

**RETIREMENT SYSTEM FOR JUDGES AND SOLICITORS OF
THE STATE OF SOUTH CAROLINA (JSRS)**

ACTUARIAL VALUATION REPORT

AS OF JULY 1, 2014

November 20, 2014

Public Employee Benefit Authority
South Carolina Retirement System
P.O. Box 11960
Columbia, SC 29211-1960

Subject: Actuarial Valuation as of July 1, 2014

Dear Members of the Board:

This report describes the current actuarial condition of the Retirement System for Judges and Solicitors of the State of South Carolina (JSRS), determines the calculated employer contribution requirement, and analyzes changes in the System's financial condition. In addition, the report provides various summaries of the data. A separate report is issued with regard to valuation results determined in accordance with Governmental Accounting Standards Board (GASB) Statements 67 and 68. Results of this report should not be used for any other purpose without consultation with the undersigned. Valuations are prepared annually as of July 1, the first day of the plan year for JSRS. This report was prepared at the request of the Board of Directors of the South Carolina Public Employee Benefit Authority (Board) and is intended for use by the Public Employee Benefit Authority (PEBA) staff and those designated or approved by the Board.

Under South Carolina State statutes, the Board must certify the employer contribution annually. This amount is determined actuarially, based on the Board's funding policy. The contribution rate is determined by a given actuarial valuation and becomes effective twenty-four months after the valuation date. In other words, the contribution rate determined by this July 1, 2014 actuarial valuation will be used by the Board when certifying the employer contribution rate for the year beginning July 1, 2016. If new legislation is enacted between the valuation date and the date the contribution rate becomes effective, the Board may adjust the calculated amount before certifying them, in order to reflect this new legislation. Such adjustments are based on information supplied by the actuary.

FINANCING OBJECTIVES AND FUNDING POLICY

The principle objectives in the funding policy that are maintained by the Board include:

- Establish a contribution rate that remains relatively level over time.
- To set a rate so that the measures of the System's funding progress which includes the unfunded actuarial accrued liability, funded ratio, and funding period will be maintained or improved.

- To set a contribution rate that will amortize the unfunded actuarial accrued liability (UAAL) over a period that does not exceed 30 years.

For JSRS, the Board's funding policy is to determine an employer contribution rate that is at least equal to the sum of the employer normal cost rate (which pays the current year's cost) and an amortization rate which results in the UAAL to be funded over a period that does not exceed 30 years in installments that increase at the assumed rate of growth in payroll for JSRS.

Since the employer contribution rates that have already been certified by the Board to become effective July 1, 2015 are sufficient to maintain a funding period that does not exceed 30 years as of this valuation date, there will not be a change in the contribution rate as a result of this valuation for fiscal year 2017.

PROGRESS TOWARD REALIZATION OF FINANCING OBJECTIVES

The funded ratio (the ratio of the actuarial value of assets to the actuarial accrued liability) is a standard measure of a plan's funded status. In the absence of benefit improvements, it should increase over time, until it reaches at least 100%.

The funded ratio of the System slightly increased from 57.5% to 57.8%. Absent experience that is significantly different than assumed, we expect the funded ratio to remain relatively constant for the next several years before it begins to gradually improve.

If market value of assets had been used in the calculation instead of actuarial (smoothed) value of assets, the funded ratio for the System would have been 55.8%, compared to 51.1% in the prior year. The increase in the funded ratio on a market value basis is primarily due to favorable investment experience during the last fiscal year. Specifically, the market value assets earned a 15.3% return on a dollar-weighted basis for the plan year ending June 30, 2014.

ASSUMPTIONS AND METHODS

The actuarial assumptions used to perform this valuation remain unchanged from the prior valuation, including the use of a 7.50% investment return assumption. South Carolina State Code requires that an experience analysis that reviews the economic and demographic assumptions be performed every five years. The next experience study will be conducted using the plan's experience for the five-year period ending June 30, 2015.

It is our opinion that the recommended assumptions are internally consistent and reasonably reflect the anticipated future experience of the System.

The results of the actuarial valuation are dependent on the actuarial assumptions used. Actual results can, and almost certainly will, differ as actual experience deviates from the assumptions. Even seemingly minor changes in the assumptions can materially change the liabilities, calculated contribution rate, and funding period. The actuarial calculations are intended to provide information for rational decision making.

BENEFIT PROVISIONS

The benefit provisions reflected in this valuation are those which were in effect on July 1, 2014. SB 1008 was enacted during the 2014 legislative session that provided an opportunity for Administrative Law Judges to elect to participate in JSRS and transfer their service earned in SCRS to JSRS (provided they make the necessary contributions associated with the service transfer). As of the date of the actuarial valuation, July 1, 2014, there have not been any Administrative Law Judges that have made an election to participate in JSRS. In the event that there are any Administrative Law Judges who elect to participate in JSRS during fiscal year 2015, the actuarial impact will be identified in next year's valuation.

DATA

Census data for retired, active and inactive members was supplied as of July 1, 2014, by the PEBA staff. The staff also supplied asset information as of July 1, 2014. We did not audit this data, but we did apply a number of tests to the data, and we concluded that it was reasonable and consistent with the prior year's data. GRS is not responsible for the accuracy or completeness of the information provided to us by PEBA.

CERTIFICATION

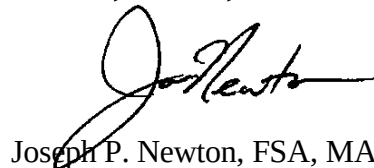
We certify that the information presented herein is accurate and fairly portrays the actuarial position of JSRS as of July 1, 2014.

All of our work conforms with generally accepted actuarial principles and practices and with the Actuarial Standards of Practice issued by the Actuarial Standards Board. In our opinion, our calculations also comply with the requirements of South Carolina Code of Laws and, where applicable, the Internal Revenue Code, ERISA, and the Statements of the Governmental Accounting Standards Board.

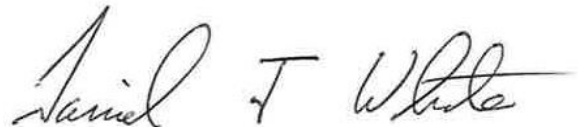
The undersigned are independent actuaries and consultants. Mr. Newton and Mr. White are Enrolled Actuaries and Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries. Both are experienced in performing valuations for large public retirement systems.

Sincerely,

Gabriel, Roeder, Smith & Co.



Joseph P. Newton, FSA, MAAA, EA
Senior Consultant



Daniel J. White, FSA, MAAA, EA
Senior Consultant

TABLE OF CONTENTS

<u>SECTION</u>	<u>PAGE</u> <u>NUMBER</u>	
SECTION A	2	EXECUTIVE SUMMARY
SECTION B	5	DISCUSSION
SECTION C	15	ACTUARIAL TABLES
SECTION D	29	MEMBERSHIP TABLES
APPENDIX A	36	ACTUARIAL ASSUMPTIONS AND METHODS
APPENDIX B	41	BENEFIT PROVISIONS
APPENDIX C	45	GLOSSARY

SECTION A

EXECUTIVE SUMMARY

Executive Summary

(Dollar amounts expressed in thousands)

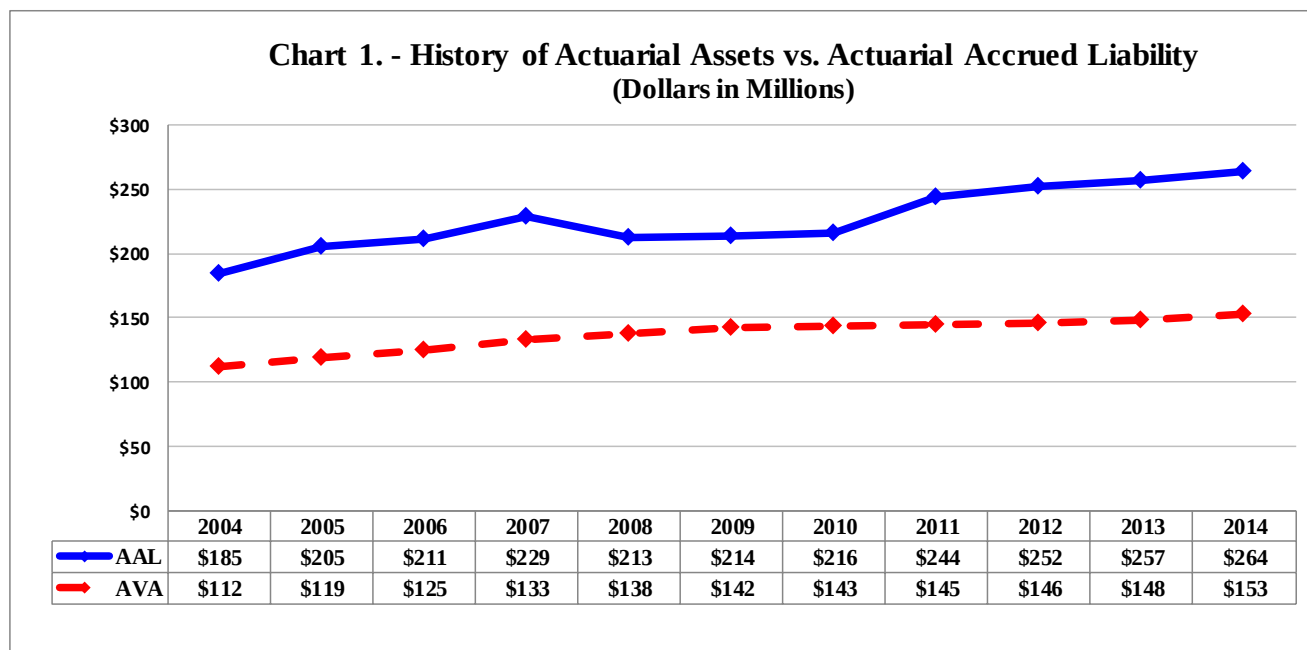
Valuation Date:	July 1, 2014	July 1, 2013
Membership		
• Number of		
- Active members ¹	153	153
- Retirees and beneficiaries	185	183
- DROP and Retired-in-Place members	19	18
- Inactive members	2	2
- Total	340	338
• Projected payroll of active members	\$20,815	\$20,407
Contribution Rates		
• Employer contribution rate	47.97% ²	47.97%
• Member	10.00%	10.00%
Assets		
• Market value	\$147,496	\$131,278
• Actuarial value	152,839	147,648
• Return on market value	15.3%	10.3%
• Return on actuarial value	6.6%	4.6%
• Ratio of actuarial to market value of assets	103.6%	112.5%
• External cash flow %	-3.1%	-3.6%
Actuarial Information		
• Normal cost %	27.67%	27.30%
• Actuarial accrued liability (AAL)	\$264,293	\$256,988
• Unfunded actuarial accrued liability (UAAL)	111,454	109,340
• Funded ratio	57.8%	57.5%
• Funding period (years)	28	28
Reconciliation of UAAL		
• Beginning of Year UAAL	\$109,340	\$106,125
- Interest on UAAL	8,201	7,959
- Amortization payment	(6,227)	(6,839)
- Assumption/method changes	0	0
- Asset experience	1,336	4,093
- COLA	(1,733)	(5,358)
- Salary experience	(2,323)	2
- Other liability experience	2,860	3,358
- Legislative Changes	0	0
• End of Year UAAL	\$111,454	\$109,340

