STATE BUDGET AND CONTROL BOARD

Meeting of Wednesday, May 8, 2013 -- 9:00 A. M.

Room 252, Edgar A. Brown Building

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B.	**MINUTES OF PREVIOUS MEETING**	
C.	**BLUE AGENDA**	
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3.	Division of General Services	Real Property Conveyances
4.	Division of Procurement Services	Procurement Audits and Certifications
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STATE BUDGET AND CONTROL BOARD
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BLUE AGENDA INDEX

Item	Agency	Subject
1.	State Treasurer's Office	Bond Counsel Selection
2.	Division of General Services	Easements
3.	Division of General Services	Real Property Conveyances
4.	Division of Procurement Services	Procurement Audits and Certifications
5.	Executive Director	Revenue Bonds

STATE BUDGET AND CONTROL BOARD

MEETING OF May 8, 2013

BLUE AGENDA

ITEM NUMBER 1

AGENCY: State Treasurer

SUBJECT: Bond Counsel Selection

The State Treasurer's Office has provided the following notification of the assignment of bond counsel for conduit issues for which Board approval is requested:

CONDUIT ISSUES: (For ratification of Issuer's Counsel only)

Description of Issue	Agency/Institution (Borrower)	Borrower's Counsel	Issuer's Counsel
$6,550,000 SC JEDA	Langston Charter Middle School	Haynsworth Sinkler Boyd	Howell, Linkous & Nettles
$37,000,000 SC JEDA	CSRA Senior Living	Haynsworth Sinkler Boyd	Pope Zeigler

BOARD ACTION REQUESTED:

Approve the referenced bond counsel assignment.

ATTACHMENTS:

Bond Counsel Selection Approved by the State Treasurer's Office

Items for May 8, 2013 Budget & Control Board Meeting
Bond Counsel and Issuer Counsel Selections by the State Treasurer's Office are as follows:

CONDUIT ISSUES: (For ratification of Issuer's Counsel only)

Description of Issue	Agency/Institution (Borrower)	Borrower's Counsel	Issuer's Counsel	Date STO Approved
$6,550,000 SC JEDA	Langston Charter Middle School	Haynsworth Sinkler Boyd	Howell, Linkous & Nettles	04/03/13
$37,000,000 SC JEDA	CSRA Senior Living	Haynsworth Sinkler Boyd	Pope Zeigler	04/10/13

OTHER REVENUE ISSUES:

Description of Issue	Agency/Institution	Approved Bond Counsel	Date STO Approved

SPECIAL ASSIGNMENT OF BOND COUNSEL:

Description of Issue	Agency/Institution	Approved Bond Counsel	Date STO Approved

STATE BUDGET AND CONTROL BOARD

MEETING OF May 8, 2013

BLUE AGENDA

ITEM NUMBER 2

AGENCY: Division of General Services

SUBJECT: Easements

The Division of General Services requests approval of the following easement in accordance with SC Code of Laws:

(a)	County Location:	York
	From:	Budget and Control Board
	To:	Howard Crawford
	Consideration:	$1,180
	Description/Purpose:	To grant a 0.034 acre permanent access easement along the southeastern property line of Kings Mountain State Park to Edge Park Road for the purpose of providing ingress and egress to landlocked property. The easement will address the issue of legal access to the adjacent landowner's property. Consideration is $500 plus the York County Assessor's land value.

The Division of General Services requests that the Board concur and acquiesce in granting the following easement in accordance with SC Code of Laws:

(b)	County Location:	Pickens
	From:	Department of Natural Resources
	To:	Blue Ridge Electric Cooperative
	Consideration:	In-kind services and partial release of existing easement
	Description/Purpose:	To grant a 1.59 acre utility easement for the relocation, construction, operation and maintenance of existing overhead electric lines and facilities along Cleo Chapman Highway (S-39-100) and Roy Jones Road (S-39-143) within the Jocassee Gorges Natural Area. As consideration, Blue Ridge will relinquish 2.81 acres in existing easement area as well as remove an existing utility line at the future location of a DNR equipment shed on Cleo Chapman Highway and provide service to the facility after it is constructed.

BOARD ACTION REQUESTED:

Approve the referenced easements.

ATTACHMENTS:

Agenda item worksheet; SC Code of Laws Sections 1-11-80, 1-11-90 and 1-11-10

BUDGET AND CONTROL BOARD AGENDA ITEM WORKSHEET

Meeting Scheduled for: May 8, 2013 **Blue Agenda**

1. **Submitted by:**
   (a) Agency: Division of General Services
   (b) Authorized Official Signature: Nolan L. Wiggins, Jr., Director

2. **Subject:** **EASEMENTS**

3. **Summary Background Information:**

The Division of General Services requests approval of the following easement in accordance with SC Code of Laws:

(a)

County Location:	York
From:	Budget and Control Board
To:	Howard Crawford
Consideration:	$1,180
Description/Purpose:	To grant a 0.034 acre permanent access easement along the southeastern property line of Kings Mountain State Park to Edge Park Road for the purpose of providing ingress and egress to landlocked property. The easement will address the issue of legal access to the adjacent landowner's property. Consideration is $500 plus the York County Assessor's land value.

The Division of General Services requests that the Board concur and acquiesce in granting the following easement in accordance with SC Code of Laws:

(b)

County Location:	Pickens
From:	Department of Natural Resources
To:	Blue Ridge Electric Cooperative
Consideration:	In-kind services and partial release of existing easement
Description/Purpose:	To grant a 1.59 acre utility easement for the relocation, construction, operation and maintenance of existing overhead electric lines and facilities along Cleo Chapman Highway (S-39-100) and Roy Jones Road (S-39-143) within the Jocassee Gorges Natural Area. As consideration, Blue Ridge will relinquish 2.81 acres in existing easement area as well as remove an existing utility line at the future location of a DNR equipment shed on Cleo Chapman Highway and provide service to the facility after it is constructed.

4. **What is the Board asked to do?** Approve the referenced easements.

5. **What is recommendation of the Division of General Services?** Recommend approval of the referenced easements.

6. **List of Supporting Documents:**
SC Code of Laws Sections 1-11-80, 1-11-100 and 10-1-130

SOUTH CAROLINA CODE OF LAWS

SECTION 1–11–80. Board authorized to grant easements for public utilities on vacant State lands.

The State Budget and Control Board is authorized to grant easements and rights of way to any person for construction and maintenance of power lines, pipe lines, water and sewer lines and railroad facilities over, on or under such vacant lands or marshland as are owned by the State, upon payment of the reasonable value thereof.

SECTION 1–11–100. Execution of instruments conveying rights of way or easements over marshlands or vacant lands.

Deeds or other instruments conveying such rights of way or easements over such marshlands or vacant lands as are owned by the State shall be executed by the Governor in the name of the State, when authorized by resolution of the Budget and Control Board, duly recorded in the minutes and records of such Board and when duly approved by the office of the Attorney General; deeds or other instruments conveying such easements over property in the name of or under the control of State agencies, institutions, commissions or other bodies shall be executed by the majority of the governing body thereof, shall name both the State of South Carolina and the institution, agency, commission or governing body as grantors, and shall show the written approval of the majority of the members of the State Budget and Control Board.

SECTION 10–1–130. State institutions and agencies may grant easements and rights of way on consent of Budget and Control Board.

The trustees or governing bodies of State institutions and agencies may grant easements and rights of way over any property under their control, upon the concurrence and acquiescence of the State Budget and Control Board, whenever it appears that such easements will not materially impair the utility of the property or damage it and, when a consideration is paid therefor, any such amounts shall be placed in the State Treasury to the credit of the institution or agency having control of the property involved.

STATE BUDGET AND CONTROL BOARD
MEETING OF May 8, 2013

BLUE AGENDA
ITEM NUMBER 3

AGENCY: Division of General Services

SUBJECT: Real Property Conveyances

The Division of General Services recommends approval of the following property conveyances:

(a) **Agency:** **Budget and Control Board (Adjutant General)**
Acreage: 2.03± acres
Location: 301 Memorial Drive in Clover
County: York
Purpose: To transfer a surplus National Guard Armory to a political subdivision pursuant to Joint Resolution R6, H3180.
Price/Transferred To: N/A / Town of Clover

(b) **Agency:** **Winthrop University**
Acreage: 2± acres and improvements consisting of an office building and 3 former hotel/student housing buildings, collectively known as the Winthrop Lodge
Location: 331 Oakland Avenue, Rock Hill
County: York
Purpose: To dispose of surplus real property.
Appraised Value: $600,000 as of 6/15/12 *The estimated market value is prior to an allowance for demolition and remediation.
Price/Transferred To: $96,400 / Rock Hill School District Three
Disposition of Proceeds: To be retained by Winthrop University.
Additional Information. On February 23, 2010, the Board approved the sale of the Winthrop Lodge for not less than the appraised value which was $400,000 after reduction for demolition and remediation. A contract for the sale of the Winthrop Lodge was originally awarded to a developer who submitted the only bid as part of a competitive sealed bid process; however, the developer was ultimately unable to purchase the property. The updated appraised value of $600,000 after consideration for demolition and remediation is $96,400. Rock Hill School District Three has made an offer to purchase the property at the adjusted appraised value and the University feels it would be in its best interest to accept this offer as the condition of the buildings is rapidly deteriorating, thus, becoming a liability.

BOARD ACTION REQUESTED:

Approve the property conveyances as requested.

ATTACHMENTS:

Agenda item worksheet and attachments

BUDGET AND CONTROL BOARD AGENDA ITEM WORKSHEET

Meeting Scheduled for: May 8, 2013 **Blue Agenda**

1. Submitted by:
(a) Agency: Division of General Services
(b) Authorized Official Signature: Nolan L. Wiggins, Jr., Director

2. Subject: **REAL PROPERTY CONVEYANCES**

3. Summary Background Information:

(a)	**Agency:**	**Budget and Control Board (Adjutant General)**
	Acreage:	2.03± acres
	Location:	301 Memorial Drive in Clover
	County:	York
	Purpose:	To transfer a surplus National Guard Armory to a political subdivision pursuant to Joint Resolution R6, H3180.
	Price/Transferred To:	N/A / Town of Clover
(b)	**Agency:**	**Winthrop University**
	Acreage:	2± acres and improvements consisting of an office building and 3 former hotel/student housing buildings, collectively known as the Winthrop Lodge
	Location:	331 Oakland Avenue, Rock Hill
	County:	York
	Purpose:	To dispose of surplus real property.
	Appraised Value:	\$600,000 as of 6/15/12 *The estimated market value is prior to an allowance for demolition and remediation.
	Price/Transferred To:	\$96,400 / Rock Hill School District Three
	Disposition of Proceeds:	To be retained by Winthrop University pursuant to Proviso 80A.27.
	Additional Information.	On February 23, 2010, the Board approved the sale of the Winthrop Lodge for not less than the appraised value which was \$400,000 after reduction for demolition and remediation. A contract for the sale of the Winthrop Lodge was originally awarded to a developer who submitted the only bid as part of a competitive sealed bid process; however, the developer was ultimately unable to purchase the property. The updated appraised value of \$600,000 after consideration for demolition and remediation is \$96,400. Rock Hill School District Three has made an offer to purchase the property at the adjusted appraised value and the University feels it would be in its best interest to accept this offer as the condition of the buildings is rapidly deteriorating, thus, becoming a liability.

4. **What is Board asked to do?** Approve the property conveyances as requested.

5. **What is recommendation of Board Division involved?** Recommend approval of the property conveyances as requested.

6. **List of Supporting Documents:**
   1. SC Code of Laws Section 1-11-65
   2. 2012 S.C. Act No. 288, Part 1B, §80A.27
   3. (a) Budget and Control Board (Adjutant General) – York County
      (b) Winthrop University – York County

SOUTH CAROLINA CODE OF LAWS

SECTION 1-11-65. Approval and recordation of real property transactions involving governmental bodies.

(A) All transactions involving real property, made for or by any governmental bodies, excluding political subdivisions of the State, must be approved by and recorded with the State Budget and Control Board. Upon approval of the transaction by the Budget and Control Board, there must be recorded simultaneously with the deed, a certificate of acceptance, which acknowledges the board's approval of the transaction. The county recording authority cannot accept for recording any deed not accompanied by a certificate of acceptance. The board may exempt a governmental body from the provisions of this subsection.

(B) All state agencies, departments, and institutions authorized by law to accept gifts of tangible personal property shall have executed by its governing body an acknowledgment of acceptance prior to transfer of the tangible personal property to the agency, department, or institution.

South Carolina General Assembly
119th Session, 2012-2013
H. 4813
General Appropriations Bill for fiscal year 2012-2013
As Ratified by the General Assembly

PART IB

OPERATION OF STATE GOVERNMENT

SECTION 80A - F03-BUDGET AND CONTROL BOARD

80A.27. (BCB: Sale of Surplus Real Property) Up to fifty percent of the proceeds, net of selling expenses, from the sale of surplus real properties shall be retained by the Budget and Control Board and used for the deferred maintenance of state-owned buildings. The remaining fifty percent of the net proceeds shall be returned to the agency that the property is owned by, under the control of, or assigned to and shall be used by that agency for non-recurring purposes. This provision applies to all state agencies and departments except: institutions of higher learning; the Public Service Authority; the Ports Authority; the MUSC Hospital Authority; the Myrtle Beach Air Force Redevelopment Authority; the Department of Transportation; the Columbia State Farmers Market; the Department of Agriculture's Columbia Metrology Lab building and property; the Charleston Naval Complex Redevelopment Authority; the Department of Commerce's Division of Public Railways; the Midlands Technical College Enterprise Campus Authority; the Trident Technical College Enterprise Campus Authority; the Commissioners residence at the Department of Corrections and the Educational Television Commission's Key Road property.

The Educational Television Commission shall be authorized to retain the net proceeds from the sale of its property on Key Road, and such proceeds shall only be used for the renovation of the ETV Telecommunications Center. If it is determined that sufficient net proceeds are not to be derived from the sale of its property on Key Road to cover the cost of all renovations of the Telecommunications Center, the property on Key Road shall not be sold. Any proposed sale hereunder shall, prior to said sale, be submitted to the Budget and Control Board for approval as being in compliance with the requirements of this subsection.

The Department of Corrections shall be authorized to retain the net proceeds from the sale of the residence provided for the Commissioner of the Department of Corrections and use such proceeds for deferred maintenance needs at the Department of Corrections.

The Forestry Commission shall be authorized to retain the net proceeds from the sale of surplus land for use in firefighting operations and replacement of firefighting equipment.

The Department of Mental Health shall be authorized to retain the net proceeds it receives for sale of the property sold in accordance with, and identified in Exhibit A of the Sale and Purchase Agreement dated December 16, 2010 between the Department of Mental Health and Hughes Development Corporation for the sale of 165.79± acres on the Bull Street Campus, as approved by the Budget and Control Board on June 14, 2011.

The Department of Natural Resources shall be authorized to retain the net proceeds from the sale of existing offices originally purchased with a federal grant or with restricted revenue from hunting and fishing license sales for the improvement, consolidation, and/or establishment of regional offices and related facilities.

The Department of Agriculture, the Educational Television Commission, the Department of Corrections, the Department of Natural Resources, the Department of Mental Health and the Forestry Commission shall annually submit a report, within sixty days after the close of the fiscal year, to the Senate Finance Committee and the House Ways and Means Committee on the status of the sale of the identified property and a detailed accounting on the expenditure of funds resulting from such sale.

This provision is comprehensive and supersedes any conflicting provisions concerning disposition of state owned real property whether in permanent law, temporary law or by provision elsewhere in this act.

Any unused portion of these funds may be carried forward into succeeding fiscal years and used for the same purposes.

(a) Budget and Control Board (Adjutant General)
York County

List of Supporting Documents:

1. Letter from Office of the Adjutant General
2. Joint Resolution 6, H3180

The State of South Carolina
Military Department

Office of the Adjutant General

ROBERT E. LIVINGSTON, JR.
MAJOR GENERAL
THE ADJUTANT GENERAL

1 NATIONAL GUARD ROAD
COLUMBIA, S.C. 29201-4752

April 2, 2013

Ms. Ashlie Lancaster
Deputy Director
SC Budget & Control Board
460 Wade Hampton Building
Columbia, South Carolina 29201

Dear Ms. Lancaster:

The Clover National Guard armory located at 301 Memorial Drive, Clover, South Carolina has been declared excess due to demographic changes and deferred maintenance costs. South Carolina Code of Laws, Article 13, Section 25-1-1660 provides the State Budget and Control Board with the authority to transfer these properties to a political subdivision if the political subdivision has donated real property for use as a site for a replacement armory.

However, in the case of the Clover National Guard armory, the National Guard does not foresee a future need for a replacement facility in this location, and requests that this property be transferred to the Town of Clover per the joint resolution approved by the General Assembly.

Points of contact for the Military Department are LTC Andrew Batten or MSG Mark Hicks at (803) 299-4304/4150.

Sincerely,

Robert E. Livingston, Jr.
Major General, SCARNG
The Adjutant General

A JOINT RESOLUTION

TO AUTHORIZE THE STATE BUDGET AND CONTROL BOARD TO TRANSFER OWNERSHIP OF CLOVER NATIONAL GUARD ARMORY IN CLOVER, SOUTH CAROLINA, TO THE TOWN OF CLOVER.

Whereas, the National Guard Armory located at 301 Memorial Drive, Clover, South Carolina, has been vacated by the Army National Guard; and

Whereas, the Town of Clover will use the armory for the benefit of the community. Now, therefore,

Be it enacted by the General Assembly of the State of South Carolina:

SECTION 1. Notwithstanding the provisions of Sections 25-1-1660 and 1-11-58 of the 1976 Code and Act 248 of 2004, the State Budget and Control Board is directed to transfer ownership of the Clover National Guard Armory located at 301 Memorial Drive, Clover, South Carolina, to the Town of Clover, South Carolina.

SECTION 2. This joint resolution takes effect upon approval by the Governor.

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(b) Winthrop University
York County

List of Supporting Documents:

1. Letter from Winthrop University
2. Letter from Rock Hill School District
3. Map

WINTHROP
UNIVERSITY

Board of Trustees

April 10, 2013

The Honorable Nikki R. Haley
Governor and Chair, S.C. Budget and Control Board
Box 12444
Columbia, SC 29211

Dear Governor Haley and Members of the S.C. Budget and Control Board:

As you likely know, Winthrop University is asking Budget and Control Board approval on May 8 to sell a two-acre parcel of property adjacent to a Rock Hill public school to Rock Hill School District 3. Since the pending transaction is unusual in that it proposes selling the property at less than its appraised value, I want to be sure you and all members of the board are aware of the unusual circumstances involved that when considered together, support your approval of this transaction. Among those points:

- The property contains a two-level mid-20th century motel that from its inception was ill-located in an historic residential area of Rock Hill, then sold to Winthrop and converted to student residential space approximately 30 years ago. That use was discontinued in 2002 due to building deterioration.
- Appraisals of the property were done in 2003 and 2009. As vacant land, the property then was valued at $500,000 and $410,000, respectively. An estimate of environmental abatement done in 2004 came back at $564,000 – more than the value of the land.
- In 2010, Winthrop attempted to market the property through the State Property Office, and received only one bid of $600,000. The bidder later withdrew and forfeited a bond of $35,000 because the firm found there were too many environmental issues and the structures were in such poor condition.
- In 2012, the Rock Hill School District approached Winthrop with a desire to acquire the land to use for improved school access for land-locked Ebenezer Avenue Elementary School.
- In Spring 2013, the Rock Hill School District obtained a new estimate for environmental abatement and demolition of the structures on the property and offered Winthrop the net figure (appraisal minus abatement) for the land -- $97,000.

114 Tillman Hall • Rock Hill, South Carolina 29733 • 803/323-2225 • 803/323-3001 (FAX)

Since the property would be conveyed to a public entity and used to create safer access to and from a public elementary school, and the buyer would assume all costs for demolition and abatement of the dilapidated structures, Winthrop feels the approval to convey the land to the Rock Hill School District at the net price (appraisal minus abatement costs) of $97,000 is warranted.

We respectfully request your approval for completion of this transaction.

Sincerely,

Dalton B. Floyd, Jr.
Chair
Winthrop University Board of Trustees

Cc: Members of the S.C. Budget and Control Board
Ms. Marcia Adams, Executive Director ✓

Rock Hill
SCHOOL DISTRICT THREE OF YORK COUNTY
Engaging Students For Successful Futures

660 N. Anderson Rd.
P.O. Drawer 10072
Rock Hill, SC 29731
(803) 981-1000
Fax: (803) 981-1094
www.rock-hill.k12.sc.us

Lynn P. Moody, Ed.D.
Superintendent

January 31, 2013

Mr. J.P. McKee
Vice President, Finance and Business
Winthrop University
701 Oakland Avenue
Rock Hill, SC 29733

Dear Mr. McKee:

With the approval of the Rock Hill School District Three Board of Trustees on January 28, 2013, we announce our intent to offer to purchase the property held by Winthrop University as York County parcel nos. 62722011, -017 and -018.

Your appraisal of this property by John J. Locke, MAI, on June 15, 2012 at $600,000.00 includes improvements, defined as one 3,040 SF office building, and land, defined as 2 acres with asphalt paving and three vacant / deteriorated buildings. The appraisal amount is qualified by Mr. Locke as contingent upon "an allowance for remediation and demolition" of the existing buildings.

To determine the allowance, an independent set of estimates for remediation and demolition was prepared by Environmental Testing and Management, Inc. of Mauldin, SC, and is enclosed with this letter. In addition to estimates obtained, additional abatement management costs of $23,200.00 are outlined in the letter. Further, general remediation costs of $10 per SF for the 3,040 SF office building will be required to achieve its market value and enable occupation.

With consideration of the above, the allowance for remediation and demolition is estimated at $503,600.00. Therefore we consider an offer of $96,400.00 as reasonable for the property as is. We request your acceptance of this amount and endorsement to the SC Budget Control Board in order to proceed with our intended offer and purchase.

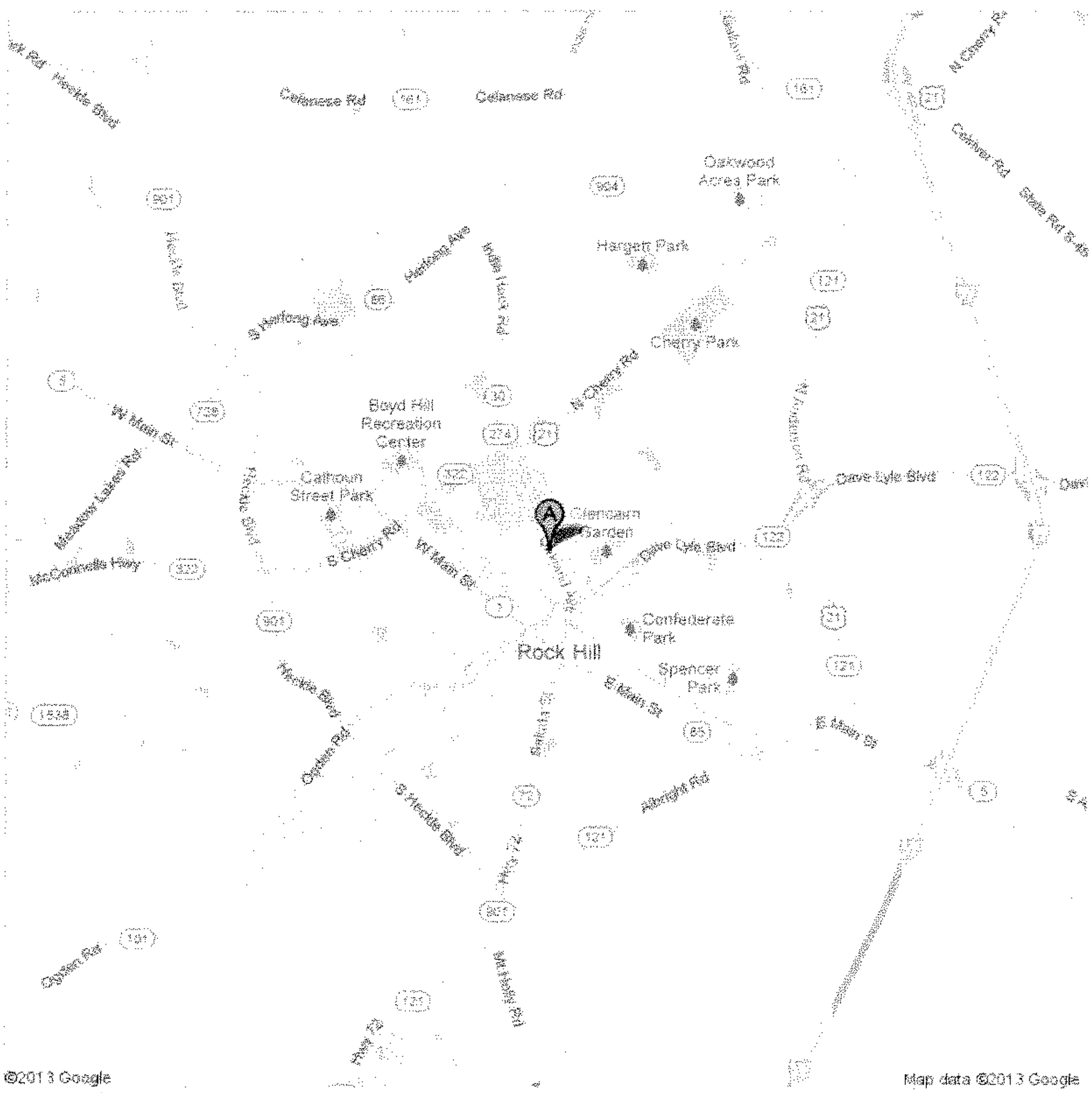
If you have any questions please contact me or contact Mr. Anthony Cox, Associate Superintendent, at (803) 981-1010. Thank you for your kind attention in this matter.

Sincerely,

Lynn P. Moody

Lynn P. Moody, Ed.D.
Superintendent
Rock Hill Schools

Address **331 Oakland Ave**
Rock Hill, SC 29730



AGENCY: Division of Procurement Services

SUBJECT: Procurement Audits and Certifications

The Division of Procurement Services, in accord with Section 11-35-1210, has audited the following agencies and recommends certification within the parameters described in the audit reports for the following limits (total potential purchase commitment whether single-or multi-year contracts are used):

a. Clemson University (for a period of three years): supplies and services, $2,000,000* per certification; information technology, $2,000,000* per commitment; consultant services, $2,000,000* per commitment; revenue generating management services, $15,000,000* per commitment; construction contract, $3,000,000 per commitment; construction contract change order, $500,000 per change order; architect/engineer contract amendment, $100,000 per amendment.

   *Total potential purchase commitment whether single or multi-term contracts are used.

The audit confirms Clemson's Procurement Office has the internal controls and expertise to ensure compliance with applicable requirements of the South Carolina Consolidated Procurement Code and regulations for the certification levels requested. Clemson requested increases in its certification levels for supplies and services, information technology and consultant services with all other areas remaining the same.

b. Department of Disabilities and Special Needs (for a period of three years): pharmaceutical drugs, $1,000,000* per commitment; pharmaceutical services, $1,000,000* per commitment; supplies and services, $250,000* per commitment; consultant services, $250,000* per commitment; information technology, $100,000* per commitment; construction contract award, $500,000 per commitment; construction contract change order, $250,000 per change order; architect/engineer contract amendment, $25,000 per amendment.

   *Total potential purchase commitment whether single or multi-term contracts are used.

The audit confirms the South Carolina Department of Disabilities and Special Needs' Procurement Office has the internal controls and expertise to ensure compliance with applicable requirements for the certifications. The Department requested an increase in its construction contract award with all other areas remaining the same.

c. Department of Mental Health (for a period of three years): supplies and services, $250,000* per commitment; consultant/contractual services, 500,000* per commitment; construction services, $100,000 per commitment; construction contract change order, $100,000 per change order; architect/engineer contract amendment, $15,000 per amendment.

   *Total potential purchase commitment whether single or multi-term contracts are used.

The audit confirms the South Carolina Department of Mental Health's Procurement Office has the internal controls and expertise to ensure compliance with applicable requirements for the

AGENCY: Division of Procurement Services

SUBJECT: Procurement Audits and Certifications

certifications. The Department requested its certification levels to remain the same.

BOARD ACTION REQUESTED:

In accord with Section 11-35-1210, grant the following procurement certification within parameters described in the audit reports for the following limits (total potential purchase commitment whether single-or multi- year contracts are used) for the following agencies:

a. Clemson University (for a period of three years): supplies and services, $2,000,000* per certification; information technology, $2,000,000* per commitment; consultant services, $2,000,000* per commitment; revenue generating management services, $15,000,000* per commitment; construction contract, $3,000,000 per commitment; construction contract change order, $500,000 per change order; architect/engineer contract amendment, $100,000 per amendment.

   *Total potential purchase commitment whether single or multi-term contracts are used.

b. Department of Disabilities and Special Needs (for a period of three years): pharmaceutical drugs, $1,000,000* per commitment; pharmaceutical services, $1,000,000* per commitment; supplies and services, $250,000* per commitment; consultant services, $250,000* per commitment; information technology, $100,000* per commitment; construction contract award, $500,000 per commitment; construction contract change order, $250,000 per change order; architect/engineer contract amendment, $25,000 per amendment.

   *Total potential purchase commitment whether single or multi-term contracts are used.

c. Department of Mental Health (for a period of three years): supplies and services, $250,000* per commitment; consultant/contractual services, 500,000* per commitment; construction services, $100,000 per commitment; construction contract change order, $100,000 per change order; architect/engineer contract amendment, $15,000 per amendment.

   *Total potential purchase commitment whether single or multi-term contracts are used.

ATTACHMENTS:

Agenda item worksheets and attachments

BUDGET AND CONTROL BOARD AGENDA ITEM WORKSHEET

Meeting scheduled for: May 7, 2013 **Blue Agenda**

1. **Submitted by:**
   (a) Agency: Division of Procurement Services
   (b) Authorized Official Signature: R. Voight Shealy, Materials Management Officer

2. **Subject:** Procurement Certification for Clemson University

3. **Summary Background Information:**
   In accordance with Section 11-35-1210 of the South Carolina Consolidated Procurement Code, the Division of Procurement Services has reviewed the procurement system of Clemson University and recommends its certification within the parameters described in the audit report for the following limits for a period of three years.

		Current Certification	Certification Recommended
I.	Supplies and Services	*$ 1,500,000 Per Commitment	*$ 2,000,000 Per Commitment
II.	Information Technology	*$ 1,000,000 Per Commitment	*$ 2,000,000 Per Commitment
III.	Consultant Services	*$ 1,500,000 Per Commitment	*$ 2,000,000 Per Commitment
IV.	Revenue Generating Management Services	*$15,000,000 Per Commitment	*$15,000,000 Per Commitment
V.	Construction Contract	$ 3,000,000 Per Commitment	$ 3,000,000 Per Commitment
VI.	Construction Contract Change Order	$ 500,000 Per Change Order	$ 500,000 Per Change Order
VII.	Architect/Engineer Contract Amendment	$ 100,000 Per Amendment	$ 100,000 Per Amendment

*Total potential purchase commitment whether single year or multi-term contracts are used.

The audit confirms Clemson's Procurement Office has the internal controls and expertise to ensure compliance with applicable requirements of the South Carolina Consolidated Procurement Code and regulations for the certifications levels requested. Clemson requested increases in its certification levels for supplies and services, information technology and consultant services with all other areas remaining the same.

4. **What is Board asked to do?**
   Grant procurement certification for Clemson University by approval of the Blue Agenda.

5. **What is recommendation of Board division involved?** Approve.

6. **Recommendation of other office (as required)?**
   (a) Authorized Signature: ____________________
   (b) Division/Agency Name: ____________________

7. **List of supporting documents:**
   (a) Section 11-35-1210 of the Consolidated Procurement Code

BUDGET AND CONTROL BOARD AGENDA ITEM WORKSHEET

Meeting scheduled for: May 7, 2013 **Blue Agenda**

1. **Submitted by:**
   (a) Agency: Division of Procurement Services
   (b) Authorized Official Signature: Voight Shealy
   R. Voight Shealy, Materials Management Officer

2. **Subject:** Procurement Certification for the South Carolina Department of Disabilities and Special Needs

3. **Summary Background Information:**
   In accordance with Section 11-35-1210 of the South Carolina Consolidated Procurement Code, the Division of Procurement Services has reviewed the procurement system of the South Carolina Department of Disabilities and Special Needs and recommends its certification within the parameters described in the audit report for the following limits for a period of three years.

		Current Certification	Certification Recommended
I.	Pharmaceutical Drugs	$1,000,000 Total Annual Contracts	*$1,000,000 Per Commitment
II.	Pharmaceutical Services	$1,000,000 Total Annual Contracts	*$1,000,000 Per Commitment
III.	Supplies and Services	*$ 250,000 Per Commitment	*$ 250,000 Per Commitment
IV.	Consultant Services	*$ 250,000 Per Commitment	*$ 250,000 Per Commitment
V.	Information Technology	*$ 100,000 Per Commitment	*$ 100,000 Per Commitment
VI.	Construction Contract Award	$ 250,000 Per Commitment	$ 500,000 Per Commitment
VII.	Construction Contract Change Order	$ 250,000 Per Change Order	$ 250,000 Per Change Order
VIII.	Architect/Engineer Contract Amendment	$ 25,000 Per Amendment	$ 25,000 Per Amendment

*Total potential purchase commitment whether single year or multi-term contracts are used.

The audit confirms the South Carolina Department of Disabilities and Special Needs' Procurement Office has the internal controls and expertise to ensure compliance with applicable requirements for the certifications. The Department requested an increase in its construction contract award with all other areas remaining the same.

4. **What is Board asked to do?**
   Grant procurement certification for the South Carolina Department of Disabilities and Special Needs by approval of the Blue Agenda.

5. **What is recommendation of Board division involved?** Approve.

6. **Recommendation of other office (as required)?**
   (a) Authorized Signature: ______________________
   (b) Division/Agency Name: ______________________

7. **List of supporting documents:**
   (a) Section 11-35-1210 of the Consolidated Procurement Code

BUDGET AND CONTROL BOARD AGENDA ITEM WORKSHEET

Meeting scheduled for: May 7, 2013 **Blue Agenda**

1. **Submitted by:**
   (a) Agency: Division of Procurement Services
   (b) Authorized Official Signature: R. Voight Shealy, Materials Management Officer

2. **Subject:** Procurement Certification for the South Carolina Department of Mental Health

3. **Summary Background Information:**
   In accordance with Section 11-35-1210 of the South Carolina Consolidated Procurement Code, the Division of Procurement Services has reviewed the procurement system of the South Carolina Department of Mental Health and recommends its certification within the parameters described in the audit report for the following limits for a period of three years.

		Current Certification	Certification Recommended
I.	Supplies and Services	*$250,000 Per Commitment	*$250,000 Per Commitment
II.	Consultant/Contractual Services	*$500,000 Per Commitment	*$500,000 Per Commitment
III.	Construction Services	$100,000 Per Commitment	$100,000 Per Commitment
IV.	Construction Contract Change Order	$100,000 Per Change Order	$100,000 Per Change Order
V.	Architect/Engineer Contract Amendment	$ 15,000 Per Amendment	$ 15,000 Per Amendment

*Total potential purchase commitment whether single year or multi-term contracts are used.

The audit confirms the South Carolina Department of Mental Health's Procurement Office has the internal controls and expertise to ensure compliance with applicable requirements for the certifications. The Department requested its certification levels to remain the same.

4. **What is Board asked to do?**
   Grant procurement certification for the South Carolina Department of Mental Health by approval of the Blue Agenda.

5. **What is recommendation of Board division involved?** Approve.

6. **Recommendation of other office (as required)?**
   (a) Authorized Signature: ______________________
   (b) Division/Agency Name: ______________________

7. **List of supporting documents:**
   (a) Section 11-35-1210 of the Consolidated Procurement Code

South Carolina Consolidated Procurement Code

Auditing and Fiscal Reporting

§ 11-35-1210. Certification

(1) Authority. The board may assign differential dollar limits below which individual governmental bodies may make direct procurements not under term contracts. The designated board office shall review the respective governmental body's internal procurement operation, shall certify in writing that it is consistent with the provisions of this code and the ensuing regulations, and recommend to the board those dollar limits for the respective governmental body's procurement not under term contract.

(2) Policy. Authorizations granted by the board to a governmental body are subject to the following:

   (a) adherence to the provisions of this code and the ensuing regulations, particularly concerning competitive procurement methods;

   (b) responsiveness to user needs;

   (c) obtaining of the best prices for value received.

(3) Adherence to Provisions of the Code. All procurements shall be subject to all the appropriate provisions of this code, especially regarding competitive procurement methods and nonrestrictive specifications.

STATE BUDGET AND CONTROL BOARD
MEETING OF May 8, 2013

BLUE AGENDA
ITEM NUMBER 5

AGENCY: Executive Director

SUBJECT: Revenue Bonds

The required reviews on the following proposals to issue revenue bonds have been completed with satisfactory results. The projects require approval under State law.

a. Issuing Authority: College of Charleston
Amount of Issue: Not Exceeding $40,000,000 Higher Education Facilities Revenue Bonds, Series 2013A and Academic and Administrative Facilities Revenue Bonds, Series 2013B
Allocation Needed: -0-
Name of Project: College of Charleston
Employment Impact: n/a
Project Description: Not Exceeding $40,000,000 Higher Education Facilities Revenue Bonds, Series 2013A and Academic and Administrative Facilities Revenue Bonds, Series 2013B (refunding involved)
Note: *private placement, negotiated sale or public sale*
Bond Counsel: Rion D. Foley, McNair Law Firm, P. A.

b. Issuing Authority: Jobs-Economic Development Authority
Amount of Issue: Not Exceeding $6,550,000 Economic Development Revenue Bonds ($5,825,000 refunding involved)
Allocation Needed: -0-
Name of Project: Langston Foundation, Inc. & Langston Charter Middle School, Inc.
Employment Impact: maintain 31 jobs (Foundation and Charter School)
Project Description: acquire, construct, renovate, improve and equip facilities of Charter School and refund a taxable note used to acquire present facilities of the Charter School
Note: *private sale*
Bond Counsel: Kathleen Crum McKinney, Haynsworth Sinkler Boyd, P. A.

c. Issuing Authority: State Housing Finance and Development Authority
Amount of Issue: Not Exceeding $5,100,000 Multifamily Rental Housing Revenue Bonds
Allocation Needed: $5,100,000 (will use carryforward allocation)
Name of Project: Companion at Lee's Crossing Phase II, LP
Employment Impact: 200+
Project Description: 96 units consisting of 12 one-bedroom, 42 two-bedroom, and 42 three-bedroom units.
Bond Counsel: Ray E. Jones, Parker Poe Adams & Bernstein LLP

AGENCY: Executive Director

SUBJECT: Revenue Bonds -- Continued

d. Issuing Authority: State Housing Finance and Development Authority
Amount of Issue: Not Exceeding $6,000,000 Multifamily Housing Revenue Bonds
Allocation Needed: -0-
Name of Project: Crescent Landing Apartments project
Employment Impact: n/a
Project Description: to finance the acquisition and rehabilitation of a 175-unit apartment development located in Greenville County
Bond Counsel: Samuel W. Howell, IV, Howell Linkous & Nettles, LLC

BOARD ACTION REQUESTED:

Adopt resolutions approving the referenced proposals to issue revenue bonds.

ATTACHMENTS:

Resolutions

A RESOLUTION

AUTHORIZING THE ISSUANCE BY THE COLLEGE OF CHARLESTON OF NOT EXCEEDING $40,000,000 HIGHER EDUCATION FACILITIES REVENUE BONDS, SERIES 2013A AND ACADEMIC AND ADMINISTRATIVE FACILITIES REVENUE BONDS, SERIES 2013 B AND OTHER MATTERS RELATED THERETO

As an incident to the adoption of this Resolution and based upon certain representations made to it in the Petition referred to herein, the South Carolina State Budget and Control Board (the "State Budget and Control Board") makes the following findings:

A. The College of Charleston (the "College") is an institution of higher education of the State of South Carolina, authorized by Title 59, Chapter 147, Code of Laws of South Carolina, 1976, as amended (the "Higher Education Act") to issue higher education facilities revenue bonds for the purpose of financing or refinancing in whole or in part the cost of acquisition, construction, reconstruction, renovation and improvement of land, buildings, and other improvements to real property and equipment for the purpose of providing certain higher education facilities as defined under the Higher Education Act and constituting Higher Education Facilities within the meaning of the General Bond Resolution hereinafter referred to.

B. The College is also an institution of higher education of the State of South Carolina authorized by Title 59, Chapter 130, Article 5, Code of Laws of South Carolina, 1976, as amended (the "Academic Act" and together with the Higher Education Act, the "Acts") to issue academic and administrative facilities revenue bonds for the purpose of financing or refinancing in whole or in part the cost of acquisition, construction, reconstruction, renovation and improvement of land, buildings, and other improvements to real property and equipment for the purpose of providing certain academic and administrative buildings as defined under the Academic Act and constituting Higher Education Facilities within the meaning of the General Bond Resolution hereinafter referred to.

C. The Board of Trustees of the College (the "Board of Trustees") is the governing body of the College, constituted pursuant to Section 59-130-10, Code of Laws of South Carolina, 1976, as amended.

D. The College has determined there is a need for refinancing certain prior Higher Education Facilities Revenue Bonds issued under the General Bond Resolution (the "Series 2013A Project").

E. The College has determined there is a need for refinancing certain prior Academic and Administrative Facilities Revenue Bonds issued under the General Bond Resolution (the "Series 2013B Project").

F. By an authorizing resolution adopted on April 19, 2013, the Board of Trustees authorized the Executive Vice President for Business Affairs to begin making arrangements necessary for the offering of Not Exceeding $40,000,000 Higher Education Facilities Revenue Bonds, Series 2013A and Academic and Administrative Facilities Revenue Bonds, Series 2013B in consultation with the State Treasurer of South Carolina, including, without limitation, the preparation of a preliminary official statement, an official statement, the publication of official notices of bond sales and official bid forms and other documents necessary for the offering and sale of the Series 2013A Bonds and the Series 2013B Bonds.

a.

G. Under the Acts, the issuance of the Series 2013A Bonds and the Series 2013B Bonds will be subject to the approval by the South Carolina State Budget and Control Board.

H. The Series 2013A Bonds and the Series 2013B Bonds will be the eleventh and twelfth Series of Bonds, respectively, issued under a "GENERAL BOND RESOLUTION AUTHORIZING AND PROVIDING FOR THE ISSUANCE OF HIGHER EDUCATION FACILITIES REVENUE BONDS OF THE COLLEGE OF CHARLESTON; PRESCRIBING THE FORM OF BONDS; LIMITING THE PAYMENT OF THE BONDS SOLELY TO CERTAIN DESIGNATED REVENUES AND PLEDGING THE REVENUES TO SUCH PAYMENT; CREATING CERTAIN FUNDS AND PROVIDING FOR PAYMENTS INTO SUCH FUNDS; AND MAKING OTHER COVENANTS AND AGREEMENTS IN CONNECTION WITH THE FOREGOING" (the "General Bond Resolution").

I. The General Bond Resolution requires a Debt Service Reserve Fund to be funded to the extent of the Reserve Fund Requirement for each series of bonds. All issues thus far under the General Bond Resolution have satisfied these requirements with a surety bond. If such a surety bond is obtained for the Series 2013A Bonds and Series 2013B Bonds, cash will not be needed to fund the Debt Service Reserve Fund to the extent of the Reserve Fund Requirement for each respective series.

J. The Series 2013A Bonds and the Series 2013B Bonds would be sold in a private placement, negotiated sale or competitive sale at the discretion of and under the direction of the Office of the State Treasurer. If such Series 2013A Bonds and Series 2013B Bonds are sold pursuant to a public sale, bids therefore would be received in the Offices of the State Treasurer of South Carolina and awarded to the bidder offering the lowest true interest cost to the College with such methodology to be determined and set forth in greater detail in the Official Notice of Bond Sale and Official Bid Form for these issues.

K. The Executive Vice President for Business Affairs of the College has advised the Board of Trustees that, under Section 3.3.D. of the General Bond Resolution, the College may designate additional sources of revenue for the payment of Higher Education Facilities Revenue Bonds and Academic and Administrative Facilities Revenue Bonds to be issued thereunder. In order to meet the Additional Bonds test of Section 3.3 of the General Bond Resolution or the debt service coverage covenants of Section 7.1 of the General Bond Resolution, it may be necessary for the Board of Trustees to designate such an additional source of revenue.

L. The State Budget and Control Board has received a Petition and supporting documentation from the Executive Vice President for Business Affairs of the College requesting the approval by the State Budget and Control Board of the issuance by the College of the Series 2013A Bonds and the Series 2013B Bonds.

NOW THEREFORE, BE IT RESOLVED by the State Budget and Control Board in meeting duly assembled:

1. The issuance by the College of not exceeding $40,000,000 Higher Education Facilities Revenue Bonds, Series 2013A and Academic and Administrative Facilities Revenue Bonds, Series 2013B is hereby approved.

2. The State Treasurer of South Carolina is hereby authorized to make arrangements necessary for the offering of the Series 2013A Bonds and the Series 2013B Bonds, and to award the Series 2013A Bonds and the Series 2013B Bonds through a private placement, negotiated sale or public sale.

COLLEGE of CHARLESTON

Summary of Refinancing Proposal for
Higher Education Facilities Revenue Refunding Bonds
Series 2013A

PRELIMINARY – SUBJECT TO CHANGE

April 10, 2013

1. **Summary of Outstanding Bonds to be Refinanced**

College of Charleston Higher Education Facilities Revenue Bonds
Series 2003D

Dated Date	5/1/2003	
Original Par Amount	20,000,000	
Current Balance	12,735,000	
Final Maturity	4/1/2033	
1st Optional Redemption	**4/1/2013 @ 100.00**	(Currently Callable)

Period	Principal	Coupon	CUSIP #	
4/1/2013				
4/1/2014	875,000	3.375%	194208CT9	
4/1/2015	900,000	3.500%	194208CU6	
4/1/2016	935,000	3.625%	194208CV4	
4/1/2017	970,000	3.750%	194208CW2	
4/1/2018	1,005,000	5.000%	194208CX0	
4/1/2019	395,000	4.000%	194208CY8	
4/1/2020	410,000	4.125%	194208CZ5	
4/1/2021	425,000	4.125%	194208DA9	
4/1/2022	445,000	4.250%	194208DB7	
4/1/2023	465,000	4.250%	194208DC5	
4/1/2024				
4/1/2025				
4/1/2026				
4/1/2027				
4/1/2028	2,635,000	4.400%	194208DD3	Term Bond Due 4/1/2028
4/1/2029				
4/1/2030				
4/1/2031				
4/1/2032				
4/1/2033	3,275,000	4.500%	194208DE1	Term Bond Due 4/1/2033
Total Par Outstanding	**12,735,000**			

a.

2. Average Interest Rate of Bonds Refinanced: 4.35%

3. Projected Average Interest Rate of Refinancing Bonds: 3.20% (All-in-True Interest Cost)

4. Projected Net Present Value Savings (net of costs): $1,262,476

5. Projected Net Present Value Savings as percentage of Refunded Bonds: 9.913%

6. Estimated Cost as a percentage of refinancing Bonds: 1.82%

Underwriting: $121,850 (Competitive Bid)

Legal fees: $55,000

Rating agency fees: $25,000

Advisory fees: $15,000

Escrow Agent: $1,500

Accounting and verification: $1,500

Printing/Publications/Contingency: $2,000

Total Fee Estimated Underwriting and Cost of Issuance Expenses: $221,850

Prepared by:

Piedmont Securities LLC
Financial Advisor to College of Charleston

Gregory F. Fawcett, II

Gregory F. Fawcett, II
President

Date: April 10, 2013

Attachments:

A RESOLUTION APPROVING THE ISSUANCE BY THE SOUTH CAROLINA JOBS-ECONOMIC DEVELOPMENT AUTHORITY THROUGH PRIVATE SALE OF NOT EXCEEDING $6,550,000 AGGREGATE PRINCIPAL AMOUNT ECONOMIC DEVELOPMENT REVENUE BONDS (LANGSTON CHARTER MIDDLE SCHOOL, INC. PROJECT) SERIES 2013, PURSUANT TO THE PROVISIONS OF SECTION 41-43-110 OF SOUTH CAROLINA CODE ANNOTATED, TITLE 11, CHAPTER 43 (1976), AS AMENDED.

WHEREAS, the South Carolina Jobs-Economic Development Authority (the ***"Authority"***) has heretofore under and pursuant to the provisions of Section 41-43-110 of South Carolina Code Annotated, Title 41, Chapter 43 (1976), as amended (the ***"Act"***), requested approval by the State Budget and Control Board of the issuance by the Authority pursuant to the Act of its Economic Development Revenue Bonds (Langston Charter Middle School, Inc. Project) Series 2013, in the aggregate principal amount of not exceeding $6,550,000 (the ***"Bonds"***), through private sale which the Authority has determined to be most advantageous; and

WHEREAS, the Authority represents to the State Budget and Control Board that the Bonds will be sold by the Authority through private sale acceptable to the Authority;

NOW, THEREFORE, BE IT RESOLVED, by the State Budget and Control Board of the State of South Carolina, as follows:

Section 1. It is hereby found, determined and declared by the Board that the Petition filed by the Authority contains all matters required by law and the rules of this Board to be set forth therein, and that in consequence thereof the jurisdiction of this Board has been properly invoked under and pursuant to Section 41-43-110 of the Act.

Section 2. In consequence of the foregoing, the proposal of the Authority to issue the Bonds through private sale be and the same is hereby in all respects approved.

Section 3. This Resolution shall take effect immediately.

Summary of Refinancing Proposal for

LANGSTON FOUNDATION, INC. and
LANGSTON CHARTER MIDDLE SCHOOL, INC.

PRELIMINARY – SUBJECT TO CHANGE

April 15, 2013

Outstanding bonds proposed to be refinanced	**No tax-exempt bonds are being refinanced. Borrower is refinancing a taxable note.**
Average interest rate of bonds refinanced	**Interest rate is being reduced from approx. 6% to 2.65% per annum.**
Projected average interest rate of refinancing bonds	
True interest cost of refinancing bonds	
Projected net present value savings (net of costs)	**There is no prepayment penalty. Savings equates to $180,900 in the first year and over the next 7 years the savings is estimated to be approx. $1,159,200 after taking into account costs of issuance and annual fees of JEDA.**
Projected net present value savings as a percentage of the bonds refinanced	
Estimated costs (costs as a percentage of refinancing bonds, costs as a percentage of refinancing savings)	
Underwriting	**0**
Legal fees – bond, disclosure and general counsel	**$80,000**
Rating agency fees	**N/A**
Advisory fees	**N/A**
Bond trustee/registrar	**N/A**
Accounting and verification	**N/A**
Credit enhancement/bond insurance	**N/A**
Publication, printing, contingencies and all other expenses	**N/A**
Total	**$80,000**

Prepared by: **Haynsworth Sinkler Boyd, P.A.**
Date **April 15, 2013**

JW

A RESOLUTION

GRANTING APPROVAL TO THE ISSUANCE BY THE SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY OF ITS MULTIFAMILY RENTAL HOUSING REVENUE BONDS (COMPANION AT LEE'S CROSSING PHASE II) SERIES 2013

WHEREAS, it is provided by the South Carolina State Housing Finance and Development Authority Act of 1977, as amended (the "Act"), that, upon approval of the State Budget and Control Board (the "Board"), that the South Carolina State Housing Finance and Development Authority (the "Authority") may issue from time to time bonds or notes for the purpose of obtaining funds with which to make (1) construction and/or rehabilitation loans secured by mortgages of housing sponsors; and (2) permanent mortgage loans to housing sponsors who agree to and shall be required to provide construction rehabilitation of residential housing for rental by persons or families of either Beneficiary Class as defined in the Act; however, with respect to any particular issue of notes or bonds one of the following conditions must be met: (a) if there is a public distribution of the notes or bonds, the issue must be rated by one or more of the national rating agencies, and one or more of the following conditions must be met: (i) there must be in effect a Federal program providing assistance in repayment of such loans; (ii) the proceeds must be used to acquire either Federally insured mortgage loans or mortgage loans insured by a private mortgage insurer authorized to do business in the State of South Carolina; (iii) the payment of the notes or bonds to the purchasers and holders of them must be assured by the maintenance of adequate reserves or insurance or a guaranty from a responsible entity which has been determined to be sufficient by the Board; or (b) if the notes or bonds are secured by a mortgage or other security agreement and are offered and sold as a unit with such mortgage or other security agreement in transactions with banks, institutional investors as provided in Section 35-1-202(11)(A) of the Code of Laws of South Carolina, 1976, as amended, the documents pursuant to which the notes or bonds are issued must permit the Authority to avoid any default by it by completing an assignment of, or foregoing its rights with respect to, any collateral or security pledged to secure the notes or bonds; and

WHEREAS, Companion at Lee's Crossing Phase II, L.P., a limited partnership duly organized under the laws of the State of South Carolina ("Sponsor") has requested the Authority to assist it in an undertaking to provide certain residential property, as defined in the Act, consisting of 96 units of residential rental property located in Spartanburg County, South Carolina, the "Project"); and

WHEREAS, in order to provide money to construct the Project, the Authority proposed to issue its bonds to be known as South Carolina State Housing Finance and Development Authority Multifamily Rental Housing Revenue Bonds (Companion at Lee's Crossing Phase II) Series 2013, in the principal amount of not to exceed $5,100,000 (the "Series 2013 Bonds");and

WHEREAS, the Authority has presented to the Board its Petition dated as of April [], 2013 (the "Petition"), which, together with the exhibits thereto attached, sets forth certain information with respect to the Bonds.

C.

NOW, THEREFORE, BE IT RESOLVED BY THE STATE BUDGET AND CONTROL BOARD IN MEETING DULY ASSEMBLED:

Section 1. Approval is granted to the undertaking of the Authority as outlined in the Petition, including the exhibits attached thereto.

Section 2. Subject to the conditions set forth in Section 3, approval is hereby granted by the Board to the execution and delivery by the Authority of its South Carolina State Housing Finance and Development Authority Multifamily Rental Housing Revenue Bonds (Companion at Lee's Crossing Phase II) Series 2013 in the principal amount not to exceed $5,100,000.

Section 3. The approval of the Board is hereby conditioned on the following:

(a) The approval of the State Treasurer of the information required by Section 31-13-220 and the form and substance of and such other documents as he deems necessary therefor;

(b) The State Treasurer shall approve the interest rate on the Bonds and grant on behalf of the Board final approval for the issuance of the Bonds;

(c) The State Treasurer shall find and determine that documents submitted by or on behalf of the Authority demonstrate that the funds estimated to be available for the repayment of the Authority's notes and bonds, including the Bonds, will be sufficient to provide for the payment of the principal and interest thereon;

(d) The documents pursuant to which the Bonds are being issued shall provide that all expenses, costs and fees of the Authority in connection with the issuance of the Bonds, including legal fees, printing and all disbursements shall be paid by the Developer; and

(e) The final approval by the Governor as the elected official of the State of South Carolina for purposes of Section 142(f) of the Internal Revenue Code of 1986, as amended.

Section 4. This Resolution shall take effect immediately upon its adoption.

