Popular Annual Financial Report

South Carolina Retirement Systems
For the fiscal year ended June 30, 2015
Pension trust funds of the State of South Carolina

south carolina
peba[SM]
state health plan | retirement systems

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South Carolina Retirement Systems
Popular Annual Financial Report
For the Fiscal Year Ended June 30, 2015
Pension Trust Funds of the State of South Carolina

To our Members

We are pleased to present to you the South Carolina Retirement Systems' twelfth annual popular report. This report is intended to provide a summary of the Systems' annual financial information in an easily understandable format that supplements the more thorough *Comprehensive Annual Financial Report (CAFR)*.

Data presented in this report was derived from the fiscal year 2015 *CAFR*, which was prepared in accordance with Generally Accepted Accounting Principles. To learn more about the Systems' financial activities, please visit our website at www.peba.sc.gov.

The *CAFR* contains more detailed information and may be viewed online or downloaded from our website on the "Facts and Figures" page at www.peba.sc.gov. For any other questions or assistance, please contact Customer Contact Center at 803.737.6800 or 888.260.9430, or visit www.peba.sc.gov.

Peggy G. Boykin, CPA Executive Director	Travis J. Turner, CPA, CISA Chief Financial Officer	Tammy B. Nichols, CPA Retirement Finance Director

S.C. Public Employee Benefit Authority
202 Arbor Lake Drive
Columbia, SC 29223
www.peba.sc.gov

THIS REPORT CONTAINS AN ABBREVIATED DESCRIPTION OF THE RETIREMENT BENEFITS OFFERED BY THE SOUTH CAROLINA PUBLIC EMPLOYEE BENEFIT AUTHORITY (PEBA). THE INFORMATION IN THIS REPORT IS MEANT TO SERVE AS A GUIDE FOR OUR MEMBERS AND DOES NOT CONSTITUTE A BINDING REPRESENTATION OF PEBA. TITLE 9 OF THE SOUTH CAROLINA CODE OF LAWS CONTAINS A COMPLETE DESCRIPTION OF THE RETIREMENT BENEFITS, THEIR TERMS AND CONDITIONS, AND GOVERNS ALL RETIREMENT BENEFITS OFFERED BY THE STATE. STATE STATUTES ARE SUBJECT TO CHANGE BY THE GENERAL ASSEMBLY. PLEASE CONTACT PEBA FOR THE MOST CURRENT INFORMATION.

THE LANGUAGE USED IN THIS REPORT DOES NOT CREATE ANY CONTRACTUAL RIGHTS OR ENTITLEMENTS AND DOES NOT CREATE A CONTRACT BETWEEN THE MEMBER AND PEBA. PEBA RESERVES THE RIGHT TO REVISE THE CONTENT OF THIS REPORT.

Profile

South Carolina Public Employee Benefit Authority – Retirement Division

The South Carolina Public Employee Benefit Authority (PEBA) administers five defined benefit pension plans that provide lifetime retirement annuities, disability benefits and death benefits to eligible members and their beneficiaries. Each plan's terms specify the amount of pension benefits to be provided at a future date or after a certain period of time. The benefit amount specified is a function of a formula based on years of service, compensation and age.

PEBA also provides a defined contribution retirement plan (the State Optional Retirement Program) which is an alternative to membership in the traditional defined benefit plan for the South Carolina Retirement System.

The following is a summary of the six retirement plans.

- 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 State Optional Retirement Program **(State ORP)** was first established as the Optional Retirement Program for Higher Education in 1987. The State ORP is an alternative to the SCRS defined benefit plan and is now available to certain state, public school and higher education employees of the state.
- 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. Retirement reform legislation closed the plan to individuals first elected to the South Carolina General Assembly at or after the general election in November 2012.
- 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, Solicitors, and Circuit Public Defenders.
- The South Carolina National Guard Supplemental Retirement Plan **(SCNG)** was established July 1, 1975, to provide supplemental retirement benefits to members who served in the South Carolina National Guard. The Retirement Systems assumed administrative responsibility for this fund in 2006.

Membership and Annuitant Composition

As of June 30, 2015

Total Membership	South Carolina Retirement System	Police Officers Retirement System	General Assembly Retirement System [1]	Judges and Solicitors Retirement System [2]	South Carolina National Guard Supplemental Retirement Plan
Active	187,386	26,582	106	137	12,167
Inactive	160,259	12,705	55	2	2,068
Retirees & Beneficiaries[3]	134,634	16,810	362	206	4,648
Active Members					
Average Age	45	39	55	55	35
Average Years of Service	10	9	13	13	12
Average Annual Salary	$37,724	$37,776	$22,269	$129,465	N/A[4]
Annuitants and Beneficiaries					
Average Current Age	69	65	73	71	70
Average Age at Retirement[5]	59	55	61	60	60
Average Years of Service at Retirement	23	19	20	26	26
Average AFC[6] at Retirement	$42,677	$44,201	$21,701	$116,817	N/A
Average Current Annual Benefit[7]	$19,774	$19,638	$18,436	$81,180	$914

[1]There were 170 GARS positions in in fiscal year 2015.

[2]There were 153 JSRS positions in fiscal year 2015.

[3]Represents members who retired, including those who participate in the Teacher and Employee Retention Incentive (TERI) program or who returned to employment as a working retiree, and surviving beneficiaries of former members.

[4]The South Carolina National Guard Supplemental Retirement Plan is non-contributory; therefore, active member salaries are not reported to the Systems.

[5]Represents retired members who are currently receiving annuity benefits, including members who may have received benefits under a deferred retirement option (i.e. TERI). Disability retirees and surviving beneficiary payees are excluded.

[6]Average Final Compensation (AFC) is a component used in the formula for calculating annuity benefits.

[7]Includes benefit adjustments applied since retirement.

