

**Financial Statements**  
**South Carolina Retirement Systems**  
**Year Ended June 30, 2021**

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

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SOUTH CAROLINA OFFICE OF THE STATE AUDITOR  
1401 Main Street, Suite 1200 • Columbia, SC 29201

October 15, 2021

Members of the South Carolina Public Employee  
Benefit Authority  
State of South Carolina  
Columbia, South Carolina

This report on the audit of the financial statements of the South Carolina Retirement Systems for the fiscal year ended June 30, 2021, was issued by CliftonLarsonAllen, LLP, Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

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

Respectfully submitted,

A handwritten signature in blue ink that reads "George L. Kennedy, III". The signature is fluid and cursive.

George L. Kennedy, III, CPA  
State Auditor

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## INDEPENDENT AUDITORS' REPORT

The Honorable Henry D. McMaster, Governor  
Mr. George L. Kennedy, CPA, State Auditor,  
and Board of Directors  
South Carolina Public Employee Benefit Authority  
Columbia, South Carolina

### Report on the Financial Statements

We have audited the accompanying financial statements of the South Carolina Retirement Systems (the Systems) as administered by the South Carolina Public Employee Benefit Authority, which comprise the statement of fiduciary net position as of June 30, 2021, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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



The Honorable Henry D. McMaster, Governor  
Mr. George L. Kennedy, CPA, State Auditor,  
and Board of Directors  
South Carolina Public Employee Benefit Authority

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Systems as of June 30, 2021, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Prior-Year Comparative Information***

We have previously audited the Systems' 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 15, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

#### ***Required Supplementary Information***

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

#### ***Other Information***

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

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

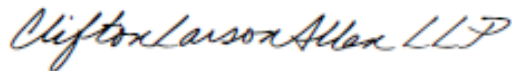


The Honorable Henry D. McMaster, Governor  
Mr. George L. Kennedy, CPA, State Auditor,  
and Board of Directors  
South Carolina Public Employee Benefit Authority

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the Systems as of and for the year ended June 30, 2020 (not presented herein), and have issued our report thereon dated October 15, 2020, which contained an unmodified opinion on the financial statements. The summarized comparative information included in the other supplementary information, as listed in the table of contents, for the year ended June 30, 2020 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2020 financial statements. The 2020 summarized comparative information has been subjected to the auditing procedures applied in the audit of the 2020 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2020 summarized comparative information is fairly stated in all material respects in relation to the financial statements as a whole for the year ended June 30, 2020.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2021 on our consideration of the Systems' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the South Carolina Retirement Systems' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Systems' internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Baltimore, Maryland  
October 15, 2021

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## Management's Discussion and Analysis

This section presents management's discussion and analysis of the financial position and performance for the year ended June 30, 2021, for the South Carolina Retirement Systems' pension trust funds (Systems), and is offered as an introduction and analytical overview. This narrative is intended as a supplement and should be read in conjunction with the financial statements.

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

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

## Overview of the Financial Statements

The Systems represents the collective retirement funds that are held in a group trust for the plans and are protected by the state's constitution. The South Carolina Public Employee Benefit Authority (PEBA) was created July 1, 2012 and operates a Retirement Division to administer the various retirement systems and retirement programs. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as custodian, co-trustee and co-fiduciary of the Systems and the assets of the retirement trust funds. The Retirement System Investment Commission (Commission as the governing body, RSIC as the agency), created by the General Assembly in 2005, has exclusive authority to invest and manage the retirement trust funds' assets. The Commission, an eight-member board, serves as co-trustee and co-fiduciary for the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems.

PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state. Financial statements prepared on behalf of the Systems, include the following information, for the fiscal year ended June 30, 2021, with combined total comparative information for the fiscal year ended June 30, 2020:

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

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

The Statement of Changes in Fiduciary Net Position presents information showing how the Systems' net positions restricted for pensions changed during the year. This statement includes additions for members, employers, nonemployer and state appropriated contributions and investment earnings (losses) and deductions for retirement benefit payments, refunded contributions, death benefit payments and administrative expenses.

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

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

Other Supplementary Information includes Schedules of Changes in Fiduciary Net Position by System, as well as Schedules of Administrative Expenses, Professional and Consultant Fees and Investment Fees and Expenses.

## Financial Highlights

- Total fiduciary net position for all five defined benefit plans of the Systems combined, increased from \$31.3 billion to \$39.9 billion, which was almost twenty-eight percent from the prior fiscal year ended June 30, 2020. The net position of the plans is impacted by contributions paid into the plans, investment performance, and benefits paid out of the system. The plans are in a net cash outflow position with benefit payments exceeding contributions received; therefore, investment performance must first make up this gap before fiduciary net position can grow. The increase in net position was attributable primarily to positive investment performance.
- For the fiscal year ended June 30, 2021, investment performance, net of fees, on a time-weighted basis reported by the custodial bank, the Bank of New York Mellon (BNYM), was 28.57 percent. The net rate of 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 expenses. This fiscal year's performance had a significant impact, especially compared to the prior year's return of negative 1.58 percent. Additionally, since the actuarial assumed rate of return is 7.25 percent, the plan experienced an actuarial gain this fiscal year. Actuarial valuations are prepared for each of the plans annually for funding purposes, at which time gains and losses from investment performance are recognized using smoothing methods that help mitigate sharply fluctuating market returns over a long-term period. The smoothing methodology offsets both deferred investment gains and losses against each other and is intended to produce an actuarial asset value that should be reasonably consistent with fair value during periods of ordinary investment returns. Smoothing investment performance avoids overreaction to inherently volatile conditions that would otherwise overweight the effects of a single year of performance that may potentially be reversed in subsequent years. Actuarial smoothing is intended to result in more stable contribution rates and a more level funded status and is also a valuable methodology for governmental entities because it permits participating employers to plan their budgets over more than one fiscal year when there is a change in contribution rates.

- Passed by the General Assembly, ratified and signed by Governor Henry McMaster, Act No. 135 of 2020 is a continuing resolution that largely maintained the state budget for the 2021 fiscal year at the same rate as the prior 2020 fiscal year. Because the General Assembly did not adopt any budget increases for FY 2021, the General Assembly also postponed the one percent increase in the SCRS and PORS employer contribution rates that was scheduled to go into effect beginning July 1, 2020.
- Liability calculations for financial reporting purposes for each of the five defined benefit plans were performed and certified by Gabriel Roeder Smith & Company (GRS) in the GASB No. 67 Accounting Valuation Report as of June 30, 2021. The calculations presented in the accounting valuation report are not applicable for other purposes, such as determining the plans' funding requirements. The total pension liability, net pension liability, and sensitivity information for each plan are based on the actuarial valuations performed as of July 1, 2020. The total pension liability for each plan was rolled-forward from the valuation date to the plans' fiscal year ending June 30, 2021, using generally accepted actuarial principles. The Notes and Required Supplementary Information (RSI) sections of the Financial Statements include disclosures required by GASB No. 67.
- Cash and cash equivalents, receivables, and prepaid expenses reported on the condensed Statement of Fiduciary Net Position decreased over 12 percent from fiscal year 2020. The net decrease in this line item was primarily due to lower cash balances maintained by investment managers and investments in sweep vehicles; however, the overall change also included a sizeable increase from \$1.41 billion to \$2.77 billion in the dollar amount of unsettled investment receivables at June 30, 2021.
- The Changes in Fiduciary Net Position reports slight increases in both the dollar amounts of employee and employer contributions. The rise is attributable to payroll growth since contribution rates remained the same. For fiscal year 2021, employee contribution rates remained capped at a rate of 9.00 percent for SCRS and 9.75 percent for PORS; in accordance with Act 135 of 2020, employer contribution rates for both SCRS and PORS also remained 15.56 percent and 18.24 percent, respectively. These employer rates are inclusive of contributions for the death benefit plan, which are only applicable to employers participating in that benefit. Effective July 1, 2021, there will be no change to employee rates but employer contribution rates are scheduled to increase by 1 percentage point for both SCRS and PORS to 16.56 percent and 19.24 percent, respectively. In accordance with the legislative funding schedule, employer contribution rates will continue to increase by a minimum of 1 percentage point each year and may be increased further, if the scheduled contributions are not sufficient to meet the funding periods set for the applicable year. The board shall increase the employer contribution rates as necessary to meet the amortization period set in statute.
- The General Assembly included funding to PEBA, to be distributed to some employers to help offset a portion of the employer's retirement contributions. PEBA allocates amounts to employers in the same dollar amount for which credits were calculated in previous years. In no event shall a participating employer receive a credit that exceeds the employer contributions due from the employer for the fiscal year. This represents the fourth year in which PEBA issued credit invoices to certain SCRS and PORS employers who then applied the credit invoices towards contributions otherwise due to the Systems. The amount of credit invoices issued in fiscal year 2021 totaled \$88.7 million and \$12.5 million for SCRS and PORS respectively. The General Assembly also continues to fund \$2.9 million in nonemployer contributions to JSRS.
- Annuity benefits paid from the five defined benefit plans, increased almost 3 percent from the prior fiscal year. Among other factors, the increase resulted from the annual benefit adjustment equal to the lesser of 1 percent or \$500 granted to eligible SCRS and PORS annuity recipients effective July 1, 2020, and a slight increase in the number of annuitants.

- The Systems' investment portfolio participates in a securities lending program, managed by BNYM, whereby securities are loaned for the purpose of generating additional income. As the securities lending agent, BNYM is responsible for making loans of securities on a collateralized basis from the Systems' investment portfolio to various third-party broker-dealers and financial institutions. Securities lending revenue, net of borrower rebates, was \$1.8 million, a decrease from \$2.75 million in the prior year. As reported by BNYM, at June 30, 2021, the fair value of securities on loan was \$64.33 million, the fair value of the invested cash collateral was \$21.35 million, and the securities lending obligations were \$65.97 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 BNYM as both the custodial bank and securities lending agent.
- The Commission operates pursuant to statutory provisions and under governance policies that allow for a diverse asset allocation and which afford the RSIC and its Chief Investment Officer (CIO) discretion and flexibility to quickly react to changes in market conditions. The Retirement Systems' investment portfolio is structured to focus on ensuring the long-term stability of the plans, seeking superior returns at acceptable levels of risk.
- The Commission is responsible for establishing and managing a target asset allocation that manages risk, ensures liquidity, and as mentioned above, affords flexibility to quickly react to changes in market conditions. The Commission underwent a review and analysis of the policy portfolio and relevant benchmarks, supported by their investment consultant. The objective was to simplify the policy portfolio, which could then serve as a more straight-forward way to analyze and measure investment decisions. This simplified policy allocation, including target weights, ranges and benchmarks for each asset class, was adopted by the Commission on April 16, 2020 for the fiscal year beginning July 1, 2020.
- In accordance with SC State Statute, the Commission has exclusive authority to select the custodial bank, with PEBA as a third-party beneficiary of the contract with full rights to information. The Commission contracts with BNYM to serve as custodial bank for the Retirement Systems' funds. Under a provision of the contract for custody services and in an effort to maintain transparency, BNYM directly invoices the trust funds on a quarterly basis for both custody and other ancillary services utilized. PEBA and the RSIC jointly verify that invoices accurately reflect services rendered and are appropriate for the period before amounts are paid from the trust fund. The securities lending revenue account of the pension trust fund is the initial source from which such costs are paid to the custodial agent.
- All investment manager fees, whether directly invoiced or deducted from the fund Net Asset Value (NAV) on a net of fee basis, are classified and reported as investment expense in the Statement of Changes in Fiduciary Net Position. The RSIC is responsible for overseeing the collecting, validating, and aggregating of non-invoiced netted fee and expense information by our consultant and, on an annual basis, reports the information to PEBA so that amounts can be reclassified and reported in the Systems' financial statements. Investment manager fees reported include management fees, performance fees and carried interest (accrued during the fiscal year), and other expenses. There is no industry standard for reporting pension plan investment fees and expenses; therefore, in order to compare investment expenses as reported by the Systems with investment management costs reported by other public pension plans, an understanding of the actual fees and expenses included in any comparative report is necessary. Total investment manager fees for fiscal year 2021 were \$546.3 million, which includes both directly invoiced amounts and amounts deducted on a net of fee basis, but excludes bank fees and other miscellaneous investment expenses. Comparatively, total investment manager fees were more than 150 percent higher than the prior fiscal year 2020 total of \$217.6 million. The increase is largely attributed to higher performance fees as a result of strong performance for the fiscal year in the asset classes that incur performance fees.



- PEBA is the governing body responsible for administration of both the state's retirement plans and employee insurance programs. The proportion of administrative costs allocated for retirement operations is funded from the retirement trust funds. Administrative and other expenses for the retirement trust funds for fiscal year 2021 increased over 22 percent from the prior year. This increase is attributable largely due to costs associated with the PEBA:Connect project to acquire a new comprehensive benefit administration system. Increased administrative expenses were also realized due to information technology costs related to upgrading our disaster recovery service.
- PEBA retains Gabriel, Roeder, Smith & Company (GRS) as the consulting actuary for the defined benefit retirement plans. South Carolina state statute requires that the actuary complete a valuation of the Systems annually and that an experience study be conducted at least once in each five-year period. The most recent annual valuation reports were issued in December 2020 reflecting the valuation of the Systems as of July 1, 2020. The most recent actuarial experience study was completed by GRS for the five-year period ending June 30, 2019. The experience study recommended various changes to the actuarial assumptions and methodologies. Section 9-16-335 of the SC Code of Laws requires the assumed annual rate of return on the investments of the Retirement Systems to be established by the General Assembly, based on recommendations developed by the board's actuary and in consultation with the Commission. The current 7.25 percent investment return assumption is set to expire June 30, 2021; therefore, the PEBA Board submitted the actuaries' recommendation to decrease the investment return assumption from 7.25 percent to 7 percent. The General Assembly can set the assumed rate of return with a different rate than recommended by the PEBA Board, but if they fail to act, then the recommendation becomes effective for the next actuarial valuation. The General Assembly did not take action on the assumed rate of return, so accordingly, the recommended rate went into effect. This change, as well as the other recommended changes adopted by the PEBA Board, are scheduled to be implemented effective beginning with the July 1, 2021 actuarial valuations.
- As a cost-sharing multiple-employer defined benefit pension plan, PEBA works closely with our consulting actuary and external audit firm to ensure employers are provided with pension information needed to prepare their GAAP based financial statements in compliance with Governmental Accounting Standards Board (GASB), specifically Statements No. 68, 71 and 82. PEBA's public website includes a dedicated GASB section where information is posted for participating employers and auditors to access financial statement disclosure information related to their proportionate share of the net pension liability, deferred inflows and outflows of resources and pension expense.
- All of the plans (excluding SCNG) include certain provisions that allow retired members to return to covered employment while also receiving a monthly retirement benefit. For members who return to work for a covered employer after retirement, the employer must pay the corresponding employer contribution for that particular plan, and under SCRS, PORS and JSRS, retired members are also required to pay the same employee contribution as an active member in the same position. As of June 30, 2020, the actuarial valuations for SCRS and PORS collectively reported that approximately 14,500 retired members were working for a covered employer while receiving monthly retirement benefits, thereby making up over five percent of the total public workforce covered by the Systems. The historical return-to-work provisions, coupled with demographic changes of the membership, caused concern over the long-term stability of the plan so legislation enacted in 2012 addressed retiree return-to-work provisions. Generally, SCRS and PORS members may return to covered employment after retirement. However, members who retire after January 1, 2013 and who have not reached age 62 (SCRS) or age 57 (PORS) at retirement, are subject to an earnings limit of \$10,000 each calendar year on wages earned from covered employment. Additionally, all retired members must experience a bona-fide separation of employment and have been retired a minimum of 30 calendar days before returning to work for a participating employer.

- Qualified Excess Benefit Arrangement (QEBA) trust funds are maintained for each of the plans administered by the Retirement Division of PEBA (excluding SCNG). A QEBA is intended to be a qualified governmental excess benefit arrangement within the meaning of Section 415(m)(3) of the Internal Revenue Code and provides the part of a participant's retirement benefit that would have been paid by the Systems had there been no limitations under Code Section 415(b). The QEBA plans are separate and apart from the funds comprising the retirement funds and are not commingled with assets of those funds. The QEBA is not prefunded; therefore, no assets or income are accumulated to pay future benefits. The amount of required contributions necessary to pay benefits under the plans is determined and deposited to the trust funds on an as-needed basis. Employer contributions to fund the excess benefits are not credited or commingled with contributions paid into and accumulated in the retirement funds.
- GARS was closed to persons first elected to the South Carolina General Assembly at or after the general election in November 2012. Members so elected to the SC Senate or House of Representatives have the option to join SCRS, the State Optional Retirement Program (State ORP), which is a defined contribution plan, or they may elect to opt out of a plan altogether. As a result of the plan closure, employee contributions to the GARS plan should decrease over time, while employer contributions may experience a general increase over time.



## Condensed Financial Information

The Systems' financial stability and long-term ability to sufficiently fund retirement benefits payable to members in future years is viable because funds are accumulated and invested on a regular and systematic basis. The five defined benefit funds provide monthly service retirement benefits, disability benefits and death benefits to eligible members and/or their surviving beneficiaries.

The Systems' principal sources of revenue are employee contributions, employer contributions and investment earnings. In addition, the General Assembly provided funds to PEBA through legislative appropriations that are classified as non-employer contributions by the Systems. A portion of the appropriated funds were made available for PEBA to distribute to participating employers in the form of a credit to be used towards contributions due to SCRS and PORS and a portion of the funds were appropriated as additional contributions to JSRS. Required annual contributions for the SCNG are also funded through an annual state appropriation. Expenses of the Systems consist primarily of payments of monthly annuities to retired members or their beneficiaries, and refunds of member contributions and interest that are paid subsequent to termination of employment. The defined benefit plans include an incidental death benefit that employers may elect to participate in which provides benefits for both active and retired members and PORS also includes an accidental death plan that provides benefits for members of PORS.

PEBA sponsors the 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. Both State ORP and Deferred Compensation assets are not considered part of the Retirement Systems for financial statement purposes. Summary comparative financial statements of the SC Retirement Systems' pension trust funds are presented on the following page.

## Fiduciary Net Position

As of June 30

(Amounts expressed in thousands)

	2021	2020	Increase / (Decrease)	% Increase / (Decrease)
<b>Assets</b>				
Cash and cash equivalents, receivables, and prepaid expenses	\$ 4,596,950	\$ 5,249,820	\$ (652,870)	(12.44%)
Investments, at fair value	38,173,987	28,875,414	9,298,573	32.20%
Securities lending cash collateral invested	21,348	20,452	896	4.38%
Capital assets, net of accumulated depreciation	2,084	2,156	(72)	(3.34%)
<b>Total assets</b>	<u>42,794,369</u>	<u>34,147,842</u>	<u>8,646,527</u>	<u>25.32%</u>
<b>Liabilities</b>				
Obligations under securities lending	21,348	20,452	896	4.38%
Other liabilities	2,874,921	2,874,001	920	0.03%
<b>Total liabilities</b>	<u>2,896,269</u>	<u>2,894,453</u>	<u>1,816</u>	<u>0.06%</u>
Net Position Restricted for Pensions	<u>\$ 39,898,100</u>	<u>\$ 31,253,389</u>	<u>\$ 8,644,711</u>	<u>27.66%</u>

## Changes in Fiduciary Net Position

Years Ended June 30

(Amounts expressed in thousands)

	2021	2020	Increase / (Decrease)	% Increase / (Decrease)
<b>Additions</b>				
Employee contributions	\$ 1,087,933	\$ 1,079,562	\$ 8,371	0.78%
Employer contributions	1,960,953	1,936,319	24,634	1.27%
Nonemployer contributions	104,076	104,076	-	0.00%
State appropriated contributions	5,290	5,290	-	0.00%
Net investment income (loss)	9,243,637	(523,842)	9,767,479	1864.58%
Other income	2,050	1,862	188	10.10%
<b>Total additions</b>	<u>12,403,939</u>	<u>2,603,267</u>	<u>9,800,672</u>	<u>376.48%</u>
<b>Deductions</b>				
Annuity benefits	3,554,269	3,451,616	102,653	2.97%
Refunds	148,709	140,534	8,175	5.82%
Death benefits	33,771	25,324	8,447	33.36%
Administrative and other expenses	22,479	18,367	4,112	22.39%
<b>Total deductions</b>	<u>3,759,228</u>	<u>3,635,841</u>	<u>123,387</u>	<u>3.39%</u>
Net increase (decrease) in Net Position	<u>8,644,711</u>	<u>(1,032,574)</u>	<u>9,677,285</u>	<u>937.20%</u>
Net Position Restricted for Pensions				
Beginning of year	<u>31,253,389</u>	<u>32,285,963</u>	<u>(1,032,574)</u>	<u>(3.20%)</u>
End of year	<u>\$ 39,898,100</u>	<u>\$ 31,253,389</u>	<u>\$ 8,644,711</u>	<u>27.66%</u>

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

On a combined basis, the defined benefit plans' fiduciary net position was \$39.9 billion at June 30, 2021. This represents an increase of almost twenty-eight percent from the previous fiscal year-end. As explained in the financial highlights section, the fiduciary net position went up primarily due to strong performance of the plan investments and increased contributions which exceeded the impact of net negative cash flows that result from benefit payments exceeding contributions received. The plan's net position increased from \$31.3 billion in the prior fiscal year.

