



South Carolina Retirement Systems

**Comprehensive
Annual Financial
Report**

For the Fiscal Year Ended June 30, 2006

Pension Trust Funds of the State of South Carolina

Defining the Foundation of Your Retirement Plan

South Carolina Retirement Systems
A Division of the South Carolina State Budget and Control Board

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2006

Pension Trust Funds of the State of South Carolina

**Fontaine Business Center
202 Arbor Lake Drive
Columbia, South Carolina 29223**

**Peggy G. Boykin, C.P.A.
Director**

Prepared through the joint efforts of the Retirement Systems' staff.

Total Printing Cost = \$6,695
Total Quantity Printed = 300
Unit Cost = \$22.32

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di·ver·si·fi·ca·tion (dī-vûr' sə-fī-kā'shən) An investment technique which reduces the risk of the overall portfolio by investing in a large number of uncorrelated assets. The process helps to mitigate exposure to individual firm-specific risks. Diversification also helps to give much more normalized returns over time. By investing in different companies or assets no individual asset can have a dramatic impact on the total value of the portfolio.

Federal Reserve System (fed' ər-əl rī-zûrv' sīs'təm) The Central Bank of the United States. The Federal Reserve System (or more commonly “The Fed”) regulates the money supply, prints money, fixes the discount rate and issues government bonds with the goal of providing stability to the overall US economy. The system is controlled by a chairman (currently Ben Bernanke) and seven committee members (or ‘governors’) who are all appointed by the president of the United States.

fi·du·ci·ar·y (fī-dōō' shē-ēr' ē) An entity, either an individual, corporation or association, which exercises discretionary authority over the assets of a plan, provides management or administrative functions, controls disposition of its assets, or renders investment advice for a fee.

Introductory Section

Defining the Foundation of Your Retirement Plan

Introductory Section

Mark Sanford, Chairman
Governor
Grady L. Patterson, Jr.
State Treasurer
Richard Eckstrom
Comptroller General

State Budget and Control Board South Carolina Retirement Systems



Peggy G. Boykin, CPA
Director

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Hugh K. Leatherman, Sr.
Chairman,
Senate Finance Committee
Daniel T. Cooper
Chairman,
Ways and Means Committee
Frank W. Fusco
Executive Director

LETTER OF TRANSMITTAL

November 1, 2006

The Honorable Mark Sanford, Governor
and
State Budget and Control Board
State of South Carolina

Gentlemen:

We are pleased to present the *Comprehensive Annual Financial Report (CAFR)* of the South Carolina Retirement Systems for the fiscal year ended June 30, 2006. The South Carolina Retirement Systems is required by Section 9-1-300 of the South Carolina Code of Laws to publish annually a report of the fiscal transactions of the system and this CAFR fulfills that statutory requirement. Since the Retirement Systems is a part of the primary government of the state of South Carolina, the Systems' financial information is also included in the comprehensive annual financial report of the State. Responsibility for both the accuracy of the data, and the completeness and reliability of the presentation, including all disclosures, rests with the management of the Systems. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of the Systems.

The CAFR was prepared to conform to the principles of governmental accounting and reporting set forth by the Governmental Accounting Standards Board (GASB). Transactions of the Systems are reported on the accrual basis of accounting. Sufficient internal accounting controls exist to provide reasonable assurance regarding the safekeeping of assets and fair presentation of the financial statements and supporting schedules. The financial statements presented in this CAFR have been independently audited by Rogers & Laban, PA, Certified Public Accountants, under the direction of the State Auditor's Office. Rogers & Laban issued an unqualified opinion, which means that based upon the audit, they concluded that the financial statements were fairly presented in all material aspects and free from material misstatement. Although independent auditors cannot guarantee the accuracy of the statements, they do have a reasonable basis for the opinion they render. The independent auditor's report is presented as the first component of the financial section of this report.

The 2006 CAFR is presented in five sections:

- The **Introductory Section** contains the letter of transmittal, identification of the Systems' administrative organization, and descriptions of administrative responsibilities.
- The **Financial Section** contains the opinion of our independent auditors, Management's Discussion and Analysis (MD&A), basic financial statements and required supplementary information and schedules.
- The **Investment Section** contains schedules of investments and investment growth, a report from the State Treasurer, and a report from our Chief Investment Officer.

Introductory Section

- The **Actuarial Section** contains certification letters from our independent consulting actuaries, the results of the annual actuarial valuations, a summary of plan provisions for each System, and other actuarial related information.
- The **Statistical Section** contains various tables and schedules of significant data pertaining to the Systems.

Profile of the Systems

The South Carolina Retirement Systems administers five defined benefit pension plans that provide lifetime retirement annuities, disability benefits and death benefits to eligible members. The plans' terms specify the amount of pension benefits to be provided at a future date or after a certain period of time. The amount specified is a function of a formula based on years of service, compensation and age. Our administrative and reporting structure is outlined in the introductory section of this report.

This report contains information on the following defined benefit pension trust funds:

- The South Carolina Retirement System (**SCRS**) was established July 1, 1945, to provide retirement and other benefits for teachers and employees of the state and its political subdivisions.
- The Police Officers Retirement System (**PORS**) was established July 1, 1962, to provide retirement and other benefits to police officers and firefighters.
- The Retirement System for Members of the General Assembly of the State of South Carolina (**GARS**) was established January 1, 1966, to provide retirement and other benefits to members of the General Assembly.
- The Retirement System for Judges and Solicitors of the State of South Carolina (**JSRS**) was established July 1, 1979, to provide retirement and other benefits to state Judges and Solicitors.
- The National Guard Retirement System (**NGRS**) was established July 1, 1975, to provide supplemental retirement benefits to members who served in the South Carolina National Guard. Legislation transferred administrative responsibility of the plan from the Adjutant General's Office to the South Carolina Retirement Systems effective January 1, 2006.

Fiscal Year 2006 Highlights

Fiscal year 2006 was yet another dynamic and challenging year for the South Carolina Retirement Systems. The Retirement Systems not only continued to experience a higher workload trend due to customer demand, but also had considerable systems modifications and process changes to make in response to significant legislative changes. The State Retirement System Preservation and Investment Reform Act became effective July 1, 2005. As a part of this legislation, SCRS retirees are guaranteed to receive a pre-funded 1 percent cost-of-living adjustment (COLA) each year. Subsequent to fiscal year-end, a referendum to amend the state constitution to allow full diversification of the South Carolina Retirement Systems' investment portfolio was passed. If ratified, the amendment will permit the South Carolina Retirement System Investment Commission to invest the trust funds in a more diverse group of investments and among more asset classes, which will allow the Retirement Systems' trust funds to be on a level playing field with other public retirement funds across the nation.

State Retirement System Preservation and Investment Reform Act

The South Carolina General Assembly passed Act 153, the State Retirement System Preservation and Investment Reform Act, effective July 1, 2005. This sweeping legislation guaranteed and pre-funded a COLA for eligible SCRS retirees. If the Consumer Price Index (CPI) increases no more than 1 percent, the COLA for SCRS is equal to the percentage increase in the index. If the CPI increases by more than 1 percent, the South Carolina Budget and Control Board is authorized to approve an additional COLA for SCRS beyond the 1 percent up to the lesser of the CPI or 4 percent. Legislation also requires that funding requirements have been met considering all unrealized investment gains and losses. The guaranteed 1 percent COLA cost SCRS more than \$2 billion; a cost which was spread among increased contributions from employers

Introductory Section

and active employees, and the requirement for retired members to make employee contributions while working for a covered employer. South Carolina's retirement plan is one of the most flexible public plans in the nation in that it allows retired members to continue receiving their annuity benefit while working. In addition, Act 153 provided death benefits to contributing working retirees. The legislation also required retired members of SCRS and PORS who either participate in the Teacher and Employee Retention Incentive (TERI) program or return to covered employment as a working retiree, to make employee contributions to the system. Active TERI participants and working retirees who retired and returned to work prior to July 1, 2005, challenged the requirement that they pay member contributions and the South Carolina Supreme Court ruled in favor of the TERI participants. For further details, see Note VIII on page 44. However, working retirees currently have a lawsuit pending against SCRS in which they are seeking to overturn the requirement that they make employee contributions if they return to covered employment. Should the court rule against SCRS, the cost would have to be shifted to and absorbed by either employers or active employees.

Act 153 increased the SCRS employee contribution from 6.0 percent to 6.25 percent effective July 1, 2005, and from 6.25 percent to 6.5 percent effective July 1, 2006. The Act also increased SCRS employer contributions from 7.55 percent to 8.05 percent effective July 1, 2006, and included an increase to 8.55 percent effective July 1, 2007. Employer contributions were further increased by an additional .51 percent to 9.06 percent effective July 1, 2007, to maintain SCRS' 30-year amortization period, which was jeopardized due in large part to the negative effect of a ruling by the South Carolina Supreme Court during the fiscal year, and to a lesser degree, to fund the ad hoc COLA approved by the Budget and Control Board effective July 1, 2006. The Court's ruling resulted in an estimated loss to SCRS of \$124 million in employee contributions and necessitated a shift of this funding from the TERI program participants who formerly were required to make employee contributions to employers. The Budget and Control Board increased employer contributions by the .51 percent to maintain the 30-year amortization period as required.

South Carolina Retirement System Investment Commission

In addition to the changes discussed above, Act 153 established the six-member South Carolina Retirement System Investment Commission, which is made up of financial experts, the State Treasurer and a nonvoting retired member; moved fiduciary responsibility for all investments to the Commission; provided that equity investments cannot exceed 70 percent of the total investment portfolio (formerly 40 percent); and created the position of Chief Investment Officer (CIO). This part of Act 153 was effective October 1, 2005. By statute, the CIO develops and maintains annual investment plans as approved by the Commission and, as an agent of the Commission, oversees the investment of Retirement Systems' funds. The assets of the Retirement Systems are managed externally by professional investment managers approved by the Commission. As of June 30, 2006, the Commission, which is fully responsible for the Retirement Systems' portfolio, utilized 18 outside active managers and the State Treasurer's Office to assist with equity investments and fixed income assets, respectively. The Commission is an independent agency with additional professional and administrative staff that assists in the monitoring of investment managers and in implementing the Commission's decisions.

Transfer of Administration of the South Carolina National Guard Retirement System

Effective January 1, 2006, the South Carolina Retirement System assumed administrative responsibilities for the National Guard Retirement System (NGRS) which is a defined benefit pension plan providing supplemental benefits to National Guard members who served in South Carolina. This plan was previously administered by the Adjutant General's Office. At June 30, 2006, the plan's net assets are valued at \$12.9 million and will be invested in the same manner as the funds of the other four pension trust funds administered by the Retirement Systems. Contributions for the NGRS are provided by annual state appropriations based on the annual required contribution determined annually by the actuary. The legislature has made the commitment to contribute the required contributions during the fiscal year for which they are due and over time, this commitment will improve the actuarial soundness of the plan. Approximately 2,900 retired members were added to the Retirement Systems' annuitant payroll and another 5,800 active and inactive members were added to our rolls. The NGRS has been closed to new entrants since July 1, 1993; however, recent legislation reopens the system effective January 1, 2007, to any new entrants since June 30, 1993.

Introductory Section

Project Management Officer Position Created

The South Carolina Retirement Systems hired a project management officer (PMO) to assist in meeting the division's goals in providing service to its customers. The PMO position was created as a result of the strategic planning process and will be a vital component in the determination of future strategy and planning.

Teacher and Employee Retention Incentive Program Participation Dropped

The Teacher and Employee Retention Incentive (TERI) program continued to remain attractive to our membership. The program, which was implemented in January 2001, allows retired members to accumulate deferred annuity benefits for up to 5 years while continuing employment. December 2005 marked the end of the five year deferral period for participants that joined the plan at its inception; therefore, the plan experienced a significant increase in the amount of accumulated benefits distributed this fiscal year. As a result of the distributions, the amount of assets held in trust for future payment of accrued benefits actually decreased for the first time by 24 percent, leaving a balance of \$671 million at fiscal year-end.

For the past several fiscal years, a myriad of legislation has been proposed in the South Carolina General Assembly to repeal or otherwise change the existing TERI program; however, with the exception of Act 153, these bills have been the subject of much discussion but have not been adopted by the Legislature. TERI continues to be a very controversial issue and threat of possible repeal again contributed to the large number of new participants taking advantage of TERI. Act 153, referred to earlier, did exempt all new TERI participants from state grievance rights and requires them to make employee contributions to the system while participating in the program.

Rankings Among Peer Pension Plans

The South Carolina Retirement Systems participates in an annual public pension plan benchmarking analysis conducted by Cost Effectiveness Management, Inc., (CEM). Fifty-four public pension plans participated in the 2005 CEM survey, which marked the fifth year of participation for the Retirement Systems.

Although the Retirement Systems is a customer centric organization, we are also a division of South Carolina state government and as such, must adhere to stringent budgetary guidelines. According to the CEM report, the South Carolina Retirement Systems' total adjusted administrative cost per member was \$47 in comparison to a peer median cost of \$80, the fourth lowest cost among all 54 participants. Our low administrative cost is achieved through the efficient and proactive deployment of automated systems and appropriately allocated human resources.

While the Retirement Systems has continued to provide quality services at a low cost despite brutal workload demands, we believe that we are beginning to fall behind our peers. Our infrastructure, particularly our information systems, has been stagnated by mandatory changes required by legislation and court rulings. If the Retirement Systems is to continue to provide high quality service levels, we cannot continue to do so at this pace and must expend the resources necessary to both maintain our infrastructure and expand our technological abilities. Doing so will allow us to divert some of our excessive workload from human to technological resources, thereby providing a more reasonable workload for our staff and the opportunity to keep up with customer needs.

Summary of Financial Condition

The funding objective of the pension trust funds is to meet future benefit obligations of retirees and beneficiaries through contributions and investment earnings. Our external consulting actuaries determine the actuarial soundness of the plan based on its long term obligations and the sufficiency of current contribution levels to fund the liabilities of each plan over a reasonable time frame. In our most recent valuations dated July 1, 2005, our actuarial consultants concluded that the Systems are operating on an actuarially sound basis. Governmental accounting standards require that the maximum acceptable amortization period for the total unfunded actuarial liability is 30 years and all five systems are considered adequately funded within GASB standards. The funded ratio for the SCRS, which represents the largest membership of the five plans, decreased from 80.3 percent to 71.6 percent. The change was due largely to plan provision changes related

Introductory Section

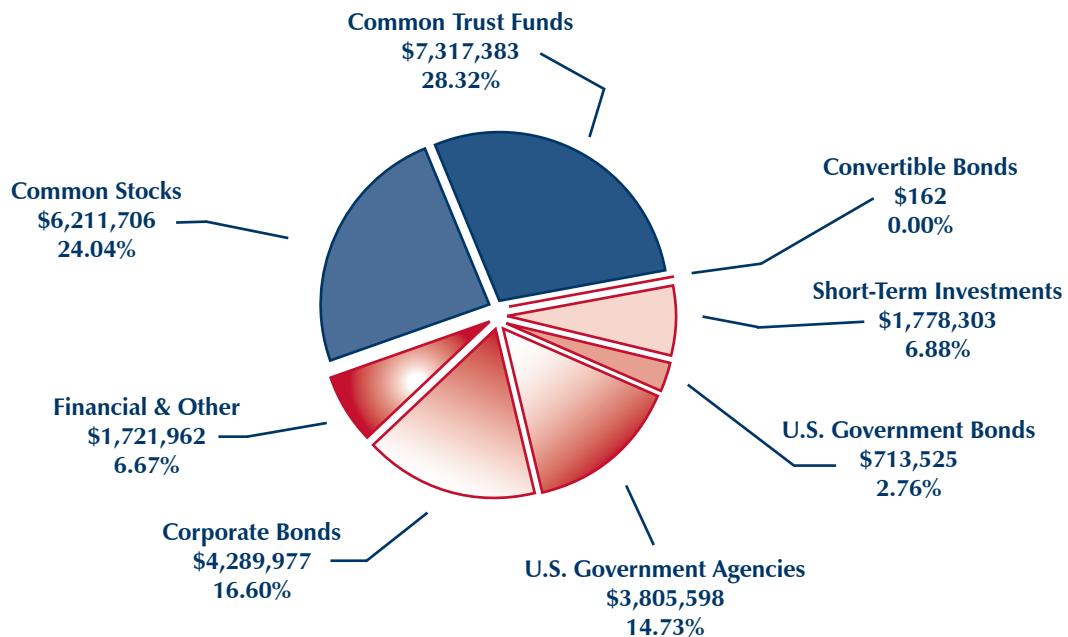
to legislation, which included a 1 percent guaranteed COLA, but also by a 2.4 percent ad hoc cost-of-living adjustment (COLA) that was granted effective July 1, 2005, as well as investment and non-investment related experience losses. In fact, the largest percentage of the drop in SCRS' funded ratio is attributable to the more than \$2 billion cost to guarantee and pre-fund the 1 percent COLA. As a result of these and other factors, the amortization period for SCRS' unfunded actuarial accrued liability increased from 27 to 30 years. The current funded ratios of the five plans range from a low of 25.9 percent for NGRS to a high of 87.4 percent for PORS. More detailed information regarding the financial condition of the pension trust funds can be found in the financial and actuarial sections of this report.

An optimally diversified investment portfolio is designed to provide long-term returns. While our past investment performance has been limited by our State constitution and State statute, the custodian of our assets, the State Treasurer, and the Investment Commission work diligently to ensure our investment strategy is pragmatic and conservative, while providing competitive returns. Increasing our exposure in equity markets from 40 percent toward the 70 percent ceiling will reduce risk while providing increased opportunities for investment gains and will allow us to keep pace with other similar public funds.

For the year ended June 30, 2006, the combined Systems investment portfolio produced a total aggregate investment return of 5.13 percent. Although current year performance lagged behind our peer groups and did not reach the actuarial assumed rate of 7.25 percent, the actuarial smoothing methodology offsets the shortfalls against other investment gains over a five-year period to mitigate market volatility.

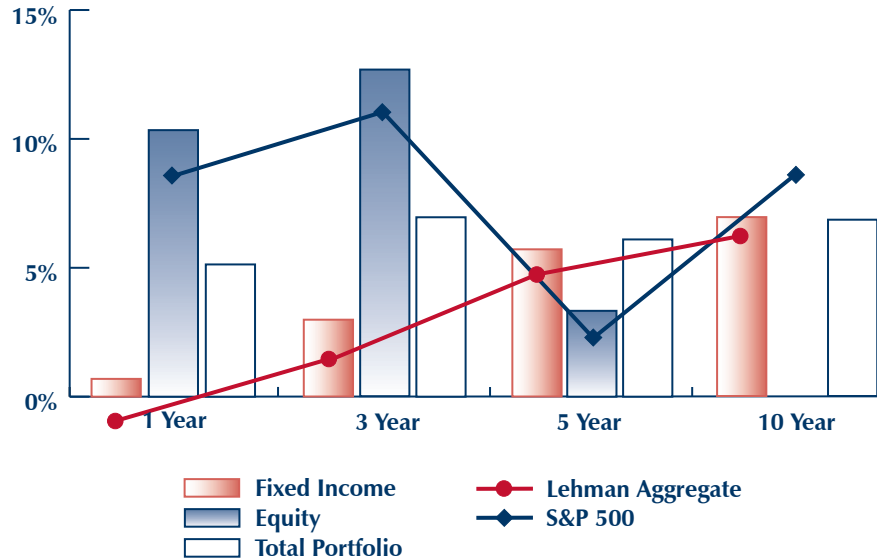
The chart below and at the top of Page 12 summarize the Retirement Systems' asset allocation and overall investment performance in comparison to the relevant benchmarks.

South Carolina Retirement Systems Schedule of Asset Allocation Market Value of Investments as of June 30, 2006 (Dollar amounts expressed in thousands)



Introductory Section

South Carolina Retirement Systems Summary of Investment Performance as of June 30, 2006



Investment performance is a significant factor in our actuarial valuations. As referred to earlier, our actuarial consultants use an actuarial asset valuation method that recognizes a portion of the difference between the actual market value of assets and the expected actuarial value of assets, based on the assumed investment rate of return of 7.25 percent. This method recognizes 20 percent of the difference between market and expected actuarial value each year and guarantees that any gain or loss is recognized over a five-year period. The actuarial value of assets is limited to a range between 80 percent and 120 percent of market value. This actuarial asset valuation method dampens year-to-year fluctuations, smoothes the effect of volatility in the market and helps provide a consistent estimate of the value of assets. Detailed investment results for fiscal year 2006 can be found within both the financial and investment sections of this report.

It is paramount to note that SCRS is considered actuarially sound and both benefits and a 1 percent COLA are funded based on current contribution levels; however, any additional COLAs beyond the 1 percent in SCRS are not prepaid. If the intent of the Systems, the Board, or the Legislature is to provide additional COLA benefits, it is imperative that some additional funding mechanism be established.

For additional financial information, please refer to the management's discussion and analysis, financial statements and schedules included in the financial section of this report.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the South Carolina Retirement Systems for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2005. The Certificate of Achievement is a prestigious national award recognizing excellence in the preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, the contents of which meet or exceed program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid only for a period of one year. The Systems has received a Certificate of Achievement for each of the last 19 consecutive years (fiscal years ended 1987-2005). We believe this 20th issue of our annual report continues to conform

Introductory Section

to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA for consideration again this year.

Public Pension Standards Award

The South Carolina Retirement Systems also received the Public Pension Coordinating Council's Public Pension Standards 2006 Award. This is the third consecutive year during which the Retirement Systems applied for and received the Council's award in recognition of meeting professional plan design and administration standards. The Public Pension Coordinating Council is a confederation of the National Association of State Retirement Administrators, the National Conference on Public Employee Retirement Systems, and the National Council on Teacher Retirement.

Acknowledgments

The compilation of this report reflects the combined efforts of the staff of the South Carolina Retirement Systems functioning under your leadership. The report is intended to provide comprehensive and reliable information about the Systems, to demonstrate compliance with legal provisions, and to allow for the evaluation of responsible stewardship of the funds of the Systems.

We express our gratitude to the members of the Board, the staff, the consultants, and the many people who have worked so diligently to assure the continued successful operation of the Systems.

Respectfully submitted,


Peggy G. Boykin, CPA
Director


Tammy B. Davis, CPA
Assistant Director, Financial Services





Governing Board and Administration

Governing Board - SC State Budget and Control Board

| | |
|-------------------------|--|
| Mark Sanford, Chairman | Governor |
| Grady L. Patterson, Jr. | State Treasurer |
| Richard Eckstrom | Comptroller General |
| Hugh K. Leatherman, Sr. | Chairman, Senate Finance Committee |
| Daniel T. Cooper | Chairman, House Ways and Means Committee |
| Frank W. Fusco | Executive Director |

Equity Investment Panel¹

| | |
|---------------------------|----------|
| Peter Bristow | Chairman |
| Arthur M. Bjontegard, Jr. | |
| Blaine Ewing, III | |
| Mary M. Kennemur | |
| S. Hunter Howard | |

Retirement System Investment Commission²

| | |
|-------------------------|---|
| Reynolds Williams | Chairman |
| Grady L. Patterson, Jr. | State Treasurer |
| Blaine Ewing, III | |
| James R. Powers | |
| Allen R. Gillespie, CFA | |
| Robert L. Borden | Chief Investment Officer |
| Nancy E. Shealy | Administrative Director and General Counsel |

Equity Investment Consultant

Mercer Investment Consulting, Inc.

Consulting Actuaries

Milliman Consultants and Actuaries
Cavanaugh Macdonald Consulting, LLC

Retirement Systems Executive Management

| | |
|-----------------------|---|
| Peggy G. Boykin, CPA | Director |
| Dianne T. Poston | Assistant Director – Administration |
| Alice R. Copeland | Assistant Director – Customer Services |
| Tammy B. Davis, CPA | Assistant Director – Financial Services |
| Lisa Phipps | Assistant Director – Information Technology |
| Amanda J. Green | Assistant Director – Service/Imaging |
| Stephen Van Camp | General Counsel – Retirement Systems |
| Sarah N. Corbett, CPA | Internal Auditor |

Retirement Systems Staff Responsible for Compilation of CAFR

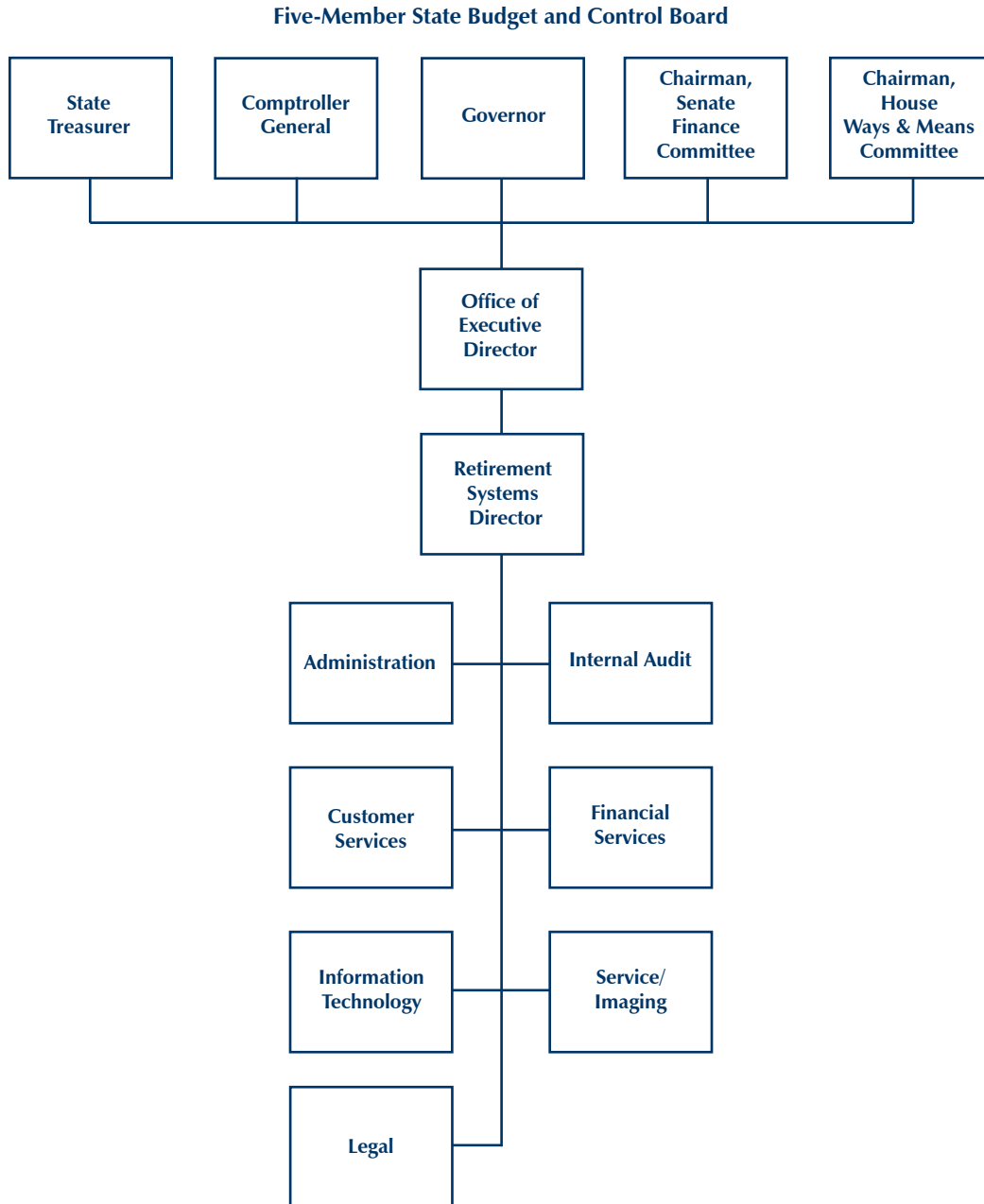
| | |
|---------------------|----------------------------|
| Travis Turner, CPA | Financial Services |
| Ashley Nichols, CPA | Financial Services |
| Faith Wright | Financial Services |
| Megan Reynolds | Public Information Officer |

¹Refer to page 80 for a complete list of equity managers.

²Created by law effective October 1, 2005. See page 9 for more information.

Introductory Section

Organizational Chart



Organizational Description

The structural organization of the Systems is depicted in the organizational chart on page 13. A brief description of the primary functions performed by each department follows:

Internal Audit

Responsible for providing an independent appraisal function to examine and evaluate processes and policies, and for providing assurance to management regarding the internal control structure of the division.

Legal

Responsible for representing the South Carolina Retirement Systems in matters before circuit and appellate courts and administrative bodies, and for providing program support to the management of the South Carolina Retirement Systems.

Administration

Responsible for managerial, budgetary, and administrative oversight of all division operations; physical plant issues, operations, and maintenance; procurement; human resources activities; communications and public information; accounts payable; postal center operations and courier services; and the State Optional Retirement Program.

Customer Services

Responsible for member consultations (in person, by telephone, on-line via the Internet, or by videoconferencing) in all phases of retirement operations; the processing of customer claims relating to annuities, refunds, or death claims; training employers in all aspects of the Retirement Systems' member benefits, reporting procedures, and the Internet accessed employer information system; briefing governing bodies of prospective new employers on member benefits and new employer liability regarding potential costs associated with joining the Retirement Systems; meeting with employees as requested to present benefit overviews and preretirement education programs; and coordinating and conducting retirement seminars designed to better prepare members whose retirement is imminent.

Financial Services

Responsible for all financial reporting and accounting including the preparation of the Comprehensive Annual Financial Report; disbursing monthly payments to annuitants, refunds to terminated members and death benefit payments to eligible members; determining the average final compensation to be used in calculating a member's annuity benefit at retirement; collecting and allocating member and employer contributions; and maintaining membership enrollment and beneficiary information.

Information Technology

Responsible for the design, implementation and control of all automated applications within the Systems.

Service Credit and Imaging Services

Responsible for the computation of the cost for purchases of prior service for all members of the Retirement Systems; the auditing of service credit for our membership; and the maintenance of complete historical records of each member.

Investment Panel Staff

Prior to the October 1, 2005, creation of the South Carolina Retirement System Investment Commission, this staff was responsible for providing legal, research, and administrative support to the State Retirement Systems Investment Panel, and to the South Carolina Retirement Systems and the State Budget and Control Board on issues relating to the Retirement Systems' equity investments.

cou·pon pay·ments (kōō' pŏn - pā' mənts) The annual, semi-annual, or quarterly payments made by a debtor to creditors (bond holders) for interest on a debt obligation (bond).

div·i·dend (dīv' ĭ-dĕnd') Cash distribution made by a company to its shareholders.

par·val·ue (pär - vāl'-yōō) The principal amount (face value) of a debt obligation due at maturity. This amount is independent of coupon payments. The par value is determined at issuance.

Yield to Maturity (yēld tōō mə-tyōōr' ĭ-tĕ) The internal rate of return a buyer would receive if they purchased a bond at the current market price and held it to maturity.

Zero-Coupon (zē' rō kōō pŏn) A bond that pays no coupon payments but is priced at issuance at a discount to its redemption price (par value).

Financial Section

Defining the Foundation of Your Retirement Plan



Independent Auditor's Report

The Honorable Mark Sanford, Governor,
Members of the State Budget and Control Board and
Mr. Richard H. Gilbert, Jr., CPA, Deputy State Auditor
State of South Carolina
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, 2006, as listed in the table of contents. These financial statements are the responsibility of the South Carolina Retirement Systems' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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.

As described in Note I to the financial statements, the Systems' financial statements are intended to present the financial position and results of operations and cash flows of only that portion of the financial reporting entity of the State of South Carolina that is attributable to the transactions of the System. They do not purport to and do not present the financial position of the State of South Carolina as of June 30, 2006, and changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America, and do not include other agencies, divisions, or component units of the State of South Carolina.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the South Carolina Retirement Systems, as of June 30, 2006, and the changes in plan net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.



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| | | |
|---|---|---|
| <i>Investment Advisory Services Offered Through 1st Global Advisors, Inc.</i> | <i>Securities Offered Through 1st Global Capital Corp Member NASD, SIPC</i> | <i>Insurance Services Offered Through 1st Global Insurance Services, Inc.</i> |
|---|---|---|

Financial Section

As discussed in Note VIII to the financial statements, the Systems is a party to legal actions claiming amounts due for legal fees and for certain retirement contributions that had been collected inappropriately. The ultimate outcomes of the litigation cannot be presently determined. Accordingly, no provision for any liability has been made in the accompanying financial statements.

Management's Discussion and Analysis on pages 23 to 27 and the required supplementary information on pages 46 and 47 are not a required part of the financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedule of changes in plan net assets – by system, schedule of administrative expenses, schedule of professional consultant fees, and schedule of investment expenses on pages 48 to 54 are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole. The introductory, investment, actuarial and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

A handwritten signature in blue ink that reads "Rogers & Lalan, PA". The signature is written in a cursive style and is centered within a light gray rectangular box.

September 26, 2006

Management's Discussion and Analysis

Management offers the following discussion and analysis to provide a narrative introduction to the basic financial statements and an analytical overview of the South Carolina Retirement Systems' financial activities for the fiscal year ended June 30, 2006. This narrative is intended as a supplement and should be read in conjunction with the financial statements.

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 and Solicitors; and
- *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 Retirement Systems is a part of the primary government of the State of South Carolina and is included in the comprehensive annual financial report of the state. The Plan's financial statements include the following components:

- Statement of Plan Net Assets
- Statement of Changes in Plan Net Assets
- Notes to the Financial Statements
- Required 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, group life insurance payments and administrative expenses.

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

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

Financial Highlights

- For the five pension trust funds administered by the South Carolina Retirement Systems, our combined investment portfolios generated a 5.13 percent aggregate return for fiscal year 2006. This return can be compared to a combined return of 7.02 percent for the prior fiscal year. Our actuarial assumed rate of return for investment purposes is 7.25 percent.

Financial Section

- The State Budget and Control Board increased the employer contribution rate for local government employers effective July 1, 2005, to make it consistent with the rate for other employers.
- Effective January 1, 2006, the South Carolina Retirement Systems assumed administrative responsibilities for the National Guard Retirement System (NGRS), which is a defined benefit pension plan providing supplemental benefits to National Guard members who served in South Carolina. Since January 1, 2006, the NGRS portfolio alone generated an annual return of 0.59 percent. Historically, NGRS funds have been invested strictly in the fixed income market; however, in fiscal year 2007, the NGRS pension trust fund will be reallocated, pooled together, and invested in the same manner as the funds of the other four pension trust funds administered by the Retirement Systems. The actuarial assumed rate of return for NGRS for investment purposes is also 7.25 percent.
- Net assets are held in trust to meet future benefit payments. Total plan net assets of all five pension trust funds administered by the South Carolina Retirement Systems increased from \$24.8 billion to \$25.4 billion during fiscal year 2006, primarily as a result of positive investment returns, increased contributions, and the addition of \$14 million in net assets transferred for the NGRS.
- The Teacher and Employee Retention Incentive (TERI) program continued to remain attractive to our membership. The program, which was implemented in January 2001, allows retired members to accumulate deferred annuity benefits for up to five years while continuing employment. December 2005 marked the end of the five-year deferral period for participants who joined the plan at its inception; therefore, the plan experienced a significant increase in the amount of accumulated benefits distributed this fiscal year. As a result of the distributions, the amount of assets held in trust for future payment of accrued benefits decreased by 24 percent to \$671 million during fiscal year 2006.
- The number of retired members and beneficiaries receiving monthly benefits under the Retirement Systems plans increased to slightly more than 110,000 annuitants during the year. The increase included the addition of approximately 3,000 NGRS annuitants. Accordingly, the amount of benefit payments increased more than 8 percent over the prior year from \$1.7 billion to \$1.8 billion.
- The South Carolina Supreme Court ruled that a part of legislative Act 153, which was enacted by the South Carolina General Assembly in 2005, and required certain retirees, including participants in the TERI program, to remit employee contributions to the Retirement Systems, violated the contract rights of existing TERI participants. The Court ordered that for TERI participants who retired prior to July 1, 2005, all retired member contributions collected since July 1, 2005, had to be refunded with interest, and that no future contributions from the TERI participants be collected. The Retirement Systems issued refund checks totaling approximately \$38 million to 13,975 TERI participants, and these distributions account for the significant increase in refund payments reported during fiscal year 2006. It is important to note that the estimated present value of the revenue lost by the Court's decision is approximately \$110 million. The Budget and Control Board subsequently approved an employer contribution increase effective July 1, 2007, to offset the loss.
- Act 153 also made TERI participants and retired contributing members eligible for an increased group life insurance benefit payment equal to their annual salary in lieu of the standard \$2,000, \$4,000 or \$6,000 retired member benefit.

Condensed Financial Information

In order to ensure the Retirement Systems' ability to properly fund the payment of retirement benefits to members in future years, it is necessary to accumulate funds on a regular and systematic basis. The five defined benefit funds provide benefits to eligible employees of state, public school, local and municipal government, state legislative, judicial and National Guard employers.

The principal sources from which the Systems derives revenues are employee contributions, employer contributions, and earnings on investments. In addition, required annual contributions for NGRS are funded through an annual State appropriation. Expenses of the Systems consist primarily of payments of monthly annuities to retired members and their beneficiaries, and refunds of member contributions and interest paid upon termination. Other programs administered by the Systems include a group life insurance plan for both active and retired members, and an accidental death plan for police officers.

Financial Section

Summary comparative financial statements of the pension trust funds are presented as follows:

Plan Net Assets June 30 (Amounts expressed in thousands)

| Assets | 2006 | 2005 | % Increase/ (Decrease) |
|--|----------------------|----------------------|---------------------------|
| Cash and Cash Equivalents, Receivables and Prepaid Expenses | \$ 2,078,394 | \$ 3,137,913 | (33.77%) |
| Total Investments, at fair value | 24,114,946 | 22,652,248 | 6.46% |
| Securities lending cash collateral invested | 4,372,175 | 4,110,377 | 6.37% |
| Property, net of accumulated depreciation | 3,696 | 3,814 | (3.09%) |
| Total Assets | <u>30,569,211</u> | <u>29,904,352</u> | 2.22% |
| Liabilities | | | |
| Deferred retirement benefits | 670,527 | 884,776 | (24.22%) |
| Obligations under securities lending | 4,372,175 | 4,110,377 | 6.37% |
| Other liabilities | 144,561 | 100,752 | 43.48% |
| Total Liabilities | <u>5,187,263</u> | <u>5,095,905</u> | 1.79% |
| Total Net Assets | <u>\$ 25,381,948</u> | <u>\$ 24,808,447</u> | 2.31% |

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

| Additions | 2006 | 2005 | % Increase/ (Decrease) |
|--|----------------------|----------------------|---------------------------|
| Employee Contributions | \$ 567,908 | \$ 495,012 | 14.73% |
| Employer Contributions | 686,431 | 638,487 | 7.51% |
| Investment Income | 1,282,360 | 1,684,122 | (23.86%) |
| Other Income | 5,399 | 4,188 | 28.92% |
| Total Additions | <u>2,542,098</u> | <u>2,821,809</u> | (9.91%) |
| Deductions | | | |
| Total Annuities | 1,823,085 | 1,681,582 | 8.41% |
| Refunds | 121,841 | 80,906 | 50.60% |
| Group Life | 16,837 | 15,195 | 10.81% |
| Administrative & other expenses | 20,898 | 18,418 | 13.47% |
| Total Deductions | <u>1,982,661</u> | <u>1,796,101</u> | 10.39% |
| Increase (Decrease) in Net Assets before Transfer | 559,437 | 1,025,708 | (45.46%) |
| Transfer from State Adjutant General's Office | <u>14,064</u> | <u></u> | 100.00% |
| Total Increase in Net Assets | 573,501 | 1,025,708 | (44.09%) |
| Beginning Net Assets | 24,808,447 | 23,782,739 | 4.31% |
| Ending Net Assets | <u>\$ 25,381,948</u> | <u>\$ 24,808,447</u> | 2.31% |

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

On a combined basis, plan net assets were \$25.4 billion at June 30, 2006, representing a 2.31 percent increase in net assets from the previous year-end. Investment income is a major revenue source; therefore, the increase in plan net assets is due primarily to our positive investment performance during fiscal year 2006 and increased contributions. Our combined investment return for fiscal year 2006 was 5.13 percent, which lagged behind our assumed actuarial investment return of 7.25 percent. During the current fiscal year 2006, the Systems completed the process of investing up to the 50 percent funding target in the U.S. equity market, producing a 10.34 percent total return on the equity segment of the portfolio, and a return of 0.69 percent on the fixed income segment of our investment portfolio. In comparison, the prior fiscal year 2005 produced a combined total investment return of 7.02 percent, with 7.24 percent and 6.87 percent returns for the equity and fixed income segments respectively.

While the fluctuations in returns between market segments exemplify the need for an optimally diversified investment portfolio, the Retirement Systems' investment performance has been limited in the past by our State constitution and State statute. The General Assembly enacted legislation which established the Retirement System Investment Commission effective October 1, 2005, and set an investment target allocation under which equity investments cannot exceed 70 percent of the portfolio.

During fiscal year 2006, the total dollar amount of retirement annuities paid increased more than 8 percent when compared with the previous fiscal year. This was due primarily to the continued growth of TERI and the continued effects of 28-year retirement in SCRS. A 3.40 percent cost-of-living adjustment (COLA) granted to SCRS and PORS annuitants effective July 1, 2005, also contributed to the increase in the total annuity expense. The annual COLA is a very important benefit to our retirees and is critical to retiree income; therefore, the General Assembly enacted legislation effective July 1, 2005, which, for SCRS retirees, guaranteed up to a 1 percent COLA and further allowed for additional COLAs that are conditional. Ad hoc COLAs have historically been granted and funded with either unanticipated actuarial gains or an extension of the system's unfunded actuarial accrued liability (UAAL) amortization period. As of the most recent actuarial valuation dated July 1, 2005, the UAAL amortization period for SCRS was 30 years; therefore, any additional ad hoc COLAs in the future may require either additional funding or increased investment returns.

In addition to establishing the Investment Commission and guaranteeing up to a 1 percent COLA as stated above, the State Retirement System Preservation and Investment Reform Act (Act 153) passed by the General Assembly in 2005 also made other changes to SCRS. The legislation required retired members who either participate in TERI or who return to work for a covered employer to make employee contributions. The Act also increased the rate at which both employees and employers contribute to SCRS.

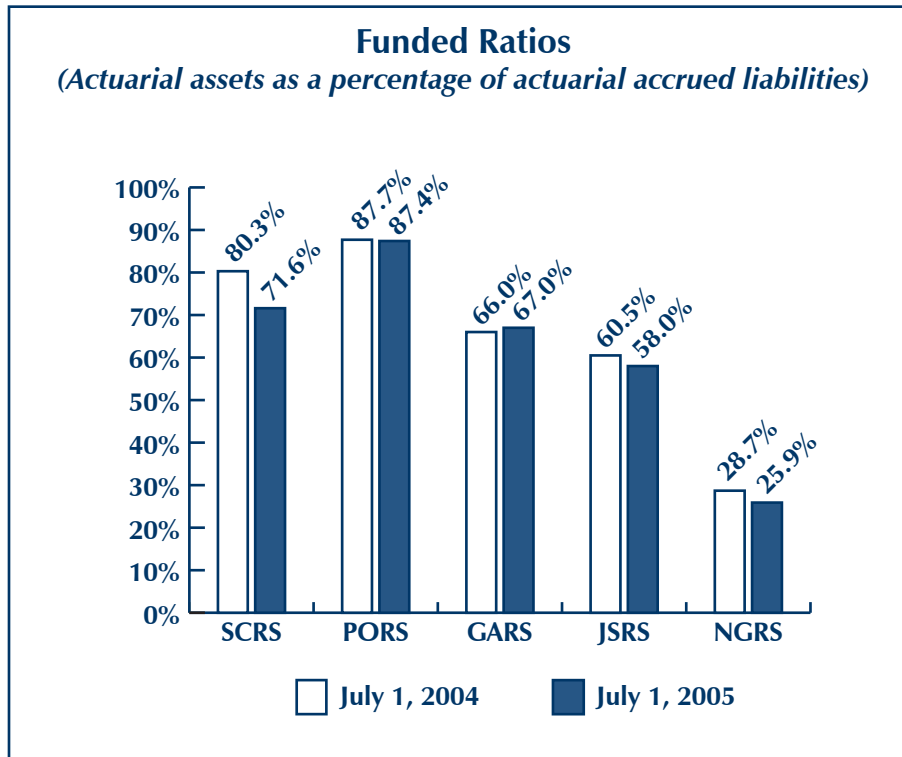
In summary, the legislation attempted to secure funding of SCRS and provide additional funding for retiree COLAs to help ensure that retiree income is not eroded by inflation. In May 2006, however, the South Carolina Supreme Court ruled that Act 153 violated the contract rights of the TERI participants who began their participation in the TERI program before July 1, 2005. All contributions that had been collected since July 1, 2005, from this group of TERI participants were required to be refunded and no future contributions are to be collected from this group of TERI participants. It is estimated that this decision will result in lost revenue to the Retirement Systems of approximately \$110 million. This loss, coupled with approval of an additional 2.5 percent ad hoc COLA effective July 1, 2006, will be offset by a further increase of .51 percent in the SCRS employer contribution rate. For further information, please refer to Note IX.

Funding Status

An overall objective in the funding of a defined benefit retirement system is to accumulate sufficient funds to meet long-term obligations to pay benefits to participants when due. The primary sources of assets to fund benefits include investment income, member contributions and employer contributions. A five-year smoothing method is used in actuarially valuing assets to mitigate the impact of market volatility and allow changes in market conditions to be recognized (smoothed) over several years.

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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 and adopted by the Budget and Control Board, indicate that the funded ratios of four of the five individual plans declined slightly from the previous valuation. Specifically in SCRS, the significant increase in actuarial liabilities due to the plan changes caused a decrease in the funded ratio and in addition, all of the plans continued to recognize losses in market value of investments that occurred in fiscal years 2000 through 2002. The most recent valuation determined that funding levels of all the plans are such that annual contributions are sufficient for the valuation to find the plans in good actuarial condition. The changes in the levels of funding do not affect the availability of fund resources for future use and actuarial projections indicate that unfunded liabilities will be amortized and funded within acceptable funding guidelines. The funded ratios of the five plans are presented in the following graph.



