

Popular Annual Financial Report

South Carolina Retirement Systems
For the fiscal year ended June 30, 2019
Pension trust funds of the state of South Carolina





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About S.C. PEBA



Our vision

Serving those who serve
South Carolina



Our mission

PEBA's mission is to provide competitive retirement and insurance benefit programs for South Carolina public employers, employees and retirees.



Our core values

Solutions oriented
Communication
Credibility
Collaboration
Responsive
Emotional intelligence
Ethical behavior

Dear members:

We are pleased to present the South Carolina Public Employee Benefit Authority's (PEBA) *Popular Annual Financial Report* (PAFR) for the South Carolina Retirement Systems for the fiscal year ended June 30, 2019. This is the Systems' 16th consecutive annual popular report and it is intended to provide a summary of the Systems' annual financial information in an easily understandable format to supplement the more thorough *Comprehensive Annual Financial Report* (CAFR).

Data presented in this report was derived from the fiscal year 2019 CAFR, which was prepared in accordance with Generally Accepted Accounting Principles. To learn more about the Systems' financial activities, the CAFR, which contains more detailed information, is available on the Facts and figures page of our website at www.peba.sc.gov. For any other questions, please contact our Customer Contact Center at 803.737.6800 or 888.260.9430.



Peggy G. Boykin, CPA
Executive Director



Travis J. Turner, CPA, CISA
Chief Financial Officer



Tammy B. Nichols, CPA
Retirement Finance Director

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

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

The PAFR contains information on these defined benefit pension trust funds:

- The South Carolina Retirement System (SCRS) was established July 1, 1945, to provide retirement and other benefits for teachers and employees of the state and its political subdivisions. SCRS covers employees of state agencies, public school districts, higher education institutions, other participating local subdivisions of government and individuals newly elected to the South Carolina General Assembly at or after the 2012 general election.
- The South Carolina Police Officers Retirement System (PORS) was established July 1, 1962, to provide retirement and other benefits to police officers and firefighters. PORS also covers peace officers, coroners, probate judges and magistrates.
- The Retirement System for Members of the General Assembly of the State of South Carolina (GARS) was established January 1, 1966, to provide retirement and other benefits to members of the General Assembly. Retirement reform legislation closed the GARS plan to individuals newly elected to the South Carolina General Assembly at or after the 2012 general election.
- The Retirement System for Judges and Solicitors of the State of South Carolina (JSRS) was established July 1, 1979, to provide retirement and other benefits to state judges and solicitors. JSRS also covers circuit public defenders.
- The South Carolina National Guard Supplemental Retirement Plan (SCNG) was established July 1, 1975, to provide supplemental retirement benefits to members who served in the South Carolina National Guard. The Retirement Systems assumed administrative responsibility for this fund in 2006.

Profile of the Systems

The South Carolina Public Employee Benefit Authority (PEBA), created July 1, 2012, and governed by an 11-member Board, is the state agency responsible for providing retirement and insurance benefits to participants and beneficiaries of the state's employee benefit plans. As such, PEBA is responsible for administering the South Carolina Retirement Systems' five defined benefit pension plans. The Retirement System Investment Commission, created by the General Assembly in 2005, has exclusive authority to invest and manage the retirement trust funds' assets.

A defined benefit plan is a retirement plan in which contributions are made to fund a level of retirement income at a future retirement date. Monthly service retirement benefits, as well as disability benefits and death benefits are provided to eligible members and/or their surviving beneficiaries. The plans' terms specify the amount of pension benefits to be provided at a future date or after a certain period of time. Monthly benefits are calculated using a formula that includes the member's average final compensation, years of service and a multiplier.

PEBA also sponsors the State Optional Retirement Program (State ORP), which is a defined contribution plan administered by four different third-party service providers. State ORP is an alternative plan available to newly hired employees of state agencies, higher education institutions, public school districts and individuals first elected to the General Assembly at or after the general election in November 2012. In addition, PEBA is responsible for the South Carolina Deferred Compensation Program, which offers 401(k) and 457 plans, and is administered by a third-party record keeper. Finally, PEBA administers and manages the state's employee insurance programs. State ORP, Deferred Compensation and employee insurance assets are not considered part of the Retirement Systems for financial statement purposes.

Membership and annuitant composition

The membership and annuitant data provided in the chart below is based on the July 1, 2018, actuarial valuations and the data provided to the Systems' actuary for preparation of the July 1, 2018, valuations.

	SCRS	PORS	GARS	JSRS	SCNG
Total membership					
Active	196,184	27,093	83	160	11,853
Inactive	182,933	17,277	37	4	1,895
Retirees and beneficiaries ¹	142,278	18,491	343	213	4,821
Active members					
Average age	45	39	58	57	32
Average years of service	10	10	16	15	10
Average annual salary	\$43,327	\$46,170	\$22,476	\$139,666	N/A ²
Annuitants and beneficiaries					
Average current age for service retirees	71	66	74	72	71
Average age at retirement for service retirees	59	55	61	60	60
Average years of service at retirement (all retirees)	22	18	20	25	26
Average AFC ³ at retirement (all retirees)	\$44,327	\$45,937	\$21,855	\$120,170	N/A
Average current annual benefit (all retirees) ⁴	\$20,426	\$20,516	\$18,530	\$83,765	\$909

¹ Represents members who retired, including those who returned to employment as a working retiree, and surviving beneficiaries of former members.

² The South Carolina National Guard Supplemental Retirement Plan is non-contributory; therefore, active member salaries are not reported to the Systems.

³ Average final compensation (AFC) is a component used in the formula for calculating annuity benefits.

⁴ Includes benefit adjustments applied since retirement.

Fiscal year 2019 administrative and operational activities

In administering and managing the five defined benefit pension plans, PEBA's vision is to serve those who serve South Carolina and our mission is to provide competitive retirement and insurance benefit programs for South Carolina public employers, employees and retirees. The agency accomplishes this by focusing efforts and goals in areas that promote financially sound programs, encourage retirement awareness, enhance customer experience and responsibly manage risk. Initiatives during fiscal year 2019 included:

Legislative

- PEBA provided the projected impact of various retirement-related legislative proposals.
- The actuary performed stress testing to determine the adequacy of retirement contribution rates under various investment return scenarios.
- The General Assembly provided nonemployer contribution funding to SCRS and PORS to help offset a portion of the increased contribution requirements for some employers.
- The General Assembly committed additional funding to stabilize JSRS.