¹ Active member counts include unfilled positions and members in DROP or Retired-in-Place.

² The contribution rate determined by the July 1, 2014 actuarial valuation is subject to approval and adoption by the Public Employee Benefit Authority before becoming effective for the fiscal year beginning July 1, 2016. The contribution rate includes the cost of incidental death benefits.

EXECUTIVE SUMMARY (CONTINUED)

The unfunded actuarial accrued liability increased by \$2.1 million since the prior year's valuation to \$111.5 million. The largest source of this increase is the \$2.0 million increase because the contributions to the plan attributable to financing the unfunded actuarial accrued liability were less than the interest cost on the unfunded liability. Below is a chart with the historical actuarial value of assets and actuarial accrued liability for JSRS.



There are still \$5.3 million in deferred investment losses as of the valuation date (compared to \$16.4 million in deferred investment losses in the prior year's valuation). Absent favorable investment experience, those deferred losses will be reflected in the actuarial value of assets over the next few years.

However, due to net actuarial gains in the actuarial accrued liability, the recommended employer contribution rate remains unchanged at 47.97% of pay. Absent legislative changes or significantly favorable investment experience, it is likely that the contribution rate will increase in future years as the \$5.3 million deferred investment loss becomes recognized in the actuarial value of assets.

SECTION B

DISCUSSION

DISCUSSION

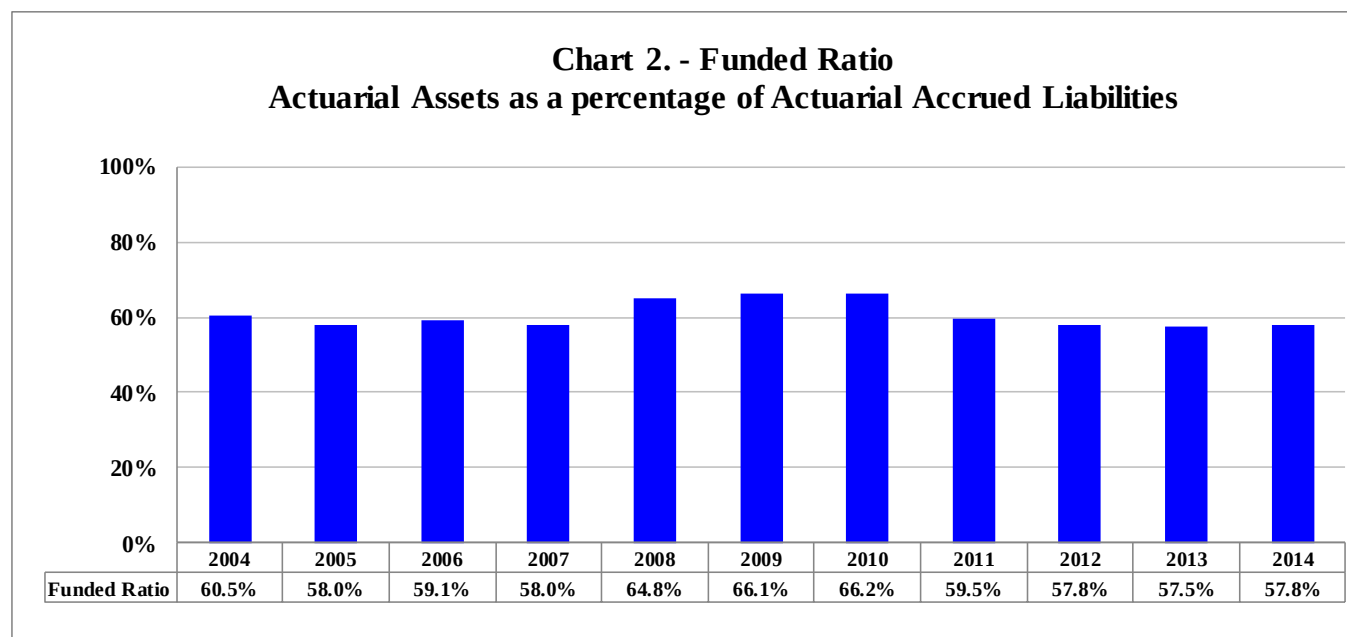
The results of the July 1, 2014 actuarial valuation of the Retirement System for Judges and Solicitors are presented in this report. The purposes of the valuation report are to depict the current financial condition of the System, determine the amortization period resulting from the current contribution rates, and analyze changes in the System's financial condition. In addition, the report provides various summaries of the members participating in the plan.

This section discusses the determination of the current funding requirements and the System's funded status, as well as changes in the financial condition of the retirement system.

All of the actuarial and financial tables referenced by the other sections of this report appear in Section C. Section D provides member data and statistical information. Appendices A and B provide summaries of the principle actuarial assumptions and methods and plan provisions. Finally, Appendix C provides a glossary of technical terms that are used throughout this report.

Funding Progress

The funded ratio slightly increased from 57.5% to 57.8% since the prior valuation. As shown in the table below, the funding ratio (on a smoothed asset basis) has been relatively level over the past 10 years. Table 10, Schedule of Funding Progress, in the following section of the report provides additional detail regarding the funding progress of the Retirement System.



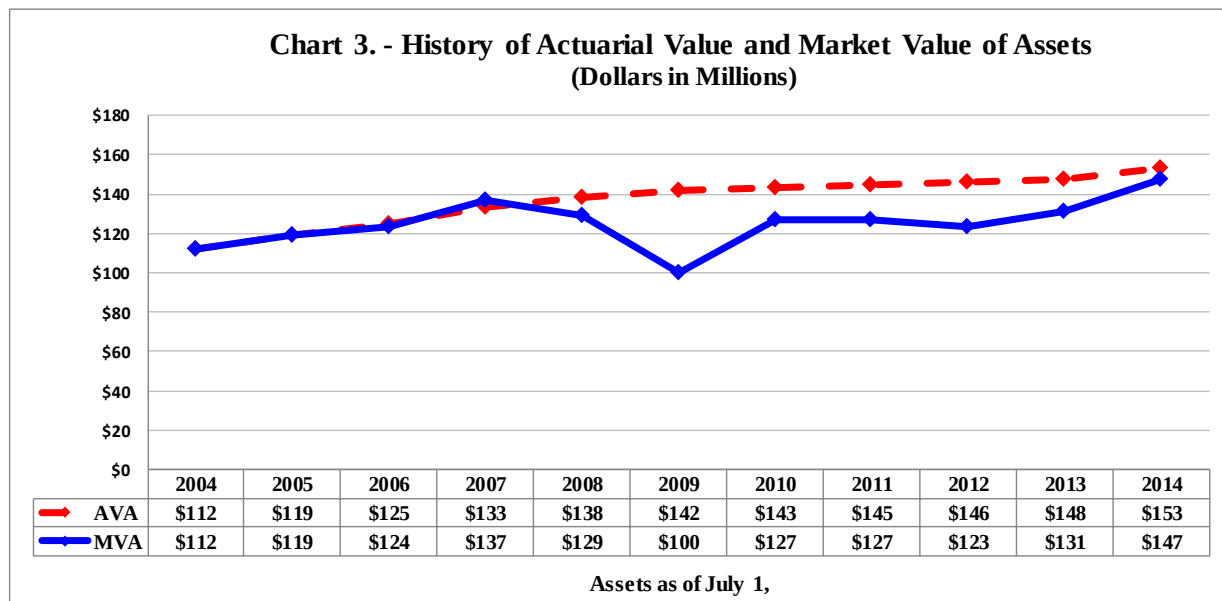
It is expected that the funded ratio (on an actuarial value of asset basis) will remain relatively constant for the next few years, then gradually improve. Also, based on the current funding policy and contribution rates, we expect the dollar amount of the unfunded actuarial accrued liability, or the difference between the actuarial accrued liability and the actuarial value of assets, to gradually increase for the next eight to ten years before beginning to decrease.

