FINANCIAL STATEMENTS

SOUTH CAROLINA
RETIREMENT SYSTEMS
Administered Under the Retirement Services Division of the South Carolina Public Employee Benefit Authority

Columbia, South Carolina

Year Ended June 30, 2012

South Carolina Retirement Systems

Table of Contents
June 30, 2012

CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

Independent Auditor's Report

The Honorable Nikki Haley, Governor,
Members of the State Budget & Control Board, and
Richard H. Gilbert, Jr., Deputy State Auditor
South Carolina Retirement Systems
Columbia, South Carolina

We have audited the accompanying financial statements of South Carolina Retirement Systems (the Systems) a component unit of the State of South Carolina, as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the Systems' management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Systems' 2011 financial statements which are included for additional analysis and, in our report date October 14, 2011, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements include alternative investments valued at $14.5 billion (58% percent of net assets), as explained in note 1, their fair values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund managers or the general partners.

In our opinion, the financial statements referred to above present fairly, in all material respects, the Systems' plan net assets as of June 30, 2012, and the changes in the plan net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2012 on our consideration of the Systems' 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Required Supplementary Schedules of Funding Progress and Employer Contributions 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. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Systems' basic financial statements. The Other Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

CliftonLarsonAllen LLP

Baltimore, Maryland
November 19, 2012

Management's Discussion and Analysis

This section presents management's discussion and analysis of the South Carolina Retirement Systems' financial position and performance for the year ended June 30, 2012, and is offered as an introduction and analytical overview. This narrative is intended as a supplement and should be read in conjunction with the financial statements and other information presented in the *Comprehensive Annual Financial Report*.

The Retirement Systems' financial statements provide information about the activities of the five defined benefit pension plans administered (listed below), in addition to comparative summary information about the activities of the Retirement Systems as a whole:

- *South Carolina Retirement System (SCRS)* - A member contributory multi-employer plan covering teachers, as well as state and municipal employees;
- *Police Officers Retirement System (PORS)* - A member contributory multi-employer plan covering state and local law enforcement personnel and firefighters;
- *The Retirement System for Members of the General Assembly (GARS)* - A member contributory plan providing benefits to the members of the South Carolina General Assembly;
- *The Retirement System for Judges and Solicitors (JSRS)* - A member contributory plan covering Judges, Solicitors and Public Defenders; and
- *The National Guard Retirement System (NGRS)* - A non-contributory supplemental benefit plan for members of the South Carolina National Guard.

Overview of the Financial Statements

The South Carolina Retirement Systems represents the collective retirement funds that are held in a group trust for the plans and are protected under the constitution. Administrative operations and day to day management of the plans were organizationally aligned under the State Budget and Control Board through June 30, 2012. The System is considered a division or component unit of the primary government of the state of South Carolina and therefore, trust fund financial information is also included in the comprehensive annual financial report of the state. Financial statements prepared on behalf of the Retirement Systems (Plan), include the following information:

- Statement of Plan Net Assets
- Statement of Changes in Plan Net Assets
- Notes to the Financial Statements
- Required Supplementary Information
- Other Supplementary Information

The Statement of Plan Net Assets presents the Plan's assets and liabilities and the resulting net assets, which are held in trust for pension benefits. This statement reflects a year-end snapshot of the Plan's investments, at fair value, along with cash and short-term investments, receivables and other assets and liabilities.

The Statement of Changes in Plan Net Assets presents information showing how the Plan's net assets held in trust for pension benefits changed during the year. This statement includes additions for contributions by members and employers and investment earnings and deductions for annuity payments, refunded contributions, death benefit payments and administrative expenses.

Notes to the Financial Statements are an integral part of the basic financial statements and provide additional information that is necessary in order to gain a comprehensive understanding of data reported in the basic financial statements.

Required Supplementary Information presents information concerning the Retirement Systems' funding progress trends and its obligations to provide pension benefits to members. A schedule of required employer contributions is also presented and is useful in evaluating the condition of the plans.

Other Supplementary Information includes Schedules of Changes in Plan Net Assets by system, as well as schedules of administrative expenses, professional and consultant fees and investment expenses.

Financial Highlights

- On June 26, 2012, Governor Nikki Haley signed the Retirement Free Conference Report on House Bill 4967, the retirement reform legislation, and Act 278 became law. Legislative reform included increased contributions for employees and employers, changes to benefit provisions for new members, changes to retiree cost of living adjustments for SCRS and PORS, repeal of the TERI program, modifications to disability eligibility and benefit calculations, allows service purchase at actuarial neutral cost and places restrictions on members retiring after January 1, 2013, who elect to return to covered employment after retirement. A comprehensive list of changes by effective date can also be found on our public website.

- For the fiscal year ended June 30, 2012, the aggregate rate of return earned on the pooled investments of the consolidated pension trust funds as a whole was 0.61 percent. Although performance for the combined investment portfolio was slightly positive, it was significantly below the prior year's return of 18.59 percent and will also be recognized as an actuarial loss as it was well below the 7.5 percent actuarial investment rate of return assumed for the plans. Gains and losses from investment performance are recognized using actuarial smoothing methods which help mitigate sharply fluctuating market returns over a long-term period. The smoothing methodology offsets both deferred investment gains and losses against each other and is intended to produce an actuarial asset value that is fairly consistent with market value during periods of ordinary investment returns. Smoothing avoids over-response to inherently volatile conditions which would otherwise overweight the effects of a single year of performance which would most likely be reversed in subsequent years. Actuarial smoothing is intended to result in more stable contribution rates and a more level funded status and is also an important technique for governmental entities because it permits budgetary planning over more than one fiscal year.

- The South Carolina Retirement System Investment Commission (RSIC), created in 2005 as a fiduciary for the Retirement Systems, has exclusive authority to invest and manage the trust funds' assets. The RSIC operates pursuant to statutory provisions and under governance policies that allow for a diverse asset allocation and which afford the Commission and its chief investment officer discretion and flexibility to quickly react to changes in market conditions. The investment portfolio is structured to focus on ensuring the long-term stability of the plans, seeking superior returns at acceptable levels of risk. NEPC, consulting firm for the Commission, reported that although the plan's investment portfolio underperformed the policy index on a net-of-fee basis for the trailing one-year period, it outperformed the strategy index for this time period. The portfolio also outperformed, on a net of-fee basis, both the strategy and policy indexes for trailing two-, three- and five-year time periods.

- The RSIC is responsible for establishing and maintaining a target asset allocation that manages risk, ensures liquidity, and affords flexibility to quickly react to changes in market conditions. Variances among asset classes are the result of changes to the Investment Commission's asset allocation strategies as well as volatility experienced in the financial markets. During the fiscal year, the Investment Commission added an EAFE (Europe, Australasia, and Far East) manager and several private equity and real estate managers.

- The Portfolio continued to participate in a securities lending program, managed by the custodial bank. The collateral pool has been adversely affected by exposure to Lehman Brothers' securities. Conservative investment guidelines continue to be maintained. Securities lending revenue for the fiscal year was $1.4 million, a slight increase from $1.3 million in the prior year. Two notable events during the fiscal year included receipt of a $7.8 million settlement distribution in relation to a creditor-payment plan approved by the U.S. Bankruptcy Court and a partial sale of approximately $44 million of the Lehman holdings, resulting in a realized loss of $30.7 million. Currently there is ongoing litigation between the South Carolina State Treasurer's Office and BNY Mellon relating to losses in the securities lending program.

- Total plan net assets for all five defined benefit plans administered by the South Carolina Retirement Systems went down by $913 million or (3.5) percent during fiscal year 2012. Net assets of the plans are held in trust to meet future benefit obligations. Net assets are affected by contributions to the system, investment returns and payments out of the system. The decrease in net assets from $25.89 billion to $24.98 billion was primarily the result of relatively flat investment performance coupled with an increase in benefit payments while contributions remained steady. Because the plan is in a net cash outflow position (benefit payments exceed contributions), the difference in the net asset value cannot be attributed to investment performance alone. Rather, investment performance must be calculated taking the net cash outflow into consideration.

- The plan experienced increases in the dollar amount of employee and employer contributions from the prior fiscal year. In anticipation of proposed legislation that would potentially impact the future cost of service purchase, the plan experienced a significant increase in the amount of employee contributions received for purchased service. Additionally, the employer contribution rate increased from the prior fiscal year.

- The Teacher and Employee Retention Incentive (TERI) program is a deferred retirement option program under SCRS that allows retired members to accumulate annuity benefits on a deferred basis for up to five years while continuing employment. TERI participants employed by state agencies are exempt from state grievance rights and receive a slightly lower annuity because the calculation of a member's TERI benefit includes no contributions for any unused annual leave payments paid to the member. TERI participants are required to pay the same pre-tax member contribution rate on compensation earned, in the same manner as active members. TERI participants do not earn additional service credit or interest on their TERI account, but are eligible to receive any retiree cost of living increases granted. At the end of the member's TERI participation and upon termination from employment, funds are distributed from the accumulated TERI account. The TERI participant's benefit is also subsequently recalculated to include payment for up to 45 days of unused annual leave paid at termination. The total amount of assets held in trust for future payment of accrued TERI benefits remained relatively stable with a slight increase from $363 million to $386 million during fiscal year 2012. The number of members actively participating in TERI increased as well from 5,862 to 6,986 at fiscal year end. Retirement reform legislation recently enacted closes the TERI program to all participants effective July 2018; therefore, participation spiked during the fiscal year from the surge of members electing to enter the program before its closure.

- The JSRS also provides a deferred retirement option program. A JSRS member who has not yet reached the age of 60 years, but who is eligible to retire and receive the maximum monthly benefit may continue to serve as judge, solicitor, or circuit public defender and the member's normal monthly retirement benefit is deferred and placed in the system's trust fund on behalf of the member. Upon reaching the age of 60 years, the balance of the member's deferred retirement benefit is distributed to the member who may continue working and is not required to terminate their position. As of June 30, 2012, benefits held in trust totaled $586,000.

- The total number of retired members and beneficiaries receiving monthly annuity benefits from the Retirement Systems' plans increased from 134,000 to over 141,000 annuitants during the year. Additionally, eligible annuitants under both SCRS and PORS received an automatic 1.7 percent cost of living allowance effective July 1, 2011. The increase in the number of new annuitants added to the payroll during the year coupled with the retiree benefit adjustment, resulted in an overall 6 percent increase in the dollar amount of annual benefits paid to annuitants. Retirement reform legislation changed COLA provisions for SCRS and PORS retirees and effective July 1, 2012, eligible retirees are entitled to an annual benefit adjustment equal to one percent, but not to exceed $500 annually.

- In addition to the deferred retirement options available in SCRS and JSRS, all of the plans (excluding NGRS) include certain provisions that allow retired members to continue covered employment while also receiving a monthly retirement benefit. The defined benefit plans administered by South Carolina have historically provided extremely lenient return to work provisions in that a retired member of SCRS and PORS is allowed to return to work for a covered employer after retirement, or after ending their TERI participation (SCRS only), and receive their full monthly benefit, with no limit on the amount of wages they may earn from employment. SCRS, PORS and JSRS retirees who return to work for a covered employer after retirement, or after ending participation in the TERI program, are required to pay the same employee contribution as an active member in the same position. A member of the GARS who has reached age 70 or 30 years of service may begin receiving monthly retirement benefits while continuing to serve in the General Assembly. Retired GARS members who continue to serve receive a reduced salary, but make no further employee contributions to the plan. A JSRS member who is age 60 and eligible to receive the maximum monthly benefit may begin receiving monthly retirement benefits while continuing to serve up until the end of the calendar year in which the member reaches age 72. Under all plans, the employer must pay the corresponding employer contribution for that particular plan. Collectively among the plans, the actuary reports that nearly 22,000 retirees continue covered employment while receiving monthly retirement benefits, thereby making up approximately 8 percent of the total public workforce covered by the Retirement Systems. Retirement reform legislation places an earnings limit of $10,000 on wages earned from covered employment for members retiring under SCRS and PORS after January 1, 2013.

- Qualified Excess Benefit Arrangement (QEBA) trust funds are maintained for each of the plans administered by the South Carolina Retirement Systems. A QEBA is intended to be a qualified governmental excess benefit arrangement within the meaning of Section 415(m)(3) of the Internal Revenue Code and provides the part of a participant's retirement benefit that would have been paid under the South Carolina Retirement Systems had there been no limitations under Code Section 415(b). The QEBA plans are separate and apart from the funds comprising the Retirement funds and are not commingled with assets of those funds. The QEBA is not prefunded; therefore, no assets or income are accumulated to pay future benefits. The amount of required contributions necessary to pay benefits under the plans is determined and deposited to the trust funds on an as-needed basis. Employer contributions to fund the excess benefits are not credited or commingled with contributions paid into and accumulated in the Retirement funds.

- In July 2011 the Budget and Control Board hired the actuarial firm of Gabriel Roeder Smith & Company (GRS) to replace Cavanaugh Macdonald as the Systems' consulting actuary. GRS completed a parallel valuation using financial and membership data as of July 1, 2010, and subsequently performed an actuarial experience study on SCRS and PORS. As a result of the experience study, the actuary recommended changes to some of the assumptions and methods utilized. The revised assumptions were adopted by the Budget and Control Board and used for the July 1, 2011, valuation. One of the most significant changes was reducing the investment rate of return assumption from 8 percent to 7.5 percent which automatically reverted COLA provisions back to a prior version of law.

