

# Popular Annual Financial Report

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South Carolina  
Retirement Systems

For the fiscal year  
ended June 30, 2018

Pension trust funds of the  
State of South Carolina

south carolina  
**opeba**  
state health plan | retirement systems



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# About S.C. PEBA



## Our vision

Serving those who serve  
South Carolina



## Our mission

PEBA's mission is to provide competitive retirement and insurance benefit programs for South Carolina public employers, employees and retirees.



## Our core values

- Solutions oriented
- Communication
- Credibility
- Collaboration
- Responsive
- Emotional intelligence
- Ethical behavior

Dear members:

We are pleased to present the South Carolina Public Employee Benefit Authority's (PEBA) *Popular Annual Financial Report* (PAFR) for the South Carolina Retirement Systems for the fiscal year ended June 30, 2018. This is the Systems' 15<sup>th</sup> consecutive annual popular report and it is intended to provide a summary of the Systems' annual financial information in an easily understandable format to supplement the more thorough *Comprehensive Annual Financial Report* (CAFR).

Data presented in this report was derived from the fiscal year 2018 CAFR, which was prepared in accordance with Generally Accepted Accounting Principles. To learn more about the Systems' financial activities, the CAFR, which contains more detailed information, is available on the Facts and figures page of our website, [www.peba.sc.gov](http://www.peba.sc.gov). For any other questions, please contact our Customer Contact Center at 803.737.6800 or 888.260.9430.



Peggy G. Boykin, CPA  
Executive Director



Travis J. Turner, CPA, CISA  
Chief Financial Officer



Tammy B. Nichols, CPA  
Retirement Finance Director

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

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

The PAFR contains information on these defined benefit pension trust funds:

- The South Carolina Retirement System (SCRS) was established July 1, 1945, to provide retirement and other benefits for teachers and employees of the state and its political subdivisions. SCRS covers employees of state agencies, public school districts, higher education institutions, other participating local subdivisions of government and individuals newly elected to the South Carolina General Assembly at or after the 2012 general election.
- The South Carolina Police Officers Retirement System (PORS) was established July 1, 1962, to provide retirement and other benefits to police officers and firefighters. PORS also covers peace officers, coroners, probate judges and magistrates.
- The Retirement System for Members of the General Assembly of the State of South Carolina (GARS) was established January 1, 1966, to provide retirement and other benefits to members of the General Assembly. Retirement reform legislation closed the GARS plan to individuals newly elected to the South Carolina General Assembly at or after the 2012 general election.
- The Retirement System for Judges and Solicitors of the State of South Carolina (JSRS) was established July 1, 1979, to provide retirement and other benefits to state judges and solicitors. JSRS also covers circuit public defenders.
- The South Carolina National Guard Supplemental Retirement Plan (SCNG) was established July 1, 1975, to provide supplemental retirement benefits to members who served in the South Carolina National Guard. The Retirement Systems assumed administrative responsibility for this fund in 2006.

# Profile of the Systems

PEBA, created July 1, 2012, and governed by an 11-member Board, is the state agency responsible for the administration and management of the various Retirement Systems and retirement programs of the state of South Carolina. As such, PEBA is responsible for administering the South Carolina Retirement Systems' five defined benefit pension plans. A defined benefit plan is a retirement plan in which contributions are made to fund a level of retirement income at a future retirement date. Specified monthly service retirement benefits, as well as disability benefits and death benefits are provided to eligible members and/or their surviving beneficiaries. The plans' terms specify the amount of pension benefits to be provided at a future date or after a certain period of time. Monthly benefits are specified as a function of a formula that is based on years of creditable service, average final compensation and age.

PEBA also sponsors the State Optional Retirement Program (State ORP), which is a defined contribution plan administered by four different third-party record keepers. State ORP is an alternative plan available to newly hired employees of state agencies, institutions of higher education, public school districts and individuals first elected to the General Assembly at or after the general election in November 2012. In addition, PEBA is responsible for the South Carolina Deferred Compensation Program, which offers 401(k) and 457 plans, and is administered by a third-party record keeper. Finally, PEBA administers and manages the state's employee insurance programs. State ORP, Deferred Compensation and employee insurance assets are not considered part of the Retirement Systems for financial statement purposes.

# Membership and annuitant composition

The membership and annuitant data provided in the chart below is based on the July 1, 2017, actuarial valuations and the actuarial data provided to the Systems' actuary for preparation of the July 1, 2017, actuarial valuations.

	<b>SCRS</b>	<b>PORS</b>	<b>GARS</b>	<b>JSRS</b>	<b>SCNG</b>
<b>Total membership</b>					
Active	193,985	27,056	87	160	12,116
Inactive	176,045	16,004	35	3	1,901
Retirees and beneficiaries <sup>1</sup>	140,288	17,887	354	213	4,789
<b>Active members</b>					
Average age	45	39	57	57	32
Average years of service	10	10	15	15	10
Average annual salary	\$42,637	\$43,007	\$22,535	\$139,666	N/A <sup>2</sup>
<b>Annuitants and beneficiaries</b>					
Average current age for service retirees	70	65	74	72	71
Average age at retirement for service retirees	59	55	61	60	60
Average years of service at retirement (all retirees)	22	18	20	26	26
Average AFC <sup>3</sup> at retirement (all retirees)	\$43,748	\$45,277	\$21,765	\$118,918	N/A
Average current annual benefit (all retirees) <sup>4</sup>	\$20,256	\$20,234	\$18,451	\$84,038	\$910

<sup>1</sup>Represents members who retired, including those who participate in the Teacher and Employee Retention Incentive (TERI) program or who returned to employment as a working retiree, and surviving beneficiaries of former members.

<sup>2</sup>The South Carolina National Guard Supplemental Retirement Plan is non-contributory; therefore, active member salaries are not reported to the Systems.

<sup>3</sup>Average final compensation (AFC) is a component used in the formula for calculating annuity benefits.

<sup>4</sup>Includes benefit adjustments applied since retirement.

# FY 2018 administrative and operational activities

In administering and managing the five defined benefit pension plans, PEBA's vision is to serve those who serve South Carolina and the agency does this by focusing efforts and goals in areas that promote financially sound programs, encourage retirement awareness, enhance customer experience and responsibly manage risk.

- Collaborative efforts of PEBA, the General Assembly, the Joint Committee on Pension Systems Review and the South Carolina Retirement System Investment Commission (RSIC) to ensure adequate funding of the pension trust funds resulted in passage of the Retirement Funding and Administration Act of 2017, which became effective July 1, 2017. This legislation increased the employer and employee contribution rates, established a ceiling on the SCRS and PORS employee contribution rates, lowered the assumed rate of return, required a scheduled reduction of the funding periods, and addressed various governance issues including the assignment of the PEBA Board as custodian of the retirement trust funds and assignment of the RSIC and PEBA as co-trustees of the assets of the retirement trust funds.
- In an effort to help offset a portion of the burden of the increased contribution requirement for employers, the General Assembly appropriated nonemployer funds directly to PEBA totaling \$118 million for SCRS and PORS. PEBA issued over 1,200 credit invoices to participating employers who then applied the credit invoices towards contributions otherwise due to the Systems for the fiscal year.
- In addition to processing a normal volume of retirement, refund and death claims, PEBA's

core retirement operational areas experienced unprecedented workload volumes during the year related to the Teacher and Employee Retention Incentive (TERI) program. TERI was a deferred retirement option plan that had been in place under SCRS since January 2001; however, legislation closed the program to all members effective June 30, 2018. With the closure of the TERI program, over 7,500 members terminated employment and ended their participation during fiscal year 2018. One-time distributions became payable totaling over \$1 billion and every member's prospective benefit requires recalculation.

