

Popular Annual Financial Report

South Carolina Retirement Systems
For the fiscal year ended June 30, 2016
Pension trust funds of the State of South Carolina

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South Carolina Public Employee Benefit Authority
Retirement Division

South Carolina Retirement Systems
Popular Annual Financial Report
For the Fiscal Year Ended June 30, 2016
Pension Trust Funds of the State of South Carolina

To our Members

We are pleased to present the South Carolina Public Employee Benefit Authority's (PEBA) *Popular Annual Financial Report* (PAFR) for the South Carolina Retirement Systems for the fiscal year ended June 30, 2016. This is the Systems' 13th consecutive annual popular report and it is intended to provide a summary of the Systems' annual financial information in an easily understandable format to supplement the more thorough *Comprehensive Annual Financial Report* (CAFR).

Data presented in this report was derived from the fiscal year 2016 CAFR, which was prepared in accordance with Generally Accepted Accounting Principles. To learn more about the Systems' financial activities, the CAFR which contains more detailed information, may be viewed online or downloaded from the Facts and figures page of our website, www.peba.sc.gov. For any other questions or assistance, please contact our Customer Contact Center at 803.737.6800 or 888.260.9430.



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Executive Director



Travis J. Turner, CPA, CISA
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THIS REPORT CONTAINS AN ABBREVIATED DESCRIPTION OF THE RETIREMENT BENEFITS OFFERED BY THE SOUTH CAROLINA PUBLIC EMPLOYEE BENEFIT AUTHORITY (PEBA). THE INFORMATION IN THIS REPORT IS MEANT TO SERVE AS A GUIDE FOR OUR MEMBERS AND DOES NOT CONSTITUTE A BINDING REPRESENTATION OF PEBA. TITLE 9 OF THE SOUTH CAROLINA CODE OF LAWS CONTAINS A COMPLETE DESCRIPTION OF THE RETIREMENT BENEFITS, THEIR TERMS AND CONDITIONS, AND GOVERNS ALL RETIREMENT BENEFITS OFFERED BY THE STATE. STATE STATUTES ARE SUBJECT TO CHANGE BY THE GENERAL ASSEMBLY. PLEASE CONTACT PEBA FOR THE MOST CURRENT INFORMATION.

THE LANGUAGE USED IN THIS REPORT DOES NOT CREATE ANY CONTRACTUAL RIGHTS OR ENTITLEMENTS AND DOES NOT CREATE A CONTRACT BETWEEN THE MEMBER AND PEBA. PEBA RESERVES THE RIGHT TO REVISE THE CONTENT OF THIS REPORT.

Profile

South Carolina Public Employee Benefit Authority – Retirement Division

The South Carolina Public Employee Benefit Authority (PEBA) administers five defined benefit pension plans that provide lifetime retirement annuities, disability benefits and death benefits to eligible members and their beneficiaries. Each plan's terms specify the amount of pension benefits to be provided at a future date or after a certain period of time. The benefit amount specified is a function of a formula based on years of service, compensation and age.

PEBA also provides a defined contribution retirement plan, the State Optional Retirement Program, which is an alternative to membership in the traditional defined benefit plan for the South Carolina Retirement System.

The following is a summary of the six retirement plans.

- The South Carolina Retirement System (**SCRS**) was established July 1, 1945, to provide retirement and other benefits for teachers and employees of the state and its political subdivisions.
- The State Optional Retirement Program (**State ORP**) was first established as the Optional Retirement Program for Higher Education in 1987. The State ORP is an alternative to the SCRS defined benefit plan and is now available to certain state, public school and higher education employees of the state.
- The Police Officers Retirement System (**PORS**) was established July 1, 1962, to provide retirement and other benefits to police officers and firefighters.
- The Retirement System for Members of the General Assembly of the State of South Carolina (**GARS**) was established January 1, 1966, to provide retirement and other benefits to members of the General Assembly. Retirement reform legislation closed the plan to individuals first elected to the South Carolina General Assembly at or after the general election in November 2012.
- The Retirement System for Judges and Solicitors of the State of South Carolina (**JSRS**) was established July 1, 1979, to provide retirement and other benefits to State Judges, Solicitors and Circuit Public Defenders.
- The South Carolina National Guard Supplemental Retirement Plan (**SCNG**) was established July 1, 1975, to provide supplemental retirement benefits to members who served in the South Carolina National Guard. The Retirement Systems assumed administrative responsibility for this fund in 2006.

The membership and annuitant data provided in the chart below is based on the actuarial data provided to the Systems' actuary for preparation of the July 1, 2015 actuarial valuations.

Membership and Annuitant Composition

	South Carolina Retirement System	Police Officers Retirement System	General Assembly Retirement System ¹	Judges and Solicitors Retirement System ¹	South Carolina National Guard Supplemental Retirement Plan
Total Membership					
Active	187,318	26,575	104	157	12,165
Inactive	164,509	14,149	36	2	2,052
Retirees & Beneficiaries ²	134,640	16,709	362	206	4,647
Active Members					
Average Age	45	39	56	57	32
Average Years of Service	10	10	13	15	10
Average Annual Salary	\$39,604	\$39,625	\$22,481	\$135,432	N/A ³
Annuitants and Beneficiaries					
Average Current Age for Service Retirees	70	65	73	71	70
Average Age at Retirement for Service Retirees	59	55	61	60	60
Average Years of Service at Retirement-All Retirees	22	18	20	25	26
Average AFC ⁴ at Retirement-All Retirees	\$42,677	\$44,201	\$21,701	\$116,817	N/A
Average Current Annual Benefit-All Retirees ⁵	\$19,931	\$19,829	\$18,414	\$80,883	\$915

¹There were 170 GARS positions and 153 JSRS positions based on July 1, 2015 actuarial valuation.

²Represents members who retired, including those who participate in the Teacher and Employee Retention Incentive (TERI) program or who returned to employment as a working retiree, and surviving beneficiaries of former members.

³The South Carolina National Guard Supplemental Retirement Plan is non-contributory; therefore, active member salaries are not reported to the Systems.

