Financial Statements

South Carolina Retirement Systems

Year Ended June 30, 2015

Administered by the
South Carolina Public Employee Benefit Authority
Columbia, South Carolina

State of South Carolina
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DEPUTY STATE AUDITOR

October 15, 2015

The Honorable Nikki R. Haley, Governor
and
Members of the South Carolina Public Employee
Benefit Authority
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, 2015 was issued by CliftonLarsonAllen, LLP, 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,

George L. Kennedy, III, CPA
State Auditor

GLKIII/trb

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Independent Auditors' Report

The Honorable Nikki R. Haley, Governor
Mr. George L. Kennedy, CPA, State Auditor
and
Board of Directors
South Carolina Public Employee Benefit Authority
Columbia, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the South Carolina Retirement Systems (the Systems) as administered by the South Carolina Public Employee Benefit Authority, which comprise the statement of fiduciary net position as of June 30, 2015, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Systems as of June 30, 2015, and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Systems' 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 21, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

The financial statements include alternative investments valued at $9.0 billion (31% percent of total net position). As explained in Note 1, their fair values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund managers or the general partners. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of changes in the employers' net pension liability, employers' net pension liability, employers' contributions and investment returns and related notes, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the Systems' financial statements. The other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2015 on our consideration of the Systems' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Systems' internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

Baltimore, Maryland
October 15, 2015

Management's Discussion and Analysis

This section presents management's discussion and analysis of the financial position and performance for the year ended June 30, 2015, for the South Carolina Retirement Systems' pension trust funds (Systems), 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 Systems' financial statements provide information about the activities of the five defined benefit pension plans administered, which are listed below, in addition to comparative summary information about the activities of the Systems as a whole:

- South Carolina Retirement System (SCRS) - A member contributory multiple-employer plan covering teachers, as well as state and municipal employees;
- Police Officers Retirement System (PORS) - A member contributory multiple-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 members of the South Carolina General Assembly, which is closed to persons first elected to the South Carolina General Assembly at or after the general election in November 2012;
- The Retirement System for Judges and Solicitors (JSRS) - A member contributory plan covering Judges, Solicitors and Public Defenders; and
- South Carolina National Guard Supplemental Retirement Plan (SCNG) - A non-contributory supplemental benefit plan for members of the South Carolina National Guard.

Overview of the Financial Statements

The Systems represents the collective retirement funds that are held in a group trust for the plans and are protected by the state's constitution. PEBA, which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the Budget and Control Board, which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the Systems and serves as a co-trustee of the Systems in conducting that review. In accordance with the South Carolina Restructuring Act of 2014 (Act 121), the Budget and Control Board ceased operations on June 30, 2015. Effective July 1, 2015, the functions and responsibilities referenced above are transferred to the State Fiscal Accountability Authority. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state. Financial statements prepared on behalf of the Systems, include the following information, for the fiscal year ended June 30, 2015, with combined total comparative information for the fiscal year ended June 30, 2014:

- Statement of Fiduciary Net Position
- Statement of Changes in Fiduciary Net Position
- Notes to the Financial Statements
- Required Supplementary Information
- Other Supplementary Information

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

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

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

Required Supplementary Information presents schedules pertaining to employers' net pension liability, changes in employers' net pension liability, employers' contributions, and the money-weighted rate of return on investments. These schedules are intended to provide additional information useful in evaluating the condition of the systems.

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

Financial Highlights

- Total fiduciary net position for all five defined benefit plans of the Systems combined, decreased by $622 million or just over two percent during fiscal year 2015. The net position of the plans is impacted by contributions to the plans, investment returns, and benefit payments out of the system. It is important to note that growth in fiduciary net position depends on both investment performance and contributions from employers and employees. The plans are in a net cash outflow position with benefit payments exceeding contributions, therefore, investment performance must first make up this gap before fiduciary net position can grow. The decrease in net position from $29.9 billion to $29.3 billion was primarily attributable to reduced investment performance and the net cash outflow situation.
- For the fiscal year ended June 30, 2015, the net of fee investment performance return provided by the custodial bank, BNY Mellon was 1.60 percent. This return reflects performance of the Systems, at the aggregate for the pooled investments of the consolidated pension trust funds, after the deduction of manager fees and/or expenses. This fiscal year's performance was well below the prior year's return of 15.29 percent and will be recognized as an actuarial loss as it was less than the 7.5 percent actuarial investment rate of return assumed for the plans. For the actuarial valuation prepared for funding purposes, gains and losses from investment performance are recognized using smoothing methods which help mitigate sharply fluctuating market returns over a long-term period. The smoothing methodology offsets both deferred investment gains and losses against each other and is intended to produce an actuarial asset value that is fairly consistent with market value during periods of ordinary investment returns. Smoothing avoids overreaction to inherently volatile conditions that would otherwise overweight the effects of a single year of performance that would most likely be reversed in subsequent years. Actuarial smoothing is intended to result in more stable contribution rates and a more level funded status, and is also a valuable methodology for governmental entities because it permits budgetary planning over more than one fiscal year.
- The rise over the prior fiscal year in the amount of employee and employer contributions collected is largely attributable to increased contribution rates. Employee contribution rates for SCRS and PORS rose

from 7.50 to 8.00 percent and 7.84 to 8.41 percent, respectively, effective July 1, 2014. Base employer contributions rates for SCRS and PORS also increased proportionately, effective July 1, 2014, from 10.45 to 10.75 percent and 12.44 to 13.01 percent, respectively. Act 278 amended state statute to provide a schedule of minimum employee and employer contributions beginning FY2013 and further provided that if those rates are insufficient, the board may increase the rates, in equal percentage amounts for employee and employer contributions, as necessary to maintain an amortization schedule of no more than 30 years. Based on the 2014 valuation results, no contribution increase is required in order to maintain a 30-year funding period in either SCRS or PORS effective July 1, 2016. The PEBA Board adopted the recommended rates, which were subsequently presented to the State Fiscal Accountability Authority (formerly referred to as the Budget and Control Board).

- The total number of retired members and beneficiaries receiving monthly annuity benefits from the Systems increased from approximately 153,000 to just under 157,000 annuitants during the year. Additionally, eligible SCRS & PORS annuitant payees received an annual benefit adjustment equal to the lesser of 1 percent or $500 on July 1, 2014. The increase in the number of new annuitants added to the payroll during the year coupled with the retiree benefit adjustment resulted in an overall increase of 5 percent in the dollar amount of annuity benefits paid to annuitants compared to the prior the year.
- The Teacher and Employee Retention Incentive (TERI) program is a deferred retirement option program under SCRS that initially allowed retired members to accumulate annuity benefits on a deferred basis for up to 60 months while continuing employment. Retirement reform legislation will close the TERI program to all participants effective June 30, 2018, so SCRS members who entered the TERI program after July 1, 2013, will not be eligible to participate in TERI for the full 60 months. Current TERI participants are required to pay the same pre-tax member contribution rate on compensation earned, in the same manner as active members. TERI participants do not earn additional service credit or interest on their TERI account but are eligible to receive benefit increases in the same manner as other annuitant payees. At the end of the member’s TERI participation and upon termination from employment, funds are distributed from the accumulated TERI account. The number of members actively participating in TERI decreased slightly from 9,644 at fiscal year-end 2014 to 9,327 at fiscal year-end 2015. While the overall number of members participating in the program decreased from the prior year, the average payout of the accumulated balance of TERI annuity benefits to participants at termination from employment was greater than the average payout in the prior period resulting in an overall increase in deferred retirement benefits expense during the fiscal year.
- The Systems’ investment portfolio continues to participate in a securities lending program, managed by BNY Mellon (Securities Lending Program), whereby securities are loaned for the purpose of generating additional income. BNY Mellon is responsible for making loans of securities on a collateralized basis from the Systems’ investment portfolio to various third party broker-dealers and financial institutions. The gross securities lending revenue for the fiscal year was $1.98 million, an increase from $1.73 million in the prior year. As reported by BNY Mellon, at June 30, 2015, the fair value of securities on loan was $179.61 million, the fair value of the invested cash collateral was $70.18 million, and the securities lending obligations were $117.72 million. The reported difference in the value of the invested cash collateral and the securities lending obligations in the securities lending program is reflected within “Other Liabilities” on the Retirement Systems’ Statement of Fiduciary Net Position, consistent with information reported on accounting statements provided by BNY Mellon as the custodial bank.
- The Retirement System Investment Commission (Commission as the governing body, RSIC as the agency), created by the General Assembly in 2005 as co-fiduciary for the Systems, has exclusive authority to invest and manage the retirement trust funds’ assets. The Commission operates pursuant to

statutory provisions and under governance policies that allow for a diverse asset allocation and which afford the RSIC and its chief investment officer discretion and flexibility to quickly react to changes in market conditions. The investment portfolio is structured to focus on ensuring the long-term stability of the plans, seeking superior returns at acceptable levels of risk.

- The Commission is responsible for establishing and maintaining a target asset allocation that manages risk, ensures liquidity, and affords flexibility to quickly react to changes in market conditions. The Policy Asset Allocation effective as of July 1, 2013 was reaffirmed by the Commission for the fiscal year beginning on July 1, 2014 and no modifications were made. Variances from the target among asset classes are the result of over or underweights reflected in the Commission's asset allocation strategies as well as volatility experienced in the financial markets. During the fiscal year, new managers were added to the Global Equity, Diversified Credit, Real Estate, and Core Fixed Income asset classes.
- The Office of the State Treasurer has a contract with the Bank of New York Mellon (BNYM) to serve as custodian of the funds of the Retirement Systems. Under a provision of the most recent contract for custody services and in an effort to improve transparency, BNYM began directly invoicing the trust funds on a quarterly basis for both custody and other ancillary services utilized. PEBA and the RSIC jointly verify that invoices accurately reflect services rendered and are appropriate for the period before amounts are paid. The trust funds' securities lending revenue account is the initial source from which such costs are paid to the custodial agent.
- All investment manager fees, whether directly invoiced or deducted from the fund NAV, are classified and reported as investment expense in the Statement of Changes in Fiduciary Net Position. The RSIC provides the netted fee information to PEBA on an annual basis so that amounts can be reclassified and reported in the financial statements. There is no industry standard for reporting pension plan investment fees and expenses, therefore, in order to compare investment expense as reported by the Systems with investment management costs reported by other public pension plans, an understanding of the actual fees and expenses included in any comparative reports is necessary. The fiscal year 2015 invoiced and netted investment fees and expenses total is $348.2 million which is 23% less than the fiscal year 2014 total of $454.5 million largely due to lower performance fees (including carried interest allocations) as a result of generally lower market returns.
- PEBA is still a relatively new entity having been created July 1, 2012, as the governing body responsible for administration of the state's retirement plans and employee insurance programs. In September 2014, the South Carolina Office of the State Inspector General (SIG) engaged Funston Advisory Services LLC to conduct a fiduciary performance audit of the PEBA. The purpose of the audit was to critically evaluate fiduciary roles and responsibilities, relationships and policies and to identify areas of strengths and weaknesses, along with improvement recommendations. Funston's report which was issued on January 16, 2015, articulated and prioritized recommendations and also included an analysis of potential costs or benefits associated with implementation. The costs of this fiduciary performance audit contributed to an increase over the prior year in Administrative expenses in the Statement of Changes in Fiduciary Net Position.
- During the year PEBA solicited proposals to conduct a comprehensive assessment of the operational information technology systems and a contract was awarded to Linea Solutions Inc. in December 2014. The project includes three phases: 1) Operational Information Technology Systems Assessment, 2) Future Operational Information Technology System and 3) Operational Information Technology Systems Modernization Plan. Project work commenced immediately and associated expenses paid to Linea during the fiscal year are included in Administrative expenses in the Statement of Changes in Fiduciary Net Position.

- The Systems implemented the requirements of Governmental Accounting Standards Board (GASB) Statement 67, as approved by GASB in June 2012, in its financial statements for the fiscal year ended June 30, 2014. Effective for fiscal periods ending after June 15, 2015, participating employers who issue Generally Accepted Accounting Principles (GAAP) based financial statements are required to implement GASB Statement 68. To help ensure employers were provided with information for their individual external financial audits, PEBA took the initiative to expend resources to obtain an additional audit opinion that their auditors could rely upon in conducting their audits. During the fiscal period, the State Auditor's Office engaged CliftonLarsonAllen LLP to conduct a separate audit of the Schedules of Employer Allocations, Schedules of Pension Amounts by Employer and Related Notes for the fiscal year ended June 30, 2014, as well as the census data that was used in the development of the schedules. The resulting audit report was made available by PEBA in June 2015 through its public website on a special webpage devoted to participating employers designed to provide various resources to assist in complying with GASB 68. Participating employers were notified of the availability of the report via direct email and PEBA's employer news feed. During fiscal year 2015, PEBA staff presented at various conferences and workshops around the state on the topic of GASB 67 and 68. In addition, staff worked with PEBA's Communication department to provide information regarding GASB 68 to key stakeholders, including significant updates to the participating employer resource center page. Administrative expenses experienced an increase as a result of the additional actuarial consultant and external audit work associated with providing participating employers with information necessary to comply with the requirements of GASB 68. Details regarding administrative expenses of the plans can be found in the Schedule of Administrative Expenses within the Other Supplementary Information section.
- The firm of Gabriel Roeder Smith & Company (GRS) is on retainer as the Systems' consulting actuary for the defined benefit retirement plans. South Carolina state statute requires that the actuary complete a valuation of the Systems annually and conduct an experience investigation at least once in each five-year period. GRS last completed an actuarial experience study on the Systems as of July 1, 2010, and the most recent annual valuation reports were issued as of July 1, 2014. The next experience study is scheduled to begin immediately after fiscal year end and will include a review of experience for the 5 year period ending June 30, 2015. As a result of the experience study, the actuary may recommend adjustments to its current actuarial assumptions, which include the assumed annual rate of return. The current rate, as established by the General Assembly in accordance state statute, is 7.5 percent.
- In addition to the deferred retirement options available in SCRS and JSRS, all of the plans (excluding SCNG) include certain provisions that allow retired members to continue covered employment while also receiving a monthly retirement benefit. South Carolina's public employee defined benefit plans have historically provided extremely lenient return-to-work provisions for retired members of SCRS and PORS who return to work for a covered employer after retirement, or after ending their TERI participation (SCRS only). For members who return to work for a covered employer after retirement, the employer must pay the corresponding employer contribution for that particular plan, and under SCRS, PORS and JSRS, retired members are also required to pay the same employee contribution as an active member in the same position. TERI participants receive the full monthly retirement benefit, with no limit on the amount of wages they may earn from employment. Collectively among the plans, the most recent actuarial valuation study reported that close to 27,000 retirees continue covered employment while receiving monthly retirement benefits either directly or as a TERI participant, thereby making up approximately 10 percent of the total public workforce covered by the Systems. Because historically lenient return-to-work provisions, coupled with demographic changes of the membership, caused concern over the long-term stability of the plans, retirement reform legislation also addressed retiree

return-to-work provisions. Generally, SCRS and PORS members who retired after January 1, 2013, and had not yet reached age 62 (SCRS) or age 57 (PORS) at retirement are subject to an annual earnings limit of $10,000 on wages earned from covered employment.

- Qualified Excess Benefit Arrangement (QEBA) trust funds are maintained for each of the plans administered by the Retirement Division of PEBA. 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 by the Systems had there been no limitations under Code Section 415(b). The QEBA plans are separate and apart from the funds comprising the retirement funds and are not commingled with assets of those funds. The QEBA is not prefunded; therefore, no assets or income are accumulated to pay future benefits. The amount of required contributions necessary to pay benefits under the plans is determined and deposited to the trust funds on an as-needed basis. Employer contributions to fund the excess benefits are not credited or commingled with contributions paid into and accumulated in the retirement funds.
- The GARS is closed to persons first elected to the South Carolina General Assembly at or after the general election in November 2012. Members so elected to the Senate or House of Representatives now have the option to join SCRS, the State Optional Retirement Program (State ORP), which is a defined contribution plan, or opt out altogether. As a result of the plan closure, employee contributions to the GARS plan should decrease over time, while employer contributions may experience a general increase over time.

