FINANCIAL STATEMENTS

SOUTH CAROLINA RETIREMENT SYSTEMS

Columbia, South Carolina

Year Ended June 30, 2010

State of South Carolina

Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

RICHARD H. GILBERT, JR., CPA
STATE AUDITOR

(803) 253-4160
FAX (803) 343-0723

October 8, 2010

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

This report on the audit of the financial statements of the South Carolina Retirement Systems for the fiscal year ended June 30, 2010 was issued by Clifton Gunderson, 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,

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

RHGjr/sag

South Carolina Retirement Systems

Table of Contents

June 30, 2010

Clifton Gunderson LLP
Certified Public Accountants & Consultants

Independent Auditor's Report

The Honorable Mark Sanford, Governor,
Members of the State Budget & Control Board, and
Richard H. Gilbert, Jr., Deputy State Auditor
South Carolina Retirement Systems
Columbia, South Carolina

We have audited the accompanying financial statements of the South Carolina Retirement Systems (the Systems) a component unit of the State of South Carolina, as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the Systems' management. Our responsibility is to express an opinion on these financial statements based on our audits. The prior year summarized comparative information has been derived from the Systems' 2009 financial statements which were audited by other auditors and, in their report dated October 21, 2009, the other auditors expressed an unqualified opinion on those financial statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the Systems' plan net assets as of June 30, 2010, and the changes in its plan net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2010 on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and Required Supplemental Schedules of Funding Progress and Employer Contributions are not a required part of the financial statements, but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The Other Supplementary Information on pages 39 through 45 is presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, are presented fairly, in all material respects, in relation to the basic financial statements taken as a whole.

The supplementary information included on pages 39 through 45 related to the Systems' 2009 financial statements was subjected to auditing procedures applied in the audit of those financial statements and, in the opinion of the predecessor auditors is fairly presented in all material respects in relation to the basic financial statements from which it was derived.

Clifton Gunderson LLP

Baltimore, Maryland
October 14, 2010

Management's Discussion and Analysis

This section presents management's discussion and analysis of the South Carolina Retirement Systems' financial position and performance for the year ended June 30, 2010, and is offered as an introduction and analytical overview. This narrative is intended as a supplement and should be read in conjunction with the financial statements and other information presented in the Comprehensive Annual Financial Report.

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

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

Overview of the Financial Statements

The South Carolina Retirement Systems represents the collective retirement funds that are held in a group trust and are under the management of the State Budget and Control Board. The System is considered a division of the primary government of the state of South Carolina and is included in the comprehensive annual financial report of the state. The Retirement Systems' (Plan's) financial statements include the following components:

- Statement of Plan Net Assets
- Statement of Changes in Plan Net Assets
- Notes to the Financial Statements
- Required Supplementary Information
- Other Supplementary Information

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

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

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

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

Financial Highlights

- For the fiscal year ended June 30, 2010, the aggregate rate of return on the pooled investments of the consolidated pension trust funds was 14.62 percent. Performance returns are determined and provided by our custodial bank who is considered the official book of record. A performance adjustment was made for a securities lending loss that was recognized in fiscal year 2009 for financial statement purposes and as a result, fiscal year 2009 investment performance returns were restated. As expected, the move served to increase the return for fiscal year 2010 and lower the return originally reported for fiscal year 2009. Linking these adjustments produced a revised return of negative 19.60 percent for the prior fiscal year, down from the previous negative 19.04 percent that was originally reported. Similarly, the revised return for fiscal year 2010 improved to 14.62 percent, from 14.24 percent.

- Fiscal year 2010 returns for the combined investment portfolio were significantly above the restated negative 19.60 percent return from the prior fiscal year and above the 8 percent actuarial investment assumed rate of return for the plans. Although the financial market has been exceptionally volatile over recent years, the long-term impact from an actuarial funding perspective is somewhat mitigated through the use of actuarial smoothing methods.

- The South Carolina Retirement System Investment Commission (RSIC), with exclusive authority to invest and manage the trust funds assets, operates under governance policies that allow for a diverse asset allocation that affords the chief investment officer flexibility to quickly react to changes in market conditions. The investment portfolio is structured to focus on ensuring long-term stability of the plans.

- The South Carolina Retirement Systems' total plan net assets increased by $2.2 billion or 10.73 percent during fiscal year 2010. Total plan net assets represent all five pension trust funds administered by the South Carolina Retirement Systems. Net assets of the plans are held in trust to meet future benefit payments. The increase in net assets from $20.5 billion to $22.7 billion was primarily due to positive returns in the investment market, although a minor increase in benefit payment expenditures had an impact by offsetting the increase in net assets slightly.

- The RSIC is responsible for establishing and maintaining a target asset allocation that manages risk, ensures liquidity, and affords flexibility to quickly react to changes in market conditions. Variances among asset classes are a result of changes to the Investment Commission's asset allocation strategies as well as changes in many global financial markets. During the fiscal year, due to market conditions and cash liquidity requirements for funding investment commitment obligations and paying benefits, a greater portion of the investment portfolio remained allocated to cash and cash equivalents.

- The decrease in securities lending collateral is primarily due to unfavorable market conditions during the fiscal year. The demand for lendable securities has decreased and the fixed income and equity securities within the portfolio continue to be reduced to fund other assets classes that are not lendable. As a result of the unfavorable market environment, as well as restrictive investment guidelines for the collateral pool that were put in place to reduce risk, securities lending income continues to decline.

- The Teacher and Employee Retention Incentive (TERI) program is a deferred retirement option program that allows retired members to accumulate annuity benefits on a deferred basis for up to five years while continuing employment. At the end of the member's TERI participation and upon termination from employment, funds are distributed from the accumulated TERI account. The total amount of assets held in trust for future payment of accrued TERI benefits decreased from $431 million to $322 million during fiscal year 2010, with the number of members actively participating in TERI decreasing as well from 6,571 to 5,641 at fiscal year end.

- The JSRS also provides a deferred retirement option program. A JSRS member who has not yet reached the age of 60 years, but who is eligible to retire and receive the maximum monthly benefit may continue to serve as judge, solicitor, or circuit public defender and the member's normal monthly retirement benefit is deferred and placed in the system's trust fund on behalf of the member. Upon reaching the age of 60 years, the balance of the member's deferred retirement benefit is distributed to the member. As of June 30, 2010, three JSRS members were participating in the deferred retirement option program and benefits held in trust totaled $743,000.

- The number of retired members and beneficiaries receiving monthly annuity benefits from the Retirement Systems' plans increased to nearly 130,000 annuitants during the year. No cost of living allowance was granted July 1, 2009; therefore, an increase in the number of new annuitants added to the payroll during the year was the sole contributor to the 3 percent increase in the dollar amount of annuity benefits paid to members.

- Although participation in TERI continues to decline over the years, many retirees return to covered employment after retirement, thereby making up approximately 9 percent of the total public workforce. South Carolina has very lenient return to work provisions in that a retired member of SCRS and PORS is allowed to return to work for a covered employer after retirement or after ending their TERI participation (SCRS only), and receive their full monthly benefit, with no limit on the amount of wages they may earn from employment. Retirees who return to work for a covered employer after retirement or ending participation in the TERI program are required to pay the same employee contribution as an active member in the same position and their employer must pay the corresponding employer contribution.

- JSRS also includes working retiree provisions in that members of JSRS who are age 60 and are eligible to receive the maximum monthly benefit may also retire and receive their monthly retirement benefit while continuing to earn a salary and serve as a judge, solicitor or circuit public defender until the member attains the age of 72.

- South Carolina state statute allows for retiree cost-of-living allowances (COLAs). Each July 1, eligible retired members of SCRS and PORS should receive an automatic COLA equal to the percentage of the annual increase in the Consumer Price Index for Wage Earners and Clerical Workers (CPI-W) as of the previous December 31, up to an increase of 2 percent. If the CPI-W is less than 2 percent, the COLA should equal the percentage of the actual increase in the CPI-W. COLAs are awarded only during periods of inflation, so no COLA will be awarded if the CPI-W is negative. The Budget and Control Board, as trustees of the state's pension trust funds, may approve ad hoc COLAs of up to 2 percent in addition to the automatic COLA, but only if stringent funding requirements are met. Retirees did not receive a COLA in fiscal year 2010 as a result of a negative CPI-W; however a 2 percent COLA was applied to eligible retirees the following year and was effective July 1, 2010.

- Other accounts payable increased significantly due to pending investment trades at year end by several of the large fixed income managers who were hired at the end of the fiscal year 2009.

- Employee and employer contributions decreased because the number of active members declined. Additionally, as a result of retirement incentives offered by employers and the depressed economy which caused members to be terminated, forced to retire early, or have their compensation reduced, contributions to the plans were impacted.

- The Retirement Systems experienced a 3.57 percent reduction in the amount of administrative and other expenses during the fiscal year due to budget restrictions and sustained and successful efforts to conserve financial resources during the depressed economic environment.

- Qualified Excess Benefit Arrangement (QEBA) trust funds are maintained for each of the plans administered by the South Carolina Retirement Systems with the exception of NGRS. A QEBA is intended to be a qualified governmental excess benefit arrangement within the meaning of Section 415(m)(3) of the Internal Revenue Code and provides the part of a participant's retirement benefit that would have been paid under the South Carolina Retirement Systems had there been no limitations under Code Section 415(b). The QEBA plans are separate and apart from the funds comprising the Retirement 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 QEBA 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.

- At its June 30, 2010, meeting, the SC Budget and Control Board approved the following contribution rate increases for employers participating in the South Carolina Retirement System (SCRS) and the Police Officers Retirement System (PORS) in order to maintain 30 year funding period for the 2009 actuarial valuations. Effective July 1, 2011, the SCRS employer contribution rate will increase 0.145 percent and the PORS employer contribution rate will increase 0.2325 percent. Effective July 1, 2012, the contribution rates for SCRS and PORS employers will increase another

0.145 percent and 0.2325 percent respectively. The Board approved the increases based on the recommendations of the actuaries who conducted the annual valuations of the two retirement plans. The rate increases are illustrated in the following table:

System	July 1, 2010	July 1, 2011	July 1, 2012
SCRS	9.240%	9.385%	9.530%
PORS	11.130%	11.363%	11.595%

Condensed Financial Information

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

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

The following summary of comparative financial statements of the pension trust funds are presented on the following page.