- The actuarial valuation based on membership and financial data as of July 1, 2011, was completed by GRS. Subsequent to issuance of the valuation report, but prior to the report being formally accepted by the Budget and Control Board, retirement reform legislation was enacted by the SC General Assembly. GRS restated the July 2011 results for SCRS and PORS to recognize amended provisions of statute. While Act 278 amended the law to provide for a schedule of employer and employee contributions going forward, the adjusted valuation results require additional increases to employee and employer contribution rates for PORS effective July 1, 2013, in order to maintain a 30-year funding period. Statutory provisions require any necessary increase in the scheduled contributions rates to be split equally between employer and employee. The recommended changes were apdopted at the first meeting of the PEBA Board on September 26, 2012, and are subject to approval by the Budget and Control Board.

- Act 278 closes GARS to persons elected to the South Carolina General Assembly in or after the November 2012 general election. Members so elected to the Senate or House of Representatives will have the option to join SCRS, State ORP or opt out all together.

Condensed Financial Information

The Retirement Systems' ability to sufficiently fund retirement benefits payable to members in future years is viable because funds are accumulated and invested on a regular and systematic basis. The five defined benefit funds provide lifetime annuity benefits to vested eligible members who serve as employees of state, public school, higher education institution, local and municipal government, state legislative, judicial, and South Carolina National Guard employers.

The Systems' principal sources of revenue are employee contributions, employer contributions and investment earnings. Required annual contributions for the NGRS are funded through an annual state appropriation. Expenses of the Systems consist primarily of payments of monthly annuities to retired members or their beneficiaries, and refunds of member contributions and interest which are paid subsequent to termination of employment. The defined benefit plans include an incidental death benefit for both active and retired members and an accidental death plan for members of the PORS. The Systems also administer a State Optional Retirement Program (ORP) which is a defined contribution plan available to newly hired employees of state agencies, higher education and public school districts. Retirement reform legislation also opens SCRS and State ORP to members of the General Assembly effective for newly elected members of the House of Representatives and Senate effective with the November 2012 general election.

The following summary comparative financial statements of the pension trust funds are presented.

Plan Net Assets
June 30
(Amounts expressed in thousands)

Assets	2012	2011	Increase/ (Decrease)	% Increase/ (Decrease)
Cash and cash equivalents, receivables and prepaid expenses	$ 3,087,132	$ 3,977,880	$ (890,748)	(22.39%)
Investments, at fair value	23,486,984	23,870,891	(383,907)	(1.61%)
Securities lending cash collateral invested	184,025	229,161	(45,136)	(19.70%)
Capital Assets, net of accumulated depreciation	2,984	3,103	(119)	(3.83%)
Total Assets	26,761,125	28,081,035	(1,319,910)	(4.70%)
Liabilities				
Deferred retirement benefits	386,302	364,005	22,297	6.13%
Obligations under securities lending	184,025	229,161	(45,136)	(19.70%)
Other accounts payable	1,211,693	1,596,020	(384,327)	(24.08%)
Total Liabilities	1,782,020	2,189,186	(407,166)	(18.60%)
Total Net Assets	$ 24,979,105	$ 25,891,849	$ (912,744)	(3.53%)

Changes in Plan Net Assets
Year Ended June 30
(Amounts expressed in thousands)

Additions	2012	2011	Increase/ (Decrease)	% Increase/ (Decrease)
Employee contributions	$ 674,311	$ 644,337	$ 29,974	4.65%
Employer contributions	969,897	948,485	21,412	2.26%
State-appropriated contributions	3,937	3,904	33	0.85%
Net Investment income	127,554	4,145,907	(4,018,353)	-96.92%
Other income	2,951	3,022	(71)	-2.35%
Total Additions	1,778,650	5,745,655	(3,967,005)	-69.04%
Deductions				
Annuity benefits	2,547,907	2,403,763	144,144	6.00%
Refunds	98,461	99,550	(1,089)	-1.09%
Death benefits	20,315	18,655	1,660	8.90%
Administrative & other expenses	24,711	23,498	1,213	5.16%
Total Deductions	2,691,394	2,545,466	145,928	5.73%
Increase in Net Assets	(912,744)	3,200,189	(4,112,933)	-128.52%
Beginning Net Assets	25,891,849	22,691,660	3,200,189	14.10%
Ending Net Assets	$ 24,979,105	$ 25,891,849	$ (912,744)	-3.53%

Analysis of the Plan's Financial Position and Results of Operations

On a combined basis, the defined benefit Plan net assets were valued at $24.98 billion at June 30, 2012, representing a (3.53) percent reduction in net assets from the previous fiscal year-end. Diminished investment income, in relation to an increase in net benefits paid out, was the primary driver of the change in Plan net assets for the fiscal year.

The Plan's return for the fiscal year 2012 was 0.61 percent. While lower than the assumed rate of return of 7.50 percent, the fund experienced positive returns for the third consecutive year, led by several strategies that substantially exceeded their benchmarks. Global Asset Allocation (GAA) returned 8.60 percent for the fiscal year, significantly outpacing the GAA benchmark of -0.74 percent. Absolute Return, or Hedge Funds, also outperformed its benchmark, with a 2.44 percent return versus an average Hedge Fund Index return of -4.20 percent. Other strategies that experienced positive returns included: Investment Grade Fixed Income with a 7.76 percent return, Private Equity with a 4.90 percent return, Real Estate with a 3.20 percent return, and Large Cap with a 2.45 percent return.

While the aforementioned strategies provided positive returns for the fiscal year, there were several that contributed negatively to the total fund return, both on an absolute and relative basis. Emerging Markets led the way in negative returns, with Emerging Market Debt (EMD) underperforming its benchmark. While EMD generated a 1.19 percent return, it lagged the benchmark return of 9.76 percent. Other international investments, including International Equity (EAFE) and Emerging Equity (EME), experienced the sharpest declines in fiscal year 2012. The EAFE Index yielded a -13.38 percent return and EME Index yielded a -15.67 return.

During fiscal year 2012, the total dollar amount of monthly retirement benefits paid to annuitants increased 6 percent compared with the previous fiscal year. As previously referenced, the increase was attributable to an 1.7 percent cost of living allowance granted to eligible SCRS and PORS annuity recipients effective July 1, 2011, along with an increase in the number of new annuitants added to the payroll during the year. Under the South Carolina state statute in place at that time, provided that the actuarial assumed rate of investment return was at least 8 percent, each July 1, eligible SCRS and PORS retirees would receive an automatic COLA. The COLA was equal to the percentage of the annual increase in the Consumer Price Index for Wage Earners and Clerical Workers (CPI-W) as of the previous December 31, up to an increase of 2 percent. If the CPI-W was less than 2 percent, the COLA equaled the percentage of the actual increase in the CPI-W. COLAs were awarded only during periods of inflation, so no COLA was awarded when the CPI-W was negative.

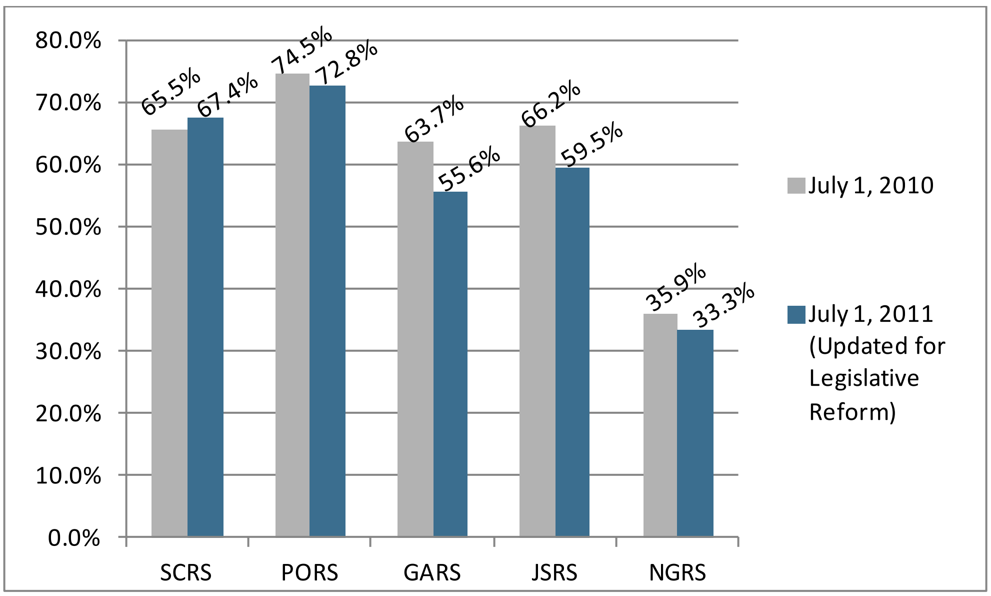
Funding Status

An overall objective in the funding of a defined benefit retirement plan is to accumulate sufficient funds to meet long-term benefit obligations. The primary sources of revenue to fund benefits include investment income, member contributions and employer contributions. Beginning with the July 1, 2011, actuary valuation investment performance is recognized using a five-year smoothing period. Under this method, each year the plan recognizes 20 percent of the difference between the market value of assets and the expected actuarial value of assets, based upon the assumed valuation rate of return. This asset valuation method mitigates the short-term impact of market volatility and allows changes in market conditions to be recognized (smoothed) over a longer period of time.

The ratio of actuarial assets to actuarial liabilities provides an indication as to whether sufficient assets are accumulated to pay benefits when due; the greater the level of funding, the larger the ratio of actuarial assets to actuarial accrued liabilities. The most recent actuarial valuations prepared as of July 1, 2011, which was adjusted for retirement reform legislation, noted improvement in the funded ratio of SCRS. As of July 1, 2011, funding levels of all the plans are such that annual expected contributions are sufficient for the valuations to find that the plans are actuarially sound. The changes in the levels of funding do not affect the availability of funds or resources for future use and actuarial projections indicate that unfunded liabilities should be amortized and funded within acceptable funding guidelines. The funded ratios of the five plans are presented in the following graph.

Funded Ratios

(Actuarial assets as a percentage of actuarial accrued liabilities)



Requests for Information

This financial report is designed to provide a general overview of the Retirement Systems' finances for all interested parties. Questions concerning any of the information provided in this report or requests for additional financial information should be directed as follows:

Financial Services
South Carolina Public Employee Benefit Authority
PO Box 11960
Columbia, SC 29211-1960
(803) 737-6800
www.retirement.sc.gov

South Carolina Retirement Systems
Statement of Plan Net Assets
June 30, 2012
With comparative totals for June 30, 2011
(Amounts expressed in thousands)

	SCRS	PORS	GARS	JSRS	NGRS	TOTAL	TOTAL 2011
ASSETS							
Cash and cash equivalents	$1,832,037	$281,409	$3,970	$11,538	$2,473	$2,131,427	$2,975,965
Receivables							
Due from other Systems	59	507				566	550
Employee and employer contributions	186,801	20,266	24	626	15	207,732	172,673
Employer contributions long-term							26
Accrued investment income	51,879	7,378	82	291	38	59,668	63,306
Unsettled investment sales	589,428	87,735	811	3,304	442	681,720	739,291
Other investment receivables	4,627	664	7	26	4	5,328	25,006
Total receivables	832,794	116,550	924	4,247	499	955,014	1,000,852
Investments, at fair value							
Short-term securities							11,663
Debt							
Domestic Fixed Income	3,362,727	500,532	4,626	18,850	2,522	3,889,257	3,817,063
Global Fixed Income	1,313,272	195,477	1,806	7,362	985	1,518,902	3,206,634
Public Equity							
Domestic Equity	1,612,140	239,962	2,218	9,037	1,209	1,864,566	2,086,138
Global Equity	1,503,156	223,741	2,068	8,426	1,127	1,738,518	1,240,731
Alternatives	12,516,005	1,862,972	17,220	70,159	9,385	14,475,741	13,508,662
Total investments	20,307,300	3,022,684	27,938	113,834	15,228	23,486,984	23,870,891
Securities lending cash collateral invested	159,112	23,683	219	892	119	184,025	229,161
Prepaid expenses	598	88	1	3	1	691	1,063
Capital assets, net of accumulated depreciation	2,688	275	8	13		2,984	3,103
Total assets	23,134,529	3,444,689	33,060	130,527	18,320	26,761,125	28,081,035
LIABILITIES							
Due to other Systems	507			59		566	550
Accounts payable - unsettled investment purchases	784,847	116,823	1,080	4,399	589	907,738	1,338,959
Investment fees payable	8,212	1,222	12	46	6	9,498	18,521
Obligations under securities lending	159,112	23,683	219	892	119	184,025	229,161
Deferred retirement benefits	385,716			586		386,302	364,005
Due to Employee Insurance Program	42,469	852				43,321	42,880
Benefits payable	2,910	250	2		31	3,193	4,206
Other liabilities	213,848	31,869	316	1,186	158	247,377	190,904
Total liabilities	1,597,621	174,699	1,629	7,168	903	1,782,020	2,189,186
Net assets held in trust for Pension Benefits	$21,536,908	$3,269,990	$31,431	$123,359	$17,417	$24,979,105	$25,891,849

(a schedule of funding progress for each plan is presented on Page 38)

South Carolina Retirement Systems
Statement of Changes in Plan Net Assets
Year Ended June 30, 2012
With comparative totals for the year ended June 30, 2011
(Amounts expressed in thousands)

