

# **AUDITED FINANCIAL STATEMENTS**

## **SOUTH CAROLINA RETIREMENT SYSTEMS**

**Columbia, South Carolina**

**Year Ended June 30, 1999**

# State of South Carolina



## Office of the State Auditor

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

THOMAS L. WAGNER, JR., CPA  
STATE AUDITOR

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

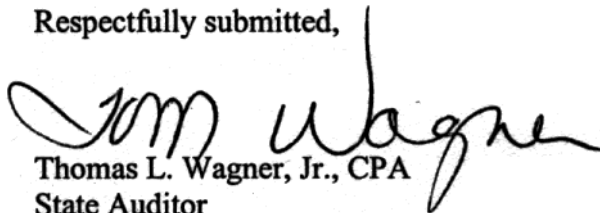
November 16, 1999

The Honorable James H. 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, 1999, was issued by G. R. Rish, CPA, Certified Public Accountant, 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

# **South Carolina Retirement Systems**

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# Independent Auditor's Report

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

I have audited the financial statements of the South Carolina Retirement Systems (as described in Note I) as of and for the year ended June 30, 1999, *as listed in the table of contents*. These financial statements are the responsibility of the South Carolina Retirement Systems' management. My responsibility is to express an opinion on these financial statements based on my audit.

As described in Note I, the financial statements present only the funds of the South Carolina Retirement Systems and are not intended to present fairly the financial position, and results of operations of the State Budget and Control Board or the State of South Carolina in conformity with generally accepted accounting principles.

I conducted the audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of South Carolina Retirement Systems, as of June 30, 1999, and the results of its plan net assets for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Governmental Auditing Standards*, I have also issued my report dated October 1, 1999, on my consideration of the South Carolina Retirement Systems' internal control over financial reporting and my tests of its compliance with certain provisions of laws and regulations.

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

The required supplementary information on pages 15-16 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board, and I did not audit and do not express an opinion on such information. Further, with respect to the year-2000 issue, I was unable to apply to the information certain procedures prescribed by professional standards because of the unprecedented nature of the year-2000 issue; its effects; the fact that authoritative measurement criteria regarding the status of remediation efforts will not be fully determinable until the year 2000 and thereafter; and insufficient audit evidence exists to support the disclosure. In addition, I do not provide assurance that the South Carolina Retirement Systems is or will become year-2000 compliant, that the South Carolina Retirement Systems' year-2000 remediation efforts will be successful in whole or in part, or that parties with which the South Carolina Retirement Systems does business are or will become year-2000 compliant.

My audit was conducted for the purposes of forming an opinion on the financial statements taken as a whole. The required supplementary information on pages 15-16 and the combining financial statements on pages 17-20 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 my opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole as listed in the table of contents.

Lexington, South Carolina  
October 1, 1999

# South Carolina Retirement Systems

## Statement of Plan Net Assets

### June 30, 1999

With comparative totals for June 30, 1998  
(amounts expressed in thousands)

	SCRS	PORS	GARS	JSRS	Total	1998 Total
<b>ASSETS</b>						
Cash and cash equivalents	\$ 691,033	\$ 200,563	\$ 6,180	\$ 19,611	\$ 917,387	\$ 1,979,053
Receivables:						
Due from other Systems		361		35	396	941
Employee and employer contributions	96,157	12,153	17	323	108,650	102,083
Employer contributions long-term	2,327	999			3,326	3,831
Accrued interest	185,571	20,266	440	912	207,189	212,124
Unsettled investment sales						54,987
Total receivables	<u>284,055</u>	<u>33,779</u>	<u>457</u>	<u>1,270</u>	<u>319,561</u>	<u>373,966</u>
Investments, at fair value:						
Short-term securities	1,655,211	155,910			1,811,121	
United States Government securities	2,613,373	260,078	8,541	3,973	2,885,965	2,945,866
United States Government agencies and government-insured	3,436,859	383,531	8,228	22,851	3,851,469	4,605,875
Corporate bonds	4,604,890	521,121	9,963	23,102	5,159,076	5,716,875
Financial and other	2,666,037	272,851	4,583	9,568	2,953,039	2,804,792
Equities	838,258	94,163	1,945	4,094	938,460	
Total investments						16,073,408
Securities lending cash collateral invested	1,276,672	151,844	7,195	3,149	1,438,860	1,526,258
Property, net of accumulated depreciation	<u>4,079</u>	<u>417</u>	<u>12</u>	<u>19</u>	<u>4,527</u>	<u>4,646</u>
Total assets	<u>18,070,467</u>	<u>2,074,257</u>			<u>20,279,465</u>	
<b>LIABILITIES AND FUND EQUITY</b>						
Liabilities:						
Due to other Systems	369		27		396	941
Accounts payable - unsettled investment purchases	40,884				40,884	56,279
Obligations under securities lending	1,276,672	151,844	7,195	3,149	1,438,860	1,526,258
Due to State Health Insurance Plan	13,915	498			14,413	13,815
Accounts payable and accrued expenses	2,084	316	1	2	2,403	3,857
Total liabilities	<u>1,333,924</u>	<u>152,658</u>	<u>7,223</u>	<u>3,151</u>	<u>1,496,956</u>	<u>1,601,150</u>
Net assets held in trust for Pension Benefits (schedule of funding progress for each plan is on Page 15)	<u>\$ 16,736,543</u>	<u>\$ 1,921,599</u>	<u>\$ 39,881</u>	<u>\$ 84,486</u>	<u>\$ 18,782,509</u>	<u>\$ 18,356,181</u>

