certain corporate obligations, certain shares of Federal savings and loan associations and State chartered savings and loan associations, and collateralized repurchase agreements.

5. Investments, Deposits and Securities Lending Transactions (Continued)

All investments are required to be insured or registered, or held by the State or its agent in the name of the State Treasurer as custodian.

With respect to investments in the State's internal cash management pool, all of the State Treasurer's investments are insured or registered or are investments for which the securities are held by the State or its agents in the State's name. Information pertaining to the reported amounts, fair values, and credit risk of the State Treasurer's investments is disclosed in the *Comprehensive Annual Financial Report* of the State of South Carolina.

The following table presents the fair values of the investments of the Trust at June 30, 2013:

	Fair Value
Collateralized mortgage-backed obligations	$ 33,720,152
Other Governmental guaranteed investments	72,837,906
Federal agencies	5,003,300
Repurchase agreement	56,465,000
Sovereign bonds	4,247,200
State bonds	2,066,740
Corporate bonds	353,541,843
Financial paper	83,896,073
Total	$ 611,778,214

The accounts classified as investments in the financial statements comprise investments held for the Trust and the State of South Carolina, which are legally restricted and earnings thereon become revenue of the specific fund from which the investment was made. These investments are specific, identifiable investment securities, some of which may be included in one of the State Treasurer's investment pools.

For all investment classifications reported above, the balances therein fluctuated minimally in excess of the year-end balances throughout the year ended June 30, 2013. As discussed in *Note 2*, investments are reported at fair value. Therefore, gains and losses recognized due to market fluctuations are recognized as investment income. The Fund held no short-term investments at June 30, 2013.

The investment types listed above include all investment types in which monies were held throughout the year ended June 30, 2013. Due to higher cash flows at certain times during the year, the Fund's investment in repurchase agreements fluctuated significantly. The maximum amounts held in this classification during the year ended June 30, 2013, was $97,870,000.

5. Investments, Deposits and Securities Lending Transactions (Continued)

Deposits

All deposits with financial institutions are required to be insured or collateralized with securities held by the State or its agent in the State Treasurer's name as custodian. At June 30, 2013, the Fund had no deposits with financial institutions. The Fund had $2,059,896 held by the State Treasurer as of June 30, 2013.

Fair value for cash and cash equivalents reported approximates the carrying value.

During the year, the following amounts (which apply to all investments) were included in investment earnings:

Interest earned from investments of the Trust	$ 20,239,108
Premium amortization	586,893
Gains and (losses) on investments	(13,265,246)
Gains (losses) from change in value of securities lending collateral	4,633,206
Investment earnings	$ 12,193,961

The following schedule reconciles investments and deposits as reported in the statement of net position to disclosures included in this note.

	Statements	**Note Disclosure**
Held by State Treasurer:		
Cash and cash equivalents	$ 58,524,896	$ -
Invested securities lending collateral	1,516,733	1,516,733
Pooled investments	555,313,214	-
Deposits	-	2,059,896
Specifically identified investments	-	611,778,214
Total	$ 615,354,843	$ 615,354,843

5. Investments, Deposits and Securities Lending Transactions (Continued)

Securities Lending

Through its custodial agent, the Trust participates in a securities lending program whereby securities are loaned for the purpose of generating additional income. The Trust lends securities from its investment portfolio on a collateralized basis to third parties, primarily financial institutions. The market value of the required collateral must initially meet or exceed 102 percent of the market value of the securities, loaned, providing a margin against a decline in the market value of the collateral, and requires additional collateral if the collateral value falls below 100 percent.

There are no restrictions on the amount of securities that may be loaned. The types of securities available for loan during the year ended June 30, 2013, included U.S. Government securities, U.S. Government agencies, corporate bonds, and convertible bonds. The contractual agreement with the Trusts' custodial bank provides indemnification in the event the borrower fails to pay the Trust income distribution by the securities' issuers while the securities are on loan. Cash and U.S. Government securities were received as collateral for these loans. The Trust cannot pledge or sell collateral securities without a borrower default. The trust invests cash collateral received; accordingly, investments made with cash collateral appear as an asset. A corresponding liability is recorded as the Trust must return the cash collateral to the borrower upon the expiration of the loan.

At June 30, 2013, the fair value of securities on loan was $1,516,733. The fair value of the invested cash collateral was $5,120,104. Securities lending obligations at June 30, 2013 were $5,246,480, with the unrealized loss in invested cash collateral recorded in the Statement of Changes in Plan Net Position under investment income.