A RESOLUTION

GRANTING APPROVAL TO THE ISSUANCE BY THE SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY OF ITS MULTIFAMILY HOUSING REVENUE BONDS (CRESCENT LANDING APARTMENTS)

WHEREAS, the South Carolina State Housing Finance and Development Authority Act of 1977 (Title 31, Chapter 13 of the Code of Laws of South Carolina 1976, as amended) (the "Act") provides that, upon the approval of the State Budget and Control Board (the "Board"), the South Carolina State Housing Finance and Development Authority (the "Authority") may issue from time to time bonds for the purpose of obtaining funds with which to make construction mortgage loans to housing sponsors who agree to and shall be required to provide for construction of residential housing for rental by persons or families of either beneficiary class (as defined in the Act) (the "Beneficiary Class"); provided, however, that with respect to any particular issue of bonds, one of the following conditions must be met: (a) if there is a public distribution of the bonds, the issue must be rated by one or more of the national rating agencies, and one or more of the following conditions must be met: (i) there must be in effect a federal program providing assistance in repayment of such loans; or (ii) the proceeds must be used to acquire either federally insured mortgage loans or mortgage loans insured by a private mortgage insurer authorised to do business in the State of South Carolina; or (iii) the payment of the bonds to the purchasers and holders of them must be assured by the maintenance of adequate reserves or insurance or a guaranty from a responsible entity which has been determined to be sufficient by the Authority and the Board; or (b) if the bonds are secured by a mortgage or other security agreement and are offered and sold as a unit with such mortgage or other security agreement in transactions with banks, institutional buyers, or other nonregistered persons as provided in Section 35-1-202(11)(A) of the Code of Laws of South Carolina 1976, as amended, the documents pursuant to which the bonds are issued must permit the Authority to avoid any default by it by completing an assignment of, or foregoing its rights with respect to, any collateral or security pledged to secure the bonds; and

WHEREAS, the Authority has presented to the Board its Petition dated May __, 2013 (the "Petition"), which, together with the exhibits thereto attached, sets forth certain information with respect to the Bonds.

NOW, THEREFORE, BE IT RESOLVED BY THE STATE BUDGET AND CONTROL BOARD IN MEETING DULY ASSEMBLED:

Section 1. Approval is granted to the undertaking of the Authority as outlined in the Petition, including the exhibits attached thereto.

Section 2. Subject to the conditions set forth in Section 3, approval is hereby granted by the Board to the execution and delivery by the Authority of its South Carolina State Housing Finance and Development Authority Multifamily Housing Revenue Bonds (Crescent Landing Apartments) in the principal amount not to exceed $6,000,000.

<u>Section 3</u>. The approval of the Board is hereby conditioned on the following:

(a) The approval of the State Treasurer of the interest rate on the Bonds and of the form and substance of such documents as he deems necessary therefor;

(b) Prior to the issuance of the Bonds the Authority shall have provided to the State Treasurer, to the extent not previously provided, the information required to be submitted to the Board by the provisions of Section 31-13-220, to wit:

(i) the principal amount of the Bonds to be issued;
(ii) the maturity schedule of the Bonds to be issued;
(iii) a schedule showing the annual debt service requirements of all outstanding notes and bonds of the Authority;
(iv) a schedule showing the amount and source of revenues available for the payments of debt service on said bonds;
(v) the method to be employed in selling the Bonds.

(c) The State Treasurer shall find and determine that the funds estimated to be available for the repayment of the Authority's notes and bonds, including the Bonds, will be sufficient to provide for the payment of the principal and interest thereon;

(d) The documents pursuant to which the Bonds are being issued shall provide that all expenses, costs, and fees of the Authority in connection with the issuance of the Bonds, including legal fees, printing, and all disbursements shall be paid by the Housing Sponsor (as defined in the Petition); and

(e) The final approval by the Governor as the elected official of the State of South Carolina for purposes of Section 142(f) of the Internal Revenue Code of 1986, as amended.

<u>Section 4</u>. This Resolution shall take effect immediately upon its adoption.

STATE BUDGET AND CONTROL BOARD | REGULAR SESSION

MEETING OF May 8, 2013 | ITEM NUMBER 1

AGENCY: South Carolina Second Injury Fund

SUBJECT: Plan for Closure of Second Injury Fund

The Second Injury Fund is a component of the South Carolina Workers' Compensation System, which reimburses insurance carriers and employers for workers' compensation benefits paid to employees who suffer a work-related disability that is of greater severity because it adds to or combines with a previous disability. South Carolina's Second Injury Fund law, like that of other states, was originally designed to encourage employers to hire or retain workers with pre-existing disabilities or conditions while furnishing economic relief to those employers should a subsequent injury occur to that worker.

Reimbursements are made in accordance with statutory criteria and schedules. The program determines if an injury is a qualifying second injury, defends its decision before the Workers' Compensation Commission and in court as needed, verifies claims for reimbursement and reimburses employers and carriers as appropriate.

Funding for reimbursement is generated from an equitable assessment levied upon each workers' compensation insurer, employers who choose to self-insure their workers' compensation exposure, and the State Accident Fund, which provides state agencies and some municipalities and counties their workers' compensation coverage. Each fiscal year the program calculates the assessment according to a statutorily prescribed formula and then invoices, monitors and collects the assessment.

Presently the formula funds the Second Injury Fund at 135% of the Fund's disbursements during the preceding fiscal year. Workers' compensation insurers, self-insurers and the State Accident Fund are then charged an assessment set at a level to generate 135% funding net of any remaining Fund balance. The assessment charged workers' compensation insurers, self-insurers and the State Accident Fund is based, in essence, on their relative share of all workers' compensation losses paid in the preceding year.

The state agency administering this program, the Second Injury Fund, is scheduled to terminate on July 1, 2013. To close the program, the Budget and Control Board is charged by law with: (a) determining a mechanism for paying any of the program's liabilities remaining as of July 1, 2013 and (b) providing staff to administer the remaining obligations as long as staff services are required.

Through a competitive procurement, an actuarial firm, KPMG, was selected to project the amount of these liabilities and when they will accrue, as well as to develop and analyze options for satisfying them. In accordance with the engagement, KPMG issued its report, which is attached. KPMG's liability estimates are based on claims data evaluated as of November 30, 2012, as

AGENCY: South Carolina Second Injury Fund

SUBJECT: Plan for Closure of Second Injury Fund

provided by the Second Injury Fund, and additional information provided through February 7, 2013. In summary, KPMG estimates $346,316,000 in liabilities will remain unpaid as of June 30, 2013, when the Second Injury Fund terminates. KPMG also estimates the Fund will have a cash balance of $91,673,000 at June 30, 2013, leaving an unfunded liability of $254,643,000. The $91,673,000 cash balance includes approximately $27,900,000 the Fund collects beginning March 2013 as the second installment of FY2013 assessments.

Using these estimates, KPMG evaluated six options for paying the unfunded liabilities. The six options are:

1. Continued Assessment – maintain the current annual assessment structure. This option would require assessments at low levels for medical through 2048.

2. Three-Year Accelerated Assessment – assess $100 million per year for the next three years. With the fund balance at June 30, 2013, this is expected to be sufficient to build an asset large enough to pay off the remaining liabilities, assuming continued investment income. A $100 million assessment would be similar in size to assessment levels over the past five years.

3. Five-Year Accelerated Assessment – assess $60 million per year for the next five years. Similar to the three-year method above, this builds a sufficiently large asset to pay all reimbursements, but with a smaller assessment in each year and a lower asset balance in earlier years.

4. Fixed Percentage Accelerated Assessment – assess 5% of the normalized premium per year until sufficient funds are accrued to fund the remaining liabilities. Based upon recent experience, assessment at this level is estimated to generate between $50 and $55 million per year and require five years before accruing an asset large enough to pay all reimbursements.

5. Negotiated Settlement and Assessment – establish an independent commission or facility to reach a lump sum settlement amount for all remaining claims with each carrier and self-insured with open claims accepted by the Fund, within a given period of six to twelve months. Once settlement values are determined, use those amounts as the basis of a final assessment, and make payments for all negotiated settlements. If agreement on a settlement value cannot be reached within the time period, the claim reimbursement process would continue in its current method. This plan could significantly accelerate the payment and closure of claims accepted by the fund, but may not extinguish the entire liability.

AGENCY: South Carolina Second Injury Fund

SUBJECT: Plan for Closure of Second Injury Fund

6. Purchase Commercial Reinsurance – transfer loss obligations that are already incurred and will ultimately be paid to a reinsurer for a premium. In determining the premium to be paid the reinsurer, the time value of money is considered so the premium is less than the ultimate amount expected to be paid for the loss obligations. The state could use the transfer to meet the remaining obligations without the need to continue day to day management of claims. This plan immediately requires sufficient cash on hand to fund the present value of the liability and also compensate the reinsurer for profit and assuming the risk that losses will deviate from projections. The administrative cost to the state is also high for supplying data to a reinsurer or broker to determine its premium. Finally, a reinsurer may want to limit the maximum loss it will assume, so that responsibility to the liability may not be entirely extinguished.

Because numerous alternatives exist for satisfying the liabilities remaining at July 1, 2013, the Second Injury Fund formed a focus group for the purpose of determining if consensus could be achieved around a single approach. The eleven-member focus group was comprised of representatives of workers' compensation insurers, employers who self-insure their workers' compensation risk, the State Accident Fund, which insures state agencies and some local governments, the SC Workers' Compensation Commission, and the SC Department of Insurance.

The meeting was facilitated by an experienced, independent facilitator. Votes were not taken, but after a presentation by KPMG of its estimates, consideration of options, and three hours of group discussion, a consensus emerged. The focus group's consensus was that the remaining liabilities of the fund should be addressed by assessing those currently required by SC Code §42-7-310 to pay a Second Injury Fund assessment (all workers' compensation insurance carriers, workers' compensation self-insurers, and the State Accident Fund) with the assessment set at a level to generate $60 million each of the next five fiscal years.

The share of the $60 million to be paid by each workers' compensation insurance carrier, workers' compensation self-insurer, and the State Accident Fund would be based upon the present formula established by SC Code §42-7-310. Each would pay an amount equal to that proportion of $60 million, which the normalized premium of each carrier, self-insurer, and State Accident Fund bears to the normalized premium of all during the preceding calendar year.

A consensus also formed that one or more subsequent actuarial valuations of the claim liabilities and funding should be conducted to ensure adequate funds were being generated to pay the liabilities and to determine when and if sufficient funds existed to pay a third party to assume liability for the remaining loss obligations and their administration.

AGENCY: South Carolina Second Injury Fund

SUBJECT: Plan for Closure of Second Injury Fund

The group's consensus was largely driven by:

1. insufficient ending cash at July 1, 2013, to engage a third party to assume the liabilities;

2. concern claims data was not sufficiently settled at this time, so as to warrant another actuarial valuation when claims expense has developed more fully;

3. need to provide additional funds to address the unfunded liability;

4. preference for greater predictability regarding the assessment; and

5. assessment at an aggregate level that is 40% less than recent years' assessments.

If and until the liabilities can be ceded to a third party, the group wanted claims and assessment administration handled efficiently. The general consensus was that a state entity could provide that service most economically at this time. A specific state agency or staff was not identified.

In addition to the responsibilities described above, the Second Injury Fund presently administers the Uninsured Employers' Fund (UEF), which was created to ensure payment of workers' compensation benefits to employees injured on the job while working for an employer who did not maintain the statutorily required workers' compensation coverage. Even though the Second Injury Fund terminates June 30, 2013, the UEF continues as an ongoing program within the State Accident Fund. South Carolina Code Section 42-7-200 establishes the UEF within the State Accident Fund effective July 1, 2013 and transfers to it, in accordance with the Board's plan for closure of the Second Injury Fund, all the associated Second Injury Fund employees, funds, property and contractual rights and obligations.

BOARD ACTION REQUESTED:

The Budget and Control Board is asked to provide for the orderly winding down of the affairs of the Second Injury Fund, as required by SC Code §42-7-320, by adopting the attached proposed closure plan, which provides for: (a) paying the liabilities of the Fund remaining at July 1, 2013; using an accelerated assessment totaling $60,000,000 each fiscal year for the next five fiscal years; (b) each workers' compensation insurer, employer self-insuring its workers' compensation liabilities, and the State Accident Fund paying its share of the aggregate $60,000,000 assessment based upon

AGENCY: South Carolina Second Injury Fund

SUBJECT: Plan for Closure of Second Injury Fund

workers' compensation normalized premiums during the preceding calendar year, as is currently done; (c) additional actuarial valuations of the Fund's remaining liabilities based on data as of June 30,2014 and at such other times as the Director of the Budget and Control Board or designee determines appropriate but not later than bi-annually, so as to determine if any adjustments to the assessment are required and whether other, more expeditious and cost effective options are viable for satisfying remaining liabilities at that time; and (d) administration and oversight of assessments, claims reimbursement and related activity by the Budget and Control Board using appropriate staff, whose salaries, benefits, and operating expenses are paid from the Second Injury Fund. The proposed plan also references the Second Injury Fund positions which include duties associated with the Uninsured Employers' Fund and are transferred July 1, 2013 to the Uninsured Employers' Fund within the State Accident Fund by SC Code Section 42-7-20.

ATTACHMENTS:

Agenda item worksheet; Review of Unfunded Liabilities and Alternative Funding Methods by KPMG; Recommended Second Injury Fund Closure Plan; Sections 42-7-310, 42-7-320 and 42-7-200

BUDGET AND CONTROL BOARD AGENDA ITEM WORKSHEET

Meeting Scheduled for: May 8, 2013 **Regular Agenda**

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1. Submitted by:

(a) Agency: SC Second Injury Fund

(b) Authorized Official Signature: Stephen L. Elliott

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2. Subject:

Plan for Closure of Second Injury Fund

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3. Summary/Background Information:

The Second Injury Fund is a component of the South Carolina Workers' Compensation System, which reimburses insurance carriers and employers for workers' compensation benefits paid to employees who suffer a work-related disability that is of greater severity because it adds to or combines with a previous disability. South Carolina's Second Injury Fund law, like that of other states, was originally designed to encourage employers to hire or retain workers with pre-existing disabilities or conditions while furnishing economic relief to those employers should a subsequent injury occur to that worker.

Reimbursements are made in accordance with statutory criteria and schedules. The program determines if an injury is a qualifying second injury, defends its decision before the Workers' Compensation Commission and in court as needed, verifies claims for reimbursement and reimburses employers and carriers as appropriate.

Funding for reimbursement is generated from an equitable assessment levied upon each workers' compensation insurer, employers who choose to self-insure their workers' compensation exposure, and the State Accident Fund, which provides state agencies and some municipalities and counties their workers' compensation coverage. Each fiscal year the program calculates the assessment according to a statutorily prescribed formula and then invoices, monitors and collects the assessment.

Presently the formula funds the Second Injury Fund at 135% of the Fund's disbursements during the preceding fiscal year. Workers' compensation insurers, self-insurers and the State Accident Fund are then charged an assessment set at a level to generate 135% funding net of any remaining Fund balance. The assessment charged workers' compensation insurers, self-insurers and the State Accident Fund is based, in essence, on their relative share of all workers' compensation losses paid in the preceding year.

The state agency administering this program, the Second Injury Fund, is scheduled to terminate on July 1, 2013. To close the program, the Budget and Control Board is charged by law with: (a) determining a mechanism for paying any of the program's liabilities remaining as of July 1, 2013 and (b) providing staff to administer the remaining obligations as long as staff services are required.

Through a competitive procurement, an actuarial firm, KPMG, was selected to project the amount of these liabilities and when they will accrue, as well as to develop and analyze options for satisfying them. In accordance with the engagement, KPMG issued its report, which is attached. KPMG's liability estimates are based on claims data evaluated as of November 30, 2012, as provided by the Second Injury Fund, and additional information provided through February 7, 2013. In summary, KPMG estimates $346,316,000 in liabilities will remain unpaid as of June 30, 2013, when the Second Injury Fund terminates. KPMG also estimates the Fund will have a cash balance of $91,673,000 at June 30, 2013, leaving an unfunded liability of $254,643,000. The $91,673,000 cash balance includes approximately $27,900,000 the Fund collects beginning March 2013 as the second installment of FY2013 assessments.

Using these estimates, KPMG evaluated six options for paying the unfunded liabilities. The six options are:

1. Continued Assessment – maintain the current annual assessment structure. This option would require assessments at low levels for medical through 2048.

2. Three-Year Accelerated Assessment – assess $100 million per year for the next three years. With the fund balance at June 30, 2013, this is expected to be sufficient to build an asset large enough to pay off the remaining liabilities, assuming continued investment income. A $100 million assessment would be similar in size to assessment levels over the past five years.

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5. Negotiated Settlement and Assessment – establish an independent commission or facility to reach a lump sum settlement amount for all remaining claims with each carrier and self-insured with open claims accepted by the Fund, within a given period of six to twelve months. Once settlement values are determined, use those amounts as the basis of a final assessment, and make payments for all negotiated settlements. If agreement on a settlement value cannot be reached within the time period, the claim reimbursement process would continue in its current method. This plan could significantly accelerate the payment and closure of claims accepted by the fund, but may not extinguish the entire liability.

6. Purchase Commercial Reinsurance – transfer loss obligations that are already incurred and will ultimately be paid to a reinsurer for a premium. In determining the premium to be paid the reinsurer, the time value of money is considered so the premium is less than the ultimate amount expected to be paid for the loss obligations. The state could use the transfer to meet the remaining obligations without the need to continue day to day management of claims. This plan immediately requires sufficient cash on hand to fund the present value of the liability and also compensate the reinsurer for profit and assuming the risk that losses will deviate from projections. The administrative cost to the state is also high for supplying data to a reinsurer or broker to determine its premium. Finally, a reinsurer may want to limit the maximum loss it will assume, so that responsibility to the liability may not be entirely extinguished.

Because numerous alternatives exist for satisfying the liabilities remaining at July 1, 2013, the Second Injury Fund formed a focus group for the purpose of determining if consensus could be achieved around a single approach. The eleven-member focus group was comprised of representatives of workers' compensation insurers, employers who self-insure their workers' compensation risk, the State Accident Fund, which insures state agencies and some local governments, the SC Workers' Compensation Commission, and the SC Department of Insurance.

The meeting was facilitated by an experienced, independent facilitator. Votes were not taken, but after a presentation by KPMG of its estimates, consideration of options, and three hours of group discussion, a consensus emerged. The focus group's consensus was that the remaining liabilities of the fund should be addressed by assessing those currently required by SC Code §42-7-310 to pay a Second Injury Fund assessment (all workers' compensation insurance carriers, workers' compensation self-insurers, and the State Accident Fund) with the assessment set at a level to generate $60 million each of the next five fiscal years.

The share of the $60 million to be paid by each workers' compensation insurance carrier, workers' compensation self-insurer, and the State Accident Fund would be based upon the present formula established by SC Code §42-7-310. Each would pay an amount equal to that proportion of $60 million, which the normalized premium of each carrier, self-insurer, and State Accident Fund bears to the normalized premium of all during the preceding calendar year.

A consensus also formed that one or more subsequent actuarial valuations of the claim liabilities and funding should be conducted to ensure adequate funds were being generated to pay the liabilities and to determine when and if sufficient funds existed to pay a third party to assume liability for the remaining loss obligations and their administration.

The group's consensus was largely driven by:

1. insufficient ending cash at July 1, 2013, to engage a third party to assume the liabilities;

2. concern claims data was not sufficiently settled at this time, so as to warrant another actuarial valuation when claims expense has developed more fully;

3. need to provide additional funds to address the unfunded liability;

4. preference for greater predictability regarding the assessment; and

5. assessment at an aggregate level that is 40% less than recent years' assessments.

If and until the liabilities can be ceded to a third party, the group wanted claims and assessment administration handled efficiently. The general consensus was that a state entity could provide that service most economically at this time. A specific state agency or staff was not identified.

In addition to the responsibilities described above, the Second Injury Fund presently administers the Uninsured Employers' Fund (UEF), which was created to ensure payment of workers' compensation benefits to employees injured on the job while working for an employer who did not maintain the statutorily required workers' compensation coverage. Even though the Second Injury Fund terminates June 30, 2013, the UEF continues as an ongoing program within the State Accident Fund. South Carolina Code Section 42-7-200 establishes the UEF within the State Accident Fund effective July 1, 2013 and transfers to it, in accordance with the Board's plan for closure of the Second Injury Fund, all the associated Second Injury Fund employees, funds, property and contractual rights and obligations.

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4. What is Board asked to do?

The Budget and Control Board is asked to provide for the orderly winding down of the affairs of the Second Injury Fund, as required by SC Code §42-7-320, by adopting the attached proposed closure plan, which provides for: (a) paying the liabilities of the Fund remaining at July 1, 2013, using an accelerated assessment totaling $60,000,000 each fiscal year for the next five fiscal years, (b) each workers' compensation insurer, employer self-insuring its workers' compensation liabilities, and the State Accident

Fund paying its share of the aggregate $60,000,000 assessment based upon workers' compensation normalized premiums during the preceding calendar year, as is currently done, (c) additional actuarial valuations of the Fund's remaining liabilities based on data as of June 30, 2014 and at such other times as the Director of the Budget and Control Board or designee determines appropriate but not later than bi-annually, so as to determine if any adjustments to the assessment are required and whether other, more expeditious and cost effective options are viable for satisfying remaining liabilities at that time, and (d) administration and oversight of assessments, claims reimbursement and related activity by the Budget and Control Board using appropriate staff, whose salaries, benefits, and operating expenses are paid from the Second Injury Fund. The proposed plan also references the Second Injury Fund positions which include duties associated with the Uninsured Employers' Fund and are transferred July 1, 2013 to the Uninsured Employers' Fund within the State Accident Fund by SC Code Section 42-7-200.

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5. What is recommendation of Board Division involved?

N/A

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6. Recommendation of other office (as required)?

The Second Injury Fund requests and recommends approval of the closure plan as outlined in item 4 and specified in the attached proposed closure plan.

(a) Authorized Signature: ______________________________
(b) Office Name: South Carolina Second Injury Fund

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7. Supporting Documents:

(a) List those attached:
  1. Review of Unfunded Liabilities and Alternative Funding Methods by KPMG
  2. Recommended Second Injury Fund Closure Plan
  3. Sections 42-7-310, 42-7-320 and 42-7-200

(b) List those not attached but available:
  1. *
  2. *
  3. *

KPMG

South Carolina Second Injury Fund

Review of Unfunded Liabilities and Alternative Funding Methods

as of June 30, 2013

Audit, Advisory & CSS
March 2013
This report contains 28 pages
Exhibits comprise 7 pages
SC SIF Report rev.docx

Contents

A. Purpose and Scope

The South Carolina Second Injury Fund (the "Fund") has requested KPMG LLP ("KPMG") provide actuarial valuation and consulting services relating to the Fund's liabilities and future funding. We understand that in accordance with workers compensation reform legislation enacted in 2007, the Fund will be terminated effective July 1, 2013. The Fund operates as a separate state agency under the South Carolina Budget and Control Board (the "Board"). KPMG's analysis will be used by the Board to evaluate the Fund's liabilities as of June 30, 2013.

The scope of this report provided by KPMG includes the following:

- Estimate the unfunded liability for the Fund as of June 30, 2013;
- Project cash flow needed to fund these liabilities on a fiscal year basis, including the cost to service outstanding claims in each year;
- Evaluate and compare various options for satisfying those liabilities after closure;

Our liability estimates are based on claims data evaluated as of November 30, 2012, as provided by the Fund, and additional information provided to us through February 7, 2013.

This analysis is intended to provide guidance on total liabilities, future cash flow estimates, and funding options for the Fund. The report should not be relied on for any other purpose.

B. Background

South Carolina's Legislature created the Fund with a mission to encourage employers to hire workers with pre-existing medical conditions or disabilities by shifting the workers compensation risk of such workers to the Fund, and spreading the cost of second injury claims across the entire workers compensation system. The Fund operates as a separate state agency under the Board. Effective July 1, 2013, the Fund will terminate and the Board will determine the appropriate means to dissolve the Fund and oversee the run-off of the remaining unfunded liabilities at that date.

Fund Operation

Claims covered by the Fund include second injuries to workers that result in substantially greater disability or death when added to prior injuries or physical impairments. The Fund pays for all benefits after 78 weeks subsequent to the second injury, plus 50% of all medical payments over $3,000 during the first 78 weeks. The Fund does not administer claims directly, but makes reimbursement payments to insurance carriers and self-insurers for payments submitted to the Fund. Due to the 78 week period prior to reimbursement by the Fund and the nature of second injuries, claims submitted to the Fund are larger than the average workers compensation claim and the costs and development patterns are more similar to excess claim coverage.

The Fund operates on an annual cash flow basis with fiscal years ending June 30 of each year. Funding occurs through assessments, with the total assessment amount for a given fiscal year based on the total paid reimbursements and expenses from the prior year, less the year ending cash balance. Prior to July 1, 2007 the annual Fund assessment amount was set at 175% of Fund payouts, minus the fiscal year-end cash balance, and the percentage was reduced to 135% of Fund payouts thereafter.

Each insurance carrier, self-insurer, and the State Accident Fund makes payments based on an assessment rate applied to normalized premium from the prior calendar year. Normalized premium equals gross paid workers compensation losses adjusted to include expenses. The following table summarizes the Fund's reimbursements (payments) and assessments for the past ten fiscal periods, as well as the reimbursements in the first five months of the current year. The ending cash balance as of November 30, 2012 reflects the partial assessments collected in the year, as well as reimbursements paid to date. It does not reflect any operating expenses of the Fund for the year.

Table 1 Ten Year Reimbursement History

Fiscal Year Ending 6/30:	Reimbursement ($000s)	Assessment ($000s)[1]	Ending Cash Balance ($000s)
2003	$111,147	$133,347	
2004	116,616	127,584	
2005	166,947	253,305	
2006	147,814	188,476	
2007	118,224	110,982	
2008	113,232	104,887	49,957
2009	112,789	114,275	40,214
2010	103,089	89,377	52,078
2011	102,544	102,016	38,474
2012	100,892	98,351	39,693
2013 (11/30/12)	*18,929*		*91,655*

[1] Assessment is collected in the following fiscal year

2003 Law Change

In response to increasing reimbursements the state implemented a law change, effective June 25, 2003, affecting claim eligibility by removing the "unknown condition" qualification for reimbursement by the Fund. Prior to the law change a carrier submitted claims for acceptance by the Fund and received reimbursements for second injury claims, but the employer was not required to have prior knowledge of the pre-existing condition for the claim to qualify for reimbursement. With the 2003 law change any carrier submitting a claim to the Fund was required to demonstrate prior knowledge of the existing injury in order to qualify for reimbursement. The change had an impact primarily on the annual number of claims accepted for reimbursement and also on the average payment size per claim.

2007 Workers Compensation Reform Act (Act No. 111)

Despite the 2003 law change, reimbursements and assessments remained high; as shown in Table 1 above, the 2005 assessment spiked at over $250 million. High assessments and other considerations contributed to the state's decision to terminate the Fund. The 2007 Workers Compensation Reform Act (Act No. 111), effective July 1, 2007, included dissolution of the Fund and setting up a schedule for an orderly phase out. The following key dates summarize the timeline for conclusion of the Fund.

July 1, 2007	– new notice requirements;
July 1, 2007	– 175% assessment factor reduced to 135%;
July 1, 2008	– no claims accepted with date of injury on or after this date;
December 31, 2010	– last day to submit notice of a new claim;
June 30, 2011	– all data to accept, compromise, or deny a claim must be received;
December 31, 2011	– last day for the Fund to accept a claim for reimbursement;
July 1, 2013	– Fund is terminated.

Before the Fund dissolves effective July 1, 2013, the Board will determine how to run-off the remaining unfunded liabilities associated with claims accepted for reimbursement through December 31, 2011.

C. Distribution of this Report

This report is intended solely to provide professional input and guidance to the Fund and the Board, and is for their internal use only. Any other use or further distribution of this report is subject to the Record of Negotiation dated November 26, 2012. Should further distribution of this actuarial report be authorized in the future, we require that the report be distributed in its entirety. In addition, it should be understood that we remain available to respond to any questions by authorized third parties with respect to this report or our work.

The analysis, advice, recommendations and information in this document were completed for the sole use of the Fund and the Board for the purposes discussed in this report and its use is limited to the scope of KPMG's engagement for the Board. It has been provided to third parties for informational purposes only and you are not authorized by KPMG to rely upon it and any such reliance by third parties shall be at their own risk. KPMG accepts no responsibility or liability in respect of the advice, recommendations or other information in such document to any person or organization other than the Board.

D. Executive Summary

D.1 Unfunded Liabilities as of November 30, 2012 and June 30, 2013

In the course of our review we used several generally accepted actuarial development methods and procedures to derive our reserve estimates. In deriving our estimates, we considered the relative strengths and weaknesses of each of the development methods after discussions with knowledgeable personnel at the Fund. The table below summarizes KPMG's total estimated unpaid losses through the evaluation date of November 30, 2012, and projected unpaid losses as of June 30, 2013. These estimates are not discounted for the time value of money, but are shown at their nominal amount.

Table 2 – Actuarial central estimate of June 30, 2013 estimated liability

Total Estimated Unpaid Loss (000s)		
	Unpaid as of 11/30/12	Unpaid as of 6/30/13
Indemnity	$ 71,022	$ 58,671
Medical *	302,952	87,646
Total	$ 373,974	$ 346,316
***Includes allocated loss adjustment expenses**		

The unfunded liability as of June 30, 2013 is the unpaid amount above, less the funds available on June 30, 2013. We estimate the funds available will be $91,673,000, leaving an estimated unfunded liability of $254,643,000.

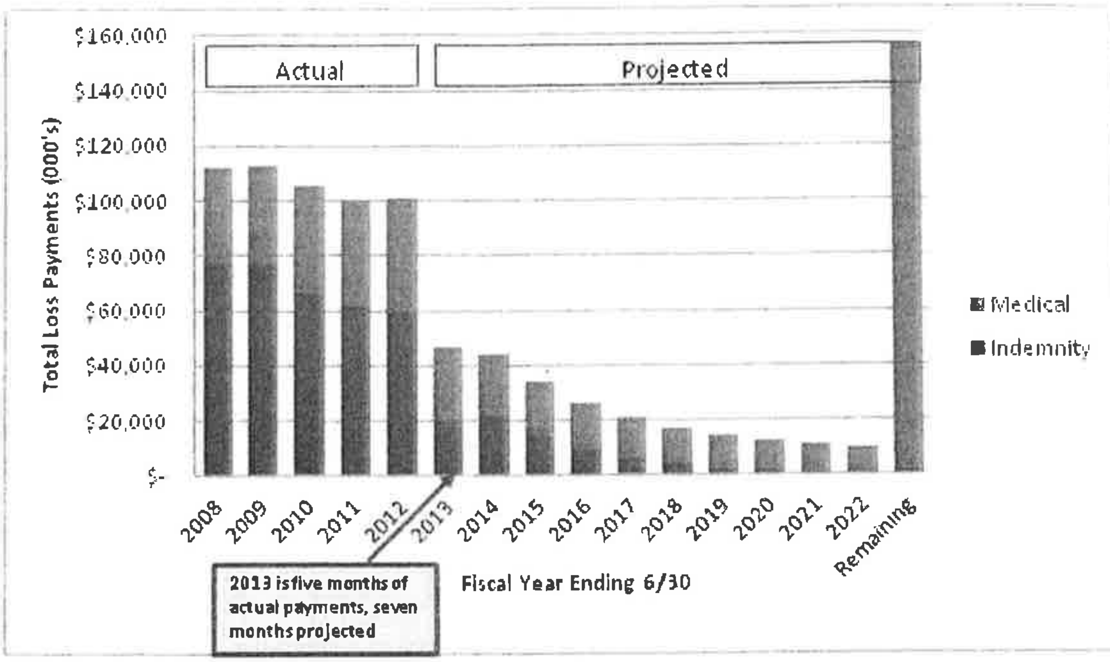
D.2 Cash Flow Projections 2013-2022

The table below lists actual and projected paid indemnity and medical losses (including allocated loss adjustment expenses) by fiscal period from 2008-2022. We included allocated loss adjustment expenses (ALAE) with medical losses, because the amounts were too small to forecast separately, but appeared to also have long payout patterns, similar to medical losses.

Table 3 – Actuarial central estimate of future reimbursement cash flows

Actual and Projected Cash Flow 2008-2022		(000s)		
Fiscal Year Ending 6/30:	**Indemnity**	**Medical & ALAE**	**Total Paid**	**Remaining Unpaid**
2008	$ 77,088	$ 35,130	$ 112,218	
2009	76,814	35,943	112,757	
2010	65,865	39,679	105,544	
2011	61,105	38,974	100,078	
2012	59,244	42,012	101,255	
2013 (7/1/12-11/30/12)	7,621	11,308	18,929	$ 373,974
2013 (12/1/12-6/30/13)	12,351	15,306	27,657	346,316
2014	21,143	23,065	44,209	302,108
2015	13,859	20,216	34,075	268,033
2016	9,098	17,444	26,542	241,491
2017	5,894	15,432	21,326	220,165
2018	3,480	13,752	17,233	202,932
2019	2,010	12,414	14,424	188,508
2020	1,207	11,210	12,417	176,091
2021	634	10,146	10,780	165,311
2022	409	9,256	9,666	155,646
Remaining	936	154,710	155,646	
Total (from 12/1/12)	$ 71,022	$ 302,952	$ 373,974	

Payment patterns underlying the projected cash flows are based on the Fund's historical data by report year as well as our judgment of the impact of law changes on those payment patterns. The payment patterns also underlie our estimated ultimate Fund liabilities by year, and we believe they are reasonably predictive of future payment emergence. The 2013 partial year payment amounts are for the period from December 1, 2012 through the Fund closure date of June 30, 2013, since actual payments through November 30, 2012 were provided to us.



Through November 30, 2012 the actual payments made on both the medical and indemnity (wage loss) portion of claims has been substantially lower than the past several years, however the difference was much more significant for indemnity. Based on statistics provided on timeliness of payments, we do not believe this is caused by a backlog in payments but rather reflects both a natural reduction in payments as claims age, as well as the potential that insurers may have attempted to settle outstanding claims prior to the closure of the Fund. This would have accelerated payments in 2011 and 2012. Additional observations on 2013 payments to date can be found in the Analysis section of this report (page 10).

Due to the existence of lifetime claims, the expected payout of the Fund continues well into the future, but at a diminishing rate. In addition, as fewer and fewer claims remain active, the projected cash flows become more dependent on each claim's characteristics. Periodic re-evaluations of the remaining claims should be undertaken to update the estimation of the remaining expected cash flows.

D.3 Alternative Funding Methods

KPMG has provided six options for satisfying the estimated $346 million in unpaid liabilities as of June 30, 2013. The following list of options is by no means an exhaustive list, but is intended as a basis for discussion of the Board's potential options at Fund closure. Further discussion follows in the Observations sections (page 21).

D.3.a **Continued Assessment** – maintain the current annual assessment structure. This option would require assessments at low levels for medical through 2048. Due to the estimated Fund balance at June 30, 2013, we estimate no assessment would be needed in fiscal year 2014, but after funds are reduced below the threshold of 135% of the prior year's disbursements and expenses, assessments would begin again in 2015.

D.3.b **3-Year Accelerated Assessment** – assess \$100 million per year for the next three years. With the Fund balance at June 30, 2013, this is expected to be sufficient to build an asset large enough to pay off the remaining liabilities, assuming continued investment income. A \$100 million assessment would be similar in size to assessment levels over the past 5 years.

D.3.c **5-Year Accelerated Assessment** – assess \$60 million per year for the next five years. Similar to the 3-year method above, this builds a sufficiently large asset to pay all reimbursements, but with a smaller assessment in each year and a lower asset balance in earlier years.

D.3.d **Fixed Percentage Accelerated Assessment** – assess 5% of the normalized premium per year until sufficient funds are accrued to fund the remaining liabilities. Based on recent years' normalized premiums, we believe a 5% assessment would generate between \$50 million and \$55 million per year, and so would continue for five years. This option, while similar to the 5-year method, would provide greater predictability of assessments for insurers and self-insurers. However, for the Fund, the level of assessments collected each year would be less certain than under the other accelerated assessment methods.

D.3.e **Negotiated Settlement and Assessment** – Establish an independent commission or facility to reach a lump sum settlement amount for all remaining claims with each carrier and self-insured with open claims accepted by the Fund, within a given period of six to twelve months. Once settlement values are determined, use those amounts as the basis of a final assessment, and make payments for all negotiated settlements. If agreement on a settlement value cannot be reached within the time period, the claim reimbursement process would continue in its current method. This plan could significantly accelerate the payment and closure of claims accepted by the Fund, but may not extinguish the entire liability.

D.3.f **Loss Portfolio Transfer** – An additional way to accelerate payment of the remaining liability would be to purchase a loss portfolio transfer (LPT) reinsurance contract. Such a contract would transfer all remaining reimbursement obligation to a reinsurance company or excess insurer in exchange for a premium payment. The premium charged would be based on the reinsurer's estimate of the present value of expected loss reimbursements, as well as a "risk premium" to cover the possibility that losses are higher than expected, as well as expense and profit provisions. Based on our estimate of the unpaid losses, the currently available funds are not sufficient to pay such a reinsurance premium. However, under the accelerated assessment options the available fund balance will increase over time and may in the future be sufficient to pay such a reinsurance premium. In addition, as time passes the remaining unpaid claims may become more predictable.

E. Qualifications

The actuaries providing this report, Scott Weinstein, FCAS, MAAA, Patricia Smolen, FCAS, MAAA, and Quentin Mostoller, ACAS, MAAA, meet the qualification standards of the American Academy of Actuaries to perform work of this nature.

F. Limitations of Our Work

The estimates in this report only include provision for liabilities relating to claims reported to the Fund through the December 31, 2010 cut-off date. The estimated unpaid liabilities are limited to regular reimbursement amounts anticipated under the Fund's current payment structure for claims qualifying within the Fund. The assumed administrative expenses are shown in the following tables for each option, and are based on anticipated reduction in costs over time. Actual administrative expenses may vary from this forecast.

Throughout our analysis, we relied on the available reimbursement (payment) claims data supplied by the Fund. Claims data were provided separately for indemnity and medical payments, as well as a small amount of expense payments allocated to individual claims. We received the data segmented by year of accident and also by year received (reported to the Fund).

Our estimates are based on generally accepted actuarial techniques applied in a consistent manner. While we have used our best professional judgment in all instances, estimates of future ultimate losses and loss expenses are inherently uncertain because of the random nature of insurance claims occurrences. They are also dependent upon contingent events and are affected by many additional factors. Furthermore, claim reserving procedures, settlement philosophy, current and perceived social and economic inflation, current and future court and jury attitudes, improvements in medical technology, and many other economic, legal, political, and social factors can have significant effects on ultimate claim costs. Therefore, we cannot warrant that actual developments will not vary from our estimates, perhaps significantly.

Analysis

A. Data Sources and Segmentation

In completing the accompanying actuarial analysis, we have relied upon historical indemnity and medical loss and ALAE data valued as of November 30, 2012 and claim count data prepared under the direction of Mr. Mike Harris, Deputy Director of the Fund. While we have reviewed the data for reasonableness and consistency, we have not audited or verified the underlying data. We are relying on the Fund's internal procedures to verify the accuracy of the data underlying our review. Should errors in the underlying data exist, the estimates in this analysis may require revision.

We were provided the following data for use in our analysis, valued as of November 30, 2012. Note that all the triangle loss and claims data (incremental payments and reported claims by age of the year) is for fiscal years 1992-2013, with all years 1991 and prior combined in a single row.

- Assessment history of the Fund, fiscal years 2000-2012;
- Historical fiscal year Fund revenue and expenses, 2008-2013;
- Fiscal year reimbursement (payment) history 2003-2013;
- Individual claim listing of all open claims as of November 30, 2012 containing individual claim payment histories;
- Fiscal/accident year annual paid loss triangles for indemnity, medical and ALAE payments;
- Fiscal/accident year annual reported claim triangles;
- Fiscal/report year annual paid loss triangles for indemnity, medical and ALAE payments;
- Fiscal/report year annual reported claims;

B. Loss Projection Methodology

The indemnity and medical loss experience was evaluated separately using the following generally accepted actuarial approaches:

- Paid Development Method
- Average Paid Claim Severity Method
- Seriatim Approach

These methods and their application will be discussed in more detail in this section of the report. Except where specifically noted in this report, the indicated liabilities are undiscounted for the time value of money.

B.1 Paid Development Method

The paid development method uses historical payment patterns to project actual payments as of a given valuation date to ultimate values. The Fund's historical payment patterns were used in estimating the expected ultimate payments for each accident year. The Fund provided paid data going back to fiscal year 1992, with all prior data combined in a single "Prior" line. We based our selection of the age-to-age development factors upon the factors suggested by applying various averaging methods and the trends in the Fund's data as well as actuarial judgment.

The Fund reimburses carriers for individual claim payments submitted to the Fund, and the Fund is not involved in claims handling procedures which are specific to each entity. As such, the Fund does not have knowledge of changes in claims handling practices that could affect the rate of claims settlement or other changes in claims handling practices. KPMG was provided paid loss triangles on an accident and report year basis, and we evaluated paid development for both types of segmentation.

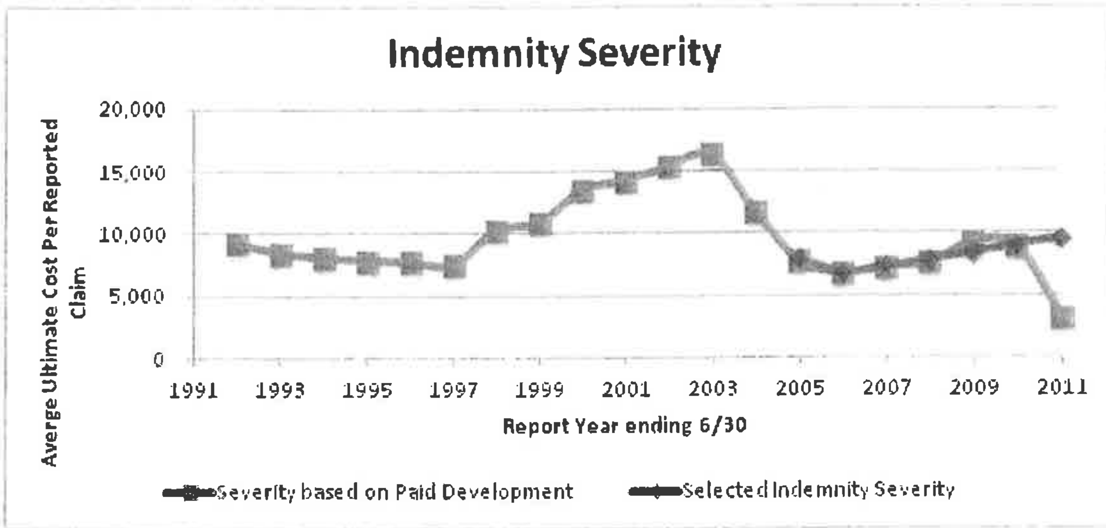
The Fund's final accident date is June 30, 2008, and no claims can be accepted with accident dates subsequent to that date. The Fund closed the reporting period on all claims effective December 31, 2010, and therefore the Fund is essentially in run-off with a fixed set of reported claims. Because no additional reporting of prior incurred claims is allowed, we believe that a fiscal/report year (report years ending June 30) approach provides a better approach to the estimation of unpaid liabilities and projection of cash flows than an accident year organization. While we examined liability estimates on an accident year basis as well, we have chosen to rely primarily on report year segmentation for liability estimates and cash flow projections.

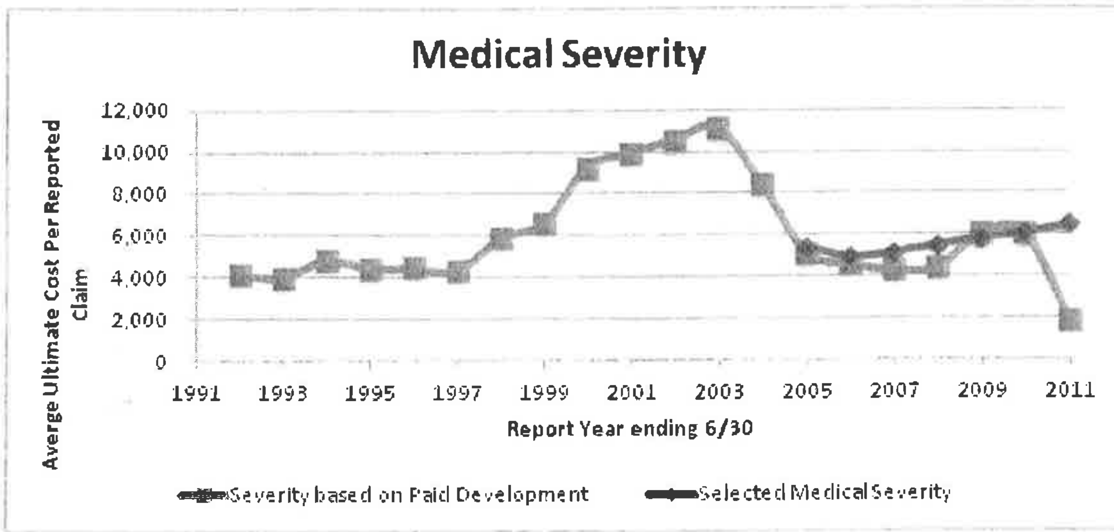
The aggregate data provided by the Fund combined all years prior to 1992 and we do not have older years' payment patterns on which to base development in the tail. The Fund's payment patterns differ from the typical workers compensation claim because payments begin after the first 78 weeks of payments by the carrier, and there is also a delay between the submission and acceptance and eventual reimbursement of claims to carriers. Carriers can at times also be delayed in requesting reimbursements for accepted claims, and may accumulate significant payments before requesting reimbursement. In addition, the Fund's claim population would not include minor claims. For these reasons industry aggregate tail development would not be appropriate for the Fund's claim population. We estimated the paid development tail factors, for medical and indemnity, based on the results of our seriatim approach using the remaining open claims. The seriatim approach is discussed on page 13.

B.2 Average Paid Claim Severity Method

The average paid claim severity method used the paid development methods as the basis for the older report years, but used a trended severity for more recent and immature years. As noted above, the reported claim population is closed for the Fund, and number of claims is fixed and cannot increase. For report years 2004 and prior, we used the results of the paid development method divided by the number of reported claims to provide an average cost per claim on an ultimate basis, which is a historical indicated severity.

In order to project severities to ultimate values for the most recent report years, 2005 and subsequent, the indicated paid severities from the paid development method were trended to current 2011 report year level and a 2011 report year claim severity was selected based on the trended averages. This selected 2011 claim severity was de-trended to older years, providing a selected trended severity for years 2006 through 2010 as well. These selected severities were multiplied by the total reported claims to estimate the ultimate losses for each year. The selected severities, and the severity based on the paid development method are shown graphically below.





It is clear that the 2003 reforms had a significant effect on the average cost per claim, with both indemnity and medical average cost dropping significantly. This may reflect that more claims were closed with no payment after the reforms. Since 2005 they show inflationary trends in average costs. The 2011 report year, the twelve months ending June 30, 2011 had fewer claims reported, due to the December 31, 2010 submission deadline, which implies only six months of reported claims rather than twelve. In addition, the cut-off for injuries occurring on or before June 30, 2008 would tend to decrease the number of claims first reported in 2011. For this reason, the severity based on the paid development methods is not considered credible for 2011.

C. Seriatim Approach

The seriatim or claim by claim approach is fundamentally different than the aggregate loss development approach described earlier. The Fund provided individual claim detail for all open claims, including characteristics such as injury date, age and sex of the injured worker, open, close and re-open dates of the claim and indicators of the claim status, such as in litigation or lifetime medical claim. For each claim we also received a history of individual medical and indemnity reimbursements.

Using the payment history and certain claim characteristics, we forecast future payments on an individual claim level. Many remaining open claims are lifetime medical claims. We assumed an annual medical inflation rate of 4%, and based future payments by quarter on the average inflation-adjusted payments for the past five years. If a single quarter had substantially higher payments than average, we gave such payments less weight in the forecast, since they may have represented an infrequent hospitalization or surgery. We forecast future payments based on the life expectancy of the injured worker. Since many second injury claimants have serious medical conditions, we used an impaired life expectancy by using a "rated age" of 10 years above their actual age. A similar method was applied to indemnity losses, with no assumed inflation. But many of the remaining open claims have exhausted the indemnity benefits, and in such cases we projected no additional payments.

A seriatim approach can provide useful information for mature claims, with established and relatively stable payment histories. However, for more recent claims, the payment history is less reliable as a source of projections, particularly if the medical condition has not stabilized. In addition, the judgmental medical inflation factor of 4% has a significant compounding impact on the expected future payment amounts when applied to fairly young claimant with a long life expectancy.

While the method is highly leveraged for recent report years, we were able to use it to project future payments in the "tail" period beyond the length of the aggregate data. Using the indicated future payments for report years 1993 and prior, we estimated a tail development factor for medical of 1.150 and for indemnity 1.000 at age 288 months or 24 years. This means that we expect that substantially all indemnity payments are made by 24 years, but that cumulative medical payments will increase an additional 15% after 24 years, on average. We note that relatively few claims are awarded "lifetime" indemnity benefits and most claims are subject to maximum benefit of 500 weeks of disability.

In total, the indemnity reserve indicated by the seriatim approach was much lower than the paid development method but the medical reserve was higher. However, for the oldest years, 1998 and prior, the indicated reserve was very similar for the two methods.

D. Unfunded Liabilities as of June 30, 2013

In the course of our review we used several generally accepted actuarial development methods and procedures to derive our reserve estimates. In deriving our estimates, we considered the relative strengths and weaknesses of each of the development methods after discussions with knowledgeable personnel at the Fund. The table below summarizes KPMG's total estimated unpaid losses through the evaluation date of November 30, 2012, and projected unpaid losses as of June 30, 2013.

Table 4 – Actuarial central estimate of unpaid loss as of June 30, 2013

Total Estimated Unpaid Loss (000s)		
	Unpaid as of 11/30/12	Unpaid as of 6/30/13
Indemnity	$ 71,022	$ 58,671
Medical *	302,952	287,646
Total	$ 373,974	$ 346,316
***Includes allocated loss adjustment expenses**		

As noted earlier, the funds available at June 30, 2013 are estimated at $91,673,000 leaving an unfunded liability of $254,643,000.

The following table further breaks out the June 30, 2013 unpaid liability between medical and indemnity by report year (claim received year). Note that medical includes allocated loss adjustment expenses, which are relatively small compared to other payments.

Table 5 – Actuarial central estimate of unpaid loss as of June 30, 2013, by report year

Total Estimated Unpaid Loss as of June 30, 2013 (000s)						
Report Year Ending 6/30:		**Indemnity**		**Medical**		**Total**
Prior	$	30	$	10,612	$	10,642
1992		14		2,688		2,702
1993		18		2,878		2,896
1994		24		4,042		4,067
1995		34		4,733		4,767
1996		55		5,314		5,369
1997		52		5,653		5,705
1998		93		7,988		8,081
1999		182		10,352		10,534
2000		604		15,331		15,935
2001		1,234		22,341		23,575
2002		1,776		28,034		29,810
2003		1,990		30,820		32,811
2004		2,775		28,697		31,471
2005		4,626		20,087		24,714
2006		6,213		22,677		28,890
2007		7,871		20,130		28,000
2008		11,829		22,616		34,445
2009		7,814		12,797		20,611
2010		4,525		4,984		9,509
2011		6,911		4,872		11,783
Total	$	58,671	$	287,646	$	346,316

Report Year Estimates

The Fund provided KPMG with paid loss data evaluated as of November 30, 2012 separately on a fiscal-accident year (date of injury) and fiscal-report year (date claim received) basis. We performed similar reserve evaluations on both sets of data and believe that the report year data provided a more reliable estimate of the unpaid liabilities for two main reasons. First, the claim reporting period ended December 31, 2010 with no additional claims submitted for reimbursement beyond this date, and there can be no additional new claims reported regardless of the date of injury. Typically, an accident year basis evaluation of reserves will implicitly include provision for emergence of some late reported claims, whereas a report year basis evaluation assumes that the reported book of claims will not change. In this case, the report year evaluation more closely matches the data given that the book of claims is fixed.

Second, both the 2003 law change and 2007 legislation closing the Fund had an impact on claim reporting patterns, potentially accelerating claims submitted for reimbursement as well as new claims with dates of injury under the June 30, 2008 cut-off date. We believe that a report year approach provides a more accurate liability estimate because there is additional data stratification in the report year groupings through 2011 that is not available in the shorter number of accident periods, which run through only 2008.

Indemnity Loss

As shown above, total unpaid indemnity losses of $58.7 million make up approximately 17% of the total unpaid losses as of June 30, 2013. Actual paid indemnity amounts decreased considerably in the current fiscal period compared to prior years. The following table lists actual paid indemnity amounts for the past five fiscal years and the five months ending November 30, 2012.

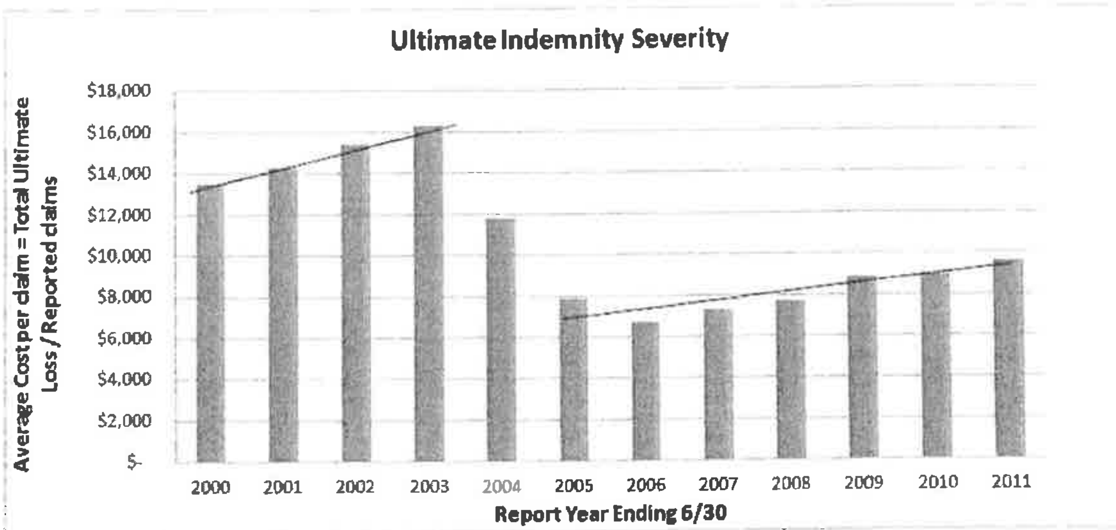
Table 6 – Historical Indemnity payments by fiscal year

Indemnity Paid Losses	(000s)
Fiscal Year Ending 6/30:	**Indemnity Paid**
2008	$ 77,088
2009	76,814
2010	65,865
2011	61,105
2012	59,244
2013 (7/1/12-11/30/12)	7,621

We believe the 2007 Reform Act changed reimbursement patterns as companies accelerated submissions in order to receive payments before dissolution of the Fund. Most indemnity claims also tend to pay out within three years because there is no lifetime benefit on most claims and the Fund picks up indemnity payments after the first 78 weeks have already been paid. A slowdown in payments can be expected for several reasons, but the drop shown above is larger than we expected based on prior payment patterns. We performed a comparison of actual-to-expected paid indemnity loss during the period from July 1, 2012 – November 30, 2012 that showed actual payments of $7.6 million were $3.9 million below our expectation for the five month period.

In order to determine if the reduction in payments could be caused by operational changes at the Fund resulting in a slowdown or backlog in payments, the Fund provided statistics showing that the timeliness of payments, the lag between the request for reimbursement and the actual payment date, was comparable this year to prior fiscal years. This information supports that no backlog in payments exists and that the reduction in total indemnity payments is due to exogenous factors.