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, 1999

With comparative totals for the year ended June 30, 1998  
(amounts expressed in thousands)

	SCRS	PORS	GARS	JSRS	Total	1998 Total Restated
<b>Additions</b>						
Contributions						
Employee	\$ 353,119	\$ 45,146	\$ 772	\$ 1,253	\$ 400,290	\$ 380,406
Employer	419,918	69,541	2,768	5,485	497,712	472,170
Transfers of contributions from other Systems		1,721	11	111	1,843	3,046
<b>Total contributions</b>	<b>773,037</b>					
Investment Income						
Net appreciation (depreciation) in fair value of investments	(515,797)	(55,957)	(1,220)	(2,401)	(575,375)	1,108,685
Interest income	907,751	108,947	2,398	4,745	1,023,841	1,016,411
Investment expense	(816)	(134)	(1)	(3)	(954)	(1,000)
Income from investing activities	391,138	52,856	1,177	2,341	447,512	2,124,096
From securities lending activities:						
Securities lending income	70,232	8,278	125	316	78,951	81,771
Securities lending expense	(67,514)	(7,830)	(122)	(305)	(75,771)	(79,272)
Net income from securities lending activities	2,718	448	3	11	3,180	2,499
Total net investment income	393,856	53,304	1,180	2,352	450,692	2,126,595
Supplemental retirement benefits funded by the State	4,356	124			4,480	5,012
<b>Total additions</b>	<b>1,171,249</b>	<b>169,836</b>	<b>4,731</b>	<b>9,201</b>	<b>1,355,017</b>	<b>2,987,229</b>
<b>Deductions</b>						
Refunds of contributions to members	84,536	10,940	49	51	95,576	70,174
Transfers of contributions to other Systems	1,806		37		1,843	3,046
Regular retirement benefits	715,878	77,654	3,941	6,813	804,286	743,857
Supplemental retirement benefits	4,356	124			4,480	5,012
Group life insurance claims	7,873	644	9	6	8,532	10,660
Accidental death benefits		699			699	638
Depreciation	107	11		1	119	119
Administrative charges	11,746	1,321	28	59	13,154	11,006
<b>Total deductions</b>	<b>826,302</b>	<b>91,393</b>	<b>4,064</b>	<b>6,930</b>	<b>928,689</b>	<b>844,512</b>
<b>Net increase</b>	<b>344,947</b>	<b>78,443</b>	<b>667</b>	<b>2,271</b>	<b>426,328</b>	<b>2,142,717</b>
<b>Net assets held in trust for Pension Benefits</b>						
Beginning of year	16,391,596	1,843,156	39,214	82,215	18,356,181	16,213,464
End of year	\$ 16,736,543	\$ 1,921,599	\$ 39,881	\$ 84,486	\$ 18,782,509	\$ 18,356,181

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 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 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 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, 1999 follows (dollars in thousands):

	<u>State*</u>	<u>School</u>	<u>Other</u>	<u>Total</u>
<b>SCRS</b>				
Number of Employers	112	97	517	726
Annual Covered Payroll	\$ 2,048,068	\$ 2,349,503	\$ 1,066,222	\$ 5,463,793
Average Number of Contributing Members	68,566	86,382	46,824	201,772
<b>PORS</b>				
Number of Employers	44		263	307
Annual Covered Payroll	\$ 286,386		\$ 358,159	\$ 644,545
Average Number of Contributing Members	10,995		13,056	24,051
<b>GARS</b>				
Number of Employers	2			2
Annual Covered Payroll	\$ 3,832			\$ 3,832
Average Number of Contributing Members	170			170
<b>JSRS</b>				
Number of Employers	2			2
Annual Covered Payroll	\$ 12,656			\$ 12,656
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, 1998), membership in the Systems was as follows:

	<u>SCRS</u>	<u>PORS</u>	<u>GARS</u>	<u>JSRS</u>
Retirees and beneficiaries receiving benefits	58,538	5,557	224	106
Terminated members entitled to but not yet receiving benefits	126,634	6,049	92	7
Total active employees	<u>190,259</u>	<u>22,883</u>	211	<u>120</u>
Total	<u>375,431</u>	<u>34,489</u>	<u>527</u>	<u>233</u>



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

## **Membership**

### **SCRS**

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

### **PORS**

Generally, all full-time employees whose principal duties are the preservation of public order, protection of life and property, detection of crime, or prevention and control of property destruction by fire are required to participate in and contribute to the System as a condition of employment.