Condensed Financial Information

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

The Systems' principal sources of revenue are employee contributions, employer contributions and investment earnings. Required annual contributions for the SCNG are funded through an annual state appropriation. Expenses of the Systems consist primarily of payments of monthly annuities to retired members or their beneficiaries, and refunds of member contributions and interest that are paid subsequent to termination of employment. The defined benefit plans include an incidental death benefit for both active and retired members and an accidental death plan for members of the PORS.

PEBA sponsors the State ORP, which is a defined contribution alternative plan that is administered by four different vendors. The State ORP is available to newly hired employees of state agencies, institutions of higher education and public school districts. Membership in either SCRS or State ORP is also available to individuals first elected to the General Assembly at or after the general election in November 2012. In addition, PEBA is responsible for an optional Deferred Compensation Program (401k and 457 plans) administered by a third party record keeper. Both State ORP and Deferred Compensation assets are outside the group trust fund of the Systems and are not invested or managed by the RSIC. Summary comparative financial statements of the pension trust funds are presented on the following page.

Fiduciary Net Position

As of June 30

(Amounts expressed in thousands)

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

Changes in Fiduciary Net Position

Years Ended June 30

(Amounts expressed in thousands)

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

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

On a combined basis, the defined benefit plans' fiduciary net position was valued at $29.3 billion at June 30, 2015, representing just over a 2 percent decrease in net position from the previous fiscal year-end. Reduced investment earnings as well as increased benefit expenses were the primary drivers of the change in fiduciary net position for the fiscal year.

During fiscal year 2015, the total dollar amount of contributions added to the plans increased slightly corresponding with the increase in employer and employee contribution rates. Monthly retirement benefits paid to annuitants increased 5 percent compared with the previous fiscal year. As previously referenced, the increase was attributable to a benefit adjustment granted to eligible SCRS and PORS annuity recipients effective July 1, 2014, along with a significant increase in the number of new annuitants added to the payroll during the year.

The fund experienced a positive return for the sixth consecutive year led by several strategies that substantially exceeded their benchmarks. The plan's net-of-fee return for the fiscal year 2015 was 1.60 percent beating the policy benchmark return of 1.21 percent but falling short of the actuarial assumed rate of return of 7.50 percent by 590 basis points. Real Estate was the strongest performing asset class with a fiscal year return of 19.32 percent beating its 14.20 percent performing benchmark by 512 basis points. Low Beta Hedge Funds were another strong performing asset class on both an absolute and relative basis returning 8.62 percent and outperforming its benchmark by 631 basis points. Private Equity was a strong performer with a 9.71 percent return but underperformed relative to its benchmark return of 12.63 percent.

Other strategies with positive returns that outperformed their benchmarks included: Private Debt with a 4.87 percent return versus 4.04 percent, Total Global Public Equity with a 1.91 percent return versus 0.71 percent, and Short Duration with a 1.12 percent return relative to a benchmark of return of 0.93 percent. Core Fixed Income returned a positive 1.62 percent but underperformed its benchmark by 24 basis points. Although having a negative return of 1.72 percent, GTAA outperformed its benchmark return of negative 3.85 percent by 213 basis points. Negatively performing asset classes, both on an absolute and relative to benchmark basis, were Global Fixed Income returning a negative 3.41 percent versus its benchmark return of a positive 2.96 percent, Emerging Markets Debt returning a negative 7.88 percent versus negative 7.72 percent, and Mixed Credit with a negative 1.88 percent return versus a positive benchmark return of 1.25 percent. Commodities was the weakest performing asset class with a negative 24.02 percent return versus its benchmark which returned a negative 23.71 percent.

Actuarial Valuations and Funding Progress

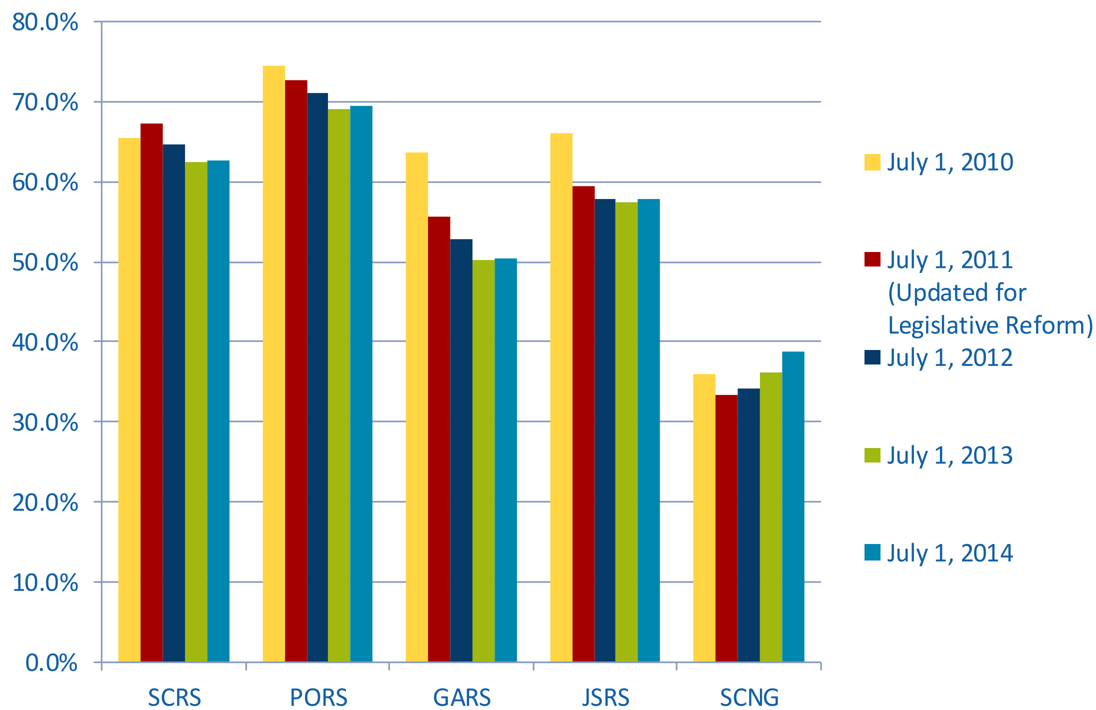
Actuarial valuations are performed annually by an external consulting actuary for all five defined benefit plans to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability over a period that does not exceed 30 years. Additionally, the Board is prohibited from decreasing the applicable contribution rate until the funded ratio is at least 90 percent. Over time, and provided there are no future benefit enhancements, the funded ratio of each system is expected to increase and eventually attain 100 percent. The primary sources of revenue to fund benefits include investment income, member contributions and employer contributions.

Investment performance for purposes of developing the actuarially determined contribution rate is recognized using smoothing method that recognizes 20 percent of the difference between the market value of assets and the expected actuarial value of assets each year, based upon the assumed valuation rate of return. This asset valuation method mitigates the short term impact of market volatility and allows changes in market conditions to be recognized (smoothed) over a longer period of time. In contrast, in the actuarial valuation performed for the purpose of providing accounting information under GASB Statement No. 67, plan fiduciary net position is determined on a market value basis. Since the percentage of plan fiduciary net position to the total pension liability in the actuarial valuation prepared for accounting purposes uses the market value of assets rather than the actuarial value of assets, there can be significant short-term volatility in the proportion.

For the actuarial valuations prepared for funding purposes, the funded ratio (the ratio of the actuarial assets to the actuarial accrued liability) is a standard of measure of a plan's funded status. It 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 assets to liabilities. The funding progress of a retirement system should be reviewed over a multi-year period, such as five to ten years, to identify trends in the system's funded status. The most recent actuarial valuations prepared for funding purposes as of July 1, 2014, showed a slight increase in funded status for all five plans. The changes in the levels of funding do not affect the availability of funds or resources for future use and actuarial projections indicate that unfunded liabilities should be amortized and funded within acceptable funding guidelines. The actuarial funded ratios of the five plans are presented in the following graph. Percentages for GASB 67 reporting purposes can be found in the Schedule of Employers' Net Pension Liability beginning on Page 52.

Actuarial Funded Ratios

(Actuarial assets as a percentage of actuarial accrued liabilities)



Requests for Information

This financial report is designed to provide a general overview of the Retirement Systems' finances for all interested parties. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the South Carolina PEBA, Attn: Retirement Systems Finance, P.O. Box 11960, Columbia, SC 29211-1960. Inquiries may also be made at www.peba.sc.gov or by calling 803.737.6800.

South Carolina Retirement Systems
Statement of Fiduciary Net Position

June 30, 2015
With comparative totals for June 30, 2014
(Amounts expressed in thousands)

	SCRS	PORS	GARS	JSRS	SCNG	TOTAL	2014 TOTAL
ASSETS							
Cash and cash equivalents	$ 2,473,892	$ 396,286	$ 4,744	$ 16,640	$ 4,115	$ 2,895,677	$ 2,974,017
Receivables							
Due from other systems		169		4		173	1,218
Employee and employer contributions	198,636	22,325	104	789	16	221,870	195,502
Accrued investment income	41,887	6,593	51	239	35	48,805	37,517
Unsettled investment sales	386,193	60,784	473	2,204	326	449,980	850,751
Other investment receivables	2,261	356	2	13	2	2,634	1,821
Total receivables	628,977	90,227	630	3,249	379	723,462	1,086,809
Investments, at fair value							
Short-term securities	657,551	103,494	804	3,753	555	766,157	835,867
Debt							
Domestic Fixed Income	5,246,660	825,787	6,417	29,942	4,431	6,113,237	5,724,526
International Fixed Income	1,607,359	252,987	1,966	9,173	1,357	1,872,842	2,479,437
Public Equity							
Domestic Equity	1,729,331	272,185	2,115	9,869	1,461	2,014,961	2,528,760
International Equity	4,399,301	692,419	5,381	25,106	3,715	5,125,922	3,810,656
Global Tactical Asset Allocation	1,909,410	300,528	2,336	10,896	1,613	2,224,783	2,119,233
Alternatives	7,703,664	1,212,502	9,423	43,964	6,506	8,976,059	9,256,340
Total investments	23,253,276	3,659,902	28,442	132,703	19,638	27,093,961	26,754,819
Securities lending cash collateral invested	60,229	9,479	74	344	51	70,177	72,645
Prepaid expenses	2,641	409	4	15	2	3,071	2,347
Capital assets, net of accumulated depreciation	2,693	291	7	13	1	3,005	2,912
Total assets	26,421,708	4,156,594	33,901	152,964	24,186	30,789,353	30,893,549
LIABILITIES							
Due to other systems	173					173	1,218
Accounts payable - unsettled investment purchases	1,028,515	161,881	1,258	5,870	869	1,198,393	711,656
Investment fees payable	7,270	1,144	9	41	6	8,470	9,300
Obligations under securities lending	60,229	9,479	74	344	51	70,177	72,645
Deferred retirement benefits	68,104					68,104	56,901
Due to Employee Insurance Program	58,868	1,788				60,656	54,231
Benefits payable	3,608	344	2		6	3,960	3,855
Other liabilities	63,113	10,133	76	356	52	73,730	56,032
Total liabilities	1,289,880	184,769	1,419	6,611	984	1,483,663	965,838
Net Position Restricted for Pensions	$ 25,131,828	$ 3,971,825	$ 32,482	$ 146,353	$ 23,202	$29,305,690	$29,927,711

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

South Carolina Retirement Systems
Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2015
With comparative totals for the year ended June 30, 2014
(Amounts expressed in thousands)

	SCRS	PORS	GARS	JSRS	SCNG	TOTAL	2014 TOTAL
Additions							
Contributions							
Employee	$ 716,107	$ 106,854	$ 369	$ 3,153	$ -	$ 826,483	$ 751,467
Employer	1,022,478	166,451	4,275	10,109		1,203,313	1,132,128
State appropriated					4,591	4,591	4,586
Total contributions	1,738,585	273,305	4,644	13,262	4,591	2,034,387	1,888,181
Investment Income							
Net appreciation in fair value of investments	390,742	61,552	503	2,263	332	455,392	4,200,705
Interest and dividend income	291,619	45,614	375	1,713	241	339,562	348,733
Investment expense	(309,909)	(48,726)	(380)	(1,770)	(261)	(361,046)	(468,145)
Net income from investing activities	372,452	58,440	498	2,206	312	433,908	4,081,293
From securities lending activities:							
Securities lending income	144	22		1		167	63
Securities lending borrower rebates	1,556	243	2	9	1	1,811	1,667
Net income from securities lending activities	1,700	265	2	10	1	1,978	1,730
Total net investment income	374,152	58,705	500	2,216	313	435,886	4,083,023
Supplemental retirement benefits funded by the State	507	22				529	613
Transfers of contributions from other Systems	7	1,061		286		1,354	2,470
Total additions	2,113,251	333,093	5,144	15,764	4,904	2,472,156	5,974,287
Deductions							
Refunds of contributions to members	95,104	17,453				112,557	106,475
Transfers of contributions to other Systems	1,336		18			1,354	2,470
Regular retirement benefits	2,378,317	323,252	6,639	16,832	4,249	2,729,289	2,631,872
Deferred retirement benefits	211,982					211,982	168,999
Supplemental retirement benefits	507	22				529	616
Death Benefits	20,144	2,150	21	4		22,319	21,680
Accidental death benefits		1,555				1,555	1,597
Depreciation	227	29	1	1		258	227
Administrative expenses	12,327	1,909	17	70	11	14,334	13,453
Total deductions	2,719,944	346,370	6,696	16,907	4,260	3,094,177	2,947,389
Net increase (decrease) in Net Position	(606,693)	(13,277)	(1,552)	(1,143)	644	(622,021)	3,026,898
Net Position Restricted for Pensions							
Beginning of year	25,738,521	3,985,102	34,034	147,496	22,558	29,927,711	26,900,813
End of year	$25,131,828	$ 3,971,825	$ 32,482	$ 146,353	$ 23,202	$29,305,690	$29,927,711

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 South Carolina Public Employee Benefit Authority (PEBA) was created by the S.C. General Assembly effective July 1, 2012. PEBA is a state agency responsible for the administration and management of the state's employee insurance programs and retirement systems.

The governing board of the authority is a board of directors consisting of 11 members. The membership composition is as follows:

- three non-representative members appointed by the Governor;
- two members appointed by the President Pro Tempore of the Senate, one a non-representative member and one a representative member who is either an active or retired member of the South Carolina Police Officers Retirement System (PORS);
- two members appointed by the Chairman of the Senate Finance Committee, one a non-representative member and one a representative member who is a retired member of the South Carolina Retirement System (SCRS);
- two members appointed by the Speaker of the House of Representatives, one a non-representative member and one a representative member who must be a state employee who is an active contributing member of SCRS;
- two members appointed by the Chairman of the House Ways and Means Committee, one a non-representative member and one a representative member who is an active contributing member of SCRS employed by a public school district.

Non-representative members of the PEBA board may not belong to the classes of employees and retirees from which representative members must be appointed. Individuals appointed to the PEBA board must possesses certain qualifications.

Members of the PEBA board serve for terms of two years and until their successors are appointed and qualify. Vacancies on the PEBA Board must be filled within 60 days in the manner of the original appointment for the unexpired portion of the term. Terms commence on July first of even numbered years.

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)
- South Carolina National Guard Supplemental Retirement Plan (SCNG)

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 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 (SCRS), 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 (PORS), 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 (GARS), 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. Retirement reform legislation closed the plan to individuals newly elected to the Senate or House of Representatives after the general election of 2012.

The Retirement System for Judges and Solicitors of the State of South Carolina (JSRS), 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, circuit public defenders of the state and administrative law court judges.