During fiscal year 2021, the total dollar amount of contributions added to the plans increased because of payroll growth since contribution rates and the non-employer funding remained the same. Amounts paid out of the plans also increased marginally compared with the previous year because of an increase in regular monthly annuity benefits paid. There was a minimal increase in the number of annuitants but more predominantly, the increase was the result of the annual benefit adjustment equal to the lesser of 1 percent or \$500 that was granted to eligible SCRS and PORS annuity recipients effective July 1, 2020.

Net of fee performance return, on a time-weighted basis was 28.57 percent for the fiscal year. The Plan outperformed the policy benchmark, which returned 24.86 percent, by 371 basis points. Additionally, the Plan exceeded the actuarial assumed rate of return of 7.25 percent by 2,132 basis points.

Private Equity was the highest performing asset class on an absolute basis returning 44.53 percent but trailed its benchmark which returned 54.98 percent. The Public Equity asset class was also a very strong performer returning 41.44 percent which exceeded its benchmark by 50 basis points. Private Debt returned 18.73 percent but underperformed its benchmark by 348 basis points. The Portable Alpha Hedge Funds' excess return over three-month LIBOR returned 17.11 percent and outperformed its benchmark return of 14.79 percent. The Infrastructure and Real Estate asset classes, which both contain private and public investments, returned 14.46 percent versus an 18.75 percent benchmark return and 12.18 percent versus a 7.13 percent benchmark return, respectively. The Bonds asset class, which includes cash and short duration investments, was the lowest performing asset class on an absolute basis returning 3.31 percent but outperformed its benchmark by 364 basis points. Asset class returns include the impact of synthetic returns generated from the overlay portfolio.

## Actuarial Valuations and Funding Progress

Actuarial valuations are performed annually by an external consulting actuary for each of the five defined benefit plans to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, SCRS and PORS contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability (UAAL) over a period that does not exceed the number of years scheduled in state statute. Additionally, the Board is prohibited from decreasing the SCRS and PORS contribution rates until the funded ratio is at least 85 percent. The Retirement System Funding and Administration Act of 2017, which became effective on July 1, 2017, schedules the amortization period to be reduced from 30 years to 20 years over a ten-year schedule. Over time and provided investment performance meets long-term assumptions and there are no future benefit enhancements, the funded ratio of each system is expected to improve significantly.

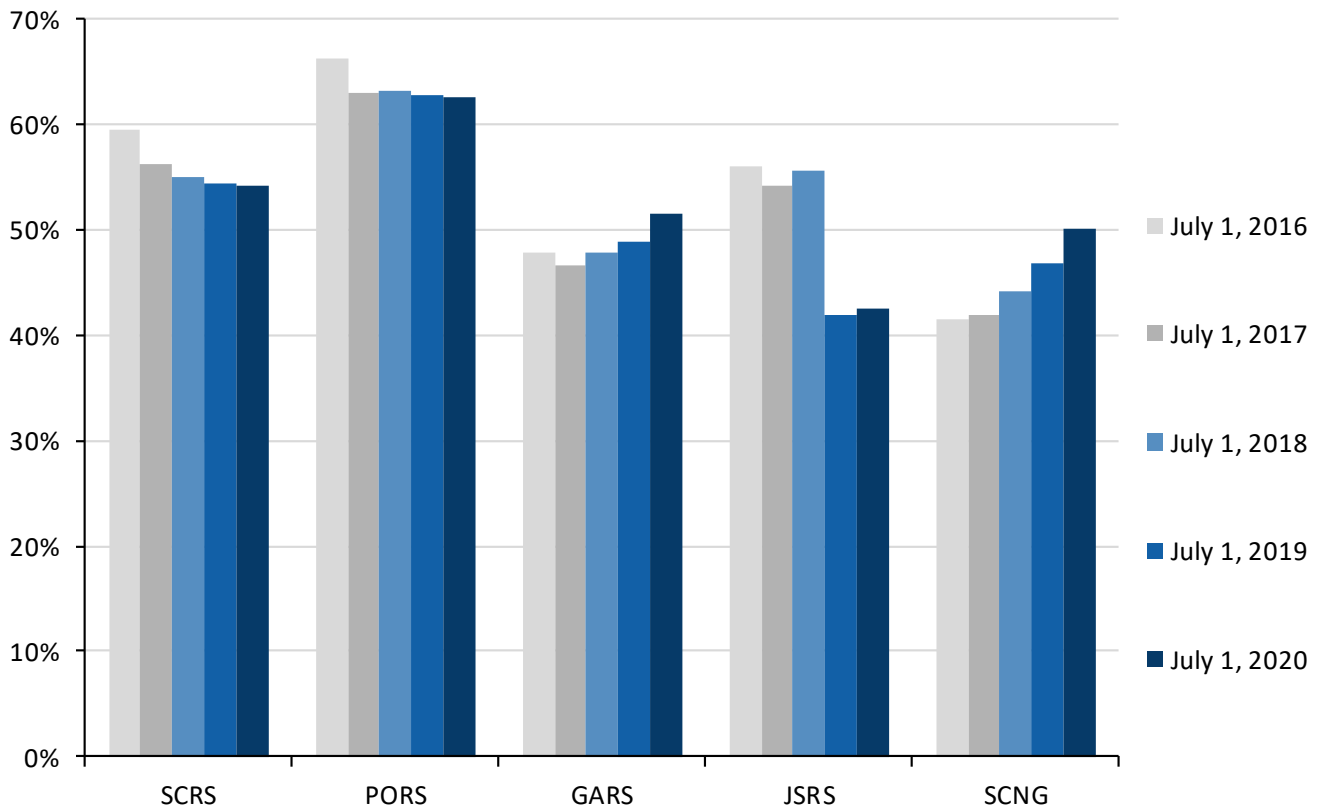
For purposes of developing the actuarially determined contribution rate, the most recently completed valuations prepared as of July 1, 2020, recognized investment performance using the smoothing method, which recognizes each year's investment gain or loss, determined on a fair value of assets basis, over a closed five year period at a rate of 20 percent per year. This asset valuation method mitigates the short-term impact of market volatility and allows changes in market conditions to be recognized (smoothed) over a longer period of time. In contrast, the accounting valuation report determines the plan fiduciary net position for the purpose of providing

accounting information under GASB Statement No. 67, which uses a fair value basis. Since the valuation report prepared for accounting purposes uses the fair value of assets rather than the actuarial value of assets, the ratio of plan fiduciary net position to the total pension liability can result in significant short-term volatility.

Actuarial valuations are prepared for funding purposes and the funded ratio (the ratio of the actuarial assets to the actuarial accrued liability) is a standard of measure of a plan's funded status. It provides an indication as to whether sufficient assets are accumulated to pay benefits when due; the greater the level of funding, the larger the ratio of assets to liabilities. The funding progress of a retirement system should be reviewed over a multi-year period, such as five to ten years, to identify trends in the system's funded status. The most recent actuarial valuations prepared for funding purposes as of July 1, 2020, showed a slight decrease in funded status for SCRS and PORS while the funded ratios for GARS and SCNG showed slight improvements. The changes in funded ratios do not affect the availability of funds or resources for future use, and considering scheduled contributions, actuarial projections indicate that unfunded liabilities should be amortized and funded within the guidelines established in Title 9 of the SC Code of Laws. The actuarial funded ratios of the five plans are presented in the graph on the following page. Percentages for GASB Statement No. 67 reporting purposes can be found in the Schedule of Employers' Net Pension Liability on page 68.

## Actuarial Funded Ratios

*(Actuarial assets as a percentage of actuarial accrued liabilities)*



### Requests for Information

This financial report is designed to provide a general overview of the Retirement Systems' financial activities and position for all interested parties. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the South Carolina PEBA, Attn: Retirement Systems Finance, 202 Arbor Lake Drive, Columbia, SC 29223. Inquiries may also be made at [www.peba.sc.gov](http://www.peba.sc.gov) or by calling 888.260.9430.

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# South Carolina Retirement Systems

## Statement of Fiduciary Net Position

June 30, 2021

With summarized comparative totals for June 30, 2020

(Amounts expressed in thousands)

	SCRS	PORS	GARS	JSRS	SCNG	TOTAL	2020 TOTAL
<b>Assets</b>							
Cash and cash equivalents	\$ 1,245,440	\$ 219,193	\$ 4,355	\$ 13,328	\$ 6,517	\$ 1,488,833	\$ 3,507,752
Receivables							
Due from other systems		133				133	144
Employee and employer contributions	271,414	29,508	9	1,389	2	302,322	290,829
Accrued investment income	29,062	5,319	36	180	30	34,627	41,093
Unsettled investment sales	2,324,803	425,476	2,849	14,351	2,412	2,769,891	1,408,633
Other investment receivables	207	38		1		246	578
<b>Total receivables</b>	<b>2,625,486</b>	<b>460,474</b>	<b>2,894</b>	<b>15,921</b>	<b>2,444</b>	<b>3,107,219</b>	<b>1,741,277</b>
Investments, at fair value							
Short-term securities	72,206	13,215	88	446	75	86,030	323,790
Fixed Income	2,585,942	473,269	3,168	15,963	2,683	3,081,025	3,810,772
Global Public Equity	16,237,652	2,971,752	19,895	100,236	16,846	19,346,381	13,873,769
Opportunistic Alternatives	13,144,090	2,405,580	16,105	81,140	13,636	15,660,551	10,639,044
<b>Total investments</b>	<b>32,039,890</b>	<b>5,863,816</b>	<b>39,256</b>	<b>197,785</b>	<b>33,240</b>	<b>38,173,987</b>	<b>28,875,414</b>
Securities lending cash collateral invested	17,918	3,279	22	111	18	21,348	20,452
Prepaid expenses	756	135	1	5	1	898	791
Capital assets, net of accumulated depreciation	1,871	199	5	9		2,084	2,156
<b>Total assets</b>	<b>35,931,361</b>	<b>6,547,096</b>	<b>46,533</b>	<b>227,159</b>	<b>42,220</b>	<b>42,794,369</b>	<b>34,147,842</b>
<b>Liabilities</b>							
Due to other systems	133					133	144
Accounts payable - unsettled investment purchases	2,264,295	414,402	2,774	13,978	2,349	2,697,798	2,534,634
Investment fees payable	3,424	627	4	21	3	4,079	7,790
Obligations under securities lending	17,918	3,279	22	111	18	21,348	20,452
Due to South Carolina Retiree Health Insurance Trust Fund	84,283	1,437				85,720	80,282
Benefits payable	5,382	426			4	5,812	5,569
Other liabilities	65,620	15,253	78	366	62	81,379	245,582
<b>Total liabilities</b>	<b>2,441,055</b>	<b>435,424</b>	<b>2,878</b>	<b>14,476</b>	<b>2,436</b>	<b>2,896,269</b>	<b>2,894,453</b>
Net Position Restricted for Pensions	\$ 33,490,306	\$ 6,111,672	\$ 43,655	\$ 212,683	\$ 39,784	\$ 39,898,100	\$ 31,253,389

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

## South Carolina Retirement Systems

### Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2021

With summarized comparative totals for the year ended June 30, 2020

(Amounts expressed in thousands)

	SCRS	PORS	GARS	JSRS	SCNG	TOTAL	2020 TOTAL
<b>Additions</b>							
Contributions							
Employee	\$ 932,014	\$ 152,148	\$ 184	\$ 3,587		\$ 1,087,933	\$ 1,079,562
Employer	1,673,320	262,577	5,956	19,100		1,960,953	1,936,319
Nonemployer	88,706	12,470		2,900		104,076	104,076
State appropriated					5,290	5,290	5,290
Total contributions	2,694,040	427,195	6,140	25,587	5,290	3,158,252	3,125,247
Investment income							
Net appreciation (depreciation)							
in fair value of investments	7,864,876	1,429,534	9,564	48,185	8,098	9,360,257	(904,922)
Interest and dividend income	369,594	67,205	451	2,355	381	439,986	609,706
Investment expense	(468,798)	(85,661)	(573)	(2,890)	(485)	(558,407)	(231,374)
Net income (loss) from investing activities	7,765,672	1,411,078	9,442	47,650	7,994	9,241,836	(526,590)
From securities lending activities:							
Securities lending income	953	173	1	6	1	1,134	2,571
Securities lending borrower rebates	560	102	1	3	1	667	177
Net income from securities lending activities	1,513	275	2	9	2	1,801	2,748
Total net investment income (loss)	7,767,185	1,411,353	9,444	47,659	7,996	9,243,637	(523,842)
Supplemental retirement benefits funded by the State	358	9				367	301
Transfers of contributions from other Systems	45	1,401		237		1,683	1,561
<b>Total additions</b>	<b>10,461,628</b>	<b>1,839,958</b>	<b>15,584</b>	<b>73,483</b>	<b>13,286</b>	<b>12,403,939</b>	<b>2,603,267</b>
<b>Deductions</b>							
Refunds of contributions to members	124,286	24,346	77			148,709	140,534
Transfers of contributions to other Systems	1,638		45			1,683	1,561
Regular retirement benefits	3,090,155	425,232	6,222	25,746	4,574	3,551,929	3,449,017
Deferred retirement benefits						-	456
Supplemental retirement benefits	358	9				367	301
Death benefits	29,780	3,780	16	195		33,771	25,324
Accidental death benefits		1,973				1,973	1,842
Depreciation	149	19		1		169	165
Administrative expenses	17,374	3,102	23	108	20	20,627	16,641
<b>Total deductions</b>	<b>3,263,740</b>	<b>458,461</b>	<b>6,383</b>	<b>26,050</b>	<b>4,594</b>	<b>3,759,228</b>	<b>3,635,841</b>
Net increase (decrease) in Net Position	7,197,888	1,381,497	9,201	47,433	8,692	8,644,711	(1,032,574)
Net Position Restricted for Pensions							
Beginning of year	26,292,418	4,730,175	34,454	165,250	31,092	31,253,389	32,285,963
End of year	\$33,490,306	\$6,111,672	\$ 43,655	\$212,683	\$ 39,784	\$39,898,100	\$31,253,389

The accompanying notes are an integral part of these financial statements



# South Carolina Retirement Systems

## Notes to Financial Statements

### I. Basis of Presentation and Summary of Significant Accounting Policies

#### Description of the Entity

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

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

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

Non-representative members of the PEBA board may not belong to the classes of employees and retirees from which representative members must

be appointed. Individuals appointed to the PEBA board must possess certain qualifications.

Members of the PEBA board serve for terms of four years, on a staggered schedule and until their successors are appointed and qualify. Vacancies on the PEBA Board must be filled within 60 days in the manner of the original appointment for the unexpired portion of the term.

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

#### Pension Trust Funds

- South Carolina Retirement System (SCRS)
- South Carolina Police Officers Retirement System (PORS)
- Retirement System for Members of the General Assembly of the State of South Carolina (GARS)
- Retirement System for Judges and Solicitors of the State of South Carolina (JSRS)
- South Carolina National Guard Supplemental Retirement Plan (SCNG)

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

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

#### Plan Descriptions

The South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945,

pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for public school districts and employees of the state and political subdivisions thereof.

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

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

plan to individuals newly elected to the Senate or House of Representatives on or after the general election of 2012.

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

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

A summary of information related to employers and members follows (dollar amounts expressed in thousands). This information was reported in the most recent actuarial valuation as of July 1, 2020.

	State	School	Other	Total
<b>SCRS</b>				
Number of Employers <sup>1</sup>	34	117	580	731
Annualized Prior Year Compensation for Active Members	\$2,802,430	\$3,977,491	\$2,578,590	\$9,358,511
Average Number of:				
Active Contributing Members	55,867	89,103	56,174	201,144
Retirees and beneficiaries currently receiving benefits				146,131
Terminated members entitled to but not yet receiving benefits <sup>2</sup>				198,926
Total SCRS Membership				546,201
<b>PORS</b>				
Number of Employers <sup>1</sup>	22	3	289	314
Annualized Prior Year Compensation for Active Members	\$419,844		\$961,805	\$1,381,649
Average Number of:				
Active Contributing Members	9,026		18,769	27,795
Retirees and beneficiaries currently receiving benefits				19,625
Terminated members entitled to but not yet receiving benefits <sup>2</sup>				18,811
Total PORS Membership				66,231
<b>GARS</b>				
Number of Employers	1			1
Annualized Prior Year Compensation for Active Members	\$1,570			\$1,570
Average Number of:				
Active Members	87			87
Retirees and beneficiaries currently receiving benefits	338			338
Terminated members entitled to but not yet receiving benefits	35			35
Total GARS Membership	460			460
<b>JSRS</b>				
Number of Employers	1			1
Annualized Prior Year Compensation for Active Members	\$30,346			\$30,346
Average Number of:				
Active Members (160 positions)	160			160
Retirees and beneficiaries currently receiving benefits <sup>3</sup>	223			223
Terminated members entitled to but not yet receiving benefits	4			4
Total JSRS Membership	387			387
<b>SCNG</b>				
Number of Employers	1			1
Annualized Prior Year Compensation for Active Members <sup>4</sup>	N/A			N/A
Average Number of:				
Active Members	12,099			12,099
Retirees and beneficiaries currently receiving benefits	4,981			4,981
Terminated members entitled to but not yet receiving benefits	1,739			1,739
Total SCNG Membership	18,819			18,819

<sup>1</sup> Although there are 87 SCRS, 26 PORS, 2 GARS and 4 JSRS state agencies that report separately, the State is considered the primary government and therefore, all state agencies are included as a single employer. Institutions of Higher Education and Quasi-State Agencies are counted as separate employers and included within the "State" category. This schedule includes only employers that submitted contributions for an active member during the fiscal year.

<sup>2</sup> Employee Class not determinable from data.

<sup>3</sup> Count includes 18 retired-in-place members as of July 1, 2020

<sup>4</sup> Annualized Prior Year Compensation is not applicable for SCNG because it is a non-contributory plan.

# Membership

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

## SCRS

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

## State ORP

As an alternative to membership in SCRS, newly hired state, public school and higher education employees and individuals newly elected to the S.C. General Assembly beginning with the November 2012 general election have the option to participate in the State Optional Retirement Program (State ORP), which is a defined contribution plan. State ORP participants direct the investment of their funds into an account administered by one of four third-party service providers. The Retirement Systems assumes no liability for State ORP benefits. Rather, the benefits are the liability of the four third-party service providers. For this reason, State ORP assets are not considered part of the Systems for financial statement purposes.

Contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employers to the investment providers for the employee contribution (9 percent) and a portion of the employer contribution (5 percent). A direct remittance is also required to SCRS for a portion of the employer contribution (10.41 percent) and a death benefit contribution (0.15 percent), which is retained by SCRS. The activity for the State ORP is as follows:

# State ORP Activity

Year Ended June 30, 2021

*(Dollar amounts expressed in thousands)*

Active Contributing Participants	33,675
Compensation of Participants	\$1,796,066
Employer Contributions Retained by SCRS	\$186,891
Death Benefit Contributions Retained by SCRS	\$2,690
Employee Contributions to Investment Providers	\$161,646
Employer Contributions to Investment Providers	\$89,803

## PORS

To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property and detect crimes in the state; to prevent and control property destruction by fire; be a coroner in a full-time permanent position; or be a peace officer employed by the Department of Corrections, the Department of Juvenile Justice or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. A member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. A member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

## GARS

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

### **JSRS**

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

### **SCNG**

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

### **Pension Benefits**

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

### **SCRS**

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

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years

of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

### **PORS**

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

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

### **GARS**

A member is eligible for a monthly pension at age 60 or with 30 years credited service. A member who has attained age 70 or has 30 years of service is eligible to retire and draw an annuity while continuing to serve in the General Assembly. A member is eligible to receive a deferred annuity with eight years of service. An incidental death benefit is also provided to beneficiaries of deceased members. Retirees receive increases in benefits based upon increases in the current salary of their respective active positions. GARS is closed to new members and persons newly elected to the General Assembly must elect membership in SCRS or State ORP or may elect non-membership.