Fiscal Year 2015 Highlights

PEBA's Organizational Structure

A major focus during fiscal year 2015 was the review and assessment of the reasonableness and adequacy of PEBA's organizational structure as it related to administration of the retirement and insurance programs. In an effort to streamline the flow of communication, merge common core business functions, and maintain sufficient staffing, the agency was restructured and many positions that had previously been left vacant were filled. Operational consolidation was necessary in some areas to eliminate overlapping responsibilities. As a result, the previously separate Insurance Benefits and Retirement Benefits operational functions were consolidated under the management of the Chief Financial Officer position. Organizational changes were designed to make PEBA function more efficiently, effectively, and most importantly, responsively to its stakeholder groups. This goal was also the mitigating factor behind the creation of the new Employer Services Unit which is still being developed.

Fiduciary Performance Audit

Beginning in October 2014, Funston Advisory Services (FAS), with oversight from the South Carolina Office of the State Inspector General (SIG), conducted a fiduciary performance audit of PEBA. The purpose of the audit was to critically evaluate the fiduciary roles and responsibilities of PEBA and staff; the relationship with other fiduciaries of the Retirement Systems; and the operational policies and practices of PEBA. The goal of the audit was to identify areas of strengths and weaknesses, provide comparison with leading practices of other retirement plans and make recommendations for improvement.

The final FAS report, which was issued on January 16, 2015, contained 113 recommended improvements. Of the recommendations presented, 102 can be addressed by PEBA directly; however, legislative changes by the General Assembly will be needed for the remaining 11. After the final FAS report was issued, PEBA staff incorporated the audit recommendations into PEBA's strategic action plans for the organization. The Board of Directors adopted the action plans during its March 2015 retreat. As of June 30, 2015, PEBA had completed 47 of the recommendations. In summary, PEBA's efforts to continue implementation of recommendations from FAS' fiduciary audit report, include a plan to complete 28 of the tasks in fiscal year 2016; 11 in fiscal year 2017; and six in fiscal year 2018.

PEBA Operational Assessment

During fiscal year 2015, PEBA began a broad operational assessment to evaluate its business processes and procedures for consolidating the Insurance and Retirement information technology systems. One of the goals of the assessment is to increase the availability of online services for employers and members. PEBA will also ensure that its information technology resources are deployed in the safest and most secure manner feasible. The initial assessment is scheduled to be completed by June 2016 and will include a roadmap and recommendations for implementation moving forward.

Cost Effectiveness Measurement (CEM)

In March 2015, results from PEBA's participation in Cost Effectiveness Measurement (CEM), Inc.'s benchmarking survey for the Retirement Systems for fiscal year 2014 were communicated to the Board and management. Results indicated that the Retirement Systems' annual administrative cost per active member and annuitant was $31 which was a 12.4 percent decrease over the past fiscal year and $47 below the peer median of $78. The Retirement Systems' cost per member was lower in all pension administration categories and was the 4th lowest overall cost in CEM's universe. Primary reasons for the differences in total cost were lower costs per full time equivalent (FTE) position and lower costs for back office activities. PEBA also experienced a decreased allocation of FTE's to pension administration responsibilities during FY2014. Additionally, the survey results reported that the Retirement Systems' total service score of 76 was below the peer median of 80. Service scores are based on turnaround times, availability, choices, content and quality. Trends in pension administration include improved electronic communication and transactions, targeting and segmentation of membership and retirement preparedness. Recommendations for improving service scores are being evaluated.

Electronic Employer Services (EES)

PEBA also unveiled a new feature on our secure Electronic Employer Services (EES) website that allows participating employers to initiate and submit retirement enrollment elections for newly hired employees through EES. The online enrollment should eliminate most paper forms and processes.

GASB 68 Update

During fiscal year 2015, PEBA staff continued to work closely with the external actuary and participating employers to provide education and information to participating employers in order for them to implement the requirements of Governmental Accounting Standards Board (GASB) Statement 68. The first GASB 68 Special Audit as of the June 30, 2014, Measurement Date was completed by our external audit firm for which an unmodified opinion was issued. Staff also continued to enhance PEBA's online GASB resource center.

PEBA's Unique Identity

PEBA put forth significant effort to introduce and promote a unique identity for the agency. PEBA introduced a distinctive graphic element and tagline as tools to help educate stakeholders about the agency and reflect the consolidation of the administration of the state's public employee insurance and retirement benefits programs. The new identity elements are part of a broader educational campaign to inform stakeholders of PEBA's existence as a state agency and to clarify that the agency is responsible for both the state's employee insurance programs and the retirement systems. The new identity elements have been incorporated into this year's Popular Annual Financial Report.

Summary of Financial Condition

The main funding objective of the pension trust funds is to meet future benefit obligations of retirees and beneficiaries through employee and employer contributions and investment earnings. Each year, the external consulting actuaries determine the actuarial soundness of the plans based on long term obligations and the sufficiency of current contribution levels to fund the liabilities of each plan over a reasonable time frame. As of the July 1, 2014 valuations, funding levels of all the plans are such that annual expected contributions are sufficient to maintain a funding period that does not exceed 30 years; however, because the market value of assets is less than the actuarial value of assets, there are currently deferred investment losses that will either be offset by future investment gains or be recognized as investment losses in future years. The changes in the levels of funding do not affect the availability of funds or resources for future use and actuarial projections indicate that unfunded liabilities should be amortized and funded within acceptable funding guidelines.

The July 1, 2014, actuarial valuations, adopted by the PEBA Board and subsequently provided to the S.C. State Fiscal Accountability Authority, determined the actuarial status of each plan and concluded that the employee and employer contribution requirements for fiscal year 2017 will remain unchanged from the rates scheduled to be in effect for fiscal year 2016.

