State of South Carolina

Office of the State Auditor

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October 26, 2009

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

This report on the audit of the financial statements of the South Carolina Retirement Systems for the fiscal year ended June 30, 2009 was issued by Rogers Laban, PA, Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

If you have any questions regarding this report, please let us know.

Respectfully submitted,

Richard H. Gilbert, Jr., CPA
Deputy State Auditor

RHGjr/trb

FINANCIAL STATEMENTS

SOUTH CAROLINA
RETIREMENT SYSTEMS

Columbia, South Carolina

Year Ended June 30, 2009

South Carolina Retirement Systems

Table of Contents

June 30, 2009

INDEPENDENT AUDITOR'S REPORT 1-2

MANAGEMENT'S DISCUSSION AND ANALYSIS 3-8

FINANCIAL STATEMENTS:
- Statement of Plan Net Assets 9
- Statement of Changes in Plan Net Assets 10
- Notes to Financial Statements 11-32

REQUIRED SUPPLEMENTARY INFORMATION:
- Schedule of Funding Progress 33
- Schedule of Employer Contributions 34

OTHER SUPPLEMENTARY INFORMATION:
- Schedule of Changes in Plan Net Assets - By System 35-39
- Schedule of Administrative Expenses 40
- Schedule of Professional and Consultant Fees 40
- Schedule of Investment Fees and Expenses 41

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS 42-43

Rogers Laban
CPAs & Financial Consultants

INDEPENDENT AUDITOR'S REPORT

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, 2009, 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, 2009, 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, 2009, 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.

As discussed in Note X to the financial statements, the Systems is a party to legal actions claiming amounts due for certain retirement contributions that have 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.

Going Beyond The Numbers.

Rogers Laban, PA • 1919 Bull Street • Columbia, SC 29201 • 803.779.5870 • Fax 803.765.0072 • www.RogersLaban.com

In accordance with Government Auditing Standards, we have also issued our report dated October 21, 2009 on our consideration of the Systems' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 3 - 8 and the required supplementary information on pages 33 and 34 are not a required part of the financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. 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 other supplementary information on pages 35 - 41 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.

Rogers Laban, PA

October 21, 2009

Management's Discussion and Analysis

This section presents management's discussion and analysis of the South Carolina Retirement Systems' financial position and performance for the year ended June 30, 2009, and is offered as an introduction and analytical overview. This narrative is intended as a supplement and should be read in conjunction with the financial statements and other information presented in the *Comprehensive Annual Financial Report*.

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

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

Overview of the Financial Statements

The Retirement Systems are a part of the primary government of the state of South Carolina and are 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
- Other Supplementary Information

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

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

Notes to the Financial Statements are an integral part of the 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 trends and its obligations to provide pension benefits to members. A schedule of required employer contributions is also presented and is useful in evaluating the condition of the plans.

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

Financial Highlights

- For the fiscal year ended June 30, 2009, the aggregate rate of return on the pooled investments of the consolidated pension trust funds was negative 19.04 percent. Returns for the combined investment portfolio were well below the negative 2.56 percent return from the prior fiscal year and well below the 8 percent actuarial investment assumed rate of return for the plans. The impact of the recent financial market crisis should moderate in time due through the use of actuarial smoothing methods and a restoration of investment returns to historic norms.
- The Retirement System Investment Commission executed a transition plan that dictated the pace at which the Retirement System's investments were to be diversified. This transition was determined to have been completed at the end of December. Funds are now invested in a highly diversified portfolio, with holdings and, therefore, risks spread across multiple asset classes, including domestic and global equity and fixed income, high yield debt, real estate, private equity, other alternative investments, and cash. The investment portfolio is structured to focus on the long-term stability of the plan. The transition plan and the elimination of previous restrictions have allowed the trust funds to invest in a manner that is consistent with the majority of other public retirement trust funds.
- The South Carolina Retirement Systems' total net assets for the combined plans decreased by $6.1 billion or 23 percent during fiscal year 2009. As previously explained, investment performance had a considerably negative impact on plan net assets; however, increased annuity benefits did contribute somewhat to the overall decline in plan net assets. Total plan net assets represent all five pension trust funds administered by the South Carolina Retirement Systems. Net assets of the plans are held in trust to meet future benefit payments and the decrease in net assets from $26.6 billion to $20.5 billion was primarily due to negative returns in the investment market and increased deductions for pension expenditures.
- The asset allocation reflects significant changes from the prior fiscal year. These variances are a result of both the implementation of the Investment Commission's transition plan as well as the decline in many global financial markets. During the fiscal year, in response to the market conditions, a portion of the investment portfolio was strategically allocated to cash and cash equivalents to reduce portfolio volatility and to satisfy liquidity requirements for paying retirement benefits and funding obligated commitments.
- The investment portfolio's reduced allocation to domestic fixed income and equity securities resulted in the transition to new asset classes that are not lendable, thus, the reduction in securities lending income. Declining market prices for securities held in the securities lending collateral pool also contributed to the reduction in cash collateral invested.
- The Teacher and Employee Retention Incentive (TERI) program is a deferred retirement option program that allows retired members to accumulate annuity benefits on a deferred basis for up to five years while continuing employment. Although TERI once proved to be an extremely attractive option for some members, participation has continued to decline over the past few years. The total amount of assets held in trust for future payment of accrued TERI benefits decreased from $552 million to $431 million during fiscal year 2009, with the number of members actively participating in TERI decreasing as well from 7,899 to 6,571 at fiscal year end.
- The Judges and Solicitors Retirement System (JSRS) also provides for a deferred retirement option program. A member who has not yet reached the age of 60 years, but who is eligible to retire and receive the maximum monthly benefit may continue to serve as judge, solicitor, or circuit public defender and the member's normal monthly retirement benefit is deferred and placed in the system's trust fund on behalf of the member. Upon reaching the age of 60

years, the balance of the member's deferred retirement benefit is distributed to the member. As of June 30, 2009, three JSRS members were participating in the deferred retirement option program and benefits held in trust totaled $698,000.

- The number of retired members and beneficiaries receiving monthly benefits under the Retirement Systems' plans increased to almost 124,000 annuitants during the year. The increase in the number of annuitants, coupled with adjustments for cost-of-living increases that were granted July 1, 2008, resulted in the amount of annuity benefit payments increasing nearly 6 percent.
- Although participation in TERI declined during the year, a large number of retirees continue employment after retirement. Retired members of SCRS and PORS are allowed to return to work for a covered employer after retirement or after ending their TERI participation, and receive their full annuity benefit with no limit on the amount of wages they may earn from employment. Retirees who return to work for a covered employer after retirement or TERI are required pay the same employee contributions as an active member and their employers must pay the corresponding employer contributions.
- Members of JSRS who are age 60 and are eligible to receive the maximum monthly benefit may also retire and receive their monthly retirement benefit while continuing to earn a salary and serve as a judge, solicitor or circuit public defender until the member attains the age of 72.
- South Carolina state statute allows for retiree cost-of-living allowances (COLAs). Each July 1, eligible retired members of the SCRS and PORS will receive an automatic COLA of up to 2 percent as long as the Consumer Price Index (CPI) as of the previous December 31 was at least 2 percent. If the CPI is less than 2 percent, the COLA will equal the actual CPI. If the CPI is negative, no COLA will be granted. The Budget and Control Board, as trustees of the state's pension trust funds, may approve ad hoc COLAs of up to 2 percent in addition to the automatic COLA if certain guidelines are met. Eligible retirees received a 2 percent COLA effective July 1, 2008.
- As a result of the current state of our economy and budget restrictions, we experienced a slight reduction in the amount of administrative and other expenses.
- Qualified Excess Benefit Arrangement (QEBA) trust funds were established for each of the plans administered by the South Carolina Retirement Systems. A QEBA is intended to be a qualified governmental excess benefit arrangement within the meaning of Section 415(m)(3) of the Internal Revenue Code and provides the part of a participant's retirement benefit that would have been paid under the South Carolina Retirement Systems had there been no limitations under Code Section 415(b). The QEBA plans are separate and apart from the funds comprising the Retirement fund and are not commingled with assets of those funds. The QEBA is not prefunded; therefore, no assets or income are accumulated to pay future benefits. The amount of required contributions necessary to pay benefits under the plans is determined and deposited to the trust funds on an as-needed basis. Employer contributions to fund the excess benefits are not credited or commingled with contributions paid into and accumulated in the Retirement funds.

Condensed Financial Information

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

The principal sources from which the Systems derive revenues are employee contributions, employer contributions and investment earnings. Required annual contributions for the NGRS are funded through an annual state appropriation. Expenses of the Systems consist primarily of payments of monthly annuities to retired members and their beneficiaries and refunds of member contributions and interest paid upon termination. Other programs administered by the Systems include a death benefit plan for both active and retired members and an accidental death plan for members of PORS.

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

Plan Net Assets
June 30
(Amounts expressed in thousands)

Assets	2009	2008	% Increase/ (Decrease)
Cash and cash equivalents, receivables and prepaid expenses	$ 3,403,752	$ 2,835,196	20.05%
Investments, at fair value	17,915,982	24,697,700	(27.46%)
Securities lending cash collateral invested	1,845,862	3,796,183	(51.38%)
Property, net of accumulated depreciation	3,340	3,459	(3.44%)
Total Assets	23,168,936	31,332,538	(26.05%)
Liabilities			
Deferred retirement benefits	431,503	552,260	(21.87%)
Obligations under securities lending	1,845,862	3,796,183	(51.38%)
Other accounts payable	399,193	351,050	13.71%
Total Liabilities	2,676,558	4,699,493	(43.05%)
Total Net Assets	$ 20,492,378	$ 26,633,045	(23.06%)

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

Additions	2009	2008	% Increase/ (Decrease)
Employee contributions	$ 645,116	$ 618,576	4.29%
Employer contributions	962,559	898,417	7.14%
State-appropriated contributions	4,052	3,948	2.63%
Investment income (loss)	(5,433,227)	(731,466)	(642.79%)
Other income	3,071	3,542	(13.30%)
Total Additions	(3,818,429)	793,017	(581.51%)
Deductions			
Annuities	2,191,651	2,072,109	5.77%
Refunds	87,668	93,094	(5.83%)
Death benefits	19,776	19,969	(0.97%)
Administrative & other expenses	23,143	23,580	(1.85%)
Total Deductions	2,322,238	2,208,752	5.14%
Increase (Decrease) in Net Assets	(6,140,667)	(1,415,735)	(333.74%)
Beginning Net Assets	26,633,045	28,048,780	(5.05%)
Ending Net Assets	$ 20,492,378	$ 26,633,045	(23.06%)

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

On a combined basis, plan net assets were valued at $20.5 billion at June 30, 2009, representing a 23 percent decrease in net assets from the previous fiscal year-end. Investment income is traditionally a major revenue source; however, this year's negative performance offset contributions and resulted in a reduction in total plan income for the fiscal year.