• PEBA's retirement division participates in CEM's pension administration benchmarking service biannually. The process allows the plan's costs and service level measurements to be compared relative to our peers with the goal of understanding influencing factors and potentially identifying areas that can be improved. Based on the most recent survey conducted as of 2016, PEBA's total pension administration cost was \$33 per active member and annuitant. This was \$47 below the peer average of \$80 per active member and annuitant, and the fourth lowest cost in the CEM universe. Similarly, the total service score which has remained stable over the last four years, was 73 compared to the peer median of 81. This demonstrates the value that PEBA provides to our membership through a very low administration cost, yet relatively high service level.

- PEBA's Enterprise Risk Management (ERM) and Compliance Department continued to make strides to improve management of the programs that oversee PEBA's compliance with state and



federal regulations as well as the monitoring of those programs. PEBA has made progress in the development of the risk program through: updating the agency's incident response plan, completing an agency risk assessment, developing a risk management framework and risk dashboard, and purchasing cyber liability insurance.

- PEBA encouraged retirement awareness through the addition of seminars, presentations, videos and flyers. The *Be Aware and Prepare* series provides members with information that can help them make smart decisions about their financial future. The agency provides a retirement planning seminar for members who are a few years away from retirement eligibility, as well as an early-to mid-career seminar for those members who are still years away from retirement to explain what they need to consider now and how to take action

now to help ensure a secure financial future.

- One significant operational challenge the agency faces is the probable replacement of its legacy information systems. An extensive project named peba:connect is underway to assess the current environment, define new requirements and potentially acquire a new system. After an extended protest, the initial procurement of a client services vendor was awarded to Linea Solutions who is onsite working to move peba:connect into the next phase, although the appeal continues. During the fiscal year, a request for proposal for a data vendor was issued and a request for qualifications for the new system was released. The process to implement this new comprehensive benefit administration system is projected to take at least five years.

# Summary of financial condition

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

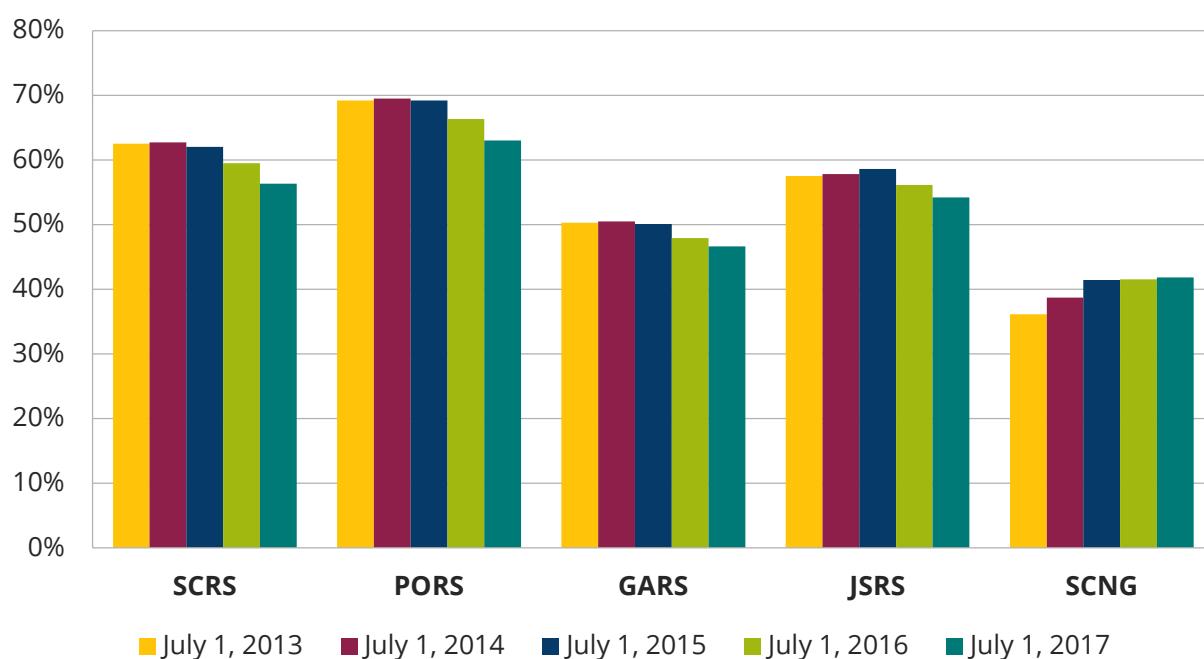
The July 1, 2017, actuarial valuations, which were adopted by the PEBA Board in December 2017, describe the current actuarial condition of each plan, determine the calculated employer and member contribution rates, and analyze changes in the System's financial condition. The market value of assets is less than the actuarial value of assets, so deferred

investment losses exist which will be recognized as investment losses in future years.

The funded ratios of the five plans as of July 1, 2017, range from a low of 41.8 percent for SCNG to a high of 63.0 percent for PORS. The funded ratio for SCRS, which represents the largest membership of the five plans, decreased from 59.5 percent to 56.3 percent and similarly PORS decreased from 66.3 percent to 63.0 percent. Declines in funded ratios were primarily due to the continued recognition of deferred investment losses experienced in prior fiscal years, which are recognized in the actuarial value of assets using a modified five-year smoothing technique. The below chart illustrates actuarial funded ratios over the past five years for each of the five defined benefit plans.

## Actuarial Funded Ratios

*Actuarial assets as a percentage of actuarial accrued liabilities*



As of July 1, 2017, the unfunded actuarial accrued liability for SCRS increased from \$18.6 billion to \$21.1 billion and PORS increased from \$2.2 billion to \$2.6 billion. The largest source of increase was the result of continual recognition of deferred investment losses in the actuarial value of assets. Absent significant favorable investment experience, those deferred losses will continue to be reflected, or smoothed, in the actuarial value of assets over the next few years. Other non-investment related experience activity such as mortality, salary experience, payroll growth and turnover, which are considered normal within the course of plan experience, contributed to other actuarial gains and losses, as actual experience cannot be precisely predicted and will never exactly match the estimated assumptions.

