FINANCIAL STATEMENTS

SOUTH CAROLINA RETIREMENT SYSTEMS

Columbia, South Carolina

Year Ended June 30, 2011

South Carolina Retirement Systems

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June 30, 2011

Clifton Gunderson LLP
Certified Public Accountants & Consultants

Independent Auditor's Report

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

We have audited the accompanying financial statements of the South Carolina Retirement Systems (the Systems) a component unit of the State of South Carolina, as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the Systems' management. Our responsibility is to express an opinion on these financial statements based on our audits. The prior year summarized comparative information has been derived from the Systems' 2010 financial statements which are included for additional analysis and, in our report dated October 14, 2010, we expressed an unqualified opinion on those financial statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the Systems' plan net assets as of June 30, 2011, and the changes in the plan net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2011 on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Member of HLB International

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

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Other Supplementary Information on pages 38 through 44 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are presented fairly, in all material respects, in relation to the basic financial statements taken as a whole.

Clifton Gunderson LLP

Baltimore, Maryland
October 14, 2011

Management's Discussion and Analysis

This section presents management's discussion and analysis of the South Carolina Retirement Systems' financial position and performance for the year ended June 30, 2011, and is offered as an introduction and analytical overview. This narrative is intended as a supplement and should be read in conjunction with the financial statements and other information presented in the *Comprehensive Annual Financial Report*.

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

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

Overview of the Financial Statements

The South Carolina Retirement Systems represents the collective retirement funds that are held in a group trust and are protected under the constitution. Administrative operations and day to day management of the plans is organizationally aligned under the State Budget and Control Board. The System is considered a division or component unit of the primary government of the state of South Carolina and therefore, trust fund financial information is also included in the comprehensive annual financial report of the state. Financial statements prepared on behalf of the Retirement Systems (Plan), include the following information:

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

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

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

Notes to the Financial Statements are an integral part of the basic financial statements and provide additional information that is necessary in order to gain a comprehensive understanding of data reported in the basic financial statements.

Required Supplementary Information presents information concerning the Retirement Systems' funding progress trends and its obligations to provide pension benefits to members. A schedule of required employer contributions is also presented and is useful in evaluating the condition of the plans.

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

Financial Highlights

- For the fiscal year ended June 30, 2011, the aggregate rate of return earned on the pooled investments of the consolidated pension trust funds as a whole was 18.59 percent. The return for the combined investment portfolio was again positive, resulting in approximately a four percent increase over the prior fiscal year's return of 14.62 percent and above the 8 percent actuarial investment assumed rate of return for the plans. With the continued volatility in the financial markets, the use of actuarial smoothing methods continue to help mitigate the long-term impact of sharply fluctuating market returns from an actuarial funding perspective. The smoothing methodology is used to offset deferred investment gains and losses against each other, which should produce an actuarial asset value fairly consistent with market value during periods of ordinary investment returns and should also result in a more stable contribution rate and funded status.

- The South Carolina Retirement System Investment Commission (RSIC), created in 2005 as a fiduciary for the Retirement Systems, has exclusive authority to invest and manage the trust funds' assets. The RSIC operates under governance policies that allow for a diverse asset allocation and which afford the chief investment officer discretion and flexibility to quickly react to changes in market conditions. The investment portfolio is structured to focus on ensuring the long-term stability of the plans, seeking superior returns at acceptable levels of risk.

- The RSIC is responsible for establishing and maintaining a target asset allocation that manages risk, ensures liquidity, and affords flexibility to quickly react to changes in market conditions. During the fiscal year, the Investment Commission increased funding of short duration investments, funded strategic partnership accounts and emerging market equity accounts and continued to fund various limited partnership commitments as capital was called. These actions resulted in a reduction in the allocation to the cash segment.

- The decrease in securities lending collateral is primarily due to the current low interest rate environment and restrictive guidelines imposed to reduce risk. These guidelines mandate that the reinvestment of the cash collateral be restricted to short-term, low risk securities.

- The South Carolina Retirement Systems' total plan net assets increased by $3.2 billion or 14.1 percent during fiscal year 2011. Total plan net assets represent the trust funds for all five defined benefit plans administered by the South Carolina Retirement Systems. Net assets of the plans are held in trust to meet future benefit obligations. The increase in net assets from $22.7 billion to $25.9 billion was primarily due to positive returns in the investment market.

- Although the required percentage contribution rates remained level, there was approximately a one-half percent increase and a one-half percent decrease in the dollar amount of employee and employer contributions respectively. The changes are explained by a significant increase in the amount of employee contributions received for purchased service and a reduction in the overall covered payroll for state departments and public school districts.

- The Teacher and Employee Retention Incentive (TERI) program is a deferred retirement option program under SCRS that allows retired members to accumulate annuity benefits on a deferred basis for up to five years while continuing employment. TERI participants employed by state agencies are exempt from state grievance rights and receive a slightly lower annuity because the calculation of a member's TERI benefit includes no contributions for any unused annual leave payments paid to the member. TERI participants are required to pay the same pre-tax member contribution rate on compensation earned, in the same manner as active members. TERI participants do not earn additional service credit or interest on their TERI account, but are eligible to receive any retiree cost of living increases granted. At the end of the member's TERI participation and upon termination from employment, funds are distributed from the accumulated TERI account. The TERI participant's benefit is also subsequently recalculated to include payment for up to 45 days of unused annual leave paid at termination. The total amount of assets held in trust for future payment of accrued TERI benefits remained relatively stable with a slight increase from $322 million to $363 million during fiscal year 2011. The number of members actively participating in TERI increased slightly as well from 5,641 to 5,862 at fiscal year end.

- The JSRS also provides a deferred retirement option program. A JSRS member who has not yet reached the age of 60 years, but who is eligible to retire and receive the maximum monthly benefit may continue to serve as judge, solicitor, or circuit public defender and the member's normal monthly retirement benefit is deferred and placed in the system's trust fund on behalf of the member. Upon reaching the age of 60 years, the balance of the member's deferred retirement benefit is distributed to the member who may continue working and is not required to terminate their position. As of June 30, 2011, two JSRS members were participating in the deferred retirement option program and benefits held in trust totaled $632,000.

- The total number of retired members and beneficiaries receiving monthly annuity benefits from the Retirement Systems' plans increased to over 134,000 annuitants during the year. Eligible annuitants under both SCRS and PORS received an automatic 2 percent cost of living allowance effective July 1, 2010; therefore, this benefit increase, coupled with the increase in the number of new annuitants added to the payroll during the year, resulted in an overall 6 percent increase in the dollar amount of annual benefits paid to annuitants. Approximately 2 percent of the increased pension expense was attributable to COLA's and slightly more than 4 percent was the result of a volume increase in the number of annuitants.

- In addition to the deferred retirement options available in SCRS and JSRS, all of the plans (excluding NGRS) include certain provisions that allow retired members to continue covered employment while also receiving a monthly retirement benefit. The defined benefit plans administered by South Carolina have extremely lenient return to work provisions in that a retired member of SCRS and PORS is allowed to return to work for a covered employer after retirement, or after ending their TERI participation (SCRS only), and receive their full monthly benefit, with no limit on the amount of wages they may earn from employment. SCRS, PORS and JSRS retirees who return to work for a covered employer after retirement, or ending participation in the TERI program, are required to pay the same employee contribution as an active member in the same position. A member of the GARS who has reached age 70 or 30 years of service may begin receiving monthly retirement benefits while continuing to serve in the General Assembly. Retired GARS members who continue to serve receive a reduced salary, but make no further employee contributions to the plan. A JSRS member who is age 60 and eligible to receive the maximum monthly benefit may begin receiving monthly retirement benefits while continuing to serve up until the end of the calendar year in which the member reaches age 72. Under all plans, the employer must pay the corresponding employer contribution for that particular plan. Collectively among the plans, employers report that nearly 22,000 retirees continue covered employment while receiving monthly retirement benefits, thereby making up approximately 8 percent of the total public workforce covered by the Retirement Systems.

- South Carolina state statute allows for retiree cost-of-living allowances (COLAs). Each July 1, eligible retired members of SCRS and PORS receive an automatic COLA equal to the percentage of the annual increase in the Consumer Price Index for Wage Earners and Clerical Workers (CPI-W) as of the previous December 31, up to an increase of 2 percent. If the CPI-W is less than 2 percent, the COLA equals the percentage of the actual increase in the CPI-W. COLAs are awarded only during periods of inflation, so no COLA will be awarded if the CPI-W is negative. The Budget and Control Board, as trustees of the state's pension trust funds, may approve ad hoc COLAs of up to 2 percent in addition to the automatic COLA, but only if stringent funding requirements are met. A 2 percent COLA was applied to eligible annuity benefits effective July 1, 2010.

- Qualified Excess Benefit Arrangement (QEBA) trust funds are maintained for each of the plans administered by the South Carolina Retirement Systems. A QEBA is intended to be a qualified governmental excess benefit arrangement within the meaning of Section 415(m)(3) of the Internal Revenue Code and provides the part of a participant's retirement benefit that would have been paid under the South Carolina Retirement Systems had there been no limitations under Code Section 415(b). The QEBA plans are separate and apart from the funds comprising the Retirement funds and are not commingled with assets of those funds. The QEBA is not prefunded; therefore, no assets or income are accumulated to pay future benefits. The amount of required contributions necessary to pay benefits under the plans is determined and deposited to the trust funds on an as-needed basis. Employer contributions to fund the excess benefits are not credited or commingled with contributions paid into and accumulated in the Retirement funds.

- The most recent actuarial valuation report prepared by Cavanaugh MacDonald Consulting, LLC and accepted as information by the South Carolina Budget and Control Board requires the SCRS employer contribution rate to be increased to 10.6 percent effective July 1, 2012, in order to maintain a 30-year funding period for the 2010 actuarial valuation. Similarly, a total employer contribution increase to 12.3 percent is required for PORS.