Asset Gains/(Losses)

The actuarial value of assets (“AVA”) is based on a smoothed market value of assets, using a systematic approach to phase-in actual investment return in excess of (or less than) the expected investment income. This is appropriate because it dampens the short-term volatility inherent in investment markets. The expected investment income is determined using the assumed annual investment return rate and the actuarial value of assets (adjusted for receipts and disbursements during the year). The returns are computed net of administrative and investment expenses. The actuarial value of assets increased from \$147.6 million to \$152.8 million since the prior valuation. Table 8 in the following section of the report provides the development of the actuarial value of assets.

The rate of return on the mean market value of assets in 2014 was 15.3%. Additionally, because of the recognition of prior investment experience, the actuarial (smoothed) asset value returned only 6.6%. This difference in the estimated return on market value and actuarial value illustrates the smoothing effect of the asset valuation method.

The market value of assets is less than the actuarial value of assets, which signifies that the retirement system is in a position of deferred losses. Therefore, unless the System experiences investment returns in excess of the assumed rate of return, the future recognition of these deferred losses is expected to increase the unfunded actuarial accrued liability and decrease the System’s funded ratio over the next few years.



Tables 6 and 7 in the following section of this report provide asset information that was included in the annual financial statements of the System. Also, Table 9 shows the estimated yield on a market value basis and on the actuarial asset valuation method.

Due to GASB No. 67, Financial Reporting for Pension Plans, which became effective June 30, 2014, plan assets for the system now only consider the DROP benefits that are immediately due and payable but not yet distributed as a benefit payable (rather than the entire outstanding DROP balance that is held by the plan). As a result of this retroactive change in accounting principle, plan assets as of July 1, 2013 have also been restated.

As of July 1, 2014, JSRS had an outstanding balance of \$0 in DROP benefits. Therefore, there was a \$0 net increase in plan assets as of the valuation date due to the change in accounting principle. Since the DROP balance is no longer considered immediately payable but not yet distributed, the actuarial accrued liability as of the valuation date, and in future dates, will include this amount, resulting in a net \$0 change in the unfunded actuarial accrued liability.

Actuarial Gains/(Losses) and the Contribution Requirement

The annual actuarial valuation is a snapshot analysis of the benefit liabilities, assets and funded position of the System as of the first day of the plan year. In any one fiscal year, the experience can be better or worse from that which is assumed or expected. The actuarial assumptions do not necessarily attempt to model what the experience will be for any one given fiscal year, but instead try to model the overall experience over many years. The demographic experience for the last year is briefly summarized in the chart below.

The unfunded actuarial accrued liability (UAAL) has increased from \$109.3 million in 2013 to \$111.5 million in 2014. The table below shows the source of the gains and losses and the impact of those gains and losses on the UAAL.

Reconciliation of UAAL	
(Dollars in thousands)	
• Beginning of Year UAAL	\$109,340
- Interest on UAAL	8,201
- Amortization payment	(6,227)
- Assumption/method changes	0
- Asset Experience	1,336
- COLA	(1,733)
- Salary Experience	(2,323)
- Other Liability Experience	2,860
- Legislative Changes	0
• End of Year UAAL	<u>\$111,454</u>

The following table provides a reconciliation of the change in the funding period from 2013 to 2014 based on the current employer contribution rate of 47.97%. The liability experience providing the largest positive impact to the funding period includes the impact of deferred losses and other negative demographic experience.

Change in Funding Period (Years) Based on a 47.97% Contribution Rate	
• Prior Year	27.9
- Expected Experience	(0.7)
- Assumption Change	0.0
- Asset Experience	0.7
- COLA Experience	(0.9)
- Salary Experience	(0.6)
- Other Demographic Experience	1.8
- Legislative Changes	0.0
- Total Change	0.3
• Current Year Valuation	28.2

This funding method and contribution policy is designed to result in relatively level contribution requirements from year to year. However, absent favorable future investment or liability experience, it is possible the contribution requirement will increase over the next several years as existing deferred investment losses become fully recognized in the actuarial value of assets and the calculation of the recommended contribution rate.

Also, note that the current funding policy utilizes a level percentage of payroll amortization method, which assumes that covered payroll will increase at the rate of 3.00% per year in the future (it does not assume an increase in active membership). As a result, the amortization payments will not be sufficient to cover all of the interest charges on the UAAL until the funding period decrease to approximately 20 years. Therefore, stakeholders should expect the dollar amount of the unfunded actuarial accrued liability to gradually increase until the funding period decreases below 20 years.

GASB No. 27 Disclosures

Accounting requirements for JSRS are provided by the Governmental Accounting Standards Board Statements No. 27 (“GASB 27”) and No. 67 (“GASB 67”).

GASB No. 27, Accounting for Pensions by State and Local Governmental Employers, continues to remain applicable for the financial reporting for the State of South Carolina, the sole participating employer and contributing entity to the System, for the fiscal year ending June 30, 2014. As a result, we continue to provide information as required by GASB No. 25 and 27. GASB 27 requires that plans calculate an Annual Required Contribution (“ARC”), and, if actual contributions received are less than the ARC, this must be disclosed. The ARC is calculated in accordance with certain parameters. In particular, it includes a payment to amortize the UAAL. This amortization payment must be computed using a funding period no greater than thirty (30) years. For this disclosure, PEBA treats the contribution rate established by the Board as the ARC, as long as this produces a funding period that does not exceed 30 years. Note, GASB No. 68 will supersede GASB No. 27 for fiscal years ending after June 15, 2015.

GASB No. 67, Financial Reporting for Pension Plans, superseded GASB No. 25 for the fiscal year ending June 30, 2014. As a result, this is the first year for PEBA to disclose the financial information under this accounting standard. A separate report has been issued with regard to valuation results determined in accordance with GASB No. 67.

Actuarial Assumptions and Methods

In determining costs and liabilities, actuaries use assumptions about the future, such as probabilities of retirement, termination, death and disability, and an annual investment return assumption. The actuarial assumptions and methods used to determine the results of the 2014 actuarial valuation are the same as those used for the prior year's valuation.

Due to GASB No. 67, Financial Reporting for Pension Plans, which became effective June 30, 2014, plan assets for the system now only consider the DROP benefits that are immediately due and payable but not yet distributed as a benefit payable (rather than the entire outstanding DROP balance that is held by the plan). As a result of this retroactive change in accounting principle, plan assets as of July 1, 2013 have also been restated.

As of July 1, 2014, JSRS had an outstanding balance of \$0 in DROP benefits. Therefore, there was a \$0 net increase in plan assets as of the valuation date due to the change in accounting principle. Since the DROP balance is no longer considered immediately payable but not yet distributed, the actuarial accrued liability as of the valuation date, and in future dates, will include this amount, resulting in a net change of \$0 in the unfunded actuarial accrued liability.

Appendix A includes a summary of the actuarial assumptions and methods used in this valuation.

It is our opinion that the assumptions are internally consistent and are reasonable and reflect anticipated future experience of the System.

Benefit Provisions

Appendix B of this report includes a summary of the benefit provisions for JSRS. SB 1008 was enacted during the 2014 legislative session that provided an opportunity for Administrative Law Judges to elect to participate in JSRS and transfer their prior service earned in SCRS to JSRS (provided they make the necessary contributions associated with the service transfer). As of the date of the actuarial valuation, July 1, 2014, there have not been any Administrative Law Judges that have made an election to participate in JSRS. In the event that there are any Administrative Law Judges who elect to participate in JSRS during fiscal year 2015, an actuarial impact will be identified in the subsequent year's valuation performed as of July 1, 2015. There have been no other changes in the plan provisions since the preceding actuarial valuation.

Below is a summary of the retirement provisions for members in the Retirement System.

Summary of Retirement Provisions

- A retirement benefit equal to 71.3% of the current active salary of the position from which the member retired plus an additional 2.67% of compensation for each year of service beyond 25 years for judges and 24 years for solicitors and public defenders (subject to a maximum retirement allowance that does not exceed 90% of salary).
- The normal form of payment for a married member is a 33 1/3 joint and survivor annuity.
- Active members contribute 10% of compensation.
- Members are eligible for retirement after they have (i) attained age 70 with 15 years of service, or (ii) attained age 65 with 20 years of service or (iii) completed 25 years of creditable service for judges and 24 years for solicitors and public defenders regardless of age.
- Members who have accrued a retirement allowance that is 90% of salary may elect to “retire in place” and begin to receive their accrued retirement benefits while remaining employed. Members who have retired in place but have not attained age 60 will have their retirement benefit paid into a deferred retirement option program (DROP) and receive the balance of their DROP account upon attaining age 60.
- The mandatory retirement age is 72.