The slowdown in payments, the 2003 law change, and 2007 Reform Act all introduce uncertainty into our paid indemnity development methods, and we therefore relied on longer term average development factors in more recent years. However, we also considered the behavioral impact that closure of the Fund may have had on speeding up requests for reimbursement in 2010 and 2011. In our ultimate loss selections we gave the severity approach additional weight in more recent years. The graph below shows KPMG's ultimate report year average loss severities from 2000-2011.



The law change went into effect in 2003, so the average reported claims in 2004 and 2005 reflect many claims with dates of accident prior to the law change. By report year 2006 the claim severities appear to have settled in a lower trajectory with severity increases on the order of 7% per year that are consistent with increases prior to the 2003 law change.

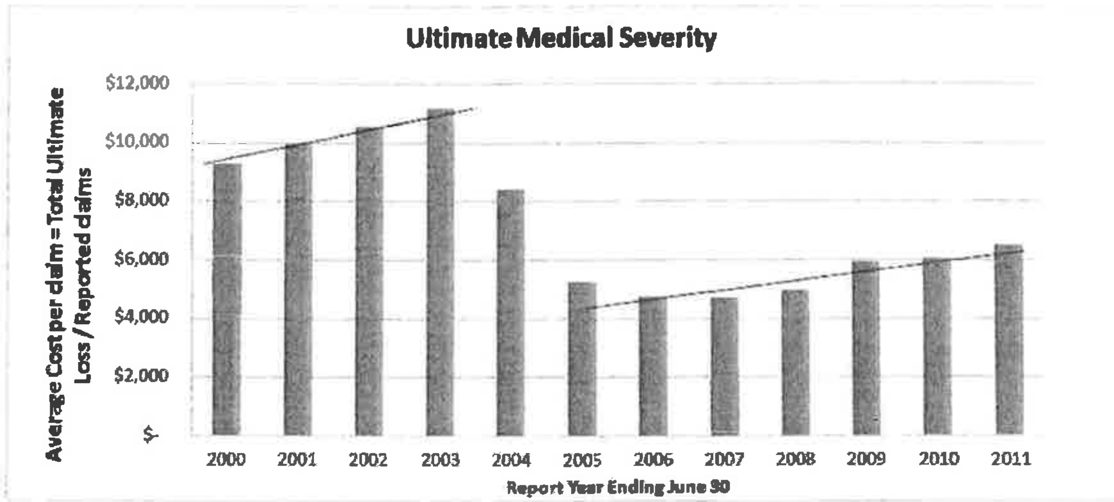
Medical Loss

Unpaid medical losses of $287.6 million comprise the majority of the future payments at 83% of the total unpaid losses as of June 30, 2013. As shown below, medical payments increased steadily from 2008 to 2012, with a drop in the current fiscal year, but the drop is not as pronounced as for indemnity. This is to be expected because medical payments can continue for the remaining life of the claimant and therefore have a longer duration. A comparison of actual-to-expected paid medical loss in the current five month period indicate that actual payments of $11.3 million are roughly equal to our expectation for the period, based on the runoff of the report years.

Table 7 – Historical Medical payments by fiscal year

Medical Paid Losses (000s)	
Fiscal Year Ending 6/30:	**Medical Paid**
2008	$ 35,130
2009	35,943
2010	39,679
2011	38,974
2012	42,012
2013 (7/1/12-11/30/12)	11,308

KPMG's selected ultimate medical loss estimates display a similar pattern to indemnity, and medical severities also appear to be increasing at about 7% per year as well.


Ultimate Medical Severity
Average Cost per claim = Total Ultimate Loss / Reported claims
$12,000
$10,000
$8,000
$6,000
$4,000
$2,000
$-
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
Report Year Ending June 30

E. Cash Flow Projections

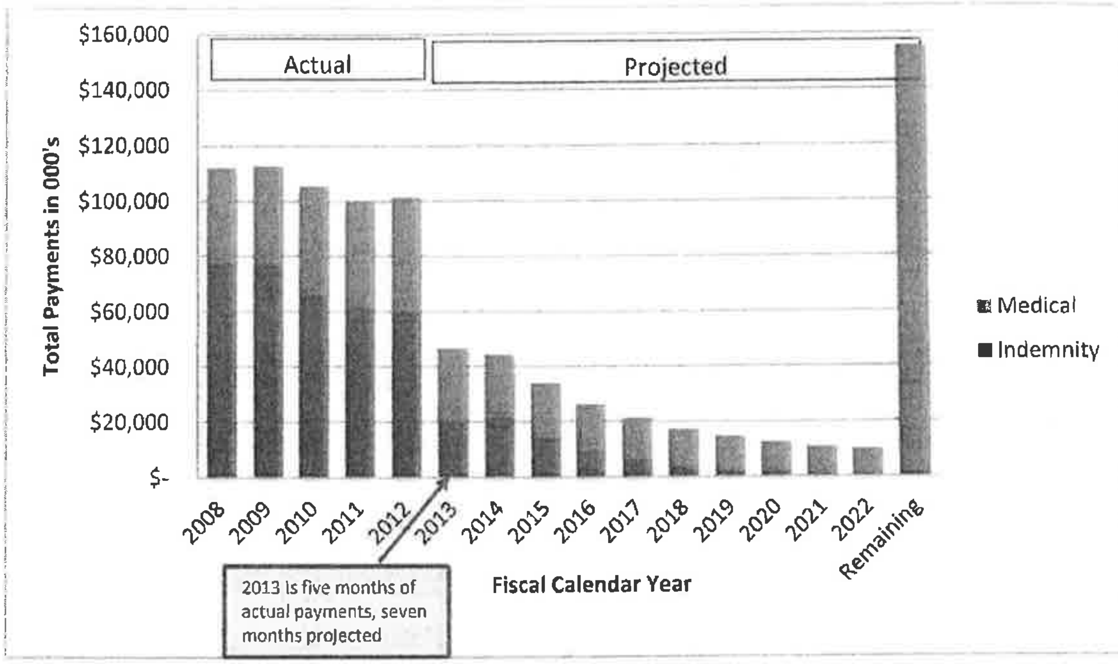
Projected cash flows are based on the indicated unpaid indemnity and medical losses as of November 30, 2012, projected to June 30, 2013 by individual fiscal/report period. We project remaining cash flows into the future fiscal periods by report year based on indicated loss payment patterns from our analysis. The projections are performed separately for indemnity and medical.

The table below lists actual and projected paid indemnity and medical losses (including ALAE) by fiscal period from 2008-2022, showing both historical and forecasted years.

Table 8 – Actuarial central estimate of future reimbursement cash flows

Actual and Projected Cash Flow 2008-2022 (000s)				
Fiscal Year Ending 6/30:	**Indemnity**	**Medical & ALAE**	**Total Paid**	**Remaining Unpaid**
2008	$ 77,088	$ 35,130	$ 112,218	
2009	76,814	35,943	112,757	
2010	65,865	39,679	105,544	
2011	61,105	38,974	100,078	
2012	59,244	42,012	101,255	
2013 (7/1/12-11/30/12)	7,621	11,308	18,929	$ 373,974
2013 (12/1/12-6/30/13)	12,351	15,306	27,657	346,316
2014	21,143	23,065	44,209	302,108
2015	13,859	20,216	34,075	268,033
2016	9,098	17,444	26,542	241,491
2017	5,894	15,432	21,326	220,165
2018	3,480	13,752	17,233	202,932
2019	2,010	12,414	14,424	188,508
2020	1,207	11,210	12,417	176,091
2021	634	10,146	10,780	165,311
2022	409	9,256	9,666	155,646
Remaining	936	154,710	155,646	
Total (from 12/1/12)	$ 71,022	$ 302,952	$ 373,974	

Payment patterns underlying the projected cash flows are based on the Fund's historical data by report year as well as our judgment of the impact of law changes on those payment patterns. The payment patterns also underlie our estimated ultimate Fund liabilities by year, and we believe they are reasonably predictive of future payment emergence. The 2013 partial year payment amounts are for the period from December 1, 2012 through the Fund closure date of June 30, 2013, since actual payments through November 30, 2012 were provided to us.



Through November 30, 2012 the actual payments made on both the medical and indemnity (wage loss) portion of claims has been substantially lower than the past several years, however the difference was much more significant for indemnity. Based on statistics provided on timeliness of payments, we do not believe this is caused by a backlog in payments but rather reflects both a natural reduction in payments as claims age, as well as the potential that insurers may have attempted to settle outstanding claims prior to the closure of the Fund. This would have accelerated payments in 2011 and 2012. Additional observations on 2013 payments to date can be found in the Analysis section of this report (page 10).

Due to the existence of lifetime claims, the expected payout of the Fund continues well into the future, but at a diminishing rate. In addition, as fewer and fewer claims remain active, the projected cash flows become more dependent on each claim's characteristics. Periodic re-evaluations of the remaining claims should be undertaken to update the estimate of the remaining expected cash flows.

Alternative Funding Methods

KPMG has provided six options for satisfying the estimated $346 million in unpaid liabilities as of June 30, 2013, including discussion of the potential for reinsurance in the form of a Loss Portfolio Transfer. The following list of options is by no means an exhaustive list, but is intended as a basis for discussion of the Board's potential options at Fund closure.

Option 1: Continued Assessment at 135%

Maintain the current annual assessment structure, at 135% of the prior year reimbursements, less the fiscal year end cash balance. The table below shows expected disbursements for the next ten years and the remaining estimated unpaid liability for 2023 and beyond. The estimated payment window extends to 2048, primarily for lifetime medical payments. Note that there is no expected assessment in the year ending June 30, 2014 because the year-end cash balance in 2013 exceeds 135% of the total 2013 payments. In 2015 we anticipate a $13 million assessment, since significant cash balance is still expected at the end of fiscal year 2014, but the assessment would then increase in 2016.

The ending cash balances anticipate approximately 1.5% in annual investment income on average cash balances for the year, as well as ongoing expenses for the Fund. The table below displays the estimated cash flows through 2022, but at June 30, 2022 the estimated unpaid loss is $156 million of which $150 million is unfunded. With this option, assessments continue at low levels through 2048.

Table 9 – Option 1

Continued Assessments 2014-2048 ($000s)						
Fiscal Year Ending 6/30:	**Expected Collected Assessment**	**Adminis-trative Costs**	**Interest on Cash Balances**	**Total Paid Losses**	**Cash Balance Beginning**	**Cash Balance Ending**
2013	$ 98,351	$ 835	$ 956	$ 46,586	$ 39,693	$ 91,673
2014	-	800	1,045	44,209	91,673	47,709
2015	13,052	760	556	34,075	47,709	26,483
2016	20,545	720	349	26,542	26,483	20,114
2017	16,689	680	264	21,326	20,114	15,061
2018	14,646	650	203	17,233	15,061	12,028
2019	12,113	620	160	14,424	12,028	9,258
2020	11,051	590	125	12,417	9,258	7,427
2021	10,133	560	103	10,780	7,427	6,323
2022	8,987	530	86	9,666	6,323	5,200
Remaining Unpaid				$155,646		
Remaining Unfunded				$150,446		

We anticipate the annual Fund administrative costs to decrease from approximately $800,000 in 2014 to $530,000 in 2022, due to less claim and reimbursement activity.

As the number of claims remaining open decreases, it is possible that the total paid losses may not decrease smoothly as shown in this estimate, but would show more random variation from year to year. This raises the possibility that there may not be sufficient cash balances to fund reimbursements in a given fiscal year.

Option 2: 3-Year Accelerated Assessment

Assessments of $100 million per year for the next three years are anticipated to adequately fund the estimated losses. Reimbursement payments are unaffected by this option, but assessments at this level for three years, plus the Fund balance at June 30, 2013, is expected to be sufficient to build an asset large enough to pay off the remaining liabilities, assuming continued investment income at approximately 1.5% of average cash balances. A $100 million assessment is similar in size to assessment levels over the past 5 years. The table below shows that the remaining cash balance at year-end 2022 is larger than the remaining payments. Building up a cash balance may also facilitate other options for extinguishing the remaining liability, such as a loss portfolio transfer.

We also show the present value ("PV"), using a 1.5% discount rate, of the remaining unpaid losses at each year end. The present value uses our anticipated payment patterns and the 1.5% discount rate was selected because it is close to the recent interest the Fund has earned on average cash balances. The 1.5% rate is between the current 7-year and 10-year Treasury bill rates, and therefore is close to a risk-free rate for long duration liabilities.

Table 10 – Option 2

3-Year Accelerated Assessments 2014-2016 ($000s)							
Fiscal Year Ending 6/30:	**Expected Collected Assessment**	**Adminis-trative Costs**	**Interest on Cash Balances**	**Total Paid Losses**	**Cash Balance Beginning**	**Cash Balance Ending**	**PV (1.5%) Year ending Unpaid Losses**
2013	$ 98,351	$ 835	$ 956	$ 46,586	$ 39,693	$ 91,673	$ 295,375
2014	100,000	800	1,801	44,209	91,673	148,465	255,267
2015	100,000	760	2,736	34,075	148,465	216,366	224,766
2016	100,000	720	3,820	26,542	216,366	292,925	201,398
2017		650	4,261	21,326	292,925	275,210	182,933
2018		620	4,024	17,233	275,210	261,381	168,316
2019		590	3,837	14,424	261,381	250,204	156,309
2020		560	3,683	12,417	250,204	240,910	146,144
2021		530	3,555	10,780	240,910	233,155	137,475
2022		500	3,447	9,666	233,155	226,436	129,799
	Remaining Unpaid			$155,646			
	Remaining Unfunded			$(70,791)			

Note that the remaining unpaid amount of $156 million is less than the cash balance of $226 million at year-end 2022. Our total paid loss estimate is based on a central expected liability estimate projected to June 30, 2013. Given the magnitude of the reserve and the uncertainty around continued long term medical payments, the actual paid amounts could be larger or smaller than our expectation, and this funding option does include some additional margin for claims emergence.

The administrative costs are similar to Option 1, but we have assumed a slight additional reduction in 2017 due to the elimination of assessment billing and collection.

This option would require that a significant Fund balance be securely maintained and invested to have enough funds on hand to pay all claims until they close.

During fiscal year 2016, we expect the cash balance will exceed the present value of the remaining unpaid losses.

Option 3: 5-Year Accelerated Assessment

While similar to Option 2, this option assumes a $60 million assessment per year for the next 5 years. As shown below, this option also is anticipated to provide sufficient assets to pay all claims, but it does not build a cash balance as quickly, and the assessment rate will be lower in each of the five years.

Table 11 – Option 3

5-Year Accelerated Assessments 2014-2018 ($000s)							
Fiscal Year Ending 6/30:	**Expected Collected Assessment**	**Adminis-trative Costs**	**Interest on Cash Balances**	**Total Paid Losses**	**Cash Balance Beginning**	**Cash Balance Ending**	**PV (1.5%) Year ending Unpaid Losses**
2013	$ 98,351	$ 835	$ 956	$ 46,586	$ 39,693	$ 91,673	$ 295,375
2014	60,000	800	1,499	44,209	91,673	108,163	255,267
2015	60,000	760	1,825	34,075	108,163	135,153	224,766
2016	60,000	720	2,290	26,542	135,153	170,182	201,398
2017	60,000	680	2,859	21,326	170,182	211,035	182,933
2018	60,000	650	3,508	17,233	211,035	256,660	168,316
2019		590	3,766	14,424	256,660	245,412	156,309
2020		560	3,611	12,417	245,412	236,046	146,144
2021		530	3,482	10,780	236,046	228,218	137,475
2022		500	3,372	9,666	228,218	221,424	129,799
	Remaining Unpaid			$155,646			
	Remaining Unfunded			$(65,779)			

While the total assessments are the same as Option 2 ($300 million) this option has a slightly lower expected cash balance at the end of 2022 due to lower total investment income. In addition, the administrative costs are slightly higher in 2017 and 2018 due to the costs of making assessments.

During fiscal year 2017 the cash balance is expected to exceed the present value of the remaining unpaid losses.

Option 4: Fixed Percentage Accelerated Assessment

Some carriers and self-insureds have expressed a desire to have greater predictability in the level of assessments. This option provides that by using a fixed 5% of normalized premium as the annual assessment for the next five years. The expected assessments are slightly lower than Option 3, but would be expected to continue for five years, if a 5% rate is used.

While this option provides greater predictability for each entity, there is slightly more uncertainty for the Fund. If there was a dramatic change in normalized premium for the state as a whole, the actual assessment collected could increase or decrease from this forecast. We estimated that normalized premium would increase at 0.5% per year, which has been the average change over the past six years.

Since at a 5% rate, we estimated the total assessment is slightly lower than Option 3, the cash balance is lower as well.

Table 12 – Option 4

5-Year Fixed Percentage Accelerated Assessments 2014-2018 ($000s)							
Fiscal Year Ending 6/30:	**Expected Collected Assessment**	**Adminis-trative Costs**	**Interest on Cash Balances**	**Total Paid Losses**	**Cash Balance Beginning**	**Cash Balance Ending**	**PV (1.5%) Year ending Unpaid Losses**
2013	$ 98,351	$ 835	$ 956	$ 46,586	$ 39,693	$ 91,673	$ 295,375
2014	51,125	800	1,432	44,209	91,673	99,221	255,267
2015	51,381	760	1,625	34,075	99,221	117,392	224,766
2016	51,638	722	1,958	26,542	117,392	143,724	201,398
2017	51,896	686	2,398	21,326	143,724	176,006	182,933
2018	52,155	652	2,919	17,233	176,006	213,195	168,316
2019	-	589	3,109	14,424	213,195	201,291	156,309
2020	-	560	2,944	12,417	201,291	191,258	146,144
2021	-	532	2,805	10,780	191,258	182,751	137,475
2022	-	505	2,685	9,666	182,751	175,265	129,799
	Remaining Unpaid			$155,646			
	Remaining Unfunded			$(19,619)			

With slightly lower anticipated assessments, the cash balance is not expected to exceed the present value of the remaining unpaid losses until 2018. However, the collected assessment could be larger than the forecast here.

Option 5: Negotiated "Buy Back" Settlement and Assessment

Set up a process to reach an agreement with each carrier or self-insured to "buy back" their claim(s) and no longer submit requests for reimbursement. These lump sum settlement amounts for all remaining open claims accepted by the Fund would be based on the claim specifics and the expected present value of future reimbursements. These negotiations should have a window in which they must be completed, perhaps six to twelve months, so that the funding level needed for negotiated settlements can be determined. Once settlement values are determined, use those amounts as the basis of a "final" assessment, and make payments for all negotiated settlements after assessing to have enough funds to pay the "buy backs". If agreement on a settlement value cannot be reached within the allotted time period, the claim reimbursement process would continue in its current method for the remaining claims. This plan could significantly accelerate the payment and closure of claims accepted by the Fund, but may not extinguish the entire liability.

This option would have a substantial impact on the expected cash outflows and total expected payments of the Fund, which are beyond the scope of this report. The option would also include significant administrative costs in reaching negotiated settlement values.

Option 6: Transfer of the Liability to the Reinsurance Market

The remaining liability of the Fund could be transferred to the reinsurance market through a Loss Portfolio Transfer (LPT). Generally, a reinsurer would require a reinsurance premium payment significantly greater than the estimated liability in order to provide a "risk premium" for the probability that losses may exceed expectations, as well as expense and profit considerations.

Purchase of an LPT may not relieve the Fund of all expense obligations. Negotiations with a reinsurer would include whether they would review the appropriateness of individual reimbursement requests (e.g. medical expense only for the second injury and in conformance with the medical fee schedule) from insurers and self-insurers or whether the Fund would retain that role. Even if the Fund retained that responsibility, the reinsurer may review any significant payments for appropriateness. The Fund also currently reviews settlement amounts with individual claimants, for appropriateness of those settlements. It would need to be determined if that review and implicit approval function would remain with the Fund or be transferred to the reinsurer.

In negotiation of appropriate premium with a reinsurer, historical information would need to be provided. In addition, the reinsurer may request individual claim file reviews at the insurer or self-insured to gain a better understanding of the liability assumed. Provision of such information may entail significant time or expense.

Exhibits

The accompanying exhibits provide the details of our analysis and should be considered an integral part of this study.

South Carolina Second Injury Fund
Workers Compensation
Reserve Analysis as of November 30, 2012

Summary of Ultimate Loss (000's)

	Ultimate Loss 11/30/12			Paid Loss 11/30/12			Unpaid Loss 11/30/12			Projected Paid Loss 6/30/13			Projected Unpaid Loss 6/30/13		
Fiscal Year	Imdemnity	Medical	Total	Imdemnity	Medical	Total	Imdemnity	Medical	Total	Imdemnity	Medical	Total	Imdemnity	Medical	Total
Prior	$ 161,228	$ 72,510	$ 233,738	$ 161,187	$ 61,491	$ 222,678	$ 41	$ 11,018	$ 11,059	$ 161,198	$ 61,898	$ 223,096	$ 30	$ 10,612	$ 10,642
1992	39,302	17,587	56,889	39,286	14,770	54,056	16	2,817	2,833	39,289	14,898	54,187	14	2,688	2,702
1993	37,221	17,697	54,918	37,199	14,719	51,918	21	2,978	3,000	37,202	14,820	52,022	18	2,878	2,896
1994	38,657	23,285	61,942	38,629	19,151	57,779	28	4,134	4,163	38,633	19,242	57,875	24	4,042	4,067
1995	45,017	25,434	70,452	44,977	20,656	65,633	40	4,778	4,819	44,983	20,701	65,684	34	4,733	4,767
1996	47,917	27,698	75,615	47,852	22,174	70,027	65	5,524	5,589	47,862	22,384	70,247	55	5,314	5,369
1997	47,485	27,398	74,883	47,424	21,611	69,035	61	5,788	5,849	47,433	21,745	69,178	52	5,653	5,705
1998	63,791	36,510	100,301	63,682	28,293	91,974	109	8,218	8,327	63,698	28,522	92,220	93	7,988	8,081
1999	73,229	44,288	117,517	73,015	33,568	106,583	214	10,719	10,934	73,047	33,936	106,983	182	10,352	10,534
2000	87,976	60,347	148,323	87,284	44,407	131,691	691	15,940	16,632	87,372	45,016	132,388	604	15,331	15,935
2001	114,887	80,083	194,971	113,277	56,950	170,227	1,610	23,133	24,743	113,653	57,743	171,396	1,234	22,341	23,575
2002	137,710	94,481	232,192	135,377	64,918	200,296	2,333	29,563	31,896	135,935	66,447	202,382	1,776	28,034	29,810
2003	137,319	93,941	231,260	134,664	61,984	196,648	2,654	31,958	34,612	135,328	63,121	198,449	1,990	30,820	32,811
2004	106,898	76,473	183,370	102,810	46,581	149,391	4,088	29,892	33,980	104,123	47,776	151,899	2,775	28,697	31,471
2005	70,006	46,827	116,833	64,224	25,627	89,850	5,783	21,200	26,983	65,380	26,740	92,120	4,626	20,087	24,714
2006	67,844	47,417	115,261	60,379	23,689	84,069	7,465	23,728	31,193	61,631	24,740	86,371	6,213	22,677	28,890
2007	58,275	37,670	95,945	49,051	15,983	65,034	9,224	21,687	30,911	50,404	17,540	67,945	7,871	20,130	28,000
2008	59,478	38,367	97,845	45,417	13,595	59,011	14,061	24,772	38,833	47,648	15,751	63,400	11,829	22,616	34,445
2009	30,505	20,508	51,013	21,197	6,465	27,662	9,309	14,042	23,351	22,691	7,711	30,402	7,814	12,797	20,611
2010	10,529	7,126	17,655	5,177	1,627	6,804	5,352	5,499	10,851	6,004	2,142	8,147	4,525	4,984	9,509
2011	8,534	5,779	14,313	679	216	895	7,855	5,563	13,418	1,624	906	2,530	6,911	4,872	11,783
Total	$ 1,443,809	$ 901,425	$ 2,345,234	$ 1,372,787	$ 598,474	$ 1,971,261	$ 71,022	$ 302,952	$ 373,974	$ 1,385,138	$ 613,780	$ 1,998,918	$ 58,671	$ 287,646	$ 346,316

* Note: Medical Loss Includes expenses

South Carolina Second Injury Fund
Workers Compensation
Reserve Analysis as of November 30, 2012

Summary of Ultimate Indemnity Loss (000's)

Report Year Ending 6/30:	Paid Indemnity as of 6/30/12	Paid Indemnity CDF	Paid Method Ultimate	Paid Indemnity as of 11/30/12	11/30/12 Paid CDF	Paid Method Ultimate	Ultimate Claims	Indicated Severity	Selected Severity	Frequency/Severity Ultimate	Indicated Accident Year Ultimate	Selected Ultimate Indemnity Loss	Ultimate Indemnity Severity	Indicated Unpaid Indemnity as of 6/30/12	Total Paid Indemnity as of 11/30/12	Indicated Unpaid Indemnity as of 11/30/12	Projected Paid Indemnity as of 6/30/13
Prior	161,180	1.0003	161,232	161,187	1.0003	161,228	21,856	7,377	7,377	161,228		161,228	7,377	47	161,187	41	161,198
1992	39,286	1.0005	39,305	39,286	1.0004	39,302	4,254	9,239	9,239	39,302		39,302	9,239	16	39,286	16	39,289
1993	37,199	1.0006	37,223	37,199	1.0006	37,221	4,419	8,423	8,423	37,221		37,221	8,423	21	37,199	21	37,202
1994	38,629	1.0008	38,660	38,629	1.0007	38,657	4,797	8,059	8,059	38,657		38,657	8,059	28	38,629	26	38,633
1995	44,977	1.0010	45,020	44,977	1.0009	45,017	5,735	7,850	7,850	45,017		45,017	7,850	40	44,977	40	44,983
1996	47,843	1.0011	47,895	47,852	1.0010	47,902	6,209	7,717	7,717	47,917		47,917	7,717	74	47,852	65	47,862
1997	47,424	1.0014	47,492	47,424	1.0013	47,485	6,332	7,499	7,499	47,485		47,485	7,499	61	47,424	61	47,433
1998	63,674	1.0016	63,778	63,682	1.0016	63,780	6,215	10,264	10,264	63,791		63,791	10,264	117	63,682	109	63,698
1999	72,984	1.0026	73,174	73,015	1.0022	73,174	6,710	10,913	10,913	73,229		73,229	10,913	245	73,015	214	73,047
2000	87,257	1.0035	87,564	87,284	1.0031	87,557	6,520	13,493	13,493	87,976		87,976	13,493	719	87,284	691	87,372
2001	113,222	1.0064	113,942	113,277	1.0051	113,860	8,055	14,263	14,263	114,887		114,887	14,263	1,665	113,277	1,610	113,653
2002	135,207	1.0117	135,783	135,377	1.0094	136,649	8,949	15,388	15,388	137,710		137,710	15,388	2,504	135,377	2,333	135,935
2003	134,176	1.0222	137,150	134,664	1.0177	137,041	8,419	16,311	16,311	137,319		137,319	16,311	3,142	134,664	2,654	135,328
2004	102,589	1.0532	108,048	102,810	1.0398	106,896	9,092	11,757	11,757	106,898		106,898	11,757	4,309	102,810	4,088	104,123
2005	63,803	1.0904	69,569	64,224	1.0742	68,989	8,876	7,771	8,000	71,024		70,006	7,885	6,204	64,224	5,763	65,380
2006	59,323	1.1425	67,765	60,379	1.1197	67,607	10,012	6,753	6,800	68,082		67,844	6,776	8,522	60,379	7,465	61,631
2007	47,902	1.2157	58,280	49,051	1.1839	58,070	8,011	7,249	7,300	58,480		58,275	7,274	10,373	49,051	9,224	50,404
2008	43,279	1.3561	58,690	45,417	1.2930	58,724	7,722	7,605	7,800	60,232		59,478	7,702	16,198	45,417	14,061	47,648
2009	19,713	1.6429	32,387	21,197	1.5087	31,980	3,456	9,253	8,400	29,030		30,505	8,827	10,792	21,197	9,309	22,891
2010	4,825	2.4063	11,610	5,177	2.0250	10,484	1,175	8,922	9,000	10,575		10,529	8,951	5,704	5,177	5,352	6,004
2011	675	6.5597	4,436	679	4.1112	2,791	889	3,140	9,600	8,534		8,534	9,600	7,859	679	7,855	1,624
Total	1,365,166		1,440,023	1,372,787		1,434,416	147,705			1,444,594	1,462,722	1,443,809	205,579	78,643	1,372,787	71,022	1,385,138

South Carolina Second Injury Fund
Workers Compensation
Reserve Analysis as of November 30, 2012
Report Year Evaluation

Paid Indemnity Loss ($000s)

Report Year Ending 6/30	12	24	36	48	60	72	84	96	108	120	132	144	156	168	180	192	204	216	228	240	252	264	276	300
1991	71,013	98,830	123,924	139,043	147,232	151,830	154,759	156,067	157,668	159,048	159,316	159,917	160,273	160,226	160,614	160,787	160,802	160,829	160,546	161,093	161,157	161,182	161,187	
1992	925	9,693	22,301	29,372	33,232	35,835	36,885	37,567	38,332	38,540	38,742	39,033	39,167	39,167	39,288	39,285	39,286	39,286	39,286	39,286	39,286	39,286		
1993	959	8,779	19,522	28,430	32,185	34,194	35,248	35,853	36,210	36,911	37,094	37,114	37,146	37,150	37,150	37,164	37,170	37,177	37,185	37,199	37,199			
1994	1,118	9,864	20,405	29,533	33,335	34,960	35,896	36,829	37,717	38,180	38,251	38,498	38,574	38,575	38,592	38,602	38,607	38,618	38,629	38,629				
1995	1,243	11,136	25,370	35,078	38,812	40,863	42,097	42,913	43,857	44,362	44,458	44,912	44,932	44,947	44,947	44,947	44,977	44,977	44,977					
1996	875	9,332	22,718	32,207	37,126	41,130	43,170	44,735	45,914	46,784	47,209	47,664	47,752	47,790	47,787	47,812	47,843	47,852						
1997	1,325	10,817	23,105	32,690	37,837	41,502	44,070	44,953	45,781	46,402	47,067	47,081	47,377	47,406	47,418	47,424	47,424							
1998	1,522	13,228	29,171	41,104	50,332	55,194	57,872	59,869	61,607	62,364	62,819	63,134	63,399	63,525	63,674	63,682								
1999	1,580	13,338	32,288	48,002	57,140	60,924	64,880	67,701	69,436	70,630	71,872	72,448	72,826	72,984	73,015									
2000	1,718	15,506	37,628	55,017	64,882	74,870	70,578	82,675	84,441	86,295	86,968	87,190	87,257	87,284										
2001	2,382	17,344	43,530	67,088	85,192	95,173	101,811	105,020	108,279	111,202	112,724	113,222	113,277											
2002	1,540	18,208	46,690	77,835	99,893	112,783	121,507	127,948	130,545	133,304	135,207	135,377												
2003	798	12,700	48,610	78,700	98,875	113,920	123,556	128,004	131,592	134,176	134,664													
2004	838	14,129	38,032	59,630	75,466	87,027	93,943	98,447	102,589	102,810														
2005	297	6,800	17,540	30,764	42,921	51,863	58,569	63,803	64,224															
2006	345	4,619	17,355	31,059	42,988	50,898	59,323	60,379																
2007	0	4,206	15,864	27,434	37,303	47,602	40,051																	
2008	360	4,633	14,780	30,026	43,279	45,417																		
2009	358	4,866	11,016	19,713	21,197																			
2010	65	1,717	4,825	5,177																				
2011	115	675	679																					

Age-to-Age Factors

Accident Yr	12 - 24	24 - 36	36 - 48	48 - 60	60 - 72	72 - 84	84 - 96	96 - 108	108 - 120	120 - 132	132 - 144	144 - 156	156 - 168	168 - 180	180 - 192	192 - 204	204 - 216	216 - 228	228 - 240	240 - 252	252 - 264	264 - 276	276 - 288	To Ult
1991	1.222	1.254	1.122	1.059	1.031	1.019	1.005	1.012	1.007	1.003	1.003	1.002	1.000	1.002	1.001	1.000	1.000	1.000	1.001	1.001	1.000	1.000		
1992	10.474	2.301	1.317	1.131	1.078	1.029	1.019	1.020	1.005	1.005	1.008	1.003	1.000	1.003	1.000	1.000	1.000	1.000	1.000	1.000	1.000			
1993	9.158	2.224	1.456	1.132	1.062	1.031	1.017	1.010	1.019	1.005	1.001	1.001	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000				
1994	8.824	2.069	1.447	1.129	1.049	1.027	1.026	1.024	1.012	1.002	1.006	1.002	1.000	1.000	1.000	1.000	1.000	1.000	1.000					
1995	8.957	2.251	1.399	1.101	1.053	1.035	1.019	1.022	1.012	1.002	1.010	1.000	1.000	1.000	1.000	1.001	1.000	1.000						
1996	10.666	2.434	1.418	1.153	1.108	1.050	1.036	1.024	1.021	1.009	1.010	1.002	1.001	1.000	1.001	1.001	1.000							
1997	8.164	2.136	1.415	1.157	1.097	1.062	1.020	1.018	1.014	1.014	1.001	1.006	1.001	1.000	1.000	1.000								
1998	8.694	2.205	1.409	1.225	1.097	1.049	1.035	1.029	1.012	1.007	1.005	1.004	1.002	1.002	1.000									
1999	8.444	2.421	1.487	1.190	1.066	1.065	1.044	1.026	1.016	1.018	1.008	1.005	1.002	1.000										
2000	9.025	2.427	1.462	1.179	1.154	1.063	1.039	1.021	1.022	1.008	1.002	1.001	1.000											
2001	7.281	2.511	1.540	1.270	1.117	1.068	1.034	1.031	1.027	1.014	1.004	1.000												
2002	11.824	2.564	1.669	1.282	1.129	1.077	1.053	1.020	1.021	1.014	1.001													
2003	15.908	3.828	1.619	1.256	1.152	1.085	1.036	1.028	1.020	1.004														
2004	16.861	2.692	1.568	1.266	1.153	1.079	1.048	1.042	1.002															
2005	22.903	2.577	1.754	1.398	1.208	1.131	1.088	1.007																
2006	13.374	3.757	1.790	1.304	1.186	1.165	1.018																	
2007		3.772	1.729	1.360	1.284	1.024																		
2008	12.851	3.190	2.032	1.441	1.049																			
2009	13.611	2.264	1.790	1.075																				
2010	26.518	2.811	1.072																					
2011	5.894	1.006																						

Averages Ex Ante 1

	12 - 24	24 - 36	36 - 48	48 - 60	60 - 72	72 - 84	84 - 96	96 - 108	108 - 120	120 - 132	132 - 144	144 - 156	156 - 168	168 - 180	180 - 192	192 - 204	204 - 216	216 - 228	228 - 240	240 - 252	252 - 264	264 - 276	276 - 288	To Ult
Simple Avg																								
Latest 3	15.341	2.755	1.850	1.395	1.228	1.125	1.057	1.030	1.023	1.012	1.005	1.003	1.002	1.001	1.000	1.000	1.000	1.000	1.001	1.000	1.000			
Latest 5	14.718	3.159	1.819	1.369	1.197	1.107	1.052	1.029	1.021	1.012	1.004	1.004	1.001	1.001	1.000	1.000	1.000	1.000	1.001	1.000	1.000			
Medial Avg																								
Latest 5x1	13.231	3.253	1.778	1.380	1.193	1.098	1.045	1.027	1.021	1.012	1.004	1.004	1.001	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000			
Volume Wtd																								
All Yrs	3.202	2.120	1.465	1.212	1.115	1.085	1.035	1.024	1.017	1.009	1.005	1.003	1.001	1.001	1.001	1.000	1.000	1.000	1.001	1.000	1.000			
Latest 3	13.520	2.730	1.852	1.398	1.224	1.116	1.051	1.029	1.022	1.012	1.005	1.003	1.002	1.001	1.000	1.001	1.000	1.000	1.001	1.000	1.000			
Latest 5	13.251	3.186	1.816	1.352	1.162	1.097	1.048	1.028	1.021	1.013	1.004	1.003	1.001	1.001	1.000	1.000	1.000	1.000	1.001	1.000	1.000			
1992-2003	8.391	2.475	1.496	1.204	1.108	1.061	1.035	1.024	1.019	1.010	1.005	1.003	1.001	1.001	1.003	1.000	1.000	1.000	1.0002					
2004-2009	16.606	3.011	1.727	1.357	1.197	1.116	1.063	1.042																

Development Factor Selection

	12 - 24	24 - 36	36 - 48	48 - 60	60 - 72	72 - 84	84 - 96	96 - 108	108 - 120	120 - 132	132 - 144	144 - 156	156 - 168	168 - 180	180 - 192	192 - 204	204 - 216	216 - 228	228 - 240	240 - 252	252 - 264	264 - 276	276 - 288	To Ult
Selected	13.251	2.730	1.465	1.212	1.115	1.065	1.046	1.035	1.024	1.010	1.005	1.003	1.001	1.001	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Selected Result	13.251	2.730	1.465	1.212	1.115	1.065	1.048	1.035	1.024	1.010	1.005	1.003	1.001	1.001	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Fac to Ult	57.058	6.570	2.406	1.643	1.356	1.217	1.143	1.090	1.053	1.022	1.012	1.006	1.004	1.003	1.002	1.001	1.001	1.001	1.001	1.001	1.000	1.000	1.000	1.000
Percent of Ult	0.011	0.152	0.416	0.609	0.737	0.822	0.875	0.917	0.949	0.978	0.988	0.994	0.996	0.997	0.998	0.999	0.999	0.999	0.999	0.999	1.000	1.000	1.000	1.000

PLAN
Second Injury Fund Closure

1. Introduction

SC Code Section 42-7-320 terminates the programs and appropriations of the Second Injury Fund effective July 1, 2013 and charges the Budget and Control Board with providing for: (a) the payment of liabilities of the Fund remaining after June 30, 2013, using a mechanism or mechanisms that are determined reasonably necessary to fund the liabilities and (b) appropriate staffing until staff services are no longer required to administer the obligations of the Fund.

In addition, effective July 1, 2013 SC Code Section 42-7-200 establishes the South Carolina Workers' Compensation Uninsured Employers' Fund within the State Accident Fund and transfers all functions related to the Uninsured Employers' Fund from the Second Injury Fund to the State Accident Fund in accordance with the Budget and Control Board's plan for closure of the Second Injury Fund.

To meet its statutory responsibilities the Budget and Control Board adopts the following plan.

2.0 Plan

2.1 Designation of Agency to Administer Remaining Liabilities

Upon the termination of the Second Injury Fund July 1, 2013, the Budget and Control Board shall administer the winding down of affairs of the Second Injury Fund and payment of its remaining liabilities as provided in this plan.

2.2 Transfer of Second Injury Fund Accounts, Assets and Liabilities

In order for the Board to administer the wind down and remaining liabilities, the Second Injury Fund Trust and Administration accounts (Funds 4260 and 4799) together with their associated assets and liabilities, shall be transferred from the Second Injury Fund (R160) to the Budget and Control Board (F030). The Budget and Control Board shall coordinate processing transfers and establishing general ledger accounts within the Board with the Comptroller General and State Treasurer.

The funds shall be transferred and general ledger accounts established under the Board as soon as practicable after FY 2012-2013 closing transactions are processed. The transferred funds shall continue to be held as separate and distinct trust accounts.

Because the Second Injury Fund terminates July 1, 2013, the Board is authorized to act on behalf of the former Second Injury Fund to process its FY 2013 closing transactions and appropriately record the transactions. The Division of State Budget shall provide the Second Injury Fund and Budget and Control Board, as appropriate, other fund spending authority equal to the amount of any remaining administrative expenditures associated with closing the Second Injury Fund, if needed and adequately documented.

2.3 Administration and Use of Funds

The Budget and Control Board shall use funds transferred according to paragraph 2.2, along with additions generated from assessments and earnings, to satisfy the remaining liabilities of the Second Injury Fund and pay expenses necessary to the performance of this and related responsibilities. The executive director of the Budget and Control Board or his or her designee is authorized to employ staff as needed for these purposes.

2.4 Mechanisms for Funding Liabilities and Administrative Costs after June 30, 2013

Unless modified in accordance with the provisions of paragraph 2.6, beginning FY 2014 and continuing through FY 2018, the mechanism for funding payment and administration of Second Injury Fund obligations is by:

(a) equitable assessments upon each carrier, which shall make annual payments to the fund in an amount equal to that proportion of sixty million dollars ($60,000,000) which the normalized premium of each carrier bore to the normalized premium of all carriers during the preceding calendar year. Each insurance carrier, self-insurer, and the State Accident Fund shall make payment based upon workers' compensation normalized premiums during the preceding calendar year. The charge to each insurance carrier is a charge based upon normalized premiums. An employer who has ceased to be a self-insurer continues to be liable for any assessments into the fund on account of any benefits paid by him during such calendar year. Any assessment levied or established in accordance with this section constitutes a personal debt of every employer or insurance carrier so assessed and is due and payable when payment is called for by the Budget and Control Board. In the event of failure to pay any assessment upon the date determined, the employer or insurance carrier immediately may be assessed a penalty in an amount not exceeding ten percent of the unpaid assessment. If the employer or insurance carrier fails to pay the assessment and penalty, they shall be barred from any recovery from the fund on all claims without exception until the assessment and penalty are paid in full. The executive director of the Budget and Control Board or his or her designee may file a complaint for collection against the employer or insurance carrier in a court of competent jurisdiction for the assessment, penalty, and interest at the legal rate, and the employer/carrier is responsible for the Budget and Control Board's attorney's fees and costs. The penalty and interest under this subsection are payable to the Budget and Control Board for deposit to the Second Injury Fund (Fund 4260). At the time of the filing of the complaint, the Budget and Control Board also shall notify the South Carolina Department of Insurance and the South Carolina Workers' Compensation Commission for appropriate legal and administrative action.

(b) For purposes of this Plan, "carrier" is defined as the State Accident Fund and any person or fund authorized to insure workers' compensation liability under Title 42 of the SC Code of Laws, including self-insurers.

(c) For purposes of this Plan, "normalized premium" is defined as gross paid losses before salvage and subrogation times a factor representing normalized expenses. Normalized expenses include taxes, licenses, fees, general expenses, profit, contingencies, and other expenses as reported on the Insurance Expense Exhibit of the NAIC Annual Statement blank. This normalized expense factor is computed annually by the Workers' Compensation Commission by August first of each year and is based upon aggregate expense information obtained from the Department of Insurance derived from insurers' most recently filed annual statements.

2.5 Actuarial Valuation(s)

The executive director of the Budget and Control Board or his or her designee shall cause to be conducted an actuarial valuation of the Fund's remaining liabilities and funding based on data as of June 30, 2014, and at such other times as the executive director or designee determine appropriate, but not less than every two years. Actuarial valuations shall be conducted to determine if: (a) funding as provided in paragraph 2.4 is adequate to generate sufficient funds by fiscal year end 2018 to satisfy the Fund's remaining liabilities without further assessment, (b) sufficient funding has been accumulated to transfer the Fund's remaining liabilities and administration to a third party at a more economical cost than continuing assessments as provided in paragraph 2.4, or (c) funds are being generated in excess of the amount reasonably needed to satisfy the Fund's liabilities and administrative cost.

2.6 Termination or Revision of Funding

The executive director of the Budget and Control Board or designee must advise the five member Budget and Control Board, as appropriate, if an actuarial valuation indicates funding generated in accordance with paragraph 2.4: (a) is insufficient to satisfy the Fund's liabilities by fiscal year end 2018 without further assessment, (b) has reached or is projected to reach a balance potentially sufficient to transfer the Fund's remaining liabilities and administration to a third party at a more economical cost, or (c) will produce funding exceeding the amount needed to satisfy Fund liabilities and administrative cost. The Board shall take such action as it considers appropriate to modify the funding mechanism, amount or duration, to suspend or terminate the assessment, or to cause a transfer of liabilities or administration or both to a third party.

2.7 Rebate of Excess Assessments

If funds derived from the Second Injury Fund assessment remain after all of the Fund's liabilities and expenses are extinguished or satisfied, the remaining funds shall be returned to those who paid a Second Injury Fund assessment. The amount rebated to each carrier, self-insurer and the State Accident Fund shall be determined by the percentage of the total assessment each paid. For purposes of a rebate, "total assessment" means the aggregate assessment during the last fiscal year in which assessments are collected. For purposes of determining the "total assessment" and share due each carrier, self-insurer and the State Accident Fund, the rebate shall be based upon amounts actually paid and received as Second Injury Fund assessments during the relevant fiscal year.

2.8 Uninsured Employers' Fund

Pursuant to section 42-7-200, effective July 1, 2013 the powers, duties, obligations and responsibilities of the Second Injury Fund that relate to the South Carolina Workers' Compensation Uninsured Employers' Fund are devolved upon the South Carolina Workers' Compensation Uninsured Employers' Fund within the State Accident Fund. In addition, in accordance with this plan's closure of the state agency administering the Second Injury Fund and Uninsured Employers' Fund, and by operation of section 42-7-200, all functions within the Second Injury Fund related to the Uninsured Employers' Fund, including all allied, advisory, affiliated, or related entities, as well as employees, funds, property, and all contractual rights and obligations associated with the Uninsured Employer' Fund are transferred to the Uninsured Employers' Fund within the State Accident Fund. The following positions, along with the employees, are associated with the Uninsured Employers' Fund and transferred pursuant to section 42-7-200: Administrative Assistant 60025625; Administrative Assistant 60025637; Insurance Claims Examiner 60025634; Insurance Claims Examiner 60025632; Claims Analyst I 60025635; Claims Analyst I 60025628; Attorney II 60025640; Attorney III 60025636; Administrative Coordinator I 60025547; Administrative Manager I 60025641; Administrative Coordinator II 60025546; Administrative Specialist II 60025626; Administrative Manager I 60025630; Administrative Specialist II 60025548; and Program Manager II 60025642.

SECOND INJURY FUND

SECTION 42-7-310. Establishment, purpose, administration, funding and staff of Second Injury Fund.

(a) There is hereby established, under the Budget and Control Board, the Second Injury Fund for the purpose of making payments in accordance with the provisions of Section 42-9-400, Section 42-9-410, and this section. The fund shall be administered by a director appointed by the State Budget and Control Board. The State Treasurer shall be the custodian of the fund, and all monies and securities in the fund shall be held in a separate and distinct trust account by the State Treasurer.

(b) Disbursements from the fund shall be made with the approval of the director by forwarding a disbursement voucher, along with an itemized statement of payments and such other information as may be necessary to justify payment, to the Comptroller General who shall issue his warrant upon the State Treasurer in payment of the disbursement request.

Agreements to reimburse an employer or his carrier for compensation or medical benefits as provided in Section 42-9-400 or 42-9-410 shall be forwarded to the commission for approval. If approved and unappealed, such agreements shall be binding in the same manner as other orders, decisions, or awards of the commission.

When awards are made under Section 42-9-400 or 42-9-410 by the commission, it shall transmit to the director of the fund an official copy of such awards which shall contain the name of the employer, carrier, and employee to whom benefits were originally paid, an itemized statement of payments, and such other information as may be necessary to constitute a full record of the case. Upon the receipt of such official award, the director of the fund, if he approves the award, shall forward a disbursement voucher, along with an official copy, to the Comptroller General who shall issue his warrant upon the State Treasurer in payment of the claim. If the director intends to litigate or otherwise contest the award, he shall notify the commission of such intention. Any questions or controversies arising under this subsection shall be decided by the commission in the procedural manner now provided under this title.

(c) The original funding of the Second Injury Fund shall be in a manner as follows:

(1) From the State Accident Fund, the State Treasurer is hereby authorized and directed to transfer one hundred thousand dollars to be deposited in the Second Injury Fund.

(2) The State Treasurer is hereby authorized and directed to deposit in the Second Injury Fund one third of the workers' compensation premium tax.

(3) The State Treasurer shall deposit to the account of the Second Injury Fund the money authorized paid to the Workers' Compensation Commission under Section 42-9-140.

(d) The funding of the Division of the Second Injury Fund on a continuing basis is by:

(1) deposits to the account of the fund by the State Treasurer of those monies authorized to be paid to the Workers' Compensation Commission under Section 42-9-140; and

(2) equitable assessments upon each carrier which, as used in this section, includes all insurance carriers, self-insurers, and the State Accident Fund. Each carrier shall make payments to the fund in an amount equal to that proportion of one hundred thirty-five percent of the total disbursement made from the fund during the preceding fiscal year less the amount of net assets in the fund as of June thirtieth of the preceding fiscal year which the normalized premium of each carrier bore to the normalized premium of all carriers during the preceding calendar year. Each insurance carrier, self-insurer, and the State Accident Fund shall make payment based upon workers' compensation normalized premiums during the preceding calendar year. The charge to each insurance carrier is a charge based upon normalized premiums. An employer who has ceased to be a self-insurer shall continue to be liable for any assessments into the fund on account of any benefits paid by him during such calendar year. Any assessment levied or established in accordance with this section constitutes a personal debt of every employer or insurance carrier so assessed and is due and payable to the Second Injury Fund when payment is called for by the fund. In the event of failure to pay any assessment upon the date determined by the fund, the employer or insurance carrier immediately may be assessed a penalty in an amount not exceeding ten percent of the unpaid assessment. If the employer or insurance carrier fails to pay the

assessment and penalty, they shall be barred from any recovery from the fund on all claims without exception until the assessment and penalty are paid in full. The director may file a complaint for collection against the employer or insurance carrier in a court of competent jurisdiction for the assessment, penalty, and interest at the legal rate, and the employer/carrier is responsible for attorney's fees and costs. The penalty and interest under this subsection are payable to the Second Injury Fund. At the time of the filing of the complaint, the fund also shall notify the South Carolina Department of Insurance and the South Carolina Workers' Compensation Commission, and these government agencies shall take the appropriate legal and administrative action immediately.

(3) "Normalized premium" is defined as gross paid losses before salvage and subrogation times a factor representing normalized expenses. Normalized expenses include taxes, licenses, fees, general expenses, profit, contingencies, and other expenses as reported on the Insurance Expense Exhibit of the NAIC Annual Statement blank. This normalized expense factor shall be computed annually by the Workers' Compensation Commission by August first of each year and must be based upon aggregate expense information obtained from the Department of Insurance derived from insurers' most recently filed annual statements.

(e) The director shall be authorized to employ necessary staff for administering the fund, and the monies necessary for administration of the fund shall be paid out of the fund. In furtherance of this purpose, the Attorney General shall appoint a member of his staff to represent the fund in all proceedings brought to enforce claims against the fund.

HISTORY: 1962 Code Section 72-602; 1972 (57) 2578; 1973 (58) 623; 1974 (58) 2237; 1976 Act No. 615; 1977 Act No. 24 Section 1; 1982 Act No. 276; 1988 Act No. 295, eff February 2, 1988; 1993 Act No. 181, Section 995, eff July 1, 1993; 2000 Act No. 364, Section 1, eff June 14, 2000; 2003 Act No. 73, Section 21, eff June 25, 2003; 2007 Act No. 111, Pt II, Section 2, eff July 1, 2007, applicable to injuries that occur on or after that date.

SECTION 42-7-320. Termination of Second Injury Fund; schedule.

(A) Except as otherwise provided in this section, on and after July 1, 2013, the programs and appropriations of the Second Injury Fund are terminated. The State Budget and Control Board must provide for the efficient and expeditious closure of the fund with the orderly winding down of the affairs of the fund so that the remaining liabilities of the fund are paid utilizing assessments, accelerated assessments, annuities, loss portfolio transfers, or such other mechanisms as are reasonably determined necessary to fund any remaining liabilities of the fund. The Department of Insurance and the Workers' Compensation Commission may submit comments and suggestions to be considered by the State Budget and Control Board in planning for the closure of the fund. The State Budget and Control Board shall cause all necessary actions to be taken to provide appropriate staffing of the fund until such time as the staff services are no longer required to administer the obligations of the fund. The fund's administrative costs, including employee salaries and benefits, shall be paid from the Second Injury Fund Trust if the interest from the trust becomes insufficient to pay these obligations.

(B) After December 31, 2011, the Second Injury Fund shall not accept a claim for reimbursement from any employer, self-insurer, or insurance carrier. The fund shall not consider a claim for reimbursement for an injury that occurs on or after July 1, 2008.

(1) An employer, self-insurer, or insurance carrier must notify the Second Injury Fund of a potential claim by December 31, 2010. Failure to submit notice by December 31, 2010, shall bar an employer, self-insurer, or insurance carrier from recovery from the fund.

(2) An employer, self-insurer, or insurance carrier must submit all required information for consideration of accepting a claim to the Second Injury Fund by June 30, 2011. Failure to submit all required information to the fund by June 30, 2011, so that the claim can be accepted, compromised, or denied shall bar an employer, self-insurer, or insurance carrier from recovery from the fund.

(3) Insurance carriers, self-insurers, and the State Accident Fund remain liable for Second Injury Fund assessments, as determined by the State Budget and Control Board, in order to pay accepted claims. The fund shall continue reimbursing employers and insurance carriers for claims accepted by the fund on or before December 31, 2011.

HISTORY: 2007 Act No. 111, Pt II, Section 5, eff July 1, 2007, applicable to injuries that occur on or after that date.

SECTION 42-7-200. Workers' Compensation Uninsured Employers' Fund; claims; collection powers; reimbursement agreements; funding.

(A)(1) There is hereby established, within the office of the Second Injury Fund, the South Carolina Workers' Compensation Uninsured Employers' Fund. This fund is created to ensure payment of workers' compensation benefits to injured employees whose employers have failed to acquire necessary coverage for employees in accordance with provisions of this section. The fund must be administered by the Director of the Second Injury Fund, who shall establish procedures to implement this section, until June 30, 2013. Effective July 1, 2013, all functions within the Second Injury Fund related to the Uninsured Employers' Fund, including all allied, advisory, affiliated, or related entities, as well as the employees, funds, property, and all contractual rights and obligations associated with the Uninsured Employers' Fund, is transferred to the South Carolina Workers' Compensation Uninsured Employers' Fund, and all powers, duties, obligations, and responsibilities of the Second Injury Fund that relate to the Uninsured Employers' Fund are devolved upon the South Carolina Workers' Compensation Uninsured Employers' Fund in accordance with the State Budget and Control Board's plan for the closure of the Second Injury Fund. This item is effective until July 1, 2013.

(2) There is hereby established, within the office of the State Accident Fund, the South Carolina Workers' Compensation Uninsured Employers' Fund. This fund is created to ensure payment of workers' compensation benefits to injured employees whose employers have failed to acquire necessary coverage for employees in accordance with provisions of this section. The fund must be administered by the Director of the State Accident Fund, who shall establish procedures to implement this section. This item is effective as of July 1, 2013.

(B) When an employee makes a claim for benefits pursuant to Title 42 and the State Workers' Compensation Commission determines that the employer is subject to Title 42 and is operating without insurance or as an unqualified self-insurer, the commission shall notify the fund of the claim. The fund shall pay or defend the claim as it considers necessary in accordance with the provisions of Title 42.

(C) When the fund is notified of a claim, the fund may place a lien on the assets of the employer by way of lis pendens or otherwise so as to protect the fund from payments of costs and benefits. If the fund is required to incur costs or expenses or to pay benefits, the fund has a lien against the assets of the employer to the full extent of all costs, expenses, and benefits paid and may file notice of the lien with the clerk of court or register of deeds of any county in which the employer has assets in the same manner as the filing of South Carolina tax liens and with the Secretary of State in the same manner as utilized under Title 36 (Uniform Commercial Code). Any of the employer's assets sold or conveyed during the litigation of the claim must be sold or conveyed subject to the lien.