Plan Net Assets

June 30

(Amounts expressed in thousands)

Assets	2010	2009	Increase/ (Decrease)	% Increase/ (Decrease)
Cash and cash equivalents, receivables and prepaid expenses	$ 5,298,443	$ 3,403,752	$ 1,894,691	55.66%
Investments, at fair value	18,829,568	17,915,982	913,586	5.10%
Securities lending cash collateral invested	324,593	1,845,862	(1,521,269)	(82.42%)
Capital Assets, net of accumulated depreciation	3,221	3,340	(119)	(3.56%)
Total Assets	24,455,825	23,168,936	1,286,889	5.55%
Liabilities				
Deferred retirement benefits	323,093	431,503	(108,410)	(25.12%)
Obligations under securities lending	324,593	1,845,862	(1,521,269)	(82.42%)
Other accounts payable	1,116,479	399,193	717,286	179.68%
Total Liabilities	1,764,165	2,676,558	(912,393)	(34.09%)
Total Net Assets	$ 22,691,660	$ 20,492,378	$ 2,199,282	10.73%

Changes in Plan Net Assets

Year Ended June 30

(Amounts expressed in thousands)

Additions	2010	2009	Increase/ (Decrease)	% Increase/ (Decrease)
Employee contributions	$ 641,199	$ 645,116	$ (3,917)	(0.61%)
Employer contributions	952,698	962,559	(9,861)	(1.02%)
State-appropriated contributions	4,052	4,052		0.00%
Net Investment income (loss)	2,996,382	(5,433,227)	8,429,609	155.15%
Other income	2,415	3,071	(656)	(21.36%)
Total Additions	4,596,746	(3,818,429)	8,415,175	220.38%
Deductions				
Annuity benefits	2,263,699	2,191,651	72,048	3.29%
Refunds	89,491	87,668	1,823	2.08%
Death benefits	21,957	19,776	2,181	11.03%
Administrative & other expenses	22,317	23,143	(826)	(3.57%)
Total Deductions	2,397,464	2,322,238	75,226	3.24%
Increase (Decrease) in Net Assets	2,199,282	(6,140,667)	8,339,949	135.82%
Beginning Net Assets	20,492,378	26,633,045	(6,140,667)	(23.06%)
Ending Net Assets	$ 22,691,660	$ 20,492,378	$ 2,199,282	10.73%

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

On a combined basis, Plan net assets were valued at $22.7 billion at June 30, 2010, representing a 10.73 percent increase in net assets from the previous fiscal year-end. Investment income, in excess of net benefits paid out, was the primary driver of the increase in Plan net assets for the fiscal year.

The Plan's return for the fiscal year-end 2010 was 14.62%. The largest asset class exposures experienced positive returns for the fiscal year: total physical equity portfolio, 19.5%; the total physical fixed income portfolio, 14.5%; and the total alternatives portfolio, 13.6%. During the fiscal year, the Plan increased the cash exposure to 10.8%, which caused a drag on the Plan's overall return.

The Retirement System Investment Commission compares the portfolio's performance to two customized benchmarks: the Policy Benchmark and the Strategy Benchmark. The Policy Benchmark represents a hypothetical return that would occur if the portfolio's assets were invested passively (indexed) with the weights of each asset class consistent with the Policy Asset Allocation. The Strategy Benchmark uses the portfolio's actual weights. The difference between the returns of the Policy and Strategy Benchmarks represents the value added from the strategic decisions to deviate from the Policy Asset Allocation. Likewise, the difference between the Strategy Benchmark and the actual return represents the value added from manager selection.

The Plan's positive performance relative to the Policy and Strategy benchmarks was driven by a continued rally in the credit markets that was a result of dislocations caused by the financial crisis starting in 2008. In several cases, the RSIC increased its exposure to credit and decreased its exposure to assets with lower expected risk adjusted returns. The opportunistic credit portfolio returned 26.4% and the global fixed income portfolio returned 16.3% as of the fiscal year-end.

During fiscal year 2010, the total dollar amount of retirement annuities paid increased approximately 3 percent when compared with the previous fiscal year. This was primarily due to an increase in the number of annuitants. Early retirement incentives offered due to budget cuts and flexible return-to-work provisions for working retirees allow members to retire earlier than they otherwise would. COLAs have historically been a very important benefit to our retirees, providing a critical component of retiree income, especially during inflationary periods. Current South Carolina state statute provides that each July 1, eligible SCRS and PORS retirees should receive an automatic COLA equal to the percentage of the annual increase in the Consumer Price Index for Wage Earners and Clerical Workers (CPI-W) as of the previous December 31, up to an increase of 2 percent. If the CPI-W is less than 2 percent, the COLA should equal the percentage of the actual increase in the CPI-W. COLAs are awarded only during periods of inflation, so no COLA is awarded when the CPI-W is negative. SCRS and PORS retirees did not receive a COLA in fiscal year 2010 as a result of a negative CPI-W.

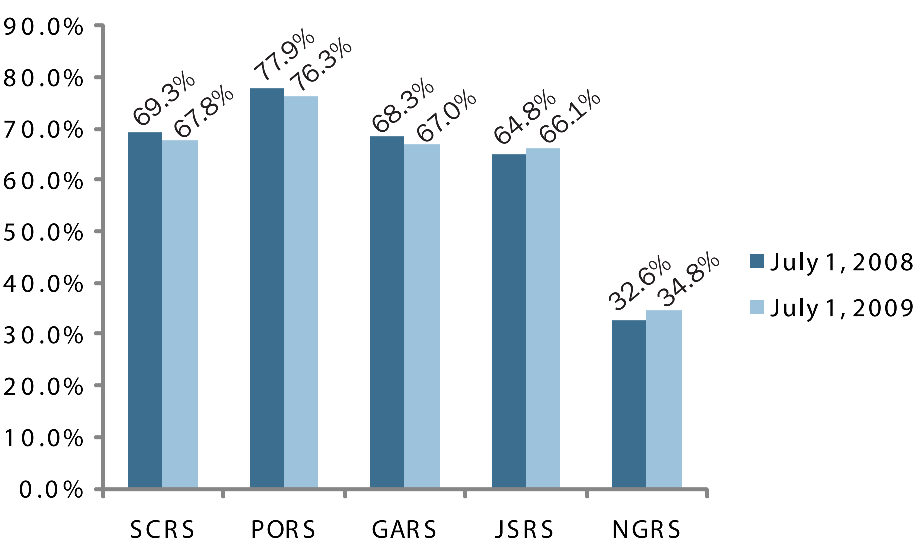
Funding Status

An overall objective in the funding of a defined benefit retirement plan is to accumulate sufficient funds to meet long-term benefit obligations. The primary sources of assets to fund benefits include investment income, member contributions and employer contributions. Beginning with investment performance for the fiscal year ended the June 30, 2008, a ten-year smoothing method technique is used to actuarially value assets. This asset valuation method mitigates the impact of market volatility and allows changes in market conditions to be recognized (smoothed) over a period of years. Excess returns and shortfalls determined prior to July 1, 2008, remain recognized over a five-year period.

The ratio of actuarial assets to actuarial liabilities provides an indication as to whether sufficient assets are accumulated to pay benefits when due; the greater the level of funding, the larger the ratio of actuarial assets to actuarial accrued liabilities. The most recent actuarial valuations prepared as of July 1, 2009, and adopted by the South Carolina Budget and Control Board indicate that the funded ratios of each of the five individual plans remained relatively stable from the previous valuations. As of July 1, 2009, funding levels of all the plans are such that annual contributions are sufficient for the valuation to find the plans in good actuarial condition. The changes in the funded ratios do not affect the availability of funds or resources for future use and actuarial projections indicate that unfunded liabilities will be amortized and funded within acceptable funding guidelines. The funded ratios of the five plans are presented in the following graph.

Funded Ratios

(Actuarial assets as a percentage of actuarial accrued liabilities)



Requests for Information

This financial report is designed to provide a general overview of the Retirement Systems' finances for all interested parties. Questions concerning any of the information provided in this report or requests for additional financial information should be directed as follows:

Financial Services
South Carolina Retirement Systems
P.O. Box 11960
Columbia, SC 29211-1960
803-737-6800
www.retirement.sc.gov

South Carolina Retirement Systems
Statement of Plan Net Assets
June 30, 2010
With comparative totals for June 30, 2009

(Amounts expressed in thousands)

	SCRS	PORS	GARS	JSRS	NGRS	TOTAL	TOTAL 2009
ASSETS							
Cash and cash equivalents	$ 3,473,930	$ 487,115	$ 6,954	$ 19,663	$ 3,695	$ 3,991,357	$ 3,092,350
Receivables							
Due from other Systems	3	196	1	67		267	262
Employee and employer contributions	161,233	18,435	41	757	3	180,469	186,121
Employer contributions long-term	340	12				352	473
Accrued investment income	55,179	7,701	93	309	39	63,321	68,959
Unsettled investment sales	920,106	131,595	1,448	5,129	637	1,058,915	52,571
Other investment receivables	2,441	338	4	13	2	2,798	2,827
Total receivables	1,139,302	158,277	1,587	6,275	681	1,306,122	311,213
Investments, at fair value							
Short-term securities	495	71	1	3		570	70,796
Debt							
Domestic Fixed Income	3,384,091	483,997	5,327	18,864	2,343	3,894,622	3,372,206
Global Fixed Income	2,467,288	352,874	3,883	13,754	1,709	2,839,508	3,437,896
Public Equity							
Domestic Equity	1,407,616	201,319	2,216	7,846	975	1,619,972	2,250,248
Global Equity	255	36		1	1	293	
Alternatives	9,101,529	1,301,710	14,326	50,736	6,302	10,474,603	8,784,836
Total investments	16,361,274	2,340,007	25,753	91,204	11,330	18,829,568	17,915,982
Securities lending cash collateral invested	282,044	40,338	444	1,572	195	324,593	1,845,862
Prepaid administrative expenses	838	119	2	4	1	964	189
Capital assets, net of accumulated depreciation	2,902	297	8	14		3,221	3,340
Total assets	21,260,290	3,026,153	34,748	118,732	15,902	24,455,825	23,168,936
LIABILITIES							
Due to other Systems	196		70		1	267	262
Accounts payable - unsettled investment purchases	803,024	114,849	1,264	4,477	556	924,170	36,142
Investment fees payable	14,861	2,126	24	82	10	17,103	9,501
Obligations under securities lending	282,044	40,338	444	1,572	195	324,593	1,845,862
Deferred retirement benefits	322,350			743		323,093	431,503
Due to Employee Insurance Program	37,599	837				38,436	38,294
Benefits payable	4,553	257			7	4,817	2,261
Other liabilities	114,526	16,272	176	632	80	131,686	312,733
Total liabilities	1,579,153	174,679	1,978	7,506	849	1,764,165	2,676,558
Net assets held in trust for Pension Benefits	$19,681,137	$ 2,851,474	$ 32,770	$ 111,226	$ 15,053	$22,691,660	$20,492,378

South Carolina Retirement Systems
Statement of Changes in Plan Net Assets
Year Ended June 30, 2010
With comparative totals for the year ended June 30, 2009
(Amounts expressed in thousands)