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 Retirement Systems
PO Box 11960
Columbia, SC 29211-1960
(803) 737-6800
www.retirement.sc.gov

Financial Section

South Carolina Retirement Systems Statement of Plan Net Assets June 30, 2006

With comparative totals for June 30, 2005
(Amounts expressed in thousands)

| | SCRS | PORS | GARS | JSRS | NGRS | TOTAL | TOTAL 2005 |
|--|---------------|--------------|-----------|------------|-----------|---------------|---------------|
| ASSETS | | | | | | | |
| Cash and cash equivalents | \$ 1,365,730 | \$ 351,035 | \$ 1,145 | \$ 6,123 | \$ 5,150 | \$ 1,729,183 | \$ 2,834,188 |
| Receivables | | | | | | | |
| Due from other Systems | 160 | 700 | 7 | 11 | | 878 | 1,736 |
| Employee and employer contributions | 134,099 | 17,479 | 123 | 664 | | 152,365 | 136,045 |
| Employer contributions long-term | 1,435 | 26 | | | | 1,461 | 1,785 |
| Accrued investment income | 126,442 | 14,834 | 277 | 787 | 97 | 142,437 | 114,544 |
| Unsettled investment sales | 46,008 | 5,514 | 99 | 236 | | 51,857 | 49,450 |
| Total receivables | 308,144 | 38,553 | 506 | 1,698 | 97 | 348,998 | 303,560 |
| Investments, at fair value | | | | | | | |
| Short-term securities | 49,643 | 4,990 | | | | 54,633 | 295,572 |
| United States Government securities | 626,753 | 75,022 | 1,096 | 10,654 | | 713,525 | 3,122,504 |
| United States Government agencies and government-insured | 3,424,241 | 356,937 | 6,583 | 15,021 | 2,816 | 3,805,598 | 1,694,627 |
| Corporate bonds | 3,759,322 | 499,010 | 8,317 | 21,121 | 2,207 | 4,289,977 | 4,443,116 |
| Convertible bonds | 143 | 17 | 1 | 1 | | 162 | 120 |
| Financial and other | 1,515,666 | 193,402 | 3,036 | 7,339 | 2,519 | 1,721,962 | 2,067,841 |
| Common trust funds | 6,495,654 | 774,683 | 13,575 | 33,471 | | 7,317,383 | 5,909,052 |
| Common stock | 5,509,162 | 662,613 | 11,531 | 28,400 | | 6,211,706 | 5,119,416 |
| Total investments | 21,380,584 | 2,566,674 | 44,139 | 116,007 | 7,542 | 24,114,946 | 22,652,248 |
| Prepaid administrative expenses | 103 | 13 | | 1 | 96 | 213 | 165 |
| Securities lending cash collateral invested | 3,961,439 | 383,340 | 4,354 | 22,955 | 87 | 4,372,175 | 4,110,377 |
| Capital assets, net of accumulated depreciation | 3,330 | 340 | 10 | 16 | | 3,696 | 3,814 |
| Total assets | 27,019,330 | 3,339,955 | 50,154 | 146,800 | 12,972 | 30,569,211 | 29,904,352 |
| LIABILITIES | | | | | | | |
| Due to other Systems | 708 | 160 | 5 | 5 | | 878 | 1,736 |
| Accounts payable - unsettled investment purchases | 39,198 | 4,679 | 84 | 201 | | 44,162 | 62,196 |
| Investment fees payable | 6,453 | 775 | 13 | 33 | | 7,274 | 5,661 |
| Obligations under securities lending | 3,961,439 | 383,340 | 4,354 | 22,955 | 87 | 4,372,175 | 4,110,377 |
| Deferred retirement benefits | 670,527 | | | | | 670,527 | 884,776 |
| Due to Employee Insurance Program | 29,348 | 563 | | | | 29,911 | 27,620 |
| Benefits payable | 9,123 | 231 | | | 5 | 9,359 | 2,037 |
| Negative cash balances | 32,639 | 90 | 1 | 4 | | 32,734 | |
| Other accrued liabilities | 18,333 | 1,793 | 18 | 97 | 2 | 20,243 | 1,502 |
| Total liabilities | 4,767,768 | 391,631 | 4,475 | 23,295 | 94 | 5,187,263 | 5,095,905 |
| Net assets held in trust for Pension Benefits (a schedule of funding progress for each plan is presented on Page 46) | \$ 22,251,562 | \$ 2,948,324 | \$ 45,679 | \$ 123,505 | \$ 12,878 | \$ 25,381,948 | \$ 24,808,447 |

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

Financial Section

South Carolina Retirement Systems Statement of Changes in Plan Net Assets Year Ended June 30, 2006

With comparative totals for the year ended June 30, 2005

(Amounts expressed in thousands)

| | SCRS | PORS | GARS | JSRS | NGRS | TOTAL | TOTAL 2005 |
|---|----------------------|---------------------|------------------|-------------------|------------------|----------------------|----------------------|
| Additions | | | | | | | |
| Contributions | | | | | | | |
| Employee | \$ 498,445 | \$ 67,394 | \$ 543 | \$ 1,526 | \$ - | \$ 567,908 | \$ 495,012 |
| Employer | 577,468 | 100,281 | 2,171 | 6,511 | | 686,431 | 638,487 |
| Total contributions | <u>1,075,913</u> | <u>167,675</u> | <u>2,714</u> | <u>8,037</u> | | <u>1,254,339</u> | <u>1,133,499</u> |
| Investment Income | | | | | | | |
| Net appreciation (depreciation) in | | | | | | | |
| fair value of investments | 519,348 | 61,997 | 657 | 2,139 | (253) | 583,888 | 1,027,721 |
| Interest and dividend income | 632,106 | 79,680 | 1,472 | 3,711 | 342 | 717,311 | 668,818 |
| Investment expense | (26,458) | (3,190) | (54) | (135) | | (29,837) | (22,406) |
| Net income from investing activities | <u>1,124,996</u> | <u>138,487</u> | <u>2,075</u> | <u>5,715</u> | <u>89</u> | <u>1,271,362</u> | <u>1,674,133</u> |
| From securities lending activities: | | | | | | | |
| Securities lending income | 171,278 | 22,411 | 217 | 910 | 7 | 194,823 | 86,006 |
| Securities lending expense | (161,635) | (21,113) | (206) | (864) | (7) | (183,825) | (76,017) |
| Net income from securities lending activities | <u>9,643</u> | <u>1,298</u> | <u>11</u> | <u>46</u> | | <u>10,998</u> | <u>9,989</u> |
| Total net investment income | <u>1,134,639</u> | <u>139,785</u> | <u>2,086</u> | <u>5,761</u> | <u>89</u> | <u>1,282,360</u> | <u>1,684,122</u> |
| Supplemental retirement benefits funded by the | | | | | | | |
| State | 1,741 | 60 | | | | 1,801 | 2,046 |
| State appropriations for administrative expenses | | | | | 300 | 300 | |
| Transfers of contributions from other Systems | 13 | 3,026 | 41 | 218 | | 3,298 | 2,142 |
| Total additions | <u>2,212,306</u> | <u>310,546</u> | <u>4,841</u> | <u>14,016</u> | <u>389</u> | <u>2,542,098</u> | <u>2,821,809</u> |
| Deductions | | | | | | | |
| Refunds of contributions to members | 108,569 | 13,252 | | 20 | | 121,841 | 80,906 |
| Transfers of contributions to other Systems | 3,233 | | 65 | | | 3,298 | 2,142 |
| Regular retirement benefits | 1,316,123 | 165,830 | 5,726 | 9,677 | 1,371 | 1,498,727 | 1,339,711 |
| Deferred retirement benefits | 321,374 | | | | | 321,374 | 338,778 |
| Supplemental retirement benefits | 1,741 | 60 | | | | 1,801 | 2,046 |
| Group life insurance claims | 14,875 | 1,821 | 17 | 124 | | 16,837 | 15,195 |
| Accidental death benefits | | 1,183 | | | | 1,183 | 1,047 |
| Depreciation | 107 | 11 | | | | 118 | 119 |
| Administrative expenses | 15,205 | 1,957 | 33 | 83 | 204 | 17,482 | 16,157 |
| Total deductions | <u>1,781,227</u> | <u>184,114</u> | <u>5,841</u> | <u>9,904</u> | <u>1,575</u> | <u>1,982,661</u> | <u>1,796,101</u> |
| Net increase (decrease) before transfer | 431,079 | 126,432 | (1,000) | 4,112 | (1,186) | 559,437 | 1,025,708 |
| Transfer from the State Adjutant General's Office | | | | | 14,064 | 14,064 | |
| Net increase (decrease) | 431,079 | 126,432 | (1,000) | 4,112 | 12,878 | 573,501 | 1,025,708 |
| Net assets held in trust for Pension Benefits | | | | | | | |
| Beginning of year | 21,820,483 | 2,821,892 | 46,679 | 119,393 | | 24,808,447 | 23,782,739 |
| End of year | <u>\$ 22,251,562</u> | <u>\$ 2,948,324</u> | <u>\$ 45,679</u> | <u>\$ 123,505</u> | <u>\$ 12,878</u> | <u>\$ 25,381,948</u> | <u>\$ 24,808,447</u> |

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 teachers 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 and solicitors of the state.

The National Guard Retirement System, a single-employer defined benefit pension plan, was created effective July 1, 1975, pursuant to the provisions of Section 25-1-3210 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. Effective January 1, 2006, Section 25-1-3210 was repealed and replaced by Section 9-10-30. This legislation transferred administrative responsibility of the plan from the Adjutant General's Office to the South Carolina Retirement Systems.

Financial Section

A summary of information related to participating employers and active members as of June 30, 2006, follows (dollar amounts expressed in thousands):

| | State ¹ | School | Other | Total |
|--|--------------------|--------------|--------------|--------------|
| SCRS | | | | |
| Number of Employers | 110 | 100 | 577 | 787 |
| Annual Covered Payroll | \$ 2,025,086 | \$ 2,773,999 | \$ 1,577,417 | \$ 6,376,502 |
| Average Number of Contributing Members | 55,498 | 85,315 | 52,813 | 193,626 |
| PORS | | | | |
| Number of Employers | 49 | 4 | 268 | 321 |
| Annual Covered Payroll | \$ 325,118 | \$ 154 | \$ 548,528 | \$ 873,800 |
| Average Number of Contributing Members | 10,131 | 6 | 15,680 | 25,817 |
| GARS | | | | |
| Number of Employers | 2 | | | 2 |
| Annual Covered Payroll | \$ 3,090 | | | \$ 3,090 |
| Number of Elected Positions | 170 | | | 170 |
| JSRS | | | | |
| Number of Employers | 2 | | | 2 |
| Annual Covered Payroll | \$ 15,369 | | | \$ 15,369 |
| Average Number of Contributing Members | 128 | | | 128 |
| NGRS | | | | |
| Number of Employers | 1 | | | 1 |
| Annual Covered Payroll ² | N/A | | | N/A |
| Average Number of Contributing Members | 2,891 | | | 2,891 |

¹Each state agency is considered a separate employer for reporting purposes. Institutions of Higher Education are reported in this category.

²Annual covered payroll is not applicable for NGRS because it is a non-contributory plan.

Based upon the most recent actuarial valuations adopted by the Budget and Control Board, membership in the Systems was as follows:

| | SCRS | PORS | GARS | JSRS | NGRS |
|---|---------|--------|------|------|-------|
| Retirees and beneficiaries currently receiving benefits | 94,667 | 9,661 | 312 | 141 | 2,690 |
| Terminated members entitled to but not yet receiving benefits | 148,888 | 10,207 | 65 | 7 | 2,974 |
| Total active, elected positions, and other special contributing members | 181,022 | 23,795 | 203 | 128 | 2,864 |
| Total | 424,577 | 43,663 | 580 | 276 | 8,528 |

Financial Section

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.

State ORP

As an alternative to membership in SCRS, newly hired state, public school, and higher education employees 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 and are governed by the terms of the contracts issued by them. For this reason, State ORP programs are not considered part of the SCRS 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 (6.25 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 (2.55 percent) and a group life 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, 2006
(Dollar amounts expressed in thousands)

| | |
|--|------------|
| Average Number of Contributing Participants | 13,511 |
| Annual Covered Payroll | \$ 593,231 |
| Employer Contributions Retained by SCRS | 15,127 |
| Group Life Contributions Retained by SCRS | 890 |
| Employee Contributions to Investment Providers | 37,077 |
| Employer Contributions to Investment Providers | 29,662 |

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

All persons are required to participate in and contribute to the System upon taking office as a member of the General Assembly.

JSRS

All solicitors, 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

The NGRS has been closed to new entrants since July 1, 1993. Membership consists of individuals who began service in the South Carolina National Guard prior to July 1, 1993.

Pension Benefits

SCRS

A 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 deferred annuity at age 60 with five years earned service. Group life insurance benefits are also available to active and retired members with at least one year of service, provided their employer participates in the program.

Eligible retirees receive an automatic cost-of-living adjustment of up to 1 percent and may also receive an additional ad hoc cost-of-living adjustment of up to 3 percent annually based on increases in the Consumer Price Index. The State Budget and Control Board grants ad hoc increases in accordance with its funding policies and state statute.

PORS

A monthly pension is payable at age 55 with a minimum of five years earned service or with 25 years of service re-

ardless of age. A member is eligible to receive a deferred annuity at age 55 with five years earned service. Group life insurance benefits are also available to members with at least one year of service provided their employer participates in the program. An additional accidental death benefit is also offered to officers killed in the line of duty.

Eligible retirees may receive ad hoc cost-of-living adjustments of up to 4 percent annually based on increases in the Consumer Price Index. The State Budget and Control Board grants ad hoc increases in accordance with its funding policies and state statute.

GARS

A member is eligible for a monthly pension at age 60 or with 30 years credited service. A member who has attained the age of 70 years 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 group life insurance 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.

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 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 is vested in the system after attaining eight years of earned service as a solicitor. A group life insurance 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

The State Budget and Control Board's Office of Internal Operations maintains an internal service fund to account for the administrative costs of operating the Systems. All accounting and corresponding disclosures related to administrative expense, which include employee salaries and associated employee benefits, are the responsibility of the internal service fund administered by the Board. Administrative charges of the Retirement Systems include funds transferred to the Investment Commission to fund investment related obligations for the trust funds. Administrative expenses are funded by both employer contributions and investment income and charges are assessed to each of the pension trust funds based on its respective portion of total assets in order to pay for actual expense incurred during the year. For fiscal year 2006, administrative expenses were separately funded by state appropriations to transfer and implement administrative responsibility of the NGRS.

Cash and Cash Equivalents

The Systems classify 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 classify certain short-term highly liquid securities with an original maturity of three months or less as cash equivalents.

Contributions

Employee and Employer contributions are reported in the period in which they are due, pursuant to formal commit-

ments as well as statutory requirements. Substantially all contributions receivable are collected within 30 days of year-end.

Investments

Investments are reported at fair value. Short term securities categorized as cash or cash equivalents are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price. Investment income consists of realized and unrealized appreciation (depreciation) in the fair value of investments, interest income earned, dividend income earned, less investments expense, plus income from securities lending activities, less deductions for security lending expenses. Securities and securities transactions are reflected in the financial statements on a trade-date basis.

Capital Assets

Capital assets are capitalized at cost and depreciated on a straight-line basis over an estimated useful life of forty 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 2006 follow:

| | |
|-------------|---------------------------------------|
| SCRS | 6.25% of earnable compensation |
| PORS | 6.5% of earnable compensation |
| GARS | 10% of earnable compensation |
| JSRS | 9% of earnable compensation |
| NGRS | Non-contributory |

Employer contributions are established by the State Budget and Control Board at the actuarially determined rates recommended by the Systems' actuaries.

Contributions for the NGRS are to be provided by annual state appropriations based on the annual required contribution determined annually by the actuary. The required contribution for the fiscal year ended June 30, 2006, was received timely and appropriately recognized prior to the date that the Systems assumed responsibility for administration of the plan.

In accordance with provisions of the 2005-2006 State Appropriations Act, an additional employer contribution

surcharge of 3.25 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) \$198,082 and \$11,178 respectively in retiree insurance surcharges (\$19,227 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 of the annual required contribution, payment of annuity benefits 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 **Group Life Insurance Fund** (SCRS and PORS only) is the fund to which participating employers contribute for the purpose of providing a life insurance benefit to active and retired members of the Systems. Employer contributions and investment earnings are credited to this fund. Group life insurance benefit payments and administrative expenses are paid from this fund.

The **Accidental Death Fund** (PORS only) is the fund to which participating employers contribute for the purpose of providing annuity benefits to beneficiaries of police officers and firemen killed in the actual performance of their

Financial Section

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.

Balances in the respective reserves at June 30, 2006, were as follows (amounts expressed in thousands):

| | <u>SCRS</u> | <u>PORS</u> | <u>GARS</u> | <u>JSRS</u> | <u>NGRS</u> |
|---------------------------|----------------------|---------------------|------------------|-------------------|------------------|
| Employee Fund | \$ 5,229,175 | \$ 622,008 | \$ 8,094 | \$ 21,857 | |
| Employer Fund | 16,903,463 | 2,275,010 | 37,585 | 101,648 | \$ 12,878 |
| Group Life Insurance Fund | 118,924 | 23,156 | | | |
| Accidental Death Fund | | 28,150 | | | |
| | <u>\$ 22,251,562</u> | <u>\$ 2,948,324</u> | <u>\$ 45,679</u> | <u>\$ 123,505</u> | <u>\$ 12,878</u> |

III. Deposits and Investments

The tables presented on Pages 36-38 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 may vary from the Statement of Plan Net Assets primarily because the amounts reported include accrued interest receivable.

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 statute, the State Treasurer is the custodian of all deposits and is responsible for securing all deposits held by banks or savings and loan associations. These deposits must be 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. All deposits are required to be insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000 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, 2006, was as follows (amounts expressed in thousands):

| | <u>Carrying Amount</u> | <u>Bank Balance</u> |
|--------------|------------------------|---------------------|
| SCRS | (\$ 27,373) | \$ 21,732 |
| PORS | 151 | 2,238 |
| GARS | 1 | 83 |
| JSRS | (2) | 38 |
| NGRS | <u>2</u> | <u>93</u> |
| Total | <u>(\$ 27,221)</u> | <u>\$ 24,184</u> |

The primary reason for the negative carrying amounts relates to timing differences for refund checks issued to TERI participants at year-end. Additional details related to these refund checks can be found in Note IX.

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 11-9-660 of the South Carolina Code of Laws and states that investments may be made in a variety of instruments including obligations of the United States and its agencies and securities fully guaranteed by the United States, certain corporate obligations, collateralized repurchase agreements, and equity securities.

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Corporate obligations must bear an investment grade rating by at least two nationally recognized rating services. Collateral held for certificates of deposit or repurchase agreements must be obligations of the United States or investment grade corporate obligations and held by a third party as escrow agent or custodian and of a market

value not less than the amount of either the certificate of deposit so secured, including interest, or the amount of the repurchase agreement so collateralized, including interest. At June 30, 2006, all of the Systems' investments were insured or collateralized.

The following table presents the fair value of investments as of June 30, 2006:

Statement of Invested Assets June 30, 2006 (Amounts expressed in thousands)

| <u>Investment Type</u> | <u>Fair Value</u> |
|---|----------------------|
| <u>Fixed Income Investments</u> | |
| U.S. Government: | |
| U.S. Government Treasury Notes and Bonds | \$ 720,034 |
| U.S. Government Agencies | 739,502 |
| Other U.S. Government | 4,120 |
| Mortgage Backed: | |
| Government Pass-Through | 3,109,500 |
| Collateralized Mortgage Obligations: | |
| Government CMOs | 290,726 |
| Corporate: | |
| Corporate Bonds | 4,262,336 |
| Corporate Asset Backed | 165,481 |
| Private Placements | 1,224,002 |
| Dollar Denominated Bonds | 160,008 |
| Total Fixed Income Investments | 10,675,709 |
| <u>Short Term Investments</u> | |
| Commercial Paper | 29,685 |
| Repurchase Agreements | 1,722,131 |
| Total Short Term Investments | 1,751,816 |
| <u>Equity</u> | |
| Domestic | 5,964,178 |
| American Depository Receipts | 252,519 |
| Total Equity Investments | 6,216,697 |
| <u>Commingled Funds</u> | |
| Common Trust Funds | 7,317,384 |
| Money Market Funds | 2,241 |
| Total Commingled Funds | 7,319,625 |
| Total Invested Assets | \$ 25,963,847 |

Financial Section

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. This risk is managed within the portfolio using effective duration. Effective duration is a measure of the price sensitivity of a bond or a portfolio of bonds to interest rate movements given a 50 basis point change in interest rates. It 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. The Systems' investment policy requires that the weighted average maturity and weighted average duration of the actively managed fixed income portfolio should not exceed 175 percent of the benchmark index averages.

South Carolina Retirement Systems Interest Rate Sensitivity - Effective Duration June 30, 2006 (Amounts expressed in thousands)

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Effective Duration</u> |
|---|----------------------|---------------------------|
| <u>Fixed Income Investments</u> | | |
| U.S. Government: | | |
| U.S. Government Treasury Notes and Bonds | \$ 720,034 | 4.51 |
| U.S. Government Agencies | 739,502 | 0.75 |
| Other U.S. Government | 4,120 | 8.05 |
| Total U.S. Government | 1,463,656 | 2.62 |
| Mortgage Backed: | | |
| Government Pass-Through | 3,109,500 | 4.81 |
| Collateralized Mortgage Obligations: | | |
| Government CMOs | 290,726 | 4.30 |
| Corporate: | | |
| Corporate Bonds | 4,262,336 | 8.07 |
| Corporate Asset Backed | 165,481 | 6.58 |
| Private Placements | 1,224,002 | 9.86 |
| Total Corporate | 5,651,819 | 8.41 |
| Dollar Denominated Bonds | 160,008 | 8.42 |
| Total Fixed Income Investments | 10,675,709 | 6.46 |
| <u>Short Term Investments</u> | | |
| Commercial Paper | 29,685 | 0.02 |
| Repurchase Agreements | 1,722,131 | 0.00 |
| Total Short Term Investments | 1,751,816 | 0.00 |
| Total Invested Assets | \$ 12,427,525 | |
| Total Portfolio Effective Duration | | 5.55 |

Financial Section

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. The investment policy for credit quality of debt securities states that securities must bear an investment grade rating from at least two of the national rating agencies. Obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk and disclosure is not required. Credit quality of cash reserves must carry a rating of A1/P1/F1 or D1 from at least two nationally recognized rating services. In the event that the rating of a security falls below investment grade, that security may continue to be held contingent upon an evaluation of the longer term investment merits of the security. As of June 30, 2006, the Systems' rated debt investments were rated by Standard & Poor's and are presented below:

South Carolina Retirement Systems Credit Risk - S&P Quality Ratings June 30, 2006 (Amounts expressed in thousands)

| Investment Type and Fair Value | AAA | AA | A | BBB | BB | B | CCC & Below | A-1 | NR |
|---------------------------------|------------|------------|--------------|--------------|------------|----------|-------------|--------------|-----------|
| Fixed Income Investments | | | | | | | | | |
| U.S. Government: | | | | | | | | | |
| U.S. Government Agencies | \$ 226,391 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Other U.S. Government | 4,120 | | | | | | | | |
| Mortgage Backed: | | | | | | | | | |
| Government Pass-Through | 23,682 | | | | | | | | |
| Corporate: | | | | | | | | | |
| Corporate Bonds | 73,929 | 184,394 | 1,796,287 | 1,867,704 | 318,793 | 3,717 | 162 | | 17,350 |
| Corporate Asset Backed | 120,286 | | | 39,804 | | | | 5,391 | |
| Private Placements | 100,032 | 252,833 | 487,624 | 302,362 | | | | | 81,151 |
| Dollar Denominated Bonds | | | 160,008 | | | | | | |
| Short Term Investments | | | | | | | | | |
| Commercial Paper | | 29,685 | | | | | | | |
| Repurchase Agreements | | | | | | | | 1,722,131 | |
| | \$ 548,440 | \$ 466,912 | \$ 2,443,919 | \$ 2,209,870 | \$ 318,793 | \$ 3,717 | \$ 162 | \$ 1,727,522 | \$ 98,501 |

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 statute which states that "Except for United States Treasury and Agency obligations, the fixed income portfolio shall contain no more than 5 percent exposure to any single issuer." At June 30, 2006, the Systems had approximately 5.63 percent of its investments in an overnight repurchase agreement with the Bank of America that was fully collateralized by United States Treasury and Agency obligations.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. At June 30, 2006, the Systems did not have any deposits or investments denominated in foreign currencies so this risk does not apply.

Securities Lending

Through a custodial agent, SCRS, PORS, GARS, JSRS, and NGRS participate in a securities lending program whereby securities are loaned for the purpose of generating additional income to the Systems. The Systems lends securities from its investment portfolios 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, 2006, included U. S. Government securities, U. S. Government agencies, corporate bonds, convertible bonds, and equities. The contractual agreement with the Systems' custodian 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. The Systems cannot pledge or sell collateral securities without a borrower default. The Systems invest cash collateral received; 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.

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 ranged from 1 to 24 days. The average weighted maturity of investments made with cash collateral ranged from 3 to 27 days. At June 30, 2006, 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.

Financial Section

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, 2006.

| | June 30, 2006 | | | | | June 30, 2005 | |
|--|---------------------|-------------------|-----------------|------------------|--------------|---------------------|---------------------|
| | SCRS | PORS | GARS | JSRS | NGRS | TOTAL | TOTAL |
| Securities lent for cash collateral: | | | | | | | |
| U.S. Government securities | \$ 337,040 | \$ 25,974 | \$ 1,097 | \$ 10,653 | | \$ 374,764 | \$ 2,237,344 |
| U.S. Government agencies | 2,323,444 | 198,740 | 606 | 5,581 | | 2,528,371 | 642,787 |
| Corporate bonds | 40,768 | 7,827 | | | \$ 84 | 48,679 | 118,782 |
| Common Stock | 1,154,743 | 140,455 | 2,542 | 6,005 | | 1,303,745 | 1,013,784 |
| Total securities lent for cash collateral | <u>3,855,995</u> | <u>372,996</u> | <u>4,245</u> | <u>22,239</u> | <u>84</u> | <u>4,255,559</u> | <u>4,012,697</u> |
| Securities lent for noncash collateral: | | | | | | | |
| Equities | | | | | | | 515 |
| U.S. Government securities | | | | | | | 29,820 |
| Total for securities lent | <u>\$ 3,855,995</u> | <u>\$ 372,996</u> | <u>\$ 4,245</u> | <u>\$ 22,239</u> | <u>\$ 84</u> | <u>\$ 4,255,559</u> | <u>\$ 4,043,032</u> |
| Cash collateral invested as follows: | | | | | | | |
| Repurchase agreements | \$ 444,341 | \$ 66,529 | \$ 2,186 | \$ 8,971 | \$ 87 | \$ 522,114 | \$ 904,633 |
| Corporate bonds | 1,630,151 | 182,746 | 992 | 7,381 | | 1,821,270 | 2,434,514 |
| Asset Backed Securities | 1,366,349 | 103,391 | 803 | 4,717 | | 1,475,260 | 489,767 |
| Bank Notes | 520,598 | 30,674 | 373 | 1,886 | | 553,531 | 281,463 |
| Total for cash collateral invested | <u>3,961,439</u> | <u>383,340</u> | <u>4,354</u> | <u>22,955</u> | <u>87</u> | <u>4,372,175</u> | <u>4,110,377</u> |
| Securities received as collateral: | | | | | | | |
| U.S. Government securities | | | | | | | 32,171 |
| Total for securities collateral invested | <u>\$ 3,961,439</u> | <u>\$ 383,340</u> | <u>\$ 4,354</u> | <u>\$ 22,955</u> | <u>\$ 87</u> | <u>\$ 4,372,175</u> | <u>\$ 4,142,548</u> |

Certain short-term, highly liquid securities, which were insured or registered by the Systems or in the Systems' name with an original maturity of three months or less are considered cash equivalents in accordance with Governmental Accounting Standards Board Statement 9. These investments at June 30, 2006, were composed of the following (amounts expressed in thousands):

Cash Equivalents

| | Repurchase Agreements | Money Market Funds | Total 2006 | Total 2005 |
|-------------------------|--------------------------|-----------------------|---------------------|---------------------|
| SCRS | \$ 1,358,482 | \$ 1,982 | \$ 1,360,464 | \$ 2,525,166 |
| PORS | 350,557 | 237 | 350,794 | 280,172 |
| GARS | 1,139 | 4 | 1,143 | 8,029 |
| JSRS | 6,111 | 10 | 6,121 | 13,766 |
| NGRS¹ | 5,148 | | 5,148 | - |
| Totals | <u>\$ 1,721,437</u> | <u>\$ 2,233</u> | <u>\$ 1,723,670</u> | <u>\$ 2,827,133</u> |

¹The South Carolina Retirement Systems assumed administration of the National Guard Retirement System January 1, 2006; therefore, comparative totals for fiscal year 2005 are not presented.

Financial Section

The Systems maintains a portfolio of short-term securities in order to actively manage all funds waiting to be placed in a more permanent investment. As of June 30, 2006, the Systems held the following short-term investments with maturities of less than one year (amounts expressed in thousands):

Short-term Securities

| | U.S. Government Agency Discount Notes | Commercial Paper | Total 2006 | Total 2005 |
|---------------|---|---------------------|------------------|-------------------|
| SCRS | \$ 19,958 | \$ 29,685 | \$ 49,643 | \$ 230,054 |
| PORS | 4,990 | | 4,990 | 65,518 |
| Totals | <u>\$ 24,948</u> | <u>\$ 29,685</u> | <u>\$ 54,633</u> | <u>\$ 295,572</u> |

Effective May 26, 1998, legislation was passed implementing the 1996 public vote amending the State Constitution to allow the Retirement Systems to invest in equity securities. This legislation established a five-member investment panel responsible for defining and developing the investment objectives and the types of equity investments to be purchased. The Act also specified that a maximum of 40 percent of assets may be invested in equities.

During fiscal year 2005, the South Carolina General Assembly passed Act 153, the State Retirement System Preservation and Investment Reform Act, which became effective July 1, 2005. This Act established a six-member Investment Commission made up of financial experts, the State Treasurer, and a nonvoting retired member. Fiduciary responsibility for all investments was moved to the Commission. Act 153 also created the position of chief investment officer and stated that equity investments cannot exceed 70 percent of the total portfolio.

As of June 30, 2006, the Retirement Systems' assets were invested in equities as follows (amounts expressed in thousands):

Equity Investments

| | Common Trust Funds | | | Common Stock | Total 2006 | Total 2005 |
|---------------|-----------------------|----------------------------|------------------------------|---------------------|----------------------|----------------------|
| | S&P 500 Index Fund | Russell 2000 Index Fund | Barclays Global Investors | | | |
| SCRS | \$ 5,718,900 | \$ 348,345 | \$ 428,409 | \$ 5,509,162 | \$ 12,004,816 | \$ 9,788,784 |
| PORS | 682,329 | 41,223 | 51,131 | 662,613 | 1,437,296 | 1,168,825 |
| GARS | 11,952 | 729 | 894 | 11,531 | 25,106 | 20,453 |
| JSRS | 29,482 | 1,780 | 2,209 | 28,400 | 61,871 | 50,406 |
| NGRS | - | - | - | - | - | - |
| Totals | <u>\$ 6,442,663</u> | <u>\$ 392,077</u> | <u>\$ 482,643</u> | <u>\$ 6,211,706</u> | <u>\$ 13,529,089</u> | <u>\$ 11,028,468</u> |

The Systems retains a consultant to provide investment consulting services necessary to fulfill the duties for investing in equity securities. As of June 30, 2006, individual agreements were in place between the Systems and 20 equity investment managers.

Financial Section

On June 30, 2006, the Systems held collateralized mortgage obligations (CMOs) in its portfolios. The CMOs in these portfolios consist of the planned amortizations class-1 (PAC-1) and the very accurately defined maturity (VADM) tranches of these issues. The PAC-1 and VADM tranche CMO structure securities were entered into for several reasons: (1) to protect the Retirement Systems' portfolios from principal prepayment risk during an environment of declining interest rates, (2) to provide incremental yield above that available on corporate securities with similar terms, (3) to provide diversification in the portfolios, (4) to maintain the high quality of government-sponsored credits in the portfolios, and (5) to utilize the estimated future term cash flows provided by these securities to match the term of the liabilities of the Retirement Systems. These securities are all rated AAA by the major rating agencies. The PAC-1 and VADM structures are highly marketable securities.

The Systems held the following CMOs included in the financial and other category (amounts expressed in thousands):

Collateral Mortgage Obligations (CMOs)

| | June 30, 2006 | June 30, 2005 |
|---------------|-------------------|-------------------|
| | <u>Fair Value</u> | <u>Fair Value</u> |
| SCRS | \$ 265,678 | \$ 292,359 |
| PORS | 23,194 | 13,782 |
| GARS | 134 | 183 |
| JSRS | 106 | 145 |
| NGRS | - | - |
| Totals | <u>\$ 289,112</u> | <u>\$ 306,469</u> |

On June 30, 2006, the Systems also held asset-backed securities in its portfolios. These securities had an average life of one to three years with a legal final maturity of two to five years. These securities represent an undivided ownership interest in a trust consisting of auto loan receivables. These securities are rated AAA by the major rating agencies. In addition, under the asset-backed securities category, the Systems held bonds issued by the South Carolina Tobacco Settlement Revenue Management Authority. These securities are rated Baa2/BBB and have an average life of 4.12 years with a legal maturity of 2016.

The Systems held the following asset-backed securities included in the financial and other investments category (amounts expressed in thousands):

Asset Backed Securities

| | June 30, 2006 | June 30, 2005 |
|---------------|-------------------|-------------------|
| | <u>Fair Value</u> | <u>Fair Value</u> |
| SCRS | \$ 137,609 | \$ 561,790 |
| PORS | 24,299 | 123,544 |
| GARS | 621 | 958 |
| JSRS | 1,764 | 2,682 |
| NGRS | 495 | - |
| Totals | <u>\$ 164,788</u> | <u>\$ 688,974</u> |

In addition to CMOs and asset-backed securities, the financial and other investments category primarily consisted of corporate financial paper as follows (amounts expressed in thousands):

Corporate Financial Paper

| | June 30, 2006 | June 30, 2005 |
|---------------|---------------------|---------------------|
| | <u>Fair Value</u> | <u>Fair Value</u> |
| SCRS | \$ 1,112,379 | \$ 967,113 |
| PORS | 145,909 | 101,556 |
| GARS | 2,281 | 1,417 |
| JSRS | 5,469 | 2,312 |
| NGRS | 2,024 | - |
| Totals | <u>\$ 1,268,062</u> | <u>\$ 1,072,398</u> |

Financial Section

IV. Capital Assets

Capital assets at June 30, 2006, consist of the following amounts (expressed in thousands). There were no additions or dispositions of capital assets during the year.

| | <u>SCRS</u> | <u>PORS</u> | <u>GARS</u> | <u>JSRS</u> | <u>TOTAL</u> | <u>TOTAL 2005</u> |
|---|-----------------|---------------|--------------|--------------|-----------------|-----------------------|
| Land | \$ 524 | \$ 54 | \$ 1 | \$ 3 | \$ 582 | \$ 582 |
| Building | 4,279 | 437 | 13 | 20 | 4,749 | 4,749 |
| Total Capital Assets | <u>4,803</u> | <u>491</u> | <u>14</u> | <u>23</u> | <u>5,331</u> | <u>5,331</u> |
| Less: Accumulated Depreciation | <u>1,473</u> | <u>151</u> | <u>4</u> | <u>7</u> | <u>1,635</u> | <u>1,517</u> |
| Net Capital Assets | <u>\$ 3,330</u> | <u>\$ 340</u> | <u>\$ 10</u> | <u>\$ 16</u> | <u>\$ 3,696</u> | <u>\$ 3,814</u> |

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, 2006, were as follows (amounts expressed in thousands):

| Transfers from | Transfers to | | | | Totals |
|----------------|--------------|-----------------|--------------|---------------|-----------------|
| | SCRS | PORS | GARS | JSRS | |
| SCRS | \$ - | \$ 3,026 | \$ 41 | \$ 166 | \$ 3,233 |
| PORS | | | | | - |
| GARS | 13 | | | 52 | 65 |
| JSRS | | | | | - |
| Total | <u>\$ 13</u> | <u>\$ 3,026</u> | <u>\$ 41</u> | <u>\$ 218</u> | <u>\$ 3,298</u> |

The following schedule reflects amounts due to or from other systems as of June 30, 2006, (amounts expressed in thousands):

| Due from | Due to | | | | Totals |
|--------------|---------------|---------------|-------------|--------------|---------------|
| | SCRS | PORS | GARS | JSRS | |
| SCRS | \$ - | \$ 690 | \$ 7 | \$ 11 | \$ 708 |
| PORS | 160 | | | | 160 |
| GARS | | 5 | | | 5 |
| JSRS | | 5 | | | 5 |
| Total | <u>\$ 160</u> | <u>\$ 700</u> | <u>\$ 7</u> | <u>\$ 11</u> | <u>\$ 878</u> |

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 35 percent of combined contribution revenues. In addition, the Systems receives custodial, investment and related services from the State Treasurer.

At June 30, 2006, liabilities of approximately \$29.9 million were due to other State departments and agencies, and contributions receivable of approximately \$27.6 million were due from other State departments and agencies.

As a result of the Retirement Systems assuming administrative responsibility for the NGRS, the State appropriated funds in the amount of \$300,000 to the Systems in order to perform the functions necessary to assume administration. Additionally, the State Adjutant General's Office transferred approximately \$14.1 million to the Systems, which represented the net assets of the National Guard Pension System at December 31, 2005.

As discussed in Note III, the Retirement System Investment Commission was established by Act 153 with an effective date of October 1, 2005. The Investment Commission is considered a separate State agency; however, the expenses of the Commission are funded by transfers from the Systems. Transfers in the amount of approximately \$1.5 million were made to the Commission during the fiscal year.

VII. Teacher and Employee Retention Incentive Program

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 the 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.

A total of 10,025 members were actively participating in the TERI program at June 30, 2006. The activity for this program is reflected in the following schedule:

**Schedule of TERI Activity
Year Ended June 30, 2006
(Amounts expressed in thousands)**

| | |
|------------------------------------|-------------------|
| Beginning Liability Balance | \$ 884,776 |
| Additions | 321,374 |
| TERI Distributions | (535,623) |
| Ending Liability Balance | <u>\$ 670,527</u> |

VIII. Litigation

Nancy Layman et al. v. South Carolina Retirement System and the State of South Carolina, Case Number 200532860.

In May, 2006, the Supreme Court ruled that Act 153, which had been enacted by the General Assembly in 2005, and which required certain retirees, including participants in

the Teacher and Employee Retention Incentive program (TERI), to remit employee contributions to the Retirement System, violated the contract rights of the TERI participants who began their participation in the TERI program before July 1, 2005 (old TERI participants).

The Supreme Court ordered that all contributions from the old TERI participants that had been collected since July 1, 2005, should be refunded, with interest, and that no future contributions from the old TERI participants be collected. The estimated present value of the revenue to the Retirement Systems lost by this decision is estimated at \$110,000,000. This loss will be offset by increases in the employer contributions to the system. The Supreme Court also remanded the question whether the Retirement System is liable for Plaintiffs' attorneys' fees. That issue is pending in the trial court at this time. Plaintiffs have not yet informed the Retirement System what amount of attorneys' fees they are seeking, so no estimate of the amount of any such award can presently be made.

The Supreme Court also remanded the claims of persons who have retired but have returned to covered employment prior to July 1, 2005, for determination by the trial court, although the Supreme Court found that the statute governing retirees who have returned to work did not create a contract between the State and these members. If the retirees who have returned to covered employment were to prevail, the Retirement System estimates its potential loss at approximately \$12.5 million for fiscal year 2006. Discovery regarding these issues is underway, and it is premature to estimate any potential loss associated with them. The Retirement System believes its defense is meritorious and intends to vigorously contest these claims.

Arnold et al. v. the South Carolina Police Officers Retirement System, the South Carolina Retirement System and the State of South Carolina, Civil Action Number 2005-CP-22-756.

This is a putative class action case, filed on August 9, 2005, alleging that provisions in Act 153 requiring retirees who have returned to covered employment in the Police Officers Retirement System and the South Carolina Retirement System to make employee contributions are unconstitutional and illegal. Specifically, the plaintiffs allege that the provisions of Act 153 requiring retirees who have returned to covered employment to make contributions impairs contractual rights, constitutes an unlawful taking of property, and violates due process.

Plaintiffs seek a declaration that provisions in Act 153 affecting members who retired and returned to covered employment prior to July 1, 2005, are unconstitutional, an injunction enjoining the defendants from collecting employee contributions from plaintiffs, and a refund of all contributions paid by working retirees under Act 153, including attorneys' fees. If the plaintiffs were to prevail, the South Carolina Police Officers Retirement System estimates its potential loss to be \$2.15 million for fiscal year 2006. (To the extent this case covers the South Carolina Retirement System, the class for Arnold and the potential class of retirees who have returned to covered employment in Layman [described on Page 44] would be the same.

To the extent these cases cover the same class members in the South Carolina Retirement System, the defendants would only be liable for approximately \$12.5 million in both cases. The defendants believe their defense is meritorious and will vigorously contest the case.

IX. Refund of TERI Contributions

As described in Note VIII above, based on the Supreme Court's ruling that all TERI participants whose participation began prior to July 1, 2005, were entitled to a refund of member contributions, the Retirement Systems issued refund checks totaling \$37.8 million to 13,975 TERI participants. Retired member contributions that were deducted from this group of TERI participants' payroll checks and reported to the Retirement Systems from July 1, 2005, through June 30, 2006, have been refunded.

Upon learning of the Court's decision, the Retirement Systems wanted to make every effort to refund all appropriate contributions received from TERI participants in a timely manner. The Retirement Systems was ordered to refund contributions to members in the class with interest at the rate of 4 percent, payable within 30 days of the court order. The post-judgment interest accrued at 11.25 percent for refunds issued after the 30-day period.

The contributions were refunded, with interest, and no future contributions will be collected from this group of TERI participants. The \$37.8 million refunded includes approximately \$900,000 in interest and is reported as refunds of contributions to members. Of the \$37.8 million on the Statement of Plan Net Assets, \$6.9 million was issued after the end of the fiscal year and is included as benefits payable.

South Carolina Retirement Systems Required Supplementary Information

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 | | | | | | |
| 7/01/05 | \$ 21,625,510 | \$ 30,217,471 | \$ 8,591,961 | 71.6% | \$ 6,356,489 | 135.2% |
| 7/01/04 | 20,862,659 | 25,977,852 | 5,115,193 | 80.3% | 6,180,599 | 82.8% |
| 7/01/03 | 20,197,936 | 24,398,931 | 4,200,995 | 82.8% | 6,240,768 | 67.3% |
| 7/01/02 | 19,298,174 | 22,446,574 | 3,148,400 | 86.0% | 6,147,712 | 51.2% |
| 7/01/01 | 18,486,773 | 21,162,147 | 2,675,374 | 87.4% | 6,017,537 | 44.5% |
| 7/01/00 | 17,286,108 | 19,414,972 | 2,128,864 | 89.0% | 5,881,847 | 36.2% |
| PORS | | | | | | |
| 7/01/05 | 2,774,606 | 3,173,930 | 399,324 | 87.4% | 850,610 | 46.9% |
| 7/01/04 | 2,616,835 | 2,984,584 | 367,749 | 87.7% | 822,448 | 44.7% |
| 7/01/03 | 2,511,369 | 2,744,849 | 233,480 | 91.5% | 800,394 | 29.2% |
| 7/01/02 | 2,351,100 | 2,527,876 | 176,776 | 93.0% | 757,393 | 23.3% |
| 7/01/01 | 2,197,982 | 2,324,257 | 126,275 | 94.6% | 757,335 | 16.7% |
| 7/01/00 | 2,008,554 | 2,095,991 | 87,437 | 95.8% | 716,749 | 12.2% |
| GARS | | | | | | |
| 7/01/05 | 46,316 | 69,161 | 22,845 | 67.0% | 3,853 | 592.9% |
| 7/01/04 | 45,087 | 68,332 | 23,245 | 66.0% | 3,839 | 605.5% |
| 7/01/03 | 44,682 | 66,619 | 21,937 | 67.1% | 3,844 | 570.8% |
| 7/01/02 | 43,841 | 73,046 | 29,205 | 60.0% | 4,515 | 646.9% |
| 7/01/01 | 42,788 | 68,291 | 25,503 | 62.7% | 4,761 | 535.6% |
| 7/01/00 | 40,730 | 64,616 | 23,886 | 63.0% | 4,858 | 491.7% |
| JSRS | | | | | | |
| 7/01/05 | 118,888 | 204,847 | 85,959 | 58.0% | 15,465 | 555.8% |
| 7/01/04 | 112,016 | 185,052 | 73,036 | 60.5% | 14,870 | 491.2% |
| 7/01/03 | 106,114 | 166,655 | 60,541 | 63.7% | 14,437 | 419.3% |
| 7/01/02 | 100,074 | 166,440 | 66,366 | 60.1% | 14,211 | 467.0% |
| 7/01/01 | 94,795 | 159,246 | 64,451 | 59.5% | 14,109 | 456.8% |
| 7/01/00 | 87,536 | 144,631 | 57,095 | 60.5% | 13,214 | 432.1% |
| NGRS | | | | | | |
| 6/30/05 | 12,151 | 46,985 | 34,835 | 25.9% | N/A | N/A |
| 6/30/04 | 13,567 | 47,281 | 33,714 | 28.7% | N/A | N/A |
| 6/30/02 | 12,608 | 44,678 | 32,069 | 28.2% | N/A | N/A |
| 6/30/00* | 11,089 | 43,427 | 32,338 | 25.5% | N/A | N/A |
| 6/30/98 | 8,640 | 41,478 | 32,839 | 20.8% | N/A | N/A |
| 6/30/96 | 6,259 | 36,756 | 30,497 | 17.0% | N/A | N/A |

*As of April 30, 2000

Financial Section

South Carolina Retirement Systems Required Supplementary Information (continued)

Schedule of Employer Contributions (Amounts expressed in thousands)

| Year Ended June 30, | SCRS | | PORS | | GARS | | JSRS | | NGRS | |
|------------------------|------------------------------------|---------------------------|------------------------------------|---------------------------|------------------------------------|---------------------------|------------------------------------|---------------------------|--|---------------------------|
| | 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 |
| 2006 | \$ 577,468 | 100% | \$ 100,281 | 100% | \$ 2,171 | 100% | \$ 6,511 | 100% | \$ 2,969 | 132.8% |
| 2005 | 538,809 | 100% | 90,528 | 100% | 2,890 | 100% | 6,260 | 100% | 2,887 | 69.2% |
| 2004 | 515,996 | 100% | 87,922 | 100% | 2,731 | 100% | 6,078 | 100% | 2,796 | 71.4% |
| 2003 | 512,345 | 100% | 86,563 | 100% | 2,577 | 100% | 6,014 | 100% | 2,804 | 71.2% |
| 2002 | 509,044 | 100% | 88,608 | 100% | 2,627 | 100% | 5,993 | 100% | 2,938 | 72.6% |
| 2001 | 491,329 | 100% | 93,584 | 100% | 2,510 | 100% | 5,875 | 100% | 2,947 | 71.7% |

¹The 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.

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

Actuarial Assumptions and Methods

| | SCRS | PORS | GARS | JSRS | NGRS |
|-------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Valuation date | 07/01/05 | 07/01/05 | 07/01/05 | 07/01/05 | 06/30/05 |
| Actuarial cost method | Entry age | Entry age | Entry age | Entry age | Entry age |
| Amortization period | Level percent open | Level percent open | Level percent closed | Level percent open | Level dollar open |
| Remaining amortization period | 30 years | 15 years | 20 years | 36 years | 30 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 | 7.25% | 7.25% | 7.25% | 7.25% | 7.25% |
| Projected salary increases | 4.00% - 8.00% | 4.50% - 11.50% | None | 3.25% | None |
| Includes inflation at | 3.00% | 3.00% | 3.00% | 3.00% | 4.25% |
| Cost-of-living adjustments | Automatic 1% ² | None | None | 3.25% | None |

²Beginning the July 1st following one year of receiving benefits, the monthly benefit amount will increase by the calendar year change in CPI but not to exceed 1 percent. Additional ad hoc COLAs may be paid as approved by the State Budget and Control Board and based upon the financial condition of the System.