(D) The fund has all rights of attachment set forth in Section 15-19-10 and has the right to proceed otherwise in the collection of its lien in the same manner as the Department of Revenue is allowed to enforce a collection of taxes generally pursuant to Section 12-49-10, et seq. When all benefits due the claimant, as well as all expenses and costs of litigation, have been paid, the fund shall file notice of the total of all monies paid with the clerk of court in any county in which the employer has assets and with the Secretary of State. This notice constitutes a judgment against the employer and has priority as a first lien in the same manner as liens of the Department of Revenue, subject only to the lien of the Department of Revenue pursuant to Section 12-49-10, et seq. If the employer files for bankruptcy or otherwise is placed into receivership, the fund becomes a secured creditor to the assets of the employer in the same manner as the Department of Revenue has priority for unpaid taxes, subject only to the lien of the Department of Revenue. The fund otherwise has all rights and remedies afforded the Department of Revenue as set forth in Section 12-54-10, et seq.

(E) Nothing in this section precludes the South Carolina Workers' Compensation Uninsured Employers' Fund from entering into an agreement for the reimbursement of expenses, costs, or benefits paid by the fund. If an agreement is entered into subsequent to the filing of a lien, the lien may be canceled by the fund. Provided, however, an agreement between the fund and an employer under this section may provide that in the event the employer breaches the terms or conditions of the agreement, the fund may file or reinstate a lien, as the case may be. For purposes of this section, the term "costs" includes reasonable administrative costs which must be set by the director of the fund, subject to the approval of the Workers' Compensation Commission.

(F) To establish and maintain the South Carolina Workers' Compensation Uninsured Employers' Fund, there must be earmarked from the collections of the tax on insurance carriers and self-insured persons provided for in Sections 38-7-50 and 42-5-190 an amount sufficient to establish and annually maintain the fund at a level of not less than two hundred thousand dollars. In addition, the State Treasurer may deposit to the account of the fund monies authorized to be paid to the Workers' Compensation Commission under Section 42-9-140 upon determination additional funds are needed for the operation of the fund.

(G) When an employee makes a claim for benefits pursuant to Title 42 and the records of the South Carolina Workers' Compensation Commission indicate that the employer is operating without insurance, the South Carolina Workers' Compensation Uninsured Employers' Fund or any person designated by the director may subpoena the employer or its agents and require the production of any documents or records which the fund considers relevant to its investigation of the claim. The subpoena shall be returnable at the office of the fund or any place designated by it. In the case of refusal to obey a subpoena issued to any person or agent of any employer, a court of common pleas upon application of the fund may issue an order requiring the person or agent of an employer to appear at the fund and produce documentary evidence or give other evidence concerning the matter under inquiry.

HISTORY: 1982 Act No. 286; 1987 Act No. 155, Section 22, eff January 1, 1988; 1989 Act No. 54, Section 1, eff April 24, 1989; 1990 Act No. 589, Section 2, eff June 12, 1990; 1993 Act No. 181, Section 994, eff July 1, 1993; 1994 Act No. 459, Section 1, eff June 16, 1994; 2007 Act No. 111, Pt II, Section 4, eff July 1, 2007, applicable to injuries that occur on or after that date.

STATE BUDGET AND CONTROL BOARD

MEETING OF May 8, 2013

REGULAR SESSION

ITEM NUMBER 2

AGENCY: Governor's Office

SUBJECT: Request for Proposals for Identity Theft Protection Service

The Budget and Control Board is requested to authorize and direct the Executive Director and the Procurement Services Division to develop a request for proposals (RFP) for identity theft protection services, to include identity theft resolution services to the extent resolution services are not otherwise included in protection services. In developing the RFP, the Executive Director and the Procurement Services Division should consider, among other things, the inclusion of terms to provide for:

1) A multi-year contract term, not to exceed five years.

2) A request that offerors provide, to the extent permissible, a process to effectuate the transfer of individuals receiving credit monitoring services under the Department of Revenue's current credit monitoring agreement to an awarded contract for identity theft protection services.

3) A request that offerors provide, to the extent permissible, a process to effectuate the efficient enrollment of participants, which may include a mechanism to enable the Department of Revenue to enroll participants in identity theft protection services rather than requiring participants to engage in all such enrollment activities.

Upon completion of the development of the RFP, the Executive Director shall report to the Board. The RFP would be issued upon approval of the Board and subject to the availability of funds authorized for this purpose. The RFP would be conducted pursuant to the South Carolina Consolidated Procurement Code.

BOARD ACTION REQUESTED:

Authorize and direct the Executive Director and the Procurement Services Division to develop a request for proposals (RFP) for identity theft protection services, to include identity theft resolution services to the extent resolution services are not otherwise included in protection services. In developing the RFP, the Executive Director and the Procurement Services Division should consider, among other things, the inclusion of terms to provide for:

1) A multi-year contract term, not to exceed five years.

AGENCY: Governor's Office

SUBJECT: Request for Proposals for Identity Theft Protection Services

2) A request that offerors provide, to the extent permissible, a process to effectuate the transfer of individuals receiving credit monitoring services under the Department of Revenue's current credit monitoring agreement to an awarded contract for identity theft protection services.

3) A request that offerors provide, to the extent permissible, a process to effectuate the efficient enrollment of participants, which may include a mechanism to enable the Department of Revenue to enroll participants in identity theft protection services rather than requiring participants to engage in all such enrollment activities.

Upon completion of the development of the RFP, the Executive Director shall report to the Board. The RFP would be issued upon approval of the Board and subject to the availability of funds authorized for this purpose. The RFP would be conducted pursuant to the South Carolina Consolidated Procurement Code.

ATTACHMENTS:

STATE BUDGET AND CONTROL BOARD

MEETING OF May 8, 2013

REGULAR SESSION

ITEM NUMBER 3

AGENCY: Division of State Information Technology

SUBJECT: Presentation of Deloitte and Touche, LLP, Interim Recommendations

Deloitte and Touche, LLP, will provide a presentation on the interim recommendations for the Statewide Information Security project awarded on March 22, 2013.

BOARD ACTION REQUESTED:

Receive as information interim recommendations from Deloitte and Touche, LLP, regarding the Statewide Information Security project awarded on March 22, 2013.

ATTACHMENTS:

STATE BUDGET AND CONTROL BOARD
MEETING OF May 8, 2013

REGULAR SESSION
ITEM NUMBER 4

AGENCY: Division of General Services

SUBJECT: Patriots Point Development Authority Lease-out to The Medal of Honor (MOH) Museum Foundation, LLC

The Medal of Honor Museum is currently located on the Carrier USS Yorktown at Patriots Point, and The Medal of Honor Museum Foundation is seeking to build a permanent structure for housing the Medal of Honor Museum on the Patriots Point property while the stories of the 81 surviving Medal of Honor recipients can still be collected.

The Patriots Point Naval and Maritime Museum Foundation, which supports the Naval and Maritime Museum at Patriots Point, previously paid for and obtained various studies associated with the development of approximately 36 acres at Patriots Point.

The Medal of Honor Museum Foundation is seeking to lease (under a lease agreement for the Museum Parcel and an Option and Lease Agreement for the Commercial Parcel) approximately 14 acres of waterfront property at Patriots Point, of which approximately 7 acres ("Museum Parcel") will be used for the Medal of Honor Museum and approximately 7 acres ("Commercial Parcel") will be subleased for commercial mixed use development to provide funds to support the Medal of Honor Museum and The Medal of Honor Museum Foundation. The Medal of Honor Museum Foundation is a new South Carolina non-profit corporation taking the place of the MOH Museum Foundation, LLC. The Town of Mt. Pleasant Town Council has resolved to spend approximately $2,000,000 to relocate a portion of Patriots Point Road to allow the existing road bed to be added to Patriots Point land to create the approximately 14 acres. The exact size and configuration of the two parcels and the road will not be known until the engineering is completed.

The terms of the Museum Parcel Lease are as follows:

- The lease will commence on July 1, 2013 and expire on June 30, 2113.
- Rent will be $1.00 per year.
- Before the First Anniversary of Commencement Date, the Tenant must qualify as a 501(c)(3) organization and must have engaged personnel to raise five million dollars ($5,000,000).
- Before the last day of the eighteenth month (including the month of the Commencement Date) following the Commencement Date of the Lease, five million dollars ($5,000,000) shall have been raised in cash or in verifiable commitments.
- Before the Second Anniversary of the Commencement Date, the Tenant must have implemented a capital campaign to raise $125 million or another appropriate amount and have completed detailed plans for the Medal of Honor Museum.
- Before the Seventh Anniversary of the Commencement Date, the Tenant must have completed the capital campaign, have the funds available for construction of the Medal of Honor Museum, and have "Commenced Construction" of the Medal of Honor (MOH) Museum.
- Before the Tenth Anniversary of the Commencement Date, the Tenant must have completed construction and be operational.

AGENCY: Division of General Services

SUBJECT: Patriots Point Development Authority Lease-out to the Medal of Honor (MOH) Museum Foundation, LLC

The terms of the Commercial Parcel Option and Lease are as follows:

- The Option and Lease will commence on July 1, 2013 and expire on June 30, 2113. From the Commencement Date of the Option and Lease to the Seventh Anniversary of the Commencement Date, Tenant has the option to lease the MOH Commercial Parcel. If the MOH Museum Parcel Lease is terminated before the option is exercised, the option terminates. If the option has not been exercised by the 7th anniversary of the Commencement Date, the option terminates.

- For the first ten years from the Commencement Date, Tenant shall pay the sum of Base Rent and Percentage Rent. For each Lease Year commencing after June 30, 2023, the rent to be paid by the Tenant is the greater of (i) the sum of Base Rent and Percentage Rent, or (ii) Fair Market Rent. If the option is exercised and the MOH Commercial Parcel is not fully developed by July 1, 2023, Fair Market Rent commences for the entire parcel.

- The Base Rent for the first Lease Year is 60% of the Tenant's annual projected rent revenues to Landlord for the first full year after the improvements to be constructed are completed and operational, or the first full year after the first phase of improvements to be constructed is completed and operational, as applicable. For the second and each subsequent Lease Year, Base Rent is 60% of the sum of Base Rent and Percentage Rent paid or payable during the previous Lease Year. Base Rent never decreases and can be redetermined for the fifty-first Lease Year.

- Percentage Rent commences as phases are developed and kicks in for each phase after that phase's deadline for completion. Percentage Rent is based on varying percentages of Tenant's different income streams from the MOH Commercial Development. Percentage Rent is calculated after each Lease Year and the difference between Percentage Rent and Base Rent must be paid by Tenant to Landlord. Base Rent never decreases.

- Fair Market Rent for the Premises is determined within 6 months of the Commencement Date by agreement or by the appraisal process set forth. Fair Market Rent increases each Lease Year by 3%. These increases occur regardless of whether Tenant has exercised its option with regard to the MOH Commercial Parcel. The Fair Market Rent determined in 2013 will be increased by 3% each year so that when Fair Market Rent begins in the eleventh Lease Year it will have increased 3% in each of ten Lease Years.

- The Lease requires the Tenant to go through a master planning process to ensure that the Tenant constructs what the Tenant contractually commits to construct and that the Authority is satisfied with the design and is limited to the Medal of Honor Museum, a conference center, hotels, general retail, restaurants and other entertainment, a parking facility, office, and uses related to any of the foregoing.

AGENCY: Division of General Services

SUBJECT: Patriots Point Development Authority Lease-out to the Medal of Honor (MOH) Museum Foundation, LLC

- Construction plans must be approved by the Landlord and Tenant must Commence Construction of the improvements to be constructed on the Premises by the eighth (8th) anniversary of the Commencement Date of this Lease. If Tenant does not elect to use phases, all improvements must be completed within 36 months of Commencement of Construction. If the Tenant elects to use phases, then the first phase of development would have to Commence Construction by July 1, 2021, and the next phase would have to commence construction by July 1, 2023, and the next by July 1, 2025, and so on. Each phase must be complete and operational within 36 months of Commencement of Construction. For phases 1, 2 and 3, this would be July 1, 2024, July 1, 2026, and July 1, 2028. If Tenant does not elect to use phases, then Tenant must Commence Construction by July 1, 2021, and complete construction by July 1, 2024.

- Patriots Point is providing the lease of the Museum Parcel to The Medal of Honor Museum Foundation at nominal rent to support the development of a new museum complex that will provide significant cultural and educational resources to the citizens and children of South Carolina, will enhance overall visitor traffic (estimated to be an additional 250,000 people per year) and thus revenue to the Patriots Point attractions (including the Yorktown) and will increase the lease value of Patriots Point's other developable and developed property to existing and potential developers of property at Patriots Point.

BOARD ACTION REQUESTED:

As requested by Patriots Point Development Authority, consider approving the proposed Museum Parcel Lease and the Commercial Parcel Option and Lease by Patriots Point Development Authority to The Medal of Honor Museum Foundation.

ATTACHMENTS:

Agenda item worksheet; SC Code of Laws Sections 1-11-55 and 1-11-56; SC Code of Regulation 19-447.1000

BUDGET AND CONTROL BOARD AGENDA ITEM WORKSHEET

Meeting Scheduled for: May 8, 2013 **Regular Agenda**

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1. **Submitted by:**
   (a) Agency: Division of General Services
   (b) Authorized Official Signature: Nolan Wiggins, Director

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2. **Subject:** Patriots Point Development Authority lease-out to The Medal of Honor Museum Foundation, a South Carolina non-profit corporation.

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3. **Summary Background Information:**

The Medal of Honor Museum is currently located on the Carrier USS Yorktown at Patriots Point, and The Medal of Honor Museum Foundation is seeking to build a permanent structure for housing the Medal of Honor Museum on the Patriots Point property while the stories of the 81 surviving Medal of Honor recipients can still be collected.

The Patriots Point Naval and Maritime Museum Foundation, which supports the Naval and Maritime Museum at Patriots Point, previously paid for and obtained various studies associated with the development of approximately 36 acres at Patriots Point.

The Medal of Honor Museum Foundation is seeking to lease (under a lease agreement for the Museum Parcel and an Option and Lease Agreement for the Commercial Parcel) approximately 14 acres of waterfront property at Patriots Point, of which approximately 7 acres ("Museum Parcel") will be used for the Medal of Honor Museum and approximately 7 acres ("Commercial Parcel") will be subleased for commercial mixed use development to provide funds to support the Medal of Honor Museum and The Medal of Honor Museum Foundation. The Medal of Honor Museum Foundation is a new South Carolina non-profit corporation taking the place of the MOH Museum Foundation, LLC. The Town of Mt. Pleasant Town Council has resolved to spend approximately $2,000,000 to relocate a portion of Patriots Point Road to allow the existing road bed to be added to Patriots Point land to create the approximately 14 acres. The exact size and configuration of the two parcels and the road will not be known until the engineering is completed.

The terms of the Museum Parcel Lease are as follows:

- The lease will commence on July 1, 2013 and expire on June 30, 2113.
- Rent will be $1.00 per year.
- Before the First Anniversary of Commencement Date, the Tenant must qualify as a 501(c)(3) organization and must have engaged personnel to raise five million dollars ($5,000,000).
- Before the last day of the eighteenth month (including the month of the Commencement Date) following the Commencement Date of the Lease, five million dollars ($5,000,000) shall have been raised in cash or in verifiable commitments.
- Before the Second Anniversary of the Commencement Date, the Tenant must have implemented a capital campaign to raise $125 million or another appropriate amount and have completed detailed plans for the Medal of Honor Museum.

- Before the Seventh Anniversary of the Commencement Date, the Tenant must have completed the capital campaign, have the funds available for construction of the Medal of Honor Museum, and have "Commenced Construction" of the Medal of Honor (MOH) Museum.
- Before the Tenth Anniversary of the Commencement Date, the Tenant must have completed construction and be operational.

The terms of the Commercial Parcel Option and Lease are as follows:

- The Option and Lease will commence on July 1, 2013 and expire on June 30, 2113. From the Commencement Date of the Option and Lease to the Seventh Anniversary of the Commencement Date, Tenant has the option to lease the MOH Commercial Parcel. If the MOH Museum Parcel Lease is terminated before the option is exercised, the option terminates. If the option has not been exercised by the 7th anniversary of the Commencement Date, the option terminates.
- For the first ten years from the Commencement Date, Tenant shall pay the sum of Base Rent and Percentage Rent. For each Lease Year commencing after June 30, 2023, the rent to be paid by the Tenant is the greater of (i) the sum of Base Rent and Percentage Rent, or (ii) Fair Market Rent. If the option is exercised and the MOH Commercial Parcel is not fully developed by July 1, 2023, Fair Market Rent commences for the entire parcel.
- The Base Rent for the first Lease Year is 60% of the Tenant's annual projected rent revenues to Landlord for the first full year after the improvements to be constructed are completed and operational, or the first full year after the first phase of improvements to be constructed is completed and operational, as applicable. For the second and each subsequent Lease Year, Base Rent is 60% of the sum of Base Rent and Percentage Rent paid or payable during the previous Lease Year. Base Rent never decreases and can be redetermined for the fifty-first Lease Year.
- Percentage Rent commences as phases are developed and kicks in for each phase after that phase's deadline for completion. Percentage Rent is based on varying percentages of Tenant's different income streams from the MOH Commercial Development. Percentage Rent is calculated after each Lease Year and the difference between Percentage Rent and Base Rent must be paid by Tenant to Landlord. Base Rent never decreases.
- Fair Market Rent for the Premises is determined within 6 months of the Commencement Date by agreement or by the appraisal process set forth. Fair Market Rent increases each Lease Year by 3%. These increases occur regardless of whether Tenant has exercised its option with regard to the MOH Commercial Parcel. The Fair Market Rent determined in 2013 will be increased by 3% each year so that when Fair Market Rent begins in the eleventh Lease Year it will have increased 3% in each of ten Lease Years.
- The Lease requires the Tenant to go through a master planning process to ensure that the Tenant constructs what the Tenant contractually commits to construct and that the Authority is satisfied with the design and is limited to the Medal of Honor Museum, a conference center, hotels, general retail, restaurants and other entertainment, a parking facility, office, and uses related to any of the foregoing.
- Construction plans must be approved by the Landlord and Tenant must Commence Construction of the improvements to be constructed on the Premises by the eighth (8th) anniversary of the Commencement Date of this Lease. If Tenant does not elect to use phases, all improvements must be completed within 36 months of Commencement of Construction. If the Tenant elects to use phases, then the first phase of development would have to Commence Construction by July 1, 2021, and the next phase would have to commence construction by July 1, 2023, and the next by July 1, 2025, and so on. Each

phase must be complete and operational within 36 months of Commencement of Construction. For phases 1, 2 and 3, this would be July 1, 2024, July 1, 2026, and July 1, 2028. If Tenant does not elect to use phases, then Tenant must Commence Construction by July 1, 2021, and complete construction by July 1, 2024.

- Patriots Point is providing the lease of the Museum Parcel to The Medal of Honor Museum Foundation at nominal rent to support the development of a new museum complex that will provide significant cultural and educational resources to the citizens and children of South Carolina, will enhance overall visitor traffic (estimated to be an additional 250,000 people per year) and thus revenue to the Patriots Point attractions (including the Yorktown) and will increase the lease value of Patriots Point's other developable and developed property to existing and potential developers of property at Patriots Point.

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4. **What is the Board asked to do?** As requested by Patriots Point Development Authority, approve the Museum Parcel Lease and the Commercial Parcel Option and Lease by Patriots Point Development Authority to The Medal of Honor Museum Foundation.

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5. **What is the recommendation of the Division of General Services?** As requested by Patriots Point Development Authority, consider approving the proposed Museum Parcel Lease and the Commercial Parcel Option and Lease by Patriots Point Development Authority to The Medal of Honor Museum Foundation.

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6. **List of Supporting Documents:**
   (a) SC Code of Laws Sections 1-11-55 and 1-11-56
   (b) SC Code of Regulations 19-447.1000

SECTION 1-11-55. Leasing of real property for governmental bodies.

(1) "Governmental body" means a state government department; commission, council, board, bureau, committee, institution, college, university, technical school, legislative body, agency, government corporation, or other establishment or official of the executive, judicial, or legislative branches of this State. Governmental body excludes the General Assembly, Legislative Council, the Office of Legislative Printing, Information and Technology Systems, and all local political subdivisions such as counties, municipalities, school districts, or public service or special purpose districts.

(2) The Budget and Control Board is hereby designated as the single central broker for the leasing of real property for governmental bodies. No governmental body shall enter into any lease agreement or renew any existing lease except in accordance with the provisions of this section.

(3) When any governmental body needs to acquire real property for its operations or any part thereof and state-owned property is not available, it shall notify the Office of General Services of its requirement on rental request forms prepared by the office. Such forms shall indicate the amount and location of space desired, the purpose for which it shall be used, the proposed date of occupancy and such other information as General Services may require. Upon receipt of any such request, General Services shall conduct an investigation of available rental space which would adequately meet the governmental body's requirements, including specific locations which may be suggested and preferred by the governmental body concerned. When suitable space has been located which the governmental body and the office agree meets necessary requirements and standards for state leasing as prescribed in procedures of the board as provided for in subsection (5) of this section, General Services shall give its written approval to the governmental body to enter into a lease agreement. All proposed lease renewals shall be submitted to General Services by the time specified by General Services.

(4) The board shall adopt procedures to be used for governmental bodies to apply for rental space, for acquiring leased space, and for leasing state-owned space to nonstate lessees.

(5) Any participant in a property transaction proposed to be entered who maintains that a procedure provided for in this section has not been properly followed, may request review of the transaction by the Director of the Office of General Services or his designee.

SECTION 1-11-56. Program to manage leasing; procedures.

The State Budget and Control Board, in an effort to ensure that funds authorized and appropriated for rent are used in the most efficient manner, is directed to develop a program to manage the leasing of all public and private space of state agencies. The board's regulations, upon General Assembly approval, shall include procedures for:

(1) assessing and evaluating agency needs, including the authority to require agency justification for any request to lease public or private space;

(2) establishing standards for the quality and quantity of space to be leased by a requesting agency;

(3) devising and requiring the use of a standard lease form (approved by the Attorney General) with provisions which assert and protect the state's prerogatives including, but not limited to, a right of cancellation in the event of:

(a) a nonappropriation for the renting agency,

(b) a dissolution of the agency, and

(c) the availability of public space in substitution for private space being leased by the agency;

(4) rejecting an agency's request for additional space or space at a specific location, or both;

(5) directing agencies to be located in public space, when available, before private space can be leased;

(6) requiring the agency to submit a multi-year financial plan for review by the board's budget office with copies sent to Ways and Means Committee and Senate Finance Committee, before any new lease for space is entered into; and requiring prior review by the Joint Bond Review Committee and the requirement of Budget and Control Board approval before the adoption of any new lease that commits more than one million dollars in a five-year period; and

(7) requiring prior review by the Joint Bond Review Committee and the requirement of Budget and Control Board approval before the adoption of any new lease that commits more than one million dollars in a five-year period.

19-447.1000. Leasing of Real Property.

A. LEASE OF NON STATE-OWNED REAL PROPERTY

No governmental body shall contract for the lease, rental, or use of non state-owned real property without approval of the Office of General Services, except as specified in subsection C. Requests shall be directed to the Office of General Services. The Office of General Services shall negotiate or approve the terms of all leases of non state-owned real property unless the governmental body has been exempted.

1. GENERAL REGULATIONS

(a) The Office of General Services shall be accountable for the procurement of leased real property for governmental bodies in accordance with the regulations promulgated by the Board.

(b) All leases shall require the written approval of the Office of General Services, except when such lease is exempt from approval by the Budget and Control Board.

(c) Before approving any lease, Office of General Services shall:

(1) assure that all appropriate approvals have been obtained.

(2) verify that adequate funds exist for the lease payments;

(3) verify that lease payments represent no more than fair market rental;

(4) verify that upfitting costs represent no more than current market costs;

(5) verify that a multi-year financial plan has been submitted by the requesting agency for review by the Budget and Control Board's budget office.

(d) All requests for leased real property by governmental bodies and agencies shall be submitted to the Office of General Services on a "Request for Space Form" provided by General Services.

(1) This form shall include, but not be limited to:

(a) The purpose for which the space will be used.

(b) Any special requirements or needs with written justification (computer rooms, etc.).

(c) Parking requirements and justification.

(d) The general location or area desired.

(e) A multi-year financial plan for review by the Board's budget office.

(2) The amount of office space desired shall be computed and justified using the standards specified in Code Section 1-11-55.

(3) Other types of space (warehouse, laboratory, etc.) shall require a written letter of justification from the requesting agency or governmental body and shall include documentation of market standards for use of this type space. The Office of General Services shall be accountable for investigating the existing space or any other information given in the justification.

(4) The "Request for Space Form" or any other document requesting space or justifying the need for space shall be certified by the Director of the requesting agency or governmental body.

(e) An agency or governmental body desiring to renew an existing lease is responsible for notifying the Office of General Services in writing of its intention to do so at least 60 days before the renewal deadline as stated in the lease. Upon approval by appropriate boards and the Office of General Services, the governmental body or agency shall notify the Lessor that it has elected to exercise its right of renewal pursuant to the lease. The Office of General Services may send each a renewal request form and a reminder notice well in advance of these deadlines.

(f) Under no circumstances will the requesting governmental body or state agency contact or negotiate lease terms with any real estate agency, broker, builder, owner, or representative in reference to space needs without the prior written consent of the Office of General Services.

(g) The Office of General Services will begin investigation of available rental space within ten (10) working days after receiving the "Request for Space Form".

(h) When processing requests for space, the Office of General Services will first determine whether appropriate state-owned or state-leased space is available before exploring commercial space alternatives. If such space is available, the Office of General Services will direct the requesting agency or governmental body to occupy said space. If state-owned or state-leased space is unavailable or inappropriate, the Office of General Services shall begin a solicitation process to secure proposals for commercial space from as many qualified developers and/or brokers as is practicable.

(i) Rental rates will be determined by the Office of General Services for all leases by use of standard acceptable market rent analysis methods.

2. TYPES OF LEASE TRANSACTIONS

All state leases will be categorized as one of the following five types:

(a) Exempt Leases. Those leases exempted in accordance with subsection C or otherwise exempted by the Budget and Control Board.

(b) Standard Lease. All leases which commit less than $1 million in a five year period and which do not involve equity accrual.

(c) Major Leases. Any lease which commits $1 million or more in a five year period but which is otherwise standard in all respects.

(d) Lease/Purchases. All lease transactions which include clauses providing for equity accrual.

(e) Other Leases. All leases which are not encompassed by the first four categories. At its discretion, the Office of General Services may place any proposed lease transaction in this category if it involves complex issues or methodologies which warrant special handling.

3. EXEMPT LEASES

All exempt leases will be administered in accordance with regulations and procedures outlined in subsection C or Budget and Control Board directives.

4. STANDARD LEASES

(a) The Office of General Services will be responsible for managing all aspects of soliciting lease proposals from commercial entities. In all solicitations, the Office of General Services is required to assure that equitable competition occurs in the broadest market practicable.

(b) The Office of General Services will review all proposals from prospective Lessors with the agency or governmental body. The Office of General Services will recommend the proposal which offers the most cost effective terms and conditions to the agency or governmental body after satisfying subjective criteria such as parking, location requirements, special needs, etc. If the agency accepts the recommendation, General Services will make the selection and begin negotiations to finalize the lease transaction.

(c) If the agency or governmental body cannot accept the Office of General Services' recommendation, the dispute shall be referred to the Budget and Control Board, which will make the final determination.

(d) Evaluation criteria shall include total cost (including rental payments, upfitting costs, escalations, additional rents, operating, and all other costs) and location. Other subjective criteria such as parking and other special needs may be included. Total cost shall be given the highest weight of any single factor.

(e) Before making a recommendation, the Office of General Services shall verify that:

(1) all prior approvals have been obtained;

(2) adequate funds exist for the lease payments;

(3) lease payments are no more than fair market rental; and

(4) upfitting costs are no more than reasonable market costs.

(f) The Office of General Services may reject the agency's request for additional space and/or space at a specific location.

5. MAJOR LEASES

(a) All regulations and procedures for standard leases will apply to all major leases.

(b) All major leases must be reviewed by the Joint Bond Review Committee and approved by the Budget and Control Board before a final lease becomes effective.

6. LEASE/PURCHASES

All regulations and procedures for major leases will apply to lease/purchase transactions.

7. OTHER LEASES

(a) At its discretion, the Office of General Services may place any proposed lease transaction in this category if it involves complex issues or methodologies which warrant special handling.

(b) The Office of General Services shall determine which of the above regulations are applicable to any special lease situation and may adopt additional procedures to meet special needs on a case by case basis.

8. STANDARD LEASE DOCUMENTS

(a) The Office of General Services will be responsible for drafting and updating the state standard lease document.

(b) The state standard lease document will be used in all lease negotiations unless a substitute document is approved in advance by the Office of General Services.

(c) The state lease document will incorporate cancellation provisions including a right to cancel in the event of a (a) non-appropriation of funds for the renting agency, (b) dissolution of the agency and (c) the availability of public space in substitution for private space being leased by the agency.

B. LEASE OF STATE-OWNED REAL PROPERTY

No governmental body shall contract with any commercial entity or other governmental body for the lease, rental, or use of state-owned real property whether it be titled in the name of the State of South Carolina or any governmental body, without approval of the Office of General Services, except as specified in subsection C. Requests shall be directed to the Office of General Services. The Office of General Services shall negotiate or approve the terms of all leases of state-owned real property unless the governmental body has been exempted.

C. EXEMPTIONS

The Budget and Control Board may exempt governmental bodies from leasing state-owned and non state-owned real property through the leasing procedure herein required provided, however, that annual reports be filed with the Office of General Services, prior to July 1 of each year. Annual reports shall contain copies of all existing leases of state-owned and non state-owned real property. The Budget and Control Board may limit or withdraw any exemptions provided for in this Regulation.

HISTORY: Added by State Register Volume 23, Issue No. 5, eff May 28, 1999.

STATE BUDGET AND CONTROL BOARD

MEETING OF May 8, 2013

REGULAR SESSION

ITEM NUMBER 5

AGENCY: Patriots Point Development Authority

SUBJECT: Extension Request for Repayment of $8,700,000 Loan

Summary:

The Patriots Point Development Authority requests the Board to approve an extension and repayment plan on the repayment of an $8,700,000 intergovernmental loan the Board made to the Authority in June 2009 and extended in May 2011. The purpose of the loan was to make emergency repairs to the destroyer *USS Laffey* (DD724). Repayment of the original loan was due on December 1, 2010, and repayment under the extension was due on May 1, 2013.

The Office of State Treasurer has advised that the Bond Proceeds Fund from which the original loan was made needs to be restored to fund other commitments and requests authorization to reimburse the Bond Proceeds Fund by substitution with an appropriate alternative source of funds held in the State Treasury.

Background Information:

The Joint Bond Review Committee approved the Authority's request for extension of the loan on April 24, 2013, for a period of two years. The extension is contingent upon the Authority making interest payments during the two-year period.

BOARD ACTION REQUESTED:

Consider approving Patriots Point Development Authority's extension request and authorizing the Office of State Treasurer to reimburse the Bond Proceeds Fund by substitution with an alternative source.

ATTACHMENTS:

Agenda item worksheet; Letter of May 3, 2013, from Patriots Point Development Authority; Letter of April 26, 2013, from Joint Bond Review Committee

BUDGET AND CONTROL BOARD AGENDA ITEM WORKSHEET

Meeting Scheduled for: May 8, 2013 **Regular Agenda**

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1. **Submitted by:**
   (a) Agency: Patriots Point Development Authority
   (b) Authorized Official Signature:

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2. **Subject:**
   Extension Request for Repayment of $8,700,000 Loan

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3. **Summary:**
   The Patriots Point Development Authority requests the Board to approve an extension and repayment plan on the repayment of an $8,700,000 intergovernmental loan the Board made to the Authority in June, 2009, and extended in May, 2011. The purpose of the loan was to make emergency repairs to the destroyer *USS Laffey* (DD724). Repayment of the original loan was due on December 1, 2010, and repayment under the extension was due on May 1, 2013.

   The Office of State Treasurer has advised that the Bond Proceeds Fund from which the original loan was made needs to be restored to fund other commitments and requests authorization to reimburse the Bond Proceeds Fund by substitution with an appropriate alternative source of funds held in the State Treasury.

   Background Information:
   The Joint Bond Review Committee approved the Authority's request for extension of the loan on April 24, 2013, for a period of two years. The extension is contingent upon the Authority making interest payments during the two-year period.

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4. **What is Board asked to do?**

   Consider approving the Patriots Point Development Authority's extension request and authorizing the Office of State Treasurer to reimburse the Bond Proceeds Fund by substitution with an alternative source.

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5. **What is recommendation of Board Division involved?**

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6. **Recommendation of other office (as required)?**

   (a) Authorized Signature: ______________________________
   (b) Office Name: ______________________________

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7. Supporting Documents:

(a) List those attached:

1. Letter of May 3, 2013 from Patriot's Point Development Authority.
2. Letter of April 24, 2013 from Joint Bond Review Committee.

(b) List those not attached but available:

1.
2.
3.

PATRIOTS POINT

★HOME OF THE USS YORKTOWN★

May 3, 2013

Ms. Marsha Adams, Executive Director
SC Budget and Control Board
Box 12444
Columbia, SC 29211

Dear Ms. Adams,

On behalf of the Patriots Point Development Authority Board I respectfully request that the matter of the outstanding loan for the restoration of the USS Laffey be placed on the May 8, 2013 South Carolina Budget and Control Board agenda. I wish to reference the action taken by the Joint Bond Review Committee on April 24, 2013, wherein the Patriots Point Development Authority requested and received approval of a two year extension on the repayment of the loan. We further request that the BCB authorize the PPDA to make interest payments only during the two year extension period as recommended by the JBRC.

If you have any questions please do not hesitate to call me at any time.

Regards,

R. Mac Burdette
Executive Director

Cc: Ray Chandler, Chairman of Patriots Point Development Authority
Rick Harmon
Delbert Singleton

Capital Improvements
Joint Bond Review Committee

HUGH K. LEATHERMAN, SR.
SENATE
CHAIRMAN

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DIANNE C. CARRAWAY
DIRECTOR OF RESEARCH
BUDGET AND CONTROL BOARD LIAISON
803-212-6688

ADMINISTRATIVE ASSISTANT
803-212-6677
FAX: 803-212-6690

April 26, 2013

Mr. R. Mac Burdette, Executive Director
Patriots Point Development Authority
40 Patriots Point Road
Mt. Pleasant, SC 29464-4377

Dear Mr. Burdette:

Re:

At its meeting on April 24, 2013, the Joint Bond Review Committee approved the Patriots Point Development Authority's request for a two-year extension on the repayment of the intergovernmental loan the Budget and Control Board made to the Authority in June 2009 for restoration of the USS Laffey. The extension is contingent on the Authority making interest payments during the two-year period.

In addition, the Committee asked that the Authority report its progress in making arrangements for the repayment of the loan in April 2014.

Very truly yours,

H. K. L.

Hugh K. Leatherman, Sr.
Chairman

cc: Rick Harmon
Delbert Singleton

STATE BUDGET AND CONTROL BOARD

MEETING OF May 8, 2013

REGULAR SESSION

ITEM NUMBER 6

AGENCY: South Carolina State University

SUBJECT: Approval of a Housing Allowance for the President of South Carolina State University

Section 89.16 of the 2012-2013 Appropriations Act requires the final approval of the Budget and Control Board for a state institution of higher learning to provide a housing allowance. The Agency Head Salary Commission has also reviewed and recommends approval of a request from the Chairman of the Board of Trustees of South Carolina State University to pay the University's President a housing allowance of $25,000 per year.

BOARD ACTION REQUESTED:

Approve the request for a housing allowance of $25,000 for the South Carolina State University President.

ATTACHMENTS:

Agenda item worksheet; Fact Sheet; Letter of Request from South Carolina State University Board of Trustees; Section 89.16 of the 2012-2013 Appropriations Act.

BUDGET AND CONTROL BOARD AGENDA ITEM WORKSHEET

Meeting Scheduled for: May 8, 2013 **Regular Agenda**

1. **Submitted by:**
   (a) Agency: South Carolina State University
   (b) Authorized Official Signature: ______________________

2. **Subject:** Approval of a Housing Allowance for the President of South Carolina State University

3. **Summary:**

   Background Information:
   Section 89.16 of the 2012-2013 Appropriation Act requires the final approval of the Budget and Control Board for a state institution of higher learning to provide a housing allowance.

4. **What is Board asked to do?**

   Approve the request for a housing allowance of $25,000 for the South Carolina State University President.

5. **What is recommendation of Board Division involved?**

   Approve the request for a housing allowance of $25,000 for the South Carolina State University President.

6. **Recommendation of other office (as required)?**

   (a) Authorized Signature: ______________________
   (b) Office Name: ______________________

7. **Supporting Documents:**

   (a) List those attached:
   1. Fact Sheet
   2. Letter of Request from South Carolina State University Board of Trustees
   3. Section 89.16 of the 2012-2013 Appropriation Act

Fact Sheet

South Carolina State University

Section 89.16 of the 2012-2013 Appropriation Act requires the final approval of the Budget and Control Board to for any state institution of higher learning to provide a housing allowance to the president in lieu of a residence.

President:	Mr. Thomas Elzey
AHSC Recommendation:	$25,000
Request:	To pay Mr. Elzey $25,000 housing allowance in lieu of university-provided housing.
Previous Housing for Dr. Cooper:	$25,000

Comparable Housing Allowances

Agency	Director	Housing Allowance
COASTAL CAROLINA	DECENZO, D.	$40,000
MUSC	GREENBERG, R.	$40,000
LANDER	BALL, D.	$40,000

SCState
UNIVERSITY

p (803) 536-7048
f (803) 536-7182

Office of The Board of Trustees

April 22, 2013

Senator Hugh K. Leatherman, Sr., Chairman
Agency Head Salary Commission
C/O South Carolina Budget and Control Board
Office of Human Resources
1201 Main Street, Suite 800
Columbia, South Carolina 29201

Dear Senator Leatherman:

The Board of Trustees of South Carolina State University has completed the search for President and the selected agency head is Thomas Elzey. Mr. Elzey holds a Master of Science Degree in Public Management and Policy from Carnegie Mellon University and comes to SCSU with a plethora of experience in Finance and Higher Education. The salary range for the president of South Carolina State University is $156,584.00 - $198,845.00 - $242,611.00 per year. The Board is requesting approval to compensate Mr. Elzey at an annual salary of $198,845.00. In accord with the guidelines and regulations of the Agency Head Salary Commission, a justification for the presented salary is provided below. The Board of Trustees is also requesting approval from the Agency Head Salary Commission and the Budget and Control Board for Mr. Elzey to receive a housing allowance of $25,000 per year. In addition, South Carolina State University Foundation will provide a salary supplement of $131,136.00.

JUSTIFICATION:
Mr. Elzey currently serves as Executive Vice President for Finance, Administration, and Operations at The Citadel for an annual salary of $187, 254.00. His senior leadership experiences are in the academic and public sectors. At The Citadel, he spearheaded a $6 million campus wide project for technology improvement and strengthened financial forecasting and planning to ensure balanced annual budgets. He also serves, among other things, as Executive Director of a $70 million dollars Citadel Trust. A salary of $198,845.00 constitutes a nearly 6.2% promotional raise for Mr. Elzey, as he is already in the state employment system. Some of the other important positions that Mr. Elzey has held include: Senior Vice President and Chief Financial Officer, Drexel University (2002-2010); Senior Vice President for Business and Fiscal Affairs, Howard University (1995-2001); Deputy Executive Director of Finance, Thrift Depositor Protection

Oversight Board, Resolution Trust Corporation, Washington, DC (1993-1995); Vice President, Perry Investment, Saratoga, CA (1993-1993); General Manager/Chief Executive Officer, Public Utilities Commission, San Francisco, CA (1989-1993); Budget Director, City of Chicago (1984-1989); and Senior Analyst Federal Government - Executive Office of the President (1977-1984). Mr. Elzey's training, background, and professional experiences are a combination of public service and higher Education. He brings this dual experience to SC State, an 1890 (public service), Teaching Institution. As a senior level administrator, budget and finance expert, strategic planner, problem solver, operations expert, and proven executive administrator, he will be able to lead the Institution in developing and sustaining structures and systems that ensure the viability of the Institution as it executes its mission of producing successful graduates for service in a global society.

Sincerely,

Walter L. Tobin

Walter L. Tobin
Chairman, South Carolina State University
Board of Trustees

Attachments

cc: Members, Board of Trustees

2012-2013 Appropriation Act
Proviso Regarding Housing Allowances

89.16. (GP: Allowance for Residences & Compensation Restrictions) That salaries paid to officers and employees of the State, including its several boards, commissions, and institutions shall be in full for all services rendered, and no perquisites of office or of employment shall be allowed in addition thereto, but such perquisites, commodities, services or other benefits shall be charged for at the prevailing local value and without the purpose or effect of increasing the compensation of said officer or employee. The charge for these items may be payroll deducted at the discretion of the Comptroller General or the chief financial officer at each agency maintaining its own payroll system. This shall not apply to the Governor's Mansion, nor to guards at any of the state's penal institutions and nurses and attendants at the Department of Disabilities and Special Needs, and registered nurses providing clinical care at the MUSC Medical Center, nor to the Superintendent and staff of John de la Howe School, nor to the cottage parents and staff of Wil Lou Gray Opportunity School, nor to full-time or part-time staff who work after regular working hours in the SLED Communications Center or Maintenance Area, nor to adult staff at the Governor's School for Science and Mathematics and the Governor's School for Arts and Humanities who are required to stay on campus by the institution because of job requirements or program participation. Any state institution of higher learning may provide complimentary membership privileges to employees who work at their wellness centers. The presidents of those state institutions of higher learning authorized to provide on-campus residential facilities for students may be permitted to occupy residences on the grounds of such institutions without charge.

<u>Any state institution of higher learning may provide a housing allowance to the president in lieu of a residential facility, the amount to be approved by the Budget and Control Board.</u>

That the following may be permitted to occupy residences owned by the respective departments without charge: the Farm Director, Farm Managers, and Specialists employed at the Wateree River Correctional Institution; the South Carolina State Commission of Forestry fire tower operators, forestry aides, and caretaker at central headquarters; the Department of Natural Resources' Game Management Personnel, Fish Hatchery Superintendents, Lake Superintendent, and Fort Johnson Superintendent; the Department of Parks, Recreation and Tourism field personnel in the State Parks Division; Director of Wil Lou Gray Opportunity School; President of the School for the Deaf and the Blind; houseparents for the Commission for the Blind; South Carolina Department of Health and Environmental Control personnel at the State Park Health Facility and Camp Burnt Gin; Residence Life Coordinators at Lander University; Residence Life Directors, temporary and transition employees, student interns, and emergency personnel at Winthrop University; Farm Superintendent at Winthrop University; Residence Hall Directors at the College of Charleston; the Department of Disabilities and Special Needs' physicians and other professionals at Whitten Center, Clemson University Off-Campus Agricultural Staff and Housing Area Coordinators; and TriCounty Technical College's Bridge to Clemson Resident and Area Directors. Except in the case of elected officials, the fair market rental value of any residence furnished to a state employee shall be reported by the state agency furnishing the residence to the Agency Head Salary Commission, and the Division of Budget and Analyses by October first, of each fiscal year.

All salaries paid by departments and institutions shall be in accord with a uniform classification and compensation plan, approved by the Budget and Control Board, applicable to all personnel of the State Government whose compensation is not specifically fixed in this act. Such plan shall include all employees regardless of the source of funds from which payment for personal service is drawn. The Division of Budget and Analyses of the Budget and Control Board is authorized to approve temporary salary adjustments for classified and unclassified employees who perform temporary duties which are limited by time and/or funds. When approved, a temporary salary adjustment shall not be added to an employee's base salary and shall end when the duties are completed and/or the funds expire. Academic personnel of the institutions of higher learning and other individual or group of positions that cannot practically be covered by the plan may be excluded therefrom but their compensations as approved by the Division of Budget and Analyses shall, nevertheless, be subject to review by the Budget and Control Board. Salary appropriations for employees fixed in this act shall be in full for all services rendered, and no supplements from other sources shall be permitted or approved by the Budget and Control Board. With the exception of travel and subsistence, legislative study committees shall not compensate any person who is otherwise employed as a full-time state employee. Salaries of the heads of all agencies of the State Government shall be specifically fixed in this act and no salary shall be paid any agency head whose salary is not so fixed. As long as there is no impact on appropriated funds, state agencies and institutions shall be allowed to spend public funds and/or other funds for designated employee award programs which shall have written criteria approved by the agency governing board or commission. For purposes of this section, monetary awards, if any, shall not be considered a part of an employee's base salary, a salary supplement, or a perquisite of employment. The names of all employees receiving monetary awards and the amounts received shall be reported annually to the South Carolina Division of Budget and Analyses.

In the case of lodging furnished by certain higher education institutions to employees, the prevailing local rate does not apply if the institution meets the exceptions for inadequate rent described in the current Internal Revenue Code Section 119(d)(2). To meet the exception, rental rates must equal the lesser of five percent of the appraised value of the qualified campus lodging, or the average of the rentals paid by individuals (other than employees or students of the educational institution) during the calendar year for lodging provided by the educational institution which is comparable to the qualified campus lodging provided to the employee, over the rent paid by the employee for the qualified campus lodging during the calendar year. The appraised value shall be determined as of the close of the calendar year in which the taxable year begins, or, in the case of a rental period not greater than one year, at any time during the calendar year in which the period begins.

STATE BUDGET AND CONTROL BOARD

MEETING OF May 8, 2013

REGULAR SESSION

ITEM NUMBER 7

AGENCY: Public Employee Benefit Authority

SUBJECT: Actuarial Valuation of the South Carolina Retirement System

Pursuant to the Retirement Code, as amended by Act 278 of 2012, the PEBA Board of Directors is authorized to adopt the necessary employer, and, in certain cases, employee, contribution rates for the five defined benefit plans administered by PEBA based upon the annual valuations of those plans performed by the plans' actuary.

For the South Carolina Retirement System ("SCRS") and the South Carolina Police Officers' Retirement System ("PORS"), prior to July 1, 2015, the rates for employee and employer contributions to those plans are preliminarily set by a statutory schedule. However, if the actuarial valuation shows that those scheduled rates are insufficient to maintain a thirty-year amortization period for the plans, the PEBA Board of Directors is required to increase the scheduled employee and employer contribution rates in equal amounts to maintain an amortization period not exceeding thirty years. See Sections 9-1-1085(A), (C), 9-11-225(A), (C) (as added by Act 278 of 2012).

At the regular meeting of the PEBA Board of Directors on February 1, 2013, the PEBA Board accepted as information the valuation prepared by the Board's actuary, Gabriel Roeder Smith ("GRS"), for SCRS as of July 1, 2012. Because the valuation found that the employee and employer contributions scheduled for SCRS for July 1, 2014, by Section 9-1-1085(A) were sufficient to maintain an amortization period not exceeding thirty years for the plan, the PEBA Board was not required to make any adjustments in employee or employer contribution rates for SCRS for July 1, 2014.

BOARD ACTION REQUESTED:

Pursuant to Section 9-4-45(A) (as added by Act 278 of 2012), policy determinations made by the PEBA Board are subject to approval by the Budget and Control Board, as evidenced by a majority vote of the Board. Adjustments in employer and employee contribution rates are policy determinations subject to Budget and Control Board approval. See Section 9-4-45(B).

Because there were no adjustments in employee or employer contribution rates for SCRS for July 1, 2014, from the scheduled rates set out in Section 9-1-1085(A), there is no action required by the Budget and Control Board regarding those rates, and the actuarial valuation for SCRS as of July 1, 2012, is attached solely for the Budget and Control Board's information

ATTACHMENTS:

Agenda item worksheet; Minutes from the February 1, 2013 PEBA Board Meeting; Summary of SCRS Actuarial Valuation as of July 1, 2012; Section 9-1-1085 of the South Carolina Code of Laws

BUDGET AND CONTROL BOARD AGENDA ITEM WORKSHEET

For meeting scheduled for:

May 7, 2013

___**Blue Agenda**
X **Regular Session**
___**Executive Session**

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1. Submitted by:

(a) Agency: Public Employee Benefit Authority ("PEBA")

(b) Authorized Official Signature: David K. Avant, Interim Director

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2. Subject: Actuarial Valuation of the South Carolina Retirement System ("SCRS")

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3. Summary Background Information:

Pursuant to the Retirement Code, as amended by Act 278 of 2012, the PEBA Board of Directors is authorized to adopt the necessary employer, and, in certain cases, employee, contribution rates for the five defined benefit plans administered by PEBA based upon the annual valuations of those plans performed by the plans' actuary.

For the South Carolina Retirement System ("SCRS") and the South Carolina Police Officers' Retirement System ("PORS"), prior to July 1, 2015, the rates for employee and employer contributions to those plans are preliminarily set by a statutory schedule. However, if the actuarial valuation shows that those scheduled rates are insufficient to maintain a thirty-year amortization period for the plans, the PEBA Board of Directors is required to increase the scheduled employee and employer contribution rates in equal amounts to maintain an amortization period not exceeding thirty years. See Sections 9-1-1085(A), (C), 9-11-225(A), (C) (as added by Act 278 of 2012).

At the regular meeting of the PEBA Board of Directors on February 1, 2013, the PEBA Board accepted as information the valuation prepared by the Board's actuary, Gabriel Roeder Smith ("GRS"), for SCRS as of July 1, 2012. Because the valuation found that the employee and employer contributions scheduled for SCRS for July 1, 2014, by Section 9-1-1085(A) were sufficient to maintain an amortization period not exceeding thirty years for the plan, the PEBA Board was not required to make any adjustments in employee or employer contribution rates for SCRS for July 1, 2014.

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4. What is Board asked to do?

Pursuant to Section 9-4-45(A) (as added by Act 278 of 2012), policy determinations made by the PEBA Board are subject to approval by the Budget and Control Board, as evidenced by a majority vote of the Board. Adjustments in employer and employee contribution rates are policy determinations subject to Budget and Control Board approval. See Section 9-4-45(B).

Because there were no adjustments in employee or employer contribution rates for SCRS for July 1, 2014, from the scheduled rates set out in Section 9-1-1085(A), there is no action required by the Budget and Control Board regarding those rates, and the actuarial valuation for SCRS as of July 1, 2012, is attached solely for the Budget and Control Board's information.

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5. What is recommendation of the Board division involved? Receive the valuation as information.

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6. Recommendation of other office (as required)? N/A.

Office Name ______________________________ **Authorized Signature**___________________________

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7. Supporting Documents:

List those attached:	List those not attached but available:
▪ Minutes from the February 1, 2013 PEBA Board Meeting. ▪ Summary of SCRS Actuarial Valuation as of July 1, 2012. ▪ Section 9-1-1085 of the South Carolina Code of Laws.	

South Carolina
PUBLIC EMPLOYEE BENEFIT AUTHORITY
PEBA
David K. Avant
Interim Executive Director
Retirement Benefits

April 24, 2012

Delbert H. Singleton, Jr.
Secretary, South Carolina Budget and Control Board
Post Office Box 12444
Columbia, South Carolina 29211

RE: Agenda Items for the Approval of Contribution Rates Adopted by the Board of Directors for the South Carolina Public Employee Benefit Authority

Dear Mr. Singleton:

Pursuant to the Retirement Code, as amended by Act 278 of 2012, the Board of Directors for the South Carolina Public Employee Benefit Authority ("PEBA") is authorized to adopt the necessary employer, and, in certain cases, employee, contribution rates for the five defined benefit plans administered by PEBA based upon the annual valuations of those plans performed by the plans' actuary. Further, as provided in Section 9-4-45 of the Code as added by Act 278, adjustments in employer and employee contribution rates made by the PEBA Board are policy determinations that are subject to approval by the Budget and Control Board, as evidenced by a majority vote of the Board.

At the regular meeting of the PEBA Board of Directors on February 1, 2013, the PEBA Board accepted as information valuations prepared by the plans' actuary, Gabriel Roeder Smith, for SCRS, PORS, JSRS, GARS, and NGRS as of July 1, 2012, and adopted the contribution rates recommended therein. As the PEBA Board and PEBA staff have taken all necessary actions for the acceptance of these valuations and adoption of the recommended contribution rates, the adjustments in the contribution rates adopted by the PEBA Board are now subject to approval by the Budget and Control Board pursuant to Section 9-4-45. Accordingly, please place five items on the agenda of the Budget and Control Board's May 7, 2013 meeting for the approval of these contribution rate adjustments, as reflected in more detail on the attached Agenda Item Worksheets.

Thank you for your attention to this matter. If you need any additional information, please do not hesitate to contact me.

Sincerely,

David K. Avant
Interim Executive Director

Enclosures

Street Address:
202 Arbor Lake Drive
Columbia, South Carolina 29223

www.retirement.sc.gov
803-737-6800
800-868-9002 (within S.C. only)

Mailing Address:
Post Office Box 11960
Columbia, South Carolina 29211-1960

South Carolina
PUBLIC EMPLOYEE BENEFIT AUTHORITY

PEBA

South Carolina Public Employee Benefit Authority
Meeting Minutes (Adopted 3/20/2013)

Friday, February 1, 2013, 8:30 A.M.

2nd Floor Conference Room
202 Arbor Lake Drive
Columbia, South Carolina 29223

Board Members Present:
Mr. Art Bjontegard, Chairman (in person)
Ms. Peggy Boykin (in person)
Mr. Frank Fusco (in person)
Ms. Cynthia Harley (in person)
Ms. Stacy Kubu (in person)
Sheriff Leon Lott (in person)
Mr. Steve Matthews (in person)
Mr. Joe "Rocky" Pearce (in person)
Mr. Audie Penn (in person)
Mr. John Sowards (arrived in person at 9:08am)
Mr. David Tigges (arrived in person at 10:21am)

Others present for all or a portion of the meeting:
David Avant, Lil Hayes, Robbie Bell, Geneva McIntosh, Stephen Van Camp, and Justin Werner from the South Carolina Public Employee Benefit Authority (PEBA); Terry Mumford with Ice Miller; Joe Newton and Danny White from Gabriel, Roeder, Smith & Company (GRS), Hershal Harper and Sarah Corbett form the SC Retirement Investment Commission; Suzanne Bernard with Hewitt, Ennisknupp; Donald Tudor, Wayne Bell and Wayne Pruitt from the State Retirees Association,

I. CALL TO ORDER; ADOPTION OF PROPOSED AGENDA

Chairman Bjontegard called the meeting to order at 8:30 a.m. Steve Matthews gave the invocation. Ms. Hayes confirmed meeting notice compliance with the Freedom of Information Act. The Chairman asked for a motion to adopt the agenda which was made, seconded by Sheriff Lott and adopted unanimously. A motion was made by Ms. Hartley to adopt the minutes from the December 12, 2012 meeting, which was seconded by Mr. Matthews and adopted. The Chairman mentioned that the Past Action Report had been updated and posted for the members on their Extranet. He said after items had been completed, they would be removed from the list after one month.

II. Terry Mumford Ice Miller LLC – Fiduciary Responsibilities

Chairman Bjontegard introduced Terry Mumford, partner with Ice Miller, LLC. Ms. Mumford began by explaining that for the South Carolina Retirement Systems, the PEBA Board is one of four fiduciaries: PEBA, Budget and Control Board, Retirement System Investment Commission, and the State Treasurer. She explained that the legislature is considered the "settlor" and, as such, determined the scope of each fiduciary's responsibility. She then explained each fiduciary's role. The PEBA Board is responsible to administer the benefits in accordance with the plan, to engage experts, establish contribution rates, and establish rules and regulations.
Ms. Mumford continued by explaining that the Board must carry out its responsibilities in accordance with fiduciary principles. She explained that these principles are established by the Internal Revenue

Code, ERISA, the *Restatement of Third—Trusts, Uniform Management of Public Retirement Systems Act*, and South Carolina state law. She explained the exclusive benefit rule, which requires a fiduciary to discharge his duties solely in the interest of the participants and beneficiaries of the plan. She also stated that a fiduciary must not deal with plan assets in his own interest or in the interest of a "third party."