Condensed Financial Information

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

The Systems' principal sources of revenue are employee contributions, employer contributions and investment earnings. Required annual contributions for the NGRS are funded through an annual state appropriation. Expenses of the Systems consist primarily of payments of monthly annuities to retired members or their beneficiaries, and refunds of member contributions and interest which are paid subsequent to termination of employment. The defined benefit plans include an incidental death benefit for both active and retired members and an accidental death plan for members of the PORS. The Systems also administer a State Optional Retirement Program (State ORP) which is a defined contribution plan available to newly hired employees of state agencies, higher education and public school districts.

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

Plan Net Assets

June 30

(Amounts expressed in thousands)

Assets	2011	2010	Increase/ (Decrease)	% Increase/ (Decrease)
Cash and cash equivalents, receivables and prepaid expenses	$ 3,977,880	$ 5,298,443	$ (1,320,563)	(24.92%)
Investments, at fair value	23,870,891	18,829,568	5,041,323	26.77%
Securities lending cash collateral invested	229,161	324,593	(95,432)	(29.40%)
Capital Assets, net of accumulated depreciation	3,103	3,221	(118)	(3.66%)
Total Assets	28,081,035	24,455,825	3,625,210	14.82%
Liabilities				
Deferred retirement benefits	364,005	323,093	40,912	12.66%
Obligations under securities lending	229,161	324,593	(95,432)	(29.40%)
Other accounts payable	1,596,020	1,116,479	479,541	42.95%
Total Liabilities	2,189,186	1,764,165	425,021	24.09%
Total Net Assets	$ 25,891,849	$ 22,691,660	$ 3,200,189	14.10%

Changes in Plan Net Assets

Year Ended June 30

(Amounts expressed in thousands)

Additions	2011	2010	Increase/ (Decrease)	% Increase/ (Decrease)
Employee contributions	$ 644,337	$ 641,199	$ 3,138	0.49%
Employer contributions	948,485	952,698	(4,213)	(0.44%)
State-appropriated contributions	3,904	4,052	(148)	(3.65%)
Net Investment income	4,145,907	2,996,382	1,149,525	38.36%
Other income	3,022	2,415	607	25.13%
Total Additions	5,745,655	4,596,746	1,148,909	24.99%
Deductions				
Annuity benefits	2,403,763	2,263,699	140,064	6.19%
Refunds	99,550	89,491	10,059	11.24%
Death benefits	18,655	21,957	(3,302)	(15.04%)
Administrative & other expenses	23,498	22,317	1,181	5.29%
Total Deductions	2,545,466	2,397,464	148,002	6.17%
Increase in Net Assets	3,200,189	2,199,282	1,000,907	(45.51%)
Beginning Net Assets	22,691,660	20,492,378	2,199,282	10.73%
Ending Net Assets	$ 25,891,849	$ 22,691,660	$ 3,200,189	14.10%

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

On a combined basis, the defined benefit Plan net assets were valued at $25.9 billion at June 30, 2011, representing a 14 percent increase in net assets from the previous fiscal year-end. Investment income, in excess of net benefits paid out, was the primary driver of the increase in Plan net assets for the fiscal year.

The Plan's return for the fiscal year 2011 was 18.59 percent. The largest asset class exposures experienced positive returns for the fiscal year: the total physical equity portfolio, 34.6 percent; the total physical fixed income portfolio, 10.2 percent; and the total alternatives portfolio, 14.3 percent. During the fiscal year, the Plan maintained its target allocation of 10 percent to cash and short duration. Although this allocation restrained the Plan's overall performance, the benefits of maintaining a cash surplus include the ability to take advantage of unscheduled investment opportunities, ensures sufficient cash is on hand to pay benefits, and prevent the possibility of being a forced seller during a market downturn.

The Plan's positive performance relative to the Policy and Strategy benchmarks was driven by solid performance across all asset classes. The opportunistic credit portfolio returned 12.5 percent and non-core fixed income portfolio, which includes high yield, global fixed income and emerging market debt, returned 14.3 percent as of fiscal year-end. Other highlights in fiscal year 2011 were hedge fund and private equity, yielding positive returns of 11.6 percent and 20.2 percent respectively which are also included in the total alternatives portfolio.

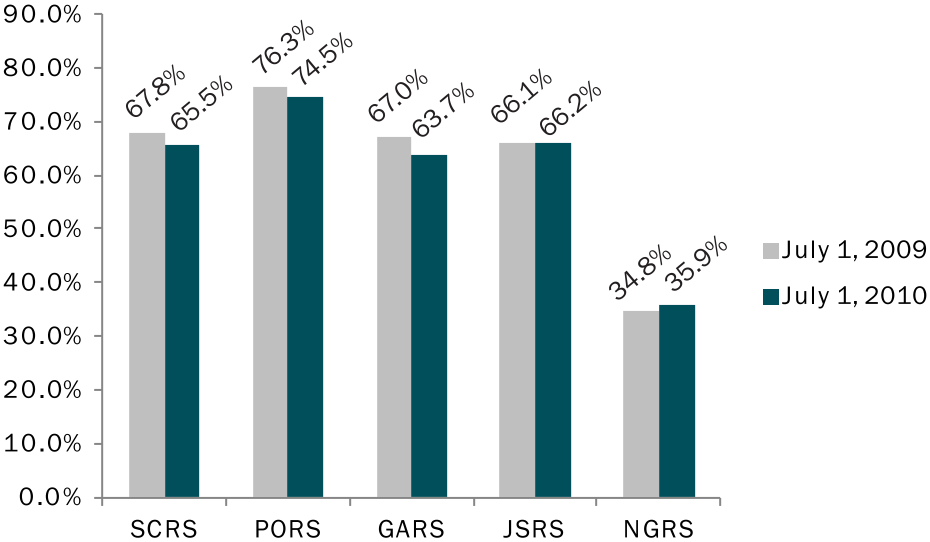
During fiscal year 2011, the total dollar amount of retirement annuities paid increased over 6 percent when compared with the previous fiscal year. As mentioned above, the increase was attributable to an automatic 2 percent cost of living allowance granted to eligible SCRS and PORS annuity recipients effective July 1, 2010, along with an increase in the number of new annuitants added to the payroll during the year. Under South Carolina state statute, provided that the actuarial assumed rate of investment return is at least 8 percent, each July 1, eligible SCRS and PORS retirees should receive an automatic COLA. The COLA is equal to the percentage of the annual increase in the CPI-W as of the previous December 31, up to an increase of 2 percent. If the CPI-W is less than 2 percent, the COLA should equal the percentage of the actual increase in the CPI-W. COLAs are awarded only during periods of inflation, so no COLA is awarded when the CPI-W is negative. SCRS and PORS retirees did not receive a COLA in fiscal year 2010 as a result of a negative CPI-W.

Funding Status

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

The ratio of actuarial assets to actuarial liabilities provides an indication as to whether sufficient assets are accumulated to pay benefits when due; the greater the level of funding, the larger the ratio of actuarial assets to actuarial accrued liabilities. The most recent actuarial valuations prepared as of July 1, 2010, and accepted by the South Carolina Budget and Control Board indicate that the funded ratios of each of the five individual plans remained relatively stable from the previous valuations. As of July 1, 2010, funding levels of all the plans are such that annual expected contributions are sufficient for the valuation to find that the plans are actuarially sound. The changes in the levels of funding do not affect the availability of funds or resources for future use and actuarial projections indicate that unfunded liabilities should be amortized and funded within acceptable funding guidelines. The funded ratios of the five plans are presented in the following graph.

Funded Ratios
(Actuarial assets as a percentage of actuarial accrued liabilities)



Requests for Information

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

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

South Carolina Retirement Systems
Statement of Plan Net Assets
June 30, 2011
With comparative totals for June 30, 2010
(Amounts expressed in thousands)

	SCRS	PORS	GARS	JSRS	NGRS	TOTAL	TOTAL 2010
ASSETS							
Cash and cash equivalents	$2,571,401	$ 381,861	$ 4,565	$ 15,118	$ 3,020	$ 2,975,965	$ 3,991,357
Receivables							
Due from other Systems		458		92		550	267
Employee and employer contributions	154,831	17,109	34	684	15	172,673	180,469
Employer contributions long-term	18	8				26	352
Accrued investment income	55,107	7,761	90	308	40	63,306	63,321
Unsettled investment sales	641,058	93,240	960	3,572	461	739,291	1,058,915
Other investment receivables	21,697	3,139	33	121	16	25,006	2,798
Total receivables	872,711	121,715	1,117	4,777	532	1,000,852	1,306,122
Investments, at fair value							
Short-term securities	10,113	1,471	16	56	7	11,663	570
Debt							
Domestic Fixed Income	3,309,873	481,410	4,955	18,445	2,380	3,817,063	3,894,622
Global Fixed Income	2,780,555	404,422	4,163	15,495	1,999	3,206,634	2,839,508
Public Equity							
Domestic Equity	1,808,944	263,105	2,708	10,080	1,301	2,086,138	1,619,972
Global Equity	1,075,869	156,482	1,611	5,996	773	1,240,731	293
Alternatives	11,713,707	1,703,719	17,537	65,277	8,422	13,508,662	10,474,603
Total investments	20,699,061	3,010,609	30,990	115,349	14,882	23,870,891	18,829,568
Securities lending cash collateral invested	198,711	28,902	298	1,107	143	229,161	324,593
Prepaid expenses	924	132	2	4	1	1,063	964
Capital assets, net of accumulated depreciation	2,795	286	8	14		3,103	3,221
Total assets	24,345,603	3,543,505	36,980	136,369	18,578	28,081,035	24,455,825
LIABILITIES							
Due to other Systems	458	92				550	267
Accounts payable - unsettled investment purchases	1,161,046	168,870	1,738	6,470	835	1,338,959	924,170
Investment fees payable	16,059	2,336	24	91	11	18,521	17,103
Obligations under securities lending	198,711	28,902	298	1,107	143	229,161	324,593
Deferred retirement benefits	363,373			632		364,005	323,093
Due to Employee Insurance Program	41,389	1,491				42,880	38,436
Benefits payable	3,743	459			4	4,206	4,817
Other liabilities	165,795	23,822	251	917	119	190,904	131,686
Total liabilities	1,950,574	225,972	2,311	9,217	1,112	2,189,186	1,764,165
Net assets held in trust for Pension Benefits (a schedule of funding progress for each plan is presented on Page 36)	$22,395,029	$ 3,317,533	$ 34,669	$ 127,152	$ 17,466	$25,891,849	$22,691,660