	SCRS	PORS	GARS	JSRS	NGRS	TOTAL	TOTAL 2011
Additions							
Contributions							
Employee	$586,818	$84,470	$ 724	$ 2,299	$ -	$ 674,311	$644,337
Employer	824,652	134,299	2,532	8,414		969,897	948,485
State appropriated					3,937	3,937	3,904
Total contributions	1,411,470	218,769	3,256	10,713	3,937	1,648,145	1,596,726
Investment Income							
Net appreciation (depreciation) in fair value of investments	(54,890)	(7,117)	(70)	(181)	(28)	(62,286)	3,971,692
Interest and dividend income	210,710	31,182	311	1,226	154	243,583	243,920
Investment expense	(47,713)	(7,044)	(71)	(269)	(33)	(55,130)	(71,050)
Net income from investing activities	108,107	17,021	170	776	93	126,167	4,144,562
From securities lending activities:							
Securities lending income	77	11		1		89	676
Securities lending borrower rebates	1,123	166	2	6	1	1,298	669
Net income from securities lending activities	1,200	177	2	7	1	1,387	1,345
Total net investment income (loss)	109,307	17,198	172	783	94	127,554	4,145,907
Supplemental retirement benefits funded by the State	733	34				767	869
Transfers of contributions from other Systems		1,923		261		2,184	2,153
Total additions	1,521,510	237,924	3,428	11,757	4,031	1,778,650	5,745,655
Deductions							
Refunds of contributions to members	83,134	15,162	31	134		98,461	99,550
Transfers of contributions to other Systems	2,184					2,184	2,153
Regular retirement benefits	2,084,690	263,997	6,570	14,979	4,065	2,374,301	2,245,254
Deferred retirement benefits	171,096			192		171,288	156,106
Supplemental retirement benefits	733	34				767	869
Death benefits	18,295	1,851	35	134		20,315	18,655
Accidental death benefits		1,551				1,551	1,534
Depreciation	107	10		1		118	118
Administrative expenses	19,392	2,862	30	110	15	22,409	21,227
Total deductions	2,379,631	285,467	6,666	15,550	4,080	2,691,394	2,545,466
Net increase (decrease)	(858,121)	(47,543)	(3,238)	(3,793)	(49)	(912,744)	3,200,189
Net assets held in trust for Pension Benefits							
Beginning of year	22,395,029	3,317,533	34,669	127,152	17,466	25,891,849	22,691,660
End of year	$21,536,908	$3,269,990	$31,431	$123,359	$17,417	$24,979,105	$25,891,849

The accompanying notes are an integral part of these financial statements.

South Carolina Retirement Systems
Notes to Financial Statements

I. Basis of Presentation and Summary of Significant Accounting Policies

Description of the Entity

The financial statements of the South Carolina Retirement Systems (Systems) presented herein contain the following funds:

Pension Trust Funds

- South Carolina Retirement System (SCRS)
- South Carolina Police Officers Retirement System (PORS)
- Retirement System for Members of the General Assembly of the State of South Carolina (GARS)
- Retirement System for Judges and Solicitors of the State of South Carolina (JSRS)
- National Guard Retirement System (NGRS)

Each pension trust fund operates on an autonomous basis; funds may not be utilized for any purpose other than for the benefit of each plan's participants.

The Retirement Systems are part of the state of South Carolina's primary government and are 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.

Plan Descriptions

The South Carolina Retirement System, a cost–sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for public school districts and employees of the state and political subdivisions thereof.

The South Carolina Police Officers Retirement System, a cost–sharing multiple-employer defined benefit pension plan, was established effective July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for police officers and firemen of the state and its political subdivisions.

The Retirement System for Members of the General Assembly of the State of South Carolina, a single-employer defined benefit pension plan, was created effective January 1, 1966, pursuant to the provisions of Section 9-9-20 of the South Carolina Code of Laws to provide retirement allowances and other benefits for members of the General Assembly.

The Retirement System for Judges and Solicitors of the State of South Carolina, a single-employer defined benefit pension plan, was created effective July 1, 1979, pursuant to the provisions of Section 9-8-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for judges, solicitors, and circuit public defenders of the state.

The National Guard Retirement System, a single-employer defined benefit pension plan, was created effective July 1, 1975, and is governed by the provisions of Section 9-10-30 of the South Carolina Code of Laws for the purpose of providing supplemental retirement benefits to certain members who served in the South Carolina National Guard.

A summary of information related to participating employers and members for the fiscal year ended June 30, 2012, follows (dollars amounts expressed in thousands):

	State[1]	School	Other	Total
SCRS				
Number of Employers	113	114	579	806
Annual Covered Payroll for Active Members	$2,227,527	$3,173,221	$1,981,636	$7,382,384
Average Number of:				
Active Contributing Members	50,337	82,362	53,118	185,817
Retirees and beneficiaries currently receiving benefits	44,702	56,943	20,298	121,943
Terminated members entitled to but not yet receiving benefits[3]				150,959
Total SCRS Membership				458,719
PORS				
Number of Employers	62	50	327	439
Annual Covered Payroll	$352,998	$525	$692,950	$1,046,473
Average Number of:				
Active Contributing Members	9,492	4	16,688	26,184
Retirees and beneficiaries currently receiving benefits	7,179	20	7,559	14,758
Terminated members entitled to but not yet receiving benefits[3]				10,892
Total PORS Membership				51,834
GARS				
Number of Employers	2			2
Annual Covered Payroll	$3,162			$3,162
Average Number of:				
Elected Positions	170			170
Retirees and beneficiaries currently receiving benefits	358			358
Terminated members entitled to but not yet receiving benefits	56			56
Total GARS Membership	584			584
JSRS				
Number of Employers	3			3
Annual Covered Payroll	$16,422			$16,422
Average Number of:				
Active Positions	144			144
Retirees and beneficiaries currently receiving benefits	202			202
Terminated members entitled to but not yet receiving benefits	3			3
Total JSRS Membership	349			349
NGRS				
Number of Employers	1			1
Annual Covered Payroll[2]	N/A			N/A
Average Number of:				
Active Members	12,097			12,097
Retirees and beneficiaries currently receiving benefits	4,420			4,420
Terminated members entitled to but not yet receiving benefits	2,443			2,443
Total JSRS Membership	18,960			18,960

[1]Each State Agency is considered a separate employer for reporting purposes. Quasi-State Agencies and Institutions of Higher Education are reported in this category.
[2]Annual covered payroll is not applicable for NGRS because it is a non-contributory plan.
[3]Employee Class not determinable from data.

Membership and benefit requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of each is presented below.

Membership

SCRS

Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election.

State ORP

As an alternative to membership in SCRS, newly hired state, public school, and higher education employees and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election have the option to participate in the State Optional Retirement Program (State ORP), which is a defined contribution plan. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. The SCRS assumes no liability for State ORP benefits. Rather, the benefits are the liability of the investment providers. For this reason, State ORP programs are not considered part of the Systems for financial statement purposes.

Contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employers to the investment providers for the employee contribution (6.50 percent) and a portion of the employer contribution (5 percent). A direct remittance is also required to the SCRS for a portion of the employer contribution (4.385 percent) and a death benefit contribution (.15 percent), which is retained by the SCRS. The activity for the State ORP is as follows:

State ORP Activity
Year Ended June 30, 2012
(Dollar amounts expressed in thousands)

Average Number of Contributing Participants	20,021
Annual Covered Payroll	$997,607
Employer Contributions Retained by SCRS	43,745
Death Benefit Contributions Retained by SCRS	1,496
Employee Contributions to Investment Providers	64,844
Employer Contributions to Investment Providers	49,880

PORS

To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; be a coroner in a full-time permanent position; or be a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least $2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute.

GARS

Individuals newly elected to the Senate or the House of Representatives prior to the November 2012 general election are required to participate in and contribute to the system upon taking office as a member of the South Carolina General Assembly.

JSRS

All solicitors, circuit public defenders, judges of a Circuit or Family Court and justices of the Court of Appeals and Supreme Court are required to participate in and contribute to the system upon taking office.

NGRS

Membership consists of individuals who serve in the South Carolina National Guard.

Pension Benefits

SCRS

A Class II monthly pension is payable at age 65 or with 28 years credited service regardless of age. Reduced pension benefits are payable at age 55 with 25 years of service credit. A member is eligible to receive a reduced deferred annuity at age 60 with five years earned service. Death benefits are also available to active and retired members who have at least one year of service, provided their employer participates in the program.

For fiscal year 2012, eligible SCRS retirees received an automatic cost-of-living adjustment (COLA) equal to the percentage of the annual increase in the Consumer Price Index for Wage Earners and Clerical Workers (CPI-W) as of the previous December 31, up to an increase of 2 percent. If the CPI-W was less than 2 percent, the COLA equaled the percentage of the actual increase in the CPI-W. COLAs were awarded only during periods of inflation, so no COLA was awarded if the CPI-W was negative. Members who retire under the early retirement provisions at age 55 with 25 years of service were not eligible for COLAs until the second July 1 after reaching age 60 or the second July 1 after the date he would have had 28 years of service credit had he not retired. Effective July 1, 2012, retirement reform legislative provides for automatic annual benefit adjustment of 1 percent up to a maximum of $500.

PORS

A monthly pension is payable at age 55 with a minimum of five years earned service or with 25 years of service regardless of age. A member is eligible to receive a deferred annuity at age 55 with five years earned service. Death benefits are also available to members who have at least one year of service provided their employer participates in the program. An additional accidental death benefit is also offered to members killed in the line of duty while working for a covered employer.

For fiscal year 2012, eligible PORS retirees received an automatic cost-of-living adjustment (COLA) equal to the percentage of the annual increase in the CPI-W as of the previous December 31, up to an increase of 2 percent. If the CPI-W was less than 2 percent, the COLA equaled the percentage of the actual increase in the CPI-W. COLAs were awarded only during periods of inflation, so no COLA was awarded if the CPI-W is negative. Effective July 1, 2012, retirement reform legislative provides for automatic annual benefit adjustment of 1 percent up to a maximum of $500.

GARS

A member is eligible for a monthly pension at age 60 or with 30 years credited service. A member who has attained age 70 or has 30 years of service is eligible to retire and draw an annuity while continuing to serve in the General Assembly. A member is eligible to receive a deferred annuity with eight years of service. A death benefit is also provided to members who have at least one year of service. Retirees receive increases in benefits based upon increases in the current salary of their respective active positions. The Retirement Reform legislation closes GARS to new members. Persons first elected to the General Assembly in November 2012 or after must elect membership in SCRS or State ORP.

JSRS

A pension benefit is payable at age 70 with 15 years service, age 65 with 20 years service, age 65 with four years in a JSRS position and 25 years other service with the state, 25 years service regardless of age for a judge or 24 years of service for a solicitor or a circuit public defender regardless of age. A judge is vested in the system after attaining 10 years of earned service in the position of judge, and a solicitor or a circuit public defender is vested in the system after attaining eight years of earned service. A member who has reached maximum eligibility is eligible to retire and draw an annuity while continuing to serve. A death benefit is also provided to members with at least one year of service.

Retirees receive increases in benefits based upon increases in the current salary of their respective active positions.

NGRS

A monthly pension is payable at age 60 provided the member was honorably discharged from active duty with at least 20 years of total creditable military service. Of the 20 years total creditable military service, at least 15 must have been served in the South Carolina National Guard. Additionally, the last 10 years of service must have been served in the South Carolina National Guard. No cost-of-living increases are provided to NGRS retirees.

Summary of Significant Accounting Policies

Fund Structure

The Systems' accounts are maintained in accordance with the principles of fund accounting. This is the procedure whereby resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives. Separate pension trust funds (fiduciary fund type) are used to account for the activities of the five public employee retirement systems administered by the Systems.

Basis of Accounting

All funds are accounted for using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan.

Administrative Expenses

Through June 30, 2012, the State Budget and Control Board's Office of Internal Operations maintained an internal service fund to account for the administrative costs of operating the Systems. All accounting and corresponding disclosures related to administrative expenses were the responsibility of the internal service fund administered by the Board. Effective July 1, 2012, administrative expenses are the responsibility of the newly created Public Employee Benefit Authority.

Administrative expenses are funded by both employer contributions and investment earnings and are assessed to each of the pension trust funds based on its respective portion of total assets in order to pay for actual expenses incurred during the year. Administrative expenses of the Systems include employee salaries and associated employee benefits, disability evaluations, fiduciary liability insurance and other professional service fees.

In addition, the Retirement Systems Investment Commission, a separate State Agency charged with investing the trust fund assets, is funded entirely from the trust fund. Expenses for the Commission include salaries and benefits for both RSIC investment and administrative staff and other professional service fees.

Cash and Cash Equivalents

The Systems classifies cash on deposit in financial institutions and cash on deposit in the state's internal cash management pool as cash and cash equivalents. The Systems also classifies certain short-term highly liquid securities as cash equivalents if the date of maturity is three months or less from the date of acquisition. Forward contracts and foreign currencies are also classified as cash and cash equivalents.

Contributions

Employee, employer, and state-appropriated contributions are recognized in the period in which they are due, pursuant to formal commitments as well as statutory requirements. Substantially all contributions receivable are collected within 30 days of year-end.

Investments

The Retirement System Investment Commission, created by the General Assembly in 2005 as fiduciary for the Retirement Systems, has exclusive authority for investing and managing all assets of the plan. Funds of the Systems are invested subject to the terms, conditions, limitations, and restrictions imposed by Section 16, Article X of the South Carolina Constitution and Section 9-1-1310 (B) and Title 9 Section 16 of the South Carolina Code of Laws. The funds and assets of the various state retirement systems are not funds of the State, but are instead held in trust as provided in Section 9-16-20.