Ms. Mumford concluded by explaining that although the RSIC is granted investment responsibility by the legislature, the PEBA Board is a co-trustee of the trust assets and is responsible to act in the best interests of the trust—including with respect to investments. This means the PEBA Board has a duty to be informed about the actions of its co-trustees, to make reasonable effort to avoid a breach by a co-trustee, and to make reasonable effort to redress any breaches by co-trustees.

III. SCRS Investment Commission: Asset Liability Modeling (ALM) Study Overview, and Risk Assessment Update

Hershal Harper and Sarah Corbett from the SC Retirement Systems Investment Commission (RSIC) and Suzanne Bernard with Hewitt Ennisknupp conducted a presentation regarding the RSIC. Ms. Corbett began by explaining the RSIC's history and governing laws. She explained that until 1997, the Retirement Systems assets were only invested in domestic fixed income investments. In the 1990's, the Retirement Systems Investment Panel was created to advise the Budget and Control Board on the domestic equity portfolio. The RSIC was then created in 2005 and was constitutionally permitted to invest across all asset classes in 2007. Ms. Corbett went on to explain the makeup of the seven-member RSIC. There are four political appointees—one each from the Governor, the Chairman of the Senate Finance Committee, the Chairman of the House Ways and Means Committee, and the Comptroller General. The remaining three members include a retiree representative, the Executive Director of PEBA (non-voting member), and the State Treasurer (ex-officio). She then explained the RSIC's governing policies and compensation structure. She explained that, in an effort to recruit and keep top investment talent to serve at the RSIC agency, they initiated a Performance Incentive Compensation program to reward good performance in investments. Ms. Corbett also explained that the RSIC publishes an Annual Investment Plan each fiscal year to spell out the policies and objectives of the RSIC.

Ms. Corbett went on to describe the RSIC's Due Diligence Guidelines. She explained that a set of guidelines was adopted on November 8, 2012 to create a uniform method of conducting and recording due diligence on investment managers. Chairman Bjontegard asked about "allegations" being made that the RSIC had not conducted due diligence on some of its managers. Mr. Harper—after responding that was not aware that actual allegations had been made, but rather believed they were currently just suggestions—explained that due diligence was done on all managers, but that some had been recorded differently from others. Ms. Corbett added that this is the reason for the newly-adopted guidelines.

Ms. Corbett concluded by explaining that the RSIC was currently in process of trying to acquire new FTE positions for the agency. They are also seeking to improve their information technology resources. She emphasized the RSIC's desire to work with PEBA to pool resources and share IT systems to allow greater transparency between the two organizations and to alleviate any concern on the part of the PEBA Board members over the actions of the RSIC.

IV. COMMITTEE REPORTS

Retirement
Committee Chairman Sowards asked that the ORP Vendors item be struck from the agenda, which was agreed to by the Board. Mr. Tigges recused himself on any votes dealing with the ORP Vendors as he has a conflict of interest.

Mr Sowards introduced and requested Joe Newton and Danny White with GRS give information on the Actuarial Valuations of 6/30/2012 before the group for approval. After the presentation by GRS, Mr. Sowards moved to accept the GRS valuations for SCRS, PORS, JSRS, GARS, and National Guard Retirement System for FY2014. Ms. Hartley seconded. Mr. Matthews then voiced concern that the valuation given for SCRS did not appear to meet the statutory requirement to accept contribution increases that maintain no more than a thirty-year amortization period. Discussion ensued. Mr. Matthews and Mr. Sowards asked General Counsel to weigh in. Mr. Van Camp advised the Board that based upon the projected amortization period as described by GRS, the recommended contribution increase for FY2014 would, in fact, satisfy the statutory requirement. Mr. Matthews restated his concern. Mr. Sowards then withdrew his previous motion and amended it. He moved to accept the GRS valuations for the five retirement systems, contingent upon a written decision by PEBA General Counsel on the legality of accepting the GRS recommended contribution increases. Ms. Hartley seconded. The Board voted to accept the GRS valuations for the five retirement system for FY2014, contingent upon General Counsel's written decision. All Board members voted in favor of the motion, except Mr. Matthews, who voted against the motion.

Mr. Sowards then discussed the necessity of adopting a Group Trust Resolution, and further explained that on January 25th, PEBA received favorable Determination Letters from the IRS on the 4 contributory defined benefit plans (SCRS, PORS, GARS and JSRS). With these letters, we now have updated favorable determination letters or private letter rulings for all qualified plans including, SCRS, PORS, GARS, JSRS, ORP and the Deferred Comp plans (401k & 457). With no further discussion the Resolution was adopted.

FAAC
Committee Chairman Matthews gave an update that as of January 30, no legislation had been introduced concerning the Indemnification of the Board members. He mentioned a few other items that he also felt were of a technical nature that should be brought to the attention of the Legislature so they could be addressed.

Health
Committee Chair Hartley gave an update of what the Governor had recommended for the agency and the State Health Plan in her Executive Budget Recommendation. Ms. Hartley also gave a brief description of the budget hearing at the House of Representatives Budget Subcommittee hearing that was on January 22.

Lunch Break

V. Executive Session to Discuss Legal Matters Pursuant to S.C. Code of Laws § 30-4-70(a)(2)

Adjournment

Upon concluding executive session, Mr. Bjontegard requested a motion to adjourn the meeting. Mr. Sowards moved to adjourn and Mr. Fusco seconded. The Board then unanimously voted to adjourn at 3:15 pm.

South Carolina Retirement System
(SCRS)

Executive Summary

(Dollar amounts expressed in thousands)

	Valuation Date:		
	July 1, 2012	July 1, 2011	
Membership	**Reflecting Act 278**	**Reflecting Act 278**	**Disclosed in Prior Year Report**
• Number of			
- Active Members	185,748	187,611	187,611
- TERI Members	6,785	5,254	5,254
- Retirees and Beneficiaries	115,142	110,296	110,296
- Inactive Members	154,073	158,086	158,086
- Total	461,748	461,247	461,247
• Projected payroll of active members	$7,356,231	$7,687,558	$7,687,558
• Projected payroll for all members, including members in ORP, TERI, and working retirees	$9,086,962	$9,379,634	$9,379,634
Contribution Rates[1]			
• Employer contribution rate	10.90%	10.60%	12.23%
• Member	8.00%	7.50%	6.50%
Assets			
• Market value	$21,536,908	$22,395,029	$22,395,029
• Actuarial value	25,540,749	25,604,823	25,604,823
• Return on market value	0.4%	18.6%	18.6%
• Return on actuarial value	3.5%	4.3%	4.3%
• Ratio of actuarial to market value of assets	118.6%	114.3%	114.3%
• External cash flow %	-4.3%	-4.1%	-4.1%
Actuarial Information			
• Normal cost %	10.05%	9.93%	10.68%
• Actuarial accrued liability (AAL)	$39,457,708	$38,011,610	$40,015,772
• Unfunded actuarial accrued liability (UAAL)	13,916,959	12,406,787	14,410,949
• Funded ratio	64.7%	67.4%	64.0%
• Funding period (years)	29	25	30
Reconciliation of UAAL			
• Beginning of Year UAAL	$12,406,787	$13,373,698	$13,373,698
- Interest on UAAL	930,509	999,625	999,625
- Amortization payment with interest	(583,194)	(618,048)	(618,048)
- Assumption/method changes	0	(45,359)	(45,359)
- Asset experience	1,000,960	802,448	802,448
- COLA	0	154,945	154,945
- Salary experience	(130,469)	(477,773)	(477,773)
- Other liability experience	292,366	221,413	221,413
- Legislative Changes	0	(2,004,162)	0
• End of Year UAAL	$13,916,959	12,406,787	14,410,949

[1] The contribution rates determined by the 2012 valuation are established by Section 9-1-1085 of the South Carolina Code and become effective for the fiscal year beginning July 1, 2014. The employer contribution rates shown above includes the cost for incidental death benefits.

SECTION 9-1-1085.

(A) As provided in Sections 9-1-1020 and 9-1-1050, the employer and employee contribution rates for the system beginning in Fiscal Year 2012-2013, expressed as a percentage of earnable compensation, are as follows:

Fiscal Year	Employer Contribution	Employee
Contribution		
2012-2013	10.60	7.00
2013-2014	10.60	7.50
2014-2015 and after	10.90	8.00

The employer contribution rate set out in this schedule includes contributions for participation in the incidental death benefit plan provided in Sections 9-1-1770 and 9-1-1775. The employer contribution rate for employers that do not participate in the incidental death benefit plan must be adjusted accordingly.

(B) After June 30, 2015, the board may increase the percentage rate in employer and employee contributions for the system on the basis of the actuarial valuation, but any such increase may not result in a differential between the employee and employer contribution rate for the system that exceeds 2.9 percent of earnable compensation. An increase in the contribution rate adopted by the board pursuant to this section may not provide for an increase in an amount of more than one-half of one percent of earnable compensation in any one year.

(C) If the scheduled employer and employee contributions provided in subsection (A), or the rates last adopted by the board pursuant to subsection (B), are insufficient to maintain a thirty year amortization schedule for the unfunded liabilities of the system, then the board shall increase the contribution rate as provided in subsection (A) or as last adopted by the board in equal percentage amounts for employer and employee contributions as necessary to maintain an amortization schedule of no more than thirty years. Such adjustments may be made without regard to the annual limit increase of one-half percent of earnable compensation provided pursuant to subsection (B), but the differential in the employer and employee contribution rates provided in subsection (A) or subsection (B), as applicable, of this section must be maintained at the rate provided in the schedule for the applicable fiscal year.

(D)(1) After June 30, 2015, if the most recent annual actuarial valuation of the system shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than ninety percent, then the board, effective on the following July first, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than ninety percent. Any decrease in contribution rates must maintain the 2.9 percent differential between employer and employee contribution rates provided pursuant to subsection (B) of this section.

(2) If contribution rates are decreased pursuant to item (1) of this subsection and the most recent annual actuarial valuation of the system shows a funded ratio of less than ninety percent, then effective on the following July first, and annually thereafter as necessary, the board shall increase the then current contribution rates as provided pursuant to subsection (B) of this section until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than ninety percent.

GRS Gabriel Roeder Smith & Company
Consultants & Actuaries

SOUTH CAROLINA RETIREMENT SYSTEM (SCRS)

ACTUARIAL VALUATION REPORT

AS OF JULY 1, 2012

GRS Gabriel Roeder Smith & Company
Consultants & Actuaries

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Irving, TX 75038-2631

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January 11, 2013

Public Employee Benefit Authority
South Carolina Retirement System
P.O. Box 11960
Columbia, SC 29211-1960

Subject: Actuarial Valuation as of July 1, 2012

Dear Members of the Board:

This report describes the current actuarial condition of the South Carolina Retirement System (SCRS), determines the calculated employer contribution rate, and analyzes changes in this contribution rate. In addition, the report provides information required by SCRS in connection with Governmental Accounting Standards Board Statement No. 25 (GASB 25), and it gives various summaries of the data. Results of this report should not be used for any other purpose without consultation with the undersigned. Valuations are prepared annually as of July 1, the first day of the plan year for SCRS. This report was prepared at the request of the Public Employee Benefit Authority (Board) and is intended for use by the SCRS staff and those designated or approved by the Board.

FINANCING OBJECTIVES AND FUNDING POLICY

The employer and member contribution rate is determined in accordance with Section 9-1-1085 of the South Carolina Code. As specified by the Code, in the event the scheduled employer and member contribution rate is insufficient to maintain a thirty-year amortization period for financing the unfunded liability of the System, the Board shall increase the employer and member contribution rates in equal amounts, as necessary, to maintain a funding period that does not exceed thirty years. The contribution rate determined by a given actuarial valuation becomes effective twenty-four months after the valuation date. In other words, the contribution rate determined by this July 1, 2012 actuarial valuation will be used by the Board when certifying the employer and member contribution rates for the year beginning July 1, 2014 and ending June 30, 2015.

According to State code, the Board is not permitted to decrease the employer and member contribution rates until the funded ratio of the plan is at least 90%. Also, any decrease in the rates must maintain the 2.90% differential between the employer and member contribution rates.

If new legislation is enacted between the valuation date and the date the contribution rate becomes effective, the Board may adjust the calculated rate before certifying them, in order to reflect this new legislation. Such adjustments are based on information supplied by the actuary.

Progress Toward Realization of Financing Objectives

The funded ratio (the ratio of the actuarial value of assets to the actuarial accrued liability) is a standard measure of a plan's funded status. In the absence of benefit improvements, it should increase over time, until it reaches at least 100%.

The funded ratio of the System decreased from 67.4% (after reflecting Act 278) to 64.7%. This decrease was primarily due to the continual recognition of the extraordinary investment loss that occurred in prior years. Absent favorable experience, we expect the funded ratio will continue to decrease for the next several years as those investment losses are fully recognized in the development of the actuarial value of assets.

If the market value of assets had been used in the calculation instead of the actuarial (smoothed) value of assets, the funded ratio for the System would have been 54.6%, compared to 58.9% in the prior year (after reflecting Act 278). The decrease in the funded ratio on a market value basis is due to unfavorable experience in the assets during the last fiscal year. In particular, the investment return for the year was 0.4% on a market value basis.

Assumptions and Methods

Except for the rates of retirement and disability incidence, the actuarial assumptions used to perform this valuation remain unchanged from the prior valuation, including the use of a 7.50% investment return assumption. The rates of retirement and disability incidence were modified to better model plan experience as a result of the enactment of Act 278. South Carolina State Code requires that an experience analysis that reviews the economic and demographic assumptions be performed every five years. The next experience analysis is scheduled for 2016.

It is our opinion that the recommended assumptions are internally consistent and reasonably reflect the anticipated future experience of the System. The actuarial assumptions and methods used in this report comply with the parameters for disclosure that appear in GASB 25.

The results of the actuarial valuation are dependent on the actuarial assumptions used. Actual results can, and almost certainly will, differ as actual experience deviates from the assumptions. Even seemingly minor changes in the assumptions can materially change the liabilities, calculated contribution rate, and funding periods. The actuarial calculations are intended to provide information for rational decision making.

BENEFIT PROVISIONS

The benefit provisions reflected in this valuation include the benefit changes that were enacted as a result of Act 278. The legislation impacted current members as well as those employees who will become members after June 30, 2012. The most significant changes impacting current members include:

- Effective July 1, 2012, the member contribution rate for all employees will increase by 0.50% each subsequent year until an 8.00% contribution rate is attained beginning July 1, 2014. The employer contribution rate will continue at 10.60% of pay for fiscal year 2014 and increase to 10.90% of pay for fiscal year 2015 (i.e. beginning July 1, 2014). In the event these contribution rates are insufficient to maintain a 30-year amortization period, the Board shall increase the member and employer contribution rates by an equal amount (i.e. maintain a 2.90% differential) as necessary to maintain a 30-year funding period. The employer and member contribution rates may not decrease until the plan attains a 90% funded ratio.
- Eligible retirees and surviving annuitants will receive an annual increase in their pension benefit equal to the lesser of 1.00% of their retirement allowance or $500 per annum.
- Effective July 1, 2012, inactive members of the System will no longer accrue future interest on their account balance attributable to their contributions.
- The definition of earnable compensation has been modified such that compensation attributable to overtime earned after December 31, 2012 is not included in the member's compensation for purposes of determining their AFC unless that compensation is for overtime that was mandated by the employer.
- Members who retire after January 2, 2013 and subsequently become employed by a participating employer of the retirement system may earn up to $10,000 annually without affecting their retirement allowance. Retired members who earn in excess of $10,000 will have their retirement allowance suspended for the remainder of the calendar year. However, this earning limitation will not apply to rehired members who attain age 62 by the time of their initial retirement.
- Effective January 2, 2013, the cost of purchasing qualified service credit will be equal to the greater of 16% of pay per year of service or the true actuarial cost. Similarly, the cost of purchasing nonqualified service credit will be equal to the greater of 35% of pay per year of service or the true actuarial cost.
- Effective December 31, 2013, the eligibility for a disability retirement benefit will be based upon the member's entitlement to a Social Security disability benefit. The determination of the disability allowance will also be based on the member's credited service as of the date of retirement and no longer include an actuarial offset for a hypothetical balance of member contributions.

- The Teacher and Employee Retention Incentive Program (TERI) will be phased-out such that no members may participate in the program after June 30, 2018.

Employees who become members after June 30, 2012 (Class Three members) will also be impacted as follows:

- Class Three members will be vested in the employer provided retirement benefit after accruing at least eight (8) years of earned service.
- Class Three members will be eligible to commence a retirement benefit after eight (8) years of earned service and upon either: (i) reaching age 60 or (ii) the combination of the member's age and years of credited service equals or exceeds 90 (i.e. the rule of 90).
- The average final compensation will be determined using a twenty-quarter averaging period (i.e. a five year average).
- Unused sick leave will be excluded in the member's credited service and unused annual leave will be excluded in determining the member's average final compensation for calculating the amount of their pension benefit at retirement.

The changes instituted by Act 278 have been fully reflected in this actuarial valuation. Please refer to Appendix B of this report for a summary of the principle plan provisions.

DATA

Member data for retired, active and inactive members was supplied as of July 1, 2012, by the SCRS staff. The staff also supplied asset information as of July 1, 2012. We did not audit this data, but we did apply a number of tests to the data, and we concluded that it was reasonable and consistent with the prior year's data. GRS is not responsible for the accuracy or completeness of the information provided to us by SCRS.

CERTIFICATION

We certify that the information presented herein is accurate and fairly portrays the actuarial position of SCRS as of July 1, 2012.

All of our work conforms with generally accepted actuarial principles and practices, and is in conformity with the Actuarial Standards of Practice issued by the Actuarial Standards Board. In our opinion, our calculations also comply with the requirements of South Carolina Code of Laws and, where applicable, the Internal Revenue Code, ERISA, and the Statements of the Governmental Accounting Standards Board.

The undersigned are independent actuaries and consultants. Mr. Newton and Mr. White are Enrolled Actuaries and Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries. Both are experienced in performing valuations for large public retirement systems.

Sincerely,

Gabriel, Roeder, Smith & Co.

Joseph P. Newton, FSA, MAAA, EA
Senior Consultant

Daniel J. White, FSA, MAAA, EA
Senior Consultant

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SECTION A

EXECUTIVE SUMMARY

Executive Summary

(Dollar amounts expressed in thousands)

	Valuation Date:		
	July 1, 2012	July 1, 2011	
Membership	**Reflecting Act 278**	**Reflecting Act 278**	**Disclosed in Prior Year Report**
• Number of			
- Active Members	185,748	187,611	187,611
- TERI Members	6,785	5,254	5,254
- Retirees and Beneficiaries	115,142	110,296	110,296
- Inactive Members	154,073	158,086	158,086
- Total	461,748	461,247	461,247
• Projected payroll of active members	$7,356,231	$7,687,558	$7,687,558
• Projected payroll for all members, including members in ORP, TERI, and working retirees	$9,086,962	$9,379,634	$9,379,634
Contribution Rates[1]			
• Employer contribution rate	10.90%	10.60%	12.23%
• Member	8.00%	7.50%	6.50%
Assets			
• Market value	$21,536,908	$22,395,029	$22,395,029
• Actuarial value	25,540,749	25,604,823	25,604,823
• Return on market value	0.4%	18.6%	18.6%
• Return on actuarial value	3.5%	4.3%	4.3%
• Ratio of actuarial to market value of assets	118.6%	114.3%	114.3%
• External cash flow %	-4.3%	-4.1%	-4.1%
Actuarial Information			
• Normal cost %	10.05%	9.93%	10.68%
• Actuarial accrued liability (AAL)	$39,457,708	$38,011,610	$40,015,772
• Unfunded actuarial accrued liability (UAAL)	13,916,959	12,406,787	14,410,949
• Funded ratio	64.7%	67.4%	64.0%
• Funding period (years)	29	25	30
Reconciliation of UAAL			
• Beginning of Year UAAL	$12,406,787	$13,373,698	$13,373,698
- Interest on UAAL	930,509	999,625	999,625
- Amortization payment with interest	(583,194)	(618,048)	(618,048)
- Assumption/method changes	0	(45,359)	(45,359)
- Asset experience	1,000,960	802,448	802,448
- COLA	0	154,945	154,945
- Salary experience	(130,469)	(477,773)	(477,773)
- Other liability experience	292,366	221,413	221,413
- Legislative Changes	0	(2,004,162)	0
• End of Year UAAL	$13,916,959	12,406,787	14,410,949

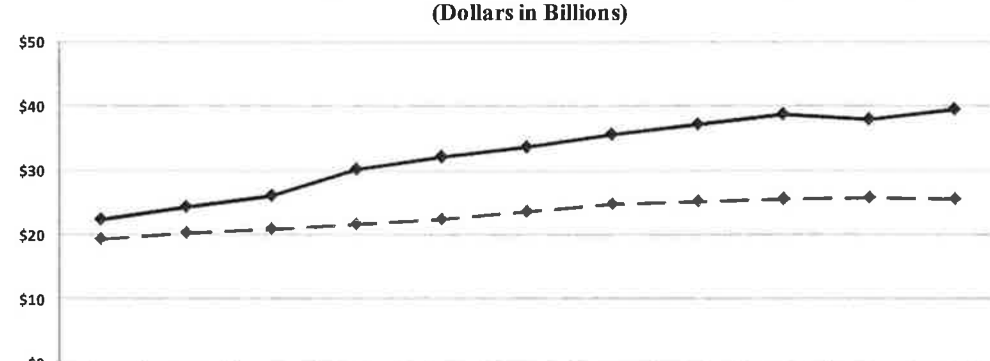
[1] The contribution rates determined by the 2012 valuation are established by Section 9-1-1085 of the South Carolina Code and become effective for the fiscal year beginning July 1, 2014. The employer contribution rates shown above includes the cost for incidental death benefits.

EXECUTIVE SUMMARY (CONTINUED)

The unfunded actuarial accrued liability increased by $1.5 billion since the prior year's valuation (after reflecting Act 278) to $13.9 billion. The single largest source of this increase is the result of continual recognition of deferred investment losses in the actuarial value of assets (i.e. $1.0 billion was recognized in the July 1, 2012 valuation). There is still $4.0 billion in deferred investment losses as of the valuation date. Absent favorable investment experience, those deferred losses will be reflected in the actuarial value of assets over the next few years.

Below is a chart with the historical actuarial value of assets and actuarial accrued liability for SCRS.

Chart 1. - History of Actuarial Assets vs. Actuarial Accrued Liability
(Dollars in Billions)



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
AVA	19.3	20.2	20.9	21.6	22.3	23.5	24.7	25.2	25.4	25.6	25.5
AAL	22.4	24.4	26.0	30.2	32.0	33.8	35.7	37.2	38.8	38.0	39.5

Based on the current funding policy, we expect the unfunded actuarial liability for the System to increase for many years and the funded ratio (on an actuarial value of asset basis) to decline for the next four or five years before it gradually improves.

The employer and member contribution rates for fiscal year 2015 are specified in 9-1-1085 of the South Carolina Code. As existing deferred investment losses become recognized in the actuarial value of assets in future years, we anticipate that the scheduled contribution rates will no longer be sufficient to maintain a 30-year amortization period for funding the unfunded actuarial accrued liability. As a result, absent legislative changes or significantly favorable, we expect that the employer and member contributions rate will increase during the next several years as those deferred investment losses become recognized in the actuarial value of assets.

SECTION B

DISCUSSION

DISCUSSION

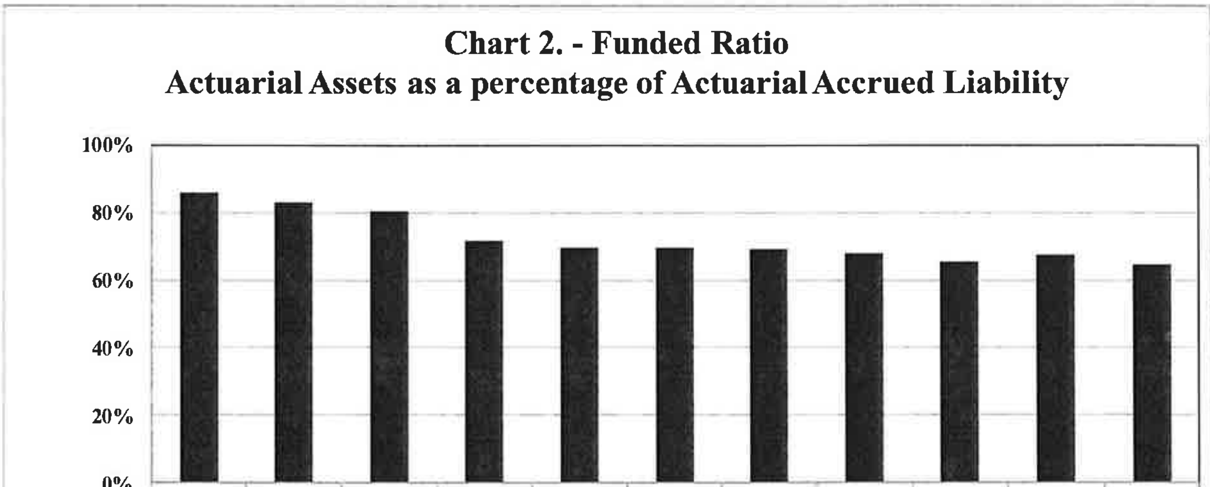
The results of the July 1, 2012 actuarial valuation of the South Carolina Retirement System are presented in this report. The primary purposes of the valuation report are to depict the current financial condition of the System, determine the annual required contribution, and analyze changes in the System's financial condition. In addition, the report provides information required by SCRS in connection with Governmental Accounting Standards Board Statement No. 25 (GASB 25), and it provides various summaries of the data.

This section discusses the determination of the current funding requirements and the System's funded status, as well as changes in financial condition of the retirement system.

All of the actuarial and financial tables referenced by the other sections of this Report appear in Section C. Section D provides member data and statistical information. Appendices A and B provide summaries of the principle actuarial assumptions and methods and plan provisions. Finally, Appendix C provides a glossary of technical terms that are used throughout this report.

Funding Progress

The funded ratio decreased from 67.4% (after reflecting Act 278) to 64.7% since the prior valuation. The decrease in the funded status over the last 10 years has generally been due to a combination of: (i) the actual investment experience being less than the System's expected investment return assumption and (ii) increases in the actuarial accrued liability due to the enactment of ad hoc cost of living adjustments to retirees during several of these years. Table 10, Schedule of Funding Progress, in the following section of the report provides additional detail regarding the funding progress of the Retirement System.



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Funded Ratio	86.0%	82.8%	80.3%	71.6%	69.6%	69.7%	69.3%	67.8%	65.5%	67.4%	64.7%

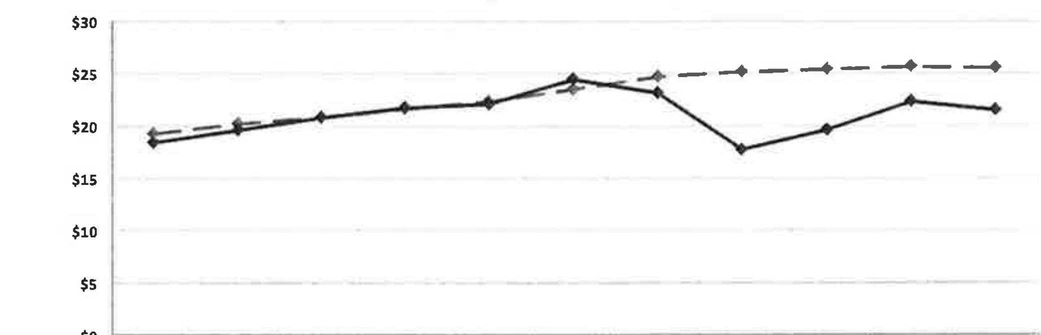
Asset Gains/ (Losses)

The actuarial value of assets ("AVA") is based on a smoothed market value of assets, using a systematic approach to phase-in actual investment return in excess of (or less than) the expected investment income. This is appropriate because it dampens the short-term volatility inherent in investment markets. The expected investment income is determined using the assumed annual investment return rate and the actuarial value of assets (adjusted for receipts and disbursements during the year). The returns are computed net of administrative and investment expenses. The actuarial value of assets decreased from \$25.6 billion to \$25.5 billion since the prior valuation. Table 8 in the following section of the report provides the development of the actuarial value of assets.

The rate of return on the mean market value of assets for fiscal year 2012 was 0.4%; which is below the 7.50% expected annual return. The return on an actuarial (smoothed) asset value was 3.5%. This difference in the estimated return on market value and actuarial value illustrates the smoothing effect of the asset valuation method.

The market value of assets is less than the actuarial value of assets, which signifies that the retirement system is in a position of deferred losses. Therefore, unless the System experiences investment returns in excess of the assumed rate of return, the future recognition of these deferred losses is expected to increase the unfunded actuarial accrued liability and decrease the System's funded ratio over the next few years.

Chart 3. - History of Actuarial Value and Market Value of Assets
(Dollars in Billions)



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
AVA	19.3	20.2	20.9	21.6	22.3	23.5	24.7	25.2	25.4	25.6	25.5
MVA	18.4	19.7	20.9	21.7	22.1	24.4	23.1	17.7	19.7	22.4	21.5

Assets as of July 1,

Tables 6 and 7 in the following section of this report provide asset information that was included in the annual financial statements of the System. Also, Table 9 shows the estimated yield on a market value basis and on the actuarial asset valuation method.

Actuarial Gains/ (Losses) and the Funding Period

The annual actuarial valuation is a snapshot analysis of the benefit liabilities, assets and funded position of the System as of the first day of the plan year. In any one fiscal year, the experience can be better or worse from that which is assumed or expected. The actuarial assumptions do not necessarily attempt to model what the experience will be for any one given fiscal year, but instead try to model the overall experience over many years. Therefore, as long as the actual experience of the retirement system is reasonably close to the current assumptions, the long-term funding requirements of the System will remain relatively consistent.

The System experienced a net liability loss of $0.2 billion, which is a 0.4% loss when compared to a total actuarial accrued liability ("AAL") of $39.5 billion. This net loss was primarily related to more members retiring than expected during fiscal year 2012 (i.e. 8,121 actual retirements versus 4,384 expected). This was also 2,679 more retirements than occurred in the prior year. We believe the increase in the number of retirements is attributable to an increased utilization of the TERI and return-to-work provisions before they became altered by the pension reform bill enacted by the 2012 legislation session.

The unfunded actuarial accrued liability (UAAL) has increased from $12.4 billion in 2011 (after reflecting Act 278) to $13.9 billion in 2012. The table below shows the source of the gains and losses and the impact of those gains and losses on the UAAL.

Reconciliation of UAAL
(Dollars in thousands)

• Beginning of Year UAAL	$12,406,787
- Interest on UAAL	930,509
- Amortization payment with interest	(583,194)
- Assumption/method changes	0
- Asset Experience	1,000,960
- COLA	0
- Salary Experience	(130,469)
- Other Liability Experience	292,366
- Legislative Changes	0
• End of Year UAAL	$13,916,959

The following table provides an additional reconciliation of the plan's experience, showing the change in the funding period from 2011 to 2012.

Change in Funding Period (Years)

• Prior Year	25.2
- Expected Experience	(1.0)
- Legislative Changes	0.0
- Assumption and method changes	0.0
- Scheduled increase in the employer and member contribution rate	(2.8)
- Asset Experience	3.0
- Demographic Experience	4.8
- Total Change	4.0
• Current Year Valuation	29.2

The liability experience had a smaller impact on the change in the unfunded liability than the asset experience. On the other hand, the liability experience has a larger influence on the change in funding period than the asset experience. This occurred because the contribution rate, which is defined as a percentage of payroll, is calculated based on the anticipation there would be a 3.50% increase in the total payroll of the system. However, the actual payroll decreased by 4.3% from fiscal year 2011 to 2012. As a result, the contribution rate, as a percentage of pay, must increase in order to maintain the necessary dollar amount of monies to finance the unfunded liability. The effect is magnified because SCRS has a large unfunded liability as a percentage of the covered payroll.

Absent favorable investment experience, we expect that the funding period to increase in future years as deferred investment losses become fully recognized in the actuarial value of assets and calculation of the contribution rate.

GASB No. 25 and No. 27 Disclosures

Accounting requirements for SCRS are provided by the Governmental Accounting Standards Board Statements No. 25 ("GASB 25") and No. 27 ("GASB 27"). Table 10 shows a historical summary of the funded ratios and other information for the System. Table 11 shows other information needed in connection with the required disclosures under GASB 25. GASB 27 governs reporting by the employers of government-sponsored retirement plans.

GASB 25 requires that plans calculate an Annual Required Contribution ("ARC"), and, if actual contributions received are less than the ARC, this must be disclosed. The ARC is calculated in accordance with certain parameters. In particular, it includes a payment to amortize the UAAL. This amortization payment must be computed using a funding period no greater than thirty (30) years. For this disclosure, SCRS treats the Board-established contribution rate as the ARC, as long as this produces a funding period that does not exceed 30 years.

Actuarial Assumptions and Methods

In determining costs and liabilities, actuaries use assumptions about the future, such as rates of salary increase, probabilities of retirement, termination, death and disability, and an annual investment return assumption. Except for the rates of disability incidence and retirement, the actuarial assumptions and methods used to determine the results of the 2012 actuarial valuation are the same as those used for the prior year's valuation. The disability and retirement rates were updated to more appropriately reflect the anticipated plan experience as a result of the enactment of Act 278.

Appendix A includes a summary of the actuarial assumptions and methods used in this valuation.

It is our opinion that the assumptions are internally consistent, reasonable, and reflect anticipated future experience of the System. The actuarial assumptions and methods used in this report comply with the parameters for disclosure that appear in GASB 25.

Benefit Provisions

Appendix B of this report includes a summary of the benefit provisions for SCRS. Act 278 became law in June 2012, which resulted in substantial changes to several benefit provisions in SCRS. Below is a summary of the retirement provisions for Class Two members, members hired prior to July 1, 2012, and Class Three members, member hired after June 30, 2012.

Summary of Retirement Provisions for:

Class Two Members (members hired prior to July 1, 2012)

- Average Final Compensation (AFC) is based on the highest 12 consecutive quarters of compensation. The determination of a member's AFC also includes up to 45 days of unused annual leave paid at termination. Monthly benefits are based on one-twelfth of this amount.
- The retirement benefit amount is equal to the 1.82% of the member's AFC times the member's credited service (years). Credited service may include up to 90 days of unused sick leave.
- Members are eligible to commence their retirement benefit after they have (i) 28 years of credited service or (ii) attained age 65 with 5 years of earned service.
- At each July 1 after their first full year of retirement, annuitants will receive an automatic cost of living adjustment equal to the lesser of 1.00% of their retirement benefit or $500 per annum.

Class Three Members (members hired after to June 30, 2012)

- Average Final Compensation (AFC) is based on the highest twenty (20) consecutive quarters of compensation. The determination of a member's AFC also will not include unused annual leave paid at termination. Monthly benefits are based on one-twelfth of this amount;
- The retirement benefit is equal to 1.82% of the member's AFC times the member's credited service (years). Credited service will not include unused sick leave.
- Members are eligible to commence a retirement benefit after they have (i) attained age 60 with eight years of earned service or (ii) the combination of the member's age and years of credited service equals or exceeds 90 (i.e. the rule of 90).
- At each July 1 after their first full year of retirement, annuitants will receive an automatic cost of living adjustment equal to the lesser of 1.00% of their retirement benefit or $500 per annum.

SECTION C

ACTUARIAL TABLES

ACTUARIAL TABLES

Summary of Cost Items

(Dollar amounts expressed in thousands)

	July 1, 2012 Reflecting Act 278 (1)	July 1, 2011 Reflecting Act 278 (2)	July 1, 2011 Disclosed in Prior Year Report (3)
1. Projected payroll of active members[1]	$ 7,356,231	$7,687,558	$7,687,558
2. Present value of future pay	$ 59,977,144	$ 63,758,111	$ 54,544,085
3. Normal cost rate			
a. Total normal cost rate	10.05%	9.93%	10.68%
b. Less: member contribution rate	-8.00%	-7.50%	-6.50%
c. Employer normal cost rate	2.05%	2.43%	4.18%
4. Actuarial accrued liability for active members			
a. Present value of future benefits	$ 19,751,278	$ 20,142,861	$ 21,765,547
b. Less: present value of future normal costs	(5,880,298)	(6,138,251)	(5,756,775)
c. Actuarial accrued liability	$ 13,870,980	$ 14,004,610	$ 16,008,772
5. Total actuarial accrued liability for:			
a. Retirees and beneficiaries	$ 24,732,406	$ 23,160,658	$ 23,160,658
b. Inactive members	854,322	846,342	846,342
c. Active members (Item 4c)	13,870,980	14,004,610	16,008,772
d. Total	$ 39,457,708	$ 38,011,610	$ 40,015,772
6. Actuarial value of assets	$ 25,540,749	$ 25,604,823	$ 25,604,823
7. Unfunded actuarial accrued liability (UAAL) (Item 5d - Item 6)	$ 13,916,959	$ 12,406,787	$ 14,410,949
8. GASB No. 25 Annual Required Contribution Rate			
a. Employer normal cost rate	2.05%	2.43%	4.18%
b. Employer contribution rate available to amortize the UAAL	8.85%	8.17%	6.42%
c. Total employer contribution rate	10.90%	10.60%	10.60%
9. Funding period based on the required employer contribution rate (years)	29	25	51
10. Applicable statutorily required contribution rates[2]			
a. Employer contribution rate	10.90%	10.60%	Not Applicable
b. Member contribution rate	8.00%	7.50%	Not Applicable

[1] The projected payroll does not include payroll for members in ORP, TERI, and who are working retirees.

[2] The applicable employer and member contribution rates are determined in accordance with Section 9-1-1085 of the South Carolina Code. The contribution rates determined by the July 1, 2012 valuation become effective for the fiscal year beginning July 1, 2014. The contribution rate includes the cost of incidental death benefits.

Actuarial Present Value of Future Benefits

(Dollar amounts expressed in thousands)

	July 1, 2012 Reflecting Act 278	July 1, 2011 Reflecting Act 278	July 1, 2011 Disclosed in Prior Year Report
	(1)	(2)	(3)
1. Active members			
a. Service retirement	$ 16,696,027	$ 16,857,249	$ 18,527,626
b. Deferred termination benefits and refunds	1,133,420	1,163,662	1,133,656
c. Survivor benefits	685,374	754,345	523,482
d. Disability benefits	1,236,458	1,367,605	1,580,783
e. Total	$ 19,751,279	$ 20,142,861	$ 21,765,547
2. Retired members			
a. Service retirement	$ 22,102,446	$ 20,645,566	$ 20,645,566
b. Disability retirement	1,620,766	1,550,283	1,550,283
c. Beneficiaries	866,754	828,468	828,468
d. Incidental death benefits	142,440	136,341	136,341
e. Total	$ 24,732,406	$ 23,160,658	$ 23,160,658
3. Inactive members			
a. Vested terminations	$ 661,531	$ 648,938	$ 648,938
b. Nonvested terminations	192,790	197,404	197,404
c. Total	$ 854,321	$ 846,342	$ 846,342
4. Total actuarial present value of future benefits	$ 45,338,006	$ 44,149,861	$ 45,772,547

Analysis of Normal Cost

	July 1, 2012	July 1, 2011	
	Reflecting Act 278	Reflecting Act 278	Disclosed in Prior Year Report
	(1)	(2)	(3)
1. Total normal cost rate			
a. Service retirement	6.69%	6.53%	7.25%
b. Deferred termination benefits and refunds	2.24%	2.23%	1.99%
c. Survivor benefits	0.41%	0.43%	0.35%
d. Disability benefits	0.71%	0.74%	1.09%
e. Total	10.05%	9.93%	10.68%
2. Less: member contribution rate	8.00%	7.50%	6.50%
3. Net employer normal cost rate	2.05%	2.43%	4.18%

Note: The normal cost includes the cost for incidental death benefits.

Results of July 1, 2012 Valuation
(Dollar amounts expressed in thousands)

			July 1, 2012 (1)
1.	Actuarial Present Value of Future Benefits		
	a. Present retired members and beneficiaries	$	24,732,406
	b. Present active and inactive members		20,605,600
	c. Total actuarial present value	$	45,338,006
2.	Present Value of Future Normal Contributions		
	a. Employee	$	4,798,172
	b. Employer		1,082,126
	c. Total future normal contributions	$	5,880,298
3.	Actuarial Liability	$	39,457,708
4.	Current Actuarial Value of Assets	$	25,540,749
5.	Unfunded Actuarial Liability	$	13,916,959
6.	UAAL Amortization Rates based on an employer contribution rate of 10.90%		
	a. Active members		8.85%
	b. TERI members (including employee contributions)		18.90%
	c. ORP members		5.90%
	d. Re-employed members (including employee contributions)		18.90%
7.	Unfunded Actuarial Liability Liquidation Period		29 years

Note: The employer contribution rate includes the cost for incidental death benefits.

Actuarial Balance Sheet

(Dollar amounts expressed in thousands)

	July 1, 2012 (1)	July 1, 2011 (2)
1. Assets		
a. Current assets (actuarial value)		
i. Employee annuity savings fund	$ 6,459,192	$ 6,472,646
ii. Employer annuity accumulation fund	19,081,557	19,132,177
iii. Total current assets	$ 25,540,749	$ 25,604,823
b. Present value of future member contributions	$ 4,798,172	$ 4,590,908
c. Present value of future employer contributions		
i. Normal contributions	$ 1,082,126	$ 1,547,343
ii. Accrued liability contributions	13,916,959	12,406,787
iii. Total future employer contributions	$ 14,999,085	$ 13,954,130
d. Total assets	$ 45,338,006	$ 44,149,861
2. Liabilities		
a. Employee annuity savings fund		
i. Past member contributions	$ 6,459,192	$ 6,472,646
ii. Present value of future member contributions	4,798,172	4,590,908
iii. Total contributions to employee annuity savings fund	$ 11,257,364	$ 11,063,554
b. Employer annuity accumulation fund		
i. Benefits currently in payment (including TERI)	$ 24,732,406	$ 23,160,658
ii. Benefits to be provided to other members	9,348,236	9,925,649
iii. Total benefits payable from employer annuity accumulation fund	$ 34,080,642	$ 33,086,307
c. Total liabilities	$ 45,338,006	$ 44,149,861

Note: Results as of July 1, 2011 and July 1, 2012 reflect the enactment of Act 278.

System Net Assets
Assets at Market or Fair Value
(Dollar amounts expressed in thousands)

Item (1)	July 1, 2012 (2)	July 1, 2011 (3)
1. Cash and cash equivalents (operating cash)	$ 1,832,037	$ 2,571,401
2. Receivables	832,794	872,711
3. Investments		
a. Short-term securities	$ 0	$ 10,113
b. Domestic fixed income	3,362,727	3,309,873
c. Global fixed income	1,313,272	2,780,555
d. Domestic equities	1,612,140	1,808,944
e. Global equities	1,503,156	1,075,869
f. Alternative investments	12,516,005	11,713,707
g. Total investments	$ 20,307,300	$ 20,699,061
4. Securities lending cash collateral invested	$ 159,112	$ 198,711
5. Prepaid administrative expenses	598	924
6. Capital assets, net of accumulated depreciation	2,688	2,795
7. Total assets	$ 23,134,529	$ 24,345,603
8. Liabilities		
a. Due to other systems	$ 507	$ 458
b. Accounts payable	784,847	1,161,046
c. Investment fees payable	8,212	16,059
d. Obligations under securities lending	159,112	198,711
e. Deferred retirement benefits	385,716	363,373
f. Due to employee insurance program	42,469	41,389
g. Benefit payable	2,910	3,743
h. Other liabilities	213,848	165,795
i. Total liabilities	$ 1,597,621	$ 1,950,574
9. Total market value of assets available for benefits (Item 7 - Item 8.i.)	$ 21,536,908	$ 22,395,029
10. Asset allocation (investments)		
a. Net invested cash	5.7%	7.6%
b. Domestic fixed income	15.6%	14.8%
c. Global fixed income	6.1%	12.4%
d. Domestic equities	7.5%	8.1%
e. Global equities	7.0%	4.8%
f. Alternative investments	58.1%	52.3%
g. Total investments	100.0%	100.0%

Reconciliation of System Net Assets

(Dollar amounts expressed in thousands)

	Year Ending	
	July 1, 2012	July 1, 2011
	(1)	(2)
1. Value of assets at beginning of year	$ 22,395,029	$ 19,681,137
2. Revenue for the year		
a. Contributions		
i. Member contributions	$ 586,818	$ 562,170
ii. Employer contributions	825,385	809,175
iii. Total	$ 1,412,203	$ 1,371,345
b. Income		
i. Interest, dividends, and other income	$ 211,910	$ 212,677
ii. Investment expenses	(47,713)	(61,618)
iii. Net	$ 164,197	$ 151,059
c. Net realized and unrealized gains (losses)	(54,890)	3,447,010
d. Total revenue	$ 1,521,510	$ 4,969,414
3. Expenditures for the year		
a. Disbursements		
i. Refunds	$ 83,134	$ 84,591
ii. Regular annuity benefits[1]	2,255,786	2,133,199
iii. Other benefit payments	19,028	17,317
iv. Transfers to other systems	2,184	1,862
v. Total	$ 2,360,132	$ 2,236,969
b. Administrative expenses and depreciation	19,499	18,553
c. Total expenditures	$ 2,379,631	$ 2,255,522
4. Increase in net assets (Item 2. - Item 3.)	$ (858,121)	$ 2,713,892
5. Value of assets at end of year (Item 1. + Item 4.)	$ 21,536,908	$ 22,395,029
6. Net external cash flow		
a. Dollar amount	$ (947,929)	$ (865,624)
b. Percentage of market value	-4.3%	-4.1%

[1] Amount includes the monthly benefits deferred in TERI and recoreded as an expense for the year.

Development of Actuarial Value of Assets
(Dollar amounts expressed in thousands)

			July 1, 2012
			(1)
1.	Actuarial value of assets at the prior valuation date	$	25,604,823
2.	Market value of assets at the prior valuation date	$	22,395,029
3.	Net external cash flow during the year		
	a. Contributions	$	1,412,203
	b. Disbursements		(2,360,132)
	c. Subtotal	$	(947,929)
4.	Expected net investment income at 7.50% earned on		
	a. Actuarial value of assets at the prior valuation date	$	1,920,362
	b. Contributions		52,958
	c. Disbursements		(88,505)
	d. Subtotal	$	1,884,815
5.	Expected actuarial value of assets, end of year (Item 1. + Item 3.c. + Item 4.d.)	$	26,541,709
6.	Market value of assets as of the current valuation date	$	21,536,908
7.	Difference between expected actuarial assets and market value of assets (Item 6. - Item 5.)	$	(5,004,801)
8.	Excess/(shortfall) recognized (20% of Item 7.)	$	(1,000,960)
9.	Actuarial value of plan assets, end of year (Item 5. + Item 8.)	$	25,540,749
10.	Asset gain (loss) for year (Item 9. - Item 5.)	$	(1,000,960)
11.	Asset gain (loss) as % of the actuarial value of assets		(3.92%)
12.	Ratio of AVA to MVA		118.6%

Estimation of Yields
(Dollar amounts expressed in thousands)

	Year Ending July 1, 2012 (1)	Year Ending July 1, 2011 (2)
1. Market value yield		
a. Beginning of year market assets	$ 22,395,029	$ 19,681,137
b. Contributions to fund during the year	1,412,203	1,371,345
c. Disbursements	(2,360,132)	(2,236,969)
d. Investment income (net of investment and administrative expenses)	89,808	3,579,516
e. End of year market assets	$ 21,536,908	$ 22,395,029
f. Estimated dollar weighted market value yield	0.4%	18.6%
2. Actuarial value yield		
a. Beginning of year actuarial assets	$ 25,604,823	$ 25,400,331
b. Contributions to fund during the year	1,412,203	1,371,345
c. Disbursements	(2,360,132)	(2,236,969)
d. Investment income (net of investment and administrative expenses)	883,855	1,070,116
e. End of year actuarial assets	$ 25,540,749	$ 25,604,823
f. Estimated actuarial value yield	3.5%	4.3%

Schedule of Funding Progress
(Dollar amounts expressed in thousands)

July 1,	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL) (3) - (2)	Funded Ratio (2)/(3)	Annual Covered Payroll[1]	UAAL as % of Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
2001	$ 18,486,773	$ 21,162,147	$ 2,675,374	87.4%	$ 6,017,537	44.5%
2002	19,298,174	22,446,574	3,148,400	86.0%	6,147,712	51.2%
2003	20,197,936	24,398,931	4,200,995	82.8%	6,240,768	67.3%
2004	20,862,659	25,977,852	5,115,193	80.3%	6,180,599	82.8%
2005	21,625,510	30,217,471	8,591,961	71.6%	6,356,489	135.2%
2006	22,293,446	32,018,519	9,725,073	69.6%	6,733,379	144.4%
2007	23,541,438	33,766,678	10,225,240	69.7%	7,093,181	144.2%
2008	24,699,678	35,663,419	10,963,741	69.3%	7,559,172	145.0%
2009	25,183,062	37,150,315	11,967,253	67.8%	7,761,808	154.2%
2010	25,400,331	38,774,029	13,373,698	65.5%	7,769,820	172.1%
2011	25,604,823	38,011,610	12,406,787	67.4%	7,687,558	161.4%
2012	25,540,749	39,457,708	13,916,959	64.7%	7,356,231	189.2%

[1] Covered payroll does not include payroll attributable to members in ORP, TERI, or working retirees.

The valuation results for 2011 reflect Act 278.

Notes to Required Supplementary Information
(as required by GASB #25)

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date:	July 1, 2012
Actuarial cost method:	Entry Age Normal
Amortization method:	Level percentage of payroll
Amortization period for GASB 25 ARC:	29-year open period[1]
Asset valuation method:	5-year smoothed market
Actuarial assumptions:	
Investment rate of return[2]	7.50%
Projected salary increases[2]	3.50% to 12.50% (varies by service)
Inflation	2.75%
Cost-of-living adjustments	1.00%

[1] The employer and member contribution rates are determined in accordance with Section 9-1-1085 of the South Carolina Code.

[2] Includes inflation at 2.75%

Solvency Test
(Dollar amounts expressed in thousands)

	Actuarial Accrued Liability				Portion of Aggregate Accrued Liabilities Covered by Assets		
July 1,	Active Member Contributions	Retirants & Beneficiaries	Active & Inactive Members (Employer Financed)	Valuation Assets	Active	Retirants	ER Financed
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
2001	$ 4,339,747	$ 10,367,913	$ 6,454,487	$ 18,486,773	100.0%	100.0%	58.6%
2002	4,512,402	11,600,395	6,333,777	19,298,174	100.0%	100.0%	50.3%
2003	4,627,360	13,240,368	6,531,203	20,197,936	100.0%	100.0%	35.7%
2004	4,750,077	14,184,765	7,043,010	20,862,659	100.0%	100.0%	27.4%
2005	4,915,423	16,891,954	8,410,094	21,625,510	100.0%	98.9%	0.0%
2006	5,229,175	17,800,254	8,989,090	22,293,446	100.0%	95.9%	0.0%
2007	5,464,756	19,084,672	9,217,250	23,541,438	100.0%	94.7%	0.0%
2008	5,708,022	20,624,862	9,329,937	24,699,678	100.0%	92.1%	0.0%
2009	5,980,022	21,381,561	9,788,732	25,183,062	100.0%	89.8%	0.0%
2010	6,222,854	22,585,243	9,965,932	25,400,331	100.0%	84.9%	0.0%
2011	6,472,646	23,160,658	8,378,306	25,604,823	100.0%	82.6%	0.0%
2012	6,459,192	24,732,406	8,266,110	25,540,749	100.0%	77.2%	0.0%

The valuation results for 2011 reflect Act 278.

SECTION D

MEMBERSHIP DATA

Membership Tables

Summary of Membership Data

		July 1, 2012 (1)	July 1, 2011 (2)
1.	Active members		
a.	Males	57,209	57,593
b.	Females	128,539	130,018
c.	Total members	185,748	187,611
d.	Total annualized prior year pay	$ 7,031,748,709	$ 7,348,994,413
e.	Average pay	$ 37,856	$ 39,171
f.	Average age	45.3	45.5
g.	Average service	10.4	10.5
h.	Member contributions with interest	$ 5,681,226,665	$ 5,724,837,949
i.	Average contributions with interest	$ 30,586	$ 30,514
2.	Vested inactive members		
a.	Number	18,234	19,775
b.	Total annual deferred benefits	$ 110,708,433	$ 113,553,247
c.	Average annual deferred benefit	$ 6,072	$ 5,742
3.	Nonvested inactive members		
a.	Number	135,839	138,311
b.	Member contributions with interest	$ 192,790,075	$ 197,403,844
c.	Average contributions with interest	$ 1,419	$ 1,427
4.	Service retirees		
a.	Number	100,685	94,838
b.	Total annual benefits	$ 2,084,693,740	$ 1,936,478,546
c.	Average annual benefit	$ 20,705	$ 20,419
d.	Average age at the valuation date	68.9	68.9
5.	Disabled retirees		
a.	Number	12,941	12,492
b.	Total annual benefits	$ 192,594,690	$ 142,029,844
c.	Average annual benefit	$ 14,883	$ 11,370
d.	Average age at the valuation date	62.2	61.9
6.	Beneficiaries		
a.	Number	8,301	8,042
b.	Total annual benefits	$ 94,514,806	$ 89,867,788
c.	Average annual benefit	$ 11,386	$ 11,175
d.	Average age at the valuation date	67.4	67.3

Summary of Contributing Membership Data
(Dollar amounts expressed in thousands)

		June 30, 2012 (1)		June 30, 2011 (2)
1. Active Members				
a. Number of state employees		50,318		51,723
Total annual compensation	$	2,092,882	$	2,232,313
b. Number of public school employees		82,329		83,075
Total annual compensation	$	3,053,114	$	3,153,646
c. Number of other agency employees		53,101		52,813
Total annual compensation	$	1,885,753	$	1,963,036
Total number of active members		185,748		187,611
Total annual compensation	$	7,031,749	$	7,348,995
2. TERI Paricipants				
a. Number of state employees		2,368		1,726
Total annual compensation	$	134,871	$	91,874
b. Number of public school employees		3,650		2,925
Total annual compensation	$	202,277	$	152,428
c. Number of other agency employees		767		603
Total annual compensation	$	40,727	$	27,269
Number of active TERI partipants		6,785		5,254
Total annual compensation	$	377,875	$	271,571
3. Rehired Retired Participants				
a. Number of state employees		4,898		3,995
Total annual compensation	$	154,623	$	138,265
b. Number of public school employees		8,866		8,041
Total annual compensation	$	241,616	$	246,019
c. Number of other agency employees		3,403		2,184
Total annual compensation	$	103,554	$	81,395
Number of rehired retired members		17,167		14,220
Total annual compensation	$	499,793	$	465,679
4. ORP Participants				
a. Number of state employees		13,488		11,560
Total annual compensation	$	721,905	$	656,124
b. Number of public school employees		6,134		7,596
Total annual compensation	$	248,057	$	287,524
Number of ORP members		19,622		19,156
Total annual compensation	$	969,962	$	943,648
5. All Groups Combined				
a. Number of state employees		71,072		69,004
Total annual compensation	$	3,104,281	$	3,118,576
b. Number of public school employees		100,979		101,637
Total annual compensation	$	3,745,064	$	3,839,617
c. Number of other agency employees		57,271		55,600
Total annual compensation	$	2,030,034	$	2,071,700
Total number members		229,322		226,241
Total annual compensation	$	8,879,379	$	9,029,893

Note: Total compensation is the annualized pay for the prior year.

