

FINANCIAL STATEMENTS

**SOUTH CAROLINA
RETIREMENT SYSTEMS**

Columbia, South Carolina

Year Ended June 30, 2002

South Carolina Retirement Systems

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June 30, 2002

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State of South Carolina



Office of the State Auditor

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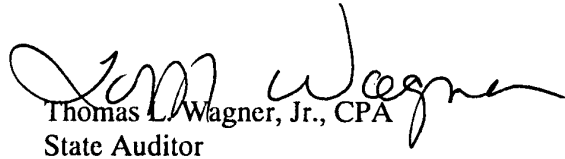
October 11, 2002

The Honorable Jim Hodges, 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, 2002, was issued by Rogers & Laban, PA, 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,


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/trb



ROGERS & LABAN, PA

CERTIFIED PUBLIC ACCOUNTANTS AND FINANCIAL CONSULTANTS

Independent Auditor's Report

Mr. Thomas L. Wagner, Jr., CPA
State Auditor
State of South Carolina
Columbia, South Carolina

We have audited the financial statements of the South Carolina Retirement Systems as of and for the year ended June 30, 2002, as listed in the table of contents. These financial statements are the responsibility of the South Carolina Retirement Systems' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 audit provides a reasonable basis for our opinion.

As described in Note I, the financial statements present only the funds of the South Carolina Retirement Systems and do not include any other agencies, institutions, departments or component units of the State of South Carolina primary government.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the South Carolina Retirement Systems, as of June 30, 2002, and the changes in plan net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note VIII to the financial statements, the South Carolina Retirement Systems is a party to a legal action claiming substantial amounts as a result of the computation of retirement benefits for certain retired members and the collection of excess contributions. The ultimate outcome of the litigation cannot be presently determined. Accordingly, no provision for any liability has been made in the accompanying financial statements.

Management's Discussion and Analysis on pages 2 to 4 and the required supplementary information on pages 21 and 22 are not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedule of changes in plan net assets – by system, schedule of administrative expenses, schedule of professional consultant fees, and schedule of investment expenses on pages 23 to 28 are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Rogers & Laban, PA

September 23, 2002



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Management's Discussion and Analysis

The following discussion and analysis provides a narrative introduction to the basic financial statements and an analytical overview of the South Carolina Retirement Systems' financial activities for the fiscal year ended June 30, 2002.

Financial Highlights

- Plan net assets of the four pension funds administered by the South Carolina Retirement Systems decreased \$111.1 million during fiscal year 2002. This decrease was due primarily to the downturn in world equity markets, as net investment earnings were \$1.26 billion less than fiscal year 2001.
- Employee contributions decreased by \$21.2 million or 4.30 percent compared to fiscal year 2001. This decrease was due to the significant inflow of employee contributions in the prior fiscal year, 2001, related to service purchases by our membership. Service reform legislation became effective July 1, 2001, which substantially changed the cost structure of service purchase. Furthermore, due to retirement and separation incentives offered by employers in response to state budget cuts, the average number of contributing members dropped by almost 6,000 or 2.6 percent.
- Employer contributions increased by \$13 million or 2.19 percent compared to fiscal year 2001. The primary cause of this increase is employer contributions paid as incentive benefits for employee service credit purchases, which totaled approximately \$12.5 million for the current fiscal year.
- Our deferred retirement option program, which was initiated during the middle of the prior year (effective January 1, 2001), continued to experience great popularity among our membership during fiscal year 2002. Our liability for the program increased by \$175 million during the fiscal year as a result of both growth in the number of participants in the program and accumulation of benefits continuing to be deferred on a monthly basis.
- The amount of retirement benefits paid as annuities to retired members and beneficiaries increased approximately 11.4 percent during the current fiscal year. The increase is attributable to continued effects of 28 year retirement, an increase in the number of members electing to retire as a result of retirement incentives and cost of living adjustments granted to eligible annuitants.

Overview of the Financial Statements

The Retirement Systems are a part of the primary government of the State of South Carolina and are included in the comprehensive annual financial report of the state. The Retirement Systems' financial statements provide information about the activities of the four defined benefit pension plans administered, in addition to comparative summary information about the activities of the Retirement Systems as a whole. The 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

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, group life insurance payments and administrative expenses.

Notes to the Financial Statements provide additional information and detail and are necessary in order to gain a full understanding of the financial statements.

Required Supplementary Information presents information concerning the Retirement Systems' funding progress and its obligations to provide pension benefits to members. A schedule of required employer contributions and a summary of actuarial assumptions and methods are also presented.

Condensed Financial Information

In order to ensure the Retirement Systems' ability to properly fund the payments of retirement benefits to members in future years, it is necessary to accumulate funds on a regular and systematic basis. The four defined benefit funds provide benefits to eligible employees of State, public school, local government and municipal, state legislative and judicial employers.

The principal sources from which the Systems derive revenues are employee contributions, employer contributions and earnings on investments. Expenses of the Systems consist primarily of payments of monthly annuities to

Plan Net Assets (Amounts in thousands)

	2002	2001	% Increase/ Decrease
Assets			
Cash and Cash Equivalents, Receivables and Prepaid Expenses	\$ 3,027,811	\$ 2,986,937	1.37%
Total Investments, at fair value	18,219,578	18,232,312	(0.07%)
Securities lending cash collateral invested	3,174,643	1,691,977	87.63%
Property, net of accumulated depreciation	4,171	4,289	(2.75%)
Total Assets	<u>24,426,203</u>	<u>22,915,515</u>	6.59%
Liabilities			
Deferred retirement benefits	229,590	54,644	320.16%
Obligations under securities lending	3,174,643	1,691,977	87.63%
Other accounts payable	70,414	106,193	(33.69%)
Total Liabilities	<u>3,474,647</u>	<u>1,852,814</u>	87.53%
Total Net Assets	<u>\$ 20,951,556</u>	<u>\$ 21,062,701</u>	(0.53%)

Changes in Plan Net Assets (Amounts in thousands)

	2002	2001	% Increase/ Decrease
Additions			
Employee Contributions	\$ 472,490	\$ 493,719	(4.30%)
Employer Contributions	606,272	593,298	2.19%
Investment Income	190,007	1,453,721	(86.93%)
Other Income	5,455	5,778	(5.59%)
Total Additions	<u>1,274,224</u>	<u>2,546,516</u>	(49.96%)
Deductions			
Total Annuities	1,278,304	1,031,203	23.96%
Refunds	75,303	80,430	(6.37%)
Group Life	15,119	14,297	5.75%
Administrative & other expenses	16,643	17,063	(2.46%)
Total Deductions	<u>1,385,369</u>	<u>1,142,993</u>	21.21%
Increase (Decrease) in Net Assets	<u>(111,145)</u>	<u>1,403,523</u>	(107.92%)
 Beginning Net Assets	 <u>21,062,701</u>	 <u>19,659,178</u>	 7.14%
Ending Net Assets	<u>\$ 20,951,556</u>	<u>\$ 21,062,701</u>	(0.53%)

retired members and their beneficiaries and refunds of member contributions paid upon termination. Other programs administered by the Systems include a group life insurance plan for both active and retired members and an accidental death plan for police officers.