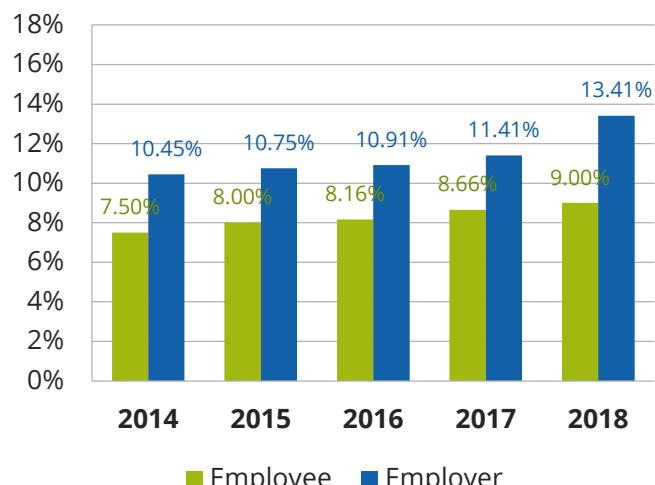
Actuarial smoothing techniques, which defer investment gains and losses, help to dampen the short-term volatility inherent in investment markets by allowing only a portion of investment gains and losses to be recognized each year. Using smoothing techniques, all of the Systems recognized a net actuarial loss on investment returns for the valuation year. As of the July 1, 2017, valuation, the market value of SCRS assets was \$1.5 billion less than the actuarial value of those assets, which signifies that the retirement system is in a position of deferred losses.

Therefore, unless investment returns in excess of the assumed rate of return are achieved, the future recognition of these deferred losses is expected to increase the unfunded actuarial accrued liability thus additional funding sources are scheduled per recent legislative action.

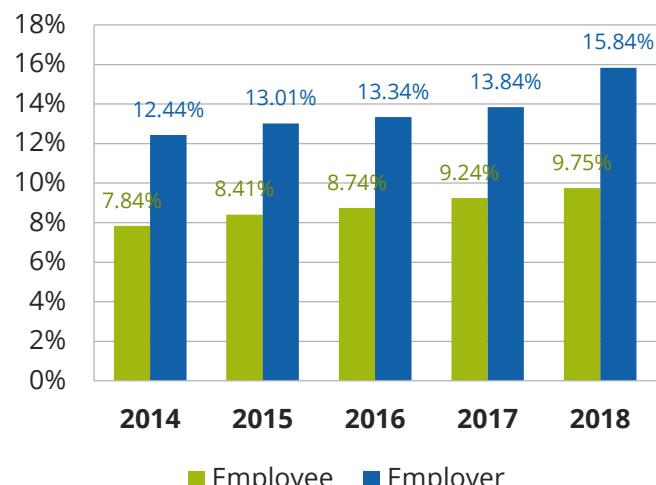
The below chart illustrates employee and employer contribution rates for SCRS and PORS over the past five fiscal years. Pension reform legislation increased, but also established a ceiling for employee contribution rates. Effective July 1, 2017, employee rates increased to a capped rate of 9.00 percent for SCRS and 9.75 percent for PORS. Also, employer contribution rates for both SCRS and PORS increased by 2 percent of pay to 13.56 percent and 16.24 percent, respectively. Effective July 1, 2018, employee rates will remain the same but employer contribution rates will increase for both SCRS and PORS by 1 percentage point to 14.56 percent and 17.24 percent, respectively. Employer contribution rates are scheduled to continue to increase by a minimum of 1 percentage point each year through July 1, 2022, and further, if the scheduled contributions are not sufficient to meet the funding periods set for the applicable year. The PEBA Board shall increase the employer contribution rates as necessary to meet the amortization period set in statute.

## Employee and Employer Retirement Contribution Rates by Fiscal Year

**SCRS**



**PORS**



# Statement of fiduciary net position

The Statement of Fiduciary Net Position on Page 13 presents the Systems' assets and liabilities and the resulting net position restricted for pensions. This statement reflects a year-end snapshot of the Systems' investments, at fair value, along with cash and short-term investments, receivables and other assets and liabilities.

Total fiduciary net position for all five defined benefit plans of the Systems combined, increased by almost \$1 billion, which was over three percent from the prior fiscal year ended June 30, 2017. The net position of the plans is impacted by contributions paid into the plans, investment performance and benefit payments out of the system. It is important to note that growth in fiduciary net position depends on both investment performance and contributions from employers and employees. The plans are in a net cash outflow position with benefit payments exceeding contributions; therefore, investment performance must first make up this gap before fiduciary net position can grow.

The increase in net position from \$30.2 billion to \$31.2

billion was attributable to both increased contributions and positive investment performance.

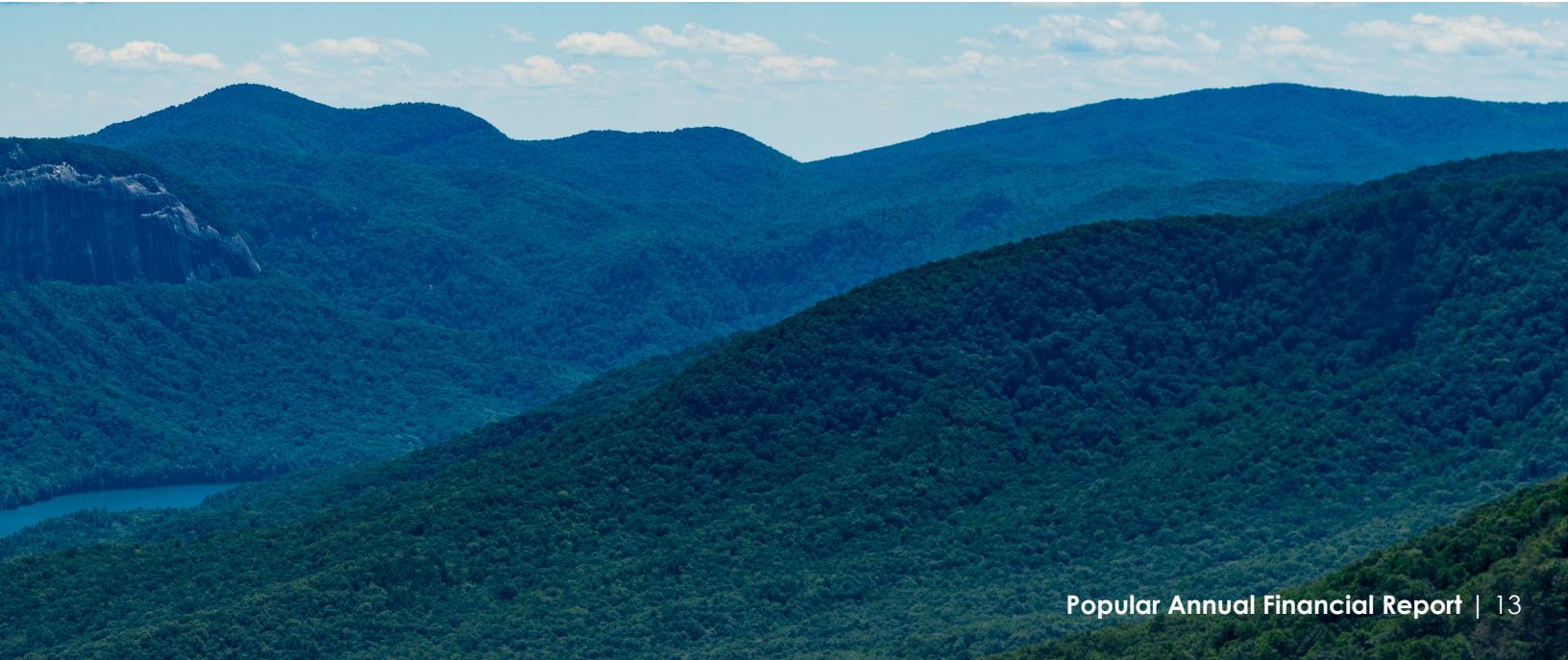
The Systems' investment portfolio participates in a securities lending program, managed by BNY Mellon (Securities Lending Program), whereby securities are loaned for the purpose of generating additional income. Securities lending revenue net of borrower rebates was \$1.99 million, an increase from \$773 thousand in the prior year. As reported by BNY Mellon, at June 30, 2018, the fair value of securities on loan was \$78.64 million, the fair value of the invested cash collateral was \$34.61 million, and the securities lending obligations were \$81.51 million. The reported difference in the value of the invested cash collateral and the securities lending obligations in the securities lending program, is reflected within "Other liabilities" on the Retirement Systems' Statement of Fiduciary Net Position, consistent with information reported on accounting statements provided by BNY Mellon as both the custodial bank and securities lending agent.