Summary of Historical Active Membership

		Active Members		Covered Payroll[1]		Average Annual Pay			
July 1,	Number of Employers	Number	Percent Increase /(Decrease)	Amount in Thousands	Percent Increase /(Decrease)	Amount	Percent Increase /(Decrease)	Average Age	Average Service
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
2001	739	191,494	2.7%	$ 6,017,537	2.3%	$ 31,424	5.15%	N/A	N/A
2002	746	189,166	-1.2%	6,147,712	2.2%	32,499	3.42%	44	10
2003	763	185,538	-1.9%	6,240,768	1.5%	33,636	3.50%	44	10
2004	763	181,827	-2.0%	6,180,599	-1.0%	33,992	1.06%	44	10
2005	768	181,022	-0.4%	6,356,489	2.8%	35,114	3.30%	44	10
2006	763	184,282	1.8%	6,733,379	5.9%	36,538	4.06%	45	10
2007	777	187,968	2.0%	7,093,181	5.3%	37,736	3.28%	45	10
2008	776	192,820	2.6%	7,559,172	6.6%	39,203	3.89%	45	10
2009	781	192,319	-0.3%	7,761,808	2.7%	40,359	2.95%	45	10
2010	800	190,239	-1.1%	7,769,820	-4.7%	40,842	1.20%	45	10
2011	803	187,611	-1.4%	7,687,558	-1.1%	40,976	0.33%	45	11
2012	806	185,748	-1.0%	7,356,231	-4.3%	39,603	-3.35%	45	10

[1] Covered payroll does not include payroll attributable to members in ORP, TERI, or working retirees.

Distribution of Active Members by Age and by Years of Service

	Years of Credited Service												
Attained Age	0 Count & Avg. Comp.	1 Count & Avg. Comp.	2 Count & Avg. Comp.	3 Count & Avg. Comp.	4 Count & Avg. Comp.	5-9 Count & Avg. Comp.	10-14 Count & Avg. Comp.	15-19 Count & Avg. Comp.	20-24 Count & Avg. Comp.	25-29 Count & Avg. Comp.	30-34 Count & Avg. Comp.	35 & Over Count & Avg. Comp.	Total Count & Avg. Comp.
Under 20	230	15	3	0	0	0	0	0	0	0	0	0	248
	$5,548	$10,562	$9,525	$0	$0	$0	$0	$0	$0	$0	$0	$0	$5,899
20-24	2,272	1,646	623	281	172	94	0	0	0	0	0	0	5,088
	$11,184	$25,239	$26,045	$22,993	$25,295	$25,349	$0	$0	$0	$0	$0	$0	$18,941
25-29	2,619	2,661	2,207	2,016	2,224	3,541	35	0	0	0	0	0	15,303
	$14,291	$28,918	$31,923	$32,359	$33,257	$34,962	$30,345	$0	$0	$0	$0	$0	$29,334
30-34	1,869	1,654	1,344	1,400	1,914	8,021	2,220	30	0	0	0	0	18,452
	$15,318	$30,954	$35,073	$35,791	$34,241	$38,595	$42,646	$39,089	$0	$0	$0	$0	$35,120
35-39	1,633	1,473	1,109	1,175	1,519	5,729	6,410	1,726	22	0	0	0	20,796
	$14,521	$31,410	$33,227	$36,285	$35,192	$38,187	$46,075	$49,302	$33,622	$0	$0	$0	$38,607
40-44	1,728	1,549	1,224	1,186	1,503	5,752	5,576	5,584	1,741	62	0	0	25,905
	$15,049	$29,225	$32,558	$35,649	$34,166	$37,316	$43,782	$51,546	$52,163	$40,775	$0	$0	$40,328
45-49	1,434	1,328	1,064	1,089	1,408	5,281	5,021	3,862	4,587	1,776	26	0	26,876
	$13,900	$28,479	$33,531	$34,075	$33,618	$35,618	$40,650	$46,227	$53,221	$54,008	$42,960	$0	$40,548
50-54	1,240	1,152	952	974	1,254	4,969	5,049	3,884	3,800	3,722	552	11	27,559
	$14,827	$30,129	$30,262	$34,663	$33,512	$35,040	$38,637	$43,318	$49,452	$55,741	$57,899	$66,868	$40,757
55-59	1,013	917	847	816	1,129	4,318	4,595	3,941	3,508	2,377	791	133	24,385
	$14,843	$29,331	$30,783	$32,327	$33,244	$35,640	$38,823	$42,799	$46,892	$53,441	$59,879	$59,056	$40,173
60-64	552	520	493	539	714	3,017	2,839	2,330	2,064	1,279	318	169	14,834
	$13,771	$26,106	$30,702	$30,686	$31,165	$36,102	$39,671	$43,984	$45,370	$52,330	$65,507	$65,034	$39,877
65 & Over	367	307	231	296	412	1,724	1,212	734	475	333	123	88	6,302
	$7,810	$17,302	$19,981	$24,422	$24,714	$29,353	$33,025	$43,094	$44,191	$53,278	$64,633	$70,687	$32,588
Total	14,957	13,222	10,097	9,772	12,249	42,446	32,957	22,091	16,197	9,549	1,810	401	185,748
	$13,792	$28,717	$31,778	$33,538	$33,308	$36,394	$41,431	$46,338	$49,560	$54,206	$60,344	$64,342	$37,856

Schedule of Annuitants by Type of Benefit

Type of Benefit/ Form of Payment	Number		Annual Benefits Amount		Average Monthly Benefit
(1)	(2)		(3)		(4)
Service :					
Maximum & QDRO	68,093	$	1,310,286,071	$	1,604
100% J&S	14,593		327,330,434		1,869
50% J&S	10,320		279,088,672		2,254
10 Years C&L	624		12,050,298		1,609
Level Income	7,055		155,938,265		1,842
Subtotal:	100,685	$	2,084,693,740		1,725
Disability:					
Maximum	10,669	$	144,246,029	$	1,127
100% J&S	1,280		13,522,098		880
50% J&S	821		13,049,182		1,325
10 Years C&L	171		2,161,921		1,054
Subtotal:	12,941	$	172,979,230		1,114
Beneficiaries:	8,301	$	94,514,797	$	949
Total:	121,927	$	2,352,187,767	$	1,608

Distribution of Annuitants by Monthly Benefit

Monthly Benefit Amount	Number of Annuitants	Female	Male	Average Service
(1)	(2)	(3)	(4)	(5)
Under $200	7,168	4,790	2,378	7.22
$ 200 - 399	11,540	8,293	3,247	11.13
400 - 599	10,964	7,808	3,156	14.24
600 - 799	9,258	6,701	2,557	17.16
800 - 999	8,030	5,756	2,274	19.61
1,000 - 1,199	7,325	5,242	2,083	22.01
1,200 - 1,399	6,753	4,863	1,890	23.77
1,400 - 1,599	6,401	4,543	1,858	25.17
1,600 - 1,799	6,053	4,279	1,774	26.58
1,800 - 1,999	5,951	4,173	1,778	27.50
2,000 - 2,199	6,532	4,799	1,733	28.12
2,200 - 2,399	6,725	4,973	1,752	28.50
2,400 - 2,599	6,828	5,097	1,731	28.74
2,600 - 2,799	5,267	3,746	1,521	29.26
2,800 - 2,999	3,784	2,502	1,282	29.50
3,000 - 3,199	2,785	1,613	1,172	29.85
3,200 - 3,399	2,010	1,076	934	29.99
3,400 - 3,599	1,620	838	782	30.20
3,600 - 3,799	1,312	620	692	30.33
3,800 - 3,999	1,109	469	640	30.44
4,000 & Over	4,512	1,363	3,149	31.44
Total	121,927	83,544	38,383	22.19

Schedule of Retirants Added to And Removed from Rolls

(Dollar amounts except average allowance expressed in thousands)

Year Ended	Added to Rolls Number	Added to Rolls Annual Benefits	Removed from Rolls Number	Removed from Rolls Annual Benefits	Rolls End of the Year Number	Rolls End of the Year Annual Benefits	% Increase in Annual Benefit	Average Annual Benefit
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
2001	12,523	$ 284,739	2,474	$ 23,735	74,054	$ 1,085,634	31.7%	$ 14,660
2002	7,344	140,077	2,334	24,531	79,064	1,201,180	10.6%	15,193
2003	7,866	163,867	2,510	27,662	84,420	1,337,385	11.3%	15,842
2004	7,319	151,477	2,132	22,656	89,607	1,466,206	9.6%	16,363
2005	7,203	167,748	2,143	23,537	94,667	1,610,417	9.8%	17,011
2006	4,621	118,271	2,083	24,099	97,205	1,704,589	5.8%	17,536
2007	5,944	130,286	2,252	28,455	100,897	1,806,420	6.0%	17,904
2008	6,021	132,856	2,396	30,178	104,522	1,909,098	5.7%	18,265
2009	6,190	101,813	2,698	36,834	108,014	1,974,077	3.4%	18,276
2010	6,596	151,348	3,216	44,049	111,394	2,081,376	5.4%	18,685
2011	6,336	141,242	2,358	31,382	115,372	2,191,236	5.3%	18,993
2012	9,523	205,050	2,968	44,099	121,927	2,352,188	7.3%	19,292

Includes Teacher and Employee Retention Incentive (TERI) participants.

APPENDIX A
ACTUARIAL ASSUMPTIONS AND METHODS

Summary of Actuarial Methods and Assumptions

The following presents a summary of the actuarial assumptions and methods used in the valuation of the South Carolina Retirement System.

Investment Rate of Return

Assumed annual rate of 7.50% net of investment and administrative expenses composed of a 2.75% inflation component and a 4.75% real rate of return, net of investment and administration expenses.

Rates of Annual Salary Increase

Rates of annual salary increase are assumed to vary for the first 19 years of service due to expected merit and promotional increases which differs by employee group. Beginning with the 20th year of service, the assumed annual rate of increase is 3.50% for both groups and for all future years of service.

The 3.50% rate of increase is composed of a 2.75% inflation component and a 0.75% real rate of wage increase (productivity) component.

Active Male & Female Salary Increase Rate				
	General Employees		Teachers	
Years of Service	Annual Promotional/Longevity Rates of Increase	Total Annual Rate of Increase Including 3.50% Wage Inflation	Annual Promotional/Longevity Rates of Increase	Total Annual Rate of Increase Including 3.50% Wage Inflation
0	2.50%	6.00%	4.00%	7.50%
1	2.50%	6.00%	9.00%	12.50%
2	2.00%	5.50%	3.00%	6.50%
3	1.50%	5.00%	2.75%	6.25%
4	1.25%	4.75%	2.50%	6.00%
5	1.00%	4.50%	2.25%	5.75%
6	0.75%	4.25%	2.00%	5.50%
7	0.50%	4.00%	1.75%	5.25%
8	0.50%	4.00%	1.75%	5.25%
9	0.25%	3.75%	1.50%	5.00%
10	0.25%	3.75%	1.50%	5.00%
11	0.25%	3.75%	1.50%	5.00%
12	0.25%	3.75%	1.25%	4.75%
13	0.25%	3.75%	1.00%	4.50%
14	0.25%	3.75%	1.00%	4.50%
15	0.00%	3.50%	1.00%	4.50%
16	0.00%	3.50%	0.75%	4.25%
17	0.00%	3.50%	0.50%	4.00%
18	0.00%	3.50%	0.25%	3.75%
19	0.00%	3.50%	0.25%	3.75%
20+	0.00%	3.50%	0.00%	3.50%

Active Member Decrement Rates

a. Assumed rate of Service Retirement or TERI entry are shown in the following tables. The first table is for members who attain age 65 before attaining 28 years of service. The second table is based on service and is for members who attain 28 years of service before age 65.

Annual Age Based Retirement Rates									
Members	**Class Two**								**Class Three**
	General Employees				**Teachers**				
Age	**Reduced**		**Normal***		**Reduced**		**Normal***		**Rule of 90**
	Male	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	
55	4%	4%	0%	0%	2%	2%	0%	0%	20%
56	4%	4%	0%	0%	2%	2%	0%	0%	20%
57	4%	4%	0%	0%	2%	2%	0%	0%	20%
58	4%	4%	0%	0%	2%	2%	0%	0%	20%
59	4%	4%	0%	0%	2%	2%	0%	0%	20%
60	5%	7%	0%	0%	5%	6%	0%	0%	20%
61	5%	7%	0%	0%	6%	6%	0%	0%	20%
62	14%	13%	0%	0%	12%	11%	0%	0%	20%
63	10%	13%	0%	0%	12%	10%	0%	0%	20%
64	10%	13%	0%	0%	9%	10%	0%	0%	20%
65	0%	0%	20%	22%	0%	0%	20%	25%	20%
66	0%	0%	20%	22%	0%	0%	20%	25%	20%
67	0%	0%	17%	19%	0%	0%	20%	20%	20%
68	0%	0%	17%	19%	0%	0%	20%	20%	20%
69	0%	0%	17%	19%	0%	0%	20%	20%	20%
70	0%	0%	17%	19%	0%	0%	20%	20%	20%
71	0%	0%	17%	19%	0%	0%	20%	20%	20%
72	0%	0%	17%	19%	0%	0%	20%	20%	20%
73	0%	0%	17%	19%	0%	0%	20%	20%	20%
74	0%	0%	17%	19%	0%	0%	20%	20%	20%
75	0%	0%	100%	100%	0%	0%	100%	100%	100%

* Retirement rate 50% at the later of age 62 or when they are first eligible for a normal retirement benefit, the first age the member is eligible to concurrently commence benefits and continue employment.

Annual Service Based Retirement Rates*				
Class Two Members				
Years of Service	General Employees		Teachers	
	Male	Female	Male	Female
28	15%	18%	7%	8%
29	10%	10%	8%	9%
30	10%	10%	8%	9%
31	10%	10%	9%	10%
32	10%	10%	10%	11%
33	18%	20%	11%	12%
34	18%	20%	12%	18%
35	18%	20%	13%	18%
36	20%	20%	14%	18%
37	20%	20%	18%	18%
38	20%	20%	17%	19%
39	20%	20%	17%	20%
40	100%	100%	100%	100%
41	100%	100%	100%	100%
42	100%	100%	100%	100%
43	100%	100%	100%	100%
44	100%	100%	100%	100%
45	100%	100%	100%	100%
46	100%	100%	100%	100%
47	100%	100%	100%	100%
48	100%	100%	100%	100%

* Retirement rate 50% at the later of age 62 or when they are first eligible for a normal retirement benefit, the first age the member is eligible to concurrently commence benefits and continue employment.

b. Assumed rates of disability are shown in the following table.

Disability Rates				
Age	General Employees		Teachers	
	Males	Females	Males	Females
25	0.0504%	0.0464%	0.0419%	0.0458%
30	0.1008%	0.0650%	0.0629%	0.0616%
35	0.1512%	0.1299%	0.0838%	0.0616%
40	0.2520%	0.1670%	0.1572%	0.1074%
45	0.3528%	0.2413%	0.2620%	0.2200%
50	0.5040%	0.4083%	0.4192%	0.3520%
55	0.8064%	0.6496%	0.6812%	0.5720%
60	1.0080%	0.9930%	1.0480%	0.8800%
64	1.2600%	1.3827%	1.3100%	1.1000%

c. Active Member Mortality

Rates of active member mortality are based upon a client specific table with applicable multipliers to match the experience.

Active Mortality Rates (Multiplier Applied)				
Age	General Employees		Teachers	
	Males	Females	Males	Females
25	0.0414%	0.0166%	0.0432%	0.0145%
30	0.0488%	0.0211%	0.0511%	0.0185%
35	0.0850%	0.0380%	0.0889%	0.0333%
40	0.1187%	0.0565%	0.1241%	0.0494%
45	0.1659%	0.0899%	0.1734%	0.0787%
50	0.2352%	0.1341%	0.2459%	0.1173%
55	0.3332%	0.2021%	0.3483%	0.1768%
60	0.5366%	0.3145%	0.5610%	0.2752%
64	0.7731%	0.4343%	0.8082%	0.3800%
Multiplier	110%	80%	115%	70%

d. Rates of Withdrawal

Rate of withdrawal for active members prior to eligibility for retirement are for each employee group and differ by gender and service. Sample rates are shown in the tables below.

Withdrawal Rates - Male General Employees															
Age	Years of Service														
	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14
25	0.329	0.247	0.190	0.155	0.134	0.117	0.096	0.078	0.065	0.059	0.066	0.000	0.000	0.000	0.000
30	0.294	0.221	0.173	0.142	0.124	0.109	0.095	0.082	0.070	0.060	0.053	0.047	0.044	0.042	0.039
35	0.268	0.200	0.155	0.129	0.112	0.101	0.092	0.082	0.072	0.059	0.042	0.047	0.044	0.042	0.039
40	0.246	0.180	0.138	0.114	0.100	0.092	0.086	0.079	0.069	0.055	0.033	0.042	0.042	0.042	0.039
45	0.226	0.164	0.123	0.100	0.088	0.082	0.078	0.073	0.064	0.049	0.027	0.039	0.036	0.034	0.032
50	0.208	0.150	0.111	0.089	0.077	0.072	0.068	0.063	0.055	0.042	0.022	0.029	0.029	0.029	0.029
55	0.194	0.141	0.104	0.081	0.069	0.060	0.054	0.049	0.042	0.033	0.021	0.020	0.020	0.020	0.020
60	0.183	0.135	0.100	0.077	0.063	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Age	Years of Service (Continued)														
	15	16	17	18	19	20	21	22	23	24	25	26	27	28+	
25	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
30	0.036	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
35	0.036	0.034	0.032	0.029	0.027	0.025	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
40	0.036	0.034	0.032	0.029	0.027	0.025	0.023	0.022	0.020	0.018	0.017	0.000	0.000	0.000	
45	0.029	0.029	0.029	0.029	0.027	0.025	0.023	0.022	0.020	0.018	0.017	0.016	0.014	0.000	
50	0.029	0.027	0.025	0.023	0.022	0.020	0.020	0.020	0.020	0.018	0.017	0.016	0.014	0.000	
55	0.020	0.020	0.020	0.020	0.020	0.020	0.018	0.017	0.016	0.014	0.000	0.000	0.000	0.000	
60	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	

Withdrawal Rates - Female General Employees

Age	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14
25	0.298	0.246	0.206	0.177	0.156	0.138	0.125	0.116	0.109	0.103	0.094	0.000	0.000	0.000	0.000
30	0.271	0.224	0.186	0.159	0.140	0.125	0.115	0.106	0.097	0.085	0.069	0.052	0.049	0.045	0.042
35	0.251	0.202	0.166	0.141	0.124	0.113	0.104	0.096	0.086	0.071	0.051	0.052	0.049	0.045	0.042
40	0.233	0.180	0.145	0.123	0.110	0.101	0.093	0.085	0.075	0.059	0.037	0.045	0.045	0.045	0.042
45	0.217	0.162	0.127	0.108	0.097	0.089	0.082	0.075	0.064	0.049	0.028	0.042	0.039	0.036	0.033
50	0.204	0.149	0.115	0.097	0.086	0.079	0.071	0.064	0.054	0.041	0.023	0.030	0.030	0.030	0.030
55	0.195	0.143	0.109	0.089	0.078	0.069	0.061	0.053	0.044	0.035	0.024	0.020	0.020	0.020	0.020
60	0.187	0.141	0.108	0.085	0.070	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

Years of Service (Continued)

Age	15	16	17	18	19	20	21	22	23	24	25	26	27	28+
25	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
30	0.039	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
35	0.039	0.036	0.033	0.030	0.028	0.025	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
40	0.039	0.036	0.033	0.030	0.028	0.025	0.023	0.022	0.020	0.018	0.017	0.000	0.000	0.000
45	0.030	0.030	0.030	0.030	0.028	0.025	0.023	0.022	0.020	0.018	0.017	0.016	0.015	0.000
50	0.030	0.028	0.025	0.023	0.022	0.020	0.020	0.020	0.020	0.018	0.017	0.016	0.015	0.000
55	0.020	0.020	0.020	0.020	0.020	0.020	0.018	0.017	0.016	0.015	0.000	0.000	0.000	0.000
60	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

Withdrawal Rates - Male Teachers

Age	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14
25	0.296	0.203	0.138	0.097	0.072	0.058	0.051	0.051	0.052	0.054	0.056	0.000	0.000	0.000	0.000
30	0.272	0.192	0.136	0.099	0.078	0.066	0.061	0.058	0.054	0.048	0.039	0.027	0.026	0.025	0.025
35	0.253	0.182	0.132	0.099	0.081	0.071	0.066	0.061	0.054	0.043	0.027	0.027	0.026	0.025	0.025
40	0.237	0.173	0.127	0.098	0.082	0.073	0.068	0.062	0.053	0.039	0.020	0.025	0.025	0.025	0.025
45	0.224	0.165	0.123	0.096	0.081	0.073	0.067	0.060	0.050	0.036	0.017	0.025	0.024	0.023	0.023
50	0.214	0.159	0.119	0.094	0.079	0.070	0.063	0.055	0.046	0.034	0.017	0.022	0.022	0.022	0.022
55	0.206	0.155	0.117	0.091	0.074	0.065	0.056	0.048	0.040	0.032	0.022	0.017	0.017	0.017	0.017
60	0.200	0.152	0.114	0.087	0.067	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

Years of Service (Continued)

Age	15	16	17	18	19	20	21	22	23	24	25	26	27	28+
25	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
30	0.024	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
35	0.024	0.023	0.023	0.022	0.021	0.020	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
40	0.024	0.023	0.023	0.022	0.021	0.020	0.019	0.018	0.017	0.015	0.014	0.000	0.000	0.000
45	0.022	0.022	0.022	0.022	0.021	0.020	0.019	0.018	0.017	0.015	0.014	0.012	0.009	0.000
50	0.022	0.021	0.020	0.019	0.018	0.017	0.017	0.017	0.017	0.015	0.014	0.012	0.009	0.000
55	0.017	0.017	0.017	0.017	0.017	0.017	0.015	0.014	0.012	0.009	0.000	0.000	0.000	0.000
60	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

Withdrawal Rates - Female Teachers															
Age	Years of Service														
	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14
25	0.230	0.161	0.121	0.101	0.089	0.084	0.083	0.080	0.073	0.066	0.060	0.000	0.000	0.000	0.000
30	0.227	0.166	0.126	0.101	0.088	0.080	0.075	0.070	0.062	0.053	0.043	0.032	0.030	0.028	0.026
35	0.217	0.160	0.121	0.097	0.083	0.075	0.068	0.062	0.054	0.043	0.030	0.032	0.030	0.028	0.026
40	0.204	0.148	0.111	0.088	0.076	0.068	0.062	0.055	0.048	0.037	0.021	0.028	0.028	0.028	0.026
45	0.193	0.136	0.100	0.080	0.068	0.062	0.056	0.050	0.044	0.033	0.016	0.026	0.024	0.023	0.021
50	0.187	0.130	0.094	0.074	0.063	0.057	0.052	0.048	0.042	0.032	0.015	0.020	0.020	0.020	0.020
55	0.188	0.131	0.094	0.073	0.063	0.054	0.051	0.047	0.042	0.033	0.019	0.013	0.013	0.013	0.013
60	0.195	0.138	0.099	0.076	0.066	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Age	Years of Service (Continued)														
	15	16	17	18	19	20	21	22	23	24	25	26	27	28+	
25	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
30	0.024	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
35	0.024	0.023	0.021	0.020	0.018	0.017	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
40	0.024	0.023	0.021	0.020	0.018	0.017	0.015	0.014	0.013	0.011	0.010	0.000	0.000	0.000	
45	0.020	0.020	0.020	0.020	0.018	0.017	0.015	0.014	0.013	0.011	0.010	0.009	0.008	0.000	
50	0.020	0.018	0.017	0.015	0.014	0.013	0.013	0.013	0.013	0.011	0.010	0.009	0.008	0.000	
55	0.013	0.013	0.013	0.013	0.013	0.013	0.011	0.010	0.009	0.008	0.000	0.000	0.000	0.000	
60	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	

Post Retirement Mortality

a. Healthy retirees and beneficiaries – The valuation assumes fully generational mortality. The base mortality table used is the RP-2000 Mortality Table (Public School District Employees utilize the White Collar adjustment), adjusted by multipliers documented in the table below. Future mortality improvements are assumed each year using Scale AA. The following are sample rates:

Nondisabled Annuitant Mortality Rates Before Projection (Multiplier Applied)				
Age	General Employees		Teachers	
	Males	Females	Males	Females
50	0.2138%	0.1508%	0.2176%	0.1510%
55	0.3624%	0.2445%	0.3632%	0.2457%
60	0.6747%	0.4550%	0.6141%	0.4443%
65	1.2737%	0.8735%	1.2167%	0.8218%
70	2.2206%	1.5068%	2.1203%	1.4426%
75	3.7834%	2.5295%	3.6997%	2.4431%
80	6.4368%	4.1291%	6.5353%	4.0926%
85	11.0757%	6.9701%	11.5132%	7.0483%
90	18.3408%	11.8514%	19.6100%	11.9843%
Multiplier	100%	90%	110%	95%

The following table provides the life expectancy for individuals retiring in future years based on the assumption with full generational projection:

Life Expectancy for an Age 65 Retiree in Years				
Employee Type	**Year of Retirement**			
	2015	**2020**	**2025**	**2030**
General Employee – Male	19.6	20.0	20.4	20.7
General Employee – Female	22.3	22.5	22.7	22.9
Teacher – Male	19.5	19.9	20.3	20.6
Teacher - Female	22.4	22.6	22.8	22.9

b. A separate table of mortality rates is used for disabled retirees based on the RP-2000 Disabled Retiree Mortality Table. The following are sample rates:

Disabled Annuitant Mortality Rates (Multiplier Applied)				
Age	**General Employees**		**Teachers**	
	Males	**Females**	**Males**	**Females**
50	2.4629%	1.2689%	2.1731%	1.2689%
55	3.0126%	1.8198%	2.6581%	1.8198%
60	3.5736%	2.4023%	3.1531%	2.4023%
65	4.2648%	3.0829%	3.7631%	3.0829%
70	5.3196%	4.1398%	4.6937%	4.1398%
75	6.9757%	5.7453%	6.1550%	5.7453%
80	9.2966%	7.9543%	8.2029%	7.9543%
85	12.0363%	11.0223%	10.6202%	11.0223%
90	15.5897%	15.4054%	13.7556%	15.4054%
Multiplier	85%	110%	75%	110%

Asset Valuation Method

The actuarial value of assets is based on the market value of assets with five-year smoothing applied. This is accomplished by recognizing each year 20% of the difference between the market value of assets and the expected actuarial value of assets, based upon the assumed valuation rate of return.

Expected earnings are determined using the assumed investment rate of return and the beginning of year actuarial value of assets (adjusted for receipts and disbursements during the year). The returns are computed net of administrative and investment expenses.

Actuarial Cost Method

The Entry Age Normal actuarial cost method allocates the System's actuarial present value of future benefits to various periods based upon service. The portion of the present value of future benefits allocated to years of service prior to the valuation date is the actuarial accrued liability, and the portion allocated to years following the valuation date is the present value of future normal costs. The normal cost is determined for each active member as the level percent of payroll necessary to fully fund the expected benefits to be earned over the career of each individual active member. The normal cost is partially funded with active member contributions with the remainder funded by employer contributions.

An unfunded accrued liability exists in the amount equal to the excess of accrued liability over valuation assets. The amortization period of the System is the number of years required to fully amortize the unfunded accrued liability with the expected amount of employer contributions in excess of the employers' portion of the normal cost.

The calculation of the amortization period takes into account scheduled increases to contribution rates applicable to future years and payroll growth. Also, the calculation of the amortization period reflects additional contributions the System receives with respect to post July 1, 2005 TERI participants, ORP participants and return to work retirees. These contributions are assumed to grow at the same payroll growth rate as for active SCRS employees. It is assumed that amortization payments are made monthly at the end of the month.

Unused Annual Leave

To account for the effect of unused annual leave in Annual Final Compensation (AFC) of Class Two members, the AFC for Class Two members is increased 2.14% at their date of retirement.

Unused Sick Leave

To account for the effect of unused sick leave on credited service for Class Two members, the service of active Class Two members who retire is increased 3 months.

Future Post-Retirement Benefit Adjustments

Benefits are assumed to increase by the lesser of 1.00% annually or $500 beginning on the July 1st following the receipt of 12 monthly benefit payments. The $500 limit in the annual increase is not indexed to escalate in future years.

Payroll Growth Rate

The total annual payroll of active members (also applies to TERI, ORP and rehired retiree participants) is assumed to increase at an annual rate of 3.50%. This rate represents the underlying expected annual rate of wage inflation and does not anticipate increases in the number of members.

Other Assumptions

1. Valuation payroll (used for determining the amortization contribution rate): Prior fiscal year payroll projected forward one year using the overall payroll growth rate. This was determined separately for TERI, and return to work employees by dividing the actual member contributions received during the prior fiscal year by the member contribution rate in effect for that year, and then projecting forward at 3.50%.

2. Individual salaries used to project benefits: Actual salaries from the past fiscal year are used to determine the final average salary as of the valuation date. For future salaries, the salary from the last fiscal year is projected forward with one year's salary scale.

3. Pay increase timing: Beginning of (fiscal) year. This is equivalent to assuming that reported salaries represent amounts paid to members during the year ended on the valuation date.

4. Percent married: 100% of male and 100% of female employees are assumed to be married.

5. Age difference: Males are assumed to be three years older than their spouses.

6. Percent electing annuity on death (when eligible): All of the spouses of vested, married participants are assumed to elect an immediate life annuity.

7. Inactive Population: All non-vested members are assumed to take an immediate refund. Members with a vested benefit are assumed to elect a refund or a deferred benefit commencing at age 65, whichever is more valuable at the valuation date.

8. There will be no recoveries once disabled.

10. Decrement timing: Decrements of all types are assumed to occur mid-year.

11. Eligibility testing: Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.

12. Decrement relativity: Decrement rates are used directly from the experience study, without adjustment for multiple decrement table effects.

13. Incidence of Contributions: Contributions are assumed to be received continuously throughout the year based upon the computed percent of payroll shown in this report, and the actual payroll payable at the time contributions are made.

14. Benefit Service: All members are assumed to accrue one year of eligibility service each year.

15. All calculations were performed without regard to the compensation limit in IRC Section 401(a)(17) and the benefit limit under IRC Section 415.

Participant Data

Participant data was supplied in electronic text files. There were separate files for (i) active and inactive members, and (ii) members and beneficiaries receiving benefits.

The data for active members included birth date, gender, service with the current city and total vesting service, salary, and employee contribution account balances. For retired members and beneficiaries, the data included date of birth, gender, spouse's date of birth (where applicable), amount of monthly benefit, date of retirement, and form of payment code.

Salary supplied for the current year was based on the annualized earnings for the year preceding the valuation date.

Assumptions were made to correct for missing, bad, or inconsistent data. These had no material impact on the results presented.

APPENDIX B

BENEFIT PROVISIONS

SUMMARY OF BENEFIT PROVISIONS FOR SOUTH CAROLINA RETIREMENT SYSTEM (SCRS)

Effective Date: July 1, 1945.

Administration: The South Carolina Retirement System, organizationally aligned as a Division of the State Budget and Control Board, is responsible for the general administrative operations and day to day management of the Plan.

Type of Plan: This is a qualified governmental defined benefit retirement plan. Under GASB 25, it is considered to be a cost-sharing multiple-employer plan.

Eligibility: This System covers all permanent full-time or part-time employees of a covered employer (i.e. public school, state employer, city, county, and other local public governmental entity), unless specifically exempted by Statute or participate in the State Optional Retirement Program (ORP).

Employee Contributions: Members will contribute 7.00%, 7.50% of earnable compensation for FY 2013 and 2014 respectively. The member contribution rate for FY 2015 and thereafter is 8.00%. Furthermore, in the event that these contribution rates are insufficient to maintain a 30-year amortization period, the Board shall increase the employer and member contribution rates by an equal amount (i.e. maintain at least a 2.90% differential between the employer and member rates) as necessary to maintain a 30-year funding period. The employer and member contribution rates may not decrease until the plan attains a 90% funded ratio. These contributions are "picked-up" under Section 414(h) of the Internal Revenue Code. Contributions are credited with interest at the rate of 4.0% per annum while the member is actively employed.

Average Final Compensation (AFC): The monthly average of the member's highest 12 consecutive quarters of earnable compensation (highest 20 consecutive quarters for Class Three members, members who are hired after June 30, 2012). Earnable compensation is the compensation that would be payable to a member if the member worked a full, normal working time, which includes gross salary, sick pay, and deferrals. Compensation due to overtime earned after December 31, 2012 will not be included unless that compensation is for time that is mandated by the employer.

The calculation of the AFC for Class One and Class Two members also includes up to 45 days pay for unused annual leave paid at termination. Members joining the System after January 1, 1996, have their compensation limited in accordance with IRC Section 401(a)(17) for determining benefits.

Service Retirement (Unreduced):

a. Eligibility: Class Two members may retire with an unreduced benefit at age 65 with five years of earned service or after 28 years of creditable service, if earlier. Class Three members may retire with an unreduced benefit at age 65 with eight years of earned service or after the satisfying the rule of 90 (i.e. age plus credited service equals or exceeds 90).

b. Monthly Benefit: 1.82% times the member's AFC times their years of creditable service.

c. Payment Forms: Maximum retirement allowance (Option A) and survivor allowances under Options B and C.

Service Retirement (Reduced):

a. Eligibility: Class Two members may retire with a reduced benefit upon attaining: (1) age 55 with 25 years of creditable service (minimum of 5 years of earned service), or (2) age 60 with five years of earned service. Class Three members may retire with a reduced benefit upon attaining age 60 with eight years of earned service.

b. Reduction: A Class Two member's benefit will be reduced by either an age or service based reduction factor described below, whichever results in the most favorable benefit. A Class Three member's benefit will be reduced by the age based reduction factor described below.

   Age Based: Members retiring after age 60 will have their benefit reduced at the rate of 5% per year for each year of their retirement age precedes age 65.

   Service Based: 4% per year for each year of creditable service that is less than 28.

c. Payment Forms: Maximum retirement allowance (Option A) and survivor allowances under Options B and C.

Disability Retirement:

a. Eligibility: The eligibility for a disability retirement will be based upon the member's entitlement for Social Security disability benefits.

b. Monthly Benefit: The net monthly disability benefit payable is equal to the member's benefit based on their credited service and AFC at the time of their disability.

c. Payment Form: Maximum retirement allowance (Option A) and survivor allowances under Options B and C.

d. Death while Disabled: A disabled member is treated as a retired member for purposes of determining a death benefit.

***Vesting and Refunds*:**

a. Eligibility: All members who are not vested are eligible for a refund when they terminate service. Class Two members are vested after five (5) years of earned service. Class Three members are vested after eight (8) years of earned service. Vested members may also elect to receive a refund in lieu of the deferred termination benefit described below.

b. Amount: The refund benefit is the accumulated value of the member's contributions plus interest credited by the fund while they were actively employed. Members do not earn interest on their employee contribution account balance while they are inactive.

***Deferred Termination Benefit*:**

a. Eligibility: Member must be vested (i.e. 5 years of earned service for Class Two members and 8 years of earned service for Class Three members) and must elect to leave his/her contributions on deposit.

b. Monthly Benefit: Same as the unreduced or reduced service retirement benefit, based on service and AFC at termination, and commencing once the member is eligible.

c. Payment Form: Maximum retirement allowance (Option A).

d. Death Benefit: The beneficiary of an inactive member who dies is entitled to receive the amount of the member's accumulated contributions (with interest). If the member met service eligibility requirement at their time of death, the beneficiary is eligible for a monthly survivor annuity benefit.

***Death while an Active Contributing Member*:**

a. In General: A refund of the member's accumulated contributions (with interest) is paid to the beneficiary of a deceased member.

b. Beneficiary Annuity: If the deceased member (i) attained 5 or more years of earned service and (ii) had attained the age of 60 or had accumulated 15 or more years of creditable service, may elect to receive, in lieu of the accumulated contributions, a monthly benefit for life of the beneficiary determined under "Option B" described under the Optional Forms of Benefit. For purposes of the benefit calculation, a member under the age of 60 with less than 28 years of creditable service is assumed to be 60 years of age and no age reduction applies.

***Optional Forms of Benefit*:** The Systems permit members to elect from three forms of benefit at retirement. In each case the benefit amount is adjusted to be actuarially equivalent to the "Option A" form. The optional forms are:

a. Option A (Maximum Retirement Allowance): A life annuity. Upon the member's death, any remaining member contributions will be paid to the member's designated beneficiary.

b. Option B (100% Joint & Survivor with Pop-up): A reduced annuity payable as long as either the member or his/her spouse is living. In the event the member's designated beneficiary predeceases the member, then the member shall receive a retirement allowance equal to the maximum retirement allowance (Option A), plus any applicable cost of living increases that would have been granted.

c. Option C (50% Joint & Survivor with Pop-up): A reduced annuity payable during the member's life, and continues after the member's death at 50% of the rate paid to the member for the life of the member's designated beneficiary. In the event the member's designated beneficiary predeceases the member, then the member shall receive a retirement allowance equal to the maximum retirement allowance (Option A), plus any applicable cost of living increases that would have been granted.

Incidental Death Benefit:

a. Active Employees: The beneficiary (or estate) of an active employee of an employer participating in the Preretirement Death Benefit Program who completes at least one full year of membership service, will receive a death benefit equal to the member's annual earnable compensation at the time of death.

   The one-year membership requirement is waived for members whose death is a result of an injury arising out of and in the course of performing his duties.

   For purposes of incidental death benefits, active employees include those members who are receiving a retirement allowance and are actively reemployed with a participating employer.

b. Post Employment: The beneficiary (or estate) of a retiree, both current and future retiree, of an employer participating in the Preretirement Death Benefit Program will receive a one-time payment upon the retiree's death. The amount of the one-time payment is based on the retiree's years of credited service at retirement.

Years of Service Credit	Death Benefit
10 or more, but less than 20	$2,000
20 or more, but less than 28	$4,000
28 or more	$6,000

Postretirement Benefit Increases: Benefits paid to retired members or surviving spouses are increased annually in an amount equal to the lesser of 1.00% of the pension benefit or $500. The $500 limit in the annual increase is not indexed to escalate in future years.

A member electing a reduced early retirement is ineligible to receive a COLA until the second July 1 after the earlier of:

(1) the member attains age 60, or

(2) the member would have 28 years of creditable service had he not retired.

Teacher and Employee Retention Incentive Program (TERI):

a. Eligibility: Active member eligible for a service retirement benefit.

b. Benefits: A member electing to participate in the program agrees to continue employment for a period not to exceed five years. During this period, the member's service retirement benefit is placed in the system's trust fund on behalf of the member. No interest is paid on the member's deferred monthly benefit during the program period. Upon termination of the program, the member must receive the balance in the account.

c. Other Adjustments: After June 30, 2005, the System shall recalculate the member's final compensation to reflect compensation increases earned after participating in the program. The AFC shall also include up to 45 days of unused annual leave.

d. Death while in TERI: If a member dies during the program period, the member's designated beneficiary will receive a distribution of the balance of benefits accumulated in the member's TERI account.

e. No members may participate in TERI after June 30, 2018.

APPENDIX C
GLOSSARY

GLOSSARY

Actuarial Accrued Liability (AAL): That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of Future Plan Benefits which is not provided for by future Normal Costs. It is equal to the Actuarial Present Value of Future Plan Benefits minus the actuarial present value of future Normal Costs.

Actuarial Assumptions: Assumptions as to future experience under the Fund. These include assumptions about the occurrence of future events affecting costs or liabilities, such as:

- mortality, withdrawal, disablement, and retirement;
- future increases in salary;
- future rates of investment earnings and future investment and administrative expenses;
- characteristics of members not specified in the data, such as marital status;
- characteristics of future members;
- future elections made by members; and
- other relevant items.

Actuarial Cost Method or ***Funding Method:*** A procedure for allocating the Actuarial Present Value of Future Benefits to various time periods; a method used to determine the Normal Cost and the Actuarial Accrued Liability. These items are used to determine the ARC.

Actuarial Gain or ***Actuarial Loss:*** A measure of the difference between actual experience and that expected based upon a set of Actuarial Assumptions, during the period between two Actuarial Valuation dates. Through the actuarial assumptions, rates of decrements, rates of salary increases, and rates of fund earnings have been forecasted. To the extent that actual experience differs from that assumed, Actuarial Accrued Liabilities emerge which may be the same as forecasted, or may be larger or smaller than projected. Actuarial gains are due to favorable experience, e.g., the Fund's assets earn more than projected, salaries do not increase as fast as assumed, members retire later than assumed, etc. Favorable experience means actual results produce actuarial liabilities not as large as projected by the actuarial assumptions. On the other hand, actuarial losses are the result of unfavorable experience, i.e., actual results that produce actuarial liabilities which are larger than projected. Actuarial gains will shorten the time required for funding of the actuarial balance sheet deficiency while actuarial losses will lengthen the funding period.

Actuarially Equivalent: Of equal actuarial present value, determined as of a given date and based on a given set of Actuarial Assumptions.

Actuarial Present Value (APV): The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions. For purposes of this standard, each such amount or series of amounts is:

a. adjusted for the probable financial effect of certain intervening events (such as changes in compensation levels, marital status, etc.)

b. multiplied by the probability of the occurrence of an event (such as survival, death, disability, termination of employment, etc.) on which the payment is conditioned, and

c. discounted according to an assumed rate (or rates) of return to reflect the time value of money.

Actuarial Present Value of Future Plan Benefits: The Actuarial Present Value of those benefit amounts which are expected to be paid at various future times under a particular set of Actuarial Assumptions, taking into account such items as the effect of advancement in age and past and anticipated future compensation and service credits. The Actuarial Present Value of Future Plan Benefits includes the liabilities for active members, retired members, beneficiaries receiving benefits, and inactive, nonretired members either entitled to a refund or a future retirement benefit. Expressed another way, it is the value that would have to be invested on the valuation date so that the amount invested plus investment earnings would be provide sufficient assets to pay all projected benefits and expenses when due.

Actuarial Valuation: The determination, as of a valuation date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values for a plan. An Actuarial valuation for a governmental retirement system typically also includes calculations of items needed for compliance with GASB 25, such as the funded ratio and the ARC.

Actuarial Value of Assets or ***Valuation Assets:*** The value of the Fund's assets as of a given date, used by the actuary for valuation purposes. This may be the market or fair value of plan assets, but commonly actuaries use a smoothed value in order to reduce the year-to-year volatility of calculated results, such as the funded ratio and the ARC.

Actuarially Determined: Values which have been determined utilizing the principles of actuarial science. An actuarially determined value is derived by application of the appropriate actuarial assumptions to specified values determined by provisions of the law.

Amortization Method: A method for determining the Amortization Payment. The most common methods used are level dollar and level percentage of payroll. Under the Level Dollar method, the Amortization Payment is one of a stream of payments, all equal, whose Actuarial Present Value is equal to the UAAL. Under the Level Percentage of Pay method, the Amortization payment is one of a stream of increasing payments, whose Actuarial Present Value is equal to the UAAL. Under the Level Percentage of Pay method, the stream of payments increases at the assumed rate at which total covered payroll of all active members will increase.

Amortization Payment: That portion of the pension plan contribution or ARC which is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability.

Annual Required Contribution (ARC): The employer's periodic required contributions, expressed as a dollar amount or a percentage of covered plan compensation, determined under GASB 25. The ARC consists of the Employer Normal Cost and the Amortization Payment.

Closed Amortization Period: A specific number of years that is counted down by one each year, and therefore declines to zero with the passage of time. For example if the amortization period is initially set at 30 years, it is 29 years at the end of one year, 28 years at the end of two years, etc. See Funding Period and Open Amortization Period.

Decrements: Those causes/events due to which a member's status (active-inactive-retiree-beneficiary) changes, that is: death, retirement, disability, or termination.

Defined Benefit Plan: A retirement plan that is not a Defined Contribution Plan. Typically a defined benefit plan is one in which benefits are defined by a formula applied to the member's compensation and/or years of service.

Defined Contribution Plan: A retirement plan, such as a 401(k) plan, a 403(b) plan, or a 457 plan, in which the contributions to the plan are assigned to an account for each member, and the plan's earnings are allocated to each account, and each member's benefits are a direct function of the account balance.

Employer Normal Cost: The portion of the Normal Cost to be paid by the employers. This is equal to the Normal Cost less expected member contributions.

Experience Study: A periodic review and analysis of the actual experience of the Fund which may lead to a revision of one or more actuarial assumptions. Actual rates of decrement and salary increases are compared to the actuarially assumed values and modified as deemed appropriate by the Actuary.

Funded Ratio: The ratio of the actuarial value of assets (AVA) to the actuarial accrued liability (AAL). Plans sometimes calculate a market funded ratio, using the market value of assets (MVA), rather than the AVA, although GASB 25 reporting requires the use of the AVA.

Funding Period or ***Amortization Period:*** The term "Funding Period" is used it two ways. In the first sense, it is the period used in calculating the Amortization Payment as a component of the ARC. This funding period is chosen by the Board of Trustees. In the second sense, it is a calculated item: the number of years in the future that will theoretically be required to amortize (i.e., pay off or eliminate) the Unfunded Actuarial Accrued Liability, based on the statutory employer contribution rate, and assuming no future actuarial gains or losses.

GASB: Governmental Accounting Standards Board.

GASB 25 and ***GASB 27***: Governmental Accounting Standards Board Statements No. 25 and No. 27. These are the governmental accounting standards that set the accounting rules for public retirement systems and the employers that sponsor or contribute to them. Statement No. 27 sets the accounting rules for the employers that sponsor or contribute to public retirement systems, while Statement No. 25 sets the rules for the systems themselves.

Normal Cost: That portion of the Actuarial Present Value of pension plan benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method. Any payment in respect of an Unfunded

Actuarial Accrued Liability is not part of Normal Cost (see Amortization Payment). For pension plan benefits which are provided in part by employee contributions, Normal Cost refers to the total of employee contributions and employer Normal Cost unless otherwise specifically stated. Under the entry age normal cost method, the Normal Cost is intended to be the level cost (when expressed as a percentage of pay) needed to fund the benefits of a member from hire until ultimate termination, death, disability or retirement.

Open Amortization Period: An open amortization period is one which is used to determine the Amortization Payment but which does not change over time. In other words, if the initial period is set as 30 years, the same 30-year period is used in determining the Amortization Period each year. In theory, if an Open Amortization Period is used to amortize the Unfunded Actuarial Accrued Liability, the UAAL will never completely disappear, but will become smaller each year, either as a dollar amount or in relation to covered payroll.

Unfunded Actuarial Accrued Liability: The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. This value may be negative in which case it may be expressed as a negative Unfunded Actuarial Accrued Liability, also called the Funding Surplus.

Valuation Date or Actuarial Valuation Date: The date as of which the value of assets is determined and as of which the Actuarial Present Value of Future Plan Benefits is determined. The expected benefits to be paid in the future are discounted to this date.

STATE BUDGET AND CONTROL BOARD

MEETING OF May 8, 2013

REGULAR SESSION

ITEM NUMBER 8

AGENCY: Public Employee Benefit Authority

SUBJECT: Approval of PEBA Policy Determination for the South Carolina Police Officers' Retirement System

Pursuant to the Retirement Code, as amended by Act 278 of 2012, the PEBA Board of Directors is authorized to adopt the necessary employer, and, in certain cases, employee, contribution rates for the five defined benefit plans administered by PEBA based upon the annual valuations of those plans performed by the plans' actuary.

For the South Carolina Retirement System ("SCRS") and the South Carolina Police Officers' Retirement System ("PORS"), prior to July 1, 2015, the rates for employee and employer contributions to those plans are preliminarily set by a statutory schedule. However, if the actuarial valuation shows that those scheduled rates are insufficient to maintain a thirty-year amortization period for the plans, the PEBA Board of Directors is required to increase the scheduled employee and employer contribution rates in equal amounts to maintain an amortization period not exceeding thirty years. See Sections 9-1-1085(A), (C), 9-11-225(A), (C) (as added by Act 278 of 2012).

At the regular meeting of the PEBA Board of Directors on February 1, 2013, the PEBA Board accepted as information the valuation prepared by the Board's actuary, Gabriel Roeder Smith ("GRS"), for PORS as of July 1, 2012, and adopted the contribution rates recommended therein. In particular, because the valuation found that the PORS contribution rates scheduled in Section 9-11-225(A) for July 1, 2014, were not sufficient to maintain an amortization period not exceeding thirty years for the plan, the PEBA Board adopted the recommendation of the actuary that PORS contribution rates be increased under Section 9-11-225(C) from the scheduled rates of 8.00% for employees and 13.00% for employers to 8.41% for employees and 13.41% for employers for July 1, 2014, to maintain a thirty-year amortization period for the plan

BOARD ACTION REQUESTED:

Pursuant to Section 9-4-45(A) (as added by Act 278 of 2012), policy determinations made by the PEBA Board are subject to approval by the Budget and Control Board, as evidenced by a majority vote of the Board. Adjustments in employer and employee contribution rates are policy determinations subject to Budget and Control Board approval. See Section 9-4-45(B).

Accordingly, pursuant to Section 9-4-45, the Budget and Control Board is asked to approve the following adjustments in employer and employee contributions adopted by the PEBA Board for the South Carolina Police Officers' Retirement System ("PORS") for the fiscal year beginning July 1, 2014, based upon the actuarial valuation of the system as of July 1, 2012:

1. Increase PORS employee contribution rate from 8.00% to 8.41% and the PORS employer contribution rate from 13.00% to 13.41%.

ATTACHMENTS:

Agenda item worksheet; Minutes from the February 1, 2013 PEBA Board Meeting; Summary of PORS Actuarial Valuation as of July 1, 2012; Section 9-11-225 of the South Carolina Code of Laws

BUDGET AND CONTROL BOARD AGENDA ITEM WORKSHEET

For meeting scheduled for:

May 7, 2013

___**Blue Agenda**
_X_**Regular Session**
___**Executive Session**

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1. Submitted by:

(a) Agency: Public Employee Benefit Authority ("PEBA")

(b) Authorized Official Signature: David K. Avant, Interim Director

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2. Subject: Approval of PEBA Policy Determination for the South Carolina Police Officers' Retirement System

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3. Summary Background Information:

Pursuant to the Retirement Code, as amended by Act 278 of 2012, the PEBA Board of Directors is authorized to adopt the necessary employer, and, in certain cases, employee, contribution rates for the five defined benefit plans administered by PEBA based upon the annual valuations of those plans performed by the plans' actuary.

For the South Carolina Retirement System ("SCRS") and the South Carolina Police Officers' Retirement System ("PORS"), prior to July 1, 2015, the rates for employee and employer contributions to those plans are preliminarily set by a statutory schedule. However, if the actuarial valuation shows that those scheduled rates are insufficient to maintain a thirty-year amortization period for the plans, the PEBA Board of Directors is required to increase the scheduled employee and employer contribution rates in equal amounts to maintain an amortization period not exceeding thirty years. See Sections 9-1-1085(A), (C), 9-11-225(A), (C) (as added by Act 278 of 2012).

At the regular meeting of the PEBA Board of Directors on February 1, 2013, the PEBA Board accepted as information the valuation prepared by the Board's actuary, Gabriel Roeder Smith ("GRS"), for PORS as of July 1, 2012, and adopted the contribution rates recommended therein. In particular, because the valuation found that the PORS contribution rates scheduled in Section 9-11-225(A) for July 1, 2014, were not sufficient to maintain an amortization period not exceeding thirty years for the plan, the PEBA Board adopted the recommendation of the actuary that PORS contribution rates be increased under Section 9-11-225(C) from the scheduled rates of 8.00% for employees and 13.00% for employers to 8.41% for employees and 13.41% for employers for July 1, 2014, to maintain a thirty-year amortization period for the plan.

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4. What is Board asked to do?

Pursuant to Section 9-4-45(A) (as added by Act 278 of 2012), policy determinations made by the PEBA Board are subject to approval by the Budget and Control Board, as evidenced by a majority vote of the Board. Adjustments in employer and employee contribution rates are policy determinations subject to Budget and Control Board approval. See Section 9-4-45(B).

Accordingly, pursuant to Section 9-4-45, the Budget and Control Board is asked to approve the following adjustments in employer and employee contributions adopted by the PEBA Board for the South Carolina Police Officers' Retirement System ("PORS") for the fiscal year beginning July 1, 2014, based upon the actuarial valuation of the system as of July 1, 2012:

1. Increase PORS employee contribution rate from 8.00% to 8.41% and the PORS employer contribution rate from 13.00% to 13.41%.

5. What is recommendation of the Board division involved? N/A.

6. Recommendation of other office (as required)? N/A.

Office Name ______________________ **Authorized Signature** ______________________

7. Supporting Documents:

List those attached:

- Minutes from the February 1, 2013 PEBA Board Meeting.
- Summary of PORS Actuarial Valuation as of July 1, 2012.
- Section 9-11-225 of the South Carolina Code of Laws

List those not attached but available:

South Carolina
PUBLIC EMPLOYEE BENEFIT AUTHORITY

PEBA

David K. Avant
Interim Executive Director

Retirement Benefits

April 24, 2012

Delbert H. Singleton, Jr.
Secretary, South Carolina Budget and Control Board
Post Office Box 12444
Columbia, South Carolina 29211

RE: Agenda Items for the Approval of Contribution Rates Adopted by the Board of Directors for the South Carolina Public Employee Benefit Authority

Dear Mr. Singleton:

Pursuant to the Retirement Code, as amended by Act 278 of 2012, the Board of Directors for the South Carolina Public Employee Benefit Authority ("PEBA") is authorized to adopt the necessary employer, and, in certain cases, employee, contribution rates for the five defined benefit plans administered by PEBA based upon the annual valuations of those plans performed by the plans' actuary. Further, as provided in Section 9-4-45 of the Code as added by Act 278, adjustments in employer and employee contribution rates made by the PEBA Board are policy determinations that are subject to approval by the Budget and Control Board, as evidenced by a majority vote of the Board.

At the regular meeting of the PEBA Board of Directors on February 1, 2013, the PEBA Board accepted as information valuations prepared by the plans' actuary, Gabriel Roeder Smith, for SCRS, PORS, JSRS, GARS, and NGRS as of July 1, 2012, and adopted the contribution rates recommended therein. As the PEBA Board and PEBA staff have taken all necessary actions for the acceptance of these valuations and adoption of the recommended contribution rates, the adjustments in the contribution rates adopted by the PEBA Board are now subject to approval by the Budget and Control Board pursuant to Section 9-4-45. Accordingly, please place five items on the agenda of the Budget and Control Board's May 7, 2013 meeting for the approval of these contribution rate adjustments, as reflected in more detail on the attached Agenda Item Worksheets.

Thank you for your attention to this matter. If you need any additional information, please do not hesitate to contact me.

Sincerely,

David K. Avant
Interim Executive Director

Enclosures

Street Address:
202 Arbor Lake Drive
Columbia, South Carolina 29223

www.retirement.sc.gov
803-737-6800
800-868-9002 (within S.C only)

Mailing Address
Post Office Box 11960
Columbia, South Carolina 29211-1960

South Carolina
PUBLIC EMPLOYEE BENEFIT AUTHORITY

PEBA

South Carolina Public Employee Benefit Authority Meeting Minutes (Adopted 3/20/2013)

Friday, February 1, 2013, 8:30 A.M.