South Carolina Retirement Systems
Statement of Changes in Plan Net Assets
Year Ended June 30, 2011
With comparative totals for the year ended June 30, 2010
(Amounts expressed in thousands)

	SCRS	PORS	GARS	JSRS	NGRS	TOTAL	TOTAL 2010
Additions							
Contributions							
Employee	$ 562,170	$ 79,334	$ 624	$ 2,209	$ -	$ 644,337	$ 641,199
Employer	808,343	129,314	2,414	8,414		948,485	952,698
State appropriated					3,904	3,904	4,052
Total contributions	1,370,513	208,648	3,038	10,623	3,904	1,596,726	1,597,949
Investment Income							
Net appreciation in							
fair value of investments	3,447,010	497,595	5,447	19,216	2,424	3,971,692	2,778,536
Interest and dividend income	211,510	30,713	331	1,216	150	243,920	264,602
Investment expense	(61,618)	(8,945)	(98)	(346)	(43)	(71,050)	(51,104)
Net income from investing activities	3,596,902	519,363	5,680	20,086	2,531	4,144,562	2,992,034
From securities lending activities:							
Securities lending income	587	84	1	3	1	676	5,530
Securities lending borrower rebates	580	84	1	3	1	669	(1,182)
Net income from securities lending activities	1,167	168	2	6	2	1,345	4,348
Total net investment income (loss)	3,598,069	519,531	5,682	20,092	2,533	4,145,907	2,996,382
Supplemental retirement benefits funded by the State	832	37				869	999
Transfers of contributions from other Systems	52	1,907	1	193		2,153	1,416
Total additions	4,969,466	730,123	8,721	30,908	6,437	5,745,655	4,596,746
Deductions							
Refunds of contributions to members	84,591	14,902	57			99,550	89,491
Transfers of contributions to other Systems	1,914	92	147			2,153	1,416
Regular retirement benefits	1,977,325	242,872	6,528	14,518	4,011	2,245,254	2,104,139
Deferred retirement benefits	155,874			232		156,106	157,099
Supplemental retirement benefits	832	37				869	999
Death benefits	16,485	1,984	58	128		18,655	21,957
Accidental death benefits		1,534				1,534	1,462
Depreciation	107	11				118	119
Administrative expenses	18,446	2,632	32	104	13	21,227	20,782
Total deductions	2,255,574	264,064	6,822	14,982	4,024	2,545,466	2,397,464
Net increase	2,713,892	466,059	1,899	15,926	2,413	3,200,189	2,199,282
Net assets held in trust for Pension Benefits							
Beginning of year	19,681,137	2,851,474	32,770	111,226	15,053	22,691,660	20,492,378
End of year	$22,395,029	$ 3,317,533	$ 34,669	$ 127,152	$ 17,466	$ 25,891,849	$ 22,691,660

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

I. Basis of Presentation and Summary of Significant Accounting Policies

Description of the Entity

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

Pension Trust Funds

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

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

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

Plan Descriptions

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

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

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

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

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

A summary of information related to participating employers who reported wages earned for active members during the fiscal year ended June 30, 2011, follows (dollar amounts expressed in thousands):

	State[1]	School	Other	Total
SCRS				
Number of Employers	112	114	577	803
Annual Covered Payroll	$2,247,145	$3,151,789	$1,933,196	$7,332,130
Average Number of Contributing Members	54,514	86,122	55,592	196,228
PORS				
Number of Employers	64	50	316	430
Annual Covered Payroll	$346,404	$348	$680,440	$1,027,192
Average Number of Contributing Members	10,253	18	17,464	27,735
GARS				
Number of Employers	2			2
Annual Covered Payroll	$3,174			$3,174
Number of Elected Positions	170			170
JSRS				
Number of Employers	3			3
Annual Covered Payroll	$16,343			$16,343
Average Number of Contributing Members	144			144
NGRS				
Number of Employers	1			1
Annual Covered Payroll[2]	N/A			N/A
Average Number of Active Members	12,274			12,274

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

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

Based upon the most recent actuarial valuations dated July 1, 2010, and adopted by the Budget and Control Board, membership in the Systems was as follows:

	SCRS	PORS	GARS	JSRS[1]	NGRS	Totals
Retirees and beneficiaries currently receiving benefits	111,394	12,566	346	194	3,951	128,451
Terminated members entitled to but not yet receiving benefits	156,871	11,899	36	4	2,683	171,493
Total active, elected positions, and other special contributing members	190,239	26,568	196	144	12,445	229,592
Total membership	458,504	51,033	578	342	19,079	529,536

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

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

Membership

SCRS

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

State ORP

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

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

State ORP Activity
Year Ended June 30, 2011
(Dollar amounts expressed in thousands)

Average Number of Contributing Participants	**19,681**
Annual Covered Payroll	**$960,684**
Employer Contributions Retained by SCRS	**40,733**
Death Benefit Contributions Retained by SCRS	**1,441**
Employee Contributions to Investment Providers	**62,444**
Employer Contributions to Investment Providers	**48,034**

PORS

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

GARS

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

JSRS

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

NGRS

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

Pension Benefits

SCRS

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

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

PORS

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

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

GARS

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

JSRS

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

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

NGRS

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

Summary of Significant Accounting Policies

Fund Structure

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

Basis of Accounting

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

Administrative Expenses

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

Cash and Cash Equivalents

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

Contributions

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

Investments

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

The Investment Commission is structured as a separate state agency reporting to a group of Commissioners. Commission members are appointed and are comprised of six financial experts, including the State Treasurer and a nonvoting retired member. The Commission employs a chief investment officer who, under the direction and supervision of the Commission, oversees the investment program for the Retirement Systems' $25.9 billion pension trust fund. The Commission also retains an independent consultant to provide investment consulting services necessary to fulfill the duties for investing the Systems' portfolio.

As fiduciary on behalf of the Retirement Systems, the Commission enters into individual agreements with various investment managers to invest plan assets seeking superior long-term results at an acceptable level of risk. As of June 30, 2011, legal agreements were in place with 85 investment managers.

For financial statement purposes, investments of the pension trust funds are reported at fair value in the Statement of Plan Net Assets. Short term securities categorized as cash or cash equivalents are reported at fair value. The Systems holds domestic and global equity and fixed income securities which are traded on organized exchanges. These investments are valued by the investment custodian using the last reported sales price on a trade-date basis. Private market investments typically utilize a limited partnership structure and private equity funds normally represent investments in operating companies that are not publicly traded on a stock exchange. The fair values of limited partnership investments are based on valuations of the underlying companies of the limited partnerships. The fair values of alternative investments including private equity, opportunistic credit, real estate and certain other investments, where current market values are not readily ascertainable, are valued in good faith based on the most recent financial information available for the underlying companies and reported by the investment managers at the measurement date, adjusted for subsequent cash flow activities through June 30, 2011. The estimated fair value of these investments may differ from values that would have been used had a ready market existed.

Investments are combined in a commingled investment pool, with each system owning a percentage of the pool and receiving proportionate investment income in accordance with their respective ownership percentage. Investment income includes realized and unrealized appreciation (depreciation) in the fair value of investments, interest income earned, dividend income earned, less investment expense, plus income from securities lending activities, less deductions for securities lending expenses. Several of the alternative investment managers provide account valuations on a net of fee basis. Those management fees are netted against investment income and because they are not readily separable, amounts are recorded and reported net of fees in the net appreciation (depreciation) in the fair value of investments.

Capital Assets

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

II. Contributions and Reserves

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

Plan members are required to contribute at statutorily established rates. The rates applicable for fiscal year 2011 follow:

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

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

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

In accordance with provisions of the 2010-2011 State Appropriations Act, an additional employer contribution surcharge of 3.90 percent of covered payroll was added to the contribution rate applicable to state and local governments, and public school entities covered by the Employee Insurance Program. This assessment is for the purpose of providing retiree health and dental insurance coverage and is not a part of the actuarially established contribution rates for retirement funding purposes. Functioning as a collecting agent, SCRS and PORS collected (amounts expressed in thousands) $268,792 and $14,491 respectively in retiree insurance surcharges ($37,434 of which was applicable to the State ORP) and remitted these funds to the Employee Insurance Program.

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

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

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

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

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

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

Balances in the respective reserves at June 30, 2011, were as follows (amounts expressed in thousands):

	SCRS	PORS	GARS	JSRS	NGRS	Total
Employee Fund	$ 6,472,646	$ 786,724	$ 7,100	$ 18,864	$ -	$ 7,285,334
Employer Fund	15,807,512	2,465,596	27,569	108,288	17,466	18,426,431
Death Benefit Fund	114,871	28,446				143,317
Accidental Death Fund		36,767				36,767
Qualified Excess Benefit Arrangement Fund						
	$22,395,029	$ 3,317,533	$ 34,669	$ 127,152	$ 17,466	$25,891,849

III. Deposits and Investments

Deposit and Investment Risk Disclosures

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

Custodial Credit Risk

Deposits

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

The total amount of the Systems' deposits at June 30, 2011, was as follows (amounts expressed in thousands):

	Carrying Amount
SCRS	$ 37,809
PORS	5,575
GARS	67
JSRS	110
NGRS	38
Total	$ 43,599

Actual bank balances at June 30, 2011, totaled $71,930 (expressed in thousands).