The funded ratios of the five plans as of July 1, 2014, range from a low of 38.7 percent for SCNG to a high of 69.5 percent for PORS. The funded ratio for SCRS, which represents the largest membership of the five plans, increased from 62.5 percent to 62.7 percent while PORS went up from 69.2 percent to 69.5 percent. Changes in funded ratios were primarily due to increased contribution levels and the recognition of investment gains and losses which are recognized using a five-year smoothing method. Based on the current funding policy and absent future unfavorable experience, the funded ratio (on an actuarial value of asset basis) is expected to remain relatively constant for the next several years then begin to gradually improve. The funded ratio of SCNG continues to be very low because at one time, the plan was not funded on an actuarially sound basis. However, since 2006 when the General Assembly transferred administrative responsibility to the Retirement Division, their commitment to ensure the SCNG plan would be sufficiently funded prospectively has been maintained and the funded ratio has steadily improved. Each year recurring funds are set aside in the state's annual budget to fund SCNG over an amortization period that does not exceed 30 years, so continued future improvement in the funded ratio is expected.

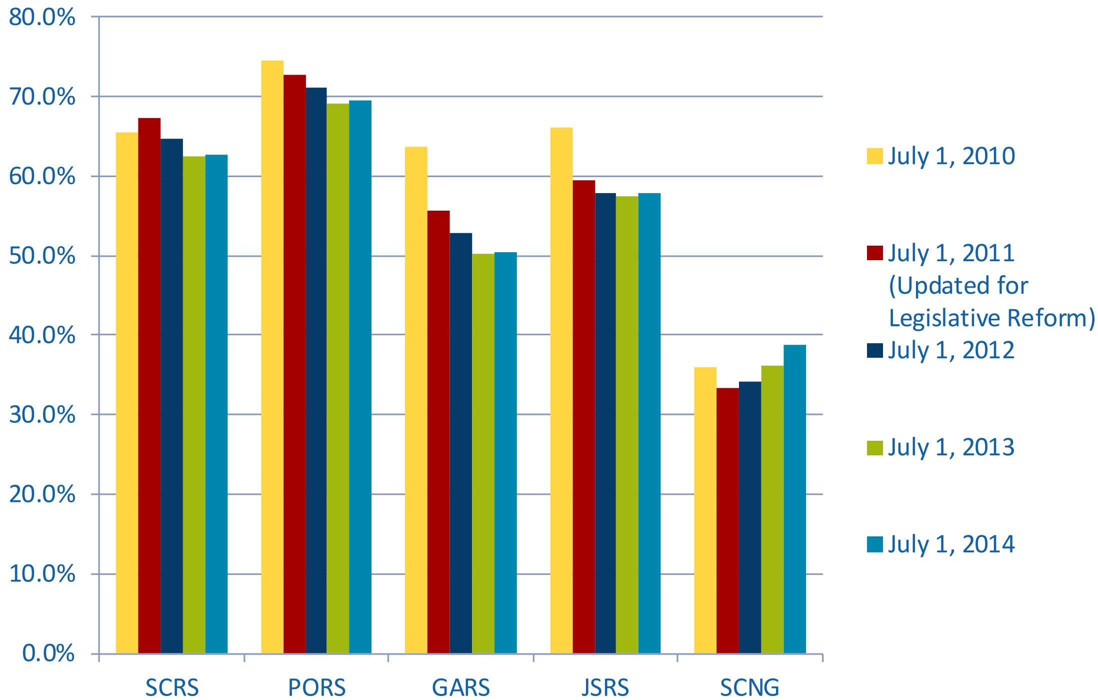
As of July 1, 2014, the unfunded actuarial accrued liability for SCRS increased from $15.4 billion to $16.0 billion and PORS increased from $1.74 billion to $1.80 billion. The largest source of increase was the result of continual recognition of deferred investment losses in the actuarial value of assets. Absent significant favorable investment experience, those deferred losses will continue to be reflected, or smoothed, in the actuarial value of assets over the next few years. Other non-investment related experience activity such as mortality, salary experience, payroll growth and turnover, which are considered normal within the course of plan experience, contributed to other actuarial gains and losses, as actual experience cannot be precisely predicted and will never exactly match the estimated assumptions.

Actuarial smoothing techniques which defer investment gains and losses help to dampen the short-term volatility inherent in investment markets by allowing only a portion of investment gains and losses to be recognized each year. Although actual investment returns for fiscal year 2014 were greater than the assumed rate of return, using smoothing techniques, all of the Systems recognized a net actuarial loss on investment returns for the valuation year. For SCRS, the smoothing methodology resulted in a net amount of $1.2 billion in excess investment losses being deferred as of the July 1, 2014 valuation.

The chart on Page 7 illustrates actuarial funded ratios over the past five years for each of the five defined benefit plans.

Actuarial Funded Ratios

(Actuarial assets as a percentage of actuarial accrued liabilities)



Statement of Fiduciary Net Position

The Statement of Fiduciary Net Position presents the Systems' assets and liabilities and the resulting net position restricted for pensions. This statement reflects a year-end snapshot of the Systems' investments, at fair value, along with cash and short-term investments, receivables and other assets and liabilities.

Total fiduciary net position for all five defined benefit plans of the Systems combined, decreased by $622 million or just over two percent during fiscal year 2015. The net position of the plans is impacted by contributions to the plans, investment returns, and benefit payments out of the system. It is important to note that growth in fiduciary net position depends on both investment performance and contributions from employers and employees. The plans are in a net cash outflow position with benefit payments exceeding contributions, therefore, investment performance must first make up this gap before fiduciary net position can grow. The decrease in net position from $29.9 billion to $29.3 billion was primarily attributable to reduced investment performance and the net cash outflow situation.