### **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 30 years credited service regardless of age. Reduced pension benefits are payable as early as age 55. A member is vested for a deferred annuity with five years 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 service or with 25 years credited service regardless of age. A member is vested for a deferred annuity with five years 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. These increases are provided annually based on compliance with the Systems funding policies and upon approval by the State Budget and Control Board.

### **GARS**

A member is eligible for a monthly pension at age 60 or with 30 years credited service. A member is vested for 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 or with 25 years service regardless of age. A member is vested for a deferred annuity with 12 years service. A group life insurance benefit is also provided to members with at least one year of service.

Automatic cost-of-living adjustments for GARS and JSRS are provided 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 S.C. Code of Laws of 1976 (as amended).

As an alternative to membership in SCRS, certain teachers and administrators of the institutions of higher learning employed on or after July 1, 1987 may elect to participate in the Optional Retirement Program (ORP). The 1998 Legislative Session amended the ORP and allows certain teachers and administrators of the public supported technical colleges employed on or after July 1, 1998 the option to participate in this program. The SCRS assumes no liability for the ORP participants. Contributions to the ORP are at the same rates as SCRS. The 1998 Legislative Session further amended the ORP and required a direct remittance from the institutions and technical colleges to the vendors for the member's contribution (6 percent) and the employer portion of the normal cost (5 percent). This amended legislation also required a direct remittance of the employer's portion of the unfunded liability (2.55 percent) to SCRS in order for this portion to be retained by SCRS and applied to the unfunded accrued liability of the System.

Based on covered payroll of \$156.3 million, \$4.0 million was retained by SCRS and reported as employer contributions for the year ended June 30, 1999. Employee and employer contributions of \$9.4 million and \$7.8 million respectively were remitted directly to the designated vendors from the institutions and the technical colleges.

# Summary of Significant Accounting

## Principles

### 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.

### 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 cost, which approximates 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, 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.

### Fixed Assets

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

## 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 salary
PORS	6.5% of salary
GARS	10% of earnable compensation
JSRS	7% of salary

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 1998-1999 State Appropriations Act, an additional employer contribution surcharge of 2.03 percent of covered payroll was added to the contribution rate applicable to State and Public School entities covered by the State Health Insurance Plan. This assessment is for the purpose of providing retiree health insurance coverage and is not a part of the actuarially established contribution rates. Functioning as a collecting agent, SCRS and PORS collected (in thousands) \$87,411 and \$5,822 respectively in retiree insurance surcharges (\$3,176 of which was applicable to the Optional Retirement Program) and remitted these funds to the Office of Insurance Services (administering agency for 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.

Balances (amounts in thousands) in the respective reserves at June 30, 1999 were as follows:

	<u>SCRS</u>	<u>PORS</u>	<u>GARS</u>	<u>JSRS</u>
Employee Fund	\$ 4,278,861	\$ 389,456	\$ 8,459	\$ 12,286
Employer Fund	12,360,645	1,501,070	31,422	72,200
Group Life Insurance Fund	97,037	15,414		
Accidental Death Fund		15,659		
	<u>\$ 16,736,543</u>	<u>\$ 1,921,599</u>	<u>\$ 39,881</u>	<u>\$ 84,486</u>

### III. Investments and Deposits

As prescribed by statute, the State Treasurer is the custodian and investment manager of all fixed income investments and deposits of the Systems. 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, and collateralized repurchase agreements.

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.

#### Short-term Securities Fair Value as of June 30, 1999 (amounts in thousands)

	<u>SCRS</u>	<u>PORS</u>
Federal Agency Discount Notes	\$1,352,497	\$ 74,082
Commercial Paper	<u>302,714</u>	<u>81,828</u>
Total	<u>\$1,655,211</u>	<u>\$155,910</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

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.

developing the investment goals, objectives and the types of investments to be purchased. The Act also specified that a maximum of 10 percent of assets for each system may be invested in equities annually until a maximum of 40 percent of assets are invested in equities. The annual Investment Plan adopted by the panel for 1998-1999 provided for 5 percent of the assets to be invested in an S&P 500 index fund. On June 16, 1999, the initial equity transaction was completed. As of June 30, 1999, the Retirement Systems held equities in our portfolios with the following balances (dollars in thousands):

#### State Street Global Advisors

S & P 500 Flagship Fund	
System	Fair Value
SCRS	\$838,258
PORS	94,163
GARS	1,945
JSRS	<u>4,094</u>
Total	<u>\$938,460</u>

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 lend securities from their investment portfolios on a collateralized basis to third parties, primarily financial institutions. The market value of the required collateral must 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. There are

no restrictions on the amount of securities that may be loaned. The type of securities available for loan during the year ended June 30, 1999, included U.S. corporate bonds and U.S. Government securities. 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 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. The weighted average maturity of collateral investments generally matched the maturity of the loans during the year. At year end the average number of days that loans were outstanding was 12 days and the average weighted maturity of investments was 14 days. There have been no losses resulting from a default and the Systems did not have negative credit exposure at June 30, 1999.