The Investment Commission is structured as a separate state agency reporting to a group of Commissioners. Commission members are appointed and are comprised of six financial experts, including the State Treasurer and a nonvoting retired member. Effective July 1, 2012, the Executive Director of PEBA was added to the Commission, ex officio without voting privileges and the nonvoting retired member was given voting priviledges. The Commission employs a chief investment officer who, under the direction and supervision of the Commission, oversees the investment program for the Retirement Systems' $25.0 billion pension trust fund. The Commission also retains an independent consultant to provide investment consulting services necessary to fulfill the duties for investing the Systems' portfolio.

As fiduciary on behalf of the Retirement Systems, the Commission enters into individual agreements with various investment managers to invest plan assets seeking superior long-term results at an acceptable level of risk. As of June 30, 2012, legal agreements were in place with 101 investment managers.

For financial statement purposes, investments of the pension trust funds are reported at fair value in the Statement of Plan Net Assets. Short term securities categorized as cash or cash equivalents are reported at fair value. The Systems holds domestic and global equity and fixed income securities which are traded on organized exchanges. These investments are valued by the investment custodian using the last reported sales price on a trade-date basis. Private market investments typically utilize a limited partnership structure and private equity funds normally represent investments in operating companies that are not publicly traded on a stock exchange. The fair values of limited partnership investments are based on valuations of the underlying companies of the limited partnerships. The fair values of alternative investments including private equity, opportunistic credit, real estate and certain other investments, where current market values are not readily ascertainable, are valued in good faith based on the most recent financial information available for the underlying companies and reported by the investment managers at the measurement date, adjusted for subsequent cash flow activities through June 30, 2012. The estimated fair value of these investments may differ from values that would have been used had a ready market existed.

Investments are combined in a commingled investment pool, with each system owning a percentage of the pool and receiving proportionate investment income in accordance with their respective ownership percentage. Investment income includes realized and unrealized appreciation (depreciation) in the fair value of investments, interest income earned, dividend income earned, less investment expense, plus income from securities lending activities, less deductions for securities lending expenses. A significant number of the alternative investment managers provide account valuations on a net of fee basis. Those management fees are netted against investment income and because they are not readily separable, amounts are recorded and reported net of fees in the net appreciation (depreciation) in the fair value of investments.

Capital Assets

Capital assets are capitalized at cost and depreciated on a straight-line basis over an estimated useful life of 40 years.

II. Contributions and Reserves

Contributions to each of the Plans are prescribed in Title 9 of the South Carolina Code of Laws. Plan members are required to contribute at statutorily established rates.

The rates applicable for fiscal year 2012 follow:

SCRS	6.5% of earnable compensation
PORS	6.5% of earnable compensation
GARS	10% of earnable compensation
JSRS	10% of earnable compensation
NGRS	Non-contributory

Employer contributions are established by the governing board at the actuarially determined rates recommended by the Systems' actuaries. Contributions for the NGRS are provided by state appropriations based on the annual required contribution determined by the Systems' actuary on an annual basis.

In accordance with provisions of the 2011-2012 State Appropriations Act, an additional employer contribution surcharge of 4.30 percent of covered payroll was added to the contribution rate applicable to state and local governments, and public school entities covered by the Employee Insurance Program. This assessment is for the purpose of providing retiree health and dental insurance coverage and is not a part of the actuarially established contribution rates for retirement funding purposes. Functioning as a collecting agent, SCRS and PORS collected (amounts expressed in thousands) \$296,599 and \$16,042 respectively in retiree insurance surcharges (\$42,771 of which was applicable to the State ORP) and remitted these funds to the Employee Insurance Program.

Net Assets of each plan are required to be reserved in the following accounts:

The **Employer Fund** is credited with all employer retirement contributions and investment earnings of the Employee and Employer Funds. Upon retirement, all member account balances and contributions are transferred to the Employer Fund as all annuities and administrative expenses of the Systems are paid from this fund. Annual state appropriations to the NGRS are also credited to the Employer Fund to provide funding for the payment of annuities and administrative expenses.

The **Employee Fund** is credited with all contributions made by active members of the Systems. Interest is credited to each member's individual account at an annual rate of 4 percent by transferring funds from the Employer Fund to the Employee Fund. At termination of employment prior to retirement, employee contributions and accumulated interest may be refunded from this fund to the member. At retirement, employee contributions and interest are transferred from the Employee Fund to the Employer Fund for subsequent payment of benefits.

The **Death Benefit Fund**, an incidental death program within SCRS and PORS is the fund to which participating employers contribute for the purpose of providing a death benefit to active and retired members of the Systems. Employer contributions and investment earnings are credited to this fund. Death benefit payments and administrative expenses are paid from this fund. The assets in the Death Benefits Fund are not held separately in a dedicated trust for the sole purpose of paying death benefits to beneficiaries of deceased members. These benefits are considered allowable within the defined benefit plans and are held within the pension trust funds.

The **Accidental Death Fund** (PORS only) is the fund to which participating employers contribute for the purpose of providing annuity benefits to beneficiaries of members of PORS killed in the actual performance of their duties. This fund and its benefits are independent of any other retirement benefit available to the beneficiary. Employer contributions and investment earnings are credited to this fund. Monthly survivor annuities and administrative expenses are paid from this fund.

The **Qualified Excess Benefit Arrangement (QEBA) Fund** is the fund from which annuity benefits are paid when a benefit recipient exceeds IRC Section 415(b) limits on the amount an individual may receive annually from a qualified defined benefit pension plan. Employer contributions are credited to this fund on an as-needed basis in an amount equivalent to the amount of funds necessary to pay benefits out of the QEBA fund due to IRC Section 415(b) limitations

Balances in the respective reserves at June 30, 2012, were as follows (amounts expressed in thousands):

	SCRS	PORS	GARS	JSRS	NGRS	Total
Employee Fund	$ 6,459,192	$ 773,710	$ 7,267	$ 20,005	$ -	$ 7,260,174
Employer Fund	14,967,432	2,429,803	24,164	103,354	17,417	17,542,170
Death Benefit Fund	110,284	28,954				139,238
Accidental Death Fund		37,523				37,523
Qualified Excess Benefit Arrangement Fund						
	$21,536,908	$ 3,269,990	$ 31,431	$ 123,359	$ 17,417	$24,979,105

III. Deposits and Investments

Deposit and Investment Risk Disclosures

The tables presented on Pages 22-25 include disclosures of credit and interest rate risk in accordance with Governmental Accounting Standards Board Statement 40 and are designed to inform financial statement users about investment risks which could affect the Systems' ability to meet its obligations. These tables classify investments by risk type, while the financial statements disclose investments by asset class. The table amounts were provided by the custodian bank and agree to the Statement of Plan Net Assets.

Custodial Credit Risk

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Systems' deposits may not be recovered. As prescribed by South Carolina state statute, the State Treasurer is the custodian of all deposits and is responsible for securing all deposits held by banks. These deposits are secured by deposit insurance, surety bonds, collateral securities, or letters of credit to protect the state against loss in the event of insolvency or liquidation of the institution or for any other cause. Deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 or collateralized with securities held by the state or its agent in the State Treasurer's name as custodian.

The total amount of the Systems' deposits at June 30, 2012, was as follows (amounts expressed in thousands):

	Carrying Amount
SCRS	$ 34,072
PORS	4,446
GARS	65
JSRS	117
NGRS	39
Total	$ 38,739

Actual bank balances at June 30, 2012, totaled $54,375 (expressed in thousands).

Investments

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the Systems will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. Investing for the Systems is governed by Section 16, Article X of the South Carolina Constitution and Section 9-1-1310(B) and Title 9 Section 16 of the South Carolina Code of Laws. Funds held in trust for the Retirement Systems may be invested and reinvested in a variety of instruments including, but not limited to, fixed income instruments of the United States, foreign fixed income obligations, swaps, forward contracts, futures and options, domestic and international equity securities, private equity, real estate, and fund of funds.

The following table presents the fair value of investments as of June 30, 2012:

Statement of Invested Assets
June 30, 2012
(Amounts expressed in thousands)

Investment Type	Fair Value
Short Term Investments	
Short Term Investment Funds (U.S. Regulated)	$ 782,489
Repurchase Agreements	465,941
Commercial Paper	819,707
Total Short Term Investments	2,068,137
Equity Allocation	
Domestic Equity	
Common Stocks	1,799,161
Real Estate Investment Trusts	59,283
Preferred	3,100
Convertible Preferred	3,022
Global Equity	1,738,518
Total Equity	3,603,084
Fixed Income Allocation	
Domestic Fixed Income	
U.S. Government:	
U.S. Government Treasuries[1]	604,922
U.S. Government Agencies	497,883
Mortgage Backed:	
Government National Mortgage Association	161,909
Federal National Mortgage Association	210,550
Federal Home Loan Mortgage Association	33,087
Federal Home Loan Mortgage Association (Multiclass)	6,476
Collateralized Mortgage Obligations	15,528
Municipals	89,780
Corporate:	
Corporate Bonds	1,507,224
Convertible Bonds	27,467
Asset Backed Securities	270,431
Yankee Bonds[2]	9,578
Private Placements	457,065
Global Fixed Income:	
International Asset Backed	1,996
International Commingled Funds	896,880
International Corporate Bonds	144,655
International Emerging Debt	429,126
International Government Bonds	43,602
Total Fixed Income	5,408,159
Alternatives	
Credit Default Swaps	9,737
Interest Rate Swaps	(3,768)
Total Return Swaps	21,975
Commingled Funds Balanced	2,596,132
Futures Contracts	19,706
Options	50,543
Hedge Funds	1,335,180
Opportunistic Credit	786,679
Private Equity Limited Partnerships	1,159,919
Real Estate	247,244
Strategic Partnerships	8,252,394
Total Alternative Investments	14,475,741
Total Invested Assets	$ 25,555,121
Invested Securities Lending Collateral	$ 184,025

[1]U.S. Government Treasuries includes Notes, Bonds, and Treasury Inflation Protected Securities (TIPS).

[2]Yankee Bonds are foreign bonds denominated in U.S.Dollars and are registered with the Securities and Exchange Commission (SEC) for sale in the United States.

Reconciliation of Statement of Invested Assets (listed above) to the *Statement of Plan Net Assets:*

Total Invested Assets	$ 25,555,121
Short Term Investments classified as Cash & Cash Equivalents on Statement of Plan Net Assets:	
Short Term Investment Funds (U.S. Regulated)	(782,489)
Repurchase Agreements	(465,941)
Commercial Paper	(819,707)
Total Investments on *Statement of Plan Net Assets*	**$ 23,486,984**

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. While the Systems' have no formal interest rate risk policy, interest rate risk is managed within the portfolio using effective duration, which is a measure of the price sensitivity of a bond or a portfolio of bonds to interest rate movements given a 100 basis point change in interest rates. Effective duration takes into account that expected cash flows will fluctuate as interest rates change and provides a measure of risk that changes proportionately with market rates. Within the investment policy, operational guidelines specify the degree of interest rate risk taken versus the benchmark within each fixed income portfolio.

The Systems invests in mortgage-backed securities which are reported at fair value in the Statement of Plan Net Assets and are based on cash flows from principal and interest payments of the underlying mortgages. These securities are sensitive to prepayments, which are likely in an environment of declining interest rates, and thereby reduce the value of the security. The Systems invests in these securities to diversify the fixed income portfolio and minimize risk. Disclosures for interest rate risk at June 30, 2012, are noted below (amounts expressed in thousands):

Investment Type	Fair Value	Effective Duration (option adjusted duration)
Short Term Investments		
Short Term Investment Funds (U.S. Regulated)	$ 782,489	0.08
Repurchase Agreements	630,699	0.06
Commercial Paper	819,707	0.06
Total Short Term Investments	2,232,895	
Equity Allocation		
Preferred	1,585	1.58
Convertible Preferred	3,022	8.39
Total Equity Investments	4,607	
Fixed Income Allocation		
U.S. Government:		
U.S. Government Treasuries	604,922	7.75
U.S. Government Agencies	497,883	1.35
Mortgage Backed:		
Government National Mortgage Association	161,909	2.52
Federal National Mortgage Association	200,481	2.53
Federal Home Loan Mortgage Association	33,087	2.90
Federal Home Loan Mortgage Association (Multiclass)	5,994	0.23
Collateralized Mortgage Obligations	15,528	2.01
Municipals	89,780	7.20
Corporate:		
Corporate Bonds	1,316,299	3.13
Convertible Bonds	27,467	0.81
Asset Backed Securities	250,461	0.13
Yankee Bonds	9,578	2.78
Private Placements	437,651	3.24
Global Fixed Income:		
International Asset Backed Securities	1,996	0.35
International Corporate Bonds	135,559	3.42
International Government Bonds	43,602	7.58
Total Fixed Income	3,832,197	
Alternatives		
Credit Default Swaps	9,310	(1.20)
Interest Rate Swap	(6,249)	(4.30)
Eurodollar Futures	(53)	66.44
Treasury Note Futures	101	3,012.54
Treasury Bond Futures	(63)	2,536.71
Total Alternatives	3,046	
Total Invested Assets	**$ 6,072,745**	
Total Portfolio Effective Duration (option adjusted duration)		**2.27**