The Systems' investment portfolio continues to participate in a securities lending program, managed by BNY Mellon (Securities Lending Program), whereby securities are loaned for the purpose of generating additional income. BNY Mellon is responsible for making loans of securities on a collateralized basis from the Systems' investment portfolio to various third party broker-dealers and financial institutions. The gross securities lending revenue for the fiscal year was $1.98 million, an increase from $1.73 million in the prior year. As reported by BNY Mellon, at June 30, 2015, the fair value of securities on loan was $179.61 million, the fair value of the invested cash collateral was $70.18 million, and the securities lending obligations were $117.72 million. The reported difference in the value of the invested cash collateral and the securities lending obligations in the securities lending program is reflected within "Other Liabilities" on the Retirement Systems' Statement of Fiduciary Net Position, consistent with information reported on accounting statements provided by BNY Mellon as the custodial bank.

South Carolina Retirement Systems
Fiduciary Net Position

June 30, 2015 and 2014

(Amounts expressed in thousands)

Assets	2015	2014	Increase / (Decrease)	% Increase / (Decrease)
Cash & cash equivalents, receivables, and prepaid expenses	$ 3,622,210	$ 4,063,173	$ (440,963)	-10.85%
Investments, at fair value	27,093,961	26,754,819	339,142	1.27%
Securities lending cash collateral invested	70,177	72,645	(2,468)	-3.40%
Capital Assets, net of accumulated depreciation	3,005	2,912	93	3.19%
Total Assets	30,789,353	30,893,549	(104,196)	-0.34%
Liabilities				
Deferred retirement benefits	68,104	56,901	11,203	19.69%
Obligations under securities lending	70,177	72,645	(2,468)	-3.40%
Other accounts payable	1,345,382	836,292	509,090	60.87%
Total Liabilities	1,483,663	965,838	517,825	53.61%
Total Fiduciary Net Position Restricted for Pensions	$ 29,305,690	$ 29,927,711	$ (622,021)	-2.08%

Statement of Changes in Fiduciary Net Position

The Statement of Changes in Fiduciary Net Position presents information showing how the Systems' net position restricted for pensions changed during the year. This statement includes additions for contributions by members and employers and investment earnings and deductions for annuity payments, refunded contributions, death benefit payments and administrative expenses.

The rise over the prior fiscal year in the amount of employee and employer contributions collected is largely attributable to increased contribution rates. Employee contribution rates for SCRS and PORS rose from 7.50 to 8.00 percent and 7.84 to 8.41 percent, respectively, effective July 1, 2014. Base employer contributions rates for SCRS and PORS also increased proportionately, effective July 1, 2014, from 10.45 to 10.75 percent and 12.44 to 13.01 percent, respectively.

For the fiscal year ended June 30, 2015, the net of fee investment performance return provided by the custodial bank, BNY Mellon was 1.60 percent. This return reflects performance of the Systems, at the aggregate for the pooled investments of the consolidated pension trust funds, after the deduction of manager fees and/or expenses. This fiscal year's performance was well below the prior year's return of 15.29 percent and will be recognized as an actuarial loss as it was less than the 7.5 percent actuarial investment rate of return assumed for the plans.

The total number of retired members and beneficiaries receiving monthly annuity benefits from the Systems increased from approximately 153,000 to just under 157,000 annuitants during the year. Additionally, eligible SCRS & PORS annuitant payees received an annual benefit adjustment equal to the lesser of 1 percent or $500 on July 1, 2014. The increase in the number of new annuitants added to the payroll during the year coupled with the retiree benefit adjustment resulted in an overall increase of 5 percent in the dollar amount of annuity benefits paid to annuitants compared to the prior the year.

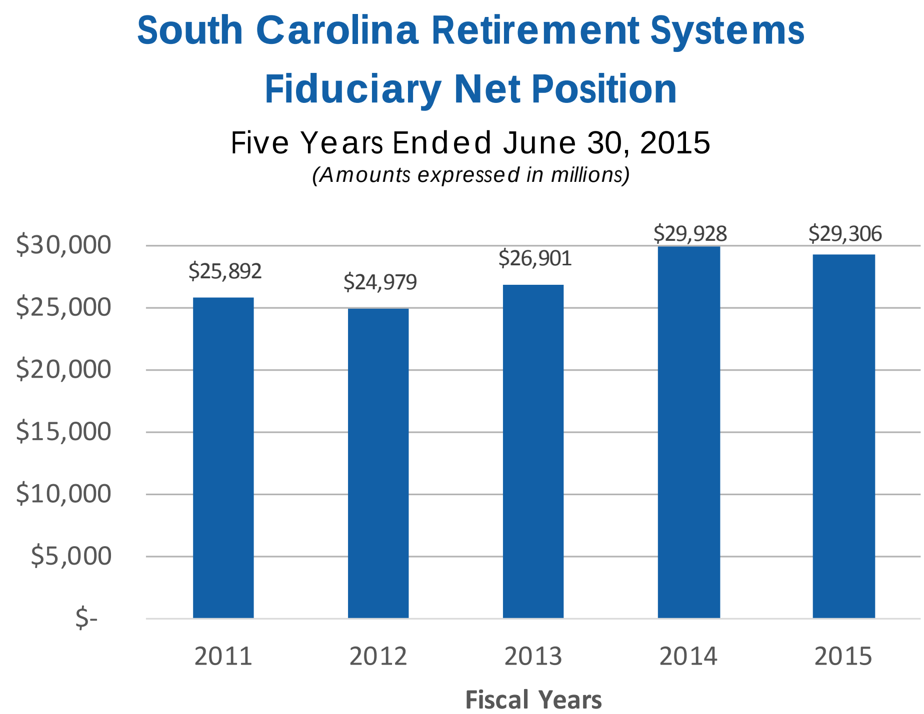
South Carolina Retirement Systems
Changes in Fiduciary Net Position