Core fixed income portfolios were the best performers (up 3.96 percent in aggregate), while the public equity portfolios were the worst performers (-28.48 percent). Alternative asset classes outpaced equities, but were down (-15.38 percent) for the year.

The Fund's negative performance relative to the Policy and Strategy benchmarks occurred almost entirely during late 2008, and was mainly due to poor manager performance during the unprecedented decline in the major capital markets. In several cases, the Commission terminated or reduced exposure to managers and strategies where performance concerns arose.

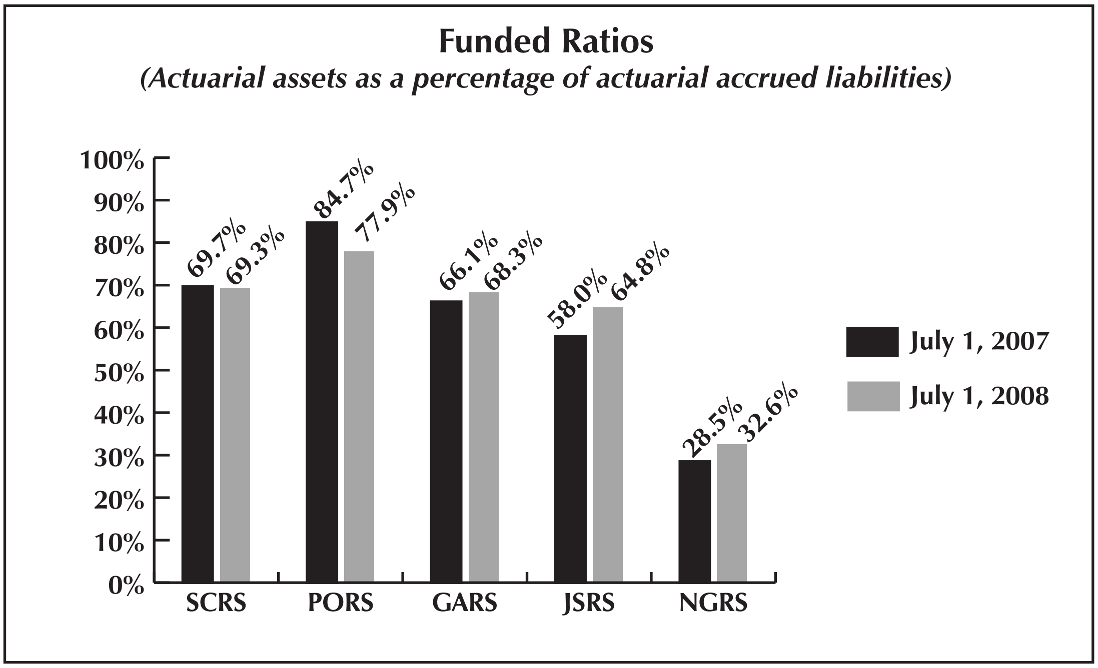
While the financial crisis took a major toll on the Fund, it also has provided an opportunity to acquire undervalued assets. The Commission believes that these investments will provide attractive risk adjusted returns for the next several years.

During fiscal year 2009, the total dollar amount of retirement annuities paid increased nearly 6 percent when compared with the previous fiscal year. This was due primarily to an increase in the number of annuitants, a 2 percent cost-of-living adjustment (COLA) that was granted effective July 1, 2008, and our flexible return to work provisions for working retirees which allow members to retire earlier than they otherwise would. COLAs have historically been a very important benefit to our retirees, providing a critical component of retiree income, especially during inflationary periods. South Carolina state statute provides that each July 1, eligible SCRS retirees will receive an automatic COLA equal to the percentage of the annual increase in the Consumer Price Index for Wage Earners and Clerical Workers (CPI-W) as of the previous December 31, up to an increase of 2 percent. If the CPI-W is less than 2 percent, the COLA will equal the actual increase in the CPI-W. COLAs will be paid only during periods of inflation.

Funding Status

An overall objective in the funding of a defined benefit retirement system is to accumulate sufficient funds to meet long-term benefit obligations. The primary sources of assets to fund benefits include investment income, member contributions and employer contributions. Beginning with the July 1, 2008, actuarial valuation, a ten-year smoothing method is used to actuarially value assets, with a corridor of the resulting value not being less than 80 percent or more than 120 percent of the market value of assets. This asset valuation method mitigates the impact of market volatility and allows changes in market conditions to be recognized (smoothed) over a period of years. Excess returns and shortfalls determined prior to July 1, 2008, remain with a five-year phase in period.

The ratio of actuarial assets to actuarial liabilities provides an indication as to whether sufficient assets are accumulated to pay benefits when due. The greater the level of funding, the larger the ratio of actuarial assets to actuarial accrued liabilities. The most recent actuarial valuations prepared as of July 1, 2008, and adopted by the Budget and Control Board, indicate that the funded ratios of each of the five individual plans remained relatively stable from the previous valuations. The continued stability was a primary result of the change in the actuarial assumed rate of investment return from 7.25 percent to 8 percent. As of July 1, 2008, 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
P.O. Box 11960
Columbia, SC 29211-1960
(803) 737-6800
www.retirement.sc.gov

South Carolina Retirement Systems
Statement of Plan Net Assets
June 30, 2009
With comparative totals for June 30, 2008
(Amounts expressed in thousands)

	SCRS	PORS	GARS	JSRS	NGRS	TOTAL	TOTAL 2008
ASSETS							
Cash and cash equivalents	$ 2,695,971	$ 375,430	$ 4,527	$ 14,568	$ 1,854	$ 3,092,350	$ 1,731,636
Receivables							
Due from other Systems		254	7	1		262	1,715
Employee and employer contributions	167,185	18,339	22	575		186,121	184,616
Employer contributions long-term	457	16				473	596
Accrued investment income	60,211	8,263	106	336	43	68,959	88,600
Unsettled investment sales	45,849	6,354	80	255	33	52,571	823,264
Other investment receivables	2,465	342	4	14	2	2,827	4,479
Total receivables	276,167	33,568	219	1,181	78	311,213	1,103,270
Investments, at fair value							
Short-term securities	61,745	8,557	108	343	43	70,796	101,615
Debt							
Domestic Fixed Income	2,941,043	407,611	5,139	16,330	2,083	3,372,206	6,161,772
Global Fixed Income	2,998,334	415,551	5,239	16,648	2,124	3,437,896	3,531,498
Public Equity							
Domestic Equity	1,962,536	271,996	3,429	10,897	1,390	2,250,248	6,171,292
Global Equity							485,689
Alternatives	7,661,625	1,061,857	13,387	42,541	5,426	8,784,836	8,245,834
Total investments	15,625,283	2,165,572	27,302	86,759	11,066	17,915,982	24,697,700
Securities lending cash collateral invested	1,609,854	223,116	2,813	8,939	1,140	1,845,862	3,796,183
Prepaid administrative expenses	165	23		1		189	290
Capital assets, net of accumulated depreciation	3,009	308	9	14		3,340	3,459
Total assets	20,210,449	2,798,017	34,870	111,462	14,138	23,168,936	31,332,538
LIABILITIES							
Due to other Systems	261				1	262	1,715
Accounts payable - unsettled investment purchases	31,521	4,369	55	175	22	36,142	106,027
Investment fees payable	8,286	1,149	14	46	6	9,501	17,449
Obligations under securities lending	1,609,854	223,116	2,813	8,939	1,140	1,845,862	3,796,183
Deferred retirement benefits	430,805			698		431,503	552,260
Due to Employee Insurance Program	37,553	741				38,294	36,630
Benefits payable	2,045	207	7		2	2,261	2,352
Other liabilities	272,645	37,803	476	1,615	194	312,733	186,877
Total liabilities	2,392,970	267,385	3,365	11,473	1,365	2,676,558	4,699,493
Net assets held in trust for Pension Benefits (a schedule of funding progress for each plan is presented on Page 33)	$ 17,817,479	$ 2,530,632	$ 31,505	$ 99,989	$ 12,773	$ 20,492,378	$ 26,633,045

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

South Carolina Retirement Systems
Statement of Changes in Plan Net Assets
Year Ended June 30, 2009
With comparative totals for the year ended June 30, 2008
(Amounts expressed in thousands)