With regard to custodial credit risk, the Trusts' cash collateral invested is held by the counterparty and is uninsured. All securities loaned can be terminated on demand by either the Trust or the borrower. At year end the average number of days the loans were outstanding was one day. The average weighted maturity of investments made with cash collateral was nine days. At June 30, 2013, there had been no losses resulting from borrower defaults and the Trust had no credit risk exposure to borrowers because the amounts the Trust owed the borrowers exceeded the amounts the borrowers owed the Trust.

5. Investments, Deposits and Securities Lending Transactions (Continued)

The following table presents the fair value of the underlying securities and the total collateral received for securities on loan at June 30, 2013:

	June 30, 2013
Securities lent for cash collateral:	
U.S. Corporate-fixed income	$ 5,120,104
Total securities lent for cash collateral	$ 5,120,104
Cash collateral invested as follows:	
Repurchase agreements	$ 408,052
Asset backed securities	1,108,681
Total for cash collateral invested	$ 1,516,733

6. Funded Status and Funding Progress

The latest actuarial valuation was performed as of June 30, 2012 by the Trust's independent consulting actuary, Gabriel, Roeder, Smith and Company.

The funded status of the Plan as of the most recent actuarial valuation date is as follows ($ in 000s):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of covered Payroll ({b - a} /c)
June 30, 2012	$ 592,337	$ 10,328,465	$ 9,736,128	6%	$ 7,161,059	136%

6. Funded Status and Funding Progress (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The accompanying schedules of employer contributions present trend information about the amounts contributed to the Trust by employers in comparison to the annual required contribution (the ARC), an amount that is actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and plan participants) and include the types of benefits provided at the time the valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2012
Actuarial cost method	Individual entry age
Amortization method	Level percent open
Remaining amortization periods	30 years
Asset valuation method	Market
Actuarial assumptions:	
Investment rate of return	5.50%
Payroll growth rate	3.50%
Healthcare cost trend rate	
Medical	7.25% - 4.50% Ultimate
RX	7.75% - 4.50% Ultimate

7. Subsequent events

Subsequent events were evaluated through October 1, 2013, which is the date the financial statements were available for issue. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

SOUTH CAROLINA RETIREE HEALTH INSURANCE TRUST FUND

SCHEDULE OF FUNDING PROGRESS

AS OF JUNE 30, 2013

($ IN '000S)

Actuarial Valuation Date	**Actuarial Value of Assets (a)**	**Actuarial Accrued Liability (b)**	**Unfunded Actuarial Accrued Liability (b-a)**	**Funded Ratio (a / b)**	**Covered Payroll (c)**	**UAAL as a Percentage of covered Payroll ({b - a} /c)**
June 30, 2008	$ 270,153	$ 9,279,578	$ 9,009,425	3%	$ 7,596,053	119%
June 30, 2009	$ 439,903	$ 9,643,577	$ 9,203,674	5%	$ 7,736,161	119%
June 30, 2010	$ 487,496	$ 9,632,092	$ 9,144,596	5%	$ 7,570,126	121%
June 30, 2011	$ 477,124	$ 10,625,914	$ 10,148,790	4%	$ 7,127,657	142%
June 30, 2012	$ 592,337	$ 10,328,465	$ 9,736,128	6%	$ 7,161,059	136%

SOUTH CAROLINA RETIREE HEALTH INSURANCE TRUST FUND

SCHEDULE OF EMPLOYER CONTRIBUTIONS

AS OF JUNE 30, 2013

($ IN '000S)

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2009	$ 727,079	50.87%
2010	$ 785,250	37.76%
2011	$ 815,825	37.11%
2012	$ 787,293	53.22%
2013	$ 818,861	50.02%

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CERTIFIED PUBLIC ACCOUNTANTS
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COLUMBIA, SOUTH CAROLINA 29201

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with *Government Auditing Standards*

Mr. Richard H. Gilbert, Jr., CPA
Deputy State Auditor
Office of the State Auditor
Columbia, South Carolina

Dear Mr. Gilbert:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the South Carolina Retiree Health Insurance Trust Fund (the "Trust"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Trust's financial statements, and have issued our report thereon dated October 1, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Trust's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of the Trust's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Trust's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DeLoach & Williamson, L.L.P.