Investments

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

The following table presents the fair value of investments as of June 30, 2011:

Statement of Invested Assets
June 30, 2011
(Amounts expressed in thousands)

Investment Type	Fair Value
Short Term Investments	
Commingled Funds U.S. Debt	$ 162,268
Short Term Investment Funds (U.S. Regulated)	1,220,664
Repurchase Agreements	822,085
U.S. Treasury Bills	1,270
Certificates of Deposit	11,253
Total Short Term Investments	2,217,540
Equity Allocation	
Domestic Equity	
Common Stocks	2,023,690
Real Estate Investment Trusts	56,520
Preferred	3,192
Convertible Preferred	2,736
Global Equity	1,240,731
Total Equity	3,326,869
Fixed Income Allocation	
Domestic Fixed Income	
U.S. Government:	
U.S. Government Treasuries[1]	1,003,056
U.S. Government Agencies	96,843
Mortgage Backed:	
Government National Mortgage Association	287,955
Federal National Mortgage Association	309,616
Federal Home Loan Mortgage Association	1,875
Federal Home Loan Mortgage Association (Multiclass)	3,418
Collateralized Mortgage Obligations	1,985
Municipals	85,278
Corporate:	
Corporate Bonds	1,140,597
Convertible Bonds	19,428
Asset Backed Securities	290,500
Yankee Bonds[2]	9,707
Private Placements	507,658
Global Fixed Income:	
International Asset Backed	4,893
International Commingled Funds	2,406,154
International Corporate Bonds	236,969
International Emerging Debt	526,710
International Government Bonds	91,181
Total Fixed Income	7,023,823
Alternatives	
Credit Default Swaps	650
Equity Index and Interest Rate Swaps	16
Total Return Swaps	(81,443)
Commingled Funds Balanced	2,389,241
Futures Contracts	76,122
Options	(3,148)
Hedge Funds	3,301,719
Opportunistic Credit	860,197
Private Equity Limited Partnerships	1,041,013
Real Estate	36,220
Strategic Partnerships	5,888,075
Total Alternative Investments	13,508,662
Total Invested Assets	$ 26,076,894
Invested Securities Lending Collateral	$ 229,161

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

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

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

Total Invested Assets	$ 26,076,894
Short Term Investments classified as Cash & Cash Equivalents:	
Commingled Funds U.S. Debt	(162,268)
Short Term Investment Funds (U.S. Regulated)	(1,220,664)
Repurchase Agreements	(822,085)
U.S. Treasury Bills	(860)
Corporates	(126)
Total Investments on *Statement of Plan Net Assets*	**$ 23,870,891**

Interest Rate Risk

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

The Systems invests in mortgage-backed securities which are reported at fair value in the Statement of Plan Net Assets and are based on cash flows from principal and interest payments of the underlying mortgages. These securities are sensitive to prepayments, which are likely in an environment of declining interest rates, and thereby reduce the value of the security. The Systems invests in these securities to diversify the fixed income portfolio and minimize risk. Disclosures for interest rate risk at June 30, 2011, are noted below (amounts expressed in thousands):

Investment Type	Fair Value	Effective Duration (option adjusted duration)
Short Term Investments		
Commingled Funds U.S. Debt	$ 162,268	
Short Term Investment Funds (U.S. Regulated)	1,220,664	0.08
Repurchase Agreements	1,017,850	0.06
U.S. Treasury Bills	1,270	0.19
Certificates of Deposit	11,253	0.08
Total Short Term Investments	2,413,305	
Equity Allocation		
Preferred	1,580	87.63
Convertible Preferred	1,296	1.57
Total Equity	2,876	
Fixed Income Allocation		
U.S. Government:		
U.S. Government Treasuries	1,003,056	3.44
U.S. Government Agencies	96,843	3.44
Mortgage Backed:		
Government National Mortgage Association	287,955	2.07
Federal National Mortgage Association	309,616	4.50
Federal Home Loan Mortgage Association	1,875	2.51
Federal Home Loan Mortgage Association (Multiclass)	3,418	0.58
Collateralized Mortgage Obligations	1,985	0.06
Municipals	85,278	6.64
Corporate:		
Corporate Bonds	938,492	3.86
Convertible Bonds	19,428	2.40
Asset Backed Securities	287,948	0.14
Yankee Bonds	9,707	3.51
Private Placements	496,711	3.62
Global Fixed Income:		
International Asset Backed Securities	4,893	0.93
International Corporate Bonds	234,290	4.25
International Government Bonds	91,181	2.48
Total Fixed Income	3,872,676	
Alternatives		
Credit Default Swaps	94	1.14
Interest Rate Swap	(1,876)	49.42
Eurodollar Futures	417	298.11
International Bond Futures	72	3,259.63
Treasury Note Futures	406	47.67
Treasury Bond Futures	104	(877.42)
Total Alternatives	(783)	
Total Invested Assets	**$ 6,288,074**	
Total Portfolio Effective Duration (option adjusted duration)		**2.16**

Credit Risk of Debt Securities

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

South Carolina Retirement Systems
Credit Risk - Moody's Quality Ratings
June 30, 2011
(Amounts expressed in thousands)

Investment Type and Fair Value	Agency[1]	AAA	AA	A	BAA	BA	B	CAA	CA	NR[2]
Short Term Investments										
Commingled Funds U.S. Debt	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$162,268
Short Term Investment Funds (U.S. Regulated)		1,220,664								
Repurchase Agreements										1,017,835
Certificates of Deposit										11,253
Equity Investments										
Preferred							1,613	135		1,444
Convertible Preferred					1,919					817
Fixed Income Allocation										
U.S. Government Agencies	93,718									3,125
Mortgage Backed:										
Federal National Mortgage Association	309,616									
Federal Home Loan Mortgage Association	1,875									
Federal Home Loan Mortgage Association (Multiclass)	3,418									
Collateralized Mortgage Obligation	1,985									
Municipals		12,656	32,102	40,137	383					
Corporate:										
Corporate Bonds		93,641	72,595	122,750	211,456	96,823	195,717	48,811	199	332,016
Convertible Bonds					4,395	1,401	457	352	2,005	10,818
Asset Backed Securities		77,256	98,978	62,880	10,150	17,306	2,716			21,214
Yankee Bonds				2,057	2,338	5,312				
Private Placements		99,628	39,651	41,274	59,793	30,835	95,250	41,822		99,405
Global Fixed Income:										
International Asset Backed		3,768	1,125							
International Commingled Funds										2,406,154
International Corporate Bonds		79,377	46,413	34,952	27,284	9,554	33,721			5,668
International Emerging Debt										526,710
International Government Bonds		76,354	5,002	3,420	2,518					3,887
Alternatives										
Credit Default Swaps										650
Equity and Interest Rate Swaps										16
Total Return Swaps										(1,312)
Futures Contracts										76,122
Options										(3,138)
	$ 410,612	$1,663,344	$ 295,866	$ 307,470	$320,236	$161,231	$329,474	$91,120	$2,204	4,674,952

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

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

Concentration of Credit Risk – Investments

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Systems' policy for reducing this risk is to comply with the Statement of Investment Objectives as amended and adopted by the Commission which states that "except that no limitations on issues and issuers shall apply to obligations of the U.S. Government and Federal Agencies, the domestic fixed income portfolio shall contain no more than 6 percent exposure to any single issuer." As of June 30, 2011 there is no single issuer exposure within the portfolio that comprises 5 percent or more of the overall portfolio. Therefore, there is no concentration of credit risk.

Foreign Currency Risk

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

The table below presents the Systems' exposure to foreign currency risk in U.S. dollars as of June 30, 2011, (amounts expressed in thousands):

Currency	Cash & Cash Equivalents	Forward Contracts	Futures Contracts	Private Equity	Alternative Investments	Fixed Income
Australian Dollar	$ 706	$ 69,259	$ 1,175	$ -	$ -	$ 35,834
Brazil Real		337				646
British Pound Sterling	(1,030)	249,075	6,289			11,546
Canadian Dollar	(7,437)	105,731	2,785			40,520
Chinese Yuan Renminbi		30,163				
Euro Currency	(10,584)	458,013	14,148	112,097	165,584	36,130
Hong Kong Dollar	(830)	38,432	595			
Japanese Yen	(19,222)	275,398	13,810			(137)
Norwegian Krone	82	2,919				
Philippines Peso		3,139				
Singapore Dollar		5,861				
South Korean Won		2,902				
Swedish Krona	(1,585)	37,211	511			
Totals	$ (39,900)	$ 1,278,440	$ 39,313	$ 112,097	$ 165,584	$ 124,539

Derivatives

Derivatives are financial instruments whose value is derived from underlying assets or data. All of the Systems' derivatives are considered investments. Excluding futures, derivatives generally take the form of contracts in which two parties agree to make payments at a later date based on the value of specific assets or indices. Through certain collective trust funds, the Systems may invest in various derivative financial instruments such as futures and options thereon; forward foreign currency contracts; options; interest rate, currency, equity, index, and total return swaps; interest-only strips; and CMOs to enhance the performance and reduce volatility. The Systems' derivatives, consisting of futures, forward contracts and swaps directly managed by the Commission, are presented in the tables on Pages 25-27.

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

- Asset Allocation: In many cases, synthetic exposures (using derivatives) are placeholders until managers are hired and funded. In time, the Commission may substitute traditional managers for much of the synthetic exposure currently in the portfolio. Efficient markets dictate that in some asset classes, synthetics are the best way to achieve exposure.
- Risk Management: Derivatives allow investors the ability to swiftly and efficiently increase or decrease exposures in order to manage portfolio risk.
- Cost: A synthetic (derivative) solution is often the least expensive way to gain exposure to an asset class or to manage portfolio risk. Derivatives are more beneficial in each of the three major measures of cost: commission costs, market impact of trading, and opportunity costs.

