

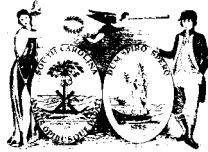
FINANCIAL STATEMENTS

SOUTH CAROLINA RETIREMENT SYSTEMS

Columbia, South Carolina

Year Ended June 30, 2001

State of South Carolina



Office of the State Auditor

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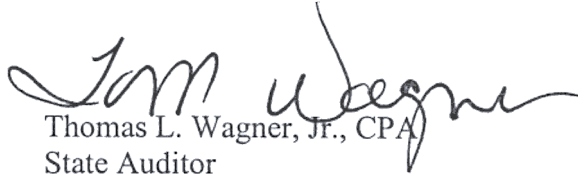
October 22, 2001

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, 2001, 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/sag

South Carolina Retirement Systems

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June 30, 2001

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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, 2001, 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, 2001, 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.

The required supplementary information on pages 18 and 19 is 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 combining financial statements and schedule of investment expenses on pages 20 - 24 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 28, 2001

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South Carolina Retirement Systems
Statement of Plan Net Assets
June 30, 2001
With comparative totals for June 30, 2000
(Amounts expressed in thousands)

	SCRS	PORS	GARS	JSRS	TOTAL	TOTAL 2000
ASSETS						
Cash and cash equivalents	\$ 2,208,168	\$ 369,912	\$ 1,517	\$ 11,932	\$ 2,591,529	\$ 2,644,322
Receivables:						
Due from other Systems		645	2	23	670	332
Employee and employer contributions	123,888	15,272	52	413	139,625	121,070
Employer contributions long-term	2,613	106			2,719	3,008
Accrued investment income	177,580	19,257	440	947	198,224	201,946
Unsettled investment sales	51,674	2,349	47	100	54,170	28,395
Total receivables	<u>355,755</u>	<u>37,629</u>	<u>541</u>	<u>1,483</u>	<u>395,408</u>	<u>354,751</u>
Investments, at fair value:						
Short-term securities	24,829				24,829	301,681
United States Government securities	2,461,850	262,434	8,748	3,850	2,736,882	2,848,090
United States Government agencies and government-insured	2,704,043	317,581	6,333	23,333	3,051,290	3,153,158
Corporate bonds	4,434,319	478,638	11,644	24,895	4,949,496	4,850,321
Financial and other	2,533,905	295,621	4,602	9,706	2,843,834	2,644,417
Equities	<u>4,117,697</u>	<u>477,918</u>	<u>9,654</u>	<u>20,712</u>	<u>4,625,981</u>	<u>2,908,819</u>
Total investments	16,276,643	1,832,192	40,981	82,496	18,232,312	16,706,486
Securities lending cash collateral invested	1,505,119	171,390	9,437	6,031	1,691,977	1,413,893
Property, net of accumulated depreciation	<u>3,865</u>	<u>395</u>	<u>11</u>	<u>18</u>	<u>4,289</u>	<u>4,408</u>
Total assets	<u>20,349,550</u>	<u>2,411,518</u>	<u>52,487</u>	<u>101,960</u>	<u>22,915,515</u>	<u>21,123,860</u>
LIABILITIES AND FUND EQUITY						
Liabilities:						
Due to other Systems	670				670	332
Accounts payable - unsettled investment purchases	71,538	4,549	91	197	76,375	28,864
Investment fees payable	2,623	310	6	14	2,953	1,524
Obligations under securities lending	1,505,119	171,390	9,437	6,031	1,691,977	1,413,893
Deferred retirement benefits	54,644				54,644	
Due to State Health Insurance Plan	20,207	738			20,945	15,913
Accounts payable and accrued expenses	<u>4,908</u>	<u>342</u>			<u>5,250</u>	<u>4,156</u>
Total liabilities	<u>1,659,709</u>	<u>177,329</u>	<u>9,534</u>	<u>6,242</u>	<u>1,852,814</u>	<u>1,464,682</u>
Net assets held in trust for Pension Benefits (a schedule of funding progress for each plan is presented on Page 18)	<u>\$ 18,689,841</u>	<u>\$ 2,234,189</u>	<u>\$ 42,953</u>	<u>\$ 95,718</u>	<u>\$ 21,062,701</u>	<u>\$ 19,659,178</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, 2001

With comparative totals for the year ended June 30, 2000
(Amounts expressed in thousands)