Columbia, South Carolina

October 1, 2013

PUBLIC EMPLOYEE BENEFIT AUTHORITY
AGENDA ITEM
(Reporting Committee: Health Care Policy Committee)

December 18, 2013 **Tab 8**

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1. Subject: Tobacco User Differential Study

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2. Summary:

FY 12/13 Tobacco User Differential Study:

Pursuant to FY 13/14 Appropriations Act Proviso 105.6: The Public Employee Benefit Authority shall conduct a study to determine if it is in the best interest of the state and the State Health Plan to differentiate between tobacco users by category of product used and non-users regarding rates charged to enrollees in its health plans by imposing a surcharge on enrollee rates based upon the category of tobacco product used. In conducting the study, the authority shall offer a period for public comment. Recommendations shall include, but not be limited to an appropriate surcharge to be assessed and shall be submitted to the Chairman of the Senate Finance Committee and the Chairman of the House Ways and Means Committee by December 31, 2013.

During the Health Care Policy Committee meeting in November, staff was directed to further research the data available and other research sources prior to publishing the report and opening the period of public comment.

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3. What is Board asked to do? Receive as information.

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4. Supporting Documents:

(a) Attached:

1. FY 12/13 Tobacco User Differential Study. Revised.

GRS

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December 16, 2013

Board of Directors
Public Employee Benefit Authority (PEBA)
202 Arbor Lake Drive
Columbia, SC 29223

Re: Tobacco User Differential Study

<u>Background</u>

This document is in response to Proviso 105.6. (PEBA: Tobacco User Differential Study). The proviso states:

> " The Public Employee Benefit Authority shall conduct a study to determine if it is in the best interest of the state and the State Health Plan to differentiate between tobacco users by category of product used and non-users regarding rates charged to enrollees in its health plans by imposing a surcharge on enrollee rates based upon the category of tobacco product used. In conducting the study, the authority shall offer a period for public comment. Recommendations shall include, but not be limited to an appropriate surcharge to be assessed and shall be submitted to the Chairman of the Senate Finance Committee and the Chairman of the House Ways and Means Committee by December 31, 2013."

According to numerous independent sources such as the Centers for Disease Control and the American Cancer Society, tobacco use has been linked to a number of disease states including cardiovascular disease and a variety of neoplasms. Cigarette smoking has been linked to lung, mouth, lip, nasal cavity and sinuses, larynx, pharynx, esophagus, stomach, pancreas, kidney, bladder, uterus, cervix, colon/rectum, and ovarian cancers as well as acute myeloid leukemia. Smokeless tobacco has been associated with cancer of the mouth and throat, lip, esophagus, and pancreas. Cigar smoking has been correlated with cancers of the lung, mouth, throat, larynx, esophagus and possibly the pancreas. State Health Plan expense associated with these diseases is considerable: total State Health Plan medical claims for the above disease states were approximately $175.5 million in 2012. Please note that prescription drugs are not included in this total.

<u>Data Sources</u>

The following data sets were available for the analysis:

1. Paid claims for all State Health Plan members (1995 to present)

2. Enrollment history for all State Health Plan members. (1995 to present)
3. Current (as of 10/1/2013) list of subscribers that are paying the tobacco surcharge. The assignment is a subscriber level attribute that all members under that subscriber inherit. The assignment is boolean in nature and no other descriptors of the tobacco use attribute are captured (i.e. form of tobacco, frequency of use, etc).

Results

We are not able to determine that the State Health Plan should differentiate between types of tobacco users with respect to the premium surcharge based on empirical evidence derived from the State Health Plan's administrative data. We are not able to draw any conclusions because:

1. We are concerned that the self reported tobacco usage is significantly understated. Based on the CDC's Behavioral Risk Factor Surveillance System, we would expect approximately 20% of the population to be a tobacco user. Based upon our surcharge statistics, less than 10% of the SHP population is a tobacco user. Assuming the SHP population is consistent with CDC statistics, the non-tobacco user claims and utilization includes the claims and utilization for non-reported tobacco users. We are not able to satisfactorily identify the universe of tobacco users.
2. The "all or nothing" attribution of tobacco use at the subscriber level is distorting the rates of tobacco related conditions for tobacco and non-tobacco users. It would be highly desirable from an analytic perspective to make the attribution at a member level.
3. There is no reliable methodology for determining the form of tobacco associated with the contract (and the member). It would be highly desirable from an analytic perspective to gather tobacco form and frequency of use information at the member level. It is also likely that some State Health Plan members use multiple forms of tobacco and such information should be gathered as well.
4. Medical claims data do not capture sufficient detail in terms of diagnostic or procedural data to indicate disease or conditions cause by tobacco use (ICD9 or HCPCS).
5. Without reliable cause of condition or form of tobacco used information, it is not possible to accurately attribute a case (or member) in a disease state to the form of tobacco used. This becomes problematic when analyzing the neoplasms related to multiple forms of tobacco use (lip, mouth, throat, esophagus, pancreas, and lung) as well as cardiovascular disease where there are other significant risk factors in addition to tobacco use.