The following table presents the fair value (in thousands) of the underlying securities and the total collateral received for securities on loan at June 30, 1999:

	<u>SCRS</u>	<u>PORS</u>	<u>GARS</u>	<u>JSRS</u>	<u>TOTAL</u> <u>1999</u>
Securities lent for cash collateral:					
U.S. Government securities	\$ 1,174,119	\$ 146,713	\$ 7,108	\$ 2,983	\$ 1,330,923
Corporate bonds	62,923	-	-	-	62,923
Total for cash collateral			7,108	2,983	
Securities lent for noncash collateral:					
U.S. Government securities					
Corporate bonds	13,326	-	-	-	13,326
Total securities lent	\$ 1,250,368	\$ 146,713	\$ 7,108	\$ 2,983	\$ 1,407,072
Cash collateral invested as follows:					
Repurchase agreements	\$ 522,166	\$ 78,220	\$ 7,195	\$ 1,291	\$ 608,872
U.S. Government securities					
Corporate bonds	567,899	50,957	-	1,858	620,714
Bank Obligations	161,884	14,633	-	-	176,517
Commercial Paper	24,723	8,034	-	-	32,757
Total for cash collateral invested			7,195	3,149	
Securities received as collateral:					
U.S. Government securities	14,308	-	-	-	14,308
Total collateral invested	\$ 1,290,980	\$ 151,844	\$ 7,195	\$ 3,149	\$ 1,453,168

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 or 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 following tables present the credit risk and fair value of investments (in thousands) by system and type at June 30, 1999:

# South Carolina Retirement System

INVESTMENTS	INVESTMENT RISK CATEGORY			June 30, 1999	June 30, 1998
				Fair Value	Fair Value
	1	2	3		
Investments - categorized:					
Short term securities	\$ 1,655,211	None	None	\$ 1,655,211	
U.S. Government securities:					
Unloaned securities	1,439,254			1,439,254	\$ 1,429,665
On securities loan-noncash collateral					40,381
U.S. Government agencies	3,436,859			3,436,859	4,164,739
Corporate bonds:					
Unloaned securities	4,528,641			4,528,641	4,964,813
On securities loan-noncash collateral	13,326			13,326	18,997
Financial & Other	2,666,037			2,666,037	2,472,526
Total - categorized	<u>\$ 13,739,328</u>			<u>13,739,328</u>	<u>13,091,121</u>
Investments - not categorized:					
Investments held by broker-dealers under securities loans with cash collateral:					
U.S. Government securities				1,174,119	1,185,228
Corporate bonds				62,923	82,676
Equities				838,258	
Total - not categorized					<u>1,267,904</u>
Total Investments				15,814,628	14,359,025
Securities lending cash collateral invested		1,276,672		1,276,672	1,324,477
Total		<u>\$ 1,276,672</u>		<u>\$ 17,091,300</u>	<u>\$ 15,683,502</u>

# Police Officers Retirement System

INVESTMENTS	INVESTMENT RISK CATEGORY			June 30, 1999	June 30, 1998
				Fair Value	Fair Value
	1	2			
Investments - categorized:					
Short term securities	\$ 155,910	None	None	\$ 155,910	
U.S. Government securities:					
Unloaned securities	113,365			113,365	\$ 90,101
On securities loan-noncash collateral					2,469
U.S. Government agencies	383,531			383,531	409,712
Corporate bonds:					
Unloaned securities	521,121			521,121	610,388
Financial & Other	272,851			272,851	316,421
Total - categorized	<u>\$</u>				
Investments - not categorized:					
Investments held by broker-dealers under securities loans with cash collateral:					
U.S. Government securities				146,713	179,568
Corporate bonds					1,839
Equities				94,163	
Total - not categorized					<u>181,407</u>
Total Investments				1,687,654	1,610,498
Securities lending cash collateral invested		151,844		151,844	187,091
Total		<u>\$ 151,844</u>		<u>\$ 1,839,498</u>	<u>\$ 1,797,594</u>

# General Assembly Retirement System

<u>INVESTMENTS</u>	<u>INVESTMENT RISK CATEGORY</u>				June 30, 1999	June 30, 1998
	1	2			<u>Fair Value</u>	<u>Fair Value</u>
Investments - categorized:						
U.S. Government securities:						
Unloaned securities	\$ 1,433	None	None		\$ 1,433	\$ 2,668
U.S. Government agencies	8,228				8,228	8,321
Corporate bonds:						
Unloaned securities	9,963				9,963	11,952
Financial & Other	4,583				4,583	4,384
Total - categorized	<u>\$</u>					
Investments - not categorized:						
Investments held by broker-dealers under securities loans with cash collateral:						
U.S. Government securities					7,108	
Equities					1,945	
Total - not categorized						5,892
Total Investments					33,260	33,217
Securities lending cash collateral invested			7,195		7,195	
Total			<u>\$ 7,195</u>		<u>\$ 40,455</u>	<u>\$ 39,268</u>