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

A summary of information related to participating employers and members for the fiscal year ended June 30, 2015, follows (dollars amounts expressed in thousands):

	State[1]	School	Other	Total
SCRS				
Number of Employers	34	117	577	728
Annual Covered Payroll for Active Members	$2,258,102	$3,298,977	$2,108,048	$7,665,127
Average Number of:				
Active Contributing Members	49,963	83,891	53,532	187,386
Retirees and beneficiaries currently receiving benefits	48,603	62,727	23,304	134,634
Terminated members entitled to but not yet receiving benefits[2]				160,259
Total SCRS Membership				482,279
PORS				
Number of Employers	30	57	325	412
Annual Covered Payroll for Active Members	$375,187	$311	$737,165	$1,112,663
Average Number of:				
Active Contributing Members	9,445	2	17,135	26,582
Retirees and beneficiaries currently receiving benefits	8,138	19	8,653	16,810
Terminated members entitled to but not yet receiving benefits[2]				12,705
Total PORS Membership				56,097
GARS				
Number of Employers	1			1
Annual Covered Payroll for Active Members	$2,383			$2,383
Average Number of:				
Active Members (170 positions)	106			106
Retirees and beneficiaries currently receiving benefits	362			362
Terminated members entitled to but not yet receiving benefits	55			55
Total GARS Membership	523			523
JSRS				
Number of Employers	1			1
Annual Covered Payroll for Active Members	$18,138			$18,138
Average Number of:				
Active Members (153 positions)	137			137
Retirees and beneficiaries currently receiving benefits	206			206
Terminated members entitled to but not yet receiving benefits	2			2
Total JSRS Membership	345			345
SCNG				
Number of Employers	1			1
Annual Covered Payroll for Active Members[3]	N/A			N/A
Average Number of:				
Active Members	12,167			12,167
Retirees and beneficiaries currently receiving benefits	4,648			4,648
Terminated members entitled to but not yet receiving benefits	2,068			2,068
Total SCNG Membership	18,883			18,883

[1] *Although each state agency reports separately, the State is considered the primary government and therefore, all state agencies are included as a single employer. Quasi-State Agencies and Institutions of Higher Education are counted as separate employers and included within the "State" category.*

[2] *Employee Class not determinable from data.*

[3] *Annual covered payroll is not applicable for SCNG because it is a non-contributory plan.*

Membership

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

SCRS

Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. A member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. A member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

State ORP

As an alternative to membership in SCRS, newly hired state, public school, and higher education employees and individuals newly elected to the S.C. General Assembly beginning with the November 2012 general election have the option to participate in the State Optional Retirement Program (State ORP), which is a defined contribution plan. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. The Retirement Systems 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 (8.0 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 (5.75 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, 2015

(Dollar amounts expressed in thousands)

Active Contributing Participants	26,415
Annual Covered Payroll	$1,265,823
Employer Contributions Retained by SCRS	$72,785
Death Benefit Contributions Retained by SCRS	$1,899
Employee Contributions to Investment Providers	$101,266
Employer Contributions to Investment Providers	$63,291

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. A member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. A member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

GARS

Members of the Senate and the House of Representatives who were first elected to office prior to November 2012 are required to participate in and contribute to the system upon taking office as a member of the S.C. General Assembly; however, the GARS plan is closed to individuals newly elected to the Senate or the House of

Representatives on or after the general election of 2012.

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

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

Pension Benefits

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation/current annual salary. A brief summary of benefit terms for each system is presented below.

SCRS
A Class II member who has separated from service with at least five years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class III member who has separated from service with at least eight years of earned service is eligible for a monthly pension subject to the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class II and Class III members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

PORS
A Class II member who has separated from service with at least five years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class III member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both Class II and Class III members are eligible to receive a deferred annuity at age 55 with five or eight years earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

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. An incidental death benefit is also provided to members. Retirees receive increases in benefits based upon increases in the current salary of their respective active

positions. GARS is closed to new members and persons newly elected to the General Assembly must elect membership in SCRS or State ORP or may elect non-membership.

JSRS

A pension benefit is payable at age 70 with 15 years' service, age 65 with 20 years' service, 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. An incidental death benefit is also provided to members. Retirees receive increases in benefits based upon increases in the current salary of their respective active positions.

SCNG

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 final 10 years of military service must have been served in the South Carolina National Guard. No cost-of-living increases are provided to SCNG 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 PEBA.

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

Administrative expenses are the responsibility of the PEBA and all accounting and corresponding disclosures relating to administrative expenses of the pension trust funds are included in the financial statements of the Systems.

Administrative expenses for the Retirement Division of PEBA are funded by investment earnings and are allocated 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 the Retirement Division's portion of PEBA employee salaries and associated employee benefits, disability reviews, 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, foreign currencies, and cash held in the strategic partnership accounts 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 (Commission as the governing body, RSIC as the agency), created by the General Assembly in 2005 as co-fiduciary for the Retirement Systems, has exclusive authority for investing and managing all assets held in trust for the South Carolina Retirement Systems. 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 Chapter 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 RSIC is structured as a separate state agency reporting to a body of appointed Commissioners. The Commission is a seven-member board that includes the State Treasurer, the Executive Director of PEBA, and a retired member of the Systems. The Commission employs an Executive Director (ED) who serves as the agency head of the RSIC, reporting directly to the Commission, with functions and duties assigned by the Commission. The ED is the central source of authority and accountability for administrative decisions. In addition, the Commission employs a chief investment officer (CIO) who reports to the ED for day to day oversight and strategic planning objectives and who serves as the central source of authority and accountability for all investment decisions delegated to him or her by the Commission and state law. The Commission also engages an external investment consultant, who is accountable to the Commission to work collaboratively with RSIC staff to fulfill the duties of investing the Systems' portfolio.

Administrative costs of the RSIC are paid from the earnings of the Systems, and its budget is funded entirely from the trust fund. Costs include Commissioner, investment and administrative staff compensation, as well as other contractual services and other operating expenses. The allocation of those administrative costs is based upon a proration of such costs in proportion to the assets that each system bears to the total assets of all of the systems for the most recently completed fiscal year.

The Commission has adopted a Statement of Investment Objectives and Policies (SIOP) in order to establish investment and performance objectives, policies and guidelines, roles, responsibilities, and delegation of authority for the investment and management of assets of the Systems. The SIOP is reviewed by the Commission at least annually to determine its continued applicability. The SIOP provides the framework pursuant to which the CIO and staff develop the Annual Investment Plan (AIP), which provides a formal plan for investing the Systems' assets to achieve the Commission's investment objectives and mission. As required by Section 9-16-320, the AIP must be submitted to the Commission no later than April 1 of each year, and the Commission must meet no later than May 1 of each year to adopt the proposed AIP for the following fiscal year. The Commission may amend the SIOP and AIP during the fiscal year as it deems appropriate.

The Commission manages Systems' assets with a long-term horizon and seeks to earn the most appropriate risk-adjusted return in consideration of the specific goals, needs and circumstances of the Systems and in the exclusive interest of members of the Systems. Among the decisions the Commission can make, asset allocation has the most significant impact on the portfolio's return and risk profile and is reviewed annually as part of the development of the AIP. Based on the Commission's determination of the appropriate risk tolerance for the Portfolio and its long-term return expectations, it has authorized the following Policy Asset Allocation, including target allocations and ranges for each asset class that became effective as of July 1, 2013 and were reaffirmed by the Commission for the fiscal year beginning on July 1, 2014.

Asset Class	Policy Allocation	Minimum	Maximum
Global Equity	**40.0%**	**30.0%**	**45.0%**
Global Public Equities[1]	31.0%	25.0%	37.0%
Private Equity	9.0%	6.0%	12.0%
Real Assets	**8.0%**		
Commodities[1]	3.0%	0.0%	6.0%
Real Estate	5.0%	2.0%	8.0%
Opportunistic	**18.0%**		
GTAA / Risk Parity[1]	10.0%	7.0%	13.0%
Hedge Funds (low beta)[1]	8.0%	5.0%	11.0%
Diversified Credit	**19.0%**		
Mixed Credit (HY, Loans, Structured)[1]	6.0%	3.0%	9.0%
Emerging Markets Debt[1]	6.0%	3.0%	9.0%
Private Debt[1]	7.0%	4.0%	10.0%
Conservative Fixed Income	**15.0%**	**10.0%**	**25.0%**
Core Fixed Income	7.0%	4.0%	10.0%
Global Fixed Income	3.0%	0.0%	6.0%
Short-Duration (net of overlays)	3.0%	0.0%	6.0%
Cash (net of overlays)	2.0%	0.0%	5.0%

[1]Asset classes in which hedge funds can be used, up to a maximum of 15 percent across the entire portfolio.

At June 30, 2015, the Systems held no investments (other than those issued or explicitly guaranteed by the U.S. government) in any one organization that represent 5 percent or more of the plans' fiduciary net position.

For the year ended June 30, 2015, the annual money weighted rate of return on plan investments was 1.59 percent. The money weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

As a fiduciary acting on behalf of the 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, 2015, legal agreements were in place with 114 investment managers.

The Office of the State Treasurer has a contract with BNY Mellon to serve as custodian of the funds of the Retirement Systems. Assets also include investments not custodied at BNY Mellon, such as funds held in partnerships, commingled accounts or private market asset classes. Additionally, as an accommodation under the global custody agreement between the South Carolina State Treasurer and BNY Mellon, the custodial bank provides consolidated recordkeeping services which are reflected on account statements for securities not held in the custodian's vault or for which the custodian or its nominee is not the registered owner (non-custody securities).

For financial statement purposes, investments of the pension trust funds are reported at fair value in the Statement of Fiduciary Net Position. Short term securities categorized as cash or cash equivalents are reported at fair value. The Systems hold domestic and global equity securities which are traded on organized exchanges. Equity securities which are held by the custodian are valued by the custodian using the last reported price on a trade-date basis. The Systems hold domestic and global fixed income securities. The custodian values those fixed income assets which are held in custody based upon prices received from external pricing sources and in accordance with the custodian's pricing policy. Commingled funds, which may contain equity and/or fixed income securities are priced based upon the manager's pricing policy and a Net Asset Value (NAV) value is provided to the custodian. Private market investments typically utilize a limited partnership structure and private equity funds normally invest in companies that are not publicly traded on a stock exchange. The fair values of alternative investments including private equity, private debt, hedge funds, real estate and commodities, for which daily market values are not readily ascertainable, are valued in good faith based on the most recent financial information available for the underlying companies and reported by the investment managers at the measurement date, adjusted for subsequent cash flow activities through June 30, 2015. The issue of valuation of investments is a joint responsibility of PEBA and RSIC. Staff from both offices serve on a joint valuation committee which oversees and reviews the valuations provided by the custodian and/or the external investment managers. The estimated fair value of these investments may differ from values that would have been used had a liquid public market existed.

Investments are combined in a commingled investment pool, with each system owning a percentage of the pool and receiving proportionate investment income in accordance with their respective ownership percentage. Investment income includes realized and unrealized appreciation (depreciation) in the fair value of investments, interest income earned, dividend income earned, less investment expense, plus income from securities lending activities, less deductions for securities lending expenses.

While some investment managers submit invoices for their investment management fees, a significant number of investment managers provide account valuations on a net of fee basis. For greater transparency, the RSIC makes a good faith attempt to account for netted fee amounts that are not necessarily readily separable. Through a concerted effort with Conifer Financial Services, administrator for the RSIC, the collection, aggregation, and reasonability testing enables RSIC to provide the Retirement Division of PEBA with a collection of investment fees and expenses that would not otherwise be disclosed. The RSIC provides the netted fee information to PEBA on an annual basis so that amounts can be reclassified and reported in the financial statements on the Investment expense line of the Statement of Changes in Fiduciary Net Position. The netted investment expenses include amounts for investment management fees, performance fees (including carried interest allocations), and other investment expenses such as organizational expenses in limited partnership structures. The total netted fee amounts reported also reflect the impact of any offsets which have the effect of reducing this total. There is no industry standard for reporting pension plan investment fees and expenses, therefore, in order to compare investment expense as reported by the Systems with investment management costs reported by other public pension plans, an understanding of the actual fees and expenses included in any comparative reports is necessary. Additionally, investment plan composition directly influences the fee structure of a plan and adjustments for differences in plan asset allocation are necessary before conclusions can be reached from such comparisons.

Capital Assets

Capital Assets are valued at historical cost or at estimated historical cost if actual historical cost data is not available. The costs of normal maintenance and repairs that do not significantly add to the value of an asset or materially extend the asset's useful life are not capitalized. An individual asset is capitalized and reported if it has an estimated useful life of at least two years and a historical cost as follows: more than $5 thousand for machinery and equipment; more than $100 thousand for buildings. All land and non-depreciable land improvements are capitalized and reported, regardless of cost. Depreciation is recorded using the straight line method over the useful life of 40 years for the building and a useful life of 2 to 25 years for equipment. Land is not depreciated.

II. Contributions and Reserves

Contributions to each of the Plans are prescribed in Title 9 of the South Carolina Code of Laws. The board may increase the percentage rate in SCRS and PORS employer and employee contributions on the basis of the actuarial valuations, but any such increase may not result in a differential between the employee and employer contribution rate that exceeds 2.9 percent of earnable compensation for SCRS and 5 percent for PORS. An increase in the contribution rates adopted by the board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; this increase is not limited to one-half of one percent per year.

After June 30, 2015, if the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than ninety percent, then the board, effective on the following July first, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than ninety percent. Any decrease in contribution rates must maintain the 2.9 and 5 percent differentials between the SCRS and PORS employer and employee contribution rates respectively. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than ninety percent, then effective on the following July first, and annually thereafter as necessary, the board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 90 percent.

Following are the employee and employer contribution rates applicable for fiscal year 2015:

System	Employee Rate	Employer Rate
SCRS	8.0%	10.90%[1]
PORS	8.41%	13.41%[2]
GARS	11%	$4,275,000[3]
JSRS	10%	47.97%[1]
SCNG	Non-contributory	$4,590,798

[1] Includes incidental death benefit contribution rate of 0.15%
[2] Includes incidental death benefit and accidental death benefit contribution rate of 0.20% each
[3] Includes incidental death benefit contributions as determined by the Systems' actuary

Employer contributions for the GARS and SCNG are determined by the Systems' actuary on an annual basis. SCNG employer contributions are provided annually by state appropriations.

In accordance with South Carolina State Statute, an additional employer contribution surcharge of 5.0 percent of covered payroll was added to the contribution rate applicable to state and local governments, and public school entities covered by the state's retiree health and dental insurance benefits. 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) $375,841 and $20,142 respectively in retiree insurance surcharges ($63,062 of which was applicable to the State ORP) and remitted these funds to the South Carolina Retiree Health Insurance Trust Fund.

The Fiduciary Net Position of each plan is 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 SCNG 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 active member's individual account at an annual rate of 4 percent by transferring funds from the Employer Fund to the Employee Fund. At termination of employment prior to retirement, employee contributions and accumulated interest may be refunded from this fund to the member. At retirement, employee contributions and interest are transferred from the Employee Fund to the Employer Fund for subsequent payment of benefits.

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

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

The **Qualified Excess Benefit Arrangement (QEBA) Fund** is the fund from which annuity benefits are paid when a benefit recipient exceeds IRC Section 415(b) limits on the amount an individual may receive annually from a qualified defined benefit pension plan. Employer contributions are credited to this fund on an as-needed basis in an amount equivalent to the amount of funds necessary to pay benefits out of the QEBA fund due to IRC Section 415(b) limitations. Accordingly, the QEBA fund currently has no reserve balance.

Balances in the respective reserves at June 30, 2015, were as follows (amounts expressed in thousands):

	SCRS	PORS	GARS	JSRS	SCNG	Total
Employee Fund	$ 7,054,277	$ 905,768	$ 7,295	$ 24,650	$ -	$ 7,991,990
Employer Fund	17,952,972	2,978,028	25,187	121,703	23,202	21,101,092
Death Benefit Fund	124,579	37,699				162,278
Accidental Death Fund		50,330				50,330
QEBA Fund						
Totals	$ 25,131,828	$ 3,971,825	$ 32,482	$ 146,353	$ 23,202	$ 29,305,690

III. Deposits and Investments

Deposit and Investment Risk Disclosures

The tables presented on Pages 28-31 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 Fiduciary Net Position.

