SC BUDGET AND CONTROL BOARD
SOUTH CAROLINA RETIREMENT SYSTEMS
WILLIAM M. BLUME, JR., CPA
DIRECTOR

MEMORANDUM

Subject: Disclosure of Pension Information as of June 30, 2011

From: Tammy B. Nichols, CPA
Deputy Director of Operations

The Governmental Accounting Standards Board (GASB) issued Statement No. 27 entitled "Accounting for Pensions by State and Local Governmental Employers" in November 1994. In May 2007, this statement was amended with the issuance of GASB Statement No. 50 "Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27". GASB 50 requires enhanced information disclosed in notes to the financial statements or presented as required supplementary information (RSI) by pension plans.

The disclosure requirements applicable to employers participating in the South Carolina Retirement System or the Police Officers Retirement System are prescribed in paragraph 20 of GASB 27 and paragraph 7 of GASB 50.

The following information is provided in order to meet these disclosure requirements.

a. Plan description

1. The South Carolina Retirement System (SCRS) and the Police Officers Retirement System (PORS) are cost sharing, multiple employer defined benefit pension plans administered by the South Carolina Retirement Systems, a Division of the State Budget and Control Board. The State Optional Retirement Program (ORP) is a defined contribution plan that is offered as an alternative to certain state, public school, and higher education employees. 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, as they are the liability of the investment providers.

2. Both the SCRS and PORS offer retirement, disability, survivor, and death benefits to eligible members or beneficiaries. Death benefits are also available to active State ORP participants. The Plans' provisions are established under Title 9 of the SC Code of Laws.

3. The South Carolina Retirement Systems issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the SCRS and PORS, which is publicly available on our website at www.retirement.sc.gov, or a copy may be obtained by submitting a request to the South Carolina Retirement Systems, P. O. Box 11960, Columbia, SC 29211-1960.

b. Funding policy

1. Both employees and employers are required to contribute to the Plans under authority of Title 9 of the SC Code of Laws.

2. Required employee contributions to the Plans for fiscal year 2010-2011 are as follows:

SCRS Class I	5.00% of earnable compensation
SCRS Class II	6.50% of earnable compensation
State ORP	6.50% of earnable compensation
PORS Class I	$21 per month
PORS Class II	6.50% of earnable compensation

3. Employer contributions are established by the State Budget and Control Board at the actuarially determined rates recommended by the Systems' actuary. All employers are required to contribute at these actuarially determined rates. Required employer contributions for fiscal year 2010-2011 are as follows:

SCRS

Class I	4.25% of earnable compensation
Class II	9.24% of earnable compensation
Death Benefit Program	0.15% of earnable compensation

State ORP

Employer Contribution	9.24% of earnable compensation[1]
Death Benefit Program	0.15% of earnable compensation

PORS

Class I	7.80% of earnable compensation
Class II	11.13% of earnable compensation
Death Benefit Program	0.20% of earnable compensation
Accidental Death Program	0.20% of earnable compensation

[1]Five percent of the earnable compensation contributed as part of this State ORP employer contribution is remitted directly to the ORP vendor to be allocated to the member's account.

SUMMARY OF BASIC PROVISIONS
FISCAL YEAR 2010– 2011

<table>
<tr><th></th><th></th><th>SCRS</th><th>PORS</th></tr>
<tr><td>1.</td><td>Membership</td><td>All permanent, full-time or part-time employees of covered employers must join unless specifically exempted by statute or are eligible for and elect to participate in the State ORP.</td><td>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, Department of Juvenile Justice, or the Department of Mental Health. Probate judges 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 fiscal year to this work, unless exempted by statute.</td></tr>
<tr><td>2.</td><td>Employee Contributions</td><td><u>Class I</u> – 5% of earnable compensation

<u>Class II</u> – 6.50% of earnable compensation</td><td><u>Class I</u> - $21 per month