⁴Average Final Compensation (AFC) is a component used in the formula for calculating annuity benefits.

⁵Includes benefit adjustments applied since retirement.

Fiscal Year 2016 Highlights

Administrative Activities

- PEBA staff developed and implemented a new consolidated website for the insurance and retirement programs administered by PEBA, which continues to be maintained and supported in-house. Elimination of one of the three previous sites is expected to save the agency more than \$300,000 annually in outside contractor costs.
- The Employer Services Department launched its Employer Advisory Group meetings, held regularly at PEBA's office in Columbia. PEBA extends invitations to all covered employers through its weekly employer e-newsletter, *PEBA Update*. Staff from other departments, such as Communications and Health and Wellness, attend the meetings to provide updates and receive feedback from the employers. The meetings are well

received and have resulted in a number of improvements to PEBA's operational processes and communications tools.

- PEBA launched its YouTube channel, PEBA TV, in fiscal year 2016. PEBA TV features a variety of animated and filmed videos and presentations about the benefits the agency sponsors. PEBA produces the content in-house, which provides significant cost savings compared to using outside contractors for production.

Public Policy Activities

- PEBA's responsibility and commitment to safeguard the information with which it has been entrusted took another step forward with the hiring of a risk management and compliance director. This position is responsible for developing and managing an overall risk management framework including developing an incident response plan for the agency, conducting risk assessments for the agency, working with the Information Technology Department on security, privacy and compliance initiatives, as well as evaluating third party vendors.
- To comply with the State Information Security Policies, the agency developed its first, formal business continuity plan that defines actions to be taken during a disaster that would interfere with PEBA's ability to conduct business and resources needed to run critical business processes. The plan was approved by the PEBA Board of Directors and staff will be trained on their roles in the near future. The plan will be reviewed, tested and updated on an annual basis.
- Maintaining a well-funded plan has become challenging for many defined benefit plans across the country. In South Carolina in particular, both employee and employer contribution increases have been required to ensure the unfunded accrued actuarial liability is amortized within an acceptable funding period, primarily as a result of unfavorable investment performance and changes in demographics such as mortality. The South Carolina General Assembly has created a Joint Committee on Pension Systems Review, a panel of House and Senate members, to consider funding options for SCRS and PORS and make possible legislation recommendations.

Operational System Improvements

One of the most significant operational challenges the agency faces is the pending replacement of its legacy information systems. PEBA's current core operational systems were built in the early 1990s on a then-current Adabas/Natural technology foundation; a 15-20 year system life was expected. A three-phase operational assessment was completed in fiscal year 2016. The scope of the assessment included reviewing current processes and highlighting issues and non-standard industry operations; defining a future state operating model leveraging best practices; analyzing the current architecture and technology platform; recommending the best approach to reduce risk and achieve the future state; researching the benefit solution market and available PEBA options; and formulating a recommended planning roadmap, documenting required activity, costs and resources. Recommendations were made following the assessment and staff are working to finalize a roadmap for completion of the project that will occur over the next five years.

Summary of Financial Condition

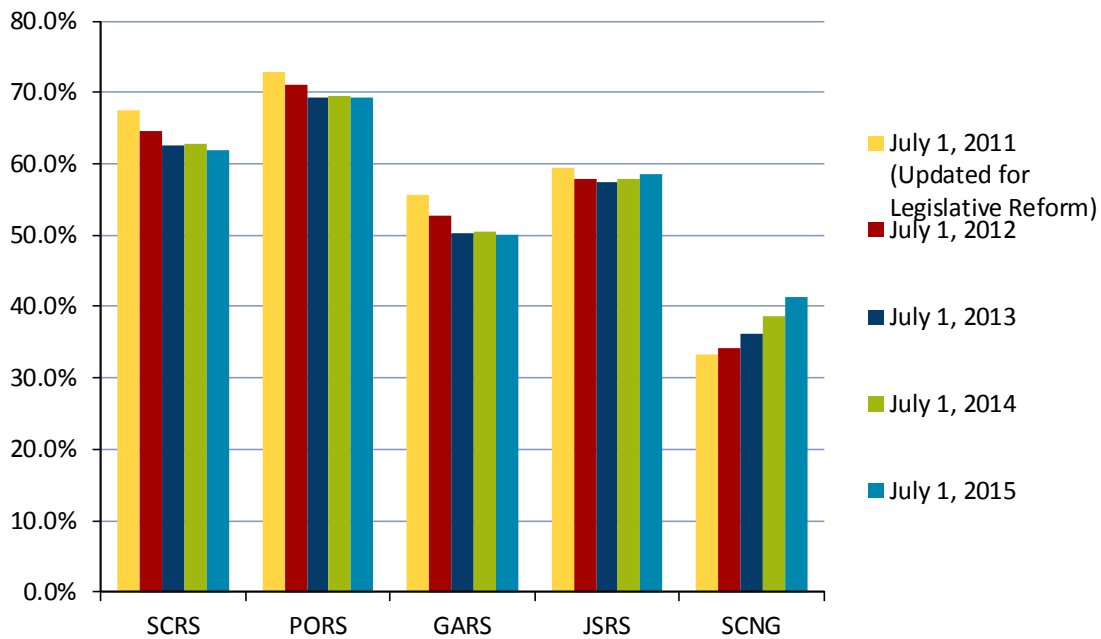
The main funding objective of the pension trust funds is to meet future benefit obligations of retirees and beneficiaries through employee and employer contributions and investment earnings. Each year, the external consulting actuaries determine the actuarial soundness of the plans based on long term obligations and the sufficiency of current contribution levels to fund the liabilities of each plan over a reasonable time frame.

The July 1, 2015, actuarial valuations, adopted by the PEBA Board and subsequently provided to the S.C. State Fiscal Accountability Authority (SFAA), determined the actuarial status of each plan and the minimum necessary employee and employer contribution requirements for fiscal year 2017. However, because the market value of assets is less than the actuarial value of assets, deferred investment losses exist which will be recognized as investment losses in future years.