# Judges and Solicitors Retirement System

<u>INVESTMENTS</u>	<u>INVESTMENT RISK CATEGORY</u>				June 30, 1999	June 30, 1998
	1	2	3		<u>Fair Value</u>	<u>Fair Value</u>
Investments - categorized:						
U.S. Government securities:						
Unloaned securities	\$ 990	None	None		\$ 990	\$ 1,534
U.S. Government agencies	22,851				22,851	23,103
Corporate bonds:						
Unloaned securities	23,102				23,102	26,210
Financial & Other	9,568				9,568	11,461
Total - categorized	<u>\$</u>					
Investments - not categorized:						
Investments held by broker-dealers under securities loans with cash collateral:						
U.S. Government securities					2,983	
Equities					4,094	
Total - not categorized						8,360
Total Investments					63,588	
Securities lending cash collateral invested			3,149		3,149	8,634
Total			<u>\$ 3,149</u>		<u>\$ 66,737</u>	<u>\$ 79,302</u>

# Summary for South Carolina Retirement Systems

INVESTMENTS	INVESTMENT RISK CATEGORY			June 30, 1999	June 30, 1998
	1	2	3	Fair Value	Fair Value
Investments - categorized:					
Short term securities	\$ 1,811,121	None		\$ 1,811,121	
U.S. Government securities:					
Unloaned securities	1,555,042			1,555,042	\$ 1,523,968
On securities loan-noncash collateral					42,850
U.S. Government agencies	3,851,469			3,851,469	4,605,875
Corporate bonds:					
Unloaned securities	5,082,827			5,082,827	5,613,363
On securities loan-noncash collateral	13,326			13,326	18,997
Financial & Other	2,953,039			2,953,039	2,804,792
Total - categorized	<u>\$ 15,266,824</u>				
Investments - not categorized:					
Investments held by broker-dealers under securities loans with cash collateral:					
U.S. Government securities				1,330,923	1,379,048
Corporate bonds				62,923	84,515
Equities				938,460	
Total - not categorized					<u>1,463,563</u>
Total Investments				17,599,130	16,073,408
Securities lending cash collateral invested		1,438,860		1,438,860	1,526,258
Total		<u>\$ 1,438,860</u>		<u>\$ 19,037,990</u>	<u>\$ 17,599,666</u>

On June 30, 1999, the Systems held collateralized mortgage obligations (CMOs) in our 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 investments category (in thousands):

	June 30, 1999	June 30, 1998
	Fair Value	Fair Value
SCRS	\$ 724,780	\$ 880,633
PORS	48,675	72,051
GARS	1,331	1,390
JSRS	<u>2,178</u>	<u>3,803</u>
Totals	<u>\$ 776,964</u>	<u>\$ 957,877</u>

On June 30, 1999, the Systems also held asset-backed securities in our portfolios. These securities had an average life of one to three years with a legal final maturity of five to six years. These securities represent an undivided ownership interest in a trust consisting of credit card, auto loan and utility receivables. Most of these securities were purchased during the current fiscal year when short-term interest rates were around 5.00 percent and they could provide incremental yields above other similar maturity securities without increasing the risk to the portfolios. These securities are rated AAA by the major rating agencies.

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

	June 30, 1999 Fair Value	June 30, 1998 Fair Value
SCRS	\$ 131,586	\$ 44,132
PORS	<u>552</u>	<u>7,831</u>
Totals	<u>\$ 132,138</u>	<u>\$ 51,963</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):

	June 30, 1999 Fair Value	June 30, 1998 Fair Value
SCRS	\$ 1,809,671	\$ 1,547,761
PORS	223,624	236,539
GARS	3,252	2,994
JSRS	<u>7,390</u>	<u>7,658</u>
Totals	<u>\$ 2,043,937</u>	<u>\$ 1,794,952</u>

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. Certain short-term, highly liquid securities, which were insured or registered by the Systems or in the Systems' name (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. Cash and cash equivalents whose cost approximates fair value (in thousands) at June 30, 1999, were composed of the following:

### *Cash Equivalents*

	CASH	REPURCHASE AGREEMENTS	DISCOUNT NOTES	COMMERCIAL PAPER	CASH EQUIVALENTS TOTAL	GRAND TOTAL	TOTAL 1998
SCRS	\$ 3,609	\$ 150,400	\$ 457,219	\$ 79,805	\$ 687,424	\$ 691,033	\$ 1,767,912
PORS	286	53,300	122,034	24,943	200,277	200,563	195,403
GARS	5	6,175			6,175	6,180	5,527
JSRS	<u>1</u>	<u>19,610</u>	<u>-</u>	<u>-</u>	<u>19,610</u>	<u>19,611</u>	<u>10,211</u>
Totals	<u>\$ 3,901</u>	<u>\$ 229,485</u>	<u>\$ 579,253</u>	<u>\$ 104,748</u>	<u>\$ 913,486</u>	<u>\$ 917,387</u>	<u>\$ 1,979,053</u>

Effective December 16, 1998, an agreement was executed between the Systems and a consultant related to the investment consulting services necessary to fulfill the duties for investing in equity securities. The agreement commenced upon the effective date of December 16, 1998 and expired June 30, 1999 (end of the fiscal year) with an automatic renewal for another fiscal year unless terminated based on the terms of the contract. There has been no termination of the agreement; therefore, the automatic renewal will be effective for the next fiscal year.