Custodial Credit Risk

Deposits

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

The Systems' deposits at June 30, 2015, were as follows (amounts expressed in thousands):

	Carrying Amount
SCRS	$19,607
PORS	3,318
GARS	57
JSRS	78
SCNG	52
Total	$23,112

Actual bank balances at June 30, 2015, totaled $40,724 (amount expressed in thousands).

Investments

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

The table on the following page presents the fair value of investments as of June 30, 2015.

Statement of Invested Assets

June 30, 2015

(Amounts expressed in thousands)

Investment Type	Fair Value	Investment Type	Fair Value
Short Term Investments		**Fixed Income Allocation**	
Short Term Investment Funds (U.S. Regulated)	$ 1,331,470	**Domestic Fixed Income**	
Repurchase Agreements	292,196	**U.S. Government**	
Commercial Paper	347,702	U.S. Government Treasuries[1]	$ 1,398,246
U. S. Treasury Bills	113,902	U.S. Government Agencies	619,405
Discount Notes	22,798	**Mortgage Backed**	
Corporate Bond	873	Government National Mortgage Association	85,544
Strategic Partnership Short Duration	585,171	Federal National Mortgage Association	155,837
Options - Cash	(420)	Federal Home Loan Mortgage Association	32,737
Futures - Cash	(630)	Federal Home Loan Mortgage Association (Multiclass)	762
Total Short Term Investments	$ 2,693,062	Collateralized Mortgage Obligations	6,137
Equity Allocation		**Municipals**	41,989
Domestic Equity		**Corporate**	
Common Stocks	$ 1,905,267	Corporate Bonds	2,597,434
Real Estate Investment Trusts	67,504	Mixed Credit	502,629
Preferred	58,697	Convertible Bonds	797
Convertible Preferred	1,309	Asset Backed Securities	95,145
Futures - Domestic Equity	(16,834)	**Private Placements**	568,952
Swaps - Domestic Equity	(982)	**Yankee Bonds**	2,917
Global Equity	5,136,944	**Options - Domestic Fixed Income**	(98)
Real Estate Investment Trusts	5,537	**Futures - Domestic Fixed Income**	(362)
Preferred	982	**Swaps - Domestic Fixed Income**	5,166
Futures - Global Equity	(17,541)	**Global Fixed Income**	
Total Equity	$ 7,140,883	International Asset Backed	3,597
Global Tactical Asset Allocation		International Commingled Funds	369,114
Commingled Funds Balanced	$ 2,224,783	International Corporate Bonds	6,613
	$ 2,224,783	International Emerging Debt	847,552
Alternatives		International Government Bonds	637,045
Hedge Funds	$ 3,441,671	**International Private Placements**	10,922
Private Debt	1,653,586	**Options - Global Fixed Income**	(220)
Private Equity Limited Partnerships	2,693,843	**Futures - Global Fixed Income**	(858)
Real Estate	1,186,959	**Swaps - Global Fixed Income**	(923)
Total Alternative Investments	$ 8,976,059	**Total Fixed Income**	$ 7,986,079

Total Invested Assets **$ 29,020,866**

Invested Securities Lending Collateral $ 70,177

Reconciliation of Statement of Invested Assets (listed above) to the *Statement of Fiduciary Net Position*

Total Invested Assets	$ 29,020,866
Short Term Investments classified as Cash & Cash Equivalents on *Statement of Fiduciary Net Position*	
Short Term Investment Funds (U.S. Regulated)	(1,331,470)
Repurchase Agreements	(292,196)
Commercial Paper	(303,416)
Corporate Bond	(873)
Options - Cash	420
Futures - Cash	630
Total Investments on *Statement of Fiduciary Net Position*	$ 27,093,961

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

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. While the RSIC has no formal interest rate risk policy, interest rate risk is observed within the portfolio using effective duration (option adjusted duration), which is a measure of the price sensitivity of a bond or a portfolio of bonds to interest rate movements given a 100 basis point change in interest rates. Effective duration takes into account that expected cash flows will fluctuate as interest rates change and provides a measure of risk that changes proportionately with market rates. Investment guidelines may specify the degree of interest rate risk taken versus the benchmark within each fixed income portfolio. Disclosures for interest rate risk at June 30, 2015, are noted below (amounts expressed in thousands).

Investment Type	Fair Value Total	Fair Value Duration Not Available	Fair Value Duration Available	Effective Duration (option adjusted duration)
Short Term Investments				
Short Term Investment Funds (U.S. Regulated)	$ 1,331,470	$ -	$ 1,331,470	0.08
Repurchase Agreements	292,196		292,196	0.08
Invested Securities Lending Collateral	70,177	70,177		
Commercial Paper	347,702		347,702	0.04
U. S. Treasury Bills	113,902		113,902	0.26
Discount Notes	22,798		22,798	0.11
Corporate Bond	873		873	0.17
Strategic Partnership Short Duration	585,171		585,171	1.32
Options - Cash	(420)	(319)	(101)	(3.12)
Futures - Cash	(630)		(630)	0.26
Total Short Term Investments	2,763,239	69,858	2,693,381	
Equity Allocation				
Preferred	59,679	6,293	53,386	7.13
Total Equity Investments	59,679	6,293	53,386	
Fixed Income Allocation				
U. S. Government				
U.S. Government Treasuries	1,398,246		1,398,246	6.96
U. S. Government Agencies	619,405	159,834	459,571	4.05
Mortgage Backed				
Government National Mortgage Association	85,544		85,544	3.23
Federal National Mortgage Association	155,837	214	155,623	3.53
Federal Home Loan Mortgage Corporation	32,737		32,737	3.64
Federal Home Loan Mortgage Association (FHLMC Multiclass)	762		762	0.64
Collateralized Mortgage Obligations	6,137		6,137	3.45
Municipals	41,989	566	41,423	9.91
Corporate				
Corporate Bonds	2,597,434	441,453	2,155,981	3.50
Mixed Credit	502,629		502,629	2.45
Convertible Bonds	797		797	1.91
Asset Backed Securities	95,145	5,012	90,133	0.62
Private Placements	568,952	162,543	406,409	3.39
Yankee Bonds	2,917		2,917	10.41
Options - Domestic Fixed Income	(98)	(294)	196	(422.25)
Futures - Domestic Fixed Income	(362)		(362)	14.96
Swaps - Domestic Fixed Income	5,166	(28)	5,194	20.04
Global Fixed Income				
International Asset Backed Securities	3,597		3,597	0.07
International Commingled Funds	369,114		369,114	5.20
International Corporate Bonds	6,613	1,899	4,714	2.07
International Emerging Debt	847,552	376,624	470,928	5.40
International Government Bonds	637,045	18,187	618,858	7.47
International Private Placements	10,922	1,828	9,094	7.15
Options - Global Fixed Income	(220)	(169)	(51)	603.44
Futures - Global Fixed Income	(858)		(858)	8.96
Swaps - Global Fixed Income	(923)		(923)	9.64
Total Fixed Income	$ 7,986,079	$ 1,167,669	$ 6,818,410	
Total Invested Assets	**$ 10,808,997**	**$ 1,243,820**	**$ 9,565,177**	
Total Portfolio Effective Duration (option adjusted duration)				**3.52**

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 investment guidelines that are specific as to permissible credit quality ranges, exposure levels within individual quality tiers, and average credit quality. Within high yield portfolios, a quality rating of lower than C is not permissible in any of the fixed income guidelines except in those circumstances of downgrades subsequent to purchase, in which case the investment manager is responsible for communicating the downgrade to the Commission's consultant and staff. The Systems' fixed income investments at June 30, 2015, were rated by Moody's and are presented below (amounts expressed in thousands).

Investment Type and Fair Value	AAA	AA	A	BAA	BA	B	CAA	CA	NR[1]
Short Term Investments									
Short Term Investment Funds (U. S. Regulated)	$1,331,470	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Repurchase Agreements									292,196
Invested Securities Lending Collateral									70,177
Commercial Paper		122,971		224,731					
Discount Notes	22,798								
Corporate Bond				873					
Strategic Partnership Short Duration									585,171
Options - Cash									(420)
Futures - Cash									(630)
Equity Investments									
Preferred			589	19,620	12,684	1,959			23,846
Fixed Income Allocation[2]									
Mortgage Backed									
Federal National Mortgage Association	155,837								
Federal Home Loan Mortgage Association (Multiclass)	762								
Federal Home Loan Mortgage Association	32,737								
Collateralized Mortgage Association	6,137								
Municipals		24,836	13,954						3,199
Corporate									
Corporate Bonds	39,138	55,376	420,001	653,269	401,862	318,519	71,452	1,629	636,188
Mixed Credit									502,629
Convertible Bonds									797
Asset Backed Securities	31,877	91	11,275	15,688	3,500		2,714	4,857	25,143
Private Placements	43,317	17,229	70,215	37,136	53,767	85,638	49,384		212,267
Yankee Bonds			697	2,221					
Options - Domestic Fixed Income									(98)
Futures - Domestic Fixed Income									(362)
Swaps - Domestic Fixed Income									5,166
Global Fixed Income									
International Asset Backed	3,395								202
International Commingled Funds									369,114
International Corporate Bonds	507	3,212							2,894
International Emerging Debt					131,904				715,648
International Government Bonds	16,083		103,362	345,114	117,368		21,302	9,434	24,382
International Private Placements	747			1,583		3,213			5,379
Options - Global Fixed Income									(220)
Futures - Global Fixed Income									(858)
Swaps - Global Fixed Income									(923)
Totals	$1,684,805	$ 223,715	$620,093	$ 1,300,235	$ 721,085	$ 409,329	$ 144,852	$ 15,920	$ 3,470,887

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

[2] U.S. Treasury Bills, Notes and Bonds, Agencies and Government National Mortgage Association securities with a fair value of $2.2 billion are not included because they are not subject to credit risk.

Concentration of Credit Risk – Investments

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The Systems' policy for reducing this risk is to comply with the Statement of Investment Objectives and Policies as amended and adopted by the Commission which states that "except that no limitations on issues and issuers shall apply to obligations of the U.S. Government and Federal Agencies, the domestic fixed income portfolio shall contain no more than 6 percent exposure to any single issuer." As of June 30, 2015, there is no single issuer exposure within the portfolio that comprises 5 percent or more of the overall portfolio. Therefore, there is no concentration of credit risk.

Foreign Currency Risk

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

The table below presents the Systems' exposure to foreign currency risk in U.S. dollars at June 30, 2015, (amounts expressed in thousands):

Currency	Cash & Cash Equivalents	Forward Contracts	Futures Contracts	Private Equity	Private Debt	Preferred Securities	Fixed Income	Equity
Australian Dollar	$ 1,337	$ 85,985	$ (1,629)	$ -	$ -	$ -	$ -	$ 27,107
Brazil Real		(967)					5,309	
Canadian Dollar	(948)	114,884	(1,413)					64,579
Colombian Peso							3,501	
Danish Krone								15,749
Euro Currency	(9,755)	664,494	569	162,805	3,170	982	28,863	143,685
Hong Kong Dollar	1,328	56,993	(1,694)					26,052
Hungarian Forint	21	(21)					2,540	
Indian Rupee		1,211						
Indonesian Rupiah	71						4,499	
Israeli Shekel		(6)						3,104
Japanese Yen	6,567	358,745	(5,417)				12	118,611
Malaysian Ringgit							5,178	
Mexican New Peso	1,702	(540)					4,214	
New Turkish Lira							5,065	
New Zealand Dollar								335
Nigerian Naira							780	
Norwegian Krone	28							657
Peruvian Nuevo Sol							668	
Polish Zloty							5,095	
Pound Sterling	(4,430)	345,255	(8,162)				2,894	104,820
Romanian Leu							1,084	
Russian Ruble (New)							2,673	
S African Comm Rand							5,249	
Singapore Dollar	30							1,996
South Korean Won		(3,131)						
Swedish Krona	(1,116)	49,483	(847)					15,405
Swiss Franc	10							40,557
Thailand Baht							3,754	
	$ (5,155)	$ 1,672,385	$ (18,593)	$ 162,805	$ 3,170	$ 982	$ 81,378	$ 562,657

Derivatives

Derivatives are financial instruments for which the value is derived from underlying assets or data. All of the Systems' derivatives are considered investments. Excluding futures, derivatives generally take the form of contracts in which two parties agree to make payments at a later date based on the value of specific assets or indices. Through certain collective trust funds, the Systems may invest in various derivative financial instruments such as futures and options thereon; forward foreign currency contracts; options; interest rate, currency, equity, index, credit default, and total return swaps; interest-only strips; and CMOs to enhance the performance and reduce volatility. To comply with the requirements of multiple exchanges, cash and securities in the amount of $7 and $156 million, respectively, were held in trust by the clearing brokers on June 30, 2015. The Systems' derivatives, consisting of futures, options, forward contracts and swaps are presented in the tables on Pages 33-39. Investments in limited partnerships and commingled funds may include derivatives that are not shown in the derivative totals.

Derivatives directly managed by the Investment Commission are used primarily to facilitate changes to the asset allocation of the total plan and for their low cost of implementation. The Commission uses derivatives for several reasons:

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

Futures

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 trade on an organized exchange with gains and losses settled daily thereby significantly reducing credit and default risk. Gains and losses are included in the net appreciation/ (depreciation) in the fair value of investments total of the Statement of Changes in Fiduciary Net Position.

The tables below present classification information on the Systems' derivatives at June 30, 2015, (amounts expressed in thousands):

	Changes in Fair Value	
	Classification	Gain/(Loss)
Futures Contracts	Net appreciation/(depreciation)	$ (55,421)
Forward Contracts	Net appreciation/(depreciation)	(14,940)
Swaps	Net appreciation/(depreciation)	4,173
Options	Net appreciation/(depreciation)	147

	Fair Value			
	Forward Contracts	Futures	Options	Swaps
Cash and Cash Equivalent	$ 8,336	$ (630)	$ (420)	$ -
Domestic Fixed Income		(362)	(98)	5,166
International Fixed Income		(858)	(220)	(923)
Domestic Equity		(16,834)		(982)
International Equity		(17,541)		
Alternatives				
	$ 8,336	$ (36,225)	$ (738)	$ 3,261

At June 30, 2015, the Systems had the following exposure via futures contracts (dollar amounts expressed in thousands):