Benchmarking

- PEBA participated in CEM's pension administration benchmarking service.
- PEBA's total pension administration cost was \$36 per active member and annuitant, which was \$44 below our peer average of \$80 per active member and annuitant. Our cost was also the lowest cost of our peer group and the fourth lowest cost in the CEM universe. The cost remained low while maintaining a relatively high service level.

Benefits administration

- PEBA processed and paid the following benefit claims:
 - 5,616 service retirement applications;
 - 207 disability applications;
 - 12,358 refund requests;
 - 5,415 death claims; and
 - Nearly 5,000 Teacher and Employee Retention Incentive (TERI) program payments.
- PEBA encouraged retirement awareness through its *Be Aware and Prepare* educational series that includes information that can help members make more informed decisions about their financial future.
- PEBA offered two retirement planning seminars:
 - Preretirement seminar for members who are five years or less away from retirement eligibility; and
 - Mid-career seminar to highlight what members need to consider now and how to take action to help ensure a secure financial future.
- PEBA provided member and employer education on a variety of topics, including new hire decisions about their election between SCRS and State ORP.



Information technology

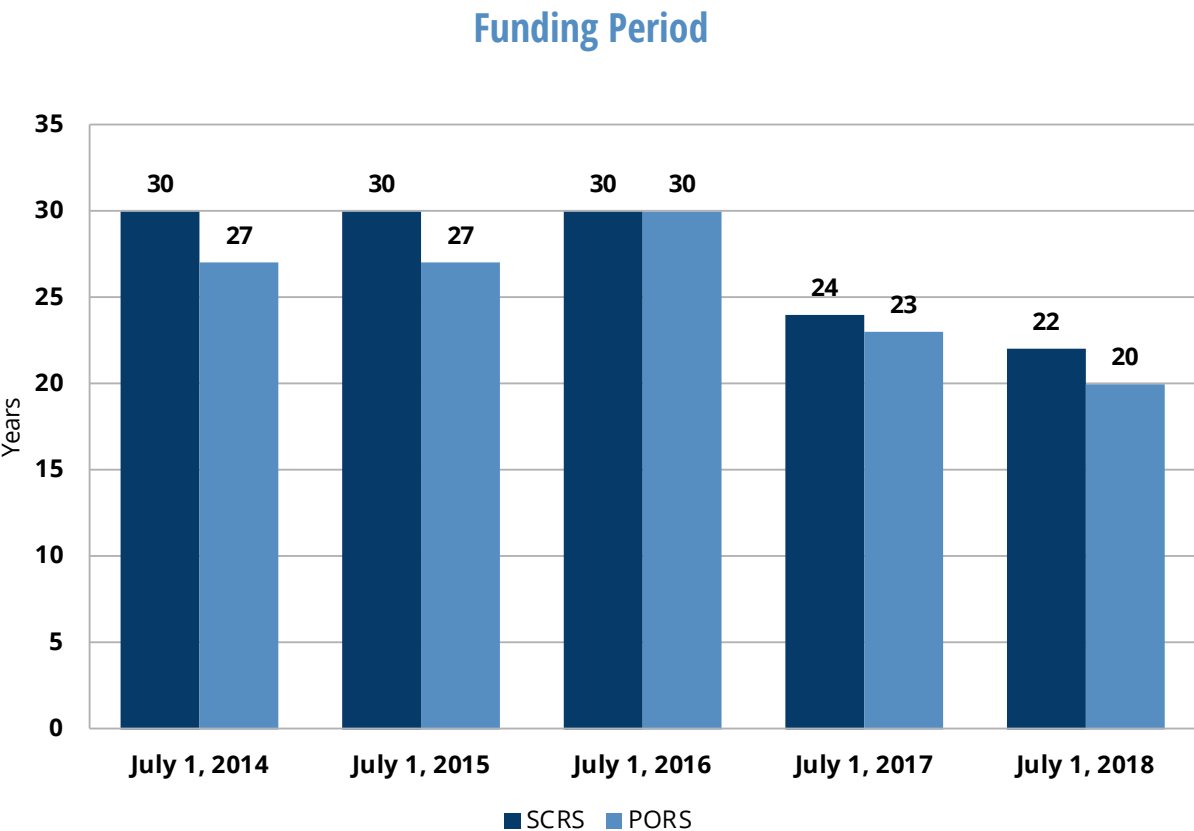
- PEBA implemented technology upgrades, including a courtesy call back feature in its Customer Contact Center's call management system to enhance the customer experience.
- PEBA conducted a more robust business continuity test in conjunction with its annual disaster recovery program.
- PEBA completed an information technology-specific test of its incident response capabilities.
- PEBA continued to work with a client services vendor in preparation for replacing its existing legacy information systems.
- PEBA awarded a contract to a data conversion and bridging services vendor in August 2018; vendor is onsite working to cleanse operational data for the new system.
- PEBA defined, developed and released a request for qualification to procure a new benefits administration system.
- PEBA defined, developed and released a request for proposal for a new benefits administration system implementation in July 2019.

Summary of financial condition

The main funding objective of the pension trust funds is to meet future benefit obligations of retirees and beneficiaries through employee and employer contributions and investment earnings. Each year, the external consulting actuaries determine the actuarial soundness of the plans based on long term obligations and the sufficiency of current contribution levels to fund the liabilities of each plan over a reasonable time frame. In addition to contribution requirements, there are numerous measures used to monitor a plan's funding status including the funding period, the dollar amount of the unfunded actuarial accrued liability (UAAL) and the funded ratio.

The annual actuarial valuations dated July 1, 2018, determined the actuarial status of each plan and were adopted by PEBA's Board of Directors in December 2018.

The UAAL of each plan is paid down or amortized over a period of years, similar to a home mortgage, after which time the plan is expected to be fully funded. Pension funding reform legislation enacted in 2017 included a schedule for the funding period of SCRS and PORS to be reduced over a 10-year time period beginning in fiscal year 2018 to a maximum of 20 years by fiscal year 2028. The funding period for SCRS, which represents the largest membership of the five plans, decreased from 24 years in fiscal year 2017 to 22 years as of July 1, 2018. The funding period for PORS decreased from 23 years to 20 years for the same time period. The chart below illustrates the funding period over the past five fiscal years for SCRS and PORS.