SECTION C

ACTUARIAL TABLES

ACTUARIAL TABLES

<u>TABLE NUMBER</u>	<u>PAGE</u>	<u>CONTENT OF TABLE</u>
1	16	SUMMARY OF COST ITEMS
2	17	ACTUARIAL PRESENT VALUE OF FUTURE BENEFITS
3	18	ANALYSIS OF NORMAL COST
4	19	RESULTS OF JULY 1, 2014 VALUATION
5	20	ACTUARIAL BALANCE SHEET
6	21	SYSTEM NET ASSETS
7	22	RECONCILIATION OF SYSTEM NET ASSETS
8	23	DEVELOPMENT OF ACTUARIAL VALUE OF ASSETS
9	24	ESTIMATION OF YIELDS
10	25	SCHEDULE OF FUNDING PROGRESS
11	26	NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
12	27	SOLVENCY TEST

Summary of Cost Items
(Dollar amounts expressed in thousands)

	July 1, 2014 (1)	July 1, 2013 (2)
1. Projected payroll of active members ¹	\$ 20,815	\$20,407
2. Present value of future pay	\$ 142,574	\$ 136,404
3. Normal cost rate		
a. Total normal cost rate	27.67%	27.30%
b. Less: member contribution rate	<u>-10.00%</u>	<u>-10.00%</u>
c. Employer normal cost rate	17.67%	17.30%
4. Actuarial accrued liability for active members		
a. Present value of future benefits	\$ 117,909	\$ 114,454
b. Less: present value of future normal costs	<u>(38,300)</u>	<u>(36,051)</u>
c. Actuarial accrued liability	\$ 79,609	\$ 78,403
5. Total actuarial accrued liability for:		
a. Retirees and beneficiaries	\$ 184,625	\$ 178,526
b. Inactive members	59	59
c. Active members (Item 4c)	<u>79,609</u>	<u>78,403</u>
d. Total	\$ 264,293	\$ 256,988
6. Actuarial value of assets	\$ 152,839	\$ 147,648
7. Unfunded actuarial accrued liability (UAAL) (Item 5d - Item 6)	\$ 111,454	\$ 109,340
8. GASB No. 25 Annual Required Contribution Rate		
a. Employer normal cost rate	17.67%	17.30%
b. Employer contribution rate available to amortize the UAAL	<u>30.30%</u>	<u>30.67%</u>
c. Total employer contribution rate ²	47.97%	47.97%
9. Funding period based on the current employer contribution rate (years)	28	28

¹ The projected payroll is based on all filled and unfilled positions.

Actuarial Present Value of Future Benefits
(Dollar amounts expressed in thousands)

	July 1, 2014 (1)	July 1, 2013 (2)
1. Active members		
a. Service retirement	\$ 107,225	\$ 104,368
b. Survivor benefits	3,267	3,094
c. Disability benefits	7,417	6,992
d. Total	\$ 117,909	\$ 114,454
2. Retired members		
a. Service retirement	\$ 168,102	\$ 162,352
b. Disability retirement	0	761
c. Beneficiaries	16,523	15,413
d. Total	\$ 184,625	\$ 178,526
3. Inactive members		
a. Vested terminations	\$ 0	\$ 0
b. Nonvested terminations	59	59
c. Total	\$ 59	\$ 59
4. Total actuarial present value of future benefits	\$ 302,593	\$ 293,039

Analysis of Normal Cost

	<u>July 1, 2014</u>	<u>July 1, 2013</u>
	(1)	(2)
1. Total normal cost rate		
a. Service retirement	22.24%	22.05%
b. Survivor benefits	1.67%	1.64%
c. Disability benefits	<u>3.76%</u>	<u>3.61%</u>
d. Total	27.67%	27.30%
2. Less: member contribution rate	<u>10.00%</u>	<u>10.00%</u>
3. Net employer normal cost rate	17.67%	17.30%

Note: The normal cost includes the cost for incidental death benefits.

Results of July 1, 2014 Valuation
(Dollar amounts expressed in thousands)

	July 1, 2014 (1)
1. Actuarial Present Value of Future Benefits	
a. Present retired members and beneficiaries	\$ 184,625
b. Present active and inactive members	117,968
c. Total actuarial present value	<u>\$ 302,593</u>
2. Present Value of Future Normal Contributions	
a. Employee	\$ 14,257
b. Employer	24,043
c. Total future normal contributions	<u>\$ 38,300</u>
3. Actuarial Liability	\$ 264,293
4. Current Actuarial Value of Assets	\$ 152,839
5. Unfunded Actuarial Liability	\$ 111,454
6. UAAL Amortization rates based on a 47.97% employer contribution rate	
a. Active members	30.30%
b. DROP and Retired-in-Place Members (including employee contributions)	57.97%
7. Unfunded Actuarial Liability Liquidation Period	28 Years

Note: The employer contribution rate includes the cost for incidental death benefits.

Actuarial Balance Sheet
(Dollar amounts expressed in thousands)

	July 1, 2014 (1)	July 1, 2013 (2)
1. Assets		
a. Current assets (actuarial value)		
i. Employee annuity savings fund	\$ 22,926	\$ 21,369
ii. Employer annuity accumulation fund	129,913	126,279
iii. Total current assets	\$ 152,839	\$ 147,648
b. Present value of future member contributions	\$ 14,257	\$ 13,640
c. Present value of future employer contributions		
i. Normal contributions	\$ 24,043	\$ 22,411
ii. Accrued liability contributions	111,454	109,340
iii. Total future employer contributions	\$ 135,497	\$ 131,751
d. Total assets	\$ 302,593	\$ 293,039
2. Liabilities		
a. Employee annuity savings fund		
i. Past member contributions	\$ 22,926	\$ 21,369
ii. Present value of future member contributions	14,257	13,640
iii. Total contributions to employee annuity savings fund	\$ 37,183	\$ 35,009
b. Employer annuity accumulation fund		
i. Benefits currently in payment	\$ 184,625	\$ 178,526
ii. Benefits to be provided to other members	80,785	79,504
iii. Total benefits payable from employer annuity accumulation fund	\$ 265,410	\$ 258,030
c. Total liabilities	\$ 302,593	\$ 293,039

System Net Assets
Assets at Market or Fair Value
(Dollar amounts expressed in thousands)

Item (1)	July 1, 2014 (2)	July 1, 2013 (3)
1. Cash and cash equivalents (operating cash)	\$ 16,219	\$ 16,807
2. Receivables	5,074	4,559
3. Investments		
a. Short-term securities	\$ 4,060	\$ 2,292
b. Domestic fixed income	27,804	32,743
c. Global fixed income	12,043	9,387
d. Domestic equities	12,282	8,536
e. Global equities	18,509	8,311
f. Global tactical asset allocation	10,293	0
g. Alternative investments	44,958	56,957
h. Total investments	\$ 129,949	\$ 118,226
4. Securities lending cash collateral invested	\$ 353	\$ 513
5. Prepaid administrative expenses	11	6
6. Capital assets, net of accumulated depreciation	13	13
7. Total assets	\$ 151,619	\$ 140,124
8. Liabilities		
a. Due to other systems	\$ 0	\$ 0
b. Accounts payable	3,457	6,545
c. Investment fees payable	45	45
d. Obligations under securities lending	353	513
e. Deferred retirement benefits	0	707
f. Due to employee insurance program	0	0
g. Benefit payable	0	0
h. Other liabilities	268	1,036
i. Total liabilities	\$ 4,123	\$ 8,846
9. Total market value of assets available for benefits (Item 7. - Item 8.i.)	\$ 147,496	\$ 131,278
10. Asset allocation (investments) ¹		
a. Net invested cash	14.6%	11.7%
b. Domestic fixed income	18.9%	24.9%
c. Global fixed income	8.2%	7.2%
d. Domestic equities	8.3%	6.5%
e. Global equities	12.5%	6.3%
f. Global tactical asset allocation	7.0%	0.0%
g. Alternative investments	30.5%	43.4%
h. Total investments	100.0%	100.0%

¹ These asset allocations are calculated based on the dollar amounts shown in items 1. through 9. above and, due to cash flow and rebalancing timing, may be slightly different than the allocation percentages reported by the South Carolina Retirement System Investment Commission.

Reconciliation of System Net Assets
(Dollar amounts expressed in thousands)

	Year Ending	
	July 1, 2014 (1)	July 1, 2013 (2)
1. Value of assets at beginning of year ¹	\$ 131,985	\$ 123,359
2. Revenue for the year		
a. Contributions		
i. Member contributions	\$ 2,448	\$ 2,596
ii. Employer contributions	9,659	8,667
iii. Total	<u>\$ 12,107</u>	<u>\$ 11,263</u>
b. Income		
i. Interest, dividends, and other income	\$ 1,747	\$ 1,521
ii. Investment expenses	<u>(2,276)</u>	<u>(2,023)</u>
iii. Net	<u>\$ (529)</u>	<u>\$ (502)</u>
c. Net realized and unrealized gains (losses)	<u>20,491</u>	<u>13,142</u>
d. Total revenue	<u>\$ 32,069</u>	<u>\$ 23,903</u>
3. Expenditures for the year		
a. Disbursements		
i. Refunds	\$ 0	\$ 57
ii. Regular annuity benefits	16,675	15,866
iii. Other benefit payments	10	134
iv. Transfers to other systems	<u>(195)</u>	<u>(184)</u>
v. Total	<u>\$ 16,490</u>	<u>\$ 15,873</u>
b. Administrative expenses and depreciation	<u>68</u>	<u>111</u>
c. Total expenditures	<u>\$ 16,558</u>	<u>\$ 15,984</u>
4. Increase in net assets (Item 2. - Item 3.)	<u>\$ 15,511</u>	<u>\$ 7,919</u>
5. Value of assets at end of year (Item 1. + Item 4.)	<u>\$ 147,496</u>	<u>\$ 131,278</u>
6. Net external cash flow		
a. Dollar amount	\$ (4,383)	\$ (4,610)
b. Percentage of market value	-3.1%	-3.6%

¹ Restated assets at July 1, 2013 to included outstanding balance of DROP to conform with GASB No. 67.