# South Carolina Retirement Systems Fiduciary Net Position

As of June 30

*Amounts expressed in thousands*

	2018	2017	Increase/(Decrease)	
			Amount	Percent
<b>Assets</b>				
Cash/cash equivalents, receivables and prepaid expenses	\$3,359,600	\$3,712,085	\$(352,485)	(9.50)%
Investments, at fair value	29,243,863	27,995,164	1,248,699	4.46%
Securities lending cash collateral invested	34,612	123,275	(88,663)	(71.92)%
Capital assets, net of accumulated depreciation	2,362	2,537	(175)	(6.90)%
<b>Total assets</b>	<b>32,640,437</b>	<b>31,833,061</b>	<b>807,376</b>	<b>2.54%</b>
<b>Liabilities</b>				
Deferred retirement benefits	377,263	95,327	281,936	295.76%
Obligations under securities lending	34,612	123,275	(88,663)	(71.92)%
Other liabilities	1,021,458	1,397,531	(376,073)	(26.91)%
<b>Total liabilities</b>	<b>1,433,333</b>	<b>1,616,133</b>	<b>(182,800)</b>	<b>(11.31)%</b>
<b>Total fiduciary net position restricted for pensions</b>	<b>\$31,207,104</b>	<b>\$30,216,928</b>	<b>\$990,176</b>	<b>3.28%</b>



# Statement of changes in fiduciary net position

The Statement of Changes in Fiduciary Net Position on Page 15 presents information showing how the Systems' net position restricted for pensions changed during the year. This statement includes additions for contributions by members and employers and investment earnings and deductions for annuity payments, refunded contributions, death benefit payments and administrative expenses.

The increase in the dollar amount of employee and employer contributions collected compared to the prior year, is largely attributable to increased contribution rates. Pension reform legislation increased, but also established a ceiling for employee contribution rates. Effective July 1, 2017, employee rates increased to a capped rate of 9 percent for SCRS and 9.75 percent for PORS. Also, employer contribution rates for both SCRS and PORS increased by 2 percent of pay to 13.56 percent and 16.24 percent, respectively.

For the fiscal year ended June 30, 2018, the net of fee investment performance return on a time weighted basis reported by the custodial bank, BNY Mellon, was 7.82 percent. This return reflects performance of the

Systems, at the aggregate for the pooled investments of the consolidated pension trust funds, after the deduction for manager fees and/or expenses. This fiscal year's performance was lower than the prior year's return of 11.88 percent but greater than the actuarial assumed rate of return and is therefore considered an actuarial gain since it was more than the 7.25 percent actuarial investment rate of return assumed for the plans.

Annuity benefits increased 16.3 percent from the prior fiscal year. The amount of benefits disbursed to payees increased from the prior year for several reasons. Eligible SCRS and PORS annuitant payees received an annual benefit adjustment equal to the lesser of 1 percent or \$500 on July 1, 2017, there was a slight increase in the number of annuitants receiving benefits from approximately 164,000 to 166,000, and additionally, with the closure of the Teacher and Employee Retention Incentive (TERI) program, payments to members ending their participation in the program produced an increase of over \$375 million in annuity benefits paid in the form of TERI distributions.

# South Carolina Retirement Systems Changes in Fiduciary Net Position

As of June 30

*Amounts expressed in thousands*

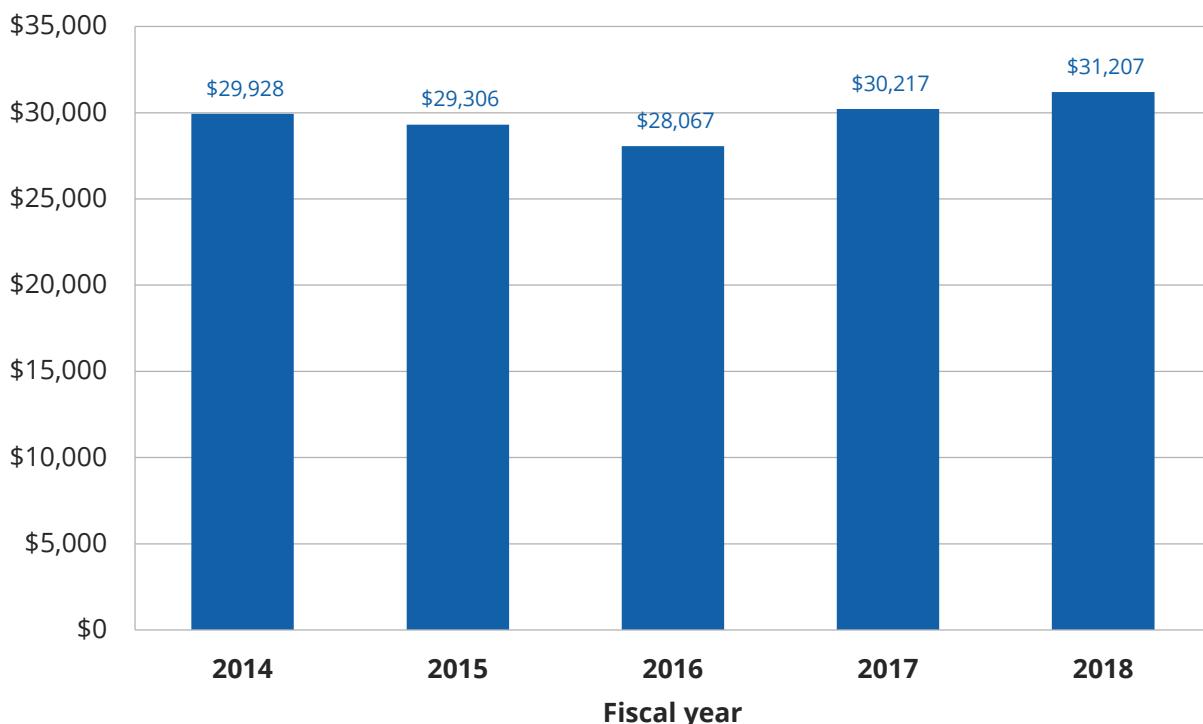
	2018	2017	Increase/(Decrease)	
			Amount	Percent
<b>Additions</b>				
Employee contributions	\$1,010,636	\$957,779	\$52,857	5.52%
Employer contributions	1,528,741	1,375,926	152,815	11.11%
Nonemployer contributions	118,096		118,096	100.00%
State-appropriated contributions	4,814	4,591	223	4.86%
Net investment income	2,334,478	3,269,390	(934,912)	(28.60)%
Other income	1,902	1,958	(56)	(2.86)%
<b>Total additions</b>	<b>4,998,667</b>	<b>5,609,644</b>	<b>(610,977)</b>	<b>(10.89)%</b>
<b>Deductions</b>				
Annuity benefits	3,826,806	3,291,197	535,609	16.27%
Refunds	137,766	125,762	12,004	9.55%
Death benefits	25,207	25,133	74	0.29%
Administrative and other expenses	18,712	17,277	1,435	8.31%
<b>Total deductions</b>	<b>4,008,491</b>	<b>3,459,369</b>	<b>549,122</b>	<b>15.87%</b>
Increase/decrease in fiduciary net position	990,176	2,150,275	(1,160,099)	(53.95)%
Beginning fiduciary net position	30,216,928	28,066,653	2,150,275	7.66%
<b>Ending fiduciary net position restricted for pensions</b>	<b>\$31,207,104</b>	<b>\$30,216,928</b>	<b>\$990,176</b>	<b>3.28%</b>