Financial Section

South Carolina Retirement Systems Schedule of Changes in Plan Net Assets SCRS Pension Trust Fund

Year Ended June 30, 2006

With comparative totals for the year ended June 30, 2005

(Amounts expressed in thousands)

| | EMPLOYEE FUND | EMPLOYER FUND | GROUP LIFE FUND | TOTAL | TOTAL 2005 |
|--|---------------------|----------------------|-----------------------|----------------------|----------------------|
| Additions | | | | | |
| Employee contributions | | | | | |
| State department employees | \$ 149,602 | \$ 20,268 | | \$ 169,870 | \$ 151,980 |
| Public school employees | 192,245 | 26,848 | | 219,093 | 183,427 |
| Other political subdivision employees | 104,314 | 5,168 | | 109,482 | 97,845 |
| Employer contributions | | | | | |
| State department employees | | 190,435 | \$ 4,191 | 194,626 | 187,365 |
| Public school employees | | 249,742 | 5,136 | 254,878 | 243,542 |
| Other political subdivision employees | | 125,804 | 2,160 | 127,964 | 107,902 |
| Total contributions | <u>446,161</u> | <u>618,265</u> | <u>11,487</u> | <u>1,075,913</u> | <u>972,061</u> |
| Investment Income | | | | | |
| Net appreciation (depreciation) in fair value of investments | | 516,579 | 2,769 | 519,348 | 915,907 |
| Interest and dividend income | | 628,742 | 3,364 | 632,106 | 592,013 |
| Investment expense | | (26,317) | (141) | (26,458) | (19,878) |
| Net income from investing activities | | <u>1,119,004</u> | <u>5,992</u> | <u>1,124,996</u> | <u>1,488,042</u> |
| From securities lending activities: | | | | | |
| Securities lending income | | 170,365 | 913 | 171,278 | 75,142 |
| Securities lending expense | | (160,773) | (862) | (161,635) | (66,297) |
| Net income from securities lending activities | | <u>9,592</u> | <u>51</u> | <u>9,643</u> | <u>8,845</u> |
| Total net investment income | | <u>1,128,596</u> | <u>6,043</u> | <u>1,134,639</u> | <u>1,496,887</u> |
| Supplemental retirement benefits funded by the State | | 1,741 | | 1,741 | 1,982 |
| Transfers of contributions from other Systems | 13 | | | 13 | 2 |
| Total additions | <u>446,174</u> | <u>1,748,602</u> | <u>17,530</u> | <u>2,212,306</u> | <u>2,470,932</u> |
| Deductions | | | | | |
| Refunds of contributions to members | 108,569 | | | 108,569 | 67,434 |
| Transfers of contributions to other Systems | 2,067 | 1,166 | | 3,233 | 2,136 |
| Regular retirement benefits | | 1,316,123 | | 1,316,123 | 1,173,459 |
| Deferred retirement benefits | | 321,374 | | 321,374 | 338,778 |
| Supplemental retirement benefits | | 1,741 | | 1,741 | 1,982 |
| Group life insurance claims | | | 14,875 | 14,875 | 13,710 |
| Depreciation | | 107 | | 107 | 107 |
| Administrative expense | | 15,124 | 81 | 15,205 | 14,242 |
| Total deductions | <u>110,636</u> | <u>1,655,635</u> | <u>14,956</u> | <u>1,781,227</u> | <u>1,611,848</u> |
| Interfund transfers according to statutory requirements | | | | | |
| Contributions by members at retirement | (218,861) | 218,861 | | | |
| Interest credited to members' accounts | 197,075 | (197,075) | | | |
| Net interfund transfers | <u>(21,786)</u> | <u>21,786</u> | | | |
| Net increase | <u>313,752</u> | <u>114,753</u> | <u>2,574</u> | <u>431,079</u> | <u>859,084</u> |
| Net assets held in trust for Pension Benefits | | | | | |
| Beginning of year | <u>4,915,423</u> | <u>16,788,710</u> | <u>116,350</u> | <u>21,820,483</u> | <u>20,961,399</u> |
| End of year | <u>\$ 5,229,175</u> | <u>\$ 16,903,463</u> | <u>\$ 118,924</u> | <u>\$ 22,251,562</u> | <u>\$ 21,820,483</u> |

Financial Section

South Carolina Retirement Systems Schedule of Changes in Plan Net Assets

PORS Pension Trust Fund

Year Ended June 30, 2006

With comparative totals for the year ended June 30, 2005

(Amounts expressed in thousands)

| | EMPLOYEE FUND | EMPLOYER FUND | GROUP LIFE FUND | ACCIDENTAL DEATH FUND | TOTAL | TOTAL 2005 |
|--|------------------|------------------|-----------------------|-----------------------------|--------------|---------------|
| Additions | | | | | | |
| Employee contributions | | | | | | |
| State department employees | \$ 23,785 | \$ 1,113 | | | \$ 24,898 | \$ 22,320 |
| Public school employees | 73 | 93 | | | 166 | 27 |
| Other political subdivision employees | 39,967 | 2,363 | | | 42,330 | 36,455 |
| Employer contributions | | | | | | |
| State department employees | | 35,938 | \$ 686 | \$ 686 | 37,310 | 32,864 |
| Public school employees | | 168 | 3 | 3 | 174 | 16 |
| Other political subdivision employees | | 60,600 | 1,133 | 1,064 | 62,797 | 57,648 |
| Total contributions | 63,825 | 100,275 | 1,822 | 1,753 | 167,675 | 149,330 |
| Investment Income | | | | | | |
| Net appreciation (depreciation) in fair value of investments | | 60,934 | 485 | 578 | 61,997 | 105,259 |
| Interest and dividend income | | 78,319 | 621 | 740 | 79,680 | 71,885 |
| Investment expense | | (3,135) | (25) | (30) | (3,190) | (2,386) |
| Net income from investing activities | | 136,118 | 1,081 | 1,288 | 138,487 | 174,758 |
| From securities lending activities: | | | | | | |
| Securities lending income | | 22,027 | 175 | 209 | 22,411 | 10,315 |
| Securities lending expense | | (20,751) | (165) | (197) | (21,113) | (9,224) |
| Net income from securities lending activities | | 1,276 | 10 | 12 | 1,298 | 1,091 |
| Total net investment income | | 137,394 | 1,091 | 1,300 | 139,785 | 175,849 |
| Supplemental retirement benefits funded by the State | | 60 | | | 60 | 64 |
| Transfers of contributions from other Systems | 1,860 | 1,166 | | | 3,026 | 2,071 |
| Total additions | 65,685 | 238,895 | 2,913 | 3,053 | 310,546 | 327,314 |
| Deductions | | | | | | |
| Refunds of contributions to members | 13,248 | | | | 13,248 | 13,441 |
| Transfers of contributions to other Systems | | | | | | 4 |
| Regular retirement benefits | | 165,834 | | | 165,834 | 151,477 |
| Supplemental retirement benefits | | 60 | | | 60 | 64 |
| Group life insurance claims | | | 1,821 | | 1,821 | 1,468 |
| Accidental death benefits | | | | 1,183 | 1,183 | 1,047 |
| Depreciation | | 11 | | | 11 | 11 |
| Administrative expense | | 1,924 | 15 | 18 | 1,957 | 1,808 |
| Total deductions | 13,248 | 167,829 | 1,836 | 1,201 | 184,114 | 169,320 |
| Interfund transfers according to statutory requirements | | | | | | |
| Contributions by members at retirement | (38,708) | 38,708 | | | | |
| Interest credited to members' accounts | 22,578 | (22,578) | | | | |
| Net interfund transfers | (16,130) | 16,130 | | | | |
| Net increase | 36,307 | 87,196 | 1,077 | 1,852 | 126,432 | 157,994 |
| Net assets held in trust for Pension Benefits | | | | | | |
| Beginning of year | 585,701 | 2,187,814 | 22,079 | 26,298 | 2,821,892 | 2,663,898 |
| End of year | \$ 622,008 | \$ 2,275,010 | \$ 23,156 | \$ 28,150 | \$ 2,948,324 | \$ 2,821,892 |

Financial Section

**South Carolina Retirement Systems
Schedule of Changes in Plan Net Assets**

GARS Pension Trust Fund

Year Ended June 30, 2006

With comparative totals for the year ended June 30, 2005

(Amounts expressed in thousands)

| | EMPLOYEE FUND | EMPLOYER FUND | TOTAL | TOTAL 2005 |
|--|------------------|------------------|-----------|---------------|
| Additions | | | | |
| Contributions | | | | |
| Employee contributions - State departments | \$ 543 | | \$ 543 | \$ 924 |
| Employer contributions - State departments | | \$ 2,171 | 2,171 | 2,890 |
| Total contributions | 543 | 2,171 | 2,714 | 3,814 |
| Investment Income | | | | |
| Net appreciation (depreciation) in fair value of investments | | 657 | 657 | 1,819 |
| Interest and dividend income | | 1,472 | 1,472 | 1,446 |
| Investment expense | | (54) | (54) | (41) |
| Net income from investing activities | | 2,075 | 2,075 | 3,224 |
| From securities lending activities: | | | | |
| Securities lending income | | 217 | 217 | 121 |
| Securities lending expense | | (206) | (206) | (107) |
| Net income from securities lending activities | | 11 | 11 | 14 |
| Total net investment income | | 2,086 | 2,086 | 3,238 |
| Transfers of contributions from other Systems | 41 | | 41 | 11 |
| Total additions | 584 | 4,257 | 4,841 | 7,063 |
| Deductions | | | | |
| Refunds of contributions to members | | | | 31 |
| Transfers of contributions to other Systems | 65 | | 65 | 2 |
| Regular retirement benefits | | 5,726 | 5,726 | 5,560 |
| Group life insurance claims | | 17 | 17 | 16 |
| Depreciation | | | | |
| Administrative expense | | 33 | 33 | 31 |
| Total deductions | 65 | 5,776 | 5,841 | 5,640 |
| Interfund transfers according to statutory requirements | | | | |
| Contributions by members at retirement | (759) | 759 | | |
| Interest credited to members' accounts | 310 | (310) | | |
| Net interfund transfers | (449) | 449 | | |
| Net increase (decrease) | 70 | (1,070) | (1,000) | 1,423 |
| Net assets held in trust for Pension Benefits | | | | |
| Beginning of year | 8,024 | 38,655 | 46,679 | 45,256 |
| End of year | \$ 8,094 | \$ 37,585 | \$ 45,679 | \$ 46,679 |

Financial Section

South Carolina Retirement Systems Schedule of Changes in Plan Net Assets

JSRS Pension Trust Fund

Year Ended June 30, 2006

With comparative totals for the year ended June 30, 2005

(Amounts expressed in thousands)

| | EMPLOYEE FUND | EMPLOYER FUND | TOTAL | TOTAL 2005 |
|--|------------------|------------------|------------|---------------|
| Additions | | | | |
| Contributions | | | | |
| Employee contributions - State departments | \$ 1,526 | | \$ 1,526 | \$ 2,034 |
| Employer contributions - State departments | | \$ 6,511 | 6,511 | 6,260 |
| Total contributions | 1,526 | 6,511 | 8,037 | 8,294 |
| Investment Income | | | | |
| Net appreciation (depreciation) in fair value of investments | | 2,139 | 2,139 | 4,736 |
| Interest and dividend income | | 3,711 | 3,711 | 3,474 |
| Investment expense | | (135) | (135) | (101) |
| Net income from investing activities | | 5,715 | 5,715 | 8,109 |
| From securities lending activities: | | | | |
| Securities lending income | | 910 | 910 | 428 |
| Securities lending expense | | (864) | (864) | (389) |
| Net income from securities lending activities | | 46 | 46 | 39 |
| Total net investment income | | 5,761 | 5,761 | 8,148 |
| Transfers of contributions from other Systems | 218 | | 218 | 58 |
| Total additions | 1,744 | 12,272 | 14,016 | 16,500 |
| Deductions | | | | |
| Refunds of contributions to members | 20 | | 20 | |
| Regular retirement benefits | | 9,677 | 9,677 | 9,215 |
| Group life insurance claims | | 124 | 124 | 1 |
| Depreciation | | | | 1 |
| Administrative expense | | 83 | 83 | 76 |
| Total deductions | 20 | 9,884 | 9,904 | 9,293 |
| Interfund transfers according to statutory requirements | | | | |
| Contributions by members at retirement | (656) | 656 | | |
| Interest credited to members' accounts | 784 | (784) | | |
| Net interfund transfers | 128 | (128) | | |
| Net increase | 1,852 | 2,260 | 4,112 | 7,207 |
| Net assets held in trust for Pension Benefits | | | | |
| Beginning of year | 20,005 | 99,388 | 119,393 | 112,186 |
| End of year | \$ 21,857 | \$ 101,648 | \$ 123,505 | \$ 119,393 |

Financial Section

South Carolina Retirement Systems Schedule of Changes in Plan Net Assets *NGRS Pension Trust Fund* Year Ended June 30, 2006¹ (Amounts expressed in thousands)

| | EMPLOYER FUND TOTAL |
|--|------------------------------------|
| Additions | |
| Contributions ² | |
| State appropriated contributions | \$ - |
| Total contributions | - |
| Investment Income | |
| Net appreciation (depreciation) in fair value of investments | (253) |
| Interest and dividend income | 342 |
| Net income from investing activities | 89 |
| From securities lending activities: | |
| Securities lending income | 7 |
| Securities lending expense | (7) |
| Net income from securities lending activities | - |
| Total net investment income | 89 |
| State Appropriation for Administrative Expenses | 300 |
| Total additions | 389 |
| Deductions | |
| Regular retirement benefits | 1,371 |
| Administrative expense | 204 |
| Total deductions | 1,575 |
| Net increase (decrease) before transfer | (1,186) |
| Transfer from the State Adjutant General's Office | 14,064 |
| Net increase | 12,878 |
| Net assets held in trust for Pension Benefits | |
| Beginning of year | - |
| End of year | \$ 12,878 |

¹The South Carolina Retirement Systems assumed administration of the National Guard Retirement System January 1, 2006; therefore, comparative totals for fiscal year 2005 are not presented.

²Contributions for fiscal year 2006 were received prior to January 1, 2006, when the Retirement Systems assumed administration of the NGRS.

Financial Section

Schedule of Administrative Expenses For the Year Ended June 30, 2006 *(Amounts expressed in thousands)*

| | SCRS | PORS | GARS | JSRS | NGRS | TOTAL |
|--------------------------------------|------------------|-----------------|--------------|--------------|---------------|------------------|
| Personal Services | | | | | | |
| Salaries and Wages | \$ 7,040 | \$ 906 | \$ 15 | \$ 38 | \$ 179 | \$ 8,178 |
| Employee Benefits | 1,852 | 238 | 4 | 10 | | 2,104 |
| Contractual Services | | | | | | |
| Data Processing Services | 1,424 | 183 | 3 | 8 | | 1,618 |
| Medical & Health Services | 452 | 58 | 1 | 2 | | 513 |
| Financial Audit | 26 | 3 | | | | 29 |
| Actuarial Services | 230 | 30 | 1 | 1 | 25 | 287 |
| Other Professional Services | 196 | 25 | | 1 | | 222 |
| Legal Services | 185 | 24 | | 1 | | 210 |
| Operating Expenses | | | | | | |
| Facilities Management | 452 | 58 | 1 | 3 | | 514 |
| Intergovernmental Services | 797 | 103 | 2 | 4 | | 906 |
| Transfers to Investment Commission | 1,294 | 167 | 3 | 7 | | 1,471 |
| Telephone | 85 | 11 | | 1 | | 97 |
| Insurance | 372 | 48 | 1 | 2 | | 423 |
| Postage | 332 | 43 | 1 | 2 | | 378 |
| Supplies | 136 | 17 | | 1 | | 154 |
| Other Miscellaneous Expenses | 332 | 43 | 1 | 2 | | 378 |
| Total Administrative Expenses | <u>\$ 15,205</u> | <u>\$ 1,957</u> | <u>\$ 33</u> | <u>\$ 83</u> | <u>\$ 204</u> | <u>\$ 17,482</u> |

Schedule of Professional Consultant Fees For the Year Ended June 30, 2006 *(Amounts expressed in thousands)*

| | Professional/Consultant | Nature of Service | Amount Paid |
|-----------------------------|-----------------------------------|--------------------------------------|-----------------|
| Medical & Health Services | SC Vocational Rehabilitation | Disability Applications | \$ 513 |
| Auditing and Accounting | Rogers & Laban, PA | Financial audit | 29 |
| Management Consulting | Milliman USA | Actuarial services | 287 |
| Other Professional Services | Cost Effectiveness Measurements | Benchmarking services | 30 |
| | Summit Strategies | Optional Retirement Plan consultants | 116 |
| | Psychological & Training Services | Case Evaluations | 33 |
| | Leonard & Associates | Case Evaluations | 21 |
| | Hollenbeck & Associates | Case Evaluations | 22 |
| Legal Services | Sowell Gray Stepp & Laffitte | Attorney services | 189 |
| | Gergel Nickles & Solomon | Attorney services | 21 |
| | | | <u>\$ 1,261</u> |

Information on investment management and consulting fees can be found in the Schedule of Investment Expenses on page 54.

Financial Section

South Carolina Retirement Systems Schedule of Investment Expenses Year Ended June 30, 2006 (Amounts expressed in thousands)

| | SCRS | PORS | GARS | JSRS | NGRS | TOTAL |
|---|------------|-----------|--------|--------|------|------------|
| Equity Investment Managers Fees: | | | | | | |
| AllianceBernstein, LP (Large Cap Value) | \$ 898 | \$ 106 | \$ 2 | \$ 4 | | \$ 1,010 |
| AllianceBernstein, LP (Large Cap Growth) | 503 | 60 | 1 | 3 | | 567 |
| Barclays Global Investors, N.A. | 1,080 | 129 | 2 | 6 | | 1,217 |
| Batterymarch Financial Management, Inc. | 1,105 | 129 | 2 | 6 | | 1,242 |
| Wells Capital Management, Inc. (Benson Value Team) | 1,789 | 218 | 4 | 10 | | 2,021 |
| ClariVest Asset Management, LLC ¹ | 48 | 6 | | | | 54 |
| Fidelity Management Trust Company | 1,940 | 231 | 4 | 10 | | 2,185 |
| Flippin, Bruce & Porter, Inc. | 764 | 91 | 2 | 4 | | 861 |
| Integrity Asset Management, LLC | 771 | 90 | 1 | 4 | | 866 |
| J.L. Kaplan Associates, LLC ² | 1,334 | 157 | 3 | 6 | | 1,500 |
| Legg Mason Capital Management, Inc. ³ | 1,070 | 131 | 2 | 6 | | 1,209 |
| Montag & Caldwell, Inc. ⁴ | 190 | 24 | 1 | 1 | | 216 |
| Nicholas-Applegate Capital Management, LLC ⁵ | 1,590 | 187 | 3 | 8 | | 1,788 |
| Pzena Investment Management, LLC ⁶ | 1,197 | 147 | 3 | 6 | | 1,353 |
| Sands Capital Management, LP ⁷ | 1,266 | 155 | 3 | 6 | | 1,430 |
| State Street Global Advisors Russell 2000 Index Fund | 87 | 10 | | 1 | | 98 |
| State Street Global Advisors S&P 500 Index Fund | 154 | 18 | | 1 | | 173 |
| The Boston Company Asset Management, LLC ⁸ | 283 | 33 | 1 | 1 | | 318 |
| TimesSquare Capital Management, LLC | 2,048 | 250 | 4 | 10 | | 2,312 |
| Thompson, Siegel & Walmsley, Inc. | 1,188 | 139 | 2 | 6 | | 1,335 |
| Turner Investment Partners, Inc. | 1,361 | 159 | 3 | 6 | | 1,529 |
| WCM Investment Management ⁹ | 1,931 | 237 | 4 | 10 | | 2,182 |
| Wellington Management Company, LLP | 2,509 | 300 | 5 | 13 | | 2,827 |
| Total | 25,106 | 3,007 | 52 | 128 | | 28,293 |
| Investment Service Fees: | | | | | | |
| Bank Fees | 1,352 | 183 | 2 | 7 | | 1,544 |
| Total Investment Management Fees | \$ 26,458 | \$ 3,190 | \$ 54 | \$ 135 | | \$ 29,837 |
| Securities Lending Expenses: | | | | | | |
| Borrower Rebates | \$ 161,635 | \$ 21,113 | \$ 206 | \$ 864 | \$ 7 | \$ 183,825 |
| Total Securities Lending Expenses | \$ 161,635 | \$ 21,113 | \$ 206 | \$ 864 | \$ 7 | \$ 183,825 |

¹ClariVest Asset Management, LLC, was funded June 2006.

²The contract with J. L. Kaplan Associates, LLC, was terminated May 2006.

³Legg Mason Capital Management, Inc., was funded September 2005.

⁴The contract with Montag & Caldwell, Inc., was terminated September 2005.

⁵The contract with Nicholas-Applegate Capital Management, LLC, was terminated June 2006.

⁶Pzena Investment Management, LLC, was funded September 2005.

⁷Sands Capital Management, LP, was funded September 2005.

⁸The contract with The Boston Company Asset Management, LLC, was terminated September 2005.

⁹WCM Investment Management was funded September 2005.

bear mar·ket (bâr - mâr' kīt) A colloquial phrase that is used to describe a market that is in a downward trend. This phrase is derived from the fact that a bear attacks with the downward thrust of its claws.

bull mar·ket ((bōōl - mâr' kīt) A colloquial phrase that is used to describe a market that is in an upward trend. This is derived from the fact that a bull attacks with an upward thrust of his horns.

cap·i·tal·i·za·tion (kăp' ĩ tl ĩ zā' shən) The total market value of a company. What it would cost to purchase all outstanding shares of a company. When categorizing companies, capitalization is usually referenced as one of three categories depending on their relative size: small cap, mid cap, and large cap.

port·fo·li·o (pôrt-fō'lē-ō') The total investment holdings of an individual or institution.

Investment Section

Defining the Foundation of Your Retirement Plan

Investment Section

STATE OF SOUTH CAROLINA

OFFICE OF STATE TREASURER

GRADY L. PATTERSON, JR.
STATE TREASURER



P.O. DRAWER 11778
COLUMBIA, SC 29211
TEL. (803) 734-2101

118 WADE HAMPTON OFFICE BUILDING
COLUMBIA, SC 29201

October 1, 2006

The Honorable Mark Sanford
Governor, State of South Carolina
Members of the General Assembly of South Carolina

Dear Governor and Members:

As Custodian of funds for the South Carolina Retirement Systems (SCRS), I am pleased to submit the following information on the SCRS investments for Fiscal Year ended June 30, 2006.

With the enactment of Act 153, this year saw the first major change in the oversight and responsibility of the retirement system assets since its inception over 60 years ago. I am happy to report that the transition of this tremendous responsibility to the South Carolina Retirement System Investment Commission has gone extremely well. I am confident that our group of hardworking, dedicated professionals will exercise the utmost care and prudence in executing our responsibilities for the benefit of our worthy retirees and dedicated state employees. The importance of this responsibility cannot be understated and as a reminder, I would like to highlight for you that our average SCRS retiree receives a benefit of less than \$16,000 a year and is dependent upon this benefit for their very well being.

The investment results attained for this year in the consolidated portfolio was 5.13 percent and was 6.96 percent for the three year time period, 6.10 percent for the five year period and 6.84 percent for the ten year period.

As of fiscal year end, the equity portion of the portfolio had grown to 53 percent with half of this invested in a passively managed account and the remainder in actively managed accounts. The equity allocation returned 10.34 percent for the fiscal year ending June 30, 2006 while outperforming the S&P 500 Index which returned 8.64 percent and the Russell 3000 Index, which returned 9.57 percent. The return for the equity portfolio was 12.67 percent for the three year time period and 3.33 percent for the five year period.

The bond market again experienced another challenging year as the Federal Reserve continued their process of returning the Federal Funds rate to a neutral level by raising it 25 basis points at each of the eight meetings held during the fiscal year for an accumulated increase of 2.00 percent. While it appears as though the interest rate increases are behind us, it is anticipated that newly appointed Federal Reserve Chairman and South Carolina native, Ben Bernanke and the Federal Reserve Board will be ever vigilant of the economic data in their attempt to restrain the inflationary forces that can ravage the value of our financial assets.

The fixed income portfolio for which my office is directly responsible for performed exceptionally well for this fiscal year, outperforming the market indices and our private sector peers, at a fraction of the cost. The return for this past fiscal year was 0.68 percent, exceeding our benchmark, the Lehman Aggregate Index, which returned a negative 0.81 percent reflecting 87 basis points of excess return. The return for the fixed income portfolio was 2.98 percent for the three year time period, 5.71 percent for the five year period and 6.94 percent for the ten year period.

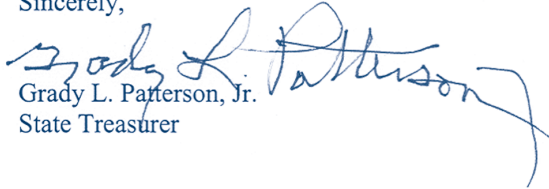
Investment Section

Page 2

Our economy continues to demonstrate tremendous resiliency but as this bull market in stocks enters its fourth year we remain cautious in regards to the market's ability to deliver the absolute returns that we had grown accustomed to in the 1990's. We do, however, expect the SCRS funds to continue to perform at better than market levels this upcoming year. That expectation is soundly based on our history of prudent, conservative investments.

As Custodian of funds, it gives me great pleasure to provide this information.

Sincerely,



Grady L. Patterson, Jr.
State Treasurer

Investment Section

Reynolds Williams
Chairman

James R. Powers
Vice Chairman

Grady L. Patterson, Jr.
State Treasurer

Robert L. Borden, CFA
Chief Investment Officer

State of South Carolina Retirement System Investment Commission



Post Office Box 11960
COLUMBIA, SOUTH CAROLINA 29211

Blaine Ewing

Allen R. Gillespie, CFA

S. Travis Pritchett

Nancy E. Shealy
Administrative Director
and General Counsel

November 20, 2006

The Honorable Mark Sanford, Governor
and
Budget and Control Board
State of South Carolina
and
Members of the General Assembly of South Carolina

Dear Ladies and Gentlemen:

It is our pleasure to provide the first report on the investments of the South Carolina Retirement Systems' (Retirement Systems) portfolio by the Investment Commission. We are happy to report that fiscal year 2006 witnessed significant, positive changes for the investments of the Retirement Systems' assets.

During the 2005 legislative session, the South Carolina General Assembly passed Act 153, the State Retirement System Preservation and Investment Reform Act. The Act took great strides in laying the foundation for positive, structural change. The Act made the following changes:

- Effective October 1, 2005, established the six-member South Carolina Retirement System Investment Commission, which is made up of financial experts, including the State Treasurer, and a nonvoting retired member.
- The Act replaced the previously bifurcated investment structure with the Commission, which is responsible for investing and managing all assets of the Retirement Systems and is completely, independently, and fully empowered to make all investment decisions.
- Created the role of Chief Investment Officer.
- Increased the maximum portion of the portfolio that may be invested in equities from 40 percent to 70 percent.
- Statutorily allowed for the investment of assets into new categories such as real estate, international fixed income, international equities, private equity as well as other types of investments commonly and prudently invested in by our peers.

The November 7, 2006, election completed the cycle of change by removing the constitutional prohibition against investment in securities not listed on a national exchange. We expect the General Assembly to ratify the constitutional change early next year. At that time, we will complete the process of fully diversifying the Retirement Systems' assets methodically and deliberately.

The Statement of Investment Objectives (SIO) and Policies (SIP) cover the general guidelines and the goals for the investment of the Retirement Systems' assets. The investment program is implemented through an Annual Investment Plan (AIP) which details the asset allocation between the active management and passive management, between large-cap equity and small-cap equity, between styles of equity management (growth, value, and core) and between individual managers. Additionally, the AIP sets forth rebalancing procedures, permissible investments, and benchmarks for performance evaluation. Each fiscal year, the goals, objectives

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Investment Section

and policies of the investment program are reviewed and updated to ensure that the portfolio is managed to achieve the goals of the Retirement Systems with appropriate fiduciary oversight. The AIP is updated to be consistent with any changes in the management or structure of the portfolio.

Mercer Investment Consulting, Inc., as the Retirement Systems' consultant through the end of fiscal year 2006, was responsible for providing quarterly investment performance reports (prepared in accordance with the performance presentations standards promulgated by the Association of Investment Management & Research, or AIMR) to the Commission, which evaluated the performance of the Systems' equity portfolio and managers. Performance was compared to market benchmarks and to other similar managers over various periods of time, and progress toward long-term goals and asset allocation was also monitored. These reports were prepared using data provided by the Retirement Systems' custodian and investment managers.

Unfortunately, due to the previous lack of diversification in our portfolio, the investment returns for the Retirement Systems have fallen behind its peers. As of June 30, 2006, the Retirement Systems' portfolio totaled \$25.97 billion with 46.3 percent invested in domestic fixed income securities and 53.7 percent invested in domestic equity securities. This allocation was consistent with the targets and ranges set forth in the Annual Investment Plan and within the statutory limitations previously placed upon the assets. For the one-, three- and five-year periods ended June 30, 2006, the total portfolio returned 5.13 percent, 6.96 percent and 6.10 percent, respectively, lagging the Mellon Public Fund Universe (a commonly used industry database of large public funds exceeding \$1 billion in assets) by 680, 640, and 110 basis points, respectively.

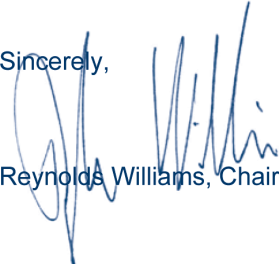
The Commission is committed to use industry best practices to transform South Carolina Retirement Systems' investment program into a top quartile ranked public pension fund, on a risk-adjusted basis, while working to exceed the Commission's target rate of return. We believe that we now have the necessary structure and tools in place to achieve this critical goal. However, the diversification process and resulting increase in investment performance will not happen overnight. Therefore, we must be patient and persistent in our effort to increase the returns of the portfolio while prudently managing the associated risk.

While the Commission is currently hiring a highly qualified and professional staff and developing the infrastructure necessary to implement these goals, during fiscal year 2006, consulting and investment services were provided by the State Treasurer's Office; Jamison, Eaton & Woods; and Mercer Consulting.

We are poised for significant, progressive change for the Retirement Systems' investment portfolio. With that change comes great opportunity. We look forward to serving the citizens of the State of South Carolina and seizing the great opportunity that is before us. The Commission is dedicated to providing complete transparency of its plans, goals, and results to the public.

We are committed to the interests of the members of the Retirement Systems, and we will continue to manage the assets of the fund in a prudent manner, seeking superior returns at acceptable levels of risk. It is a tremendous responsibility and opportunity for us to serve as the Commission's first Chairman and CIO.

Sincerely,



Reynolds Williams, Chairman



Robert L. Borden, CFA

Investment Section

South Carolina Retirement System Summary of Investment Growth *(Amounts expressed in thousands)*

| <u>Year Ended June 30,</u> | <u>Market Value of Investments*</u> | <u>% Increase for Year</u> | <u>Net Income from Investments</u> | <u>% Increase for Year</u> |
|--------------------------------|---|--------------------------------|--|--------------------------------|
| 2006 | \$ 22,741,048 | 0.99% | \$ 1,134,639 | -24.20% |
| 2005 | 22,517,910 | 5.69% | 1,496,887 | -14.93% |
| 2004 | 21,305,463 | 6.69% | 1,759,686 | 5.83% |
| 2003 | 19,969,435 | 8.29% | 1,662,781 | 876.48% |
| 2002 | 18,440,327 | -0.20% | 170,284 | -86.84% |
| 2001 | 18,477,867 | 7.35% | 1,293,997 | 63.33% |
| 2000 | 17,212,697 | 4.31% | 792,282 | 101.16% |
| 1999 | 16,502,052 | 2.33% | 393,856 | -79.32% |
| 1998 | 16,126,828 | 13.22% | 1,904,740 | 57.12% |
| 1997 | 14,244,260 | 9.04% | 1,212,272 | 92.86% |

Police Officers Retirement System Summary of Investment Growth *(Amounts expressed in thousands)*

| <u>Year Ended June 30,</u> | <u>Market Value of Investments*</u> | <u>% Increase for Year</u> | <u>Net Income from Investments</u> | <u>% Increase for Year</u> |
|--------------------------------|---|--------------------------------|--|--------------------------------|
| 2006 | \$ 2,917,468 | 4.31% | \$ 139,785 | -20.51% |
| 2005 | 2,796,872 | 6.52% | 175,849 | -17.13% |
| 2004 | 2,625,710 | 7.90% | 212,201 | 15.22% |
| 2003 | 2,433,396 | 8.98% | 184,177 | 886.48% |
| 2002 | 2,232,967 | 1.44% | 18,670 | -87.52% |
| 2001 | 2,201,277 | 9.49% | 149,574 | 60.10% |
| 2000 | 2,010,545 | 6.49% | 93,425 | 75.27% |
| 1999 | 1,887,931 | 4.54% | 53,304 | -74.37% |
| 1998 | 1,805,884 | 15.13% | 207,998 | 57.77% |
| 1997 | 1,568,593 | 10.30% | 131,834 | 90.02% |

*Market value includes investment categories classified as cash equivalents for financial statement purposes. Securities lending assets are excluded.

Investment Section

General Assembly Retirement System Summary of Investment Growth *(Amounts expressed in thousands)*

| Year Ended <u>June 30,</u> | Market Value of <u>Investments*</u> | % Increase <u>for Year</u> | Net Income from <u>Investments</u> | % Increase <u>for Year</u> |
|-------------------------------|---|-------------------------------|--|-------------------------------|
| 2006 | \$ 45,282 | -2.20% | \$ 2,086 | -35.58% |
| 2005 | 46,300 | 3.42% | 3,238 | -19.67% |
| 2004 | 44,771 | 3.93% | 4,031 | 0.65% |
| 2003 | 43,078 | 5.09% | 4,005 | 14,203.57% |
| 2002 | 40,990 | -3.51% | 28 | -99.07% |
| 2001 | 42,482 | 5.16% | 3,022 | 65.41% |
| 2000 | 40,397 | 2.44% | 1,827 | 54.83% |
| 1999 | 39,435 | 1.79% | 1,180 | -72.79% |
| 1998 | 38,742 | 10.94% | 4,337 | 48.43% |
| 1997 | 34,922 | 6.32% | 2,922 | 79.70% |

Judges and Solicitors Retirement System Summary of Investment Growth *(Amounts expressed in thousands)*

| Year Ended <u>June 30,</u> | Market Value of <u>Investments*</u> | % Increase <u>for Year</u> | Net Income from <u>Investments</u> | % Increase <u>for Year</u> |
|-------------------------------|---|-------------------------------|--|-------------------------------|
| 2006 | \$ 122,128 | 3.24% | \$ 5,761 | -29.30% |
| 2005 | 118,299 | 6.96% | 8,148 | -11.35% |
| 2004 | 110,597 | 7.73% | 9,191 | 4.50% |
| 2003 | 102,657 | 8.70% | 8,795 | 758.05% |
| 2002 | 94,439 | 0.01% | 1,025 | -85.62% |
| 2001 | 94,426 | 8.99% | 7,128 | 88.02% |
| 2000 | 86,637 | 4.13% | 3,791 | 61.18% |
| 1999 | 83,198 | 2.87% | 2,352 | -75.29% |
| 1998 | 80,878 | 13.47% | 9,520 | 60.03% |
| 1997 | 71,276 | 9.53% | 5,949 | 86.78% |

*Market value includes investment categories classified as cash equivalents for financial statement purposes. Securities lending assets are excluded.

Investment Section

National Guard Retirement System Summary of Investment Growth *(Amounts expressed in thousands)*

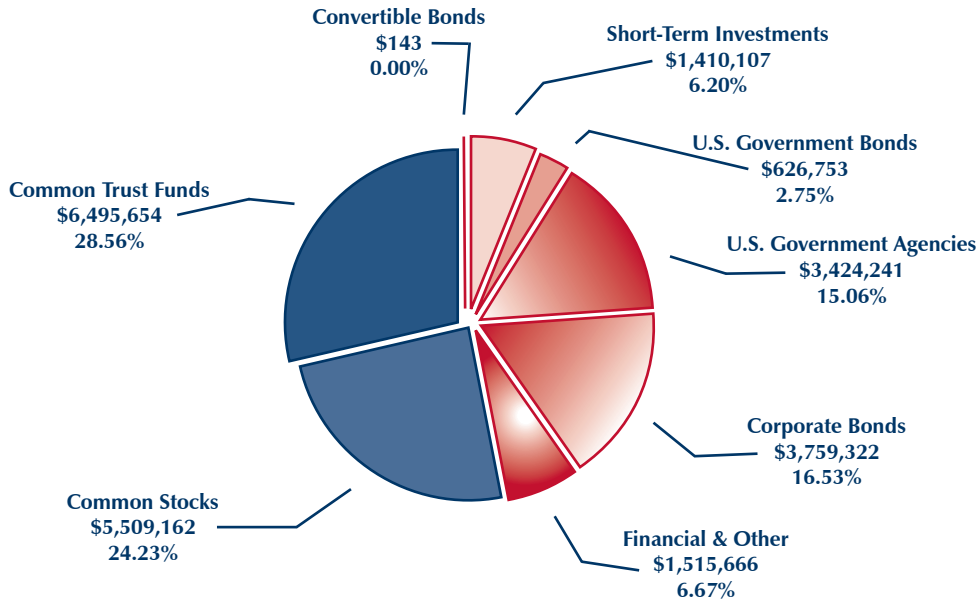
| Year Ended <u>June 30,</u> | Market Value of <u>Investments*</u> | % Increase <u>for Year</u> | Net Income from <u>Investments</u> | % Increase <u>for Year</u> |
|---------------------------------------|--|---------------------------------------|---|---------------------------------------|
| 2006 | \$ 12,690 | % | \$ 89 | % |

*Market value includes investment categories classified as cash equivalents for financial statement purposes. Securities lending assets are excluded.

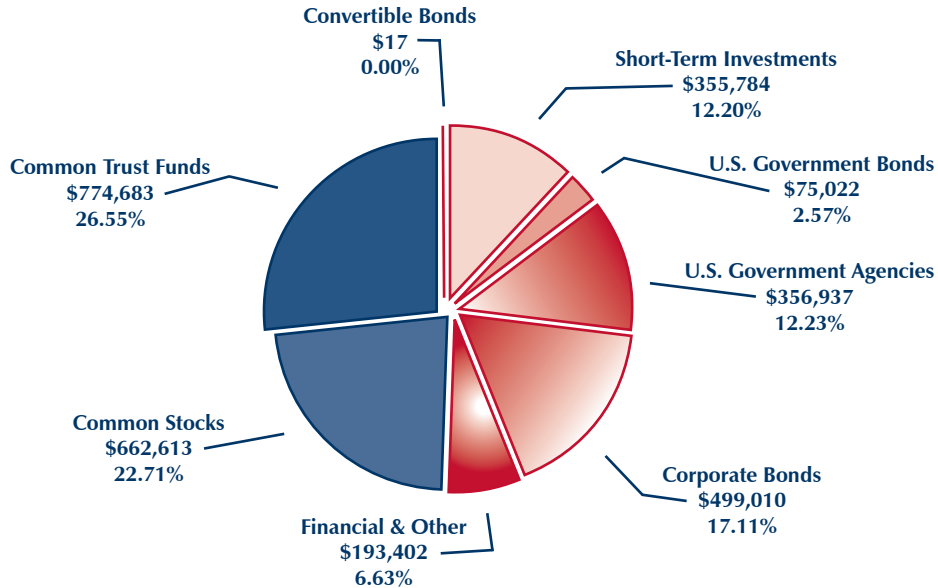
The South Carolina Retirement Systems did not assume administrative responsibilities for the National Guard Retirement System until January 1, 2006; therefore, prior year data is not presented.

Investment Section

South Carolina Retirement System Schedule of Asset Allocation *Market Value as of June 30, 2006*



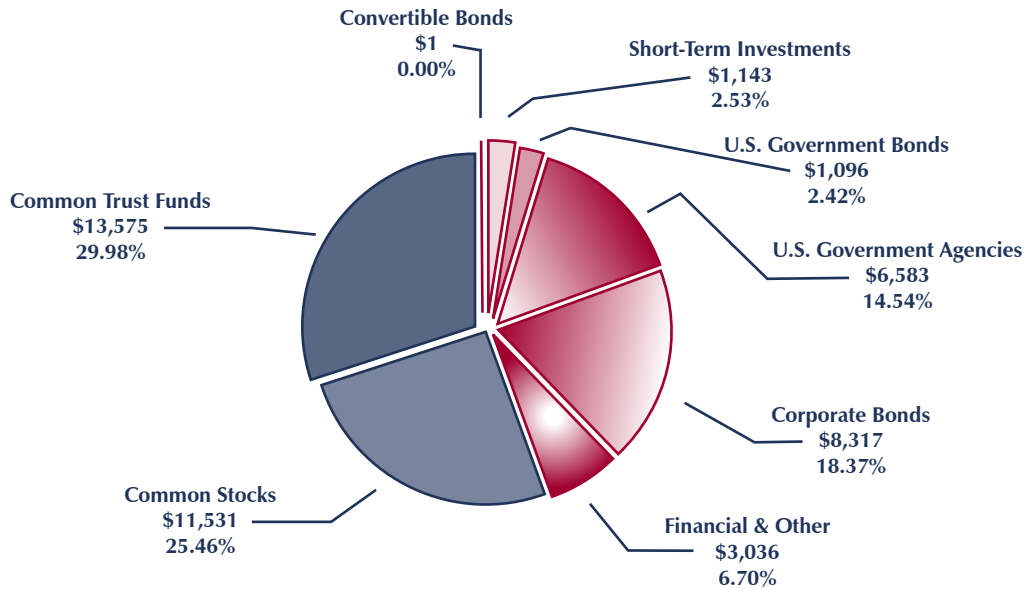
Police Officers Retirement System Schedule of Asset Allocation *Market Value as of June 30, 2006*



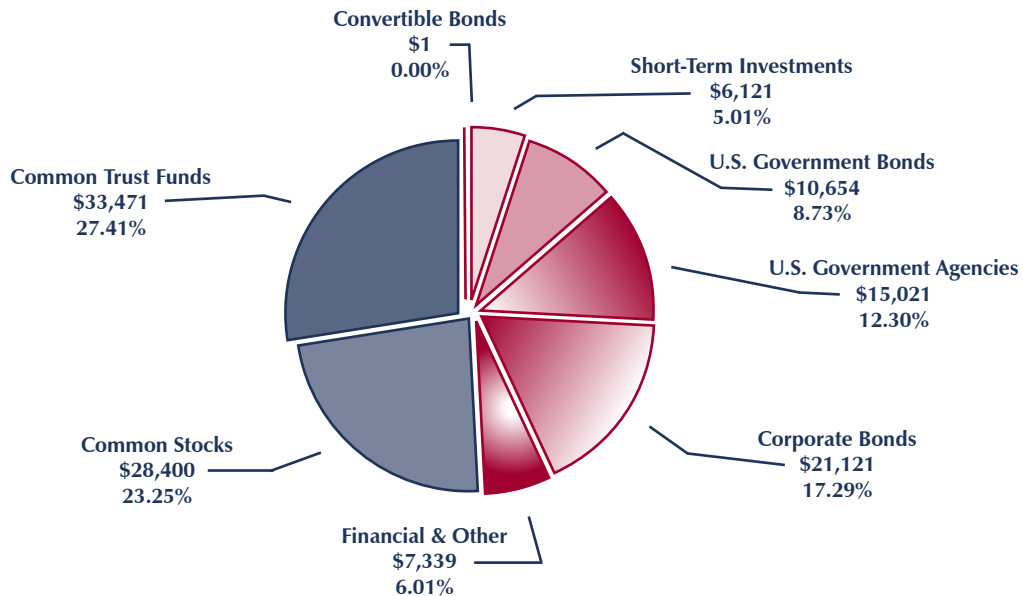
Note: Dollar amounts expressed in thousands. Short-term investments with an original maturity of three months or less were classified as cash equivalents for financial statement purposes.

Investment Section

General Assembly Retirement System Schedule of Asset Allocation *Market Value as of June 30, 2006*



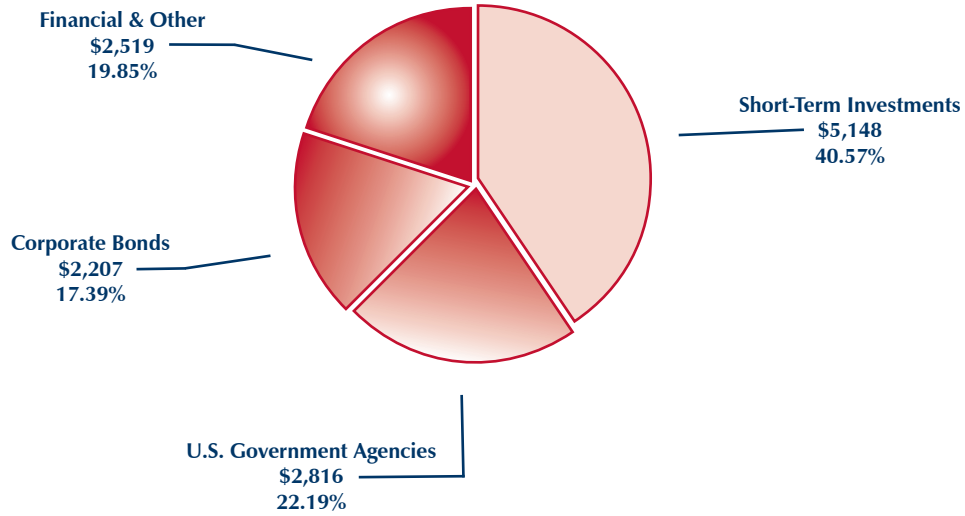
Judges and Solicitors Retirement System Schedule of Asset Allocation *Market Value as of June 30, 2006*



Note: Dollar amounts expressed in thousands. Short-term investments with an original maturity of three months or less were classified as cash equivalents for financial statement purposes.

Investment Section

National Guard Retirement System Schedule of Asset Allocation *Market Value as of June 30, 2006*



Note: Dollar amounts expressed in thousands. Short-term investments with an original maturity of three months or less were classified as cash equivalents for financial statement purposes.

Investment Section

Summary of Market Value of Investments (Amounts expressed in thousands)

| | South Carolina Retirement System | | | Police Officers Retirement System | | |
|---|----------------------------------|----------------------|-----------------------------|-----------------------------------|---------------------|-----------------------------|
| | Market Value | | % of | Market Value | | % of |
| | 06/30/2005 | 06/30/2006 | Market Value at 06/30/06 | 06/30/2005 | 06/30/2006 | Market Value at 06/30/06 |
| Short-Term Investments: | | | | | | |
| Repurchase Agreements | \$ 2,325,557 | \$ 1,358,482 | 5.97% | \$ 261,462 | \$ 350,557 | 12.02% |
| Money Market Funds | - | 1,982 | 0.01% | - | 237 | 0.01% |
| Commercial Paper | 133,626 | 29,685 | 0.13% | 4,999 | - | 0.00% |
| Federal Agencies | 269,858 | 19,958 | 0.09% | 70,493 | 4,990 | 0.17% |
| | <u>2,729,041</u> | <u>1,410,107</u> | <u>6.20%</u> | <u>336,954</u> | <u>355,784</u> | <u>12.20%</u> |
| U.S. Government Agencies & Government Insured: | | | | | | |
| Treasury Notes | 1,624,521 | 99,806 | 0.44% | 269,297 | - | 0.00% |
| Treasury Bonds | 310,441 | 239,589 | 1.05% | 31,841 | 27,045 | 0.93% |
| Treasury Bonds (Zero Coupons) | 783,744 | 287,358 | 1.26% | 84,757 | 47,977 | 1.64% |
| U.S. Government Agencies | 1,426,938 | 3,398,418 | 14.95% | 220,636 | 352,544 | 12.08% |
| Insured Marine Bonds | 27,755 | 25,823 | 0.11% | 4,580 | 4,393 | 0.15% |
| | <u>4,173,399</u> | <u>4,050,994</u> | <u>17.81%</u> | <u>611,111</u> | <u>431,959</u> | <u>14.80%</u> |
| Corporate Bonds: | | | | | | |
| Industrials | 2,047,270 | 1,780,335 | 7.83% | 177,000 | 185,516 | 6.36% |
| Utilities | 1,958,049 | 1,978,987 | 8.70% | 264,087 | 313,494 | 10.75% |
| Financial & Other | 1,821,262 | 1,515,666 | 6.67% | 238,882 | 193,402 | 6.63% |
| | <u>5,826,581</u> | <u>5,274,988</u> | <u>23.20%</u> | <u>679,969</u> | <u>692,412</u> | <u>23.74%</u> |
| Convertible Bonds | 105 | 143 | 0.00% | 13 | 17 | 0.00% |
| | <u>105</u> | <u>143</u> | <u>0.00%</u> | <u>13</u> | <u>17</u> | <u>0.00%</u> |
| Common Stock | 4,542,619 | 5,509,162 | 24.23% | 543,924 | 662,613 | 22.71% |
| | <u>4,542,619</u> | <u>5,509,162</u> | <u>24.23%</u> | <u>543,924</u> | <u>662,613</u> | <u>22.71%</u> |
| Common Trust Funds | 5,246,165 | 6,495,654 | 28.56% | 624,901 | 774,683 | 26.55% |
| | <u>5,246,165</u> | <u>6,495,654</u> | <u>28.56%</u> | <u>624,901</u> | <u>774,683</u> | <u>26.55%</u> |
| Total Investments | <u>\$ 22,517,910</u> | <u>\$ 22,741,048</u> | <u>100.00%</u> | <u>\$ 2,796,872</u> | <u>\$ 2,917,468</u> | <u>100.00%</u> |

Note: Market value excludes securities lending assets.

Investment Section

Summary of Market Value of Investments (Amounts expressed in thousands)

| | General Assembly Retirement System | | | Judges and Solicitors Retirement System | | |
|---|------------------------------------|------------------|----------------|---|-------------------|----------------|
| | <u>Market Value</u> | | % of | <u>Market Value</u> | | % of |
| | 06/30/2005 | 06/30/2006 | at 06/30/06 | 06/30/2005 | 06/30/2006 | at 06/30/06 |
| Short-Term Investments: | | | | | | |
| Repurchase Agreements | \$ 8,029 | \$ 1,139 | 2.52% | \$ 13,264 | \$ 6,111 | 5.00% |
| Money Market Funds | - | 4 | 0.01% | - | 10 | 0.01% |
| Commercial Paper | - | - | - | - | - | - |
| Federal Agencies | - | - | - | 502 | - | - |
| | <u>8,029</u> | <u>1,143</u> | <u>2.53%</u> | <u>13,766</u> | <u>6,121</u> | <u>5.01%</u> |
| U.S. Government Agencies & Government Insured: | | | | | | |
| Treasury Notes | 499 | - | - | 15,448 | 9,984 | 8.18% |
| Treasury Bonds | 1,208 | 1,096 | 2.42% | 748 | 670 | 0.55% |
| Treasury Bonds (Zero Coupons) | - | - | - | - | - | - |
| U.S. Government Agencies | 4,247 | 6,583 | 14.54% | 10,471 | 15,021 | 12.30% |
| Insured Marine Bonds | - | - | - | - | - | - |
| | <u>5,954</u> | <u>7,679</u> | <u>16.96%</u> | <u>26,667</u> | <u>25,675</u> | <u>21.03%</u> |
| Corporate Bonds: | | | | | | |
| Industrials | 4,272 | 3,989 | 8.81% | 9,414 | 9,151 | 7.49% |
| Utilities | 5,033 | 4,328 | 9.56% | 12,906 | 11,970 | 9.80% |
| Financial & Other | 2,558 | 3,036 | 6.70% | 5,139 | 7,339 | 6.01% |
| | <u>11,863</u> | <u>11,353</u> | <u>25.07%</u> | <u>27,459</u> | <u>28,460</u> | <u>23.30%</u> |
| Convertible Bonds | <u>1</u> | <u>1</u> | <u>0.00%</u> | <u>1</u> | <u>1</u> | <u>0.00%</u> |
| | <u>1</u> | <u>1</u> | <u>0.00%</u> | <u>1</u> | <u>1</u> | <u>0.00%</u> |
| Common Stock | <u>9,505</u> | <u>11,531</u> | <u>25.46%</u> | <u>23,368</u> | <u>28,400</u> | <u>23.25%</u> |
| | <u>9,505</u> | <u>11,531</u> | <u>25.46%</u> | <u>23,368</u> | <u>28,400</u> | <u>23.25%</u> |
| Common Trust Funds | <u>10,948</u> | <u>13,575</u> | <u>29.98%</u> | <u>27,038</u> | <u>33,471</u> | <u>27.41%</u> |
| | <u>10,948</u> | <u>13,575</u> | <u>29.98%</u> | <u>27,038</u> | <u>33,471</u> | <u>27.41%</u> |
| Total Investments | <u>\$ 46,300</u> | <u>\$ 45,282</u> | <u>100.00%</u> | <u>\$ 118,299</u> | <u>\$ 122,128</u> | <u>100.00%</u> |

Note: Market value excludes securities lending assets.