Futures are contractual obligations that require the buyer (seller) to buy (sell) assets at a predetermined date at a predetermined price. These contracts are standardized and traded on an organized exchange with gains and losses settled daily thereby significantly reducing credit and default risk. Gains and losses are included in the net appreciation/(depreciation) in the fair value of investments total of the Statement of Changes in Plan Net Assets. To comply with the requirements of multiple exchanges, securities in the amount of $139.042 million of various GNMA's were held in trust by the clearing brokers on June 30, 2011, to satisfy the required margin amount to establish the Systems' futures exposure.

The table below presents classification information on the Systems' derivatives at June 30, 2011 (amounts in thousands):

	Changes in Fair Value		Fair Value at 6/30/2011	
	Classification	**Gain/(Loss)**	**Classification**	**Amount**
Investment derivatives:				
Futures Contracts	Net appreciation/(depreciation)	$ 153,652	Alternative Investments	$ 75,123
Forward Contracts	Net appreciation/(depreciation)	(19,048)	Cash & Cash Equivalents	(10,287)
Swaps	Net appreciation/(depreciation)	130,202	Alternative Investments	(81,443)

As of June 30, 2011, the Systems had the following exposure via futures contracts (dollar amounts in thousands):

Futures Contracts	Expiration	Long/Short	Quantity	Notional Value*
MTF CAC40 10EU	July 2011	Long	2,218	$ 127,971
EURX DAX INDEX	September 2011	Long	424	113,596
EURX ER STX 50	September 2011	Long	3,313	136,800
NEW FTSE 100	September 2011	Long	2,704	256,236
HKFE - HSI	July 2011	Long	259	37,326
IBEX 35 PLUS	July 2011	Long	297	44,236
FTSE MIB INDEX	September 2011	Long	246	36,046
TSE TOPIX	September 2011	Long	2,512	264,233
SFE SPI 200	September 2011	Long	854	105,166
AMSTERDAM INDEX	July 2011	Long	373	36,747
S&P TSE 60 INDEX	September 2011	Long	866	136,787
OMXS30 INDEX	July 2011	Long	2,022	35,729
Total International Equity				**1,330,873**
EMINI S&P 500	September 2011	Long	19,590	1,288,532
Total Large Cap Equity				**1,288,532**
Total				**$ 2,619,405**

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

Forwards are contractual obligations that require the delivery of assets at a fixed price on a pre-determined date. These contracts are "over-the-counter" (OTC) instruments, meaning they are not traded on an organized exchange. Currency forwards gains and losses are included in the net appreciation/(depreciation) in the fair value of investments total of the Statement of Changes in Plan Net Assets.

As of June 30, 2011, the Systems had the following forward exposures, listed by counterparty (amounts expressed in thousands):

Broker	Notional Value	Base Gain/(Loss)	Base Exposure
JP Morgan Chase Bank	$ 228,063	$ (1,728)	16.67%
Westpac Banking Corp	228,056	(1,721)	16.67%
Royal Bank of Canada	211,188	(1,855)	15.43%
Deutshe Bank	204,879	(2,000)	14.97%
HSBC Securities	181,738	(2,064)	13.28%
Societe Generale SA	178,402	(905)	13.04%
Credit Suisse AG	89,573	(479)	6.55%
BNP Paribas	46,399	465	3.39%
Totals	$ 1,368,298	$ (10,287)	100.00%

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

Total return swaps are primarily used to efficiently achieve a target asset allocation. Exposures to an asset class are typically gained by paying a reference rate such as LIBOR, plus or minus a spread, in exchange for the risk and returns of a desired market index. Similarly, exposures can be reduced by receiving a reference rate in exchange for the economic risks and returns of an index.

Counterparty risk, or default risk, is the risk that a party will not honor its contractual obligations. The Systems seeks to actively manage its counterparty risk by thorough analysis and evaluation of all potential counterparties by investment staff and the independent overlay manager. Risk is further minimized through diversification among counterparties with high credit ratings and collateralizing unrealized gains and losses. The Systems currently does not participate in a master netting agreement. Unrealized gains and losses are not netted across instrument types. At June 30, 2011, the Systems had no credit risk to counterparties due to market conditions placing the Systems in a net payable position; however, sufficient collateral has been posted with each counterparty to satisfy all outstanding liabilities.

The table below reflects the counterparty credit ratings at June 30, 2011, for currency forwards and swap agreements (amounts in thousands):

Quality Rating	Forwards	Swaps	Total
AA1	$ (3,577)	$ -	$ (3,577)
AA2	(2,983)	(37,786)	(40,769)
AA3	(3,727)	(25,657)	(29,384)
A1		(18,000)	(18,000)
Total subject to credit risk	$ (10,287)	$ (81,443)	$ (91,730)

Swap market value (or notional value) is calculated based on the actual index value of the benchmark index multiplied by the number of index units. The index value is the level or price of the benchmark index. The index units were determined at commencement of the swap and are detailed in the term sheet. At June 30, 2011, the Systems held swaps as shown in the table below (amounts expressed in thousands):

Counterparty	Total Return Swaps	SCRS Pays	SCRS Receives	Maturity Date	Current Notional	Gain (Loss) Since Trade
UBS	SP500 Proxy	3 month Libor - 13 bps	S&P 500	7/15/2011	$ 126,403	$ 26,403
Societe Generale	DJ-UBS Commodities TR	3 month T-Bill + 9 bps	DJ-UBS Commodities	8/31/2011	326,672	56,692
BNP Paribas	EAFE + Canada Proxy	3 month Libor - 25 bps	MSCI EAFE + Canada	9/7/2011	169,640	26,275
Credit Suisse	EAFE + Canada Proxy	3 month Libor + 20 bps	MSCI EAFE + Canada	2/29/2012	359,444	(4,131)
Deutsche Bank	DJ-UBS Commodities TR	3 month T-Bill + 9 bps	DJ-UBS Commodities	2/29/2012	166,548	(8,452)
Credit Suisse	MSCI EM Proxy	3 month Libor + 15 bps	MSCI EM	7/1/2011	239,599	(6,144)
BNP Paribas	MSCI EM Proxy	3 month Libor + 38 bps	MSCI EM	10/11/2011	230,900	(9,099)
Barclays	MSCI EM Proxy	3 month Libor - 48 bps	MSCI EM	4/30/2012	406,647	(17,477)
Credit Suisse	EAFE + Canada Proxy	3 month Libor - 19 bps	EAFE + Canada	4/30/2012	379,559	(17,247)
	Total Return Swap Exposures				$ 2,405,412	$ 46,820

Alternative Investments

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

Commitments

The Systems has entered into contractual agreements with numerous alternative investment managers and is committed for future funding of private equity, real estate and opportunistic credit limited partnerships. As of June 30, 2011, the Systems had committed to fund various limited partnerships in the total amount of $2.929 billion (U.S. dollars) and €218 million (Euros). The total unfunded commitment as of June 30, 2011, was $1.360 billion (U. S. dollars) and €62 million (Euros). Subsequent to June 30, 2011, the Systems committed to fund an additional $41.600 million (U. S. dollars) which resulted in a total remaining commitment adjusted for cash flows as of September 16, 2011, of $1.289 billion (U.S. dollars) and €55 million (Euros). In addition, although legal contractual agreements in place do not necessarily dictate authorized commitment amounts, various other alternative investment fundings will be deployed at the full discretion of the Investment Commission through the use of the strategic partnership accounts. These underlying investments include hedge funds, private equity, real estate, opportunistic credit and short duration fixed income.

Securities Lending

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

There are no restrictions on the amount of securities that may be loaned. The types of securities available for loan during the year ended June 30, 2011, included U.S. Government securities, U.S. Government agencies, corporate bonds and equities. The contractual agreement with the Systems' custodial bank provides indemnification in the event the borrower fails to return the securities lent or fails to pay the Systems income distribution by the securities' issuers while the securities are on loan. Cash and 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.

At June 30, 2011, the fair value of securities on loan was $317.633 million. The fair value of the invested cash collateral was $229.161 million. Securities lending obligations at June 30, 2011, were $325.373 million with the unrealized loss in invested cash collateral of $96.212 million reflected under "Other Liabilities" on the Statement of Plan Net Assets and recorded in the Statement of Changes in Plan Net Assets under "Net appreciation (depreciation) in fair value of investments." The Commission evaluates the securities lending program in order to minimize risk, enhance performance and ensure a cost effective fee structure is in place.

With regard to custodial credit risk, the Systems' cash collateral invested is held by the counterparty and is uninsured. All securities loaned can be terminated on demand by either the Systems or the borrower. At year end the average number of days the loans were outstanding was one day. The average weighted maturity of investments made with cash collateral was one day. At June 30, 2011, there had been no losses resulting from borrower defaults and the Systems had no credit risk exposure to borrowers because the amounts the Systems owed the borrowers exceeded the amounts the borrowers owed the Systems.

The following table presents the fair value (amounts expressed in thousands) of the underlying securities and the total collateral received for securities on loan at June 30, 2011.

	June 30, 2011						June 30, 2010
	SCRS	PORS	GARS	JSRS	NGRS	TOTALS	TOTALS
Securities lent for cash collateral:							
U.S. Government securities	$ 47,940	$ 6,973	$ 72	$ 267	$ 34	$ 55,286	$ 212,422
U.S. Government agencies	-	-	-	-	-	-	17,206
Corporate bonds	69,389	10,092	104	387	50	80,022	33,505
Non-U.S. Government securities	25,109	3,652	38	140	18	28,957	-
Common Stock	132,989	19,343	199	741	96	153,368	153,435
Total securities lent for cash collateral:	$ 275,427	$ 40,060	$ 413	$ 1,535	$ 198	$ 317,633	$ 416,568
Securities lent for non-cash collateral:							
Corporate bonds	$ -	$ -	$ -	$ -	$ -	$ -	$ 102
Common Stock	7,405	1,077	11	41	5	8,539	8,444
	$ 7,405	$ 1,077	$ 11	$ 41	$ 5	$ 8,539	$ 8,546
Cash collateral invested as follows:							
Repurchase agreements	$ 169,740	$ 24,688	$ 254	$ 946	$ 122	$ 195,750	$ 14,391
Floating Rate Notes	28,971	4,214	43	162	21	33,411	310,202
Total for cash collateral invested	$ 198,711	$ 28,902	$ 297	$ 1,108	$ 143	$ 229,161	$ 324,593
Securities received as collateral:							
U.S. Government securities	$ 7,576	$ 1,102	$ 11	$ 42	$ 5	$ 8,736	$ 8,740
	$ 7,576	$ 1,102	$ 11	$ 42	$ 5	$ 8,736	$ 8,740

IV. Capital Assets

Capital assets at June 30, 2011, consist of the following amounts (expressed in thousands). There were no additions or dispositions of capital assets during the year.