	SCRS	PORS	GARS	JSRS	NGRS	TOTAL	TOTAL 2009
Additions							
Contributions							
Employee	$ 561,261	$ 77,051	$ 544	$ 2,343	$ -	$ 641,199	$ 645,116
Employer	818,523	123,163	2,598	8,414		952,698	962,559
State appropriated					4,052	4,052	4,052
Total contributions	1,379,784	200,214	3,142	10,757	4,052	1,597,949	1,611,727
Investment Income							
Net appreciation (depreciation) in fair value of investments	2,423,114	335,825	4,319	13,551	1,727	2,778,536	(5,837,233)
Interest and dividend income	230,224	32,497	392	1,324	165	264,602	424,372
Investment expense	(44,462)	(6,288)	(75)	(249)	(30)	(51,104)	(44,398)
Net income (loss) from investing activities	2,608,876	362,034	4,636	14,626	1,862	2,992,034	(5,457,259)
From securities lending activities:							
Securities lending income	4,817	675	8	26	4	5,530	58,465
Securities lending expense	(1,030)	(143)	(2)	(6)	(1)	(1,182)	(34,433)
Net income from securities lending activities	3,787	532	6	20	3	4,348	24,032
Total net investment income (loss)	2,612,663	362,566	4,642	14,646	1,865	2,996,382	(5,433,227)
Supplemental retirement benefits funded by the State	957	42				999	1,198
Transfers of contributions from other Systems		1,266	36	114		1,416	1,873
Total additions	3,993,404	564,088	7,820	25,517	5,917	4,596,746	(3,818,429)
Deductions							
Refunds of contributions to members	75,814	13,673	4			89,491	87,668
Transfers of contributions to other Systems	1,416					1,416	1,873
Regular retirement benefits	1,856,661	223,473	6,512	13,869	3,624	2,104,139	2,004,103
Deferred retirement benefits	156,800			299		157,099	184,868
Supplemental retirement benefits	957	42				999	1,198
Death benefits	19,921	2,019	6	11		21,957	19,776
Accidental death benefits		1,462				1,462	1,482
Depreciation	107	11	1			119	119
Administrative expenses	18,070	2,566	32	101	13	20,782	21,151
Total deductions	2,129,746	243,246	6,555	14,280	3,637	2,397,464	2,322,238
Net increase (decrease)	1,863,658	320,842	1,265	11,237	2,280	2,199,282	(6,140,667)
Net assets held in trust for Pension Benefits							
Beginning of year	17,817,479	2,530,632	31,505	99,989	12,773	20,492,378	26,633,045
End of year	$19,681,137	$ 2,851,474	$ 32,770	$ 111,226	$ 15,053	$ 22,691,660	$ 20,492,378

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

South Carolina Retirement Systems
Notes to Financial Statements

I. Basis of Presentation and Summary of Significant Accounting Policies

Description of the Entity

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

Pension Trust Funds

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

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

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

Plan Descriptions

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

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

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

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

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

A summary of information related to participating employers who reported wages earned for active members during the fiscal year ended June 30, 2010, follows (dollar amounts expressed in thousands):

	State[1]	School	Other	Total
SCRS				
Number of Employers	111	111	578	800
Annual Covered Payroll	$ 2,280,108	$ 3,229,690	$ 1,906,975	$ 7,416,773
Average Number of Contributing Members	55,753	86,691	56,648	199,092
PORS				
Number of Employers	63	49	311	423
Annual Covered Payroll	$ 358,181	$ 331	$ 667,150	$ 1,025,662
Average Number of Contributing Members	10,500	14	17,269	27,783
GARS				
Number of Employers	2			2
Annual Covered Payroll	$ 3,226			$ 3,226
Number of Elected Positions	170			170
JSRS				
Number of Employers	3			3
Annual Covered Payroll	$ 16,573			$ 16,573
Average Number of Contributing Members	144			144
NGRS				
Number of Employers	1			1
Annual Covered Payroll[2]	N/A			N/A
Average Number of Active Members	12,447			12,447

[1]Each State Agency is considered a separate employer for reporting purposes. Quasi-State Agencies and Institutions of Higher Education are reported in this category.

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

Based upon the most recent actuarial valuations dated July 1, 2009, and adopted by the Budget and Control Board, membership in the Systems was as follows:

	SCRS	PORS	GARS	JSRS[1]	NGRS	Totals
Retirees and beneficiaries currently receiving benefits	108,014	11,950	353	184	3,785	124,286
Terminated members entitled to but not yet receiving benefits	156,999	11,832	40	4	2,786	171,661
Total active, elected positions, and other special contributing members	192,319	26,598	198	144	12,599	231,858
Total membership	457,332	50,380	591	332	19,170	527,805

[1]Total for retirees and beneficiaries includes 14 participants who retired in place and continued to serve as a judge, solicitor, or circuit public defender pursuant to the provisions of Section 9-8-60 (7)(b) of the South Carolina Code of Laws.

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

Membership

SCRS

Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers.

State ORP

As an alternative to membership in SCRS, newly hired state, public school, and higher education employees have the option to participate in the State Optional Retirement Program (State ORP), which is a defined contribution plan. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. The SCRS assumes no liability for State ORP benefits. Rather, the benefits are the liability of the investment providers. For this reason, State ORP programs are not considered part of the Systems for financial statement purposes.

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

State ORP Activity
Year Ended June 30, 2010
(Dollar amounts expressed in thousands)

Average Number of Contributing Participants	**19,574**
Annual Covered Payroll	**$949,398**
Employer Contributions Retained by SCRS	**40,254**
Death Benefit Contributions Retained by SCRS	**1,424**
Employee Contributions to Investment Providers	**61,711**
Employer Contributions to Investment Providers	**47,470**

PORS

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

GARS

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

JSRS

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

NGRS

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

Pension Benefits

SCRS

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

Each July 1, eligible SCRS retirees should receive an automatic cost-of-living adjustment (COLA) equal to the percentage of the annual increase in the CPI-W as of the previous December 31, up to an increase of 2 percent. If the CPI-W is less than 2 percent, the COLA should equal the percentage of the actual increase in the CPI-W. COLAs are awarded only during periods of inflation, so no COLA will be awarded if the CPI-W is negative. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for COLAs until the second July 1 after reaching age 60 or the second July 1 after the date he would have had 28 years of service credit had he not retired.

PORS

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

Each July 1, eligible PORS retirees should receive an automatic cost-of-living adjustment (COLA) equal to the percentage of the annual increase in the Consumer Price Index for Wage Earners and Clerical Workers (CPI-W) as of the previous December 31, up to an increase of 2 percent. If the CPI-W is less than 2 percent, the COLA should be equal to the percentage of the actual increase in the CPI-W. COLAs are awarded only during periods of inflation, so no COLA will be awarded if the CPI-W is negative.

GARS

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

JSRS

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

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

NGRS

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

Summary of Significant Accounting Policies

Fund Structure

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

Adoption of New Accounting Pronouncement

During the year ended June 30, 2010, the Systems adopted GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* GASB 53 was issued to address the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments.

Basis of Accounting

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

Administrative Expenses

The State Budget and Control Board's Office of Internal Operations maintains an internal service fund to account for the administrative costs of operating the Systems. All accounting and corresponding disclosures related to administrative expenses are the responsibility of the internal service fund administered by the Board. Administrative expenses are funded by both employer contributions and investment earnings and are assessed to each of the pension trust funds based on its respective portion of total assets in order to pay for actual expenses incurred during the year. Administrative expenses of the Systems include employee salaries and associated employee benefits, disability evaluations, fiduciary liability insurance and other professional service fees. In addition, the Retirement Systems Investment Commission, a separate State Agency charged with investing the trust fund assets, is funded entirely from the trust fund. Expenses for the Commission include salaries and benefits for both RSIC investment and administrative staff and other professional service fees.

Cash and Cash Equivalents

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

Contributions

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

Investments

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

The Investment Commission is structured as a separate state agency reporting to a group of Commissioners. Commission members are appointed and are comprised of six financial experts, including the State Treasurer and a nonvoting retired member. The Commission employs a chief investment officer who has oversight for complete management of the investment program for the Retirement Systems' $22.7 billion pension trust fund. The Commission also retains an independent consultant to provide investment consulting services necessary to fulfill the duties for investing the Systems' portfolio.

As fiduciary on behalf of the Retirement Systems, the Commission enters into individual agreements with various investment managers to invest plan assets seeking superior long-term results at an acceptable level of risk. As of June 30, 2010, legal agreements were in place with 71 investment managers.

For financial statement purposes, investments of the pension trust funds are reported at fair value in the Statement of Plan Net Assets. Short term securities categorized as cash or cash equivalents are reported at fair value. The Systems holds domestic and global equity and fixed income securities which are traded on organized exchanges. These investments are valued by the investment custodian using the last reported sales price on a trade-date basis. Private market investments typically utilize a limited partnership structure and private equity funds normally represent investments in operating companies that are not publicly traded on a stock exchange. The fair values of limited partnership investments are based on valuations of the underlying companies of the limited partnerships. The fair values of alternative investments including private equity, opportunistic credit, real estate and certain other investments, where current market values are not readily ascertainable, are valued in good faith based on the most recent financial information available for the underlying companies and reported by the investment managers at the measurement date, adjusted for subsequent cash flow activities through June 30, 2010. The estimated fair value of these investments may differ from values that would have been used had a ready 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. Several of the alternative investment managers provide account valuations on a net of fee basis. Those management fees are netted against investment income and because they are not readily separable, amounts are recorded and reported net of fees in the net appreciation (depreciation) in the fair value of investments.

Capital Assets

Capital assets are capitalized at cost and depreciated on a straight-line basis over an estimated useful life of forty years.

II. Contributions and Reserves

Contributions to each of the Plans are prescribed in Title 9 of the South Carolina Code of Laws.

Plan members are required to contribute at statutorily established rates. The rates applicable for fiscal year 2010 follow:

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

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

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

In accordance with provisions of the 2009-2010 State Appropriations Act, an additional employer contribution surcharge of 3.50 percent of covered payroll was added to the contribution rate applicable to state and local governments, and public school entities covered by the Employee Insurance Program. This assessment is for the purpose of providing retiree health and dental insurance coverage and is not a part of the actuarially established contribution rates for retirement funding purposes. Functioning as a collecting agent, SCRS and PORS collected (amounts expressed in thousands) $246,576 and $13,346 respectively in retiree insurance surcharges ($33,174 of which was applicable to the State ORP) and remitted these funds to the Employee Insurance Program.