## **JSRS**

A pension benefit is payable at age 70 with 15 years' service, age 65 with 20 years' service, 25 years' service regardless of age for a judge or 24 years of service for a solicitor or a circuit public defender regardless of age. A judge is vested in the system after attaining 10 years of earned service in the position of judge, and a solicitor or a circuit public defender is vested in the system after attaining eight years of earned service. A member who has reached maximum eligibility is eligible to retire and draw an annuity while continuing to serve. An incidental death benefit is also provided to members. Retirees receive increases in benefits based upon increases in the current salary of their respective active positions.

## **SCNG**

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

## **Summary of Significant Accounting Policies**

### **Fund Structure**

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

### **Comparative Totals**

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in accordance with generally accepted

accounting principles. Accordingly, such information should be read in conjunction with the Systems' financial statements for the year ended June 30, 2020, from which the summarized information was derived.

### **Basis of Accounting**

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

### **Administrative Expenses**

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

Administrative expenses for the Retirement Division of PEBA are funded by the trust funds and are allocated to each of the systems based on its respective portion of total assets in order to pay for actual expenses incurred during the year.

Administrative expenses of the Systems include the Retirement Division's portion of PEBA employee salaries and associated employee benefits, costs for contractual services and operating expenses.

### **Cash and Cash Equivalents**

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

### **Contributions**

Employee, employer, nonemployer and state appropriated contributions are recognized in the period in which they are due, pursuant to formal



commitments as well as statutory requirements. Substantially all contributions receivable are collected within 30 days of year-end.

## Investments

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

The RSIC is structured as a separate state agency reporting to a body of appointed and ex officio Commissioners. The Commission is an eight member board as provided in Section 9-16-315 of the South Carolina Code of Laws. The Commission employs a Chief Executive Officer (CEO) who serves as the agency head of the RSIC, reporting directly to the Commission, with functions and duties assigned by the Commission. The CEO is the central source of authority and accountability for administrative decisions. In addition, the Commission employs a Chief Investment Officer (CIO) who reports to the CEO for day to day oversight and strategic planning objectives and who serves as the central source of authority and accountability for all investment decisions delegated to him or her by the Commission and state law. The Commission also engages external investment consultants, who are accountable to the Commission, to work collaboratively with RSIC staff to fulfill the duties of investing the Systems' portfolio.

As with PEBA, administrative costs of the RSIC are paid from the Systems, and its budget is funded entirely from the trust fund. Costs include Commissioner, investment and administrative staff

compensation, as well as other contractual services and other operating expenses. The allocation of those administrative costs is based upon a proration of such costs in proportion to the assets that each system bears to the total assets of all of the systems for the most recently completed fiscal year.

State law requires the Commission to adopt a Statement of Investment Objectives and Policies ("SIOP") and to review it annually and to either amend it or reaffirm it. The SIOP establishes investment and performance objectives, policies and guidelines, roles, responsibilities, and delegation of authority for the management of plan assets. State law also requires RSIC's Chief Investment Officer ("CIO") to develop an Annual Investment Plan ("AIP") which must be presented to and adopted by the Commission prior to May 1<sup>st</sup> of each year. Pursuant to state law, relevant portions of the SIOP may constitute parts of the AIP.

In order to ensure consistency and agreement between the SIOP and AIP, the Commission has consolidated the requirements of both into one document which it will review annually prior to May 1<sup>st</sup>. As part of the annual review, the Commission will amend or reaffirm, as it deems appropriate, those portions of this document intended to meet the requirements of the SIOP and the Commission will consider the CIO's recommendation of any necessary changes to those portions of this document intended to meet the requirements of the AIP.

The Commission manages Systems' assets with a long-term horizon and seeks to earn an appropriate risk-adjusted return in consideration of the specific goals, needs and circumstances of the Systems and in the exclusive interest of members of the Systems. Among the decisions the Commission can make, asset allocation has the most significant impact on the portfolio's return, risk profile and cost and is reviewed annually as part of the development of the SIOP/AIP.

The asset allocation process is paramount to the development of the AIP. Based on the Capital Market Expectations provided by the Commission's Investment Consultant, the Commission comes to a consensus and establishes the Policy Portfolio expected to achieve a 20-year annualized rate of return that meets its investment objective with an expected volatility acceptable to the Commission. The Commission recognizes that the CIO and investment staff may add value by structuring the Actual Portfolio in a manner that deviates from the Policy Portfolio target weights or may also pursue a strategy that causes the composition of an asset class to differ from the policy benchmark. As a result, the Commission provides the CIO and the investment staff with the discretion to structure the portfolio within the asset class and sub-asset class ranges. The asset allocation is reviewed on an ongoing (typically weekly) basis by Staff and the CIO to ensure that the Portfolio is within its allocation ranges. When an asset class reaches its minimum or maximum allocation, Staff will initiate rebalancing transactions to keep allocations within the approved ranges. Otherwise, Staff must seek Commission approval to remain outside the range.

Based on the Commission's determination of the appropriate risk tolerance for the Portfolio and its long-term return expectations, it has authorized the following Policy Asset Allocation, including target allocations and ranges for each asset class that were adopted by the Commission for the fiscal year beginning July 1, 2020.

Asset Class	Target	Range	
<b>Public Equity<sup>1</sup></b>	<b>46%</b>	<b>30%</b>	<b>60%</b>
Domestic	Index <sup>2</sup>	Index +/- 6%	
Developed Non-US	Index	Index +/- 6%	
Emerging Market	Index	Index +/- 4%	
Equity Options	0%	0%	7%
<b>Bonds<sup>1</sup></b>	<b>26%</b>	<b>15%</b>	<b>35%</b>
Core Bonds (IG <sup>3</sup> )	26%	10%	35%
Inflation-linked (IG)	0%	0%	5%
Mixed Credit (non-IG)	0%	0%	8%
Emerging Market			
Debt	0%	0%	6%
Net Cash/Short			
Duration	0%	0%	7%
<b>Private Equity<sup>1,4</sup></b>	<b>9%</b>	<b>5%</b>	<b>13%</b>
<b>Private Debt<sup>1,4</sup></b>	<b>7%</b>	<b>3%</b>	<b>11%</b>
<b>Real Assets<sup>1,4</sup></b>	<b>12%</b>	<b>6%</b>	<b>18%</b>
Real Estate	9%	5%	13%
Infrastructure	3%	0%	5%
Portable Alpha Hedge Funds <sup>5</sup>	0%	0%	12%

<sup>1</sup> Component of Policy Benchmark. Uses actual Private Equity weight and floating Public Equity weight for calculation of Policy return.

<sup>2</sup> Component weight of MSCI ACWI Index.

<sup>3</sup> "IG" denotes "Investment Grade".

<sup>4</sup> RSIC staff and Consultant will notify the Commission if the collective exposure to Private Equity, Private Debt and Private Real Assets exceeds 25 percent of total plan assets.

<sup>5</sup> Portable Alpha Hedge Funds are expressed as gross exposure but, as collateral supporting the Overlay program, net to zero when calculating total Plan fair value. Hedge funds may not exceed 20 percent of total plan assets.

At June 30, 2021, the Systems held no investments (other than those issued or explicitly guaranteed by the U.S. government) in any one organization that represent five percent or more of the plans' fiduciary net position.

For the year ended June 30, 2021, the annual money weighted rate of return on plan investments was 28.49 percent net of fees. The money weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

As a fiduciary acting on behalf of the Systems, the Commission enters into individual agreements with various investment managers to invest plan assets. As of June 30, 2021, 179 legal agreements were in place with 86 investment managers.

The PEBA Board serves as custodian and co-trustee of the assets of the retirement trust funds. The Commission is also co-trustee of the assets of the retirement trust funds and has exclusive authority to select the custodial bank with PEBA as a third-



party beneficiary of the contract, with full rights to information.

BNYM serves as custodial bank of the funds of the Retirement Systems. Assets also include investments not custodied at BNYM, such as funds held in partnerships, commingled accounts, or private market asset classes. The custodial bank provides consolidated recordkeeping services which reflect these securities not held in the custodian's vault or for which the custodian or its nominee is not the registered owner (non-custody securities).

For financial statement purposes, investments of the pension trust funds are reported at fair value in the Statement of Fiduciary Net Position. Short term securities categorized as cash or cash equivalents are reported at fair value. The Systems hold domestic and global equity securities which are traded on organized exchanges. Equity securities held by the custodian are valued by the custodian using the last reported price on a trade-date basis. The Systems hold domestic and global fixed income securities. The custodian values those fixed income assets which are held in custody based upon prices received from external pricing sources and in accordance with the custodian's pricing policy. Commingled funds, which may contain equity and/or fixed income securities are priced based upon the manager's pricing policy and a Net Asset Value (NAV) is provided to the custodian. Private market investments typically utilize a limited partnership structure and private equity funds normally invest in companies that are not publicly traded on a stock exchange. The fair values of alternative investments including private equity, private debt, hedge funds, private real estate and private infrastructure, for which daily fair values are not readily ascertainable, are valued in good faith based on the most recent financial information available for the underlying companies and reported by the investment managers at the measurement date, adjusted for subsequent cash flow activities through June 30, 2021. Valuation of investments is a joint responsibility of PEBA and RSIC. Staff from both offices serve on a joint valuation committee which oversees and reviews the valuations provided by the custodian and/or the

external investment managers. The estimated fair value of these investments is intended to approximate, but at times may differ, from values that would have been used had a liquid public market existed.

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

While some investment managers submit invoices for their investment management fees, a significant number of investment managers provide account valuations on a net of fee basis. For greater transparency, the RSIC makes a good faith attempt to account for netted fee amounts that are not necessarily readily separable. Through a process that consists of the collection, validation, and aggregation by RSIC's consultant and reasonableness testing and review by RSIC, the Retirement Division of PEBA is provided with a collection of investment fees and expenses that would not otherwise be disclosed. The RSIC provides the netted fee information to PEBA on an annual basis so that amounts can be reclassified and reported in the financial statements on the Investment expense line of the Statement of Changes in Fiduciary Net Position. The non-invoiced investment expenses include amounts for investment management fees, performance fees (including carried interest allocations), and other investment expenses such as organizational expenses in limited partnership structures. Management Fees are reported net of offsets and rebates, which has the effect of reducing the total fees reported, because it is a truer representation of the overall cost of the investment. Offsets can include things such as Board of Director fees, Broken Deal fees, and Monitoring fees. There is no industry standard for reporting pension plan

investment fees and expenses, therefore, in order to compare investment expense as reported by the Systems with investment management costs reported by other public pension plans, an understanding of the actual fees and expenses included in any comparative reports is necessary. Additionally, investment plan composition directly influences the fee structure of a plan and adjustments for differences in plan asset allocation are necessary before conclusions can be reached from such comparisons.

## Capital Assets

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

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## II. Contributions and Reserves

Contributions to each of the Plans are prescribed in Title 9 of the South Carolina Code of Laws. The board may increase the percentage rate in SCRS and PORS employer contributions on the basis of the actuarial valuations. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the board are insufficient to meet the statutory funding period for amortization of the unfunded liabilities of the plans, the board shall increase the contribution rates for the employer as necessary to maintain the amortization period.

If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than 85 percent, then the board, effective on the following July first, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than 85 percent. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than 85 percent, then effective on the following July first, and annually thereafter as necessary, the

board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 85 percent.

The Retirement System Funding and Administration Act established a ceiling on employee contribution rates at 9 percent and 9.75 percent for SCRS and PORS respectively. The employer contribution rates were scheduled to increase annually by 1 percent in accordance with state statute. However, Act 135 of 2020 is a continuing resolution that included a provision that suspended the statutory employer contribution rate increase for SCRS and PORS for Fiscal Year 2021. As a result, the employer contribution rates remained 15.56 percent and 18.24 percent for SCRS and PORS, respectively and the employee rates did not change. State statute sets the ultimate scheduled employer rate at 18.56 percent for SCRS and 21.24 percent for PORS and beginning July 1, 2017 scheduled the amortization periods to be reduced from 30 years to 20 years over a ten-year schedule.

Following are the employee and employer contribution rates applicable for fiscal year 2021 (amounts expressed in thousands):

System	Employee Rate	Employer Rate
SCRS	9%	15.56% <sup>1</sup>
PORS	9.75%	18.24% <sup>2</sup>
GARS	11%	\$5,956 <sup>3</sup>
JSRS	10%	62.94% <sup>3</sup>
SCNG	Non-contributory	\$5,290 <sup>4</sup>

<sup>1</sup> Includes incidental death benefit contribution rate of 0.15%.

<sup>2</sup> Includes incidental death benefit and accidental death benefit contribution rate of 0.20% each.

<sup>3</sup> Includes incidental death benefit contributions as determined by the Systems' actuary.

<sup>4</sup> The contributions for SCNG determined by the Systems' actuary were \$5,188 however, the contributions provided by state appropriations were \$5,290.

The General Assembly included funding to PEBA, to be distributed to some employers to help offset a portion of the employer's retirement contributions. PEBA allocates amounts to employers in the same dollar amount for which credits were calculated in previous years. In no event shall a participating employer receive a credit that exceeds the employer contributions due from the employer for the fiscal year. PEBA issued credit invoices to certain SCRS and PORS employers who then applied the credit invoices towards contributions otherwise due to the Systems. The amount of credit invoices issued in fiscal year 2021 totaled \$88.7 million and \$12.5 million for SCRS and PORS respectively. The General Assembly also continues to fund \$2.9 million in nonemployer contributions to JSRS.

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

In accordance with South Carolina State Statute, for fiscal year 2021 an additional employer contribution surcharge of 6.25 percent of covered payroll was added to the contribution rate applicable to state and local governments, and public school entities covered by the state's retiree health and dental insurance benefits. This assessment is for the purpose of providing retiree health and dental insurance benefits and is not a part of the

actuarially established contribution rates for retirement funding purposes. Functioning as a collecting agent, SCRS and PORS collected and remitted these funds to the South Carolina Retiree Health Insurance Trust Fund. (amounts expressed in thousands):

	Retiree Insurance Surcharge
SCRS	\$447,125
State ORP	111,197
PORS	27,160
<b>Total</b>	<b>\$585,482</b>

The Fiduciary Net Position of each plan is required to be reserved in the following accounts:

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

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

The **Death Benefit Fund**, an incidental death program within SCRS and PORS, is the fund to which participating employers contribute for the purpose of providing a death benefit to active and retired members of the Systems. Employer contributions

and investment earnings are credited to this fund. Death benefit payments and administrative expenses are paid from this fund. The assets in the Death Benefits Fund are not held separately in a dedicated trust for the sole purpose of paying death benefits to beneficiaries of deceased members. These benefits are considered allowable within the defined benefit plans and are held within the pension trust funds.

The **Accidental Death Fund** (PORS only) is the fund to which participating employers contribute for the purpose of providing annuity benefits to beneficiaries of members of PORS killed in the actual performance of their duties. This fund and its benefits are independent of any other retirement

benefit available to the beneficiary. Employer contributions and investment earnings are credited to this fund. Monthly survivor annuities and administrative expenses are paid from this fund.

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

Balances in the respective reserves at June 30, 2021, were as follows (amounts expressed in thousands):

	SCRS	PORS	GARS	JSRS	SCNG	Total
Employee Fund	\$ 10,241,141	\$ 1,330,653	\$ 6,567	\$ 32,669	\$ -	\$ 11,611,030
Employer Fund	23,104,960	4,629,318	37,088	180,014	39,784	27,991,164
Death Benefit Fund	144,205	63,542				207,747
Accidental Death Fund		88,159				88,159
QEBA Fund						-
<b>Totals</b>	<b>\$ 33,490,306</b>	<b>\$ 6,111,672</b>	<b>\$ 43,655</b>	<b>\$ 212,683</b>	<b>\$ 39,784</b>	<b>\$ 39,898,100</b>

### III. Deposits and Investments

#### Deposit and Investment Risk Disclosures

The tables presented on pages 37-40 include disclosures of credit and interest rate risk in accordance with Governmental Accounting Standards Board Statement 40 and are designed to inform financial statement users about investment risks which could affect the Systems' ability to meet its obligations. These tables classify investments by risk type, while the financial statements disclose investments by asset class. The table amounts were provided by the custodian bank and agree to the Statement of Fiduciary Net Position.

#### Custodial Credit Risk

##### Deposits

The Systems' deposits at June 30, 2021, were as follows (amounts expressed in thousands):

	<u>Carrying Amount</u>
SCRS	\$72,500
PORS	6,167
GARS	121
JSRS	156
SCNG	113
<b>Total</b>	<u>\$79,057</u>

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Systems' deposits may not be recovered. Deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000; however, amounts in excess of \$250,000 are uninsured and uncollateralized. The Commission has a formal Counterparty Policy which covers policies and procedures related to oversight and management of Counterparty Risk, including the custodial bank. To monitor custodial credit risk, the credit quality of financial institutions at which deposits are held are periodically reviewed using internal analysis and rating agencies' reports.

As of June 30, 2021, actual bank balances totaled \$28.1 million. Amounts in excess of \$250,000 were uninsured and uncollateralized.

As of June 30, 2021, cash held by the custodian, in broker and strategic partnerships accounts as well as forward contracts and foreign currencies totaled \$137.3 million. These balances are classified as cash and cash equivalents on the Statement of Fiduciary Net Position.

#### Investments

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the Systems will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. Investing for the Systems is governed by Section 16, Article X of the South Carolina Constitution and Section 9-1-1310(B) and Title 9 Section 16 of the South Carolina Code of Laws. Funds held in trust for the Retirement Systems may be invested and reinvested in a variety of instruments as outlined by Section 9-1-1310(B) of the South Carolina Code of Laws.

The following table presents the fair value of investments:

## Statement of Invested Assets

June 30, 2021

(Amounts expressed in thousands)

Investment Type	Fair Value	Investment Type	Fair Value
<b>Short Term Investments</b>		<b>Fixed Income Allocation</b>	
Short Term Investment Funds (U.S. Regulated)	\$ 1,246,711	<b>U.S. Government</b>	
Repurchase Agreements	(117)	U.S. Government Treasuries <sup>1</sup>	\$ 97,117
Commercial Paper	67,344	U.S. Government Agencies	136,052
Certificates of Deposit	21,611	<b>Mortgage Backed</b>	
U. S. Treasury Bills	17,599	Government National Mortgage Association	23,123
Municipals	2,481	Federal National Mortgage Association	2,343
Corporate Bonds	2,855	Federal Home Loan Mortgage Association (Multiclass)	2,059
<b>Total Short Term Investments</b>	<u>\$ 1,358,484</u>	Collateralized Mortgage Obligations	1,169
		<b>Municipals</b>	30,334
<b>Equity Allocation</b>		<b>Corporate</b>	
<b>Global Public Equity</b>		Corporate Bonds	1,463,622
Common Stocks	\$ 18,708,898	Convertible Corporate Bonds	388
Real Estate Investment Trusts	597,426	Asset Backed Securities	213,775
Preferred	26,815	<b>Private Placements</b>	903,526
Options - Equity	1,320	<b>Emerging Debt</b>	154,261
Swaps - Equity	11,922	<b>Options - Fixed Income</b>	(10)
<b>Total Global Public Equity</b>	<u>\$ 19,346,381</u>	<b>Futures - Fixed Income</b>	52,520
		<b>Swaps - Fixed Income</b>	746
<b>Alternatives</b>		<b>Total Fixed Income</b>	<u>\$ 3,081,025</u>
Hedge Funds	\$ 4,629,240		
Private Equity Limited Partnerships	4,090,388		
Private Debt	3,130,585		
Private Real Estate	3,120,771		
Private Infrastructure	689,567		
<b>Total Alternative Investments</b>	<u>\$ 15,660,551</u>		
		<b>Total Invested Assets</b>	<u><u>\$39,446,441</u></u>
		<b>Invested Securities Lending Collateral</b>	\$ 21,348

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

<b>Total Invested Assets</b>	\$39,446,441
<b>Short Term Investments classified as Cash &amp; Cash Equivalents on Statement of Fiduciary Net Position</b>	
Short Term Investment Funds (U.S. Regulated)	(1,246,711)
Repurchase Agreements	117
Commercial Paper	(19,261)
Corporate Bonds	(1,600)
U. S. Treasury Bills	(4,999)
<b>Total Investments on Statement of Fiduciary Net Position</b>	<u><u>\$38,173,987</u></u>

<sup>1</sup> U.S. Government Treasuries includes Notes, Bonds, and Treasury Inflation Protected Securities (TIPS).

## Fair Value Measurements

The Systems categorize fair value measurements within the fair value hierarchy established by GASB Statement No. 72, *Fair Value Measurement and Application*. The valuation technique uses a three level hierarchy of inputs to measure the fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). These classifications are summarized as follows:

Level 1 Inputs: Quoted prices (unadjusted) for identical assets or liabilities in active markets that a reporting entity can access at the measurement date.

Level 2 Inputs: Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.

Level 3 Inputs: Unobservable inputs for an asset or liability.