	SCRS	PORS	GARS	JSRS	TOTAL	TOTAL 2000
Additions						
Contributions						
Employee	\$ 435,072	\$ 55,845	\$ 844	\$ 1,958	\$ 493,719	\$ 429,848
Employer	491,329	93,584	2,510	5,875	593,298	540,476
Transfers of contributions from other Systems	3	1,835	60	258	2,156	1,913
Total contributions	926,404	151,264	3,414	8,091	1,089,173	972,237
Investment Income						
Net appreciation (depreciation) in						
fair value of investments	442,639	47,153	867	2,329	492,988	(88,017)
Interest and dividend income	855,280	103,050	2,169	4,834	965,333	978,056
Investment expense	(9,577)	(1,068)	(21)	(44)	(10,710)	(3,542)
Net income from investing activities	1,288,342	149,135	3,015	7,119	1,447,611	886,497
From securities lending activities:						
Securities lending income	88,545	8,908	190	202	97,845	87,473
Securities lending expense	(82,890)	(8,469)	(183)	(193)	(91,735)	(82,645)
Net income from securities lending activities	5,655	439	7	9	6,110	4,828
Total net investment income	1,293,997	149,574	3,022	7,128	1,453,721	891,325
Supplemental retirement benefits funded						
by the State	3,518	104			3,622	3,986
Total additions	2,223,919	300,942	6,436	15,219	2,546,516	1,867,548
Deductions						
Refunds of contributions to members	68,894	11,498	38		80,430	83,182
Transfers of contributions to other Systems	2,113	3	40		2,156	1,913
Regular retirement benefits	864,235	94,439	4,197	7,426	970,297	874,660
Deferred retirement benefits	56,487				56,487	
Supplemental retirement benefits	3,518	104			3,622	3,986
Group life insurance claims	12,850	1,399	42	6	14,297	11,481
Accidental death benefits		797			797	736
Depreciation	107	11		1	119	119
Administrative charges	13,154	1,537	31	66	14,788	14,802
Total deductions	1,021,358	109,788	4,348	7,499	1,142,993	990,879
Net increase	1,202,561	191,154	2,088	7,720	1,403,523	876,669
Net assets held in trust for Pension Benefits						
Beginning of year	17,487,280	2,043,035	40,865	87,998	19,659,178	18,782,509
End of year	\$ 18,689,841	\$ 2,234,189	\$ 42,953	\$ 95,718	\$ 21,062,701	\$ 19,659,178

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, 2001, follows (dollars in thousands):

	<u>State*</u>	<u>School</u>	<u>Other</u>	<u>Total</u>
SCRS				
Number of employers	112	99	528	739
Annual covered payroll	\$ 2,224,050	\$ 2,671,452	\$ 1,234,978	\$ 6,130,480
Average number of contributing members	68,693	88,751	48,327	205,771
PORS				
Number of employers	43		253	296
Annual covered payroll	\$ 351,522		\$ 420,243	\$ 771,765
Average number of contributing members	12,796		13,778	26,574
GARS				
Number of employers	2			2
Annual covered payroll	\$ 3,767			\$ 3,767
Average number of contributing members	170			170
JSRS				
Number of employers	2			2
Annual covered payroll	\$ 14,136			\$ 14,136
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, 2000), membership in the Systems was as follows:

	SCRS	PORS	GARS	JSRS
Retirees and beneficiaries receiving benefits	64,005	6,322	235	115
Terminated members entitled to but not yet receiving benefits	134,159	7,218	77	7
Total active employees	<u>196,825</u>	<u>24,782</u>	<u>213</u>	<u>125</u>
Total	<u>394,989</u>	<u>38,322</u>	<u>525</u>	<u>247</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.

ORP and State ORP

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). Certain teachers and administrators of the publicly supported technical colleges employed on or after July 1, 1998, also have the option to participate in this program. Public school teachers and administrators hired on or after July 1, 2000, have the option to participate in the State Optional Retirement Program (State ORP). The SCRS assumes no liability for the ORP participants or the State ORP participants. Contributions to the ORP and the State ORP are at the same rates as SCRS. A direct remittance is required from the institutions, technical colleges, and public schools to the vendors for the member's contribution (6 percent) and a percentage (5 percent) of the employer contribution rate. Also, a direct remittance is required to SCRS for a percentage (2.55 percent) of the employer contribution rate which must be retained by SCRS.

ORP and State ORP Activity

Year Ended June 30, 2001

(Amounts in millions)

	<u>ORP</u>	<u>State ORP</u>
Covered payroll	\$ 193.2	\$ 23.8
Amount retained by SCRS	4.9	0.6
Employee contributions	11.6	1.4
Employer contributions	9.7	1.2

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 28 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 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 credited service regardless of age. A member is vested for a deferred annuity 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. 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 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.