For the Years Ended June 30, 2015 and 2014

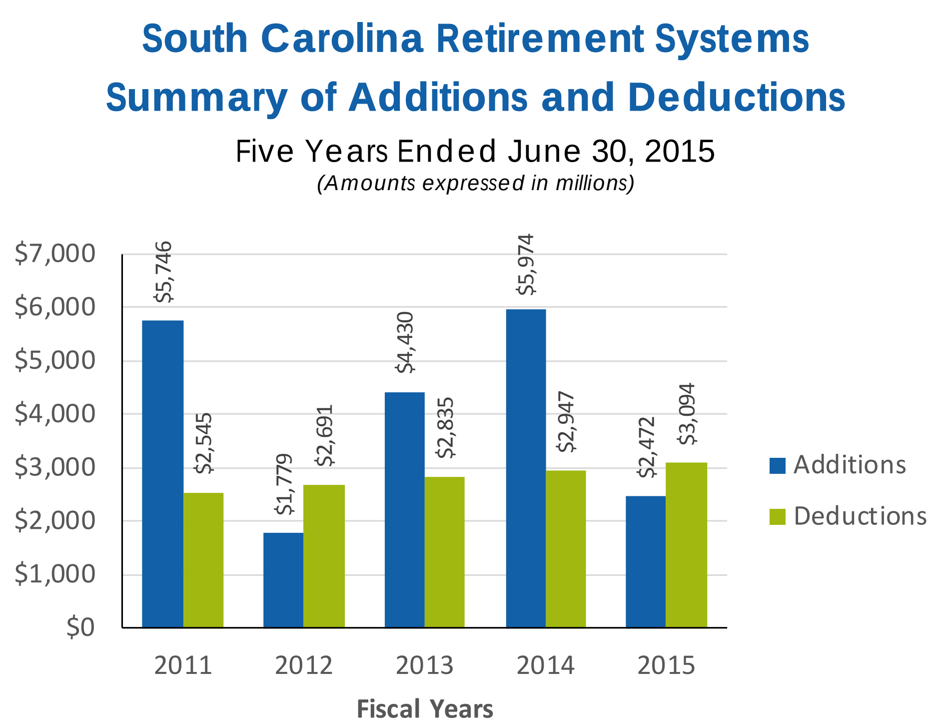
(Amounts expressed in thousands)

Additions	2015	2014	Increase / (Decrease)	% Increase / (Decrease)
Employee contributions	$ 826,483	$ 751,467	$ 75,016	9.98%
Employer contributions	1,203,313	1,132,128	71,185	6.29%
State-appropriated contributions	4,591	4,586	5	0.11%
Net Investment income	435,886	4,083,023	(3,647,137)	-89.32%
Other income	1,883	3,083	(1,200)	-38.92%
Total Additions	2,472,156	5,974,287	(3,502,131)	-58.62%
Deductions				
Annuity benefits	2,943,355	2,803,084	140,271	5.00%
Refunds	112,557	106,475	6,082	5.71%
Death benefits	22,319	21,680	639	2.95%
Administrative & other expenses	15,946	16,150	(204)	-1.26%
Total Deductions	3,094,177	2,947,389	146,788	4.98%
Increase (Decrease) in Fiduciary Net Position	(622,021)	3,026,898	(3,648,919)	-120.55%
Beginning Fiduciary Net Position	29,927,711	26,900,813	3,026,898	11.25%
Ending Fiduciary Net Position Restricted for Pensions	$ 29,305,690	$ 29,927,711	$ (622,021)	-2.08%

The following graph reflects Fiduciary Net Position restricted for pensions for the five consolidated defined benefit plans over the past five fiscal years:



The following graph represents additions from all sources and deductions (annuities, refunds, death benefits, administrative expense and depreciation) from Fiduciary Net Position over the past five fiscal years:



Investments Overview

As of June 30, 2015, the custodial bank reported that assets of the pension trust funds, invested and managed by the Retirement System Investment Commission (RSIC), were valued at $29.2 billion. The plans are in a negative cash flow position as benefit payments in the amount of $3.5 billon (on a cash flow basis) significantly exceeded the receipt of only $2.4 billion in contributions (on a cash flow basis). This resulting negative net cash outflow of $1.1 billion in net benefit obligations during the year represents approximately 3.6 percent of the portfolio's assets.

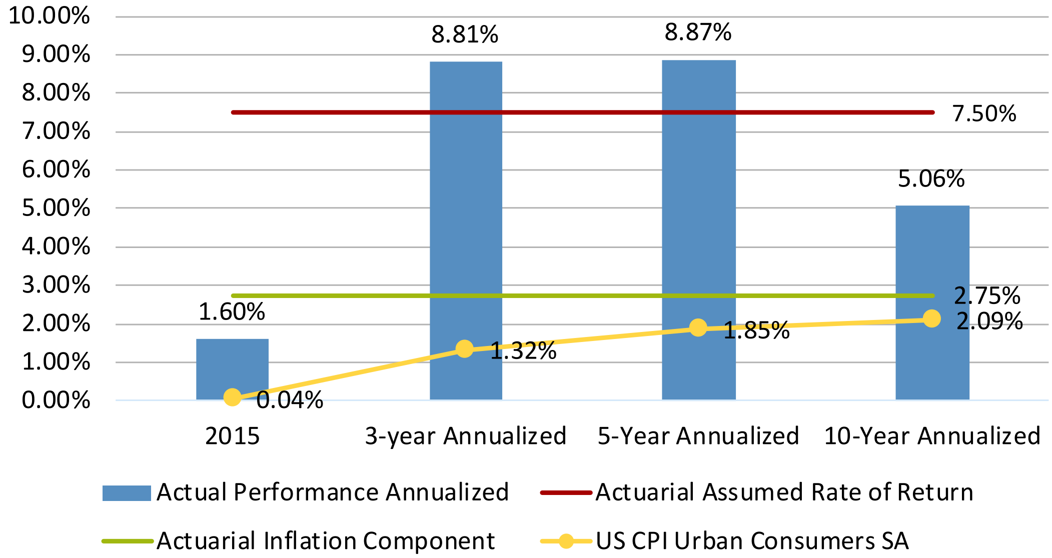
Capital markets during the fiscal year were challenging for the Plan as broad US equity indices showed modest gains, domestic fixed income showed mixed results, and international and emerging markets, both equity and fixed income, were generally negative. Real estate and private equity asset classes posted strong positive returns. The RSIC Plan assets earned a return of 1.60 percent net of fees on a time-weighted calculation basis for the fiscal year ending June 30, 2015, compared to the Policy benchmark's return of 1.21 percent. This is sixth consecutive year that the fund has experienced a positive annual return. The three-year annualized net of fees return was 8.81 percent as of the fiscal year end compared to the Policy benchmark return of 7.74 percent. The Plan's actuarial assumed rate of return is 7.50 percent.