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

## South Carolina Retirement Systems Fiduciary Net Position for Past Five Fiscal Years

As of June 30

*Amounts expressed in millions*

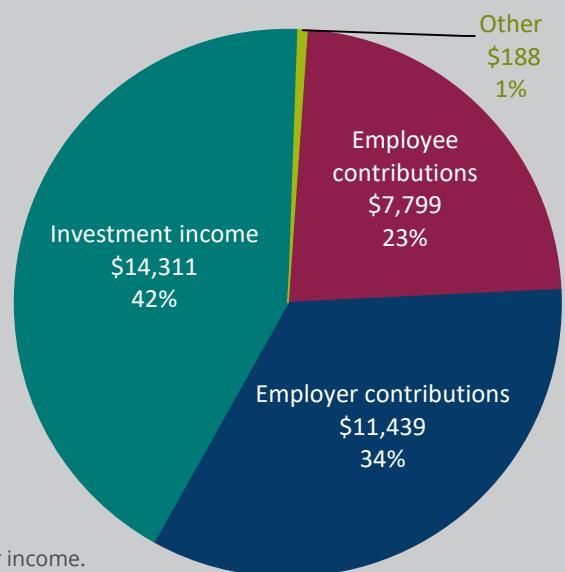


## Additions to pension trust funds (2009-2018)

**Includes SCRS, PORS, GARS, JSRS and SCNG**

*Amounts expressed in millions*

"Other" includes nonemployer contributions, state-appropriated contributions and other income.

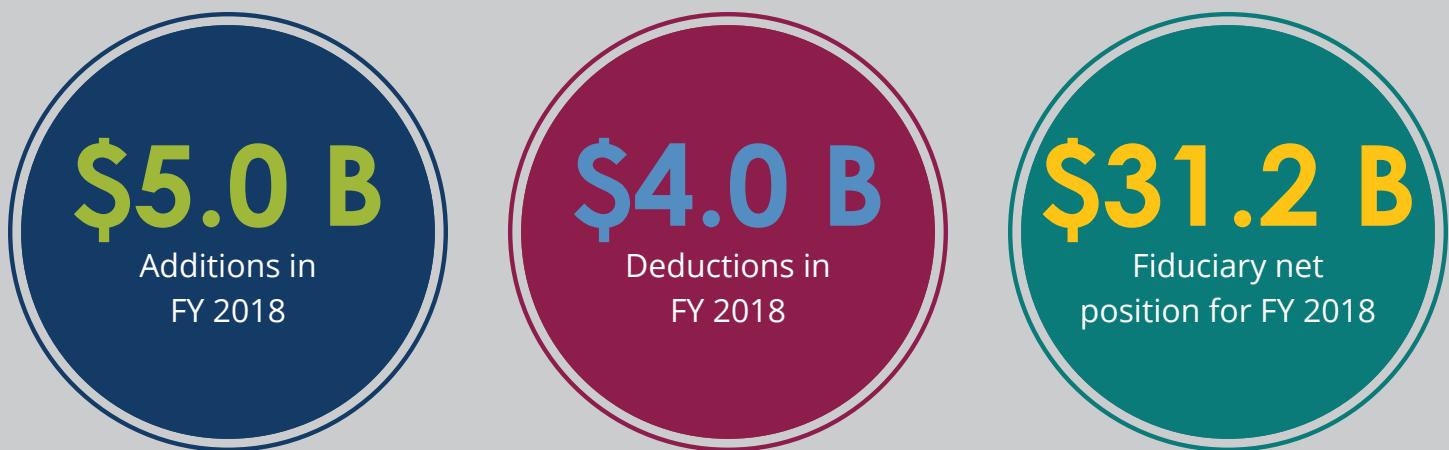
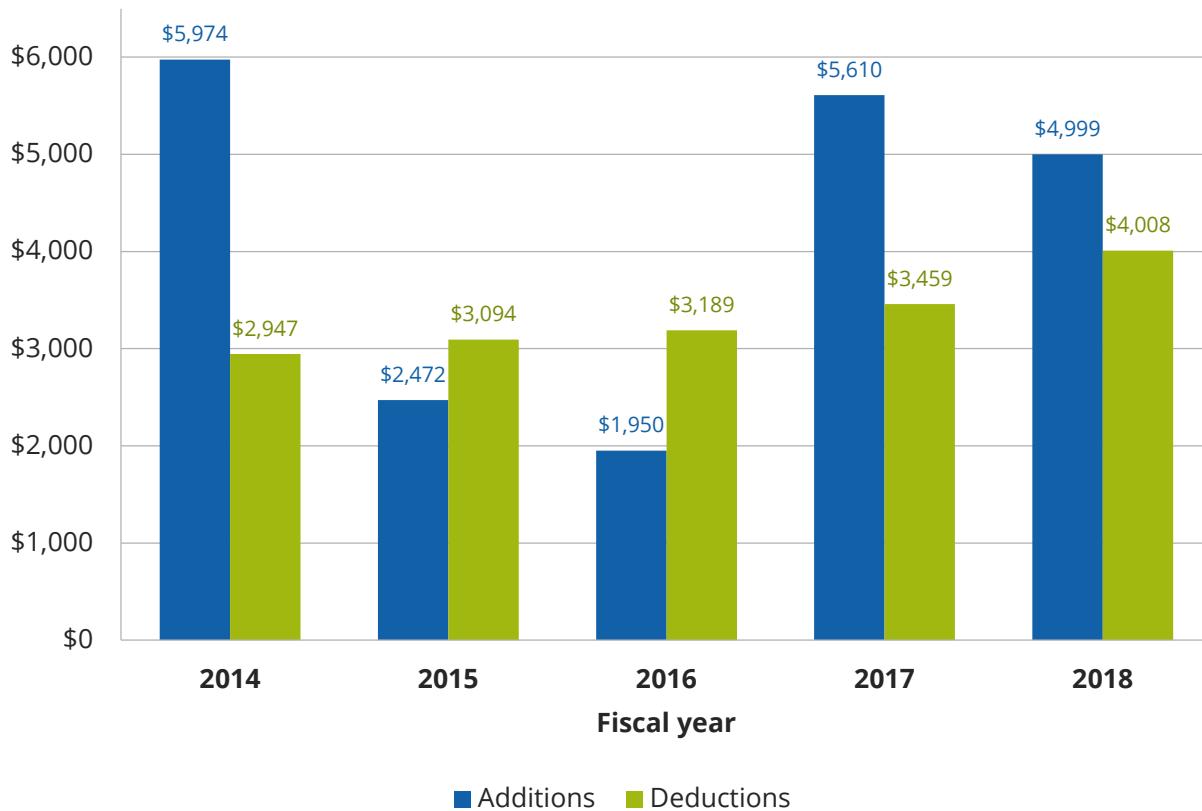