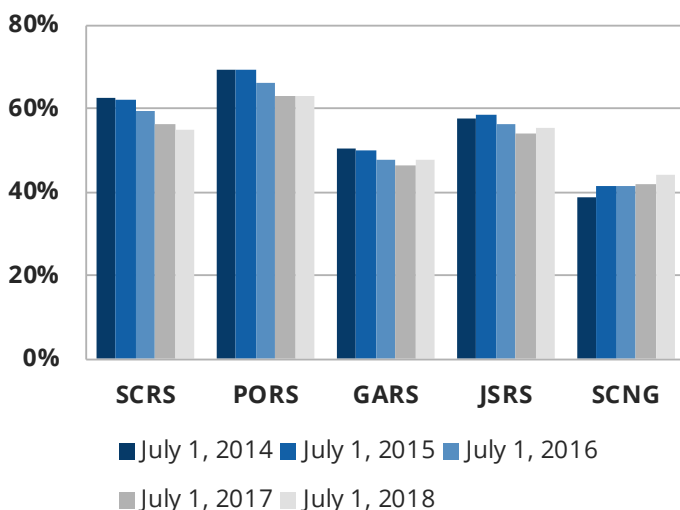


As of July 1, 2018, the dollar amount of the UAAL for SCRS increased from \$21.1 billion in the prior year to \$22.1 billion, and PORS increased from \$2.6 billion to \$2.7 billion. The largest source of increase was the annual accrual of interest on the UAAL and continual recognition of deferred investment losses. Actuarial smoothing techniques, which defer investment gains and losses, help to dampen the short-term volatility inherent in investment markets by using a systematic approach that allows only a portion of investment gains and losses to be recognized each year. Adjusting for a 5-year smoothing phase, each plan recognized a net actuarial loss on investment returns for the valuation year.

The funded ratio is a measurement of a plan's funded status, and it is calculated as the ratio of the actuarial value of assets to the actuarial accrued liability. The funded ratios of the five plans as of July 1, 2018, range from a high of 63.1 percent for PORS to a low of 44.2 percent for SCNG. The funded ratio for SCRS decreased from 56.3 percent in fiscal year 2017 to 55 percent in 2018. The decrease resulted from the recognition of deferred investment losses from prior years, and because the contributions to the plan attributable to financing the UAAL were less than the interest on the unfunded liability.

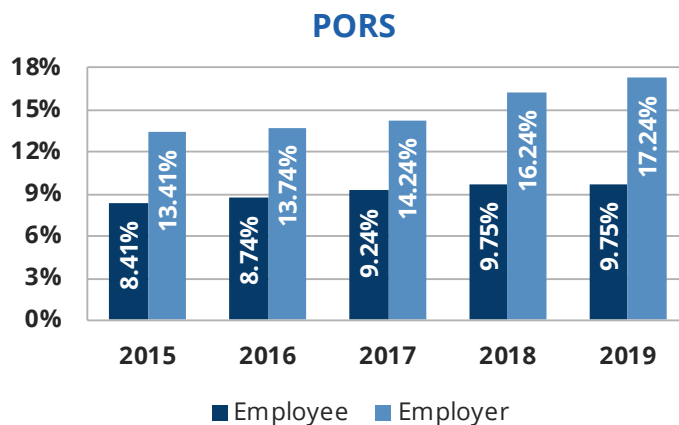
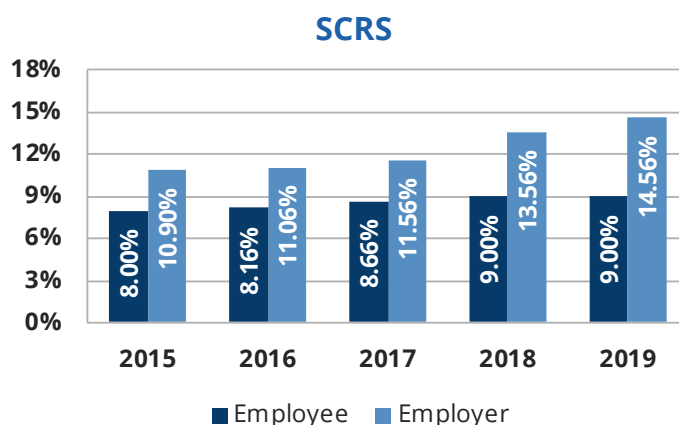
Actuarial Funded Ratios

Actuarial assets as a percentage of actuarial accrued liabilities



The 2017 legislation also set in statute a schedule of contribution increases to help lessen the impact if actual investment returns do not meet the assumed rate of return. Effective July 1, 2017, the legislation increased and established a ceiling for SCRS and PORS employee contribution rates. The employee rates increased to and were capped at 9 percent for SCRS and 9.75 percent for PORS. The legislation also increased employer contribution rates for both SCRS and PORS by 2 percent effective July 1, 2017, and scheduled employer contribution rates to increase by 1 percent each year through July 1, 2022. If the scheduled contributions are not sufficient to meet the funding periods set in state statute, the PEBA Board of Directors can increase the employer contribution rates as necessary.

Contribution rates by fiscal year¹



¹Rates are inclusive of incidental death contributions and Accidental Death Program contributions where applicable.

Statement of fiduciary net position

The Statement of Fiduciary Net Position on Page 13 presents the Systems' assets and liabilities and the resulting net position restricted for pensions. This statement reflects a year-end snapshot of the Systems' investments, at fair value, along with cash and short-term investments, receivables and other assets and liabilities.

Total fiduciary net position for all five defined benefit plans of the Systems combined, increased from \$31.2 billion to \$32.3 billion, which was more than 3 percent from the prior year's net position. The net position of the plans is impacted by contributions paid into the plans, investment performance 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 increase in net position was

attributable to both increased contributions and positive investment performance.

The Systems' investment portfolio participates in a securities lending program, managed by BNY Mellon, whereby securities are loaned for the purpose of generating additional income. Securities lending revenue net of borrower rebates was \$3.05 million, an increase from \$1.99 million in the prior year. As reported by BNY Mellon, at June 30, 2019, the fair value of securities on loan was \$83.25 million, the fair value of the invested cash collateral was \$41.33 million, and the securities lending obligations were \$86.65 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 both the custodial bank and securities lending agent.