Investment Section

Summary of Market Value of Investments (Amounts expressed in thousands)

National Guard Retirement System

| | <u>Market Value</u> 06/30/2006 | <u>% of</u> <u>Market Value</u> at 06/30/06 |
|---|-----------------------------------|---|
| Short-Term Investments: | | |
| Repurchase Agreements | \$ 5,148 | 40.57% |
| Money Market Funds | - | - |
| Commercial Paper | - | - |
| Federal Agencies | - | - |
| | <u>5,148</u> | <u>40.57%</u> |
| U.S. Government Agencies & Government Insured: | | |
| Treasury Notes | - | - |
| Treasury Bonds | - | - |
| Treasury Bonds (Zero Coupons) | - | - |
| U.S. Government Agencies | 2,816 | 22.19% |
| Insured Marine Bonds | - | - |
| | <u>2,816</u> | <u>22.19%</u> |
| Corporate Bonds: | | |
| Industrials | 1,082 | 8.53% |
| Utilities | 1,125 | 8.86% |
| Financial & Other | 2,519 | 19.85% |
| | <u>4,726</u> | <u>37.24%</u> |
| Total Investments | <u>\$ 12,690</u> | <u>100.00%</u> |

Note: Market value excludes securities lending assets.

Effective January 1, 2006, the South Carolina Retirement Systems assumed administrative responsibilities for the National Guard Retirement System.

Investment Section

South Carolina Retirement System List of Largest Assets Held

As of June 30, 2006, SCRS held units in the following common trust funds:

| <u>Units</u> | <u>Description</u> | <u>Market Value</u> |
|--------------|--|-------------------------|
| 24,012,850 | State Street Global Advisors (S&P 500 equity index fund) | \$ 5,718,900,312 |
| 8,146,333 | State Street Global Advisors (Russell 2000 equity index fund) | 348,345,332 |
| 3,049,019 | Barclays Global Investors Alpha Tilts Fund (large cap active core equity fund) | 428,409,378 |
| | Total | \$ 6,495,655,022 |

Top ten equity holdings in actively managed separate accounts at June 30, 2006:

| <u>Units</u> | <u>Description</u> | <u>Market Value</u> |
|--------------|--------------------------|-----------------------|
| 2,280,518 | Citigroup Inc | \$ 110,012,210 |
| 2,414,234 | Yahoo Inc | 79,669,710 |
| 1,156,488 | Exxon Mobil Corp | 70,950,524 |
| 1,848,455 | Starbucks Corp | 69,797,667 |
| 2,370,960 | Ebay Inc | 69,445,407 |
| 163,301 | Google Inc | 68,477,100 |
| 1,442,544 | Walgreen Company | 64,683,689 |
| 2,571,630 | Dell Inc | 62,773,499 |
| 1,077,339 | Expeditors International | 60,341,763 |
| 1,139,631 | Bank America Corp | 54,816,233 |
| | Total | \$ 710,967,802 |

Top ten fixed income holdings at June 30, 2006:

| <u>Par Value</u> | <u>Description</u> | <u>Market Value</u> |
|------------------|---|-------------------------|
| \$ 291,350,000 | BECCS (Treasury 14% due 11/15/11-06) | \$ 285,846,398 |
| 200,000,000 | Federal Home Loan Bank 4% due 06/13/07 | 197,062,500 |
| 167,103,199 | GNMA #651753 5.50% due 03/15/36 | 161,998,196 |
| 157,537,622 | GNMA #651860 5.50% due 06/15/36 | 152,724,848 |
| 140,086,602 | GNMA #550657 5.50% due 09/15/35 | 135,847,581 |
| 133,054,157 | GNMA #651722 5.50% due 02/15/36 | 128,989,353 |
| 131,504,631 | GNMA #781987 5.50% due 10/15/35 | 127,537,136 |
| 120,341,038 | GNMA #782007 5.50% due 12/15/35 | 116,705,535 |
| 114,985,390 | GNMA #604046 5.50% due 02/15/33 | 111,593,321 |
| 87,671,000 | AT&T Broadband Corp 9.455% due 11/15/22 | 108,931,218 |
| | Total | \$ 1,527,236,086 |

Note: A complete list of portfolio holdings is available upon request.

Investment Section

Police Officers Retirement System List of Largest Assets Held

As of June 30, 2006, PORS held units in the following common trust funds:

| <u>Units</u> | <u>Description</u> | <u>Market Value</u> |
|--------------|--|-----------------------|
| 2,865,001 | State Street Global Advisors (S&P 500 equity index fund) | \$ 682,328,695 |
| 964,025 | State Street Global Advisors (Russell 2000 equity index fund) | 41,222,655 |
| 363,904 | Barclays Global Investors Alpha Tilts Fund (large cap active core equity fund) | 51,131,222 |
| | Total | \$ 774,682,572 |

Top ten equity holdings in actively managed separate accounts at June 30, 2006:

| <u>Units</u> | <u>Description</u> | <u>Market Value</u> |
|--------------|--------------------------|----------------------|
| 273,253 | Citigroup Inc | \$ 13,181,739 |
| 289,275 | Yahoo Inc | 9,546,079 |
| 138,571 | Exxon Mobil Corp | 8,501,341 |
| 221,483 | Starbucks Corp | 8,363,204 |
| 284,090 | Ebay Inc | 8,320,996 |
| 19,567 | Google Inc | 8,204,973 |
| 172,847 | Walgreen Company | 7,750,444 |
| 308,135 | Dell Inc | 7,521,564 |
| 129,088 | Expeditors International | 7,230,192 |
| 136,551 | Bank America Corp | 6,568,119 |
| | Total | \$ 85,188,651 |

Top ten fixed income holdings at June 30, 2006:

| <u>Par Value</u> | <u>Description</u> | <u>Market Value</u> |
|------------------|---|-----------------------|
| \$ 69,668,514 | GNMA #781590 5.50% due 04/15/33 | \$ 67,625,833 |
| 48,900,000 | BECCS (Treasury 14% due 11/15/11-06) | 47,976,279 |
| 25,000,000 | Federal Home Loan Bank 4% due 06/13/07 | 24,632,813 |
| 22,745,039 | GNMA #550728 5.50% due 11/15/35 | 22,056,774 |
| 22,485,329 | GNMA #616997 5.50% due 02/15/36 | 21,798,402 |
| 17,132,646 | GNMA #781987 5.50% due 10/15/35 | 16,615,754 |
| 15,000,000 | Federal Home Loan Bank 4.63% due 04/13/07 | 15,019,950 |
| 11,626,000 | AT&T Broadband Corp 9.455% due 11/15/22 | 14,445,305 |
| 14,825,824 | GNMA #602533 5.50% due 02/15/36 | 14,372,895 |
| 14,197,349 | GNMA #633488 5.50% due 03/15/36 | 13,763,620 |
| | Total | \$ 258,307,625 |

Note: A complete list of portfolio holdings is available upon request.

Investment Section

General Assembly Retirement System List of Largest Assets Held

As of June 30, 2006, GARS held units in the following common trust funds:

| <u>Units</u> | <u>Description</u> | <u>Market Value</u> |
|--------------|--|----------------------|
| 50,186 | State Street Global Advisors (S&P 500 equity index fund) | \$ 11,952,377 |
| 17,048 | State Street Global Advisors (Russell 2000 equity index fund) | 728,986 |
| 6,360 | Barclays Global Investors Alpha Tilts Fund (large cap active core equity fund) | 893,650 |
| | Total | \$ 13,575,013 |

Top ten equity holdings in actively managed separate accounts at June 30, 2006:

| <u>Units</u> | <u>Description</u> | <u>Market Value</u> |
|--------------|--------------------------|---------------------|
| 4,882 | Citigroup Inc | \$ 235,521 |
| 5,169 | Yahoo Inc | 170,562 |
| 2,476 | Exxon Mobil Corp | 151,896 |
| 3,957 | Starbucks Corp | 149,428 |
| 5,076 | Ebay Inc | 148,674 |
| 350 | Google Inc | 146,601 |
| 3,088 | Walgreen Company | 138,479 |
| 5,506 | Dell Inc | 134,390 |
| 2,306 | Expeditors International | 129,184 |
| 2,440 | Bank of America Corp | 117,354 |
| | Total | \$ 1,522,089 |

Top ten fixed income holdings at June 30, 2006:

| <u>Par Value</u> | <u>Description</u> | <u>Market Value</u> |
|------------------|--|---------------------|
| \$ 1,282,622 | GNMA #419409 7.625% due 10/15/21 | \$ 1,278,607 |
| 1,000,000 | Federal Home Loan Bank 4.65% due 02/22/07 | 999,010 |
| 754,246 | GNMA #781590 5.50% due 4/15/33 | 732,132 |
| 500,000 | U.S. Treasury Bonds 9.125% due 05/15/18 | 669,570 |
| 500,000 | Coca Cola 8% due 9/15/22 | 585,425 |
| 500,000 | Massachusetts Mutual Life Insurance Co 7.625% due 11/15/23 | 575,620 |
| 500,000 | Federal Farm Credit Bank 9.80% due 7/20/09 | 560,585 |
| 500,000 | Waste Management 8.75% due 05/01/18 | 522,910 |
| 500,000 | GTE Corp 7.90% due 2/1/27 | 521,300 |
| 500,000 | Sherwin Williams Co 7.375% due 2/1/27 | 506,490 |
| | Total | \$ 6,951,649 |

Note: A complete list of portfolio holdings is available upon request.

Investment Section

Judges and Solicitors Retirement System List of Largest Assets Held

As of June 30, 2006, JSRS held units in the following common trust funds:

| <u>Units</u> | <u>Description</u> | <u>Market Value</u> |
|--------------|--|----------------------|
| 123,790 | State Street Global Advisors (S&P 500 equity index fund) | \$ 29,481,782 |
| 41,641 | State Street Global Advisors (Russell 2000 equity index fund) | 1,780,596 |
| 15,721 | Barclays Global Investors Alpha Tilts Fund (large cap active core equity fund) | 2,208,897 |
| | Total | \$ 33,471,275 |

Top ten equity holdings in actively managed separate accounts at June 30, 2006:

| <u>Units</u> | <u>Description</u> | <u>Market Value</u> |
|--------------|--------------------------|---------------------|
| 11,763 | Citigroup Inc | \$ 567,446 |
| 12,453 | Yahoo Inc | 410,939 |
| 5,965 | Exxon Mobil Corp | 365,964 |
| 9,534 | Starbucks Corp | 360,018 |
| 12,229 | Ebay Inc | 358,201 |
| 842 | Google Inc | 353,206 |
| 7,441 | Walgreen Company | 333,640 |
| 13,265 | Dell Inc | 323,787 |
| 5,557 | Expeditors International | 311,244 |
| 5,878 | Bank of America Corp | 282,743 |
| | Total | \$ 3,667,188 |

Top ten fixed income holdings at June 30, 2006:

| <u>Par Value</u> | <u>Description</u> | <u>Market Value</u> |
|------------------|--|----------------------|
| \$ 10,000,000 | U.S. Treasury Notes 2.75% due 07/31/06 | \$ 9,984,000 |
| 2,693,418 | GNMA #419411 7.625% due 10/15/21 | 2,684,987 |
| 2,322,284 | GNMA #781590 5.50% due 04/15/33 | 2,254,194 |
| 2,000,000 | Federal Home Loan Bank 4.65% due 02/22/07 | 1,998,020 |
| 1,233,125 | GNMA #782076 5.50% due 03/15/36 | 1,195,786 |
| 1,000,000 | Pedernales Electric 8.55% due 11/15/20 | 1,192,000 |
| 1,000,000 | Massachusetts Mutual Life Insurance Co 7.625% due 11/15/23 | 1,151,240 |
| 1,000,000 | Federal Farm Credit Bank 9.80% due 07/20/09 | 1,121,170 |
| 1,000,000 | McKesson Corp 7.65% due 03/01/27 | 1,087,590 |
| 1,000,000 | Tampa Electric 6.875% due 06/15/12 | 1,046,750 |
| | Total | \$ 23,715,737 |

Note: A complete list of portfolio holdings is available upon request.

Investment Section

National Guard Retirement System List of Largest Assets Held

Top ten fixed income holdings at June 30, 2006:

| <u>Par Value</u> | <u>Description</u> | <u>Market Value</u> |
|------------------|---|---------------------|
| \$ 500,000 | Federal Farm Credit Bank 2.125% due 07/17/06 | \$ 499,375 |
| 500,000 | Federal Home Loan Bank 4% due 08/18/06 | 499,063 |
| 500,000 | Patron's Legacy 5.775% due 07/23/18 | 495,030 |
| 400,000 | General Electric Cap Corporation 3.50% due 12/05/07 | 388,476 |
| 396,972 | GNMA #781590 5.50% due 04/15/33 | 385,332 |
| 250,000 | Dayton Hudson Corp 9.520% due 06/10/15 | 304,680 |
| 298,673 | GNMA #604436 4.50% due 07/15/18 | 284,722 |
| 275,513 | GNMA #487145 4.50% due 04/15/20 | 262,481 |
| 250,000 | Nationwide Financial Services 8% due 03/01/27 | 261,355 |
| 250,000 | Archer Daniel Midland Company 6.625% due 05/01/29 | 261,288 |
| | Total | \$ 3,641,802 |

Note: A complete list of portfolio holdings is available upon request.

Effective January 1, 2006, the South Carolina Retirement Systems assumed administrative responsibilities for the National Guard Retirement System (NGRS). Historically, NGRS funds have been invested strictly in the fixed income market; however, in fiscal year 2007, the NGRS pension trust fund will be reallocated, pooled together, and invested in the same manner as the other four pension trust funds administered by the South Carolina Retirement Systems.

Investment Section

South Carolina Retirement Systems Schedule of Investment Results

| Fiscal Years ended June 30, | | 91 Day | Cash | Lehman | Fixed | S&P 500 | Equity | Consumer | Actuarial | Total |
|--------------------------------|-------------------|------------------------|---------------------------------|-----------------------------------|------------------------------|---------------------------------------|---------------------------------|-----------------------------------|------------------------------|----------------------|
| | | Treasury Bill Index | Segment Returns ¹ | Aggregate (Fixed Benchmark) | Income Segment Returns | Equity Index (Equity Benchmark) | Segment Returns ² | Price Index (CPI) ³ | Assumed Rate of Return | Portfolio Returns |
| SCRS | 2006 | 3.99% | 4.43% | -0.81% | 0.66% | 8.64% | 10.63% | 4.33% | 7.25% | 5.11% |
| | 2005 | 2.15% | 2.30% | 6.80% | 6.94% | 6.32% | 7.24% | 2.53% | 7.25% | 7.03% |
| | 2004 | - | - | 0.33% | 1.47% | 19.10% | 20.88% | 3.27% | 7.25% | 8.79% |
| | 2003 | - | - | 10.40% | 11.82% | 0.25% | -0.40% | 2.11% | 7.25% | 8.98% |
| | 2002 | - | - | 8.63% | 8.24% | -17.99% | -17.32% | 1.07% | 7.25% | 0.91% |
| | 2001 | - | - | 11.23% | 10.90% | -14.83% | -7.75% | 3.25% | 7.25% | 7.14% |
| | 2000 | - | - | 4.56% | 4.24% | 7.25% | 10.23% | 3.73% | 7.25% | 4.77% |
| | 1999 | - | - | 3.13% | 2.30% | - | 5.44% | 1.96% | 7.25% | 2.42% |
| | 1998 | - | - | 10.54% | 15.06% | - | - | 1.68% | 7.25% | 15.06% |
| | 1997 | - | - | 8.16% | 8.99% | - | - | 2.30% | 7.25% | 8.99% |
| | 3-Year Annualized | 2.36% | - | 2.05% | 2.99% | 11.22% | 12.83% | 3.37% | - | 6.96% |
| 5-Year Annualized | 2.25% | - | 4.98% | 5.74% | 2.49% | 3.43% | 2.65% | - | 6.13% | |
| 10-Year Annualized | 3.81% | - | 6.22% | 6.96% | 8.31% | - | 2.62% | - | 6.86% | |
| PORS | 2006 | 3.99% | 4.51% | -0.81% | 0.88% | 8.64% | 10.52% | 4.33% | 7.25% | 5.10% |
| | 2005 | 2.15% | 2.34% | 6.80% | 6.26% | 6.32% | 7.24% | 2.53% | 7.25% | 6.63% |
| | 2004 | - | - | 0.33% | 1.60% | 19.10% | 20.88% | 3.27% | 7.25% | 8.64% |
| | 2003 | - | - | 10.40% | 10.45% | 0.25% | -0.40% | 2.11% | 7.25% | 8.32% |
| | 2002 | - | - | 8.63% | 8.15% | -17.99% | -17.32% | 1.07% | 7.25% | 1.02% |
| | 2001 | - | - | 11.23% | 10.72% | -14.83% | -7.75% | 3.25% | 7.25% | 7.09% |
| | 2000 | - | - | 4.56% | 4.40% | 7.25% | 10.23% | 3.73% | 7.25% | 4.93% |
| | 1999 | - | - | 3.13% | 2.62% | - | 5.44% | 1.96% | 7.25% | 2.74% |
| | 1998 | - | - | 10.54% | 14.24% | - | - | 1.68% | 7.25% | 14.24% |
| | 1997 | - | - | 8.16% | 8.77% | - | - | 2.30% | 7.25% | 8.77% |
| | 3-Year Annualized | 2.36% | - | 2.05% | 2.89% | 11.22% | 12.79% | 3.37% | - | 6.76% |
| 5-Year Annualized | 2.25% | - | 4.98% | 5.40% | 2.49% | 3.40% | 2.65% | - | 5.88% | |
| 10-Year Annualized | 3.81% | - | 6.22% | 6.73% | 8.31% | - | 2.62% | - | 6.68% | |

¹Effective July 1, 2004, a 2 percent (approximately) portion of the aggregate fixed income portfolio was segmented into a liquidity pool of short duration investments to more efficiently manage cash flows.

²Equity segment funded June 1999.

³Measure of the Consumer Price Index (CPI) - All Urban Consumers (all items) represents the year-over-year changes in prices of all goods and services purchased for consumption by urban households and includes expenditures by urban wage earners and clerical workers, professional, managerial, and technical workers, the self-employed, short-term workers, the unemployed, retirees and others not in the labor force. This represents about 80 percent of the total U.S. population and is the broadest, most comprehensive measure of changes in prices of goods and services.

Note: Calculations were prepared using a time-weighted, market rate of return in accordance with the Chartered Financial Analyst (CFA) Institute's performance presentation standards.

Investment Section

South Carolina Retirement Systems Schedule of Investment Results

| | Fiscal Years ended June 30, | 91 Day Treasury Bill Index | Cash Segment Returns ¹ | Lehman Aggregate (Fixed Benchmark) | Fixed Income Segment Returns | S&P 500 Equity Index (Equity Benchmark) | Equity Segment Returns ² | Consumer Price Index (CPI) ³ | Actuarial Assumed Rate of Return | Total Portfolio Returns |
|--------------------|--------------------------------|----------------------------------|---|---|---------------------------------------|--|---|---|---|-------------------------------|
| GARS | 2006 | 3.99% | 3.98% | -0.81% | -0.56% | 8.64% | 10.67% | 4.33% | 7.25% | 4.70% |
| | 2005 | 2.15% | 1.99% | 6.80% | 7.83% | 6.32% | 7.24% | 2.53% | 7.25% | 7.43% |
| | 2004 | - | - | 0.33% | 1.57% | 19.10% | 20.88% | 3.27% | 7.25% | 9.41% |
| | 2003 | - | - | 10.40% | 13.85% | 0.25% | -0.40% | 2.11% | 7.25% | 10.49% |
| | 2002 | - | - | 8.63% | 7.51% | -17.99% | -17.32% | 1.07% | 7.25% | 0.38% |
| | 2001 | - | - | 11.23% | 11.29% | -14.83% | -7.75% | 3.25% | 7.25% | 7.28% |
| | 2000 | - | - | 4.56% | 4.29% | 7.25% | 10.23% | 3.73% | 7.25% | 3.92% |
| | 1999 | - | - | 3.13% | 2.76% | - | 5.44% | 1.96% | 7.25% | 2.88% |
| | 1998 | - | - | 10.54% | 12.68% | - | - | 1.68% | 7.25% | 12.68% |
| | 1997 | - | - | 8.16% | 8.49% | - | - | 2.30% | 7.25% | 8.49% |
| | 3-Year Annualized | 2.36% | - | 2.05% | 2.89% | 11.22% | 12.88% | 3.37% | | 7.16% |
| 5-Year Annualized | 2.25% | - | 4.98% | 5.92% | 2.49% | 3.47% | 2.65% | | 6.38% | |
| 10-Year Annualized | 3.81% | - | 6.22% | 6.87% | 8.31% | - | 2.62% | | 6.84% | |
| JSRS | 2006 | 3.99% | 4.17% | -0.81% | 0.57% | 8.64% | 10.55% | 4.33% | 7.25% | 4.84% |
| | 2005 | 2.15% | 1.90% | 6.80% | 7.43% | 6.32% | 7.24% | 2.53% | 7.25% | 7.30% |
| | 2004 | - | - | 0.33% | 1.79% | 19.10% | 20.88% | 3.27% | 7.25% | 9.02% |
| | 2003 | - | - | 10.40% | 12.07% | 0.25% | -0.40% | 2.11% | 7.25% | 9.42% |
| | 2002 | - | - | 8.63% | 8.38% | -17.99% | -17.32% | 1.07% | 7.25% | 1.50% |
| | 2001 | - | - | 11.23% | 11.46% | -14.83% | -7.75% | 3.25% | 7.25% | 7.66% |
| | 2000 | - | - | 4.56% | 3.08% | 7.25% | 10.23% | 3.73% | 7.25% | 3.65% |
| | 1999 | - | - | 3.13% | 2.52% | - | 5.44% | 1.96% | 7.25% | 2.64% |
| | 1998 | - | - | 10.54% | 13.06% | - | - | 1.68% | 7.25% | 13.06% |
| | 1997 | - | - | 8.16% | 8.70% | - | - | 2.30% | 7.25% | 8.70% |
| | 3-Year Annualized | 2.36% | - | 2.05% | 3.22% | 11.22% | 12.80% | 3.37% | | 7.02% |
| 5-Year Annualized | 2.25% | - | 4.98% | 5.96% | 2.49% | 3.40% | 2.65% | | 6.37% | |
| 10-Year Annualized | 3.81% | - | 6.22% | 6.93% | 8.31% | - | 2.62% | | 6.83% | |

¹Effective July 1, 2004, a 2 percent (approximately) portion of the aggregate fixed income portfolio was segmented into a liquidity pool of short duration investments to more efficiently manage cash flows.

²Equity segment funded June 1999.

³Measure of the Consumer Price Index (CPI) - All Urban Consumers (all items) represents the year-over-year changes in prices of all goods and services purchased for consumption by urban households and includes expenditures by urban wage earners and clerical workers, professional, managerial, and technical workers, the self-employed, short-term workers, the unemployed, retirees and others not in the labor force. This represents about 80 percent of the total U.S. population and is the broadest, most comprehensive measure of changes in prices of goods and services.

Note: Calculations were prepared using a time-weighted, market rate of return in accordance with the Chartered Financial Analyst (CFA) Institute's performance presentation standards.

Investment Section

South Carolina Retirement Systems Schedule of Investment Results¹

| | Fiscal Years ended June 30, | 91 Day Treasury Bill Index | Cash Segment Returns | Lehman Aggregate (Fixed Benchmark) | Fixed Income Segment Returns | S&P 500 Equity Index (Equity Benchmark) | Equity Segment Returns | Consumer Price Index (CPI) ² | Actuarial Assumed Rate of Return | Total Portfolio Returns |
|-------------|--------------------------------|----------------------------------|----------------------------|---|---------------------------------------|--|------------------------------|---|---|-------------------------------|
| NGRS | 2006 | 3.99% | - | -0.81% | 1.69% | 8.64% | - | 4.33% | 7.25% | 1.72% |
| | 3-Year Annualized | 2.36% | - | 2.05% | - | 11.22% | - | 3.37% | | - |
| | 5-Year Annualized | 2.25% | - | 4.98% | - | 2.49% | - | 2.65% | | - |
| | 10-Year Annualized | 3.81% | - | 6.22% | - | 8.31% | - | 2.62% | | - |

¹The South Carolina Retirement Systems did not assume administrative responsibilities for the National Guard Retirement System until January 1, 2006; therefore, prior year data is not presented.

²Measure of the Consumer Price Index (CPI) - All Urban Consumers (all items) represents the year-over-year changes in prices of all goods and services purchased for consumption by urban households and includes expenditures by urban wage earners and clerical workers, professional, managerial, and technical workers, the self-employed, short-term workers, the unemployed, retirees and others not in the labor force. This represents about 80 percent of the total U.S. population and is the broadest, most comprehensive measure of changes in prices of goods and services.

Note: Calculations were prepared using a time-weighted, market rate of return in accordance with the Chartered Financial Analyst (CFA) Institute's performance presentation standards.

Investment Section

South Carolina Retirement Systems Equity Performance Summary For the Periods Ended June 30, 2006

| | <u>Quarter Return</u> | <u>One Year Return</u> | <u>Three Years Return</u> | <u>Five Years Return</u> |
|--|---------------------------|----------------------------|-------------------------------|------------------------------|
| Total Equity Portfolio | -2.67% | 10.34% | 12.67% | 3.33% |
| Total Equity Index | -2.2% | 10.0% | 12.8% | 3.8% |
| Russell 3000 Index | -2.0% | 9.6% | 12.6% | 3.5% |
| S&P 500 Index - Total Return Index (S&P Calc) | -1.4% | 8.6% | 11.2% | 2.5% |
| Passive Equity | | | | |
| State Street Global Advisors - S&P 500 Index Fund | -1.4% | 8.6% | 11.2% | 2.4% |
| Rank vs. Mercer US Equity Large Cap Core Universe | | | | |
| Mercer US Equity Large Cap Core Universe Median | -1.6% | 9.6% | 12.5% | 4.0% |
| S&P 500 Index - Total Return Index (S&P Calc) | -1.4% | 8.6% | 11.2% | 2.5% |
| State Street Global Advisors - Russell 2000 Index Fund | -5.0% | | | |
| Rank vs. Mercer US Equity Small Cap Core Universe | | | | |
| Mercer US Equity Small Cap Core Universe Median | -4.7% | 14.9% | 19.7% | 11.8% |
| Russell 2000 Index | -5.0% | 14.6% | 18.7% | 8.5% |
| Total Active Equity | -3.4% | 12.1% | 13.9% | 3.9% |
| Russell 3000 Index | -2.0% | 9.6% | 12.6% | 3.5% |
| S&P 500 Index - Total Return Index (S&P Calc) | -1.4% | 8.6% | 11.2% | 2.5% |
| Total Active Equity Index | -2.8% | 11.0% | 14.2% | 4.9% |
| Total Active Large Cap Equity | -3.1% | 9.1% | 11.2% | 2.6% |
| Rank vs. Mercer US Equity Large Cap Equity Universe | | | | |
| Mercer US Equity Large Cap Equity Universe Median | -1.7% | 9.6% | 12.9% | 4.3% |
| Active Large Cap Equity Index | -1.6% | 9.0% | 11.9% | 3.1% |
| Large Cap Core Equity | -0.8% | 11.0% | 12.5% | 3.0% |
| Rank vs. Mercer US Equity Large Cap Core Universe | | | | |
| Mercer US Equity Large Cap Core Universe Median | -1.6% | 9.6% | 12.5% | 4.0% |
| S&P 500 Index - Total Return Index (S&P Calc) | -1.4% | 8.6% | 11.2% | 2.5% |
| Large Cap Growth Equity | -7.2% | 9.0% | 9.0% | -0.3% |
| Rank vs. Mercer US Equity Large Cap Growth Universe | | | | |
| Mercer US Equity Large Cap Growth Universe Median | -4.1% | 7.6% | 10.2% | 0.9% |
| Russell 1000 Growth Index | -3.9% | 6.1% | 8.3% | -0.8% |
| Large Cap Value Equity | -0.8% | 10.6% | 13.1% | 5.2% |
| Rank vs. Mercer US Equity Large Cap Universe | | | | |
| Mercer US Equity Large Cap Value Universe Median | -0.2% | 11.7% | 15.4% | 7.2% |
| Russell 1000 Value Index | 0.6% | 12.1% | 15.7% | 6.9% |
| Total Active Smaller Cap Equity | 4.0% | 17.6% | 20.3% | 6.8% |
| Rank vs. Mercer US Equity Small Cap Universe | | | | |
| Mercer US Equity Smaller Cap Universe Median | -4.7% | 14.9% | 19.7% | 11.7% |
| Russell 2000 Index | -5.0% | 14.6% | 18.7% | 8.5% |
| Smaller Cap Equity Index | -5.0% | 14.4% | 19.2% | 9.0% |
| Smaller Cap Core Equity | -5.0% | 17.4% | 22.8% | 10.4% |
| Rank vs. Mercer US Equity Small Cap Universe | | | | |
| Mercer US Equity Small Cap Universe Median | -4.7% | 14.9% | 19.7% | 11.7% |
| Russell 2000 Index | -5.0% | 14.6% | 18.7% | 8.5% |
| Smaller Cap Growth Equity | -5.1% | 20.4% | 15.7% | -1.8% |
| Rank vs. Mercer US Equity Small Cap Growth Universe | | | | |
| Mercer US Equity Small Cap Growth Universe Median | -6.6% | 15.1% | 17.9% | 6.7% |
| Russell 2000 Growth Index | -7.3% | 14.6% | 16.3% | 3.5% |
| Smaller Cap Value Equity | -2.2% | 15.7% | 21.8% | 11.3% |
| Rank vs. Mercer US Equity Small Cap Value Universe | | | | |
| Mercer US Equity Small Cap Value Universe Median | -3.1% | 14.5% | 21.6% | 14.2% |
| Russell 2000 Value Index | -2.7% | 14.6% | 21.0% | 13.1% |

Data provided by Mercer Investment Consulting, Inc.

Investment Section

South Carolina Retirement Systems Schedule of Investment Fees and Commissions For the Year Ended June 30, 2006

| | Market Value of Assets under Management at June 30, 2006¹ | Fees |
|--|---|-------------|
| Investment Managers' Fees: | | |
| Equity Managers' Fees (amounts expressed in thousands) | \$ 13,640,251 | \$ 28,293 |
| Other Investment Service Fees: | | |
| Bank Fees (amounts expressed in thousands) | | 1,544 |
| | | \$ 29,837 |

| Brokerage Firm | Number of Shares Traded | Commissions² | Average Commissions per Share |
|-------------------------------------|--|--------------------------------|--|
| Credit Suisse First Boston | 19,574,899 | \$ 528,266 | 0.0270 |
| Merrill Lynch Pierce Fenner & Smith | 9,910,354 | 405,054 | 0.0409 |
| Goldman Sachs & Co. | 13,348,906 | 365,482 | 0.0274 |
| Citigroup Global Markets, Inc. | 9,686,266 | 313,681 | 0.0324 |
| Lehman Brothers Inc. USA | 11,210,428 | 296,644 | 0.0265 |
| Bear Stearns & Co., Inc. | 8,010,263 | 284,208 | 0.0355 |
| UBS Securities, LLC | 7,299,876 | 265,727 | 0.0364 |
| Morgan Stanley & Co., Inc. | 7,080,531 | 213,825 | 0.0302 |
| Jefferies & Co., Inc. | 7,137,599 | 206,382 | 0.0289 |
| Banc/America Securities LLC | 5,668,949 | 203,535 | 0.0359 |
| Liquidnet Inc. | 8,319,293 | 201,491 | 0.0242 |
| Deutsche Banc/Alex Brown Inc. | 6,509,330 | 197,359 | 0.0303 |
| Cantor, Fitzgerald & Co., Inc. | 5,454,595 | 194,961 | 0.0357 |
| Bear Stearns Securities Corp. | 5,017,349 | 172,957 | 0.0345 |
| JP Morgan Securities Inc. | 4,207,727 | 156,823 | 0.0373 |
| Investment Technology Group | 6,656,474 | 149,526 | 0.0225 |
| Sanford C. Bernstein & Co. LLC | 4,607,168 | 138,936 | 0.0302 |
| Piper Jaffray & Co. | 3,597,408 | 135,925 | 0.0378 |
| McDonald Investments, Inc. | 3,545,021 | 135,835 | 0.0383 |
| Raymond James & Associates, Inc. | 2,959,899 | 125,449 | 0.0424 |
| CIBC World Markets Corp. | 2,883,101 | 122,239 | 0.0424 |
| Thomas Weisel Partners LLC | 3,696,030 | 118,132 | 0.0320 |
| Weeden & Company | 5,095,620 | 114,607 | 0.0225 |
| Cap Institutional Services, Inc. | 4,687,171 | 103,753 | 0.0221 |
| Wachovia Securities Capital Markets | 2,179,516 | 96,158 | 0.0441 |
| Keefe Bruyette & Woods Inc. | 2,119,637 | 92,041 | 0.0434 |
| Instinet Corporation | 5,500,598 | 88,525 | 0.0161 |
| Baird, Robert W. & Co. Inc. | 1,996,873 | 88,379 | 0.0443 |
| Jones & Associates, Inc. | 2,778,943 | 87,749 | 0.0316 |
| B-Trade Services, LLC | 4,486,450 | 87,403 | 0.0195 |
| First Albany Corporation | 1,955,148 | 83,689 | 0.0428 |
| National Financial Services Corp. | 4,730,080 | 83,131 | 0.0176 |
| First Clearing, LLC | 2,323,708 | 77,313 | 0.0333 |
| Vandham Securities Corp. | 3,499,190 | 69,984 | 0.0200 |
| BNY Brokerage Inc. | 2,646,886 | 67,234 | 0.0254 |
| Midwest Research Securities | 1,418,999 | 64,938 | 0.0458 |
| UBS Financial Services, Inc. | 1,302,955 | 64,129 | 0.0492 |
| Friedman, Billings & Ramsey | 1,336,461 | 60,493 | 0.0453 |
| Knight Securities | 2,040,360 | 57,230 | 0.0280 |
| Merrill Lynch Professional | 2,301,584 | 56,777 | 0.0247 |
| Adams, Harkness & Hill Inc. | 1,276,167 | 55,435 | 0.0434 |
| Edwards, A.G., & Sons | 1,322,910 | 55,142 | 0.0417 |
| RBC Dominion Securities Corp. | 1,145,307 | 52,343 | 0.0457 |
| Labranche Financial SVC Inc. | 2,349,800 | 51,456 | 0.0219 |
| Morgan Keegan & Co., Inc. | 1,369,230 | 51,116 | 0.0373 |
| All others ³ | 52,047,572 | 1,594,087 | 0.0306 |
| | <u>268,292,631</u> | <u>\$ 8,235,547</u> | <u>0.0307</u> |

Data provided by the Bank of New York.

¹Assets under management include categories classified as cash and cash equivalents for financial statement purposes.

²Commissions paid to brokers are considered a part of the investment asset cost and are therefore not reported as expenses of the System.

³Other brokers include 171 additional brokers each receiving less than \$50,000 in total commissions.

Investment Section

South Carolina Retirement Systems Schedule of Investment Managers and Fees for Equities For the Year Ended June 30, 2006 (Amounts expressed in thousands)

| <u>Investment Manager</u> | <u>Style</u> | <u>Initial Funding Date</u> | <u>Market Value of Assets under Management at June 30, 2006¹</u> | <u>Fees</u> |
|---|--|---------------------------------|---|------------------|
| State Street Global Advisors Boston, MA | Large Cap Passive S&P 500 Index Fund | June 16, 1999 | \$ 6,442,663 | \$ 173 |
| Flippin, Bruce & Porter, Inc. Lynchburg, VA | Large Cap Value | March 2, 2000 | 239,657 | 861 |
| AllianceBernstein, LP New York, NY | Large Cap Value | May 3, 2000 | 510,957 | 1,010 |
| Aronson + Johnson + Ortiz, LP ² Philadelphia, PA | Large Cap Value | September 21, 2005 | 650,504 | - |
| Pzena Investment Management, LLC ³ New York, NY | Large Cap Value | September 21, 2005 | 408,648 | 1,353 |
| Montag & Caldwell, Inc. ⁴ Atlanta, GA | Large Cap Growth | May 8, 2000 | - | 216 |
| AllianceBernstein, LP New York, NY | Large Cap Growth | July 2, 2001 | 221,777 | 567 |
| Legg Mason Capital Management, Inc. ⁵ Baltimore, MD | Large Cap Growth | September 21, 2005 | 382,059 | 1,209 |
| Sands Capital Management, LP ⁶ Arlington, VA | Large Cap Growth | September 21, 2005 | 360,889 | 1,430 |
| WCM Investment Management ⁷ Lake Forest, CA | Large Cap Growth | September 21, 2005 | 685,269 | 2,182 |
| Wellington Management Company, LLP Boston, MA | Large Cap Core | March 15, 2000 | 715,534 | 2,827 |
| Barclays Global Investors, NA San Francisco, CA | Large Cap Core | April 16, 2004 | 482,643 | 1,217 |
| State Street Global Advisors Boston, MA | Small/Mid Cap Passive Russell 2000 Index Fund | October 1, 2001 | 392,078 | 98 |
| J.L. Kaplan Associates, LLC ⁸ Boston, MA | Small Cap Value | October 29, 1999 | - | 1,500 |
| Wells Capital Management, Inc. (Benson Value Team) Portland, OR | Small Cap Value | October 1, 2002 | 355,568 | 2,021 |
| Integrity Asset Management, LLC Louisville, KY | Small Cap Value | March 15, 2005 | 148,664 | 866 |
| Thompson, Siegel & Walmsley, Inc. Richmond, VA | Small Cap Value | March 15, 2005 | 222,523 | 1,335 |
| TimesSquare Capital Management, LLC New York, NY | Small Cap Growth | October 1, 2002 | 324,402 | 2,312 |
| Nicholas-Applegate Capital Management, LLC ⁹ San Diego, CA | Small Cap Growth | December 31, 2004 | - | 1,788 |
| Batterymarch Financial Management, Inc. Boston, MA | Small Cap Growth | March 15, 2005 | 200,216 | 1,242 |
| Turner Investment Partners, Inc. Berwyn, PA | Small Cap Growth | March 15, 2005 | 223,359 | 1,529 |
| ClariVest Asset Management, LLC ¹⁰ San Diego, CA | Small Cap Growth | June 5, 2006 | 289,974 | 54 |
| The Boston Company Asset Management, LLC ¹¹ Boston, MA | Small Cap Core | November 17, 1999 | - | 318 |
| Fidelity Management Trust Company Boston, MA | Small Cap Core | May 23, 2000 | 382,668 | 2,185 |
| State Street Bank & Trust Co. (as Transition manager) ¹² Boston, MA | | | 199 | - |
| | | | \$ 13,640,251 | \$ 28,293 |

¹Assets under management include categories classified as cash and cash equivalents for financial statement purposes.

²Aronson + Johnson + Ortiz, LP, was funded September 2005. The manager's fee is calculated strictly on performance based on annualized returns and includes no base fee. No fees are payable until after the first three full calendar quarters.

³Pzena Investment Management, LLC, was funded September 2005.

⁴The contract with Montag & Caldwell, Inc., was terminated September 2005.

⁵Legg Mason Capital Management, Inc., was funded September 2005.

⁶Sands Capital Management, LP, was funded September 2005.

⁷WCM Investment Management was funded September 2005.

⁸The contract with J. L. Kaplan Associates, LLC, was terminated May 2006.

⁹The contract with Nicholas-Applegate Capital Management, LLC, was terminated June 2006.

¹⁰ClariVest Asset Management, LLC, was funded June 2006.

¹¹The contract with The Boston Company Asset Management, LLC, was terminated August 2005.

¹²The balance held by State Street Bank & Trust Co. represents funds remaining at fiscal year-end during the transition from J. L. Kaplan Associates, LLC, to the S&P 500 fund.

in·fla·tion (ĭn-flā'shən) A persistent and appreciable increase in the overall price level for goods and services. Inflation is often equated with diminishing purchasing power.

ma·tur·i·ty (mə-tyōōr'ĭ-tē) The date on which the principal balance of a loan becomes due and payable.

sys·tem·at·ic risk (sĭs'tə-măt'ĭk - rĭsk) The inherent risk of the market. Systematic risk cannot be reduced through diversification of the portfolio.

Actuarial Section

Defining the Foundation of Your Retirement Plan



A MILLIMAN GLOBAL FIRM

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Consultants and Actuaries

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November 17, 2006

State Budget and Control Board
South Carolina Retirement Systems
Columbia, South Carolina 29211

Re: Certification and Statement Regarding Actuarial Valuations as of July 1, 2005

Dear Members of the Board:

Applicable Laws

The laws governing the operation of the various Retirement Systems provide that actuarial valuations of the assets and liabilities of the Systems shall be made annually for the South Carolina Retirement System and the Police Officers Retirement System and no less frequently than biennially for the General Assembly Retirement System and the Judges and Solicitors Retirement System. At your request, we have conducted an annual actuarial valuation of each of the four separate Retirement Systems as of July 1, 2005.

Funding Objective

A funding objective of the Systems is that contribution rates will remain relatively level over time as a percentage of payroll. As these contribution rates are set by the Board, the valuation is used to determine the sufficiency of the contributions to maintain or improve the measures of the Systems' funding progress (i.e. *funded ratio*, *funding period*) and provide for the complete funding of all actuarial liabilities within 30 years.

Funding Methodology

The entry age normal actuarial cost method determines each system's normal cost, the cost of the current year's benefit accrual, as a level percentage of the active member's payroll. Additionally, the method determines the actuarial liability, the value of benefits already earned by active and retired members due to past service. A smoothing technique is utilized to produce a market-related actuarial value of assets with the goal of dampening the impact of investment return volatility. The *funded ratio* is the actuarial value of assets as a percentage of the actuarial liability.

An unfunded actuarial liability exists to the extent a System's actuarial liability exceeds its actuarial value of assets. The contribution amount in excess of a system's normal cost is the level percentage of payroll available to amortize an unfunded actuarial liability. The System's *funding period* is the resulting number of years necessary to fully amortize an unfunded actuarial liability with the available contributions.

Assumptions

Actuarial assumptions are necessary to estimate the future economic and demographic experience of the Systems. The actuarial assumptions were recommended by the prior actuary and adopted by the State Budget and Control Board based on a review of the System's experience completed during Fiscal Year 2004. We have reviewed these assumptions and believe they are reasonable.

The current actuarial assumptions and methods for each System are in accordance with the applicable Actuarial Standards of Practice, as well as the parameters set forth in the Governmental Accounting Standards Board (GASB) Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*.

The results and conclusions of this report are only valid for the July 1, 2005 plan year and should not be interpreted as applying in future years. Differences between our projections and actual amounts depend on the extent to which future experience conforms exactly to the assumptions used in this analysis. Actual amounts will differ from projected amounts to the extent that actual experience deviates from expected experience.

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Data Reliance

In preparing the valuations, we, as the actuary, relied on data provided by the Systems. In fulfillment of the scope of our assignment, we performed a limited review of the data for consistency and reasonableness and did not find material defects in the census data. If there are material defects in the data, it is possible that they would be uncovered by a detailed, systematic review and comparison of the data to search for data values that are questionable or for relationships that are materially inconsistent. Such a review was beyond the scope of our assignment. If the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete.

Supporting Schedules

Our firm, as actuary, is responsible for the actuarial trend data in the financial section of the report and the supporting schedules in the actuarial section, beginning with the information for the July 1, 2004 to June 30, 2005 period. Information for previous years was supplied by other actuarial firms employed by the Systems at that time. Milliman's work product was prepared exclusively for the South Carolina Retirement Systems for a specific and limited purpose. It is a complex, technical analysis that assumes a high level of knowledge concerning the Systems' operations, and uses data, which Milliman has not audited. It is not for the use or benefit of any third party for any purpose. Any third party recipient of Milliman's work product who desires professional guidance should not rely upon Milliman's work product, but should engage qualified professionals for advice appropriate to its own specific needs.

Certification

Based on the results of the four July 1, 2005 valuations, we believe that the valuations appropriately reflect each plan's long term obligations and the current contribution levels are sufficient to fund the liabilities of each plan over a reasonable time frame, and based on these criteria may be deemed actuarially sound.

I, Robert Dezube, am a consulting actuary for Milliman. I am also a member of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein. On the basis of the foregoing, I certify that, to the best of my knowledge this report is complete and accurate and has been prepared in accordance with South Carolina's statutes and generally recognized and accepted actuarial principles and practices which are consistent with the principles prescribed by the Actuarial Standards Board (ASB) and the Code of Professional Conduct and Qualification Standards for Public Statements of Actuarial Opinion of the American Academy of Actuaries.

Respectfully submitted,

Milliman, Inc.