The following graph represents additions from all sources (employee contributions, employer contributions and investment gains and losses) and deductions (annuities, refunds, death benefits, administrative expense and depreciation) from Fiduciary Net Position over the past five fiscal years.

## South Carolina Retirement Systems Summary of Additions and Deductions for Past Five Fiscal Years

As of June 30

*Amounts expressed in millions*



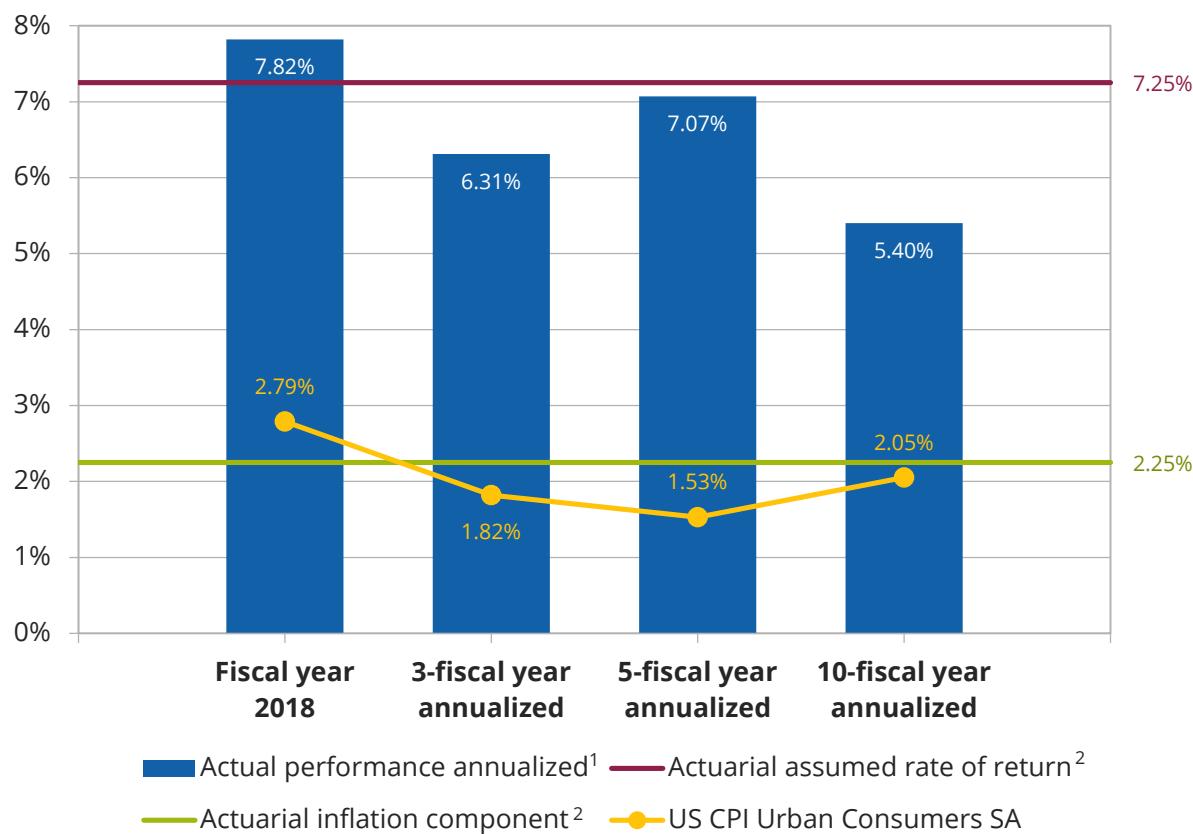
# Investments overview

As of June 30, 2018, the custodial bank reported that the net asset value of the pension trust funds had a fair value of \$31.3 billion. This represents a \$1.2 billion increase, after payment of benefits, over the previous

fiscal year end's fair value. The Retirement System Investment Commission (RSIC) is responsible for investing and managing the pension trust funds.

## Summary of Investment Performance

As of June 30, 2018

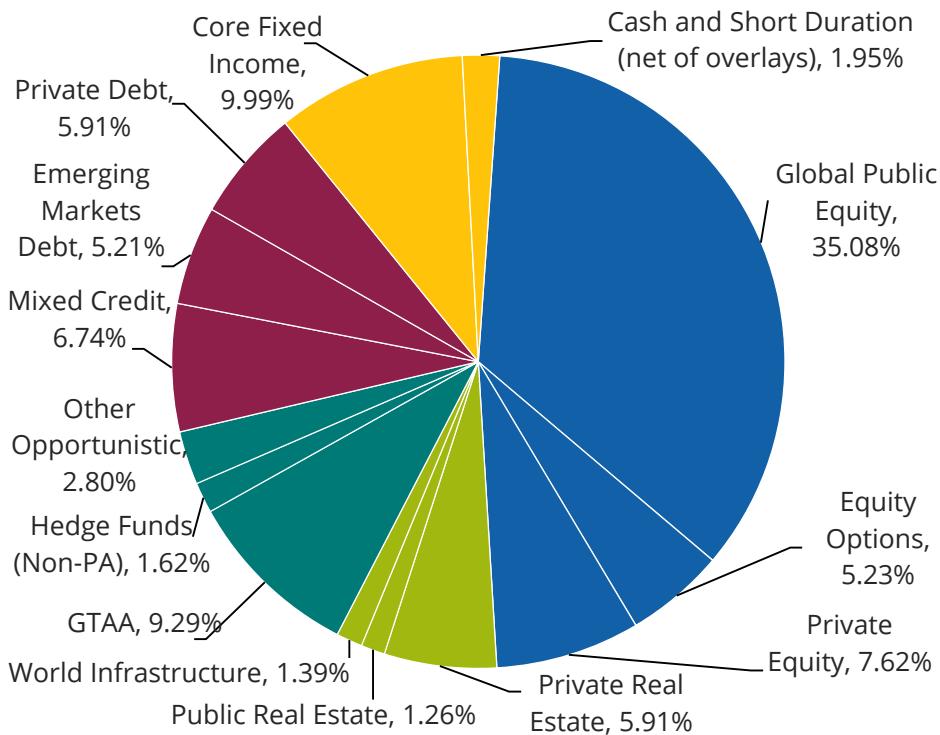


<sup>1</sup>Plan returns are from BNY Mellon and are time-weighted, total return calculations, net of fees and expenses. All returns are expressed in U.S. Dollars. Periods greater than one year are annualized.