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.

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 2000-2001 State Appropriations Act, an additional employer contribution surcharge of 2.52 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 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) \$130,231 and \$8,891 respectively in retiree insurance surcharges (\$5,470 of which was applicable to the ORP and State ORP) and remitted these funds to the Health Insurance Internal Service Fund.

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, 2001, were as follows:

	SCRS	PORS	GARS	JSRS
Employee Fund	\$ 4,339,747	\$ 464,217	\$ 9,329	\$ 15,254
Employer Fund	14,246,165	1,733,578	33,624	80,464
Group Life Insurance Fund	103,929	17,449		
Accidental Death Fund		18,945		
	<u>\$ 18,689,841</u>	<u>\$ 2,234,189</u>	<u>\$ 42,953</u>	<u>\$ 95,718</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, and equity securities.

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, 2001, SCRS held commercial paper with a fair value of \$24,829 (in thousands).

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 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. As of June 30, 2001, the Retirement Systems' assets were invested in equities as follows:

Equity Investments as of June 30, 2001 (Amounts in thousands)

	S&P 500 Index Fund	Equities	Total Equities
SCRS	\$ 1,963,918	\$ 2,153,779	\$ 4,117,697
PORS	227,213	250,705	477,918
GARS	4,626	5,028	9,654
JSRS	9,926	10,786	20,712
TOTAL	<u>\$ 2,205,683</u>	<u>\$ 2,420,298</u>	<u>\$ 4,625,981</u>

The Systems retain a consultant to provide investment consulting services necessary to fulfill the duties for investing in equity securities. As of June 30, 2001, individual agreements were in place between the Systems and 14 equity investment managers.

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 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 secu-

rities available for loan during the year ended June 30, 2001, included U.S. corporate bonds, equities, 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 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 27 days with a weighted average of nine days. The average maturity of investments made with cash collateral ranged from 3 to 18 days with a weighted average of eight days. At June 30, 2001, there had been no losses resulting from borrower defaults and the Systems had no credit risk exposure to borrowers because the amounts the Systems owed the borrowers exceeded the amounts the borrowers owed the Systems.

The following table presents the fair value (in thousands) of the underlying securities and the total collateral received for securities on loan at June 30, 2001:

	SCRS	PORS	GARS	JSRS	TOTAL
Securities lent for cash collateral:					
U.S. Government securities	\$ 1,036,472	\$ 128,835	\$ 8,747	\$ 3,850	\$ 1,177,904
U.S. Government agencies	208,325	16,685		1,051	226,061
Corporate bonds	31,838	22			31,860
Equities	162,020	19,161	382	849	182,412
Total securities lent	<u>\$ 1,438,655</u>	<u>\$ 164,703</u>	<u>\$ 9,129</u>	<u>\$ 5,750</u>	<u>\$ 1,618,237</u>
Cash collateral invested as follows:					
Repurchase agreements	\$ 605,798	\$ 134,503	\$ 9,315	\$ 5,761	\$ 755,377
Corporate bonds	811,980	19,757	38	84	831,859
Commercial paper	87,341	17,130	84	186	104,741
Total collateral invested	<u>\$ 1,505,119</u>	<u>\$ 171,390</u>	<u>\$ 9,437</u>	<u>\$ 6,031</u>	<u>\$ 1,691,977</u>

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 Sys-

tems' 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. A security, for purposes of classification, is a transferable financial instrument that evidences ownership or creditorship. Investments included in the "Equities - S&P 500 Index Fund," a mutual fund, are not considered securities for purposes of credit risk classification.

The following tables present the credit risk and fair value of investments (in thousands) by system and type at June 30, 2001:

South Carolina Retirement System

<u>INVESTMENTS</u>	<u>INVESTMENT RISK CATEGORY</u>			<u>June 30, 2001</u>	<u>June 30, 2000</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Fair Value</u>	<u>Fair Value</u>
Investments - categorized:					
Short term securities	\$ 24,829	None	None	\$ 24,829	\$ 291,848
U.S. Government securities:					
Unloaned securities	1,425,378			1,425,378	1,414,020
On securities loan-noncash collateral					19,248
U.S. Government agencies:					2,819,870
Unloaned securities	2,495,718			2,495,718	
Corporate bonds:					
Unloaned securities	4,402,481			4,402,481	4,290,141
Financial & other	2,533,905			2,533,905	2,391,447
Equities:					
Unloaned securities	1,991,759			1,991,759	1,332,895
Total - categorized	<u>\$ 12,874,070</u>			<u>12,874,070</u>	<u>12,559,469</u>
Investments - not categorized:					
Equities - S&P 500 Index Fund				1,963,918	1,207,435
Investments held by broker-dealers under securities loans with cash collateral:					
U.S. Government securities				1,036,472	1,143,993
U.S. Government agencies				208,325	
Corporate bonds				31,838	34,617
Equities				162,020	51,556
Total - not categorized				<u>3,402,573</u>	<u>2,437,601</u>
Total Investments				16,276,643	14,997,070
Securities lending cash collateral invested			\$ 1,505,119	<u>1,505,119</u>	<u>1,277,578</u>
Total			<u>\$ 1,505,119</u>	<u>\$ 17,781,762</u>	<u>\$ 16,274,648</u>