In the event that inputs used to measure the fair value of an asset or liability fall into different levels in the fair value hierarchy, the overall level of the fair value hierarchy in its entirety is determined based on the lowest level input that is significant to the entire valuation. These levels are not necessarily an indication of risk but are based upon the pricing transparency of the investment. In determining the appropriate levels, the Systems performed a detailed analysis of the assets and liabilities that are subject to GASB Statement No. 72.

Fair value of certain investments that do not have a readily determinable fair value is established using net asset value (or its equivalent) as a practical expedient. These investments are not categorized according to the fair value hierarchy.

Investments classified according to the fair value hierarchy are valued according to the pricing policy established by the Plan's custodian bank. Pricing is based primarily on prices from several third-party vendors or other specified alternative sources which are considered to be reliable. Where available, the custodian bank uses more than one vendor for securities of each asset type, class or issue. The price received from a primary source is used in valuation unless a tolerance check, or price challenge, results in the use of a price from a secondary vendor. The Systems may override prices provided by the custodian bank if it is deemed necessary or appropriate.



The Systems have the following recurring fair value measurements as of June 30, 2021 (amounts in thousands):

Investments by Fair Value Level	At 6/30/2021	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Short Term Investments</b>				
Short Term Investment Funds (U. S. Regulated)	\$ 1,246,711	\$ 1,246,711	\$ -	\$ -
Repurchase Agreements	(117)		(117)	
Commercial Paper	67,344		67,344	
Certificates of Deposit	21,611		21,611	
U. S. Treasury Bills	17,599	17,599		
Municipals - 1 year or less	2,481		2,481	
Corporate Bonds	2,855		1,255	1,600
<b>Total Short Term Investments</b>	<b>\$ 1,358,484</b>	<b>\$ 1,264,310</b>	<b>\$ 92,574</b>	<b>\$ 1,600</b>
<b>Equity Allocation</b>				
<b>Global Public Equity</b>				
Common Stocks	\$ 1,588,344	\$ 1,586,722	\$ -	\$ 1,622
Real Estate Investment Trusts	597,426	597,426		
Preferred	26,815	9,058	17,757	
<b>Total Global Public Equity</b>	<b>\$ 2,212,585</b>	<b>\$ 2,193,206</b>	<b>\$ 17,757</b>	<b>\$ 1,622</b>
<b>Fixed Income Allocation</b>				
<b>U. S. Government</b>				
U.S. Government Treasuries	\$ 97,117	\$ 97,117	\$ -	\$ -
U.S. Government Agencies	136,052		136,052	
<b>Mortgage Backed</b>				
Government National Mortgage Association	23,123		23,123	
Federal National Mortgage Association	2,343		2,343	
Federal Home Loan Mortgage Association (Multiclass)	2,059		2,059	
Collateralized Mortgage Obligations	1,169		1,169	
<b>Municipals</b>	30,334		30,334	
<b>Corporate</b>				
Corporate Bonds	1,463,622	5,378	929,789	528,455
Convertible Corporate Bonds	388		388	
Asset Backed Securities	213,775		213,775	
<b>Private Placements</b>	903,526		903,526	
<b>Total Fixed Income</b>	<b>\$ 2,873,508</b>	<b>\$ 102,495</b>	<b>\$ 2,242,558</b>	<b>\$ 528,455</b>
<b>Total Investments by Fair Value Level</b>	<b>\$ 6,444,577</b>	<b>\$ 3,560,011</b>	<b>\$ 2,352,889</b>	<b>\$ 531,677</b>
<b>Investments measured at the net asset value (NAV)</b>				
Global Equity	\$ 17,120,554			
Emerging Debt	154,261			
Hedge Funds	4,629,240			
Private Equity	4,090,388			
Private Debt	3,130,585			
Private Real Estate	3,120,771			
Private Infrastructure	689,567			
<b>Total investments measured at the NAV</b>	<b>\$ 32,935,366</b>			
<b>Total investments measured at fair value</b>	<b>\$ 39,379,943</b>			
<b>Investment derivative instruments</b>				
<b>Equity Investments</b>				
Options - Equity	\$ 1,320	\$ 1,320	\$ -	\$ -
Swaps - Equity	11,922		11,922	
<b>Fixed Income Investments</b>				
Options - Fixed Income	(10)		(10)	
Futures - Fixed Income	52,520	52,520		
Swaps - Fixed Income	746		746	
<b>Total investment derivative instruments</b>	<b>\$ 66,498</b>	<b>\$ 53,840</b>	<b>\$ 12,658</b>	<b>\$ -</b>
<b>Total Invested Assets</b>	<b>\$ 39,446,441</b>			



The investments that are measured at the Net Asset Value (NAV) are noted below (amounts in thousands).

	Fair Value at 6/30/21	Unfunded Commitments <sup>1</sup>	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Global Equity	\$ 17,120,554	\$ -	Daily/Monthly	5 - 30 days
Emerging Debt	154,261		Daily/Monthly	10 - 15 days
Hedge Funds	4,629,240		Monthly/Quarterly	2 - 90 days
Private Equity	4,090,388	3,246,787	Illiquid	Illiquid
Private Debt	3,130,585	2,196,761	Illiquid	Illiquid
Private Real Estate	3,120,771	1,134,000	Illiquid	Illiquid
Private Infrastructure	689,567	277,682	Illiquid	Illiquid
<b>Total investments measured at the NAV</b>	<b>\$ 32,935,366</b>	<b>\$ 6,855,230</b>		

<sup>1</sup> For purposes of this table, amounts are reported in US Dollars. The Private Equity Category includes £75,000,000, €246,298,530 and AUD \$46,367,146 that have been converted to USD. The Private Infrastructure category includes €26,244,224 that has been converted to USD.

**Global Equity Funds.** This investment type includes 6 passive index funds that invest primarily in global developed and emerging equity public markets instruments. The fair values of the investments in this asset type have been determined using NAV per share of the fund and reported by the Investment Managers. Redemptions are generally allowed monthly, provided adequate notice.

**Emerging Debt Funds.** This investment type includes two funds that generally invest in debt securities issued in any currency and may hold foreign currency. The fair values of the investments in this asset type have been determined using NAV per share of the fund or percent ownership of the NAV of the fund and reported by the Investment Managers. Redemptions are generally allowed monthly, provided adequate notice, and one fund charges a redemption fee.

**Hedge Funds.** This investment type includes 28 funds that generally invest in hedge fund strategies that seek alpha in equity or credit markets or seek to minimize embedded market beta. There are 19 of these funds invested through strategic partnership investments which may consist of underlying investments in more than one hedge fund. The fair values of the investments in this asset type have been determined using NAV per share of the investments or percent ownership of the NAV of the fund and reported by the Investment Managers. Redemptions are generally allowed monthly, provided adequate notice, however, it is common that funds have authority to require longer redemption timeframes and/or make the redemption subject to gates to mitigate any detrimental impact to the fund.

**Private Equity Funds.** This investment type includes 73 funds that consist of investments in limited partnerships or co-investments, five funds within strategic partnership investments, and two manager co-investment platforms. Strategic partnerships may consist of underlying investments in more than one limited partnership or co-investment fund. Co-investment platforms consist of underlying investments in more than one co-investment fund. The private equity investments span the venture capital, growth equity, secondaries, energy and buyout strategies. Private equity is considered an illiquid investment strategy as funds generally have a life span of seven to 10 years. The nature of investments in this asset type is that distributions are received through the liquidation of the underlying assets of the fund. The fair values of the investments in this asset type are valued in good faith based upon the most recent financial information available for the underlying companies. These are reported by the Investment Managers at the measurement date, adjusted for subsequent cash flow activities through the year-end reporting date. The estimated fair value of these investments may differ from values that would have been used had a ready market existed.

**Private Debt Funds.** This investment type includes 34 funds that consist of investments in limited partnerships and five funds that are strategic partnership investments. Strategic partnerships may consist of underlying investments in more than one limited partnership fund. The private debt investments span the direct lending, distressed, energy, mezzanine, mortgages, and opportunistic strategies. Private Debt is considered an illiquid investment strategy as funds generally have a life span of seven to 10 years. The nature of investments in this asset type is that distributions are received through investment generated income and the liquidation of the underlying assets of the fund. The fair values of the investments in this asset type are valued in good faith based upon the most recent financial information available for the underlying companies. These are reported by the Investment Managers at the measurement date, adjusted for subsequent cash flow activities through the year-end reporting date. The estimated fair value of these investments may differ from values that would have been used had a ready market existed.

**Private Real Estate Funds.** This investment type includes 21 funds that consist of investments in limited partnerships or co-investments and four funds that are strategic partnership investments. Strategic partnerships may consist of underlying investments in more than one limited partnership or co-investment fund. The real estate investments span the core, diversified, real estate debt, value add, and opportunistic strategies. Real Estate is considered an illiquid investment strategy as funds generally have a life span of seven to 10 years. The nature of investments in this asset type is that distributions are received through investment generated income and the liquidation of the underlying assets of the fund. The fair values of the investments in this asset type are valued in good faith based upon the most recent financial information available for the underlying companies. These are reported by the Investment Managers at the measurement date, adjusted for subsequent cash flow activities through the year-end reporting date. The estimated fair value of these investments may differ from values that would have been used had a ready market existed.

**Private Infrastructure Funds.** This investment type includes 9 funds that consist of investments in limited partnerships or co-investments. Common types of infrastructure investments are in transportation, energy, telecommunications, and utilities. These assets tend to benefit from a rising inflation environment. Infrastructure is considered an illiquid investment strategy as funds generally have a life span of 20 years. The nature of investments in this asset type is that distributions are received through investment generated income and the liquidation of the underlying assets of the fund. The fair values of the investments in this asset type are valued in good faith based upon the most recent financial information available for the underlying companies. These are reported by the Investment Managers at the measurement date, adjusted for subsequent cash flow activities through the year-end reporting date. The estimated fair value of these investments may differ from values that would have been used had a ready market existed.

## Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. While the RSIC has no formal interest rate risk policy, interest rate risk is observed within the portfolio using effective duration (option adjusted duration), which is a measure of the price sensitivity of a bond or a portfolio of bonds to interest rate movements given a 100 basis point change in interest rates. Effective duration takes into account that expected cash flows will fluctuate as interest rates change and provides a measure of risk that changes proportionately with market rates. Investment guidelines may specify the degree of interest rate risk taken versus the benchmark within each fixed income portfolio. Disclosures for interest rate risk at June 30, 2021, are noted below (amounts expressed in thousands).

Investment Type	Fair Value Total	Fair Value Duration Not Available	Fair Value Duration Available	Effective Duration (option adjusted duration)
<b>Short Term Investments</b>				
Short Term Investment Funds (U.S. Regulated)	\$ 1,246,711		\$ 1,246,711	0.08
Repurchase Agreements	(117)		(117)	28.21
Invested Securities Lending Collateral	21,348	21,348		
Commercial Paper	67,344		67,344	0.27
Certificates of Deposit	21,611		21,611	0.56
U. S. Treasury Bills	17,599		17,599	0.18
Municipals	2,481		2,481	0.40
Corporate Bonds	2,855	1,600	1,255	0.22
<b>Total Short Term Investments</b>	<u>\$ 1,379,832</u>	<u>\$ 22,948</u>	<u>\$ 1,356,884</u>	
<b>Equity Allocation</b>				
Preferred	26,815	995	25,820	9.50
<b>Total Equity Investments</b>	<u>\$ 26,815</u>	<u>\$ 995</u>	<u>\$ 25,820</u>	
<b>Fixed Income Allocation</b>				
<b>U. S. Government</b>				
U.S. Government Treasuries	97,117		97,117	13.12
U. S. Government Agencies	136,052		136,052	4.37
<b>Mortgage Backed</b>				
Government National Mortgage Association	23,123	4,155	18,968	3.75
Federal National Mortgage Association	2,343		2,343	3.26
Federal Home Loan Mortgage Association (Multiclass)	2,059		2,059	2.75
Collateralized Mortgage Obligations	1,169		1,169	2.33
<b>Municipals</b>	30,334	492	29,842	2.71
<b>Corporate</b>				
Corporate Bonds	1,463,622	570,790	892,832	3.16
Convertible Corporate Bonds	388	154	234	2.64
Asset Backed Securities	213,775	32,705	181,070	2.50
<b>Private Placements</b>	903,526	67,479	836,047	1.35
<b>Emerging Debt</b>	154,261		154,261	0.65
<b>Options - Fixed Income</b>	(10)	(10)		
<b>Futures - Fixed Income</b>	52,520		52,520	13.82
<b>Swaps - Fixed Income</b>	746	794	(48)	(47.78)
<b>Total Fixed Income</b>	<u>\$ 3,081,025</u>	<u>\$ 676,559</u>	<u>\$ 2,404,466</u>	
<b>Mixed Credit Hedge Fund Allocation</b>				
<b>Mixed Credit Hedge Funds</b>	12,134		12,134	0.01
<b>Total Mixed Credit Hedge Funds</b>	<u>\$ 12,134</u>	<u>\$ -</u>	<u>\$ 12,134</u>	
<b>Total Invested Assets</b>	<u><u>\$ 4,499,806</u></u>	<u><u>\$ 700,502</u></u>	<u><u>\$ 3,799,304</u></u>	
<b>Total Portfolio Effective Duration (option adjusted duration)</b>				<b>1.97</b>

## Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the holders of its securities. Each individual portfolio within fixed income is managed in accordance with investment guidelines that are specific as to permissible credit quality ranges, exposure levels within individual quality tiers and average credit quality. Within high yield portfolios, a quality rating of lower than C is not permissible in any of the fixed income guidelines except in those circumstances of downgrades subsequent to purchase, in which case the investment manager is responsible for communicating the downgrade to the Commission's consultant and staff. The Systems' fixed income investments at June 30, 2021, were rated by Moody's and are presented below.

### Credit Risk

(Amounts expressed in thousands)

Investment Type and Fair Value	AAA	AA	A	BAA	BA	B
<b>Short Term Investments</b>						
Short Term Investment Funds (U. S. Regulated)	\$ 1,246,711	\$ -	\$ -	\$ -	\$ -	\$ -
Repurchase Agreements						
Invested Securities Lending Collateral						
Commercial Paper		20,290		43,155		
Certificates of Deposit		10,005	7,003	4,603		
Municipals						
Corporate Bonds			1,255			
<b>Equity Investments</b>						
Preferred	3,622			17,207	4,159	
<b>Fixed Income Allocation<sup>2</sup></b>						
<b>Mortgage Backed:</b>						
Federal National Mortgage Association	2,343					
Federal Home Loan Mortgage Association (Multiclass)	2,059					
Collateralized Mortgage Association	1,169					
<b>Municipals</b>		15,837	2,185			3,139
<b>Corporate:</b>						
Corporate Bonds	28,880	9,359	117,261	205,175	179,832	247,653
Convertible Corporate Bonds						234
Asset Backed Securities	9,537	3,440	11,159	42,836	77,783	14,083
<b>Private Placements</b>	40,110	75,263	55,254	119,110	148,041	117,453
<b>Emerging Debt</b>						
<b>Options - Fixed Income</b>						
<b>Futures - Fixed Income</b>						
<b>Swaps - Fixed Income</b>						
<b>Totals</b>	<b>\$ 1,334,431</b>	<b>\$ 134,194</b>	<b>\$ 194,117</b>	<b>\$ 432,086</b>	<b>\$ 409,815</b>	<b>\$ 382,562</b>

Chart continued on next page

<sup>1</sup>The column labeled Not Rated by S&P or Moody's represents securities that were either not rated or had a withdrawn rating.

<sup>2</sup>U.S. Treasury Bills, Notes and Bonds, Agencies and Government National Mortgage Association securities with a fair value of \$227.6 million are not included because they are not subject to credit risk.

Chart continued from previous page

## Credit Risk (cont.)

(Amounts expressed in thousands)

			Not Rated			Total
CAA	CA	C	Int'l and EMD Commingled Funds or held in Strategic Partnerships	Rated by S&P; not by Moody's	Not rated by S&P or Moody's <sup>1</sup>	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,246,711
					(117)	(117)
					21,348	21,348
				3,899		67,344
						21,611
				1,731	750	2,481
					1,600	2,855
				843	984	26,815
						2,343
						2,059
						1,169
		2,612		6,561		30,334
31,578	5,756	2,177		67,048	568,903	1,463,622
	154					388
2,343	11,228			40,170	1,196	213,775
18,924	1,767			207,510	120,094	903,526
			154,261			154,261
					(10)	(10)
					52,520	52,520
					746	746
<u>\$ 52,845</u>	<u>\$ 18,905</u>	<u>\$ 4,789</u>	<u>\$ 154,261</u>	<u>\$ 327,762</u>	<u>\$ 768,014</u>	<u>\$ 4,213,781</u>

## Concentration of Credit Risk – Investments

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The Systems’ policy for reducing this risk is to comply with the Statement of Investment Objectives and Policies as amended and adopted by the Commission which states that “except that no limitations on issues and issuers shall apply to obligations of the U.S. Government and Federal Agencies, the domestic fixed income portfolio shall contain no more than 6 percent exposure to any single issuer.” As of June 30, 2021, there is no single issuer exposure within the portfolio that comprises five percent or more of the overall portfolio. Therefore, there is no concentration of credit risk.

## Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The Systems participates in foreign markets to diversify assets, reduce risk and enhance returns. Currency forwards are used to manage currency fluctuations and are permitted by investment policy. Policy forbids speculating in forwards and other derivatives.

The table below presents the Systems’ exposure to foreign currency risk in U.S. dollars at June 30, 2021, (amounts expressed in thousands):

Currency	Cash & Cash Equivalents	Forward Contracts	Futures Contracts	Private Equity	Private Infrastructure	Fixed Income	Equity	Total
Australian Dollar	\$ (476)	\$ (1,813)	\$ -	\$ 43,203	\$ -	\$ 1,772	\$ 20,070	\$ 62,756
Brazil Real		3,268						3,268
Canadian Dollar	(57)	(3,742)				3,559	55,622	55,382
Chilean Peso		1,708						1,708
Danish Krone	47						4,361	4,408
Euro Currency	10,137	(288,254)	(34)	209,781	115,045	250,846	72,106	369,627
Hong Kong Dollar	23						17,840	17,863
Japanese Yen	1,100	(418)				(43)	7,362	8,001
Mexican Peso	320							320
New Zealand Dollar	36						3,772	3,808
Peruvian Sol		(3,493)				3,292		(201)
Pound Sterling	7,473	(61,344)	(65)	(689)		56,004	28,597	29,976
Singapore Dollar							1,622	1,622
South African Rand	2							2
Swiss Franc	13							13
<b>Totals</b>	<b>\$ 18,618</b>	<b>\$ (354,088)</b>	<b>\$ (99)</b>	<b>\$ 252,295</b>	<b>\$ 115,045</b>	<b>\$ 315,430</b>	<b>\$ 211,352</b>	<b>\$ 558,553</b>

## Derivatives

Derivatives are financial instruments for which the value is derived from underlying assets or data. All of the Systems’ derivatives are considered investments. Excluding futures, derivatives generally take the form of contracts in which two parties agree to make payments at a later date based on the value of specific assets or indices. Through certain collective trust funds, the Systems may invest in various derivative financial instruments such as futures and options thereon; forward foreign currency contracts, options, interest rate, currency, equity, index, credit default,

total return swaps, interest-only strips, and CMOs to enhance the performance and reduce volatility.

To comply with the requirements of multiple exchanges, cash and securities in the amount of \$49.0 and \$12.3 million, respectively, were held in trust by the clearing brokers on June 30, 2021. The Systems’ derivatives, consisting of futures, options, forward contracts and swaps are presented in the tables on pages 41-46. Investments in limited partnerships and commingled funds may include derivatives that are not shown in the derivative totals.

The RSIC works with their overlay provider to utilize derivatives primarily to facilitate changes to the asset allocation of the total plan and take advantage of their low cost of implementation. Derivatives are utilized for several reasons:

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

## Futures

Futures are contractual obligations that require the buyer (seller) to buy (sell) assets at a predetermined date at a predetermined price. These contracts are standardized and trade on an organized exchange with gains and losses settled daily thereby significantly reducing credit and default risk. Gains and losses are included in the net appreciation/ (depreciation) in the fair value of investments total of the Statement of Changes in Fiduciary Net Position.