South Carolina Retirement Systems Fiduciary Net Position

As of June 30

Amounts expressed in thousands

			Increase/(Decrease)	
	2019	2018	Amount	Percent
Assets				
Cash/cash equivalents, receivables and prepaid expenses	\$4,323,924	\$3,359,600	\$964,324	28.70%
Investments, at fair value	29,547,472	29,243,863	303,609	1.04%
Securities lending cash collateral invested	41,327	34,612	6,715	19.40%
Capital assets, net of accumulated depreciation	2,232	2,362	(130)	(5.50%)
Total assets	33,914,955	32,640,437	1,274,518	3.90%
Liabilities				
Deferred retirement benefits	70	377,263	(377,193)	(99.98%)
Obligations under securities lending	41,327	34,612	6,715	19.40%
Other liabilities	1,587,595	1,021,458	566,137	55.42%
Total liabilities	1,628,992	1,433,333	195,659	13.65%
Net position restricted for pensions	\$32,285,963	\$31,207,104	\$1,078,859	3.46%



Statement of changes in fiduciary net position

The Statement of Changes in Fiduciary Net Position on Page 15 presents information showing how the Systems' net position restricted for pensions changed during the year. This statement includes additions for employee, employer, nonemployer and state appropriated contributions and net investment income. It also includes deductions for retirement benefit payments for annuities, refunded contributions and death benefit payments, and administrative expenses.

The dollar amount of employee and employer contributions collected increased compared to the prior year, and the rise is primarily attributable to increased contribution rates plus some limited payroll growth. For fiscal year 2019, employee rates remained capped at 9 percent for SCRS and 9.75 percent for PORS; however, employer contribution rates for both SCRS and PORS increased by 1 percent of pay to 14.56 percent and 17.24 percent, respectively.

For the fiscal year ended June 30, 2019, the net of fee investment performance return on a time-weighted basis as reported by the custodial bank, BNY Mellon, was 5.84 percent. This return reflects performance of the Systems, at the aggregate for the pooled

investments of the consolidated pension trust funds, after the deduction for manager fees and/or expenses. This fiscal year's performance was below the prior year's return of 7.82 percent and is considered an actuarial loss since it was less than the actuarial assumed rate of return of 7.25 percent.

The 12.3 percent reduction in annuity benefits from the prior year was due to the closure of the Teacher and Employee Retention Incentive (TERI) program. Since the TERI program ended on June 30, 2018, all deferred retirement benefits (TERI) that were payable but not distributed as of 2018 fiscal year-end were reported as annuity benefits on the fiscal year 2018 financial statements in accordance with applicable accounting standards. Deferred retirement benefits at June 30, 2018, totaled almost \$708 million; no TERI benefits were included in the annuity benefits reported for fiscal year 2019. Although this resulted in a net decrease in annuity benefits reported, there was actually a slight increase in the amount of regular retirement benefits, which was attributable to an increase in the number of annuitants and an annual benefit adjustment granted to eligible SCRS and PORS annuity recipients effective July 1, 2018.



South Carolina Retirement Systems Changes in Fiduciary Net Position

As of June 30

Amounts expressed in thousands

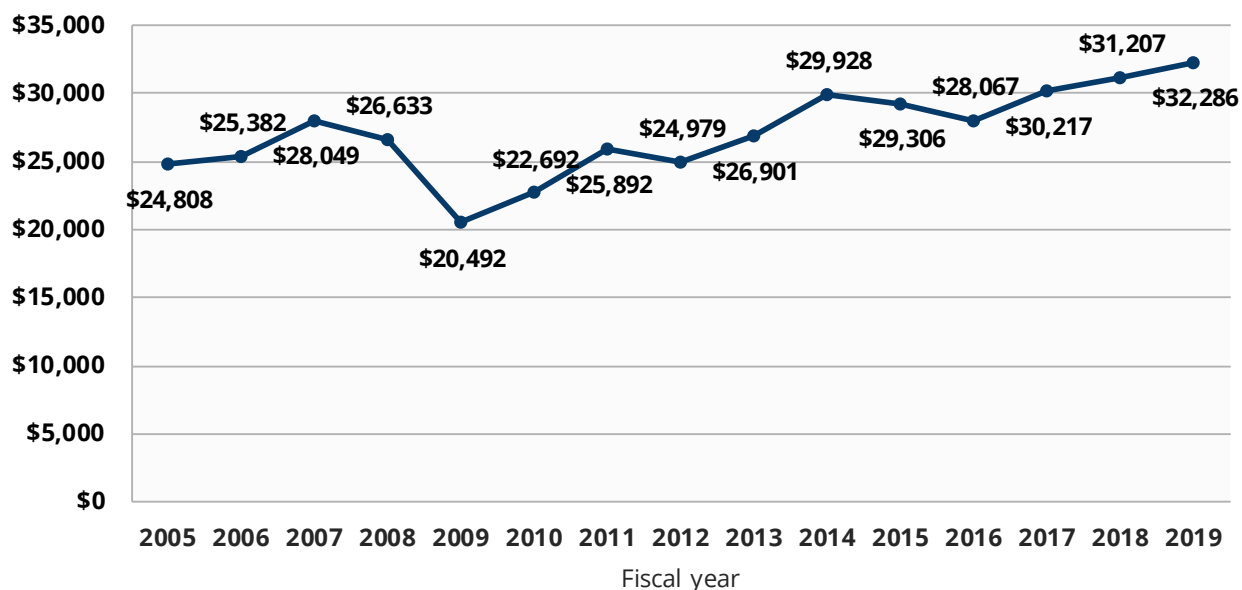
			Increase/(Decrease)	
	2019	2018	Amount	Percent
Additions				
Employee contributions	\$1,028,413	\$1,010,636	\$17,777	1.76%
Employer contributions	1,705,663	1,528,741	176,922	11.57%
Nonemployer contributions	101,176	118,096	(16,920)	(14.33%)
State appropriated contributions	5,290	4,814	476	9.89%
Net investment income	1,776,400	2,334,478	(558,078)	(23.91%)
Other income	1,577	1,902	(325)	(17.09%)
Total additions	4,618,519	4,998,667	(380,148)	(7.60%)
Deductions				
Annuity benefits	3,356,747	3,826,806	(470,059)	(12.28%)
Refunds	139,692	137,766	1,926	1.40%
Death benefits	23,717	25,207	(1,490)	(5.91%)
Administrative and other expenses	19,504	18,712	792	4.23%
Total deductions	3,539,660	4,008,491	(468,831)	(11.70%)
Net increase in net position	1,078,859	990,176	88,683	8.96%
Net position restricted for pensions				
Beginning of year	31,207,104	30,216,928	990,176	3.28%
End of year	\$32,285,963	\$31,207,104	\$1,078,859	3.46%