Police Officers Retirement System

<u>INVESTMENTS</u>	<u>INVESTMENT RISK CATEGORY</u>			<u>June 30, 2001</u>	<u>June 30, 2000</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Fair Value</u>	<u>Fair Value</u>
Investments - categorized:					
Short term securities		None	None		\$ 8,834
U.S. Government securities:					
Unloaned securities	\$ 133,599			\$ 133,599	133,799
On securities loan-noncash collateral					4,969
U.S. Government agencies:					305,790
Unloaned securities	300,896			300,896	
Corporate bonds:					490,086
Unloaned securities	478,616			478,616	
Financial & other	295,621			295,621	240,822
Equities:					
Unloaned securities	231,544			231,544	154,388
Total - categorized	<u>\$ 1,440,276</u>			<u>1,440,276</u>	<u>1,338,688</u>
Investments - not categorized:					
Equities - S&P 500 Index Fund				227,213	137,591
Investments held by broker-dealers under securities loans with cash collateral:					
U.S. Government securities				128,835	119,663
U.S. Government agencies				16,685	
Corporate bonds				22	
Equities				19,161	5,983
Total - not categorized				<u>391,916</u>	<u>263,237</u>
Total Investments				1,832,192	1,601,925
Securities lending cash collateral invested			\$ 171,390	<u>171,390</u>	<u>130,418</u>
Total			<u>\$ 171,390</u>	<u>\$ 2,003,582</u>	<u>\$ 1,732,343</u>

General Assembly Retirement System

<u>INVESTMENTS</u>	<u>INVESTMENT RISK CATEGORY</u>			<u>June 30, 2001</u>	<u>June 30, 2000</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	None	None	\$ 1	\$ 6,583
U.S. Government agencies	6,333			6,333	6,012
Corporate bonds	11,644			11,644	11,371
Financial & other	4,602			4,602	4,368
Equities:					
Unloaned securities	4,646			4,646	3,098
Total - categorized	<u>\$ 27,226</u>			<u>27,226</u>	<u>31,432</u>
Investments - not categorized:					
Equities - S&P 500 Index Fund				4,626	2,864
Investments held by broker-dealers under securities loans with cash collateral:					
U.S. Government securities				8,747	2,003
Equities				382	122
Total - not categorized				<u>13,755</u>	<u>4,989</u>
Total Investments				40,981	36,421
Securities lending cash collateral invested			\$ 9,437	<u>9,437</u>	<u>2,201</u>
Total			<u>\$ 9,437</u>	<u>\$ 50,418</u>	<u>\$ 38,622</u>

Judges and Solicitors Retirement System

<u>INVESTMENTS</u>	<u>INVESTMENT RISK CATEGORY</u>			<u>June 30, 2001</u>	<u>June 30, 2000</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Fair Value</u>	<u>Fair Value</u>
Investments - categorized:					
Short term securities		None	None		\$ 999
U.S. Government securities:					
Unloaned securities					520
U.S. Government agencies:					
Unloaned securities	\$ 22,282			\$ 22,282	20,492
On securities loan-noncash collateral					994
Corporate bonds	24,895			24,895	24,106
Financial & other	9,706			9,706	7,780
Equities:					
Unloaned securities	9,937			9,937	6,594
Total - categorized	<u>\$ 66,820</u>			<u>66,820</u>	<u>61,485</u>
Investments - not categorized:					
Equities - S&P 500 Index Fund				9,926	6,038
Investments held by broker-dealers under securities loans with cash collateral:					
U.S. Government securities				3,850	3,292
U.S. Government agencies				1,051	
Equities				849	255
Total - not categorized				<u>15,676</u>	<u>9,585</u>
Total Investments				82,496	71,070
Securities lending cash collateral invested			\$ 6,031	<u>6,031</u>	<u>3,696</u>
Total			<u>\$ 6,031</u>	<u>\$ 88,527</u>	<u>\$ 74,766</u>