The tables below present classification information on the Systems' derivatives at June 30, 2021, (amounts expressed in thousands):

Changes in Fair Value			
	Classification	Gain	
Futures Contracts	Net appreciation	\$	52,083
Forward Contracts	Net appreciation		19,031
Swaps	Net depreciation		(272,286)
Options	Net depreciation		(31,399)

Fair Value				
	Forward Contracts	Futures	Options	Swaps
Cash and Cash Equivalents	\$ 11,063	\$ -	\$ -	\$ -
Fixed Income		52,520	(10)	746
Global Public Equity			1,320	11,922
<b>Totals</b>	<b>\$ 11,063</b>	<b>\$ 52,520</b>	<b>\$ 1,310</b>	<b>\$ 12,668</b>

At June 30, 2021, the Systems had the following exposure via futures contracts (dollar amounts expressed in thousands):

<b>Futures Contracts</b>	<b>Expiration</b>	<b>Long/Short</b>	<b>Quantity</b>	<b>Notional Value<sup>1</sup></b>	<b>Fair Value</b>
EURO-BUXL 30Y BND FUTURE (EUX)	September 2021	Short	(8)	(1,928)	(34)
LONG GILT FUTURE (ICF)	September 2021	Short	(35)	(6,194)	(65)
US 10YR ULTRA FUTURE (CBT)	September 2021	Long	1,347	198,283	3,302
US LONG BOND FUTURE (CBT)	September 2021	Short	(33)	(5,305)	(160)
US LONG BOND FUTURE (CBT)	September 2021	Long	7,090	1,139,717	32,843
US 10YR NOTE FUTURE (CBT)	September 2021	Long	797	105,602	301
US 10YR NOTE FUTURE (CBT)	September 2021	Long	2,654	351,655	1,438
US 5YR NOTE FUTURE (CBT)	September 2021	Short	(90)	(11,109)	17
US 5YR NOTE FUTURE (CBT)	September 2021	Long	4,235	522,725	(1,545)
US ULTRA BOND (CBT)	September 2021	Long	1,966	378,824	16,347
US ULTRA BOND (CBT)	September 2021	Long	11	2,120	76
<b>Totals</b>				<b>\$ 2,674,390</b>	<b>\$ 52,520</b>

<sup>1</sup> Notional value is the nominal or face amount that is used to calculate payments made on derivative instruments (futures, forwards, swaps and options). This amount generally does not change hands and is thus referred to as notional. The notional amount represents the economic equivalent to an investment in the physical securities represented by the derivative contract.



## Forwards

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

investments total of the Statement of Changes in Fiduciary Net Position.

At June 30, 2021, the Systems had the following forward exposures, listed by counterparty (amounts expressed in thousands):

Broker	Notional Value	Fair Value	Counterparty Exposure
Bank of America	\$ 24,962	\$ 538	4.80%
Bank of New York Mellon	204,505	5,862	39.28%
Barclays Bank PLC	6,963	55	1.34%
BNP Paribas Securities Corporation	2,342	15	0.45%
Citibank NA	11,583	220	2.23%
Citigroup Global Markets	1,920	50	0.37%
Goldman Sachs Bank USA/New York NY	133,518	1,046	25.65%
Goldman Sachs International	18,780	746	3.61%
HSBC Bank PLC	1,209	9	0.23%
HSBC Bank USA NA/New York NY	22,807	498	4.38%
JPMorgan Chase Bank NA	64,829	1,817	12.45%
Morgan Stanley Capital Services LLC	9,804	(11)	1.88%
Standard Chartered Bank	1,000	(1)	0.19%
State Street Corp	16,265	217	3.12%
UBS AG/Stamford CT	91	2	0.02%
<b>Totals</b>	<b>\$ 520,578</b>	<b>\$ 11,063</b>	<b>100%</b>

## Swaps

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

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

Counterparty risk, or default risk, is the risk that a party will not honor its contractual obligations. The

Systems seeks to actively manage its counterparty risk by thorough analysis and evaluation of all potential counterparties by investment staff and the independent overlay manager. Risk is further minimized through diversification among counterparties with high credit ratings and collateralizing unrealized gains and losses. The Systems currently does not participate in a master netting agreement. Unrealized gains and losses are not netted across instrument types and are included in the net appreciation/(depreciation) in the fair value of investments total of the Statement of Changes in Fiduciary Net Position. The table below reflects the counterparty credit ratings at June 30, 2021, for currency forwards, swap agreements, and options (amounts expressed in thousands):

Quality rating	Forwards	Swaps	Options	Total
Aa2	\$ 8,714			\$ 8,714
Aa3	445			445
A1	1,904	11,935	1,310	15,149
<b>Total subject to credit risk</b>	<b>\$ 11,063</b>	<b>\$ 11,935</b>	<b>\$ 1,310</b>	<b>\$ 24,308</b>
Centrally cleared:				
Chicago Mercantile Exchange		\$ (243)		\$ (243)
Intercontinental Exchange		819		819
LCH Ltd		157		157
<b>Total not subject to credit risk</b>	<b>\$ -</b>	<b>\$ 733</b>	<b>\$ -</b>	<b>\$ 733</b>
<b>Totals</b>	<b>\$ 11,063</b>	<b>\$ 12,668</b>	<b>\$ 1,310</b>	<b>\$ 25,041</b>

At June 30, 2021, the Systems held swaps as shown in the tables below (amounts expressed in thousands):

Counterparty	Total Return Swaps	SCRS Pays	SCRS Receives	Maturity Date	Current Notional	Fair Value <sup>1</sup>	Gain/Loss Since Trade
Barclays Bank PLC	Barclays Agg Proxy	Variable	Fixed	10/29/2021	\$ 119,397	\$ 797	\$ (1,070)
Barclays Bank PLC	Barclays Agg Proxy	Variable	Fixed	3/31/2022	151,142	1,018	1,420
Barclays Bank PLC	Barclays Agg Proxy	Variable	Fixed	12/31/2021	196,791	1,308	(3,827)
Barclays Bank PLC	Barclays Agg Proxy	Variable	Fixed	3/31/2022	300,885	1,995	1,981
Barclays Bank PLC	Barclays Agg Proxy	Variable	Fixed	9/30/2021	558,329	3,715	(7,984)
Barclays Bank PLC	Barclays Agg Proxy	Variable	Fixed	6/30/2022	100,000		
Barclays Bank PLC	Barclays Agg Proxy	Variable	Fixed	12/31/2021	300,000		
Societe Generale SA/France	Barclays Agg Proxy	Variable	Fixed	10/29/2021	99,498	658	(887)
Societe Generale SA/France	Barclays Agg Proxy	Variable	Fixed	9/30/2021	105,972	696	(1,524)
Societe Generale SA/France	Barclays Agg Proxy	Variable	Fixed	9/30/2021	108,959	719	(1,533)
Societe Generale SA/France	Barclays Agg Proxy	Variable	Fixed	3/31/2022	151,143	1,016	1,420
Societe Generale SA/France	Barclays Agg Proxy	Variable	Fixed	6/30/2022	550,000		
					<u>\$ 2,742,116</u>	<u>\$ 11,922</u>	<u>\$ (12,004)</u>

Counterparty	Fixed Income Swaps	SCRS Pays	SCRS Receives	Maturity Date	Current Notional	Fair Value <sup>1</sup>
Goldman Sachs International	Cleared Credit Default Swaps	Variable	Fixed	various	\$ 3,300	\$ 13
					<u>\$ 3,300</u>	<u>\$ 13</u>
Chicago Mercantile Exchange	Cleared Interest Rate Swaps	Fixed	Variable	4/28/2031	\$ 17,670	\$ (243)
IntercontinentalExchange Holdings	Cleared Credit Default Swaps	Variable	Fixed	various	9,704	819
LCH Ltd	Cleared Interest Rate Swaps	Fixed	Variable	various	65,362	(43)
LCH Ltd	Cleared Zero Coupon Swaps	Fixed	Variable	9/15/2051	9,394	200
					<u>\$ 102,130</u>	<u>\$ 733</u>

<sup>1</sup> Fair Value is the amount reasonably expected to be received if the underlying positions were liquidated on the following business day.

## Options

Options are exchange traded agreements between two parties for a future transaction on an underlying asset at a reference or strike price. The buyer of an option has the right, but not the obligation, to transact. The seller of an option has the obligation to transact if forced by the buyer. The price of an option is derived by taking the difference in the underlying asset and the strike price plus a premium for the remaining time until expiration. At June 30, 2021, the Systems had the following option positions (dollar amounts expressed in thousands):

Option Contracts	Underlying Security	Expiration	Quantity	Fair Value
Call Jul 21 101.203125 7/07/21	COMMIT TO PUR FNMA SF MT (OTC)	July 2021	(2,000,000)	\$ (3)
Call Jul 21 101.6445 ED 070721	COMMIT TO PUR FNMA SF MTG(OTC)	July 2021	(2,000,000)	(1)
Call Aug 21 101.406 ED 080521	COMMIT TO PURCHASE FNMA SI	August 2021	(1,000,000)	(2)
Put Aug 21 099.406 ED 080521	COMMIT TO PURCHASE FNMA SI	August 2021	(1,000,000)	(1)
Put Aug 21 099.6875 ED 080521	COMMIT TO PUR FNMA SF MTG (OTC)	August 2021	(2,000,000)	(3)
Total Fixed Income				(10)
Call Jul 22 000.395 ED 072922	2Y-10 CMS CAP	July 2022	968,000	517
Call Jul 22 000.605 ED 072922	2Y-10 CMS CAP	July 2022	287,000	106
Call Jul 22 000.395 ED 072922	2Y-10 CMS CAP	July 2022	1,046,000	559
Call Jul 22 000.605 ED 072922	2Y-10 CMS CAP	July 2022	373,000	138
Total Equity				1,320
Total				\$ 1,310

## Alternative Investments

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

Private equity, private debt, private real estate and private infrastructure investments are typically structured as limited partnerships. In this structure, the Systems is one of several limited partners, while the investment manager serves as the general partner. Investing in such limited partnerships legally obligates the Systems to invest the committed amount until the investment is fully funded or the contractual investment period has expired. Hedge fund investments are typically on subscription basis with a single, initial investment with no further commitment.

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

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

## Commitments

The Commission, on behalf of the Systems, has entered into contractual agreements with numerous alternative investment managers and is committed for future funding of private equity, private debt, private real estate and private infrastructure investments. At June 30, 2021, the Systems' commitments, including commitments within Strategic Partnerships, are shown in the following table (amounts expressed in thousands):

	Total Commitment	Amount Funded to Date	Remaining Unfunded Commitment <sup>1</sup>
<b>Limited Partnerships USD</b>			
Private Equity	\$ 6,895,799	\$ 4,079,510	\$ 2,816,289
Private Debt	6,983,415	4,786,653	2,196,762
Private Real Estate	4,562,492	3,428,493	1,133,999
Private Infrastructure	805,000	558,441	246,559
<b>Totals</b>	<b>\$ 19,246,706</b>	<b>\$ 12,853,097</b>	<b>\$ 6,393,609</b>
<b>Limited Partnerships EUR</b>			
Private Equity	€ 439,580	€ 193,281	€ 246,299
Private Infrastructure	125,000	98,756	26,244
<b>Totals</b>	<b>€ 564,580</b>	<b>€ 292,037</b>	<b>€ 272,543</b>
<b>Limited Partnerships AUD</b>			
Private Equity	\$ 100,000	\$ 53,633	\$ 46,367
<b>Totals</b>	<b>\$ 100,000</b>	<b>\$ 53,633</b>	<b>\$ 46,367</b>
<b>Limited Partnerships GBP</b>			
Private Equity	£ 75,000		£ 75,000
<b>Totals</b>	<b>£ 75,000</b>	<b>£ -</b>	<b>£ 75,000</b>

<sup>1</sup> For purposes of this table, amounts are reported separately by currency.

## Securities Lending

The Systems' investment portfolio currently participates in a securities lending program, managed by BNYM ("Securities Lending Program"), whereby securities are loaned for the purpose of generating additional income. BNYM is responsible for making loans of securities on a collateralized basis to various third party broker-dealers and financial institutions and collecting cash and non-cash collateral. The fair value of the required collateral must initially meet or exceed 102 percent of the fair value of the securities loaned for U. S. securities, 105 percent for cross currency securities and 107 percent for equity securities, providing a margin against a decline in the fair value of collateral. If the collateral value falls below 102 percent, the borrower must post additional collateral. In conjunction with generating revenue, the collateral pool seeks to maintain a net asset value (NAV) of \$1, which is determined by dividing the fair value of the assets by the cost of those assets.

The Commission's Policy requires that the maximum amount of securities that may be on loan is 65% of eligible securities. Conservative investment guidelines continue to be maintained within the Securities Lending Program. The re-investment of the cash collateral is restricted to short duration, very low risk securities and is monitored by RSIC on an ongoing basis. The types of securities available for loan during the year ended June 30, 2021 included U. S. Government securities, U. S. Government agencies, Corporate bonds, Non-U. S. Sovereign debt and Global equities. The contractual agreement between the RSIC and BNYM provides indemnification in the event the borrower fails to return the securities lent or fails to pay the Systems income distribution by the securities' issuers while the securities are on loan.

Indemnification is also provided if the investment of cash collateral results in investment loss. Cash, U. S. Government securities, Corporate securities, Asset-backed securities and Global equities are received as collateral for these loans. Collateral securities cannot be pledged or sold without a borrower default. Cash collateral received is invested, and accordingly, investments made with cash collateral are reported as an asset. A corresponding liability is recorded as the Systems must return the cash collateral to the borrower upon the expiration of the loan.

At June 30, 2021, the fair value of securities on loan was \$64.33 million. The fair value of the invested cash collateral was \$21.35 million, securities lending obligations were \$65.97 million with the difference reported within "Other Liabilities" on the Statement of Fiduciary Net Position. The gross securities lending revenue for the fiscal year was \$1.8 million, a decrease from \$2.7 million in the prior year.

With regard to counterparty credit risk, the Systems' cash collateral invested is held by the counterparty and is uninsured. All securities loaned can be terminated on demand by either the Systems or the borrower. At year end the average number of days the loans were outstanding was one day. The average weighted maturity of investments made with cash collateral was one day. At June 30, 2021, there had been no losses resulting from borrower defaults and the Systems had no credit risk exposure to borrowers because the amounts the Systems owed the borrowers exceeded the amounts the borrowers owed the Systems.

The following table presents the fair value (amounts expressed in thousands) of the underlying securities and the total collateral received for securities on loan at June 30, 2021:

	SCRS	PORS	GARS	JSRS	SCNG	06/30/21 TOTALS	06/30/20 TOTALS
<b>Securities lent for cash collateral</b>							
Corporate bonds	\$ 16,662	\$ 3,049	\$ 21	\$ 103	\$ 17	\$ 19,852	\$ 21,521
Global Public Equity	37,334	6,833	46	230	39	44,482	41,848
Total	\$ 53,996	\$ 9,882	\$ 67	\$ 333	\$ 56	\$ 64,334	\$ 63,369
<b>Securities lent for non-cash collateral</b>							
U. S. Government securities	\$ 48,098	\$ 8,803	\$ 59	\$ 296	\$ 50	\$ 57,306	\$ 64,733
Corporate Bonds	6,116	1,119	8	38	6	7,287	402
Global Public Equity	502,903	92,040	616	3,105	522	599,186	414,378
Total	\$ 557,117	\$ 101,962	\$ 683	\$ 3,439	\$ 578	\$ 663,779	\$ 479,513
<b>Cash collateral invested as follows</b>							
Repurchase agreements	\$ 17,918	\$ 3,279	\$ 22	\$ 111	\$ 18	\$ 21,348	\$ 20,452
Total	\$ 17,918	\$ 3,279	\$ 22	\$ 111	\$ 18	\$ 21,348	\$ 20,452
<b>Securities received as collateral</b>							
U.S. Government securities	\$ 86,875	\$ 15,900	\$ 107	\$ 536	\$ 90	\$ 103,508	\$ 122,602
Global Public Equity	451,043	82,548	553	2,784	468	537,396	382,605
Global Fixed Income	67,357	12,327	82	416	70	80,252	12,339
Total	\$ 605,275	\$ 110,775	\$ 742	\$ 3,736	\$ 628	\$ 721,156	\$ 517,546

#### IV. Transfers between Systems

Transfers between systems are statutorily authorized internal transfers of contributions and service credit from one retirement system to another retirement system that result from members voluntarily initiating the transfer when certain conditions are met.

Transfers made within the systems administered by PEBA during the fiscal year ended June 30, 2021, were as follows (amounts expressed in thousands):

Transfers from:	Transfers to:					
	SCRS	PORS	GARS	JSRS	SCNG	Total
SCRS	\$ -	\$ 1,401	\$ -	\$ 237	\$ -	\$ 1,638
PORS						-
GARS	45					45
JSRS						-
SCNG						-
Total	\$ 45	\$ 1,401	\$ -	\$ 237	\$ -	\$ 1,683

The following schedule reflects amounts due to or due from other systems as of June 30, 2021, (amounts expressed in thousands):

Due from:	Due to:					
	SCRS	PORS	GARS	JSRS	SCNG	Total
SCRS	\$ -	\$ 133	\$ -	\$ -	\$ -	\$ 133
PORS						-
GARS						-
JSRS						-
SCNG						-
Total	\$ -	\$ 133	\$ -	\$ -	\$ -	\$ 133



## V. Related Party Transactions

The pension plans provide pension and other benefits to employees of all state agencies. Revenues received from these agencies are recorded in the financial statements as employee and employer contributions and constitute approximately 32 percent of combined contribution revenues.

At June 30, 2021, a liability of approximately \$85.7 million was due to the South Carolina Retiree Health Insurance Trust Fund for insurance surcharge collected from employers in accordance with section 1-11-710 of the South Carolina State Statute. An additional liability of \$1.8 million was due to the Employee Insurance Program and is included in Other Liabilities on the Statement of Fiduciary Net Position. Employee and employer contributions receivable of approximately \$82.2 million were due from state agencies, institutions of higher education and quasi-state agencies.

The SCNG Supplemental Retirement Plan received state appropriated contributions in the amount of \$5.3 million during the fiscal year.

The General Assembly included funding to PEBA, to be distributed to some employers to help offset a portion of the employer's retirement contributions. PEBA allocates amounts to employers in the same dollar amount for which credits were calculated in previous years. In no event shall a participating employer receive a credit that exceeds the employer contributions due from the employer for the fiscal year. PEBA issued credit invoices to certain SCRS and PORS employers who then applied the credit invoices towards contributions otherwise due to the Systems. The amount of credit invoices issued in fiscal year 2021 totaled \$88.7 million and \$12.5 million for SCRS and PORS respectively. The General Assembly also continues to fund \$2.9 million in nonemployer contributions to JSRS.

The Retirement System Investment Commission is a separate state agency; however, the administrative costs of the RSIC are funded by transfers from the Systems' trust funds. Transfers in the amount of approximately \$11.5 million were made to the RSIC during the fiscal year.

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## VI. Deferred Retirement Option Plan

A deferred retirement option plan exists under JSRS. A member who has not yet reached the age of 60 years, but who is eligible to retire and receive the maximum monthly benefit, may retire and continue to serve as a judge, a solicitor or a circuit public defender. The member's normal monthly retirement benefit is deferred and placed in the system's trust fund on behalf of the member. Upon reaching the age of 60 years, the balance of the member's deferred retirement benefit is distributed to the member. As of June 30, 2021, the benefits held in trust totaled \$27,864.

## VII. Capital Assets

Capital assets at June 30, 2021, consist of the following amounts (expressed in thousands).

	Beginning Balances 6/30/2020	Additions	Deletions	Ending Balances 6/30/2021
<b>Asset Class (at Cost)</b>				
Land	\$ 582	\$ -	\$ -	\$ 582
Building	4,749			4,749
Equipment	2,223	97		2,320
Total Capital Assets	7,554	97	-	7,651
<b>Accumulated Depreciation</b>				
Building	3,299	119		3,418
Equipment	2,099	50		2,149
Total Accumulated Depreciation	5,398	169	-	5,567
<b>Capital Assets, Net</b>	\$ 2,156	\$ (72)	\$ -	\$ 2,084

## VIII. Compensated Absences

As state employees, most full-time permanent employees of SC PEBA's Retirement Division earn 15 days of annual leave and 15 days of sick leave per year during their first ten years of service. After ten years of service is complete, most employees earn an additional 1.25 days of annual leave for each year of service over ten until they reach a maximum of 30 days per year. Sick leave earnings remain at 15 days per year regardless of years of service. Employees may carry forward up to 45 days of annual leave and 180 days of sick leave from one calendar year to the next. Upon termination of employment, employees are eligible to receive payment for up to 45 days of accumulated unused annual leave at the pay rate then in effect. Employees are not eligible to receive payment for accumulated unused sick leave upon termination. As of June 30, 2021, the total amount accrued for unused annual leave for PEBA's Retirement Division employees was \$1.08 million and the associated liability is included in Other Liabilities on the Statement of Fiduciary Net Position.