Development of Actuarial Value of Assets
(Dollar amounts expressed in thousands)

	July 1, 2014 (1)
1. Actuarial value of assets at the prior valuation date	\$ 147,648
2. Market value of assets at the prior valuation date	\$ 131,278
3. Net external cash flow during the year	
a. Contributions	\$ 12,107
b. Disbursements	(16,490)
c. Subtotal	\$ (4,383)
4. Expected net investment income at 7.50% earned on	
a. Actuarial value of assets at the prior valuation date	\$ 11,074
b. Contributions	454
c. Disbursements	(618)
d. Subtotal	\$ 10,910
5. Expected actuarial value of assets, end of year (Item 1. + Item 3.c. + Item 4.d.)	\$ 154,175
6. Market value of assets as of the current valuation date ¹	\$ 147,496
7. Difference between expected actuarial assets and market value of assets (Item 6. - Item 5.)	\$ (6,679)
8. Excess/(shortfall) recognized (20% of Item 7.)	\$ (1,336)
9. Actuarial value of plan assets, end of year, before reflection of restatement of the market value (Item 5. + Item 8.)	\$ 152,839
10. Asset gain (loss) for year (Item 9. - Item 5.)	\$ (1,336)
11. Asset gain (loss) as % of the actuarial value of assets	(0.87%)
12. Adjustment to the market and actuarial value of assets due to the restatement of the market value of assets to reflect TERI to conform with GASB No. 67	\$ 0
13. Market value of assets as of the current valuation date ² (Item 6. + Item 12.)	\$ 147,496
14. Final Actuarial Value of Assets (Item 9. + Item 12.)	\$ 152,839
15. Ratio of AVA to MVA	103.6%

¹ Market value of assets prior to restatement for conformity with GASB No. 67.

² Market value of assets restated to include outstanding balance of TERI to conform with GASB No. 67.

Estimation of Yields
(Dollar amounts expressed in thousands)

	Year Ending	
	July 1, 2014 (1)	July 1, 2013 (2)
1. Market value yield		
a. Beginning of year market assets ¹	\$ 131,985	\$ 123,359
b. Contributions to fund during the year	12,107	11,263
c. Disbursements	(16,490)	(15,873)
d. Investment income (net of investment and administrative expenses)	<u>19,894</u>	<u>12,529</u>
e. End of year market assets	\$ 147,496	\$ 131,278
f. Estimated dollar weighted market value yield	15.3%	10.3%
2. Actuarial value yield		
a. Beginning of year actuarial assets	\$ 147,648	\$ 145,604
b. Contributions to fund during the year	12,107	11,263
c. Disbursements	(16,490)	(15,873)
d. Investment income (net of investment and administrative expenses)	<u>9,574</u>	<u>6,654</u>
e. End of year actuarial assets	\$ 152,839	\$ 147,648
f. Estimated actuarial value yield	6.6%	4.6%

¹ Market value of assets at July 1, 2013 has been restated to include outstanding balance of DROP to conform with GASB No. 67.

Schedule of Funding Progress
(Dollar amounts expressed in thousands)

July 1,	Actuarial Value of	Actuarial Accrued	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered	UAAL as % of
(1)	Assets (AVA)	Liability (AAL)	(UAAL) (3) - (2)	(2)/(3)	Payroll	Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
2001	\$ 94,795	\$ 159,246	\$ 64,451	59.5%	\$ 14,109	456.8%
2002	100,074	166,440	66,366	60.1%	14,211	467.0%
2003	106,114	166,655	60,541	63.7%	14,437	419.3%
2004	112,016	185,052	73,036	60.5%	14,870	491.2%
2005	118,888	204,847	85,959	58.0%	15,465	555.8%
2006	124,837	211,384	86,547	59.1%	15,929	543.3%
2007	132,990	229,388	96,398	58.0%	16,407	587.5%
2008	138,323	213,406	75,083	64.8%	18,661	402.4%
2009	141,797	214,363	72,566	66.1%	18,661	388.9%
2010	142,871	215,823	72,952	66.2%	18,661	390.9%
2011	144,927	243,514	98,587	59.5%	18,661	528.3%
2012	145,604	251,729	106,125	57.8%	19,221	552.1%
2013	147,648	256,988	109,340	57.5%	20,407	535.8%
2014	152,839	264,293	111,454	57.8%	20,815	535.4%

**Notes to Required Supplementary Information
(as required by GASB #27)**

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

Valuation date:	July 1, 2014
Actuarial cost method:	Entry Age Normal
Amortization method:	Level percentage of payroll
Amortization period for GASB 27 ARC:	28-year open period ¹
Asset valuation method:	5-year smoothed market
Actuarial assumptions:	
Investment rate of return ²	7.50%
Projected salary increases ²	3.00%
Inflation	2.75%
Cost-of-living adjustments	3.00%

¹ The Board will maintain the prior year's contribution rate to the extent the amortization period does not exceed 30 years.

² Includes inflation at 2.75%

Solvency Test
(Dollar amounts expressed in thousands)

July 1, (1)	Actuarial Accrued Liability			Valuation Assets (5)	Portion of Aggregate Accrued Liabilities Covered by Assets		
	Active Member Contributions	Retirants & Beneficiaries	Active & Inactive Members (Employer Financed)		Active	Retirants	ER Financed
	(2)	(3)	(4)		(6)	(7)	(8)
2001	\$ 15,254	\$ 97,512	\$ 46,480	\$ 94,795	100.0%	81.6%	0.0%
2002	16,162	101,716	48,562	100,074	100.0%	82.5%	0.0%
2003	16,545	96,409	53,701	106,114	100.0%	92.9%	0.0%
2004	17,640	106,159	61,253	112,016	100.0%	88.9%	0.0%
2005	20,005	110,876	73,966	118,888	100.0%	89.2%	0.0%
2006	21,857	112,823	76,704	124,837	100.0%	91.3%	0.0%
2007	18,999	149,435	60,954	132,990	100.0%	76.3%	0.0%
2008	17,367	141,510	54,529	138,323	100.0%	85.5%	0.0%
2009	18,431	144,464	51,468	141,797	100.0%	85.4%	0.0%
2010	17,816	150,696	47,311	142,871	100.0%	83.0%	0.0%
2011	18,864	169,841	54,809	144,927	100.0%	74.2%	0.0%
2012	20,005	177,483	54,241	145,604	100.0%	70.8%	0.0%
2013	21,369	178,526	57,093	147,648	100.0%	70.7%	0.0%
2014	22,926	184,625	56,742	152,839	100.0%	70.4%	0.0%

SECTION D

MEMBERSHIP DATA

MEMBERSHIP TABLES

<u>TABLE NUMBER</u>	<u>PAGE</u>	<u>CONTENT OF TABLE</u>
13	30	SUMMARY OF MEMBERSHIP DATA
14	31	SUMMARY OF HISTORICAL ACTIVE MEMBERSHIP
15	32	DISTRIBUTION OF ACTIVE MEMBERS BY AGE AND BY YEARS OF SERVICE
16	33	DISTRIBUTION OF ANNUITANTS BY MONTHLY BENEFIT
17	34	SCHEDULE OF RETIREES ADDED TO AND REMOVED FROM ROLLS

Summary of Membership Data

	July 1, 2014 (1)	July 1, 2013 (2)
1. Active members		
a. Males	114	111
b. Females	38	34
c. Total members ¹	152	145
d. Total annualized pay ²	\$ 20,815,396	\$ 20,407,314
e. Average pay ²	\$ 136,048	\$ 133,381
f. Average age	56.3	56.0
g. Average credited service	15.1	15.5
h. Member contributions with interest	\$ 22,926,000	\$ 21,369,000
i. Average contributions with interest	\$ 150,829	\$ 147,372
2. Vested inactive members		
a. Number	0	0
b. Total annual deferred benefits	\$ 0	\$ 0
c. Average annual deferred benefit	\$ 0	\$ 0
3. Nonvested inactive members		
a. Number	2	2
b. Member contributions with interest	\$ 59,482	\$ 59,482
c. Average contributions with interest	\$ 29,741	\$ 29,741
4. Service retirees		
a. Number ¹	148	147
b. Total annual benefits	\$ 14,784,469	\$ 14,359,793
c. Average annual benefit	\$ 99,895	\$ 97,686
d. Average age at the valuation date	70.3	70.2
5. Disabled retirees		
a. Number	0	1
b. Total annual benefits	\$ 0	\$ 95,702
c. Average annual benefit	\$ 0	\$ 95,702
d. Average age at the valuation date	N/A	78.7
6. Beneficiaries		
a. Number	56	53
b. Total annual benefits	\$ 1,617,934	\$ 1,501,885
c. Average annual benefit	\$ 28,892	\$ 28,337
d. Average age at the valuation date	69.5	69.6

¹ Includes members in DROP and Retired-in-Place. It does not include unfilled positions.