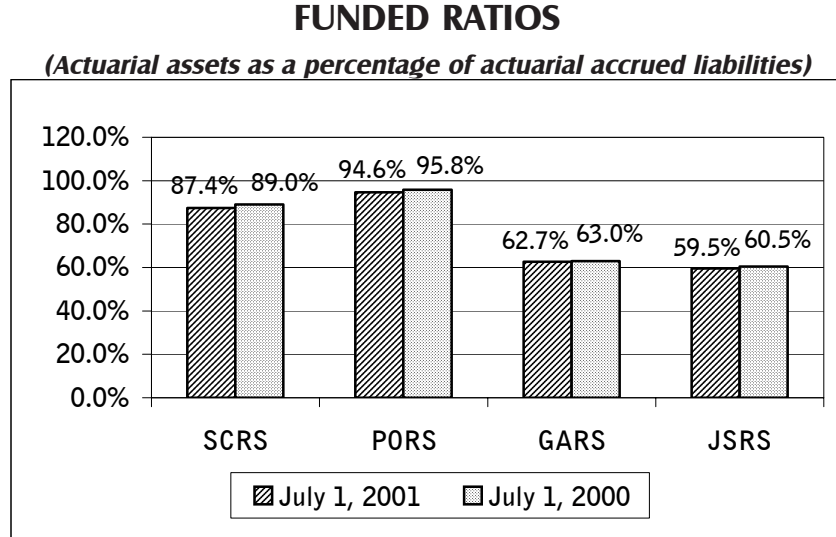
Analysis of Plan's Financial Position and Results of Operations

On a combined basis, plan net assets were \$20.95 billion at June 30, 2002, representing a less than one percent decrease in net assets from the previous year end. Because investment income is a major revenue source, adverse market conditions were the primary cause of the decrease compared to June 30, 2001. For an extensive discussion of our investments, please see the investment section of this report.

During fiscal year 2002, the total amount of retirement benefits increased by 23.96 percent. This was due primarily to the continued popularity of our deferred retirement option plan (also known as TERI – Teacher and Employee Retention Incentive). The TERI program allows a member to accumulate a tax-deferred monthly retirement benefit while continuing to earn a salary from full time employment. The SCRS holds the accumulated TERI retirement benefits in trust for the member, thus creating a liability for the SCRS. Total annuity expense also increased as a result of a 3.4 percent COLA granted to SCRS and PORS annuitants and a 2 percent COLA in the JSRS system. The continued effects of 28 year retirement in the SCRS system and the impact of retirement incentives offered by employers due to budget constraints in fiscal year 2002 also contributed to the increase in expenses.

Funding Status

An overall objective in the funding of any retirement system is to accumulate sufficient funds to pay benefits to participants when due. The greater the level of funding, the larger the ratio of actuarial assets to actuarial accrued liability. The most recent actuarial valuation, done as of July 1, 2001, indicates that the funded ratio of all four plans included in the Systems decreased slightly since the previous valuation. Funding levels of all of the plans are such that annual contributions are sufficient for the valuation to find the plans in good actuarial condition as of July 1, 2001. The changes in the levels of funding do not affect the availability of fund resources for future use. The funded ratios of the four plans are presented in the following graph.



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
PO Box 11960
Columbia, SC 29211-1960
Phone 803-737-6800

South Carolina Retirement Systems
Statement of Plan Net Assets
June 30, 2002
With comparative totals for June 30, 2001
(Amounts expressed in thousands)

	SCRS	PORS	GARS	JSRS	TOTAL	TOTAL 2001
ASSETS						
Cash and cash equivalents	\$ 2,219,417	\$ 356,948	\$ 2,617	\$ 16,607	\$ 2,595,589	\$ 2,591,529
Receivables						
Due from other Systems	261	375		39	675	670
Employee and employer contributions	119,716	14,363	59	372	134,510	139,625
Employer contributions long-term	2,079	29			2,108	2,719
Accrued investment income	168,595	19,158	421	944	189,118	198,224
Unsettled investment sales	93,767	11,190	216	487	105,660	54,170
Total receivables	384,418	45,115	696	1,842	432,071	395,408
Investments, at fair value						
Short-term securities	314,303	17,399			331,702	24,829
United States Government securities	2,054,141	205,538	6,534	3,778	2,269,991	2,736,882
United States Government agencies and government-insured	1,856,920	254,778	4,250	11,060	2,127,008	3,051,290
Corporate bonds	4,742,174	562,439	12,195	29,025	5,345,833	4,949,496
Financial and other	2,314,936	259,144	3,891	9,017	2,586,988	2,843,834
Equities	4,943,877	577,705	11,506	24,968	5,558,056	4,625,981
Total investments	16,226,351	1,877,003	38,376	77,848	18,219,578	18,232,312
Prepaid administrative expenses	134	16		1	151	
Securities lending cash collateral invested	2,824,390	334,614	6,644	8,995	3,174,643	1,691,977
Capital assets, net of accumulated depreciation	3,758	384	11	18	4,171	4,289
Total assets	21,658,468	2,614,080	48,344	105,311	24,426,203	22,915,515
LIABILITIES						
Due to other Systems	395	206	74		675	670
Accounts payable - unsettled investment purchases	37,472	4,395	86	190	42,143	76,375
Investment fees payable	3,112	374	7	16	3,509	2,953
Obligations under securities lending	2,824,390	334,614	6,644	8,995	3,174,643	1,691,977
Deferred retirement benefits	229,590				229,590	54,644
Due to State Health Insurance Plan	20,746	432			21,178	20,945
Accounts payable and accrued expenses	2,424	472	2	11	2,909	5,250
Total liabilities	3,118,129	340,493	6,813	9,212	3,474,647	1,852,814
Net assets held in trust for Pension Benefits (a schedule of funding progress for each plan is presented on Page 21)	\$18,540,339	\$ 2,273,587	\$ 41,531	\$ 96,099	\$20,951,556	\$21,062,701

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

South Carolina Retirement Systems

Statement of Changes in Plan Net Assets

Year Ended June 30, 2002

With comparative totals for the year ended June 30, 2001
(Amounts expressed in thousands)

	SCRS	PORS	GARS	JSRS	TOTAL	TOTAL 2001
Additions						
Contributions						
Employee	\$ 413,850	\$ 56,562	\$ 641	\$ 1,437	\$ 472,490	\$ 493,719
Employer	509,044	88,608	2,627	5,993	606,272	593,298
Transfers of contributions from other Systems	55	1,974	2	191	2,222	2,156
Total contributions	922,949	147,144	3,270	7,621	1,080,984	1,089,173
Investment Income						
Net appreciation (depreciation) in fair value of investments	(610,461)	(75,666)	(1,935)	(3,233)	(691,295)	492,988
Interest and dividend income	785,536	95,125	1,973	4,302	886,936	965,333
Investment expense	(12,986)	(1,481)	(31)	(61)	(14,559)	(10,710)
Net income from investing activities	162,089	17,978	7	1,008	181,082	1,447,611
From securities lending activities:						
Securities lending income	51,503	5,670	202	163	57,538	97,845
Securities lending expense	(43,308)	(4,978)	(181)	(146)	(48,613)	(91,735)
Net income from securities lending activities	8,195	692	21	17	8,925	6,110
Total net investment income	170,284	18,670	28	1,025	190,007	1,453,721
Supplemental retirement benefits funded by the State	3,141	92			3,233	3,622
Total additions	1,096,374	165,906	3,298	8,646	1,274,224	2,546,516
Deductions						
Refunds of contributions to members	63,936	11,214	23	130	75,303	80,430
Transfers of contributions to other Systems	2,104		118		2,222	2,156
Regular retirement benefits	957,114	111,216	4,537	8,063	1,080,930	970,297
Deferred retirement benefits	193,283				193,283	56,487
Supplemental retirement benefits	3,141	92			3,233	3,622
Group life insurance claims	13,492	1,608	12	7	15,119	14,297
Accidental death benefits		858			858	797
Depreciation	107	11			118	119
Administrative expense	12,699	1,509	30	65	14,303	14,788
Total deductions	1,245,876	126,508	4,720	8,265	1,385,369	1,142,993
Net increase (decrease)	(149,502)	39,398	(1,422)	381	(111,145)	1,403,523
Net assets held in trust for Pension Benefits						
Beginning of year	18,689,841	2,234,189	42,953	95,718	21,062,701	19,659,178
End of year	\$18,540,339	\$ 2,273,587	\$ 41,531	\$ 96,099	\$20,951,556	\$21,062,701

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)

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 1976 South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for teachers 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.