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

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

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

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

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

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

Balances in the respective reserves at June 30, 2010, were as follows (amounts expressed in thousands):

	SCRS	PORS	GARS	JSRS	NGRS	Total
Employee Fund	$ 6,222,854	$ 758,695	$ 7,265	$ 17,816	$ -	$ 7,006,630
Employer Fund	13,358,249	2,038,239	25,505	93,410	15,053	15,530,456
Death Benefit Fund	100,034	23,904				123,938
Accidental Death Fund		30,636				30,636
Qualified Excess Benefit Arrangement Fund						
	$19,681,137	$ 2,851,474	$ 32,770	$ 111,226	$ 15,053	$22,691,660

III. Deposits and Investments

Deposit and Investment Risk Disclosures

The tables presented on Pages 21-24 include disclosures of credit and interest rate risk in accordance with Governmental Accounting Standards Board Statement 40 and are designed to inform financial statement users about investment risks which could affect the Systems' ability to meet its obligations. These tables classify investments by risk type, while the financial statements disclose investments by asset class. The table amounts were provided by the custodian bank and agree to the Statement of Plan Net Assets.

Custodial Credit Risk

Deposits

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

Under the Temporary Liquidity Guarantee Program provided by the FDIC to strengthen confidence and encourage liquidity in the banking industry, the Transaction Account Guarantee (TAG) Program provides separate unlimited FDIC coverage on the full balance of non-interest bearing checking accounts. This coverage is in addition to the recently increased FDIC coverage on other deposits of $250,000. Wachovia services our public fund accounts and participated in the TAG program through December 31, 2009; therefore, all checking accounts and deposits are either included under the TAG program or the bank holds additional collateral above the $250,000 FDIC requirement due to classification.

The total amount of the Systems' deposits at June 30, 2010, was as follows (amounts expressed in thousands):

	Carrying Amount
SCRS	$ 23,001
PORS	2,966
GARS	45
JSRS	69
NGRS	18
Total	$ 26,099

Actual bank balances at June 30, 2010, totaled $60,459 (expressed in thousands).

Investments

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

The following table presents the fair value of investments as of June 30, 2010:

Statement of Invested Assets

June 30, 2010

(Amounts expressed in thousands)

Investment Type	Fair Value
Short Term Investments	
Commingled Funds U.S. Debt	$ 121,765
Mutual Funds	2,744,890
Repurchase Agreements	913,285
U.S. Treasury Bills	1,249
Total Short Term Investments	3,781,189
Equity Allocation	
Domestic Equity	
Common Stocks	1,568,199
Real Estate Investment Trusts	48,363
Convertible Preferred	3,410
Global Equity	293
Total Equity	1,620,265
Fixed Income Allocation	
Domestic Fixed Income	
U.S. Government:	
U.S. Government Treasuries[1]	1,200,539
U.S. Government Agencies	19,233
Mortgage Backed:	
Government National Mortgage Association	482,996
Federal National Mortgage Association	124,602
Federal Home Loan Mortgage Association	2,337
Collateralized Mortgage Obligations	16,496
Municipals	100,901
Corporate:	
Corporate Bonds	1,227,272
Convertible Bonds	19,483
Asset Backed Securities	286,491
Corporate Bonds-FDIC Guaranteed Bonds	33,826
Yankee Bonds[2]	2,822
Private Placements	377,624
Global Fixed Income:	
International Asset Backed	4,814
International Commingled Funds	2,277,291
International Corporate Bonds	76,556
International Emerging Debt	454,439
International Government Bonds	26,408
Total Fixed Income	6,734,130
Alternatives	
Credit Default Swaps	795
Interest Rate Swaps	(436)
Total Return Swaps	(211,645)
Commingled Funds Balanced	1,310,665
Futures Contracts	(79,468)
Hedge Funds	3,771,764
Opportunistic Credit	542,508
Private Equity Limited Partnerships	495,730
Real Estate	7,310
Strategic Partnerships	4,637,380
Total Alternative Investments	10,474,603
Total Invested Assets	$ 22,610,187
Invested Securities Lending Collateral	$ 324,593

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

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

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

Total Invested Assets	$ 22,610,187
Short Term Investments classified as Cash & Cash Equivalents:	
Commingled Funds U.S. Debt	(121,765)
Mutual Funds	(2,744,890)
Repurchase Agreements	(913,285)
U.S. Treasury Bills	(679)
Total Investments on *Statement of Plan Net Assets*	**$ 18,829,568**

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 Systems' have no formal interest rate risk policy, interest rate risk is managed within the portfolio using effective duration, which is a measure of the price sensitivity of a bond or a portfolio of bonds to interest rate movements given a 50 basis point change in interest rates. It takes into account that expected cash flows will fluctuate as interest rates change and provides a measure of risk that changes proportionately with market rates. Within the investment policy, operational guidelines specify the degree of interest rate risk taken versus the benchmark within each fixed income portfolio.

The Systems invests in mortgage-backed securities which are reported at fair value in the Statement of Plan Net Assets and are based on cash flows from principal and interest payments of the underlying mortgages. These securities are sensitive to prepayments, which are likely in an environment of declining interest rates, and thereby reduce the value of the security. The Systems invests in these securities to diversify the fixed income portfolio and minimize risk. Disclosures for interest rate risk at June 30, 2010, are noted below (amounts expressed in thousands):

Investment Type	Fair Value	Effective Duration (option adjusted duration)
Short Term Investments		
Commingled Funds U.S. Debt	$ 121,765	
Mutual Funds	2,744,890	0.08
Repurchase Agreements	927,677	0.08
U.S. Treasury Bills	1,249	0.25
Total Short Term	3,795,581	
Equity Allocation		
Convertible Preferred	1,624	56.09
Total Equity	1,624	
Fixed Income Allocation		
U.S. Government:		
U.S. Government Treasuries	1,200,539	4.89
U.S. Government Agencies	19,233	1.18
Mortgage Backed:		
Government National Mortgage Association	482,996	1.52
Federal National Mortgage Association	103,334	3.06
Federal Home Loan Mortgage Association	2,337	0.71
Collateralized Mortgage Obligations	16,496	1.11
Municipals	100,901	5.20
Corporate:		
Corporate Bonds	1,139,952	3.53
Convertible Bonds	19,344	8.28
Asset Backed Securities	263,716	0.23
Corporate Bonds-FDIC Guaranteed	33,826	2.38
Yankee Bonds	2,822	1.09
Private Placements	377,624	4.49
Global Fixed Income:		
International Asset Backed Securities	4,814	1.82
International Corporate Bonds	76,556	1.93
International Government Bonds	26,408	2.45
Total Fixed Income	3,870,898	
Alternatives		
Credit Default Swaps	35	0.01
Interest Rate Swap	(852)	(288.54)
Eurodollar Futures	107	74.73
Treasury Note Futures	553	571.04
Treasury Bond Futures	(1,595)	309.46
Total Alternatives	(1,752)	
Total Invested Assets	**$ 7,666,351**	
Total Portfolio Effective Duration (option adjusted duration)		**1.85**

Credit Risk of Debt Securities

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

South Carolina Retirement Systems
Credit Risk - Moody's Quality Ratings
June 30, 2010
(Amounts expressed in thousands)

Investment Type and Fair Value	US Treasury	Agency[1]	AAA	AA	A	BAA	BA	B	CAA	CA	C	NR[2]
Short Term Investments												
Commingled Funds U.S. Debt	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 121,765
Mutual Funds			2,744,890									
Repurchase Agreements												927,677
U.S. Treasury Bills	1,249											
Equity Investments												
Convertible Preferred							689	235				2,486
Fixed Income Allocation												
U.S. Government Treasuries	1,200,539											
U.S. Government Agencies		19,233										
Mortgage Backed:												
Government National Mortgage Association		482,996										
Federal National Mortgage Association		124,602										
Federal Home Loan Mortgage Association		2,337										
Collateralized Mortgage Association		16,496										
Municipals			34,560	34,013	32,328							
Corporate:												
Corporate Bonds			136,095	123,780	349,508	314,300	105,011	176,775	47,368	2,870	261	281,505
Convertible Bonds						9,002		234	429			9,818
Asset Backed Securities			102,448	67,091	18,538	8,039	36,359	4,682	16,205			33,129
Corporate Bonds-FDIC Guaranteed			33,826									
Yankee Bonds						1,555	1,267					
Private Placements			45,793	31,988	103,467	36,871	19,117	91,548	15,535	478		32,827
Global Fixed Income:												
International Asset Backed			4,814									
International Commingled Funds												2,277,291
International Corporate Bonds			42,738	25,749	7,084		985					
International Emerging Debt												454,439
International Government Bonds			23,141			3,267						
Alternatives												
Credit Default Swaps												795
Interest Rate Swaps												(436)
Total Return Swaps												3,191
Futures Contracts												(79,468)
	$ 1,201,788	$ 645,664	$3,168,305	$282,621	$ 510,925	$373,034	$163,428	$273,474	$79,537	$ 3,348	$ 261	$4,065,019

[1]Agency rating is assigned to securities issued by government sponsored enterprises such as Federal National Mortgage Association (FNMA), Federal Home Loan Banks (FHLB), Federal Home Loan Mortgage Corporation (FHLMC) and Federal Farm Credit Banks (FFCB) that do not have a credit rating. These enterprises have an implied guarantee by the U. S. Government.

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

Concentration of Credit Risk – Investments

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Systems' policy for reducing this risk is to comply with the Statement of Investment Objectives as amended and adopted by the Retirement System Investment Commission which states that "except that no limitations on issues and issuers shall apply to obligations of the U.S. Government and Federal Agencies, the domestic fixed income portfolio shall contain no more than 6 percent exposure to any single issuer." As of June 30, 2010 there is no single issuer exposure within the portfolio that comprises 5 percent or more of the overall portfolio. Therefore, there is no concentration of credit risk.

Foreign Currency Risk

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

The table below presents the Systems' exposure to foreign currency risk in U.S. dollars as of June 30, 2010, (amounts expressed in thousands):

Currency	Cash & Cash Equivalents	Forward Contracts	Futures Contracts	Private Equity	Opportunistic Credit	Equity	Fixed Income
Australian Dollar	$ (130)	$ 14,606	$ (2,066)	$ -	$ -	$ -	$ 23,140
Brazil Real		295					521
British Pound Sterling	(3,152)	91,933	(4,956)				
Canadian Dollar	(1,406)	15,542	(1,536)			293	36,931
Chinese Yuan Renminbi		29,050					
Euro Currency	11,075	(21,541)	(7,486)	59,251	180,575		18,690
Hong Kong Dollar	415	14,679	(456)				
Japanese Yen	(11,042)	115,479	(2,237)				
Totals	$ (4,240)	$ 260,043	$ (18,737)	$ 59,251	$ 180,575	$ 293	$ 79,282

Derivatives

Derivatives are financial instruments whose value is derived from underlying assets or data. All of the Systems' derivatives are considered investments. 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, and total return swaps; interest-only strips; and CMOs to enhance the performance and reduce volatility. The Systems' derivatives, consisting of futures, forward contracts and swaps directly managed by the Commission, are presented in the tables on pages 22-24.