<u>Class II</u> – 6.50% of earnable compensation</td></tr>
<tr><td>3.</td><td>Employer Contributions</td><td><u>Class I</u>
4.25% of earnable compensation

<u>Class II</u>
9.24% of earnable compensation

<u>Death Benefit Program</u>
0.15% of earnable compensation</td><td><u>Class I</u>
7.80% of earnable compensation

<u>Class II</u>
11.13% of earnable compensation

<u>Death Benefit Program</u>
0.20% of earnable compensation

<u>Accidental Death Program</u>
0.20% of earnable compensation</td></tr>
<tr><td>4.</td><td>Requirements for Full Service Retirement</td><td>Age 65 or 28 years of credited service

The member must have a minimum of 5 years of earned service to qualify for retirement.</td><td>Age 55 or 25 years of credited service

The member must have a minimum of 5 years of earned service to qualify for retirement.</td></tr>
<tr><td>5.</td><td>Early Retirement</td><td>Age 60 with 5% reduction for each year under age 65

Age 55 with 25 years service, reduced 4% for each year of service under 28</td><td>N/A</td></tr>
<tr><td>6.</td><td>Formula for Normal Service Retirement</td><td><u>Class I</u>
1.45% of Average Final Compensation times years of credited service

<u>Class II</u>
1.82% of Average Final Compensation times years of credited service</td><td><u>Class I</u>
$10.97 per month for each year of service

<u>Class II</u>
2.14% of Average Final Compensation times years of credited service</td></tr>
<tr><td>7.</td><td>Requirements for Disability Retirement</td><td>5 years of earned service, unless injury is job related</td><td>5 years of earned service, unless injury is job related</td></tr>
<tr><td>8.</td><td>Formula for Disability Retirement</td><td>The disability retirement benefit is based on a projection of service to age 65 with an actuarial reduction.</td><td>The disability retirement benefit is based on a projection of service to age 55.</td></tr>
</table>

		SCRS	PORS
9.	**Benefit Options**	Option A (Maximum/Retiree Only) Formula benefit as calculated in item 8; Non-recovered contributions paid upon death. Option B (100% - 100% Joint Retiree/Survivor) Provides a reduced (from Option A) lifetime benefit that upon retiree's death continues to retiree's beneficiary. Option C (100% - 50% Joint Retiree/Survivor) Provides a reduced (from Option A) lifetime benefit that upon retiree's death will continue to retiree's beneficiary at 50% of the retiree's annuity. Note: If a retiree selects Option B or Option C and all of the retiree's beneficiaries predecease the retiree, the retiree's benefit will revert to Option A.	Option A (Maximum/Retiree Only) Formula benefit as calculated in item 8; Non-recovered contributions paid upon death. Option B (100% - 100% Joint Retiree/Survivor) Provides a reduced (from Option A) lifetime benefit that upon retiree's death continues to retiree's beneficiary. Option C (100% - 50% Joint Retiree/Survivor) Provides a reduced (from Option A) lifetime benefit that upon retiree's death will continue to retiree's beneficiary at 50% of the retiree's annuity. Note: If a retiree selects Option B or Option C and all of the retiree's beneficiaries predecease the retiree, the retiree's benefit will revert to Option A.
10.	**Teacher and Employee Retention Incentive (TERI)**	TERI is a deferred retirement option program (DROP). Upon meeting normal retirement eligibility, a member can elect to retire and continue working under the TERI program for a maximum of five years, after which employment will cease. During the TERI participation, the retirement annuity is not paid to the TERI retirees, but monthly benefits are accumulated in TERI accounts and are distributed to the members upon termination of employment. For members retiring after June 30, 2005, a payment for annual leave is not included in calculating benefits. Upon termination, however, benefits are increased prospectively to include payment for up to 45 days annual leave paid at termination of employment. No interest is credited to the TERI account. 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.	Not applicable.
11.	**Post Retirement Increase** **(Continued on next page)**	Provided that the actuarial assumed rate of investment return adopted by the Budget and Control Board is at or above 8 percent, each July 1, eligible SCRS retirees should receive 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 is less than 2 percent, the COLA should equal the percentage of the actual increase in the CPI-W. COLAs are awarded only during periods of inflation, so no COLA will be awarded if the CPI-W is negative. A member who retires under the early retirement provisions at age 55 with 25 years of service, is 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.	Provided that the actuarial assumed rate of investment return adopted by the Budget and Control Board is at or above 8 percent, each July 1, eligible SCRS retirees should receive 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 is less than 2 percent, the COLA should equal the percentage of the actual increase in the CPI-W. COLAs are awarded only during periods of inflation, so no COLA will be awarded if the CPI-W is negative.