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 and solicitors.

A summary of information related to participating employers and members as of June 30, 2002, follows (dollars in thousands):

	<u>State*</u>	<u>School</u>	<u>Other</u>	<u>Total</u>
SCRS				
Number of Employers	113	97	536	746
Annual Covered Payroll	\$ 2,078,505	\$ 2,669,411	\$ 1,304,234	\$ 6,052,150
Average Number of Contributing Members	63,120	88,500	49,202	200,822
PORS				
Number of Employers	43	4	255	302
Annual Covered Payroll	\$ 327,882	\$ 158	\$ 451,422	\$ 779,462
Average Number of Contributing Members	11,439	9	14,116	25,564
GARS				
Number of Employers	2			2
Annual Covered Payroll	\$ 3,596			\$ 3,596
Average Number of Contributing Members	170			170
JSRS				
Number of Employers	2			2
Annual Covered Payroll	\$ 14,267			\$ 14,267
Average Number of Contributing Members	128			128

*Note: Each state agency is considered a separate employer for reporting purposes.

Based upon the most recent, complete actuarial valuation (July 1, 2001), membership in the Systems was as follows:

	SCRS	PORS	GARS	JSRS
Retirees and beneficiaries currently receiving benefits	74,054	6,970	251	118
Terminated members entitled to but not yet receiving benefits	138,434	7,980	80	7
Total active members	<u>191,494</u>	<u>24,821</u>	<u>209</u>	<u>128</u>
Total	<u><u>403,982</u></u>	<u><u>39,771</u></u>	<u><u>540</u></u>	<u><u>253</u></u>

A brief summary of benefit provisions and eligibility criteria is presented.

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.

ORP and State ORP

As an alternative to membership in SCRS, certain teachers and administrators employed by the institutions of higher learning or publicly supported technical colleges have the option to participate in the Optional Retirement Program (ORP). Likewise, certain public school employees have the option to participate in the State Optional Retirement Program (State ORP). ORP and 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 the ORP or State ORP benefits. Rather, the benefits are the liability of the investment providers and are governed by the terms of the contracts issued by them. For this reason, the ORP and State ORP programs are not considered part of the SCRS for financial statement purposes.

Contributions to the ORP and 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 percent) and a portion of the employer contribution (5 percent). Also, a direct remittance is required to SCRS for a portion of the employer contribution (2.55 percent), which must be retained by SCRS.

ORP and State ORP Activity Year Ended June 30, 2002 (Amounts in millions)

	<u>ORP</u>	<u>State ORP</u>
Covered Payroll	\$ 206.2	\$ 54.3
Amount Retained by SCRS	5.3	1.4
Employee Contributions	12.4	3.3
Employer Contributions	10.3	2.7

PORS

All police officers with principle job duties of preserving public order, protecting life and property, and detecting crimes in the state; firefighters with principle job duties of preventing or controlling property destruction by fire; magistrates; probate judges; or coroners in full-time, permanent positions; or a peace officer employed by the SC Department of Corrections or the SC Department of Juvenile Justice. PORS members must earn at least \$2,000 and devote at least 1,600 hours per fiscal year to this work.

GARS

All persons are required to participate in and contribute to the System upon taking office as a member of the General Assembly.

JSRS

All solicitors, 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.

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 deferred annuity at age 60 with five years earned service. A group life insurance benefit is also provided to members with at least one year of service.

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. A group life insurance benefit is also provided to members with at least one year of service. An additional accidental death benefit is provided to officers killed in the line of duty.

SCRS and PORS retirees may receive ad hoc cost-of-living adjustments of up to 4 percent annually based on increases in the Consumer Price Index. The State Budget and Control Board grants increases in accordance with its funding policies and state statute.

GARS

A member is eligible for a monthly pension at age 60 or with 30 years credited service. A member is eligible to receive a deferred annuity with eight years service. A group life insurance benefit is also provided to members with at least one year of service.

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 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 regardless of age. A member is eligible to receive a deferred annuity with 12 years service. A group life insurance benefit is also provided to members with at least one year of service.

GARS and JSRS retirees receive increases in benefits based upon increases in current salary of the respective active positions.

Membership, benefits and employee and employer contribution requirements are prescribed in Title 9 of the South Carolina Code of Laws of 1976 (as amended).

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 four public employee retirement systems administered by the Systems.

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. This fund assesses administrative charges 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.

Cash and Cash Equivalents

The Systems classify as cash and cash equivalents, cash on deposit in financial institutions, and cash on deposit in the State's internal cash management pool. The Systems also classify certain short-term highly liquid securities with an original maturity of three months or less as cash equivalents.

Contributions

Employee and employer contributions are reported in the period in which the contributions are due. Substantially all contributions receivable are collected within 30 days of year-end. Under certain conditions new employers entering the System are allowed up to 10 years to remit matching employer contributions resulting from their employee's purchase of prior service credits. Interest is assessed annually on the unpaid balance of these accounts. Transfers between systems are statutorily authorized transfers of contributions and service credit from one retirement system to another retirement system.

Investments

Investments are reported at fair value. Short term securities categorized as cash or cash equivalents are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price. Investment

income consists of realized and unrealized appreciation (depreciation) in the fair value of investments, interest income earned, dividend income earned, less investments expense, plus income from securities lending activities, less deductions for security lending expenses. Securities and securities transactions are reflected in the financial statements on a trade-date basis.

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 the following statutorily established rates:

SCRS	6% of earnable compensation
PORS	6.5% of earnable compensation
GARS	10% of earnable compensation
JSRS	7% of earnable compensation

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

In accordance with provisions of the 2001-2002 State Appropriations Act, an additional employer contribution surcharge of 2.85 percent of covered payroll was added to the contribution rate applicable to State and local governments, and Public School entities covered by the State Health Insurance Plan. 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. Functioning as a collecting agent, SCRS and PORS collected (in thousands) \$152,472 and \$9,390 respectively in retiree insurance surcharges (\$7,442 of which was applicable to the ORP and the State ORP) and remitted these funds to the State Health Insurance Plan.

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

The Employee Fund is credited with all contributions made by active members of the Systems. Interest is added to each member's individual account at an annual rate of 6 percent. Upon termination of employment prior to retirement, employee contributions and accumulated interest may be refunded from this fund to the employee. Upon retirement, members' accumulated contributions and interest are transferred to the Employer Fund for subsequent payment of benefits.

The Employer Fund is the fund to which all employer retirement contributions and investment earnings of the Employee and Employer Funds are credited.

Interest earnings allocated to individual member accounts in the Employee Fund are transferred from the Employer Fund. At retirement, accumulated employee contributions and interest are transferred from the Employee Fund to the Employer Fund. All annuities and administrative expenses of the Systems are paid from the Employer Fund.

The Group Life Insurance Fund (SCRS and PORS only) is the fund to which participating employers contribute for the purpose of providing a life insurance benefit to active and retired members of the Systems. Employer contributions and earnings are credited to this fund.

Group life insurance benefit payments are charged to 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 police officers and firemen 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 annuities are disbursed from this fund.