Credit Risk of Debt Securities

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the Systems. As a matter of practice, there are no overarching limitations for credit risk exposures within the overall fixed income portfolio. Each individual portfolio within fixed income is managed in accordance with operational guidelines that are specific as to permissible credit quality ranges, exposure levels within individual quality tiers, and average credit quality. Within high yield portfolios, a quality rating of lower than C is not permissible in any of the fixed income guidelines except in those circumstances of downgrades subsequent to purchase, in which case the investment manager is responsible for communicating the downgrade to the Commission's consultant and staff. The Systems' fixed income investments were rated by Moody's and are presented below:

South Carolina Retirement Systems
Credit Risk - Moody's Quality Ratings
June 30, 2012
(Amounts expressed in thousands)

Investment Type and Fair Value	AAA	AA	A	BAA	BA	B	CAA	CA	NR[2]
Short Term Investments									
Short Term Investment Funds (U.S. Regulated)	$ 782,489	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Repurchase Agreements									630,698
Commercial Paper		144,965		651,750					22,992
Equity Investments									
Preferred						1,651			1,449
Convertible Preferred				2,228		644			150
Fixed Income Allocation									
U.S. Government[1]	604,922								
U.S. Government Agencies[1]	646,392	10,426							2,974
Mortgage Backed:									
Federal National Mortgage Association	210,550								
Federal Home Loan Mortgage Association (Multiclass)	6,476								
Federal Home Loan Mortgage Association	33,087								
Collateralized Mortgage Association	15,528								
Municipals	5,753	39,808	43,784						435
Corporate:									
Corporate Bonds	38,466	32,558	98,334	344,927	165,103	209,767	35,535	265	601,539
Convertible Bonds				5,771	1,634	3,273	4,782		12,007
Asset Backed Securities	58,864	108,853	57,412	11,559	4,455	4,823			24,465
Yankee Bonds			2,156	2,308	5,114				
Private Placements	117,042	49,241	40,626	35,841	28,273	82,849	26,715		76,478
Global Fixed Income:									
International Asset Backed	1,050	946							
International Commingled Funds									896,880
International Corporate Bonds	45,106	7,801	25,898	36,613	16,641	9,608	547		2,441
International Emerging Debt									331,409
International Government Bonds	7,730	6,824	2,186	22,066					4,796
Alternatives									
Credit Default Swaps									9,737
Interest Rate Swaps									(6,144)
Total Return Swaps									(29)
Futures Contracts									19,706
Options									352
	$2,573,455	$ 401,422	$ 270,396	$1,113,063	$221,220	$312,615	$67,579	$265	$2,632,335

[1]The long-term debt rating of the United States (U.S.) government was downgraded from AAA to AA+ on 8/5/11 by Standard & Poors. As a result, BNY Mellon, the Systems' custodial bank, changed their historical U.S. Treasury (UST) rating to AAA and will continue to monitor the actions of the credit agencies.
[2]NR represents securities that were either not rated or had a withdrawn rating.

Concentration of Credit Risk – Investments

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Systems' policy for reducing this risk is to comply with the Statement of Investment Objectives and Policies as amended and adopted by the Commission which states that "except that no limitations on issues and issuers shall apply to obligations of the U.S. Government and Federal Agencies, the domestic fixed income portfolio shall contain no more than 6 percent exposure to any single issuer." As of June 30, 2012, there is no single issuer exposure within the portfolio that comprises 5 percent or more of the overall portfolio. Therefore, there is no concentration of credit risk.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The Systems participates in foreign markets to diversify assets, reduce risk and enhance returns. Exposure to foreign investments has, to date, been achieved synthetically using financial futures, forwards and swaps. Currency forwards are used to manage currency fluctuations and are permitted by investment policy. Policy, however, forbids speculating in forwards and other derivatives.

The table below presents the Systems' exposure to foreign currency risk in U.S. dollars as of June 30, 2012, (amounts expressed in thousands):

Currency	Cash & Cash Equivalents	Forward Contracts	Futures Contracts	Private Equity	Alternative Investments	Fixed Income
Australian Dollar	$ 324	$ 34,239	$ (293)	$ -	$ -	$ 7,730
Brazil Real		263				847
British Pound Sterling	8,969	117,221	1,166			3,209
Canadian Dollar	790	60,614	670			8,773
Chinese Yuan Renminbi		46,669				
Euro Currency	2,983	166,549	5,523	150,792	23,834	33,720
Hong Kong Dollar	1,197	20,309	240			
Japanese Yen	(387)	109,212	4,455			(4)
New Mexico Peso	534	(13,359)				14,767
Norwegian Krone		2,713				
Philippines Peso		3,239				
Singapore Dollar		4,652				
South Korean Won		2,696				
Swedish Krona	(328)	15,665	353			
Totals	$ 14,082	$ 570,682	$ 12,114	$ 150,792	$ 23,834	$ 69,042

Derivatives

Derivatives are financial instruments whose value is derived from underlying assets or data. All of the Systems' derivatives are considered investments. Excluding futures, derivatives generally take the form of contracts in which two parties agree to make payments at a later date based on the value of specific assets or indices. Through certain collective trust funds, the Systems may invest in various derivative financial instruments such as futures and options thereon; forward foreign currency contracts; options; interest rate, currency, equity, index, and total return swaps; interest-only strips; and CMOs to enhance the performance and reduce volatility. The Systems' derivatives, consisting of futures, options, forward contracts and swaps directly managed by the Commission, are presented in the tables on Pages 25-28.

The Commission uses derivatives contracts primarily to facilitate changes to the asset allocation of the total plan and for their low cost of implementation. The Commission uses derivatives for several reasons:

- Asset Allocation: In many cases, synthetic exposures (using derivatives) are placeholders until managers are hired and funded. In time, the Commission may substitute traditional managers for much of the synthetic exposure currently in the portfolio. Efficient markets dictate that in some asset classes, synthetics are the best way to achieve exposure.
- Risk Management: Derivatives allow investors the ability to swiftly and efficiently increase or decrease exposures in order to manage portfolio risk.
- Cost: A synthetic (derivative) solution is often the least expensive way to gain exposure to an asset class or to manage portfolio risk. Derivatives are more beneficial in each of the three major measures of cost: commission costs, market impact of trading, and opportunity costs.

Futures are contractual obligations that require the buyer (seller) to buy (sell) assets at a predetermined date at a predetermined price. These contracts are standardized and traded on an organized exchange with gains and losses settled daily thereby significantly reducing credit and default risk. Gains and losses are included in the net appreciation/(depreciation) in the fair value of investments total of the Statement of Changes in Plan Net Assets. To comply with the requirements of multiple exchanges, securities in the amount of $120.214 million of various GNMAs were held in trust by the clearing brokers on June 30, 2012, to satisfy the required margin amount to establish the Systems' futures exposure.

The table below presents classification information on the Systems' derivatives at June 30, 2012 (amounts in thousands):

	Changes in Fair Value		Fair Value at 6/30/2012	
	Classification	**Gain/(Loss)**	**Classification**	**Amount**
Investment derivatives:				
Futures Contracts	Net appreciation/(depreciation)	$ (55,387)	Alternative Investments	$ 19,735
Forward Contracts	Net appreciation/(depreciation)	11,193	Cash & Cash Equivalents	905
Swaps	Net appreciation/(depreciation)	93,592	Alternative Investments	21,975
Options	Net appreciation/(depreciation)	62,398	Alternative Investments	52,572

As of June 30, 2012, the Systems had the following exposure via futures contracts (dollar amounts in thousands):

Futures Contracts	Expiration	Long/Short	Quantity	Notional Value*
MTF CAC40 10EU	July 2012	Long	1,284	$ 52,012
EURX DAX INDEX	September 2012	Long	226	45,971
EURX ER STX 50	September 2012	Long	2,043	58,465
NEW FTSE 100	September 2012	Long	1,408	121,969
HKFE - HSI	July 2012	Long	164	20,560
IBEX 35 PLUS	July 2012	Long	166	14,716
FTSE MIB INDEX	September 2012	Long	142	12,881
TSE TOPIX	September 2012	Long	1,230	118,545
SFE SPI 200	September 2012	Long	446	46,369
AMSTERDAM INDEX	July 2012	Long	193	15,051
S&P TSE 60 INDEX	September 2012	Long	480	62,283
OMXS30 INDEX	July 2012	Long	1,106	16,484
Total International Equity				**585,306**
EMINI S&P 500	September 2012	Long	18,189	1,233,578
Total Large Cap Equity				**1,233,578**
EMINI RUSSELL 2000	September 2012	Short	(2,254)	(179,283)
Total Small Cap Equity				**(179,283)**
GOLD 100 OZ FUT	August 2012	Long	309	49,570
Total Commodities				**49,570**
Total				**$ 1,689,171**

*Notional value is the nominal or face amount that is used to calculate payments made on derivative instruments (futures, forwards, swaps, etc.). This amount generally does not change hands and is thus referred to as notional. The notional amount represents the economic equivalent to an investment in the physical securities represented by the derivative contract.

Forwards are contractual obligations that require the delivery of assets at a fixed price on a pre-determined date. These contracts are "over-the-counter" (OTC) instruments, meaning they are not traded on an organized exchange. Currency forwards gains and losses are included in the net appreciation/(depreciation) in the fair value of investments total of the Statement of Changes in Plan Net Assets.

As of June 30, 2012, the Systems had the following forward exposures, listed by counterparty (amounts expressed in thousands):

Broker	Notional Value	Base Gain/(Loss)	Base Exposure
HSBC Bank	$ 284,847	$ 787	13.70%
Commonwealth Bank of Australia	284,779	858	13.70%
Barclays Bank	277,398	814	13.34%
Deutsche Bank	275,744	803	13.26%
JP Morgan Chase	275,682	818	13.26%
Royal Bank of Canada	131,805	(648)	6.34%
Royal Bank of Scotland	130,899	(636)	6.30%
Citibank NA	126,757	(639)	6.10%
UBS	122,736	(623)	5.90%
Credit Suisse	122,735	(627)	5.90%
Brown Brothers Harriman	45,675	(2)	2.20%
Totals	$ 2,079,057	$ 905	100.00%

The Systems has entered into various swap agreements to manage risk exposure. Swaps are OTC agreements to exchange a series of cash flows according to specified terms. The underlying asset can be an interest rate, an exchange rate, a commodity price or any other index.

Total return swaps are primarily used to efficiently achieve a target asset allocation. Exposures to an asset class are typically gained by paying a reference rate such as LIBOR, plus or minus a spread, in exchange for the risk and returns of a desired market index. Similarly, exposures can be reduced by receiving a reference rate in exchange for the economic risks and returns of an index.

Counterparty risk, or default risk, is the risk that a party will not honor its contractual obligations. The Systems seeks to actively manage its counterparty risk by thorough analysis and evaluation of all potential counterparties by investment staff and the independent overlay manager. Risk is further minimized through diversification among counterparties with high credit ratings and collateralizing unrealized gains and losses. The Systems currently does not participate in a master netting agreement. Unrealized gains and losses are not netted across instrument types.

The table below reflects the counterparty credit ratings at June 30, 2012, for currency forwards, options and swap agreements (amounts in thousands):

Quality Rating	Forwards	Swaps	Options	Total
Aaa	$ (636)	$ -$	-	$ (636)
Aa1	210			210
Aa3	1,785			1,785
A1	814		27,477	28,291
A2	(627)	21,975		21,348
A3			21,152	21,152
Baa2	(639)		3,943	3,304
NR	(2)			(2)
Total subject to credit risk	$905	$ 21,975	$ 52,572	$ 75,452

At June 30, 2012, the Systems held swaps as shown in the table below (amounts expressed in thousands):

Counterparty	Total Return Swaps	SCRS Pays	SCRS Receives	Maturity Date	Current Notional	Gain (Loss) Since Trade
Societe Generale	DJ-UBS Commodities TR	3 month T-Bill + 9 bps	DJ-UBS Commodities TR	8/31/2012	$ 279,892	$ (59,814)
Societe Generale	DJ-UBS Commodities TR	3 month T-Bill + 10 bps	DJ-UBS Commodities TR	2/28/2013	142,698	(13,247)
	Total Return Swap Exposures				$ 422,590	$ (73,061)

Options are exchange traded agreements between two parties for a future transaction on an underlying asset at a reference or strike price. The buyer of an option has the right, but not the obligation, to transact. The seller of an option has the obligation to transact if forced by the buyer. The price of an option is derived by taking the difference in the underlying asset and the strike price plus a premium for the remaining time until expiration.

As of June 30, 2012, the Systems had the following option positions, listed by strategy (amounts in thousands):

Option Strategy	Expiration	Index	Counterparty	Gain/Loss Since Trade
BRAVE Position #1	11/29/2012	MSCI Emerging Markets Index	Goldman Sachs	$ 8,979
BRAVE Position #2	11/29/2012	MSCI Emerging Markets Index	Goldman Sachs	12,173
BRAVE Position #3	11/30/2012	MSCI Emerging Markets Index	Credit Suisse	15,407
BRAVE Position #4	11/30/2012	MSCI Emerging Markets Index	Merrill Lynch	3,943
BRAVE Position #5	11/30/2012	DJ US Real Estate Index	Credit Suisse	12,070
	Total Options Value			$ 52,572

The Buffered Return Accelerated Value Equity (BRAVE) option position consists of three parts: a long call, a short call and a short put. By employing this strategy, the Systems gain immediate market exposure to the underlying asset class. These positions also offer sizeable downside protection in exchange for limiting the maximum upside return. These positions allow the Systems to have exposure to various markets at little or no underlying cost, offering a return stream that is based on the performance of an underlying index.