² Based on filled and unfilled positions.

Summary of Historical Active Membership

July 1, (1)	Active Members		Covered Payroll	Average Annual Pay		Average Age (7)	Average Service (8)
	Number of Employers (2)	Number ¹ (3)	Amount in Thousands ¹ (4)	Amount (5)	Percent Increase /(Decrease) (6)		
2001	2	128	\$ 14,109	\$ 110,223	4.26%	N/A	N/A
2002	2	128	14,211	111,026	0.73%	53	16
2003	2	128	14,437	112,789	1.59%	54	17
2004	2	128	14,870	116,172	3.00%	54	18
2005	2	128	15,465	120,820	4.00%	55	19
2006	2	128	15,929	124,445	3.00%	55	20
2007	2	128	16,407	128,176	3.00%	55	19
2008	3	144	18,661	129,590	1.10%	54	15
2009	3	144	18,661	129,590	0.00%	55.0	15.4
2010	3	144	18,661	129,590	0.00%	54.9	15.0
2011	3	144	18,661	129,590	0.00%	55.1	14.3
2012	3	144	19,221	133,476	3.00%	55.6	15.1
2013	3	153	20,407	133,381	-0.07%	56.0	15.5
2014	3	153	20,815	136,048	2.00%	56.3	15.1

¹ Includes filled and unfilled positions and members in DROP or Retired-in-Place.

Distribution of Active Members by Age and by Years of Service

Attained Age	Years of Credited Service												Total Count & Avg. Comp.
	0 Count & Avg. Comp.	1 Count & Avg. Comp.	2 Count & Avg. Comp.	3 Count & Avg. Comp.	4 Count & Avg. Comp.	5-9 Count & Avg. Comp.	10-14 Count & Avg. Comp.	15-19 Count & Avg. Comp.	20-24 Count & Avg. Comp.	25-29 Count & Avg. Comp.	30-34 Count & Avg. Comp.	35 & Over Count & Avg. Comp.	
Under 20	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0
20-24	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0
25-29	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0
30-34	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0
35-39	0 \$0	1 \$134,221	0 \$0	0 \$0	0 \$0	1 \$134,221	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	2 \$134,221
40-44	0 \$0	3 \$124,936	0 \$0	1 \$134,221	1 \$130,689	4 \$133,338	2 \$134,221	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	11 \$131,047
45-49	1 \$133,098	5 \$125,826	1 \$130,689	1 \$134,221	1 \$130,689	5 \$133,515	2 \$132,455	3 \$134,221	4 \$134,151	0 \$0	0 \$0	0 \$0	23 \$131,721
50-54	0 \$0	2 \$132,455	2 \$132,455	5 \$131,395	3 \$131,866	3 \$134,221	3 \$134,928	4 \$132,455	5 \$134,221	1 \$137,753	0 \$0	0 \$0	28 \$133,161
55-59	2 \$133,098	4 \$123,705	0 \$0	2 \$132,455	0 \$0	2 \$134,221	1 \$134,221	6 \$133,632	8 \$133,779	3 \$137,753	2 \$130,689	0 \$0	30 \$132,508
60-64	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	9 \$131,465	0 \$0	5 \$131,395	5 \$132,102	1 \$134,221	8 \$134,634	0 \$0	28 \$132,570
65 & Over	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	7 \$132,707	2 \$134,221	1 \$130,689	2 \$134,221	2 \$134,221	16 \$132,563	0 \$0	30 \$132,866
Total	3 \$133,098	15 \$126,526	3 \$131,866	9 \$132,259	5 \$131,395	31 \$132,851	10 \$134,080	19 \$132,734	24 \$133,621	7 \$136,239	26 \$133,056	0 \$0	152 \$132,508

Membership information includes active and retired-in-place. It does not include unfilled positions.

Distribution of Annuitants by Monthly Benefit

Monthly Benefit Amount			Number of Annuitants	Female	Male	Average Service
(1)			(2)	(3)	(4)	(5)
Under \$500			0	0	0	0.00
\$	500	- 999	10	7	3	25.37
	1,000	- 1,499	0	0	0	0.00
	1,500	- 1,999	4	3	1	14.81
	2,000	- 2,499	2	2	0	19.00
	2,500	- 2,999	29	28	1	20.62
	3,000	- 3,499	16	15	1	29.77
	3,500	- 3,999	3	2	1	18.94
	4,000	- 4,499	3	1	2	13.00
	4,500	- 4,999	2	0	2	19.63
	5,000	- 5,499	2	0	2	15.63
	5,500	- 5,999	4	3	1	21.02
	6,000	- 6,499	2	1	1	18.92
	6,500	- 6,999	4	0	4	19.44
	7,000	- 7,499	4	0	4	24.06
	7,500	- 7,999	16	3	13	23.20
	8,000	- 8,499	34	0	34	22.87
	8,500	- 8,999	16	0	16	28.14
	9,000	- 9,499	4	1	3	28.46
	9,500	- 9,999	20	5	15	31.44
	10,000	& Over	29	12	17	31.75
Total			204	83	121	25.24

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

July 1, (1)	Added to Rolls		Removed from Rolls		Rolls End of the Year		% Increase in Annual Benefit (8)	Average Annual Benefit (9)
	Number (2)	Annual Benefits (3)	Number (4)	Annual Benefits (5)	Number (6)	Annual Benefits (7)		
2001	9	\$ 685	6	\$ 442	118	\$ 7,594	3.3%	\$ 64,356
2002	13	706	5	248	126	8,052	6.0%	63,905
2003	11	716	7	493	130	8,275	2.8%	63,654
2004	11	925	2	139	139	9,061	9.5%	65,190
2005	3	581	1	27	141	9,615	6.1%	68,191
2006	4	464	1	28	144	10,051	4.5%	69,799
2007	32	2,690	1	30	175	12,711	26.5%	72,634
2008	6	545	3	156	178	13,100	3.1%	73,596
2009	10	903	4	259	184	13,744	4.9%	74,696
2010	18	1,210	8	593	194	14,361	4.5%	74,025
2011	9	827	5	196	198	14,992	4.4%	75,717
2012	6	912	4	184	200	15,720	4.9%	78,600
2013	10	279	9	42	201	15,957	1.5%	79,388
2014	7	637	4	192	204	16,402	2.8%	80,402

Beginning July 1, 2007, includes participants who have retired in place.

Annual benefits added to rolls include COLAs for continuing retirees.

The removed from rolls count does not include members who are replaced by beneficiaries.

APPENDIX A

ACTUARIAL ASSUMPTIONS AND METHODS

Summary of Actuarial Methods and Assumptions

The following presents a summary of the actuarial assumptions and methods used in the valuation of the Retirement System for Judges and Solicitors of South Carolina.

Investment Rate of Return

Assumed annual rate of 7.50% net of investment and administrative expenses composed of a 2.75% inflation component and a 4.75% real rate of return, net of investment and administration expenses.

Rates of Annual Salary Increase

Rates of salary are assumed to increase at an annual rate of 3.00%.

Active Member Decrement Rates

- a. Assumed rates of service retirement are shown in the following table. In addition to the rates in the table below, all participants are assumed to retire upon reaching the mandatory retirement age of 72.

Assumed Rates of Retirement							
<u>Solicitors and Public Defenders</u>				<u>Judges</u>			
Age	Service	RIP Eligible	Not RIP Eligible	Age	Service	RIP Eligible	Not RIP Eligible
70 to 72	15 to 23	12%	12%	70 to 72	15 to 24	12%	12%
65 to 69	20 to 23	40%	40%	65 to 69	20 to 24	40%	40%
Any	24	20%	40%	Any	25	15%	25%
Any	25	15%	25%	Any	26	10%	15%
Any	26	10%	12%	Any	27	10%	15%
Any	27	10%	12%	Any	28	10%	15%
Any	28	10%	12%	Any	29	10%	15%
Any	29	5%	12%	Any	30	5%	15%
Any	30	5%	12%	Any	31	5%	15%
Any	31+	100%	N/A	Any	32+	100%	N/A

- b. An abbreviated table with the assumed rates of disability and mortality while employed is shown below. There is no active employment withdrawal assumption.

	Disability Rates		Pre-Retirement Mortality	
Age	Males	Females	Males	Females
25	0.0400%	0.0520%	0.0432%	0.0145%
30	0.0600%	0.0700%	0.0511%	0.0185%
35	0.0800%	0.0700%	0.0889%	0.0333%
40	0.1500%	0.1220%	0.1241%	0.0494%
45	0.2500%	0.2500%	0.1734%	0.0787%
50	0.4000%	0.4000%	0.2459%	0.1173%
55	0.6500%	0.6500%	0.3483%	0.1768%
60	1.0000%	1.0000%	0.5610%	0.2752%
65	1.2500%	1.2500%	0.8082%	0.3800%
Multiplier	N/A	N/A	115%	70%

Note: The multiplier has been applied to the decrement in the illustrative table.