The funded ratios of the five plans as of July 1, 2015, range from a low of 41.4 percent for SCNG to a high of 69.2 percent for PORS. The funded ratio for SCRS, which represents the largest membership of the five plans, decreased from 62.7 percent to 62.0 percent and similarly PORS went down slightly from 69.5 percent to 69.2 percent. Declines in funded ratios were primarily due to the continued recognition of deferred investment losses experienced in prior fiscal years, which are recognized in the actuarial value of assets using a modified five-year smoothing technique. The below chart illustrates actuarial funded ratios over the past five years for each of the five defined benefit plans.

Actuarial Funded Ratios

(Actuarial assets as a percentage of actuarial accrued liabilities)



As of July 1, 2015, the unfunded actuarial accrued liability for SCRS increased from \$16 billion to \$16.8 billion and PORS increased from \$1.8 billion to \$1.9 billion. The largest source of increase was the result of continual recognition of deferred investment losses in the actuarial value of assets. Absent significant favorable investment experience, those deferred losses will continue to be reflected, or smoothed, in the actuarial value of assets over the next few years. Other non-investment related experience activity such as mortality, salary experience, payroll growth and turnover, which are considered normal within the course of plan experience, contributed to other actuarial gains and losses, as actual experience cannot be precisely predicted and will never exactly match the estimated assumptions.

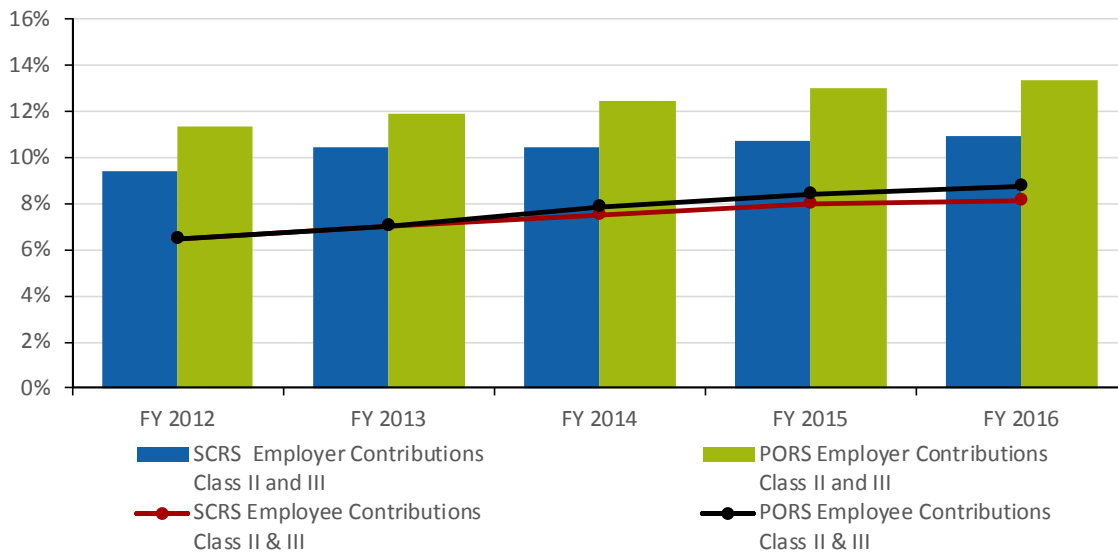
Actuarial smoothing techniques, which defer investment gains and losses, help to dampen the short-term volatility inherent in investment markets by allowing only a portion of investment gains and losses to be recognized each year. Actual investment returns for fiscal year 2015 were less than the assumed rate of return.

Specifically, the market value of assets earned a 1.4 percent return on a dollar-weighted basis for the plan year ending June 30, 2015, compared to a 7.5 percent assumed rate of return. All of the Systems recognized a net actuarial loss on investment returns for the valuation year. As of the July 1, 2015, valuation, the market value of SCRS assets is \$2.2 billion less than the actuarial value of those assets, which signifies that the retirement system is in a position of deferred losses. Therefore, unless investment returns in excess of the assumed rate of return are achieved, the future recognition of these deferred losses is expected to increase the unfunded actuarial accrued liability and will require additional funding sources.

Retirement reform legislation enacted in 2012 set an increased contribution schedule for both employee and employer contribution rates in SCRS and PORS. The reform legislation also authorized the employee and employer contribution rates for SCRS and PORS to be further increased after June 30, 2015, in equal amounts not to exceed one-half of one percent in any one year in order to improve the funding of the plans. Any such increase may not result in a differential between the employee and employer contribution rate that exceeds 2.9 percent of earnable compensation for SCRS and 5.0 percent for PORS. Additionally, if the last scheduled or adopted contribution rates are not sufficient to maintain a 30-year amortization period for the unfunded liability of SCRS or PORS, as determined by the annual actuarial valuations of the plan, the legislation requires the employee and employer contribution rates to be increased in equal amounts as necessary to maintain a 30-year amortization period for the plan. Finally, under the legislation, the contribution rates for SCRS and PORS may not be decreased until the plans are at least 90 percent funded.

The below chart illustrates employer and employee contribution rates for SCRS and PORS over the past five fiscal years. In recognition of increased funding requirements, the PEBA Board and SFAA have adopted increases in SCRS and PORS employee and employer contribution rates in the amount of 0.5 percent effective July 1, 2016 and another 0.5 percent effective July 1, 2017. Given both the magnitude of the deferred losses and short-term investment projections, increased funding requirements are expected to continue and are being reviewed by the Joint Committee on Pension Systems Review.

SCRS and PORS Employer and Employee Contribution Rates



Statement of Fiduciary Net Position

The Statement of Fiduciary Net Position on Page 8 presents the Systems' assets and liabilities and the resulting net position restricted for pensions. This statement reflects a year-end snapshot of the Systems' investments, at fair value, along with cash and short-term investments, receivables and other assets and liabilities.