2nd Floor Conference Room
202 Arbor Lake Drive
Columbia, South Carolina 29223

Board Members Present:
Mr. Art Bjontegard, Chairman (in person)
Ms. Peggy Boykin (in person)
Mr. Frank Fusco (in person)
Ms. Cynthia Harley (in person)
Ms. Stacy Kubu (in person)
Sheriff Leon Lott (in person)
Mr. Steve Matthews (in person)
Mr. Joe "Rocky" Pearce (in person)
Mr. Audie Penn (in person)
Mr. John Sowards (arrived in person at 9:08am)
Mr. David Tigges (arrived in person at 10:21am)

Others present for all or a portion of the meeting:
David Avant, Lil Hayes, Robbie Bell, Geneva McIntosh, Stephen Van Camp, and Justin Werner from the South Carolina Public Employee Benefit Authority (PEBA); Terry Mumford with Ice Miller; Joe Newton and Danny White from Gabriel, Roeder, Smith & Company (GRS), Hershal Harper and Sarah Corbett form the SC Retirement Investment Commission; Suzanne Bernard with Hewitt, Ennisknupp; Donald Tudor, Wayne Bell and Wayne Pruitt from the State Retirees Association,

I. CALL TO ORDER; ADOPTION OF PROPOSED AGENDA

Chairman Bjontegard called the meeting to order at 8:30 a.m. Steve Matthews gave the invocation. Ms. Hayes confirmed meeting notice compliance with the Freedom of Information Act. The Chairman asked for a motion to adopt the agenda which was made, seconded by Sheriff Lott and adopted unanimously. A motion was made by Ms. Hartley to adopt the minutes from the December 12, 2012 meeting, which was seconded by Mr. Matthews and adopted. The Chairman mentioned that the Past Action Report had been updated and posted for the members on their Extranet. He said after items had been completed, they would be removed from the list after one month.

II. Terry Mumford Ice Miller LLC – Fiduciary Responsibilities

Chairman Bjontegard introduced Terry Mumford, partner with Ice Miller, LLC. Ms. Mumford began by explaining that for the South Carolina Retirement Systems, the PEBA Board is one of four fiduciaries: PEBA, Budget and Control Board, Retirement System Investment Commission, and the State Treasurer. She explained that the legislature is considered the "settlor" and, as such, determined the scope of each fiduciary's responsibility. She then explained each fiduciary's role. The PEBA Board is responsible to administer the benefits in accordance with the plan, to engage experts, establish contribution rates, and establish rules and regulations.

Ms. Mumford continued by explaining that the Board must carry out its responsibilities in accordance with fiduciary principles. She explained that these principles are established by the Internal Revenue

Code, ERISA, the *Restatement of Third—Trusts, Uniform Management of Public Retirement Systems Act*, and South Carolina state law. She explained the exclusive benefit rule, which requires a fiduciary to discharge his duties solely in the interest of the participants and beneficiaries of the plan. She also stated that a fiduciary must not deal with plan assets in his own interest or in the interest of a "third party."

Ms. Mumford concluded by explaining that although the RSIC is granted investment responsibility by the legislature, the PEBA Board is a co-trustee of the trust assets and is responsible to act in the best interests of the trust—including with respect to investments. This means the PEBA Board has a duty to be informed about the actions of its co-trustees, to make reasonable effort to avoid a breach by a co-trustee, and to make reasonable effort to redress any breaches by co-trustees.

III. SCRS Investment Commission: Asset Liability Modeling (ALM) Study Overview, and Risk Assessment Update

Hershal Harper and Sarah Corbett from the SC Retirement Systems Investment Commission (RSIC) and Suzanne Bernard with Hewitt Ennisknupp conducted a presentation regarding the RSIC. Ms. Corbett began by explaining the RSIC's history and governing laws. She explained that until 1997, the Retirement Systems assets were only invested in domestic fixed income investments. In the 1990's, the Retirement Systems Investment Panel was created to advise the Budget and Control Board on the domestic equity portfolio. The RSIC was then created in 2005 and was constitutionally permitted to invest across all asset classes in 2007. Ms. Corbett went on to explain the makeup of the seven-member RSIC. There are four political appointees—one each from the Governor, the Chairman of the Senate Finance Committee, the Chairman of the House Ways and Means Committee, and the Comptroller General. The remaining three members include a retiree representative, the Executive Director of PEBA (non-voting member), and the State Treasurer (ex-officio). She then explained the RSIC's governing policies and compensation structure. She explained that, in an effort to recruit and keep top investment talent to serve at the RSIC agency, they initiated a Performance Incentive Compensation program to reward good performance in investments. Ms. Corbett also explained that the RSIC publishes an Annual Investment Plan each fiscal year to spell out the policies and objectives of the RSIC.

Ms. Corbett went on to describe the RSIC's Due Diligence Guidelines. She explained that a set of guidelines was adopted on November 8, 2012 to create a uniform method of conducting and recording due diligence on investment managers. Chairman Bjontegard asked about "allegations" being made that the RSIC had not conducted due diligence on some of its managers. Mr. Harper—after responding that was not aware that actual allegations had been made, but rather believed they were currently just suggestions—explained that due diligence was done on all managers, but that some had been recorded differently from others. Ms. Corbett added that this is the reason for the newly-adopted guidelines.

Ms. Corbett concluded by explaining that the RSIC was currently in process of trying to acquire new FTE positions for the agency. They are also seeking to improve their information technology resources. She emphasized the RSIC's desire to work with PEBA to pool resources and share IT systems to allow greater transparency between the two organizations and to alleviate any concern on the part of the PEBA Board members over the actions of the RSIC.

IV. COMMITTEE REPORTS

Retirement
Committee Chairman Sowards asked that the ORP Vendors item be struck from the agenda, which was agreed to by the Board. Mr. Tigges recused himself on any votes dealing with the ORP Vendors as he has a conflict of interest.

Mr Sowards introduced and requested Joe Newton and Danny White with GRS give information on the Actuarial Valuations of 6/30/2012 before the group for approval. After the presentation by GRS, Mr. Sowards moved to accept the GRS valuations for SCRS, PORS, JSRS, GARS, and National Guard Retirement System for FY2014. Ms. Hartley seconded. Mr. Matthews then voiced concern that the valuation given for SCRS did not appear to meet the statutory requirement to accept contribution increases that maintain no more than a thirty-year amortization period. Discussion ensued. Mr. Matthews and Mr. Sowards asked General Counsel to weigh in. Mr. Van Camp advised the Board that based upon the projected amortization period as described by GRS, the recommended contribution increase for FY2014 would, in fact, satisfy the statutory requirement. Mr. Matthews restated his concern. Mr. Sowards then withdrew his previous motion and amended it. He moved to accept the GRS valuations for the five retirement systems, contingent upon a written decision by PEBA General Counsel on the legality of accepting the GRS recommended contribution increases. Ms. Hartley seconded. The Board voted to accept the GRS valuations for the five retirement system for FY2014, contingent upon General Counsel's written decision. All Board members voted in favor of the motion, except Mr. Matthews, who voted against the motion.

Mr. Sowards then discussed the necessity of adopting a Group Trust Resolution, and further explained that on January 25th, PEBA received favorable Determination Letters from the IRS on the 4 contributory defined benefit plans (SCRS, PORS, GARS and JSRS). With these letters, we now have updated favorable determination letters or private letter rulings for all qualified plans including, SCRS, PORS, GARS, JSRS, ORP and the Deferred Comp plans (401k & 457). With no further discussion the Resolution was adopted.

FAAC
Committee Chairman Matthews gave an update that as of January 30, no legislation had been introduced concerning the Indemnification of the Board members. He mentioned a few other items that he also felt were of a technical nature that should be brought to the attention of the Legislature so they could be addressed.

Health
Committee Chair Hartley gave an update of what the Governor had recommended for the agency and the State Health Plan in her Executive Budget Recommendation. Ms. Hartley also gave a brief description of the budget hearing at the House of Representatives Budget Subcommittee hearing that was on January 22.

Lunch Break

V. Executive Session to Discuss Legal Matters Pursuant to S.C. Code of Laws § 30-4-70(a)(2)

Adjournment

Upon concluding executive session, Mr. Bjontegard requested a motion to adjourn the meeting. Mr. Sowards moved to adjourn and Mr. Fusco seconded. The Board then unanimously voted to adjourn at 3:15 pm.

Police Officers Retirement System
(PORS)

Executive Summary

(Dollar amounts expressed in thousands)

	Valuation Date:		
	July 1, 2012	July 1, 2011	
Membership	**Reflecting Act 278**	**Reflecting Act 278**	**Disclosed in Prior Year Report**
• Number of			
- Active members	26,179	26,650	26,650
- Retirees and beneficiaries	14,653	13,358	13,358
- Inactive members	11,840	11,980	11,980
- Total	52,672	51,988	51,988
• Projected payroll of active members	$1,019,241	$1,087,587	$1,087,587
• Projected payroll for all active members, including working retirees	$1,111,856	$1,173,772	$1,173,772
Contribution Rates[1]			
• Employer contribution rate	13.41%	12.84%	12.30%
• Member	8.41%	7.84%	6.50%
Assets			
• Market value	$3,269,990	$3,317,533	$3,317,533
• Actuarial value	3,808,934	3,728,241	3,728,241
• Return on market value	0.4%	18.3%	18.3%
• Return on actuarial value	3.9%	4.6%	4.6%
• Ratio - actuarial value to market value	116.5%	112.4%	112.4%
• External cash flow %	-1.9%	-1.6%	-1.6%
Actuarial Information			
• Normal cost %	14.33%	14.36%	13.39%
• Actuarial accrued liability (AAL)	$5,357,492	$5,122,501	$4,824,941
• Unfunded actuarial accrued liability (UAAL)	1,548,558	1,394,260	1,096,700
• Funded ratio	71.1%	72.8%	77.3%
• Funding period (years)	30	30	22
Reconciliation of UAAL			
• Beginning of Year UAAL	1,394,260	$1,237,757	$1,237,757
- Interest on UAAL	104,570	71,369	71,369
- Amortization payment with interest	(83,655)	(64,459)	(64,459)
- Assumption/method changes	0	(286,171)	(286,171)
- Asset experience	134,736	102,677	102,677
- COLA	0	40,124	40,124
- Salary experience	(35,038)	(41,879)	(41,879)
- Other liability experience	33,686	37,282	37,282
- Legislative Changes	0	297,560	0
• End of Year UAAL	$1,548,558	1,394,260	$1,096,700

[1] The contribution rates determined by the 2012 valuation are established by Section 9-11-225 of the South Carolina Code and become effective for the fiscal year beginning July 1, 2014. The employer contribution rates shown above includes the cost for incidental death benefits.

SECTION 9-11-225.

(A) As provided in Sections 9-11-210 and 9-11-220, the employer and employee contribution rates for the system beginning in Fiscal Year 2012-2013, expressed as a percentage of earnable compensation, are as follows:

Fiscal Year	Employer Contribution	Employee Contribution
2012-2013	12.30	7.00
2013-2014	12.50	7.50
2014-2015 and after	13.00	8.00

The employer contribution rate set out in this schedule includes contributions for participation in the incidental death benefit plan provided in Sections 9-11-120 and 9-11-125 and for participation in the accidental death benefit program provided in Section 9-11-140. The employer contribution rate for employers that do not participate in these programs must be adjusted accordingly.

(B) After June 30, 2015, the board may increase the percentage rate in employer and employee contributions for the system on the basis of the actuarial valuation, but any such increase may not result in a differential between the employee and employer contribution rate for that system that exceeds 5.00 percent of earnable compensation. An increase in the contribution rate adopted by the board pursuant to this section may not provide for an increase in an amount of more than one-half of one percent of earnable compensation in any one year.

(C) If the scheduled employer and employee contributions provided in subsection (A), or the rates last adopted by the board pursuant to subsection (B), are insufficient to maintain a thirty year amortization schedule for the unfunded liabilities of the system, then the board shall increase the contribution rate as provided in subsection (A) or as last adopted by the board in equal percentage amounts for employer and employee contributions as necessary to maintain an amortization schedule of no more than thirty years. Such adjustments may be made without regard to the annual limit increase of one-half percent of earnable compensation provided pursuant to subsection (B), but the differential in the employer and employee contribution rates provided in subsection (A) or subsection (B), as applicable, of this section must be maintained at the rate provided in the schedule for the applicable fiscal year.

(D)(1) After June 30, 2015, if the most recent annual actuarial valuation of the system shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than ninety percent, then the board, effective on the following July first, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than ninety percent. Any decrease in contribution rates must maintain the 5.0 percent differential between employer and employee contribution rates provided pursuant to subsection (B) of this section.

(2) If contribution rates are decreased pursuant to item (1) of this subsection and the most recent annual actuarial valuation of the system shows a funded ratio of less than ninety percent, then effective on the following July first, and annually thereafter as necessary, the board shall increase the then current contribution rates as provided pursuant to subsection (B) of this section until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than ninety percent.

GRS Gabriel Roeder Smith & Company
Consultants & Actuaries

POLICE OFFICERS RETIREMENT SYSTEM (PORS)

ACTUARIAL VALUATION REPORT

AS OF JULY 1, 2012

GRS Gabriel Roeder Smith & Company
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January 11, 2013

Public Employee Benefit Authority
South Carolina Retirement System
P.O. Box 11960
Columbia, SC 29211-1960

Subject: Actuarial Valuation as of July 1, 2012

Dear Members of the Board:

This report describes the current actuarial condition of the Police Officers Retirement System (PORS), determines the calculated employer contribution rate, and analyzes changes in this contribution rate. In addition, the report provides information required by the Retirement System in connection with Governmental Accounting Standards Board Statement No. 25 (GASB 25), and gives various summaries of the data. Results of this report should not be used for any other purpose without consultation with the undersigned. Valuations are prepared annually as of July 1, the first day of the plan year for PORS. This report was prepared at the request of the Public Employee Benefit Authority (Board) and is intended for use by the South Carolina Retirement System (SCRS) staff and those designated or approved by the Board.

FINANCING OBJECTIVES AND FUNDING POLICY

The employer and member contribution rate is determined in accordance with Section 9-11-225 of the South Carolina Code. As specified by the Code, in the event the scheduled employer and member contribution rate is insufficient to maintain a thirty-year amortization period for financing the unfunded liability of the System, the Board shall increase the employer and member contribution rates in equal amounts, as necessary, to maintain a funding period that does not exceed thirty years. The contribution rate determined by a given actuarial valuation becomes effective twenty-four months after the valuation date. In other words, the contribution rate determined by this July 1, 2012 actuarial valuation will be used by the Board when certifying the employer and member contribution rates for the year beginning July 1, 2014 and ending June 30, 2015.

According to State code, the Board is not permitted to decrease the employer and member contribution rates until the funded ratio of the plan is at least 90%. Also, any decrease in the rates must maintain the 5.00% differential between the employer and member contribution rates.

If new legislation is enacted between the valuation date and the date the contribution rate become effective, the Board may adjust the calculated rate before certifying them, in order to reflect this new legislation. Such adjustments are based on information supplied by the actuary.

PROGRESS TOWARD REALIZATION OF FINANCING OBJECTIVES

The funded ratio (the ratio of the actuarial value of assets to the actuarial accrued liability) is a standard measure of a plan's funded status. In the absence of benefit improvements, it should increase over time, until it reaches at least 100%.

The funded ratio of the System decreased from 72.8% (after reflecting Act 278) to 71.1%. This decrease was primarily due to the continual recognition of the extraordinary investment loss that occurred in prior years. Absent favorable experience, we expect the funded ratio will continue to decrease for the next several years as those investment losses are fully recognized in the development of the actuarial value of assets.

If the market value of assets had been used in the calculation instead of actuarial (smoothed) value of assets, the funded ratio for the System would have been 61.0%, compared to 64.8% in the prior year (after reflecting Act 278). The decrease in the funded ratio on a market value basis is due to unfavorable investment experience during the last plan year. In particular, the investment return for the year was 0.4% on a market value basis.

ASSUMPTIONS AND METHODS

Except for the rates of disability incidence and retirement, the actuarial assumptions used to perform this valuation remain unchanged from the prior valuation, including the use of a 7.50% investment return assumption. The rates of disability incidence and retirement were modified to more appropriately model the system's experience as a result of the enactment of Act 278. South Carolina State Code requires that an experience analysis that reviews the economic and demographic assumptions be performed every five years. The next experience analysis is scheduled for 2016.

It is our opinion that the recommended assumptions are internally consistent and reasonably reflects anticipated future experience of the System. The actuarial assumptions and methods used in this report comply with the parameters for disclosure that appear in GASB 25.

The results of the actuarial valuation are dependent on the actuarial assumptions used. Actual results can and almost certainly will differ, as actual experience deviates from the assumptions. Even seemingly minor changes in the assumptions can materially change the liabilities, calculated contribution rates and funding periods. The actuarial calculations are intended to provide information for rational decision making.

BENEFIT PROVISIONS

The benefit provisions reflected in this valuation include the benefit changes that were enacted as a result of Act 278. The legislation impacted current members as well as those employees who will become members after June 30, 2012. The most significant changes impacting current members include:

- Effective July 1, 2012, the member contribution rate for all employees will increase by 0.50% each subsequent year until an 8.00% contribution rate is attained beginning July 1, 2014. The employer contribution rate will increase to 12.50% of pay beginning July 1, 2013, and to 13.00% of pay beginning July 1, 2014. In the event these contribution rates are insufficient to maintain a 30-year amortization period, the Board shall increase the member and employer contribution rates by an equal amount (i.e. maintain a 5.00% differential) as necessary to maintain a 30-year funding period. The employer and member contribution rates may not decrease until the plan attains a 90% funded ratio.
- Eligible retirees and surviving annuitants will receive an annual increase in their pension benefit equal to the lesser of 1.00% of their retirement allowance or $500 per annum.
- Effective July 1, 2012, inactive members of the retirement system will no longer accrue future interest on their account balance attributable to their contributions.
- Members who retire after January 2, 2013 and subsequently become employed by a participating employer of the retirement system may earn up to $10,000 annually without affecting their retirement allowance. Retired members who earn in excess of $10,000 will have their retirement allowance suspended for the remainder of the calendar year. However, this earning limitation will not apply to rehired members who attain age 57 at the time of their initial retirement.
- Effective January 2, 2013, the cost of purchasing qualified service credit will be equal to the greater of 16% of pay per year of service or the true actuarial cost. Similarly, the cost of purchasing nonqualified service credit will be equal to the greater of 35% of pay per year of service or the true actuarial cost.
- Members who apply for a disability retirement benefit after December 31, 2013 must provide proof to the system that they are entitled to Social Security disability benefits after their third year of retirement in order to continue receiving their disability retirement allowance. The calculation of the disability allowance will be based on the member's credited service projected to age 55, but subject to a maximum of 25 years.

Employees who become members after June 30, 2012 (Class Three members) will also be impacted as follows:

- Class Three members must attain eight (8) years of earned service to be eligible for retirement benefits.
- Members will be eligible for an unreduced retirement benefit upon: (1) attaining age 55 with eight or more years of earned service or (2) attaining 27 years of credited service.

- The average final compensation will be determined using a twenty-quarter averaging period (i.e. a five year average).
- Unused sick leave will be excluded in the member's credited service and unused annual leave will be excluded in determining the member's average final compensation when calculating the amount of the member's pension benefit at retirement.

The changes instituted by Act 278 have been fully reflected in this actuarial valuation. Please refer to Appendix B of this report for a summary of the principle plan provisions.

DATA

Member data for retired, active and inactive members was supplied as of July 1, 2012, by the SCRS staff. The staff also supplied asset information as of July 1, 2012. We did not audit this data, but we did apply a number of tests to the data, and we concluded that it was reasonable and consistent with the prior year's data. GRS is not responsible for the accuracy or completeness of the information provided to us by SCRS.

CERTIFICATION

We certify that the information presented herein is accurate and fairly portrays the actuarial position of PORS as of July 1, 2012.

All of our work conforms with generally accepted actuarial principles and practices, and is in conformity with the Actuarial Standards of Practice issued by the Actuarial Standards Board. In our opinion, our calculations also comply with the requirements of South Carolina Code of Laws and, where applicable, the Internal Revenue Code, ERISA, and the Statements of the Governmental Accounting Standards Board.

The undersigned are independent actuaries and consultants. Mr. Newton and Mr. White are Enrolled Actuaries and Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries. Both are experienced in performing valuations for large public retirement systems.

Sincerely,

Gabriel, Roeder, Smith & Co.

Joseph P. Newton, FSA, MAAA, EA
Senior Consultant

Daniel J. White, FSA, MAAA, EA
Senior Consultant

TABLE OF CONTENTS

SECTION A

EXECUTIVE SUMMARY

Executive Summary

(Dollar amounts expressed in thousands)

	Valuation Date:		
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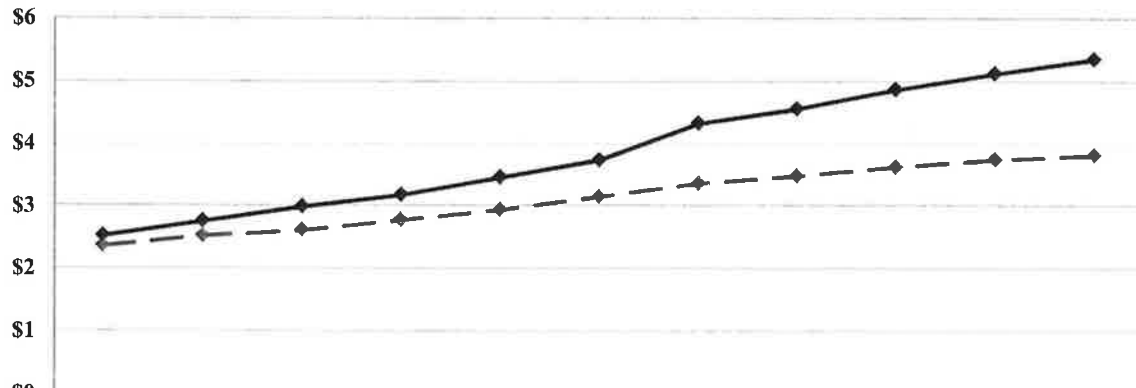
[1] The contribution rates determined by the 2012 valuation are established by Section 9-11-225 of the South Carolina Code and become effective for the fiscal year beginning July 1, 2014. The employer contribution rates shown above includes the cost for incidental death benefits.

EXECUTIVE SUMMARY (CONTINUED)

The unfunded actuarial accrued liability increased by $0.1 billion since the prior year's valuation to $1.5 billion. The single largest source of this increase is due to the continual recognition of deferred investment losses in the actuarial value of assets (i.e. $0.1 billion was recognized in the July 1, 2012 valuation). There is still $0.5 billion in deferred investment losses as of the valuation date. Absent favorable investment experience, those deferred losses will gradually be reflected in the actuarial value of assets over the next few years.

Below is a chart with the System's historical actuarial value of assets and actuarial accrued liability.

Chart 1. - History of Actuarial Assets and Actuarial Accrued Liability
(Dollars in Billions)



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
AVA	2.4	2.5	2.6	2.8	2.9	3.2	3.4	3.5	3.6	3.7	3.8
AAL	2.5	2.7	3.0	3.2	3.5	3.7	4.3	4.6	4.9	5.1	5.4

The employer and member contribution rates in effect for fiscal year 2014 are no longer sufficient to maintain a funding period under 30 years. Therefore, the employer and member contribution rates for fiscal year 2015 will need to increase to satisfy the 30-year funding requirement specified in Section 9-11-225 of the South Carolina Code. Specifically, the employer contribution rate will need to increase from 12.84% to 13.41% and the member contribution rate will increase from 7.84% to 8.41%. Absent legislative changes or significantly favorable experience, employer and member contributions rate will increase for the next several years as existing deferred investment losses become recognized in the actuarial value of assets.

SECTION B

DISCUSSION

DISCUSSION

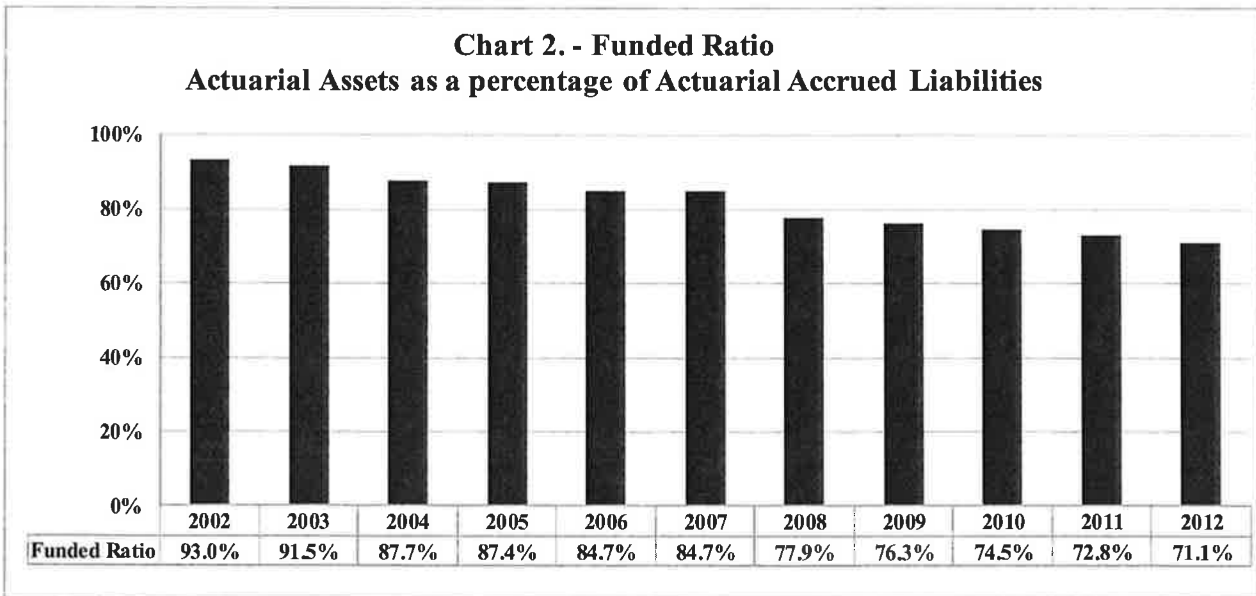
The results of the July 1, 2012 actuarial valuation of the Police Officers Retirement System are presented in this report. The primary purposes of the valuation report are to depict the current financial condition of the System, determine the annual required contribution, and analyze changes in the System's financial condition. In addition, the report provides information required by the Retirement System in connection with Governmental Accounting Standards Board Statement No. 25 (GASB 25), and it gives various summaries of the data.

This section discusses the determination of the current funding requirements and the System's funded status, as well as changes in financial condition of the retirement system.

All of the actuarial and financial Tables referenced by the other sections of this Report appear in Section C. Section D provides member data and statistical information. Appendices A and B provide summaries of the principle actuarial assumptions and methods and plan provisions. Finally, Appendix C provides a glossary of technical terms that are used throughout this report.

Funding Progress

The funded status of the System is shown in Table 10, Schedule of Funding Progress. The funded ratio decreased from 72.8% (after reflecting Act 278) to 71.1%. This decrease in the funded status over the last 10 years has generally been due to a combination of: (i) the actual investment experience being less than the System's expected investment return assumption and (ii) increases in the actuarial accrued liability due to the enactment of ad hoc cost of living adjustments to retirees during several of these years.



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Funded Ratio	93.0%	91.5%	87.7%	87.4%	84.7%	84.7%	77.9%	76.3%	74.5%	72.8%	71.1%

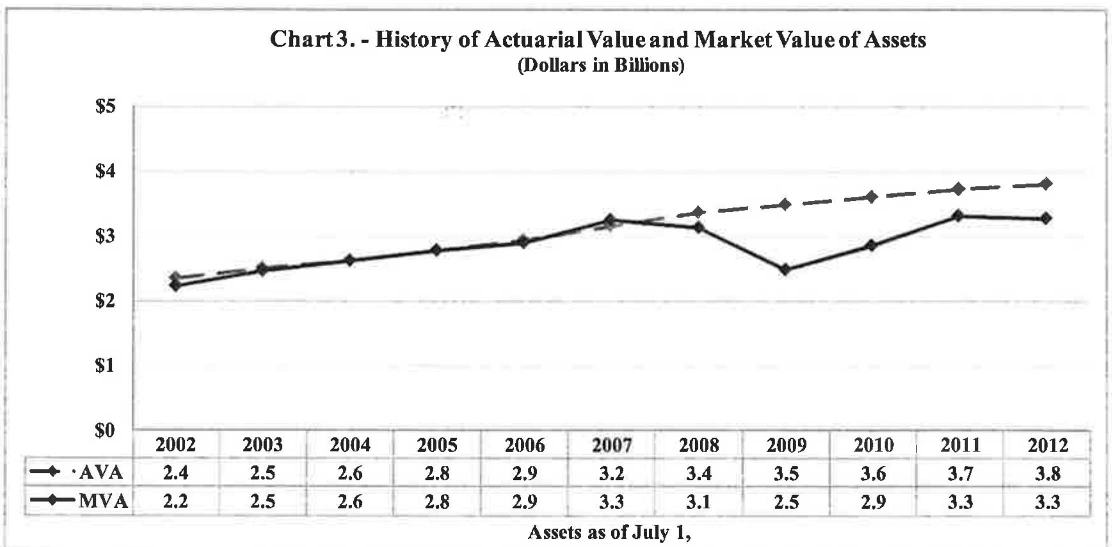
It is expected that the funded ratio (on an actuarial value of asset basis) will decline for the next several before it gradually improves, as deferred investment losses become recognized in the actuarial value of assets.

Asset Gains/ (Losses)

The actuarial value of assets ("AVA") is based on a smoothed market value of assets, using a systematic approach to phase-in actual investment return in excess of (or less than) the expected investment income. This is appropriate because it dampens the short-term volatility inherent in investment markets. The expected investment income is determined using the assumed annual investment return rate and the actuarial value of assets (adjusted for receipts and disbursements during the year). The returns are computed net of administrative and investment expenses. Table 8 shows the development of the actuarial value of assets. The actuarial value of assets increased from \$3.7 billion to \$3.8 billion since the prior valuation.

The rate of return on the mean market value of assets during the prior plan year was 0.4%; which is below the 7.50% expected annual return. The return on an actuarial (smoothed) asset value was 3.9%. This difference in the estimated return on market value and actuarial value illustrates the smoothing effect of the asset valuation method.

The market value of assets is less than the actuarial value of assets, which signifies that the retirement system is in a position of deferred losses. Therefore, unless the System experiences investment returns in excess of the assumed rate of return, the future recognition of these deferred losses is expected to increase the unfunded actuarial accrued liability and decrease the System's funded ratio over the next few years.



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
AVA	2.4	2.5	2.6	2.8	2.9	3.2	3.4	3.5	3.6	3.7	3.8
MVA	2.2	2.5	2.6	2.8	2.9	3.3	3.1	2.5	2.9	3.3	3.3

Tables 6 and 7 provide asset information that was included in the annual financial statements of the System. Also, Table 9 shows the estimated yield on a market value basis and on the actuarial asset valuation method.

Actuarial Gains/ (Losses) and the Funding Period

The annual actuarial valuation is a snapshot analysis of the benefit liabilities, assets and funded position of the System as of the first day of the plan year. In any one fiscal year, the experience can be better or worse from that which is assumed or expected. The actuarial assumptions do not necessarily attempt to model what the experience will be for any one given fiscal year, but instead try to model the overall experience over many years. Therefore, as long as the actual experience of the retirement system is reasonably close to the current assumptions, the long-term funding requirements of the System will remain relatively consistent.

The system experienced a net gain due to the liabilities (salary and other liability experience) of $1.4 million, which is less than a 0.1% gain when compared to a total actuarial accrued liability ("AAL") of $5.4 billion. The table below shows the source of the gains and losses and the impact of those gains and losses on the UAAL.

Reconciliation of UAAL
(Dollars in thousands)

• Beginning of Year UAAL	$1,394,260
- Interest on UAAL	104,570
- Amortization payment with interest	(83,655)
- Assumption/method changes	0
- Asset experience	134,736
- COLA	0
- Salary experience	(35,038)
- Other liability experience	33,686
- Legislative changes	0
• End of Year UAAL	$1,548,558

The employer and contribution rates in effect for fiscal year 2014 are no longer sufficient to satisfy the 30-year funding requirement in the State code. Below is a table reconciling the change in the funding period from the prior year's valuation based on the contribution rates that go into effect for fiscal year 2014.

Change in Funding Period (Years)
Based on the Employer and Member Contribution
Rates in Efffect for Fiscal Year 2014

• Prior Year (after reflecting Act 278)	30.0
- Expected experience	(1.0)
- Legislative changes	0.0
- Assumption and method changes	0.0
- Scheduled increase in the employer and member contribution rate	(1.6)
- Asset experience	5.3
- Demographic experience	4.2
- Total change	6.9
• Current Year Valuation (before reflecting the required increase in the contribution rate)	36.9

While the plan's liability experience resulted in a slight reduction in the unfunded actuarial accrued liability, it produced an increase in the system's funding period. This occurred because the contribution rate, which is defined as a percentage of payroll, is calculated based on the anticipation there would be a 3.50% increase in the total payroll of the system. However, actual covered payroll decreased by 6.28% from fiscal year 2011 to 2012. As a result, the contribution rate, as a percentage of pay, must increase in order to maintain the necessary dollar amount of monies to finance the unfunded liability. The effect is magnified because PORS has a large unfunded liability as a percentage of the covered payroll.

Absent favorable investment experience, we expect the employer and member contribution rates will be required to increase in future years as remaining deferred investment losses become fully recognized in the actuarial value of assets.

GASB No. 25 and No. 27 Disclosures

Accounting requirements for the Retirement System are provided by the Governmental Accounting Standards Board Statements No. 25 ("GASB 25") and No. 27 ("GASB 27"). Table 10 shows a historical summary of the funded ratios and other information for the System. Table 11 shows other information needed in connection with the required disclosures under GASB 25. GASB 27 governs reporting by the employers of government-sponsored retirement plans.

GASB 25 requires that plans calculate an Annual Required Contribution ("ARC"), and, if actual contributions received are less than the ARC, this must be disclosed. The ARC is calculated in accordance with certain parameters. In particular, it includes a payment to amortize the UAAL. This amortization payment must be computed using a funding period no greater than thirty (30) years. For this disclosure, SCRS treats the Board-established contribution rate as the ARC, as long as this produces a funding period that does not exceed 30 years.

Actuarial Assumptions and Methods

In determining costs and liabilities, actuaries use assumptions about the future, such as rates of salary increase, probabilities of retirement, termination, death and disability, and an annual investment return assumption. Except for the rates of disability incidence and retirement, the actuarial assumptions and methods used to determine the results of the 2012 actuarial valuation are the same as those used for the prior year's valuation. The disability and retirement rates were updated to more appropriately reflect the anticipated plan experience as a result of the enactment of Act 278.

Appendix A includes a summary of the actuarial assumptions and methods used in this valuation.

It is our opinion that the assumptions are internally consistent, reasonable, and reflect anticipated future experience of the System. The actuarial assumptions and methods used in this report comply with the parameters for disclosure that appear in GASB 25.

Benefit Provisions

Appendix B of this report includes a summary of the benefit provisions for PORS. Act 278 became law in June 2012, which resulted in substantial changes to the benefit provisions in PORS. Below is a summary of the retirement provisions for Class Two members, members hired prior to July 1, 2012, and Class Three members, member hired after June 30, 2012.

Summary of Retirement Provisions for:

Class Two Members (members hired prior to July 1, 2012)

- Average Final Compensation (AFC) is based on the highest twelve (12) consecutive quarters of compensation. The determination of a member's AFC also includes up to 45 days of unused annual leave paid at termination. Monthly benefits are based on one-twelfth of this amount.
- The retirement benefit is equal to 2.14% of the member's AFC times the member's credited service (years). Credited service may include up to 90 days of unused sick leave.
- Members are eligible to commence their retirement benefit after they have (i) 25 years of credited service or (ii) attained age 55 with 5 years of earned service.
- At each July 1 after their first full year of retirement, annuitants will receive an automatic post-retirement benefit adjustment equal to the lesser of 1.00% of their retirement benefit or $500 per annum.

Class Three Members (members hired after to June 30, 2012)

- Average Final Compensation (AFC) is based on the highest twenty (20) consecutive quarters of compensation. The determination of a member's AFC also will not include unused annual leave paid at termination. Monthly benefits are based on one-twelfth of this amount.
- The retirement benefit is equal to 2.14% of the member's AFC times the member's credited service (years). Credited service will not include unused sick leave.
- Members are eligible to commence their retirement benefit after they have (i) 27 years of credited service or (ii) attained age 55 with 8 years of earned service.
- At each July 1 after their first full year of retirement, annuitants will receive an automatic post-retirement benefit adjustment equal to the lesser of 1.00% of their retirement benefit or $500 per annum.

SECTION C

ACTUARIAL TABLES

TABLES

Summary of Cost Items

(Dollar amounts expressed in thousands)

		July 1, 2012	July 1, 2011	
		Reflecting Act 278	Reflecting Act 278	Disclosed in Prior Year Report
		(1)	(2)	(3)
1.	Projected payroll of active members[1]	$ 1,019,241	$1,087,587	$1,087,587
2.	Present value of future pay[2]	$ 7,905,745	$ 8,362,408	$ 7,690,082
3.	Normal cost rate			
	a. Total normal cost rate	14.33%	14.36%	13.39%
	b. Less: member contribution rate	-8.41%	-7.84%	-6.50%
	c. Employer normal cost rate	5.92%	6.52%	6.89%
4.	Actuarial accrued liability for active members			
	a. Present value of future benefits	$ 3,202,568	$ 3,373,687	$ 3,165,467
	b. Less: present value of future normal costs	1,086,623	1,155,437	1,010,613
	c. Actuarial accrued liability	$ 2,115,945	$ 2,218,250	$ 2,154,854
5.	Total actuarial accrued liability for:			
	a. Retirees and beneficiaries	$ 3,118,016	$ 2,784,144	$ 2,558,128
	b. Inactive members	123,531	120,107	111,959
	c. Active members (Item 4.c.)	2,115,945	2,218,250	2,154,854
	d. Total	$ 5,357,492	$ 5,122,501	$ 4,824,941
6.	Actuarial value of assets	$ 3,808,934	$ 3,728,241	$ 3,728,241
7.	Unfunded actuarial accrued liability (UAAL) (Item 5.d. - Item 6.)	$ 1,548,558	$ 1,394,260	$ 1,096,700
8.	GASB No. 25 Annual Required Contribution Rate			
	a. Employer normal cost rate	5.92%	6.52%	6.89%
	b. Employer contribution rate available to amortize the UAAL	7.49%	6.32%	5.41%
	c. Total employer contribution rate	13.41%	12.84%	12.30%
9.	Funding period based on the required employer contribution rate (years)	30	30	22
10.	Applicable statuorily required contribution rates[2]			
	a. Employer contribution rate	13.41%	12.84%	Not Applicable
	b. Member contribution rate	8.41%	7.84%	Not Applicable

[1] The projected payroll does not include payroll for working retirees.

[2] The applicable employer and member contribution rates are determined in accordance with Section 9-11-225 of the South Carolina Code. The contribution rate includes the cost of incidental death benefits.

Actuarial Present Value of Future Benefits
(Dollar amounts expressed in thousands)

	July 1, 2012 Reflecting Act 278 (1)	July 1, 2011 Reflecting Act 278 (2)	July 1, 2011 Disclosed in Prior Year Report (3)
1. Active members			
a. Service retirement	$ 2,614,816	$ 2,805,392	$ 2,643,729
b. Deferred termination benefits and refunds	266,632	252,215	249,061
c. Survivor benefits	107,106	93,001	37,073
d. Disability benefits	214,014	223,079	235,604
e. Total	$ 3,202,568	$ 3,373,687	$ 3,165,467
2. Retired members			
a. Service retirement	$ 2,479,232	$ 2,184,422	$ 2,008,093
b. Disability retirement	479,278	441,890	402,956
c. Beneficiaries	125,064	121,411	112,597
d. Incidental and accidental death benefits	34,442	36,421	34,482
e. Total	$ 3,118,016	$ 2,784,144	$ 2,558,128
3. Inactive members			
a. Vested terminations	$ 100,934	$ 98,221	$ 90,073
b. Nonvested terminations	22,597	21,886	21,886
c. Total	$ 123,531	$ 120,107	$ 111,959
4. Total actuarial present value of future benefits	$ 6,444,115	$ 6,277,938	$ 5,835,554

Analysis of Normal Cost

	July 1, 2012	July 1, 2011	
	Reflecting Act 278	Reflecting Act 278	Disclosed in Prior Year Report
	(1)	(2)	(3)
1. Total normal cost rate			
a. Service retirement	8.77%	8.82%	8.53%
b. Deferred termination benefits and refunds	3.44%	3.44%	2.99%
c. Survivor benefits	0.50%	0.47%	0.19%
d. Disability benefits	1.62%	1.63%	1.68%
e. Total	14.33%	14.36%	13.39%
2. Less: member contribution rate	8.41%	7.50%	6.50%
3. Net employer normal cost rate	5.92%	6.86%	6.89%

Note: The normal cost includes the cost for incidental and accidental death benefits.

Results of July 1, 2012 Valuation
(Dollar amounts expressed in thousands)

			July 1, 2012
			(1)
1.	Actuarial Present Value of Future Benefits		
	a. Present retired members and beneficiaries	$	3,118,016
	b. Present active and inactive members		3,326,099
	c. Total actuarial present value	$	6,444,115
2.	Present Value of Future Normal Contributions		
	a. Member	$	664,873
	b. Employer		421,750
	c. Total future normal contributions	$	1,086,623
3.	Actuarial Liability	$	5,357,492
4.	Current Actuarial Value of Assets	$	3,808,934
5.	Unfunded Actuarial Liability	$	1,548,558
6.	Unfunded Actuarial Liability Rate in Effect for FY 2015		7.49%
7.	Unfunded Actuarial Liability Liquidation Period[1]		30 years

[1] Funding period after reflecting the required increase in the contribution rates.

Note: The employer contribution rate includes the cost for incidental death benefits.

Actuarial Balance Sheet
(Dollar amounts expressed in thousands)

	July 1, 2012 (1)	July 1, 2011 (2)
1. Assets		
a. Current assets (actuarial value)		
i. Employee annuity savings fund	$ 773,710	$ 786,724
ii. Employer annuity accumulation fund	3,035,224	2,941,517
iii. Total current assets	$ 3,808,934	$ 3,728,241
b. Present value of future member contributions	$ 664,873	$ 655,613
c. Present value of future employer contributions		
i. Normal contributions	$ 421,750	$ 499,824
ii. Accrued liability contributions	1,548,558	1,394,260
iii. Total future employer contributions	$ 1,970,308	$ 1,894,084
d. Total assets	$ 6,444,115	$ 6,277,938
2. Liabilities		
a. Employee annuity savings fund		
i. Past member contributions	$ 773,710	$ 786,724
ii. Present value of future member contributions	664,873	655,613
iii. Total contributions to employee annuity savings fund	$ 1,438,583	$ 1,442,337
b. Employer annuity accumulation fund		
i. Benefits currently in payment	$ 3,118,016	$ 2,784,144
ii. Benefits to be provided to other members	1,887,516	2,051,457
iii. Total benefits payable from employer annuity accumulation fund	$ 5,005,532	$ 4,835,601
c. Total liabilities	$ 6,444,115	$ 6,277,938

Note: Results as of July 1, 2011 and July 1, 2012 reflect the enactment of Act 278.

System Net Assets
Assets at Market or Fair Value
(Dollar amounts expressed in thousands)

Item		July 1, 2012		July 1, 2011
(1)		(2)		(3)
1. Cash and cash equivalents (operating cash)	$	281,409	$	381,861
2. Receivables		116,550		121,715
3. Investments				
a. Short-term securities	$	0	$	1,471
b. Domestic fixed income		500,532		481,410
c. Global fixed income		195,477		404,422
d. Domestic equities		239,962		263,105
e. Global equities		223,741		156,482
f. Alternative investments		1,862,972		1,703,719
g. Total investments	$	3,022,684	$	3,010,609
4. Securities lending cash collateral invested	$	23,683	$	28,902
5. Prepaid administrative expenses		88		132
6. Capital assets, net of accumulated depreciation		275		286
7. Total assets	$	3,444,689	$	3,543,505
8. Liabilities				
a. Due to other Systems	$	0	$	92
b. Accounts payable		116,823		168,870
c. Investment fees payable		1,222		2,336
d. Obligations under securities lending		23,683		28,902
e. Deferred retirement benefits		0		0
f. Due to Employee Insurance Program		852		1,491
g. Benefit payable		250		459
h. Other liabilities		31,869		23,822
i. Total liabilities	$	174,699	$	225,972
9. Total market value of assets available for benefits (Item 7. - Item 8.i.)	$	3,269,990	$	3,317,533
10. Asset allocation (investments)				
a. Net invested cash		7.6%		9.3%
b. Domestic fixed income		15.3%		14.5%
c. Global fixed income		6.0%		12.2%
d. Domestic equities		7.3%		7.9%
e. Global equities		6.8%		4.7%
f. Alternative investments		57.0%		51.4%
g. Total investments		100.0%		100.0%

Reconciliation of System Net Assets

(Dollar amounts expressed in thousands)

	Year Ending July 1, 2012 (1)	Year Ending July 1, 2011 (2)
1. Value of assets at beginning of year	$ 3,317,533	$ 2,851,474
2. Revenue for the year		
a. Contributions		
i. Member contributions	$ 84,470	$ 79,334
ii. Employer contributions	134,333	129,351
iii. Total	$ 218,803	$ 208,685
b. Income		
i. Interest, dividends, and other income	$ 31,359	$ 30,881
ii. Investment expenses	(7,044)	(8,945)
iii. Net	$ 24,315	$ 21,936
c. Net realized and unrealized gains (losses)	(7,117)	497,595
d. Total revenue	$ 236,001	$ 728,216
3. Expenditures for the year		
a. Disbursements		
i. Refunds	$ 15,162	$ 14,902
ii. Regular annuity benefits	263,997	242,872
iii. Other benefit payments	3,436	3,555
iv. Transfers to other Systems	(1,923)	(1,815)
v. Total	$ 280,672	$ 259,514
b. Administrative expenses and depreciation	2,872	2,643
c. Total expenditures	$ 283,544	$ 262,157
4. Increase in net assets (Item 2.d.- Item 3.c.)	$ (47,543)	$ 466,059
5. Value of assets at end of year (Item 1. + Item 4.)	$ 3,269,990	$ 3,317,533
6. Net External Cash Flow		
a. Dollar amount	$ (61,869)	$ (50,829)
b. Percentage of market value	-1.9%	-1.6%

Development of Actuarial Value of Assets

(Dollar amounts expressed in thousands)

			July 1, 2012
			(1)
1.	Actuarial value of assets at the prior valuation date	$	3,728,241
2.	Market value of assets at the prior valuation date	$	3,317,533
3.	Net external cash flow during the year		
	a. Contributions	$	218,803
	b. Disbursements		(280,672)
	c. Subtotal	$	(61,869)
4.	Expected net investment income at 7.50% earned on		
	a. Actuarial value of assets at the prior valuation date	$	279,618
	b. Contributions		8,205
	c. Disbursements		(10,525)
	d. Subtotal	$	277,298
5.	Expected actuarial value of assets, end of year (Item 1. + Item 3.c. + Item 4.d.)	$	3,943,670
6.	Market value of assets as of the current valuation date	$	3,269,990
7.	Difference between expected actuarial assets and market value of assets (Item 6. - Item 5.)	$	(673,680)
8.	Excess/(shortfall) recognized (20% of Item 7.)	$	(134,736)
9.	Actuarial value of plan assets, end of year (Item 5. + Item 8.)	$	3,808,934
10.	Asset gain (loss) for year (Item 9. - Item 5.)	$	(134,736)
11.	Asset gain (loss) as % of the actuarial value of assets		(3.54%)
12.	Ratio of AVA to MVA		116.5%

Estimation of Yields
(Dollar amounts expressed in thousands)

	Year Ending July 1, 2012 (1)	Year Ending July 1, 2011 (2)
1. Market value yield		
a. Beginning of year market assets	$ 3,317,533	$ 2,851,474
b. Contributions to fund during the year	218,803	208,685
c. Disbursements	(280,672)	(259,514)
d. Investment income (net of investment and administrative expenses)	14,326	516,888
e. End of year market assets	$ 3,269,990	$ 3,317,533
f. Estimated dollar weighted market value yield	0.4%	18.3%
2. Actuarial value yield		
a. Beginning of year actuarial assets	$ 3,728,241	$ 3,612,700
b. Contributions to fund during the year	218,803	208,685
c. Disbursements	(280,672)	(259,514)
d. Investment income (net of investment and administrative expenses)	142,562	166,370
e. End of year actuarial assets	$ 3,808,934	$ 3,728,241
f. Estimated actuarial value yield	3.9%	4.6%

Schedule of Funding Progress
(Dollar amounts expressed in thousands)

July 1, (1)	Actuarial Value of Assets (AVA) (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded Actuarial Accrued Liability (UAAL) (3) - (2) (4)	Funded Ratio (2)/(3) (5)	Annual Covered Payroll[1] (6)	UAAL as % of Payroll (4)/(6) (7)
2001	$ 2,197,982	$ 2,324,257	$ 126,275	94.6%	$ 757,335	16.7%
2002	2,351,100	2,527,876	176,776	93.0%	757,393	23.3%
2003	2,511,369	2,744,849	233,480	91.5%	800,394	29.2%
2004	2,616,835	2,984,584	367,749	87.7%	822,448	44.7%
2005	2,774,606	3,173,930	399,324	87.4%	850,610	46.9%
2006	2,935,841	3,466,281	530,440	84.7%	931,815	56.9%
2007	3,160,240	3,730,544	570,304	84.7%	992,849	57.4%
2008	3,363,136	4,318,955	955,819	77.9%	1,060,747	90.1%
2009	3,482,220	4,564,111	1,081,891	76.3%	1,084,154	99.8%
2010	3,612,700	4,850,457	1,237,757	74.5%	1,076,467	115.0%
2011	3,728,241	5,122,501	1,394,260	72.8%	1,087,587	128.2%
2012	3,808,934	5,357,492	1,548,558	71.1%	1,019,241	151.9%

[1] Covered payroll does not include payroll attributable to working retirees.
The valuation results for 2011 reflect Act 278.

Notes to Required Supplementary Information
(as required by GASB #25)

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date:	July 1, 2012
Actuarial cost method:	Entry Age Normal
Amortization method:	Level percentage of payroll
Amortization period for GASB 25 ARC:	30-year open period [1]
Asset valuation method:	5-year smoothed market
Actuarial assumptions:	
Investment rate of return[2]	7.50%
Projected salary increases[2]	4.00% to 10.00% (varies by service)
Inflation	2.75%
Cost-of-living adjustments	0.00%

[1] The employer and member contribution rates are determined in accordance with Section 9-11-225 of the South Carolina Code.

[2] Includes inflation at 2.75%

Solvency Test
(Dollar amounts expressed in thousands)

	Actuarial Accrued Liability				Portion of Aggregate Accrued Liabilities Covered by Assets		
July 1,	Active Member Contributions	Retirants & Beneficiaries	Active & Inactive Members (Employer Financed)	Valuation Assets	Active	Retirants	ER Financed
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
2001	$ 464,217	$ 977,769	$ 882,271	$ 2,197,982	100.0%	100.0%	85.7%
2002	492,178	1,136,998	898,700	2,351,100	100.0%	100.0%	80.3%
2003	516,313	1,265,173	963,363	2,511,369	100.0%	100.0%	75.8%
2004	548,699	1,415,627	1,020,258	2,616,835	100.0%	100.0%	64.0%
2005	585,701	1,530,199	1,058,030	2,774,606	100.0%	100.0%	62.0%
2006	622,008	1,668,449	1,175,824	2,935,841	100.0%	100.0%	54.9%
2007	658,023	1,818,914	1,253,607	3,160,240	100.0%	100.0%	54.5%
2008	697,423	2,183,645	1,437,887	3,363,136	100.0%	100.0%	33.5%
2009	726,214	2,348,685	1,489,212	3,482,220	100.0%	100.0%	27.4%
2010	758,695	2,577,772	1,513,990	3,612,700	100.0%	100.0%	18.2%
2011	786,724	2,784,144	1,551,633	3,728,241	100.0%	100.0%	10.1%
2012	773,710	3,118,016	1,465,766	3,808,934	100.0%	97.3%	0.0%

The valuation results for 2011 reflect Act 278.

SECTION D

MEMBERSHIP DATA

MEMBERSHIP TABLES

Summary of Membership Data

		July 1, 2012	July 1, 2011
		(1)	(2)
1.	Active members		
	a. Males	19,676	20,079
	b. Females	6,503	6,571
	c. Total members	26,179	26,650
	d. Total annualized prior year pay	$ 971,100,758	$ 1,035,908,201
	e. Average pay	$ 37,095	$ 38,871
	f. Average age	39.6	39.8
	g. Average service	9.5	9.6
	h. Member contributions with interest	$ 690,680,439	$ 706,506,136
	i. Average contributions with interest	$ 26,383	$ 26,511
2.	Vested inactive members		
	a. Number	1,931	1,932
	b. Total annual deferred benefits	$ 14,320,349	$ 13,904,792
	c. Average annual deferred benefit	$ 7,416	$ 7,197
3.	Nonvested inactive members		
	a. Number	9,909	10,048
	b. Member contributions with interest	$ 22,597,197	$ 21,885,917
	c. Average refund due	$ 2,280	$ 2,178
4.	Service retirees		
	a. Number	11,328	10,206
	b. Total annual benefits	$ 227,747,206	$ 201,651,947
	c. Average annual benefit	$ 20,105	$ 19,758
	d. Average age at the valuation date	63.8	64.1
5.	Disabled retirees		
	a. Number	2,151	2,006
	b. Total annual benefits	$ 42,234,375	$ 38,839,921
	c. Average annual benefit	$ 19,635	$ 19,362
	d. Average age at the valuation date	53.6	53.4
6.	Beneficiaries		
	a. Number	1,174	1,146
	b. Total annual benefits	$ 13,947,504	$ 13,494,593
	c. Average annual benefit	$ 11,880	$ 11,775
	d. Average age at the valuation date	67.9	67.9

Summary of Contributing Membership Data
(Dollar amounts expressed in thousands)

	July 1, 2012 (1)	July 1, 2011 (2)
1. Active Members		
a. Number of State Employees	9,486	9,767
Total Annual Compensation	$ 323,072	$ 350,386
b. Number of Public School Employees	4	5
Total Annual Compensation	$ 193	$ 313
c. Number of Other Agency Employees	16,689	16,878
Total Annual Compensation	$ 647,642	$ 685,210
Total Number of Active Members	26,179	26,650
Total Annual Compensation	$ 971,101	$ 1,035,909
2. Rehired Retired Participants		
a. Number of State Employees	588	561
Total Annual Compensation	$ 17,684	$ 19,729
b. Number of Public School Employees	126	172
Total Annual Compensation	$ 2,393	$ 4,616
c. Number of Other Agency Employees	1,881	1,464
Total Annual Compensation	$ 73,264	$ 59,546
Number of Rehired Retired Members	2,595	2,197
Total Annual Compensation	$ 93,341	$ 83,891

Note: Total compensation is the annualized pay for the prior year.