Robert S. Dezube, FSA, MAAA
Principal and Consulting Actuary

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Actuarial Section

South Carolina Retirement System Valuation Balance Sheet As of Actuarial Valuation at July 1, 2005 *(Amounts expressed in thousands)*

| | <u>July 1, 2005</u> |
|---|-----------------------------|
| 1. <u>Assets</u> | |
| a. <u>Current Assets (Actuarial Value)</u> | |
| i) Employee Annuity Savings Fund | \$ 4,915,423 |
| ii) Employer Annuity Accumulation Fund | 16,710,087 |
| iii) Total Current Assets | <u>\$ 21,625,510</u> |
| b. <u>Present Value of Future Member Contributions</u> | \$ 3,012,501 |
| c. <u>Present Value of Future Employer Contributions</u> | |
| i) Normal Contributions | \$ 2,074,066 |
| ii) Accrued Liability Contributions | 8,591,961 |
| iii) Total Future Employer Contributions | <u>\$ 10,666,027</u> |
| d. <u>Total Assets</u> | <u><u>\$ 35,304,038</u></u> |
| 2. <u>Liabilities</u> | |
| a. <u>Employee Annuity Savings Fund</u> | |
| i) Past Member Contributions | \$ 4,915,423 |
| ii) Present Value of Future Member Contributions | 3,388,742 |
| iii) Total Contributions to Employee Annuity Savings Fund | <u>\$ 8,304,165</u> |
| b. <u>Employer Annuity Accumulation Fund</u> | |
| i) Benefits Currently in Payment | \$ 16,891,954 |
| ii) Benefits to be Paid to Current Active Members | 10,107,919 |
| iii) Total Benefits Payable from Employer Annuity Accumulation Fund | <u>\$ 26,999,873</u> |
| c. <u>Total Liabilities</u> | <u><u>\$ 35,304,038</u></u> |

Actuarial Section

Police Officers Retirement System Valuation Balance Sheet As of Actuarial Valuation at July 1, 2005 *(Amounts expressed in thousands)*

| | <u>July 1, 2005</u> |
|---|---------------------|
| 1. <u>Assets</u> | |
| a. <u>Current Assets (Actuarial Value)</u> | |
| i) Employee Annuity Savings Fund | \$ 585,701 |
| ii) Employer Annuity Accumulation Fund | 2,188,905 |
| iii) Total Current Assets | \$ 2,774,606 |
| b. <u>Present Value of Future Member Contributions</u> | \$ 436,604 |
| c. <u>Present Value of Future Employer Contributions</u> | |
| i) Normal Contributions | \$ 460,051 |
| ii) Accrued Liability Contributions | 399,324 |
| iii) Total Future Employer Contributions | \$ 859,375 |
| d. <u>Total Assets</u> | \$ 4,070,585 |
| 2. <u>Liabilities</u> | |
| a. <u>Employee Annuity Savings Fund</u> | |
| i) Past Member Contributions | \$ 585,701 |
| ii) Present Value of Future Member Contributions | 436,604 |
| iii) Total Contributions to Employee Annuity Savings Fund | \$ 1,022,305 |
| b. <u>Employer Annuity Accumulation Fund</u> | |
| i) Benefits Currently in Payment | \$ 1,530,199 |
| ii) Benefits to be Paid to Current Active Members | 1,518,081 |
| iii) Total Benefits Payable from Employer Annuity Accumulation Fund | \$ 3,048,280 |
| c. <u>Total Liabilities</u> | \$ 4,070,585 |

Actuarial Section

General Assembly Retirement System Valuation Balance Sheet As of Actuarial Valuation at July 1, 2005 (Amounts expressed in thousands)

| | <u>July 1, 2005</u> |
|---|-------------------------|
| 1. <u>Assets</u> | |
| a. <u>Current Assets (Actuarial Value)</u> | |
| i) Employee Annuity Savings Fund | \$ 8,024 |
| ii) Employer Annuity Accumulation Fund | 38,292 |
| iii) Total Current Assets | <u>\$ 46,316</u> |
| b. <u>Present Value of Future Member Contributions</u> | \$ 2,415 |
| c. <u>Present Value of Future Employer Contributions</u> | |
| i) Normal Contributions | \$ 1,968 |
| ii) Accrued Liability Contributions | 22,845 |
| iii) Total Future Employer Contributions | <u>\$ 24,813</u> |
| d. <u>Total Assets</u> | <u><u>\$ 73,544</u></u> |
| 2. <u>Liabilities</u> | |
| a. <u>Employee Annuity Savings Fund</u> | |
| i) Past Member Contributions | \$ 8,024 |
| ii) Present Value of Future Member Contributions* | 2,415 |
| iii) Total Contributions to Employee Annuity Savings Fund | <u>\$ 10,439</u> |
| b. <u>Employer Annuity Accumulation Fund</u> | |
| i) Benefits Currently in Payment | \$ 51,353 |
| ii) Benefits to be Paid to Current Active Members | 11,752 |
| iii) Total Benefits Payable from Employer Annuity Accumulation Fund | <u>\$ 63,105</u> |
| c. <u>Total Liabilities</u> | <u><u>\$ 73,544</u></u> |

*Includes future special contributors

Actuarial Section

Judges and Solicitors Retirement System Valuation Balance Sheet As of Actuarial Valuation at July 1, 2005 (Amounts expressed in thousands)

| | <u>July 1, 2005</u> |
|---|--------------------------|
| 1. <u>Assets</u> | |
| a. <u>Current Assets (Actuarial Value)</u> | |
| i) Employee Annuity Savings Fund | \$ 20,005 |
| ii) Employer Annuity Accumulation Fund | 98,883 |
| iii) Total Current Assets | <u>\$ 118,888</u> |
| b. <u>Present Value of Future Member Contributions</u> | \$ 10,506 |
| c. <u>Present Value of Future Employer Contributions</u> | |
| i) Normal Contributions | \$ 15,137 |
| ii) Accrued Liability Contributions | 85,959 |
| iii) Total Prospective Employer Contributions | <u>\$ 101,096</u> |
| d. <u>Total Assets</u> | <u><u>\$ 230,490</u></u> |
| 2. <u>Liabilities</u> | |
| a. <u>Employee Annuity Savings Fund</u> | |
| i) Past Member Contributions | \$ 20,005 |
| ii) Present Value of Future Member Contributions | 10,506 |
| iii) Total Contributions to Employee Annuity Savings Fund | <u>\$ 30,511</u> |
| b. <u>Employer Annuity Accumulation Fund</u> | |
| i) Benefits Currently in Payment | \$ 110,876 |
| ii) Benefits to be Paid to Current Active Members | 89,103 |
| iii) Total Benefits Payable from Employer Annuity Accumulation Fund | <u>\$ 199,979</u> |
| c. <u>Total Liabilities</u> | <u><u>\$ 230,490</u></u> |

Actuarial Section

South Carolina Retirement System Results of the Valuation as of July 1, 2005 (Dollar amounts expressed in thousands)

| | <u>July 1, 2005</u> |
|--|---------------------|
| 1. <u>Actuarial Present Value of Future Benefits</u> | |
| a. Present Retired Members and Beneficiaries | \$ 16,891,954 |
| b. Present Active and Inactive Members | <u>18,412,084</u> |
| c. Total Actuarial Present Value | \$ 35,304,038 |
| | |
| 2. <u>Present Value of Future Normal Contributions</u> | |
| a. Employee | \$ 3,055,430 |
| b. Employer | <u>2,031,137</u> |
| c. Total Future Normal Contributions | \$ 5,086,567 |
| | |
| 3. <u>Actuarial Liability</u> | \$ 30,217,471 |
| | |
| 4. <u>Current Actuarial Value of Assets</u> | \$ 21,625,510 |
| | |
| 5. <u>Unfunded Actuarial Liability</u> | \$ 8,591,961 |
| | |
| 6. <u>Unfunded Actuarial Liability Rates</u> | |
| a. Active Members | 3.32% |
| b. TERI Members | 13.80% |
| c. ORP Members | 2.55% |
| d. Reemployed Members | 13.80% |
| | |
| 7. <u>Unfunded Actuarial Liability Liquidation Period</u> | 30 years |

Actuarial Section

Police Officers Retirement System Results of the Valuation as of July 1, 2005 (Dollar amounts expressed in thousands)

| | July 1, 2005 |
|--|--------------|
| 1. <u>Actuarial Present Value of Future Benefits</u> | |
| a. Present Retired Members and Beneficiaries | \$ 1,530,199 |
| b. Present Active and Inactive Members | 2,540,386 |
| c. Total Actuarial Present Value | \$ 4,070,585 |
| | |
| 2. <u>Present Value of Future Normal Contributions</u> | |
| a. Employee | \$ 436,604 |
| b. Employer | 460,051 |
| c. Total Future Normal Contributions | \$ 896,655 |
| | |
| 3. <u>Actuarial Liability</u> | \$ 3,173,930 |
| | |
| 4. <u>Current Actuarial Value of Assets</u> | \$ 2,774,606 |
| | |
| 5. <u>Unfunded Actuarial Liability</u> | \$ 399,324 |
| | |
| 6. <u>Unfunded Actuarial Liability Rates</u> | 3.18% |
| | |
| 7. <u>Unfunded Actuarial Liability Liquidation Period</u> | 15 years |

Actuarial Section

General Assembly Retirement System Results of the Valuation as of July 1, 2005 *(Dollar amounts expressed in thousands)*

| | <u>July 1, 2005</u> |
|--|---------------------|
| 1. <u>Actuarial Present Value of Future Benefits</u> | |
| a. Present Retired Members and Beneficiaries | \$ 51,353 |
| b. Present Active and Inactive Members | 22,191 |
| c. Total Actuarial Present Value | \$ 73,544 |
| | |
| 2. <u>Present Value of Future Normal Contributions</u> | |
| a. Employee | \$ 2,117 |
| b. Special Contributors | 297 |
| c. Employer | 1,969 |
| d. Total Future Normal Contributions | \$ 4,383 |
| | |
| 3. <u>Actuarial Liability</u> | \$ 69,161 |
| | |
| 4. <u>Current Actuarial Value of Assets</u> | \$ 46,316 |
| | |
| 5. <u>Unfunded Actuarial Liability</u> | \$ 22,845 |
| | |
| 6. <u>Unfunded Actuarial Liability Liquidation Period</u> | 20 years |

Actuarial Section

Judges and Solicitors Retirement System Results of the Valuation as of July 1, 2005 *(Dollar amounts expressed in thousands)*

| | July 1, 2005 |
|--|---------------------|
| 1. <u>Actuarial Present Value of Future Benefits</u> | |
| a. Present Retired Members and Beneficiaries | \$ 110,876 |
| b. Present Active and Inactive Members | 119,614 |
| c. Total Actuarial Present Value | \$ 230,490 |
| 2. <u>Present Value of Future Normal Contributions</u> | |
| a. Employee | \$ 10,506 |
| b. Employer | 15,137 |
| c. Total Future Normal Contributions | \$ 25,643 |
| 3. <u>Actuarial Liability</u> | \$ 204,847 |
| 4. <u>Current Actuarial Value of Assets</u> | \$ 118,888 |
| 5. <u>Unfunded Actuarial Liability</u> | \$ 85,959 |
| 6. <u>Unfunded Actuarial Liability Rates</u> | 27.66% |
| 7. <u>Unfunded Actuarial Liability Liquidation Period</u> | 36 years |

Note: On May 16, 2006, the Budget and Control Board adopted the recommended employer increase effective July 1, 2007. This was necessary to maintain a 30-year amortization period.

Actuarial Section

South Carolina Retirement System Summary of Actuarial Assumptions and Methods

1. Investment Return to be Earned by Fund

7.25 percent per annum, compounded annually, composed of an assumed 3.00 percent inflation rate and a 4.25 percent real rate of return, net of investment and administrative expenses.

2. Salary Increases

Salary increases are assumed in accordance with the following representative rates:

| Annual Increase | | | Annual Increase | | |
|------------------|-------------------|----------|------------------|-------------------|----------|
| Years of Service | General Employees | Teachers | Years of Service | General Employees | Teachers |
| 0 | 8.00% | 8.00% | 8 | 4.50% | 4.75% |
| 1 | 5.75% | 8.00% | 9 | 4.50% | 4.75% |
| 2 | 5.00% | 5.50% | 10 | 4.25% | 4.75% |
| 3 | 4.75% | 5.25% | 11 | 4.25% | 4.50% |
| 4 | 4.50% | 5.00% | 12 | 4.25% | 4.40% |
| 5 | 4.50% | 5.00% | 13 | 4.25% | 4.40% |
| 6 | 4.50% | 5.00% | 14 | 4.25% | 4.40% |
| 7 | 4.50% | 4.75% | 15+ | 4.00% | 4.00% |

3. Decrement Rates

| | | Annual Rates of | | | |
|-----------|------------|-------------------------------|--------|----------------------------|--------|
| | | Unreduced Service Retirement* | | Reduced Service Retirement | |
| | | Male | Female | Male | Female |
| Employees | <u>Age</u> | | | | |
| | 50 | 12% | 14% | | |
| | 55 | 15% | 18% | 5% | 10% |
| | 60 | 20% | 20% | 5% | 11% |
| | 61 | 20% | 20% | 15% | 15% |
| | 62 | 30% | 35% | 27% | 28% |
| | 63 | 30% | 30% | 16% | 20% |
| | 64 | 30% | 35% | 22% | 20% |
| | 65 | 40% | 40% | | |
| | 66 | 20% | 25% | | |
| | 67 | 20% | 25% | | |
| | 68 | 20% | 25% | | |
| | 69 | 20% | 25% | | |
| 70 | 100% | 100% | | | |
| Teachers | 50 | 14% | 15% | | |
| | 55 | 18% | 25% | 6% | 9% |
| | 60 | 25% | 25% | 14% | 15% |
| | 61 | 30% | 40% | 18% | 20% |
| | 62 | 20% | 35% | 25% | 25% |
| | 63 | 20% | 25% | 28% | 20% |
| | 64 | 35% | 30% | 28% | 30% |
| | 65 | 45% | 40% | | |
| | 66 | 23% | 23% | | |
| | 67 | 23% | 23% | | |
| | 68 | 23% | 23% | | |
| | 69 | 23% | 23% | | |
| | 70 | 100% | 100% | | |

Actuarial Section

*Plus the following percentage in the year when they first become eligible for unreduced service retirement before age 65.

| | <u>General Employees</u> | <u>Teachers</u> |
|--------|------------------------------|-----------------|
| Male | 30% | 40% |
| Female | 45% | 40% |

b. In-Service Mortality and Disability

| Age | Annual Rates of | | | | | | | |
|-----|------------------|--------|-----------------|--------|------------------|--------|-----------------|--------|
| | Mortality | | | | Disability | | | |
| | <u>Employees</u> | | <u>Teachers</u> | | <u>Employees</u> | | <u>Teachers</u> | |
| | Male | Female | Male | Female | Male | Female | Male | Female |
| 25 | 0.04% | 0.01% | 0.03% | 0.01% | 0.06% | 0.05% | 0.04% | 0.05% |
| 30 | 0.04% | 0.02% | 0.03% | 0.01% | 0.12% | 0.07% | 0.06% | 0.07% |
| 35 | 0.08% | 0.03% | 0.06% | 0.03% | 0.17% | 0.15% | 0.08% | 0.07% |
| 40 | 0.11% | 0.05% | 0.08% | 0.04% | 0.29% | 0.19% | 0.16% | 0.13% |
| 45 | 0.15% | 0.07% | 0.11% | 0.06% | 0.40% | 0.27% | 0.26% | 0.26% |
| 50 | 0.21% | 0.11% | 0.16% | 0.09% | 0.58% | 0.46% | 0.42% | 0.42% |
| 55 | 0.30% | 0.16% | 0.23% | 0.14% | 0.92% | 0.74% | 0.68% | 0.68% |
| 60 | 0.49% | 0.26% | 0.37% | 0.22% | 1.15% | 1.12% | 1.05% | 1.05% |
| 64 | 0.70% | 0.35% | 0.53% | 0.30% | 1.44% | 1.56% | 1.31% | 1.31% |

c. Withdrawal Rates

| Probability of Decrement Due to Withdrawal | | | | | | | | | | | |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Years of Service - Male Teachers | | | | | | | | | | | |
| Age | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10+ |
| 25 | 0.2964 | 0.2029 | 0.1384 | 0.0973 | 0.0721 | 0.0578 | 0.0513 | 0.0508 | 0.0518 | 0.0538 | 0.0560 |
| 30 | 0.2721 | 0.1922 | 0.1356 | 0.0990 | 0.0776 | 0.0662 | 0.0607 | 0.0577 | 0.0538 | 0.0477 | 0.0387 |
| 35 | 0.2531 | 0.1823 | 0.1316 | 0.0990 | 0.0805 | 0.0708 | 0.0657 | 0.0611 | 0.0540 | 0.0429 | 0.0273 |
| 40 | 0.2371 | 0.1730 | 0.1271 | 0.0979 | 0.0817 | 0.0730 | 0.0679 | 0.0619 | 0.0529 | 0.0390 | 0.0199 |
| 45 | 0.2239 | 0.1649 | 0.1228 | 0.0960 | 0.0811 | 0.0726 | 0.0669 | 0.0600 | 0.0503 | 0.0359 | 0.0167 |
| 50 | 0.2135 | 0.1587 | 0.1192 | 0.0936 | 0.0787 | 0.0698 | 0.0628 | 0.0553 | 0.0460 | 0.0335 | 0.0174 |
| 55 | 0.2063 | 0.1549 | 0.1168 | 0.0908 | 0.0742 | 0.0645 | 0.0557 | 0.0479 | 0.0401 | 0.0317 | 0.0222 |
| 60 | 0.1996 | 0.1518 | 0.1143 | 0.0865 | 0.0669 | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 |

| Probability of Decrement Due to Withdrawal | | | | | | | | | | | |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Years of Service - Female Teachers | | | | | | | | | | | |
| Age | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10+ |
| 25 | 0.2299 | 0.1608 | 0.1209 | 0.1006 | 0.0892 | 0.0841 | 0.0827 | 0.0802 | 0.0731 | 0.0660 | 0.0601 |
| 30 | 0.2269 | 0.1664 | 0.1260 | 0.1015 | 0.0878 | 0.0802 | 0.0751 | 0.0696 | 0.0618 | 0.0527 | 0.0426 |
| 35 | 0.2171 | 0.1597 | 0.1208 | 0.0966 | 0.0830 | 0.0748 | 0.0682 | 0.0615 | 0.0536 | 0.0434 | 0.0303 |
| 40 | 0.2045 | 0.1477 | 0.1106 | 0.0885 | 0.0759 | 0.0683 | 0.0616 | 0.0551 | 0.0475 | 0.0368 | 0.0215 |
| 45 | 0.1930 | 0.1361 | 0.1001 | 0.0798 | 0.0685 | 0.0619 | 0.0561 | 0.0504 | 0.0435 | 0.0329 | 0.0163 |
| 50 | 0.1866 | 0.1296 | 0.0937 | 0.0738 | 0.0633 | 0.0570 | 0.0523 | 0.0478 | 0.0417 | 0.0317 | 0.0154 |
| 55 | 0.1879 | 0.1308 | 0.0935 | 0.0727 | 0.0626 | 0.0543 | 0.0509 | 0.0474 | 0.0420 | 0.0331 | 0.0190 |
| 60 | 0.1948 | 0.1379 | 0.0986 | 0.0758 | 0.0660 | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 |

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Probability of Decrement Due to Withdrawal

| Years of Service - Male Employees | | | | | | | | | | | |
|-----------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Age | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10+ |
| 25 | 0.3288 | 0.2466 | 0.1902 | 0.1554 | 0.1345 | 0.1166 | 0.0963 | 0.0783 | 0.0650 | 0.0595 | 0.0662 |
| 30 | 0.2939 | 0.2211 | 0.1726 | 0.1425 | 0.1236 | 0.1089 | 0.0951 | 0.0821 | 0.0704 | 0.0603 | 0.0530 |
| 35 | 0.2678 | 0.1997 | 0.1553 | 0.1285 | 0.1122 | 0.1010 | 0.0916 | 0.0822 | 0.0716 | 0.0586 | 0.0424 |
| 40 | 0.2456 | 0.1804 | 0.1384 | 0.1140 | 0.1002 | 0.0922 | 0.0861 | 0.0791 | 0.0695 | 0.0549 | 0.0335 |
| 45 | 0.2257 | 0.1636 | 0.1233 | 0.1003 | 0.0882 | 0.0825 | 0.0781 | 0.0727 | 0.0639 | 0.0493 | 0.0266 |
| 50 | 0.2082 | 0.1501 | 0.1115 | 0.0891 | 0.0774 | 0.0717 | 0.0675 | 0.0626 | 0.0547 | 0.0419 | 0.0224 |
| 55 | 0.1942 | 0.1410 | 0.1041 | 0.0814 | 0.0691 | 0.0600 | 0.0543 | 0.0488 | 0.0419 | 0.0328 | 0.0212 |
| 60 | 0.1827 | 0.1351 | 0.1002 | 0.0770 | 0.0632 | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 |

Probability of Decrement Due to Withdrawal

| Years of Service - Female Employees | | | | | | | | | | | |
|-------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Age | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10+ |
| 25 | 0.2981 | 0.2459 | 0.2060 | 0.1772 | 0.1560 | 0.1385 | 0.1248 | 0.1159 | 0.1094 | 0.1030 | 0.0940 |
| 30 | 0.2710 | 0.2236 | 0.1864 | 0.1591 | 0.1395 | 0.1253 | 0.1145 | 0.1059 | 0.0970 | 0.0853 | 0.0688 |
| 35 | 0.2506 | 0.2015 | 0.1657 | 0.1410 | 0.1244 | 0.1130 | 0.1042 | 0.0958 | 0.0857 | 0.0712 | 0.0505 |
| 40 | 0.2329 | 0.1803 | 0.1451 | 0.1233 | 0.1101 | 0.1010 | 0.0935 | 0.0854 | 0.0748 | 0.0592 | 0.0367 |
| 45 | 0.2172 | 0.1622 | 0.1275 | 0.1080 | 0.0972 | 0.0894 | 0.0825 | 0.0746 | 0.0644 | 0.0493 | 0.0276 |
| 50 | 0.2041 | 0.1493 | 0.1151 | 0.0966 | 0.0864 | 0.0787 | 0.0715 | 0.0637 | 0.0543 | 0.0414 | 0.0234 |
| 55 | 0.1946 | 0.1429 | 0.1091 | 0.0895 | 0.0778 | 0.0688 | 0.0605 | 0.0526 | 0.0445 | 0.0353 | 0.0240 |
| 60 | 0.1873 | 0.1412 | 0.1079 | 0.0855 | 0.0701 | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 |

Note: No probability of withdrawal is applied to members eligible to retire.

4. Mortality After Retirement

For healthy retirees and beneficiaries, the UP-94 Mortality Table rates is used, with the female rates set back one year. A separate table of mortality rates is used for disabled retirees. The following are sample rates:

| <u>Age</u> | <u>Healthy</u> | | <u>Disabled</u> | |
|------------|----------------|---------------|-----------------|---------------|
| | <u>Male</u> | <u>Female</u> | <u>Male</u> | <u>Female</u> |
| 50 | 0.28% | 0.14% | 3.06% | 2.31% |
| 55 | 0.48% | 0.22% | 3.86% | 2.66% |
| 60 | 0.86% | 0.42% | 4.82% | 2.98% |
| 65 | 1.56% | 0.82% | 5.42% | 3.33% |
| 70 | 2.55% | 1.37% | 5.91% | 3.70% |
| 75 | 4.00% | 2.19% | 6.74% | 4.43% |
| 80 | 6.67% | 3.80% | 9.02% | 6.71% |
| 85 | 10.46% | 6.56% | 13.45% | 10.15% |

5. Marriage Assumption

One hundred percent of all active members are assumed to be married, with female spouses being three years younger.

6. Asset Valuation Method

The actuarial value of assets is equal to the market value of assets less a five-year phase in of the excess (shortfall) between expected investment return and actual net income (both based on market value) with the resulting value not being less than 80 percent or more than 120 percent of the market value of assets.

Actuarial Section

7. Cost Methods

a. Normal Retirement, Termination, Death and Disability Benefits

The contribution rate is set by statute for employees and by the South Carolina Budget and Control Board for the employers. The funding period is determined, as described below, using the Entry Age Normal actuarial cost method.

The Entry Age Normal actuarial cost method assigns the plan's total unfunded liabilities (the actuarial present value of future benefits less the actuarial value of assets) to various periods. The unfunded actuarial liability is assigned to years prior to the valuation, and the normal cost is assigned to the year following the valuation. The remaining costs are the normal costs for future years. Then each year's contribution is composed of (i) that year's normal cost, plus (ii) a payment used to reduce the unfunded actuarial liability.

The normal cost is the level (as a percentage of pay) contribution required to fund the benefits for all current members. Part of the normal cost is paid from the employees' own contributions. The employers pay the balance from their contributions. The method used for this valuation sets the present value of future normal costs that are to be paid by the employees as 6.25 percent of the value of the current year's earnings plus 6.50 percent of their present value of future earnings after June 30, 2006.

The actuarial liability is the difference between the total present value of future benefits and the actuarial present value of future normal costs. The unfunded actuarial liability is the excess of the actuarial liability over the actuarial value of assets.

The balance of the employers' contributions – the remainder after paying their share of the normal cost – is used to reduce the unfunded actuarial liability. The calculation of the amortization period takes into account increases to contribution rates applicable to future years, payroll growth, and the results are rounded to the nearest year. Also, the calculation of the amortization period reflects additional contributions the System receives with respect to TERI participants, ORP participants, and return-to-work retirees. These contributions are assumed to grow at the same payroll growth rate as for active SCRS employees.

It is assumed that amortization payments are made monthly at the end of the month.

b. Group Life Insurance Benefit

One-year term cost method.

8. Unused Annual Leave

To account for the effect of unused annual leave on Average Final Compensation, liabilities for active members are increased 2.14 percent.

9. Unused Sick Leave

To account for the effect of unused sick leave on members' final credited service, the service of active members who retire is increased three months.

10. Future Cost-of-Living Increases

Benefits are assumed to increase 1 percent annually beginning on the July 1st next following receipt of 12 monthly payments.

Actuarial Section

11. Administrative and Investment Expenses

The investment return assumption represents the expected return net of all administrative and investment expenses.

12. Payroll Growth Rate

4.00 percent per annum.

13. Valuation of Teachers and Employees Retention Incentive (TERI)

We have assumed 80 percent of all members elect TERI coverage when they are first eligible for an unreduced retirement benefit before age 65. We assume members in the TERI program are exposed to adjusted retirement rates during TERI coverage and we assume 100 percent terminate employment at the end of the TERI period (five years). The retirement rate is adjusted by the following schedule based on number of years since entering TERI:

| <u>Years Since Entering TERI Program</u> | <u>Multiple of Unreduced Retirement Table</u> |
|--|---|
| 0.00 - 0.99 | 50% |
| 1.00 - 1.99 | 65% |
| 2.00 - 2.99 | 80% |
| 3.00 - 3.99 | 90% |
| 4.00 - 4.99 | 100% |
| 5.00 | All members assumed to retire immediately |

14. Changes from Prior Valuation

1. In the prior valuation, the value of benefits for current and future TERI participants were funded from their date of hire to the date they were expected to exit the TERI program, resulting in a normal cost during the TERI period. Beginning with the July 1, 2005, valuation, the current and future TERI participants' benefits are funded from their date of hire to the date they are expected to enter TERI resulting in no normal cost during the TERI period.
2. The liability for non-vested terminated participants identified in the data is equal to their accumulated contributions with interest. In prior valuations, the data was insufficient to identify these participants.

15. Adoption Date

The current actuarial assumptions and methods were adopted by the State Budget and Control Board on April 20, 2004.

Actuarial Section

South Carolina Retirement System Development of Actuarial Value of Assets *(Amounts expressed in thousands)*

| Item | Valuation as of July 1, 2005 |
|--|---------------------------------|
| 1. Excess (Shortfall) of Investment Income for Current Year and Previous Three Years: | |
| a. Current Year | \$ (14,499) |
| b. Current Year - 1 | 330,912 |
| c. Current Year - 2 | 319,064 |
| d. Current Year - 3 | \$ (1,179,755) |
| 2. Deferral of Excess (Shortfall) of Investment Income for: | |
| a. Current Year (80% Deferral) | \$ (11,599) |
| b. Current Year - 1 (60% Deferral) | 198,547 |
| c. Current Year - 2 (40% Deferral) | 127,626 |
| d. Current Year - 3 (20% Deferral) | \$ (235,951) |
| e. Total Deferred for Year | \$ 78,623 |
| 3. Market Value of Plan Assets, End of Year | \$ 21,704,133 |
| 4. Preliminary Actuarial Value of Plan Assets, End of Year (Item 3 - Item 2.e.) | \$ 21,625,510 |
| 5. Actuarial Value of Assets Corridor | |
| a. 80% of Market Value of Assets, End of Year | \$ 17,363,306 |
| b. 120% of Market Value of Assets, End of Year | \$ 26,044,960 |
| 6. Final Actuarial Value of Plan Assets, End of Year (Item 4., But Not Less Than Item 5.a., or Greater Than Item 5.b.) | \$ 21,625,510 |

**Police Officers Retirement System
Summary of Actuarial Assumptions and Methods**

1. Investment Return to be Earned by Fund

7.25 percent per annum, compounded annually, composed of an assumed 3.00 percent inflation rate and a 4.25 percent real rate of return, net of investment and administrative expenses.

2. Salary Increases

Salary increases are assumed in accordance with the following representative rates:

| <u>Years of Service</u> | <u>Annual Increase</u> | <u>Years of Service</u> | <u>Annual Increase</u> |
|-------------------------|------------------------|-------------------------|------------------------|
| 0 | 11.50% | 8 | 4.75% |
| 1 | 6.75% | 9 | 4.75% |
| 2 | 5.75% | 10 | 4.75% |
| 3 | 5.50% | 11 | 4.75% |
| 4 | 5.25% | 12 | 4.50% |
| 5 | 5.00% | 13 | 4.50% |
| 6 | 4.75% | 14 | 4.50% |
| 7 | 4.75% | 15+ | 4.50% |

3. Decrement Rates

The following are representative values of the assumed annual rates of withdrawal, inservice mortality, disability, and service retirement.

Annual Rates of

| <u>Age</u> | <u>Service Retirement*</u> | <u>Mortality</u> | <u>Disability</u> |
|------------|----------------------------|------------------|-------------------|
| 20 | | 0.03% | 0.12% |
| 25 | | 0.03% | 0.14% |
| 30 | | 0.04% | 0.18% |
| 35 | | 0.07% | 0.35% |
| 40 | | 0.10% | 0.46% |
| 45 | 20.00% | 0.14% | 0.69% |
| 50 | 20.00% | 0.19% | 0.86% |
| 55 | 14.00% | 0.27% | |
| 60 | 15.00% | 0.44% | |
| 64 | 25.00% | 0.63% | |

*Plus an additional 22 percent for participants under age 55 in year when first eligible for unreduced service retirement.

All employees are assumed to retire at age 65. In addition, 25 percent of disabilities are assumed to be duty related, and 5 percent of pre-retirement deaths are assumed to be accidental (duty-related).

Note: No probability of withdrawal is applied to members eligible to retire.

Actuarial Section

Probability of Decrement Due to Withdrawal

| Age | Years of Service | | | | | | | | | | |
|-----|------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10+ |
| 25 | 0.2494 | 0.1816 | 0.1342 | 0.1047 | 0.0885 | 0.0780 | 0.0715 | 0.0640 | 0.0545 | 0.0524 | 0.0618 |
| 30 | 0.2478 | 0.1822 | 0.1376 | 0.1107 | 0.0959 | 0.0876 | 0.0810 | 0.0732 | 0.0633 | 0.0545 | 0.0481 |
| 35 | 0.2450 | 0.1795 | 0.1359 | 0.1104 | 0.0967 | 0.0899 | 0.0837 | 0.0763 | 0.0665 | 0.0539 | 0.0381 |
| 40 | 0.2398 | 0.1739 | 0.1304 | 0.1055 | 0.0927 | 0.0868 | 0.0814 | 0.0747 | 0.0653 | 0.0510 | 0.0305 |
| 45 | 0.2312 | 0.1649 | 0.1212 | 0.0964 | 0.0845 | 0.0783 | 0.0738 | 0.0681 | 0.0595 | 0.0458 | 0.0256 |
| 50 | 0.2193 | 0.1532 | 0.1090 | 0.0839 | 0.0730 | 0.0646 | 0.0610 | 0.0564 | 0.0490 | 0.0382 | 0.0236 |
| 55 | 0.2050 | 0.1393 | 0.0944 | 0.0684 | 0.0587 | | | | | | |
| 60 | 0.1871 | 0.1228 | 0.0773 | 0.0503 | 0.0419 | | | | | | |

4. Mortality After Retirement

For healthy retirees and beneficiaries, the UP-94 Mortality Table rates is used, with female rates set back one year and male rates set forward three years. A separate table of mortality rates is used for disabled retirees. The following are sample rates for the retirees and beneficiaries:

| Age | Healthy | | Disabled |
|-----|---------|--------|----------|
| | Male | Female | All |
| 50 | 0.39% | 0.14% | 2.30% |
| 55 | 0.68% | 0.22% | 2.89% |
| 60 | 1.23% | 0.42% | 3.62% |
| 65 | 2.14% | 0.82% | 4.07% |
| 70 | 3.35% | 1.37% | 4.43% |
| 75 | 5.40% | 2.19% | 5.05% |
| 80 | 8.87% | 3.80% | 6.77% |
| 85 | 13.65% | 6.56% | 10.09% |

5. Marriage Assumption

One hundred percent of all active members are assumed to be married, with female spouses being four years younger.

6. Asset Valuation Method

The actuarial value of assets is equal to the market value of assets less a five-year phase in of the excess (shortfall) between expected investment return and actual net income (both based on market value) with the resulting value not being less than 80 percent or more than 120 percent of the market value of assets.

7. Cost Methods

a. Normal Retirement, Termination, Death and Disability Benefits

Projected benefit method with level percentage entry age normal cost. Gains and losses are reflected in the period remaining to liquidate the unfunded actuarial liability. The resulting amortization period is based upon payments level as a percentage of payroll and the results are rounded to the nearest year. We completed a separate valuation of the accidental (duty-related) death benefit.

b. Group Life Insurance Benefit and Accidental Death Benefits

One-year term cost method.

8. Unused Annual Leave

To account for the effect of unused annual leave on Average Final Compensation, liabilities for active members are increased 3.75 percent.

Actuarial Section

9. **Unused Sick Leave**

To account for the effect of unused sick leave on members' final credited service, the service of active members who retire is increased three months.

10. **Future Cost-of-Living Increases**

None assumed.

11. **Administrative and Investment Expenses**

The investment return assumption represents the expected return net of all administrative and investment expenses.

12. **Payroll Growth Rate**

4.00 percent per annum.

13. **Change from Prior Valuation**

None.

14. **Adoption Date**

The current actuarial assumptions and methods were adopted by the State Budget and Control Board on April 20, 2004.

Actuarial Section

Police Officers Retirement System Development of Actuarial Value of Assets (Amounts expressed in thousands)

| Item | Valuation as of July 1, 2005 |
|--|---------------------------------|
| 1. Excess (Shortfall) of Investment Income for Current Year and Previous Three Years: | |
| a. Current Year | \$ (18,170) |
| b. Current Year - 1 | 31,828 |
| c. Current Year - 2 | 57,490 |
| d. Current Year - 3 | (143,238) |
| 2. Deferral of Excess (Shortfall) of Investment Income for: | |
| a. Current Year (80% Deferral) | \$ (14,536) |
| b. Current Year - 1 (60% Deferral) | 19,097 |
| c. Current Year - 2 (40% Deferral) | 22,996 |
| d. Current Year - 3 (20% Deferral) | (28,648) |
| e. Total Deferred for Year | \$ (1,091) |
| 3. Market Value of Plan Assets, End of Year | \$ 2,773,515 |
| 4. Preliminary Actuarial Value of Plan Assets, End of Year (Item 3 - Item 2.e.) | \$ 2,774,606 |
| 5. Actuarial Value of Assets Corridor | |
| a. 80% of Market Value of Assets, End of Year | \$ 2,218,812 |
| b. 120% of Market Value of Assets, End of Year | \$ 3,328,218 |
| 6. Final Actuarial Value of Plan Assets, End of Year (Item 4., But Not Less Than Item 5.a., or Greater Than Item 5.b.) | \$ 2,774,606 |

**General Assembly Retirement System
Summary of Actuarial Assumptions and Methods**

1. Investment Return to be Earned by Fund

7.25 percent per annum, compounded annually, composed of an assumed 3.00 percent inflation rate and a 4.25 percent real rate of return, net of investment and administrative expenses.

2. Salary Increases

None assumed.

3. Decrement Rates

The following are representative values of the assumed annual rates of in-service mortality, disability, and service retirement. No withdrawals are assumed. All members who are not re-elected are assumed to continue paying the member rate as a special contributor.

a. Unreduced Service Retirement

| <u>Age</u> | <u>Rates of Retirement</u> |
|------------|----------------------------|
| 60 & under | 40% |
| 61 | 7% |
| 62 | 7% |
| 63 | 7% |
| 64 | 7% |
| 65 | 15% |
| 66 | 15% |
| 67 | 15% |
| 68 | 15% |
| 69 | 15% |
| 70 & older | 100% |

In addition, members with 30 years of service are assumed to commence benefit payments immediately even if they do not terminate employment.

b. In-service Mortality and Disability

| <u>Age</u> | <u>Annual Rates of</u> | | | |
|------------|------------------------|---------------|-------------------|---------------|
| | <u>Mortality</u> | | <u>Disability</u> | |
| | <u>Employees</u> | | <u>Employees</u> | |
| | <u>Male</u> | <u>Female</u> | <u>Male</u> | <u>Female</u> |
| 25 | 0.04% | 0.01% | 0.06% | 0.05% |
| 30 | 0.04% | 0.02% | 0.12% | 0.07% |
| 35 | 0.08% | 0.03% | 0.17% | 0.15% |
| 40 | 0.11% | 0.05% | 0.29% | 0.19% |
| 45 | 0.15% | 0.07% | 0.40% | 0.27% |
| 50 | 0.21% | 0.11% | 0.58% | 0.46% |
| 55 | 0.30% | 0.16% | 0.92% | 0.74% |
| 60 | 0.49% | 0.26% | 1.15% | 1.12% |
| 64 | 0.70% | 0.35% | 1.44% | 1.56% |

Actuarial Section

4. Mortality After Retirement

For healthy retirees and beneficiaries, the UP-94 Mortality Table rates, with the female rates set back one year. A separate table of mortality rates is used for disabled retirees. The following are sample rates:

| Age | Healthy | | Disabled | |
|-----|---------|--------|----------|--------|
| | Male | Female | Male | Female |
| 50 | 0.28% | 0.14% | 3.06% | 2.31% |
| 55 | 0.48% | 0.22% | 3.86% | 2.66% |
| 60 | 0.86% | 0.42% | 4.82% | 2.98% |
| 65 | 1.56% | 0.82% | 5.42% | 3.33% |
| 70 | 2.55% | 1.37% | 5.91% | 3.70% |
| 75 | 4.00% | 2.19% | 6.74% | 4.43% |
| 80 | 6.67% | 3.80% | 9.02% | 6.71% |
| 85 | 10.46% | 6.56% | 13.45% | 10.15% |

5. Marriage Assumption

One hundred percent of all active and special contributor members are assumed to be married, with female spouses being four years younger.

6. Asset Valuation Method

The actuarial value of assets is equal to the market value of assets less a five-year phase in of the excess (shortfall) between expected investment return and actual net income (both based on market value) with the resulting value not being less than 80 percent or more than 120 percent of the market value of assets.

7. Cost Method

Projected benefit method with level percentage entry age normal cost and close-end unfunded actuarial accrued liability. Gains and losses are amortized over the closed period.

8. Cost-of-Living Increases

None assumed.

9. Payroll Growth Rate

None assumed.

10. Administrative and Investment Expenses

The investment return assumption represents the expected return net of all administrative and investment expenses.

11. Changes from Prior Valuation

None.

12. Adoption Date

The current actuarial assumptions and methods were adopted by the State Budget and Control Board on May 4, 2004.

Actuarial Section

General Assembly Retirement System Development of Actuarial Value of Assets *(Amounts expressed in thousands)*

| Item | Valuation as of July 1, 2005 |
|--|---------------------------------|
| 1. Excess (Shortfall) of Investment Income for Current Year and Previous Three Years: | |
| a. Current Year | \$ (9) |
| b. Current Year - 1 | 927 |
| c. Current Year - 2 | 1,068 |
| d. Current Year - 3 | \$ (3,065) |
| 2. Deferral of Excess (Shortfall) of Investment Income for: | |
| a. Current Year (80% Deferral) | \$ (7) |
| b. Current Year - 1 (60% Deferral) | 556 |
| c. Current Year - 2 (40% Deferral) | 427 |
| d. Current Year - 3 (20% Deferral) | (613) |
| e. Total Deferred for Year | \$ 363 |
| 3. Market Value of Plan Assets, End of Year | \$ 46,679 |
| 4. Preliminary Actuarial Value of Plan Assets, End of Year (Item 3 - Item 2.e.) | \$ 46,316 |
| 5. Actuarial Value of Assets Corridor | |
| a. 80% of Market Value of Assets, End of Year | \$ 37,343 |
| b. 120% of Market Value of Assets, End of Year | \$ 56,015 |
| 6. Final Actuarial Value of Plan Assets, End of Year (Item 4., But Not Less Than Item 5.a., or Greater Than Item 5.b.) | \$ 46,316 |

**Judges and Solicitors Retirement System
Summary of Actuarial Assumptions and Methods**

1. Investment Return to be Earned by Fund

7.25 percent per annum, compounded annually, composed of an assumed 3.00 percent inflation rate and a 4.25 percent real rate of return, net of investment and administrative expenses.

2. Salary Increases

3.25 percent per annum, compounded annually.

3. Disability and Pre-retirement Mortality Rates

The following are representative values of the assumed annual rates of disability and pre-retirement death.

| <u>Age</u> | <u>Annual Rates of</u> | | | |
|------------|------------------------|---------------|-------------------|---------------|
| | <u>Mortality</u> | | <u>Disability</u> | |
| | <u>Employees</u> | | <u>Employees</u> | |
| | <u>Male</u> | <u>Female</u> | <u>Male</u> | <u>Female</u> |
| 25 | 0.06% | 0.03% | 0.04% | 0.05% |
| 30 | 0.07% | 0.04% | 0.06% | 0.07% |
| 35 | 0.07% | 0.04% | 0.08% | 0.07% |
| 40 | 0.10% | 0.05% | 0.15% | 0.12% |
| 45 | 0.18% | 0.08% | 0.25% | 0.25% |
| 50 | 0.30% | 0.13% | 0.40% | 0.40% |
| 55 | 0.46% | 0.21% | 0.65% | 0.65% |
| 60 | 0.65% | 0.33% | 1.00% | 1.00% |
| 64 | 0.99% | 0.54% | 1.25% | 1.25% |

No in-service withdrawals are assumed.

4. Mortality After Retirement

For healthy retirees and beneficiaries, the 1983 Group Annuity Mortality Table rates. A separate table of mortality rates is used for disabled retirees. The following are sample rates for the healthy retirees and beneficiaries:

| <u>Age</u> | <u>Male</u> | <u>Female</u> |
|------------|-------------|---------------|
| 60 | 0.92% | 0.42% |
| 65 | 1.56% | 0.71% |
| 70 | 2.75% | 1.24% |
| 75 | 4.46% | 2.40% |
| 80 | 7.41% | 4.29% |
| 85 | 11.48% | 6.99% |

5. Normal Retirement Assumption

Based upon our review and analysis of historical experience and survey information of current active members, we recommend a change to the normal retirement assumption. The recommended assumption and the assumption used in the prior valuation are shown on the next page.

Actuarial Section

Upon meeting the retirement eligibility requirement, participants are assumed to retire in the following manner:

| Recommended Assumption | | | | | |
|------------------------|--------------------|------------|----------|----------------|------------|
| Age | Solicitors Service | % Retiring | Age | Judges Service | % Retiring |
| 70 to 72 | 15 to 19 | 12 | 70 to 72 | 15 to 19 | 12 |
| 65 to 69 | 20 to 23 | 40 | 65 to 69 | 20 to 24 | 40 |
| Any | 24 | 40 | Any | 25 | 25 |
| Any | 25 | 25 | Any | 26 | 15 |
| Any | 26 | 12 | Any | 27 | 15 |
| Any | 27 | 12 | Any | 28 | 15 |
| Any | 28 | 12 | Any | 29 | 15 |
| Any | 29 | 12 | Any | 30 | 15 |
| Any | 30 | 12 | Any | 31 | 15 |
| Any | 31 | 35 | Any | 32 | 35 |
| Any | 32 and over | 12 | Any | 33 and over | 15 |

Additionally, 100 percent of participants are assumed to retire upon reaching the mandatory retirement age of 72.

| Prior Valuation Assumption | | | |
|----------------------------|-------------|------------------|--------------|
| Years of Service | | Retirement Rates | |
| Solicitors | Judges | Age 65 and Below | After Age 65 |
| 24 | 25 | 40.00% | 12.00% |
| 25 | 26 | 25.00% | 12.00% |
| 26 | 27 | 12.00% | 12.00% |
| 27 | 28 | 12.00% | 12.00% |
| 28 | 29 | 12.00% | 12.00% |
| 29 | 30 | 12.00% | 12.00% |
| 30 | 31 | 12.00% | 12.00% |
| 31 | 32 | 12.00% | 12.00% |
| 32 and over | 33 and over | 12.00% | 12.00% |

Additionally, 100 percent of participants are assumed to retire upon reaching the mandatory retirement age of 72.

6. Marriage Assumption

Ninety-five percent of all active members are assumed to be married with female spouses being three years younger.

7. Asset Valuation Method

The actuarial value of assets is equal to the market value of assets less a five-year phase in of the excess (shortfall) between expected investment return and actual net income (both based on market value) with the resulting value not being less than 80 percent or more than 120 percent of the market value of assets.

8. Cost Methods

Projected benefit method with level percentage entry age normal cost. Gains and losses are reflected in the period remaining to liquidate the unfunded actuarial accrued liability. The calculation of the amortization period takes into account future increases to contribution rates applicable to future years, payroll growth and the results are rounded to the nearest year.

Actuarial Section

9. Cost-of-Living Increases

3.25 percent per annum.

10. Administrative and Investment Expenses

The investment return assumption represents the expected return net of all administrative and investment expenses.

11. Payroll Growth Rate

3.25 percent per annum.

12. Changes from Prior Valuation

The valuation results are based upon a recommended change to the normal retirement assumption. In the course of preparing this year's valuation, we analyzed historical normal retirement experience and recent survey information of current active members to develop and recommend an improved normal retirement assumption.

13. Adoption Date

The current actuarial assumptions and methods were adopted by the State Budget and Control Board on April 20, 2004. On May 16, 2006, the Budget and Control Board adopted the recommended employer contribution increase necessary to maintain a 30-year amortization period, with a delayed effective date of July 1, 2007.

Judges and Solicitors Retirement System Development of Actuarial Value of Assets *(Amounts expressed in thousands)*

| Item | Valuation as of July 1, 2005 |
|--|---------------------------------|
| 1. Excess (Shortfall) of Investment Income for Current Year and Previous Three Years: | |
| a. Current Year | \$ (31) |
| b. Current Year - 1 | 1,619 |
| c. Current Year - 2 | 1,878 |
| d. Current Year - 3 | (5,959) |
| 2. Deferral of Excess (Shortfall) of Investment Income for: | |
| a. Current Year (80% Deferral) | \$ (25) |
| b. Current Year - 1 (60% Deferral) | 971 |
| c. Current Year - 2 (40% Deferral) | 751 |
| d. Current Year - 3 (20% Deferral) | (1,192) |
| e. Total Deferred for Year | \$ 505 |
| 3. Market Value of Plan Assets, End of Year | \$ 119,393 |
| 4. Preliminary Actuarial Value of Plan Assets, End of Year (Item 3 - Item 2.e.) | \$ 118,888 |
| 5. Actuarial Value of Assets Corridor | |
| a. 80% of Market Value of Assets, End of Year | \$ 95,514 |
| b. 120% of Market Value of Assets, End of Year | \$ 143,271 |
| 6. Final Actuarial Value of Plan Assets, End of Year (Item 4., But Not Less Than Item 5.a., or Greater Than Item 5.b.) | \$ 118,888 |

Actuarial Section

South Carolina Retirement System Schedule of Active Member Valuation Data* As of July 1, 2005

| <u>Valuation Date</u> | <u>Number of Employers</u> | <u>Number of Active Members</u> | <u>Annual Payroll (in thousands)</u> | <u>Annual Average Pay</u> | <u>Percentage Increase In Average Pay</u> |
|-----------------------|----------------------------|---------------------------------|--------------------------------------|---------------------------|---|
| 7-01-05 | 768 | 181,022 | \$ 6,356,489 | \$ 35,114 | 3.30% |
| 7-01-04 | 763 | 181,827 | 6,180,599 | 33,992 | 1.06% |
| 7-01-03 | 763 | 185,538 | 6,240,768 | 33,636 | 3.50% |
| 7-01-02 | 746 | 189,166 | 6,147,712 | 32,499 | 3.42% |
| 7-01-01 | 739 | 191,494 | 6,017,537 | 31,424 | 5.15% |
| 7-01-00 | 729 | 196,825 | 5,881,847 | 29,884 | 5.49% |
| 7-01-99 | 726 | 193,213 | 5,473,759 | 28,330 | 3.83% |
| 7-01-98 | 720 | 190,259 | 5,191,048 | 27,284 | 2.78% |
| 7-01-97 | 725 | 185,597 | 4,927,124 | 26,547 | 4.40% |
| 7-01-96 | 713 | 178,540 | 4,540,100 | 25,429 | 3.28% |

*Does not include Teacher and Employee Retention Incentive (TERI) participants.

Police Officers Retirement System Schedule of Active Member Valuation Data As of July 1, 2005

| <u>Valuation Date</u> | <u>Number of Employers</u> | <u>Number of Active Members</u> | <u>Annual Payroll (in thousands)</u> | <u>Annual Average Pay</u> | <u>Percentage Increase In Average Pay</u> |
|-----------------------|----------------------------|---------------------------------|--------------------------------------|---------------------------|---|
| 7-01-05 | 316 | 23,795 | \$ 850,610 | \$ 35,747 | 3.16% |
| 7-01-04 | 314 | 23,734 | 822,448 | 34,653 | 3.35% |
| 7-01-03 | 314 | 23,871 | 800,394 | 33,530 | 6.08% |
| 7-01-02 | 302 | 23,963 | 757,393 | 31,607 | 3.59% |
| 7-01-01 | 296 | 24,821 | 757,335 | 30,512 | 5.50% |
| 7-01-00 | 297 | 24,782 | 716,749 | 28,922 | 4.82% |
| 7-01-99 | 307 | 23,127 | 638,086 | 27,591 | 4.11% |
| 7-01-98 | 301 | 22,883 | 606,426 | 26,501 | 2.83% |
| 7-01-97 | 297 | 21,829 | 562,553 | 25,771 | 4.31% |
| 7-01-96 | 291 | 20,461 | 505,516 | 24,706 | 2.20% |

Actuarial Section

General Assembly Retirement System Schedule of Active Member Valuation Data* As of July 1, 2005

| <u>Valuation Date</u> | <u>Number of Employers</u> | <u>Number of Active Members*</u> | <u>Annual Payroll (in thousands)</u> | <u>Annual Average Pay</u> | <u>Percentage Increase In Average Pay</u> |
|-----------------------|----------------------------|----------------------------------|--------------------------------------|---------------------------|---|
| 7-01-05 | 2 | 170 | \$ 3,853 | \$ 22,668 | 0.38% |
| 7-01-04 | 2 | 170 | 3,839 | 22,582 | (0.13%) |
| 7-01-03 | 2 | 170 | 3,844 | 22,612 | 0.17% |
| 7-01-02 | 2 | 200 | 4,515 | 22,573 | (0.91%) |
| 7-01-01 | 2 | 209 | 4,761 | 22,781 | (0.12%) |
| 7-01-00 | 2 | 213 | 4,858 | 22,808 | 0.31% |
| 7-01-99 | 2 | 219 | 4,979 | 22,737 | (0.26%) |
| 7-01-98 | 2 | 211 | 4,810 | 22,797 | 0.00% |
| 7-01-97 | 2 | 207 | 4,721 | 22,800 | 1.79% |
| 7-01-96 | 2 | 213 | 4,772 | 22,400 | 0.00% |

*Beginning July 1, 2003, does not include special contributors.

Judges and Solicitors Retirement System Schedule of Active Member Valuation Data As of July 1, 2005

| <u>Valuation Date</u> | <u>Number of Employers</u> | <u>Number of Active Members</u> | <u>Annual Payroll (in thousands)</u> | <u>Annual Average Pay</u> | <u>Percentage Increase In Average Pay</u> |
|-----------------------|----------------------------|---------------------------------|--------------------------------------|---------------------------|---|
| 7-01-05 | 2 | 128 | \$ 15,465 | \$ 120,820 | 4.00% |
| 7-01-04 | 2 | 128 | 14,870 | 116,172 | 3.00% |
| 7-01-03 | 2 | 128 | 14,437 | 112,789 | 1.59% |
| 7-01-02 | 2 | 128 | 14,211 | 111,026 | 0.73% |
| 7-01-01 | 2 | 128 | 14,109 | 110,223 | 4.26% |
| 7-01-00 | 2 | 125 | 13,214 | 105,715 | 4.49% |
| 7-01-99 | 2 | 126 | 12,748 | 101,174 | 4.99% |
| 7-01-98 | 2 | 120 | 11,564 | 96,363 | 3.05% |
| 7-01-97 | 2 | 120 | 11,221 | 93,508 | 6.38% |
| 7-01-96 | 2 | 115 | 10,109 | 87,904 | 0.81% |

Actuarial Section

South Carolina Retirement System The Number and Earnable Compensation of Active Members As of July 1, 2005 *(Dollar amounts expressed in thousands)*

| <u>GROUP</u> | <u>NUMBER</u> | <u>ANNUAL COMPENSATION</u> |
|-----------------|----------------|--------------------------------|
| State Employees | 53,098 | \$ 2,019,747 |
| Teachers | 79,659 | 2,762,340 |
| Other | 48,265 | 1,574,402 |
| Total | <u>181,022</u> | <u>\$ 6,356,489</u> |

Note: In addition, there are 148,888 inactive members with contributions still in the System. The results of the valuation were adjusted to take these members into account.