Total fiduciary net position for all five defined benefit plans of the Systems combined, decreased by \$1.239 billion, which was over four percent from the prior fiscal year ended June 30, 2015. The net position of the plans is impacted by contributions to the plans, investment returns, and benefit payments out of the system. It is important to note that growth in fiduciary net position depends on both investment performance and contributions from employers and employees. The plans are in a net cash outflow position with benefit payments exceeding contributions, therefore, investment performance must first make up this gap before fiduciary net position can grow. The decrease in net position from \$29.3 billion to \$28.1 billion was primarily attributable to reduced investment performance and the net cash outflows.

The Systems' investment portfolio continues to participate in a securities lending program, managed by BNY Mellon (Securities Lending Program), whereby securities are loaned for the purpose of generating additional income. The gross securities lending revenue for the fiscal year was \$946 thousand, a decrease from \$1.98 million in the prior year. As reported by BNY Mellon, at June 30, 2016, the fair value of securities on loan was \$146.18 million, the fair value of the invested cash collateral was \$55.74 million, and the securities lending obligations were \$102.95 million. The reported difference in the value of the invested cash collateral and the securities lending obligations in the securities lending program, is reflected within "Other Liabilities" on the Retirement Systems' Statement of Fiduciary Net Position, consistent with information reported on accounting statements provided by BNY Mellon as both the custodial bank and securities lending agent.

Statement of Changes in Fiduciary Net Position

The Statement of Changes in Fiduciary Net Position on Page 8 presents information showing how the Systems' net position restricted for pensions changed during the year. This statement includes additions for contributions by members and employers and investment earnings and deductions for annuity payments, refunded contributions, death benefit payments and administrative expenses.

The increase over the prior fiscal year in the amount of employee and employer contributions collected is largely attributable to increased contribution rates. Effective July 1, 2015, the employee and employer contribution rates for SCRS increased by 0.16 percent of pay to 8.16 percent and 11.06 percent of pay, respectively, to maintain an amortization schedule that does not exceed 30 years. Similarly, the employee and employer contribution rates for PORS increased by 0.33 percent of pay, to 8.74 percent and 13.74 percent, respectively, on July 1, 2015.

For the fiscal year ended June 30, 2016, the net of fee investment performance return provided by the custodial bank, BNY Mellon was negative 0.39 percent. This return reflects performance of the Systems, at the aggregate for the pooled investments of the consolidated pension trust funds, after the deduction of manager fees and/or expenses. This fiscal year's performance was below the prior year's return of 1.60 percent and is considered an actuarial loss since it was less than the 7.5 percent actuarial investment rate of return assumed for the plans.

An increase in the number of new annuitants added to the payroll during the year coupled with the retiree benefit adjustment resulted in an overall increase of over 3 percent in the dollar amount of annuity benefits paid to annuitants compared to the prior year. The total number of retired members and beneficiaries receiving

monthly retirement benefits from the Systems increased from approximately 157,000 to almost 161,000 annuitants during fiscal year 2016. Additionally, eligible SCRS and PORS annuitant payees received an annual benefit adjustment equal to the lesser of 1 percent or \$500 on July 1, 2015.

South Carolina Retirement Systems Fiduciary Net Position

June 30, 2016 and 2015
(Amounts expressed in thousands)

Assets	2016	2015	Increase / (Decrease)	% Increase / (Decrease)
Cash & cash equivalents, receivables, and prepaid expenses	\$ 4,979,349	\$ 3,622,210	\$ 1,357,139	37.47%
Investments, at fair value	24,790,218	27,093,961	(2,303,743)	-8.50%
Securities lending cash collateral invested	55,737	70,177	(14,440)	-20.58%
Capital Assets, net of accumulated depreciation	2,741	3,005	(264)	-8.79%
Total Assets	<u>29,828,045</u>	<u>30,789,353</u>	<u>(961,308)</u>	<u>-3.12%</u>
Liabilities				
Deferred retirement benefits	71,693	68,104	3,589	5.27%
Obligations under securities lending	55,737	70,177	(14,440)	-20.58%
Other accounts payable	1,633,962	1,345,382	288,580	21.45%
Total Liabilities	<u>1,761,392</u>	<u>1,483,663</u>	<u>277,729</u>	<u>18.72%</u>
Total Fiduciary Net Position Restricted for Pensions	<u>\$ 28,066,653</u>	<u>\$ 29,305,690</u>	<u>\$ (1,239,037)</u>	<u>-4.23%</u>

South Carolina Retirement Systems Changes in Fiduciary Net Position

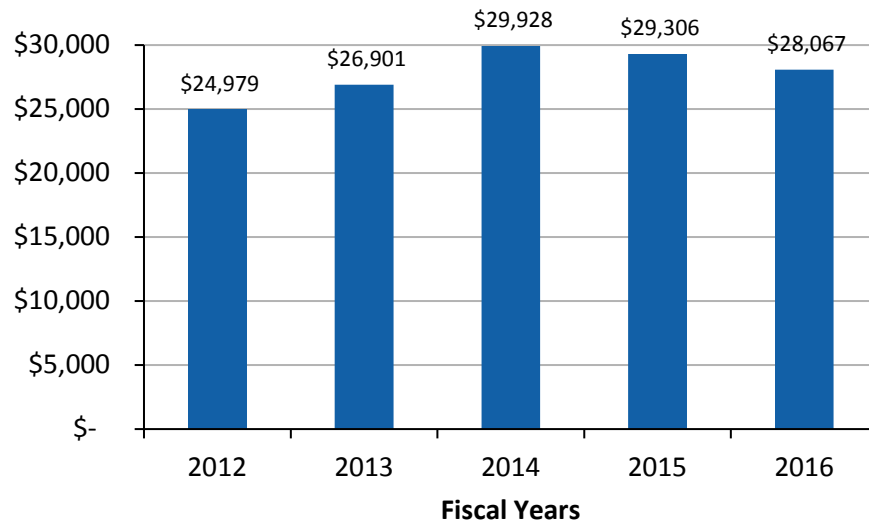
For the Years Ended June 30, 2016 and 2015
(Amounts expressed in thousands)