Futures Contracts	Expiration	Long/Short	Quantity	Notional Value[1]
90 day Eurodollar Future (CME)	March 2017	Short	(157)	$ (38,640)
90 day Eurodollar Future (CME)	March 2018	Short	(139)	(33,998)
90 day Eurodollar Future (CME)	June 2017	Short	(265)	(65,100)
90 day Eurodollar Future (CME)	September 2015	Long	185	46,081
90 day Eurodollar Future (CME)	September 2016	Short	(113)	(27,925)
90 day Eurodollar Future (CME)	December 2016	Long	388	95,671
90 day Eurodollar Future (CME)	December 2016	Short	(1,248)	(307,726)
90 day Eurodollar Future (CME)	December 2017	Short	(388)	(95,021)
Total Cash & Cash Equivalents				(426,658)
S&P 500 Emini Ind Future (CME)	September 2015	Long	10,288	1,056,784
Total Large Cap Equity				1,056,784
SPI 200 Index Futures (SFE)	September 2015	Long	815	84,518
S&P/TSE 60 Index Future (MSE)	September 2015	Long	847	114,507
DAX Index Future (EUX)	September 2015	Long	502	153,836
IBEX 35 Index Future (MFM)	July 2015	Long	419	50,302
CAC40 EURO Index Future (EOP)	July 2015	Long	2,946	157,114
S&P/MIB Index Future (MIL)	September 2015	Long	296	37,223
Amsterdam Index Future (EOE)	July 2015	Long	468	49,230
DJ EURO STOXX Index 50 Future (EUX)	September 2015	Long	4,245	162,515
FTSE 100 Index Future (LIF)	September 2015	Long	3,088	315,381
HANG SENG Index Future (HKG)	July 2015	Long	325	54,926
TOPIX Index Future (TSE)	September 2015	Long	2,245	299,144
OMXS30 Index Future (SSE)	July 2015	Long	2,554	47,456
Total Global Equity				1,526,152
US Treasury Bond Future (CBT)	September 2015	Short	(116)	(17,498)
US Treasury Bond Future (CBT)	September 2015	Long	240	36,202
US 10 Year Treasury Note Future (CBT)	September 2015	Long	219	27,631
US 10 Year Treasury Note Future (CBT)	September 2015	Long	29	3,659
US 10 Year Treasury Note Future (CBT)	September 2015	Short	(289)	(36,464)
US 5 Year Treasury Note Future (CBT)	September 2015	Long	239	28,503
US 5 Year Treasury Note Future (CBT)	September 2015	Short	(86)	(10,256)
US 5 Year Treasury Note Future (CBT)	September 2015	Long	85	10,137
US 2 Year Treasury Note Future (CBT)	September 2015	Long	180	39,409
US 2 Year Treasury Note Future (CBT)	September 2015	Long	194	42,474
US Ultra Bond (CBT)	September 2015	Short	(5)	(770)
Total Domestic Fixed Income				123,027
EURO-BOBL Future (EUX)	September 2015	Long	57	8,230
EURO-BOBL Future (EUX)	September 2015	Long	156	22,523
EURO-SCHATZ Future (EUX)	September 2015	Long	75	9,299
EURO-BUND Future (EUX)	September 2015	Long	572	96,873
EURO-BUND Future (EUX)	September 2015	Long	319	54,025
EURO-BUND Future (EUX)	September 2015	Short	(22)	(3,726)
EURO BTP Future (EUX)	September 2015	Long	27	3,917
UK Long GILT Future (LIF)	September 2015	Long	139	25,299
Japan 10 Year Bond Future (TSE)	September 2015	Long	77	92,483
Total Global Fixed Income				308,923
Total				$ 2,588,228

[1] *Notional value is the nominal or face amount that is used to calculate payments made on derivative instruments (futures, forwards, swaps and options). 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

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

At June 30, 2015, the Systems had the following forward exposures, listed by counterparty (amounts expressed in thousands):

Broker	Notional Value	Fair Value	Counterparty Exposure
Australia & New Zealand Banking Group Ltd	$ 615	$ -	0.03%
Bank of America	303,513	(1,274)	11.89%
Barclays London	4,803	29	0.19%
BNP Paribas	22,928	(170)	0.90%
Bank of New York Mellon	311,266	1,849	12.19%
Brown Brothers Harriman	82		0.00%
Citibank NA	29,119	(468)	1.14%
Commonwealth Bank of Australia	305,995	1,695	11.98%
Credit Suisse International London	2,261	28	0.09%
Deutsche Bank London	12,049	(46)	0.47%
Goldman Sachs	79,860	2,307	3.13%
HSBC Securities	405,092	1,322	15.87%
JP Morgan Chase Bank	407,427	3,579	15.96%
Morgan Stanley Capital Services	124,444	(9)	4.87%
National Australia Bank Ltd	305,899	1,790	11.98%
Royal Bank of Canada	101	(2)	0.00%
Standard Chartered Bank	1,090		0.04%
State Street Corp	127,000	(661)	4.97%
UBS AG	109,907	(1,633)	4.30%
	$ 2,553,451	$ 8,336	100.00%

Swaps

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

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

Counterparty risk, or default risk, is the risk that a party will not honor its contractual obligations. The Systems seeks to actively manage its counterparty risk by thorough analysis and evaluation of all potential counterparties by investment staff and the independent overlay manager. Risk is further minimized through diversification among counterparties with high credit ratings and collateralizing unrealized gains and losses. The Systems currently does not participate in a master netting agreement. Unrealized gains and losses are not netted across instrument types and are included in the net appreciation/(depreciation) in the fair value of investments total of the Statement of Changes in Fiduciary Net Position. The table below reflects the counterparty credit ratings at June 30, 2015, for currency forwards, and swap agreements, and options (amounts in thousands):

Quality rating	Forwards	Swaps	Options	Total
Aa1	$ 5,299	$ 3,640	$ (68)	$ 8,871
Aa2	1,790			1,790
Aa3	5,507	(2,853)	(121)	2,533
A1	(2,940)	379	(159)	(2,720)
A2	(1,274)	(2,302)	35	(3,541)
A3	(46)	8		(38)
Ba1		(21)	24	3
NR			(449)	(449)
Total subject to credit risk	$ 8,336	$ (1,149)	$ (738)	$ 6,449
Centrally cleared:				
Chicago Mercantile Exchange Inc		3,398		3,398
Intercontinental Exchange Holdings		312		312
LCH.Clearnet Ltd		700		700
Total not subject to credit risk		$ 4,410		$ 4,410
Total	$ 8,336	$ 3,261	$ (738)	$ 10,859

At June 30, 2015, the Systems held swaps as shown in the tables below (amounts expressed in thousands):

Counterparty	Total Return Swaps	SCRS Pays	SCRS Receives	Maturity Date	Current Notional	Gain/(Loss) Since Trade
Bank of America	Russell 2000 Total Return (Short)	Russell 2000 Total Index Return	3 Month US LIBOR - 61 bps	8/11/2015	$ (209,873)	$ (9,874)
Bank of America	Russell 2000 Total Return (Short)	Russell 2000 Total Index Return	3 Month US LIBOR - 61 bps	8/10/2015	(209,617)	(9,618)
Barclays	Barclays Commodity Strategy 1709	43.3 bps	BXCS1709 Commodity Index	8/28/2015	235,707	(64,293)
BNP Paribas	S&P 500 Total Return	3 Month LIBOR + 21 bps	S&P 500 Total Return Index	8/11/2015	201,055	1,056
BNP Paribas	S&P 500 Total Return	3 Month LIBOR + 21 bps	S&P 500 Total Return Index	8/10/2015	201,119	1,119
JP Morgan	J.P. Morgan Enhanced Beta + Filtered Seasonal	46.9 bps	JMABEBSP Index	8/28/2015	244,804	(5,196)
JP Morgan	J.P. Morgan Palmetto Equinox TR	3 Month T-Bill + 46.9 bps	JMABEQXT Index	5/31/2016	126,646	1,646
Societe Generale	Societe Generale Custom Index	19 bps	SGCOP26E Index	3/31/2016	260,339	10,339
					$ 850,180	$ (74,821)

Counterparty	Fixed Income Swaps	SCRS Pays	SCRS Receives	Maturity Date	Current Notional	Fair Value[1]
Bank of America NA	Credit Default Swaps	Variable Rate	Fixed Rate	various	$ 4,782	$ 32
Barclays Bank PLC	Credit Default Swaps	Fixed / Variable Rate	Fixed / Variable Rate	various	(1,182)	(12)
Deutsche Bank AG/London	Credit Default Swaps	Variable Rate	Fixed Rate	various	1,082	8
Goldman Sachs International	Credit Default Swaps	Variable Rate	Fixed Rate	12/20/2017	82	1
Intercontinental Exchange	Credit Default Swaps	Variable Rate	Fixed Rate	6/20/2020	21,900	312
JPMorgan Chase Bank NA	Credit Default Swaps	Variable Rate	Fixed Rate	various	1,027	114
Morgan Stanley Capital Services LLC	Credit Default Swaps	Variable Rate	Fixed / Variable Rate	various	3,600	378
Royal Bank of Scotland PLC	Credit Default Swaps	Fixed Rate	Variable Rate	various	(1,700)	(21)
Chicago Mercantile Exchange Inc	Interest Rate Swaps	Fixed / Variable Rate	Fixed / Variable Rate	various	262,064	3,398
LCH.Clearnet Ltd	Interest Rate Swaps	Fixed Rate	Fixed / Variable Rate	various	114,400	700
					$ 406,055	$ 4,910

[1] *Fair value is the amount reasonably expected to be received if the underlying positions were liquidated on the following business day.*

Options

Options are exchange traded agreements between two parties for a future transaction on an underlying asset at a reference or strike price. The buyer of an option has the right, but not the obligation, to transact. The seller of an option has the obligation to transact if forced by the buyer. The price of an option is derived by taking the difference in the underlying asset and the strike price plus a premium for the remaining time until expiration. At June 30, 2015, the Systems had the following option positions (amounts expressed in thousands):

Option Contracts	Underlying Security	Expiration	Quantity	Fair Value
Put Dec 15 098.000 ED 12/14/15	90DAY EURODOLLAR FUT DEC 15	December	566	$ 4
Put Dec 15 099.000 ED 12/14/15	90DAY EURODOLLAR FUTURE DEC 15	December	566	11
Put Dec 15 098.500 ED 12/11/15	90DAY EURODOLLAR FUTURE DEC 15	December	(1,133)	(7)
Call Jul 15 065.000 ED 07/15/15	INR/USD SPOT OPTION 2015	July	(1,300,000)	(1)
Call Jul 15 064.500 ED 07/14/15	INR/USD SPOT OPTION 2015	July	(10,600,000)	(12)
Put Jul 15 061.500 ED 07/15/15	INR/USD SPOT OPTION 2015	July	(1,300,000)	-
Call Jul 15 123.550 ED 07/28/15	JPY/USD SPOT OPTION 2015	July	(5,063,000)	(28)
Call Jul 15 123.150 ED 07/29/15	JPY/USD SPOT OPTION 2015	July	(5,163,000)	(35)
Call Jul 15 123.150 ED 07/29/15	JPY/USD SPOT OPTION 2015	July	(1,537,000)	(11)
Call Jul 15 123.400 ED 07/28/15	JPY/USD SPOT OPTION 2015	July	(1,237,000)	(7)
Put Jul 15 117.000 ED 07/02/15	JPY/USD SPOT OPTION 2015	July	(3,600,000)	(21)
Call Jul 15 001.140 ED 07/23/15	USD/EUR SPOT OPTION 2015	July	(5,877,000)	(40)
Call Jul 15 001.140 ED 07/21/15	USD/EUR SPOT OPTION 2015	July	(3,600,000)	(21)
Call Jul 15 001.145 ED 07/30/15	USD/EUR SPOT OPTION 2015	July	(5,823,000)	(34)
Put Aug 15 001.090 ED 08/06/15	USD/EUR SPOT OPTION 2015	August	(1,900,000)	(18)
Put Jul 15 001.101 ED 07/28/15	USD/EUR SPOT OPTION 2015	July	(4,141,000)	(47)
Put Jul 15 001.109 ED 07/30/15	USD/EUR SPOT OPTION 2015	July	(5,705,000)	(85)
Put Jul 15 001.104 ED 07/28/15	USD/EUR SPOT OPTION 2015	July	(859,000)	(11)
Put Jul 15 001.110 ED 07/29/15	USD/EUR SPOT OPTION 2015	July	(3,795,000)	(57)
Total Cash & Cash Equivalents				(420)
Call Jul 15 001.750 ED 07/30/15	IRS P USD 10Y 100BPS R 1.750%	July	2,800,000	-
Put May 16 002.580 ED 05/23/16	IRS P USD 10Y 283BPS P 2.58%	May	12,500,000	459
Put May 16 002.580 ED 05/12/16	IRS P USD 10Y 320 BPS P 2.58%	May	5,400,000	194
Call Jan 16 001.100 ED 01/29/16	IRS P USD 2Y 100BPS R 1.100%	January	60,600,000	135
Call Jan 18 002.100 ED 1/30/18	IRS P USD 2Y 14BPS R 2.1%	January	11,200,000	89
Call Jul 15 001.150 ED 07/2015	IRS P USD 3Y 46BPS R 1.15% 201	July	11,300,000	6
Call Jan 16 001.500 ED 01/29/16	IRS P USD 5Y 100BPS R 1.500%	January	5,600,000	17
Call Jan 16 000.800 ED 1/19/16	IRS P US0003M R 0.80% 01/21/17	January	33,300,000	35
Call Jan 16 001.100 ED 1/19/16	IRS P US0003M R 1.10% 01/21/18	January	11,300,000	25
Put Sep 15 003.450 ED 09/21/15	IRS R US0003M P 3.45% CBK	September	4,400,000	29
Put Sep 15 003.450 ED 09/21/15	IRS R US0003M P 3.45% 09/23/45	September	8,400,000	55
Call Jan 16 001.750 ED 01/29/16	IRS R 1.750% P US0003M 2/02/26	January	5,600,000	14

Option positions continued on next page

Option positions continued from previous page

Options Contracts	Underlying Security	Expiration	Quantity	Fair Value
Put Jul 15 003.500 ED 07/07/15	COMMIT TO PUR FNMA SF MTG OTC	July	(3,000,000)	(10)
Put Jul 15 101.769531 ED 07/07/15	COMMIT TO PUR FNMA SF MTG OTC	July	(3,000,000)	(10)
Put Jul 15 101.90625 ED 07/07/15	COMMIT TO PUR FNMA SF MTG OTC	July	(1,000,000)	(3)
Put Jul 15 102.277343	COMMIT TO PUR FNMA SF MTG 3	July	(3,000,000)	(11)
Call Jan 16 000.660 ED 01/19/16	IRS P USD 1Y 10BPS R .66%	January	(11,100,000)	(6)
Call Jan 16 000.650 ED 01/19/16	IRS P USD 1Y 11BPS R .65%	January	(22,200,000)	(12)
Call Jan 16 000.500 ED 01/19/16	IRS P USD 1Y 6BPS R .5%	January	(22,200,000)	(5)
Call Jan 16 000.520 ED 011916	IRS P USD 1Y 6BPS R .52%	January	(11,100,000)	(3)
Call Jan 16 001.330 ED 01/29/16	IRS P USD 10Y 100BPS R 1.330%	January	(5,600,000)	(3)
Call Jul 15 001.430 ED 07/30/15	IRS P USD 10Y 100BPS R 1.430%	July	(2,800,000)	
Call Jan 16 001.540 ED 01/29/16	IRS P USD 10Y 100BPS R 1.540%	January	(5,600,000)	(7)
Call Jul 15 001.590 ED 07/30/15	IRS P USD 10Y 100BPS R 1.590%	July	(2,800,000)	
Call Jan 16 000.730 ED 01/29/16	IRS P USD 2Y 100 BPS R .730%	January	(60,600,000)	(30)
Call Jan 16 000.915 ED 01/29/16	IRS P USD 2Y 100 BPS R .915%	January	(60,600,000)	(69)
Call Jan 18 001.600 ED 01/30/18	IRS P USD 2Y 100BPS R1.600%	January	(11,200,000)	(51)
Call Jan 16 000.700 ED 01/19/16	IRS P USD 2Y 16BPS R .7%	January	(11,300,000)	(5)
Call Jan 16 000.900 ED 0/11/916	IRS P USD 2Y 27BPS R .9%	January	(11,300,000)	(12)
Call Jul 15 000.850 ED 07/20/15	IRS P USD 3Y 17BPS R .85%	July	(11,300,000)	
Call Jul 15 001.000 ED 07/20/15	IRS P USD 3Y 30BPS R 1%	July	(11,300,000)	(1)
Call Jan 16 001.100 ED 01/29/16	IRS P USD 5Y 100BPS R 1.100%	January	(5,600,000)	(4)
Call Jan 16 001.300 ED 01/29/16	IRS P USD 5Y 100BPS R 1.300%	January	(5,600,000)	(9)
Call Jan 18 001.100 ED 0/13/018	IRS P USD2Y 100BPS R 1.100%	January	(11,200,000)	(25)
Call Aug 15 002.350 ED 08/03/15	IRS P US0003M R 2.35% 08052025	August	(12,800,000)	(67)
Put Aug 15 002.750 ED 08/03/15	IRS P US0003M R 2.75% 08052025	August	(12,800,000)	(35)
Put May 16 002.500 ED 05/23/16	IRS P 2Y 32 BPS R 2.5%	May	(118,800,000)	(387)
Put May 16 002.500 ED 05/12/16	IRS P 2Y 34BPS R 2.5%	May	(51,100,000)	(160)
Put Sep 15 002.500 ED 09/21/15	IRS R US0003M P 2.5% 9/23/20	September	(35,000,000)	(31)
Put Sep 15 002.500 ED 09/21/15	IRS_P US0003M R 3ML 2.5% CBK	September	(20,200,000)	(18)
Call Aug 15 127.00 ED 07/24/15	US 10YR TREAS NTS FUT SEP 15	July	(127)	(64)
Call Aug 15 126.500 ED 07/24/15	US 10YR TREAS NTS FUT SEP 15	July	(63)	(43)
Put Aug 15 125.000 ED 07/24/15	US 10YR TREAS NTS FUT SEP 15	July	(76)	(29)
Put Aug 15 125.500 ED 07/24/15	US 10YR TREAS NTS FUT SEP 15	July	(44)	(23)
Call Jul 15 127.500 ED 07/24/15	US 10YR TREAS NTS FUTURE (CBT)	July	(64)	(23)
Total Domestic Fixed Income				(98)
Call Aug 15 155.000 ED 07/24/15	EURO-BUND FUTURE AUG 15	July	(87)	(40)
Call Aug 15 154.500 ED 7/24/15	EURO-BUND FUTURE SEP 15	July	(114)	(66)
Call Aug 15 154.000 ED 07/24/15	EURO-BUND FUTURE SEP 15	July	(71)	(51)
Call Aug 15 153.500 ED 07/24/15	EURO-BUND FUTURE SEP 15	July	(42)	(37)
Put Aug 15 000.950 ED 08/19/15	CDS SP UL ITRAXX 23	August	(6,700,000)	(14)
Put Aug 15 000.950 ED 08/19/15	CDS SP UL ITRAXX 23 06/20/2020	August	(6,200,000)	(12)
Total Global Fixed Income				(220)
Total				$ (738)

Alternative Investments

The Alternative Investment category includes the following asset classes: private equity, hedge funds, private debt, real estate, and commodities.