	SCRS	PORS	GARS	JSRS	NGRS	TOTAL	TOTAL 2008
Additions							
Contributions							
Employee	$ 564,872	$ 77,014	$ 706	$ 2,524	$ -	$ 645,116	$ 618,576
Employer	827,502	124,148	2,495	8,414		962,559	898,417
State appropriated					4,052	4,052	3,948
Total contributions	1,392,374	201,162	3,201	10,938	4,052	1,611,727	1,520,941
Investment Income							
Net appreciation (depreciation) in fair value of investments	(5,107,679)	(686,433)	(10,063)	(28,759)	(4,299)	(5,837,233)	(1,410,569)
Interest and dividend income	370,840	50,439	686	2,115	292	424,372	714,906
Investment expense	(38,850)	(5,233)	(71)	(215)	(29)	(44,398)	(67,017)
Net income (loss) from investing activities	(4,775,689)	(641,227)	(9,448)	(26,859)	(4,036)	(5,457,259)	(762,680)
From securities lending activities:							
Securities lending income	51,145	6,900	96	284	40	58,465	209,364
Securities lending expense	(30,124)	(4,062)	(57)	(166)	(24)	(34,433)	(178,150)
Net income from securities lending activities	21,021	2,838	39	118	16	24,032	31,214
Total net investment income (loss)	(4,754,668)	(638,389)	(9,409)	(26,741)	(4,020)	(5,433,227)	(731,466)
Supplemental retirement benefits funded by the State	1,152	46				1,198	1,373
State appropriations for administrative expenses							50
Transfers of contributions from other Systems	81	1,625	84	83		1,873	2,119
Total additions	(3,361,061)	(435,556)	(6,124)	(15,720)	32	(3,818,429)	793,017
Deductions							
Refunds of contributions to members	73,882	13,753	33			87,668	93,094
Transfers of contributions to other Systems	1,792		81			1,873	2,119
Regular retirement benefits	1,770,775	210,345	6,416	13,135	3,432	2,004,103	1,849,862
Deferred retirement benefits	184,519			349		184,868	219,427
Supplemental retirement benefits	1,152	46				1,198	1,373
Death benefit claims	17,908	1,720	14	134		19,776	19,969
Accidental death benefits		1,482				1,482	1,447
Depreciation	107	11		1		119	118
Administrative expenses	18,472	2,526	35	103	15	21,151	21,343
Total deductions	2,068,607	229,883	6,579	13,722	3,447	2,322,238	2,208,752
Net increase (decrease)	(5,429,668)	(665,439)	(12,703)	(29,442)	(3,415)	(6,140,667)	(1,415,735)
Net assets held in trust for Pension Benefits							
Beginning of year	23,247,147	3,196,071	44,208	129,431	16,188	26,633,045	28,048,780
End of year	$ 17,817,479	$ 2,530,632	$ 31,505	$ 99,989	$ 12,773	$ 20,492,378	$ 26,633,045

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

South Carolina Retirement Systems
Notes to Financial Statements

I. Basis of Presentation and Summary of Significant Accounting Policies

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

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

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

The Retirement Systems are part of the state of South Carolina's primary government and are included in the *Comprehensive Annual Financial Report of the State of South Carolina*. In making this determination, factors of financial accountability, governance and fiduciary responsibility of the state were considered.

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

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

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

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

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

A summary of information related to participating employers and active members for the fiscal year ended June 30, 2009, follows (dollar amounts expressed in thousands):

	State[1]	School	Other	Total
SCRS				
Number of Employers	111	109	581	801
Annual Covered Payroll	$ 2,283,295	$ 3,232,765	$ 1,881,732	$ 7,397,792
Average Number of Contributing Members	56,683	88,717	55,706	201,106
PORS				
Number of Employers	65	47	313	425
Annual Covered Payroll	$ 372,869	$ 347	$ 658,856	$ 1,032,072
Average Number of Contributing Members	10,825	11	16,869	27,705
GARS				
Number of Employers	2			2
Annual Covered Payroll	$ 3,228			$ 3,228
Number of Elected Positions	170			170
JSRS				
Number of Employers	3			3
Annual Covered Payroll	$ 16,347			$ 16,347
Average Number of Contributing Members	144			144
NGRS				
Number of Employers	1			1
Annual Covered Payroll[2]	N/A			N/A
Average Number of Active Members	12,606			12,606

[1]Each state agency is considered a separate employer for reporting purposes. Quasi-state agencies and institutions of higher education are reported in this category.

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

Based upon the most recent actuarial valuations dated July 1, 2008, and adopted by the Budget and Control Board, membership in the Systems was as follows:

	SCRS	PORS	GARS	JSRS[1]	NGRS	Totals
Retirees and beneficiaries currently receiving benefits	104,522	11,286	342	178	3,492	119,820
Terminated members entitled to but not yet receiving benefits	155,038	11,558	47	5	2,942	169,590
Total active, elected positions, and other special contributing members	192,820	26,427	191	144	12,559	232,141
Total membership	452,380	49,271	580	327	18,993	521,551

[1]Total for retirees and beneficiaries includes 15 participants who retired in place and continued to serve as a judge, solicitor, or circuit public defender pursuant to the provisions of Section 9-8-60 (7)(b) of the South Carolina Code of Laws.

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. For this reason, State ORP programs are not considered part of the Systems for financial statement purposes.

Contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employers to the investment providers for the employee contribution (6.50 percent) and a portion of the employer contribution (5 percent). A direct remittance is also required to the SCRS for a portion of the employer contribution (4.24 percent) and a death benefit contribution (.15 percent), which is retained by the SCRS. The activity for the State ORP is as follows:

State ORP Activity
Year Ended June 30, 2009
(Dollar amounts expressed in thousands)

Average Number of Contributing Participants	**19,902**
Annual Covered Payroll	**$ 933,873**
Employer Contributions Retained by SCRS	**39,596**
Death Benefit Contributions Retained by SCRS	**1,401**
Employee Contributions to Investment Providers	**60,702**
Employer Contributions to Investment Providers	**46,694**

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 members of the Senate and the House of Representatives are required to participate in and contribute to the system upon taking office as a member of the South Carolina General Assembly.

JSRS

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

NGRS

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

Pension Benefits

SCRS

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

Each July 1, eligible retirees will receive an automatic cost-of-living adjustment (COLA) equal to the percentage of the annual increase in the Consumer Price Index for Wage Earners and Clerical Workers (CPI) as of the previous December 31, up to an increase of 2 percent. If the CPI is less than 2 percent, the COLA will equal the actual increase in the CPI. COLAs are paid only during periods of inflation.

PORS

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

Each July 1, eligible retirees will receive an automatic COLA equal to the percentage of the annual increase in the Consumer Price Index for Wage Earners and Clerical Workers (CPI) as of the previous December 31, up to an increase of 2 percent. If the CPI is less than 2 percent, the COLA will equal the actual increase in the CPI. COLAs are paid only during periods of inflation.

GARS

A member is eligible for a monthly pension at age 60 or with 30 years credited service. A member who has attained age 70 or has 30 years of service is eligible to retire and draw an annuity while continuing to serve in the General Assembly. A member is eligible to receive a deferred annuity with eight years of service. A death benefit is also provided to members who have at least one year of service.

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

JSRS

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

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

NGRS

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

Summary of Significant Accounting Policies

Fund Structure

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

Basis of Accounting

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

Administrative Expenses

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

Cash and Cash Equivalents

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

Contributions

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

Investments

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

The Investment Commission is structured as a separate state agency reporting to a group of Commissioners. Commission members are appointed and are comprised of six financial experts, including the State Treasurer and a nonvoting retired member. The Commission employs a chief investment officer who has oversight for complete management of the investment program for the Retirement Systems' $20.5 billion pension trust fund. The Commission also retains an independent consultant to provide investment consulting services necessary to fulfill the duties for investing the Systems' portfolio.

As fiduciary on behalf of the Retirement Systems, the Commission enters into individual agreements with various investment managers to invest plan assets seeking superior long-term results at an acceptable level of risk. As of June 30, 2009, legal agreements were in place with 65 investment managers.

For financial statement purposes, investments of the pension trust funds are reported at fair value in the Statement of Plan Net Assets.

Short term securities categorized as cash or cash equivalents are reported at fair value. The Systems holds domestic equity, domestic and global fixed income securities which are traded on organized exchanges and these are valued by the investment custodian using the last reported sales price on a trade-date basis.

Private market investments typically utilize a limited partnership structure and private equity funds normally represent investments in operating companies that are not publicly traded on a stock exchange. The fair values of limited partnership investments are based on valuations of the underlying companies of the limited partnerships. Fair values of all other alternative investments are based on the respective investment manager's statements as of June 30, 2009.

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

Capital Assets

Capital assets are capitalized at cost and depreciated on a straight-line basis over an estimated useful life of 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 2009 follow:

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

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

Contributions for the NGRS are provided by state appropriations based on the annual required contribution determined by the Systems' actuary on an annual basis.

In accordance with provisions of the 2008-2009 State Appropriations Act, an additional employer contribution surcharge of 3.50 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) $249,031 and $13,829 respectively in retiree insurance surcharges ($32,709 of which was applicable to the State ORP) and remitted these funds to the Employee Insurance Program.

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

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

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

The **Death Benefit Fund**, formerly referred to as the Group Life Fund, (SCRS and PORS only) is the fund to which participating employers contribute for the purpose of providing a death benefit to active and retired members of the Systems. Employer contributions and investment earnings are credited to this fund. Death benefit payments and administrative expenses are paid from this fund.

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

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

Balances in the respective reserves at June 30, 2009, were as follows (amounts expressed in thousands):

	SCRS	PORS	GARS	JSRS	NGRS
Employee Fund	$ 5,980,248	$ 726,214	$ 6,822	$ 18,431	
Employer Fund	11,744,166	1,757,367	24,683	81,558	$ 12,773
Death Benefit Fund	93,065	20,789			
Accidental Death Fund		26,262			
Qualified Excess Benefit Arrangement Fund	-				
	$ 17,817,479	$ 2,530,632	$ 31,505	$ 99,989	$ 12,773

III. Deposits and Investments

Deposit and Investment Risk Disclosures

The tables presented on Pages 19-22 include disclosures of credit and interest rate risk in accordance with Governmental Accounting Standards Board Statement 40 and are designed to inform financial statement users about investment risks which could affect the Systems' ability to meet its obligations. These tables classify investments by risk type, while the financial statements disclose investments by asset class. The table amounts were provided by the custodian bank and agree to the Statement of Plan Net Assets.

Custodial Credit Risk

Deposits

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

Under the Temporary Liquidity Guarantee Program provided by the FDIC to strengthen confidence and encourage liquidity in the banking industry, the Transaction Account Guarantee (TAG) Program provides separate unlimited FDIC coverage on the full balance of non-interest bearing checking accounts. This coverage is in addition to the recently increased FDIC coverage on other deposits of $250,000. Wachovia services our public fund accounts and participates in the TAG program through the end of 2009; therefore, all checking accounts and deposits are either included under the TAG program or the bank holds additional collateral above the $250,000 FDIC requirement due to classification.

The total amount of the Systems' deposits at June 30, 2009, was as follows (amounts expressed in thousands):

	Carrying Amount
SCRS	$ 80,874
PORS	4,331
GARS	52
JSRS	83
NGRS	11
Total	$ 85,351

Actual bank balances at June 30, 2009, totaled $110,301 (expressed in thousands).