## IX. Participation in Pension Plans

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

Employer contributions for Retirement Division staff are paid by PEBA and are allocated to the pension trust funds along with all other administrative expenses. Administrative expenses of the Systems are funded by investment earnings. For the year ended June 30, 2021, PEBA's contributions to SCRS for Retirement Division staff were \$1.36 million of which \$81 thousand represented the nonemployer contribution that was applied as a legislatively appropriated credit.

## X. Net Pension Liability of Employers

The total pension liability of each defined benefit pension plan summarized below was determined based on the most recent actuarial valuation, which was conducted using membership data as of July 1, 2020 projected forward to the end of the fiscal year, and financial information as of June 30, 2021, using generally accepted actuarial procedures. Information included in the following schedule is based on the certification provided by our consulting actuary, Gabriel Roeder Smith & Company. There was no legislation enacted during the 2021 legislative session that had a material change in the benefit provisions for any of the systems. In FY 2021 the Board adopted updated demographic assumptions. Also, the General Assembly permitted the investment return assumption at July 1, 2021 to decrease from 7.25% to 7.00%, as provided by Section 9-16-335 in South Carolina State Code. A Schedule of Employers' Net Pension Liability is intended to provide information about whether the plan fiduciary net positions are increasing or decreasing over time relative to the total pension liability. This schedule as well as a Schedule of Changes in the Employers' Net Pension Liability is presented in the Required Supplementary Information (RSI) section.

The net pension liability (i.e. the Systems' total pension liability determined in accordance with GASB Statement No. 67 less the fiduciary net position) as of June 30, 2021, is as follows (dollar amounts expressed in thousands):

	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability	Plan Fiduciary Net Position as a % of the Total Pension Liability
SCRS	\$ 55,131,580	\$ 33,490,306	\$ 21,641,274	60.7%
PORS	8,684,587	6,111,672	2,572,915	70.4%
GARS	71,825	43,655	28,170	60.8%
JSRS	444,782	212,683	232,099	47.8%
SCNG	68,388	39,784	28,604	58.2%

Actuarial valuations of the ongoing plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued for the period ending June 30, 2019.

The following table provides a summary of the actuarial assumptions and methods used to calculate the total pension liability for each plan as of June 30, 2021. The total pension liability for each plan is based on the actuarial valuations performed as of July 1, 2020 and rolled-forward from the valuation date to the plans' fiscal year ending June 30, 2021, using generally accepted actuarial principles. There was no legislation enacted during the 2021 legislative session that had a material change in the benefit provisions for any of the systems. In FY 2021 the Board adopted updated demographic assumptions. Also, the General Assembly permitted the investment return assumption at July 1, 2021 to decrease from 7.25% to 7.00%, as provided by Section 9-16-335 in South Carolina State Code.

	SCRS	PORS	GARS	JSRS	SCNG
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal	Entry age normal	Entry age normal
Actuarial assumptions:					
Investment rate of return <sup>1</sup>	7.00%	7.00%	7.00%	7.00%	7.00%
Projected salary increases	3.0% to 11.0% (varies by service) <sup>1</sup>	3.5% to 10.5% (varies by service) <sup>1</sup>	None	3.00% <sup>1</sup>	None
Benefit adjustments	lesser of 1% or \$500 annually	lesser of 1% or \$500 annually	None	3.00%	None

<sup>1</sup> Includes inflation at 2.25%.

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumption, the 2020 Public Retirees of South Carolina Mortality table (2020 PRSC), was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using 80% of Scale UMP projected from the year 2020.

Former Job Class	Males	Females
Educators and Judges	2020 PRSC Males multiplied by 95%	2020 PRSC Females multiplied by 94%
General Employees and Members of the General Assembly	2020 PRSC Males multiplied by 97%	2020 PRSC Females multiplied by 107%
Public Safety, Firefighters and members of the South Carolina National Guard	2020 PRSC Males multiplied by 127%	2020 PRSC Females multiplied by 107%

The long-term expected rate of return on pension plan investments is based upon 20-year capital market assumptions. The long-term expected rates of return represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees. The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2021 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table below. For actuarial purposes, the 7.00 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.25 percent inflation component.

Allocation / Exposure	Policy Target	Expected Arithmetic Real rate of Return	Long Term Expected Portfolio Real Rate of Return
Public Equity <sup>1</sup>	46.0%	6.87%	3.16%
Bonds	26.0%	0.27%	0.07%
Private Equity <sup>1,2</sup>	9.0%	9.68%	0.87%
Private Debt <sup>2</sup>	7.0%	5.47%	0.39%
Real Assets	12.0%		
Real Estate <sup>2</sup>	9.0%	6.01%	0.54%
Infrastructure <sup>2</sup>	3.0%	5.08%	0.15%
Total Expected Return <sup>3</sup>	100.0%		5.18%
Inflation for Actuarial Purposes			2.25%
			7.43%

<sup>1</sup> The target weight to Private Equity will be equal to its actual weight, reported by the custodial bank, as of prior month end. When flows have occurred, flow adjusted weights are used to more accurately reflect the impact of the asset class weight. Private Equity and Public Equity combine for 55% of the entire portfolio.

<sup>2</sup> Staff and Consultant will notify the Commission if Private Markets assets exceed 25% of total assets.

<sup>3</sup> Portable Alpha Strategies, which are not included in the Policy Target, will be capped at 12% of total assets; hedge funds (including all hedge funds used in portable alpha implementation) are capped at 20% of total assets.

The discount rate used to measure the total pension liability of each plan was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. The contributions required for JSRS, GARS, and the SCNG are based on PEBA's current funding policy which include the change in funding in future years as a result of the enactment of the Retirement System Funding and Administration Act of 2017. Based on those assumptions, the system's fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In accordance with GASB Statement No. 67 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the following table presents the net pension liability of the participating employers calculated using the discount rate of 7 percent, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is 1 percent lower (6 percent) or 1 percent higher (8 percent) than the current rate.

### Discount Rate Sensitivity Analysis

*(Amounts expressed in thousands)*

	1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)
<b>SCRS</b>	\$ 28,347,374	\$ 21,641,274	\$ 16,067,117
<b>PORS</b>	3,732,970	2,572,915	1,622,652
<b>GARS</b>	34,454	28,170	22,753
<b>JSRS</b>	282,713	232,099	189,557
<b>SCNG</b>	37,176	28,604	21,586

## XI. Death Benefit Program

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

is collected as a percent of covered payroll as determined by the Systems' actuary and approved by the governing board. The current employer contribution rates for the programs are 0.15 percent and 0.20 percent of payroll for SCRS and PORS respectively. These contributions fund both the active and retiree death benefits.

### Active Death Benefits

An incidental death benefit is payable upon the death of an SCRS, State ORP or PORS contributing member who worked for a participating employer at the time of death. The member must have been in service and had at least one full year of membership or must have died as a result of an injury arising in the course of performing his duties

regardless of length of membership. The incidental death benefit is equal to the annual earnable compensation of the member at the time of death and is payable apart and separate from the payment of pension benefits.

### **Retiree Death Benefits**

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

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

All benefits provided by the Systems are included in the actuarial valuations, including the incidental death benefit program for SCRS, PORS, GARS and JSRS. The July 1, 2020 actuarial valuations reflect the inclusion of the assets and liabilities of the incidental death benefit program and accidental death benefits for PORS.

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## **XII. Litigation**

The South Carolina Retirement Systems are involved in litigation relating to various matters arising in the ordinary course of business, including routine administrative litigation involving individual members' claims regarding their benefits. In the opinion of management, in consultation with legal counsel, the outcomes of these matters are not expected to have a material adverse effect on the Systems' financial position or operations.

In addition to those routine litigation matters, the South Carolina Retirement Systems are also involved in the following litigation:

*Amber Cleveland et al. v. the South Carolina Retirement System*, Case No. 2021-CP-18-00195, is a putative class action suit that was filed in the Dorchester County Court of Common Pleas in February 2021. In this matter, Plaintiffs contend that the South Carolina Retirement System has illegally collected working retiree member contributions from retired members of the System who have returned to covered employment as classroom teachers in an area of critical academic or geographic need. Defendant South Carolina Retirement System filed a motion to dismiss this matter on a number of grounds, including the

divestiture of the court's jurisdiction over the claims by the South Carolina Retirement Systems Claims Procedures Act and Plaintiffs' failure to exhaust their administrative remedies prior to bringing suit. A hearing on Defendant's motion was heard by the court on September 29, 2021, and the motion to dismiss is currently under consideration by the court. PEBA does not have an estimate of the total amount of working retiree contributions collected from members of the putative class. However, based upon records from the South Carolina Department of Education, there were approximately 1,300 retired members of SCRS who were employed during the 2021 fiscal year as classroom teachers who were eligible for the exemption from the earnings limitation otherwise applicable to their receipt of benefits from SCRS because they were employed in areas of critical academic or geographic need. PEBA believes its position in this matter is meritorious and it intends to vigorously contest Plaintiffs' claims.

The following claim against SCRS has been dismissed by the court; however, the case remains active due to remaining claims against other defendants, the appeals process, and a related matter on appeal to the Supreme Court:



*Marc S. Kirschner, as Litigation Trustee for the Tribune Litigation Trust v. Dennis J. Fitzsimmons, et al.*, United States District Court Southern District of New York, Case No. 1:11-cv-02652. This case is a bankruptcy litigation matter filed on December 20, 2011 and has been stayed since shortly after it was filed. The Plaintiff attempted to serve a summons on the South Carolina Retirement System in August 2013. SCRS is a defendant as a result of selling Tribune Company stock in connection with a leveraged buyout of the Tribune Company in 2007.

Through this lawsuit the creditors of the Tribune Company are attempting to claw-back funds received by SCRS in connection with the sale of the stock. The plaintiff has asserted a claim of approximately two million dollars against SCRS. The South Carolina Retirement System Investment Commission contests the amount the plaintiff alleges SCRS received, contends that there are persuasive arguments favoring dismissal, and has engaged counsel to represent SCRS in this matter.

## South Carolina Retirement Systems Required Supplementary Information

### Schedule of Changes in the Employers' Net Pension Liability<sup>1</sup>

SCRS Pension Trust Fund  
Years Ended June 30  
(Amounts expressed in thousands)

	2021	2020	2019	2018
<b>Total Pension Liability</b>				
Service cost	\$ 1,028,783	\$ 975,416	\$ 967,897	\$ 910,846
Interest	3,678,394	3,551,535	3,463,073	3,401,588
Benefit changes				
Difference between actual and expected experience	232,794	392,332	(101,351)	(172,340)
Assumption changes	1,591,642			
Benefit payments	(3,244,221)	(3,148,155)	(3,078,289)	(3,562,801)
<b>Net Change in Total Pension Liability</b>	3,287,392	1,771,128	1,251,330	577,293
<b>Total Pension Liability - Beginning</b>	51,844,188	50,073,060	48,821,730	48,244,437
<b>Total Pension Liability - Ending (a)</b>	<u>\$ 55,131,580</u>	<u>\$ 51,844,188</u>	<u>\$ 50,073,060</u>	<u>\$ 48,821,730</u>
<b>Plan Fiduciary Net Position</b>				
Employer contributions	\$ 1,673,320	\$ 1,647,757	\$ 1,450,308	\$ 1,300,477
Nonemployer contributions	88,706	88,706	88,706	104,974
Employee contributions	932,014	922,539	880,664	868,681
Refunds of contributions to members	(124,286)	(117,860)	(118,067)	(113,867)
Annuity benefits	(3,090,155)	(3,007,545)	(2,938,416)	(3,426,650)
Death benefits	(29,780)	(22,750)	(21,806)	(22,284)
Net investment income (loss)	7,767,185	(441,580)	1,499,391	1,986,948
Administrative expenses	(17,523)	(14,218)	(15,536)	(14,658)
Net transfers to other systems	(1,593)	(1,547)	(1,244)	(1,534)
<b>Net Change in Plan Fiduciary Net Position</b>	7,197,888	(946,498)	824,000	682,087
<b>Plan Fiduciary Net Position - Beginning</b>	26,292,418	27,238,916	26,414,916	25,732,829
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 33,490,306</u>	<u>\$ 26,292,418</u>	<u>\$ 27,238,916</u>	<u>\$ 26,414,916</u>
<b>Net Pension Liability - Ending (a) - (b)</b>	<u>\$ 21,641,274</u>	<u>\$ 25,551,770</u>	<u>\$ 22,834,144</u>	<u>\$ 22,406,814</u>

<sup>1</sup> Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

# South Carolina Retirement Systems

## Required Supplementary Information (continued)

### Schedule of Changes in the Employers' Net Pension Liability<sup>1</sup>

SCRS Pension Trust Fund (continued)

Years Ended June 30

(Amounts expressed in thousands)

	2017	2016	2015	2014
<b>Total Pension Liability</b>				
Service cost	\$ 804,057	\$ 763,357	\$ 744,197	\$ 739,021
Interest	3,318,051	3,231,572	3,148,090	3,021,004
Benefit changes				
Difference between actual and expected experience	54,584	46,714	(44,636)	638,745
Assumption changes	1,746,649			
Benefit payments	(3,035,119)	(2,782,738)	(2,705,547)	(2,571,049)
<b>Net Change in Total Pension Liability</b>	<b>2,888,222</b>	<b>1,258,905</b>	<b>1,142,104</b>	<b>1,827,721</b>
<b>Total Pension Liability - Beginning</b>	<b>45,356,215</b>	<b>44,097,310</b>	<b>42,955,206</b>	<b>41,127,485</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 48,244,437</b>	<b>\$ 45,356,215</b>	<b>\$ 44,097,310</b>	<b>\$ 42,955,206</b>
<b>Plan Fiduciary Net Position</b>				
Employer contributions	\$ 1,168,847	\$ 1,072,659	\$ 1,022,478	\$ 962,798
Nonemployer contributions				
Employee contributions	826,543	754,153	716,107	652,631
Refunds of contributions to members	(105,169)	(93,694)	(95,104)	(90,250)
Annuity benefits	(2,907,273)	(2,668,385)	(2,590,299)	(2,461,559)
Death benefits	(22,677)	(20,659)	(20,144)	(19,240)
Net investment income (loss)	2,791,215	(165,394)	374,152	3,517,324
Administrative expenses	(13,469)	(13,149)	(12,554)	(11,765)
Net transfers to other systems	(1,550)	(997)	(1,329)	(2,470)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>1,736,467</b>	<b>(1,135,466)</b>	<b>(606,693)</b>	<b>2,547,469</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>23,996,362</b>	<b>25,131,828</b>	<b>25,738,521</b>	<b>23,191,052</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 25,732,829</b>	<b>\$ 23,996,362</b>	<b>\$ 25,131,828</b>	<b>\$ 25,738,521</b>
<b>Net Pension Liability - Ending (a) - (b)</b>	<b>\$ 22,511,608</b>	<b>\$ 21,359,853</b>	<b>\$ 18,965,482</b>	<b>\$ 17,216,685</b>

<sup>1</sup> Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

## South Carolina Retirement Systems

### Required Supplementary Information (continued)

#### Schedule of Changes in the Employers' Net Pension Liability<sup>1</sup>

PORS Pension Trust Fund  
Years Ended June 30  
(Amounts expressed in thousands)

	2021	2020	2019	2018
<b>Total Pension Liability</b>				
Service cost	\$ 206,733	\$ 198,744	\$ 189,379	\$ 184,570
Interest	574,351	548,454	528,699	500,758
Benefit changes				
Difference between actual and expected experience	70,304	49,922	(27,766)	102,882
Assumption changes	242,143			
Benefit payments	(455,331)	(432,483)	(412,535)	(397,921)
<b>Net Change in Total Pension Liability</b>	638,200	364,637	277,777	390,289
<b>Total Pension Liability - Beginning</b>	8,046,387	7,681,750	7,403,973	7,013,684
<b>Total Pension Liability - Ending (a)</b>	<u>\$ 8,684,587</u>	<u>\$ 8,046,387</u>	<u>\$ 7,681,750</u>	<u>\$ 7,403,973</u>
<b>Plan Fiduciary Net Position</b>				
Employer contributions	\$ 262,577	\$ 263,135	\$ 237,821	\$ 211,793
Nonemployer contributions	12,470	12,470	12,470	13,122
Employee contributions	152,148	151,835	144,747	138,652
Refunds of contributions to members	(24,346)	(22,492)	(21,608)	(23,899)
Annuity benefits	(425,232)	(405,790)	(387,228)	(369,536)
Death benefits	(5,753)	(4,201)	(3,699)	(4,485)
Net investment income (loss)	1,411,353	(79,106)	264,323	331,529
Administrative expenses	(3,121)	(2,469)	(2,596)	(2,402)
Net transfers to other systems	1,401	984	1,148	1,534
<b>Net Change in Plan Fiduciary Net Position</b>	1,381,497	(85,634)	245,378	296,308
<b>Plan Fiduciary Net Position - Beginning</b>	4,730,175	4,815,809	4,570,431	4,274,123
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 6,111,672</u>	<u>\$ 4,730,175</u>	<u>\$ 4,815,809</u>	<u>\$ 4,570,431</u>
<b>Net Pension Liability - Ending (a) - (b)</b>	<u>\$ 2,572,915</u>	<u>\$ 3,316,212</u>	<u>\$ 2,865,941</u>	<u>\$ 2,833,542</u>

<sup>1</sup> Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

## South Carolina Retirement Systems

### Required Supplementary Information (continued)

#### Schedule of Changes in the Employers' Net Pension Liability<sup>1</sup>

PORS Pension Trust Fund (continued)

Years Ended June 30

(Amounts expressed in thousands)

	2017	2016	2015	2014
<b>Total Pension Liability</b>				
Service cost	\$ 166,682	\$ 156,567	\$ 154,102	\$ 149,606
Interest	473,059	453,696	435,329	417,950
Benefit changes				-
Difference between actual and expected experience	5,044	11,582	6,771	64,336
Assumption changes	333,190			
Benefit payments	(376,801)	(360,656)	(344,410)	(331,783)
<b>Net Change in Total Pension Liability</b>	601,174	261,189	251,792	300,109
<b>Total Pension Liability - Beginning</b>	6,412,510	6,151,321	5,899,529	5,599,420
<b>Total Pension Liability - Ending (a)</b>	<u>\$ 7,013,684</u>	<u>\$ 6,412,510</u>	<u>\$ 6,151,321</u>	<u>\$ 5,899,529</u>
<b>Plan Fiduciary Net Position</b>				
Employer contributions	\$ 192,006	\$ 175,223	\$ 166,451	\$ 155,608
Nonemployer contributions				
Employee contributions	127,840	115,188	106,854	96,004
Refunds of contributions to members	(19,964)	(19,178)	(17,453)	(16,184)
Annuity benefits	(352,986)	(337,928)	(323,252)	(311,593)
Death benefits	(3,852)	(3,550)	(3,705)	(4,007)
Net investment income (loss)	455,914	(24,636)	58,705	538,386
Administrative expenses	(2,149)	(2,055)	(1,938)	(1,820)
Net transfers to other systems	1,278	1,147	1,061	2,260
<b>Net Change in Plan Fiduciary Net Position</b>	398,087	(95,789)	(13,277)	458,654
<b>Plan Fiduciary Net Position - Beginning</b>	3,876,036	3,971,825	3,985,102	3,526,448
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 4,274,123</u>	<u>\$ 3,876,036</u>	<u>\$ 3,971,825</u>	<u>\$ 3,985,102</u>
<b>Net Pension Liability - Ending (a) - (b)</b>	<u>\$ 2,739,561</u>	<u>\$ 2,536,474</u>	<u>\$ 2,179,496</u>	<u>\$ 1,914,427</u>

<sup>1</sup> Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

## South Carolina Retirement Systems

### Required Supplementary Information (continued)

#### Schedule of Changes in the Employers' Net Pension Liability<sup>1</sup>

GARS Pension Trust Fund  
Years Ended June 30  
(Amounts expressed in thousands)

	2021	2020	2019	2018
<b>Total Pension Liability</b>				
Service cost	\$ 364	\$ 358	\$ 440	\$ 464
Interest	4,937	5,003	5,149	5,200
Benefit changes				
Difference between actual and expected experience	379	60	(1,135)	138
Assumption changes	1,386			
Benefit payments	(6,315)	(6,348)	(6,515)	(6,468)
<b>Net Change in Total Pension Liability</b>	751	(927)	(2,061)	(666)
<b>Total Pension Liability - Beginning</b>	71,074	72,001	74,062	74,728
<b>Total Pension Liability - Ending (a)</b>	<u>\$ 71,825</u>	<u>\$ 71,074</u>	<u>\$ 72,001</u>	<u>\$ 74,062</u>
<b>Plan Fiduciary Net Position</b>				
Employer contributions	\$ 5,956	\$ 6,329	\$ 5,804	\$ 5,428
Employee contributions	184	222	162	287
Refunds of contributions to members	(77)		(17)	
Annuity benefits	(6,222)	(6,323)	(6,480)	(6,452)
Death benefits	(16)	(25)	(18)	(16)
Net investment income (loss)	9,444	(443)	1,887	2,376
Administrative expenses	(23)	(18)	(20)	(18)
Net transfers to other systems	(45)			
<b>Net Change in Plan Fiduciary Net Position</b>	9,201	(258)	1,318	1,605
<b>Plan Fiduciary Net Position - Beginning</b>	34,454	34,712	33,394	31,789
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 43,655</u>	<u>\$ 34,454</u>	<u>\$ 34,712</u>	<u>\$ 33,394</u>
<b>Net Pension Liability - Ending (a) - (b)</b>	<u>\$ 28,170</u>	<u>\$ 36,620</u>	<u>\$ 37,289</u>	<u>\$ 40,668</u>

<sup>1</sup> Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

# South Carolina Retirement Systems

## Required Supplementary Information (continued)

### Schedule of Changes in the Employers' Net Pension Liability<sup>1</sup>

GARS Pension Trust Fund (continued)

Years Ended June 30

(Amounts expressed in thousands)

	2017	2016	2015	2014
<b>Total Pension Liability</b>				
Service cost	\$ 488	\$ 493	\$ 553	\$ 572
Interest	5,293	5,301	5,380	5,437
Benefit changes				
Difference between actual and expected experience	(348)	798	(294)	(2,585)
Assumption changes	2,330			
Benefit payments	(6,737)	(6,656)	(6,660)	(6,861)
<b>Net Change in Total Pension Liability</b>	1,026	(64)	(1,021)	(3,437)
<b>Total Pension Liability - Beginning</b>	73,702	73,766	74,787	78,224
<b>Total Pension Liability - Ending (a)</b>	\$ 74,728	\$ 73,702	\$ 73,766	\$ 74,787
<b>Plan Fiduciary Net Position</b>				
Employer contributions	\$ 4,539	\$ 4,501	\$ 4,275	\$ 4,063
Employee contributions	468	292	369	384
Refunds of contributions to members		(22)		(41)
Annuity benefits	(6,678)	(6,625)	(6,639)	(6,799)
Death benefits	(59)	(9)	(21)	(20)
Net investment income (loss)	3,329	(266)	500	4,545
Administrative expenses	(17)	(18)	(18)	(17)
Net transfers to other systems	19	(147)	(18)	15
<b>Net Change in Plan Fiduciary Net Position</b>	1,601	(2,294)	(1,552)	2,130
<b>Plan Fiduciary Net Position - Beginning</b>	30,188	32,482	34,034	31,904
<b>Plan Fiduciary Net Position - Ending (b)</b>	\$ 31,789	\$ 30,188	\$ 32,482	\$ 34,034
<b>Net Pension Liability - Ending (a) - (b)</b>	\$ 42,939	\$ 43,514	\$ 41,284	\$ 40,753

<sup>1</sup> Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.