Additions	2016	2015	Increase / (Decrease)	% Increase / (Decrease)
Employee contributions	\$ 871,936	\$ 826,483	\$ 45,453	5.50%
Employer contributions	1,262,585	1,203,313	59,272	4.93%
State-appropriated contributions	4,591	4,591	-	0.00%
Net Investment income (loss)	(191,288)	435,886	(627,174)	-143.88%
Other income	1,830	1,883	(53)	-2.81%
Total Additions	<u>1,949,654</u>	<u>2,472,156</u>	<u>(522,502)</u>	<u>-21.14%</u>
Deductions				
Annuity benefits	3,036,279	2,943,355	92,924	3.16%
Refunds	112,954	112,557	397	0.35%
Death benefits	22,771	22,319	452	2.03%
Administrative & other expenses	16,687	15,946	741	4.65%
Total Deductions	<u>3,188,691</u>	<u>3,094,177</u>	<u>94,514</u>	<u>3.05%</u>
Increase (Decrease) in Fiduciary Net Position	<u>(1,239,037)</u>	<u>(622,021)</u>	<u>(617,016)</u>	<u>99.20%</u>
Beginning Fiduciary Net Position	29,305,690	29,927,711	(622,021)	-2.08%
Ending Fiduciary Net Position Restricted for Pensions	<u>\$ 28,066,653</u>	<u>\$ 29,305,690</u>	<u>\$ (1,239,037)</u>	<u>-4.23%</u>

The following graph reflects Fiduciary Net Position restricted for pensions for the five consolidated defined benefit plans over the past five fiscal years:

South Carolina Retirement Systems Fiduciary Net Position

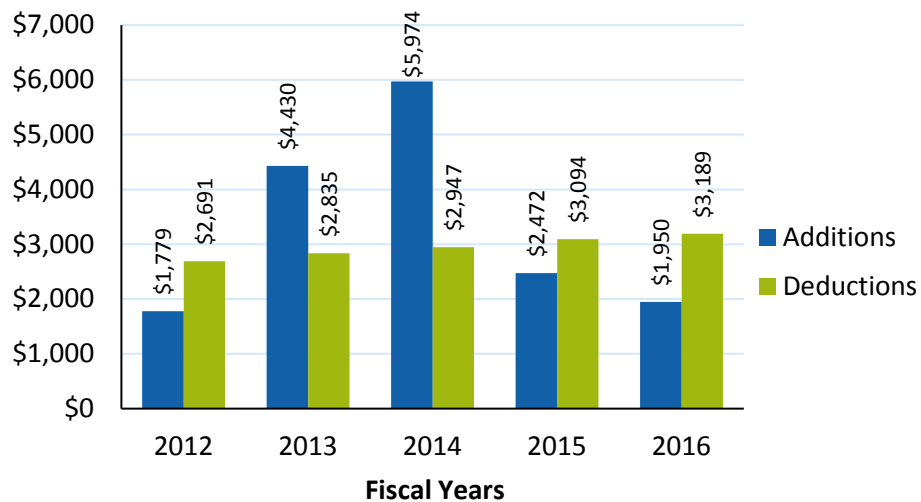
Five Years Ended June 30, 2016
(Amounts expressed in millions)



The following graph represents additions from all sources (employee contributions, employer contributions and investment gains and losses) and deductions (annuities, refunds, death benefits, administrative expense and depreciation) from Fiduciary Net Position over the past five fiscal years:

South Carolina Retirement Systems Summary of Additions and Deductions

Five Years Ended June 30, 2016
(Amounts expressed in millions)



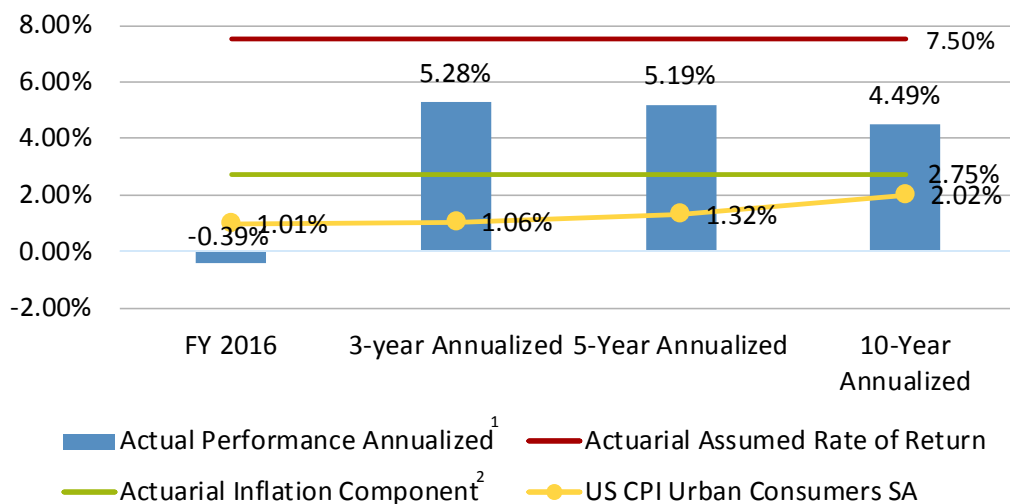
Investments Overview

As of June 30, 2016, the custodial bank reported that assets of the pension trust funds, invested and managed by the Retirement System Investment Commission (RSIC), were valued at \$28 billion. The plans are in a negative cash flow position with benefit payments exceeding contributions received; therefore, the RSIC manages liquidity requirements on a daily basis. Because the resulting negative cash outflows in the aggregate net to approximately \$1 billion for the fiscal year, representing approximately 3.8 percent of the portfolio's assets, the plans are dependent upon positive investment returns.

Capital markets continued to be challenging for the Plan during the fiscal year as global equity markets, in aggregate, declined. Although large capitalized domestic equity was generally positive, small to mid-capitalized domestic stocks, developed international, and emerging equity markets were all significantly negative. Private equity, domestic fixed income, and emerging market debt showed positive results, while the Plan's credit strategies and global tactical asset allocation were flat to negative. The real estate asset class posted very strong positive results.