Post Retirement Mortality

- a. Healthy retirees and beneficiaries – The valuation assumes fully generational mortality. The base mortality table used is the RP-2000 Mortality Table with White Collar adjustment, adjusted by multipliers documented in the table below. Future mortality improvements are assumed each year using Scale AA. The following are sample rates:

Healthy Annuitant Mortality Rates Before Projection		
Age	Males	Females
50	0.2176%	0.1510%
55	0.3632%	0.2457%
60	0.6141%	0.4443%
65	1.2167%	0.8218%
70	2.1203%	1.4426%
75	3.6997%	2.4431%
80	6.5353%	4.0926%
85	11.5132%	7.0483%
90	19.6100%	11.9843%
Multiplier	110%	95%

Note: The multiplier has been applied to the decrement in the illustrative table.

The following table provides the life expectancy for individuals retiring in future years based on the assumption with full generational projection:

Life Expectancy for an Age 65 Retiree in Years				
Gender	Year of Retirement			
	2015	2020	2025	2030
Male	19.5	19.9	20.3	20.6
Female	22.4	22.6	22.8	22.9

- b. A separate table of mortality rates is used for disabled retirees based on the RP-2000 Disabled Retiree Mortality Table. The following are sample rates:

Disabled Annuitant Mortality Rates		
Age	Males	Females
50	2.173%	1.269%
55	2.658%	1.820%
60	3.153%	2.402%
65	3.763%	3.083%
70	4.694%	4.140%
75	6.155%	5.745%
80	8.203%	7.954%
85	10.620%	11.022%
90	13.756%	15.405%
Multiplier	75%	110%

Note: The multiplier has been applied to the decrement in the illustrative table.

Asset Valuation Method

The actuarial value of assets is based on the market value of assets with five-year smoothing applied. This is accomplished by recognizing each year 20% of the difference between the market value of assets and the expected actuarial value of assets, based upon the assumed valuation rate of return.

Expected earnings are determined using the assumed investment rate of return and the beginning of year actuarial value of assets (adjusted for receipts and disbursements during the year). The returns are computed net of administrative and investment expenses.

Actuarial Cost Method

The Entry Age Normal actuarial cost method allocates the System's actuarial present value of future benefits to various periods based upon service. The portion of the present value of future benefits allocated to years of service prior to the valuation date is the actuarial accrued liability, and the portion allocated to years following the valuation date is the present value of future normal costs. The normal cost is determined for each active member as the level percent of payroll necessary to fully fund the expected benefits to be earned over the career of each individual active member. The normal cost is partially funded with active member contributions with the remainder funded by employer contributions.

An unfunded accrued liability exists in the amount equal to the excess of accrued liability over valuation assets. The amortization period of the System is the number of years required to fully amortize the unfunded accrued liability with the expected amount of employer contributions in excess of the employers' portion of the normal cost.

The calculation of the amortization period takes into account scheduled increases to contribution rates applicable to future years and payroll growth. Also, the calculation of the amortization period reflects additional contributions the System receives with respect to members in DROP

and who are retired-in-place. These contributions are assumed to grow at the same payroll growth rate as for active employees. It is assumed that amortization payments are made monthly at the end of the month.

Future Cost-of-living Increases

Future benefits are assumed to increase at an annual rate of 3.00%.

Payroll Growth Rate

The total annual payroll of active members (including DROP and RIP participants) is assumed to increase at an annual rate of 3.00%. This rate represents the underlying expected annual rate of wage inflation and does not anticipate increases in the number of members.

Other Assumptions

1. Percent married: 95% of male and female employees are assumed to be married.
2. Age difference: Males are assumed to be four years older than their spouses.
3. Percent electing annuity on death (when eligible): All of the spouses of vested, married participants are assumed to elect an immediate life annuity.
4. Inactive Population: All non-vested members are assumed to take an immediate refund. Members with a vested benefit are assumed to elect a deferred benefit commencing at their earliest possible commencement age.
5. There will be no recoveries once disabled.
6. Decrement timing: Decrements of all types are assumed to occur mid-year.
7. Eligibility testing: Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.
8. Benefit Service: All active and members are assumed to accrue one year of eligibility service each year.

Participant Data

Participant data was supplied in electronic text files. There were separate files for (i) active and inactive members, and (ii) members and beneficiaries receiving benefits.

The data for active members included birth date, gender, service with the current city and total vesting service, salary, and employee contribution account balances. For retired members and beneficiaries, the data included date of birth, gender, spouse's date of birth (where applicable), amount of monthly benefit, date of retirement, and form of payment code.

Salary supplied for the current year was based on the annualized earnings for the year preceding the valuation date. Assumptions were made to correct for missing, bad, or inconsistent data. These had no material impact on the results presented.

APPENDIX B

BENEFIT PROVISIONS

**SUMMARY OF BENEFIT PROVISIONS FOR
RETIREMENT SYSTEM FOR JUDGES AND SOLICITORS FOR
THE STATE OF SOUTH CAROLINA RETIREMENT SYSTEM
(JSRS)**

Effective Date: July 1, 1979.

Administration: The South Carolina Public Employee Benefit Authority, is responsible for the general administrative operations and day to day management of the Plan.

Type of Plan: This is a qualified governmental defined benefit retirement plan and considered to be a single employer plan under GASB No. 67.

Eligibility: This System covers all solicitors, circuit public defenders, judges of a Circuit or Family Court, Administrative Law Judges who elect to participate in the System, and justices of the Court of Appeals and Supreme Court who take office prior to age 72 are required to participate upon taking office unless exempted by statute.

Employee Contributions: Members contribute 10.00% of compensation per year. Contributions are credited with interest at the rate of 4.0% per annum.

Service Retirement:

- a. **Eligibility:** There is a mandatory retirement age of 72. Members may retire if they have met one of the following eligibility conditions:
 - i. Age 65 with 20 years of credited service.
 - ii. Age 70 with 15 years of credited service.
 - iii. Completed 25 years of credited service as a judge or 24 years as a solicitor or public defender.
- b. **Monthly Benefit:** The monthly benefit is equal to one-twelfth ($1/12^{\text{th}}$) of the member's current salary, times 71.3% plus 2.67% of pay for each year of credited service beyond 25 for judges and 24 for solicitors and public defenders. The monthly benefit may not exceed one-twelfth of 90% of the member's current salary.
- c. **Payment Form:** Standard Annuity Payment.

A JSRS member whose annuity as calculated at retirement exceeds the 90 percent maximum annuity will receive an additional lump-sum benefit at retirement. The additional benefit is equal to the member's contributions and interest paid in to the system after the member attained sufficient service credit to be eligible to receive the maximum annuity of 90 percent of the current active salary. The 90 percent maximum annuity amount is generally reached when the following JSRS service credit is obtained: 32 years for justices and judges; and 31 years for solicitors and circuit public defenders.

Disability Retirement:

- a. Eligibility: Member must have five or more years of earned service.
- b. Monthly Benefit: The monthly disability benefit payable is determined the same as a service retirement benefit and payable immediately.
- c. Payment Form: Standard Annuity Payment.
- d. Death while Disabled: A disabled member is treated as a retired member for purposes of determining a death benefit.

Vesting and Refunds:

- a. Eligibility: Judges are vested in the system after attaining ten (10) years of earned service. Solicitors and public defenders are vested in the system after attaining eight (8) years of earned service. Vested members may also elect to receive a refund in lieu of the deferred termination benefit described below.
- b. Amount: The refund benefit is the accumulated value of the member's contributions plus interest credited by the fund. Members do not earn interest on their employee contribution account balance while they are inactive.

Deferred Termination Benefit:

- a. Eligibility: Member must be vested and must elect to leave his/her contributions on deposit. Members who began service before July 1, 2004 are eligible for a monthly benefit beginning at age 55. Members hired after July 1, 2004 are eligible to commence their deferred monthly benefit at age 65.
- b. Monthly Benefit: The member's benefit is determined by multiplying the base benefit by a fraction, in which the numerator is the member's total credited service and twenty-four is the denominator.
- c. Payment Form: Standard Annuity Payment.
- d. Death Benefit: The beneficiary of an inactive member who dies is entitled to receive the amount of the member's accumulated contributions (with interest). A beneficiary of an inactive member who was eligible to commence his retirement annuity at the time of his death may elect a monthly survivor annuity equal to one-third the annuity that would have been payable to the deceased member.

Death while an Active Member:

- a. In General: A refund of the member's accumulated contributions (with interest) is paid to the beneficiary of a deceased member.
- b. Beneficiary Annuity: If the deceased member was married and eligible to commence his retirement annuity at the time of his death, then his beneficiary may elect a monthly survivor annuity equal to one-third the annuity that would have been payable to the deceased member.

Standard Annuity Payment: The monthly retirement benefit will be paid as follows. Other, reduced optional forms of payment are also available to a member to elect at retirement.

- a. Unmarried Retiree: A life annuity. Upon the member's death, any remaining member contributions plus interest will be paid to the member's designated beneficiary.
- b. Married Retiree (One-third Joint & Survivor): An unreduced annuity is payable during the member's life, and continues after the member's death at one-third of the rate paid to the member for the life of the surviving spouse, unless a contingent non-spousal beneficiary is named.
- c. Optional Allowance: A reduced lifetime annuity is payable during the member's life, and continues after the member's death at one-third of the rate paid to the member for the life of the non-spousal beneficiary (or in equal shares to multiple beneficiaries).

Incidental Death Benefit:

- a. Active Employees: The beneficiary (or estate) of an active employee who completes at least one full year of membership service, will receive a death benefit equal to the member's annual earnable compensation at the time of death.