## South Carolina Retirement Systems

### Required Supplementary Information (continued)

#### Schedule of Changes in the Employers' Net Pension Liability<sup>1</sup>

JSRS Pension Trust Fund  
Years Ended June 30  
(Amounts expressed in thousands)

	2021	2020	2019	2018
<b>Total Pension Liability</b>				
Service cost	\$ 8,718	\$ 8,919	\$ 6,645	\$ 6,521
Interest	29,199	28,154	21,737	21,271
Benefit changes				
Difference between actual and expected experience	4,000	3,262	80,801	(3,548)
Assumption changes	17,439			
Benefit payments	(25,941)	(25,673)	(17,950)	(17,811)
<b>Net Change in Total Pension Liability</b>	33,415	14,662	91,233	6,433
<b>Total Pension Liability - Beginning</b>	411,367	396,705	305,472	299,039
<b>Total Pension Liability - Ending (a)</b>	<u>\$ 444,782</u>	<u>\$ 411,367</u>	<u>\$ 396,705</u>	<u>\$ 305,472</u>
<b>Plan Fiduciary Net Position</b>				
Employer contributions	\$ 19,100	\$ 19,098	\$ 11,730	\$ 11,043
Nonemployer contributions	2,900	2,900		
Employee contributions	3,587	4,966	2,840	3,016
Refunds of contributions to members		(182)		
Annuity benefits	(25,746)	(25,301)	(17,947)	(17,655)
Death benefits	(195)	(190)	(3)	(156)
Net investment income (loss)	47,659	(2,361)	9,183	11,723
Administrative expenses	(109)	(86)	(92)	(86)
Net transfers to other systems	237	563	96	
<b>Net Change in Plan Fiduciary Net Position</b>	47,433	(593)	5,807	7,885
<b>Plan Fiduciary Net Position - Beginning</b>	165,250	165,843	160,036	152,151
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 212,683</u>	<u>\$ 165,250</u>	<u>\$ 165,843</u>	<u>\$ 160,036</u>
<b>Net Pension Liability - Ending (a) - (b)</b>	<u><u>\$ 232,099</u></u>	<u><u>\$ 246,117</u></u>	<u><u>\$ 230,862</u></u>	<u><u>\$ 145,436</u></u>

<sup>1</sup> Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

## South Carolina Retirement Systems

### Required Supplementary Information (continued)

#### Schedule of Changes in the Employers' Net Pension Liability<sup>1</sup>

JSRS Pension Trust Fund (continued)

Years Ended June 30

(Amounts expressed in thousands)

	2017	2016	2015	2014
<b>Total Pension Liability</b>				
Service cost	\$ 6,186	\$ 5,886	\$ 5,760	\$ 5,571
Interest	20,404	20,022	19,440	18,857
Benefit changes			666	
Difference between actual and expected experience	(995)	(3,085)	(1,138)	(3,240)
Assumption changes	13,790			
Benefit payments	(18,602)	(17,191)	(16,836)	(16,684)
<b>Net Change in Total Pension Liability</b>	20,783	5,632	7,892	4,504
<b>Total Pension Liability - Beginning</b>	278,256	272,624	264,732	260,228
<b>Total Pension Liability - Ending (a)</b>	<u>\$ 299,039</u>	<u>\$ 278,256</u>	<u>\$ 272,624</u>	<u>\$ 264,732</u>
<b>Plan Fiduciary Net Position</b>				
Employer contributions	\$ 10,534	\$ 10,202	\$ 10,109	\$ 9,659
Nonemployer contributions				
Employee contributions	2,928	2,303	3,153	2,448
Refunds of contributions to members	(629)	(60)		
Annuity benefits	(17,679)	(16,989)	(16,832)	(16,675)
Death benefits	(293)	(143)	(4)	(10)
Net investment income (loss)	16,399	(871)	2,216	19,962
Administrative expenses	(79)	(75)	(71)	(68)
Net transfers to other systems	253	(3)	286	195
<b>Net Change in Plan Fiduciary Net Position</b>	11,434	(5,636)	(1,143)	15,511
<b>Plan Fiduciary Net Position - Beginning</b>	140,717	146,353	147,496	131,985
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 152,151</u>	<u>\$ 140,717</u>	<u>\$ 146,353</u>	<u>\$ 147,496</u>
<b>Net Pension Liability - Ending (a) - (b)</b>	<u>\$ 146,888</u>	<u>\$ 137,539</u>	<u>\$ 126,271</u>	<u>\$ 117,236</u>

<sup>1</sup> Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

## South Carolina Retirement Systems

### Required Supplementary Information (continued)

#### Schedule of Changes in the Employers' Net Pension Liability<sup>1</sup>

SCNG Pension Trust Fund  
Years Ended June 30  
(Amounts expressed in thousands)

	2021	2020	2019	2018
<b>Total Pension Liability</b>				
Service cost	\$ 696	\$ 805	\$ 786	\$ 804
Interest	4,754	4,731	4,764	4,743
Benefit changes				
Difference between actual and expected experience	(960)	(627)	(1,501)	(767)
Assumption changes	971			
Benefit payments	(4,574)	(4,514)	(4,534)	(4,411)
<b>Net Change in Total Pension Liability</b>	887	395	(485)	369
<b>Total Pension Liability - Beginning</b>	67,501	67,106	67,591	67,222
<b>Total Pension Liability - Ending (a)</b>	<u>\$ 68,388</u>	<u>\$ 67,501</u>	<u>\$ 67,106</u>	<u>\$ 67,591</u>
<b>Plan Fiduciary Net Position</b>				
Employer contributions	\$ 5,290	\$ 5,290	\$ 5,290	\$ 4,814
Employee contributions				
Refunds of contributions to members				
Annuity benefits	(4,574)	(4,514)	(4,534)	(4,411)
Death benefits				
Net investment income (loss)	7,996	(352)	1,616	1,902
Administrative expenses	(20)	(15)	(16)	(14)
Net transfers to other systems				
<b>Net Change in Plan Fiduciary Net Position</b>	8,692	409	2,356	2,291
<b>Plan Fiduciary Net Position - Beginning</b>	31,092	30,683	28,327	26,036
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 39,784</u>	<u>\$ 31,092</u>	<u>\$ 30,683</u>	<u>\$ 28,327</u>
<b>Net Pension Liability - Ending (a) - (b)</b>	<u>\$ 28,604</u>	<u>\$ 36,409</u>	<u>\$ 36,423</u>	<u>\$ 39,264</u>

<sup>1</sup> Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

# South Carolina Retirement Systems

## Required Supplementary Information (continued)

### Schedule of Changes in the Employers' Net Pension Liability<sup>1</sup>

SCNG Pension Trust Fund (continued)

Years Ended June 30

(Amounts expressed in thousands)

	2017	2016	2015	2014
<b>Total Pension Liability</b>				
Service cost	\$ 696	\$ 689	\$ 690	\$ 697
Interest	4,589	4,594	4,481	4,417
Benefit changes				
Difference between actual and expected experience	(843)	(992)	612	(262)
Assumption changes	4,161			
Benefit payments	(4,426)	(4,310)	(4,249)	(4,248)
<b>Net Change in Total Pension Liability</b>	4,177	(19)	1,534	604
<b>Total Pension Liability - Beginning</b>	63,045	63,064	61,530	60,926
<b>Total Pension Liability - Ending (a)</b>	\$ 67,222	\$ 63,045	\$ 63,064	\$ 61,530
<b>Plan Fiduciary Net Position</b>				
Employer contributions	\$ 4,591	\$ 4,591	\$ 4,591	\$ 4,586
Employee contributions				
Refunds of contributions to members				
Annuity benefits	(4,425)	(4,310)	(4,249)	(4,248)
Death benefits				
Net investment income (loss)	2,533	(121)	313	2,806
Administrative expenses	(13)	(12)	(11)	(10)
Net transfers to other systems				
<b>Net Change in Plan Fiduciary Net Position</b>	2,686	148	644	3,134
<b>Plan Fiduciary Net Position - Beginning</b>	23,350	23,202	22,558	19,424
<b>Plan Fiduciary Net Position - Ending (b)</b>	\$ 26,036	\$ 23,350	\$ 23,202	\$ 22,558
<b>Net Pension Liability - Ending (a) - (b)</b>	\$ 41,186	\$ 39,695	\$ 39,862	\$ 38,972

<sup>1</sup> Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

# South Carolina Retirement Systems

## Required Supplementary Information (continued)

### Schedule of Employers' Net Pension Liability<sup>1</sup>

(Dollar amounts expressed in thousands)

	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	Projected Covered Payroll <sup>2</sup>	Net Pension Liability as a Percentage of Covered Payroll
<b>SCRS</b>						
6/30/2021	\$ 55,131,580	\$ 33,490,306	\$ 21,641,274	60.7%	\$ 9,788,610	221.1%
6/30/2020	51,844,188	26,292,418	25,551,770	50.7%	9,272,010	275.6%
6/30/2019	50,073,060	27,238,916	22,834,144	54.4%	9,183,081	248.7%
6/30/2018	48,821,730	26,414,916	22,406,814	54.1%	8,592,885	260.8%
6/30/2017	48,244,437	25,732,829	22,511,608	53.3%	8,213,042	274.1%
6/30/2016	45,356,215	23,996,362	21,359,853	52.9%	7,765,588	275.1%
6/30/2015	44,097,310	25,131,828	18,965,482	57.0%	7,539,996	251.5%
6/30/2014	42,955,206	25,738,521	17,216,685	59.9%	7,434,820	231.6%
<b>PORS</b>						
6/30/2021	8,684,587	6,111,672	2,572,915	70.4%	1,440,645	178.6%
6/30/2020	8,046,387	4,730,175	3,316,212	58.8%	1,378,255	240.6%
6/30/2019	7,681,750	4,815,809	2,865,941	62.7%	1,306,961	219.3%
6/30/2018	7,403,973	4,570,431	2,833,542	61.7%	1,263,314	224.3%
6/30/2017	7,013,684	4,274,123	2,739,561	60.9%	1,187,195	230.8%
6/30/2016	6,412,510	3,876,036	2,536,474	60.4%	1,105,703	229.4%
6/30/2015	6,151,321	3,971,825	2,179,496	64.6%	1,076,885	202.4%
6/30/2014	5,899,529	3,985,102	1,914,427	67.5%	1,033,189	185.3%
<b>GARS</b>						
6/30/2021	71,825	43,655	28,170	60.8%	1,570	1,794.0%
6/30/2020	71,074	34,454	36,620	48.5%	1,570	2,332.1%
6/30/2019	72,001	34,712	37,289	48.2%	1,866	1,998.8%
6/30/2018	74,062	33,394	40,668	45.1%	1,961	2,074.3%
6/30/2017	74,728	31,789	42,939	42.5%	2,316	1,853.7%
6/30/2016	73,702	30,188	43,514	41.0%	2,338	1,861.0%
6/30/2015	73,766	32,482	41,284	44.0%	2,601	1,587.5%
6/30/2014	74,787	34,034	40,753	45.5%	2,688	1,516.2%
<b>JSRS</b>						
6/30/2021	444,782	212,683	232,099	47.8%	30,346	764.8%
6/30/2020	411,367	165,250	246,117	40.2%	30,346	811.0%
6/30/2019	396,705	165,843	230,862	41.8%	22,347	1,033.1%
6/30/2018	305,472	160,036	145,436	52.4%	22,347	650.8%
6/30/2017	299,039	152,151	146,888	50.9%	21,958	668.9%
6/30/2016	278,256	140,717	137,539	50.6%	21,267	646.7%
6/30/2015	272,624	146,353	126,271	53.7%	20,815	606.6%
6/30/2014	264,732	147,496	117,236	55.7%	20,407	574.5%
<b>SCNG</b>						
6/30/2021	68,388	39,784	28,604	58.2%	Not Applicable <sup>3</sup>	Not Applicable <sup>3</sup>
6/30/2020	67,501	31,092	36,409	46.1%	Not Applicable <sup>3</sup>	Not Applicable <sup>3</sup>
6/30/2019	67,106	30,683	36,423	45.7%	Not Applicable <sup>3</sup>	Not Applicable <sup>3</sup>
6/30/2018	67,591	28,327	39,264	41.9%	Not Applicable <sup>3</sup>	Not Applicable <sup>3</sup>
6/30/2017	67,222	26,036	41,186	38.7%	Not Applicable <sup>3</sup>	Not Applicable <sup>3</sup>
6/30/2016	63,045	23,350	39,695	37.0%	Not Applicable <sup>3</sup>	Not Applicable <sup>3</sup>
6/30/2015	63,064	23,202	39,862	36.8%	Not Applicable <sup>3</sup>	Not Applicable <sup>3</sup>
6/30/2014	61,530	22,558	38,972	36.7%	Not Applicable <sup>3</sup>	Not Applicable <sup>3</sup>

<sup>1</sup> Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

<sup>2</sup> Projected covered payroll is the annualized, projected compensation for the following year and does not include payroll attributable to members in State ORP or working retirees.

<sup>3</sup> The contributions and benefits associated with the SCNG are not determined as a function of payroll.

## South Carolina Retirement Systems

### Required Supplementary Information (continued)

#### Schedule of Employers' and Nonemployer's Contributions

*(Dollar amounts expressed in thousands)*

	Actuarially Determined Contributions <sup>3</sup>	Amount of Contributions Recognized <sup>3</sup>	Difference Between Actuarially Determined Contributions and Contributions Recognized	Projected Covered Payroll <sup>4</sup>	Percentage of Contributions to Covered Payroll
<b>SCRS<sup>1</sup></b>					
6/30/2021	\$ 1,762,026	\$ 1,762,026	\$ -	\$ 9,788,610	18.0%
6/30/2020	1,736,463	1,736,463		9,272,010	18.7%
6/30/2019	1,539,014	1,539,014		9,183,081	16.8%
6/30/2018	1,405,451	1,405,451		8,592,885	16.4%
6/30/2017	1,168,847	1,168,847		8,213,042	14.2%
6/30/2016	1,072,659	1,072,659		7,765,588	13.8%
6/30/2015	1,022,478	1,022,478		7,539,996	13.6%
6/30/2014	962,798	962,798		7,434,820	12.9%
6/30/2013	948,157	948,157		7,356,231	12.9%
6/30/2012	824,652	824,652		7,687,558	10.7%
<b>PORS<sup>1</sup></b>					
6/30/2021	275,047	275,047		1,440,645	19.1%
6/30/2020	275,605	275,605		1,378,255	20.0%
6/30/2019	250,291	250,291		1,306,961	19.2%
6/30/2018	224,915	224,915		1,263,314	17.8%
6/30/2017	192,006	192,006		1,187,195	16.2%
6/30/2016	175,223	175,223		1,105,703	15.8%
6/30/2015	166,451	166,451		1,076,885	15.5%
6/30/2014	155,608	155,608		1,033,189	15.1%
6/30/2013	143,389	143,389		1,019,241	14.1%
6/30/2012	134,299	134,299		1,087,587	12.3%
<b>GARS<sup>5</sup></b>					
6/30/2021	5,956	5,956		1,570	379.4%
6/30/2020	6,329	6,329		1,570	403.1%
6/30/2019	5,804	5,804		1,866	311.0%
6/30/2018	5,428	5,428		1,961	276.8%
6/30/2017	4,539	4,539		2,316	196.0%
6/30/2016	4,501	4,501		2,338	192.5%
6/30/2015	4,275	4,275		2,601	164.4%
6/30/2014	4,063	4,063		2,688	151.2%
6/30/2013	2,831	2,831		3,854	73.5%
6/30/2012	2,532	2,532		3,854	65.7%

*Schedule of Employers' and Nonemployer's Contributions continued on next page.*

## South Carolina Retirement Systems

### Required Supplementary Information (continued)

#### Schedule of Employers' and Nonemployer's Contributions (cont.)

(Dollar amounts expressed in thousands)

	Actuarially Determined Contributions <sup>3</sup>	Amount of Contributions Recognized <sup>3</sup>	Difference Between Actuarially Determined Contributions and Contributions Recognized	Projected Covered Payroll <sup>4</sup>	Percentage of Contributions to Covered Payroll
<b>JSRS<sup>2</sup></b>					
6/30/2021	\$ 22,000	\$ 22,000	\$ -	\$ 30,346	72.5%
6/30/2020	21,998	21,998		30,346	72.5%
6/30/2019	11,730	11,730		22,347	52.5%
6/30/2018	11,044	11,044		22,347	49.4%
6/30/2017	10,534	10,534		21,958	48.0%
6/30/2016	10,202	10,202		21,267	48.0%
6/30/2015	10,109	10,109		20,815	48.6%
6/30/2014	9,659	9,659		20,407	47.3%
6/30/2013	8,667	8,667		19,221	45.1%
6/30/2012	8,414	8,414		18,661	45.1%
<b>SCNG<sup>6</sup></b>					
6/30/2021	5,188	5,290	(102)	Not Applicable	Not Applicable
6/30/2020	5,262	5,290	(28)	Not Applicable	Not Applicable
6/30/2019	5,290	5,290		Not Applicable	Not Applicable
6/30/2018	4,814	4,814		Not Applicable	Not Applicable
6/30/2017	4,509	4,591	(82)	Not Applicable	Not Applicable
6/30/2016	4,570	4,591	(21)	Not Applicable	Not Applicable
6/30/2015	4,591	4,591		Not Applicable	Not Applicable
6/30/2014	4,586	4,586		Not Applicable	Not Applicable
6/30/2013	4,539	4,539		Not Applicable	Not Applicable
6/30/2012	3,937	3,937		Not Applicable	Not Applicable

<sup>1</sup> The actual contribution rates and the actuarially determined contribution rates for SCRS and PORS are determined in accordance with Sections 9-1-1085 and 9-11-225 of the South Carolina Code, respectively. The SCRS and PORS employer contribution rates effective July 1, 2020, are 15.56 percent and 18.24 percent, respectively.