Balances (amounts in thousands) in the respective reserves at June 30, 2002, were as follows:

	SCRS	PORS	GARS	JSRS
Employee Fund	\$ 4,512,402	\$ 492,178	\$ 9,470	\$ 16,162
Employer Fund	13,927,029	1,744,172	32,061	79,937
Group Life Insurance Fund	100,908	17,516		
Accidental Death Fund		19,721		
	<u>\$18,540,339</u>	<u>\$ 2,273,587</u>	<u>\$ 41,531</u>	<u>\$ 96,099</u>

III. Deposits and Investments

Deposits

As prescribed by statute, the State Treasurer is the custodian and investment manager of all fixed income deposits and investments of the Systems. All deposits are required to be insured or collateralized with securities held by the State or its agent in the State Treasurer's name as custodian. Category 1 deposits are those covered by Federal depository insurance or by collateral held by the Systems or by its agent in the Systems' name. Category 2 deposits are collateralized with securities held by the pledging financial institution's trust department or agent in the Systems' name. Category 3 deposits are uncollateralized. At June 30, 2002, all of the deposits of the Systems were fully insured or collateralized by securities recorded in the Systems' name and held by the Systems' agent.

The carrying amount of the System's deposits at June 30, 2002, was as follows (in thousands):

SCRS	\$ 5,441
PORS	984
GARS	3
JSRS	16
Totals	<u>\$ 6,444</u>

Investments

The Systems may invest in a variety of instruments including obligations of the United States and its agencies and securities fully guaranteed by the United States, certain corporate obligations, certain shares of Federal savings and loan associations and State Chartered savings and loan associations, collateralized repurchase agreements, and equity securities. Governmental accounting standards require that the investments reported as of the balance sheet date be categorized according to the level of credit risk associated with the Systems' custodial arrangements at that time. The level of credit risk is defined as follows: Category 1 – insured and registered, or securities held by the Systems or in the Systems' name; Category 2 – uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Systems' name; and Category 3 – uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Systems' name.

The tables on pages 12-15 present the credit risk and fair value of investments (in thousands) by system and type at June 30, 2002. For purposes of classification in these tables, a security is a transferable financial instrument that evidences ownership or creditorship. Investments included in the "Equities – S&P 500 Index" and "Equities – Russell 2000 Index" are mutual funds and are not considered securities for purposes of credit risk classification.

South Carolina Retirement System

<u>INVESTMENTS</u>	<u>INVESTMENT RISK CATEGORY</u>			<u>June 30, 2002</u>	<u>June 30, 2001</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Fair Value</u>	<u>Fair Value</u>
Investments - categorized:					
Short term securities	\$ 314,303	None	None	\$ 314,303	\$ 24,829
U.S. Government securities:					
Unloaned securities	1,186,567			1,186,567	1,425,378
On securities loan-noncash collateral	2,143			2,143	
U.S. Government agencies:					
Unloaned securities	827,089			827,089	2,495,718
Corporate bonds:					
Unloaned securities	4,601,481			4,601,481	4,402,481
Financial & other	2,314,936			2,314,936	2,533,905
Equities:					
Unloaned securities	1,886,469			1,886,469	1,991,759
Total - categorized	<u>\$ 11,132,988</u>			<u>11,132,988</u>	<u>12,874,070</u>
Investments - not categorized:					
Equities - S&P 500 Index Fund				2,302,354	1,963,918
Equities - Russell 2000 Index Fund				59,776	
Investments held by broker-dealers under securities loans with cash collateral:					
U.S. Government securities				865,431	1,036,472
U.S. Government agencies				1,029,831	208,325
Corporate bonds				140,693	31,838
Equities				695,278	162,020
Total - not categorized				<u>5,093,363</u>	<u>3,402,573</u>
Total investments				16,226,351	16,276,643
Securities lending cash collateral invested			\$ 2,824,390	<u>2,824,390</u>	<u>1,505,119</u>
Total			<u>\$ 2,824,390</u>	<u>\$ 19,050,741</u>	<u>\$ 17,781,762</u>

Police Officers Retirement System

<u>INVESTMENTS</u>	<u>INVESTMENT RISK CATEGORY</u>			<u>June 30, 2002</u>	<u>June 30, 2001</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Fair Value</u>	<u>Fair Value</u>
Investments - categorized:					
Short term securities	\$ 17,399	None	None	\$ 17,399	
U.S. Government securities:					
Unloaned securities	88,820			88,820	\$ 133,599
On securities loan-noncash collateral	3,418			3,418	
U.S. Government agencies:					
Unloaned securities	127,054			127,054	300,896
Corporate bonds:	562,439			562,439	
Unloaned securities					478,616
Financial & other	259,144			259,144	295,621
Equities:					
Unloaned securities	217,972			217,972	231,544
Total - categorized	<u>\$ 1,276,246</u>			<u>1,276,246</u>	<u>1,440,276</u>
Investments - not categorized:					
Equities - S&P 500 Index Fund				269,081	227,213
Equities - Russell 2000 Index Fund				7,027	
Investments held by broker-dealers under securities loans with cash collateral:					
U.S. Government securities				113,300	128,835
U.S. Government agencies				127,724	16,685
Corporate bonds					22
Equities				83,625	19,161
Total - not categorized				<u>600,757</u>	<u>391,916</u>
Total investments				1,877,003	1,832,192
Securities lending cash collateral invested			\$ 334,614	334,614	171,390
Total			<u>\$ 334,614</u>	<u>\$ 2,211,617</u>	<u>\$ 2,003,582</u>

General Assembly Retirement System

<u>INVESTMENTS</u>	<u>INVESTMENT RISK CATEGORY</u>			<u>June 30, 2002</u>	<u>June 30, 2001</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Fair Value</u>	<u>Fair Value</u>
Investments - categorized:					
U.S. Government securities:					
Unloaned securities	\$ 1,977	None	None	\$ 1,977	\$ 1
On securities loan-noncash collateral	361			361	
U.S. Government agencies:					6,333
Unloaned securities	3,699			3,699	
Corporate bonds	12,195			12,195	11,644
Financial & other	3,891			3,891	4,602
Equities:					
Unloaned securities	4,374			4,374	4,646
Total - categorized	<u>\$ 26,497</u>			<u>26,497</u>	<u>27,226</u>
Investments - not categorized:					
Equities - S&P 500 Index Fund				5,378	4,626
Equities - Russell 2000 Index Fund				143	
Investments held by broker-dealers under securities loans with cash collateral:					
U.S. Government securities				4,196	8,747
U.S. Government agencies				551	
Equities				1,611	382
Total - not categorized				<u>11,879</u>	<u>13,755</u>
Total investments				38,376	40,981
Securities lending cash collateral invested			\$ 6,644	6,644	9,437
Total			<u>\$ 6,644</u>	<u>\$ 45,020</u>	<u>\$ 50,418</u>