	SCRS	PORS	GARS	JSRS	TOTALS	TOTALS 2010
Land	$ 524	$ 54	$ 1	$ 3	$ 582	$ 582
Building	4,279	437	13	20	4,749	4,749
Total Capital Assets	4,803	491	14	23	5,331	5,331
Less: Accumulated Depreciation	(2,008)	(205)	(6)	(9)	(2,228)	(2,110)
Net Capital Assets	$ 2,795	$ 286	$ 8	$ 14	$ 3,103	$ 3,221

V. Transfers Between Systems

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

Transfers made during the fiscal year ended June 30, 2011, were as follows (amounts expressed in thousands):

	Transfers to					
Transfers from	SCRS	PORS	GARS	JSRS	NGRS	Totals
SCRS	$ -	$ 1,907	$ 1	$ 6	$ -	$ 1,914
PORS				92		92
GARS	52			95		147
JSRS						
NGRS						
Totals	$ 52	$ 1,907	$ 1	$ 193	$ -	$ 2,153

The following schedule reflects amounts due to or from other systems as of June 30, 2011, (amounts expressed in thousands):

	Due to					
Due from	SCRS	PORS	GARS	JSRS	NGRS	Totals
SCRS	$ -	$ 458	$ -	$ -	$ -	$ 458
PORS				92		92
GARS						
JSRS						
NGRS						
Totals	$ -	$ 458	$ -	$ 92	$ -	$ 550

VI. Related Party Transactions

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

At June 30, 2011, liabilities of approximately $42.9 million were due to other state departments and agencies, and contributions receivable of approximately $39 million were due from other state departments and agencies.

The National Guard Retirement System received state-appropriated contributions in the amount of $3.9 million during the fiscal year.

The Retirement System Investment Commission was established in 2005 and is considered a separate state agency; however, the expenses of the Commission are funded by transfers from the Systems. Transfers in the amount of approximately $4.9 million were made to the Commission during the fiscal year.

VII. Deferred Retirement Option Plans

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

A total of 5,862 members were actively participating in the TERI program at June 30, 2011. The activity for this program is reflected in the following schedule:

Schedule of TERI Activity
Year Ended June 30, 2011
(Amounts expressed in thousands)

Beginning Liability Balance	$ 322,350
Additions	155,874
TERI Distributions	(114,851)
Ending Liability Balance	$ 363,373

A deferred retirement option program has also been established under the Retirement System for Judges and Solicitors (JSRS). A member who has not yet reached the age of 60 years, but who is eligible to retire and receive the maximum monthly benefit, may continue to serve as a judge, a solicitor, or a circuit public defender. The member's normal monthly retirement benefit is deferred and placed in the system's trust fund on behalf of the member. Upon reaching the age of 60 years, the balance of the member's deferred retirement benefit is distributed to the member. As of June 30, 2011, two JSRS members were participating in the deferred retirement option program and benefits held in trust totaled $632,000.

VIII. Funded Status and Funding Progress - Pension Trust Funds

The funded status of each defined benefit pension plan as of July 1, 2010, the most recent actuarial valuation date, is as follows (dollar amounts expressed in thousands):

System	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
SCRS	$ 25,400,331	$ 38,774,029	$ 13,373,698	65.5%	$ 7,769,820	172.1%
PORS	3,612,700	4,850,457	1,237,757	74.5%	1,076,467	115.0%
GARS	43,712	68,671	24,959	63.7%	3,854	647.6%
JSRS	142,871	215,823	72,952	66.2%	18,661	390.9%
NGRS	19,458	54,153	34,695	35.9%	N/A	N/A

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Methods and Significant Assumptions

	SCRS	PORS	GARS	JSRS	NGRS
Valuation date	07/01/10	07/01/10	07/01/10	07/01/10	07/01/10
Actuarial cost method	Entry age	Entry age	Entry age	Entry age	Entry age
Amortization period	Level percent open	Level percent open	Level dollar closed	Level percent open	Level dollar open
Remaining amortization period	30 years[2]	30 years[3]	15 years	16 years	22 years
Asset valuation method	10-year smoothed market	10-year smoothed market	10-year smoothed market	10-year smoothed market	10-year smoothed market
Actuarial assumptions:					
Investment rate of return	8%	8%	8%	8%	8%
Projected salary increases	4.00% - 8.00%	4.50% - 11.50%	None	3.25%	None
Includes inflation at	3.00%	3.00%	3.00%	3.00%	3.00%
Cost-of-living adjustments	Automatic 2%[1]	Automatic 2%[1]	None	3.25%	None

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

[2]Pending Board approval of a 0.92% contribution rate increase effective July 1, 2012, or alternatively a 0.48% increase effective July 1, 2012, and a 0.48% increase effective July 1, 2013, to maintain a 30 year period.

[3]Pending Board approval of a 0.305% contribution rate increase effective July 1, 2012, or a 0.158% contribution rate increase effective July 1, 2012, and a 0.157% contribution rate increase effective July 1, 2013, to maintain a 30 year period.

IX. Death Benefit Program

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

Active Death Benefits

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

Retiree Death Benefits

Retired members of SCRS and PORS whose last employer prior to retirement is covered by the program, and who met applicable service credit requirements, are also protected under the state-sponsored death benefit program. Upon the death of a retired member, the beneficiary of a non-working retiree will receive a benefit payment based on the member's total creditable service at the time of retirement.

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

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

All benefits provided by the Retirement Systems are included in the valuation, including the Incidental Death Benefit program for SCRS and PORS, which were previously covered under separate valuations. The July 1, 2010, valuations reflect the inclusion of the assets and liabilities of the Incidental Death Benefit program. The impact to SCRS was to increase the UAL by $75 million, but due to inclusion of the additional 0.15% of payroll contributions, there was no impact to the funding period. Under PORS, there was a slight decrease to the UAL but due to additional expected contributions, the impact decreased the funding period by 2.3 years.

X. Litigation

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

Ahrens et al. v. the South Carolina Retirement System, the South Carolina Retirement System and the State of South Carolina. This case was a class action case alleging that provisions in Act No. 153 of the Acts and Joint Resolutions of the General Assembly for the year 2005 ("Act No. 153") requiring working retirees in the South Carolina Retirement System ("SCRS") to make employee contributions were unconstitutional and illegal. A circuit court judge certified the class in this case and issued an order on the merits in the matter granting the Plaintiffs relief based on the equitable theory of estoppel. The circuit court denied all other claims for relief made by the Plaintiffs, including their contract causes of action. The Retirement Systems and the State of South Carolina appealed the circuit court's order to the South Carolina Supreme Court. On May 4, 2011, the Supreme Court of South Carolina found in favor of SCRS and the state of South Carolina on all claims and reversed the circuit court's order granting plaintiffs' relief.

Arnold et al. v. the South Carolina Police Officers Retirement System, the South Carolina Retirement System and the State of South Carolina. This case was a class action case filed on August 9, 2005, alleging that provisions in Act No. 153 of the Acts and Joint Resolutions of the General Assembly for the year 2005 ("Act No. 153") requiring working retirees in the Police Officers Retirement System ("PORS") to make employee contributions were unconstitutional and illegal. This was the companion case of the Ahrens case above. The same circuit court judge in Ahrens heard the case and certified a class in this case and issued an order on the merits in the matter granting the Plaintiffs relief based on the equitable theory of estoppel. The circuit court denied all other claims for relief made by the Plaintiffs, including their contract causes of action. The PORS and the State of South Carolina appealed the circuit court's order to the South Carolina Supreme Court. On May 4, 2011, the Supreme Court of South Carolina found in favor of PORS and the state of South Carolina on all claims and reversed the circuit court's order granting plaintiffs' relief.

Hutto, et al v. The South Carolina Retirement System, et al. This putative class action was filed in federal court in August, 2010 alleging that provisions in Act No. 153 of the Acts and Joint Resolutions of the General Assembly for the year 2005 ("Act No. 153") requiring working retirees in the South Carolina Retirement System ("SCRS") and the Police Officers Retirement System ("PORS") to make employee contributions are unconstitutional and illegal. The plaintiffs in Hutto all retired after Act 153 was enacted and thus were on notice that they would pay retirement contributions if they chose to return to work. It is too early to offer any opinion about the potential outcome of this case. As of June 30, 2011, the Retirement Systems had collected approximately $91 million in the form of retirement contributions from members of the Retirement Systems who are retired and returned to work on or after July 1, 2005. The Client intends to vigorously defend this matter.

Anderson County v. Joey Preston and the South Carolina Retirement System ("SCRS"). Defendant Joey R. Preston ("Preston") is a retired member of SCRS who was employed by Plaintiff. Plaintiff's Complaint seeks to rescind a severance agreement entered into by the Plaintiff with Preston. As part of the Severance Agreement, Plaintiff paid approximately $355,000 to the Defendant SCRS to purchase retirement service credit on behalf of Preston. Plaintiff has named Defendant SCRS in their complaint as a stakeholder and seeks a return of the $355,000 paid to SCRS. As a result of the service purchase, Preston was able to retire and begin drawing a retirement benefit. The case is currently pending in the Anderson County Circuit Court. SCRS is defending this case to ensure that, regardless of the outcome of Plaintiff's claims related to the severance agreement, SCRS does not suffer any monetary loss as a result of the service purchase.