Private equity, private debt, and real estate investments are typically 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 such limited partnerships legally obligates the Systems to invest the committed amount until the investment is fully funded or the contractual investment period has expired. Hedge fund and commodities investments are typically on subscription basis with a single, initial investment with no further commitment.

The Systems established several strategic partnerships to gain access to deal flow, to receive favorable economics, and to efficiently take advantage of market opportunities. Investments within the strategic partnership accounts may include allocations to any asset class including those considered alternative investments. Assets of Strategic Partnerships are reported within their respective asset class totals.

The Commission's intent is to access superior risk-adjusted returns through investing in alternative investment asset classes. Due to their low correlation to traditional asset classes, alternative investments diversify the portfolio and help reduce the risk associated with volatility of returns.

Commitments

The Commission, on behalf of the Systems, has entered into contractual agreements with numerous alternative investment managers and is committed for future funding of private equity, private debt and real estate investments. At June 30, 2015, the Systems' commitments, including commitments within Strategic Partnerships, are shown in the following table (amounts expressed in thousands):

	Total Commitment	Amount Funded to Date	Remaining Unfunded Commitment
Limited Partnerships USD			
Private Equity	$ 4,064,917	$ 3,165,794	$ 899,123
Private Debt	3,482,452	2,616,280	866,172
Real Estate	2,000,577	1,399,992	600,585
Real Assets	30,000	26,179	3,821
Totals	$ 9,577,946	$ 7,208,245	$ 2,369,701
Limited Partnerships Euros			
Private Equity	€ 275,750	€ 164,909	€ 110,841
Private Debt	75,917	75,917	
Totals	€ 351,667	€ 240,826	€ 110,841

Securities Lending

The Systems' investment portfolio currently participates in a securities lending program, managed by BNY Mellon ("Securities Lending Program"), whereby securities are loaned for the purpose of generating additional income. BNY Mellon is responsible for making loans of securities on a collateralized basis from the Systems' investment portfolio to various third party broker-dealers and financial institutions. The market value of the required cash collateral must initially meet or exceed 102.0 percent of the market value of the securities loaned, providing a margin against a decline in the market value of collateral. If the collateral value falls below 100.0 percent, the borrower must post additional collateral. In conjunction with generating revenue, the collateral pool seeks to maintain a net asset value (NAV) of $1.00, which is determined by dividing the market value of the assets by the cost of those assets.

There are no restrictions on the amount of securities that may be loaned and conservative investment guidelines continue to be maintained within the Securities Lending Program. The re-investment of the cash collateral is restricted to short duration, very low risk securities and is monitored by RSIC on an ongoing basis. The types of securities available for loan during the year ended June 30, 2015 included U.S. Government securities, U.S. Government agencies, corporate bonds and equities. The contractual agreement between the State Treasurer as custodian and BNY Mellon provides indemnification in the event the borrower fails to return the securities lent or fails to pay the Systems income distribution by the securities' issuers while the securities are on loan. Cash and U.S. Government securities are received as collateral for these loans. Collateral securities cannot be pledged or sold without a borrower default. Cash collateral received is invested, and accordingly, investments made with cash collateral are reported 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, 2015, the fair value of securities on loan was $179.61 million. The fair value of the invested cash collateral was $70.18 million, securities lending obligations were $117.72 million with the difference reported within "Other Liabilities" on the Statement of Fiduciary Net Position. The gross securities lending revenue for the fiscal year was $1.98 million, an increase from $1.73 million in the prior year. Since November 2008, gains and losses from the Securities Lending Program have been excluded from the Total Plan performance calculations.

With regard to counterparty 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 one day. The average weighted maturity of investments made with cash collateral was one day. At June 30, 2015, 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, 2015:

	SCRS	PORS	GARS	JSRS	SCNG	06/30/15 TOTALS	06/30/14 TOTALS
Securities lent for cash collateral							
U.S. Government securities	$ 12,660	$ 1,993	$ 15	$ 72	$ 11	$ 14,751	$ 4,775
Corporate bonds	52,564	8,273	64	300	44	61,245	55,513
Common stock	33,102	5,210	41	189	28	38,570	58,409
Total	$ 98,326	$ 15,476	$ 120	$ 561	$ 83	$ 114,566	$ 118,697
Securities lent for non-cash collateral							
Corporate bonds	$ 22,666	$ 3,567	$ 28	$ 130	$ 19	$ 26,410	$ 14,657
Common stock	33,160	5,220	40	189	28	38,637	4,046
Total	$ 55,826	$ 8,787	$ 68	$ 319	$ 47	$ 65,047	$ 18,703
Cash collateral invested as follows							
Repurchase agreements	$ 60,229	$ 9,479	$ 74	$ 344	$ 51	$ 70,177	$ 72,645
Total	$ 60,229	$ 9,479	$ 74	$ 344	$ 51	$ 70,177	$ 72,645
Securities received as collateral							
U.S. Government securities	$ 57,192	$ 9,002	$ 70	$ 327	$ 48	$ 66,639	$ 19,311
Total	$ 57,192	$ 9,002	$ 70	$ 327	$ 48	$ 66,639	$ 19,311

IV. Transfers between Systems

Transfers between systems are statutorily authorized internal 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 within the Systems administered by PEBA during the fiscal year ended June 30, 2015, were as follows (amounts expressed in thousands):

Transfers from:	Transfers to:					
	SCRS	PORS	GARS	JSRS	SCNG	Total
SCRS	$ -	$1,061	$ -	$275	$ -	$1,336
PORS						-
GARS	7			11		18
JSRS						-
SCNG						-
Total	$ 7	$1,061	$ -	$286	$ -	$1,354

The following schedule reflects amounts due to or due from other systems as of June 30, 2015, (amounts expressed in thousands):

Due from:	Due to:					
	SCRS	PORS	GARS	JSRS	SCNG	Total
SCRS	$ -	$ 169	$ -	$ 4	$ -	$ 173
PORS						-
GARS						-
JSRS						-
SCNG						-
Total	$ -	$ 169	$ -	$ 4	$ -	$ 173

V. Related Party Transactions

The pension plans provide pension and other 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 Office of South Carolina State Treasurer.

At June 30, 2015, liabilities of approximately $60.7 million were due to other state departments and agencies, and contributions receivable of approximately $47 million were due from other state departments and agencies.

The SCNG Supplemental Retirement Plan received state-appropriated contributions in the amount of $4.6 million during the fiscal year.

The Retirement System Investment Commission is a separate state agency; however, the administrative costs of the Commission are funded by transfers from the Systems' trust funds. Transfers in the amount of approximately $11 million were made to the Commission during the fiscal year.

VI. 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 continue to contribute at the same rate as active members. 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 accumulated in the trust account. Upon termination of employment at the end of the TERI period, funds are distributed and the retiree may elect a payment method to either roll over his funds into a qualified retirement plan or to receive a single-sum distribution (or a combination thereof). No interest is paid on the participant funds accumulated in the TERI account. Retirement reform legislation closes the TERI program to all members effective June 30, 2018.

A total of 9,327 members were actively participating in the TERI program at June 30, 2015.

The activity for this program is reflected in the following schedule:

TERI Benefits Held in Trust

Year Ended June 30, 2015

(Amounts expressed in thousands)

July 1 Benefits Held in Trust	$ 570,167
Additions	276,352
TERI Distributions	(200,780)
June 30 Benefits Held in Trust	$ 645,739

A deferred retirement option plan also exists under the Retirement System for Judges and Solicitors (JSRS). A member who has not yet reached the age of 60 years, but who is eligible to retire and receive the maximum monthly benefit, may retire and 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, 2015, there were no benefits held in trust in JSRS.

VII. Capital Assets

Capital assets at June 30, 2015, consist of the following amounts (expressed in thousands).

	Beginning Balances 7/1/2014	Additions	Deletions	Ending Balances 6/30/2015
Asset Class (at Cost)				
Land	$ 582	$ -	$ -	$ 582
Building	4,749			4,749
Equipment	1,706	351		2,057
Total Capital Assets	7,037	351		7,388
Accumulated Depreciation				
Building	2,585	119		2,704
Equipment	1,540	139		1,679
Total Accumulated Depreciation	4,125	258		4,383
Capital Assets, Net	$ 2,912	$ 93	$ -	$ 3,005

VIII. Compensated Absences

As state employees, most full-time permanent employees of SC PEBA's Retirement Division earn 15 days of annual leave and 15 days of sick leave per year during their first ten years of service. After ten years of service is complete, most employees earn an additional 1.25 days of annual leave for each year of service over ten until they reach a maximum of 30 days per year. Sick leave earnings remain at 15 days per year regardless of years of service. Employees may carry forward up to 45 days of annual leave and 180 days of sick leave from one calendar year to the next. Upon termination of employment, employees are eligible to receive payment for up to 45 days of accumulated unused annual leave at the pay rate then in effect. Employees are not eligible to receive payment for accumulated unused sick leave upon termination. As of June 30, 2015, the total amount accrued for unused annual leave for PEBA's Retirement Division employees was $843,389, and the associated liability is included in Other Liabilities on the Statement of Fiduciary Net Position.

IX. Participation in Pension Plans

Generally, all employees of PEBA are required to participate in the South Carolina Retirement System or the Optional Retirement Program as a condition of employment. Additional information related to membership, benefits, and contribution requirements is contained within these notes to the financial statements.

Employer contributions for Retirement Division staff are paid by PEBA and are allocated to the pension trust funds along with all other administrative expenses. Administrative expenses of the Systems are funded by investment earnings. For the year ended June 30, 2015, PEBA's actual contributions to the South Carolina Retirement System (SCRS) for Retirement Division staff were $859,527.

X. Net Pension Liability

The total pension liability of each defined benefit pension plan summarized below was determined based on the most recent actuarial valuation, which was conducted using membership data as of July 1, 2014, projected forward to the end of the fiscal year, and financial information as of June 30, 2015, using generally accepted actuarial procedures. Information included in the following schedule is based on the certification provided by our consulting actuary, Gabriel, Roeder, Smith and Company. A Schedule of the Employers' Net Pension Liability is intended to provide information about whether the plan fiduciary net positions are increasing or decreasing over time relative to the total pension liability. This schedule as well as a Schedule of Changes in Employers' Net Pension Liability is presented in the Required Supplementary Information (RSI) section.

The net pension liability (i.e. the Systems' total pension liability determined in accordance with GASB No. 67 less the fiduciary net position) as of June 30, 2015, is as follows (dollar amounts expressed in thousands):

	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability	Plan Fiduciary Net Position as a % of the Total Pension Liability
SCRS	$ 44,097,310	$ 25,131,828	$ 18,965,482	57.0%
PORS	6,151,321	3,971,825	2,179,496	64.6%
GARS	73,766	32,482	41,284	44.0%
JSRS	272,624	146,353	126,271	53.7%
SCNG	63,064	23,202	39,862	36.8%

Actuarial valuations of the ongoing plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. The last experience study was performed in 2011, and the next experience study is scheduled to be conducted in 2016.

The following table provides a summary of the actuarial assumptions and methods used in the July 1, 2014, valuations for each of the individual plans administered by PEBA.

	SCRS	PORS	GARS	JSRS	SCNG
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal	Entry age normal	Entry age normal
Actuarial assumptions:					
Investment rate of return[1]	7.5%	7.5%	7.5%	7.5%	7.5%
Projected salary increases	3.5% to 12.5% (varies by service)[1]	4.0% to 10.0% (varies by service)[1]	None	3%[1]	None
Benefit adjustments	lesser of 1% or $500 annually	lesser of 1% or $500 annually	None	3%	None

[1]Includes inflation at 2.75%

The post-retiree mortality assumption is dependent upon the member's job category and gender. These base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2000.

Former Job Class	Males	Females
Educators and Judges	RP-2000 Males (with White Collar adjustment) multiplied by 110%	RP-2000 Females (with White Collar adjustment) multiplied by 95%
General Employees and Members of the General Assembly	RP-2000 Males multiplied by 100%	RP-2000 Females multiplied by 90%
Public Safety, Firefighters and members of the South Carolina National Guard	RP-2000 Males (with Blue Collar adjustment) multiplied by 115%	RP-2000 Females (with Blue Collar adjustment) multiplied by 115%

The long-term expected rate of return on pension plan investments is based upon the 30 year capital market outlook at the end of the fourth quarter 2013. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economics forecasts. Long-term assumptions for other asset classes are based on historical results, current market characteristics, and professional judgment. The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted for fiscal year 2015. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and by adding expected inflation and is summarized in the table below. For actuarial purposes, the 7.50 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component.

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Short Term	**5.0%**		
Cash	2.0%	0.019	0.04%
Short Duration	3.0%	0.020	0.06%
Domestic Fixed Income	**13.0%**		
Core Fixed Income	7.0%	0.027	0.19%
Mixed Credit	6.0%	0.038	0.23%
Global Fixed Income	**9.0%**		
Global Fixed Income	3.0%	0.028	0.08%
Emerging Markets Debt	6.0%	0.051	0.31%
Global Public Equity	**31.0%**	**0.071**	**2.20%**
Global Tactical Asset Allocation	**10.0%**	**0.049**	**0.49%**
Alternatives	**32.0%**		
Hedge Funds (Low Beta)	8.0%	0.043	0.34%
Private Debt	7.0%	0.099	0.69%
Private Equity	9.0%	0.099	0.89%
Real Estate (Broad Market)	5.0%	0.060	0.30%
Commodities	3.0%	0.059	0.18%
Total Expected Real Return	100.0%		6.00%
Inflation for Actuarial Purposes			2.75%
Total Expected Nominal Return			8.75%

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. The contributions required for JSRS, GARS, and the SCNG are based on PEBA's current funding policy. Based on those assumptions, the System's fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In accordance with GASB 67 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the following table presents the net pension liability of the participating employers calculated using the discount rate of 7.50 percent, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is 1.00 percent lower (6.50 percent) or 1.00 percent higher (8.50 percent) than the current rate.