Police Officers Retirement System The Number and Earnable Compensation of Active Members As of July 1, 2005 *(Dollar amounts expressed in thousands)*

| <u>NUMBER</u> | <u>ANNUAL COMPENSATION</u> |
|---------------|--------------------------------|
| 23,795 | \$ 850,610 |

Note: In addition, there are 10,207 inactive members with contributions still in the System. The results of the valuation were adjusted to take these members into account.

Actuarial Section

General Assembly Retirement System The Number and Earnable Compensation of Active Members As of July 1, 2005 *(Dollar amounts expressed in thousands)*

| NUMBER | ANNUAL COMPENSATION |
|--------|------------------------|
| 170 | \$ 3,854 |

Note: There are 65 inactive members with contributions still in the System, and there are 33 special contributors. The results of the valuation were adjusted to take these members into account. Numbers shown above do not include open seats or members receiving retirement benefits while continuing in office.

Judges and Solicitors Retirement System The Number and Earnable Compensation of Active Members As of July 1, 2005 *(Dollar amounts expressed in thousands)*

| NUMBER | ANNUAL COMPENSATION |
|--------|------------------------|
| 128 | \$ 15,465 |

Note: There are seven inactive members with contributions still in the System. The results of the valuation were adjusted to take these members into account. Numbers above were not adjusted for open seats.

Actuarial Section

South Carolina Retirement System
The Number and Annual Retirement Allowances of
Retired Members and Beneficiaries*
As of July 1, 2005
(Dollar amounts expressed in thousands)

| <u>GROUP</u> | <u>NUMBER</u> | <u>ANNUAL RETIREMENT ALLOWANCES</u> |
|--------------------------------|---------------|---|
| Service Retirements: | | |
| Employees: | | |
| Men | 18,637 | \$ 400,555 |
| Women | 20,842 | 311,304 |
| Total | <u>39,479</u> | <u>711,859</u> |
| Teachers: | | |
| Men | 7,527 | 177,172 |
| Women | 30,752 | 538,463 |
| Total | <u>38,279</u> | <u>715,635</u> |
| Disability Retirements: | | |
| Employees: | | |
| Men | 2,818 | 33,135 |
| Women | 3,308 | 35,588 |
| Total | <u>6,126</u> | <u>68,723</u> |
| Teachers: | | |
| Men | 800 | 10,694 |
| Women | 3,238 | 37,970 |
| Total | <u>4,038</u> | <u>48,664</u> |
| Beneficiaries: | | |
| Men | 1,793 | 12,180 |
| Women | 4,952 | 53,356 |
| Total | <u>6,745</u> | <u>65,536</u> |
| Grand Total | <u>94,667</u> | <u>\$ 1,610,417</u> |

*Includes Teacher and Employee Retention Incentive (TERI) participants.

Actuarial Section

Police Officers Retirement System The Number and Annual Retirement Allowances of Retired Members and Beneficiaries

As of July 1, 2005

(Dollar amounts expressed in thousands)

| GROUP | NUMBER | ANNUAL RETIREMENT ALLOWANCES |
|--------------------------------|--------|------------------------------------|
| Service Retirements: | | |
| Men | 6,164 | \$ 113,833 |
| Women | 1,088 | 12,774 |
| Total | 7,252 | 126,607 |
| Disability Retirements: | | |
| Men | 1,132 | 20,219 |
| Women | 305 | 3,885 |
| Total | 1,437 | 24,104 |
| Beneficiaries: | | |
| Men | 30 | 245 |
| Women | 942 | 9,800 |
| Total | 972 | 10,045 |
| Grand Total | 9,661 | \$ 160,756 |

General Assembly Retirement System The Number and Annual Retirement Allowances of Retired Members and Beneficiaries

As of July 1, 2005

(Dollar amounts expressed in thousands)

| GROUP | NUMBER | ANNUAL RETIREMENT ALLOWANCES |
|--------------------------------|--------|------------------------------------|
| Service Retirements: | | |
| Men | 218 | \$ 4,155 |
| Women | 25 | 474 |
| Total | 243 | 4,629 |
| Disability Retirements: | | |
| Men | 1 | 15 |
| Women | 0 | 0 |
| Total | 1 | 15 |
| Beneficiaries: | | |
| Men | 0 | 0 |
| Women | 68 | 1,072 |
| Total | 68 | 1,072 |
| Grand Total | 312 | \$ 5,716 |

Actuarial Section

Judges and Solicitors Retirement System The Number and Annual Retirement Allowances of Retired Members and Beneficiaries

As of July 1, 2005

(Dollar amounts expressed in thousands)

| GROUP | NUMBER | ANNUAL RETIREMENT ALLOWANCES |
|--------------------------------|--------|------------------------------------|
| Service Retirements: | | |
| Men | 96 | \$ 8,215 |
| Women | 1 | 84 |
| Total | 97 | 8,299 |
| Disability Retirements: | | |
| Men | 1 | 87 |
| Women | 0 | 0 |
| Total | 1 | 87 |
| Beneficiaries: | | |
| Men | 11 | 254 |
| Women | 32 | 974 |
| Total | 43 | 1,228 |
| Grand Total | 141 | \$ 9,614 |

Actuarial Section

South Carolina Retirement System Schedule of Retirants Added to and Removed from Rolls* (Dollar amounts except average allowance expressed in thousands)

| Year Ended | Added to Rolls | | Removed from Rolls | | Rolls End of the Year | | % Increase in Annual Allowances | Average Annual Allowances |
|------------|----------------|-------------------|--------------------|-------------------|-----------------------|-------------------|---------------------------------|---------------------------|
| | Number | Annual Allowances | Number | Annual Allowances | Number | Annual Allowances | | |
| 7-01-05 | 7,203 | \$ 167,748 | 2,143 | \$ 23,537 | 94,667 | \$ 1,610,417 | 9.8% | \$ 17,011 |
| 7-01-04 | 7,319 | 151,477 | 2,132 | 22,656 | 89,607 | 1,466,206 | 9.6% | 16,363 |
| 7-01-03 | 7,866 | 163,867 | 2,510 | 27,662 | 84,420 | 1,337,385 | 11.3% | 15,842 |
| 7-01-02 | 7,344 | 140,077 | 2,334 | 24,531 | 79,064 | 1,201,180 | 10.6% | 15,193 |
| 7-01-01 | 12,523 | 284,739 | 2,474 | 23,735 | 74,054 | 1,085,634 | 31.7% | 14,660 |
| 7-01-00 | 4,772 | 93,459 | 1,830 | 17,139 | 64,005 | 824,630 | 10.2% | 12,884 |
| 7-01-99 | 4,961 | 68,522 | 2,436 | 12,175 | 61,063 | 748,310 | 8.1% | 12,255 |
| 7-01-98 | 4,580 | 61,751 | 2,169 | 13,592 | 58,538 | 691,963 | 7.5% | 11,321 |
| 7-01-97 | 4,601 | 78,201 | 2,346 | 10,928 | 56,127 | 643,804 | 11.7% | 11,470 |
| 7-01-96 | 3,368 | 49,605 | 1,572 | 11,383 | 53,872 | 576,531 | 7.1% | 10,702 |

*Includes Teacher and Employee Retention Incentive (TERI) participants.

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

| Year Ended | Added to Rolls | | Removed from Rolls | | Rolls End of the Year | | % Increase in Annual Allowances | Average Annual Allowances |
|------------|----------------|-------------------|--------------------|-------------------|-----------------------|-------------------|---------------------------------|---------------------------|
| | Number | Annual Allowances | Number | Annual Allowances | Number | Annual Allowances | | |
| 7-01-05 | 778 | \$ 12,576 | 173 | \$ 2,147 | 9,661 | \$ 160,756 | 9.8% | \$ 16,640 |
| 7-01-04 | 894 | 16,256 | 265 | 2,923 | 9,056 | 146,348 | 10.8% | 16,114 |
| 7-01-03 | 947 | 18,614 | 226 | 2,733 | 8,427 | 133,015 | 13.6% | 15,784 |
| 7-01-02 | 956 | 17,378 | 220 | 2,639 | 7,706 | 117,134 | 14.4% | 15,200 |
| 7-01-01 | 989 | 17,235 | 341 | 3,986 | 6,970 | 102,395 | 14.9% | 14,691 |
| 7-01-00 | 549 | 9,979 | 152 | 1,581 | 6,322 | 89,146 | 10.4% | 14,101 |
| 7-01-99 | 606 | 8,490 | 238 | 1,731 | 5,925 | 80,748 | 9.1% | 13,628 |
| 7-01-98 | 492 | 6,924 | 154 | 1,085 | 5,557 | 73,989 | 8.6% | 13,315 |
| 7-01-97 | 533 | 9,024 | 176 | 759 | 5,219 | 68,150 | 13.8% | 13,058 |
| 7-01-96 | 415 | 5,866 | 100 | 791 | 4,862 | 59,885 | 9.3% | 12,317 |

Actuarial Section

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

| Year Ended | Added to Rolls | | Removed from Rolls | | Rolls End of the Year | | % Increase in Annual Allowances | Average Annual Allowances |
|------------|----------------|-------------------|--------------------|-------------------|-----------------------|-------------------|---------------------------------|---------------------------|
| | Number | Annual Allowances | Number | Annual Allowances | Number | Annual Allowances | | |
| 7-01-05 | 22 | \$ 486 | 7 | \$ 125 | 312 | \$ 5,716 | 6.8% | \$ 18,321 |
| 7-01-04 | 12 | 185 | 9 | 119 | 297 | 5,353 | 1.2% | 18,023 |
| 7-01-03 | 40 | 839 | 12 | 226 | 294 | 5,287 | 13.1% | 17,983 |
| 7-01-02 | 24 | 453 | 9 | 160 | 266 | 4,674 | 6.7% | 17,571 |
| 7-01-01 | 27 | 609 | 11 | 204 | 251 | 4,381 | 10.2% | 17,454 |
| 7-01-00 | 8 | 118 | 7 | 110 | 235 | 3,976 | 0.2% | 16,919 |
| 7-01-99 | 16 | 257 | 6 | 62 | 234 | 3,968 | 5.2% | 16,957 |
| 7-01-98 | 9 | 125 | 6 | 159 | 224 | 3,773 | (0.9%) | 16,844 |
| 7-01-97 | 18 | 233 | 4 | 92 | 221 | 3,807 | 3.8% | 17,226 |
| 7-01-96 | 6 | 159 | 4 | 43 | 207 | 3,666 | 3.3% | 17,710 |

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

| Year Ended | Added to Rolls | | Removed from Rolls | | Rolls End of the Year | | % Increase in Annual Allowances | Average Annual Allowances |
|------------|----------------|-------------------|--------------------|-------------------|-----------------------|-------------------|---------------------------------|---------------------------|
| | Number | Annual Allowances | Number | Annual Allowances | Number | Annual Allowances | | |
| 7-01-05 | 3 | \$ 581 | 1 | \$ 27 | 141 | \$ 9,615 | 6.1% | \$ 68,191 |
| 7-01-04 | 11 | 925 | 2 | 139 | 139 | 9,061 | 9.5% | 65,190 |
| 7-01-03 | 11 | 716 | 7 | 493 | 130 | 8,275 | 2.8% | 63,654 |
| 7-01-02 | 13 | 706 | 5 | 248 | 126 | 8,052 | 6.0% | 63,905 |
| 7-01-01 | 9 | 685 | 6 | 442 | 118 | 7,594 | 3.3% | 64,356 |
| 7-01-00 | 7 | 772 | 4 | 276 | 115 | 7,351 | 7.2% | 63,926 |
| 7-01-99 | 9 | 598 | 3 | 209 | 112 | 6,855 | 6.0% | 61,205 |
| 7-01-98 | 8 | 812 | 3 | 198 | 106 | 6,466 | 10.5% | 60,996 |
| 7-01-97 | 4 | 746 | 4 | 187 | 101 | 5,852 | 10.6% | 57,941 |
| 7-01-96 | 7 | 1,014 | 0 | 0 | 101 | 5,293 | 11.9% | 52,406 |

Actuarial Section

Summary of Accrued and Unfunded Accrued Liabilities (Dollar amounts expressed in thousands)

| | Valuation Date | Valuation Assets | Aggregate Accrued Liabilities | Actuarial Assets as a % of Actuarial Accrued Liabilities | Unfunded Accrued Liabilities | Annual Active Member Payroll | UAL as a % of Active Member Payroll |
|------|----------------|------------------|-------------------------------|--|------------------------------|------------------------------|-------------------------------------|
| SCRS | 7-01-05 | \$21,625,510 | \$30,217,471 | 71.6% | \$ 8,591,961 | \$ 6,356,489 | 135.2% |
| | 7-01-04 | 20,862,659 | 25,977,852 | 80.3% | 5,115,193 | 6,180,599 | 82.8% |
| | 7-01-03 | 20,197,936 | 24,398,931 | 82.8% | 4,200,995 | 6,240,768 | 67.3% |
| | 7-01-02 | 19,298,174 | 22,446,574 | 86.0% | 3,148,400 | 6,147,712 | 51.2% |
| | 7-01-01 | 18,486,773 | 21,162,147 | 87.4% | 2,675,374 | 6,017,537 | 44.5% |
| | 7-01-00 | 17,286,108 | 19,414,972 | 89.0% | 2,128,864 | 5,881,847 | 36.2% |
| | 7-01-99 | 16,120,513 | 16,298,438 | 98.9% | 177,925 | 5,473,759 | 3.3% |
| | 7-01-98 | 14,946,070 | 15,952,345 | 93.7% | 1,006,275 | 5,191,048 | 19.4% |
| | 7-01-97 | 13,621,362 | 14,977,179 | 90.9% | 1,355,817 | 4,927,124 | 27.5% |
| | 7-01-96 | 12,499,235 | 14,062,092 | 88.9% | 1,562,857 | 4,540,100 | 34.4% |
| PORS | 7-01-05 | \$ 2,774,606 | \$ 3,173,930 | 87.4% | \$ 399,324 | \$ 850,610 | 46.9% |
| | 7-01-04 | 2,616,835 | 2,984,584 | 87.7% | 367,749 | 822,448 | 44.7% |
| | 7-01-03 | 2,511,369 | 2,744,849 | 91.5% | 233,480 | 800,394 | 29.2% |
| | 7-01-02 | 2,351,100 | 2,527,876 | 93.0% | 176,776 | 757,393 | 23.3% |
| | 7-01-01 | 2,197,982 | 2,324,257 | 94.6% | 126,275 | 757,335 | 16.7% |
| | 7-01-00 | 2,008,554 | 2,095,991 | 95.8% | 87,437 | 716,749 | 12.2% |
| | 7-01-99 | 1,844,517 | 1,898,237 | 97.2% | 53,720 | 638,086 | 8.4% |
| | 7-01-98 | 1,684,641 | 1,733,578 | 97.2% | 48,937 | 606,426 | 8.1% |
| | 7-01-97 | 1,512,390 | 1,570,816 | 96.3% | 58,426 | 562,553 | 10.4% |
| | 7-01-96 | 1,367,549 | 1,427,785 | 95.8% | 60,236 | 505,516 | 11.9% |

Note: Effective 7-1-1995, actuarial assumptions were changed as a result of a 5 year experience study, the investment return assumption was changed from 8% to 7.25%, an assumption of future COLA adjustments was removed (SCRS and PORS) and the method of valuing assets was changed from book value to a smoothed market value.

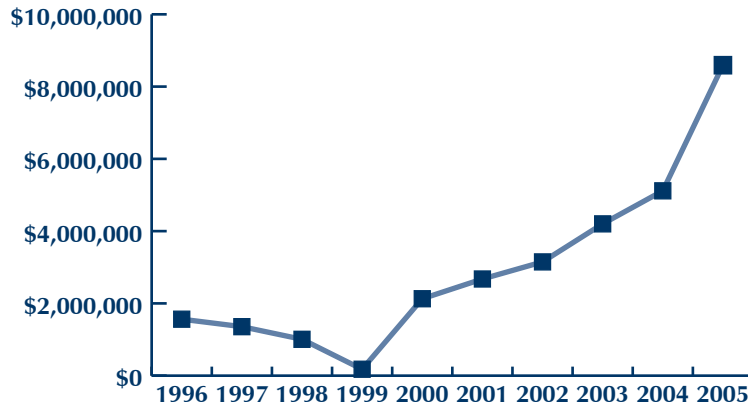
Effective 7-1-1999, actuarial assumptions were changed as a result of a 5 year experience study.

Effective for the 7-1-2000 valuation, eligibility for an unreduced retirement annuity under SCRS was reduced from 30 years of service to 28 year. The SCRS also adopted a deferred retirement option plan.

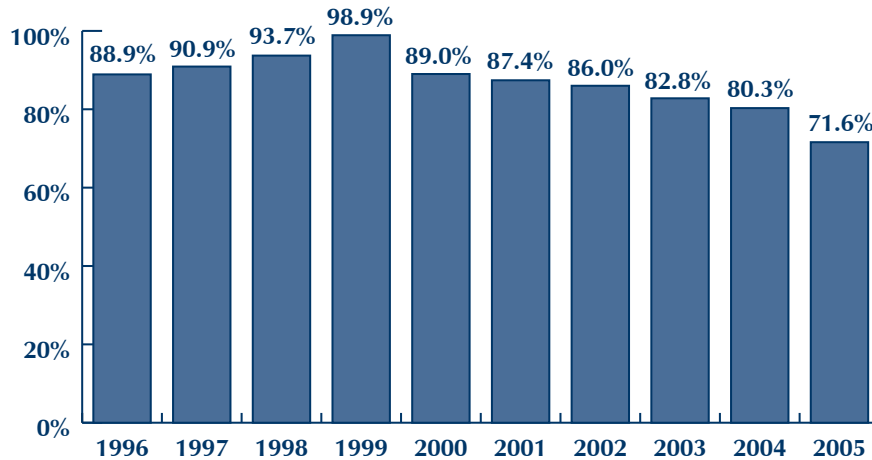
Effective 7-1-2003, actuarial assumptions were changed as a result of a 5 year experience study. The rates of salary increase assumption, the assumed retirement rates, disability incidence assumptions and withdrawal rate assumptions were revised for both SCRS and PORS. In addition, the assumed mortality rates for retired SCRS members were revised, along with the assumed mortality rates of active and disabled members for PORS.

South Carolina Retirement System
Funding Progress with Funded Ratios

Unfunded Accrued Liabilities
(Amounts expressed in thousands)

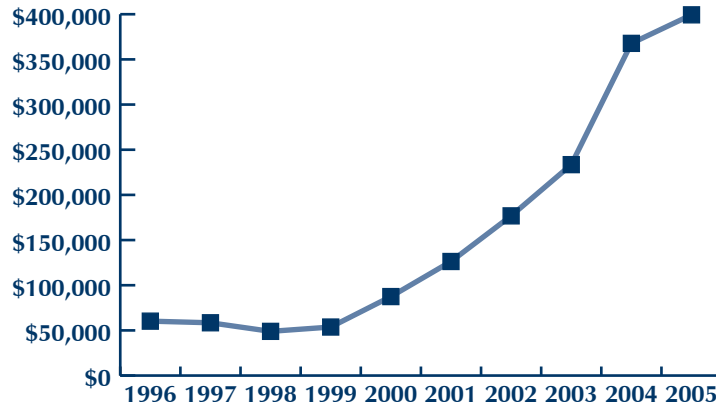


Funded Ratios
(Actuarial assets as a percentage of actuarial accrued liabilities)



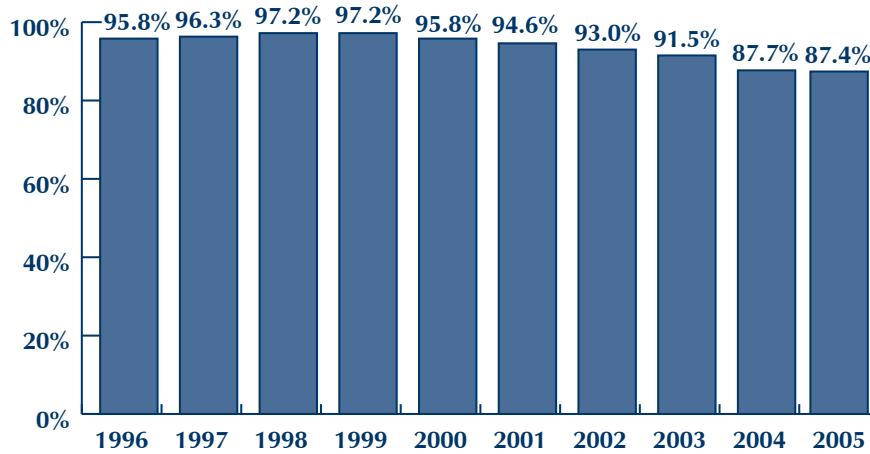
Police Officers Retirement System
Funding Progress with Funded Ratios

Unfunded Accrued Liabilities
(Amounts expressed in thousands)



Funded Ratios

(Actuarial assets as a percentage of actuarial accrued liabilities)



Actuarial Section

Summary of Accrued and Unfunded Accrued Liabilities (Dollar amounts expressed in thousands)

| GARS | Valuation Date | Valuation Assets | Aggregate Accrued Liabilities | Actuarial Assets as a % of Actuarial Accrued Liabilities | Unfunded Accrued Liabilities | Annual Active Member Payroll | UAL as a % of Active Member Payroll |
|------|----------------|------------------|-------------------------------|--|------------------------------|------------------------------|-------------------------------------|
| | 7-01-05 | \$ 46,316 | \$ 69,161 | 67.0% | \$ 22,845 | \$ 3,853 | 592.9% |
| | 7-01-04 | 45,087 | 68,332 | 66.0% | 23,245 | 3,839 | 605.5% |
| | 7-01-03 | 44,682 | 66,619 | 67.1% | 21,937 | 3,844 | 570.8% |
| | 7-01-02 | 43,841 | 73,046 | 60.0% | 29,205 | 4,515 | 646.9% |
| | 7-01-01 | 42,788 | 68,291 | 62.7% | 25,503 | 4,761 | 535.6% |
| | 7-01-00 | 40,730 | 63,947 | 63.7% | 23,217 | 4,858 | 477.9% |
| | 7-01-99 | 38,685 | 63,501 | 60.9% | 24,816 | 4,979 | 498.4% |
| | 7-01-98 | 36,260 | 60,330 | 60.1% | 24,070 | 4,810 | 500.4% |
| | 7-01-97 | 33,627 | 60,052 | 56.0% | 26,425 | 4,721 | 559.7% |
| | 7-01-96 | 31,702 | 59,914 | 52.9% | 28,213 | 4,771 | 591.3% |

| JSRS | Valuation Date | Valuation Assets | Aggregate Accrued Liabilities | Actuarial Assets as a % of Actuarial Accrued Liabilities | Unfunded Accrued Liabilities | Annual Active Member Payroll | UAL as a % of Active Member Payroll |
|------|----------------|------------------|-------------------------------|--|------------------------------|------------------------------|-------------------------------------|
| | 7-01-05 | \$ 118,888 | \$ 204,847 | 58.0% | \$ 85,959 | \$ 15,465 | 555.8% |
| | 7-01-04 | 112,016 | 185,052 | 60.5% | 73,036 | 14,870 | 491.2% |
| | 7-01-03 | 106,114 | 166,655 | 63.7% | 60,541 | 14,437 | 419.3% |
| | 7-01-02 | 100,074 | 166,440 | 60.1% | 66,366 | 14,211 | 467.0% |
| | 7-01-01 | 94,795 | 159,246 | 59.5% | 64,451 | 14,109 | 456.8% |
| | 7-01-00 | 87,536 | 144,631 | 60.5% | 57,095 | 13,214 | 432.1% |
| | 7-01-99 | 81,780 | 134,272 | 60.9% | 52,492 | 12,748 | 411.8% |
| | 7-01-98 | 75,699 | 124,756 | 60.7% | 49,057 | 11,564 | 424.2% |
| | 7-01-97 | 68,980 | 112,185 | 61.5% | 43,205 | 11,221 | 385.0% |
| | 7-01-96 | 62,850 | 101,020 | 62.2% | 38,170 | 10,109 | 377.6% |

Note: Effective 7-1-1995, the investment return assumption was changed from 8% to 7.25% and the method of valuing assets was changed from book value to a smoothed market value.

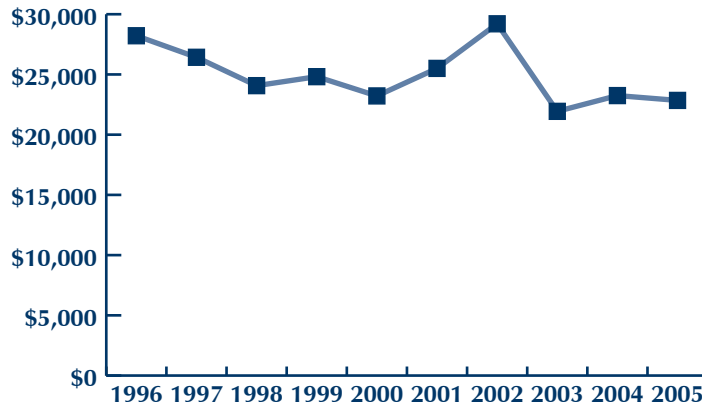
The July 1, 2002, GARS valuation reflected the change in legislation effective January 1, 2003, which allows a member who has attained the age of 70 or has 30 years of service to retire and draw an annuity while continuing to serve in the General Assembly.

Effective 7-1-2003, actuarial assumptions for GARS and JSRS were changed as a result of a 5 year experience study. The rates of salary increase assumption, the assumed retirement rates, and disability incidence assumptions were revised.

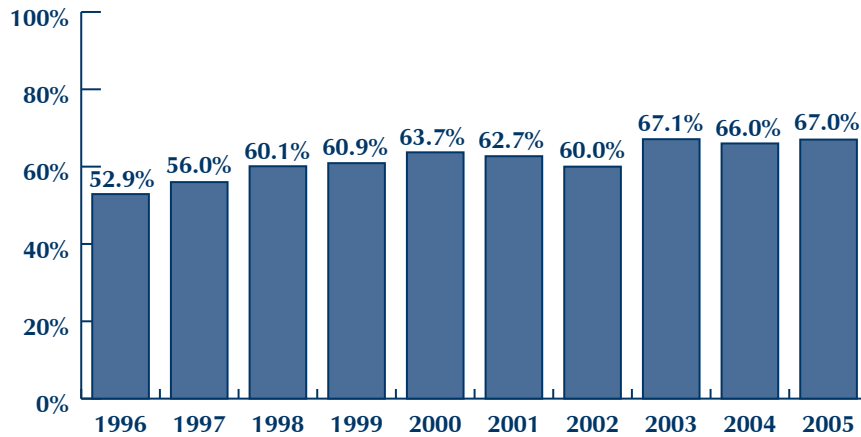
Actuarial Section

General Assembly Retirement System Funding Progress with Funded Ratios

Unfunded Accrued Liabilities
(Amounts expressed in thousands)

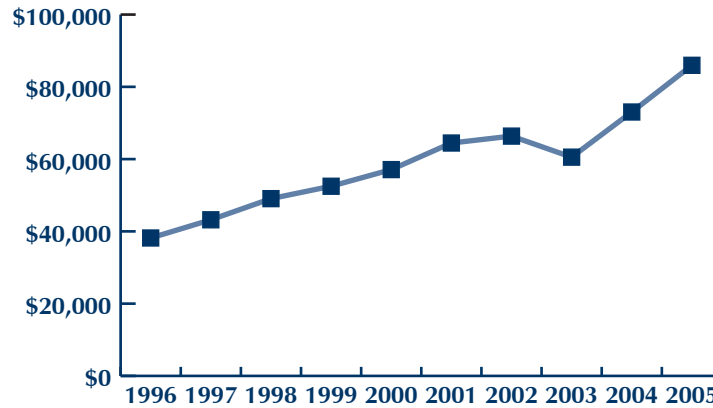


Funded Ratios
(Actuarial assets as a percentage of actuarial accrued liabilities)

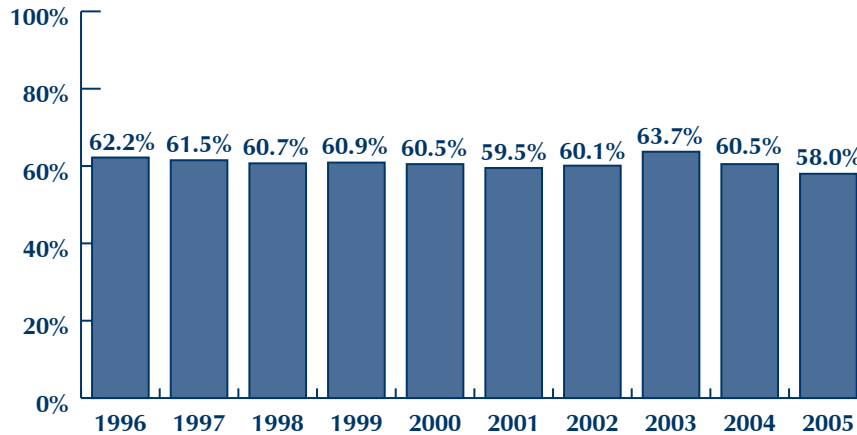


Judges and Solicitors Retirement System
Funding Progress with Funded Ratios

Unfunded Accrued Liabilities
(Amounts expressed in thousands)



Funded Ratios
(Actuarial assets as a percentage of actuarial accrued liabilities)



Actuarial Section

South Carolina Retirement System Analysis of the Increase in the Unfunded Accrued Liability As of July 1, 2005 *(Amounts expressed in millions)*

| <u>Item:</u> | <u>Amount of Increase (Decrease)</u> |
|--|--|
| Beginning of Year Unfunded Actuarial Liability | \$ 5,115 |
| Interest on Unfunded Actuarial Liability | 371 |
| Amortization Payment | (306) |
| Asset Experience | 107 |
| Salary Experience | 137 |
| Other Liability Experience | 40 |
| COLA | 396 |
| Benefit Changes | 2,493 |
| Assumption/Method Changes | 239 |
| Total Increase/(Decrease) | <u>\$ 3,477</u> |
| End of Year Unfunded Actuarial Liability | <u>\$ 8,592</u> |

Police Officers Retirement System Analysis of the Increase in the Unfunded Accrued Liability As of July 1, 2005 *(Amounts expressed in millions)*

| <u>Item:</u> | <u>Amount of Increase (Decrease)</u> |
|--|--|
| Beginning of Year Unfunded Actuarial Liability | \$ 367.7 |
| Interest on Unfunded Actuarial Liability | 26.7 |
| Amortization Payment | (31.5) |
| Asset Experience | 14.6 |
| Salary Experience | 3.0 |
| Other Liability Experience | (30.5) |
| COLA | 50.3 |
| Benefit Changes | (1.0) |
| Assumption/Method Changes | - |
| Total Increase/(Decrease) | <u>\$ 31.6</u> |
| End of Year Unfunded Actuarial Liability | <u>\$ 399.3</u> |

Actuarial Section

General Assembly Retirement System Analysis of the Increase in the Unfunded Accrued Liability As of July 1, 2005 *(Amounts expressed in millions)*

| <u>Item:</u> | <u>Amount of Increase (Decrease)</u> |
|--|--|
| Beginning of Year Unfunded Actuarial Liability | \$ 23,245 |
| Interest on Unfunded Actuarial Liability | 1,685 |
| Required Amortization Payment | (3,039) |
| Asset Experience | 191 |
| Salary Experience | N/A |
| Other Liability Experience | 332 |
| Service Purchase | 431 |
| Benefit Changes | - |
| Assumption/Method Changes | - |
| Total Increase/(Decrease) | \$ (400) |
| End of Year Unfunded Actuarial Liability | <u>\$ 22,845</u> |

Judges and Solicitors Retirement System Analysis of the Increase in the Unfunded Accrued Liability As of July 1, 2005 *(Amounts expressed in millions)*

| <u>Item:</u> | <u>Amount of Increase (Decrease)</u> |
|--|--|
| Beginning of Year Unfunded Actuarial Liability | \$ 73.0 |
| Interest on Unfunded Actuarial Liability | 5.3 |
| Amortization Payment | (4.5) |
| Asset Experience | 0.4 |
| Salary Experience | 0.6 |
| Other Liability Experience | 5.5 |
| COLA | 0.8 |
| Benefit Changes | - |
| Assumption/Method Changes | 4.9 |
| Total Increase/(Decrease) | \$ 13.0 |
| End of Year Unfunded Actuarial Liability | <u>\$ 86.0</u> |

Actuarial Section

Solvency Test (Dollar amounts expressed in thousands)

| | Valuation Date | (1) | (2) | (3) | Valuation Assets | Portion of Aggregate Accrued Liabilities Covered by Assets | | |
|-------------|----------------|-----------------------------|---------------------------|--|------------------|--|-------|-------|
| | | Active Member Contributions | Retirants & Beneficiaries | Active Members (Employer Funded Portion) | | (1) | (2) | (3) |
| SCRS | 7-01-05 | \$ 4,915,423 | \$ 16,891,954 | \$ 8,410,094 | \$ 21,625,510 | 100% | 98.7% | 0.0% |
| | 7-01-04 | 4,750,077 | 14,184,765 | 7,043,010 | 20,862,659 | 100% | 100% | 27.4% |
| | 7-01-03 | 4,627,360 | 13,240,368 | 6,531,203 | 20,197,936 | 100% | 100% | 35.7% |
| | 7-01-02 | 4,512,402 | 11,600,395 | 6,333,777 | 19,298,174 | 100% | 100% | 50.3% |
| | 7-01-01 | 4,339,747 | 10,367,913 | 6,454,487 | 18,486,773 | 100% | 100% | 58.6% |
| | 7-01-00 | 4,563,513 | 7,484,050 | 7,367,149 | 17,286,108 | 100% | 100% | 71.1% |
| | 7-01-99 | 4,278,861 | 6,944,021 | 5,075,556 | 16,120,513 | 100% | 100% | 96.5% |
| | 7-01-98 | 3,972,263 | 6,305,903 | 5,674,179 | 14,946,070 | 100% | 100% | 82.3% |
| | 7-01-97 | 3,657,217 | 5,866,156 | 5,453,806 | 13,621,362 | 100% | 100% | 75.1% |
| | 7-01-96 | 3,399,816 | 5,349,968 | 5,312,308 | 12,499,235 | 100% | 100% | 70.6% |
| PORS | 7-01-05 | \$ 585,701 | \$ 1,530,199 | \$ 1,058,030 | \$ 2,774,606 | 100% | 100% | 62.0% |
| | 7-01-04 | 548,699 | 1,415,627 | 1,020,258 | 2,616,835 | 100% | 100% | 64.0% |
| | 7-01-03 | 516,313 | 1,265,173 | 963,363 | 2,511,369 | 100% | 100% | 75.8% |
| | 7-01-02 | 492,178 | 1,136,998 | 898,700 | 2,351,100 | 100% | 100% | 80.3% |
| | 7-01-01 | 464,217 | 977,769 | 882,271 | 2,197,982 | 100% | 100% | 85.7% |
| | 7-01-00 | 427,449 | 844,631 | 823,911 | 2,008,554 | 100% | 100% | 89.4% |
| | 7-01-99 | 389,456 | 783,042 | 725,739 | 1,844,517 | 100% | 100% | 92.6% |
| | 7-01-98 | 352,424 | 702,155 | 678,999 | 1,684,641 | 100% | 100% | 92.8% |
| | 7-01-97 | 314,217 | 645,356 | 611,243 | 1,512,390 | 100% | 100% | 90.4% |
| | 7-01-96 | 284,655 | 565,405 | 577,726 | 1,367,549 | 100% | 100% | 89.6% |

Note: Effective 7-1-1995, actuarial assumptions were changed as a result of a 5 year experience study, the investment return assumption was changed from 8% to 7.25%, an assumption of future COLA adjustments was removed (SCRS and PORS) and the method of valuing assets was changed from book value to a smoothed market value.

Effective 7-1-1999, actuarial assumptions were changed as a result of a 5 year experience study.

Effective for the 7-1-2000 valuation, eligibility for an unreduced retirement annuity under SCRS was reduced from 30 years of service to 28 years. The SCRS also adopted a deferred retirement option plan.

Effective 7-1-2003, actuarial assumptions were changed as a result of a 5 year experience study. The rates of salary increase assumption, the assumed retirement rates, disability incidence assumptions and withdrawal rate assumptions were revised for both SCRS and PORS. In addition, the assumed mortality rates for retired SCRS members were revised, along with the assumed mortality rates of active and disabled members for PORS.

Actuarial Section

Solvency Test (Dollar amounts expressed in thousands)

| | Valuation Date | | | (3) Active Members (Employer Funded Portion) | Valuation Assets | Portion of Aggregate Accrued Liabilities Covered by Assets | | |
|-------------|----------------|--|--|---|---------------------|---|-------|------|
| | | (1) Active Member Contributions | (2) Retirants & Beneficiaries | | | (1) | (2) | (3) |
| GARS | 7-01-05 | \$ 8,024 | \$ 51,353 | \$ 9,784 | \$ 46,316 | 100% | 74.6% | 0.0% |
| | 7-01-04 | 8,485 | 48,126 | 11,721 | 45,087 | 100% | 76.1% | 0.0% |
| | 7-01-03 | 8,324 | 46,781 | 11,515 | 44,682 | 100% | 77.7% | 0.0% |
| | 7-01-02 | 9,470 | 47,485 | 16,091 | 43,841 | 100% | 72.4% | 0.0% |
| | 7-01-01 | 9,329 | 45,013 | 13,949 | 42,788 | 100% | 74.3% | 0.0% |
| | 7-01-00 | 9,220 | 39,409 | 15,318 | 40,730 | 100% | 80.0% | 0.0% |
| | 7-01-99 | 8,459 | 40,298 | 14,744 | 38,685 | 100% | 75.0% | 0.0% |
| | 7-01-98 | 7,898 | 38,282 | 14,150 | 36,260 | 100% | 74.1% | 0.0% |
| | 7-01-97 | 7,224 | 39,214 | 13,614 | 33,627 | 100% | 67.3% | 0.0% |
| | 7-01-96 | 6,81 | 37,876 | 15,228 | 31,702 | 100% | 65.7% | 0.0% |
| JSRS | 7-01-05 | \$ 20,005 | \$ 110,876 | \$ 73,966 | \$ 118,888 | 100% | 89.2% | 0.0% |
| | 7-01-04 | 17,640 | 106,159 | 61,253 | 112,016 | 100% | 88.9% | 0.0% |
| | 7-01-03 | 16,545 | 96,409 | 53,701 | 106,114 | 100% | 92.9% | 0.0% |
| | 7-01-02 | 16,162 | 101,716 | 48,562 | 100,074 | 100% | 82.5% | 0.0% |
| | 7-01-01 | 15,254 | 97,512 | 46,480 | 94,795 | 100% | 81.6% | 0.0% |
| | 7-01-00 | 12,979 | 94,633 | 37,019 | 87,536 | 100% | 78.8% | 0.0% |
| | 7-01-99 | 12,286 | 87,464 | 34,522 | 81,780 | 100% | 79.5% | 0.0% |
| | 7-01-98 | 11,424 | 81,193 | 32,139 | 75,699 | 100% | 79.2% | 0.0% |
| | 7-01-97 | 10,819 | 70,724 | 30,642 | 68,980 | 100% | 82.2% | 0.0% |
| | 7-01-96 | 9,633 | 65,238 | 26,149 | 62,850 | 100% | 81.6% | 0.0% |

Note: Effective 7-1-1995, the investment return assumption was changed from 8% to 7.25% and the method of valuing assets was changed from book value to a smoothed market value.

The July 1, 2002 GARS valuation reflected the change in legislation effective January 1, 2003, which allows a member who has attained the age of 70 or has 30 years of service to retire and draw an annuity while continuing to serve in the General Assembly.

Effective 7-1-2003, actuarial assumptions for GARS and JSRS were changed as a result of a 5 year experience study. The rates of salary increase assumption, the assumed retirement rates, and disability incidence assumptions were revised.



Cavanaugh Macdonald
CONSULTING, LLC
The experience and dedication you deserve

November 20, 2006

State Budget and Control Board
South Carolina Retirement Systems
Columbia, South Carolina 29211

Re: Certification and Statement Regarding the Actuarial Valuation of the South Carolina National Guard Pension Fund as of June 30, 2005

Dear Members of the Board:

Applicable Laws

The law governing the operation of the South Carolina National Guard Pension Fund provides that actuarial valuation of the assets and liabilities of the Fund shall be made at least every other year. We have prepared the annual actuarial valuation of the Pension Fund as of June 30, 2005.

Funding Objective

A funding objective of the Fund is that the contributions will remain relatively level over time. As these contributions are set by the Board, the valuation is used to determine the sufficiency of the contributions to maintain or improve the measures of the Fund's funding progress (i.e. *funded ratio, funding period*) and provide for the complete funding of all actuarial liabilities within 30 years.

Funding Methodology

The entry age normal actuarial cost method determines the Fund's normal cost, the cost of the current year's benefit accrual. Additionally, the method determines the actuarial liability, the value of benefits already earned by active and retired members due to past service. A smoothing technique is utilized to produce a market-related actuarial value of assets with the goal of dampening the impact of investment return volatility. The *funded ratio* is the actuarial value of assets as a percentage of the actuarial liability.

An unfunded actuarial liability exists to the extent the Fund's actuarial liability exceeds its actuarial value of assets. The contribution amount in excess of the Fund's normal cost is the level dollar amount available to amortize an unfunded actuarial liability. The Fund's *funding period* is the resulting number of years necessary to fully amortize the unfunded actuarial liability with the available contributions.

Assumptions

Actuarial assumptions are necessary to estimate the future economic and demographic experience of the Fund. The actuarial assumptions used in the valuation are internally consistent and reasonably based on the actual experience of the Fund.

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State Budget and Control Board
South Carolina Retirement Systems
November 20, 2006
Page 2

The current actuarial assumptions are in accordance with the applicable Actuarial Standards of Practice, as well as the parameters set forth in the Governmental Accounting Standards Board (GASB) Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*.

The results and conclusions of this report are based on the valuation as of June 30, 2005. Differences between our projections and actual amounts depend on the extent to which future experience conforms exactly to the assumptions used in this analysis. Actual amounts will differ from projected amounts to the extent that actual experience deviates from expected experience.

Data Reliance

In preparing the valuations, we, as the actuary, relied on data provided by the Retirement Systems office. In fulfillment of the scope of our assignment, we performed a limited review of the data for consistency and reasonableness and did not find material defects in the census data.

Supporting Schedules

Our firm, as actuary, is responsible for the actuarial trend data in the financial section of the report and the supporting schedules in the actuarial section, beginning with the information for the July 1, 2004 to June 30, 2005 period. Information for previous years was supplied by other actuarial firms employed by the Fund at that time.

Certification

Based on the results of the June 30, 2005 valuation, we believe that the valuation is appropriately reflecting the Fund's long term obligations and the current contribution levels are sufficient to fund the liabilities over a reasonable time frame, and based on these criteria may be deemed actuarially sound.

I, Edward A. Macdonald, President of Cavanaugh Macdonald Consulting, LLC, am a Member of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein. On the basis of the foregoing, I certify that, to the best of my knowledge this report is complete and accurate and has been prepared in accordance with South Carolina's statutes and generally recognized and accepted actuarial principles and practices which are consistent with the principles prescribed by the Actuarial Standards Board (ASB) and the Code of Professional Conduct and Qualification Standards for Public Statements of Actuarial Opinion of the American Academy of Actuaries.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'E. Macdonald', written over a light blue horizontal line.

Edward A. Macdonald, ASA, FCA, MAAA
President

EAM:sh

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Actuarial Section

National Guard Retirement System Valuation Balance Sheet As of Actuarial Valuation at June 30, 2005 (Amounts expressed in thousands)

| | <u>June 30, 2005</u> |
|---|----------------------|
| 1. <u>Assets</u> | |
| a. <u>Current Assets (Actuarial Value)</u> | \$ 12,151 |
| b. <u>Present Value of Future Member Contributions</u> | \$ - |
| c. <u>Present Value of Future Employer Contributions</u> | |
| i) Normal Contributions | \$ 630 |
| ii) Accrued Liability Contributions | 34,834 |
| iii) Total Future Employer Contributions | <u>\$ 35,464</u> |
| d. <u>Total Assets</u> | <u>\$ 47,615</u> |
| 2. <u>Liabilities</u> | |
| a. <u>Benefits to be Paid to Retired Members and Beneficiaries</u> | \$ 20,804 |
| b. <u>Benefits to be Paid to Former Members Entitled to Deferred Pensions</u> | \$ 15,067 |
| c. <u>Benefits to be Paid to Current Active Members</u> | <u>\$ 11,744</u> |
| d. <u>Total Liabilities</u> | <u>\$ 47,615</u> |

Actuarial Section

National Guard Retirement System Results of the Valuation as of June 30, 2005 (Dollar amounts expressed in thousands)

| | <u>June 30, 2005</u> |
|---|----------------------|
| 1. <u>Actuarial Present Value of Future Benefits</u> | |
| a. Present Retired Members and Beneficiaries | \$ 20,804 |
| b. Former Members Entitled to Deferred Pensions | 15,067 |
| b. Present Active Members | <u>11,744</u> |
| c. Total Actuarial Present Value | \$ 47,615 |
| | |
| 2. <u>Present Value of Future Normal Contributions</u> | |
| a. Employees | \$ - |
| b. Employer | <u>630</u> |
| c. Total Future Normal Contributions | \$ 630 |
| | |
| 3. <u>Actuarial Liability</u> | \$ 46,985 |
| | |
| 4. <u>Current Actuarial Value of Assets</u> | \$ 12,151 |
| | |
| 5. <u>Unfunded Actuarial Liability</u> | \$ 34,834 |
| | |
| 6. <u>Unfunded Actuarial Liability Annual Payment Amount</u> | \$ 2,878 |
| | |
| 7. <u>Unfunded Actuarial Liability Liquidation Period</u> | 30 years |

**National Guard Retirement System
Summary of Actuarial Assumptions and Methods**

1. Investment Return to be Earned by Fund

7.25% per annum, compounded annually.

2. Separations from Active Service

Representative values of the assumed annual rates of separation from active service are as follows:

| Annual Rates of | | | | |
|-----------------|--|---|--------------|-------------------------------|
| Retirement | | | | |
| <u>Age</u> | <u>Under Age 60 with 20 Years of Service</u> | <u>Age 60 with 20 Years of Service or 30 Years of Service</u> | <u>Death</u> | <u>Disability¹</u> |
| 25 | | | .0005 | .0009 |
| 30 | | | .0006 | .0011 |
| 35 | | | .0009 | .0015 |
| 40 | .100 | | .0012 | .0022 |
| 45 | .100 | | .0022 | .0036 |
| 50 | .100 | | .0039 | .0061 |
| 55 | .100 | 1.000 | .0061 | .0101 |
| 60 | | 1.000 | .0092 | .0163 |

¹Applied only to members with less than 20 years of service.

No rates of withdrawals are assumed.

3. Mortality After Retirement

The 1983 Group Annuity Mortality Table rates for males is used.

4. Marriage Assumption

Not applicable because no death benefits are payable.

5. Asset Valuation Method

The actuarial value of assets recognizes a portion of the difference between the market value of assets and the expected value of assets, based on the assumed valuation rate of return. The amount recognized in addition to the expected return each year is 20 percent of the difference between the market value and expected actuarial value.

6. Cost Methods

Projected benefit method with entry age normal cost and open-end accrued liability. Gains and losses are reflected in the unfunded accrued liability.

7. Administrative and Investment Expenses

The investment return assumption represents the expected return net of all administrative and investment expenses.

Actuarial Section

8. Changes from Prior Valuation

There have been no changes since the prior valuation.

9. Adoption Date

Cavanaugh Macdonald Consulting, LLC, actuary, is responsible for the actuarial trend data in the financial section of the report and the supporting schedules in the actuarial section, beginning with the information for the July 1, 2004, to June 30, 2005, period. Information for previous years was supplied by other actuarial firms employed by the Fund at that time. The exact adoption date for the current actuarial assumptions and methods is unknown. The discount rate and retirement rates were last changed for the 1996 valuation. The death, disability, and mortality rates were changed in 1990 by the prior actuary.