South Carolina Retirement Systems
Required Supplementary Information

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

Schedule of Funding Progress
(Amounts expressed in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
SCRS						
7/01/05	$ 21,625,510	$ 30,217,471	$ 8,591,961	71.6%	$ 6,356,489	135.2%
7/01/06	22,293,446	32,018,519	9,725,073	69.6%	6,733,379	144.4%
7/01/07	23,541,438	33,766,678	10,225,240	69.7%	7,093,181	144.2%
7/01/08	24,699,678	35,663,419	10,963,741	69.3%	7,559,172	145.0%
7/01/09	25,183,062	37,150,315	11,967,253	67.8%	7,761,808	154.2%
7/01/10	25,400,331	38,774,029	13,373,698	65.5%	7,769,820	172.1%
PORS						
7/01/05	$ 2,774,606	$ 3,173,930	$ 399,324	87.4%	$ 850,610	46.9%
7/01/06	2,935,841	3,466,281	530,440	84.7%	931,815	56.9%
7/01/07	3,160,240	3,730,544	570,304	84.7%	992,849	57.4%
7/01/08	3,363,136	4,318,955	955,819	77.9%	1,060,747	90.1%
7/01/09	3,482,220	4,564,111	1,081,891	76.3%	1,084,154	99.8%
7/01/10	3,612,700	4,850,457	1,237,757	74.5%	1,076,467	115.0%
GARS						
7/01/05	$ 46,316	$ 69,161	$ 22,845	67.0%	$ 3,853	592.9%
7/01/06	46,075	69,734	23,659	66.1%	3,854	613.9%
7/01/07	46,925	71,014	24,089	66.1%	3,854	625.0%
7/01/08	47,189	69,122	21,933	68.3%	3,854	569.1%
7/01/09	45,891	68,491	22,600	67.0%	3,854	586.4%
7/01/10	43,712	68,671	24,959	63.7%	3,854	647.6%
JSRS						
7/01/05	$ 118,888	$ 204,847	$ 85,959	58.0%	$ 15,465	555.8%
7/01/06	124,837	211,384	86,547	59.1%	15,929	543.3%
7/01/07	132,990	229,388	96,398	58.0%	16,407	587.5%
7/01/08	138,323	213,406	75,083	64.8%	18,661	402.4%
7/01/09	141,797	214,363	72,566	66.1%	18,661	388.9%
7/01/10	142,871	215,823	72,952	66.2%	18,661	390.9%
NGRS						
6/30/05	$ 12,151	$ 46,985	$ 34,835	25.9%	N/A	N/A
7/01/06	14,046	48,755	34,709	28.8%	N/A	N/A
7/01/07	15,937	55,917	39,980	28.5%	N/A	N/A
7/01/08	17,426	53,534	36,108	32.5%	N/A	N/A
7/01/09	18,600	53,421	34,821	34.8%	N/A	N/A
7/01/10	19,458	54,153	34,695	35.9%	N/A	N/A

South Carolina Retirement Systems
Required Supplementary Information (continued)

Schedule of Employer Contributions
(Amounts expressed in thousands)

	SCRS		PORS		GARS		JSRS		NGRS	
Year Ended June 30,	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Pension Cost[1]	Percentage Contributed
2011	$ 808,343	100%	$ 129,314	100%	$ 2,414	100%	$ 8,414	100%	$ 3,905	100.00%
2010	818,523	100%	123,163	100%	2,598	100%	8,414	100%	3,945	102.7%
2009	827,502	100%	124,148	100%	2,495	100%	8,414	100%	3,979	101.8%
2008	774,269	100%	114,095	100%	2,440	100%	7,613	100%	3,823	103.3%
2007	644,350	100%	106,753	100%	2,358	100%	6,706	100%	3,811	103.6%
2006	577,468	100%	100,281	100%	2,171	100%	6,511	100%	2,858	137.9%

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

South Carolina Retirement Systems
Schedule of Changes in Plan Net Assets
SCRS Pension Trust Fund
Year Ended June 30, 2011
With comparative totals for the year ended June 30, 2010
(Amounts expressed in thousands)

	EMPLOYEE FUND	EMPLOYER FUND	DEATH BENEFIT FUND	QEBA FUND	TOTALS	TOTALS 2010
Additions						
Employee contributions						
State department employees	$ 161,803	$ 15,751	$ -	$ -	$ 177,554	$ 176,451
Public school employees	218,538	25,731			244,269	248,842
Other political subdivision employees	132,539	7,808			140,347	135,968
Employer contributions						
State department employees		261,453	4,749	843	267,045	269,639
Public school employees		342,495	5,785		348,280	359,876
Other political subdivision employees		190,400	2,618		193,018	189,008
Total contributions	512,880	843,638	13,152	843	1,370,513	1,379,784
Investment Income						
Net appreciation (depreciation) in fair value of investments		3,429,490	17,520		3,447,010	2,423,114
Interest and dividend income		210,439	1,071		211,510	230,224
Investment expense		(61,305)	(313)		(61,618)	(44,462)
Net income (loss) from investing activities		3,578,624	18,278		3,596,902	2,608,876
From securities lending activities:						
Securities lending income		584	3		587	4,817
Securities lending borrower rebates		577	3		580	(1,030)
Net income from securities lending activities		1,161	6		1,167	3,787
Total net investment income (loss)		3,579,785	18,284		3,598,069	2,612,663
Supplemental retirement benefits funded by the State		832			832	957
Transfers of contributions from other Systems	52				52	
Total additions	512,932	4,424,255	31,436	843	4,969,466	3,993,404
Deductions						
Refunds of contributions to members	84,591				84,591	75,814
Transfers of contributions to other Systems	1,255	659			1,914	1,416
Regular retirement benefits		1,976,482		843	1,977,325	1,856,661
Deferred retirement benefits		155,874			155,874	156,800
Supplemental retirement benefits		832			832	957
Death benefits		(20)	16,505		16,485	19,921
Depreciation		107			107	107
Administrative expense		18,352	94		18,446	18,070
Total deductions	85,846	2,152,286	16,599	843	2,255,574	2,129,746
Interfund transfers according to statutory requirements						
Contributions by members at retirement	(415,562)	415,562				
Interest credited to members' accounts	238,268	(238,268)				
Net interfund transfers	(177,294)	177,294				
Net increase (decrease)	249,792	2,449,263	14,837		2,713,892	1,863,658
Net assets held in trust for Pension Benefits						
Beginning of year	6,222,854	13,358,249	100,034		19,681,137	17,817,479
End of year	$ 6,472,646	$15,807,512	$ 114,871	$ -	$22,395,029	$19,681,137

South Carolina Retirement Systems
Schedule of Changes in Plan Net Assets
PORS Pension Trust Fund
Year Ended June 30, 2011
With comparative totals for the year ended June 30, 2010
(Amounts expressed in thousands)

	EMPLOYEE FUND	EMPLOYER FUND	DEATH BENEFIT FUND	ACCIDENTAL DEATH FUND	TOTALS	TOTALS 2010
Additions						
Employee contributions						
State department employees	$ 25,132	$ 1,122	$ -	$ -	$26,254	$26,525
Public school employees	23	148			171	245
Other political subdivision employees	48,577	4,332			52,909	50,281
Employer contributions						
State department employees		41,299	739	739	42,777	42,338
Public school employees		292	5	5	302	337
Other political subdivision employees		83,414	1,451	1,370	86,235	80,488
Total contributions	73,732	130,607	2,195	2,114	208,648	200,214
Investment Income						
Net appreciation (depreciation) in fair value of investments		488,078	4,171	5,346	497,595	335,825
Interest and dividend income		30,130	255	328	30,713	32,497
Investment expense		(8,774)	(75)	(96)	(8,945)	(6,288)
Net income (loss) from investing activities		509,434	4,351	5,578	519,363	362,034
From securities lending activities:						
Securities lending income		82	1	1	84	675
Securities lending borrower rebates		82	1	1	84	(143)
Net income from securities lending activities		164	2	2	168	532
Total net investment income (loss)		509,598	4,353	5,580	519,531	362,566
Supplemental retirement benefits funded by the State		37			37	42
Transfers of contributions from other Systems	1,248	659			1,907	1,266
Total additions	74,980	640,901	6,548	7,694	730,123	564,088
Deductions						
Refunds of contributions to members	14,902				14,902	13,673
Transfers of contributions to other Systems	92				92	
Regular retirement benefits		242,872			242,872	223,473
Supplemental retirement benefits		37			37	42
Death benefits			1,984		1,984	2,019
Accidental death benefits				1,534	1,534	1,462
Depreciation		11			11	11
Administrative expense		2,581	22	29	2,632	2,566
Total deductions	14,994	245,501	2,006	1,563	264,064	243,246
Interfund transfers according to statutory requirements						
Contributions by members at retirement	(60,700)	60,700				
Interest credited to members' accounts	28,743	(28,743)				
Net interfund transfers	(31,957)	31,957				
Net increase (decrease)	28,029	427,357	4,542	6,131	466,059	320,842
Net assets held in trust for Pension Benefits						
Beginning of year	758,695	2,038,239	23,904	30,636	2,851,474	2,530,632
End of year	$ 786,724	$ 2,465,596	$ 28,446	$ 36,767	$ 3,317,533	$ 2,851,474

South Carolina Retirement Systems
Schedule of Changes in Plan Net Assets
GARS Pension Trust Fund
Year Ended June 30, 2011
With comparative totals for the year ended June 30, 2010
(Amounts expressed in thousands)