Judges and Solicitors Retirement System

<u>INVESTMENTS</u>	<u>INVESTMENT RISK CATEGORY</u>			<u>June 30, 2002</u>	<u>June 30, 2001</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Fair Value</u>	<u>Fair Value</u>
Investments - categorized:					
U.S. Government securities:		None	None		
Unloaned securities	\$ 1,552			\$ 1,552	
U.S. Government agencies:					
Unloaned securities	8,868			8,868	\$ 22,282
Corporate bonds:					24,895
Unloaned securities	28,525			28,525	
Financial & other	9,017			9,017	9,706
Equities:					
Unloaned securities	9,263			9,263	9,937
Total - categorized	<u>\$ 57,225</u>			<u>\$ 57,225</u>	<u>66,820</u>
Investments - not categorized:					
Equities - S&P 500 Index Fund				11,722	9,926
Equities - Russell 2000 Index Fund				307	
Investments held by broker-dealers under securities loans with cash collateral:					
U.S. Government securities				2,226	3,850
U.S. Government agencies				2,192	1,051
Corporate bonds				500	
Equities				3,676	849
Total - not categorized				<u>20,623</u>	<u>15,676</u>
Total investments				77,848	82,496
Securities lending cash collateral invested		\$ 8,995		8,995	6,031
Total		<u>\$ 8,995</u>		<u>\$ 86,843</u>	<u>\$ 88,527</u>

Summary for South Carolina Retirement Systems

<u>INVESTMENTS</u>	<u>INVESTMENT RISK CATEGORY</u>			<u>June 30, 2002</u>	<u>June 30, 2001</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Fair Value</u>	<u>Fair Value</u>
Investments - categorized:					
Short term securities	\$ 331,702	None	None	\$ 331,702	\$ 24,829
U.S. Government securities:					
Unloaned securities	1,278,916			1,278,916	1,558,978
On securities loan-noncash collateral	5,922			5,922	
U.S. Government agencies:					
Unloaned securities	966,710			966,710	2,825,229
Corporate bonds:	574,634			574,634	
Unloaned securities	4,630,006			4,630,006	4,917,636
Financial & other	2,586,988			2,586,988	2,843,834
Equities:					
Unloaned securities	2,118,078			2,118,078	2,237,886
Total - categorized	\$ 12,492,956			12,492,956	14,408,392
Investments - not categorized:					
Equities - S&P 500 Index Fund				2,588,535	2,205,683
Equities - Russell 2000 Index Fund				67,253	
Investments held by broker-dealers under securities loans with cash collateral:					
U.S. Government securities				985,153	1,177,904
U.S. Government agencies				1,160,298	226,061
Corporate bonds				141,193	31,860
Equities				784,190	182,412
Total - not categorized				5,726,622	3,823,920
Total investments				18,219,578	18,232,312
Securities lending cash collateral invested			\$ 3,174,643	3,174,643	1,691,977
Total			\$ 3,174,643	\$ 21,394,221	\$ 19,924,289

Certain short-term, highly liquid securities, which were insured or registered by the Systems or in the Systems' name (investment credit risk category 1), with an original maturity of three months or less are considered cash equivalents in accordance with Governmental Accounting Standards Board Statement 9. These investments (in thousands) at June 30, 2002, were composed of the following:

Cash Equivalents

	Repurchase Agreements	Discount Notes	Commercial Paper	Total	Total 2001
SCRS	\$ 1,130,074	\$ 496,604	\$ 587,298	\$ 2,213,976	\$ 2,201,224
PORS	226,079	99,893	29,992	355,964	369,085
GARS	2,614			2,614	1,501
JSRS	16,591			16,591	11,930
Totals	<u>\$ 1,375,358</u>	<u>\$ 596,497</u>	<u>\$ 617,290</u>	<u>\$ 2,589,145</u>	<u>\$ 2,583,740</u>

The Systems maintains a portfolio of short-term securities in order to actively manage all funds waiting to be placed in a more permanent investment. These short-term securities may include U.S. Treasury obligations, commercial paper, and repurchase agreements. As of June 30, 2002, the Systems held the following short-term investments (in thousands):

Short-term Securities

	Discount Notes	Commercial Paper	Total	Total 2001
SCRS	\$ 188,477	\$ 125,826	\$ 314,303	\$ 24,829
PORS		17,399	17,399	
Totals	<u>\$ 188,477</u>	<u>\$ 143,225</u>	<u>\$ 331,702</u>	<u>\$ 24,829</u>

Effective May 26, 1998, legislation was passed implementing the 1996 public vote amending the State Constitution to allow the Retirement Systems to invest in equity securities. This legislation established a five-member investment panel responsible for defining and developing the investment objectives and the types of investments to be purchased. The Act also specified that a maximum of 10 percent of the assets for each system may be invested in equities annually until a maximum of 40 percent of assets are invested in equities. As of June 30, 2002, the Retirement Systems' assets were invested in equities as follows (in thousands):

Equity Investments

	S&P 500 Index Fund	Russell 2000 Index Fund	Equities	Total Equities	Total 2001
SCRS	\$ 2,302,354	\$ 59,776	\$ 2,581,747	\$ 4,943,877	\$ 4,117,697
PORS	269,081	7,027	301,597	577,705	477,918
GARS	5,378	143	5,985	11,506	9,654
JSRS	11,722	307	12,939	24,968	20,712
Totals	<u>\$ 2,588,535</u>	<u>\$ 67,253</u>	<u>\$ 2,902,268</u>	<u>\$ 5,558,056</u>	<u>\$ 4,625,981</u>

The Systems retains a consultant to provide investment consulting services necessary to fulfill the duties for investing in equity securities. As of June 30, 2002, 15 individual agreements were in place between the Systems and equity investment managers.

On June 30, 2002, the Systems held collateralized mortgage obligations (CMOs) in its portfolios. The CMOs in these portfolios consist of the planned amortizations class-1 (PAC-1) tranche of these issues. The PAC-1 tranche CMO structure securities were entered into for several reasons: (1) to protect the Retirement Systems' portfolios from principal prepayment risk during an environment of declining interest rates, (2) to provide incremental yield above that available on corporate securities with similar terms, (3) to provide diversification in the portfolios, (4) to maintain the high quality of government-sponsored credits in the portfolios, and (5) to utilize the estimated future term cash flows provided by these securities to match the term of the liabilities of the Retirement Systems. These securities are all rated AAA by the major rating agencies and the PAC-1 structure is a highly marketable security.

The Systems held the following CMOs included in the financial and other category (in thousands):

Collateral Mortgage Obligations (CMOs)

	June 30, 2002	June 30, 2001
	<u>Fair Value</u>	<u>Fair Value</u>
SCRS	\$ 551,841	\$ 607,986
PORS	18,728	23,129
GARS	964	1,331
JSRS	762	1,052
Totals	<u>\$ 572,295</u>	<u>\$ 633,498</u>

On June 30, 2002, the Systems also held asset-backed securities in its portfolios. These securities had an average life of one to three years with a legal final maturity of two to five years. These securities represent an undivided ownership interest in a trust consisting of auto loan and utility receivables. These securities are rated AAA by the major rating agencies. In addition, under the asset-backed securities category, the Systems held bonds issued by the South Carolina Tobacco Settlement Revenue Management Authority. These securities are rated Aa3 and have an average life of 4.12 years with a legal maturity of 2016.

The Systems held the following asset-backed securities included in the financial and other investments category (in thousands):

Asset Backed Securities

	June 30, 2002	June 30, 2001
	<u>Fair Value</u>	<u>Fair Value</u>
SCRS	\$ 167,772	\$ 388,773
PORS	32,321	63,775
JSRS	1,274	1,477
Totals	<u>\$ 201,367</u>	<u>\$ 454,025</u>

In addition to CMOs and asset-backed securities, the financial and other investments category primarily consisted of corporate financial paper as follows (in thousands):

Corporate Financial Paper

	June 30, 2002	June 30, 2001
	<u>Fair Value</u>	<u>Fair Value</u>
SCRS	\$ 1,595,323	\$ 1,537,146
PORS	208,095	208,717
GARS	2,927	3,271
JSRS	6,981	7,177
Totals	<u>\$ 1,813,326</u>	<u>\$ 1,756,311</u>

Securities Lending

Through a custodial agent, SCRS, PORS, GARS, and JSRS participate in a securities lending program whereby securities are loaned for the purpose of generating additional income to the Systems. 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, 2002, included U.S. Government securities, U.S. Government agencies, corporate bonds, and equities. The contractual agreement with the Systems' custodian provides indemnification in the event the borrower fails to return the securities lent or fails to pay the Systems income distribution by the securities' issuers while the securities are on loan. Cash and U.S. Government securities were received as collateral for these loans. The Systems cannot pledge or sell collateral securities without a borrower default. The Systems invest 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. 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 ranged from 1 to 57 days. The average weighted maturity of investments made with cash collateral ranged from 18 to 29 days. At June 30, 2002, 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.