Summary of Investment Performance

As of June 30, 2016



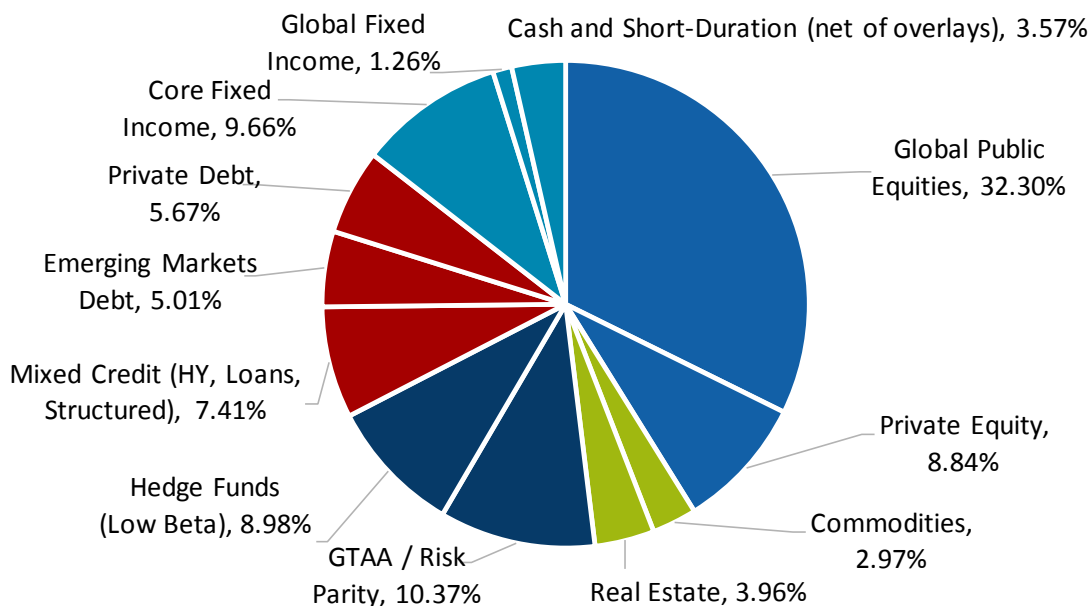
¹Plan returns are from BNY Mellon and are time-weighted, total return calculations, net of fees and expenses. All returns are expressed in U.S. Dollars. Periods greater than one year are annualized.

²The actuarial assumed rate of return is 7.50 percent starting with returns after July 1, 2011, and is composed of an assumed 2.75 percent Inflation rate and a 4.75 percent real rate of return, net of investment and administrative expenses.

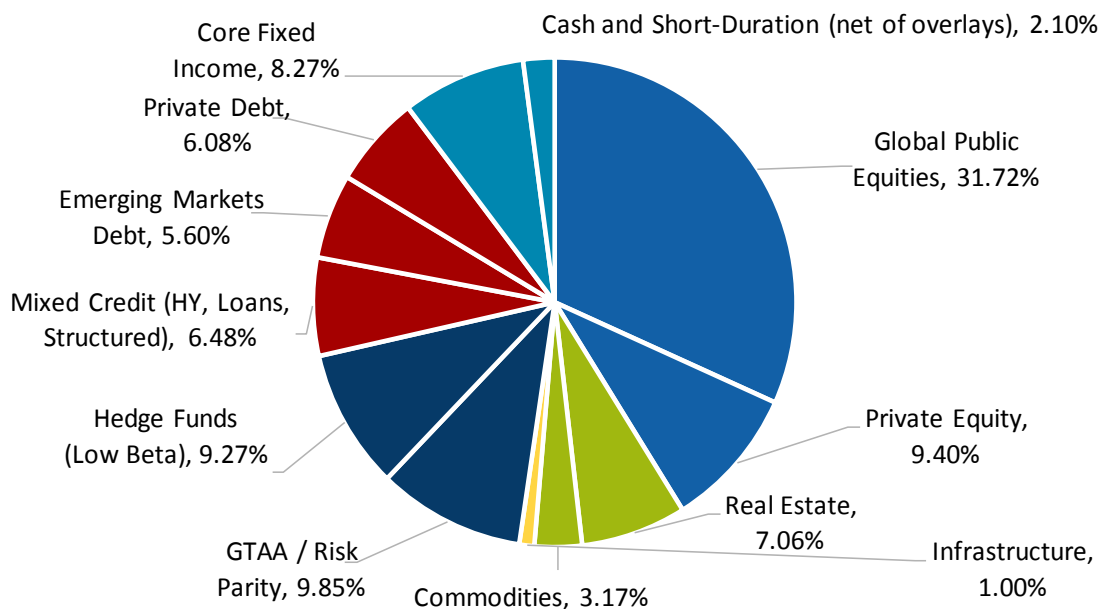
The plan assets are invested by the Commission in a manner consistent with a long-term investment time horizon. While the financial markets continue to experience significant volatility, the assets of the Retirement Systems are invested in a broadly diversified manner in an effort to mitigate risk. Although member benefits accrued and payable under the Retirement Systems' defined benefit plans are not dependent on individual member account balances, investment returns are a critical overall funding component.

An optimally diversified investment portfolio is designed to generate long-term returns sufficient to ensure the program's financial stability. With the help of the retained investment consultant, Aon Hewitt Investment Consulting, the RSIC manages investments across an asset allocation designed to generate attractive long-term risk-adjusted returns at a prudent level of risk.