	EMPLOYEE FUND	EMPLOYER FUND	TOTALS	TOTALS 2010
Additions				
Contributions				
Employee contributions - State departments	$ 624	$ -	$ 624	$ 544
Employer contributions - State departments		2,414	2,414	2,598
Total contributions	624	2,414	3,038	3,142
Investment Income				
Net appreciation (depreciation) in fair value of investments		5,447	5,447	4,319
Interest and dividend income		331	331	392
Investment expense		(98)	(98)	(75)
Net income (loss) from investing activities		5,680	5,680	4,636
From securities lending activities:				
Securities lending income		1	1	8
Securities lending borrower rebates		1	1	(2)
Net income from securities lending activities		2	2	6
Total net investment income (loss)		5,682	5,682	4,642
Transfers of contributions from other Systems	1		1	36
Total additions	625	8,096	8,721	7,820
Deductions				
Refunds of contributions to members	57		57	4
Transfers of contributions to other Systems	147		147	
Regular retirement benefits		6,528	6,528	6,512
Death benefits		58	58	6
Depreciation				1
Administrative expense		32	32	32
Total deductions	204	6,618	6,822	6,555
Interfund transfers according to statutory requirements				
Contributions by members at retirement	(852)	852		
Interest credited to members' accounts	266	(266)		
Net interfund transfers	(586)	586		
Net increase (decrease)	(165)	2,064	1,899	1,265
Net assets held in trust for Pension Benefits				
Beginning of year	7,265	25,505	32,770	31,505
End of year	$ 7,100	$ 27,569	$ 34,669	$ 32,770

South Carolina Retirement Systems
Schedule of Changes in Plan Net Assets
JSRS Pension Trust Fund
Year Ended June 30, 2011
With comparative totals for the year ended June 30, 2010
(Amounts expressed in thousands)

	EMPLOYEE FUND	EMPLOYER FUND	QEBA FUND	TOTALS	TOTALS 2010
Additions					
Contributions					
Employee contributions - State departments	$ 2,029	$ 180	$ -	$ 2,209	$ 2,343
Employer contributions - State departments		8,323	91	8,414	8,414
Total contributions	2,029	8,503	91	10,623	10,757
Investment Income					
Net appreciation (depreciation) in fair value of investments		19,216		19,216	13,551
Interest and dividend income		1,216		1,216	1,324
Investment expense		(346)		(346)	(249)
Net income (loss) from investing activities		20,086		20,086	14,626
From securities lending activities:					
Securities lending income		3		3	26
Securities lending borrower rebates		3		3	(6)
Net income from securities lending activities		6		6	20
Total net investment income (loss)		20,092		20,092	14,646
Transfers of contributions from other Systems	193			193	114
Total additions	2,222	28,595	91	30,908	25,517
Deductions					
Refunds of contributions to members					
Regular retirement benefits		14,427	91	14,518	13,869
Deferred retirement benefits		232		232	299
Death benefits		128		128	11
Depreciation					
Administrative expense		104		104	101
Total deductions		14,891	91	14,982	14,280
Interfund transfers according to statutory requirements					
Contributions by members at retirement	(1,874)	1,874			
Interest credited to members' accounts	700	(700)			
Net interfund transfers	(1,174)	1,174			
Net increase (decrease)	1,048	14,878		15,926	11,237
Net assets held in trust for Pension Benefits					
Beginning of year	17,816	93,410		111,226	99,989
End of year	$ 18,864	$ 108,288	$	$ 127,152	$ 111,226

South Carolina Retirement Systems
Schedule of Changes in Plan Net Assets
NGRS Pension Trust Fund
Year Ended June 30, 2011
With comparative totals for the year ended June 30, 2010
(Amounts expressed in thousands)

	TOTALS 2011	TOTALS 2010
Additions		
Contributions		
State appropriated contributions	$ 3,904	$ 4,052
Total contributions	3,904	4,052
Investment Income		
Net appreciation (depreciation) in fair value of investments	2,424	1,727
Interest income	150	165
Investment expense	(43)	(30)
Income (loss) from investing activities	2,531	1,862
From securities lending activities:		
Securities lending income	1	4
Securities lending borrower rebates	1	(1)
Net income from securities lending activities	2	3
Total net investment income (loss)	2,533	1,865
State Appropriation for Administrative Expenses		
Total additions	6,437	5,917
Deductions		
Regular retirement benefits	4,011	3,624
Administrative charges	13	13
Total deductions	4,024	3,637
Net increase	2,413	2,280
Net assets held in trust for Pension Benefits		
Beginning of year	15,053	12,773
End of year	$ 17,466	$ 15,053

Schedule of Administrative Expenses
For the Year Ended June 30, 2011
(Amounts expressed in thousands)

	SCRS	PORS	GARS	JSRS	NGRS	TOTALS
Personal Services						
Salaries and Wages	$ 7,873	$ 1,123	$ 14	$ 44	$ 6	$ 9,060
Employee Benefits	2,352	336	4	13	2	2,707
Contractual Services						
Data Processing Services	957	136	2	6	1	1,102
Medical & Health Services	398	57	1	2		458
Financial Audit	55	8				63
Actuarial Services	331	47	1	2		381
Other Professional Services	154	22		1		177
Legal Services	45	7				52
Operating Expenses						
Facilities Management	326	46		2		374
Intergovernmental Services	579	83	1	3	1	667
Transfers to Investment Commission	4,275	610	7	24	3	4,919
Telephone	111	16		1		128
Insurance	238	34		1		273
Postage	327	47	1	2		377
Supplies	95	13		1		109
Other Miscellaneous Expenses	330	47	1	2		380
Total Administrative Expenses	$ 18,446	$ 2,632	$ 32	$ 104	$ 13	$ 21,227

Schedule of Professional and Consultant Fees
For the Year Ended June 30, 2011
(Amounts expressed in thousands)

Professional/Consultant	Nature of Service	Amounts Paid
Cavanaugh Macdonald Consulting	Actuary Services	$ 273
Clifton Gunderson	Audit	63
Data Network	IT Maintenance & support	369
Dell Marketing	IT Equipment & support	118
Document Systems Inc	IT tape storage & Imaging records storage	12
ERP Analysts Inc.	IT Maintenance & support	26
Gabriel Roeder Smith & Company	Actuary Services	100
Hewlett Packard	IT Maintenance & support	178
Ice Miller	IRC Consulting Services	40
SHI International	IT Maintenance & Support	79
Software AG Inc.	IT Enterprise License & Maintenance	96
Southern Imaging Group	Annual Member Statements	46
Sowell Gray Stepp & Laffitte	Attorney Fees	48
Summit Strategies Inc	Optional Retirement Plan Consultants	120
SunGard Availability Service	IT Disaster Recovery	77
Tapfin Process Solutions	Application Development Resources	130
TeamIA Inc	Imaging Maintenance/Auditing	157
Vocational Rehabilitation	Disability Case Evaluations	457
		$2,389

South Carolina Retirement Systems
Schedule of Investment Fees and Expenses*
Year Ended June 30, 2011
(Amounts expressed in thousands)

	SCRS	PORS	GARS	JSRS	NGRS	TOTALS
Investment Managers Fees:						
Aronson + Johnson + Ortiz LP	$ 797	$ 116	$ 1	$ 4	$ 1	$ 919
Wells Capital Management, Inc (Benson Value Team)[2]	29	4	-	-	-	33
Blackrock Financial Management	1,072	155	2	6	1	1,236
Bridgewater Associates, Inc.	25,238	3,660	40	142	17	29,097
Capital Guardian	1,449	210	2	8	1	1,670
Grantham, Mayo, Van Otterloo & Co. LLC	3,418	496	6	19	2	3,941
Integrity Asset Management, LLC	954	139	2	5	1	1,101
Jamison, Eaton & Wood	273	40	-	2	-	315
Loomis Sayles (Global Fixed Income)	1,510	219	2	9	1	1,741
Loomis Sayles (High Yield)	1,461	212	2	8	1	1,684
Mondrian Investment Group, Inc.	2,230	324	4	13	1	2,572
Och-Ziff Real Estate[1]	759	110	1	4	1	875
Penn Capital	411	60	1	2	-	474
Pacific Investment Management Co.	2,192	318	3	12	2	2,527
Post Advisory Group	1,108	161	2	6	1	1,278
Post Advisory Group Limited Duration Portfolio	1,058	154	2	6	1	1,221
Putnam Investments	3,710	539	6	21	2	4,278
Pyramis Global Advisors	1,797	262	3	10	1	2,073
Russell Investment Group	872	127	1	5	1	1,006
Schroders[1]	1,575	230	2	9	1	1,817
Strategos	1,083	157	2	6	1	1,249
TimesSquare Capital Management, LLC	3,008	437	5	17	2	3,469
Thompson, Seigel & Walmsley, Inc.	1,355	197	2	8	1	1,563
Turner Investment Partners, Inc.	1,719	250	3	10	1	1,983
Western Asset Management Co.	1,102	160	2	6	1	1,271
Total	60,180	8,737	96	338	42	69,393
Bank Fees and Investment Expenses	1,438	208	2	8	1	1,657
Total Investment Management Fees	$ 61,618	$ 8,945	$ 98	$ 346	$ 43	$ 71,050
Securities Lending Expenses:						
Borrower Rebates	(580)	(84)	(1)	(3)	(1)	(669)
Total Securities Lending Expenses	$ (580)	$ (84)	$ (1)	$ (3)	$ (1)	$ (669)

[1]Manager hired during fiscal year 2011.
[2]Contract terminated during fiscal year 2011.
*Several of the alternative investment managers provide account valuations on a net of fee basis. Management fees are netted against investment income and because they are not readily separable for specific investment income, amounts are recorded and reported net of fees.

Clifton Gunderson LLP
Certified Public Accountants & Consultants

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

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

We have audited the financial statements of the South Carolina Retirement Systems (the Systems) as of and for the year ended June 30, 2011, and have issued our report thereon dated October 14, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Member of HLB International

Compliance and Other Matters

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

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

Clifton Gunderson LLP

Baltimore, Maryland
October 14, 2011