	June 30, 2002					June 30, 2001
	SCRS	PORS	GARS	JSRS	TOTAL	TOTAL
Securities lent for cash collateral:						
U.S. Government securities	\$ 865,431	\$ 113,300	\$ 4,196	\$ 2,226	\$ 985,153	\$ 1,177,904
U.S. Government agencies	1,029,831	127,724	551	2,192	1,160,298	226,061
Corporate bonds	140,693			500	141,193	31,860
Equities	695,278	83,625	1,611	3,676	784,190	182,412
Total for cash collateral	2,731,233	324,649	6,358	8,594	3,070,834	1,618,237
Securities lent for noncash collateral:						
U.S. Government securities	2,143	3,418	361		5,922	
Total securities lent	\$ 2,733,376	\$ 328,067	\$ 6,719	\$ 8,594	\$ 3,076,756	\$ 1,618,237
Cash collateral invested as follows:						
Repurchase agreements	\$ 49,078	\$ 39,339	\$ 2,303	\$ 2,375	\$ 93,095	\$ 755,377
Corporate bonds	2,775,312	295,275	4,341	6,620	3,081,548	831,859
Commercial Paper						104,741
Total collateral invested	2,824,390	334,614	6,644	8,995	3,174,643	1,691,977
Securities received as collateral:						
U.S. Government securities	2,240	3,478	377		6,095	
Total collateral invested	\$ 2,826,630	\$ 338,092	\$ 7,021	\$ 8,995	\$ 3,180,738	\$ 1,691,977

IV. Capital Assets

Capital assets at June 30, 2002, consists of the following amounts (in thousands). There were no additions or dispositions of capital assets during the year.

	<u>SCRS</u>	<u>PORS</u>	<u>GARS</u>	<u>JSRS</u>	<u>TOTAL</u>	<u>TOTAL 2001</u>
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	1,045	107	3	5	1,160	1,042
Net capital assets	\$ 3,758	\$ 384	\$ 11	\$ 18	\$ 4,171	\$ 4,289

V. 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 38 percent of combined contribution revenues. In addition, the Systems receives custodial, investment and related services from the State Treasurer.

At June 30, 2002, liabilities of approximately \$21.1 million were due to other State departments and agencies and contributions receivable of approximately \$25.1 million were due from other State departments and agencies.

VI. Teacher and Employee Retention Incentive Program

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. The member no longer contributes to SCRS and no additional service credit is earned. A TERI participant is ineligible for active group life insurance benefits and disability retirement benefits. During the TERI participation period, the retiree's monthly benefits are accrued and accumulate in our trust account. Upon the 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 funds accumulated in the TERI account.

A total of 8,271 members were participating in the TERI program at June 30, 2002. The activity for this program is reflected in the following schedule:

Schedule of TERI Activity Year Ended June 30, 2002 (Amounts in thousands)

Beginning Balance	\$ 54,644
Additions	193,283
TERI Distributions	(18,337)
Ending Balance	\$ 229,590

VII. Adoption of Accounting Pronouncement

As of Fiscal Year 2002, the Systems implemented the Governmental Accounting Standards Board Statement No. 34 Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments. The only change resulting from this implementation is the presentation of the MD&A.

VIII. Litigation

On September 21, 2001, two employees and an employer filed a putative class action lawsuit against the South Carolina Retirement Systems and the South Carolina Budget and Control Board alleging that the Retirement Systems wrongfully denied benefits to members of the South Carolina Retirement System (SCRS) and the Police Officers Retirement System (PORS) due to misinterpretation of the definition of average final compensation. The plaintiffs further allege that SCRS and PORS collected over \$2 billion and \$500 million respectively, in excess contributions. Plaintiffs seek a declaratory judgment that a benefit was wrongfully denied and/or that excess contributions were collected and request that contributions be reduced in the future. Plaintiffs seek a refund of over \$2 billion to members and employers. Finally, plaintiffs seek to impose a constructive trust on monies overpaid by plaintiffs and/or wrongfully withheld by the Systems. The Retirement Systems believes that the Systems are providing retirement benefits to members and collecting contributions from employers and members in accordance with current State laws. The Systems believes its position is meritorious and will vigorously defend it.

South Carolina Retirement Systems

Required Supplementary Information

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						
7/01/01	\$ 18,486,773	\$ 21,162,147	\$ 2,675,374	87.4%	\$ 6,017,537	44.5%
7/01/00	17,286,108	19,414,972	2,128,864	89.0%	5,881,847	35.1%
7/01/99	16,120,513	16,298,438	177,925	98.9%	5,473,759	3.3%
7/01/98	14,946,070	15,952,345	1,006,275	93.7%	5,191,048	19.4%
7/01/97	13,621,362	14,977,179	1,355,817	90.9%	4,927,124	27.5%
7/01/96	12,499,235	14,062,092	1,562,857	88.9%	4,540,100	34.4%
7/01/95	11,453,462	12,980,497	1,527,035	88.2%	4,318,827	35.4%
PORS						
7/01/01	2,197,982	2,324,257	126,275	94.6%	757,335	16.7%
7/01/00	2,008,554	2,095,991	87,437	95.8%	716,749	12.2%
7/01/99	1,844,517	1,898,237	53,720	97.2%	638,086	8.4%
7/01/98	1,684,641	1,733,578	48,937	97.2%	606,426	8.1%
7/01/97	1,512,390	1,570,816	58,426	96.3%	562,553	10.4%
7/01/96	1,367,549	1,427,785	60,236	95.8%	505,516	11.9%
7/01/95	1,236,610	1,299,119	62,509	95.2%	475,176	13.2%
GARS						
7/01/01	42,788	68,291	25,503	62.7%	4,761	535.6%
7/01/00	40,730	64,616	23,886	63.0%	4,858	491.7%
7/01/99	38,685	63,501	24,816	60.9%	4,979	498.4%
7/01/98	36,260	60,330	24,070	60.1%	4,810	500.4%
7/01/97	33,627	60,052	26,425	56.0%	4,721	559.7%
7/01/96	31,702	59,914	28,212	52.9%	4,771	591.3%
7/01/95	30,528	58,577	28,049	52.1%	4,704	596.3%
JSRS						
7/01/01	94,795	159,246	64,451	59.5%	14,109	456.8%
7/01/00	87,536	144,631	57,095	60.5%	13,214	432.1%
7/01/99	81,780	134,272	52,492	60.9%	12,748	411.8%
7/01/98	75,699	124,756	49,057	60.7%	11,564	424.2%
7/01/97	68,980	112,185	43,205	61.5%	11,221	385.0%
7/01/96	62,850	101,020	38,170	62.2%	10,109	377.6%
7/01/95	57,917	94,420	36,503	61.3%	9,417	387.6%

Schedule of Employer Contributions

(Amounts expressed in thousands)