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

South Carolina Retirement Systems Fiduciary Net Position for Past 15 Fiscal Years

As of June 30

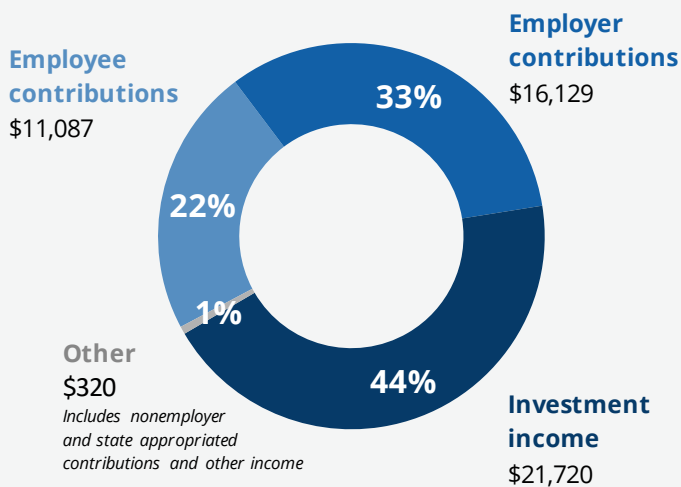
Amounts expressed in millions



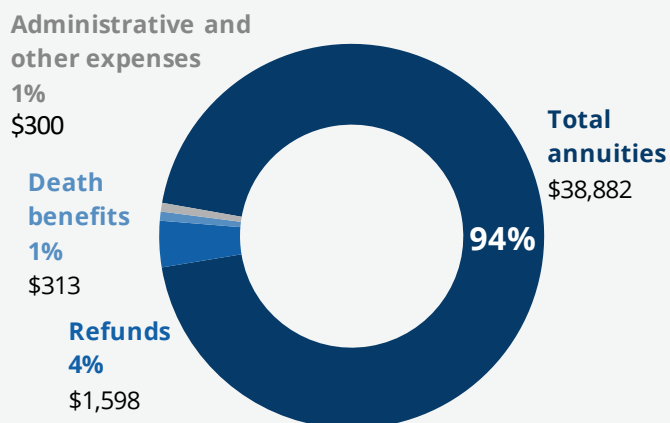
Additions and deductions to pension trust funds | 2005-2019

Includes SCRS, PORS, GARS, JSRS and SCNG | Amounts expressed in millions

Additions

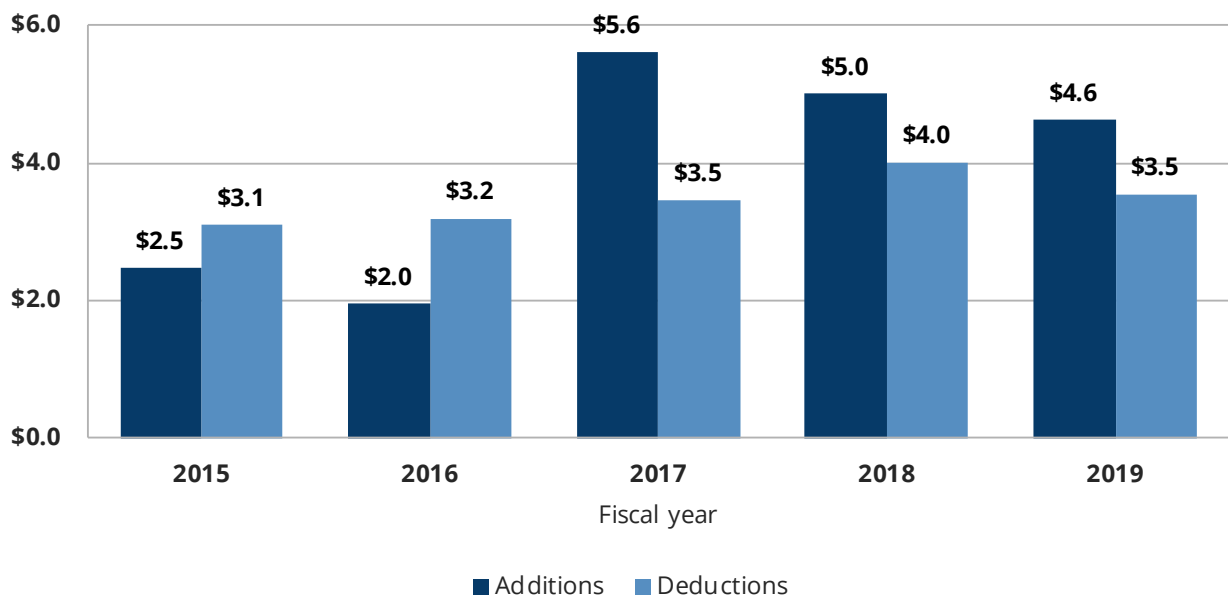


Deductions



The following graph represents additions from all sources (employee contributions, employer contributions and investment gains and losses) and deductions (annuities, refunds, death benefits, administrative expense and depreciation) from Fiduciary Net Position over the past five fiscal years.

South Carolina Retirement Systems
Summary of Additions and Deductions for Past Five Fiscal Years
As of June 30
Amounts expressed in billions