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

- Asset Allocation: In many cases, synthetic exposures (using derivatives) are placeholders until managers are hired and funded. In time, the Commission may substitute traditional managers for much of the synthetic exposure currently in the portfolio. Efficient markets dictate that in some asset classes, synthetics are the best way to achieve exposure.

- Risk Management: Derivatives allow investors the ability to swiftly and efficiently increase or decrease exposures in order to manage portfolio risk.
- Cost: A synthetic (derivative) solution is often the 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 are contractual obligations that require the buyer (seller) to buy (sell) assets at a predetermined date at a predetermined price. These contracts are standardized and traded on an organized exchange with gains and losses settled daily thereby minimizing credit and default risk. Gains and losses are included in the net appreciation/(depreciation) in the fair value of investments total of the Statement of Changes in Plan Net Assets. To comply with the requirements of multiple exchanges, securities in the amount of $182.442 million of various GNMA's were held in trust by the clearing brokers on June 30, 2010 to satisfy the required margin amount to establish the Systems' futures exposure.

The table below presents classification information on the Systems' derivatives at June 30, 2010 (amounts in thousands):

	Changes in Fair Value		Fair Value at 6/30/2010	
	Classification	**Gain/(Loss)**	**Classification**	**Amount**
Investment derivatives:				
Futures Contracts	Net appreciation/(depreciation)	$ (78,529)	Alternative Investments	$ (78,529)
Forward Contracts	Net appreciation/(depreciation)	9,438	Cash & Cash Equivalents	8,761
Swaps	Net appreciation/(depreciation)	(517,563)	Alternative Investments	(211,645)

As of June 30, 2010, the Systems had the following exposure via futures contracts (dollar amounts in thousands):

Futures Contracts	Expiration	Long/Short	Quantity	Notional Value*
MTF CAC40 10EU	July 2010	Long	807	$ 34,024
EURX DAX INDEX	September 2010	Long	161	29,392
EURX ER STX 50	September 2010	Long	2,935	92,322
NEW FTSE 100	September 2010	Long	1,244	90,833
HKFE - HSI	July 2010	Long	113	14,568
IBEX 35 PLUS	July 2010	Long	105	11,836
IDEM S&P/MIB	September 2010	Long	94	11,138
TSE TOPIX	September 2010	Long	1,115	105,653
ME S&P CAN 60	September 2010	Long	397	49,255
SFE SPI 200	September 2010	Long	396	35,639
Total International Equity				**474,660**
EMINI S&P 500	September 2010	Long	16,248	834,010
Total Large Cap Equity				**834,010**
IMM MINI RUSL	September 2010	Long	1,763	107,155
IMM EMINI MDCP	September 2010	Long	4,330	307,430
Total Small Cap Equity				**414,585**
Total				**$ 1,723,255**

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

Forwards are contractual obligations that require the delivery of assets at a fixed price on a predetermined date. These contracts are "over-the-counter" instruments, meaning they are not traded on an organized exchange. 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 Plan Net Assets.

As of June 30, 2010, the Systems had the following forward exposures, listed by counterparty (amounts expressed in thousands):

Broker	Notional Value	Base Gain/(Loss)	Base Exposure
JP Morgan Securities	$ 52,557	$ 1,459	16.67%
BNY Mellon NA	52,555	1,461	16.67%
HSBC Securities	52,552	1,464	16.67%
Bank of America	43,792	1,476	13.89%
Royal Bank of Canada	36,468	940	11.56%
Barclays	33,404	750	10.59%
State Street	24,856	500	7.88%
Societe Generale	19,150	711	6.07%
Totals	$ 315,334	$ 8,761	100.00%

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

Total return swaps are 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. At June 30, 2010, the Systems had no credit risk to counterparties because unrealized swap losses exceeded the collateral posted less transfers due on June 30, 2010. The Systems, however, does not anticipate any default in the contractual positions.

The table below reflects the counterparty credit ratings at June 30, 2010, for currency forwards and swap agreements (amounts in thousands):

Quality Rating	Forwards	Swaps	Total
AAA	$ 940	$ -	$ 940
AA3	2,670	(89,715)	(87,045)
AA2	2,925	(46,432)	(43,507)
A2	1,476	1,591	3,067
A1	750	(77,089)	(76,339)
Total subject to credit risk	$ 8,761	$ (211,645)	$ (202,884)

Swap market value (or notional value) is calculated based on the actual index value of the benchmark index multiplied by the number of index units. The index value is the level or price of the benchmark index. The index units were determined at commencement of the swap and are detailed in the term sheet. At June 30, 2010, the Systems held swaps as shown in the table below (amounts expressed in thousands):

Counterparty	Total Return Swaps	SCRS Pays	SCRS Receives	Maturity Date	Current Notional	Gain (Loss) Since Trade
BNP Paribas	MSCI EM Proxy	3 month LIBOR plus 20 bps	MSCI EM	9/17/2010	$ 202,482	$ 2,482
BNP Paribas	EAFE + Canada Proxy	3 month LIBOR minus 30 bps	MSCI EAFE + Canada	9/7/2010	130,161	(19,839)
Deutsche Bank	MSCI EM Proxy	3 month LIBOR plus 38 bps	MSCI EM	12/31/2010	219,560	(14,427)
Deutsche Bank	EAFE + Canada Proxy	3 month LIBOR minus 42 bps	EAFE + Canada	7/8/2010	135,537	(23,009)
Deutsche Bank	EAFE + Canada Proxy	3 month LIBOR minus 42 bps	EAFE + Canada	7/15/2010	204,908	(37,892)
Merrill Lynch	DJ-UBS Commodities TR	3 month T Bill plus 13 bps	DJ-UBS Commodities TR	8/31/2010	259,454	(15,546)
Merrill Lynch	DJ-UBS Commodities TR	3 month T Bill plus 13 bps	DJ-UBS Commodities TR	2/28/2011	259,454	(15,546)
Credit Suisse	EAFE + Canada Proxy	3 month LIBOR minus 35 bps	EAFE + Canada	2/28/2011	275,792	(24,208)
J.P. Morgan	MSCI EM Proxy	3 month LIBOR plus 27 bps	MSCI EM	3/22/2011	139,195	(10,805)
BNP Paribas	MSCI EM Proxy	3 month LIBOR plus 28 bps	MSCI EM	4/7/2011	133,097	(16,903)
Barclays	MSCI EM Proxy	3 month LIBOR plus 37 bps	MSCI EM	4/29/2011	318,197	(33,270)
Credit Suisse	EAFE + Canada Proxy	3 month LIBOR minus 25 bps	EAFE + Canada	4/29/2011	291,226	(40,928)
UBS	Russell 2000 Proxy	3 month LIBOR minus 65 bps	Russell 2000	4/29/2011	132,141	(22,857)
Barclays	S&P500 Proxy	3 month LIBOR minus 15 bps	S&P500	5/26/2011	193,413	(6,587)
	Total Return Swap Exposures				$ 2,894,617	$ (279,335)

Alternative Investments

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

Commitments

The Systems entered into commitment agreements with numerous investment managers for future funding of private equity limited partnerships and strategic partnerships. As of June 30, 2010, the Systems had committed to fund various private equity and opportunistic credit limited partnerships for an amount of $2.043 billion (US dollars) and €256 million (Euros). The total unfunded commitment as of June 30, 2010, was $1.175 billion (US dollars) and €92 million (Euros). In addition, the Systems had committed to fund various strategic partnerships for an amount of $4.650 billion (US dollars) of which the unfunded commitment at June 30, 2010 was $1.140 billion (US dollars). Subsequent to June 30, 2010, the Systems committed to fund an additional $199 million (US dollars) resulting in a remaining commitment as of September 24, 2010 of $2.208 billion (US dollars) and €85 million (Euros).

Securities Lending

Through a custodial agent, the Systems participate in a securities lending program whereby securities are loaned for the purpose of generating additional income. The Systems lends securities from its investment portfolios on a collateralized basis to third parties, primarily financial institutions. The market value of the required collateral must initially meet or exceed 102 percent of the market value of the securities loaned, providing a margin against a decline in the market value of the collateral, and requires additional collateral if the collateral value falls below 100 percent.

There are no restrictions on the amount of securities that may be loaned. The types of securities available for loan during the year ended June 30, 2010, included US Government securities, US Government agencies, corporate bonds and equities. The contractual agreement with the Systems' custodial bank provides indemnification in the event the borrower fails to return the securities lent or fails to pay the Systems income distribution by the securities' issuers while the securities are on loan. Cash and US Government securities were received as collateral for these loans. The Systems cannot pledge or sell collateral securities without a borrower default. The Systems invests cash collateral received; accordingly, investments made with cash collateral appear as an asset. A corresponding liability is recorded as the Systems must return the cash collateral to the borrower upon the expiration of the loan.

At June 30, 2010, the fair value of securities on loan was $416.568 million. The fair value of the invested cash collateral was $324.593 million. Securities lending obligations at June 30, 2010, were $429.065 million with the unrealized loss in invested cash collateral of $104.472 million reflected under "Other Liabilities" on the Statement of Plan Net Assets and recorded in the Statement of Changes in Plan Net Assets under "Net appreciation (depreciation) in fair value of investments." The Commission evaluates the securities lending program in order to minimize risk, enhance performance and ensure a cost effective fee structure is in place.

With regard to custodial credit risk, the Systems' cash collateral invested is held by the counterparty and is uninsured. All securities loaned can be terminated on demand by either the Systems or the borrower. At year end the average number of days the loans were outstanding was one day. The average weighted maturity of investments made with cash collateral was 22 days. At June 30, 2010, 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, 2010.

	June 30, 2010						June 30, 2009
	SCRS	PORS	GARS	JSRS	NGRS	TOTALS	TOTALS
Securities lent for cash collateral:							
U.S. Government securities	$ 184,577	$ 26,398	$ 290	$ 1,029	$ 128	$ 212,422	$ 122,968
U.S. Government agencies	14,950	2,138	24	83	11	17,206	926,578
Corporate bonds	29,113	4,164	46	162	20	33,505	464,591
Common Stock	133,322	19,068	210	743	92	153,435	497,904
Total securities lent for cash collateral:	$ 361,962	$ 51,768	$ 570	$ 2,017	$ 251	$ 416,568	$ 2,012,041
Securities lent for non-cash collateral:							
Corporate bonds	$ 89	$ 13	$ -	$ -	$ -	$ 102	$ -
Common Stock	7,337	1,049	12	41	5	8,444	
	$ 7,426	$ 1,062	$ 12	$ 41	$ 5	$ 8,546	$ -
Cash collateral invested as follows:							
Repurchase agreements	$ 12,505	$ 1,788	$ 20	$ 70	$ 8	$ 14,391	$ 175,624
Asset Backed Securities							247,440
Floating Rate Notes	269,539	38,550	424	1,502	187	310,202	1,422,798
Total for cash collateral invested	$ 282,044	$ 40,338	$ 444	$ 1,572	$ 195	$ 324,593	$ 1,845,862
Securities received as collateral:							
U.S. Government securities	$ 7,594	$ 1,086	$ 12	$ 43	$ 5	$ 8,740	$ -
	$ 7,594	$ 1,086	$ 12	$ 43	$ 5	$ 8,740	$ -

IV. Capital Assets

Capital assets at June 30, 2010, consist of the following amounts (expressed in thousands). There were no additions or dispositions of capital assets during the year.