Investments

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

Statement of Invested Assets
June 30, 2009
(Amounts expressed in thousands)

Investment Type	Fair Value
Short Term Investments	
Commingled Funds U.S. Debt	$ 98,795
Mutual Funds	2,797,463
Repurchase Agreements	109,103
U.S. Treasury Bills	546
U.S. Government Agencies	70,796
Total Short Term Investments	3,076,703
Equity Allocation	
Domestic Equity	
Common Stocks	2,210,746
Real Estate Investment Trusts	35,731
Convertible Preferred	3,771
Total Equity	2,250,248
Fixed Income Allocation	
Domestic Fixed Income	
U.S. Government:	
U.S. Government Treasuries[1]	193,842
U.S. Government Agencies	63,793
Mortgage Backed:	
Government National Mortgage Association	1,144,967
Federal National Mortgage Association	4,888
Collateralized Mortgage Obligations	6,460
Municipals	73,402
Corporate:	
Corporate Bonds	1,296,428
Convertible Bonds	6,127
Asset Backed Securities	30,564
Corporate Bonds-FDIC Guaranteed Bonds	6,224
Yankee Bonds[2]	10,225
Private Placements	535,286
Global Fixed Income:	
International Commingled Funds	3,282,584
International Corporate Bonds	6,662
International Emerging Debt	148,650
Total Fixed Income	6,810,102
Alternatives	
Commingled Funds Balanced	729,144
Credit Default Swaps	1,030
Interest Rate Swaps	44
Total Return Swaps	305,918
Hedge Funds	4,622,852
Private Equity Limited Partnerships	279,240
Strategic Partnerships	2,846,608
Total Alternative Investments	8,784,836
Total Invested Assets	**$ 20,921,889**
Invested Securities Lending Collateral	**$ 1,845,862**

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

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

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

Total Invested Assets	$ 20,921,889
Short Term Investments classified as Cash & Cash Equivalents:	
Commingled Funds U.S. Debt	(98,795)
Mutual Funds	(2,797,463)
Repurchase Agreements	(109,103)
U.S. Treasury BIlls	(546)
Total Investments on *Statement of Plan Net Assets*	**$ 17,915,982**

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Interest rate risk is managed within the portfolio using effective duration, which is a measure of the price sensitivity of a bond or a portfolio of bonds to interest rate movements given a 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. Within the investment policy, operational guidelines specify the degree of interest rate risk taken within each fixed income portfolio.

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

South Carolina Retirement Systems
Interest Rate Sensitivity - Effective Duration
June 30, 2009
(Amounts expressed in thousands)

Investment Type	Fair Value	Effective Duration (option adjusted duration)
Short Term Investments		
Commingled Funds U.S. Debt	$ 98,795	-
Mutual Funds	2,797,463	0.08
Repurchase Agreements	284,727	0.01
U.S. Treasury Bills	546	-
U.S. Government Agencies	70,796	0.29
Total Short Term	3,252,327	
Equity Allocation		
Convertible Preferred	3,771	9.38
Total Equity	3,771	
Fixed Income Allocation		
U.S. Government:		
U.S. Government Treasuries	193,842	4.62
U.S. Government Agencies	63,793	4.08
Mortgage Backed:		
Government National Mortgage Association	1,144,967	2.61
Federal National Mortgage Association	4,888	4.59
Collateralized Mortgage Obligations	6,460	0.64
Municipals	73,402	2.67
Corporate:		
Corporate Bonds	2,719,226	3.53
Convertible Bonds	6,127	0.80
Asset Backed Securities	278,004	0.10
Corporate Bonds-FDIC Guaranteed	6,224	1.09
Yankee Bonds	10,225	12.52
Private Placements	535,286	7.82
International Corporate Bonds	6,662	1.05
Total Fixed Income	5,049,106	
Alternatives		
Interest Rate Swap	44	8.11
Total Alternatives	44	
Total Invested Assets	**$ 8,305,248**	
Total Portfolio Effective Duration (option adjusted duration)		**2.24**

Credit Risk of Debt Securities

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

South Carolina Retirement Systems
Credit Risk - Moody's Quality Ratings
June 30, 2009
(Amounts expressed in thousands)

Investment Type and Fair Value	US Treasury	Agency[1]	AAA	AA	A	BAA	BA	B	CAA	CA	NR[2]
Short Term Investments											
Commingled Funds U.S. Debt	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 98,795
Mutual Funds			2,794,578								2,885
Repurchase Agreements											284,727
U.S. Treasury Bills	546										
U.S. Government Agencies		70,796									
Equity Investments											
Convertible Preferred							930				2,841
Fixed Income Allocation											
U.S. Government Treasuries	193,842										
U.S. Government Agencies		63,793									
Mortgage Backed:											
Government National Mortgage Association		1,144,967									
Federal National Mortgage Association		4,888									
Collateralized Mortgage Association		784									5,676
Municipals			31,322	22,079	20,001						
Corporate:											
Corporate Bonds			48,402	600,332	961,537	837,961	155,109	24,920	7,953	1,307	81,705
Convertible Bonds								701	673		4,753
Asset Backed Securities			259,488	5,609	2,186			7,491	3,230		
Corporate Bonds-FDIC Guaranteed			6,224								
Yankee Bonds					10,225						
Private Placements			904	62,001	323,984	92,289	5,857	3,164	1,467	494	45,126
Global Fixed Income:											
International Corporate Bonds			3,982								2,680
International Commingled Funds											3,282,584
International Emerging Debt											148,650
Alternatives											
Credit Default Swaps											1,030
Interest Rate Swaps											44
Total Return Swaps											97,409
	$ 194,388	**$1,285,228**	**$3,144,900**	**$690,021**	**$1,317,933**	**$ 930,250**	**$ 161,896**	**$ 36,276**	**$ 13,323**	**$ 1,801**	**$4,058,905**

[1]Agency rating is assigned to securities issued by privately owned government sponsored enterprises such as Federal National Mortgage Association, Federal Home Loan Mortgage Association and several other entities that do not have a credit rating. These enterprises have an implied guarantee due to recent capital injections by the U.S. Government but are still subject to credit risk.

[2]NR represents securities that were either not rated or had a withdrawn rating.

Concentration of Credit Risk – Investments

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Systems' policy for reducing this risk is to comply with the Statement of Investment Objectives as amended and adopted by the Retirement System Investment Commission which states that "except that no limitations on issues and issuers shall apply to obligations of the U.S. Government and Federal Agencies, the domestic fixed income portfolio shall contain no more than 6 percent exposure to any single issuer." Additionally, the Commission made a strategic decision to increase the liquidity of the total plan by designating a 10 percent target allocation to cash during the fiscal year which resulted in a 13 percent allocation to the Dreyfus Government Cash Management Fund at June 30, 2009, totaling $2.797 billion (US dollars). This investment is a money market fund and operates as a cash sweep for the Systems' accounts at the custodian bank.

Foreign Currency Risk

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

The table below presents the Systems' exposure to foreign currency risk in U.S. dollars as of June 30, 2009, (amounts expressed in thousands):

Currency	Cash & Cash Equivalents	Forward Contracts	Private Equity	Opportunistic Credit	Fixed Income
Australian Dollar	$ -	$ 50,728	$ -	$ -	$ -
Brazil Real		2,148			
British Pound Sterling	202	154,526			
Canadian Dollar		62,266			
Chinese Yuan Renminbi		15,449			
Euro Currency	1,182	311,936	38,498	93,526	1,902
Japanese Yen		170,923			
Totals	$ 1,384	$ 767,976	$ 38,498	$ 93,526	$ 1,902

Derivatives

Derivatives are financial instruments whose value is derived from underlying assets or data. They generally take the form of contracts in which two parties agree to make payments at a later date based on the value of the underlying assets or data. The main types of derivatives that are common in today's financial markets are futures, forwards, options, and swaps.

To date, the primary reasons for the Commission's use of derivative contracts have pertained to their ability to facilitate changes to the asset allocation of the total plan and for their low cost of implementation. The Commission uses derivatives for several reasons:

- Asset Allocation: In many cases, synthetic exposures (using derivatives) are placeholders until managers are hired and funded. In time, the Commission may substitute traditional managers for much of the synthetic exposure currently in the portfolio. Efficient markets dictate that in some asset classes, synthetics are the best way to achieve exposure.
- Risk Management: Derivatives allow investors the ability to swiftly and efficiently increase or decrease exposures in order to manage portfolio risk.

- Cost: A synthetic (derivative) solution is often the cheapest way to gain exposure to a new asset class or to manage portfolio risk. Derivatives are more beneficial in each of the three major measures of cost: commission costs, market impact of trading, and opportunity costs.

Futures are contractual obligations that require the buyer (seller) to buy (sell) assets at a predetermined date at a predetermined price. These contracts are standardized and traded on an organized exchange with gains and losses settled daily thereby minimizing credit and default risk. To comply with the requirements of multiple exchanges, the following securities were held in trust by the clearing brokers on June 30, 2009 (amounts in thousands):

$ 1,800	U. S. Treasury Bonds
$ 546	U. S. Treasury Bills
$ 1,592	Cash Collateral
$ 281,268	Various GNMA 's

These assets represent the required margin amount to establish the Systems' futures exposure. As of June 30, 2009, the Systems had the following exposure to futures contracts (dollar amounts in thousands):

Futures Contracts	Expiration	Long/Short	Quantity	Notional Value*
MTF CAC40 10EU	July 2009	Long	1,364	$ 59,998
EURX DAX INDEX	September 2009	Long	280	47,320
EURX ER STX 50	September 2009	Long	4,888	164,411
NEW FTSE 100	September 2009	Long	2,154	149,626
HKFE - HSI	July 2009	Long	197	23,411
IBEX 35 PLUS	July 2009	Long	188	25,624
IDEM S&P/MIB	September 2009	Long	167	22,356
TSE TOPIX	September 2009	Long	1,886	180,713
ME S&P CAN 60	September 2009	Long	622	67,173
SFE SPI 200	September 2009	Long	646	50,933
Total International Equity				**791,565**
EMINI S&P 500	September 2009	Long	675	30,898
Total Large Cap Equity				**30,898**
IMM MINI RUSL	September 2009	Long	44	2,232
IMM EMINI MDCP	September 2009	Long	3,632	209,457
Total Small Cap Equity				**211,689**
US 2YR T-NOTE	September 2009	Long	477	103,136
CBT 5-YR T-NOTE	September 2009	Long	609	69,863
10 YR T-NOTES	September 2009	Long	127	14,766
U.S. T-BONDS	September 2009	Short	(1,301)	(153,985)
Total Core Fixed Income				**33,780**
LIF Sterling LIBOR	June 2010	Long	589	118,667
LIF Sterling LIBOR	September 2010	Long	289	57,928
LIF EURIBOR	June 2010	Long	110	37,959
LIF EURIBOR	September 2010	Long	129	44,374
CME EURODOLLAR	December 2009	Long	397	98,352
Total Cash & Cash Equivalents				**357,280**
Total				**$ 1,425,212**