\$4.6 B
Net additions in
FY 2019

\$3.5 B
Total deductions in
FY 2019

\$32.3 B
Net position for
restricted pensions
for FY 2019

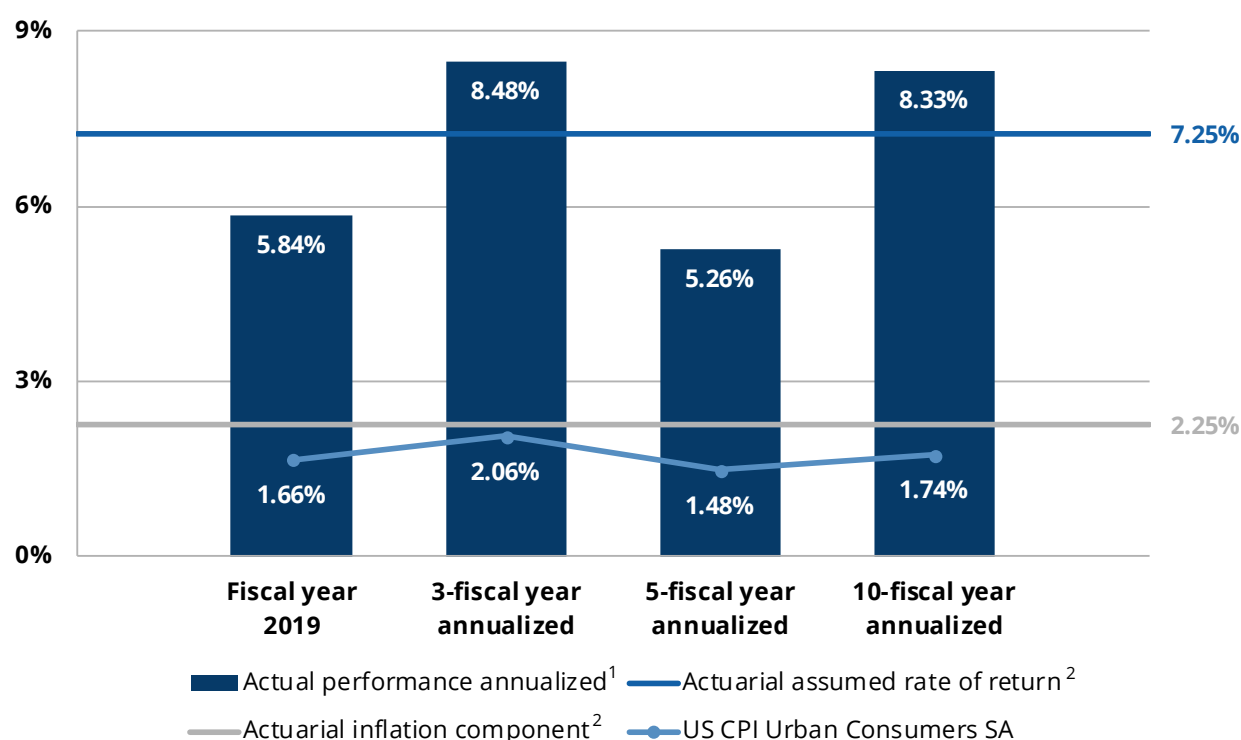
Investments overview

As of June 30, 2019, the custodial bank reported that the net asset value of the pension trust funds had a fair value of \$32 billion. This represents a \$647 million increase, after payment of benefits, over the previous

fiscal year end's fair value. The Retirement System Investment Commission (RSIC) is responsible for investing and managing the pension trust funds.

Summary of Investment Performance

As of June 30, 2019

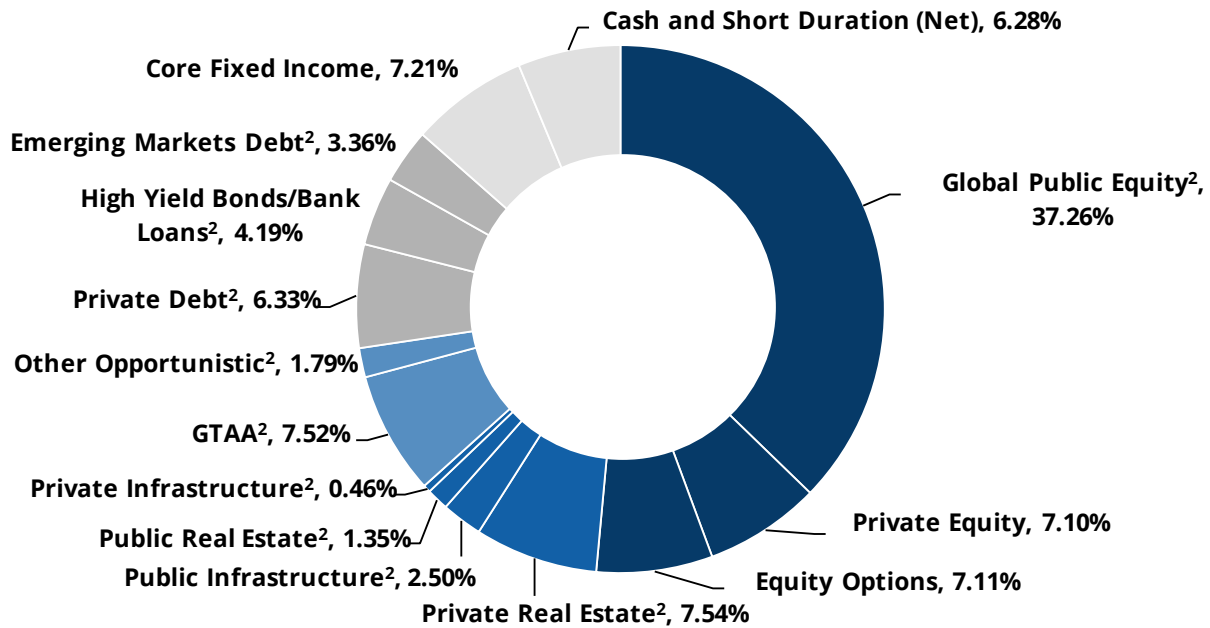


¹Plan returns are provided by BNY Mellon and are presented on a time-weighted calculation basis, net of fees. All returns are expressed in U.S. dollars. Periods greater than one year are annualized.