	SCRS	PORS	GARS	JSRS	TOTALS	TOTALS 2009
Land	$ 524	$ 54	$ 1	$ 3	$ 582	$ 582
Building	4,279	437	13	20	4,749	4,749
Total Capital Assets	4,803	491	14	23	5,331	5,331
Less: Accumulated Depreciation	(1,901)	(194)	(6)	(9)	(2,110)	(1,991)
Net Capital Assets	$ 2,902	$ 297	$ 8	$ 14	$ 3,221	$ 3,340

V. Transfers Between Systems

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

Transfers made during the fiscal year ended June 30, 2010, were as follows (amounts expressed in thousands):

	Transfers to					
Transfers from	SCRS	PORS	GARS	JSRS	NGRS	Totals
SCRS	$ -	$ 1,266	$ 36	$ 114	$ -	$ 1,416
PORS						
GARS						
JSRS						
NGRS						
Totals	$ -	$ 1,266	$ 36	$ 114	$ -	$ 1,416

The following schedule reflects amounts due to or from other systems as of June 30, 2010, (amounts expressed in thousands):

	Due to					
Due from	SCRS	PORS	GARS	JSRS	NGRS	Totals
SCRS	$ -	$ 196	$ -	$ -	$ -	$ 196
PORS						
GARS	3			67		70
JSRS						
NGRS			1			1
Totals	$ 3	$ 196	$ 1	$ 67	$ -	$ 267

VI. Related Party Transactions

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

At June 30, 2010, liabilities of approximately $38.4 million were due to other state departments and agencies, and contributions receivable of approximately $32 million were due from other state departments and agencies.

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

The Retirement System Investment Commission was established in 2005 and is considered a separate state agency; however, the expenses of the Commission are funded by transfers from the Systems. Transfers in the amount of approximately $3.8 million were made to the Commission during the fiscal year.

VII. Deferred Retirement Option Plans

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

A total of 5,641 members were actively participating in the TERI program at June 30, 2010. The activity for this program is reflected in the following schedule:

Schedule of TERI Activity
Year Ended June 30, 2010
(Amounts expressed in thousands)

Beginning Liability Balance	$ 430,805
Additions	156,800
TERI Distributions	(265,255)
Ending Liability Balance	$ 322,350

A deferred retirement option program has also been established under the Retirement System for Judges and Solicitors (JSRS). A member who has not yet reached the age of 60 years, but who is eligible to retire and receive the maximum monthly benefit, may continue to serve as a judge, a solicitor, or a circuit public defender. The member's normal monthly retirement benefit is deferred and placed in the system's trust fund on behalf of the member. Upon reaching the age of 60 years, the balance of the member's deferred retirement benefit is distributed to the member. As of June 30, 2010, three JSRS members were participating in the deferred retirement option program and benefits held in trust totaled $743,000.

VIII. Funded Status and Funding Progress - Pension Trust Funds

The funded status of each defined benefit pension plan as of July 1, 2009, the most recent actuarial valuation date, is as follows (dollar amounts expressed in thousands):

System	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
SCRS	$ 25,183,062	$ 37,150,315	$ 11,967,253	67.8%	$ 7,761,808	154.2%
PORS	3,482,220	4,564,111	1,081,891	76.3%	1,084,154	99.8%
GARS	45,891	68,491	22,600	67.0%	3,854	586.4%
JSRS	141,797	214,363	72,566	66.1%	18,661	388.9%
NGRS	18,600	53,421	34,821	34.8%	N/A	N/A

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Methods and Significant Assumptions

	SCRS	PORS	GARS	JSRS	NGRS
Valuation date	07/01/09	07/01/09	07/01/09	07/01/09	07/01/09
Actuarial cost method	Entry age	Entry age	Entry age	Entry age	Entry age
Amortization period	Level percent open	Level percent open	Level dollar closed	Level percent open	Level dollar open
Remaining amortization period	30 years	30 years	16 years	16 years	23 years
Asset valuation method	10-year smoothed market	10-year smoothed market	10-year smoothed market	10-year smoothed market	10-year smoothed market
Actuarial assumptions:					
Investment rate of return	8%	8%	8%	8%	8%
Projected salary increases	4.00% - 8.00%	4.50% - 11.50%	None	3.25%	None
Includes inflation at	3.00%	3.00%	3.00%	3.00%	3.00%
Cost-of-living adjustments	Automatic 2%[1]	Automatic 2%[1]	None	3.25%	None

[1]Beginning the July 1st following one year of receiving benefits, the monthly benefit amount will increase by the calendar year change in CPI but not to exceed 2 percent. No COLA paid during deflation or when CPI is negative. Additional ad hoc COLAs may be paid as approved by the State Budget and Control Board and based upon the financial condition of the System.

IX. Death Benefit Program

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

Active Death Benefits

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

Retiree Death Benefits

Retired members of SCRS and PORS whose last employer prior to retirement is covered by the program, and who met applicable service credit requirements, are also protected under the state-sponsored death benefit program. Upon the death of a retired member, the beneficiary of a non-working retiree will receive a benefit payment based on the member's total creditable service at the time of retirement. As of the most recent actuarial valuation dated July 1, 2009, 67,357 non-working retired participants were covered under the SCRS program and 8,162 were covered under the PORS program.

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

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

Certain parameters are required for determining the actuarial funded status of the program and the calculation of the annual required contribution necessary to amortize any unfunded liability. Accordingly, additional reporting and disclosures for financial statement purposes are presented. Cavanaugh Macdonald Consulting, LLC, the Systems' actuary, performed separate actuarial valuations for the SCRS and PORS retiree death benefit programs as of July 1, 2009. The valuations determined the actuarial accrued liabilities and the required funding necessary to support the retiree death benefit program. Of the 0.15 percent death benefit contribution collected for SCRS, 0.045 percent represents the annual required contribution for the retiree portion. Under PORS, 0.021 percent of the 0.20 percent death benefit contribution is attributable to the retiree portion.

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

System	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
SCRS	7/1/2009	$ 128,340	$ 167,708	$ 39,368	76.50%	$ 9,222,225	0.4%
	7/1/2008	129,777	166,723	36,946	77.80%	9,087,000	0.4%
	7/1/2007*	127,910	167,035	39,125	76.60%	8,459,000	0.5%
PORS	7/1/2009	$ 27,180	$ 16,253	$ (10,927)	167.2%	$ 1,058,015	(1.0%)
	7/1/2008	26,528	15,207	(11,321)	174.4%	1,035,729	(1.1%)
	7/1/2007*	25,806	15,636	(10,170)	165.0%	1,020,782	(1.0%)

*Fiscal Year 2007 was the first year separate group life actuarial valuations were prepared.

Summary of Actuarial Methods and Significant Assumptions

	SCRS	PORS
Valuation Date	July 1, 2009	July 1, 2009
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percent of Payroll	Level Percent of Payroll
Amortization Period	30 years	30 years
Asset Valuation Method	Actuarial Value less a reserve for active death benefits	Actuarial Value less a reserve for active death benefits
Actuarial Assumptions:		
Investment Rate of Return	8% annual return net of both administrative and investment related expenses	8% annual return net of both administrative and investment related expenses
Payroll Growth	4.00% per year	4.00% per year

X. Litigation

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

Ahrens et al. v. the South Carolina Retirement System, the South Carolina Retirement System and the State of South Carolina. This case is a class action case alleging that provisions in Act No. 153 of the Acts and Joint Resolutions of the General Assembly for the year 2005 ("Act No. 153") requiring working retirees in the South Carolina Retirement System ("SCRS") to make employee contributions are unconstitutional and illegal. A circuit court judge has certified the class in this case and issued an order on the merits in the matter granting the Plaintiffs relief based on the equitable theory of estoppel. The circuit court denied all other claims for relief made by the Plaintiffs, including their contract causes of action. The Retirement Systems and the State of South Carolina have appealed the circuit court's order to the South Carolina Supreme Court. As of June 30, 2010, the Retirement Systems had collected approximately $44.5 million in the form of retirement contributions from members of the South Carolina Retirement System who retired prior to July 1, 2005 and returned to work (note: not all working retirees meet the class definition). If the Plaintiffs were to ultimately prevail, most, if not all of these contributions could be refunded to the members and no future contributions could be collected from many, if not all, of the class members. The Retirement Systems and the State of South Carolina believe their appeal is meritorious and are vigorously contesting these claims and pursuing all appellate options.

Arnold et al. v. the South Carolina Police Officers Retirement System, the South Carolina Retirement System and the State of South Carolina. This case is a class action case filed on August 9, 2005, alleging that provisions in Act No. 153 of the Acts and Joint Resolutions of the General Assembly for the year 2005 ("Act No. 153") requiring working retirees in the Police Officers Retirement System ("PORS") to make employee contributions are unconstitutional and illegal. This is the companion case of the Ahrens case above. The same circuit court judge in Ahrens heard the case and has certified the class in this case and issued an order on the merits in the matter granting the Plaintiffs relief based on the equitable theory of estoppel. The circuit court denied all other claims for relief made by the Plaintiffs, including their contract causes of action. The PORS and the State of South Carolina have appealed the circuit court's order to the South Carolina Supreme Court. As of June 30, 2010, the Retirement Systems had collected approximately $14.3 million in the form of retirement contributions from members of the Police Officers Retirement System who retired prior to July 1, 2005 and returned to work (note; not all working retirees meet the class definition). If the Plaintiffs were to ultimately prevail, most, if not all of these contributions could be refunded to the members and no future contributions could be collected from many, if not all, of the class members. The Police Officers Retirement System and the State of South Carolina believe their appeal is meritorious and is vigorously contesting these claims and pursuing all appellate options.