The one full year membership requirement is waived for members whose death is a result of an injury arising out of and in the course of performing his duties.

- b. Post Employment: The beneficiary (or estate) of a retiree, both current and future retiree, will receive a one-time payment upon the retiree's death. The amount of the one-time payment is based on the retiree's credited service.

Years of Service Credit	Death Benefit
10 or more, but less than 20	\$1,000
20 or more, but less than 30	\$2,000
30 or more	\$3,000

Retire in Place: Members who have accrued their maximum monthly benefit (i.e. 90% of salary) may elect to "retire in place". These members will receive their monthly retirement benefit while they remain employed. Members who retire in place under the age of 60 will have his retirement benefit accumulated into a deferred retirement option program (DROP). These members will receive a distribution of their DROP balance upon reaching the age of 60 or retirement (if earlier).

Postretirement Benefit Increases: Benefits paid to retired members or surviving spouses are increased annually by an amount equal to the percentage increase in the current salary paid to the respective position from which the member retired. The cost of living adjustment for non-spousal beneficiaries is based on the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W), and said beneficiaries will receive a 4.00% increase in their benefit in years the annual increase in CPI-W exceeds 3.00%.

APPENDIX C

GLOSSARY

GLOSSARY

Actuarial Accrued Liability (AAL): That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of Future Plan Benefits which is not provided for by future Normal Costs. It is equal to the Actuarial Present Value of Future Plan Benefits minus the actuarial present value of future Normal Costs.

Actuarial Assumptions: Assumptions as to future experience under the Fund. These include assumptions about the occurrence of future events affecting costs or liabilities, such as:

- mortality, withdrawal, disablement, and retirement;
- future increases in salary;
- future rates of investment earnings and future investment and administrative expenses;
- characteristics of members not specified in the data, such as marital status;
- characteristics of future members;
- future elections made by members; and
- other relevant items.

Actuarial Cost Method or Funding Method: A procedure for allocating the Actuarial Present Value of Future Benefits to various time periods; a method used to determine the Normal Cost and the Actuarial Accrued Liability. These items are used to determine the ADC.

Actuarial Gain or Actuarial Loss: A measure of the difference between actual experience and that expected based upon a set of Actuarial Assumptions, during the period between two Actuarial Valuation dates. Through the actuarial assumptions, rates of decrements, rates of salary increases, and rates of fund earnings have been forecasted. To the extent that actual experience differs from that assumed, Actuarial Accrued Liabilities emerge which may be the same as forecasted, or may be larger or smaller than projected. Actuarial gains are due to favorable experience, e.g., the Fund's assets earn more than projected, salaries do not increase as fast as assumed, members retire later than assumed, etc. Favorable experience means actual results produce actuarial liabilities not as large as projected by the actuarial assumptions. On the other hand, actuarial losses are the result of unfavorable experience, i.e., actual results that produce actuarial liabilities which are larger than projected. Actuarial gains will shorten the time required for funding of the actuarial balance sheet deficiency while actuarial losses will lengthen the funding period.

Actuarially Equivalent: Of equal actuarial present value, determined as of a given date and based on a given set of Actuarial Assumptions.

Actuarial Present Value (APV): The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions. For purposes of this standard, each such amount or series of amounts is:

- a. adjusted for the probable financial effect of certain intervening events (such as changes in compensation levels, marital status, etc.)

- b. multiplied by the probability of the occurrence of an event (such as survival, death, disability, termination of employment, etc.) on which the payment is conditioned, and
- c. discounted according to an assumed rate (or rates) of return to reflect the time value of money.

Actuarial Present Value of Future Plan Benefits: The Actuarial Present Value of those benefit amounts which are expected to be paid at various future times under a particular set of Actuarial Assumptions, taking into account such items as the effect of advancement in age and past and anticipated future compensation and service credits. The Actuarial Present Value of Future Plan Benefits includes the liabilities for active members, retired members, beneficiaries receiving benefits, and inactive, nonretired members either entitled to a refund or a future retirement benefit. Expressed another way, it is the value that would have to be invested on the valuation date so that the amount invested plus investment earnings would provide sufficient assets to pay all projected benefits and expenses when due.

Actuarial Valuation: The determination, as of a valuation date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values for a plan. An Actuarial valuation for a governmental retirement system typically also includes calculations that provide the financial information of the plan, such as the funded ratio, unfunded actuarial accrued liability and the ADC.

Actuarial Value of Assets or Valuation Assets: The value of the Fund's assets as of a given date, used by the actuary for valuation purposes. This may be the market or fair value of plan assets, but commonly actuaries use a smoothed value in order to reduce the year-to-year volatility of calculated results, such as the funded ratio and the ADC.

Actuarially Determined: Values which have been determined utilizing the principles of actuarial science. An actuarially determined value is derived by application of the appropriate actuarial assumptions to specified values determined by provisions of the law.

Actuarially Determined Contribution (ADC): The employer's periodic required contributions, expressed as a dollar amount or a percentage of covered plan compensation. The ADC consists of the Employer Normal Cost and the Amortization Payment.

Amortization Method: A method for determining the Amortization Payment. The most common methods used are level dollar and level percentage of payroll. Under the Level Dollar method, the Amortization Payment is one of a stream of payments, all equal, whose Actuarial Present Value is equal to the UAAL. Under the Level Percentage of Pay method, the Amortization payment is one of a stream of increasing payments, whose Actuarial Present Value is equal to the UAAL. Under the Level Percentage of Pay method, the stream of payments increases at the assumed rate at which total covered payroll of all active members will increase.

Amortization Payment: That portion of the pension plan contribution or ADC which is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability.

Closed Amortization Period: A specific number of years that is counted down by one each year, and therefore declines to zero with the passage of time. For example if the amortization period is initially set at 30 years, it is 29 years at the end of one year, 28 years at the end of two years, etc. See Funding Period and Open Amortization Period.

Decrements: Those causes/events due to which a member's status (active-inactive-retiree-beneficiary) changes, that is: death, retirement, disability, or termination.

Defined Benefit Plan: A retirement plan that is not a Defined Contribution Plan. Typically a defined benefit plan is one in which benefits are defined by a formula applied to the member's compensation and/or years of service.

Defined Contribution Plan: A retirement plan, such as a 401(k) plan, a 403(b) plan, or a 457 plan, in which the contributions to the plan are assigned to an account for each member, and the plan's earnings are allocated to each account, and each member's benefits are a direct function of the account balance.

Employer Normal Cost: The portion of the Normal Cost to be paid by the employers. This is equal to the Normal Cost less expected member contributions.

Experience Study: A periodic review and analysis of the actual experience of the Fund which may lead to a revision of one or more actuarial assumptions. Actual rates of decrement and salary increases are compared to the actuarially assumed values and modified as deemed appropriate by the Actuary.

Funded Ratio: The ratio of the actuarial value of assets (AVA) to the actuarial accrued liability (AAL). Plans sometimes calculate a market funded ratio, using the market value of assets (MVA), rather than the AVA, although GASB 25 reporting requires the use of the AVA.

Funding Period or Amortization Period: The term "Funding Period" is used two ways. In the first sense, it is the period used in calculating the Amortization Payment as a component of the ADC. This funding period is chosen by the Board of Trustees. In the second sense, it is a calculated item: the number of years in the future that will theoretically be required to amortize (i.e., pay off or eliminate) the Unfunded Actuarial Accrued Liability, based on the statutory employer contribution rate, and assuming no future actuarial gains or losses.

GASB: Governmental Accounting Standards Board.

GASB 25 and GASB 27: Governmental Accounting Standards Board Statements No. 25 and No. 27. These are the governmental accounting standards that set the accounting rules for public retirement systems and the employers that sponsor or contribute to them. Statement No. 27 sets the accounting rules for the employers that sponsor or contribute to public retirement systems, while Statement No. 25 sets the rules for the systems themselves. GASB No. 25 was superseded by GASB No. 67 beginning with the fiscal year ending June 30, 2014. GASB No. 27 will be superseded by GASB No. 68 beginning with the fiscal year ending June 30, 2015.

Normal Cost: That portion of the Actuarial Present Value of pension plan benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method. Any payment in respect of an Unfunded Actuarial Accrued Liability is not part of Normal Cost (see Amortization Payment). For pension plan benefits which are provided in part by employee contributions, Normal Cost refers to the total of employee contributions and employer Normal Cost unless otherwise specifically stated. Under the entry age normal cost method, the Normal Cost is intended to be the level cost (when expressed as a percentage of pay) needed to fund the benefits of a member from hire until ultimate termination, death, disability or retirement.

Open Amortization Period: An open amortization period is one which is used to determine the Amortization Payment but which does not change over time. In other words, if the initial period is set as 30 years, the same 30-year period is used in determining the Amortization Period each year. In theory, if an Open Amortization Period is used to amortize the Unfunded Actuarial Accrued Liability, the UAAL will never completely disappear, but will become smaller each year, either as a dollar amount or in relation to covered payroll.

Unfunded Actuarial Accrued Liability: The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. This value may be negative in which case it may be expressed as a negative Unfunded Actuarial Accrued Liability, also called the Funding Surplus.

Valuation Date or Actuarial Valuation Date: The date as of which the value of assets is determined and as of which the Actuarial Present Value of Future Plan Benefits is determined. The expected benefits to be paid in the future are discounted to this date.