The plan assets are invested by the Commission in a manner consistent with a long-term investment time horizon. While the financial markets continue to experience significant volatility, the assets of the Retirement Systems are invested in a broadly diversified manner in an effort to mitigate risk. Although member benefits accrued and payable under the Retirement Systems' defined benefit plans are not dependent on individual member account balances, investment returns are a critical overall funding component.

An optimally diversified investment portfolio is designed to generate long-term returns sufficient to ensure the program's financial stability. While the Systems' investment performance was historically constrained by state constitution and state statute, the Commission has implemented a fully diversified asset allocation policy. With the help of the retained investment consultant, Aon Hewitt Investment Consulting, the RSIC manages investments across an asset allocation designed to generate attractive long-term risk-adjusted returns at a prudent level of risk.

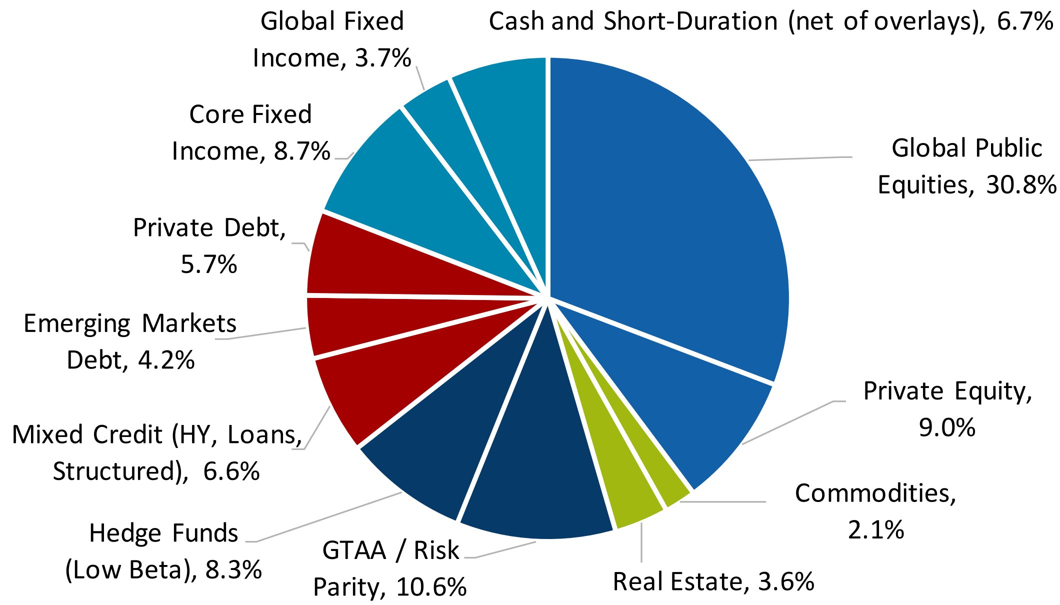
Summary of Investment Performance

As of June 30, 2015

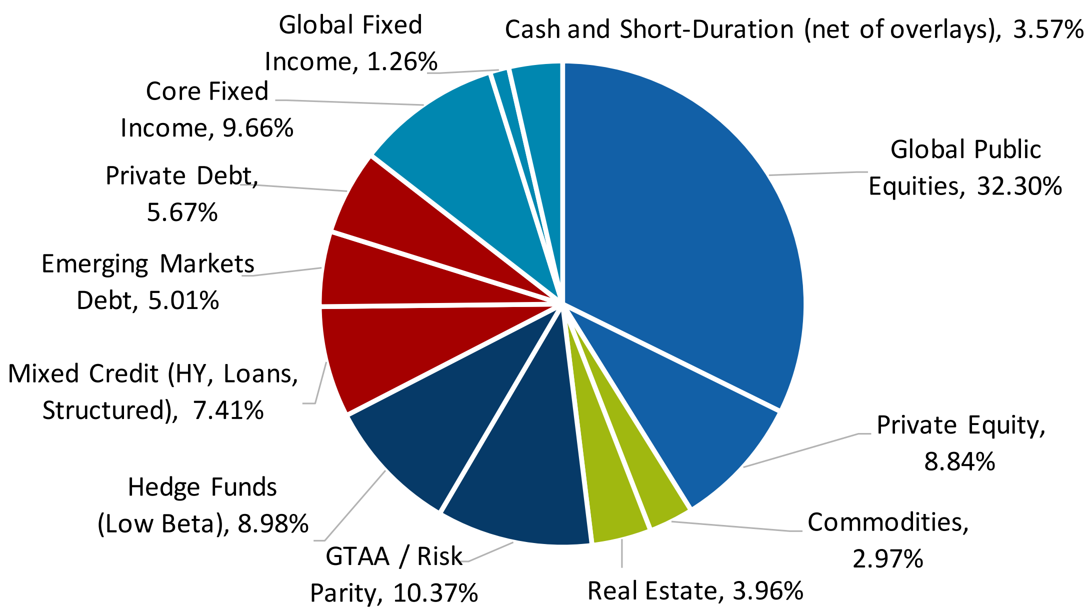


[1]Plan returns are from BNY Mellon and are time-weighted, total return calculations, net of fees and expenses. All returns are expressed in U.S. Dollars. Periods greater than one year are annualized.
[2]The actuarial assumed rate of return is 7.50 percent starting with returns after July 1, 2011, and is composed of an assumed 2. 75 percent Inflation rate and a 4.75 percent real rate of return, net of investment and administrative expenses.