Hutto, et al v. The South Carolina Retirement System, et al. This putative class action was filed in federal court in August, 2010. It seeks relief based on causes of action similar to those that were raised and disposed of in the *Ahrens* and *Arnold* cases described above. The plaintiffs in *Hutto* all retired after Act 153 was enacted and thus were on notice that they would pay retirement contributions if they chose to return to work. Defendants have filed a motion to dismiss the complaint on numerous grounds. No hearing has been scheduled on this motion, and it is too early to offer any opinion about the potential outcome of this case. As of June 30, 2010, the Retirement Systems had collected approximately $71.5 million in the form of retirement contributions from members of the Retirement Systems who are retired and returned to work on or after July 1, 2005. The Client intends to vigorously defend this matter.

South Carolina Retirement Systems
Required Supplementary Information

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

Schedule of Funding Progress
(Amounts expressed in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
SCRS						
7/01/04	$ 20,862,659	$ 25,977,852	$ 5,115,193	80.3%	$ 6,180,599	82.8%
7/01/05	21,625,510	30,217,471	8,591,961	71.6%	6,356,489	135.2%
7/01/06	22,293,446	32,018,519	9,725,073	69.6%	6,733,379	144.4%
7/01/07	23,541,438	33,766,678	10,225,240	69.7%	7,093,181	144.2%
7/01/08	24,699,678	35,663,419	10,963,741	69.3%	7,559,172	145.0%
7/01/09	25,183,062	37,150,315	11,967,253	67.8%	7,761,808	154.2%
PORS						
7/01/04	$ 2,616,835	$ 2,984,584	$ 367,749	87.7%	$ 822,448	44.7%
7/01/05	2,774,606	3,173,930	399,324	87.4%	850,610	46.9%
7/01/06	2,935,841	3,466,281	530,440	84.7%	931,815	56.9%
7/01/07	3,160,240	3,730,544	570,304	84.7%	992,849	57.4%
7/01/08	3,363,136	4,318,955	955,819	77.9%	1,060,747	90.1%
7/01/09	3,482,220	4,564,111	1,081,891	76.3%	1,084,154	99.8%
GARS						
7/01/04	$ 45,087	$ 68,332	$ 23,245	66.0%	$ 3,839	605.5%
7/01/05	46,316	69,161	22,845	67.0%	3,853	592.9%
7/01/06	46,075	69,734	23,659	66.1%	3,854	613.9%
7/01/07	46,925	71,014	24,089	66.1%	3,854	625.0%
7/01/08	47,189	69,122	21,933	68.3%	3,854	569.1%
7/01/09	45,891	68,491	22,600	67.0%	3,854	586.4%
JSRS						
7/01/04	$ 112,016	$ 185,052	$ 73,036	60.5%	$ 14,870	491.2%
7/01/05	118,888	204,847	85,959	58.0%	15,465	555.8%
7/01/06	124,837	211,384	86,547	59.1%	15,929	543.3%
7/01/07	132,990	229,388	96,398	58.0%	16,407	587.5%
7/01/08	138,323	213,406	75,083	64.8%	18,661	402.4%
7/01/09	141,797	214,363	72,566	66.1%	18,661	388.9%
NGRS						
6/30/04	$ 13,567	$ 47,281	$ 33,714	28.7%	N/A	N/A
6/30/05	12,151	46,985	34,835	25.9%	N/A	N/A
7/01/06	14,046	48,755	34,709	28.8%	N/A	N/A
7/01/07	15,937	55,917	39,980	28.5%	N/A	N/A
7/01/08	17,426	53,534	36,108	32.5%	N/A	N/A
7/01/09	18,600	53,421	34,821	34.8%	N/A	N/A

South Carolina Retirement Systems
Required Supplementary Information (continued)

Schedule of Employer Contributions
(Amounts expressed in thousands)

	SCRS		PORS		GARS		JSRS		NGRS	
Year Ended June 30,	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Pension Cost[1]	Percentage Contributed
2010	$ 818,523	100%	$ 123,163	100%	$ 2,598	100%	$ 8,414	100%	$ 3,945	102.7%
2009	827,502	100%	124,148	100%	2,495	100%	8,414	100%	3,979	101.8%
2008	774,269	100%	114,095	100%	2,440	100%	7,613	100%	3,823	103.3%
2007	644,350	100%	106,753	100%	2,358	100%	6,706	100%	3,811	103.6%
2006	577,468	100%	100,281	100%	2,171	100%	6,511	100%	2,858	137.9%
2005	538,809	100%	90,528	100%	2,890	100%	6,260	100%	2,887	69.2%

[1] For years prior to June 30, 2010, the Annual Pension Cost (APC) for the National Guard Retirement System includes both the Annual Required Contribution (ARC) and the discounted present value of the balance of the Net Pension Obligation (NPO). The APC for the fiscal year ended June 30, 2010 will be calculated as part of the July 1, 2010 actuarial valuation; therefore, the amount listed as of June 30, 2010 contains only the ARC. The NPO is carried as an "Other Liability" in the Financial Statements of the State of South Carolina.

South Carolina Retirement Systems
Schedule of Changes in Plan Net Assets
SCRS Pension Trust Fund
Year Ended June 30, 2010
With comparative totals for the year ended June 30, 2009
(Amounts expressed in thousands)

	EMPLOYEE FUND	EMPLOYER FUND	DEATH BENEFIT FUND	QEBA FUND	TOTALS	TOTALS 2009
Additions						
Employee contributions						
State department employees	$ 162,048	$ 14,403	$ -	$ -	$ 176,451	$ 177,083
Public school employees	221,618	27,224			248,842	249,794
Other political subdivision employees	129,115	6,853			135,968	137,995
Employer contributions						
State department employees		264,240	4,781	618	269,639	274,756
Public school employees		353,895	5,981		359,876	363,638
Other political subdivision employees		186,428	2,580		189,008	189,108
Total contributions	512,781	853,043	13,342	618	1,379,784	1,392,374
Investment Income						
Net appreciation (depreciation) in fair value of investments		2,410,457	12,657		2,423,114	(5,107,679)
Interest and dividend income		229,026	1,198		230,224	370,840
Investment expense		(44,230)	(232)		(44,462)	(38,850)
Net income (loss) from investing activities		2,595,253	13,623		2,608,876	(4,775,689)
From securities lending activities:						
Securities lending income		4,792	25		4,817	51,145
Securities lending expense		(1,025)	(5)		(1,030)	(30,124)
Net income from securities lending activities		3,767	20		3,787	21,021
Total net investment income (loss)		2,599,020	13,643		2,612,663	(4,754,668)
Supplemental retirement benefits funded by the State		957			957	1,152
Transfers of contributions from other Systems						81
Total additions	512,781	3,453,020	26,985	618	3,993,404	(3,361,061)
Deductions						
Refunds of contributions to members	75,814				75,814	73,882
Transfers of contributions to other Systems	945	471			1,416	1,792
Regular retirement benefits		1,856,043		618	1,856,661	1,770,775
Deferred retirement benefits		156,800			156,800	184,519
Supplemental retirement benefits		957			957	1,152
Death benefits			19,921		19,921	17,908
Depreciation		107			107	107
Administrative expense		17,975	95		18,070	18,472
Total deductions	76,759	2,032,353	20,016	618	2,129,746	2,068,607
Interfund transfers according to statutory requirements						
Contributions by members at retirement	(420,666)	420,666				
Interest credited to members' accounts	227,250	(227,250)				
Net interfund transfers	(193,416)	193,416				
Net increase (decrease)	242,606	1,614,083	6,969		1,863,658	(5,429,668)
Net assets held in trust for Pension Benefits						
Beginning of year	5,980,248	11,744,166	93,065		17,817,479	23,247,147
End of year	$ 6,222,854	$13,358,249	$ 100,034	$ -	$19,681,137	$17,817,479

South Carolina Retirement Systems
Schedule of Changes in Plan Net Assets
PORS Pension Trust Fund
Year Ended June 30, 2010
With comparative totals for the year ended June 30, 2009
(Amounts expressed in thousands)

	EMPLOYEE FUND	EMPLOYER FUND	DEATH BENEFIT FUND	ACCIDENTAL DEATH FUND	TOTALS	TOTALS 2009
Additions						
Employee contributions						
State department employees	$ 25,407	$ 1,118	$ -	$ -	$ 26,525	$ 27,637
Public school employees	68	177			245	211
Other political subdivision employees	46,321	3,960			50,281	49,166
Employer contributions						
State department employees		40,822	758	758	42,338	44,640
Public school employees		325	6	6	337	327
Other political subdivision employees		77,735	1,415	1,338	80,488	79,181
Total contributions	71,796	124,137	2,179	2,102	200,214	201,162
Investment Income						
Net appreciation (depreciation) in fair value of investments		329,582	2,758	3,485	335,825	(686,433)
Interest and dividend income		31,897	265	335	32,497	50,439
Investment expense		(6,171)	(52)	(65)	(6,288)	(5,233)
Net income (loss) from investing activities		355,308	2,971	3,755	362,034	(641,227)
From securities lending activities:						
Securities lending income		662	6	7	675	6,900
Securities lending expense		(141)	(1)	(1)	(143)	(4,062)
Net income from securities lending activities		521	5	6	532	2,838
Total net investment income (loss)		355,829	2,976	3,761	362,566	(638,389)
Supplemental retirement benefits funded by the State		42			42	46
Transfers of contributions from other Systems	793	473			1,266	1,625
Total additions	72,589	480,481	5,155	5,863	564,088	(435,556)
Deductions						
Refunds of contributions to members	13,673				13,673	13,753
Transfers of contributions to other Systems						
Regular retirement benefits		223,473			223,473	210,345
Supplemental retirement benefits		42			42	46
Death benefits			2,019		2,019	1,720
Accidental death benefits				1,462	1,462	1,482
Depreciation		11			11	11
Administrative expense		2,518	21	27	2,566	2,526
Total deductions	13,673	226,044	2,040	1,489	243,246	229,883
Interfund transfers according to statutory requirements						
Contributions by members at retirement	(54,198)	54,198				
Interest credited to members' accounts	27,763	(27,763)				
Net interfund transfers	(26,435)	26,435				
Net increase (decrease)	32,481	280,872	3,115	4,374	320,842	(665,439)
Net assets held in trust for Pension Benefits						
Beginning of year	726,214	1,757,367	20,789	26,262	2,530,632	3,196,071
End of year	$ 758,695	$ 2,038,239	$ 23,904	$ 30,636	$ 2,851,474	$ 2,530,632

South Carolina Retirement Systems
Schedule of Changes in Plan Net Assets
GARS Pension Trust Fund
Year Ended June 30, 2010
With comparative totals for the year ended June 30, 2009
(Amounts expressed in thousands)