Alternative Investments

The Alternatives category includes exposure to private equity, global tactical asset allocation, absolute return, opportunistic credit, real estate, derivatives and strategic partnerships. Private equity investments are normally structured as limited partnerships. In this structure, the Systems is one of several limited partners, while the investment manager serves as the general partner. Investing in limited partnerships legally obligates the Systems to invest the committed amount until the investment is fully funded or contractual investment period has expired. All other asset classes within the Alternatives category may be housed in a variety of legal structures. The Systems established several strategic partnerships to gain access to the best ideas of the investment manager, to receive favorable economics, and to efficiently take advantage of market opportunities. Investments within the strategic partnership accounts include allocations to private equity, opportunistic credit, real estate, absolute return strategies and cash. The Systems' allocation to opportunistic credit is designed to take advantage of the dislocations that have occurred in the credit markets. The Systems' intent is to access superior risk-adjusted returns through a variety of different credit strategies.

Commitments

The Systems has entered into contractual agreements with numerous alternative investment managers and is committed for future funding of private equity, real estate and opportunistic credit limited partnerships. As of June 30, 2012, the Systems had committed to fund various limited partnerships in the total amount of $3.482 billion (U.S. dollars) and €278 million (Euros). The total unfunded commitment as of June 30, 2012, was $1.469 billion (U. S. dollars) and €84 million (Euros). The total remaining commitment adjusted for cash flows as of September 21, 2012, is $1.402 billion (U.S. dollars) and €81 million (Euros). In addition, although legal contractual agreements in place do not necessarily dictate authorized commitment amounts, various other alternative investment fundings will be deployed at the full discretion of the Investment Commission through the use of the strategic partnership accounts. These underlying investments include hedge funds, private equity, real estate, opportunistic credit, short duration fixed income, commodities and high yield fixed income.

Securities Lending

The Systems participate in a securities lending program managed by the custodial bank whereby securities are loaned for the purpose of generating additional income. Securities are lent from the 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, 2012 included U.S. Government securities, U.S. Government agencies, corporate bonds and equities. The State Treasurer, as custodian, controls the custody relationship. The contractual agreement with the custodial bank provides indemnification in the event the borrower fails to return the securities lent or fails to pay the Systems 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. Collateral securities cannot be pledged or sold without a borrower default. Cash collateral received is invested; accordingly, investments made with cash collateral appear as an asset. A corresponding liability is recorded as the Systems must return the cash collateral to the borrower upon the expiration of the loan.

At June 30, 2012, the fair value of securities on loan was $270.84 million. The fair value of the invested cash collateral was $184.03 million. Securities lending obligations at June 30, 2012, were $275.90 million with an unrealized loss in invested cash collateral of $91.87 million. This unrealized loss is due to certain Lehman bonds held by the securities lending program. This amount is reflected under "Other Liabilities" on the Statement of Plan Net Assets and recorded in the Statement of Changes in Plan Net Assets under "Net appreciation (depreciation) in fair value of investments." During the fiscal year, the Systems received a $7.80 million settlement distribution in relation to a Lehman creditor-payment plan approved by the U.S. Bankruptcy Court. This distribution was applied to the amortized cost of the Lehman bonds. The custodial bank's Securities Lending group sold approximately $44 million of these bonds with proceeds of $10.70 million which resulted in a realized loss of $30.77 million. This loss is being held in the securities lending collateral pool as an undistributed loss. Subsequent to June 30, 2012, the custodian bank's Securities Lending group sold the remaining Lehman bonds.

The Commission continues to evaluate the securities lending program in order to minimize risk, enhance performance and ensure a cost effective fee structure is in place.

With regard to custodial credit risk, the Systems' cash collateral invested is held by the counterparty and is uninsured. All securities loaned can be terminated on demand by either the Systems or the borrower. At year end the average number of days the loans were outstanding was three days. The average weighted maturity of investments made with cash collateral was two days. At June 30, 2012, there had been no losses resulting from borrower defaults and the Systems had no credit risk exposure to borrowers because the amounts the Systems owed the borrowers exceeded the amounts the borrowers owed the Systems.

The following table presents the fair value (amounts expressed in thousands) of the underlying securities and the total collateral received for securities on loan at June 30, 2012.

	June 30, 2012						June 30, 2011
	SCRS	PORS	GARS	JSRS	NGRS	TOTALS	TOTALS
Securities lent for cash collateral:							
U.S. Government securities	$ 123,398	$ 18,367	$ 170	$ 692	$ 93	$ 142,720	$ 55,286
Corporate bonds	42,884	6,383	59	241	32	49, 599	80,022
Non-U.S. Government securities	-	-	-	-	-	-	28,957
Common stock	67,887	10,105	93	381	51	78,517	153,368
Total securities lent for cash collateral:	$ 234,169	$ 34,855	$ 322	$ 1,314	$ 176	$ 270,836	$ 317,633
Securities lent for non-cash collateral:							
Common stock	$ 10,232	$ 1,523	$ 14	$ 57	$ 8	$ 11,834	$ 8,539
	$ 10,232	$ 1,523	$ 14	$ 57	$ 8	$ 11,834	$ 8,539
Cash collateral invested as follows:							
Repurchase agreements	$ 142,452	$ 21,204	$ 196	$ 798	$ 107	$ 164,757	$ 195,750
Floating rate notes	16,659	2,480	23	93	13	19,268	129,750
Total for cash collateral invested	$ 159,111	$ 23,684	$ 219	$ 891	$ 120	$ 184,025	$ 325,500
Securities received as collateral:							
U.S. Government securities	$ 10,399	$ 1,548	$ 14	$ 58	$ 8	$ 12,027	$ 8,736
	$ 10,399	$ 1,548	$ 14	$ 58	$ 8	$ 12,027	$ 8,736

IV. Capital Assets

Capital assets at June 30, 2012, consist of the following amounts (expressed in thousands). There were no additions or dispositions of capital assets during the year.

	SCRS	PORS	GARS	JSRS	TOTALS	TOTALS 2011
Land	$ 524	$ 54	$ 1	$ 3	$ 582	$ 582
Building	4,279	437	13	20	4,749	4,749
Total Capital Assets	4,803	491	14	23	5,331	5,331
Less: Accumulated Depreciation	(2,115)	(216)	(6)	(10)	(2,347)	(2,228)
Net Capital Assets	$ 2,688	$ 275	$ 8	$ 13	$ 2,984	$ 3,103

V. Transfers Between Systems

Transfers between systems are statutorily authorized transfers of contributions and service credit from one retirement system to another retirement system that result from members voluntarily initiating the transfer when certain conditions are met.

Transfers made during the fiscal year ended June 30, 2012, were as follows (amounts expressed in thousands):

	Transfers to					
Transfers from	SCRS	PORS	GARS	JSRS	NGRS	Totals
SCRS	$ -	$ 1,923	$ -	$ 261	$ -	$ 2,184
PORS						
GARS						
JSRS						
NGRS						
Totals	$ -	$ 1,923	$ -	$ 261	$ -	$ 2,184

The following schedule reflects amounts due to or from other systems as of June 30, 2012, (amounts expressed in thousands):

	Due to					
Due from	SCRS	PORS	GARS	JSRS	NGRS	Totals
SCRS	$ -	$ 507	$ -	$ -	$ -	$ 507
PORS						
GARS						
JSRS	59					59
NGRS						
Totals	$ 59	$ 507	$ -	$ -	$ -	$ 566

VI. Related Party Transactions

The pension plans provide pension and other fringe benefits to employees of all state agencies. Revenues attributed to these agencies are recorded in the financial statements as employee and employer contributions and constitute approximately 33 percent of combined contribution revenues. In addition, the Systems receives custodial and related services from the State Treasurer.

At June 30, 2012, liabilities of approximately $43.3 million were due to other state departments and agencies, and contributions receivable of approximately $37 million were due from other state departments and agencies.

The National Guard Retirement System received state-appropriated contributions in the amount of $3.9 million during the fiscal year.

The Retirement System Investment Commission was established in 2005 and is considered a separate state agency; however, the expenses of the Commission are funded by transfers from the Systems' trust funds. Transfers in the amount of approximately $6.8 million were made to the Commission during the fiscal year.

VII. Deferred Retirement Option Plans

The Teacher and Employee Retention Incentive (TERI) program, implemented effective January 1, 2001, is a deferred retirement option plan available to active SCRS members eligible for service retirement on or after January 1, 2001. When a member enters TERI, the member's status changes from an active member to a retiree even though the employee continues to work at his regular job and earn his regular salary for a period of up to five years. TERI participants who entered the program after June 30, 2005, must continue to contribute at the same rate as active members. Those who entered prior to July 1, 2005, make no employee contributions while participating in TERI. No additional service credit is earned during this period and participants are ineligible for disability retirement benefits. During the TERI participation period, the retiree's monthly benefits are accrued and accumulate in the trust account. Upon termination of employment or at the end of the TERI period (whichever is earlier), the retiree may elect to roll over his funds into a qualified, tax-sheltered, retirement plan or to receive a single-sum distribution (or a combination thereof). No interest is paid on the participant funds accumulated in the TERI account. Retirement reform legislation closes the TERI program to all members effective June 30, 2018.

A total of 6,986 members were actively participating in the TERI program at June 30, 2012. The activity for this program is reflected in the following schedule:

Schedule of TERI Activity
Year Ended June 30, 2012
(Amounts expressed in thousands)

Beginning Liability Balance	$ 363,373
Additions	171,096
TERI Distributions	(148,753)
Ending Liability Balance	385,716

A deferred retirement option program exists under the Retirement System for Judges and Solicitors (JSRS). A member who has not yet reached the age of 60 years, but who is eligible to retire and receive the maximum monthly benefit, may continue to serve as a judge, a solicitor, or a circuit public defender. The member's normal monthly retirement benefit is deferred and placed in the system's trust fund on behalf of the member. Upon reaching the age of 60 years, the balance of the member's deferred retirement benefit is distributed to the member. As of June 30, 2012, benefits held in trust totaled $586,000.

VIII. Funded Status and Funding Progress - Pension Trust Funds

The actuarial condition of each defined benefit pension plan summarized below was determined based on the most recent actuarial valuation which was conducted using membership and financial data as of July 1, 2011. The valuation results for SCRS and PORS have been updated to recognize pension reform legislation enacted June 2012 which changed the results disclosed in the original 2011 valuation. Information included in the following schedule is based on the adjustments and certification provided by our consulting actuary, Gabriel, Roeder, Smith and Company. Additionally, a schedule of funding progress is presented as required supplementary information (RSI) following the notes to the financial statements. The RSI schedule presents multiyear information regarding changes to the actuarial values of plan assets relative to the actuarial accrued liabilities for benefits.

System	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
SCRS	$ 25,604,823	$ 38,011,610	$ 12,406,787	67.4%	$ 7,687,558	161.4%
PORS	3,728,241	5,122,501	1,394,260	72.8%	1,087,587	128.2%
GARS	41,484	74,604	33,120	55.6%	3,854	859.4%
JSRS	144,927	243,514	98,587	59.5%	18,661	528.3%
NGRS	20,138	60,388	40,250	33.3%	N/A	N/A

The following schedule provides a summary of the actuarial assumptions and methods used in the July 1, 2011 valuations for each of the individual plans administered by the South Carolina Retirement Systems. The methods and assumptions for SCRS and PORS have been updated to reflect pension reform legislative changes that were enacted June 2012.

Summary of Actuarial Methods and Significant Assumptions

	SCRS	PORS	GARS	JSRS	NGRS
Valuation date	07/01/11	07/01/11	07/01/11	07/01/11	07/01/11
Actuarial cost method	Entry age	Entry age	Entry age	Entry age	Entry age
Amortization period	Level percent open	Level percent open	Level dollar closed	Level percent open	Level dollar open
Remaining amortization period[1]	25 years	30 years	16 years	30 years	21 years
Asset valuation method	5-year smoothed market	5-year smoothed market	5-year smoothed market	5-year smoothed market	5-year smoothed market
Actuarial assumptions:					
Investment rate of return	7.5%	7.5%	7.5%	7.5%	7.5%
Projected salary increases	levels off at 3.5%	levels off at 4%	None	3%	None
Includes inflation at	2.75%	2.75%	2.75%	2.75%	2.75%
Cost-of-living adjustments	lesser of 1% or $500	lesser of 1% or $500	None	3%	None

[1]As adopted by the PEBA Board and subject to approval by the B & C Board, rates include a 0.34% increase in both employee and employer contributions for PORS and an employer contribution increase of 2.24% for JSRS, which are effective July 1, 2013 to satisfy the 30-year amortization period requirement.

IX. Death Benefit Program

In addition to monthly pension benefits provided through the Retirement Systems, a Death Benefit Program is available to employers. For participating employers, incidental death benefits are provided for active and retired members. These benefits are funded through separate death benefit programs within SCRS and PORS on a cost-sharing, multiple-employer basis. The assets in the Death Benefits Fund are not held separately in a dedicated trust for the sole purpose of paying death benefits to beneficiaries of deceased members. These benefits are considered allowable within the defined benefit plans and are held within the pension trust funds. Coverage is provided to eligible active and retired working members as well as non-working retirees under the governing statute. Funding for the plans is collected as a percent of covered payroll as determined by the Systems' actuary and approved by the governing board. The current employer contribution rates for the programs are 0.15 percent and 0.20 percent of payroll for SCRS and PORS respectively. These contributions fund both the active and retiree death benefits.