Summary for South Carolina Retirement Systems

<u>INVESTMENTS</u>	<u>INVESTMENT RISK CATEGORY</u>			<u>June 30, 2001</u>	<u>June 30, 2000</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Fair Value</u>	<u>Fair Value</u>
Investments - categorized:					
Short term securities	\$ 24,829	None	None	\$ 24,829	\$ 301,681
U.S. Government securities:					
Unloaned securities	1,558,978			1,558,978	1,554,922
On securities loan-noncash collateral					24,217
U.S. Government agencies:					
Unloaned securities	2,825,229			2,825,229	3,152,164
On securities loan-noncash collateral					994
Corporate bonds:					
Unloaned securities	4,917,636			4,917,636	4,815,704
Financial & other	2,843,834			2,843,834	2,644,417
Equities:					
Unloaned securities	2,237,886			2,237,886	1,496,975
Total - categorized	<u>\$14,408,392</u>			<u>14,408,392</u>	<u>13,991,074</u>
Investments - not categorized:					
Equities - S&P 500 Index Fund				2,205,683	1,353,928
Investments held by broker-dealers under securities loans with cash collateral:					
U.S. Government securities				1,177,904	1,268,951
U.S. Government agencies				226,061	
Corporate bonds				31,860	34,617
Equities				182,412	57,916
Total - not categorized				<u>3,823,920</u>	<u>2,715,412</u>
Total Investments				18,232,312	16,706,486
Securities lending cash collateral invested		\$ 1,691,977		<u>1,691,977</u>	<u>1,413,893</u>
Total		\$ 1,691,977		<u>\$ 19,924,289</u>	<u>\$ 18,120,379</u>

On June 30, 2001, 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, 2001	June 30, 2000
	<u>Fair Value</u>	<u>Fair Value</u>
SCRS	\$ 607,986	\$ 612,040
PORS	23,129	29,059
GARS	1,331	1,299
JSRS	<u>1,052</u>	<u>1,027</u>
Totals	<u>\$ 633,498</u>	<u>\$ 643,425</u>

On June 30, 2001, 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 two to five years. These securities represent an undivided owner-

ship 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 final maturity of 2016.

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

	June 30, 2001	June 30, 2000
	<u>Fair Value</u>	<u>Fair Value</u>
SCRS	\$ 388,773	\$ 69,216
PORS	63,775	
JSRS	<u>1,477</u>	
Totals	<u>\$ 454,025</u>	<u>\$ 69,216</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, 2001	June 30, 2000
	<u>Fair Value</u>	<u>Fair Value</u>
SCRS	\$ 1,537,146	\$ 1,710,191
PORS	208,717	211,763
GARS	3,271	3,069
JSRS	<u>7,177</u>	<u>6,753</u>
Totals	<u>\$ 1,756,311</u>	<u>\$ 1,931,776</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 (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. Cash and cash equivalents (in thousands) at June 30, 2001, were composed of the following:

CASH EQUIVALENTS						
	CASH	REPURCHASE AGREEMENTS	DISCOUNT NOTES	CASH EQUIVALENTS TOTAL	GRAND TOTAL	TOTAL 2000
SCRS	\$ 6,944	\$ 1,753,439	\$ 447,785	\$ 2,201,224	\$ 2,208,168	\$ 2,216,075
PORS	827	266,318	102,767	369,085	369,912	408,697
GARS	16	1,501		1,501	1,517	3,981
JSRS	<u>2</u>	<u>11,930</u>		<u>11,930</u>	<u>11,932</u>	<u>15,569</u>
Totals	<u>\$ 7,789</u>	<u>\$ 2,033,188</u>	<u>\$ 550,552</u>	<u>\$ 2,583,740</u>	<u>\$ 2,591,529</u>	<u>\$ 2,644,322</u>

IV. Land and Building

Land and building at June 30, 2001, consists of the following amounts (in thousands):

	<u>SCRS</u>	<u>PORS</u>	<u>GARS</u>	<u>JSRS</u>	<u>TOTAL</u>	<u>TOTAL 2000</u>
Land	\$ 524	\$ 54	\$ 1	\$ 3	\$ 582	\$ 582
Building	4,279	437	13	20	4,749	4,749
Total property	4,803	491	14	23	5,331	5,331
Less: accumulated depreciation	938	96	3	5	1,042	923
Net property	<u>\$ 3,865</u>	<u>\$ 395</u>	<u>\$ 11</u>	<u>\$ 18</u>	<u>\$ 4,289</u>	<u>\$ 4,408</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 trust 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 39 percent of combined contribution revenues. In addition, the Systems receives custodial, investment and related services from the State Treasurer.