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

Forwards are contractual obligations that require the delivery of assets at a fixed price on a predetermined date. These contracts are "over-the-counter" instruments, meaning they are not traded on an organized exchange. As of June 30, 2009, the Systems had the following forward exposures, listed by counterparty (amounts expressed in thousands):

Broker	Notional Value	Base Gain/(Loss)	Base Exposure
Barclays	$ 135,004	$ (143)	17.14%
Credit Suisse	125,684	(121)	15.96%
Royal Bank of Scotland	124,262	443	15.78%
Mellon Bank	114,720	466	14.57%
State Street	99,944	(138)	12.69%
Royal Bank of Canada	77,213	(166)	9.80%
Hongkong Shanghai	64,462	(523)	8.19%
Westpac Banking Corp	36,687	(553)	4.66%
J.P. Morgan Securities	1,946	(7)	0.25%
Goldman Sachs & Co	1,074	-	0.14%
BNP Paribas	250	(3)	0.03%
Deutsche Bank	2,808	(13)	0.36%
Citigroup	3,375	(18)	0.43%
Totals	$ 787,429	$ (776)	100.00%

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

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

Credit default swaps are used to manage credit exposure without requiring that one transact in the underlying securities. They are agreements with counterparties to either purchase or sell credit protection. At June 30, 2009, the Systems' credit default positions provided protection against issuer defaults by giving the Systems the right to "put" bonds to the counterparty in the event of a default. At June 30, 2009, the Systems' held credit default swaps with notional value of $13 million (US dollars).

Interest rate swaps are used to adjust interest rate and yield curve exposures and substitute for physical securities. With a typical interest rate swap, one party receives a fixed interest rate in exchange for a variable interest rate. At June 30, 2009, the Systems' interest rate swap reflected a long position with a notional value of $11.7 million (US dollars) whereby the Systems pays 3 month LIBOR and receives a fixed rate of 4 percent.

Counterparty risk, or default risk, is the risk that either party will not honor its contractual obligations. The Systems seeks to actively manage its counterparty risk by thorough analysis and evaluation of all potential counterparties by investment staff and the independent overlay manager. Risk is further minimized through diversification among counterparties with high credit ratings and collateralizing unrealized gains and losses.

As of June 30, 2009, the Systems was exposed to counterparty risk through currency forwards and swap agreements. The Systems, however, does not anticipate any default in our contractual positions.

Gains and losses on swaps are determined based on market values and are recorded in the Statement of Changes in Plan Net Assets. At June 30, 2009, the Systems held swaps as shown in the table below (amounts expressed in thousands):

Counterparty	Total Return Swaps	SCRS Pays	SCRS Receives	Maturity Date	Current Notional	Gain (Loss) Since Trade
Barclays	SP500 Proxy	3 month LIBOR minus 22 bps	S&P500	3/19/2010	$ 131,823	$ 20,140
Morgan Stanley	Russell 2000 Proxy	3 month LIBOR minus 227 bps	Russell 2000	10/30/2009	143,627	(6,373)
Morgan Stanley	MSCI EM Proxy	3 month LIBOR minus 15 bps	MSCI EM	6/30/2009	180,988	(69,012)
Credit Suisse	MSCI EM Proxy	3 month LIBOR plus 15 bps	MSCI EM	9/17/2009	223,540	(1,460)
BNP Paribas	MSCI EM Proxy	3 month LIBOR plus 17 bps	MSCI EM	12/4/2009	95,173	33,360
J.P. Morgan	MSCI EM Proxy	3 month LIBOR plus 54 bps	MSCI EM	10/30/2009	258,378	84,813
Morgan Stanley	MSCI EM Proxy	3 month LIBOR plus 45 bps	MSCI EM	2/18/2010	115,073	37,874
J.P. Morgan	MSCI EM Proxy	3 month LIBOR plus 45 bps	MSCI EM	2/26/2010	66,159	23,225
J.P. Morgan	MSCI EM Proxy	3 month LIBOR plus 34 bps	MSCI EM	12/14/2009	71,673	22,438
Deutsche Bank	MSCI EM Proxy	3 month LIBOR plus 27 bps	MSCI EM	12/31/2009	178,284	45,958
UBS	EAFE+Canada Proxy	3 month LIBOR minus 30 bps	MSCI EAFE+Canada	10/30/2009	272,104	22,104
Morgan Stanley	EAFE+Canada Proxy	3 month LIBOR minus 25 bps	MSCI EAFE+Canada	11/9/2009	271,034	21,034
Morgan Stanley	EAFE+Canada Proxy	3 month LIBOR plus 30 bps	MSCI EAFE+Canada	11/24/2009	299,294	49,294
UBS	EAFE+Canada Proxy	3 month LIBOR minus 9 bps	MSCI EAFE+Canada	12/4/2009	121,101	21,101
BNP Paribas	EAFE+Canada Proxy	3 month LIBOR minus 43 bps	MSCI EAFE+Canada	1/8/2010	126,637	7,230
Deutsche Bank	EAFE+Canada Proxy	3 month LIBOR minus 45 bps	MSCI EAFE+Canada	1/11/2010	191,453	13,285
Deutsche Bank	EAFE+Canada Proxy	3 month LIBOR minus 20 bps	MSCI EAFE+Canada	2/26/2010	164,201	41,800
J.P. Morgan	EM Debt Proxy	3 month LIBOR plus 75 bps	EM Debt	3/31/2010	116,323	12,463
J.P. Morgan	EM Debt Proxy	3 month LIBOR plus 75 bps	EM Debt	6/30/2009	166,231	14,371
J.P. Morgan	EM Debt Proxy	2 month LIBOR plus 125 bps	EM Debt	7/27/2009	166,202	1,482
	Total Return Swap Exposures				$3,359,298	$ 395,127

Alternatives

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

Commitments

The Systems entered into commitment agreements with numerous investment managers for future funding of private equity limited partnerships, opportunistic credit limited partnerships and strategic partnerships. As of June 30, 2009, the Systems had committed to fund various private equity and opportunistic credit limited partnerships for an amount of $1.755 billion (US dollars) and €256 million (Euros). The total unfunded commitment as of June 30, 2009, was $1.222 billion (US dollars) and €149 million (Euros). In addition, the Systems had committed to fund various strategic partnerships for an amount of $4.2 billion (US dollars) of which the unfunded commitment as of June 30, 2009 was $1.111 billion (US dollars). Subsequent to June 30, 2009, the Systems committed to fund an additional $657 million (US dollars) resulting in unfunded commitments as of October 21, 2009, of $2.674 billion (US dollars) and €111 million (Euros). One important benefit of the strategic partnerships is that they afford the Systems greater control of the rate at which these commitments are to be funded.

Securities Lending

Through a custodial agent, the Systems participate in a securities lending program whereby securities are loaned for the purpose of generating additional income. 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, 2009, included US Government securities, US Government agencies, corporate bonds, convertible bonds, and equities. The contractual agreement with the Systems' custodial bank provides indemnification in the event the borrower fails to return the securities lent or fails to pay the Systems income distribution by the securities' issuers while the securities are on loan. Cash and US Government securities were received as collateral for these loans. The Systems cannot pledge or sell collateral securities without a borrower default. The Systems invests 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.

At June 30, 2009, the fair value of securities on loan was $2.012 billion. The fair value of the invested cash collateral was $1.846 billion. Securities lending obligations at June 30, 2009, were $2.069 billion with the unrealized loss in invested cash collateral of $223 million reflected under "Other Liabilities" on the Statement of Plan Net Assets and recorded in the Statement of Changes in Plan Net Assets under "Net appreciation (depreciation) in fair value of investments." As a result of current market conditions, the Commission is re-evaluating the securities lending program in order to minimize risk, enhance performance and ensure a cost effective fee structure is in place.

With regard to custodial credit risk, the Systems' cash collateral invested is held by the counterparty and is uninsured. All securities loaned can be terminated on demand by either the Systems or the borrower. At year end the average number of days the loans were outstanding was nine days. The average weighted maturity of investments made with cash collateral was 27 days. At June 30, 2009, there had been no losses resulting from borrower defaults and the Systems had no credit risk exposure to borrowers because the amounts the Systems owed the borrowers exceeded the amounts the borrowers owed the Systems.

The following table presents the fair value (amounts expressed in thousands) of the underlying securities and the total collateral received for securities on loan at June 30, 2009.

	June 30, 2009						June 30, 2008
	SCRS	PORS	GARS	JSRS	NGRS	TOTALS	TOTALS
Securities lent for cash collateral:							
U.S. Government securities	$ 107,246	$ 14,864	$ 187	$ 595	$ 76	$ 122,968	$ 146,620
U.S. Government agencies	808,108	111,999	1,412	4,487	572	926,578	2,438,301
Corporate bonds	405,189	56,157	708	2,250	287	464,591	20,340
Common Stock	434,243	60,183	759	2,411	308	497,904	1,148,146
Total securities lent for cash collateral	$ 1,754,786	$ 243,203	$ 3,066	$ 9,743	$ 1,243	$ 2,012,041	$ 3,753,407
Cash collateral invested as follows:							
Repurchase agreements	$ 153,169	$ 21,228	$ 268	$ 851	$ 108	$ 175,624	$ 95,759
Asset Backed Securities	215,803	29,909	377	1,198	153	247,440	704,230
Floating Rate Notes	1,240,882	171,979	2,168	6,890	879	1,422,798	2,996,194
Total for cash collateral invested	$ 1,609,854	$ 223,116	$ 2,813	$ 8,939	$ 1,140	$ 1,845,862	$ 3,796,183

IV. Capital Assets

Capital assets at June 30, 2009, consist of the following amounts (expressed in thousands). There were no additions or dispositions of capital assets during the year.