Effective June 14, 1999 an agreement was executed between the Systems and an equity investments manager. The agreement is effective for a period of one year from the June 14, 1999 effective date with a renewal provision on a year-by-year basis for a maximum of four additional years. During the terms of the agreement, the manager will comply with all applicable provisions of laws, codes, ordinances, rules and regulations, tariffs, and industry standards.



#### IV. Land and Building

Land and building at June 30, 1999, consists of the following amounts (in thousands):

	SCRS	PORS	GARS	JSRS	TOTAL	TOTAL 1998
Land	\$ 524	\$ 54	\$ 1	\$ 3	\$ 582	\$ 582
Building	<u>4,279</u>	<u>437</u>	<u>13</u>	<u>20</u>	<u>4,749</u>	<u>4,749</u>
Total Property	4,803	491	14	23	5,331	5,331
Less: Accumulated Depreciation	<u>724</u>	<u>74</u>	<u>2</u>	<u>4</u>	<u>804</u>	<u>685</u>
Net Property	<u>\$ 4,079</u>	<u>\$ 417</u>	<u>\$ 12</u>	<u>\$ 19</u>	<u>\$ 4,527</u>	<u>\$ 4,646</u>

#### V. Related Party Transactions

The State Budget and Control Board's Office of Internal Operations maintains an internal service fund (Agency Operations Internal Service Fund) to account for the administrative costs of operating the Systems. This fund assesses administrative charges to each of the pension funds based on its respective proportion of total assets. These administrative charges for operating the pension funds are determined on essentially a cost recovery basis using the State's budgetary basis of accounting to determine costs.

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

At June 30, 1999, liabilities of approximately \$14.4 million were due to other State departments and

agencies and contributions receivable of approximately \$29.0 million were due from other State departments and agencies.

#### VI. Litigation

The South Carolina Retirement Systems is involved in a lawsuit filed by four retired members. The Circuit Court ruled in favor of the State at trial and the plaintiffs have appealed the decision to the South Carolina Supreme Court. The plaintiffs challenge the Systems' treatment of unused annual leave in the calculation of retirement payments. The State's liability in the event of an unfavorable outcome would be approximately \$340 million for current retirees and \$800 million for current active members of SCRS and PORS. The Circuit Court determined that the State has been providing retirement benefits to its members in accordance with the law. The State continues to defend its position and believes it is meritorious.

# 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)
<b>SCRS</b>						
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%
<b>PORS</b>						
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%
<b>GARS</b>						
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%
<b>JSRS</b>						
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)*

#### EMPLOYER CONTRIBUTIONS

Year Ended June 30,	SCRS		PORS		GARS		JSRS	
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percent Contributed	Annual Required Contribution	Percent Contributed	Annual Required Contribution	Percent Contributed
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.

	<b>SCRS</b>	<b>PORS</b>	<b>GARS</b>	<b>JSRS</b>
Valuation date	07/01/98	07/01/98	07/01/98	07/01/98
Actuarial cost method	Entry age	Entry age	Entry age	Entry age
Amortization period	Level percent open	Level percent open	Level percent open	Level percent open
Remaining amortization period	10 years	5 years	26 years	28 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*	4.25% - 11.35%	5.05% - 11.15%	2.00%	5.25%
*Includes inflation at	4.25%	4.25%	4.25%	4.25%
Cost-of-living adjustments	None	None	2.00%	4.25%

### Year 2000 Issue (unaudited)

The year-2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that makes operations beyond the year 1999 troublesome. Programs may not be able to properly distinguish the year 2000 from the year 1900 which may cause programs to process data inaccurately or to stop processing data altogether. Also, some programs may be unable to recognize that the year 2000 is a leap year. Beginning in 1994, the Systems completely reengineered, designed, developed and implemented new computer systems to both improve the efficiency of Systems operations and to become year 2000 compliant. These systems are substantially complete at this time.

Work to address the year-2000 issue with respect to each system critical to conducting operations falls predominantly within one of the following stages of work:

1. Awareness stage: Establishing a budget and project plan for dealing with the year-2000 issue.
2. Assessment stage: Identifying the systems and components for which year-2000 work is needed.
3. Remediation stage: Making changes to systems/equipment.
4. Validation/testing stage: Validating and testing changes that were made during the remediation stage.

As of June 30, 1999 the Systems had completed the awareness, assessment, and remediation stages and was performing or had completed validation testing work for all mission-critical systems and equipment related to the following: accounting, payroll, counseling/customer service, and service credit/imaging services. The Systems are making contingency plans for the possible failure of computer systems and embedded devices and also for possible interruptions to the South Carolina Retirement Systems' business. No separate costs were identified to meet year 2000 compliance.