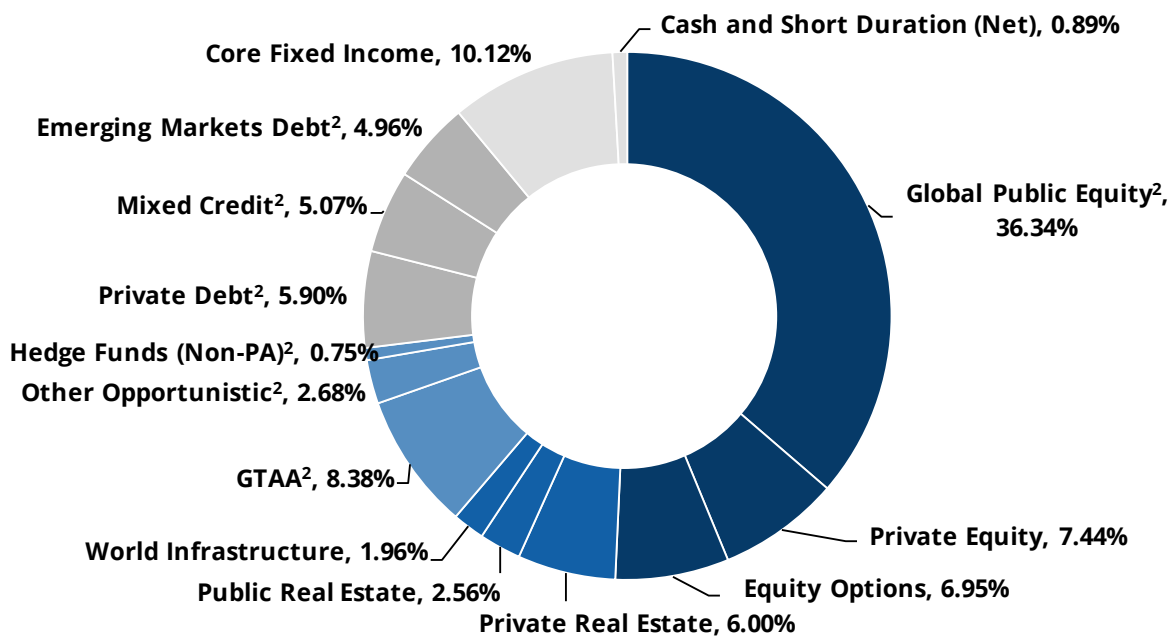
²The actuarial assumed rate of return is net of investment and administrative expenses and was set at 7.50 percent for fiscal years July 1, 2011 through June 30, 2017, but reduced to 7.25 percent for fiscal year 2018. The rate was composed of 2.75 percent inflation and 4.75 percent real rate of return through fiscal year 2016; 2.25 percent inflation and 5.25 percent real return for fiscal year 2017; and 2.25 percent inflation and 5.00 percent real return for fiscal year 2018.

Portfolio Exposure

As of June 30, 2019¹



As of June 30, 2018¹



■ Global Equity
 ■ Real Assets
 ■ Opportunistic
 ■ Diversified Credit
 ■ Conservative Fixed Income

¹Asset class exposures include exposure from RSIC's derivative overlay program.

²Asset classes in which hedge funds can be used. Total hedge fund exposure cannot exceed 20 percent of total Plan assets.

South Carolina Retirement Systems List of Largest Assets Held

As of June 30, 2019

Amounts expressed in thousands

Index funds holdings

Units	Description	SCRS	PORS	GARS	JSRS	SCNG	Fair value
51,616,586	Blackrock MSCI World Index	\$965,514,918	\$170,434,029	\$1,139,219	\$5,739,645	\$964,602	\$1,143,792,413
18,280,361	Daily MSCI USA Index NL Fund	634,032,535	111,920,300	748,100	3,769,100	633,433	751,103,468
4,113,386	MSCI EAFE Index NL Fund (FD12)	344,232,156	60,764,337	406,162	2,046,339	343,907	407,792,901
2,963,305	Blackrock EME	127,934,798	22,583,227	150,951	760,527	127,814	151,557,317
10,168,223	Blackrock EME Small Cap	105,818,883	18,679,296	124,857	629,056	105,719	125,357,811
410,670	MSCI CAD Index NL Fund (CA-12)	35,055,376	6,188,024	41,362	208,392	35,022	41,528,176
Total							\$2,621,132,086

Top 10 equity holdings

Units	Description	SCRS	PORS	GARS	JSRS	SCNG	Fair value
2,613,901	The Williams Company Inc	\$61,869,830	\$10,921,348	\$73,001	\$367,794	\$61,811	\$73,293,784
357,937	American Tower Corp	61,773,966	10,904,426	72,888	367,224	61,716	73,180,220
503,595	Microsoft Corp	56,946,668	10,052,305	67,192	338,528	56,893	67,461,586
1,121,873	TC Energy Corp	47,048,033	8,304,984	55,512	279,684	47,004	55,735,217
28,154	Amazon.com Inc	45,003,575	7,944,093	53,100	267,530	44,961	53,313,259
1,461,769	Enbridge Inc	44,664,171	7,884,181	52,700	265,513	44,622	52,911,187
261,129	Apple Inc	43,627,122	7,701,120	51,476	259,348	43,586	51,682,652
347,844	Sempra Energy	40,356,122	7,123,719	47,617	239,903	40,318	47,807,679
333,190	Crown Castle International Corp	36,661,884	6,471,606	43,258	217,942	36,627	43,431,317
2,841,748	Energy Transfer LP	33,775,361	5,962,073	39,852	200,783	33,743	40,011,812
Total							\$558,828,713

South Carolina Retirement Systems List of Largest Assets Held (cont.)