<sup>2</sup> The contribution rate for JSRS is based on the funding policy maintained by the SC Public Employee Benefit Authority. The JSRS employer contribution rate adopted by the PEBA Board effective July 1, 2020, is 62.94 percent and the remaining portion of the contribution effort is attributable to the \$2.9 million in non-payroll based appropriations.

<sup>3</sup> Includes employer contributions on employee payroll and contributions remitted to SCRS on the payroll of employees participating in State ORP and working retirees. Total contributions for SCRS, PORS and JSRS also includes nonemployer contributions.

<sup>4</sup> Projected covered payroll is the annualized, projected compensation for the following year and does not include payroll attributable to members in State ORP or working retirees.

<sup>5</sup> GARS was closed to new members beginning with the 2012 general election. The actuarially determined contributions are based on the funding policy maintained by the SC Public Employee Benefit Authority.

<sup>6</sup> Benefits for members in the SCNG are not a function of pay. The actuarially determined contributions are based on the funding policy maintained by the SC Public Employee Benefit Authority.

## South Carolina Retirement Systems Required Supplementary Information (continued)

### Schedule of Investment Returns<sup>1</sup>

Fiscal Year Ending June 30	Annual Money Weighted Rate of Return, Net of Investment Expense
2021	28.49%
2020	(1.57)
2019	5.80
2018	7.91
2017	11.88
2016	(0.47)
2015	1.59
2014	15.30

<sup>1</sup> Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

### Notes to Required Supplementary Information

The following table provides a summary of the actuarial methods and significant assumptions used in calculations of the actuarially determined contributions for fiscal year 2021 for each of the individual plans administered by PEBA.

### Summary of Actuarial Methods and Significant Assumptions<sup>1</sup>

	SCRS	PORS	GARS	JSRS	SCNG
Valuation date	07/01/19	07/01/19	07/01/19	07/01/19	07/01/19
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal	Entry age normal	Entry age normal
Amortization method	Level percent of pay	Level percent of pay	Level dollar	Level percent of pay	Level dollar
Amortization period	28 years maximum, closed period <sup>2</sup>	28 years maximum, closed period 2	8 years, closed	28 years maximum, closed period	17 years, closed
Asset Valuation method	5-Year Smoothed	5-Year Smoothed	5-Year Smoothed	5-Year Smoothed	5-Year Smoothed
Actuarial assumptions:					
Inflation rate	2.25%	2.25%	2.25%	2.25%	2.25%
Projected salary increases	3.0% plus step-rate increases for members with less than 21 years of service <sup>3</sup>	3.5% plus step-rate increases for members with less than 15 years of service <sup>3</sup>	None	2.75% <sup>3</sup>	None
Investment rate of return	7.25%	7.25%	7.25%	7.25%	7.25%
Benefit adjustments	lesser of 1% or \$500 annually	lesser of 1% or \$500 annually	None	2.75%	None

<sup>1</sup> The actual contribution rates and the actuarially determined contribution rates for SCRS and PORS are determined in accordance with Sections 9-1-1085 and 9-11-225 of the South Carolina Code, respectively. Contribution requirements for JSRS, GARS and the SCNG are determined in accordance with funding policies established and maintained by the PEBA Board.

<sup>2</sup> Pension reform legislation enacted effective July 1, 2017 schedules the amortization period to be reduced from 30 years to 20 years over a ten-year schedule.

<sup>3</sup> Includes inflation at 2.25%.



# South Carolina Retirement Systems

## Schedule of Changes in Fiduciary Net Position

SCRS Pension Trust Fund

Year Ended June 30, 2021

With summarized comparative totals for the year ended June 30, 2020

(Amounts expressed in thousands)

	EMPLOYEE FUND	EMPLOYER FUND	DEATH BENEFIT FUND	QEBA FUND	TOTAL	2020 TOTAL
<b>Additions</b>						
Employee contributions						
State	\$ 268,176	\$ 9,907	\$ -	\$ -	\$ 278,083	\$ 277,905
Public school	379,357	20,860			400,217	394,082
Other	243,976	9,738			253,714	250,552
Employer contributions						
State		558,503	6,318	843	565,664	559,589
Public school		685,611	7,348		692,959	679,271
Other		411,035	3,662		414,697	408,897
Nonemployer contributions						
State		31,126			31,126	31,126
Public school		43,822			43,822	43,822
Other		13,758			13,758	13,758
Total contributions	891,509	1,784,360	17,328	843	2,694,040	2,659,002
Investment income						
Net appreciation (depreciation)						
in fair value of investments		7,828,681	36,195		7,864,876	(762,375)
Interest and dividend income		367,896	1,698		369,594	513,357
Investment expense		(466,641)	(2,157)		(468,798)	(194,878)
Net income (loss) from investing activities		7,729,936	35,736		7,765,672	(443,896)
From securities lending activities:						
Securities lending income		949	4		953	2,167
Securities lending borrower rebates		557	3		560	149
Net income from securities lending activities		1,506	7		1,513	2,316
Total net investment income (loss)		7,731,442	35,743		7,767,185	(441,580)
Supplemental retirement benefits funded by the State		358			358	291
Transfers of contributions from other systems	45				45	
<b>Total additions</b>	891,554	9,516,160	53,071	843	10,461,628	2,217,713
<b>Deductions</b>						
Refunds of contributions to members	124,286				124,286	117,860
Transfers of contributions to other systems	1,099	539			1,638	1,547
Regular retirement benefits		3,089,312		843	3,090,155	3,007,545
Supplemental retirement benefits		358			358	291
Death benefits		(6)	29,786		29,780	22,750
Depreciation		149	-		149	146
Administrative expenses		17,294	80		17,374	14,072
<b>Total deductions</b>	125,385	3,107,646	29,866	843	3,263,740	3,164,211
Interfund transfers according to statutory requirements						
Contributions by members at retirement	(577,946)	577,946				
Interest credited to members' accounts	338,498	(338,498)				
Net interfund transfers	(239,448)	239,448				
Net increase (decrease) in Net Position	526,721	6,647,962	23,205		7,197,888	(946,498)
Net Position Restricted for Pensions						
Beginning of year	9,714,420	16,456,998	121,000		26,292,418	27,238,916
End of year	\$ 10,241,141	\$ 23,104,960	\$ 144,205	\$ -	\$ 33,490,306	\$ 26,292,418

# South Carolina Retirement Systems

## Schedule of Changes in Fiduciary Net Position

PORS Pension Trust Fund

Year Ended June 30, 2021

With summarized comparative totals for the year ended June 30, 2020

(Amounts expressed in thousands)

	EMPLOYEE FUND	EMPLOYER FUND	DEATH BENEFIT FUND	ACCIDENTAL DEATH FUND	QEBA FUND	TOTAL	2020 TOTAL
<b>Additions</b>							
Employee contributions							
State	\$ 41,267	\$ 1,852				\$ 43,119	\$ 45,056
Public school	69	441				510	532
Other	100,552	7,967				108,519	106,247
Employer contributions							
State		72,972	861	861	2	74,696	77,691
Public school		835	10	10		855	913
Other		182,957	2,091	1,978		187,026	184,531
Nonemployer contributions							
State		4,069				4,069	4,070
Public school		44				44	44
Other		8,357				8,357	8,356
Total contributions	141,888	279,494	2,962	2,849	2	427,195	427,440
Investment income							
Net appreciation (depreciation)							
in fair value of investments		1,394,216	14,990	20,328		1,429,534	(136,295)
Interest and dividend income		65,551	702	952		67,205	91,666
Investment expense		(83,545)	(898)	(1,218)		(85,661)	(34,890)
Net income (loss) from investing activities		1,376,222	14,794	20,062		1,411,078	(79,519)
From securities lending activities:							
Securities lending income		169	2	2		173	386
Securities lending borrower rebates		100	1	1		102	27
Net income from securities lending activities		269	3	3		275	413
Total net investment income (loss)		1,376,491	14,797	20,065		1,411,353	(79,106)
Supplemental retirement benefits funded by the State		9				9	10
Transfers of contributions from other systems	862	539				1,401	998
<b>Total additions</b>	<b>142,750</b>	<b>1,656,533</b>	<b>17,759</b>	<b>22,914</b>	<b>2</b>	<b>1,839,958</b>	<b>349,342</b>
<b>Deductions</b>							
Refunds of contributions to members	24,346	-				24,346	22,492
Transfers of contributions to other systems	-					-	14
Regular retirement benefits		425,230			2	425,232	405,790
Supplemental retirement benefits		9				9	10
Death Benefits		(6)	3,786			3,780	2,359
Accidental death benefits				1,973		1,973	1,842
Depreciation		19	-	-		19	18
Administrative expenses		3,025	33	44		3,102	2,451
<b>Total deductions</b>	<b>24,346</b>	<b>428,277</b>	<b>3,819</b>	<b>2,017</b>	<b>2</b>	<b>458,461</b>	<b>434,976</b>
Interfund transfers according to statutory requirements							
Contributions by members at retirement	(97,795)	97,795					
Interest credited to members' accounts	44,956	(44,956)					
Net interfund transfers	(52,839)	52,839					
Net increase (decrease) in Net Position	65,565	1,281,095	13,940	20,897		1,381,497	(85,634)
Net Position Restricted for Pensions							
Beginning of year	1,265,088	3,348,223	49,602	67,262		4,730,175	4,815,809
End of year	\$ 1,330,653	\$ 4,629,318	\$ 63,542	\$ 88,159	\$ -	\$ 6,111,672	\$ 4,730,175

## South Carolina Retirement Systems

### Schedule of Changes in Fiduciary Net Position

GARS Pension Trust Fund

Year Ended June 30, 2021

With summarized comparative totals for the year ended June 30, 2020

*(Amounts expressed in thousands)*

	EMPLOYEE FUND	EMPLOYER FUND	QEBA FUND	TOTAL	2020 TOTAL
<b>Additions</b>					
Contributions					
Employee contributions - State	\$ 184		\$ -	\$ 184	\$ 222
Employer contributions - State		5,950	6	5,956	6,329
Total contributions	184	5,950	6	6,140	6,551
Investment income					
Net appreciation (depreciation)					
in fair value of investments		9,564		9,564	(908)
Interest and dividend income		451		451	695
Investment expense		(573)		(573)	(233)
Net income (loss) from investing activities		9,442		9,442	(446)
From securities lending activities:					
Securities lending income		1		1	3
Securities lending borrower rebates		1		1	
Net income from securities lending activities		2		2	3
Total net investment income (loss)		9,444		9,444	(443)
<b>Total additions</b>	184	15,394	6	15,584	6,108
<b>Deductions</b>					
Refunds of contributions to members	77			77	-
Transfers of contributions to other systems	45			45	
Regular retirement benefits		6,216	6	6,222	6,323
Death benefits		16		16	25
Administrative expenses		23		23	18
<b>Total deductions</b>	122	6,255	6	6,383	6,366
Interfund transfers according to statutory requirements					
Contributions by members at retirement	(737)	737			
Interest credited to members' accounts	196	(196)			
Net interfund transfers	(541)	541			
Net increase (decrease) in Net Position	(479)	9,680		9,201	(258)
Net Position Restricted for Pensions					
Beginning of year	7,046	27,408		34,454	34,712
End of year	\$ 6,567	\$ 37,088	\$ -	\$ 43,655	\$ 34,454

## South Carolina Retirement Systems

### Schedule of Changes in Fiduciary Net Position

JSRS Pension Trust Fund

Year Ended June 30, 2021

With summarized comparative totals for the year ended June 30, 2020

(Amounts expressed in thousands)

	EMPLOYEE FUND	EMPLOYER FUND	QEBA FUND	TOTAL	2020 TOTAL
<b>Additions</b>					
Contributions					
Employee contributions - State	\$ 3,285	\$ 302	\$ -	\$ 3,587	\$ 4,966
Employer contributions - State		18,235	865	19,100	19,098
Nonemployer contributions		2,900		2,900	2,900
Total contributions	3,285	21,437	865	25,587	26,964
Investment income					
Net appreciation (depreciation) in fair value of investments		48,185		48,185	(4,575)
Interest and dividend income		2,355		2,355	3,375
Investment expense		(2,890)		(2,890)	(1,175)
Net income (loss) from investing activities		47,650		47,650	(2,375)
From securities lending activities:					
Securities lending income		6		6	13
Securities lending borrower rebates		3		3	1
Net income from securities lending activities		9		9	14
Total net investment income (loss)		47,659		47,659	(2,361)
Transfers of contributions from other systems	237			237	563
<b>Total additions</b>	3,522	69,096	865	73,483	25,166
<b>Deductions</b>					
Refunds of contributions to members				-	182
Regular retirement benefits		24,881	865	25,746	24,845
Deferred retirement benefits		-		-	456
Death benefits		195		195	190
Depreciation		1		1	1
Administrative expenses		108		108	85
<b>Total deductions</b>	-	25,185	865	26,050	25,759
Interfund transfers according to statutory requirements					
Contributions by members at retirement	(5,201)	5,201			
Interest credited to members' accounts	1,195	(1,195)			
Net interfund transfers	(4,006)	4,006			
Net increase (decrease) in Net Position	(484)	47,917		47,433	(593)
Net Position Restricted for Pensions					
Beginning of year	33,153	132,097		165,250	165,843
End of year	\$ 32,669	\$ 180,014	\$ -	\$ 212,683	\$ 165,250

## South Carolina Retirement Systems

### Schedule of Changes in Fiduciary Net Position

SCNG Pension Trust Fund

Year Ended June 30, 2021

With summarized comparative totals for the year ended June 30, 2020

*(Amounts expressed in thousands)*

	<u>2021 Total</u>	<u>2020 Total</u>
<b>Additions</b>		
Contributions		
State appropriated	\$ 5,290	\$ 5,290
Total contributions	<u>5,290</u>	<u>5,290</u>
Investment income		
Net appreciation (depreciation)		
in fair value of investments	8,098	(769)
Interest and dividend income	381	613
Investment expense	(485)	(198)
Net Income (loss) from investing activities	<u>7,994</u>	<u>(354)</u>
From securities lending activities:		
Securities lending income	1	2
Securities lending borrower rebates	1	
Net income from securities lending activities	<u>2</u>	<u>2</u>
Total net investment income (loss)	<u>7,996</u>	<u>(352)</u>
<b>Total additions</b>	<u>13,286</u>	<u>4,938</u>
<b>Deductions</b>		
Regular retirement benefits	4,574	4,514
Administrative expenses	20	15
<b>Total deductions</b>	<u>4,594</u>	<u>4,529</u>
Net increase in Net Position	8,692	409
Net Position Restricted for Pensions		
Beginning of year	31,092	30,683
End of year	<u>\$ 39,784</u>	<u>\$ 31,092</u>

## South Carolina Retirement Systems

### Schedule of Administrative Expenses

Year Ended June 30, 2021  
*(Amounts expressed in thousands)*

#### Personnel Services

Salaries and Wages	\$ 8,969
Employee Benefits	3,559
<b>Total Personnel Services</b>	<b>12,528</b>

#### Professional and Consultant Fees

Information Technology	4,353
Medical and Health Services	164
Financial Audit	205
Actuarial Services	260
Management Professional Services	1,157
Legal Services	6
<b>Total Professional and Consultant Fees</b>	<b>6,145</b>

#### Operating Expenses

Facilities Management	75
Building Rent	110
Software Licenses and Programs	929
Furniture and Equipment - Expensed	31
Communications and Utilities	131
Insurance	266
Postage	213
Supplies	162
Miscellaneous Expenses	37
<b>Total Operating Expenses</b>	<b>1,954</b>

<b>Total Administrative Expenses</b>	<b>\$ 20,627</b>
--------------------------------------	------------------

#### Allocation of Administrative Expenses

SCRS	\$ 17,374
PORS	3,102
GARS	23
JSRS	108
SCNG	20
<b>Total Administrative Expenses</b>	<b>\$ 20,627</b>

## South Carolina Retirement Systems

### Schedule of Professional and Consultant Fees

Year Ended June 30, 2021  
*(Amounts expressed in thousands)*

Professional / Consultant Type	Nature of Service Provided	Amounts Paid
Ahead	Disaster Recovery Solution Related Services	\$ 76
CEM Benchmarking	Benchmarking Service	50
CliftonLarsonAllen	Audit and Consulting Services	205
Data Network Solutions	Disaster Recovery Solution Related Services	51
eGroup Holding Company	Security & Disaster Recovery Related Services	13
Gabriel Roeder Smith & Company	Actuarial and Consulting Services	260
ICON Integration & Design	Data Conversion and Bridging Services	223
Linea Solutions	Client Services Vendor to Facilitate and Support Program Activities	661
LifeWorks	Benefits Administration Solution Implementation	3,452
NWN Corporation	IT Installation Services	151
Sagitec Solutions	Benefits Administration Consulting Services	50
Segal Consulting	Investment Consulting Services for State ORP and Deferred Compensation	117
Soteria	Cyber Security Consulting Services	17
SunGard Availability Services	Disaster Recovery Solution Services	121
Tapfin	Application Development Resources	484
TierPoint	Disaster Recovery Solution Services	32
USC Department of Internal Medicine	Disability Review Services	23
Vocational Rehabilitation	Disability Review Services	133
Aggregate of payees less than \$10,000 each	Professional and Consulting Services	26
<b>Total Professional and Consultant Fees</b>		<b>\$ 6,145</b>

## South Carolina Retirement Systems

### Schedule of Investment Fees and Expenses

Year Ended June 30, 2021  
(Amounts expressed in thousands)

	SCRS	PORS	GARS	JSRS	SCNG	TOTALS <sup>1</sup>
<b>Short Term</b>	\$ 670	\$ 122	\$ 1	\$ 4	\$ 1	\$ 798
<b>Fixed Income:</b>						
Core Bonds (IG) <sup>2</sup>	6,109	1,114	7	38	6	7,274
Mixed Credit	4,922	901	6	30	5	5,864
Emerging Market Debt	877	159	1	6	1	1,044
<b>Global Public Equity</b>	2,997	548	3	18	3	3,569
<b>Public Real Estate</b>	1,411	257	2	9	1	1,680
<b>Public Infrastructure</b>	792	144	1	5	1	943
<b>Beta Overlay</b>	983	179	2	6	1	1,171
<b>Alternatives:</b>						
Hedge Funds	155,775	28,510	191	962	161	185,599
Private Debt	68,492	12,520	84	422	71	81,589
Private Equity	154,045	28,141	188	949	160	183,483
Private Real Estate	50,382	9,203	61	310	52	60,008
Private Infrastructure	11,231	2,045	14	69	12	13,371
Strategic Partnerships <sup>3</sup>	(44)	(8)				(52)
Total Investment Manager Fees	458,642	83,835	561	2,828	475	546,341
Bank Fees and Investment Expenses <sup>4</sup>	10,156	1,826	12	62	10	12,066
<b>Total Investment Expenses</b>	<b>468,798</b>	<b>85,661</b>	<b>573</b>	<b>2,890</b>	<b>485</b>	<b>558,407</b>
<b>Securities Lending Expenses:</b>						
Borrower Rebates	\$ (560)	\$ (102)	\$ (1)	\$ (3)	\$ (1)	\$ (667)
<b>Total Securities Lending Expenses</b>	<b>\$ (560)</b>	<b>\$ (102)</b>	<b>\$ (1)</b>	<b>\$ (3)</b>	<b>\$ (1)</b>	<b>\$ (667)</b>

<sup>1</sup> All investment manager fees, whether directly invoiced (\$16,449) or deducted from the fund on a net basis (\$529,892) are classified and reported as Investment Expense. Investment expenses include amounts for investment management fees, performance fees (including carried interest allocations), other expenses such as organizational expenses in limited partnership structures as well as offsets which may have the effect of reducing the total.

<sup>2</sup> This asset class includes both Fixed Rate and Floating Rate Investment Grade Bonds.

<sup>3</sup> Represents management and other fees at the Strategic Partnership level, not fees at the underlying investment level included in each applicable asset class.

<sup>4</sup> Includes miscellaneous investment expenses, commissions on futures, bank fees and RSIC administrative expenses.



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

The Honorable Henry D. McMaster, Governor  
Mr. George L. Kennedy, CPA, State Auditor,  
and Board of Directors  
South Carolina Public Employee Benefit Authority  
Columbia, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the South Carolina Retirement Systems (the Systems) as administered by the South Carolina Public Employee Benefit Authority, which comprise the statement of fiduciary net position as of June 30, 2021, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 15, 2021.

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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



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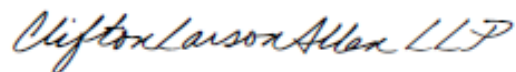
The Honorable Henry D. McMaster, Governor  
Mr. George L. Kennedy, CPA, State Auditor,  
and Board of Directors  
South Carolina Public Employee Benefit Authority

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

A handwritten signature in blue ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

**CliftonLarsonAllen LLP**

Baltimore, Maryland  
October 15, 2021