At June 30, 2001, liabilities of approximately \$20.9 million were due to other State departments and agencies and contributions receivable of approximately \$13.6 million were due from other State departments and agencies.

VI. Teacher and Employee Retention Incentive Program

The Teacher and Employee Retention Incentive (TERI) program, 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 active member to retiree even though the person continues to work at his regular job and earn his regular salary for a period of up to five years. The person 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 remain in our trust account. Upon the termination of employment or at the end of the TERI period (whichever is earlier), the retiree has the choice to roll over his funds into a qualified, tax-sheltered, retirement plan or to receive a lump-sum distribution (or a combination thereof). No interest is paid on the funds accumulated in the TERI account.

A total of 5,883 members were participating in the TERI program at June 30, 2001. The activity for this program is reflected in the following schedule:

Schedule of TERI Activity

Year Ended June 30, 2001

(Amounts in thousands)

Beginning balance	\$	0
Additions		56,487
TERI distributions		(1,843)
Ending balance	\$	<u>54,644</u>

VII. Future Adoption of Accounting Pronouncements

The Governmental Accounting Standards Board has issued Statement No. 34 Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments. This new accounting and reporting standard will not impact the revenue and expenditure recognition or assets, liabilities, and fund equity reporting of the pension trust funds for the fiscal year beginning July 1, 2001.

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						
7/01/00	\$ 17,286,108	\$ 19,414,972	\$ 2,128,864	89.0%	\$ 6,067,185	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						
7/01/00	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						
7/01/00	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						
7/01/00	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	Percentage Contributed	Annual Required	Percentage Contributed	Annual Required	Percentage Contributed	Annual Required	Percentage Contributed
	Contribution		Contribution		Contribution		Contribution	
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.

	SCRS	PORS	GARS	JSRS
Valuation date	07/01/00	07/01/00	07/01/00	07/01/00
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	16 years	7 years	24 years	29 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
Statement of Changes in Plan Net Assets
SCRS Pension Trust Fund
Year Ended June 30, 2001
With comparative totals for the year ended June 30, 2000
(Amounts expressed in thousands)

	EMPLOYEE FUND	EMPLOYER FUND	GROUP LIFE FUND	TOTAL	TOTAL 2000
Additions					
Employee contributions					
State department employees	\$ 164,371			\$ 164,371	\$ 139,650
Public school employees	188,001			188,001	166,129
Other political subdivision employees	82,700			82,700	73,688
Employer contributions					
State department employees		\$ 181,432	\$ 3,421	184,853	173,144
Public school employees		211,539	1,644	213,183	200,764
Other political subdivision employees		89,133	4,160	93,293	82,006
Transfers of contributions from other Systems	3			3	24
Total contributions	<u>435,075</u>	<u>482,104</u>	<u>9,225</u>	<u>926,404</u>	<u>835,405</u>
Investment Income					
Net appreciation (depreciation) in fair value of investments		440,244	2,395	442,639	(72,431)
Interest and dividend income		850,660	4,620	855,280	863,607
Investment expense		(9,525)	(52)	(9,577)	(3,137)
Net income from investing activities		<u>1,281,379</u>	<u>6,963</u>	<u>1,288,342</u>	<u>788,039</u>
From securities lending activities:					
Securities lending income		88,066	479	88,545	78,026
Securities lending expense		(82,441)	(449)	(82,890)	(73,783)
Net income from securities lending activities		<u>5,625</u>	<u>30</u>	<u>5,655</u>	<u>4,243</u>
Total net investment income		<u>1,287,004</u>	<u>6,993</u>	<u>1,293,997</u>	<u>792,282</u>
Supplemental retirement benefits funded by the State		3,518		3,518	3,873
Total additions	<u>435,075</u>	<u>1,772,626</u>	<u>16,218</u>	<u>2,223,919</u>	<u>1,631,560</u>
Deductions					
Refunds of contributions to members	68,894			68,894	72,452
Transfers of contributions to other Systems	1,385	728		2,113	1,879
Regular retirement benefits		864,235		864,235	779,297
Deferred retirement benefits		56,487		56,487	
Supplemental retirement benefits		3,518		3,518	3,873
Group life insurance claims			12,850	12,850	10,026
Depreciation		107		107	107
Administrative charges		13,154		13,154	13,189
Total deductions	<u>70,279</u>	<u>938,229</u>	<u>12,850</u>	<u>1,021,358</u>	<u>880,823</u>
Interfund transfers according to statutory requirements					
Contributions by members at retirement	(816,301)	816,301			
Interest credited to members' accounts	227,739	(227,739)			
Net interfund transfers	<u>(588,562)</u>	<u>588,562</u>			
Net increase	<u>(223,766)</u>	<u>1,422,959</u>	<u>3,368</u>	<u>1,202,561</u>	<u>750,737</u>
Net assets held in trust for Pension Benefits					
Beginning of year	4,563,513	12,823,206	100,561	17,487,280	16,736,543
End of year	<u>\$ 4,339,747</u>	<u>\$ 14,246,165</u>	<u>\$ 103,929</u>	<u>\$ 18,689,841</u>	<u>\$ 17,487,280</u>