Discount Rate Sensitivity Analysis

(Amounts expressed in thousands)

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
SCRS	$ 23,910,054	$ 18,965,482	$ 14,821,303
PORS	2,968,983	2,179,496	1,473,738
GARS	47,751	41,284	35,359
JSRS	155,815	126,271	98,926
SCNG	47,681	39,862	32,891

XI. Death Benefit Program

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

Active Death Benefits

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

Retiree Death Benefits

Retired members of SCRS and PORS whose last employer prior to retirement is covered by the program, and who met applicable service credit requirements, are also protected under the state-sponsored death benefit program. Upon the death of a retired member, the beneficiary of a non-working retiree will receive a benefit payment of $2,000, $4,000 or $6,000 based on the member's total creditable service at the time of retirement.

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

All benefits provided by the Systems are included in the actuarial valuation, including the incidental death benefit program for SCRS, PORS, GARS and JSRS. The July 1, 2014, actuarial valuations reflect the inclusion of the assets and liabilities of the incidental death benefit program and accidental death benefits for PORS.

XII. Litigation

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

Gail M. Hutto et al. v. The South Carolina Retirement System et al., C/A No. 4:10-cv-02018-JMC, is a putative class action suit that was filed in federal district court in August 2010. In this matter, Plaintiffs asserted that the provisions of Act No. 153 of 2005 of the South Carolina General Assembly requiring working retirees in the South Carolina Retirement System ("SCRS") and the South Carolina Police Officers' Retirement System ("PORS") to make contributions to the systems are unconstitutional and illegal. As of June 30, 2012, the Retirement Systems had collected approximately $121 million in the form of retirement contributions from members of those retirement systems who retired and returned to work on or after July 1, 2005, and contributions have continued to be collected from those retired members who have returned to covered employment. Defendants filed a motion to dismiss this matter on a number of grounds, including Eleventh Amendment immunity, abstention, and failure to state a claim upon which relief may be granted. By an Order and Decision dated September 27, 2012, the federal district court granted Defendants' motion and dismissed Plaintiffs' suit, finding that Defendants are immune from suit under the Eleventh Amendment. Plaintiffs filed a motion for reconsideration. The district court denied Plaintiffs' motion, and Plaintiffs appealed to the Fourth Circuit Court of Appeals. On December 5, 2014, the Fourth Circuit ruled in favor of the Defendants. No further appeal was taken by Plaintiffs. On March 19, 2015, the same Plaintiffs re-filed their claims in state court, alleging violation of their federal constitutional rights. Defendants have filed a motion to dismiss the action, which is currently pending before the circuit court. PEBA is vigorously contesting this litigation and believes that the likelihood of an unfavorable outcome is remote in light of prior decisions of the South Carolina Supreme Court.

Anderson County v. Joey Preston and the South Carolina Retirement System, Case No. 2009-CP-04-4482, is a civil action that was filed in the Tenth Judicial Circuit Court of Common Pleas. Defendant Joey Preston ("Preston") is a retired member of the

South Carolina Retirement System who was employed by Plaintiff. In its complaint, Plaintiff sought to rescind a severance agreement entered into between Plaintiff and Preston, in which, among other things, Plaintiff agreed to pay, and did pay, approximately $355,000.00 to the System to purchase retirement service credit on behalf of Preston. Plaintiff named the South Carolina Retirement System as a defendant in this matter as a stakeholder of a portion of the disputed severance funds and sought a return of the $355,000.00 paid to the System. As a result of the service purchase, Preston was able to retire and begin drawing a retirement benefit. The South Carolina Retirement System is defending this case to ensure that, regardless of the outcome of Plaintiff's claims related to the severance agreement, the System does not suffer any monetary loss as a result of the service purchase. By an Order dated May 3, 2013, the circuit court ruled against Plaintiff Anderson County on all claims, including claims for the return of monies paid to the South Carolina Retirement System. Plaintiff appealed to the South Carolina Court of Appeals. The case has been briefed and argued at the court of appeals and the parties are awaiting a decision.

Marc S. Kirschner, as Litigation Trustee for the Tribune Litigation Trust v. Dennis J. Fitzsimmons, et al., United States District Court Southern District of New York, Case No. 1:11-cv-02652. This case is a bankruptcy litigation matter filed on December 20, 2011, and has been stayed since shortly after it was filed. The Plaintiff attempted to serve a summons on the South Carolina Retirement System in August 2013. SCRS is a defendant as a result of selling Tribune Company stock in connection with a leveraged buyout of the Tribune Company in 2007. Through this lawsuit the creditors of the Tribune Company are attempting to claw-back funds received by SCRS in connection with the sale of the stock. The plaintiff has asserted a claim of approximately two million dollars against SCRS. The South Carolina Retirement System Investment Commission contests the amount the plaintiff alleges SCRS received, contends that there are persuasive arguments favoring dismissal, and has engaged counsel to represent SCRS in this matter.

South Carolina Retirement Systems
Required Supplementary Information

Schedule of Changes in the Employers' Net Pension Liability[1]

Years Ended June 30

(Amounts expressed in thousands)

	SCRS		PORS	
	2015	**2014**	**2015**	**2014**
Total pension liability				
Service Cost	$ 744,197	$ 739,021	$ 154,102	$ 149,606
Interest	3,148,090	3,021,004	435,329	417,950
Benefit Changes				
Difference between actual and expected experience	(44,636)	638,745	6,771	64,336
Assumption Changes				
Benefit Payments	(2,705,547)	(2,571,049)	(344,410)	(331,783)
Net Change in Total Pension Liability	1,142,104	1,827,721	251,792	300,109
Total Pension Liability - Beginning	42,955,206	41,127,485	5,899,529	5,599,420
Total Pension Liability - Ending (a)	$ 44,097,310	$ 42,955,206	$ 6,151,321	$ 5,899,529
Plan Fiduciary Net Position				
Contributions - Employer	$ 1,022,478	$ 962,798	$ 166,451	$ 155,608
Contributions - Member	716,107	652,631	106,854	96,004
Refunds of contributions to members	(95,104)	(90,250)	(17,453)	(16,184)
Retirement benefits	(2,590,299)	(2,461,559)	(323,252)	(311,593)
Death benefits	(20,144)	(19,240)	(3,705)	(4,007)
Net Investment Income	374,152	3,517,324	58,705	538,386
Administrative Expense	(12,554)	(11,765)	(1,938)	(1,820)
Net transfers to affiliated systems	(1,329)	(2,470)	1,061	2,260
Net Change in Plan Fiduciary Net Position	(606,693)	2,547,469	(13,277)	458,654
Plan Fiduciary Net Position - Beginning	25,738,521	23,191,052	3,985,102	3,526,448
Plan Fiduciary Net Position - Ending (b)	$ 25,131,828	$ 25,738,521	$ 3,971,825	$ 3,985,102
Net Pension Liability - Ending (a) - (b)	$ 18,965,482	$ 17,216,685	$ 2,179,496	$ 1,914,427

[1] *Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.*

Schedule of Changes in the Employers' Net Pension Liability[1]

Years Ended June 30

(Amounts expressed in thousands)

	GARS		JSRS		SCNG	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
Total pension liability						
Service Cost	$ 553	$ 572	$ 5,760	$ 5,571	$ 690	$ 697
Interest	5,380	5,437	19,440	18,857	4,481	4,417
Benefit Changes			666			
Difference between actual & expected experience	(294)	(2,585)	(1,138)	(3,240)	612	(262)
Assumption Changes						
Benefit Payments	(6,660)	(6,861)	(16,836)	(16,684)	(4,249)	(4,248)
Net Change in Total Pension Liability	(1,021)	(3,437)	7,892	4,504	1,534	604
Total Pension Liability - Beginning	74,787	78,224	264,732	260,228	61,530	60,926
Total Pension Liability - Ending (a)	$ 73,766	$ 74,787	$ 272,624	$ 264,732	$ 63,064	$ 61,530
Plan Fiduciary Net Position						
Contributions - Employer	$ 4,275	$ 4,063	$ 10,109	$ 9,659	$ 4,591	$ 4,586
Contributions - Member	369	384	3,153	2,448		
Refunds of contributions to members		(41)				
Retirement benefits	(6,639)	(6,799)	(16,832)	(16,675)	(4,249)	(4,248)
Death benefits	(21)	(20)	(4)	(10)		
Net Investment Income	500	4,545	2,216	19,962	313	2,806
Administrative Expense	(18)	(17)	(71)	(68)	(11)	(10)
Net transfers to affiliated systems	(18)	15	286	195		
Net Change in Plan Fiduciary Net Position	(1,552)	2,130	(1,143)	15,511	644	3,134
Plan Fiduciary Net Position - Beginning	34,034	31,904	147,496	131,985	22,558	19,424
Plan Fiduciary Net Position - Ending (b)	$ 32,482	$ 34,034	$ 146,353	$ 147,496	$ 23,202	$ 22,558
Net Pension Liability - Ending (a) - (b)	$ 41,284	$ 40,753	$ 126,271	$ 117,236	$ 39,862	$ 38,972

[1] *Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.*

Schedule of Employers' Net Pension Liability[1]

(Dollar amounts expressed in thousands)

	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	Projected Covered Employee Payroll[2]	Net Pension Liability as a Percentage of Covered Employee Payroll
SCRS						
6/30/2015	$ 44,097,310	$ 25,131,828	$ 18,965,482	57.0%	$ 7,539,996	251.5%
6/30/2014	42,955,206	25,738,521	17,216,685	59.9%	7,434,820	231.6%
PORS						
6/30/2015	6,151,321	3,971,825	2,179,496	64.6%	1,076,885	202.4%
6/30/2014	5,899,529	3,985,102	1,914,427	67.5%	1,033,189	185.3%
GARS						
6/30/2015	73,766	32,482	41,284	44.0%	2,601	1,587.5%
6/30/2014	74,787	34,034	40,753	45.5%	2,688	1,516.2%
JSRS						
6/30/2015	272,624	146,353	126,271	53.7%	20,815	606.6%
6/30/2014	264,732	147,496	117,236	55.7%	20,407	574.5%
SCNG						
6/30/2015	63,064	23,202	39,862	36.8%	Not Applicable[3]	Not Applicable[3]
6/30/2014	61,530	22,558	38,972	36.7%	Not Applicable[3]	Not Applicable[3]

[1] Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

[2] Projected covered employee payroll is based on the actuarial valuation associated with the measurement date and includes payroll for members earning but not yet receiving benefits.

[3] The contributions and benefits associated with the SCNG are not determined as a function of payroll.

Schedule of Employers' Contributions

(Dollar amounts expressed in thousands)

	Actuarially Determined Contributions[1]	Amount of Contributions Recognized	Difference Between Actuarially Determined Contributions[2] and Contributions Recognized	Projected Covered-Employee Payroll[3]	Percentage of Contributions to Covered-Employee Payroll
SCRS					
6/30/2015	$ 1,022,478	$ 1,022,478	$ -	$ 7,539,996	13.6%
6/30/2014	962,798	962,798	-	7,434,820	12.9%
6/30/2013	948,157	948,157	-	7,356,231	12.9%
6/30/2012	824,652	824,652	-	7,687,558	10.7%
6/30/2011	808,343	808,343	-	7,769,820	10.4%
6/30/2010	818,523	818,523	-	7,761,808	10.5%
6/30/2009	827,502	827,502	-	7,559,172	10.9%
6/30/2008	774,269	774,269	-	7,093,181	10.9%
6/30/2007	644,350	644,350	-	6,733,379	9.6%
6/30/2006	577,468	577,468	-	6,356,489	9.1%
PORS					
6/30/2015	166,451	166,451	-	1,076,885	15.5%
6/30/2014	155,608	155,608	-	1,033,189	15.1%
6/30/2013	143,389	143,389	-	1,019,241	14.1%
6/30/2012	134,299	134,299	-	1,087,587	12.3%
6/30/2011	129,314	129,314	-	1,076,467	12.0%
6/30/2010	123,163	123,163	-	1,084,154	11.4%
6/30/2009	124,148	124,148	-	1,060,747	11.7%
6/30/2008	114,095	114,095	-	992,849	11.5%
6/30/2007	106,753	106,753	-	931,815	11.5%
6/30/2006	100,281	100,281	-	850,610	11.8%
GARS[4]					
6/30/2015	4,275	4,275	-	2,601	164.4%
6/30/2014	4,063	4,063	-	2,688	151.2%
6/30/2013	2,831	2,831	-	3,854	73.5%
6/30/2012	2,532	2,532	-	3,854	65.7%
6/30/2011	2,414	2,414	-	3,854	62.6%
6/30/2010	2,598	2,598	-	3,854	67.4%
6/30/2009	2,495	2,495	-	3,854	64.7%
6/30/2008	2,440	2,440	-	3,854	63.3%
6/30/2007	2,358	2,358	-	3,854	61.2%
6/30/2006	2,171	2,171	-	3,854	56.3%

Schedule of Employers' Contributions continued on next page

Schedule of Employers' Contributions (cont.)

(Dollar amounts expressed in thousands)

	Actuarially Determined Contributions[1]	Amount of Contributions Recognized	Difference Between Actuarially Determined Contributions[2] and Contributions Recognized	Projected Covered-Employee Payroll[3]	Percentage of Contributions to Covered-Employee Payroll
JSRS					
6/30/2015	$ 10,109	$ 10,109	$ -	$ 20,815	48.6%
6/30/2014	9,659	9,659	-	20,407	47.3%
6/30/2013	8,667	8,667	-	19,221	45.1%
6/30/2012	8,414	8,414	-	18,661	45.1%
6/30/2011	8,414	8,414	-	18,661	45.1%
6/30/2010	8,414	8,414	-	18,661	45.1%
6/30/2009	8,414	8,414	-	18,661	45.1%
6/30/2008	7,613	7,613	-	16,407	46.4%
6/30/2007	6,706	6,706	-	15,929	42.1%
6/30/2006	6,511	6,511		15,464	42.1%
SCNG[5]					
6/30/2015	4,591	4,591	-	N/A	N/A
6/30/2014	4,586	4,586	-	N/A	N/A
6/30/2013	4,539	4,539	-	N/A	N/A
6/30/2012	3,937	3,937	-	N/A	N/A
6/30/2011	3,905	3,905	-	N/A	N/A
6/30/2010	3,945	3,945	-	N/A	N/A
6/30/2009	4,052	4,052	-	N/A	N/A
6/30/2008	3,923	3,923	-	N/A	N/A
6/30/2007	3,948	3,948	-	N/A	N/A
6/30/2006	3,942	3,942	-	N/A	N/A

[1] The actuarially determined contribution rate for SCRS and PORS is determined in accordance with the SC State Code of Laws. The contribution rate for JSRS is based on the funding policy maintained by the SC Public Employee Benefit Authority.

[2] The actuarially determined contributions are based on the funding policy maintained by the SC Public Employee Benefit Authority.

[3] Projected covered employee payroll is based on the actuarial valuation associated with the measurement date and includes payroll for members earning but not yet receiving benefits.

[4] GARS was closed to new members beginning with the 2012 general election.

[5] Benefits for members in the SCNG are not a function of pay. For years prior to June 30, 2010, the Annual Pension Cost (APC) for SCNG includes both the Annual Required Contribution (ARC) and the discounted present value of the balance of the Net Pension Obligation (NPO). For fiscal years ended June 30, 2010 forward, the APC was calculated as part of the actuarial valuation and includes on the ARC.

Schedule of Investment Returns[1]

Fiscal Year Ending June 30	Annual Money Weighted Rate of Return, Net of Investment Expense
2014	15.30%
2015	1.59

[1]Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Notes to Required Supplementary Information

The following table provides a summary of the actuarial methods and significant assumptions used in calculations of the actuarially determined contributions for each of the individual plans administered by PEBA.