National Guard Retirement System Development of Actuarial Value of Assets *(Amounts expressed in thousands)*

| Item | Valuation as of June 30, 2005 |
|--|----------------------------------|
| 1. Excess (Shortfall) of Investment Income for Current Year and Previous Three Years: | |
| a. Current Year | \$ (363) |
| b. Current Year - 1 | (565) |
| c. Current Year - 2 | N/A |
| d. Current Year - 3 | N/A |
| 2. Deferral of Excess (Shortfall) of Investment Income for: | |
| a. Current Year (80% Deferral) | \$ (291) |
| b. Current Year - 1 (60% Deferral) | (339) |
| c. Current Year - 2 (40% Deferral) | - |
| d. Current Year - 3 (20% Deferral) | - |
| e. Total Deferred for Year | (630) |
| 3. Market Value of Plan Assets, End of Year | \$ 11,521 |
| 4. Preliminary Actuarial Value of Plan Assets, End of Year (Item 3 - Item 2.e.) | \$ 12,151 |
| 5. Actuarial Value of Assets Corridor | |
| a. 80% of Market Value of Assets, End of Year | \$ 9,217 |
| b. 120% of Market Value of Assets, End of Year | \$ 13,826 |
| 6. Final Actuarial Value of Plan Assets, End of Year (Item 4., But Not Less Than Item 5.a., or Greater Than Item 5.b.) | \$ 12,151 |

Actuarial Section

National Guard Retirement System Schedule of Active Member Valuation Data As of June 30, 2005

| Valuation Date | Number of Employers | Number of Active Members | Annual Payroll (in thousands) | Annual Average Pay | Percentage Increase In Average Pay |
|----------------|---------------------|--------------------------|-------------------------------|--------------------|------------------------------------|
| 6-30-05 | 1 | 2,864 | N/A | N/A | N/A |
| 6-30-04 | 1 | 3,425 | N/A | N/A | N/A |
| 6-30-02 | 1 | 4,010 | N/A | N/A | N/A |
| 6-30-00 | 1 | 5,289 | N/A | N/A | N/A |
| 6-30-98 | 1 | 9,604 | N/A | N/A | N/A |
| 6-30-96 | 1 | 11,198 | N/A | N/A | N/A |

National Guard Retirement System The Number and Annual Retirement Allowances of Retired Members As of June 30, 2005 *(Dollar amounts expressed in thousands)*

| GROUP | NUMBER | ANNUAL RETIREMENT ALLOWANCES |
|--------------------------------|--------|------------------------------|
| Service Retirements: | | |
| Men | 2,676 | \$ 2,561 |
| Women | 14 | 11 |
| Total | 2,690 | 2,572 |
| Disability Retirements: | | |
| Men | N/A | N/A |
| Women | N/A | N/A |
| Total | N/A | N/A |
| Beneficiaries: | | |
| Men | N/A | N/A |
| Women | N/A | N/A |
| Total | N/A | N/A |
| Grand Total | 2,690 | \$ 2,572 |

Actuarial Section

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

| Year Ended | Added to Rolls* | | Removed from Rolls* | | Rolls End of the Year | | % Increase in Annual Allowances | Average Annual Allowances |
|------------|-----------------|-------------------|---------------------|-------------------|-----------------------|-------------------|---------------------------------|---------------------------|
| | Number | Annual Allowances | Number | Annual Allowances | Number | Annual Allowances | | |
| 6-30-05 | 244 | \$ 214 | 89 | \$ 81 | 2,690 | \$ 2,572 | 5.5% | \$ 956 |
| 6-30-04 | - | - | - | - | 2,535 | 2,439 | 12.9% | 962 |
| 6-30-02 | - | - | - | - | 2,213 | 2,160 | 10.9% | 976 |
| 6-30-00 | - | - | - | - | 1,962 | 1,947 | 7.7% | 992 |
| 6-30-98 | - | - | - | - | 1,801 | 1,808 | 13.6% | 1,004 |
| 6-30-96 | - | - | - | - | 1,550 | 1,591 | 18.9% | 1,026 |

*Sufficient data is not available to complete these columns for years ending before June 30, 2005.

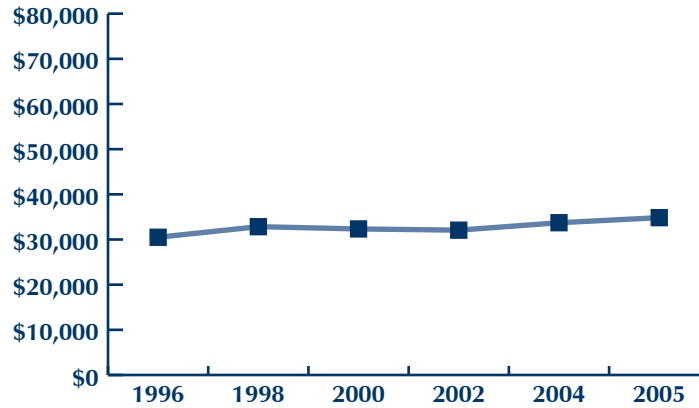
Summary of Accrued and Unfunded Accrued Liabilities (Dollar amounts expressed in thousands)

| NGRS | Valuation Date | Valuation Assets | Aggregate Accrued Liabilities | Actuarial Assets as a % of Actuarial Liabilities | | Unfunded Accrued Liabilities | Annual Active Member Payroll | UAL as a % of Active Member Payroll |
|------|----------------|------------------|-------------------------------|--|------------------------------|------------------------------|------------------------------|-------------------------------------|
| | | | | Actuarial Assets as a % of Actuarial Liabilities | Unfunded Accrued Liabilities | | | |
| | 6-30-05 | \$ 12,151 | \$ 46,985 | 25.9% | \$ 34,835 | N/A | N/A | |
| | 6-30-04 | 13,567 | 47,281 | 28.7% | 33,714 | N/A | N/A | |
| | 6-30-02 | 12,608 | 44,678 | 28.2% | 32,069 | N/A | N/A | |
| | 6-30-00* | 11,089 | 43,427 | 25.5% | 32,338 | N/A | N/A | |
| | 6-30-98 | 8,640 | 41,478 | 20.8% | 32,839 | N/A | N/A | |
| | 6-30-96 | 6,259 | 36,756 | 17.0% | 30,497 | N/A | N/A | |

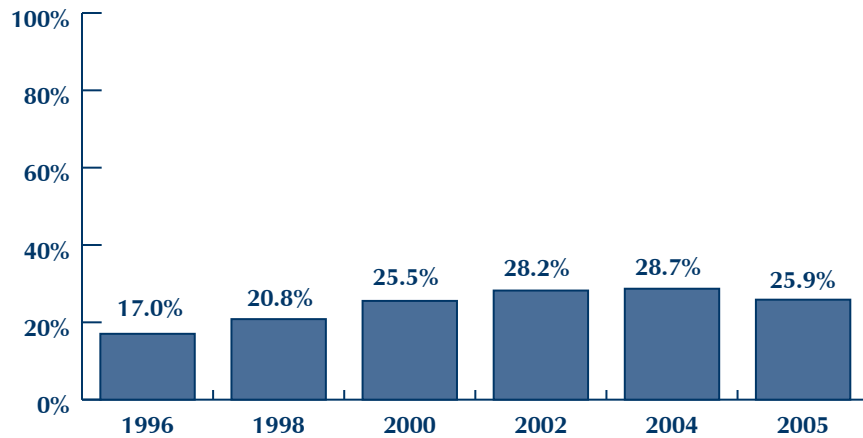
*As of April 30, 2000.

National Guard Retirement System Funding Progress with Funded Ratios

Unfunded Accrued Liabilities
(Amounts expressed in thousands)



Funded Ratios
(Actuarial assets as a percentage of actuarial accrued liabilities)



Actuarial Section

National Guard Retirement System Analysis of the Increase in the Unfunded Accrued Liability As of June 30, 2005 (Amounts expressed in millions)

| Item: | Amount of Increase (Decrease) |
|--|-------------------------------------|
| Beginning of Year Unfunded Actuarial Liability | \$ 33,714 |
| Interest on Unfunded Actuarial Liability | 2,444 |
| Amortization Payment | - |
| Asset Adjustment | (394) |
| Asset Experience | 186 |
| Salary Experience | - |
| Other Liability Experience | (1,115) |
| COLA | - |
| Benefit Changes | - |
| Assumption/Method Changes | - |
| Total Increase/(Decrease) | \$ 1,121 |
| End of Year Unfunded Actuarial Liability | \$ 34,835 |

Solvency Test (Dollar amounts expressed in thousands)

| | Valuation Date | (1) Active Member Contributions | (2) Retirants | (3) Active Members | Valuation Assets | Portion of Aggregate Accrued Liabilities Covered by Assets | | |
|------|----------------|------------------------------------|------------------|-----------------------|------------------|--|-------|------|
| | | | | | | (1) | (2) | (3) |
| NGRS | 6-30-05 | \$ - | \$ 20,804 | \$ 26,181 | \$ 12,151 | N/A | 58.4% | 0.0% |
| | 6-30-04 | - | 19,704 | 27,577 | 13,567 | N/A | 68.9% | 0.0% |
| | 6-30-02 | - | 17,597 | 27,081 | 12,608 | N/A | 71.6% | 0.0% |
| | 6-30-00 | - | 16,186 | 27,241 | 11,089 | N/A | 68.5% | 0.0% |
| | 6-30-98 | - | 14,651 | 26,827 | 8,640 | N/A | 59.0% | 0.0% |
| | 6-30-96 | - | 13,138 | 23,618 | 6,259 | N/A | 47.6% | 0.0% |

Summary of Basic Provisions

| SCRS | PORS | GARS | JSRS | NGRS |
|--|---|---|--|--|
| 1. Membership | | | | |
| All permanent, full-time and part-time employees of covered employers must join unless specifically exempted by statute or are eligible and elect to participate in the State ORP. | 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 or deputy 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. | Generally, all persons are required to participate upon taking office as member of the General Assembly unless exempted by statute. | All solicitors, judges of a Circuit or Family Court, and justices of the Court of Appeals and Supreme Court are required to participate upon taking office unless exempted by statute. | All individuals who began service in the South Carolina National Guard prior to July 1, 1993 |
| 2. Employee Contributions | | | | |
| Class I 5% of earnable compensation | Class I \$21 per month | | | |
| Class II 6.25% of earnable compensation | Class II 6.5% of earnable compensation | 10% of earnable compensation | 9% of earnable compensation | Not applicable as this is a non-contributory plan |
| 3. Employer Contributions | | | | |
| Class I 4.25% of earnable compensation | Class I 7.8% of earnable compensation | | | |
| Class II 7.55% of earnable compensation | Class II 10.3% of earnable compensation | Annual lump-sum appropriation | 41.65% of earnable compensation | Annual lump-sum appropriation |
| Group Life Insurance 0.15% of earnable compensation | Group Life Insurance 0.2% of earnable compensation | Group Life Insurance Included within annual lump-sum appropriation | Group Life Insurance 0.45% of earnable compensation | Group Life Insurance Not applicable |
| Accidental Death Program Not applicable | Accidental Death Program 0.2% of earnable compensation | Accidental Death Program Not applicable | Accidental Death Program Not applicable | Accidental Death Program Not applicable |

Actuarial Section

| SCRS | PORS | GARS | JSRS | NGRS |
|---|---|--|--|--|
| 4. Requirements for Service Annuity | | | | |
| 5 years earned service The member is entitled to a deferred reduced annuity at age 60. | 5 years earned service The member is entitled to a deferred annuity at age 55. | 8 years service The member is entitled to a deferred annuity at age 60. | 10 years earned service in position of judge; 8 years earned service in position of solicitor. For members who joined prior to 7/1/2004, member is eligible for a deferred annuity at age 55 with 12 years in position. For members who joined after 6/30/2004, member is eligible for a deferred annuity at age 65. | 20 years total creditable military service, at least 15 of which 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. |
| 5. Normal Retirement Age | | | | |
| Age 65 | Age 55 | Age 60 | Varies depending on service | Age 60 |
| 6. Requirements for Full Service Retirement | | | | |
| Age 65 or 28 years of credited service The member must have a minimum of five years of earned service to qualify for retirement. | Age 55 with 5 years of service or 25 years of credited service The member must have a minimum of five years of earned service to qualify for retirement. | Age 60 or 30 years of service Age 70 or 30 years of service while continuing to serve in the General Assembly | Age 70 with 15 years of service Age 65 with 20 years of service 25 years of service as judge regardless of age 24 years of service as solicitor regardless of age Age 65 with 4 years earned service as judge or solicitor and at least 25 years other service with the state if a member as of 6/30/2004. | Age 60 provided the member was honorably discharged from active duty with at least 20 years of total creditable military service. Of that 20 years of service, 15 years, and the final 10 years, must have been served in the South Carolina National Guard. |
| 7. Early Retirement | | | | |
| Age 60 with 5% reduction for each year of age under age 65 Age 55 with 25 years service, reduced 4% for each year of service under 28 The member must have a minimum of five years of earned service to qualify for early retirement. | Age 55 with five years of service credit The member must have a minimum of five years of earned service to qualify for early retirement. | Age 60 with 8 years of service credit | Age 55 with 10 years of service in the position of a judge or 8 years of service in the position of a solicitor for members who joined the system prior to 7/1/2004. For members who joined after 6/30/2004, the age requirement is 65. | Not applicable |
| 8. Formula for Normal Service Retirement | | | | |
| Class I 1.45% of Average Final Compensation times years of credited service | Class I \$10.97 per month for each year of service | 4.82% of earnable compensation times years of credited service | Annual allowance of 71.3% of the current active salary of the member's position. Benefit formula increases by 2.67% for each year of active service over 25 years for judges or over 24 years for solicitors. | For 20 years of service, retirees receive a \$50 monthly benefit. For each year of service beyond the 20 years, up to 30 years of service, the retiree receives an additional \$5. The maximum benefit a retiree can receive is \$100. |
| Class II 1.82% of Average Final Compensation times years of credited service | Class II 2.14% of Average Final Compensation times years of credited service | | | |

Continued on Next Page

Actuarial Section

| SCRS | PORS | GARS | JSRS | NGRS |
|--|--|--|---|--|
| 8. Formula for Normal Service Retirement (continued) | | | | |
| | | | The monthly retirement allowance may not exceed 90% of the current active salary for the member's position. A member retiring after 2003 will receive an additional benefit equal to employee contributions and accumulated interest remitted after reaching the maximum 90% benefit. | |
| 9. Requirements for Disability Retirement | | | | |
| 5 years of earned service unless injury is job related | 5 years of earned service unless injury is job related | 5 years of credited service | 5 years of credited service | Not applicable |
| 10. Formula for Disability Retirement | | | | |
| The disability retirement benefit based on a projection of service credit to age 65 with an actuarial reduction. | The disability retirement benefit is based on a projection of service credit to age 55. | The disability retirement benefit is based on the greater of the following options: a. Service benefit based upon actual credited service or b. 50% of service benefit based on projection of service to earlier of age 60 or 35 years service. | The disability retirement benefit is based on the service retirement formula. | Not applicable |
| 11. Benefit Options | | | | |
| Option A (Maximum/Retiree Only) Formula benefit as calculated in item 8. Non-recovered contributions paid upon death. | Option A (Maximum/Retiree Only) Formula benefit as calculated in item 8. Non-recovered contributions paid upon death. | Maximum Benefit (Retiree Only) Formula benefit as calculated in item 8. Non-recovered contributions paid upon death. | Maximum Benefit Retiree/One-Third Spouse Formula as calculated in item 8. Continued annuity of one-third of member's benefit to a spouse beneficiary upon death of retiree or return of contributions to a designated non-spouse beneficiary. | Formula benefit as calculated in item 8. |
| 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 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 1 Provides a reduced (from the Maximum Benefit) lifetime benefit that upon retiree's death continues to retiree's beneficiary. Benefit will not revert to Maximum if all of the retiree's beneficiaries predecease the retiree. | Optional Allowance Provides a reduced (from the Maximum Benefit) lifetime annuity that upon the retiree's death will continue at one-third of the retiree's annuity to a non-spouse beneficiary (or in equal shares to multiple beneficiaries). | |
| 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. | 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. | Option 2 Provides a reduced (from the Maximum Benefit) lifetime benefit that upon retiree's death will continue to retiree's beneficiary at 50% of the retiree's annuity. Benefit will not revert to Maximum if all of the retiree's beneficiaries predecease the retiree. | | |
| 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. | 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. | | | |
| Continued on Next Page | | | | |

Actuarial Section

SCRS

PORS

GARS

JSRS

NGRS

11. Benefit Options (continued)

Revert to Maximum (1A or 2A)

This feature will allow benefits to be changed to the Maximum Benefit if the retiree selects Option 1 or Option 2 and all of the retiree's beneficiaries predecease the retiree.

12. Teacher and Employee Retention Incentive (TERI) Program

TERI is a deferred retirement option program (DROP). Upon meeting 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 TERI participation, the retirement annuity will not be paid to the TERI retirees, but monthly benefits will be accumulated in TERI accounts and will be distributed to the members upon termination of employment. For members retiring after June 30, 2005, a payment for unused annual leave is not included in calculating TERI benefits. Upon termination, however, benefits will be 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

Not applicable

Not applicable

Not applicable

13. Post Retirement Increase

Guaranteed increase of up to 1 percent provided that increase in Consumer Price Index as of prior December 31 is at least 1 percent. Increases in excess of 1 percent,

Increase in Consumer Price Index, up to 4%. (Increases are not guaranteed and must be approved annually subject to compliance with statute.)

Retired member receives benefit based on current salary for member's position.

Retired member receives benefit based on current salary for member's position.

Cost-of-living increases are not provided.

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Actuarial Section

SCRS

PORS

GARS

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NGRS

13. Post Retirement Increase (continued)

up to a total of 4%, may be approved if the CPI increase exceeded 1 percent and if the unfunded liability amortization period for SCRS does not exceed 30 years.

14. Accidental Death Program

Not applicable

Provides 50% of earnable compensation at time of accidental death in the line of duty as an annuity to either the surviving spouse, children, or parents.

Not applicable

Not applicable

Not applicable

15. Group Life Insurance 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 an injury arising out of the actual performance of duties for an active member.
- Lump-sum payment to retiree's beneficiary of up to \$6,000 based upon years of service at retirement. TERI participants and retired contributing members are eligible for an increased group life insurance benefit payment 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 requirements for death resulting from an injury arising out of the actual performance of duties for an active member.
- Lump-sum payment to retiree's beneficiary of up to \$6,000 based upon year of service at retirement. Retired contributing members are eligible for an increased group life insurance benefit payment 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 an injury arising out of the actual performance of duties for an active member.
- Lump-sum payment to retiree's beneficiary of up to \$3,000 based upon years of service at retirement.

- 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 an injury arising out of the actual performance of duties for an active member.
- Lump-sum payment to retiree's beneficiary of up to \$3,000 based upon years of service at retirement.

Not applicable

16. 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.

Accumulated contributions, plus interest, paid as promptly as feasible after request after termination of all covered employment.

Accumulated contributions, plus interest, paid as promptly as feasible after request after termination of all covered employment.

Not applicable as this is a non-contributory plan

al·pha (ăl' fə) A measure of performance on a risk adjusted basis. It compares the difference between the fund's actual results and the results one would expect from a statistically average fund having the same betain the same category.

be·ta (bā' tə) A statistical measurement that quantifies the degree of dispersion (variability) of a given set of data around the respective mean (average). Variance allows investors to measure the probability of obtaining a certain outcome.

var·i·ance (vâr' ē-əns) A statistical measurement that quantifies the degree of variability of a given set of data around the respective mean, or average.

Statistical Section

Defining the Foundation of Your Retirement Plan

Statistical Section

Employee Contribution Rates¹ Most Recent 10 Fiscal Years

| Fiscal Year Ended June 30, | SCRS | PORS | GARS | JSRS |
|-------------------------------|-------|-------|--------|-------|
| 2006 | 6.25% | 6.50% | 10.00% | 9.00% |
| 2005 | 6.00% | 6.50% | 10.00% | 8.00% |
| 2004 | 6.00% | 6.50% | 10.00% | 7.00% |
| 2003 | 6.00% | 6.50% | 10.00% | 7.00% |
| 2002 | 6.00% | 6.50% | 10.00% | 7.00% |
| 2001 | 6.00% | 6.50% | 10.00% | 7.00% |
| 2000 | 6.00% | 6.50% | 10.00% | 7.00% |
| 1999 | 6.00% | 6.50% | 10.00% | 7.00% |
| 1998 | 6.00% | 6.50% | 10.00% | 7.00% |
| 1997 | 6.00% | 6.50% | 10.00% | 7.00% |

¹The National Guard Retirement System is a non-contributory plan; therefore, employee contribution rates are not applicable.

Employer Contribution Rates¹ Most Recent 10 Fiscal Years

| Fiscal Year Ended June 30, | SCRS Class II ² | | | PORS Class II ² | | | JSRS | |
|-------------------------------|--------------------------------|---------------------|---------------|----------------------------|---------------|---------------------|------------------|---------------|
| | State Dept & Public Schools | Local Government | Group Life | All Employers | Group Life | Accidental Death | All Employers | Group Life |
| 2006 | 7.55% | 7.55% | 0.15% | 10.30% | 0.20% | 0.20% | 41.65% | 0.45% |
| 2005 | 7.55% | 6.70% | 0.15% | 10.30% | 0.20% | 0.20% | 41.65% | 0.45% |
| 2004 | 7.55% | 6.70% | 0.15% | 10.30% | 0.20% | 0.20% | 41.35% | 0.75% |
| 2003 | 7.55% | 6.70% | 0.15% | 10.30% | 0.20% | 0.20% | 40.91% | 0.75% |
| 2002 | 7.55% | 6.70% | 0.15% | 10.30% | 0.20% | 0.20% | 40.76% | 0.75% |
| 2001 | 7.55% | 6.70% | 0.15% | 10.30% | 0.20% | 0.20% | 40.76% | 0.75% |
| 2000 | 7.55% | 6.70% | 0.15% | 10.30% | 0.20% | 0.20% | 40.76% | 0.75% |
| 1999 | 7.55% | 6.70% | 0.15% | 10.30% | 0.20% | 0.20% | 40.76% | 0.75% |
| 1998 | 7.55% | 6.70% | 0.15% | 10.30% | 0.20% | 0.20% | 40.69% | 0.82% |
| 1997 | 7.55% | 6.70% | 0.15% | 10.30% | 0.20% | 0.20% | 40.69% | 0.82% |

¹Employer contributions for the General Assembly Retirement System (GARS) are paid as an annual lump-sum appropriation, in which group life contributions are included. Employer contributions for the National Guard Retirement System (NGRS) are paid through an annual State appropriation.

²For employers with retiree insurance coverage, an additional retiree health insurance surcharge is collected and remitted by the Retirement Systems to the Employee Insurance Program; however, these rates are not considered employer retirement contributions and therefore are not included in this schedule.

Statistical Section

South Carolina Retirement Systems 10 Year Schedule of Net Assets and 10 Year Schedule of Changes in Net Assets (Amounts expressed in thousands)

| Plan Net Assets As of June 30, | 2006 | 2005 | 2004 | 2003 | 2002 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| Assets | | | | | |
| Cash & Cash Equivalents, Receivables, and Prepaid Expenses | \$ 2,078,394 | \$ 3,137,913 | \$ 3,087,343 | \$ 3,173,518 | \$ 3,027,811 |
| Total Investments, at fair value | 24,114,946 | 22,652,248 | 21,427,345 | 19,694,444 | 18,219,578 |
| Securities lending cash collateral invested | 4,372,175 | 4,110,377 | 3,698,749 | 3,912,893 | 3,174,643 |
| Property, net of accumulated depreciation | 3,696 | 3,814 | 3,933 | 4,052 | 4,171 |
| Total Assets | <u>30,569,211</u> | <u>29,904,352</u> | <u>28,217,370</u> | <u>26,784,907</u> | <u>24,426,203</u> |
| Liabilities | | | | | |
| Deferred retirement benefits | 670,527 | 884,776 | 649,385 | 424,906 | 229,590 |
| Obligations under securities lending | 4,372,175 | 4,110,377 | 3,698,749 | 3,912,893 | 3,174,643 |
| Other accounts payable | 144,561 | 100,752 | 86,497 | 67,738 | 70,414 |
| Total Liabilities | <u>5,187,263</u> | <u>5,095,905</u> | <u>4,434,631</u> | <u>4,405,537</u> | <u>3,474,647</u> |
| Total Net Assets | <u>\$ 25,381,948</u> | <u>\$ 24,808,447</u> | <u>\$ 23,782,739</u> | <u>\$ 22,379,370</u> | <u>\$ 20,951,556</u> |
| Changes in Plan Net Assets | | | | | |
| Year Ended June 30, | 2006 | 2005 | 2004 | 2003 | 2002 |
| Additions | | | | | |
| Employee Contributions | \$ 567,908 | \$ 495,012 | \$ 473,688 | \$ 465,709 | \$ 472,490 |
| Employer Contributions | 686,431 | 638,487 | 612,727 | 607,499 | 606,272 |
| Investment Income | 1,282,360 | 1,684,122 | 1,985,109 | 1,859,758 | 190,007 |
| Other Income | 5,399 | 4,188 | 5,232 | 4,350 | 5,455 |
| Total Additions | <u>2,542,098</u> | <u>2,821,809</u> | <u>3,076,756</u> | <u>2,937,316</u> | <u>1,274,224</u> |
| Deductions | | | | | |
| Total Annuities | 1,823,085 | 1,681,582 | 1,561,371 | 1,405,309 | 1,278,304 |
| Refunds | 121,841 | 80,906 | 78,423 | 71,657 | 75,303 |
| Group Life | 16,837 | 15,195 | 15,202 | 16,366 | 15,119 |
| Administrative & other expenses | 20,898 | 18,418 | 18,391 | 16,170 | 16,643 |
| Total Deductions | <u>1,982,661</u> | <u>1,796,101</u> | <u>1,673,387</u> | <u>1,509,502</u> | <u>1,385,369</u> |
| Increase (Decrease) in Net Assets | 559,437 | 1,025,708 | 1,403,369 | 1,427,814 | (111,145) |
| Transfer from State Adjutant General's Office | 14,064 | - | - | - | - |
| Total Increase (Decrease) in Net Assets | 573,501 | 1,025,708 | 1,403,369 | 1,427,814 | (111,145) |
| Beginning Net Assets | 24,808,447 | 23,782,739 | 22,379,370 | 20,951,556 | 21,062,701 |
| Ending Net Assets | <u>\$ 25,381,948</u> | <u>\$ 24,808,447</u> | <u>\$ 23,782,739</u> | <u>\$ 22,379,370</u> | <u>\$ 20,951,556</u> |

Statistical Section

South Carolina Retirement Systems 10 Year Schedule of Net Assets and 10 Year Schedule of Changes in Net Assets (Amounts expressed in thousands)

| Plan Net Assets As of June 30, | 2001 | 2000 | 1999 | 1998 | 1997 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| Assets | | | | | |
| Cash & Cash Equivalents, Receivables, and Prepaid Expenses | \$ 2,986,937 | \$ 2,999,073 | \$ 1,236,948 | \$ 2,353,019 | \$ 909,625 |
| Total Investments, at fair value | 18,232,312 | 16,706,486 | 17,599,130 | 16,073,408 | 15,322,755 |
| Securities lending cash collateral invested | 1,691,977 | 1,413,893 | 1,438,860 | 1,526,258 | 1,395,996 |
| Property, net of accumulated depreciation | 4,289 | 4,408 | 4,527 | 4,646 | 4,765 |
| Total Assets | <u>22,915,515</u> | <u>21,123,860</u> | <u>20,279,465</u> | <u>19,957,331</u> | <u>17,633,141</u> |
| Liabilities | | | | | |
| Deferred retirement benefits | 54,644 | - | - | - | - |
| Obligations under securities lending | 1,691,977 | 1,413,893 | 1,438,860 | 1,526,258 | 1,395,996 |
| Other accounts payable | 106,193 | 50,789 | 58,096 | 74,892 | 23,681 |
| Total Liabilities | <u>1,852,814</u> | <u>1,464,682</u> | <u>1,496,956</u> | <u>1,601,150</u> | <u>1,419,677</u> |
| Total Net Assets | <u>\$ 21,062,701</u> | <u>\$ 19,659,178</u> | <u>\$ 18,782,509</u> | <u>\$ 18,356,181</u> | <u>\$ 16,213,464</u> |
| Changes in Plan Net Assets | | | | | |
| Year Ended June 30, | 2001 | 2000 | 1999 | 1998 | 1997 |
| Additions | | | | | |
| Employee Contributions | \$ 493,719 | \$ 429,848 | \$ 400,290 | \$ 380,406 | \$ 346,895 |
| Employer Contributions | 593,298 | 540,476 | 497,712 | 472,170 | 443,366 |
| Investment Income | 1,453,721 | 891,325 | 450,692 | 2,126,595 | 1,352,977 |
| Other Income | 5,778 | 5,899 | 6,323 | 8,058 | 6,430 |
| Total Additions | <u>2,546,516</u> | <u>1,867,548</u> | <u>1,355,017</u> | <u>2,987,229</u> | <u>2,149,668</u> |
| Deductions | | | | | |
| Total Annuities | 1,031,203 | 879,382 | 809,465 | 749,507 | 682,134 |
| Refunds | 80,430 | 83,182 | 95,576 | 70,174 | 59,985 |
| Group Life | 14,297 | 11,481 | 8,532 | 10,660 | 8,958 |
| Administrative & other expenses | 17,063 | 16,834 | 15,116 | 14,171 | 12,058 |
| Total Deductions | <u>1,142,993</u> | <u>990,879</u> | <u>928,689</u> | <u>844,512</u> | <u>763,135</u> |
| Increase (Decrease) in Net Assets | 1,403,523 | 876,669 | 426,328 | 2,142,717 | 1,386,533 |
| Transfer from State Adjutant General's Office | - | - | - | - | - |
| Total Increase (Decrease) in Net Assets | 1,403,523 | 876,669 | 426,328 | 2,142,717 | 1,386,533 |
| Beginning Net Assets | 19,659,178 | 18,782,509 | 18,356,181 | 16,213,464 | 14,826,931 |
| Ending Net Assets | <u>\$ 21,062,701</u> | <u>\$ 19,659,178</u> | <u>\$ 18,782,509</u> | <u>\$ 18,356,181</u> | <u>\$ 16,213,464</u> |

Statistical Section

Pension Trust Funds Additions by Source (Amounts expressed in thousands)

| Year Ended June 30, | Employee Contributions ¹ | Employer Contributions ¹ | Investment Income ² | Other | Total |
|---|--|--|-----------------------------------|----------|--------------|
| South Carolina Retirement System (SCRS) | | | | | |
| 2006 | \$ 498,458 | \$ 577,468 | \$ 1,134,639 | \$ 1,741 | \$ 2,212,306 |
| 2005 | 433,254 | 538,809 | 1,496,887 | 1,982 | 2,470,932 |
| 2004 | 414,967 | 515,996 | 1,759,686 | 2,328 | 2,692,977 |
| 2003 | 408,359 | 512,345 | 1,662,781 | 2,688 | 2,586,173 |
| 2002 | 413,905 | 509,044 | 170,284 | 3,141 | 1,096,374 |
| 2001 | 435,075 | 491,329 | 1,293,997 | 3,518 | 2,223,919 |
| 2000 | 379,491 | 455,914 | 792,282 | 3,873 | 1,631,560 |
| 1999 | 353,119 | 419,918 | 393,856 | 4,356 | 1,171,249 |
| 1998 | 335,849 | 398,845 | 1,904,740 | 4,880 | 2,644,314 |
| 1997 | 306,678 | 374,452 | 1,212,272 | 5,305 | 1,898,707 |
| Police Officers Retirement System (PORS) | | | | | |
| 2006 | 69,254 | 101,447 | 139,785 | 60 | 310,546 |
| 2005 | 60,110 | 91,291 | 175,849 | 64 | 327,314 |
| 2004 | 58,202 | 88,867 | 212,201 | 72 | 359,342 |
| 2003 | 56,581 | 87,084 | 184,177 | 82 | 327,924 |
| 2002 | 57,778 | 89,366 | 18,670 | 92 | 165,906 |
| 2001 | 56,952 | 94,312 | 149,574 | 104 | 300,942 |
| 2000 | 50,438 | 76,267 | 93,425 | 113 | 220,243 |
| 1999 | 46,211 | 70,197 | 53,304 | 124 | 169,836 |
| 1998 | 44,590 | 66,619 | 207,998 | 132 | 319,339 |
| 1997 | 38,931 | 62,038 | 131,834 | 137 | 232,940 |
| General Assembly Retirement System (GARS) | | | | | |
| 2006 | 584 | 2,171 | 2,086 | - | 4,841 |
| 2005 | 935 | 2,890 | 3,238 | - | 7,063 |
| 2004 | 513 | 2,731 | 4,031 | - | 7,275 |
| 2003 | 619 | 2,577 | 4,005 | - | 7,201 |
| 2002 | 643 | 2,627 | 28 | - | 3,298 |
| 2001 | 904 | 2,510 | 3,022 | - | 6,436 |
| 2000 | 638 | 2,636 | 1,827 | - | 5,101 |
| 1999 | 783 | 2,768 | 1,180 | - | 4,731 |
| 1998 | 686 | 2,796 | 4,337 | - | 7,819 |
| 1997 | 566 | 2,492 | 2,922 | - | 5,980 |
| Judges and Solicitors Retirement System (JSRS) | | | | | |
| 2006 | 1,744 | 6,511 | 5,761 | - | 14,016 |
| 2005 | 2,092 | 6,260 | 8,148 | - | 16,500 |
| 2004 | 1,893 | 6,078 | 9,191 | - | 17,162 |
| 2003 | 1,209 | 6,014 | 8,795 | - | 16,018 |
| 2002 | 1,628 | 5,993 | 1,025 | - | 8,646 |
| 2001 | 2,216 | 5,875 | 7,128 | - | 15,219 |
| 2000 | 1,194 | 5,659 | 3,791 | - | 10,644 |
| 1999 | 1,364 | 5,485 | 2,352 | - | 9,201 |
| 1998 | 1,246 | 4,991 | 9,520 | - | 15,757 |
| 1997 | 1,321 | 4,771 | 5,949 | - | 12,041 |
| National Guard Retirement System (NGRS) | | | | | |
| 2006 ³ | - | - | 89 | 300 | 389 |

¹Includes transfers between systems.

²Includes unrealized gains and losses in accordance with GASB Statement 25.

³The South Carolina Retirement Systems did not assume administrative responsibilities for the National Guard Retirement System until January 1, 2006; therefore, prior year data is not presented.

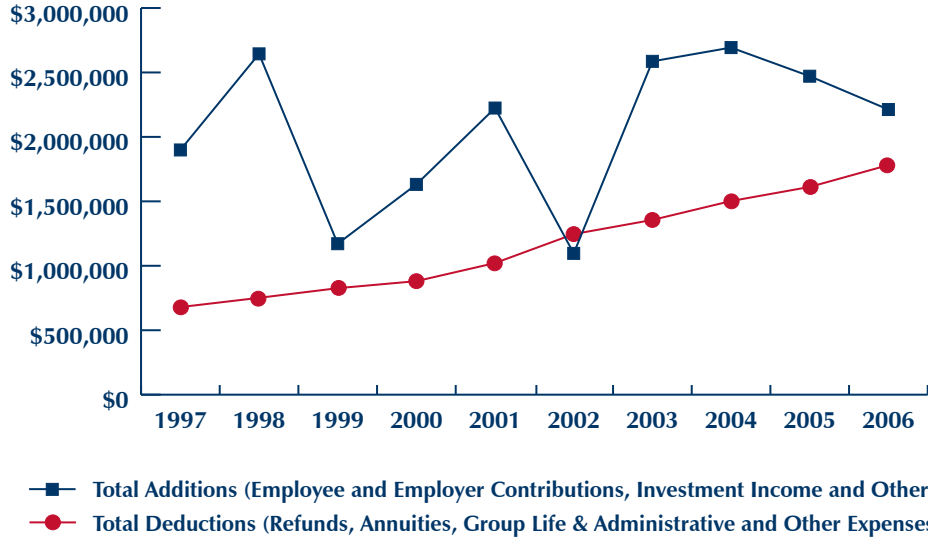
Statistical Section

Pension Trust Funds Deductions by Type (Amounts expressed in thousands)

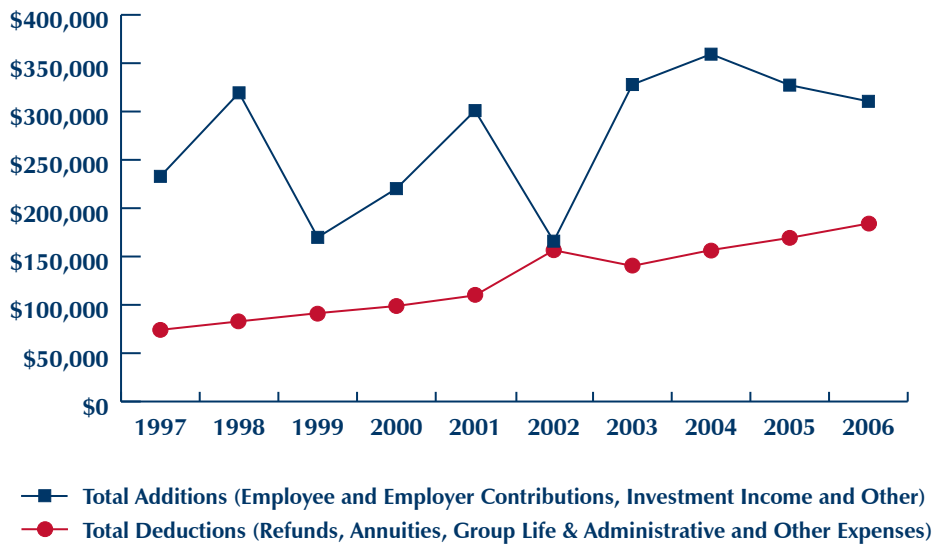
| Year Ended June 30, | Refunds | Annuity Expenses | Group Life Expenses | Administrative and Other Expenses | Total |
|---|------------|---------------------|------------------------|---|--------------|
| South Carolina Retirement System (SCRS) | | | | | |
| 2006 | \$ 108,569 | \$ 1,639,238 | \$ 14,875 | \$ 18,545 | \$ 1,781,227 |
| 2005 | 67,434 | 1,514,219 | 13,710 | 16,485 | 1,611,848 |
| 2004 | 66,505 | 1,405,958 | 13,515 | 16,425 | 1,502,403 |
| 2003 | 60,133 | 1,266,348 | 14,759 | 14,447 | 1,355,687 |
| 2002 | 63,936 | 1,153,538 | 13,492 | 14,910 | 1,245,876 |
| 2001 | 68,894 | 924,240 | 12,850 | 15,374 | 1,021,358 |
| 2000 | 72,452 | 783,170 | 10,026 | 15,175 | 880,823 |
| 1999 | 84,536 | 720,234 | 7,873 | 13,659 | 826,302 |
| 1998 | 61,629 | 667,705 | 9,277 | 12,822 | 751,433 |
| 1997 | 52,568 | 608,227 | 7,957 | 10,899 | 679,651 |
| Police Officers Retirement System (PORS) | | | | | |
| 2006 | 13,248 | 167,077 | 1,821 | 1,968 | 184,114 |
| 2005 | 13,441 | 152,588 | 1,468 | 1,823 | 169,320 |
| 2004 | 11,918 | 141,461 | 1,555 | 1,732 | 156,666 |
| 2003 | 11,452 | 125,671 | 1,594 | 1,572 | 140,289 |
| 2002 | 11,214 | 112,166 | 1,608 | 1,520 | 126,508 |
| 2001 | 11,498 | 95,340 | 1,399 | 1,551 | 109,788 |
| 2000 | 10,643 | 85,235 | 1,404 | 1,525 | 98,807 |
| 1999 | 10,940 | 78,477 | 644 | 1,332 | 91,393 |
| 1998 | 8,482 | 71,931 | 1,373 | 1,111 | 82,897 |
| 1997 | 7,392 | 64,713 | 919 | 1,084 | 74,108 |
| General Assembly Retirement System (GARS) | | | | | |
| 2006 | - | 5,726 | 17 | 98 | 5,841 |
| 2005 | 31 | 5,560 | 16 | 33 | 5,640 |
| 2004 | - | 5,347 | 8 | 162 | 5,517 |
| 2003 | 72 | 5,073 | 5 | 84 | 5,234 |
| 2002 | 23 | 4,537 | 12 | 148 | 4,720 |
| 2001 | 38 | 4,197 | 42 | 71 | 4,348 |
| 2000 | 16 | 3,998 | 36 | 67 | 4,117 |
| 1999 | 49 | 3,941 | 9 | 65 | 4,064 |
| 1998 | 63 | 3,771 | 9 | 188 | 4,031 |
| 1997 | 25 | 3,751 | 77 | 25 | 3,878 |
| Judges and Solicitors Retirement System (JSRS) | | | | | |
| 2006 | 20 | 9,677 | 124 | 83 | 9,904 |
| 2005 | - | 9,215 | 1 | 77 | 9,293 |
| 2004 | - | 8,605 | 124 | 72 | 8,801 |
| 2003 | - | 8,217 | 8 | 67 | 8,292 |
| 2002 | 130 | 8,063 | 7 | 65 | 8,265 |
| 2001 | - | 7,426 | 6 | 67 | 7,499 |
| 2000 | 71 | 6,979 | 15 | 67 | 7,132 |
| 1999 | 51 | 6,813 | 6 | 60 | 6,930 |
| 1998 | - | 6,100 | 1 | 50 | 6,151 |
| 1997 | - | 5,443 | 5 | 50 | 5,498 |
| National Guard Retirement System (NGRS) | | | | | |
| 2006 ¹ | - | 1,371 | - | 204 | 1,575 |

¹The South Carolina Retirement Systems did not assume administrative responsibilities for the National Guard Retirement System until January 1, 2006; therefore, prior year data is not presented.

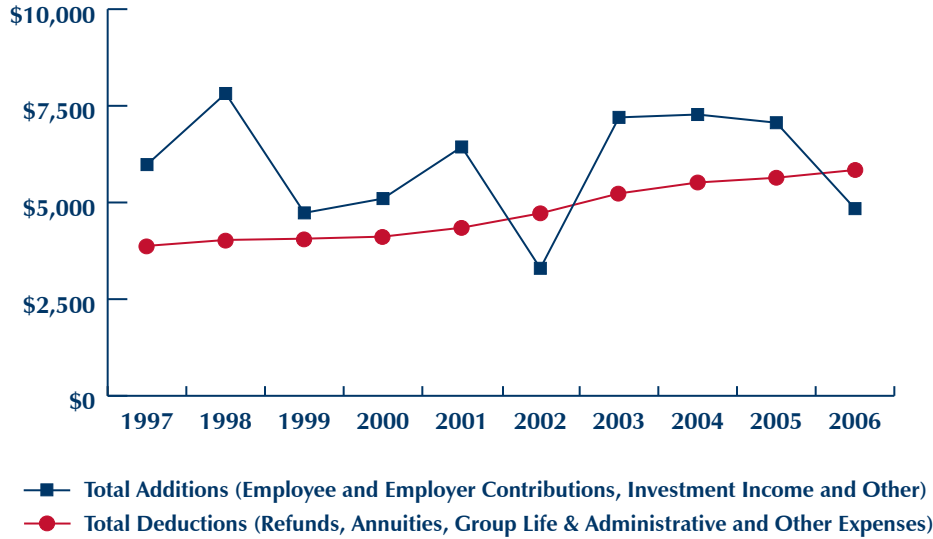
**South Carolina Retirement System
Pension Trust Funds Additions and Deductions**
(Amounts expressed in thousands)



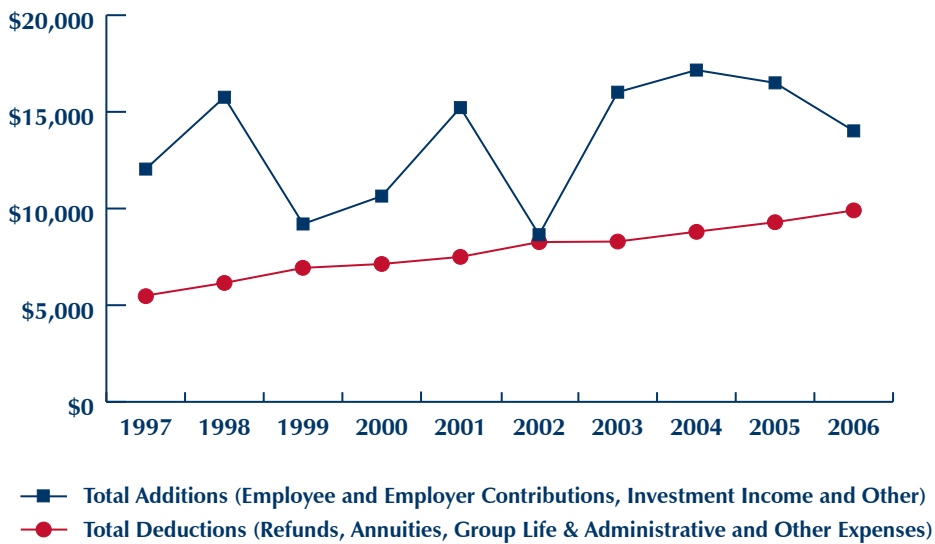
**Police Officers Retirement System
Pension Trust Funds Additions and Deductions**
(Amounts expressed in thousands)



**General Assembly Retirement System
Pension Trust Funds Additions and Deductions**
(Amounts expressed in thousands)



**Judges and Solicitors Retirement System
Pension Trust Funds Additions and Deductions**
(Amounts expressed in thousands)



Statistical Section

Pension Trust Funds Benefit Expenses by Type (Amounts expressed in thousands)

| Year Ended June 30, | Refunds | | Annuity Expenses | | Group Life Expenses | | Total |
|---|------------|----------------|------------------|----------------|---------------------|----------|--------------|
| | Member | Survivor/Other | Member | Survivor/Other | Active | Retired | |
| South Carolina Retirement System (SCRS) | | | | | | | |
| 2006 | \$ 104,728 | \$ 3,841 | \$ 1,570,938 | \$ 68,300 | \$ 6,823 | \$ 8,052 | \$ 1,762,682 |
| 2005 | 63,417 | 4,017 | 1,450,883 | 63,336 | 6,534 | 7,176 | 1,595,363 |
| 2004 | 62,124 | 4,381 | 1,345,837 | 60,121 | 6,203 | 7,312 | 1,485,978 |
| 2003 | 56,377 | 3,756 | 1,209,621 | 56,727 | 7,341 | 7,418 | 1,341,240 |
| 2002 | 60,122 | 3,814 | 1,099,953 | 53,585 | 6,898 | 6,594 | 1,230,966 |
| 2001 | 65,767 | 3,127 | 875,053 | 49,187 | 6,947 | 5,903 | 1,005,984 |
| 2000 | 69,468 | 2,984 | 738,149 | 45,021 | 6,979 | 3,047 | 865,648 |
| 1999 | 82,589 | 1,947 | 678,403 | 41,831 | 4,802 | 3,071 | 812,643 |
| 1998 | 58,886 | 2,743 | 628,804 | 38,901 | 6,344 | 2,933 | 738,611 |
| 1997 | 50,239 | 2,329 | 573,137 | 35,090 | 5,158 | 2,799 | 668,752 |
| Police Officers Retirement System (PORS) | | | | | | | |
| 2006 | 12,613 | 639 | 155,241 | 11,832 | 1,015 | 806 | 182,146 |
| 2005 | 13,017 | 424 | 141,493 | 11,095 | 859 | 609 | 167,497 |
| 2004 | 11,525 | 393 | 131,104 | 10,357 | 976 | 579 | 154,934 |
| 2003 | 11,155 | 297 | 116,180 | 9,491 | 978 | 616 | 138,717 |
| 2002 | 10,829 | 385 | 103,286 | 8,880 | 1,056 | 552 | 124,988 |
| 2001 | 10,983 | 515 | 87,208 | 8,132 | 878 | 521 | 108,237 |
| 2000 | 10,382 | 261 | 77,143 | 7,356 | 1,082 | 322 | 96,546 |
| 1999 | 10,649 | 291 | 71,546 | 6,931 | 286 | 358 | 90,061 |
| 1998 | 8,238 | 244 | 65,379 | 6,552 | 1,077 | 296 | 81,786 |
| 1997 | 7,233 | 159 | 58,650 | 6,063 | 602 | 317 | 73,024 |
| General Assembly Retirement System (GARS) | | | | | | | |
| 2006 | - | - | 4,598 | 1,128 | - | 17 | 5,743 |
| 2005 | 31 | - | 4,493 | 1,067 | - | 16 | 5,607 |
| 2004 | - | - | 4,303 | 1,044 | - | 8 | 5,355 |
| 2003 | 70 | 2 | 4,045 | 1,028 | - | 5 | 5,150 |
| 2002 | 21 | 2 | 3,542 | 995 | - | 12 | 4,572 |
| 2001 | 38 | - | 3,308 | 889 | 26 | 16 | 4,277 |
| 2000 | 3 | 13 | 3,178 | 820 | 23 | 13 | 4,050 |
| 1999 | 49 | - | 3,108 | 833 | - | 9 | 3,999 |
| 1998 | - | 63 | 3,019 | 752 | - | 9 | 3,843 |
| 1997 | - | 25 | 3,001 | 750 | 70 | 7 | 3,853 |
| Judges and Solicitors Retirement System (JSRS) | | | | | | | |
| 2006 | - | 20 | 8,311 | 1,366 | 122 | 2 | 9,821 |
| 2005 | - | - | 7,957 | 1,258 | - | 1 | 9,216 |
| 2004 | - | - | 7,382 | 1,223 | 117 | 7 | 8,729 |
| 2003 | - | - | 7,047 | 1,170 | - | 8 | 8,225 |
| 2002 | 130 | - | 6,949 | 1,114 | - | 7 | 8,200 |
| 2001 | - | - | 6,380 | 1,046 | - | 6 | 7,432 |
| 2000 | 71 | - | 6,043 | 936 | - | 15 | 7,065 |
| 1999 | 51 | - | 6,022 | 791 | - | 6 | 6,870 |
| 1998 | - | - | 5,368 | 732 | - | 1 | 6,101 |
| 1997 | - | - | 4,687 | 756 | - | 5 | 5,448 |
| National Guard Retirement System (NGRS) | | | | | | | |
| 2006 ¹ | - | - | 1,370 | 1 | - | - | 1,371 |

¹The South Carolina Retirement Systems assumed administration of the National Guard Retirement System effective January 1, 2006; therefore, comparative totals for prior fiscal years are not presented.