Year Ended June 30,	SCRS		PORS		GARS		JSRS	
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
2002	\$ 509,044	100%	\$ 88,608	100%	\$ 2,627	100%	\$ 5,993	100%
2001	491,329	100%	93,584	100%	2,510	100%	5,875	100%
2000	455,914	100%	76,267	100%	2,636	100%	5,659	100%
1999	419,918	100%	69,541	100%	2,768	100%	5,485	100%
1998	398,845	100%	65,538	100%	2,796	100%	4,991	100%
1997	374,452	100%	61,651	100%	2,492	100%	4,771	100%
1996	359,268	100%	55,956	100%	1,679	100%	4,244	100%

South Carolina Retirement Systems

Required Supplementary Information (continued)

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

Actuarial Assumptions and Methods

	SCRS	PORS	GARS	JSRS
Valuation date	07/01/01	07/01/01	07/01/01	07/01/01
Actuarial cost method	Entry age	Entry age	Entry age	Entry age
Amortization period	Level percent open	Level percent open	Level percent closed	Level percent open
Remaining amortization period	18 years	10 years	23 years	30 years
Asset valuation method	5-year smoothed market	5-year smoothed market	5-year smoothed market	5-year smoothed market
Actuarial assumptions:				
Investment rate of return	7.25%	7.25%	7.25%	7.25%
Projected salary increases	4.00% - 9.00%	5.25% - 9.00%	2.00%	5.25%
Includes inflation at	3.75%	3.75%	4.25%	4.25%
Cost-of-living adjustments	None	None	2.00%	4.25%

South Carolina Retirement Systems
Schedule of Changes in Plan Net Assets
SCRS Pension Trust Fund
Year Ended June 30, 2002
With comparative totals for the year ended June 30, 2001
(Amounts expressed in thousands)

	EMPLOYEE FUND	EMPLOYER FUND	GROUP LIFE FUND	TOTAL	TOTAL 2001
Additions					
Employee contributions					
State department employees	\$ 145,900			\$ 145,900	\$ 164,371
Public school employees	182,842			182,842	188,001
Other political subdivision employees	85,108			85,108	82,700
Employer contributions					
State department employees		\$ 186,873	\$ 3,433	190,306	184,853
Public school employees		221,520	4,444	225,964	213,183
Other political subdivision employees		91,033	1,741	92,774	93,293
Transfers of contributions from other Systems	55			55	3
Total contributions	413,905	499,426	9,618	922,949	926,404
Investment Income					
Net appreciation (depreciation) in fair value of investments		(607,120)	(3,341)	(610,461)	442,639
Interest and dividend income		781,247	4,289	785,536	855,280
Investment expense		(12,915)	(71)	(12,986)	(9,577)
Net income from investing activities		161,212	877	162,089	1,288,342
From securities lending activities:					
Securities lending income		51,221	282	51,503	88,545
Securities lending expense		(43,071)	(237)	(43,308)	(82,890)
Net income from securities lending activities		8,150	45	8,195	5,655
Total net investment income		169,362	922	170,284	1,293,997
Supplemental retirement benefits funded by the State		3,141		3,141	3,518
Total additions	413,905	671,929	10,540	1,096,374	2,223,919
Deductions					
Refunds of contributions to members	63,936			63,936	68,894
Transfers of contributions to other Systems	1,346	758		2,104	2,113
Regular retirement benefits		957,114		957,114	864,235
Deferred retirement benefits		193,283		193,283	56,487
Supplemental retirement benefits		3,141		3,141	3,518
Group life insurance claims			13,492	13,492	12,850
Depreciation		107		107	107
Administrative expense		12,630	69	12,699	13,154
Total deductions	65,282	1,167,033	13,561	1,245,876	1,021,358
Interfund transfers according to statutory requirements					
Contributions by members at retirement	(438,903)	438,903			
Interest credited to members' accounts	262,935	(262,935)			
Net interfund transfers	(175,968)	175,968			
Net increase (decrease)	172,655	(319,136)	(3,021)	(149,502)	1,202,561
Net assets held in trust for Pension Benefits					
Beginning of year	4,339,747	14,246,165	103,929	18,689,841	17,487,280
End of year	\$ 4,512,402	\$ 13,927,029	\$ 100,908	\$ 18,540,339	\$ 18,689,841

South Carolina Retirement Systems
Schedule of Changes in Plan Net Assets
PORS Pension Trust Fund
Year Ended June 30, 2002
With comparative totals for the year ended June 30, 2001
(Amounts expressed in thousands)

	EMPLOYEE FUND	EMPLOYER FUND	GROUP LIFE FUND	ACCIDENTAL DEATH FUND	TOTAL	TOTAL 2001
Additions						
Employee contributions						
State department employees	\$ 24,141				\$ 24,141	\$ 25,601
Public school employees	12				12	
Other political subdivision employees	32,409				32,409	30,244
Employer contributions						
State department employees		\$ 38,202	\$ 659	\$ 659	39,520	40,100
Public school employees		23	1	1	25	
Other political subdivision employees		47,347	885	831	49,063	53,484
Transfers of contributions from other Systems	1,216	758			1,974	1,835
Total contributions	57,778	86,330	1,545	1,491	147,144	151,264
Investment Income						
Net appreciation (depreciation) in fair value of investments		(74,433)	(591)	(642)	(75,666)	47,153
Interest and dividend income		93,581	740	804	95,125	103,050
Investment expense		(1,457)	(12)	(12)	(1,481)	(1,068)
Net income from investing activities		17,691	137	150	17,978	149,135
From securities lending activities:						
Securities lending income		5,578	44	48	5,670	8,908
Securities lending expense		(4,897)	(39)	(42)	(4,978)	(8,469)
Net income from securities lending activities		681	5	6	692	439
Total net investment income		18,372	142	156	18,670	149,574
Supplemental retirement benefits funded by the State		92			92	104
Total additions	57,778	104,794	1,687	1,647	165,906	300,942
Deductions						
Refunds of contributions to members	11,214				11,214	11,498
Transfers of contributions to other Systems						3
Regular retirement benefits		111,216			111,216	94,439
Supplemental retirement benefits		92			92	104
Group life insurance claims			1,608		1,608	1,399
Accidental death benefits				858	858	797
Depreciation		11			11	11
Administrative expense		1,484	12	13	1,509	1,537
Total deductions	11,214	112,803	1,620	871	126,508	109,788
Interfund transfers according to statutory requirements						
Contributions by members at retirement	(44,694)	44,694				
Interest credited to members' accounts	26,091	(26,091)				
Net interfund transfers	(18,603)	18,603				
Net increase (decrease)	27,961	10,594	67	776	39,398	191,154
Net assets held in trust for Pension Benefits						
Beginning of year	464,217	1,733,578	17,449	18,945	2,234,189	2,043,035
End of year	\$ 492,178	\$ 1,744,172	\$ 17,516	\$ 19,721	\$ 2,273,587	\$ 2,234,189

South Carolina Retirement Systems
Schedule of Changes in Plan Net Assets
GARS Pension Trust Fund
Year Ended June 30, 2002
With comparative totals for the year ended June 30, 2001
(Amounts expressed in thousands)