Summary of Actuarial Methods and Significant Assumptions

	SCRS	PORS	GARS	JSRS	SCNG
Valuation date	07/01/14	07/01/14	07/01/14	07/01/14	07/01/14
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal	Entry age normal	Entry age normal
Amortization method	Level percent open	Level percent open	Level dollar closed	Level percent open	Level dollar closed
Amortization period	30 years	27 years	13 years	28 years	18 years
Asset Valuation method	5-year smoothed market	5-year smoothed market	5-year smoothed market	5-year smoothed market	5-year smoothed market
Actuarial assumptions:					
Inflation rate	2.75%	2.75%	2.75%	2.75%	2.75%
Projected salary increases	3.5% to 12.5% (varies by service)[1]	4.0% to 10.0% (varies by service)[1]	None	3.0%[1]	None
Investment rate of return	7.5%	7.5%	7.5%	7.5%	7.5%
Benefit adjustments	lesser of 1% or $500 annually	lesser of 1% or $500 annually	None	3.0%	None

[1]Includes inflation at 2.75%.

South Carolina Retirement Systems
Schedule of Changes in Fiduciary Net Position

SCRS Pension Trust Fund

Year Ended June 30, 2015

With comparative totals for the year ended June 30, 2014

(Amounts expressed in thousands)

	EMPLOYEE FUND	EMPLOYER FUND	DEATH BENEFIT FUND	QEBA FUND	TOTALS	TOTALS 2014
Additions						
Employee contributions						
State department employees	$ 190,275	$ 27,688	$ -	$ -	$ 217,963	$ 197,960
Public school employees	271,265	40,209			311,474	285,804
Other political subdivision employees	172,463	14,207			186,670	168,867
Employer contributions						
State department employees		331,205	5,233	485	336,923	313,409
Public school employees		430,903	6,263		437,166	415,643
Other political subdivision employees		245,452	2,937		248,389	233,746
Total contributions	634,003	1,089,664	14,433	485	1,738,585	1,615,429
Investment Income						
Net appreciation in fair value of investments		388,792	1,950		390,742	3,618,445
Interest and dividend income		290,167	1,452		291,619	300,260
Investment expense		(308,362)	(1,547)		(309,909)	(402,871)
Income from investing activities		370,597	1,855		372,452	3,515,834
From securities lending activities:						
Securities lending income		143	1		144	54
Securities lending borrower rebates		1,549	7		1,556	1,436
Net income from securities lending activities		1,692	8		1,700	1,490
Total net investment income		372,289	1,863		374,152	3,517,324
Supplemental retirement benefits funded by the State		507			507	587
Transfers of contributions from other Systems	7				7	
Total additions	634,010	1,462,460	16,296	485	2,113,251	5,133,340
Deductions						
Refunds of contributions to members	95,104				95,104	90,250
Transfers of contributions to other Systems	925	411			1,336	2,470
Regular retirement benefits		2,377,832		485	2,378,317	2,293,335
Deferred retirement benefits		211,982			211,982	168,221
Supplemental retirement benefits		507			507	590
Death Benefits			20,144		20,144	19,240
Depreciation		226	1		227	200
Administrative expenses		12,256	71		12,327	11,565
Total deductions	96,029	2,603,214	20,216	485	2,719,944	2,585,871
Interfund transfers according to statutory requirements						
Contributions by members at retirement	(431,637)	431,637				
Interest credited to members' accounts	230,606	(230,606)				
Net interfund transfers	(201,031)	201,031				
Net increase (decrease)	336,950	(939,723)	(3,920)	-	(606,693)	2,547,469
Net position restricted for Pensions						
Beginning of year	6,717,327	18,892,695	128,499		25,738,521	23,191,052
End of year	$7,054,277	$ 17,952,972	$ 124,579	$ -	$ 25,131,828	$ 25,738,521

South Carolina Retirement Systems
Schedule of Changes in Fiduciary Net Position

PORS Pension Trust Fund

Year Ended June 30, 2015

With comparative totals for the year ended June 30, 2014

(Amounts expressed in thousands)

	EMPLOYEE FUND	EMPLOYER FUND	DEATH BENEFIT FUND	ACCIDENTAL DEATH FUND	QEBA FUND	TOTALS	TOTALS 2014
Additions							
Employee contributions							
State department employees	$ 32,340	$ 2,033	$ -	$ -	$ -	$ 34,373	$ 31,499
Public school employees	35	333				368	322
Other political subdivision employees	63,799	8,314				72,113	64,183
Employer contributions							
State department employees		52,060	798	$ 799	2	53,659	50,251
Public school employees		557	9	9		575	510
Other political subdivision employees		109,056	1,626	1,535		112,217	104,847
Total contributions	96,174	172,353	2,433	2,343	2	273,305	251,612
Investment Income							
Net appreciation in fair value of investments		60,441	478	633		61,552	554,222
Interest and dividend income		44,638	420	556		45,614	46,097
Investment expense		(47,674)	(453)	(599)		(48,726)	(62,162)
Income from investing activities		57,405	445	590		58,440	538,157
From securities lending activities:							
Securities lending income		22				22	9
Securities lending borrower rebates		238	2	3		243	220
Net income from securities lending activities		260	2	3		265	229
Total net investment income		57,665	447	593		58,705	538,386
Supplemental retirement benefits funded by the State		22				22	26
Transfers of contributions from other Systems	650	411				1,061	2,260
Total additions	96,824	230,451	2,880	2,936	2	333,093	792,284
Deductions							
Refunds of contributions to members	17,453					17,453	16,184
Regular retirement benefits		323,250			2	323,252	311,593
Supplemental retirement benefits		22				22	26
Death Benefits		(6)	2,156			2,150	2,410
Accidental death benefits				1,555		1,555	1,597
Depreciation		29				29	25
Administrative expenses		1,862	20	27		1,909	1,795
Total deductions	17,453	325,157	2,176	1,582	2	346,370	333,630
Interfund transfers according to statutory requirements							
Contributions by members at retirement	(54,432)	54,432					
Interest credited to members' accounts	30,446	(30,446)					
Net interfund transfers	(23,986)	23,986					
Net increase (decrease)	55,385	(70,720)	704	1,354		(13,277)	458,654
Net position restricted for Pensions							
Beginning of year	850,383	3,048,748	36,995	48,976		3,985,102	3,526,448
End of year	$ 905,768	$ 2,978,028	$ 37,699	$ 50,330	$ -	$ 3,971,825	$ 3,985,102

South Carolina Retirement Systems
Schedule of Changes in Fiduciary Net Position

GARS Pension Trust Fund
Year Ended June 30, 2015
With comparative totals for the year ended June 30, 2014
(Amounts expressed in thousands)

	EMPLOYEE FUND	EMPLOYER FUND	TOTAL	TOTAL 2014
Additions				
Contributions				
Employee contributions - State departments	$ 369	$ -	$ 369	$ 384
Employer contributions - State departments		4,275	4,275	4,063
Total contributions	369	4,275	4,644	4,447
Investment Income				
Net appreciation in fair value of investments		503	503	4,654
Interest and dividend income		375	375	397
Investment expense		(380)	(380)	(508)
Net income from investing activities		498	498	4,543
From securities lending activities:				
Securities lending income				
Securities lending borrower rebates		2	2	2
Net income from securities lending activities		2	2	2
Total net investment income		500	500	4,545
Transfers of contributions from other Systems				15
Total additions	369	4,775	5,144	9,007
Deductions				
Refunds of contributions to members				41
Transfers of contributions to other systems	18		18	
Regular retirement benefits		6,639	6,639	6,799
Death benefits		21	21	20
Depreciation		1	1	1
Administrative expenses		17	17	16
Total deductions	18	6,678	6,696	6,877
Interfund transfers according to statutory requirements				
Contributions by members at retirement	(639)	639		
Interest credited to members' accounts	225	(225)		
Net interfund transfers	(414)	414		
Net increase (decrease)	(63)	(1,489)	(1,552)	2,130
Net position Restricted for Pensions				
Beginning of year	7,358	26,676	34,034	31,904
End of year	$ 7,295	$ 25,187	$ 32,482	$ 34,034

South Carolina Retirement Systems
Schedule of Changes in Fiduciary Net Position

JSRS Pension Trust Fund
Year Ended June 30, 2015
With comparative totals for the year ended June 30, 2014
(Amounts expressed in thousands)

	EMPLOYEE FUND	EMPLOYER FUND	QEBA FUND	TOTALS	TOTALS 2014
Additions					
Contributions					
Employee contributions - State departments	$ 2,893	$ 260	$ -	$ 3,153	$ 2,448
Employer contributions - State departments		9,995	114	10,109	9,659
Total contributions	2,893	10,255	114	13,262	12,107
Investment Income					
Net appreciation in fair value of investments		2,263		2,263	20,491
Interest and dividend income		1,713		1,713	1,739
Investment expense		(1,770)		(1,770)	(2,276)
Net income from investing activities		2,206		2,206	19,954
From securities lending activities:					
Securities lending income		1		1	
Securities lending borrower rebates		9		9	8
Net income from securities lending activities		10		10	8
Total net investment income		2,216		2,216	19,962
Transfers of contributions from other Systems	286			286	195
Total additions	3,179	12,471	114	15,764	32,264
Deductions					
Regular retirement benefits		16,718	114	16,832	15,897
Deferred retirement benefits					778
Death benefits		4		4	10
Depreciation		1		1	1
Administrative expenses		70		70	67
Total deductions		16,793	114	16,907	16,753
Interfund transfers according to statutory requirements					
Contributions by members at retirement	(2,341)	2,341			
Interest credited to members' accounts	886	(886)			
Net interfund transfers	(1,455)	1,455			
Net increase (decrease)	1,724	(2,867)		(1,143)	15,511
Net position restricted for Pensions					
Beginning of year	22,926	124,570		147,496	131,985
End of year	$ 24,650	$ 121,703	$ -	$ 146,353	$ 147,496

South Carolina Retirement Systems
Schedule of Changes in Fiduciary Net Position

SCNG Pension Trust Fund
Year Ended June 30, 2015
With comparative totals for the year ended June 30, 2014
(Amounts expressed in thousands)

	Totals 2015	Totals 2014
Additions		
Contributions		
State appropriated contributions	$ 4,591	$ 4,586
Total contributions	4,591	4,586
Investment Income		
Net appreciation in fair value of investments	332	2,893
Interest income	241	240
Investment expense	(261)	(328)
Income from investing activities	312	2,805
From securities lending activities:		
Securities lending income		
Securities lending borrower rebates	1	1
Net income from securities lending activities	1	1
Total net investment income	313	2,806
Total additions	4,904	7,392
Deductions		
Regular retirement benefits	4,249	4,248
Administrative expenses	11	10
Total deductions	4,260	4,258
Net increase	644	3,134
Net position restricted for Pensions		
Beginning of year	22,558	19,424
End of year	$ 23,202	$ 22,558

South Carolina Retirement Systems
Schedule of Administrative Expenses

Year Ended June 30, 2015

(Amounts expressed in thousands)

	SCRS	PORS	GARS	JSRS	SCNG	TOTAL
Personal Services						
Salaries and Wages	$ 7,022	$ 1,087	$ 10	$ 40	$ 6	$ 8,165
Employee Benefits	2,326	360	3	13	2	2,704
Contractual Services						
Information Technology	492	76	1	2	1	572
Medical & Health Services	310	48	1	2		361
Financial Audit	138	22		1	1	162
Actuarial Services	197	30	1	1		229
Other Professional Services	733	113	1	4	1	852
Legal Services	147	23		1		171
Operating Expenses						
Facilities Management	230	36		1		267
Telephone	116	18		1		135
Insurance	148	23		1		172
Postage	117	18		1		136
Supplies	179	28		1		208
Other Miscellaneous Expenses	172	27		1		200
Total Administrative Expenses	$ 12,327	$ 1,909	$ 17	$ 70	$ 11	$ 14,334

South Carolina Retirement Systems
Schedule of Professional and Consultant Fees

Year Ended June 30, 2015

(Amounts expressed in thousands)

Professional / Consultant Type	Nature of Service Provided	Amounts Paid
Information Technology (IT)		
Data Network Solutions	IT Maintenance & Support	$ 52
Hewlett Packard	IT Maintenance & Support	23
SHI International	IT Maintenance & Support	15
Software AG Inc.	IT Enterprise License Maintenance	85
Spartantec Inc	IT Services Software & License	16
SunGard Availability Service	IT Disaster Recovery	45
Tapfin	Application Development Resources	211
Legal		
Ice Miller	IRC Consulting Services	27
Poyner Spruill LLP	Legal Services	113
Sowell Gray Stepp & Lafitte	Legal Services	31
Management		
CEM Benchmarking, Inc.	Benchmarking Service	45
CliftonLarsonAllen, LLP	Audit	162
Funston Advisory Services LLC[1]	Fiduciary Audit	340
Gabriel Roeder Smith & Company	Actuary Services	229
Linea Solutions Inc.	Operational Consulting Service	108
Summit Strategies Inc	Optional Retirement Plan Consultants	130
TeamIA Inc	Imaging Maintenance/Auditing	134
University Specialty Clinic	Disability Review	123
Vocational Rehabilitation	Disability Review	238
		$ 2,127

[1] *Payment to Funston Advisory Services LLC was made through the Office of the State Inspector General.*

South Carolina Retirement Systems
Schedule of Investment Fees and Expenses

Year Ended June 30, 2015

(Amounts expressed in thousands)

	SCRS	PORS	GARS	JSRS	SCNG	TOTALS[1]
Short Term:	$ 2,145	$ 337	$ 3	$ 12	$ 2	$ 2,499
Domestic Fixed Income:						
Core Fixed Income	2,921	458	4	17	2	3,402
Mixed Credit	4,983	783	6	28	4	5,804
Global Fixed Income:						
Global Fixed Income	2,478	388	3	14	2	2,885
Emerging Market Debt	2,498	393	3	14	2	2,910
Domestic Equity:	7,654	1,199	9	44	6	8,912
Global Equity:						
Global Equity	779	122	1	4	1	907
Developed International Equity	3,081	484	4	18	2	3,589
Emerging Markets Equity	6,985	1,095	9	40	6	8,135
Global Tactical Asset Allocation:	12,332	1,938	15	71	11	14,367
Alternatives:						
Hedge Funds (Global Public Equity, Low Beta, Mixed Credit)	100,672	15,845	123	575	85	117,300
Private Debt	30,446	4,792	37	174	26	35,475
Private Equity	53,532	8,426	65	306	45	62,374
Real Estate	58,343	9,182	72	333	49	67,979
Strategic Partnerships[2]	9,227	1,452	11	53	8	10,751
Beta Overlay	803	126	1	4	1	935
Total Investment Manager Fees	298,879	47,020	366	1,707	252	348,224
Bank Fees and Investment Expenses[3]	11,030	1,706	14	63	9	12,822
Total Investment Management Fees	309,909	48,726	380	1,770	261	361,046
Securities Lending Expenses:						
Borrower Rebates	$ (1,556)	$ (243)	$ (2)	$ (9)	$ (1)	$ (1,811)
Total Securities Lending Expenses	$ (1,556)	$ (243)	$ (2)	$ (9)	$ (1)	$ (1,811)

[1] All investment manager fees, whether directly invoiced ($35,155) or deducted from the fund on a net basis ($313,069) are classified and reported as Investment Expense. Investment expenses include amounts for investment management fees, performance fees (including carried interest allocations), other expenses such as organizational expenses in limited partnership structures as well as offsets which may have the effect of reducing the total.

[2] Represents management and other fees at the Strategic Partnership level, not fees at the underlying investment level included in each applicable asset class.

[3] Includes miscellaneous investment expenses, commissions on futures, bank fees and RSIC administrative expenses.

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Honorable Nikki R. Haley, Governor
Mr. George L. Kennedy, CPA, State Auditor
and
Board of Directors
South Carolina Public Employee Benefit Authority
Columbia, South Carolina

We have audited, in accordance with the 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, the financial statements of the South Carolina Retirement Systems (the Systems) as administered by the South Carolina Public Employee Benefit Authority, which comprise the statement of fiduciary net position as of June 30, 2015, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 15, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Systems' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Systems' internal control.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Systems' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Systems' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

Baltimore, Maryland
October 15, 2015