South Carolina Retirement Systems
Statement of Changes in Plan Net Assets
PORS Pension Trust Fund
Year Ended June 30, 2001
With comparative totals for the year ended June 30, 2000
(Amounts expressed in thousands)

	EMPLOYEE FUND	EMPLOYER FUND	GROUP LIFE FUND	ACCIDENTAL DEATH FUND	TOTAL	TOTAL 2000
Additions						
Employee contributions						
State department employees	\$ 25,601				\$ 25,601	\$ 21,523
Other political subdivision employees	30,244				30,244	27,098
Employer contributions						
State department employees		\$ 38,688	\$ 706	\$ 706	40,100	33,351
Other political subdivision employees		51,904	813	767	53,484	42,916
Transfers of contributions from other Systems	1,107	728			1,835	1,817
Total contributions	56,952	91,320	1,519	1,473	151,264	126,705
Investment Income						
Net appreciation (depreciation) in fair value of investments		46,387	373	393	47,153	(14,071)
Interest and dividend income		101,382	812	856	103,050	107,314
Investment expense		(1,051)	(8)	(9)	(1,068)	(387)
Net income from investing activities		146,718	1,177	1,240	149,135	92,856
From securities lending activities:						
Securities lending income		8,764	70	74	8,908	9,125
Securities lending expense		(8,331)	(67)	(71)	(8,469)	(8,556)
Net income from securities lending activities		433	3	3	439	569
Total net investment income		147,151	1,180	1,243	149,574	93,425
Supplemental retirement benefits funded by the State		104			104	113
Total additions	56,952	238,575	2,699	2,716	300,942	220,243
Deductions						
Refunds of contributions to members	11,498				11,498	10,463
Transfers of contributions to other Systems	3				3	
Regular retirement benefits		94,439			94,439	84,386
Supplemental retirement benefits		104			104	113
Group life insurance claims			1,399		1,399	1,404
Accidental death benefits				797	797	736
Depreciation		11			11	11
Administrative charges		1,537			1,537	1,514
Total deductions	11,501	96,091	1,399	797	109,788	98,807
Interfund transfers according to statutory requirements						
Contributions by members at retirement	(32,277)	32,277				
Interest credited to members' accounts	23,594	(23,594)				
Net interfund transfers	(8,683)	8,683				
Net increase	36,768	151,167	1,300	1,919	191,154	121,436
Net assets held in trust for Pension Benefits						
Beginning of year	427,449	1,582,411	16,149	17,026	2,043,035	1,921,599
End of year	\$ 464,217	\$ 1,733,578	\$ 17,449	\$ 18,945	\$ 2,234,189	\$ 2,043,035

South Carolina Retirement Systems

Statement of Changes in Plan Net Assets

GARS Pension Trust Fund

Year Ended June 30, 2001

With comparative totals for the year ended June 30, 2000

(Amounts expressed in thousands)

	EMPLOYEE FUND	EMPLOYER FUND	TOTAL	TOTAL 2000
Additions				
Contributions				
Employee contributions - State departments	\$ 844		\$ 844	\$ 638
Employer contributions - State departments		\$ 2,510	2,510	2,636
Transfers of contributions from other Systems	60		60	
Total contributions	904	2,510	3,414	3,274
Investment Income				
Net appreciation (depreciation) in fair value of investments		867	867	(501)
Interest and dividend income		2,169	2,169	2,328
Investment expense		(21)	(21)	(6)
Net income from investing activities		3,015	3,015	1,821
From securities lending activities:				
Securities lending income		190	190	153
Securities lending expense		(183)	(183)	(147)
Net income from securities lending activities		7	7	6
Total net investment income		3,022	3,022	1,827
Total additions	904	5,532	6,436	5,101
Deductions				
Refunds of contributions to members	38		38	16
Transfers of contributions to other Systems	40		40	34
Regular retirement benefits		4,197	4,197	3,998
Group life insurance claims		42	42	36
Depreciation				1
Administrative charges		31	31	32
Total deductions	78	4,270	4,348	4,117
Interfund transfers according to statutory requirements				
Contributions by members at retirement	(1,215)	1,215		
Interest credited to members' accounts	498	(498)		
Net interfund transfers	(717)	717		
Net increase	109	1,979	2,088	984
Net assets held in trust for Pension Benefits				
Beginning of year	9,220	31,645	40,865	39,881
End of year	\$ 9,329	\$ 33,624	\$ 42,953	\$ 40,865