	EMPLOYEE FUND	EMPLOYER FUND	TOTAL	TOTAL 2001
Additions				
Contributions				
Employee contributions - State departments	\$ 641		\$ 641	\$ 844
Employer contributions - State departments		\$ 2,627	2,627	2,510
Transfers of contributions from other Systems	2		2	60
Total contributions	643	2,627	3,270	3,414
Investment Income				
Net appreciation (depreciation) in fair value of investments		(1,935)	(1,935)	867
Interest and dividend income		1,973	1,973	2,169
Investment expense		(31)	(31)	(21)
Net income from investing activities		7	7	3,015
From securities lending activities:				
Securities lending income		202	202	190
Securities lending expense		(181)	(181)	(183)
Net income from securities lending activities		21	21	7
Total net investment income		28	28	3,022
Total additions	643	2,655	3,298	6,436
Deductions				
Refunds of contributions to members	23		23	38
Transfers of contributions to other Systems	118		118	40
Regular retirement benefits		4,537	4,537	4,197
Group life insurance claims		12	12	42
Administrative expense		30	30	31
Total deductions	141	4,579	4,720	4,348
Interfund transfers according to statutory requirements				
Contributions by members at retirement	(901)	901		
Interest credited to members' accounts	540	(540)		
Net interfund transfers	(361)	361		
Net increase (decrease)	141	(1,563)	(1,422)	2,088
Net assets held in trust for Pension Benefits				
Beginning of year	9,329	33,624	42,953	40,865
End of year	\$ 9,470	\$ 32,061	\$ 41,531	\$ 42,953

South Carolina Retirement Systems
Schedule of Changes in Plan Net Assets
JSRS Pension Trust Fund
Year Ended June 30, 2002
With comparative totals for the year ended June 30, 2001
(Amounts expressed in thousands)

	EMPLOYEE FUND	EMPLOYER FUND	TOTAL	TOTAL 2001
Additions				
Contributions				
Employee contributions - State departments	\$ 1,437		\$ 1,437	\$ 1,958
Employer contributions - State departments		\$ 5,993	5,993	5,875
Transfers of contributions from other Systems	191		191	258
Total contributions	1,628	5,993	7,621	8,091
Investment Income				
Net appreciation (depreciation) in fair value of investments		(3,233)	(3,233)	2,329
Interest and dividend income		4,302	4,302	4,834
Investment expense		(61)	(61)	(44)
Net income from investing activities		1,008	1,008	7,119
From securities lending activities:				
Securities lending income		163	163	202
Securities lending expense		(146)	(146)	(193)
Net income from securities lending activities		17	17	9
Total net investment income		1,025	1,025	7,128
Total additions	1,628	7,018	8,646	15,219
Deductions				
Refunds of contributions to members	130		130	
Regular retirement benefits		8,063	8,063	7,426
Group life insurance claims		7	7	6
Depreciation				1
Administrative expense		65	65	66
Total deductions	130	8,135	8,265	7,499
Interfund transfers according to statutory requirements				
Contributions by members at retirement	(1,431)	1,431		
Interest credited to members' accounts	841	(841)		
Net interfund transfers	(590)	590		
Net increase (decrease)	908	(527)	381	7,720
Net assets held in trust for Pension Benefits				
Beginning of year	15,254	80,464	95,718	87,998
End of year	\$ 16,162	\$ 79,937	\$ 96,099	\$ 95,718

Schedule of Administrative Expenses

For the Year Ended June 30, 2002

(Amounts in thousands)

	SCRS	PORS	GARS	JSRS	TOTAL
Personal Services					
Salaries and Wages	\$ 6,962	\$ 827	\$ 16	\$ 35	\$ 7,840
Employer Contributions	1,912	227	5	10	2,154
Contractual Services					
Data Processing Services	886	105	2	5	998
Document Imaging Conversion	109	13		1	123
Medical & Health Services	585	69	1	3	658
Audit Fees	23	3			26
Actuarial Consultants	203	24	1	1	229
Other Professional Services:					
Benchmarking Project	22	3			25
Disability Evaluations	22	3			25
ORP (Educational Videos and Brochures)	726	86	2	4	818
Attorney Fees	44	5			49
Other Miscellaneous Expenses	1,205	144	3	6	1,358
Total Administrative Expenses	<u>\$ 12,699</u>	<u>\$ 1,509</u>	<u>\$ 30</u>	<u>\$ 65</u>	<u>\$ 14,303</u>

Schedule of Professional Consultant Fees

For the Year Ended June 30, 2002

(Amounts in thousands)

	Professional/Consultant	Nature of Service	Amount Paid
DP Services	Team IA	Document imaging conversion	\$ 123
Medical & Health Services	Dr. Jack Shelburg	Medical Board	6
	Dr. William E. Gause	Medical Board – Chairman	7
	Dr. James England	Medical Board	6
	SC Vocational Rehabilitation	Disability Applications	639
Auditing and Accounting	Rogers & Laban, PA	Financial audit	26
Management Consulting	Gabriel, Roder, Smith & Company	Actuarial services	181
	Watson Wyatt Worldwide	Actuarial services	40
	John Garrett Actuary	Actuarial services	5
	Buck Consultants	Actuarial services	3
Other Professional Services	Cost Effectiveness Measurements	Benchmarking services	25
	Ketchum	Optional Retirement Plan	818
	Psychological & Training Services	Case Evaluations	10
	Joel Leonard	Case Evaluations	12
	University Specialty Clinic	Case Evaluations	3
Attorney Fees	Nexsen Pruet Jacobs & Pollard	Attorney services	24
	Gergel Nickles & Solomon	Attorney services	25
			<u>\$ 1,953</u>

Information on investment management and consulting fees can be found in the *Schedule of Investment Expenses* on page 28.

South Carolina Retirement Systems
Schedule of Investment Expenses
Year Ended June 30, 2002
(Amounts expressed in thousands)

	SCRS	PORS	GARS	JSRS	TOTAL
Equity Investment Managers' Fees:					
State Street Global Advisors S&P500 Index Fund	\$ 77	\$ 9		\$ 1	\$ 87
State Street Global Advisors Russell 2000 Index Fund*	18	2			20
Institutional Capital Corporation	1,121	134	\$ 3	5	1,263
Alliance Bernstein Institutional Management, Inc.	721	86	2	4	813
Flippin, Bruce & Porter, Inc.	568	68	1	3	640
Montag & Caldwell, Inc.	642	77	2	3	724
Peachtree Asset Management	530	64	1	2	597
J.P. Morgan Investment Management, Inc.	972	116	2	5	1,095
Wellington Management Company, LLP	1,023	123	2	6	1,154
The Boston Company Asset Management, LLC	909	109	2	4	1,024
J.L. Kaplan Associates, LLC	962	115	2	5	1,084
MFS Institutional Advisors, Inc.	454	54	1	3	512
Suffolk Capital Management, Inc.	979	117	2	5	1,103
Fidelity Management Trust Company	712	85	2	4	803
Farrell-SL Investment Management, Inc.*	97	12		1	110
Alliance Capital Management*	651	78	2	3	734
Total	10,436	1,249	24	54	11,763
Investment Service Fees:					
Bank Fees	1,991	166	5	4	2,166
Consultant Fees:					
Investment Consultant Fees	559	66	2	3	630
Total Investment Management Fees	<u>\$ 12,986</u>	<u>\$ 1,481</u>	<u>\$ 31</u>	<u>\$ 61</u>	<u>\$ 14,559</u>
Securities Lending Expenses:					
Borrower Rebates	<u>\$ 43,308</u>	<u>\$ 4,978</u>	<u>\$ 181</u>	<u>\$ 146</u>	<u>\$ 48,613</u>
Total Securities Lending Expenses	<u>\$ 43,308</u>	<u>\$ 4,978</u>	<u>\$ 181</u>	<u>\$ 146</u>	<u>\$ 48,613</u>

*State Street Global Advisors Russell 2000 was funded October 2001.

*Contract with Farrell-SL Investment Management, Inc., was terminated December 2001.

*Alliance Capital Management was funded July 2001.