		SCRS	PORS
	Post Retirement Increase (cont'd)	In addition to an automatic annual COLA increase of up to 2 percent, the SC Budget and Control Board may authorize additional ad hoc COLAs up to 2 percent provided all of the following conditions are met: a. The amortization period for the prior year unfunded liability is at 25 years or below; and b. The estimated funded ratio in the current year, after the grant of an additional ad hoc COLA, does not decrease; and c. The estimated amortization period in the current year, after granting the additional ad hoc COLA, is still reduced by at least one year; and d. No increased employer contribution is required to support the grant of the additional ad hoc COLA.	In addition to an automatic annual COLA increase of up to 2 percent, the SC Budget and Control Board may authorize additional ad hoc COLAs up to 2 percent provided all of the following conditions are met: a. The amortization period for the prior year unfunded liability is at 25 years or below; and b. The estimated funded ratio in the current year, after the grant of an additional ad hoc COLA, does not decrease; and c. The estimated amortization period in the current year, after granting the additional ad hoc COLA, is still reduced by at least one year; and d. No increased employer contribution is required to support the grant of the additional ad hoc COLA.
12.	**Accidental Death Program**	N/A	Provides 50% of earnable compensation at the time of accidental death in the line of duty as an annuity to the surviving spouse, children, or parents.
13.	**Death Benefits**	▪ Lump-sum payment equal to one year's salary payable to the beneficiary upon the death of an active member with at least one year of service ▪ No service requirement for death resulting from actual performance of duties for an active member ▪ Lump-sum payment to retiree's beneficiary of up to $6,000 based on years of service at retirement. TERI participants and retired contributing members are eligible for an increased death benefit equal to their annual salary in lieu of the standard retired member benefit.	▪ Lump-sum payment equal to one year's salary payable to the beneficiary upon the death of an active member with at least one year of service ▪ No service requirement for death resulting from actual performance of duties for an active member ▪ Lump-sum payment to retiree's beneficiary of up to $6,000 based on years of service at retirement. Retired contributing members are eligible for an increased death benefit equal to their annual salary in lieu of the standard retired member benefit.
14.	**Withdrawal of Employee Contributions**	Accumulated contributions, plus interest, payable 90 days after termination of all covered employment	Accumulated contributions, plus interest, payable 90 days after termination of all covered employment
15.	**Actuarial Valuation Method**	Projected benefit with level percentage entry age normal cost and open-end unfunded actuarial accrued liability	Projected benefit with level percentage entry age normal cost and open-end unfunded actuarial accrued liability
16.	**Actuarial Interest Rate Assumption**	8.00% per annum, compounded annually	8.00% per annum, compounded annually
17.	**Unfunded Accrued Liability as of July 1, 2010 (in millions)**	$13,374	$1,238
18.	**Unfunded Accrued Liability Liquidation Period as of July 1, 2010**	30 years Note: Pending Board approval of a .92% contribution rate increase effective 7/1/2012 or alternatively a .48% increase effective July 1, 2012 and a .48% increase effective July 1, 2013 to maintain a 30 year period.	30 years Note: Pending Board approval of a 0.305% contribution rate increase effective July 1, 2012 or a 0.158% contribution rate effective July 1, 2012 and a 0.157% contribution rate increase effective July 1, 2013 to maintain a 30-year period.