As of June 30, 2019

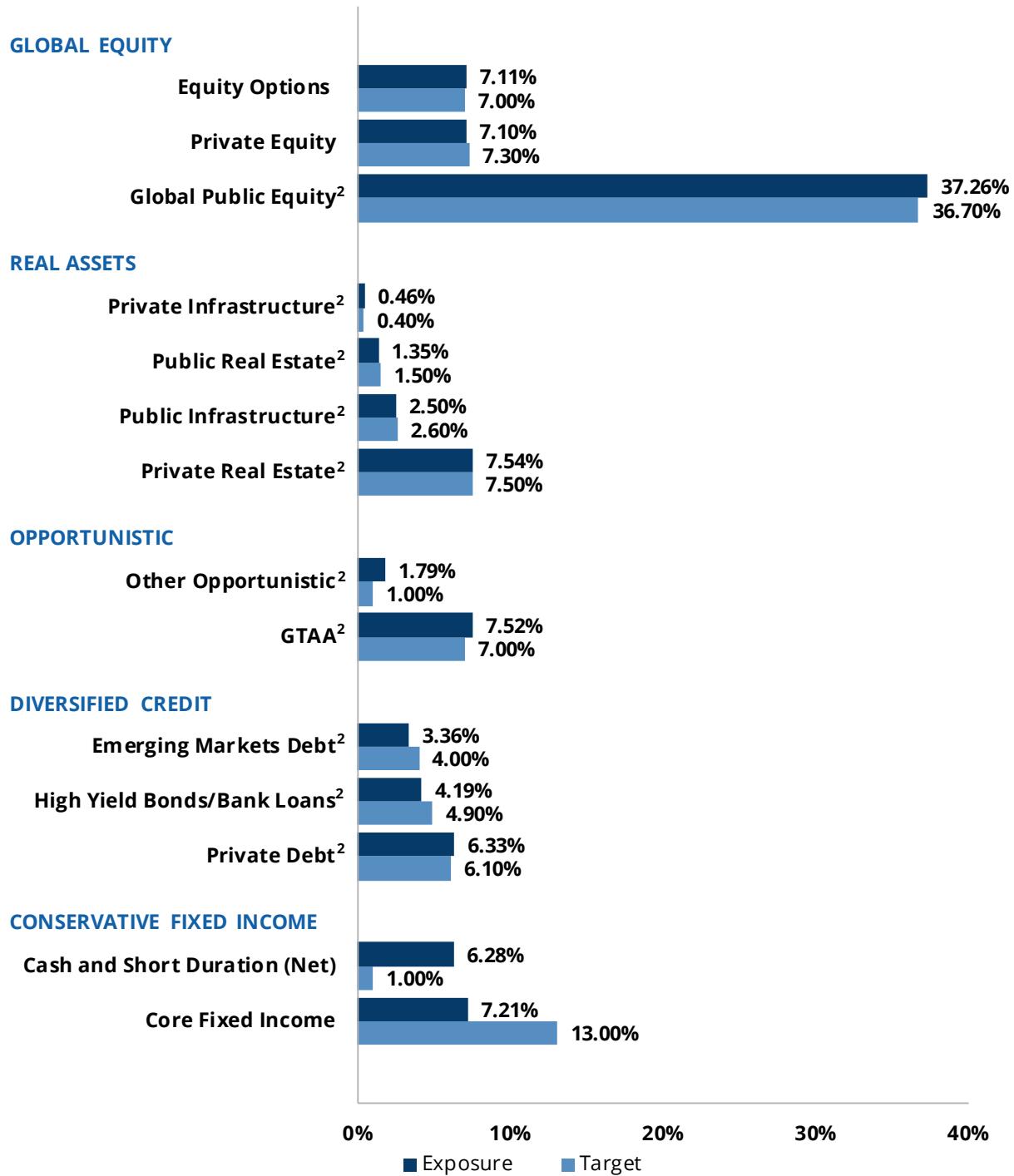
Amounts expressed in thousands

Top 10 fixed income holdings							
Par value	Description	SCRS	PORS	GARS	JSRS	SCNG	Fair Value
\$76,600,000	Commit to Purchase FNMA 3.00% due 09/01/2049	\$65,112,053	\$11,493,670	\$76,826	\$387,068	\$65,051	\$77,134,668
75,000,000	US Treasury Note 2.50% due 12/31/2020	63,923,581	11,283,879	75,424	380,003	63,863	75,726,750
50,000,000	US Treasury Note 2.50% due 01/31/2021	42,648,643	7,528,397	50,321	253,531	42,608	50,523,500
48,200,000	Commit to Purchase GNMA 4.00% due 08/20/2049	42,165,464	7,443,106	49,751	250,659	42,126	49,951,106
33,800,000	US Treasury Bond 2.50% due 02/15/2045	28,423,619	5,017,377	33,537	168,968	28,397	33,671,898
25,500,000	Commit to Purchase FNMA 3.50% due 09/01/2049	21,995,122	3,882,609	25,952	130,753	21,974	26,056,410
25,225,000	NBC Universal Enterprise 144A VAR RT due 4/01/2021	21,338,015	3,766,616	25,177	126,847	21,318	25,277,973
24,200,000	Bank of America Corp VAR RT due 07/21/2021	20,405,794	3,602,059	24,077	121,305	20,387	24,173,622
23,000,000	Federal Home Loan Bank 2.70% due 04/29/2022	19,447,716	3,432,938	22,947	115,610	19,429	23,038,640
22,375,000	Federal Home Loan Bank 2.60% due 01/05/2021	18,887,893	3,334,117	22,286	112,282	18,870	22,375,448
						Total	\$407,930,015

A complete list of portfolio holdings is available upon request.

Portfolio Exposure and Target Asset Allocation

As of June 30, 2019¹



¹Target Asset Allocation reflects the policy targets that were adopted by the Commission and in effect at the end of fiscal year 2019. The target weights to Private Equity, Private Debt and Private Real Estate are equal to their actual weights, reported by the custodial bank, as of the prior month end.

²Asset classes in which hedge funds can be used. Total hedge fund exposure cannot exceed 20 percent of total Plan assets.

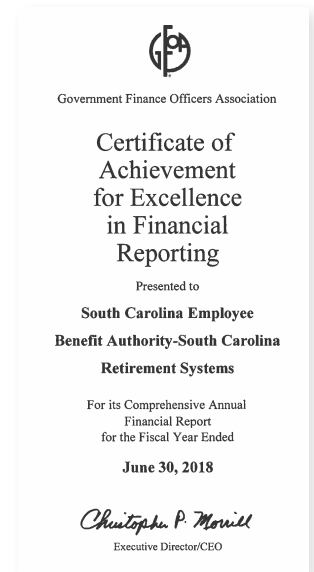
Fiscal Year 2018 GFOA Award

The South Carolina Retirement Systems' *Popular Annual Financial Report* for the fiscal year ended June 30, 2018, received an Award for Outstanding Achievement in Popular Annual Financial Reporting from the Government Finance Officers Association (GFOA) of the United States and Canada.

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

To receive this award, a government unit must publish a *Popular Annual Financial Report* in which the content conforms to program standards of creativity, presentation, understandability and reader appeal.

This award is valid for one year only. The Systems have received the Award for Outstanding Achievement for each of the past 15 consecutive years (fiscal years ended 2004-2018). We believe our current report continues to conform to the GFOA's requirements and are submitting it for consideration.

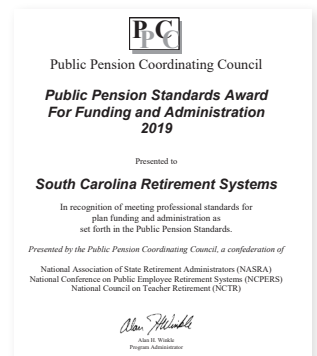


2019 PPCC Award

The South Carolina Retirement Systems received the Public Pension Coordinating Council's Public Pension Standards 2019 Award.

It is the 16th consecutive year during which the S.C. Public Employee Benefit Authority applied for and received the Council's award in recognition of meeting professional plan design and administration standards.

The Public Pension Coordinating Council is a confederation of the National Association of State Retirement Administrators, the National Conference on Public Employee Retirement Systems and the National Council on Teacher Retirement.



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