# South Carolina Retirement Systems

## Statement of Changes in Plan Net Assets

### SCRS Pension Trust Fund

#### Year Ended June 30, 1999

With comparative totals for the year ended June 30, 1998  
(amounts expressed in thousands)

	EMPLOYEE FUND	EMPLOYER FUND	GROUP LIFE FUND	TOTAL	1998 TOTAL RESTATED
<b>Additions</b>					
Employee contributions					
State department employees	\$ 132,336			\$ 132,336	\$ 129,083
Public school employees	152,129			152,129	141,883
Other political subdivision employees	68,654			68,654	64,804
Employer contributions					
State department employees		\$ 160,016	\$ 3,303	163,319	156,938
Public school employees		177,982	3,524	181,506	170,323
Other political subdivision employees		73,676	1,417	75,093	71,584
Transfers of contributions from other Systems					79
<b>Total contributions</b>	<b>353,119</b>	<b>411,674</b>	<b>8,244</b>	<b>773,037</b>	<b>734,694</b>
<b>Investment Income</b>					
Net appreciation (depreciation) in fair value of investments		(512,816)	(2,981)	(515,797)	1,003,799
Interest income		902,506	5,245	907,751	899,605
Investment expense		(811)	(5)	(816)	(890)
<b>Income from investing activities</b>		<b>388,879</b>	<b>2,259</b>	<b>391,138</b>	<b>1,902,514</b>
From securities lending activities:					
Securities lending income		69,826	406	70,232	72,300
Securities lending expense		(67,124)	(390)	(67,514)	(70,074)
<b>Net income from securities lending activities</b>					<b>2,226</b>
<b>Total net investment income</b>					<b>1,904,740</b>
<b>Supplemental retirement benefits funded by the State</b>		<b>4,356</b>		<b>4,356</b>	<b>4,880</b>
<b>Total additions</b>	<b>353,119</b>		<b>10,519</b>		<b>2,644,314</b>
<b>Deductions</b>					
Refunds of contributions to members	84,536			84,536	61,629
Transfers of contributions to other Systems	1,149	657		1,806	2,881
Regular retirement benefits		715,878		715,878	662,825
Supplemental retirement benefits		4,356		4,356	4,880
Group life insurance claims			7,873	7,873	9,277
Depreciation		107		107	107
Administrative charges		11,746		11,746	9,834
<b>Total deductions</b>	<b>85,685</b>	<b>732,744</b>	<b>7,873</b>	<b>826,302</b>	<b>751,433</b>
<b>Interfund transfers according to statutory requirements</b>					
Contributions by members at retirement	(206,348)	206,348			
Interest credited to members' accounts	245,512	(245,512)			
<b>Net interfund transfers</b>	<b>39,164</b>	<b>(39,164)</b>			
<b>Net increase</b>	<b>306,598</b>	<b>35,703</b>	<b>2,646</b>	<b>344,947</b>	<b>1,892,881</b>
<b>Net assets held in trust for Pension Benefits</b>					
Beginning of year	3,972,263	12,324,942	94,391	16,391,596	14,498,715
End of year	\$ 4,278,861	\$ 12,360,645	\$ 97,037	\$ 16,736,543	\$ 16,391,596

See independent auditor's report.

# South Carolina Retirement Systems

## Statement of Changes in Plan Net Assets

### *PORS Pension Trust Fund*

### Year Ended June 30, 1999

**With comparative totals for the year ended June 30, 1998**  
*(amounts expressed in thousands)*

	EMPLOYEE FUND	EMPLOYER FUND	GROUP LIFE FUND	ACCIDENTAL DEATH FUND	TOTAL	1998 TOTAL RESTATED
<b>Additions</b>						
Employee contributions						
State department employees	\$ 20,125				20,125	\$ 19,499
Other political subdivision employees	25,021				25,021	23,447
Employer contributions						
State department employees		\$ 29,764	\$ 573	\$ 573	30,910	29,691
Other political subdivision employees		37,294	687	650	38,631	35,847
Transfers of contributions from other Systems		656			1,721	2,725
<b>Total contributions</b>					116,408	111,209
<b>Investment Income</b>						
Net appreciation (depreciation) in fair value of investments		(55,074)	(437)	(446)	(55,957)	98,014
Interest income		107,227	850	870	108,947	109,828
Investment expense		(132)	(1)	(1)	(134)	(105)
<b>Income from investing activities</b>		52,021	412	423	52,856	207,737
<b>From securities lending activities:</b>						
Securities lending income		8,147	66	65	8,278	8,975
Securities lending expense		(7,706)	(63)	(61)	(7,830)	(8,714)
<b>Net income from securities lending activities</b>						
<b>Total net investment income</b>						
<b>Supplemental retirement benefits funded by the State</b>		124			124	132
<b>Total additions</b>	46,211		1,675	1,650		319,339
<b>Deductions</b>						
Refunds of contributions to members	10,940				10,940	8,482
Transfers of contributions to other Systems						1
Regular retirement benefits		77,654			77,654	71,161
Supplemental retirement benefits		124			124	132
Group life insurance claims			644		644	1,373
Accidental death benefits				699	699	638
Depreciation		11			11	11
Administrative charges		1,321			1,321	1,099
<b>Total deductions</b>	10,940		644	699	91,393	82,897
<b>Interfund transfers according to statutory requirements</b>						
Contributions by members at retirement	(20,167)	20,167				
Interest credited to members' accounts	21,928	(21,928)				
<b>Net interfund transfers</b>	1,761	(1,761)				
<b>Net increase</b>	37,032	39,429	1,031	951	78,443	236,442
<b>Net assets held in trust for Pension Benefits</b>						
Beginning of year	352,424	1,461,641	14,383	14,708	1,843,156	1,606,714
End of year	\$ 389,456	\$ 1,501,070	\$ 15,414	\$ 15,659	\$ 1,921,599	\$ 1,843,156

See independent auditor's report.