	SCRS	PORS	GARS	JSRS	TOTALS	TOTALS 2008
Land	$ 524	$ 54	$ 1	$ 3	$ 582	$ 582
Building	4,279	437	13	20	4,749	4,749
Total Capital Assets	4,803	491	14	23	5,331	5,331
Less: Accumulated Depreciation	(1,794)	(183)	(5)	(9)	(1,991)	(1,872)
Net Capital Assets	$ 3,009	$ 308	$ 9	$ 14	$ 3,340	$ 3,459

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, 2009, were as follows (amounts expressed in thousands):

	Transfers to					
Transfers from	SCRS	PORS	GARS	JSRS	NGRS	Totals
SCRS	$ -	$ 1,625	$ 84	$ 83	$ -	$ 1,792
PORS						-
GARS	81					81
JSRS						-
NGRS						-
Totals	$ 81	$ 1,625	$ 84	$ 83	$ -	$ 1,873

The following schedule reflects amounts due to or from other systems as of June 30, 2009, (amounts expressed in thousands):

	Due to					
Due from	SCRS	PORS	GARS	JSRS	NGRS	Totals
SCRS	$ -	$ 254	$ 7	$ -	$ -	$ 261
PORS						-
GARS						-
JSRS						-
NGRS				1		1
Totals	$ -	$ 254	$ 7	$ 1	$ -	$ 262

VI. Related Party Transactions

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

At June 30, 2009, liabilities of approximately $38.3 million were due to other state departments and agencies, and contributions receivable of approximately $35 million were due from other state departments and agencies.

The National Guard Retirement System received state-appropriated contributions of just over $4 million during the fiscal year.

The Retirement System Investment Commission was established in 2005 and is considered a separate state agency; however, the expenses of the Commission are funded by transfers from the Systems. Transfers in the amount of approximately $3.7 million were made to the Commission during the fiscal year.

VII. Deferred Retirement Option Plans

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

A total of 6,571 members were actively participating in the TERI program at June 30, 2009. The activity for this program is reflected in the following schedule:

Schedule of TERI Activity
Year Ended June 30, 2009
(Amounts expressed in thousands)

Beginning Liability Balance	$ 551,911
Additions	184,519
TERI Distributions	(305,625)
Ending Liability Balance	$ 430,805

A deferred retirement option program has also been established under the Retirement System for Judges and Solicitors (JSRS). A member who has not yet reached the age of 60 years, but who is eligible to retire and receive the maximum monthly benefit, may continue to serve as a judge, a solicitor, or a circuit public defender. The member's normal monthly retirement benefit is deferred and placed in the system's trust fund on behalf of the member. Upon reaching the age of 60 years, the balance of the member's deferred retirement benefit is distributed to the member. As of June 30, 2009, three JSRS members were participating in the deferred retirement option program and benefits held in trust totaled $698,000.

VIII. Funded Status and Funding Progress - Pension Trust Funds

The funded status of each defined benefit pension plan as of July 1, 2008, the most recent actuarial valuation date, is as follows (dollar amounts expressed in thousands):

System	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
SCRS	$ 24,699,678	$ 35,663,419	$ 10,963,741	69.3%	$ 7,559,172	145.0%
PORS	3,363,136	4,318,955	955,819	77.9%	1,060,747	90.1%
GARS	47,189	69,122	21,933	68.3%	3,854	569.1%
JSRS	138,323	213,406	75,083	64.8%	18,661	402.4%
NGRS	17,426	53,534	36,108	32.5%	N/A	N/A

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Methods and Significant Assumptions

	SCRS	PORS	GARS	JSRS	NGRS
Valuation date	07/01/08	07/01/08	07/01/08	07/01/08	07/01/08
Actuarial cost method	Entry age	Entry age	Entry age	Entry age	Entry age
Amortization period	Level percent open	Level percent open	Level dollar closed	Level percent open	Level dollar open
Remaining amortization period	29 years	30 years	17 years	16 years	24 years
Asset valuation method	10-year smoothed market	10-year smoothed market	10-year smoothed market	10-year smoothed market	10-year smoothed market
Actuarial assumptions:					
Investment rate of return	8%	8%	8%	8%	8%
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%	3.00%
Cost-of-living adjustments	Automatic 2%[1]	Automatic 2%[1]	None	3.25%	None

[1]Beginning 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 2 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.

IX. Death Benefit Program

In addition to monthly pension benefits provided through the Retirement Systems, a Death Benefit Program is available to employers. For participating employers, death benefits are provided for active and retired members. These benefits are funded through separate death benefit programs for SCRS and PORS on a cost-sharing, multiple-employer basis. Coverage is provided to eligible active and retired working members as well as non-working retirees under the governing statute. Funding for the plans is collected as a percent of covered payroll as determined by the Systems' actuary and approved by the Budget and Control Board. The current employer contribution rates for the programs are 0.15 percen and 0.20 percent of payroll for SCRS and PORS respectively. These contributions fund both the active and retiree death benefits.

Active Death Benefits

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

Retiree Death Benefits

Retired members of SCRS and PORS whose last employer prior to retirement is covered by the program, and who met applicable service credit requirements, are also protected under the state-sponsored death benefit program. Upon the death of a retired member, the beneficiary of a non-working retiree will receive a benefit payment based on the member's total creditable service at the time of retirement. As of the most recent actuarial valuation dated July 1, 2008, 74,392 non-working retired participants were covered under the SCRS program and 8,198 were covered under the PORS program.

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

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

Certain parameters are required for determining the actuarial funded status of the program and the calculation of the annual required contribution necessary to amortize any unfunded liability. Accordingly, additional reporting and disclosures for financial statement purposes are presented. Milliman, Inc., the Systems' actuary, performed separate actuarial valuations for the SCRS and PORS retiree death benefit programs as of July 1, 2008. The valuations determined the actuarial accrued liabilities and the required funding necessary to support the retiree death benefit program. Of the 0.15 percent death benefit contribution collected for SCRS, 0.043 percent represents the annual required contribution for the retiree portion. Under PORS, 0.019 percent of the 0.20 percent death benefit contribution is attributable to the retiree portion.

Presented below are the Schedules of Funding Progress and Summary of Actuarial Methods and Significant Assumptions (amounts expressed in thousands).

System	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
SCRS	7/01/2008	$ 129,777	$ 166,723	$ 36,946	77.8%	$ 9,087,000	0.4%
	7/01/2007[1]	127,910	167,035	39,125	76.6%	8,459,000	0.5%
PORS	7/01/2008	26,528	15,207	(11,321)	174.4%	1,035,729	(1.1%)
	7/01/2007[1]	25,806	15,636	(10,170)	165.0%	1,020,782	(1.0%)

[1]Fiscal Year 2007 was the first year separate actuarial valuations were prepared.

Summary of Actuarial Methods and Significant Assumptions

	SCRS	PORS
Valuation Date	July 1, 2008	July 1, 2008
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percent of Payroll	Level Percent of Payroll
Amortization Period	29 years	30 years
Asset ValuationMethod	Actuarial Value less a reserve for expected active death benefits	Actuarial Value less a reserve for expected active death benefits
Actuarial Assumptions:		
Investment Rate of Return	8% annual return net of both administrative and investment related expenses	8% annual return net of both administrative and investment related expenses
Payroll Growth	4.00% per year	4.00% per year

Schedule of Employer Contributions

(Amounts expressed in thousands)

	SCRS		PORS	
Year Ended June 30,	**Annual Required Contribution**	**Percentage Contributed**	**Annual Required Contribution[3]**	**Percentage Contributed**
2008	$ 3,907	100%	$ 197	100%
2007[2]	3,976	100%	214	100%

[2]Fiscal Year 2007 was the first year that separate actuarial valuations were prepared; therefore, the Schedule of Employer Contributions includes only contributions paid since the first year's separate valuations.

[3]PORS annual required contribution is calculated at the recommended minimum contribution rate equal to the normal cost rate.

X. Litigation

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

Ahrens et al. v. The South Carolina Retirement System and the State of South Carolina. This case is a class action case alleging that provisions in Act No. 153 of the Acts and Joint Resolutions of the General Assembly for the year 2005 (Act No. 153) requiring working retirees in the South Carolina Retirement System (SCRS) to make employee contributions are unconstitutional and illegal. A circuit court judge has certified the class in this case and issued an order on the merits in the matter granting the Plaintiffs relief based on the equitable theory of estoppel. The circuit court denied all other claims for relief made by the Plaintiffs, including their contract causes of action. The Retirement Systems and the State of South Carolina have appealed the circuit court's order to the South Carolina Court of Appeals. As of June 30, 2009, the Retirement Systems had collected approximately $39 million in the form of retirement contributions from members of the South Carolina Retirement System who retired prior to July 1, 2005 and returned to work. If the Plaintiffs were to ultimately prevail, most, if not all of these contributions could be refunded to the members and no future contributions could be collected from many, if not all, of the class members. The Retirement Systems and the State of South Carolina believe their appeal is meritorious and is vigorously contesting these claims and pursuing all appellate options.

Arnold et al. v. the South Carolina Police Officers Retirement System, the South Carolina Retirement System and the State of South Carolina. This case is a class action case filed on August 9, 2005, alleging that provisions in Act No. 153 of the Acts and Joint Resolutions of the General Assembly for the year 2005 (Act No. 153) requiring working retirees in the Police Officers Retirement System (PORS) to make employee contributions are unconstitutional and illegal. A circuit court judge has certified the class in this case and issued an order on the merits in the matter granting the Plaintiffs relief based on the equitable theory of estoppel. The circuit court denied all other claims for relief made by the Plaintiffs, including their contract causes of action. The PORS and the State of South Carolina have appealed the circuit court's order to the South Carolina Supreme Court. As of June 30, 2009, the Retirement Systems had collected approximately $12.5 million in the form of retirement contributions from members of the Police Officers Retirement System who retired prior to July 1, 2005 and returned to work. If the Plaintiffs were to ultimately prevail, most, if not all of these contributions could be refunded to the members and no future contributions could be collected from many, if not all, of the class members. The Police Officers Retirement System and the State of South Carolina believe their appeal is meritorious and is vigorously contesting these claims and pursuing all appellate options.