Active Death Benefits

Upon the death of an SCRS or PORS contributing member in service who had at least one full year of membership or who died as a result of an injury arising in the course of performing his duties regardless of length of membership, an incidental death benefit equal to the annual earnable compensation of the member at the time of death is payable apart and separate from the payment of pension benefits.

Retiree Death Benefits

Retired members of SCRS and PORS whose last employer prior to retirement is covered by the program, and who met applicable service credit requirements, are also protected under the state-sponsored death benefit program. Upon the death of a retired member, the beneficiary of a non-working retiree will receive a benefit payment based on the member's total creditable service at the time of retirement.

Years of Service Credit		
SCRS	PORS	Death Benefit
10 to 19	10 to 19	$2,000
20 to 27	20 to 24	$4,000
28 or more	25 or more	$6,000

Members who work after retirement by either participating in the TERI program or by returning to covered employment as a working retiree are eligible for an increased level of death benefits. Beneficiaries of working retirees are provided with a death benefit equal to the amount of the member's annual earnable compensation in lieu of the standard $2,000, $4,000 or $6,000 retired member benefit.

All benefits provided by the Retirement Systems are included in the actuarial valuation, including the Incidental Death Benefit program for SCRS and PORS. The July 1, 2011, actuarial valuations reflect the inclusion of the assets and liabilities of the Incidental Death Benefit program.

X. Litigation

In addition to the litigation mentioned below, controversies or disputes between the South Carolina Retirement Systems and its members arising out of the provisions of Title 9 of the South Carolina Code of Laws (Retirement provisions) are resolved through the "South Carolina Retirement Systems Claims Procedures Act" established by S.C. Code Ann. §§9-21-10 et seq. Claims brought pursuant to the Claims Procedures Act generally involve matters pertinent to the individual member or beneficiary. Claims may not be brought on behalf of a class under the Claims Procedures Act.

Gail M. Hutto et al. v. The South Carolina Retirement System et al., C/A No. 4:10-cv-02018-JMC, is a putative class action suit that was filed in federal district court in August 2010. In this matter, Plaintiffs asserted that the provisions of Act No. 153 of 2005 of the South Carolina General Assembly requiring working retirees in the South Carolina Retirement System ("SCRS") and the South Carolina Police Officers' Retirement System ("PORS") to make contributions to the systems are unconstitutional and illegal. As of June 30, 2012, the Retirement Systems had collected approximately $121 million in the form of retirement contributions from members of those retirement systems who retired and returned to work on or after July 1, 2005. Defendants filed a motion to dismiss this matter on a number of grounds, including Eleventh Amendment immunity, abstention, and failure to state a claim upon which relief may be granted. By an Order and Decision dated September 27, 2012, the federal district court granted Defendants' motion and dismissed Plaintiffs' suit, finding that Defendants are immune from suit under the Eleventh Amendment. To date, Plaintiffs have not filed a motion to reconsider that decision or sought appellate review of the decision.

Anderson County v. Joey Preston and the South Carolina Retirement System, Case No. 2009-CP-04-4482, is a civil action pending in the Tenth Judicial Circuit Court of Common Pleas. Defendant Joey Preston ("Preston") is a retired member of the South Carolina Retirement System who was employed by Plaintiff. In its complaint, Plaintiff seeks to rescind a severance agreement entered into between Plaintiff and Preston, in which, among other things, Plaintiff agreed to pay, and did pay, approximately $355,000.00 to the System to purchase retirement service credit on behalf of Preston. Plaintiff has named the South Carolina Retirement System as a defendant in this matter as a stakeholder of a portion of the disputed severance funds and seeks a return of the $355,000.00 paid to the System. As a result of the service purchase, Preston was able to retire and begin drawing a retirement benefit. The South Carolina Retirement System is defending this case to ensure that, regardless of the outcome of Plaintiff's claims related to the severance agreement, the System does not suffer any monetary loss as a result of the service purchase.

XI. Retirement Reform Legislation

Prior to fiscal year end the results of the July 1, 2011 actuarial valuation determined the actuarial and financial information to be disclosed in the Retirement System's accounting information under Governmental Accounting Standards. Enactment of pension reform legislation that became effective subsequent to fiscal year end but before issuance of the financial statements changed the results originally disclosed in the 2011 actuarial valuation. The event is summarized as follows.

Given that retirement programs across the entire nation are experiencing financial stress and difficulties, subcommittees were formed by both the House and Senate with focus on a thorough "top to bottom" review of South Carolina's Retirement Systems to seek solutions that will lead to longer term financial sustainability while attaining fairness for government employees.

The General Assembly found the Retirement Systems to be of great value to the State of South Carolina. The process made it clear that System stability and certainty of benefits to annuitants are paramount and that all parties must share sacrifices in assuring the financial sustainability of the system over the long term. On June 26, 2012, South Carolina Governor Nikki Haley signed the Retirement Free Conference Report on House Bill 4967, commonly referred to as retirement reform legislation, and Act 278 became law.

Effective July 1, 2012, the South Carolina Public Employee Benefit Authority (PEBA) was created as the new governing body and administrative agency for the Retirement Division and the Employee Insurance Program which were transferred from the State Budget and Control Board. The board of directors consists of eleven members with three appointments by the Governor, two by the President Pro Tempore of the Senate, two by the Chairman of the Senate Finance Committee, two by the Speaker of the House of Representatives and two by the Chairman of the House Ways and Means Committee. Policy determinations made by the PEBA are subject to approval by the State Budget and Control Board.

Legislation provides for an annual benefit adjustment for SCRS and PORS annuitants equal to the lesser of one percent or $500, creates a new tier (Class III) of membership with different eligibility and benefit provisions, changes eligibility and calculation of disability benefits, changes cost for purchased service credit to be actuarially neutral, increases both member and employer contribution rates for SCRS and PORS and disallows contribution decreases until the Systems are at least 90 percent funded, closes the TERI program after June 30, 2018, implements an earnings limitation of $10,000 for certain members who retire after January 1, 2013, and discontinues interest accruals on inactive member account balances. Pursuant to the law, the GARS is closed to individuals first elected to serve in the General Assembly at or after the general election of 2012. These individuals may elect to participate in SCRS or State ORP or they may elect to be a nonmember. Additionally, under the new law, the General Assembly is authorized to set and change the assumed rate of return on the System's investments for actuarial valuation purposes.

South Carolina Retirement Systems
Required Supplementary Information

Information presented in the required supplementary schedule was determined as part of the actuarial valuations as of the dates indicated. The July 1, 2011, valuation results for SCRS and PORS have been updated to recognize pension reform legislation enacted June 2012 which changed the results disclosed in the original 2011 valuation.

In analyzing data, it's important to note that the larger the funded ratio, which is a comparison of the valuation assets to the aggregate actuarial accrued liabilities, the stronger the system. Observation of these relative indices over a period of years will give an indication of whether the system is becoming stronger or weaker.

Schedule of Funding Progress
(Amounts expressed in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
SCRS						
7/01/06	$ 22,293,446	$ 32,018,519	$ 9,725,073	69.6%	$ 6,733,379	144.4%
7/01/07	23,541,438	33,766,678	10,225,240	69.7%	7,093,181	144.2%
7/01/08	24,699,678	35,663,419	10,963,741	69.3%	7,559,172	145.0%
7/01/09	25,183,062	37,150,315	11,967,253	67.8%	7,761,808	154.2%
7/01/10	25,400,331	38,774,029	13,373,698	65.5%	7,769,820	172.1%
7/01/11	25,604,823	38,011,610	12,406,787	67.4%	7,687,558	161.4%
PORS						
7/01/06	$ 2,935,841	$ 3,466,281	$ 530,440	84.7%	$ 931,815	56.9%
7/01/07	3,160,240	3,730,544	570,304	84.7%	992,849	57.4%
7/01/08	3,363,136	4,318,955	955,819	77.9%	1,060,747	90.1%
7/01/09	3,482,220	4,564,111	1,081,891	76.3%	1,084,154	99.8%
7/01/10	3,612,700	4,850,457	1,237,757	74.5%	1,076,467	115.0%
7/01/11	3,728,241	5,122,501	1,394,260	72.8%	1,087,587	128.2%
GARS						
7/01/06	$ 46,075	$ 69,734	$ 23,659	66.1%	$ 3,854	613.9%
7/01/07	46,925	71,014	24,089	66.1%	3,854	625.0%
7/01/08	47,189	69,122	21,933	68.3%	3,854	569.1%
7/01/09	45,891	68,491	22,600	67.0%	3,854	586.4%
7/01/10	43,712	68,671	24,959	63.7%	3,854	647.6%
7/01/11	41,484	74,604	33,120	55.6%	3,854	859.4%
JSRS						
7/01/06	$ 124,837	$ 211,384	$ 86,547	59.1%	$ 15,929	543.3%
7/01/07	132,990	229,388	96,398	58.0%	16,407	587.5%
7/01/08	138,323	213,406	75,083	64.8%	18,661	402.4%
7/01/09	141,797	214,363	72,566	66.1%	18,661	388.9%
7/01/10	142,871	215,823	72,952	66.2%	18,661	390.9%
7/01/11	144,927	243,514	98,587	59.5%	18,661	528.3%
NGRS						
7/01/06	$ 14,046	$ 48,755	$ 34,709	28.8%	N/A	N/A
7/01/07	15,937	55,917	39,980	28.5%	N/A	N/A
7/01/08	17,426	53,534	36,108	32.5%	N/A	N/A
7/01/09	18,600	53,421	34,821	34.8%	N/A	N/A
7/01/10	19,458	54,153	34,695	35.9%	N/A	N/A
7/01/11	20,138	60,388	40,250	33.3%	N/A	N/A

South Carolina Retirement Systems
Required Supplementary Information (continued)

Schedule of Employer Contributions
(Amounts expressed in thousands)

	SCRS		PORS		GARS		JSRS		NGRS	
Year Ended June 30,	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Pension Cost[1]	Percentage Contributed
2012	$ 824,652	100%	$ 134,299	100%	$ 2,532	100%	$ 8,414	100%	$ 3,937	100.8%
2011	808,343	100%	129,314	100%	2,414	100%	8,414	100%	3,905	100.00%
2010	818,523	100%	123,163	100%	2,598	100%	8,414	100%	3,945	102.7%
2009	827,502	100%	124,148	100%	2,495	100%	8,414	100%	3,979	101.8%
2008	774,269	100%	114,095	100%	2,440	100%	7,613	100%	3,823	103.3%
2007	644,350	100%	106,753	100%	2,358	100%	6,706	100%	3,811	103.6%

[1]For years prior to June 30, 2010, the Annual Pension Cost (APC) for the National Guard Retirement System includes both the Annual Required Contribution (ARC) and the discounted present value of the balance of the Net Pension Obligation (NPO). For fiscal years ended June 30, 2010, forward, the APC was calculated as part of the actuarial valuation; therefore, the amount listed for June 30, 2010, forward contains only the ARC. The NPO is carried as an "Other Liability" in the Financial Statements of the State of South Carolina.

South Carolina Retirement Systems
Schedule of Changes in Plan Net Assets
SCRS Pension Trust Fund
Year Ended June 30, 2012
With comparative totals for the year ended June 30, 2011
(Amounts expressed in thousands)

	EMPLOYEE FUND	EMPLOYER FUND	DEATH BENEFIT FUND	QEBA FUND	TOTALS	TOTALS 2011
Additions						
Employee contributions						
State department employees	$170,975	$16,085	$ -	$ -	$187,060	$177,554
Public school employees	226,237	25,387			251,624	244,269
Other political subdivision employees	139,594	8,540			148,134	140,347
Employer contributions						
State department employees		264,575	4,763	989	270,327	267,045
Public school employees		348,134	5,794		353,928	348,280
Other political subdivision employees		197,695	2,702		200,397	193,018
Total contributions	536,806	860,416	13,259	989	1,411,470	1,370,513
Investment Income						
Net appreciation (depreciation) in fair value of investments		(54,609)	(281)		(54,890)	3,447,010
Interest and dividend income		209,633	1,077		210,710	211,510
Investment expense		(47,468)	(245)		(47,713)	(61,618)
Net income (loss) from investing activities		107,556	551		108,107	3,596,902
From securities lending activities:						
Securities lending income		77			77	587
Securities lending borrower rebates		1,117	6		1,123	580
Net income from securities lending activities		1,194	6		1,200	1,167
Total net investment income (loss)		108,750	557		109,307	3,598,069
Supplemental retirement benefits funded by the State		733			733	832
Transfers of contributions from other Systems						52
Total additions	536,806	969,899	13,816	989	1,521,510	4,969,466
Deductions						
Refunds of contributions to members	83,134				83,134	84,591
Transfers of contributions to other Systems	1,492	692			2,184	1,914
Regular retirement benefits		2,083,701		989	2,084,690	1,977,325
Deferred retirement benefits		171,096			171,096	155,874
Supplemental retirement benefits		733			733	832
Death benefits		(8)	18,303		18,295	16,485
Depreciation		107			107	107
Administrative expense		19,292	100		19,392	18,446
Total deductions	84,626	2,275,613	18,403	989	2,379,631	2,255,574
Interfund transfers according to statutory requirements						
Contributions by members at retirement	(702,779)	702,779				
Interest credited to members' accounts	237,145	(237,145)				
Net interfund transfers	(465,634)	465,634				
Net increase (decrease)	(13,454)	(840,080)	(4,587)		(858,121)	2,713,892
Net assets held in trust for Pension Benefits						
Beginning of year	6,472,646	15,807,512	114,871		22,395,029	19,681,137
End of year	$ 6,459,192	$14,967,432	$ 110,284	$	$21,536,908	$22,395,029