Statistical Section

South Carolina Retirement System Retired Members by Type of Benefit As of June 30, 2006

| Monthly Benefit | Number of Annuitant Payees | Type of Benefit | | | | | | | | | | | |
|---------------------|----------------------------|-----------------|---------------|--------------|---------------|--------------|---------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | | Type 1 | Type 2 | Type 3 | Type 4 | Type 5 | Opt 0 | Opt 1 | Opt 2 | Opt 3 | Opt 4 | Opt 5 | Opt 6 |
| \$ 1 - \$ 250 | 10,044 | 2,298 | 5,554 | 1,159 | 674 | 359 | 6,964 | 160 | 1,156 | 366 | 229 | 859 | 310 |
| \$ 251 - \$ 500 | 12,753 | 2,236 | 6,567 | 1,041 | 2,342 | 567 | 8,919 | 207 | 1,242 | 457 | 353 | 1,005 | 570 |
| \$ 501 - \$ 750 | 9,837 | 1,971 | 4,708 | 815 | 2,029 | 314 | 6,728 | 153 | 816 | 359 | 450 | 757 | 574 |
| \$ 751 - \$ 1,000 | 7,936 | 2,217 | 3,341 | 620 | 1,562 | 196 | 5,173 | 132 | 685 | 245 | 575 | 639 | 487 |
| \$ 1,001 - \$ 1,250 | 7,048 | 3,056 | 2,293 | 408 | 1,156 | 135 | 4,238 | 133 | 488 | 236 | 776 | 604 | 573 |
| \$ 1,251 - \$ 1,500 | 6,599 | 3,631 | 1,679 | 305 | 894 | 90 | 3,804 | 126 | 442 | 176 | 973 | 566 | 512 |
| \$ 1,501 - \$ 1,750 | 5,915 | 3,991 | 1,091 | 221 | 556 | 56 | 3,029 | 88 | 265 | 154 | 1,253 | 616 | 510 |
| \$ 1,751 - \$ 2,000 | 6,035 | 4,709 | 703 | 161 | 434 | 28 | 3,336 | 82 | 218 | 123 | 1,024 | 598 | 654 |
| Over \$2,000 | 21,986 | 19,263 | 1,249 | 497 | 929 | 48 | 13,038 | 262 | 965 | 698 | 2,831 | 1,634 | 2,558 |
| Deferred | 8,830 | 7,117 | 1,713 | - | - | - | 5,989 | - | - | - | - | 1,566 | 1,275 |
| Totals | 96,983 | 50,489 | 28,898 | 5,227 | 10,576 | 1,793 | 61,218 | 1,343 | 6,277 | 2,814 | 8,464 | 8,844 | 8,023 |

Type 1: Normal Retirement for Age and Service
 Type 2: Early Retirement
 Type 3: Beneficiary Payment
 Type 4: Disability Payment
 Type 5: Beneficiary Payment, Disability Payment

Option 0: Maximum Benefit
 Option 1: 10-Year Beneficiary Protection
 Option 2: Survivor Benefit, Full Payment
 Option 3: Survivor Benefit, Half Payment
 Option 4: Social Security Option
 Option 5: Survivor Benefit, Full Payment, Revert to Maximum
 Option 6: Survivor Benefit, Half Payment, Revert to Maximum

Police Officers Retirement System Retired Members by Type of Benefit As of June 30, 2006

| Monthly Benefit | Number of Annuitant Payees | Type of Benefit | | | | | | | | | | | |
|---------------------|----------------------------|-----------------|------------|------------|--------------|------------|--------------|------------|------------|--------------|-----------|--------------|--------------|
| | | Type 1 | Type 2 | Type 3 | Type 4 | Type 5 | Opt 0 | Opt 1 | Opt 2 | Opt 3 | Opt 4 | Opt 5 | Opt 6 |
| \$ 1 - \$ 250 | 862 | 555 | 128 | 148 | 16 | 15 | 458 | 97 | 47 | 102 | - | 105 | 53 |
| \$ 251 - \$ 500 | 1,195 | 766 | 98 | 182 | 106 | 43 | 635 | 137 | 62 | 102 | 6 | 177 | 76 |
| \$ 501 - \$ 750 | 1,189 | 747 | 59 | 164 | 177 | 42 | 668 | 138 | 44 | 112 | 23 | 120 | 84 |
| \$ 751 - \$ 1,000 | 1,080 | 641 | 54 | 123 | 216 | 46 | 583 | 95 | 42 | 111 | 13 | 135 | 101 |
| \$ 1,001 - \$ 1,250 | 943 | 558 | 59 | 97 | 209 | 20 | 502 | 60 | 42 | 108 | 19 | 104 | 108 |
| \$ 1,251 - \$ 1,500 | 857 | 486 | 51 | 92 | 216 | 12 | 419 | 63 | 38 | 113 | 22 | 94 | 108 |
| \$ 1,501 - \$ 1,750 | 833 | 557 | 46 | 37 | 186 | 7 | 445 | 35 | 18 | 119 | 5 | 100 | 111 |
| \$ 1,751 - \$ 2,000 | 702 | 507 | 30 | 35 | 127 | 3 | 369 | 33 | 20 | 100 | 2 | 80 | 98 |
| Over \$2,000 | 2,546 | 2,154 | 29 | 61 | 296 | 6 | 1,400 | 75 | 84 | 458 | 2 | 173 | 354 |
| Totals | 10,207 | 6,971 | 554 | 939 | 1,549 | 194 | 5,479 | 733 | 397 | 1,325 | 92 | 1,088 | 1,093 |

Type 1: Normal Retirement for Age and Service
 Type 2: Early Retirement
 Type 3: Beneficiary Payment
 Type 4: Disability Payment
 Type 5: Beneficiary Payment, Disability Payment

Option 0: Maximum Benefit
 Option 1: Survivor Benefit, Full Payment
 Option 2: Survivor Benefit, Half Payment
 Option 3: Social Security Option
 Option 4: Accidental Death Survivor Benefit
 Option 5: Survivor Benefit, Full Payment, Revert to Maximum
 Option 6: Survivor Benefit, Half Payment, Revert to Maximum

Note: Monthly benefit amounts represent current payment levels for all annuitant payees receiving monthly benefits, including any applicable cost-of-living adjustments (COLAs).

Statistical Section

General Assembly Retirement System Retired Members by Type of Benefit As of June 30, 2006

| Monthly Benefit | Number of Annuitant Payees | Type of Benefit | | | | | | | | | | | | |
|---------------------|----------------------------|-----------------|-----------|-----------|----------|----------|------------|------------|-----------|----------|----------|-----------|-----------|--|
| | | Type 1 | Type 2 | Type 3 | Type 4 | Type 5 | Opt 0 | Opt 1 | Opt 2 | Opt 3 | Opt 4 | Opt 5 | Opt 6 | |
| \$ 1 - \$ 250 | 11 | 5 | 3 | 3 | - | - | 7 | 1 | 2 | - | - | 1 | - | |
| \$ 251 - \$ 500 | 18 | 6 | 1 | 11 | - | - | 3 | 6 | 2 | - | - | 3 | 4 | |
| \$ 501 - \$ 750 | 28 | 17 | 2 | 9 | - | - | 10 | 10 | - | - | - | 6 | 2 | |
| \$ 751 - \$ 1,000 | 41 | 30 | 3 | 8 | - | - | 20 | 8 | 3 | - | - | 7 | 3 | |
| \$ 1,001 - \$ 1,250 | 25 | 14 | 2 | 9 | - | - | 6 | 12 | 1 | - | - | 2 | 4 | |
| \$ 1,251 - \$ 1,500 | 27 | 13 | 2 | 11 | 1 | - | 7 | 8 | 5 | - | - | 4 | 3 | |
| \$ 1,501 - \$ 1,750 | 56 | 37 | 9 | 10 | - | - | 8 | 28 | 7 | - | - | 8 | 5 | |
| \$ 1,751 - \$ 2,000 | 40 | 33 | 5 | 2 | - | - | 22 | 4 | 8 | - | - | 2 | 4 | |
| Over \$2,000 | 71 | 54 | 5 | 12 | - | - | 25 | 24 | 8 | - | - | 12 | 2 | |
| Totals | 317 | 209 | 32 | 75 | 1 | - | 108 | 101 | 36 | - | - | 45 | 27 | |

Type 1: Normal Retirement for Age and Service
 Type 2: Early Retirement
 Type 3: Beneficiary Payment
 Type 4: Disability Payment

Option 0: Maximum Benefit
 Option 1: Survivor Benefit, Full Payment
 Option 2: Survivor Benefit, Half Payment
 Option 5: Survivor Benefit, Full Payment, Revert to Maximum
 Option 6: Survivor Benefit, Half Payment, Revert to Maximum

Judges and Solicitors Retirement System Retired Members by Type of Benefit As of June 30, 2006

| Monthly Benefit | Number of Annuitant Payees | Type of Benefit | | | | | | | | | | | |
|---------------------|----------------------------|-----------------|----------|-----------|----------|----------|------------|----------|----------|----------|----------|----------|----------|
| | | Type 1 | Type 2 | Type 3 | Type 4 | Type 5 | Opt 0 | Opt 1 | Opt 2 | Opt 3 | Opt 4 | Opt 5 | Opt 6 |
| \$ 1 - \$ 250 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| \$ 251 - \$ 500 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| \$ 501 - \$ 750 | 4 | - | - | 4 | - | - | 1 | 3 | - | - | - | - | - |
| \$ 751 - \$ 1,000 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| \$ 1,001 - \$ 1,250 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| \$ 1,251 - \$ 1,500 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| \$ 1,501 - \$ 1,750 | 1 | - | - | 1 | - | - | - | 1 | - | - | - | - | - |
| \$ 1,751 - \$ 2,000 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Over \$2,000 | 139 | 86 | 9 | 43 | 1 | - | 136 | 3 | - | - | - | - | - |
| Totals | 144 | 86 | 9 | 48 | 1 | - | 137 | 7 | - | - | - | - | - |

Type 1: Normal Retirement for Age and Service
 Type 2: Early Retirement
 Type 3: Beneficiary Payment
 Type 4: Disability Payment

Option 0: Maximum Benefit with Spouse Beneficiary
 Option 1: Reduced Benefit with Non-Spouse Beneficiary

Note: Monthly benefit amounts represent current payment levels for all annuitant payees receiving monthly benefits, including any applicable cost-of-living adjustments (COLAs).

Statistical Section

**National Guard Retirement System
Retired Members by Type of Benefit
As of June 30, 2006**

| Monthly Benefit | Number of Annuitant Payees | Type of Benefit | | | | | | | | | | | |
|---------------------|----------------------------|-----------------|----------|----------|----------|----------|--------------|----------|----------|----------|----------|----------|----------|
| | | Type 1 | Type 2 | Type 3 | Type 4 | Type 5 | Opt 0 | Opt 1 | Opt 2 | Opt 3 | Opt 4 | Opt 5 | Opt 6 |
| \$ 1 - \$ 250 | 2,930 | 2,929 | - | 1 | - | - | 2,930 | - | - | - | - | - | - |
| \$ 251 - \$ 500 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| \$ 501 - \$ 750 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| \$ 751 - \$ 1,000 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| \$ 1,001 - \$ 1,250 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| \$ 1,251 - \$ 1,500 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| \$ 1,501 - \$ 1,750 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| \$ 1,751 - \$ 2,000 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Over \$2,000 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Totals | 2,930 | 2,929 | - | 1 | - | - | 2,930 | - | - | - | - | - | - |

Type 1: Normal Retirement for Age and Service Option 0: Maximum Benefit
 Type 3: Beneficiary Payment

Note: Monthly benefit amounts represent current payment levels for all annuitant payees receiving monthly benefits, including any applicable cost-of-living adjustments (COLAs).

Statistical Section

South Carolina Retirement System Retired Members by Years of Service

| | Years of Credited Service | | | | | | | Avg/Tot |
|--|---------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 0 to 5 | 5+ to 10 | 10+ to 15 | 15+ to 20 | 20+ to 25 | 25+ to 30 | 30 Plus | |
| Period 07/01/1996 to 06/30/1997 | | | | | | | | |
| Average Monthly Benefit | \$ 124.32 | \$ 284.70 | \$ 435.54 | \$ 651.85 | \$ 860.56 | \$ 1,287.31 | \$ 2,073.63 | \$ 1,084.58 |
| Average AFC | \$ 18,427.20 | \$ 20,367.12 | \$ 22,066.46 | \$ 24,863.72 | \$ 26,462.22 | \$ 32,328.42 | \$ 40,786.49 | \$ 29,540.15 |
| Number of Retired Members | 102 | 456 | 505 | 504 | 489 | 495 | 1,029 | 3,580 |
| Period 07/01/1997 to 06/30/1998 | | | | | | | | |
| Average Monthly Benefit | \$ 144.31 | \$ 296.81 | \$ 481.52 | \$ 712.86 | \$ 934.92 | \$ 1,343.80 | \$ 2,122.34 | \$ 1,161.87 |
| Average AFC | \$ 20,268.80 | \$ 21,085.13 | \$ 24,925.72 | \$ 26,537.49 | \$ 29,071.19 | \$ 33,911.06 | \$ 42,099.95 | \$ 31,585.31 |
| Number of Retired Members | 102 | 533 | 584 | 476 | 519 | 554 | 1,242 | 4,010 |
| Period 07/01/1998 to 06/30/1999 | | | | | | | | |
| Average Monthly Benefit | \$ 143.34 | \$ 323.96 | \$ 487.23 | \$ 717.56 | \$ 915.35 | \$ 1,392.87 | \$ 2,152.73 | \$ 1,232.56 |
| Average AFC | \$ 19,957.51 | \$ 22,639.42 | \$ 24,929.87 | \$ 27,513.12 | \$ 28,126.30 | \$ 35,502.14 | \$ 43,006.04 | \$ 32,855.54 |
| Number of Retired Members | 135 | 547 | 602 | 454 | 527 | 616 | 1,516 | 4,397 |
| Period 07/01/1999 to 06/30/2000 | | | | | | | | |
| Average Monthly Benefit | \$ 147.75 | \$ 306.07 | \$ 493.90 | \$ 778.78 | \$ 986.61 | \$ 1,432.88 | \$ 2,273.85 | \$ 1,364.85 |
| Average AFC | \$ 22,228.15 | \$ 22,999.81 | \$ 24,881.16 | \$ 29,920.92 | \$ 30,352.07 | \$ 35,538.78 | \$ 45,707.40 | \$ 35,236.49 |
| Number of Retired Members | 130 | 485 | 625 | 481 | 547 | 649 | 1,827 | 4,744 |
| Period 07/01/2000 to 06/30/2001 | | | | | | | | |
| Average Monthly Benefit | \$ 139.87 | \$ 335.23 | \$ 528.16 | \$ 795.44 | \$ 1,067.68 | \$ 1,884.92 | \$ 2,414.38 | \$ 1,811.98 |
| Average AFC | \$ 22,055.96 | \$ 25,265.01 | \$ 27,324.85 | \$ 32,213.90 | \$ 33,705.50 | \$ 44,963.22 | \$ 50,799.83 | \$ 43,675.17 |
| Number of Retired Members | 150 | 490 | 756 | 612 | 641 | 4,761 | 4,477 | 11,887 |
| Period 07/01/2001 to 06/30/2002 | | | | | | | | |
| Average Monthly Benefit | \$ 150.52 | \$ 323.22 | \$ 549.16 | \$ 792.20 | \$ 1,111.28 | \$ 1,823.11 | \$ 2,412.15 | \$ 1,467.40 |
| Average AFC | \$ 25,542.99 | \$ 25,333.93 | \$ 28,726.11 | \$ 31,319.20 | \$ 35,115.91 | \$ 44,180.00 | \$ 51,892.15 | \$ 39,864.31 |
| Number of Retired Members | 146 | 579 | 735 | 579 | 574 | 3,241 | 1,029 | 6,883 |
| Period 07/01/2002 to 06/30/2003 | | | | | | | | |
| Average Monthly Benefit | \$ 160.51 | \$ 329.13 | \$ 563.85 | \$ 845.28 | \$ 1,128.80 | \$ 1,928.32 | \$ 2,507.94 | \$ 1,543.58 |
| Average AFC | \$ 26,247.00 | \$ 25,637.45 | \$ 29,309.28 | \$ 34,590.69 | \$ 36,321.55 | \$ 46,874.22 | \$ 54,400.97 | \$ 42,051.16 |
| Number of Retired Members | 169 | 600 | 720 | 644 | 540 | 3,790 | 916 | 7,379 |
| Period 07/01/2003 to 06/30/2004 | | | | | | | | |
| Average Monthly Benefit | \$ 150.60 | \$ 313.36 | \$ 567.62 | \$ 841.04 | \$ 1,124.20 | \$ 1,968.60 | \$ 2,617.79 | \$ 1,513.73 |
| Average AFC | \$ 22,197.94 | \$ 25,093.87 | \$ 30,560.74 | \$ 34,332.34 | \$ 36,002.21 | \$ 48,029.70 | \$ 56,728.93 | \$ 42,075.19 |
| Number of Retired Members | 148 | 643 | 798 | 735 | 501 | 3,770 | 637 | 7,232 |
| Period 07/01/2004 to 06/30/2005 | | | | | | | | |
| Average Monthly Benefit | \$ 180.54 | \$ 332.54 | \$ 561.23 | \$ 860.41 | \$ 1,179.80 | \$ 1,949.60 | \$ 2,570.26 | \$ 1,450.11 |
| Average AFC | \$ 26,278.25 | \$ 27,021.22 | \$ 30,512.47 | \$ 35,332.74 | \$ 37,578.75 | \$ 47,423.57 | \$ 54,813.98 | \$ 41,348.45 |
| Number of Retired Members | 128 | 750 | 830 | 778 | 614 | 3,601 | 504 | 7,205 |
| Period 07/01/2005 to 06/30/2006 | | | | | | | | |
| Average Monthly Benefit | \$ 197.15 | \$ 336.55 | \$ 551.70 | \$ 873.67 | \$ 1,183.11 | \$ 1,842.85 | \$ 2,239.12 | \$ 1,182.09 |
| Average AFC | \$ 27,203.53 | \$ 26,648.45 | \$ 29,672.04 | \$ 34,271.59 | \$ 37,323.27 | \$ 44,919.64 | \$ 47,637.73 | \$ 37,122.70 |
| Number of Retired Members | 86 | 704 | 692 | 641 | 448 | 1,679 | 193 | 4,443 |
| 10 Year Averages | | | | | | | | |
| Average Monthly Benefit | \$ 153.08 | \$ 319.75 | \$ 527.62 | \$ 797.03 | \$ 1,051.40 | \$ 1,852.52 | \$ 2,331.43 | \$ 1,459.08 |
| Average AFC | \$ 23,143.04 | \$ 24,478.96 | \$ 27,659.10 | \$ 31,650.64 | \$ 33,085.64 | \$ 44,995.23 | \$ 48,360.83 | \$ 39,103.90 |
| Number of Retired Members | 1,296 | 5,787 | 6,847 | 5,904 | 5,400 | 23,156 | 13,370 | 61,760 |

Benefit amounts represent original monthly benefit at retirement for all retirees and, for comparison purposes, do not include cost-of-living adjustments (COLAs).

Statistical Section

Police Officers Retirement System Retired Members by Years of Service

| | Years of Credited Service | | | | | | | Avg/Tot |
|--|---------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 0 to 5 | 5+ to 10 | 10+ to 15 | 15+ to 20 | 20+ to 25 | 25+ to 30 | 30 Plus | |
| Period 07/01/1996 to 06/30/1997 | | | | | | | | |
| Average Monthly Benefit | \$ 233.25 | \$ 545.15 | \$ 759.57 | \$ 997.38 | \$ 1,382.33 | \$ 1,890.74 | \$ 2,457.39 | \$ 1,171.27 |
| Average AFC | \$ 25,087.33 | \$ 26,301.68 | \$ 28,364.09 | \$ 28,396.65 | \$ 31,248.23 | \$ 38,645.84 | \$ 42,562.30 | \$ 31,471.99 |
| Number of Retired Members | 30 | 79 | 84 | 47 | 59 | 91 | 33 | 423 |
| Period 07/01/1997 to 06/30/1998 | | | | | | | | |
| Average Monthly Benefit | \$ 286.67 | \$ 574.44 | \$ 756.83 | \$ 1,044.54 | \$ 1,440.01 | \$ 1,823.72 | \$ 2,815.67 | \$ 1,204.13 |
| Average AFC | \$ 28,347.28 | \$ 30,152.48 | \$ 29,610.25 | \$ 29,850.49 | \$ 34,955.09 | \$ 37,484.14 | \$ 49,157.81 | \$ 33,390.49 |
| Number of Retired Members | 38 | 76 | 85 | 61 | 43 | 137 | 22 | 462 |
| Period 07/01/1998 to 06/30/1999 | | | | | | | | |
| Average Monthly Benefit | \$ 219.30 | \$ 620.49 | \$ 780.49 | \$ 1,193.84 | \$ 1,382.98 | \$ 1,846.17 | \$ 2,643.86 | \$ 1,254.59 |
| Average AFC | \$ 26,010.84 | \$ 26,891.21 | \$ 28,315.21 | \$ 32,300.08 | \$ 31,951.68 | \$ 38,361.06 | \$ 46,064.31 | \$ 32,851.63 |
| Number of Retired Members | 44 | 71 | 101 | 74 | 57 | 133 | 41 | 521 |
| Period 07/01/1999 to 06/30/2000 | | | | | | | | |
| Average Monthly Benefit | \$ 220.86 | \$ 598.01 | \$ 890.69 | \$ 1,056.31 | \$ 1,519.80 | \$ 1,989.16 | \$ 2,615.87 | \$ 1,356.63 |
| Average AFC | \$ 30,500.64 | \$ 29,771.78 | \$ 31,498.85 | \$ 32,108.69 | \$ 35,870.75 | \$ 40,736.89 | \$ 45,558.11 | \$ 35,573.46 |
| Number of Retired Members | 31 | 82 | 102 | 69 | 48 | 148 | 51 | 531 |
| Period 07/01/2000 to 06/30/2001 | | | | | | | | |
| Average Monthly Benefit | \$ 294.07 | \$ 585.33 | \$ 932.92 | \$ 1,243.34 | \$ 1,510.40 | \$ 1,973.84 | \$ 2,872.16 | \$ 1,387.22 |
| Average AFC | \$ 36,454.35 | \$ 31,922.37 | \$ 33,463.11 | \$ 34,501.74 | \$ 36,850.53 | \$ 41,474.79 | \$ 50,681.30 | \$ 37,842.97 |
| Number of Retired Members | 73 | 110 | 124 | 83 | 66 | 232 | 62 | 750 |
| Period 07/01/2001 to 06/30/2002 | | | | | | | | |
| Average Monthly Benefit | \$ 285.46 | \$ 549.74 | \$ 932.47 | \$ 1,213.09 | \$ 1,623.61 | \$ 2,047.07 | \$ 3,128.02 | \$ 1,478.69 |
| Average AFC | \$ 40,201.77 | \$ 32,772.66 | \$ 33,741.00 | \$ 37,570.67 | \$ 40,085.35 | \$ 44,566.31 | \$ 55,512.13 | \$ 40,736.23 |
| Number of Retired Members | 83 | 132 | 132 | 116 | 87 | 279 | 93 | 922 |
| Period 07/01/2002 to 06/30/2003 | | | | | | | | |
| Average Monthly Benefit | \$ 277.51 | \$ 584.78 | \$ 905.84 | \$ 1,300.62 | \$ 1,560.15 | \$ 2,204.21 | \$ 3,218.15 | \$ 1,512.11 |
| Average AFC | \$ 37,817.53 | \$ 34,509.45 | \$ 35,571.19 | \$ 40,924.13 | \$ 39,947.22 | \$ 48,979.84 | \$ 58,536.22 | \$ 42,833.57 |
| Number of Retired Members | 81 | 140 | 129 | 111 | 83 | 244 | 93 | 881 |
| Period 07/01/2003 to 06/30/2004 | | | | | | | | |
| Average Monthly Benefit | \$ 283.51 | \$ 538.02 | \$ 880.75 | \$ 1,221.65 | \$ 1,648.24 | \$ 2,145.41 | \$ 3,072.37 | \$ 1,443.82 |
| Average AFC | \$ 34,019.96 | \$ 31,745.65 | \$ 34,789.29 | \$ 37,050.29 | \$ 41,825.61 | \$ 47,146.89 | \$ 54,979.45 | \$ 40,421.72 |
| Number of Retired Members | 60 | 123 | 111 | 127 | 80 | 241 | 53 | 795 |
| Period 07/01/2004 to 06/30/2005 | | | | | | | | |
| Average Monthly Benefit | \$ 350.48 | \$ 670.05 | \$ 917.99 | \$ 1,219.73 | \$ 1,732.22 | \$ 2,072.22 | \$ 3,167.63 | \$ 1,373.64 |
| Average AFC | \$ 39,210.66 | \$ 35,266.40 | \$ 36,156.78 | \$ 37,835.65 | \$ 43,822.87 | \$ 46,345.63 | \$ 58,310.32 | \$ 41,099.99 |
| Number of Retired Members | 69 | 122 | 125 | 129 | 81 | 205 | 34 | 765 |
| Period 07/01/2005 to 06/30/2006 | | | | | | | | |
| Average Monthly Benefit | \$ 397.99 | \$ 575.30 | \$ 987.14 | \$ 1,269.73 | \$ 1,796.97 | \$ 2,285.47 | \$ 3,324.61 | \$ 1,487.82 |
| Average AFC | \$ 35,168.45 | \$ 36,350.68 | \$ 37,353.55 | \$ 38,952.75 | \$ 43,224.50 | \$ 50,624.39 | \$ 61,263.08 | \$ 42,811.81 |
| Number of Retired Members | 42 | 117 | 110 | 108 | 71 | 184 | 34 | 666 |
| 10 Year Averages | | | | | | | | |
| Average Monthly Benefit | \$ 290.26 | \$ 583.52 | \$ 883.53 | \$ 1,199.71 | \$ 1,578.44 | \$ 2,054.44 | \$ 2,978.07 | \$ 1,392.39 |
| Average AFC | \$ 34,854.87 | \$ 32,176.34 | \$ 33,231.86 | \$ 36,020.74 | \$ 38,651.72 | \$ 44,334.47 | \$ 53,152.17 | \$ 38,790.11 |
| Number of Retired Members | 551 | 1,052 | 1,103 | 925 | 675 | 1,894 | 516 | 6,716 |

Benefit amounts represent original monthly benefit at retirement for all retirees and, for comparison purposes, do not include cost-of-living adjustments (COLAs).

Statistical Section

General Assembly Retirement System Retired Members by Years of Service

| | Years of Credited Service | | | | | | | Avg/Tot |
|--|---------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 0 to 5 | 5+ to 10 | 10+ to 15 | 15+ to 20 | 20+ to 25 | 25+ to 30 | 30 Plus | |
| Period 07/01/1996 to 06/30/1997 | | | | | | | | |
| Average Monthly Benefit | \$ 179.95 | \$ 612.78 | \$ 948.57 | \$ 1,442.22 | \$ 1,662.43 | \$ 2,576.61 | - | \$ 1,082.00 |
| Average AFC | \$ 22,400.00 | \$ 22,400.00 | \$ 22,400.00 | \$ 22,400.00 | \$ 22,400.00 | \$ 22,400.00 | - | \$ 22,400.00 |
| Number of Retired Members | 3 | 3 | 4 | 3 | 1 | 2 | - | 16 |
| Period 07/01/1997 to 06/30/1998 | | | | | | | | |
| Average Monthly Benefit | \$ 22.27 | \$ 618.21 | \$ 905.23 | \$ 1,076.98 | \$ 2,085.45 | - | - | \$ 1,155.55 |
| Average AFC | \$ 22,400.00 | \$ 22,400.00 | \$ 22,400.00 | \$ 22,400.00 | \$ 23,600.00 | - | - | \$ 22,800.00 |
| Number of Retired Members | 1 | 2 | 2 | 1 | 3 | - | - | 9 |
| Period 07/01/1998 to 06/30/1999 | | | | | | | | |
| Average Monthly Benefit | \$ 179.95 | \$ 793.91 | \$ 775.10 | \$ 1,799.47 | \$ 1,731.57 | \$ 2,534.25 | \$ 2,250.23 | \$ 1,458.25 |
| Average AFC | \$ 22,400.00 | \$ 22,400.00 | \$ 22,400.00 | \$ 22,400.00 | \$ 22,400.00 | \$ 22,400.00 | \$ 22,400.00 | \$ 22,400.00 |
| Number of Retired Members | 1 | 3 | 2 | 1 | 6 | 1 | 2 | 16 |
| Period 07/01/1999 to 06/30/2000 | | | | | | | | |
| Average Monthly Benefit | - | - | - | - | \$ 1,761.95 | - | - | \$ 1,761.83 |
| Average AFC | - | - | - | - | \$ 22,400.00 | - | - | \$ 22,400.00 |
| Number of Retired Members | - | - | - | - | 6 | - | - | 6 |
| Period 07/01/2000 to 06/30/2001 | | | | | | | | |
| Average Monthly Benefit | - | \$ 647.16 | \$ 705.16 | \$ 1,474.20 | \$ 1,907.68 | \$ 2,647.92 | \$ 3,250.49 | \$ 2,273.04 |
| Average AFC | - | \$ 22,400.00 | \$ 22,400.00 | \$ 23,120.00 | \$ 22,400.00 | \$ 27,400.00 | \$ 25,955.55 | \$ 24,571.42 |
| Number of Retired Members | - | 2 | 1 | 5 | 2 | 2 | 9 | 21 |
| Period 07/01/2001 to 06/30/2002 | | | | | | | | |
| Average Monthly Benefit | - | \$ 654.55 | \$ 1,006.93 | \$ 1,709.49 | \$ 1,952.14 | \$ 2,253.85 | \$ 2,617.34 | \$ 1,812.40 |
| Average AFC | - | \$ 22,400.00 | \$ 22,400.00 | \$ 22,400.00 | \$ 24,066.66 | \$ 22,400.00 | \$ 22,400.00 | \$ 23,066.66 |
| Number of Retired Members | - | 2 | 1 | 2 | 6 | 2 | 2 | 15 |
| Period 07/01/2002 to 06/30/2003 | | | | | | | | |
| Average Monthly Benefit | - | \$ 788.91 | \$ 992.27 | \$ 1,379.23 | \$ 1,916.75 | \$ 2,097.10 | \$ 2,760.89 | \$ 1,842.34 |
| Average AFC | - | \$ 22,400.00 | \$ 22,400.00 | \$ 22,400.00 | \$ 22,400.00 | \$ 22,400.00 | \$ 23,727.27 | \$ 22,856.25 |
| Number of Retired Members | - | 5 | 4 | 5 | 5 | 2 | 11 | 32 |
| Period 07/01/2003 to 06/30/2004 | | | | | | | | |
| Average Monthly Benefit | - | - | \$ 975.67 | \$ 1,579.78 | \$ 2,069.32 | - | - | \$ 1,714.25 |
| Average AFC | - | - | \$ 22,400.00 | \$ 22,400.00 | \$ 23,828.57 | - | - | \$ 23,233.33 |
| Number of Retired Members | - | - | 3 | 2 | 7 | - | - | 12 |
| Period 07/01/2004 to 06/30/2005 | | | | | | | | |
| Average Monthly Benefit | - | \$ 719.79 | \$ 1,060.18 | \$ 1,504.62 | \$ 1,765.31 | \$ 2,343.33 | \$ 2,567.82 | \$ 1,801.39 |
| Average AFC | - | \$ 22,400.00 | \$ 22,400.00 | \$ 22,400.00 | \$ 22,400.00 | \$ 22,400.00 | \$ 22,400.00 | \$ 22,400.00 |
| Number of Retired Members | - | 1 | 3 | 5 | 6 | 5 | 3 | 23 |
| Period 07/01/2005 to 06/30/2006 | | | | | | | | |
| Average Monthly Benefit | - | - | \$ 1,192.02 | \$ 1,398.49 | \$ 1,900.02 | \$ 1,953.73 | \$ 2,691.46 | \$ 1,750.70 |
| Average AFC | - | - | \$ 22,400.00 | \$ 22,400.00 | \$ 22,400.00 | \$ 22,400.00 | \$ 22,400.00 | \$ 22,400.00 |
| Number of Retired Members | - | - | 3 | 2 | 2 | 1 | 2 | 10 |
| 10 Year Averages | | | | | | | | |
| Average Monthly Benefit | \$ 148.41 | \$ 706.90 | \$ 979.12 | \$ 1,475.72 | \$ 1,883.38 | \$ 2,357.04 | \$ 2,842.95 | \$ 1,718.91 |
| Average AFC | \$ 22,400.00 | \$ 22,400.00 | \$ 22,400.00 | \$ 22,538.46 | \$ 22,936.36 | \$ 23,066.66 | \$ 24,006.89 | \$ 22,923.75 |
| Number of Retired Members | 5 | 18 | 23 | 26 | 44 | 15 | 29 | 160 |

Benefit amounts represent original monthly benefit at retirement for all retirees and, for comparison purposes, do not include cost-of-living adjustments (COLAs).

Statistical Section

Judges and Solicitors Retirement System Retired Members by Years of Service

| | Years of Credited Service | | | | | | | Avg/Tot |
|--|---------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 0 to 5 | 5+ to 10 | 10+ to 15 | 15+ to 20 | 20+ to 25 | 25+ to 30 | 30 Plus | |
| Period 07/01/1996 to 06/30/1997 | | | | | | | | |
| Average Monthly Benefit | - | - | - | \$ 3,227.48 | \$ 3,388.28 | \$ 5,879.06 | \$ 6,659.25 | \$ 4,788.25 |
| Average AFC | - | - | - | \$ 98,659.00 | \$ 98,659.00 | \$ 98,659.00 | \$ 88,790.00 | \$ 96,191.75 |
| Number of Retired Members | - | - | - | 1 | 1 | 1 | 1 | 4 |
| Period 07/01/1997 to 06/30/1998 | | | | | | | | |
| Average Monthly Benefit | - | - | \$ 3,204.24 | - | \$ 5,632.88 | \$ 5,942.33 | \$ 7,220.24 | \$ 5,803.25 |
| Average AFC | - | - | \$ 98,905.00 | - | \$ 97,562.66 | \$ 98,175.00 | \$ 96,939.50 | \$ 97,727.75 |
| Number of Retired Members | - | - | 1 | - | 3 | 2 | 2 | 8 |
| Period 07/01/1998 to 06/30/1999 | | | | | | | | |
| Average Monthly Benefit | \$ 6,011.54 | - | - | - | \$ 6,092.79 | \$ 6,726.43 | - | \$ 6,443.00 |
| Average AFC | \$ 101,176.00 | - | - | - | \$ 102,543.50 | \$ 102,479.00 | - | \$ 102,311.28 |
| Number of Retired Members | 1 | - | - | - | 2 | 4 | - | 7 |
| Period 07/01/1999 to 06/30/2000 | | | | | | | | |
| Average Monthly Benefit | - | - | - | \$ 5,777.70 | \$ 6,252.00 | \$ 6,354.94 | \$ 9,226.88 | \$ 6,623.66 |
| Average AFC | - | - | - | \$ 107,933.00 | \$ 105,223.00 | \$ 106,896.50 | \$ 123,025.00 | \$ 109,651.16 |
| Number of Retired Members | - | - | - | 2 | 1 | 2 | 1 | 6 |
| Period 07/01/2000 to 06/30/2001 | | | | | | | | |
| Average Monthly Benefit | - | \$ 6,613.61 | - | - | \$ 6,613.61 | \$ 7,111.82 | - | \$ 6,862.25 |
| Average AFC | - | \$ 111,309.00 | - | - | \$ 111,309.00 | \$ 111,032.00 | - | \$ 111,170.50 |
| Number of Retired Members | - | 1 | - | - | 1 | 2 | - | 4 |
| Period 07/01/2001 to 06/30/2002 | | | | | | | | |
| Average Monthly Benefit | - | - | \$ 4,152.92 | - | \$ 6,745.87 | \$ 7,348.64 | \$ 8,148.82 | \$ 7,062.42 |
| Average AFC | - | - | \$ 113,535.00 | - | \$ 113,535.00 | \$ 113,535.00 | \$ 110,546.00 | \$ 112,254.00 |
| Number of Retired Members | - | - | 1 | - | 2 | 1 | 3 | 7 |
| Period 07/01/2002 to 06/30/2003 | | | | | | | | |
| Average Monthly Benefit | - | - | - | \$ 4,958.74 | \$ 6,115.60 | \$ 7,322.62 | - | \$ 6,266.33 |
| Average AFC | - | - | - | \$ 111,542.33 | \$ 112,040.50 | \$ 114,281.50 | - | \$ 112,870.44 |
| Number of Retired Members | - | - | - | 3 | 2 | 4 | - | 9 |
| Period 07/01/2003 to 06/30/2004 | | | | | | | | |
| Average Monthly Benefit | - | - | - | \$ 5,057.41 | \$ 6,688.09 | \$ 6,385.11 | \$ 8,564.85 | \$ 7,180.75 |
| Average AFC | - | - | - | \$ 114,886.50 | \$ 113,535.00 | \$ 116,521.00 | \$ 114,210.75 | \$ 114,584.00 |
| Number of Retired Members | - | - | - | 2 | 1 | 1 | 4 | 8 |
| Period 07/01/2004 to 06/30/2005 | | | | | | | | |
| Average Monthly Benefit | - | - | - | - | \$ 6,850.98 | - | \$ 8,538.70 | \$ 7,413.00 |
| Average AFC | - | - | - | - | \$ 115,255.50 | - | \$ 113,862.00 | \$ 114,791.00 |
| Number of Retired Members | - | - | - | - | 2 | - | 1 | 3 |
| Period 07/01/2005 to 06/30/2006 | | | | | | | | |
| Average Monthly Benefit | - | - | - | \$ 7,226.08 | - | \$ 8,198.72 | \$ 9,097.69 | \$ 8,173.66 |
| Average AFC | - | - | - | \$ 121,617.00 | - | \$ 121,617.00 | \$ 121,316.00 | \$ 121,516.66 |
| Number of Retired Members | - | - | - | 1 | - | 1 | 1 | 3 |
| 10 Year Averages | | | | | | | | |
| Average Monthly Benefit | \$ 6,011.54 | \$ 6,613.61 | \$ 3,678.58 | \$ 5,222.22 | \$ 6,096.74 | \$ 6,823.66 | \$ 8,205.29 | \$ 6,575.05 |
| Average AFC | \$ 101,176.00 | \$ 111,309.00 | \$ 106,220.00 | \$ 111,171.33 | \$ 107,210.86 | \$ 108,310.05 | \$ 109,950.23 | \$ 108,687.52 |
| Number of Retired Members | 1 | 1 | 2 | 9 | 15 | 18 | 13 | 59 |

Benefit amounts represent original monthly benefit at retirement for all retirees and, for comparison purposes, do not include cost-of-living adjustments (COLAs).

Statistical Section

National Guard Retirement System Retired Members by Years of Service

| | Years of Credited Service | | | | | | | Avg/Tot |
|--|---------------------------|----------|-----------|-----------|-----------|-----------|-----------|----------|
| | 0 to 5 | 5+ to 10 | 10+ to 15 | 15+ to 20 | 20+ to 25 | 25+ to 30 | 30 Plus | |
| Period 07/01/1996 to 06/30/1997 | | | | | | | | |
| Average Monthly Benefit | - | - | - | \$ 50.00 | \$ 60.95 | \$ 97.01 | - | \$ 76.85 |
| Average AFC | - | - | - | - | - | - | - | - |
| Number of Retired Members | - | - | - | 13 | 63 | 67 | - | 143 |
| Period 07/01/1997 to 06/30/1998 | | | | | | | | |
| Average Monthly Benefit | - | - | - | \$ 50.00 | \$ 62.55 | \$ 96.53 | \$ 100.00 | \$ 79.78 |
| Average AFC | - | - | - | - | - | - | - | - |
| Number of Retired Members | - | - | - | 15 | 49 | 65 | 10 | 139 |
| Period 07/01/1998 to 06/30/1999 | | | | | | | | |
| Average Monthly Benefit | - | - | - | \$ 50.00 | \$ 62.85 | \$ 92.05 | \$ 100.00 | \$ 76.37 |
| Average AFC | - | - | - | - | - | - | - | - |
| Number of Retired Members | - | - | - | 16 | 56 | 39 | 24 | 135 |
| Period 07/01/1999 to 06/30/2000 | | | | | | | | |
| Average Monthly Benefit | - | - | - | \$ 50.00 | \$ 63.21 | \$ 92.82 | \$ 100.00 | \$ 76.90 |
| Average AFC | - | - | - | - | - | - | - | - |
| Number of Retired Members | - | - | - | 16 | 56 | 23 | 36 | 131 |
| Period 07/01/2000 to 06/30/2001 | | | | | | | | |
| Average Monthly Benefit | - | - | - | \$ 50.00 | \$ 63.12 | \$ 90.75 | \$ 100.00 | \$ 77.61 |
| Average AFC | - | - | - | - | - | - | - | - |
| Number of Retired Members | - | - | - | 17 | 64 | 33 | 43 | 157 |
| Period 07/01/2001 to 06/30/2002 | | | | | | | | |
| Average Monthly Benefit | - | - | - | \$ 50.00 | \$ 62.24 | \$ 85.95 | \$ 100.00 | \$ 72.38 |
| Average AFC | - | - | - | - | - | - | - | - |
| Number of Retired Members | - | - | - | 23 | 78 | 21 | 37 | 159 |
| Period 07/01/2002 to 06/30/2003 | | | | | | | | |
| Average Monthly Benefit | - | - | - | \$ 50.00 | \$ 62.86 | \$ 88.48 | \$ 100.00 | \$ 74.59 |
| Average AFC | - | - | - | - | - | - | - | - |
| Number of Retired Members | - | - | - | 29 | 96 | 33 | 54 | 212 |
| Period 07/01/2003 to 06/30/2004 | | | | | | | | |
| Average Monthly Benefit | - | - | - | \$ 50.00 | \$ 62.61 | \$ 90.22 | \$ 100.00 | \$ 75.14 |
| Average AFC | - | - | - | - | - | - | - | - |
| Number of Retired Members | - | - | - | 29 | 88 | 44 | 47 | 208 |
| Period 07/01/2004 to 06/30/2005 | | | | | | | | |
| Average Monthly Benefit | - | - | - | \$ 50.00 | \$ 62.45 | \$ 91.11 | \$ 100.00 | \$ 74.38 |
| Average AFC | - | - | - | - | - | - | - | - |
| Number of Retired Members | - | - | - | 32 | 108 | 45 | 51 | 236 |
| Period 07/01/2005 to 06/30/2006 | | | | | | | | |
| Average Monthly Benefit | - | - | - | \$ 50.00 | \$ 62.63 | \$ 90.42 | \$ 100.00 | \$ 75.29 |
| Average AFC | - | - | - | - | - | - | - | - |
| Number of Retired Members | - | - | - | 41 | 131 | 59 | 73 | 304 |
| 10 Year Averages | | | | | | | | |
| Average Monthly Benefit | - | - | - | \$ 50.00 | \$ 62.55 | \$ 92.36 | \$ 100.00 | \$ 75.68 |
| Average AFC | - | - | - | - | - | - | - | - |
| Number of Retired Members | - | - | - | 231 | 789 | 429 | 375 | 1,824 |

Benefit amounts represent original monthly benefit at retirement for all retirees and, for comparison purposes, do not include cost-of-living adjustments (COLAs).

Statistical Section

South Carolina Retirement System Principal Participating Employers in 2006 and 1997

| Participating Government | 2006 | | | | | 1997 | | | | |
|---|-------------------|------|----------------------------|--------------|---------------|-------------------|------|----------------------------|--------------|----------------------------|
| | Covered Employees | Rank | Percentage of Total System | Total Active | Total Retired | Covered Employees | Rank | Percentage of Total System | Total Active | Total Retired ¹ |
| State Agency | 36,861 | 1 | 16.99% | 31,692 | 5,169 | 43,283 | 1 | 22.36% | 43,283 | - |
| School District of Greenville County | 8,572 | 2 | 3.95% | 7,476 | 1,096 | 6,749 | 2 | 3.48% | 6,749 | - |
| Charleston County School District | 5,722 | 3 | 2.63% | 5,087 | 635 | 5,287 | 4 | 2.73% | 5,287 | - |
| University of South Carolina | 5,291 | 4 | 2.43% | 4,312 | 979 | 4,930 | 5 | 2.54% | 4,930 | - |
| Horry County School District | 4,461 | 5 | 2.05% | 4,072 | 389 | 3,337 | 8 | 1.72% | 3,337 | - |
| Spartanburg Regional Medical Center | 4,316 | 6 | 1.99% | 4,173 | 143 | - | - | - | - | - |
| Richland County School District 1 | 4,193 | 7 | 1.93% | 3,604 | 589 | 4,034 | 6 | 2.08% | 4,034 | - |
| MUSC Hospital Authority | 4,143 | 8 | 1.91% | 4,023 | 120 | 5,800 | 3 | 2.99% | 5,800 | - |
| Clemson University | 3,632 | 9 | 1.67% | 3,054 | 578 | 3,548 | 7 | 1.83% | 3,548 | - |
| Berkeley County Department of Education | 3,534 | 10 | 1.62% | 3,165 | 369 | 3,074 | 9 | 1.58% | 3,074 | - |
| Aiken County Department of Education | - | - | - | - | - | 2,873 | 10 | 1.48% | 2,873 | - |
| All Other | 136,143 | | 62.83% | 123,364 | 12,779 | 110,585 | | 57.21% | 110,585 | - |
| Total ² | 216,868 | | 100.00% | 194,022 | 22,846 | 193,500 | | 100.00% | 193,500 | - |

In 2006, "All Other" consisted of:

| Type | Number | Employees |
|-----------------------|--------|-----------|
| Quasi-State/Higher Ed | 29 | 14,116 |
| City/County | 571 | 51,966 |
| Public Schools | 94 | 70,061 |
| Total | 694 | 136,143 |

In 1997, "All Other" consisted of:

| Type | Number | Employees |
|-----------------------|--------|-----------|
| Quasi-State/Higher Ed | 29 | 10,678 |
| City/County | 497 | 44,284 |
| Public Schools | 98 | 55,623 |
| Total | 624 | 110,585 |

¹Prior to July 1, 1999, contributions for working retirees were not required; therefore, membership information was not collected.

²2006 total reflects 704 governments and 1997 total reflects 634 governments.

Statistical Section

Police Officers Retirement System Principal Participating Employers in 2006 and 1997

| Participating Government | 2006 | | | | | 1997 | | | | |
|-----------------------------------|-------------------|------|----------------------------|--------------|---------------|-------------------|------|----------------------------|--------------|----------------------------|
| | Covered Employees | Rank | Percentage of Total System | Total Active | Total Retired | Covered Employees | Rank | Percentage of Total System | Total Active | Total Retired ¹ |
| State Agency | 10,685 | 1 | 4.92% | 10,064 | 621 | 10,094 | 1 | 44.82% | 10,094 | - |
| County Council of Richland County | 878 | 2 | 0.40% | 809 | 69 | 629 | 4 | 2.79% | 629 | - |
| City of Columbia | 755 | 3 | 0.34% | 725 | 30 | 638 | 2 | 2.83% | 638 | - |
| Horry County Council | 726 | 4 | 0.33% | 709 | 17 | 325 | 9 | 1.44% | 325 | - |
| Greenville County Council | 699 | 5 | 0.32% | 628 | 71 | 633 | 3 | 2.81% | 633 | - |
| County of Charleston | 684 | 6 | 0.31% | 622 | 62 | 518 | 5 | 2.30% | 518 | - |
| City of Charleston | 605 | 7 | 0.27% | 562 | 43 | 325 | 10 | 1.44% | 325 | - |
| City of North Charleston | 501 | 8 | 0.23% | 492 | 9 | 367 | 7 | 1.62% | 367 | - |
| Spartanburg County Council | 492 | 9 | 0.22% | 438 | 54 | 413 | 6 | 1.83% | 413 | - |
| County Council of Lexington | 473 | 10 | 0.21% | 432 | 41 | 350 | 8 | 1.55% | 350 | - |
| All Other | 11,541 | | 92.45% | 10,767 | 774 | 8,225 | | 36.57% | 8,225 | - |
| Total ² | 28,039 | | 100.00% | 26,248 | 1,791 | 22,517 | | 100.00% | 22,517 | - |

In 2006, "All Other" consisted of:

| Type | Number | Employees |
|-----------------------|--------|-----------|
| Quasi-State/Higher Ed | 25 | 466 |
| City/County | 269 | 11,017 |
| Public Schools | 31 | 58 |
| Total | 325 | 11,541 |

In 1997, "All Other" consisted of:

| Type | Number | Employees |
|-----------------------|--------|-----------|
| Quasi-State/Higher Ed | 15 | 417 |
| City/County | 229 | 7,798 |
| Public Schools | 5 | 10 |
| Total | 249 | 8,225 |

¹Prior to July 1, 1999, contributions for working retirees were not required; therefore, membership information was not collected.

²2006 total reflects 335 governments and 1997 total reflects 259 governments.

Note: The Principal Participating Employers schedule is not presented for GARS, JSRS, and NGRS as employers for these systems are considered components of the State Agency category.



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