	EMPLOYEE FUND	EMPLOYER FUND	TOTALS	TOTALS 2009
Additions				
Contributions				
Employee contributions - State departments	$ 544	$ -	$ 544	$ 706
Employer contributions - State departments		2,598	2,598	2,495
Total contributions	544	2,598	3,142	3,201
Investment Income				
Net appreciation (depreciation) in fair value of investments		4,319	4,319	(10,063)
Interest and dividend income		392	392	686
Investment expense		(75)	(75)	(71)
Net income (loss) from investing activities		4,636	4,636	(9,448)
From securities lending activities:				
Securities lending income		8	8	96
Securities lending expense		(2)	(2)	(57)
Net income from securities lending activities		6	6	39
Total net investment income (loss)		4,642	4,642	(9,409)
Transfers of contributions from other Systems	36		36	84
Total additions	580	7,240	7,820	(6,124)
Deductions				
Refunds of contributions to members	4		4	33
Transfers of contributions to other Systems				81
Regular retirement benefits		6,512	6,512	6,416
Death benefits		6	6	14
Depreciation		1	1	
Administrative expense		32	32	35
Total deductions	4	6,551	6,555	6,579
Interfund transfers according to statutory requirements				
Contributions by members at retirement	(406)	406		
Interest credited to members' accounts	273	(273)		
Net interfund transfers	(133)	133		
Net increase (decrease)	443	822	1,265	(12,703)
Net assets held in trust for Pension Benefits				
Beginning of year	6,822	24,683	31,505	44,208
End of year	$ 7,265	$ 25,505	$ 32,770	$ 31,505

South Carolina Retirement Systems
Schedule of Changes in Plan Net Assets
JSRS Pension Trust Fund
Year Ended June 30, 2010
With comparative totals for the year ended June 30, 2009
(Amounts expressed in thousands)

	EMPLOYEE FUND	EMPLOYER FUND	QEBA FUND	TOTALS	TOTALS 2009
Additions					
Contributions					
Employee contributions - State departments	$ 2,164	$ 179	$ -	$ 2,343	$ 2,524
Employer contributions - State departments		8,327	87	8,414	8,414
Total contributions	2,164	8,506	87	10,757	10,938
Investment Income					
Net appreciation (depreciation) in fair value of investments		13,551		13,551	(28,759)
Interest and dividend income		1,324		1,324	2,115
Investment expense		(249)		(249)	(215)
Net income (loss) from investing activities		14,626		14,626	(26,859)
From securities lending activities:					
Securities lending income		26		26	284
Securities lending expense		(6)		(6)	(166)
Net income from securities lending activities		20		20	118
Total net investment income (loss)		14,646		14,646	(26,741)
Transfers of contributions from other Systems	114			114	83
Total additions	2,278	23,152	87	25,517	(15,720)
Deductions					
Refunds of contributions to members					
Regular retirement benefits		13,782	87	13,869	13,135
Deferred retirement benefits		299		299	349
Death benefits		11		11	134
Depreciation					1
Administrative expense		101		101	103
Total deductions		14,193	87	14,280	13,722
Interfund transfers according to statutory requirements					
Contributions by members at retirement	(3,519)	3,519			
Interest credited to members' accounts	626	(626)			
Net interfund transfers	(2,893)	2,893			
Net increase (decrease)	(615)	11,852		11,237	(29,442)
Net assets held in trust for Pension Benefits					
Beginning of year	18,431	81,558		99,989	129,431
End of year	$ 17,816	$ 93,410	$	$ 111,226	$ 99,989

South Carolina Retirement Systems
Schedule of Changes in Plan Net Assets
NGRS Pension Trust Fund
Year Ended June 30, 2010
With comparative totals for the year ended June 30, 2009
(Amounts expressed in thousands)

	TOTALS 2010	TOTALS 2009
Additions		
Contributions		
State appropriated contributions	$ 4,052	$ 4,052
Total contributions	4,052	4,052
Investment Income		
Net appreciation (depreciation) in fair value of investments	1,727	(4,299)
Interest income	165	292
Investment expense	(30)	(29)
Income (loss) from investing activities	1,862	(4,036)
From securities lending activities:		
Securities lending income	4	40
Securities lending expense	(1)	(24)
Net income from securities lending activities	3	16
Total net investment income (loss)	1,865	(4,020)
State Appropriation for Administrative Expenses		
Total additions	5,917	32
Deductions		
Regular retirement benefits	3,624	3,432
Administrative charges	13	15
Total deductions	3,637	3,447
Net increase	2,280	(3,415)
Net assets held in trust for Pension Benefits		
Beginning of year	12,773	16,188
End of year	$ 15,053	$ 12,773

Schedule of Administrative Expenses
For the Year Ended June 30, 2010
(Amounts expressed in thousands)

	SCRS	PORS	GARS	JSRS	NGRS	TOTALS
Personal Services						
Salaries and Wages	$ 8,022	$ 1,139	$ 14	$ 45	$ 6	$ 9,226
Employee Benefits	2,290	325	4	13	2	2,634
Contractual Services						
Data Processing Services	1,264	180	2	7	1	1,454
Medical & Health Services	678	96	1	4	1	780
Financial Audit	28	4				32
Actuarial Services	161	23		1		185
Other Professional Services	196	28	1	1		226
Legal Services	92	13		1		106
Operating Expenses						
Facilities Management	450	64	1	3		518
Intergovernmental Services	613	87	1	3	1	705
Transfers to Investment Commission	3,314	471	6	19	2	3,812
Telephone	89	13				102
Insurance	50	7				57
Postage	346	49	1	2		398
Supplies	205	29		1		235
Other Miscellaneous Expenses	272	38	1	1		312
Total Administrative Expenses	$ 18,070	$ 2,566	$ 32	$ 101	$ 13	$ 20,782

Schedule of Professional and Consultant Fees
For the Year Ended June 30, 2010
(Amounts expressed in thousands)

Professional/Consultant	Nature of Service	Amounts Paid
CEM Benchmarking Inc.	Testing Service	$ 35
Cavanaugh Macdonald Consulting	Actuary Services	181
Comsys Information Technology	Application Development Resources	104
Data Network	IT Maintenance & support	226
Dell Marketing	IT Equipment & support	115
Document Systems Inc	IT tape storage & Imaging records storage	12
ERP Analysts Inc.	IT Maintenance & support	27
Hewlett Packard	IT Maintenance & support	277
Ice Miller	IRC Consulting Services	48
Oracle USA Inc	Database license & support maintenance	13
Rogers & Laban	Audit	32
SHI International	IT Maintenance & Support	66
Software AG Inc.	IT Enterprise License & Maintenance	96
Southern Imaging Group	Annual Member Statements	44
Sowell Gray Stepp & Laffitte	Attorney Fees	105
Stalwart Systems Group	IT Maintenance & support	17
Summit Strategies Inc	Optional Retirement Plan Consultants	120
Sunguard Availability Service	IT Disaster Recovery	32
Tapfin Process Solutions	Application Development Resources	498
TeamIA Inc	Imaging Maintenance/Auditing	181
Vocational Rehabilitation	Disability Case Evaluations	780
		$ 3,009

South Carolina Retirement Systems
Schedule of Investment Fees and Expenses*
Year Ended June 30, 2010
(Amounts expressed in thousands)

	SCRS	PORS	GARS	JSRS	NGRS	TOTALS
Investment Managers Fees:						
Aronson + Johnson + Ortiz LP[1]	$ 321	$ 45	$ 1	$ 2	$ -	$ 369
Batterymarch Financial Management, Inc.[3]	260	36		2		298
Wells Capital Management, Inc. (Benson Value Team)	1,605	226	3	9	1	1,844
Blackrock Financial Management	1,327	187	2	8	1	1,525
Bridgewater Associates, Inc.	10,296	1,464	17	57	7	11,841
Capital Guardian	851	121	1	5		978
ClariVest Asset Management, LLC[3]	1,258	178	2	7	1	1,446
Grantham, Mayo, Van Otterloo & Co. LLC	2,276	322	4	13	1	2,616
Integrity Asset Management, LLC.	791	112	1	4	1	909
Jamison, Eaton & Wood[2]	121	17		1		139
Legg Mason Capital Management, Inc.[3]	633	89	1	4		727
Loomis Sayles (Global Fixed Income)	1,537	217	2	9	1	1,766
Loomis Sayles (High Yield)	1,712	242	3	10	1	1,968
Mondrian Investment Group, Inc.	2,185	308	4	12	2	2,511
Morgan Stanley[4]	1,442	202	3	8	1	1,656
Penn Capital	353	50	1	2		406
Pacific Investment Management Co.	2,483	350	4	14	2	2,853
Post Advisory Group[2]	241	35		1		277
Post Advisory Group Limited Duration Portfolio[2]	117	17		1		135
Putnam Investments	2,726	386	5	15	2	3,134
Pyramis Global Advisors	1,800	254	3	10	1	2,068
Russell Investment Group	726	102	1	4		833
Strategos[2]	735	104	1	4	1	845
TimesSquare Capital Management, LLC	2,377	336	4	13	2	2,732
Thompson, Seigel & Walmsley, Inc.	1,136	161	2	6	1	1,306
Turner Investment Partners, Inc.	1,327	188	3	7	1	1,526
Western Asset Management Co.	1,251	176	2	7	1	1,437
WCM Investment Management[3]	1,327	187	3	7	1	1,525
Total	43,214	6,112	73	242	29	49,670
Bank Fees and Investment Expenses	1,248	176	2	7	1	1,434
Total Investment Management Fees	$ 44,462	$ 6,288	$ 75	$ 249	$ 30	$ 51,104
Securities Lending Expenses:						
Borrower Rebates	1,030	143	2	6	1	1,182
Total Securities Lending Expenses	$ 1,030	$ 143	$ 2	$ 6	$ 1	$ 1,182

[1]Aronson + Johnson + Ortiz, LP, was funded September 2006. The manager's fee is calculated strictly on performance based on annualized returns and includes no base fee. No fees are payable until after the first three full calendar quarters.
[2]Manager hired during fiscal year 2010.
[3]Contract terminated during fiscal year 2010.
[4]Morgan Stanley assets were transitioned into the Hedge Fund subaccount of the SCRS/Morgan Stanley Partnership during fiscal year 2010.
*Several of the alternative investment managers provide account valuations on a net of fee basis. Management fees are netted against investment income and because they are not readily separable for specific investment income, amounts are recorded and reported net of fees.

Clifton Gunderson LLP
Certified Public Accountants & Consultants

Independent Auditor's 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 Mark Sanford, Governor,
Members of the State Budget & Control Board, and
Richard H. Gilbert, Jr., Deputy State Auditor
South Carolina Retirement Systems
Columbia, South Carolina

We have audited the financial statements of the South Carolina Retirement Systems (the Systems) as of and for the year ended June 30, 2010, and have issued our report thereon dated October 14, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Member of HLB International

Compliance and Other Matters

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

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

Clifton Gunderson LLP

Baltimore, Maryland
October 14, 2010