Portfolio Exposure as of June 30, 2014



Portfolio Exposure as of June 30, 2015



Global Equity
Global Public Equities*
Private Equity

Diversified Credit
Mixed Credit (HY, Loans, Structured)*
Emerging Markets Debt*
Private Debt*

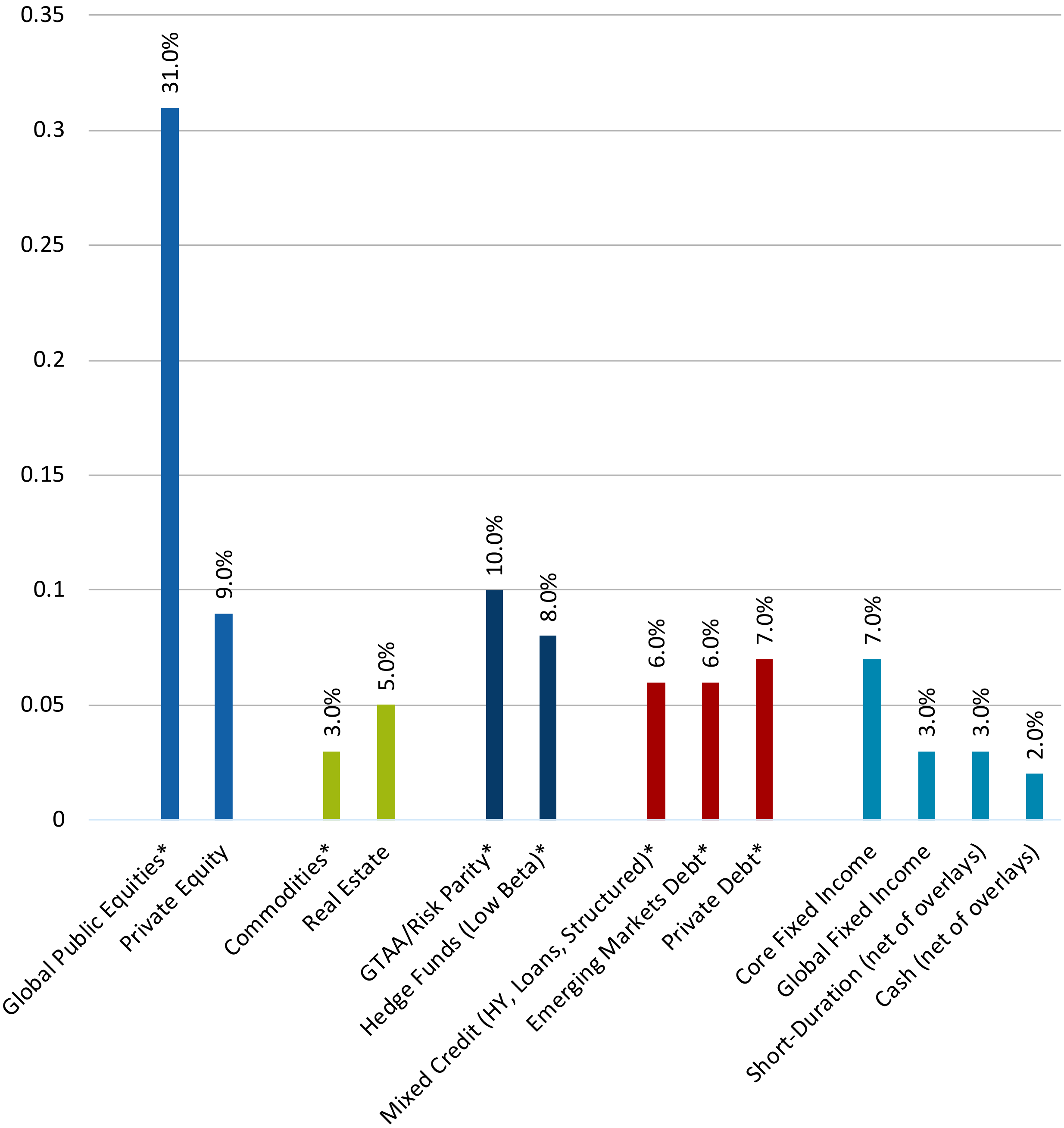
Real Assets
Commodities*
Real Estate

Conservative Fixed Income
Core Fixed Income
Global Fixed Income
Short-Duration (net of overlays)
Cash (net of overlays)

Opportunistic
GTAA/Risk Parity*
Hedge Funds (Low Beta)*

Note: Values rounded for presentation purposes. Portfolio exposure includes both adjustments made by managers that invest across asset classes and exposure from the RSICs derivative overlay program.
**Asset classes in which hedge funds can be used, up to a maximum of 15% across the entire portfolio*

Target Asset Allocation



Global Equity
Global Public Equities*
Private Equity

Diversified Credit
Mixed Credit (HY, Loans, Structured)*
Emerging Markets Debt*
Private Debt*

Real Assets
Commodities*
Real Estate

Conservative Fixed Income
Core Fixed Income
Global Fixed Income
Short-Duration (net of overlays)
Cash (net of overlays)

Opportunistic
GTAA/Risk Parity*
Hedge Funds (Low Beta)*

Note: Target Asset Allocation in effect since July 1, 2013 - adopted and amended by the Commission on September 26, 2013.
**Asset classes in which hedge funds can be used, up to a maximum of 15% across the entire portfolio.*

South Carolina Retirement Systems

List of Largest Assets Held

As of June 30, 2015

SCRS held units in the following index funds:

Units	Description	SCRS	PORS	GARS	JSRS	SCNG	Fair Value
128,309,554	Blackrock MSCI World Index	$1,760,710,872	$277,123,432	$2,153,537	$10,048,117	$1,487,031	$ 2,051,522,989
22,921,176	Daily MSCI USA Index NL Fund	526,088,346	82,802,583	643,462	3,002,308	444,315	612,981,014
4,910,972	MSCI EAFE Index NL Fund (FD12)	353,100,864	55,575,577	431,880	2,015,094	298,216	411,421,631
463,573	MSCI CAD Index NL Fund (CA-12)	33,121,835	5,213,142	40,512	189,021	27,973	38,592,483
		Total					**$ 3,114,518,117**

Top Ten Equity Holdings

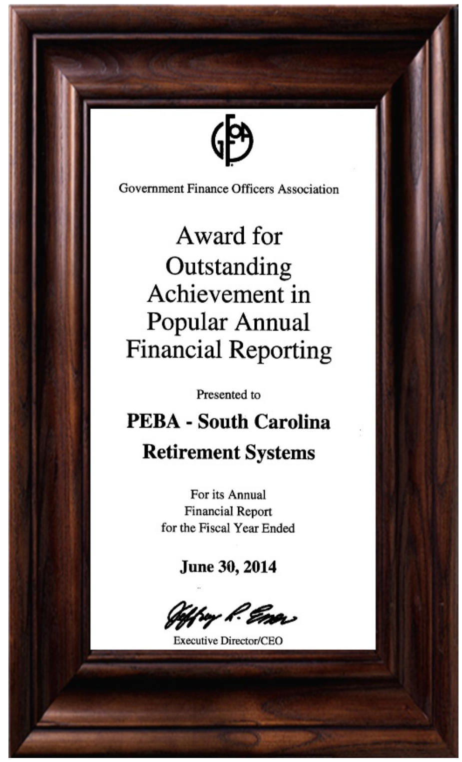
Units	Description	SCRS	PORS	GARS	JSRS	SCNG	Fair Value
222,937	Apple Inc	$ 23,998,159	$ 3,777,140	$ 29,352	$ 136,954	$ 20,268	$ 27,961,873
155,537	CVS Health Corp	14,000,323	2,203,552	17,124	79,898	11,824	16,312,721
127,097	UnitedHealth Group Inc	13,307,816	2,094,556	16,277	75,946	11,239	15,505,834
124,683	Gilead Sciences Inc	12,528,573	1,971,909	15,324	71,499	10,581	14,597,886
285,174	Altria Group Inc	11,970,692	1,884,102	14,641	68,315	10,110	13,947,860
238,579	Wells Fargo & Co	11,515,669	1,812,485	14,085	65,718	9,726	13,417,683
64,500	Costar Group Inc	11,141,120	1,753,533	13,627	63,581	9,409	12,981,270
281,811	Microsoft Corp	10,678,256	1,680,682	13,061	60,939	9,018	12,441,956
111,199	Home Depot Inc	10,605,811	1,669,279	12,972	60,526	8,957	12,357,545
188,000	Jack Henry & Associates Inc	10,439,358	1,643,081	12,768	59,576	8,817	12,163,600
		Total					**$ 151,688,228**

Top Ten Fixed Income Holdings

Par Value	Description	SCRS	PORS	GARS	JSRS	SCNG	Fair Value
$ 5,600,000	iShares Emerging Markets Local Currency Bond ETF	$ 210,029,898	$ 33,057,220	$ 256,889	$ 1,198,610	$ 177,383	$ 244,720,000
1,200,000	iShares JP Morgan USD Emerging Market Bond ETF	113,206,046	17,817,831	138,463	646,050	95,610	131,904,000
122,950,000	Commit To Purchase FNMA 4.000% due 07/01/2045	111,797,722	17,596,170	136,741	638,013	94,420	130,263,066
103,400,000	US Treasury Note 2.750% due 02/15/2024	92,132,578	14,501,016	112,688	525,787	77,812	107,349,881
75,000,000	US Treasury Note 1.000% due 08/31/2016	64,831,240	10,203,978	79,296	369,982	54,754	75,539,250
84,915,000	US Treasury Bond 2.500% due 02/15/2045	64,138,415	10,094,933	78,448	366,028	54,169	74,731,993
68,000,000	US Treasury Note 1.000% due 09/15/2017	58,698,036	9,238,655	71,794	334,981	49,574	68,393,040
56,500,000	Federal Farm Credit Bank 1.125% due 12/18/2017	48,683,877	7,662,498	59,546	277,832	41,117	56,724,870
46,231,568	US Treasury - CPI Inflation 0.125% due 07/15/2024	38,695,221	6,090,354	47,328	220,828	32,681	45,086,412
44,730,000	US Treasury Note 2.125% due 06/30/2022	38,551,336	6,067,707	47,152	220,007	32,559	44,918,761
		Total					**$ 979,631,273**

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

Fiscal Year 2014 GFOA Award



The South Carolina Retirement Systems' *Popular Annual Financial Report* for the fiscal year ended June 30, 2014, received an Award for Outstanding Achievement in Popular Annual Financial Reporting from the Government Finance Officers Association (GFOA) of the United States and Canada.

This is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

To receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a *Popular Annual Financial Report* in which the content conforms to program standards of creativity, presentation, understandability, and reader appeal.

This award is valid for a period of one year only. The Systems has received the Award for Outstanding Achievement for each of the last 11 consecutive years (fiscal years ended 2004-2014). We believe our current report continues to conform to the GFOA's Popular Annual Financial Reporting requirements and are submitting it for consideration.

2015 PPCC Award

The South Carolina Retirement Systems received the Public Pension Coordinating Council's Public Pension Standards 2015 Award.

It is the twelfth consecutive year during which the S.C. Public Employee Benefit Authority 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.

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202 Arbor Lake Drive
Columbia, SC 29223

803.737.6800 | 888.260.9430
www.peba.sc.gov

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