Portfolio Exposure as of June 30, 2015



Portfolio Exposure as of June 30, 2016

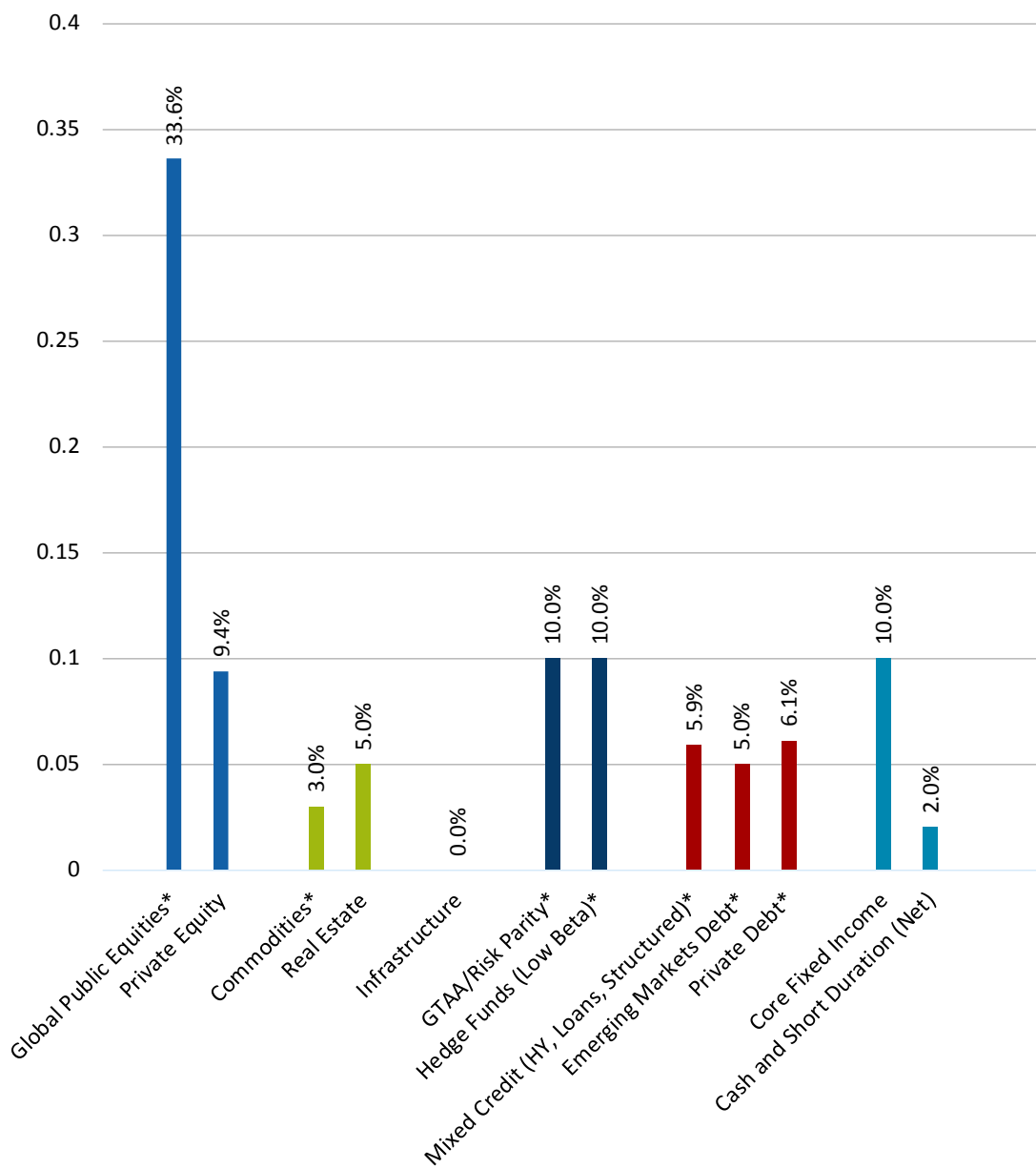


<ul style="list-style-type: none"> Global Equity Global Public Equities* Private Equity 	<ul style="list-style-type: none"> Real Assets Commodities* Real Estate 	<ul style="list-style-type: none"> Opportunistic GTAA/Risk Parity* Hedge Funds (Low Beta)*
<ul style="list-style-type: none"> Diversified Credit Mixed Credit (HY, Loans, Structured)* Emerging Markets Debt* Private Debt* 	<ul style="list-style-type: none"> Conservative Fixed Income Core Fixed Income Global Fixed Income Short-Duration (net of overlays) Cash (net of overlays) 	

Note: Values rounded for presentation purposes. Portfolio exposure includes adjustments made by managers that invest across asset classes as well as the exposure from the RSICs derivative overlay program.

**Asset classes in which hedge funds can be used, up to a maximum of 20% across the entire portfolio*

Target Asset Allocation



<ul style="list-style-type: none"> Global Equity Global Public Equities* Private Equity 	<ul style="list-style-type: none"> Real Assets Commodities* Real Estate 	<ul style="list-style-type: none"> Opportunistic GTAA/Risk Parity* Hedge Funds (Low
<ul style="list-style-type: none"> Diversified Credit Mixed Credit (HY, Loans, Structured)* Emerging Markets Debt* Private Debt* 	<ul style="list-style-type: none"> Conservative Fixed Income Core Fixed Income Global Fixed Income Short-Duration (net of overlays) Cash (net of overlavs) 	

Target Asset Allocation reflects policy targets that were adopted by the Commission and in effect for the fiscal year beginning July 1, 2015 and amended November 2015.