South Carolina Retirement Systems
Required Supplementary Information

The information presented in the required supplementary schedules was determined as part of the actuarial valuations as of the dates indicated.

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						
7/01/03	$20,197,936	$24,398,931	$4,200,995	82.8%	$6,240,768	67.3%
7/01/04	20,862,659	25,977,852	5,115,193	80.3%	6,180,599	82.8%
7/01/05	21,625,510	30,217,471	8,591,961	71.6%	6,356,489	135.2%
7/01/06	22,293,446	32,018,519	9,725,073	69.6%	6,733,379	144.4%
7/01/07	23,541,438	33,766,678	10,225,240	69.7%	7,093,181	144.2%
7/01/08	24,699,678	35,663,419	10,963,741	69.3%	7,559,172	145.0%
PORS						
7/01/03	2,511,369	2,744,849	233,480	91.5%	800,394	29.2%
7/01/04	2,616,835	2,984,584	367,749	87.7%	822,448	44.7%
7/01/05	2,774,606	3,173,930	399,324	87.4%	850,610	46.9%
7/01/06	2,935,841	3,466,281	530,440	84.7%	931,815	56.9%
7/01/07	3,160,240	3,730,544	570,304	84.7%	992,849	57.4%
7/01/08	3,363,136	4,318,955	955,819	77.9%	1,060,747	90.1%
GARS						
7/01/03	44,682	66,619	21,937	67.1%	3,844	570.8%
7/01/04	45,087	68,332	23,245	66.0%	3,839	605.5%
7/01/05	46,316	69,161	22,845	67.0%	3,853	592.9%
7/01/06	46,075	69,734	23,659	66.1%	3,854	613.9%
7/01/07	46,925	71,014	24,089	66.1%	3,854	625.0%
7/01/08	47,189	69,122	21,933	68.3%	3,854	569.1%
JSRS						
7/01/03	106,114	166,655	60,541	63.7%	14,437	419.3%
7/01/04	112,016	185,052	73,036	60.5%	14,870	491.2%
7/01/05	118,888	204,847	85,959	58.0%	15,465	555.8%
7/01/06	124,837	211,384	86,547	59.1%	15,929	543.3%
7/01/07	132,990	229,388	96,398	58.0%	16,407	587.5%
7/01/08	138,323	213,406	75,083	64.8%	18,661	402.4%
NGRS						
6/30/02	12,608	44,678	32,069	28.2%	N/A	N/A
6/30/04	13,567	47,281	33,714	28.7%	N/A	N/A
6/30/05	12,151	46,985	34,835	25.9%	N/A	N/A
7/01/06	14,046	48,755	34,709	28.8%	N/A	N/A
7/01/07	15,937	55,917	39,980	28.5%	N/A	N/A
7/01/08	17,426	53,534	36,108	32.5%	N/A	N/A

South Carolina Retirement Systems
Required Supplementary Information (continued)

Schedule of Employer Contributions
(Amounts expressed in thousands)

	SCRS		PORS		GARS		JSRS		NGRS	
Year Ended June 30,	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Pension Cost[1]	Percentage Contributed
2009	$827,502	100%	$124,148	100%	$2,495	100%	$8,414	100%	$4,052	100.0%
2008	774,269	100%	114,095	100%	2,440	100%	7,613	100%	3,923	100.6%
2007	644,350	100%	106,753	100%	2,358	100%	6,706	100%	3,948	130.6%
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%

[1]The Annual Pension Cost (APC) for the National Guard Retirement System includes both the Annual Required Contribution (ARC) and the discounted present value of the balance of the net pension obligation.

South Carolina Retirement Systems
Schedule of Changes in Plan Net Assets
SCRS Pension Trust Fund
Year Ended June 30, 2009
With comparative totals for the year ended June 30, 2008
(Amounts expressed in thousands)

	EMPLOYEE FUND	EMPLOYER FUND	DEATH BENEFIT FUND	QEBA FUND	TOTALS	TOTALS 2008
Additions						
Employee contributions						
State department employees	$ 163,759	$ 13,324			$ 177,083	$ 174,407
Public school employees	222,527	27,267			249,794	240,744
Other political subdivision employees	131,940	6,055			137,995	125,694
Employer contributions						
State department employees		269,900	$ 4,832	$ 24	274,756	259,778
Public school employees		357,595	6,043		363,638	342,441
Other political subdivision employees		186,554	2,554		189,108	172,050
Total contributions	518,226	860,695	13,429	24	1,392,374	1,315,114
Investment Income						
Net appreciation (depreciation) in fair value of investments		(5,080,708)	(26,971)		(5,107,679)	(1,236,067)
Interest and dividend income		368,887	1,953		370,840	626,255
Investment expense		(38,645)	(205)		(38,850)	(58,747)
Net income (loss) from investing activities		(4,750,466)	(25,223)	-	(4,775,689)	(668,559)
From securities lending activities:						
Securities lending income		50,875	270		51,145	183,573
Securities lending expense		(29,965)	(159)		(30,124)	(156,210)
Net income from securities lending activities		20,910	111	-	21,021	27,363
Total net investment income (loss)		(4,729,556)	(25,112)	-	(4,754,668)	(641,196)
Supplemental retirement benefits funded by the State		1,152			1,152	1,321
Transfers of contributions from other Systems	81				81	27
Total additions	518,307	(3,867,709)	(11,683)	24	(3,361,061)	675,266
Deductions						
Refunds of contributions to members	73,882				73,882	79,027
Transfers of contributions to other Systems	1,171	621			1,792	2,092
Regular retirement benefits		1,770,751		24	1,770,775	1,633,493
Deferred retirement benefits		184,519			184,519	219,078
Supplemental retirement benefits		1,152			1,152	1,321
Death benefit claims			17,908		17,908	17,617
Depreciation		107			107	107
Administrative expense		18,375	97		18,472	18,553
Total deductions	75,053	1,975,525	18,005	24	2,068,607	1,971,288
Interfund transfers according to statutory requirements						
Contributions by members at retirement	(388,603)	388,603				
Interest credited to members' accounts	216,977	(216,977)				
Net interfund transfers	(171,626)	171,626				
Net increase (decrease)	271,628	(5,671,608)	(29,688)	-	(5,429,668)	(1,296,022)
Net assets held in trust for Pension Benefits						
Beginning of year	5,708,620	17,415,774	122,753	-	23,247,147	24,543,169
End of year	$ 5,980,248	$ 11,744,166	$ 93,065	$ -	$ 17,817,479	$ 23,247,147

South Carolina Retirement Systems
Schedule of Changes in Plan Net Assets
PORS Pension Trust Fund
Year Ended June 30, 2009
With comparative totals for the year ended June 30, 2008
(Amounts expressed in thousands)

	EMPLOYEE FUND	EMPLOYER FUND	DEATH BENEFIT FUND	ACCIDENTAL DEATH FUND	TOTALS	TOTALS 2008
Additions						
Employee contributions						
State department employees	$ 26,470	$ 1,167			$ 27,637	$ 27,925
Public school employees	41	170			211	140
Other political subdivision employees	45,484	3,682			49,166	47,601
Employer contributions						
State department employees		43,070	$ 785	$ 785	44,640	42,033
Public school employees		315	6	6	327	256
Other political subdivision employees		76,491	1,386	1,304	79,181	71,806
Total contributions	71,995	124,895	2,177	2,095	201,162	189,761
Investment Income						
Net appreciation (depreciation) in fair value of investments		(674,080)	(5,462)	(6,891)	(686,433)	(164,721)
Interest and dividend income		49,537	398	504	50,439	83,466
Investment expense		(5,139)	(42)	(52)	(5,233)	(7,785)
Net income (loss) from investing activities		(629,682)	(5,106)	(6,439)	(641,227)	(89,040)
From securities lending activities:						
Securities lending income		6,776	55	69	6,900	24,274
Securities lending expense		(3,989)	(33)	(40)	(4,062)	(20,649)
Net income from securities lending activities		2,787	22	29	2,838	3,625
Total net investment income (loss)		(626,895)	(5,084)	(6,410)	(638,389)	(85,415)
Supplemental retirement benefits funded by the State		46			46	52
Transfers of contributions from other Systems	1,004	621			1,625	2,008
Total additions	72,999	(501,333)	(2,907)	(4,315)	(435,556)	106,406
Deductions						
Refunds of contributions to members	13,753				13,753	13,754
Transfers of contributions to other Systems						
Regular retirement benefits		210,345			210,345	194,490
Supplemental retirement benefits		46			46	52
Death benefit claims			1,720		1,720	2,068
Accidental death benefits				1,482	1,482	1,447
Depreciation		11			11	11
Administrative expense		2,481	21	24	2,526	2,494
Total deductions	13,753	212,883	1,741	1,506	229,883	214,316
Interfund transfers according to statutory requirements						
Contributions by members at retirement	(56,770)	56,770				
Interest credited to members' accounts	26,315	(26,315)				
Net interfund transfers	(30,455)	30,455				
Net increase (decrease)	28,791	(683,761)	(4,648)	(5,821)	(665,439)	(107,910)
Net assets held in trust for Pension Benefits						
Beginning of year	697,423	2,441,128	25,437	32,083	3,196,071	3,303,981
End of year	$ 726,214	$ 1,757,367	$ 20,789	$ 26,262	$ 2,530,632	$ 3,196,071

South Carolina Retirement Systems
Schedule of Changes in Plan Net Assets
GARS Pension Trust Fund
Year Ended June 30, 2009
With comparative totals for the year ended June 30, 2008
(Amounts expressed in thousands)