South Carolina Retirement Systems
Statement of Changes in Plan Net Assets
JSRS Pension Trust Fund
Year Ended June 30, 2001
With comparative totals for the year ended June 30, 2000
(Amounts expressed in thousands)

	EMPLOYEE FUND	EMPLOYER FUND	TOTAL	TOTAL 2000
Additions				
Contributions				
Employee contributions - State departments	\$ 1,958		\$ 1,958	\$ 1,122
Employer contributions - State departments		\$ 5,875	5,875	5,659
Transfers of contributions from other Systems	258		258	72
Total contributions	2,216	5,875	8,091	6,853
Investment Income				
Net appreciation (depreciation) in fair value of investments		2,329	2,329	(1,014)
Interest and dividend income		4,834	4,834	4,807
Investment expense		(44)	(44)	(12)
Net income from investing activities		7,119	7,119	3,781
From securities lending activities:				
Securities lending income		202	202	169
Securities lending expense		(193)	(193)	(159)
Net income from securities lending activities		9	9	10
Total net investment income		7,128	7,128	3,791
Total additions	2,216	13,003	15,219	10,644
Deductions				
Refunds of contributions to members				71
Regular retirement benefits		7,426	7,426	6,979
Group life insurance claims		6	6	15
Depreciation		1	1	
Administrative charges		66	66	67
Total deductions		7,499	7,499	7,132
Interfund transfers according to statutory requirements				
Contributions by members at retirement	(705)	705		
Interest credited to members' accounts	764	(764)		
Net interfund transfers	59	(59)		
Net increase	2,275	5,445	7,720	3,512
Net assets held in trust for Pension Benefits				
Beginning of year	12,979	75,019	87,998	84,486
End of year	\$ 15,254	\$ 80,464	\$ 95,718	\$ 87,998

South Carolina Retirement Systems
Schedule of Investment Expenses
Year Ended June 30, 2001
(Amounts expressed in thousands)

	SCRS	PORS	GARS	JSRS	TOTAL
Equity Investment Managers' Fees:					
State Street Global Advisors	\$ 63	\$ 7			\$ 70
Institutional Capital Corp.	837	98	\$ 2	\$ 4	941
Alliance Bernstein Institutional Management, Inc.*	665	78	1	4	748
Flippin, Bruce & Porter, Inc.	460	54	1	2	517
Montag & Caldwell, Inc.	660	77	1	3	741
Peachtree Asset Management	442	52	1	2	497
J.P Morgan Investment Management, Inc.	703	83	2	4	792
Wellington Management Company, LLP	1,069	126	2	5	1,202
The Boston Company Asset Management, LLC	782	92	2	4	880
J.L. Kaplan Associates, LLC	729	86	2	4	821
MFS Institutional Advisors, Inc.	345	41	1	2	389
Suffolk Capital Management, Inc.	724	85	2	4	815
Fidelity Management Trust Company	532	62	1	3	598
Farrell-SL Investment Management, Inc.	204	24	1	1	230
Total	<u>8,215</u>	<u>965</u>	<u>19</u>	<u>42</u>	<u>9,241</u>
Investment Service Fees:					
Bank Fees	<u>1,362</u>	<u>103</u>	<u>2</u>	<u>2</u>	<u>1,469</u>
Total Investment Management Fees	<u>\$ 9,577</u>	<u>\$ 1,068</u>	<u>\$ 21</u>	<u>\$ 44</u>	<u>\$ 10,710</u>
Securities Lending Expenses:					
Borrower Rebates	<u>\$ 82,890</u>	<u>\$ 8,469</u>	<u>\$ 183</u>	<u>\$ 193</u>	<u>\$ 91,735</u>
Total Securities Lending Expenses	<u>\$ 82,890</u>	<u>\$ 8,469</u>	<u>\$ 183</u>	<u>\$ 193</u>	<u>\$ 91,735</u>

* Sanford C. Bernstein & Co., Inc., was acquired by Alliance Capital Management LP in October 2000.