*Asset classes in which hedge funds can be used, up to a maximum of 20% across the entire portfolio

South Carolina Retirement Systems

List of Largest Assets Held

As of June 30, 2016

SCRS held units in the following index funds:							
Units	Description	SCRS	PORS	GARS	JSRS	SCNG	Fair Value
63,888,993	Blackrock MSCI World Index	\$ 854,399,653	\$ 137,492,737	\$ 996,313	\$ 4,936,329	\$ 752,137	\$ 998,577,169
22,586,424	Daily MSCI USA Index NL Fund	533,340,439	85,826,857	621,927	3,081,396	469,505	623,340,124
5,024,601	MSCI EAFE Index NL Fund (FD12)	324,666,328	52,246,348	378,592	1,875,773	285,807	379,452,848
463,573	MSCI CAD Index NL Fund (CA-12)	31,189,093	5,019,049	36,370	180,196	27,456	36,452,164
Total							\$ 2,037,822,305
Top Ten Equity Holdings							
Units	Description	SCRS	PORS	GARS	JSRS	SCNG	Fair Value
194,728	Simon Property Group Inc	\$ 36,138,272	\$ 5,815,487	\$ 42,141	\$ 208,790	\$ 31,813	\$ 42,236,503
340,513	Apple Inc	27,852,940	4,482,184	32,479	160,921	24,519	32,553,043
1,947,352	National Grid PLC	24,411,860	3,928,435	28,467	141,041	21,490	28,531,293
107,743	Public Storage	23,562,011	3,791,674	27,476	136,130	20,742	27,538,033
344,059	Welltower Inc	22,423,133	3,608,403	26,148	129,551	19,739	26,206,974
35,858	Amazon.com Inc	21,955,734	3,533,187	25,603	126,850	19,328	25,660,702
354,659	Altria Group Inc	20,926,071	3,367,490	24,402	120,901	18,421	24,457,285
190,966	American Tower Corp	18,563,167	2,987,244	21,646	107,249	16,341	21,695,647
55,471	Equinix Inc	18,402,415	2,961,376	21,459	106,321	16,200	21,507,771
1,145,466	Kinder Morgan Inc/DE	18,347,103	2,952,475	21,394	106,001	16,151	21,443,124
Total							\$ 271,830,375
Top Ten Fixed Income Holdings							
Par Value	Description	SCRS	PORS	GARS	JSRS	SCNG	Fair Value
\$ 722,934	iShares JP Morgan USD Emerging Market Bond ETF	\$ 71,226,569	\$ 11,462,008	\$ 83,057	\$ 411,514	\$ 62,702	\$ 83,245,850
1,842,692	iShares Emerging Markets Local Currency Bond ETF	70,775,312	11,389,390	82,531	408,907	62,304	82,718,444
64,000,000	US Treasury Bond 2.50% due 02/15/2045	57,011,749	9,174,514	66,481	329,388	50,188	66,632,320
62,000,000	Commit to Purchase FNMA 4.00% due 08/01/2046	56,826,354	9,144,679	66,265	328,317	50,025	66,415,640
40,200,000	US Treasury Bond 2.75% due 11/15/2042	37,838,138	6,089,035	44,123	218,611	33,309	44,223,216
43,000,000	US Treasury Note 1.00% due 09/15/2017	36,985,424	5,951,813	43,129	213,685	32,559	43,226,610
36,000,000	Commit To Purchase FNMA 3.00% due 08/01/2046	31,908,013	5,134,740	37,208	184,350	28,089	37,292,400
35,000,000	Federal Farm Credit Bank 1.17% due 05/16/2019	29,990,319	4,826,138	34,972	173,270	26,401	35,051,100
34,556,907	US Treasury - CPI Inflation 0.125% due 07/15/2024	29,864,632	4,805,913	34,825	172,544	26,290	34,904,204
33,000,000	Commit To Purchase FNMA 3.50% due 08/01/2046	29,757,531	4,788,678	34,700	171,925	26,196	34,779,030
Total							\$ 528,488,814

Note: A complete list of portfolio holdings is available upon request.

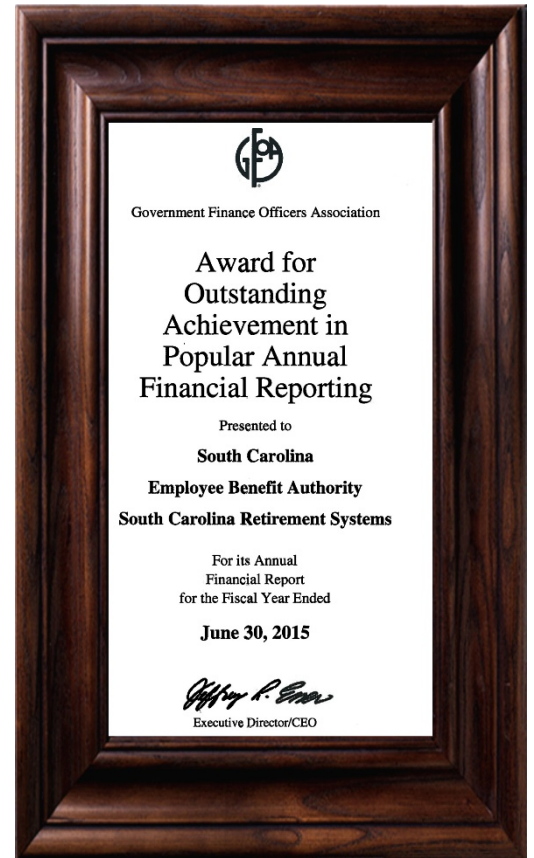
Fiscal Year 2015 GFOA Award

The South Carolina Retirement Systems' *Popular Annual Financial Report* for the fiscal year ended June 30, 2015, received an Award for Outstanding Achievement in Popular Annual Financial Reporting from the Government Finance Officers Association (GFOA) of the United States and Canada.

This is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

To receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a *Popular Annual Financial Report* in which the content conforms to program standards of creativity, presentation, understandability and reader appeal.

This award is valid for a period of one year only. The Systems has received the Award for Outstanding Achievement for each of the last 12 consecutive years (fiscal years ended 2004-2015). We believe our current report continues to conform to the GFOA's Popular Annual Financial Reporting requirements and are submitting it for consideration.



2016 PPCC Award



The South Carolina Retirement Systems received the Public Pension Coordinating Council's Public Pension Standards 2016 Award.

It is the thirteenth consecutive year during which the S.C. Public Employee Benefit Authority applied for and received the Council's award in recognition of meeting professional plan design and administration standards.

The Public Pension Coordinating Council is a confederation of the National Association of State Retirement Administrators, the National Conference on Public Employee Retirement Systems and the National Council on Teacher Retirement.



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