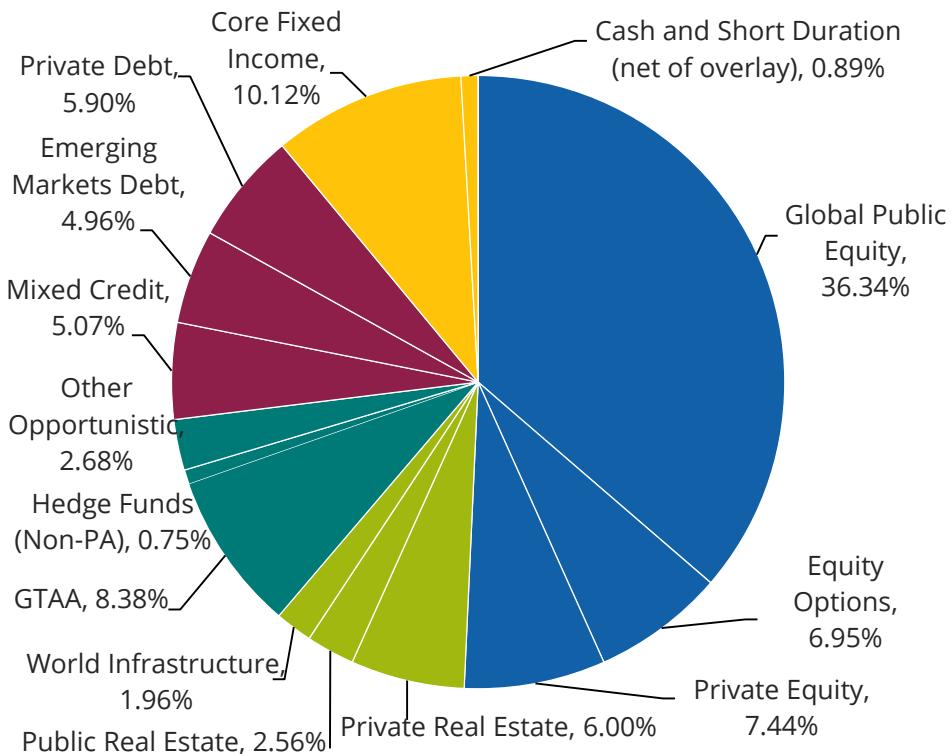
<sup>2</sup>The actuarial assumed rate of return is net of investment and administrative expenses and was set at 7.50 percent for fiscal years July 1, 2011 through June 30, 2017, but reduced to 7.25 percent for fiscal year 2018. The rate was composed of 2.75 percent inflation and 4.75 percent real rate of return through fiscal year 2016; 2.25 percent inflation and 5.25 percent real return for fiscal year 2017; and 2.25 percent inflation and 5.00 percent real return for fiscal year 2018.

## Portfolio Exposure

As of June 30, 2017<sup>1</sup>



As of June 30, 2018<sup>1</sup>



### Global Equity

- Global Public Equity<sup>2</sup>
- Private Equity
- Equity Options

### Diversified Credit

- Mixed Credit<sup>2</sup>
- Emerging Markets Debt<sup>2</sup>
- Private Debt<sup>2</sup>

### Real Assets

- Public Real Estate
- Private Real Estate
- World Infrastructure

### Conservative Fixed Income

- Core Fixed Income
- Cash and Short-Duration (net of overlays)

### Opportunistic

- GTAA<sup>2</sup>
- Hedge Funds (Non-PA)<sup>2</sup>
- Other Opportunistic<sup>2</sup>

<sup>1</sup>Asset class exposures include exposure from RSIC's derivative overlay program.

<sup>2</sup>Asset classes in which hedge funds can be used. Total hedge fund exposure cannot exceed 20 percent of total Plan assets.

# South Carolina Retirement Systems List of Largest Assets Held

As of June 30, 2018

*Amounts expressed in thousands*

## **SCRS held units in the following index funds:**

<b>Units</b>	<b>Description</b>	<b>SCRS</b>	<b>PORS</b>	<b>GARS</b>	<b>JSRS</b>	<b>SCNG</b>	<b>Fair value</b>
51,616,586	Blackrock MSCI World Index	\$907,494,420	\$155,513,923	\$1,033,229	\$5,374,274	\$874,858	\$1,070,290,704
18,313,580	Daily MSCI USA Index NL Fund	578,868,223	99,198,482	659,071	3,428,116	558,051	682,711,943
4,113,971	MSCI EAFE Index NL Fund (FD12)	340,903,395	58,419,340	388,136	2,018,864	328,644	402,058,379
397,465	MSCI CAD Index NL Fund (CA-12)	32,732,611	5,609,265	37,268	193,846	31,555	38,604,545
<b>Total</b>							<b>\$2,193,665,571</b>

## **Top 10 equity holdings**

<b>Units</b>	<b>Description</b>	<b>SCRS</b>	<b>PORS</b>	<b>GARS</b>	<b>JSRS</b>	<b>SCNG</b>	<b>Fair value</b>
379,184	Apple Inc	\$59,514,405	\$10,198,761	\$67,760	\$352,450	\$57,374	\$70,190,750
331,618	Simon Property Group Inc	47,853,569	8,200,487	54,484	283,394	46,133	56,438,067
1,368,009	Enbridge Inc	41,443,333	7,101,989	47,185	245,432	39,953	48,877,892
333,862	American Tower Corp	40,811,645	6,993,739	46,466	241,691	39,344	48,132,885
107,735	Equinix Inc	39,269,591	6,729,483	44,710	232,558	37,857	46,314,199
25,558	Amazon.com Inc	36,835,527	6,312,367	41,939	218,144	35,511	43,443,488
236,169	AvalonBay Communities Inc	34,420,384	5,898,492	39,189	203,841	33,183	40,595,089
375,767	Crown Castle International Corp	34,352,645	5,886,884	39,112	203,440	33,117	40,515,198
567,331	Prologis Inc	31,599,339	5,415,060	35,977	187,134	30,463	37,267,973
861,873	TransCanada Corp	31,598,811	5,414,970	35,977	187,131	30,462	37,267,351
<b>Total</b>							<b>\$469,042,892</b>