South Carolina Retirement Systems
Schedule of Changes in Plan Net Assets
PORS Pension Trust Fund
Year Ended June 30, 2012
With comparative totals for the year ended June 30, 2011
(Amounts expressed in thousands)

	EMPLOYEE FUND	EMPLOYER FUND	DEATH BENEFIT FUND	ACCIDENTAL DEATH FUND	TOTALS	TOTALS 2011
Additions						
Employee contributions						
State department employees	$ 25,849	$ 1,174	$ -	$ -	$ 27,023	$ 26,254
Public school employees	66	154			220	171
Other political subdivision employees	52,535	4,692			57,227	52,909
Employer contributions						
State department employees		42,292	742	742	43,776	42,777
Public school employees		330	6	6	342	302
Other political subdivision employees		87,289	1,489	1,403	90,181	86,235
Total contributions	78,450	135,931	2,237	2,151	218,769	208,648
Investment Income						
Net appreciation (depreciation) in fair value of investments		(6,977)	(61)	(79)	(7,117)	497,595
Interest and dividend income		30,573	266	343	31,182	30,713
Investment expense		(6,906)	(60)	(78)	(7,044)	(8,945)
Net income (loss) from investing activities		16,690	145	186	17,021	519,363
From securities lending activities:						
Securities lending income		11			11	84
Securities lending borrower rebates		163	1	2	166	84
Net income from securities lending activities		174	1	2	177	168
Total net investment income		16,864	146	188	17,198	519,531
Supplemental retirement benefits funded by the State		34			34	37
Transfers of contributions from other Systems	1,231	692			1,923	1,907
Total additions	79,681	153,521	2,383	2,339	237,924	730,123
Deductions						
Refunds of contributions to members	15,162				15,162	14,902
Transfers of contributions to other Systems						92
Regular retirement benefits		263,997			263,997	242,872
Supplemental retirement benefits		34			34	37
Death benefits			1,851		1,851	1,984
Accidental death benefits				1,551	1,551	1,534
Depreciation		10			10	11
Administrative expense		2,806	24	32	2,862	2,632
Total deductions	15,162	266,847	1,875	1,583	285,467	264,064
Interfund transfers according to statutory requirements						
Contributions by members at retirement	(105,851)	105,851				
Interest credited to members' accounts	28,318	(28,318)				
Net interfund transfers	(77,533)	77,533				
Net increase (decrease)	(13,014)	(35,793)	508	756	(47,543)	466,059
Net assets held in trust for Pension Benefits						
Beginning of year	786,724	2,465,596	28,446	36,767	3,317,533	2,851,474
End of year	$773,710	$2,429,803	$28,954	$37,523	$3,269,990	$3,317,533

South Carolina Retirement Systems
Schedule of Changes in Plan Net Assets
GARS Pension Trust Fund
Year Ended June 30, 2012
With comparative totals for the year ended June 30, 2011
(Amounts expressed in thousands)

	Employee Fund	Employer Fund	Total	TOTALS 2011
Additions				
Contributions				
Employee contributions - State departments	$ 724	$ -	$ 724	$ 624
Employer contributions - State departments		2,532	2,532	2,414
Total contributions	724	2,532	3,256	3,038
Investment Income				
Net appreciation (depreciation) in fair value of investments		(70)	(70)	5,447
Interest and dividend income		311	311	331
Investment expense		(71)	(71)	(98)
Net income (loss) from investing activities		170	170	5,680
From securities lending activities:				
Securities lending income				1
Securities lending borrower rebates		2	2	1
Net income from securities lending activities		2	2	2
Total net investment income (loss)		172	172	5,682
Transfers of contributions from other Systems				1
Total additions	724	2,704	3,428	8,721
Deductions				
Refunds of contributions to members	31		31	57
Transfers of contributions to other Systems				147
Regular retirement benefits		6,570	6,570	6,528
Incidental death benefit claims		35	35	58
Death benefits				
Depreciation expense				
Administrative charges		30	30	32
Total deductions	31	6,635	6,666	6,822
Interfund transfers according to statutory requirements	(786)	786		
Contributions by members at retirement	260	(260)		
Interest credited to members' accounts	(526)	526		
Net interfund transfers				
Net increase (decrease)	167	(3,405)	(3,238)	1,899
Net assets held in trust for Pension Benefits				
Beginning of year	7,100	27,569	34,669	32,770
End of year	$ 7,267	$ 24,164	$ 31,431	$ 34,669

South Carolina Retirement Systems
Schedule of Changes in Plan Net Assets
JSRS Pension Trust Fund
Year Ended June 30, 2012
With comparative totals for the year ended June 30, 2011
(Amounts expressed in thousands)

	EMPLOYEE FUND	EMPLOYER FUND	QEBA FUND	TOTALS	TOTALS 2011
Additions					
Contributions					
Employee contributions - State departments	$ 2,101	$ 198	$ -	$ 2,299	$ 2,209
Employer contributions - State departments		8,303	111	8,414	8,414
Total contributions	2,101	8,501	111	10,713	10,623
Investment Income					
Net appreciation (depreciation) in fair value of investments		(181)		(181)	19,216
Interest and dividend income		1,226		1,226	1,216
Investment expense		(269)		(269)	(346)
Net income (loss) from investing activities		776		776	20,086
From securities lending activities:					
Securities lending income		1		1	3
Securities lending borrower rebates		6		6	3
Net income from securities lending activities		7		7	6
Total net investment income (loss)		783		783	20,092
Transfers of contributions from other Systems	261			261	193
Total additions	2,362	9,284	111	11,757	30,908
Deductions					
Refunds of contributions to members	134			134	
Regular retirement benefits		14,868	111	14,979	14,518
Deferred retirement benefits		192		192	232
Death benefits		134		134	128
Depreciation		1		1	
Administrative expense		110		110	104
Total deductions	134	15,305	111	15,550	14,982
Interfund transfers according to statutory requirements					
Contributions by members at retirement	(1,834)	1,834			
Interest credited to members' accounts	747	(747)			
Net interfund transfers	(1,087)	1,087			
Net increase (decrease)	1,141	(4,934)		(3,793)	15,926
Net assets held in trust for Pension Benefits					
Beginning of year	18,864	108,288		127,152	111,226
End of year	$ 20,005	$ 103,354	$	$ 123,359	$ 127,152

South Carolina Retirement Systems
Schedule of Changes in Plan Net Assets
NGRS Pension Trust Fund
Year Ended June 30, 2012
With comparative totals for the year ended June 30, 2011
(Amounts expressed in thousands)

	TOTALS 2012	TOTALS 2011
Additions		
Contributions		
State appropriated contributions	$ 3,937	$ 3,904
Total contributions	3,937	3,904
Investment Income		
Net appreciation (depreciation) in fair value of investments	(28)	2,424
Interest income	154	150
Investment expense	(33)	(43)
Income (loss) from investing activities	93	2,531
From securities lending activities:		
Securities lending income		1
Securities lending borrower rebates	1	1
Net income from securities lending activities	1	2
Total net investment income (loss)	94	2,533
State Appropriation for Administrative Expenses		
Total additions	4,031	6,437
Deductions		
Regular retirement benefits	4,065	4,011
Administrative charges	15	13
Total deductions	4,080	4,024
Net increase	(49)	2,413
Net assets held in trust for Pension Benefits		
Beginning of year	17,466	15,053
End of year	$ 17,417	$ 17,466

Schedule of Administrative Expenses

For the Year Ended June 30, 2012

(Amounts expressed in thousands)

	SCRS	PORS	GARS	JSRS	NGRS	TOTALS
Personal Services						
Salaries and Wages	$ 7,770	$ 1,147	$ 12	$ 44	$ 6	$ 8,979
Employee Benefits	2,410	356	4	14	2	2,786
Contractual Services						
Data Processing Services	429	63	1	2		495
Medical & Health Services	326	48	1	2		377
Financial Audit	57	8		1		66
Actuarial Services	530	78	1	3	1	613
Other Professional Services	144	21		1		166
Legal Services	33	5				38
Operating Expenses						
Facilities Management	367	54	1	2		424
Intergovernmental Services	793	117	1	4	1	916
Transfers to Investment Commission	5,857	864	9	33	5	6,768
Telephone	112	17		1		130
Insurance	224	33		1		258
Postage	217	32		1		250
Supplies	79	12		1		92
Other Miscellaneous Expenses	44	7				51
Total Administrative Expenses	$ 19,392	$ 2,862	$ 30	$ 110	$ 15	$ 22,409

Schedule of Professional and Consultant Fees

For the Year Ended June 30, 2012

(Amounts expressed in thousands)

Professional/Consultant	Nature of Service	Amounts Paid
Cavanaugh Macdonald Consulting	Actuary Services	$ 13
Clifton Gunderson	Audit	66
Data Network	IT Maintenance & support	43
Document Systems Inc	IT tape storage & Imaging records storage	12
ERP Analysts Inc.	IT Maintenance & support	27
Gabriel Roeder Smith & Company	Actuary Services	600
Ice Miller	IRC Consulting Services	29
SHI International	IT Maintenance & Support	63
Software AG Inc.	IT Enterprise License & Maintenance	96
Southern Imaging Group	Annual Member Statements	42
Spartantec Inc	IT Services software and license	12
Specialty Underwriters LLC	IT Maintenance and support	64
Summit Strategies Inc	Optional Retirement Plan Consultants	118
Vocational Rehabilitation	Disability Case Evaluations	377
		$ 1,562

South Carolina Retirement Systems
Schedule of Investment Fees and Expenses[1]
Year Ended June 30, 2012
(Amounts expressed in thousands)

	SCRS	PORS	GARS	JSRS	NGRS	TOTALS
Investment Manager Fees Invoiced:						
Aberdeen Asset Management[2]	$ 786	$ 117	$ 1	$ 4	$ 1	$ 909
Aronson + Johnson + Ortiz LP	243	36		1		280
Blackrock Financial Management	963	142	2	5	1	1,113
Bridgewater Associates, Inc.[3]	13,282	1,952	20	75	9	15,338
Capital Guardian	1,139	168	2	6	1	1,316
Grantham, Mayo, Van Otterloo & Co. LLC	3,635	538	5	21	2	4,201
Integrity Asset Management, LLC	1,109	164	2	6	1	1,282
Jamison, Eaton & Wood	269	40		2		311
Loomis Sayles (Global Fixed Income)	1,303	193	2	7	1	1,506
Loomis Sayles (High Yield)	697	103	1	4		805
Mondrian Investment Group, Inc.	1,760	260	3	10	1	2,034
Och-Ziff Real Estate	537	78	1	3		619
Penn Capital	395	58	1	2		456
Penn Capital Limited Term[2]	325	48		2		375
Pacific Investment Management Co.	2,037	301	3	12	1	2,354
Post Advisory Group	743	110	1	4	1	859
Post Advisory Group Limited Duration Portfolio	991	147	1	6	1	1,146
Putnam Investments	3,321	491	5	19	2	3,838
Pyramis Global Advisors	1,517	225	2	9	1	1,754
Russell Investment Group	1,310	194	2	7	1	1,514
Schroders	2,556	378	4	14	2	2,954
Strategos	1,104	163	2	6	1	1,276
TimesSquare Capital Management, LLC	2,476	366	4	14	2	2,862
Thompson, Seigel & Walmsley, Inc.	1,383	205	2	8	1	1,599
Turner Investment Partners, Inc.	1,543	228	2	9	1	1,783
Western Asset Management Co.	909	135	1	5	1	1,051
William Blair[2]	18	3				21
Total Investment Manager Fees Invoiced	46,351	6,843	69	261	32	53,556
Bank Fees and Investment Expenses	1,362	201	2	8	1	1,574
Total Investment Management Fees	$ 47,713	$ 7,044	$ 71	$ 269	$ 33	$ 55,130
Securities Lending Expenses:						
Borrower Rebates	$ (1,123)	$ (166)	$ (2)	$ (6)	$ (1)	$ (1,298)
Total Securities Lending Expenses	$ (1,123)	$ (166)	$ (2)	$ (6)	$ (1)	$ (1,298)

[1]A significant number of alternative investment managers provide account valuations on a net of fee basis. Management fees are netted against investment income and because they are not readily separable from specific investment income as of the financial statement reporting date, amounts are recorded and reported net of fees and therefore are not included on this schedule.
[2]Manager hired during fiscal year 2012.
[3]Effective January 1, 2012, Bridgewater Associates changed from directly invoicing manager fees to a net of fee structure.

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Independent Auditor's 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*

The Honorable Nikki Haley, Governor,
Members of the State Budget & Control Board, and
Richard H. Gilbert, Jr., Deputy State Auditor
South Carolina Retirement Systems
Columbia, South Carolina

We have audited the financial statements of the South Carolina Retirement Systems (the Systems) as of and for the year ended June 30, 2012, and have issued our report thereon dated November 19, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Systems' internal control over financial reporting as a basis for 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 the Systems' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Systems' internal control over financial reporting.

A *control deficiency* 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Systems' 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 the entity's financial statements that is more than inconsequential will not be prevented or detected by the Systems' internal control.

A *material weakness* 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 Systems' internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Systems' financial statements are free of 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*.

This report is intended solely for the information and use of the Systems and other oversight agencies and is not intended to be and should not be used by anyone other than these specified parties.

CliftonLarsonAllen LLP

Baltimore, Maryland
November 19, 2012