# South Carolina Retirement Systems

## Statement of Changes in Plan Net Assets

### GARS Pension Trust Fund

### Year Ended June 30, 1999

With comparative totals for the year ended June 30, 1998  
(amounts expressed in thousands)

	EMPLOYEE FUND	EMPLOYER FUND	TOTAL	1998 TOTAL RESTATED
<b>Additions</b>				
Contributions				
Employee contributions - State departments	\$ 772		\$ 772	\$ 665
Employer contributions - State departments		\$ 2,768	2,768	2,796
Transfers of contributions from other Systems	11		11	21
Total contributions		2,768	3,551	3,482
Investment Income				
Net appreciation (depreciation ) in fair value of investments		(1,220)	(1,220)	1,967
Interest income		2,398	2,398	2,367
Investment expense		(1)	(1)	(2)
Income from investing activities		1,177	1,177	4,332
From securities lending activities:				
Securities lending income		125	125	232
Securities lending expense		(122)	(122)	(227)
Net income from securities lending activities		3	3	5
Total net investment income		1,180	1,180	4,337
<b>Total additions</b>	783	3,948	4,731	7,819
<b>Deductions</b>				
Refunds of contributions to members	49		49	63
Transfers of contributions to other Systems	37		37	164
Regular retirement benefits		3,941	3,941	3,771
Group life insurance claims		9	9	9
Administrative charges		28	28	24
<b>Total deductions</b>	86	3,978	4,064	4,031
Interfund transfers according to statutory requirements				
Contributions by members at retirement	(598)	598		
Interest credited to members' accounts	462	(462)		
<b>Net interfund transfers</b>	(136)	136		
<b>Net increase</b>	561	106	667	3,788
<b>Net assets held in trust for Pension Benefits</b>				
Beginning of year	7,898	31,316	39,214	35,426
End of year	\$ 8,459	\$ 31,422	\$ 39,881	\$ 39,214

See independent auditor's report.

# South Carolina Retirement Systems

## Statement of Changes in Plan Net Assets

### JSRS Pension Trust Fund

#### Year Ended June 30, 1999

With comparative totals for the year ended June 30, 1998  
(amounts expressed in thousands)

	EMPLOYEE FUND	EMPLOYER FUND	TOTAL	1998 TOTAL RESTATE
<b>Additions</b>				
Contributions				
Employee contributions - State departments	\$ 1,253		\$ 1,253	\$ 1,025
Employer contributions - State departments		\$ 5,485	5,485	4,991
Transfers of contributions from other Systems	111		111	221
<b>Total contributions</b>		<b>5,485</b>		
Investment Income				
Net appreciation (depreciation) in fair value of investments		(2,401)	(2,401)	4,905
Interest income		4,745	4,745	4,611
Investment expense		(3)	(3)	(3)
Income from investing activities		2,341	2,341	9,513
From securities lending activities:				
Securities lending income		316	316	264
Securities lending expense		(305)	(305)	(257)
Net income from securities lending activities		11	11	7
Total net investment income		2,352	2,352	9,520
<b>Total additions</b>	<b>1,364</b>			
<b>Deductions</b>				
Refunds of contributions to members	51		51	
Regular retirement benefits		6,813	6,813	6,100
Group life insurance claims		6	6	
Depreciation		1	1	1
Administrative charges		59	59	49
<b>Total deductions</b>	<b>51</b>	<b>6,879</b>	<b>6,930</b>	<b>6,151</b>
Interfund transfers according to statutory requirements				
Contributions by members at retirement	(1,113)	1,113		
Interest credited to members' accounts	662	(662)		
<b>Net interfund transfers</b>	<b>(451)</b>	<b>451</b>		
<b>Net increase</b>	<b>862</b>	<b>1,409</b>	<b>2,271</b>	<b>9,606</b>
Net assets held in trust for Pension Benefits				
Beginning of year	11,424	70,791	82,215	72,605
End of year	\$	\$	\$	\$

See independent auditor's report.

# **Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

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

I have audited the financial statements of the South Carolina Retirement Systems as of and for the year ended June 30, 1999, and have issued my report thereon dated October 1, 1999. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

## **Compliance**

As part of obtaining reasonable assurance about whether the South Carolina Retirement Systems financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of the financial statement accounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

## **Internal Control Over Financial Reporting**

In planning and performing my audit, I considered the South Carolina Retirement Systems internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended solely for the information of the State Auditor, management, and its governing body and should not be used by anyone other than these specified parties.

Lexington, South Carolina  
October 1, 1999