## South Carolina Retirement Systems List of Largest Assets Held (cont.)

As of June 30, 2018

*Amounts expressed in thousands*

Top 10 fixed income holdings							
Par value	Description	SCRS	PORS	GARS	JSRS	SCNG	Fair Value
\$66,500,000	Commit to Purchase FNMA 3.50% due 08/01/2048	\$56,049,544	\$9,605,001	\$63,815	\$331,931	\$54,034	\$66,104,325
57,800,000	Commit to Purchase FNMA 3.00% due 08/01/2048	47,428,808	8,127,697	54,000	280,878	45,723	55,937,106
45,865,000	Commit to Purchase FNMA 4.00% due 08/01/2048	39,591,047	6,784,570	45,076	234,462	38,167	46,693,322
43,135,000	Commit to Purchase FNMA 4.00% due 09/01/2048	37,177,067	6,370,895	42,328	220,166	35,840	43,846,296
43,125,000	Federal Home Loan Bank 2.20% due 01/29/2021	36,093,423	6,185,195	41,094	213,749	34,795	42,568,256
43,000,000	US Treasury Note 1.00% due 10/15/2019	35,794,475	6,133,965	40,754	211,979	34,507	42,215,680
30,000,000	Commit to Purchase FNMA 4.50% due 08/01/2048	26,438,561	4,530,677	30,102	156,572	25,488	31,181,400
33,800,000	US Treasury Bond 2.50% due 02/15/2045	26,130,002	4,477,801	29,750	154,745	25,190	30,817,488
28,000,000	Wells Fargo Bank 2.60% due 01/15/2021	23,362,872	4,003,608	26,600	138,357	22,523	27,553,960
20,500,000	Athene Global Funding 144A VAR RT due 04/20/2020	17,602,950	3,016,552	20,042	104,246	16,970	20,760,760
						Total	\$407,678,593

A complete list of portfolio holdings is available upon request.

## Global Equity

Global Public Equity<sup>2</sup>

Private Equity

Equity Options

## Diversified Credit

Mixed Credit<sup>2</sup>

Emerging Markets Debt<sup>2</sup>

Private Debt<sup>2</sup>

## Real Assets

Public Real Estate

Private Real Estate

World Infrastructure

## Conservative Fixed Income

Core Fixed Income

Cash and Short-Duration (net of overlays)

## Opportunistic

GTAA<sup>2</sup>

Hedge Funds (Non-PA)<sup>2</sup>

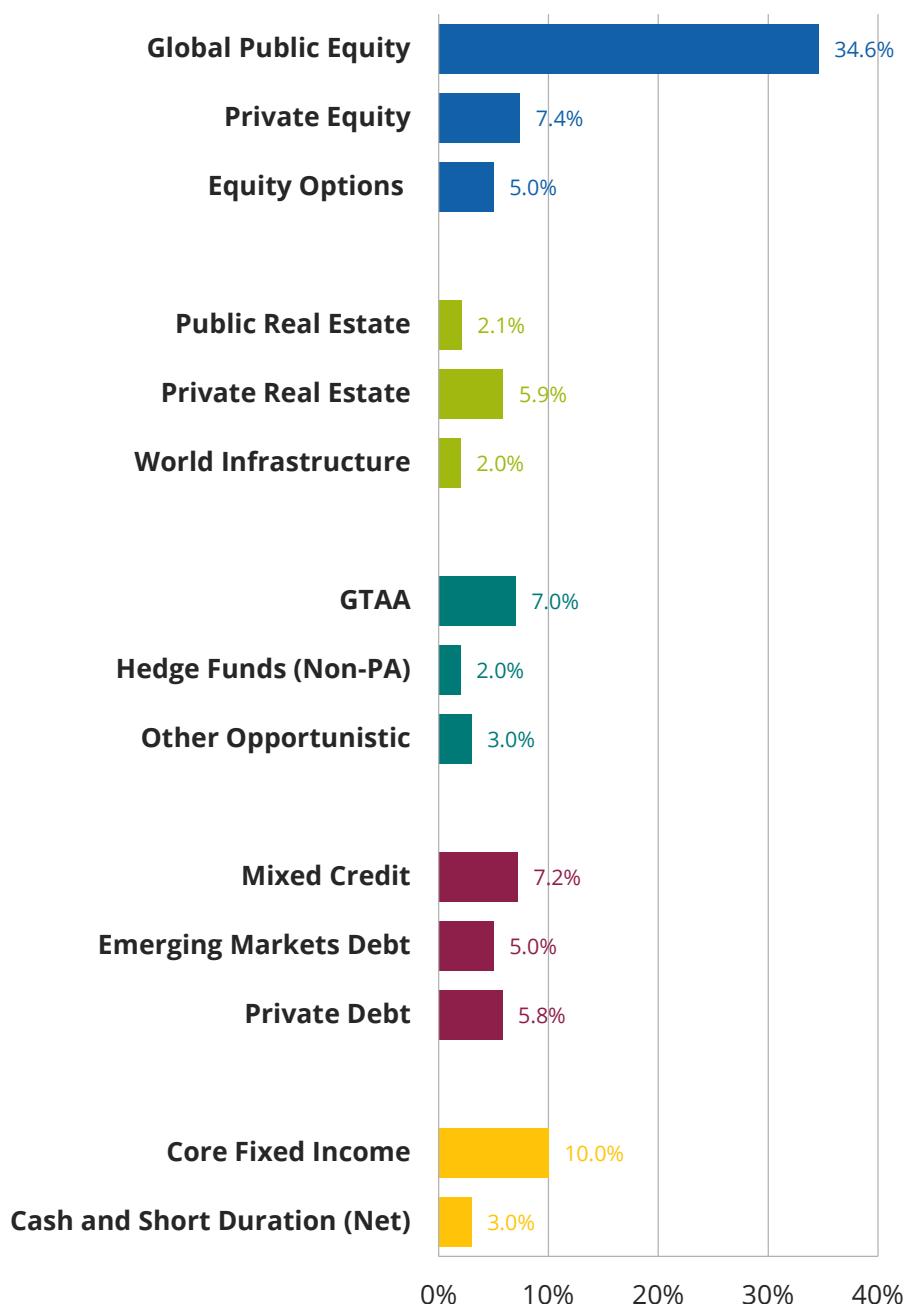
Other Opportunistic<sup>2</sup>

<sup>1</sup>Target Asset Allocation reflects the policy targets that were adopted by the Commission and in effect at the end of fiscal year 2018. The target weights to Private Equity, Private Debt and Private Real Estate are equal to their actual weights, reported by the custodial bank, as of the prior month end.

<sup>2</sup>Asset classes in which hedge funds can be used. Total hedge fund exposure cannot exceed 20 percent of total Plan assets.

## Target Asset Allocation

As of June 30, 2018<sup>1</sup>



# Awards

## Fiscal Year 2017 GFOA Award

The South Carolina Retirement Systems' *Popular Annual Financial Report* for the fiscal year ended June 30, 2017, received an Award for Outstanding Achievement in Popular Annual Financial Reporting from the Government Finance Officers Association (GFOA) of the United States and Canada.

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

To receive this award, a government unit must publish a *Popular Annual Financial Report* in which the content conforms to program standards of creativity, presentation, understandability and reader appeal.

This award is valid for one year only. The Systems have received the Award for Outstanding Achievement for each of the last 14 consecutive years (fiscal years ended 2004-2017). We believe our current report continues to conform to the GFOA's requirements and are submitting it for consideration.



## 2018 PPCC Award

The South Carolina Retirement Systems received the Public Pension Coordinating Council's Public Pension Standards 2018 Award.

It is the 15<sup>th</sup> consecutive year during which the S.C. Public Employee Benefit Authority applied for and received the Council's award in recognition of meeting professional plan design and administration standards.

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



*Serving those who  
serve South Carolina*



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