	EMPLOYEE FUND	EMPLOYER FUND	TOTALS	TOTALS 2008
Additions				
Contributions				
Employee contributions - State departments	$ 706		$ 706	$ 712
Employer contributions - State departments		$ 2,495	2,495	2,440
Total contributions	706	2,495	3,201	3,152
Investment Income				
Net appreciation (depreciation) in fair value of investments		(10,063)	(10,063)	(2,306)
Interest and dividend income		686	686	1,232
Investment expense		(71)	(71)	(116)
Net income (loss) from investing activities		(9,448)	(9,448)	(1,190)
From securities lending activities:				
Securities lending income		96	96	363
Securities lending expense		(57)	(57)	(309)
Net income from securities lending activities		39	39	54
Total net investment income (loss)		(9,409)	(9,409)	(1,136)
Transfers of contributions from other Systems	84		84	21
Total additions	790	(6,914)	(6,124)	2,037
Deductions				
Refunds of contributions to members	33		33	102
Transfers of contributions to other Systems	81		81	27
Regular retirement benefits		6,416	6,416	6,181
Death benefit claims		14	14	28
Depreciation				
Administrative expense		35	35	37
Total deductions	114	6,465	6,579	6,375
Interfund transfers according to statutory requirements				
Contributions by members at retirement	(1,386)	1,386		
Interest credited to members' accounts	267	(267)		
Net interfund transfers	(1,119)	1,119		
Net increase (decrease)	(443)	(12,260)	(12,703)	(4,338)
Net assets held in trust for Pension Benefits				
Beginning of year	7,265	36,943	44,208	48,546
End of year	$ 6,822	$ 24,683	$ 31,505	$ 44,208

South Carolina Retirement Systems
Schedule of Changes in Plan Net Assets
JSRS Pension Trust Fund
Year Ended June 30, 2009
With comparative totals for the year ended June 30, 2008
(Amounts expressed in thousands)

	EMPLOYEE FUND	EMPLOYER FUND	TOTALS	TOTALS 2008
Additions				
Contributions				
Employee contributions - State departments	$ 2,338	186	$ 2,524	$ 1,353
Employer contributions - State departments		$ 8,414	8,414	7,613
Total contributions	2,338	8,600	10,938	8,966
Investment Income				
Net appreciation (depreciation) in fair value of investments		(28,759)	(28,759)	(6,693)
Interest and dividend income		2,115	2,115	3,496
Investment expense		(215)	(215)	(326)
Net income (loss) from investing activities		(26,859)	(26,859)	(3,523)
From securities lending activities:				
Securities lending income		284	284	1,021
Securities lending expense		(166)	(166)	(869)
Net income from securities lending activities		118	118	152
Total net investment income (loss)		(26,741)	(26,741)	(3,371)
Transfers of contributions from other Systems	83		83	63
Total additions	2,421	(18,141)	(15,720)	5,658
Deductions				
Refunds of contributions to members				211
Regular retirement benefits		13,135	13,135	12,499
Deferred retirement benefits		349	349	349
Death benefit claims		134	134	256
Depreciation		1	1	
Administrative expense		103	103	103
Total deductions		13,722	13,722	13,418
Interfund transfers according to statutory requirements				
Contributions by members at retirement	(2,067)	2,067		
Interest credited to members' accounts	710	(710)		
Net interfund transfers	(1,357)	1,357		
Net increase (decrease)	1,064	(30,506)	(29,442)	(7,760)
Net assets held in trust for Pension Benefits				
Beginning of year	17,367	112,064	129,431	137,191
End of year	$ 18,431	$ 81,558	$ 99,989	$ 129,431

South Carolina Retirement Systems
Schedule of Changes in Plan Net Assets
NGRS Pension Trust Fund
Year Ended June 30, 2009
With comparative totals for the year ended June 30, 2008
(Amounts expressed in thousands)

	TOTALS 2009	TOTALS 2008
Additions		
Contributions		
State appropriated contributions	$ 4,052	$ 3,948
Total contributions	4,052	3,948
Investment Income		
Net appreciation (depreciation) in fair value of investments	(4,299)	(782)
Interest income	292	457
Investment expense	(29)	(43)
Income (loss) from investing activities	(4,036)	(368)
From securities lending activities:		
Securities lending income	40	133
Securities lending expense	(24)	(113)
Net income from securities lending activities	16	20
Total net investment income (loss)	(4,020)	(348)
State Appropriation for Administrative Expenses		50
Total additions	32	3,650
Deductions		
Regular retirement benefits	3,432	3,199
Administrative charges	15	156
Total deductions	3,447	3,355
Net increase	(3,415)	295
Net assets held in trust for Pension Benefits		
Beginning of year	16,188	15,893
End of year	$ 12,773	$ 16,188

Schedule of Administrative Expenses
For the Year Ended June 30, 2009
(Amounts expressed in thousands)

	SCRS	PORS	GARS	JSRS	NGRS	TOTALS
Personal Services						
Salaries and Wages	$ 7,915	$ 1,082	$ 15	$ 44	$ 6	$ 9,062
Employee Benefits	2,240	306	4	13	2	2,565
Contractual Services						
Data Processing Services	1,412	193	3	8	1	1,617
Medical & Health Services	800	109	2	4	1	916
Financial Audit	42	6				48
Actuarial Services	223	31		1		255
Other Professional Services	214	29		1		244
Legal Services	226	31		1		258
Operating Expenses						
Facilities Management	278	38		2		318
Intergovernmental Services	540	74	1	3		618
Transfers to Investment Commission	3,230	442	6	18	3	3,699
Telephone	88	12		1		101
Insurance	268	37	1	1		307
Postage	309	42	1	2		354
Supplies	295	40	1	2	1	339
Other Miscellaneous Expenses	392	54	1	2	1	450
Total Administrative Expenses	$ 18,472	$ 2,526	$ 35	$ 103	$ 15	$ 21,151

Schedule of Professional and Consultant Fees
For the Year Ended June 30, 2009
(Amounts expressed in thousands)

Professional/Consultant	Nature of Service	Amounts Paid
Accurev Inc.	IT Maintenance & Support	$ 15
Adobe Systems	IT Maintenance & Support	14
Carolina Advanced Digital	IT Maintenance & Support	93
Cavanaugh Macdonald Consulting	Actuary Services	66
Comsys Information Technology	Application Development Resources	634
Document Systems Inc.	IT Tape Storage & Imaging Records Storage	14
Emerson Network Power	IT Maintenance & Support	12
Ice Miller	IRC Consulting Services	61
Independent Fiduciary Services	Investment Accounting Operational Review	111
Investment Ttaining and Consultant	Training for Investment Accounting & Internal Audit	11
Milliman USA	Actuary Services	185
Oracle Corp	Database license & support maintenance	12
Oracle USA inc	Database license & support maintenance	13
Professional Printers	Printing	20
Rogers Laban, PA	Audit	48
SDI Networks	IT Maintenance & Support	31
SHI International	IT Maintenance & Support	79
Software AG Inc.	IT Enterprise License & Maintenance	96
Software House International	IT Maintenance & Support	23
Software Solutions	IT Maintenance & Support	11
Southern Imaging Group	Annual Member Statements	44
Sowell Gray Stepp & Laffitte	Attorney Fees	197
Summit Strategies Inc	Optional Retirement Plan Consultants	115
Sunguard Availability Service	IT Disaster Recovery	41
TeamIA Inc	Imaging Maintenance/Auditing	323
Vocational Rehabilitation	Disability Case Evaluations	916
		$ 3,185

South Carolina Retirement Systems
Schedule of Investment Fees and Expenses*
Year Ended June 30, 2009
(Amounts expressed in thousands)

	SCRS	PORS	GARS	JSRS	NGRS	TOTALS
Investment Managers Fees:						
Aronson + Johnson + Ortiz[1]	$ 330	$ 44	$ 1	$ 2	$ -	$ 377
Barclays Global Investors, N.A.[3]	161	22	-	1	-	184
Batterymarch Financial Management, Inc.	809	109	2	4	1	925
Wells Capital Management, Inc. (Benson Value Team)	1,331	180	3	7	1	1,522
Blackrock Financial Management [2]	91	13	-	1	-	105
Bridgewater Associates,Inc.	5,170	697	9	29	4	5,909
Capital Guardian[2]	51	7	-	-	-	58
ClariVest Asset Management, LLC	1,019	138	2	6	1	1,166
Pyramis Global Advisors	1,565	211	3	9	1	1,789
GMO	1,730	234	3	10	1	1,978
Integrity Asset Management, LLC	649	88	1	3	-	741
Legg Mason Capital Management, Inc.	652	88	1	4	1	746
Loomis Sayles (Global Fixed Income)	1,440	195	3	8	1	1,647
Loomis Sayles (High Yield)	1,767	239	3	10	1	2,020
Mellon[3]	2,872	384	5	16	2	3,279
Mondrian	2,078	280	4	11	2	2,375
Morgan Stanley	4,112	555	7	23	3	4,700
Penn Capital[2]	50	7	-	-	-	57
PIMCO[2]	341	47	1	2	-	391
Putnam Investments	2,293	309	4	13	2	2,621
Pzena Investment Management, LLC	179	24	-	1	-	204
Russell Investment Group	1,020	138	2	5	1	1,166
State Street Global Advisors Russell 2000 Index Fund[3]	4	1	-	-	-	5
State Street Global Advisors S&P 500 Index Fund[3]	4	1	-	-	-	5
TimesSquare Capital Management, LLC	1,906	257	4	11	1	2,179
Thompson, Siegel & Walmsley, Inc.	1,024	138	2	5	1	1,170
Turner Investment Partners, Inc.	1,122	151	2	6	1	1,282
Western Asset Management Co.	1,245	168	2	7	1	1,423
WCM Investment Management	1,298	175	2	7	1	1,483
Total	36,313	4,900	66	201	27	41,507
Bank Fees	2,537	333	5	14	2	2,891
Total Investment Management Fees	$ 38,850	$ 5,233	$ 71	$ 215	$ 29	$ 44,398
Securities Lending Expenses:						
Borrower Rebates	$ 30,124	$ 4,062	$ 57	$ 166	$ 24	$ 34,433
Total Securities Lending Expenses	$ 30,124	$ 4,062	$ 57	$ 166	$ 24	$ 34,433

[1]Aronson + Johnson + Ortiz, LP, was funded September 2006. 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.
[2]Manager hired during fiscal year 2009.
[3]Contract terminated during fiscal year 2009.

* Several of the alternative investment managers provide account valuations on a net of fee basis. Management fees are netted against investment income and because they are not readily separable for specific investment income, amounts are recorded and reported net of fees.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Mr. Richard H. Gilbert, Jr., CPA,
Deputy State Auditor
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, 2009, and have issued our report thereon dated October 21, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

Going Beyond The Numbers.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Systems' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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

Rogers Laban, PA

October 21, 2009