Summary of Historical Active Membership

		Active Members		Covered Payroll[1]		Average Annual Pay			
July 1,	Number of Employers	Number	Percent Increase /(Decrease)	Amount in Thousands	Percent Increase /(Decrease)	Amount	Percent Increase /(Decrease)	Average Age	Average Service
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
2001	296	24,821	N/A	$ 757,335	N/A	$ 30,512	5.50%	N/A	N/A
2002	302	23,963	-3.5%	757,393	0.0%	31,607	3.59%	N/A	N/A
2003	314	23,871	-0.4%	800,394	5.7%	33,530	6.08%	N/A	N/A
2004	314	23,734	-0.6%	822,448	2.8%	34,653	3.35%	N/A	N/A
2005	314	23,795	0.3%	850,610	3.4%	35,747	3.16%	N/A	N/A
2006	314	24,813	4.3%	931,815	9.5%	37,554	5.05%	N/A	N/A
2007	313	25,645	3.4%	992,849	6.6%	38,715	3.09%	N/A	N/A
2008	313	26,427	3.0%	1,060,747	6.8%	40,139	3.68%	N/A	N/A
2009	318	26,598	0.6%	1,084,154	2.2%	40,761	1.55%	39.6	8.4
2010	322	26,568	-0.1%	1,076,467	-0.7%	40,517	-0.60%	39.8	8.7
2011	356	26,650	0.3%	1,087,587	1.0%	40,810	0.72%	39.8	9.6
2012	325	26,179	-1.8%	1,019,241	-6.3%	38,934	-4.60%	39.6	9.5

[1] Covered payroll does not include payroll attributable to members in ORP, TERI, or working retirees.

Distribution of Active Members by Age and by Years of Service

	Years of Credited Service												
Attained Age	0 Count & Avg. Comp.	1 Count & Avg. Comp.	2 Count & Avg. Comp.	3 Count & Avg. Comp.	4 Count & Avg. Comp.	5-9 Count & Avg. Comp.	10-14 Count & Avg. Comp.	15-19 Count & Avg. Comp.	20-24 Count & Avg. Comp.	25-29 Count & Avg. Comp.	30-34 Count & Avg. Comp.	35 & Over Count & Avg. Comp.	Total Count & Avg. Comp.
Under 20	16	0	0	0	0	0	0	0	0	0	0	0	16
	$7,812	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$7,812
20-24	634	421	209	96	64	36	0	0	0	0	0	0	1,460
	$13,096	$28,911	$31,102	$30,652	$32,592	$32,547	$0	$0	$0	$0	$0	$0	$22,723
25-29	631	588	561	531	547	1,058	23	0	0	0	0	0	3,939
	$14,602	$30,132	$33,406	$34,095	$34,920	$36,203	$37,917	$0	$0	$0	$0	$0	$30,986
30-34	344	317	290	315	408	1,792	579	14	0	0	0	0	4,059
	$14,220	$31,398	$33,338	$34,295	$35,520	$37,685	$41,488	$43,254	$0	$0	$0	$0	$34,976
35-39	218	226	195	193	220	947	1,412	530	16	0	0	0	3,957
	$14,533	$31,558	$32,568	$34,297	$35,097	$37,223	$42,575	$45,285	$46,622	$0	$0	$0	$38,187
40-44	197	175	170	178	192	794	900	1,243	509	14	0	0	4,372
	$16,068	$30,709	$32,804	$33,988	$34,344	$37,315	$41,404	$46,945	$50,783	$51,483	$0	$0	$40,845
45-49	131	127	132	139	138	525	502	614	799	222	7	0	3,336
	$14,923	$31,615	$34,868	$33,404	$34,368	$35,899	$40,027	$45,257	$50,363	$56,099	$53,301	$0	$41,893
50-54	101	88	95	100	104	404	414	416	419	259	58	3	2,461
	$15,203	$32,517	$32,615	$36,022	$33,255	$36,084	$40,480	$42,115	$46,431	$53,500	$64,396	$35,282	$40,863
55-59	76	48	48	48	76	267	263	266	214	134	59	22	1,521
	$15,690	$31,738	$33,559	$34,233	$33,636	$36,490	$38,296	$42,638	$45,613	$48,788	$59,013	$57,109	$39,921
60-64	26	37	32	44	43	164	106	135	114	49	14	26	790
	$13,897	$34,162	$35,972	$34,163	$35,310	$38,124	$40,596	$43,787	$44,726	$45,263	$51,030	$59,976	$40,323
65 & Over	7	9	10	8	21	57	45	38	32	21	12	8	268
	$7,977	$40,326	$33,816	$46,070	$39,329	$33,508	$37,004	$45,196	$47,431	$51,846	$67,991	$67,651	$41,820
Total	2,381	2,036	1,742	1,652	1,813	6,044	4,244	3,256	2,103	699	150	59	26,179
	$14,266	$30,636	$33,087	$34,067	$34,802	$36,932	$41,274	$45,220	$48,819	$52,755	$60,801	$58,692	$37,095

Schedule of Annuitants by Type of Benefit

Type of Benefit/ Form of Payment (1)	Number (2)		Annual Benefits Amount (3)		Average Monthly Benefit (4)
Service :					
Maximum & QDRO	6,781	$	133,347,381	$	1,639
100% J&S	2,011		37,376,358		1,549
50% J&S	1,448		36,012,750		2,073
Level Income	1,088		21,010,717		1,609
Subtotal:	11,328	$	227,747,206		1,675
Disability:					
Maximum	1,733	$	35,270,069	$	1,696
100% J&S	226		3,074,363		1,134
50% J&S	192		3,889,943		1,688
Subtotal:	2,151	$	42,234,375		1,636
Beneficiaries:	1,174	$	13,947,504	$	990
Total:	14,653	$	283,929,085	$	1,615

Distribution of Annuitants by Monthly Benefit

Monthly Benefit Amount (1)	Number of Annuitants (2)	Female (3)	Male (4)	Average Service (5)
Under $200	744	330	414	2.52
$ 200 - 399	1,072	436	636	7.37
400 - 599	1,142	469	673	9.52
600 - 799	1,101	463	638	11.99
800 - 999	1,090	405	685	13.82
1,000 - 1,199	944	315	629	15.62
1,200 - 1,399	907	259	648	17.80
1,400 - 1,599	944	272	672	19.96
1,600 - 1,799	954	204	750	21.26
1,800 - 1,999	903	165	738	22.31
2,000 - 2,199	869	154	715	23.26
2,200 - 2,399	766	121	645	23.80
2,400 - 2,599	676	82	594	24.82
2,600 - 2,799	564	65	499	25.13
2,800 - 2,999	439	48	391	26.60
3,000 - 3,199	328	43	285	26.97
3,200 - 3,399	260	26	234	27.44
3,400 - 3,599	201	17	184	28.24
3,600 - 3,799	161	12	149	28.75
3,800 - 3,999	123	13	110	29.12
4,000 & Over	465	37	428	32.10
Total	14,653	3,936	10,717	18.08

Schedule of Retirants Added to And Removed from Rolls

(Dollar amounts except average allowance expressed in thousands)

Year Ending June 30,	Added to Rolls		Removed from Rolls		Rolls End of the Year		% Increase in Annual Benefit	Average Annual Benefit
	Number	Annual Benefits	Number	Annual Benefits	Number	Annual Benefits		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
2001	989	$ 17,235	341	$ 3,986	6,970	$ 102,395	14.9%	$ 14,691
2002	956	17,378	220	2,639	7,706	117,134	14.4%	15,200
2003	947	18,614	226	2,733	8,427	133,015	13.6%	15,784
2004	894	16,256	265	2,923	9,056	146,348	10.0%	16,114
2005	778	12,576	173	2,147	9,661	160,756	9.8%	16,640
2006	678	16,880	205	2,691	10,134	174,945	8.8%	17,263
2007	772	16,474	205	2,745	10,701	188,674	7.8%	17,631
2008	779	17,458	194	2,691	11,286	203,441	7.8%	18,026
2009	931	17,937	267	3,879	11,950	217,499	6.9%	18,201
2010	943	21,877	327	5,000	12,566	234,376	7.8%	18,652
2011	1,042	22,580	250	2,970	13,358	253,986	8.4%	19,014
2012	1,566	34,086	271	4,143	14,653	283,929	11.8%	19,377

APPENDIX A

ACTUARIAL ASSUMPTIONS AND METHODS

Summary of Actuarial Methods and Assumptions

The following presents a summary of the actuarial assumptions and methods used in the valuation of the South Carolina Police Officers Retirement System.

Investment Rate of Return

Assumed annual rate of 7.50% net of investment and administrative expenses composed of a 2.75% inflation component and a 4.75% real rate of return, net of investment and administration expenses.

Rates of Annual Salary Increase

Rates of annual salary increase are assumed to vary for the first 11 years of service to include anticipated merit and promotional increases. The assumed annual rate of increase is 4.00% for all members with 12 or more years of service.

The 4.00% rate of increase is composed of a 2.75% inflation component and a 1.25% real rate of wage increase (productivity) component.

Active Male & Female Salary Increase Rate		
	PORS	
Years of Service	Annual Promotional/Longevity Rates of Increase	Total Annual Rate of Increase Including 4.00% Wage Inflation
0	6.00%	10.00%
1	5.00%	9.00%
2	2.00%	6.00%
3	1.00%	5.00%
4	0.75%	4.75%
5	0.50%	4.50%
6	0.25%	4.25%
7	0.25%	4.25%
8	0.25%	4.25%
9	0.25%	4.25%
10	0.25%	4.25%
11	0.25%	4.25%
12	0.00%	4.00%
13	0.00%	4.00%
14	0.00%	4.00%
15	0.00%	4.00%
16	0.00%	4.00%
17	0.00%	4.00%
18	0.00%	4.00%
19	0.00%	4.00%
20+	0.00%	4.00%

Active Member Decrement Rates

a. Assumed rates of Service Retirement are shown in the following tables. The first table is for members who attain age 55 before attaining 25 years of service (27 years of service for Class Three. The second table is based on service and is for members who attain 25 years of service before age 55.

Annual Age Based Retirement Rates		
Age	PORS	
	Male	Female
55	20%	20%
56	14%	14%
57*	50%	50%
58	12%	12%
59	12%	12%
60	12%	12%
61	12%	12%
62	35%	35%
63	25%	25%
64	25%	25%
65	30%	30%
66	30%	30%
67	30%	30%
68	30%	30%
69	30%	30%
70	100%	100%
71	100%	100%
72	100%	100%
73	100%	100%
74	100%	100%
75	100%	100%

* Age first eligible to concurrently commence benefits and continue employment.

Annual Service Based Retirement Rates*			
Years of Service		PORS	
Class Two	Class Three	Male	Female
25	27	18%	18%
26	28	13%	13%
27	29	11%	11%
28	30	11%	11%
29	31	11%	11%
30	32	11%	11%
31	33	11%	11%
32	34	11%	11%
33	35	11%	11%
34	36	11%	11%
35	37	11%	11%
36	38	11%	11%
37	39	11%	11%
38	40	11%	11%
39	41	11%	11%
40	42	100%	100%

* Retirement rate is 50% at age 57, the first age the member is eligible to concurrently commence benefits and continue employment.

b. Assumed rates of disability are shown in the following table. 25% of disabilities are assumed to be duty-related.

Disability Rates		
Age	PORS	
	Males	Females
25	0.1101%	0.1101%
30	0.1468%	0.1468%
35	0.2753%	0.2753%
40	0.3670%	0.3670%
45	0.5506%	0.5506%
50	0.6882%	0.6882%
55	0.0000%	0.0000%
60	0.0000%	0.0000%
64	0.0000%	0.0000%

*Rates reduced by 75% for service under 5 years

c. Active Member Mortality

Rates of active member mortality are based upon a client specific table with applicable multipliers to match the experience.

Active Mortality Rates (Multiplier Applied)		
Age	PORS	
	Males	Females
25	0.0338%	0.0186%
30	0.0653%	0.0264%
35	0.0978%	0.0467%
40	0.1234%	0.0790%
45	0.1614%	0.1248%
50	0.2171%	0.1767%
55	0.3776%	0.2516%
60	0.7443%	0.4454%
64	1.2430%	0.8222%
Multiplier	90%	90%

d. Rates of Withdrawal

Rate of withdrawal for active members prior to eligibility for retirement are based upon actual experience from 2002 through 2010. Rates are developed for each employee group and differ by gender and service. Sample rates are shown in the tables below.

Annual Withdrawal Rate		
Years of Service	PORS	
	Male	Female
0	0.2500	0.2500
1	0.1800	0.1800
2	0.1400	0.1400
3	0.1200	0.1200
4	0.1070	0.1070
5	0.0954	0.0954
6	0.0850	0.0850
7	0.0758	0.0758
8	0.0675	0.0675
9	0.0602	0.0602
10	0.0537	0.0537
11	0.0478	0.0478
12	0.0426	0.0426
13	0.0380	0.0380
14	0.0339	0.0339
15	0.0302	0.0302
16	0.0269	0.0269
17	0.0240	0.0240
18	0.0214	0.0214
19	0.0191	0.0191
20	0.0170	0.0170
21	0.0151	0.0151
22	0.0135	0.0135
23	0.0120	0.0120

e. Post Retirement Mortality

Healthy retirees and beneficiaries – This valuation assumes fully generational mortality. The base mortality table is 115% of the RP-2000 Mortality Table with Blue Collar Adjustment. Future mortality improvements are assumed each year using Scale AA. The following are sample rates:

Nondisabled Annuitant Mortality Rates Before Projection (Multiplier Applied)		
Age	PORS	
	Males	Females
50	0.2774%	0.2257%
55	0.4825%	0.3214%
60	0.9511%	0.5691%
65	1.7870%	1.1958%
70	3.0772%	2.1429%
75	4.9601%	3.5521%
80	8.1129%	5.6296%
85	13.2339%	9.5565%
90	20.9021%	15.7189%
Multiplier	115%	115%

Life Expectancy for an Age 65 Retiree in Years				
	Year of Retirement			
Member	2015	2020	2025	2030
Male	17.8	18.2	18.6	19.0
Female	19.7	19.9	20.1	20.4

A separate table of mortality rates is used for disabled retirees based on the RP-2000 Disabled Retiree Mortality Table. The following are sample rates:

Disabled Annuitant Mortality Rates (Multiplier Applied)		
Age	PORS	
	Males	Females
50	1.7385%	0.6921%
55	2.1265%	0.9926%
60	2.5225%	1.3103%
65	3.0104%	1.6816%
70	3.7550%	2.2581%
75	4.9240%	3.1338%
80	6.5623%	4.3387%
85	8.4962%	6.0122%
90	11.0045%	8.4029%
Multiplier	60%	60%

Asset Valuation Method

The actuarial value of assets is based on the market value of assets with five-year smoothing applied. This is accomplished by recognizing each year 20% of the difference between the market value of assets and the expected actuarial value of assets, based upon the assumed valuation rate of return.

Expected earnings are determined using the assumed investment rate of return and the beginning of year actuarial value of assets (adjusted for receipts and disbursements during the year). The returns are computed net of administrative and investment expenses.

Actuarial Cost Method

The Entry Age Normal actuarial cost method allocates the plan's actuarial present value of future benefits to various periods based upon service. The portion of the present value of future benefits allocated to years of service prior to the valuation date is the actuarial accrued liability, and the portion allocated to years following the valuation date is the present value of future normal costs. The normal cost is determined for each active member as the level percent of payroll necessary to fully fund the expected benefits to be earned over the career of each individual active member. The normal cost is partially funded with active member contributions with the remainder funded by employer contributions.

An unfunded accrued liability exists in the amount equal to the excess of accrued liability over valuation assets. The amortization period of the System is the number of years required to fully amortize the unfunded accrued liability with the expected amount of employer contributions in excess of the employers' portion of the normal cost.

The calculation of the amortization period takes into account scheduled increases to contribution rates applicable to future years and payroll growth. Also, the calculation of the amortization period reflects additional contributions the System receives with respect to return to work retirees. These contributions are assumed to grow at the same payroll growth rate as for active employees. It is assumed that amortization payments are made monthly at the end of the month.

Unused Annual Leave

To account for the effect of unused annual leave in Annual Final Compensation (AFC) of Class Two members, the AFC for Class Two members is increased 3.75% at their projected date of termination or retirement.

Unused Sick Leave

To account for the effect of unused sick leave on credited service for Class Two members, the service of active Class Two members who retire is increased 3 months.

Future Post-Retirement Benefit Adjustments

Benefits are assumed to increase by the lesser of 1.00% annually or $500 beginning on the July 1st following the receipt of 12 monthly benefit payments. The $500 limit in the annual increase is not indexed to escalate in future years.

Payroll Growth Rate

The total annual payroll of active members (also applies to rehired retiree participants) is assumed to increase at an annual rate of 3.50%.

Other Assumptions

1. Valuation payroll (used for determining the amortization contribution rate): Prior fiscal year payroll projected forward one year using the overall payroll growth rate. This was determined separately for active employees and return to work employees by dividing the actual member contributions received during the prior fiscal year by the applicable member contribution rate for that fiscal year, and then projecting forward at 3.50%.
2. Individual salaries used to project benefits: Actual salaries from the past fiscal year are used to determine the final average salary as of the valuation date. For future salaries, the salary from the last fiscal year is projected forward with one year's salary scale.
3. Pay increase timing: Beginning of (fiscal) year. This is equivalent to assuming that reported salaries represent amounts paid to members during the year ended on the valuation date.
4. Percent married: 100% of male and 100% of female employees are assumed to be married.
5. Age difference: Males are assumed to be four years older than their spouses.
6. Percent electing annuity on death (when eligible): All of the spouses of vested, married participants are assumed to elect an immediate life annuity.
7. Inactive Population: All non-vested members are assumed to take an immediate refund. Vested members are assumed to take a deferred retirement benefit.
8. There will be no recoveries once disabled.
9. Decrement timing: Decrements of all types are assumed to occur mid-year.
10. Eligibility testing: Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.
11. Decrement relativity: Decrement rates are used directly from the experience study, without adjustment for multiple decrement table effects.
12. Incidence of Contributions: Contributions are assumed to be received continuously throughout the year based upon the computed percent of payroll shown in this report, and the actual payroll payable at the time contributions are made.
13. Benefit Service: All members are assumed to accrue 1 year of eligibility service each year.

Participant Data

Participant data was supplied in electronic text files. There were separate files for (i) active and inactive members, and (ii) members and beneficiaries receiving benefits.

The data for active members included birth date, gender, service with the current city and total vesting service, salary, and employee contribution account balances. For retired members and beneficiaries, the data included date of birth, gender, spouse's date of birth (where applicable), amount of monthly benefit, date of retirement, and form of payment code.

Salary supplied for the current year was based on the annualized earnings for the year preceding the valuation date.

Assumptions were made to correct for missing, bad, or inconsistent data. These had no material impact on the results presented.

APPENDIX B

BENEFIT PROVISIONS

Summary of Benefit Provisions for South Carolina Police Officers Retirement System (PORS)

Effective Date: July 1, 1962.

Administration: The South Carolina Retirement System, organizationally aligned as a Division of the State Budget and Control Board, is responsible for the general administrative operations and day to day management of the Plan.

Type of Plan: This is a qualified governmental defined benefit retirement plan. Under GASB 25, it is considered to be a cost-sharing multiple-employer plan.

Eligibility: This System covers police officers and firefighters employed by the state, and any participating political subdivision, agency, or department of the state. With the exception for magistrates and probate judges, eligible public safety employees must earn at least $2,000 per year and devote at least 1,600 hours per year, unless exempted by statute.

Employee Contributions: Members will contribute 7.00%, 7.50% of earnable compensation for FY 2013 and 2014 respectively. The member contribution rate for FY 2015 and thereafter is 8.00%. Furthermore, in the event that these contribution rates are insufficient to maintain a 30-year amortization period, the Board shall increase the employer and member contribution rates by an equal amount (i.e. maintain at least a 5.00% differential between the employer and member rates) as necessary to maintain a 30-year funding period. The employer and member contribution rates may not decrease until the plan attains a 90% funded ratio. These contributions are "picked-up" under Section 414(h) of the Internal Revenue Code. Contributions are credited with interest at the rate of 4.0% per annum while the member is active. Members do not earn interest on their employee contribution account balance while they are inactive.

Average Final Compensation (AFC): The monthly average of the member's highest twelve (12) consecutive quarters of earnable compensation (20 consecutive quarters for Class Three members, members who are hired after June 30, 2012). Earnable compensation is the compensation that would be payable to a member if the member worked a full, normal working time, which includes gross salary, overtime, sick pay, and deferrals. The calculation of a member's AFC also includes up to 45 days pay for unused annual leave paid at termination.

Members joining the System after January 1, 1996, have their compensation limited in accordance with IRC Section 401(a)(17) for determining benefits.

Service Retirement:

a. Eligibility: A Class Two member may retire with an unreduced benefit at age 55 or after 25 years of creditable service, if earlier. The member must also have a minimum of 5 years of "earned" service to qualify for retirement. Class Three members may retire with an unreduced benefit at age 55 or after 27 years of creditable service, if earlier. Class Three members must also have a minimum of 8 years of "earned" service to qualify for retirement.

b. Monthly Benefit: 2.14% times Average Final Compensation (AFC) times years of creditable service. Class Two members will receive service credit for up to 90 days of unused sick leave where twenty days of sick leave constitutes one month of service credit.

c. Payment Form: Maximum retirement allowance (Option A) and survivor allowances under Options B and C.

Disability Retirement:

a. Eligibility: Member must be have five or more years of earned service (8 years for Class Three members), unless the disability is due to performing his or her job duties. Member who apply for a disability retirement benefit after December 31, 2013 must provide proof to the system that they are entitled to Social Security disability benefits after their third year of retirement in order to continue receiving their disability retirement allowance.

b. Monthly Benefit:

   The monthly benefit is equal to the member's service retirement benefit that would have been payable based on the member's AFC determined as of the date of his disability and a projected credited service amount that assumes the member continued employment to age 55, not to exceed their current service or 25 years. However, a member must receive a disability retirement allowance equal to at least 15% of his AFC.

c. Payment Form: Maximum retirement allowance (Option A) and survivor allowances under Options B and C.

d. Death while Disabled: A disabled member is treated as a retired member for purposes of determining a death benefit.

Vesting and Refunds:

a. Eligibility: All members who are not vested are eligible for a refund when they terminate service. Class Two members are vested after five years of earned service. Class Three members are vested after eight years of earned service. Vested members may also elect to receive a refund in lieu of the deferred termination benefit described below.

b. Amount: The refund benefit is the accumulated value of the member's contributions plus interest credited by the fund. Members do not earn interest on their employee contribution account balance while they are inactive.

Deferred Termination Benefit:

a. Eligibility: Member must be vested (5 years of earned service) and must elect to leave his/her contributions on deposit.

b. Monthly Benefit: Same as the unreduced or reduced service retirement benefit, based on service and AFC at termination, and commencing once the member is eligible.

c. Payment Form: Maximum retirement allowance (Option A) and survivor allowances under Options B and C.

d. Death Benefit: The beneficiary of an inactive member who dies is entitled to receive the amount of the member's accumulated contributions (with interest). In accordance with administrative policy, if the member met service eligibility requirements at their time of death, the beneficiary is eligible for a monthly survivor annuity benefit.

Death while an Active Member:

Members who die while actively employed will receive the regular death benefit described below. If the member was an employee of an employer participating in the Accidental Death Benefit Program and/or the Preretirement Death Benefit Program, then the beneficiary will receive additional death benefits.

Regular Death Benefit:

a. Refund: In the event of a death of an active member (duty or non-duty related), a refund of the member's accumulated contributions (with interest), subject to a minimum refund of $1,000, is paid to the beneficiary of a deceased member.

b. Beneficiary Annuity: If the deceased member (i) has 5 or more years of earned service and (b) attained age 55 or accumulated 15 or more years of creditable service, the beneficiary may elect to receive, in lieu of the accumulated contributions, a monthly benefit for life of the beneficiary determined under "Option B" described under the Optional Forms of Benefit. For purposes of the benefit calculation, a member under the age of 55 is assumed to be 55 years of age.

Accidental Death Benefit Program:

The statutory beneficiary (i.e. surviving spouse, child, or parent of the member) of an active employee of an employer participating in the Accidental Death Benefit Program who dies as a result of a duty related event is entitled to the following beneficiary annuity.

a. Beneficiary Annuity: In the event a member dies as a result of a duty related event, a monthly benefit is provided for the duration of the beneficiary's lifetime equal to 50% of the member's compensation at the time of death.

Optional Forms of Benefit: The Systems permit members to elect from three forms of benefit at retirement. In each case the benefit amount is adjusted to be actuarially equivalent to the "Option A" form. The optional forms are:

a. Option A (Maximum Retirement Allowance): A life annuity. Upon the member's death, any remaining member contributions will be paid to the member's designated beneficiary.

b. Option B (100% Joint & Survivor with Pop-up): A reduced annuity payable as long as either the member or his/her beneficiary is living. In the event the member's designated beneficiary predeceases the member, then the member shall receive a retirement allowance equal to the maximum retirement allowance (Option A), plus any applicable cost of living increases that would have been granted.

c. Option C (50% Joint & Survivor with Pop-up): A reduced annuity payable during the member's life, and continues after the member's death at 50% of the rate paid to the member for the life of the member's designated beneficiary. In the event the member's designated beneficiary predeceases the member, then the member shall receive a retirement allowance equal to the maximum retirement allowance (Option A), plus any applicable cost of living increases that would have been granted.

***Incidental Death Benefit*:**

a. Active Employees: The beneficiary (or estate) of an active employee of a employer participating in the Preretirement Death Benefit Program who completes at least one full year of membership service, will receive a death benefit equal to the member's annual earnable compensation at the time of death.

The one full year membership requirement is waived for members whose death is a result of an injury arising out of and in the course of performing his duties.

For purposes of determining eligibility for incidental death benefits, active employees include those members who are actively reemployed and contributing as a working retiree with a participating employer.

b. Post Employment: The beneficiary (or estate) of a retiree, both current and future retiree will receive a one-time payment upon the retiree's death if the employer was participating in the Preretirement Death Benefit Program at the time of the retired member's death. The amount of the one-time payment is based on the retiree's years of credited service at retirement.

Years of Service Credit	Death Benefit
10 or more, but less than 20	$2,000
20 or more, but less than 25	$4,000
25 or more	$6,000

***Postretirement Benefit Increases*:** Benefits paid to retired members or surviving spouses are increased annually in an amount equal to the lesser of 1.00% of the pension benefit or $500 beginning on the July 1st following the receipt of 12 monthly benefit payments. The $500 limit in the annual increase is not indexed to escalate in future years.

APPENDIX C

GLOSSARY

Glossary

Actuarial Accrued Liability (AAL): That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of Future Plan Benefits which is not provided for by future Normal Costs. It is equal to the Actuarial Present Value of Future Plan Benefits minus the actuarial present value of future Normal Costs.

Actuarial Assumptions: Assumptions as to future experience under the Fund. These include assumptions about the occurrence of future events affecting costs or liabilities, such as:

- mortality, withdrawal, disablement, and retirement;
- future increases in salary;
- future rates of investment earnings and future investment and administrative expenses;
- characteristics of members not specified in the data, such as marital status;
- characteristics of future members;
- future elections made by members; and
- other relevant items.

Actuarial Cost Method or ***Funding Method:*** A procedure for allocating the Actuarial Present Value of Future Benefits to various time periods; a method used to determine the Normal Cost and the Actuarial Accrued Liability. These items are used to determine the ARC.

Actuarial Gain or ***Actuarial Loss:*** A measure of the difference between actual experience and that expected based upon a set of Actuarial Assumptions, during the period between two Actuarial Valuation dates. Through the actuarial assumptions, rates of decrements, rates of salary increases, and rates of fund earnings have been forecasted. To the extent that actual experience differs from that assumed, Actuarial Accrued Liabilities emerge which may be the same as forecasted, or may be larger or smaller than projected. Actuarial gains are due to favorable experience, e.g., the Fund's assets earn more than projected, salaries do not increase as fast as assumed, members retire later than assumed, etc. Favorable experience means actual results produce actuarial liabilities not as large as projected by the actuarial assumptions. On the other hand, actuarial losses are the result of unfavorable experience, i.e., actual results that produce actuarial liabilities which are larger than projected. Actuarial gains will shorten the time required for funding of the actuarial balance sheet deficiency while actuarial losses will lengthen the funding period.

Actuarially Equivalent: Of equal actuarial present value, determined as of a given date and based on a given set of Actuarial Assumptions.

Actuarial Present Value (APV): The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions. For purposes of this standard, each such amount or series of amounts is:

a. adjusted for the probable financial effect of certain intervening events (such as changes in compensation levels, marital status, etc.)

b. multiplied by the probability of the occurrence of an event (such as survival, death, disability, termination of employment, etc.) on which the payment is conditioned, and

c. discounted according to an assumed rate (or rates) of return to reflect the time value of money.

Actuarial Present Value of Future Plan Benefits: The Actuarial Present Value of those benefit amounts which are expected to be paid at various future times under a particular set of Actuarial Assumptions, taking into account such items as the effect of advancement in age and past and anticipated future compensation and service credits. The Actuarial Present Value of Future Plan Benefits includes the liabilities for active members, retired members, beneficiaries receiving benefits, and inactive, nonretired members either entitled to a refund or a future retirement benefit. Expressed another way, it is the value that would have to be invested on the valuation date so that the amount invested plus investment earnings would be provide sufficient assets to pay all projected benefits and expenses when due.

Actuarial Valuation: The determination, as of a valuation date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values for a plan. An Actuarial valuation for a governmental retirement system typically also includes calculations of items needed for compliance with GASB 25, such as the funded ratio and the ARC.

Actuarial Value of Assets or ***Valuation Assets:*** The value of the Fund's assets as of a given date, used by the actuary for valuation purposes. This may be the market or fair value of plan assets, but commonly actuaries use a smoothed value in order to reduce the year-to-year volatility of calculated results, such as the funded ratio and the ARC.

Actuarially Determined: Values which have been determined utilizing the principles of actuarial science. An actuarially determined value is derived by application of the appropriate actuarial assumptions to specified values determined by provisions of the law.

Amortization Method: A method for determining the Amortization Payment. The most common methods used are level dollar and level percentage of payroll. Under the Level Dollar method, the Amortization Payment is one of a stream of payments, all equal, whose Actuarial Present Value is equal to the UAAL. Under the Level Percentage of Pay method, the Amortization payment is one of a stream of increasing payments, whose Actuarial Present Value is equal to the UAAL. Under the Level Percentage of Pay method, the stream of payments increases at the assumed rate at which total covered payroll of all active members will increase.

Amortization Payment: That portion of the pension plan contribution or ARC which is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability.

Annual Required Contribution (ARC): The employer's periodic required contributions, expressed as a dollar amount or a percentage of covered plan compensation, determined under GASB 25. The ARC consists of the Employer Normal Cost and the Amortization Payment

Closed Amortization Period: A specific number of years that is counted down by one each year, and therefore declines to zero with the passage of time. For example if the amortization period is initially set at 30 years, it is 29 years at the end of one year, 28 years at the end of two years, etc. See Funding Period and Open Amortization Period.

Decrements: Those causes/events due to which a member's status (active-inactive-retiree-beneficiary) changes, that is: death, retirement, disability, or termination.

Defined Benefit Plan: A retirement plan that is not a Defined Contribution Plan. Typically a defined benefit plan is one in which benefits are defined by a formula applied to the member's compensation and/or years of service.

Defined Contribution Plan: A retirement plan, such as a 401(k) plan, a 403(b) plan, or a 457 plan, in which the contributions to the plan are assigned to an account for each member, and the plan's earnings are allocated to each account, and each member's benefits are a direct function of the account balance.

Employer Normal Cost: The portion of the Normal Cost to be paid by the employers. This is equal to the Normal Cost less expected member contributions.

Experience Study: A periodic review and analysis of the actual experience of the Fund which may lead to a revision of one or more actuarial assumptions. Actual rates of decrement and salary increases are compared to the actuarially assumed values and modified as deemed appropriate by the Actuary.

Funded Ratio: The ratio of the actuarial value of assets (AVA) to the actuarial accrued liability (AAL). Plans sometimes calculate a market funded ratio, using the market value of assets (MVA), rather than the AVA, although GASB 25 reporting requires the use of the AVA.

Funding Period or ***Amortization Period:*** The term "Funding Period" is used it two ways. In the first sense, it is the period used in calculating the Amortization Payment as a component of the ARC. This funding period is chosen by the Board of Trustees. In the second sense, it is a calculated item: the number of years in the future that will theoretically be required to amortize (i.e., pay off or eliminate) the Unfunded Actuarial Accrued Liability, based on the statutory employer contribution rate, and assuming no future actuarial gains or losses.

GASB: Governmental Accounting Standards Board.

GASB 25 and ***GASB 27***: Governmental Accounting Standards Board Statements No. 25 and No. 27. These are the governmental accounting standards that set the accounting rules for public retirement systems and the employers that sponsor or contribute to them. Statement No. 27 sets the accounting rules for the employers that sponsor or contribute to public retirement systems, while Statement No. 25 sets the rules for the systems themselves.

Normal Cost: That portion of the Actuarial Present Value of pension plan benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method. Any payment in respect of an Unfunded

Actuarial Accrued Liability is not part of Normal Cost (see Amortization Payment). For pension plan benefits which are provided in part by employee contributions, Normal Cost refers to the total of employee contributions and employer Normal Cost unless otherwise specifically stated. Under the entry age normal cost method, the Normal Cost is intended to be the level cost (when expressed as a percentage of pay) needed to fund the benefits of a member from hire until ultimate termination, death, disability or retirement.

Open Amortization Period: An open amortization period is one which is used to determine the Amortization Payment but which does not change over time. In other words, if the initial period is set as 30 years, the same 30-year period is used in determining the Amortization Period each year. In theory, if an Open Amortization Period is used to amortize the Unfunded Actuarial Accrued Liability, the UAAL will never completely disappear, but will become smaller each year, either as a dollar amount or in relation to covered payroll.

Unfunded Actuarial Accrued Liability: The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. This value may be negative in which case it may be expressed as a negative Unfunded Actuarial Accrued Liability, also called the Funding Surplus.

Valuation Date or Actuarial Valuation Date: The date as of which the value of assets is determined and as of which the Actuarial Present Value of Future Plan Benefits is determined. The expected benefits to be paid in the future are discounted to this date.

STATE BUDGET AND CONTROL BOARD

MEETING OF May 8, 2013

REGULAR SESSION

ITEM NUMBER 9

AGENCY: Public Employee Benefit Authority

SUBJECT: Approval of PEBA Policy Determination for Judges and Solicitors

Pursuant to the Retirement Code, as amended by Act 278 of 2012, the PEBA Board of Directors is authorized to adopt the necessary employer, and, in certain cases, employee, contribution rates for the five defined benefit plans administered by PEBA based upon the annual valuations of those plans performed by the plans' actuary.

For the Retirement System for Judges and Solicitors ("JSRS"), the employee contribution rate is fixed by statute, and the PEBA Board is required to annually certify the amount of contributions required from the State as an employer contribution to the plan based upon the actuarial valuation of the plan. See Section 9-8-140.

At the regular meeting of the PEBA Board of Directors on February 1, 2013, the PEBA Board accepted as information the valuation prepared by the Board's actuary, Gabriel Roeder Smith ("GRS"), for JSRS as of July 1, 2012, and adopted the employer contribution rate of 47.97% for the fiscal year beginning July 1, 2014, as recommended therein.

BOARD ACTION REQUESTED:

Pursuant to Section 9-4-45(A) (as added by Act 278 of 2012), policy determinations made by the PEBA Board are subject to approval by the Budget and Control Board, as evidenced by a majority vote of the Board. Adjustments in employer and employee contribution rates are policy determinations subject to Budget and Control Board approval. See Section 9-4-45(B).

Accordingly, pursuant to Section 9-4-45, the Budget and Control Board is asked to approve the following adjustment in employer contributions adopted by the PEBA Board for the Retirement System for Judges and Solicitors ("JSRS") for the fiscal year beginning July 1, 2014, based upon the actuarial valuation of the system as of July 1, 2012:

1. Increase JSRS employer contribution rate from 47.33%. to 47.97%

ATTACHMENTS:

Agenda item worksheet; Minutes from the February 1, 2013, PEBA Board Meeting; Summary of JSRS Actuarial Valuation as of July 1, 2012; Section 9-8-140 of the South Carolina Code of Laws

BUDGET AND CONTROL BOARD AGENDA ITEM WORKSHEET

For meeting scheduled for:

May 7, 2013

___**Blue Agenda**
_X_ **Regular Session**
___**Executive Session**

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1. Submitted by:

(a) Agency: Public Employee Benefit Authority ("PEBA")

(b) Authorized Official Signature: David K. Avant, Interim Director

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2. Subject: Approval of PEBA Policy Determination for the Retirement System for Judges and Solicitors

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3. Summary Background Information:

Pursuant to the Retirement Code, as amended by Act 278 of 2012, the PEBA Board of Directors is authorized to adopt the necessary employer, and, in certain cases, employee, contribution rates for the five defined benefit plans administered by PEBA based upon the annual valuations of those plans performed by the plans' actuary.

For the Retirement System for Judges and Solicitors ("JSRS"), the employee contribution rate is fixed by statute, and the PEBA Board is required to annually certify the amount of contributions required from the State as an employer contribution to the plan based upon the actuarial valuation of the plan. See Section 9-8-140.

At the regular meeting of the PEBA Board of Directors on February 1, 2013, the PEBA Board accepted as information the valuation prepared by the Board's actuary, Gabriel Roeder Smith ("GRS"), for JSRS as of July 1, 2012, and adopted the employer contribution rate of 47.97% for the fiscal year beginning July 1, 2014, as recommended therein.

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4. What is Board asked to do?

Pursuant to Section 9-4-45(A) (as added by Act 278 of 2012), policy determinations made by the PEBA Board are subject to approval by the Budget and Control Board, as evidenced by a majority vote of the Board. Adjustments in employer and employee contribution rates are policy determinations subject to Budget and Control Board approval. See Section 9-4-45(B).

Accordingly, pursuant to Section 9-4-45, the Budget and Control Board is asked to approve the following adjustment in employer contributions adopted by the PEBA Board for the Retirement System for Judges and Solicitors ("JSRS") for the fiscal year beginning July 1, 2014, based upon the actuarial valuation of the system as of July 1, 2012:

1. Increase JSRS employer contribution rate from 47.33%. to 47.97%

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5. What is recommendation of the Board division involved? N/A.

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6. Recommendation of other office (as required)? N/A.

Office Name ______________________________ **Authorized Signature**____________________________

7. Supporting Documents:

List those attached:

- Minutes from the February 1, 2013, PEBA Board Meeting.
- Summary of JSRS Actuarial Valuation as of July 1, 2012.
- Section 9-8-140 of the South Carolina Code of Laws

List those not attached but available:

South Carolina
PUBLIC EMPLOYEE BENEFIT AUTHORITY

PEBA

David K. Avant
Interim Executive Director

Retirement Benefits

April 24, 2012

Delbert H. Singleton, Jr.
Secretary, South Carolina Budget and Control Board
Post Office Box 12444
Columbia, South Carolina 29211

RE: Agenda Items for the Approval of Contribution Rates Adopted by the Board of Directors for the South Carolina Public Employee Benefit Authority

Dear Mr. Singleton:

Pursuant to the Retirement Code, as amended by Act 278 of 2012, the Board of Directors for the South Carolina Public Employee Benefit Authority ("PEBA") is authorized to adopt the necessary employer, and, in certain cases, employee, contribution rates for the five defined benefit plans administered by PEBA based upon the annual valuations of those plans performed by the plans' actuary. Further, as provided in Section 9-4-45 of the Code as added by Act 278, adjustments in employer and employee contribution rates made by the PEBA Board are policy determinations that are subject to approval by the Budget and Control Board, as evidenced by a majority vote of the Board.

At the regular meeting of the PEBA Board of Directors on February 1, 2013, the PEBA Board accepted as information valuations prepared by the plans' actuary, Gabriel Roeder Smith, for SCRS, PORS, JSRS, GARS, and NGRS as of July 1, 2012, and adopted the contribution rates recommended therein. As the PEBA Board and PEBA staff have taken all necessary actions for the acceptance of these valuations and adoption of the recommended contribution rates, the adjustments in the contribution rates adopted by the PEBA Board are now subject to approval by the Budget and Control Board pursuant to Section 9-4-45. Accordingly, please place five items on the agenda of the Budget and Control Board's May 7, 2013 meeting for the approval of these contribution rate adjustments, as reflected in more detail on the attached Agenda Item Worksheets.

Thank you for your attention to this matter. If you need any additional information, please do not hesitate to contact me.

Sincerely,

David K. Avant
Interim Executive Director

Enclosures

South Carolina Public Employee Benefit Authority Meeting Minutes (Adopted 3/20/2013)

Friday, February 1, 2013, 8:30 A.M.

2nd Floor Conference Room
202 Arbor Lake Drive
Columbia, South Carolina 29223

Board Members Present:
Mr. Art Bjontegard, Chairman (in person)
Ms. Peggy Boykin (in person)
Mr. Frank Fusco (in person)
Ms. Cynthia Harley (in person)
Ms. Stacy Kubu (in person)
Sheriff Leon Lott (in person)
Mr. Steve Matthews (in person)
Mr. Joe "Rocky" Pearce (in person)
Mr. Audie Penn (in person)
Mr. John Sowards (arrived in person at 9:08am)
Mr. David Tigges (arrived in person at 10:21am)

Others present for all or a portion of the meeting:
David Avant, Lil Hayes, Robbie Bell, Geneva McIntosh, Stephen Van Camp, and Justin Werner from the South Carolina Public Employee Benefit Authority (PEBA); Terry Mumford with Ice Miller; Joe Newton and Danny White from Gabriel, Roeder, Smith & Company (GRS), Hershal Harper and Sarah Corbett form the SC Retirement Investment Commission; Suzanne Bernard with Hewitt, Ennisknupp; Donald Tudor, Wayne Bell and Wayne Pruitt from the State Retirees Association,

I. CALL TO ORDER; ADOPTION OF PROPOSED AGENDA

Chairman Bjontegard called the meeting to order at 8:30 a.m. Steve Matthews gave the invocation. Ms. Hayes confirmed meeting notice compliance with the Freedom of Information Act. The Chairman asked for a motion to adopt the agenda which was made, seconded by Sheriff Lott and adopted unanimously. A motion was made by Ms. Hartley to adopt the minutes from the December 12, 2012 meeting, which was seconded by Mr. Matthews and adopted. The Chairman mentioned that the Past Action Report had been updated and posted for the members on their Extranet. He said after items had been completed, they would be removed from the list after one month.

II. Terry Mumford Ice Miller LLC – Fiduciary Responsibilities

Chairman Bjontegard introduced Terry Mumford, partner with Ice Miller, LLC. Ms. Mumford began by explaining that for the South Carolina Retirement Systems, the PEBA Board is one of four fiduciaries: PEBA, Budget and Control Board, Retirement System Investment Commission, and the State Treasurer. She explained that the legislature is considered the "settlor" and, as such, determined the scope of each fiduciary's responsibility. She then explained each fiduciary's role. The PEBA Board is responsible to administer the benefits in accordance with the plan, to engage experts, establish contribution rates, and establish rules and regulations.

Ms. Mumford continued by explaining that the Board must carry out its responsibilities in accordance with fiduciary principles. She explained that these principles are established by the Internal Revenue

Code, ERISA, the *Restatement of Third—Trusts*, *Uniform Management of Public Retirement Systems Act*, and South Carolina state law. She explained the exclusive benefit rule, which requires a fiduciary to discharge his duties solely in the interest of the participants and beneficiaries of the plan. She also stated that a fiduciary must not deal with plan assets in his own interest or in the interest of a "third party."

Ms. Mumford concluded by explaining that although the RSIC is granted investment responsibility by the legislature, the PEBA Board is a co-trustee of the trust assets and is responsible to act in the best interests of the trust—including with respect to investments. This means the PEBA Board has a duty to be informed about the actions of its co-trustees, to make reasonable effort to avoid a breach by a co-trustee, and to make reasonable effort to redress any breaches by co-trustees.

III. SCRS Investment Commission: Asset Liability Modeling (ALM) Study Overview, and Risk Assessment Update

Hershal Harper and Sarah Corbett from the SC Retirement Systems Investment Commission (RSIC) and Suzanne Bernard with Hewitt Ennisknupp conducted a presentation regarding the RSIC. Ms. Corbett began by explaining the RSIC's history and governing laws. She explained that until 1997, the Retirement Systems assets were only invested in domestic fixed income investments. In the 1990's, the Retirement Systems Investment Panel was created to advise the Budget and Control Board on the domestic equity portfolio. The RSIC was then created in 2005 and was constitutionally permitted to invest across all asset classes in 2007. Ms. Corbett went on to explain the makeup of the seven-member RSIC. There are four political appointees—one each from the Governor, the Chairman of the Senate Finance Committee, the Chairman of the House Ways and Means Committee, and the Comptroller General. The remaining three members include a retiree representative, the Executive Director of PEBA (non-voting member), and the State Treasurer (ex-officio). She then explained the RSIC's governing policies and compensation structure. She explained that, in an effort to recruit and keep top investment talent to serve at the RSIC agency, they initiated a Performance Incentive Compensation program to reward good performance in investments. Ms. Corbett also explained that the RSIC publishes an Annual Investment Plan each fiscal year to spell out the policies and objectives of the RSIC.

Ms. Corbett went on to describe the RSIC's Due Diligence Guidelines. She explained that a set of guidelines was adopted on November 8, 2012 to create a uniform method of conducting and recording due diligence on investment managers. Chairman Bjontegard asked about "allegations" being made that the RSIC had not conducted due diligence on some of its managers. Mr. Harper—after responding that was not aware that actual allegations had been made, but rather believed they were currently just suggestions—explained that due diligence was done on all managers, but that some had been recorded differently from others. Ms. Corbett added that this is the reason for the newly-adopted guidelines.

Ms. Corbett concluded by explaining that the RSIC was currently in process of trying to acquire new FTE positions for the agency. They are also seeking to improve their information technology resources. She emphasized the RSIC's desire to work with PEBA to pool resources and share IT systems to allow greater transparency between the two organizations and to alleviate any concern on the part of the PEBA Board members over the actions of the RSIC.

IV. COMMITTEE REPORTS

Retirement

Committee Chairman Sowards asked that the ORP Vendors item be struck from the agenda, which was agreed to by the Board. Mr. Tigges recused himself on any votes dealing with the ORP Vendors as he has a conflict of interest.

Mr Sowards introduced and requested Joe Newton and Danny White with GRS give information on the Actuarial Valuations of 6/30/2012 before the group for approval. After the presentation by GRS, Mr. Sowards moved to accept the GRS valuations for SCRS, PORS, JSRS, GARS, and National Guard Retirement System for FY2014. Ms. Hartley seconded. Mr. Matthews then voiced concern that the valuation given for SCRS did not appear to meet the statutory requirement to accept contribution increases that maintain no more than a thirty-year amortization period. Discussion ensued. Mr. Matthews and Mr. Sowards asked General Counsel to weigh in. Mr. Van Camp advised the Board that based upon the projected amortization period as described by GRS, the recommended contribution increase for FY2014 would, in fact, satisfy the statutory requirement. Mr. Matthews restated his concern. Mr. Sowards then withdrew his previous motion and amended it. He moved to accept the GRS valuations for the five retirement systems, contingent upon a written decision by PEBA General Counsel on the legality of accepting the GRS recommended contribution increases. Ms. Hartley seconded. The Board voted to accept the GRS valuations for the five retirement system for FY2014, contingent upon General Counsel's written decision. All Board members voted in favor of the motion, except Mr. Matthews, who voted against the motion.

Mr. Sowards then discussed the necessity of adopting a Group Trust Resolution, and further explained that on January 25th, PEBA received favorable Determination Letters from the IRS on the 4 contributory defined benefit plans (SCRS, PORS, GARS and JSRS). With these letters, we now have updated favorable determination letters or private letter rulings for all qualified plans including, SCRS, PORS, GARS, JSRS, ORP and the Deferred Comp plans (401k & 457). With no further discussion the Resolution was adopted.

FAAC

Committee Chairman Matthews gave an update that as of January 30, no legislation had been introduced concerning the Indemnification of the Board members. He mentioned a few other items that he also felt were of a technical nature that should be brought to the attention of the Legislature so they could be addressed.

Health

Committee Chair Hartley gave an update of what the Governor had recommended for the agency and the State Health Plan in her Executive Budget Recommendation. Ms. Hartley also gave a brief description of the budget hearing at the House of Representatives Budget Subcommittee hearing that was on January 22.

Lunch Break

V. Executive Session to Discuss Legal Matters Pursuant to S.C. Code of Laws § 30-4-70(a)(2)

Adjournment

Upon concluding executive session, Mr. Bjontegard requested a motion to adjourn the meeting. Mr. Sowards moved to adjourn and Mr. Fusco seconded. The Board then unanimously voted to adjourn at 3:15 pm.

Retirement System for Judges and Solicitors (JSRS)

Executive Summary

(Dollar amounts expressed in thousands)

Valuation Date:	July 1, 2012	July 1, 2011
Membership		
• Number of		
- Active members[1]	144	144
- Retirees and beneficiaries	183	184
- DROP and Retired-in-Place members	17	14
- Inactive members	3	4
- Total	330	332
• Projected payroll of active members	$19,221	$18,661
Contribution Rates		
• Employer contribution rate	47.97% [2]	47.33%
• Member	10.00%	10.00%
Assets		
• Market value	$123,359	$127,152
• Actuarial value	145,604	144,927
• Return on market value	0.5%	18.3%
• Return on actuarial value	3.6%	4.3%
• Ratio of actuarial to market value of assets	118.0%	114.0%
• External cash flow %	-3.6%	-3.4%
Actuarial Information		
• Normal cost %	27.28%	27.90%
• Actuarial accrued liability (AAL)	$251,729	$243,514
• Unfunded actuarial accrued liability (UAAL)	106,125	98,587
• Funded ratio	57.8%	59.5%
• Funding period (years)	30	30
Reconciliation of UAAL		
• Beginning of Year UAAL	$98,587	$72,952
- Interest on UAAL	7,394	7,277
- Amortization payment with interest	(5,699)	(5,271)
- Assumption/method changes	0	24,079
- Asset experience	5,561	4,444
- COLA	0	(5,121)
- Salary experience	(2,216)	(2,141)
- Other liability experience	2,498	2,368
- Legislative Changes	0	0
• End of Year UAAL	$106,125	$98,587

[1] Active member counts include unfilled positions and members in DROP or Retired-in-Place.

[2] The contribution rate determined by the July 1, 2012 actuarial valuation is subject to approval and adoption by the Public Employee Benefit Authority before becoming effective for the fiscal year beginning July 1, 2014. The contribution rate includes the cost of incidental death benefits.

SECTION 9-8-140. Contributions of State to System.

The contributions of the State to the System shall be determined by the Board each year on the basis of annual actuarial valuations of the System. Each year the Board shall certify to the State the amount of its contribution due the System. The State's contributions shall be appropriated annually from the general fund to the System and shall include such sums as are found necessary in order to create reserves in the System sufficient to cover the cost of the allowances currently accruing under this chapter, to include a contribution each year toward the cost of prior service credits and to cover any administrative expenses which the Board may incur in the operation of the System.

The employer contribution shall be remitted to the System within thirty days after the beginning of each fiscal year.

GRS Gabriel Roeder Smith & Company
Consultants & Actuaries

RETIREMENT SYSTEM FOR JUDGES AND SOLICITORS OF THE STATE OF SOUTH CAROLINA (JSRS)

ACTUARIAL VALUATION REPORT

AS OF JULY 1, 2012

GRS

Gabriel Roeder Smith & Company
Consultants & Actuaries

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January 11, 2013

Public Employee Benefit Authority
South Carolina Retirement System
P.O. Box 11960
Columbia, SC 29211-1960

Subject: Actuarial Valuation as of July 1, 2012

Dear Members of the Board:

This report describes the current actuarial condition of the Retirement System for Judges and Solicitors of the State of South Carolina (JSRS), determines the calculated employer contribution requirement, and analyzes changes in this amount. In addition, the report provides information required by the Retirement System in connection with Governmental Accounting Standards Board Statement No. 25 (GASB 25), and gives various summaries of the data. Results of this report should not be used for any other purpose without consultation with the undersigned. Valuations are prepared annually as of July 1, the first day of the plan year for JSRS. This report was prepared at the request of the Public Employee Benefit Authority (Board) and is intended for use by the South Carolina Retirement System (SCRS) staff and those designated or approved by the Board.

Under SCRS statutes, the Board must certify the employer contribution annually. This amount is determined actuarially, based on the Board's funding policy. The contribution rate is determined by a given actuarial valuation and becomes effective twenty-four months after the valuation date. In other words, the contribution rate determined by this July 1, 2012 actuarial valuation will be used by the Board when certifying the employer contribution rate for the year beginning July 1, 2014. If new legislation is enacted between the valuation date and the date the contribution rate becomes effective, the Board may adjust the calculated amount before certifying them, in order to reflect this new legislation. Such adjustments are based on information supplied by the actuary.

Financing Objectives and Funding Policy

The principle objectives in the funding policy that are maintained by the Board include:

- Establish a contribution rate that remains relatively level over time.
- To set a rate so that the measures of the System's funding progress which includes the unfunded actuarial accrued liability, funded ratio, and funding period will be maintained or improved.

- To set a contribution rate that will amortize the unfunded actuarial accrued liability (UAAL) over a period that does not exceed 30 years.

For JSRS, the Board's funding policy is to determine an employer contribution rate that is at least equal to the sum of the employer normal cost rate (which pays the current year's cost) and an amortization rate which results in the UAAL to be funded over a period that does not exceed 30 years in installments that increase at the assumed rate of growth in payroll for JSRS.

PROGRESS TOWARD REALIZATION OF FINANCING OBJECTIVES

The funded ratio (the ratio of the actuarial value of assets to the actuarial accrued liability) is a standard measure of a plan's funded status. In the absence of benefit improvements, it should increase over time, until it reaches at least 100%.

The funded ratio of the System decreased from 59.5% to 57.8%. This decrease was primarily due to the continual recognition of deferred investment losses that occurred in prior years. Absent favorable experience, we expect the funded ratio will continue to decrease for the next several years as those investment losses are fully recognized in the development of the actuarial value of assets.

If market value of assets had been used in the calculation instead of actuarial (smoothed) value of assets, the funded ratio for the System would have been 49.0%, compared to 52.2% in the prior year.

ASSUMPTIONS AND METHODS

The actuarial assumptions used to perform this valuation remain unchanged from the prior valuation, including the use of a 7.50% investment return assumption. South Carolina State Code requires that an experience analysis that reviews the economic and demographic assumptions be performed every five years. The next experience analysis is scheduled for 2016.

It is our opinion that the recommended assumptions are internally consistent and reasonably reflect the anticipated future experience of the System. The actuarial assumptions and methods used in this report comply with the parameters for disclosure that appear in GASB 25.

The results of the actuarial valuation are dependent on the actuarial assumptions used. Actual results can, and almost certainly will, differ as actual experience deviates from the assumptions. Even seemingly minor changes in the assumptions can materially change the liabilities, calculated contribution rate, and funding periods. The actuarial calculations are intended to provide information for rational decision making.

BENEFIT PROVISIONS

The benefit provisions reflected in this valuation are those which were in effect on July 1, 2012. Act 278 impacted the retirement system in that it requires the member's cost of purchasing nonqualified service be no less than the true actuarial cost. There were no other changes to the benefit provisions since the last valuation.

DATA

Member data for retired, active and inactive members was supplied as of July 1, 2012, by the SCRS staff. The staff also supplied asset information as of July 1, 2012. We did not audit this data, but we did apply a number of tests to the data, and we concluded that it was reasonable and consistent with the prior year's data. GRS is not responsible for the accuracy or completeness of the information provided to us by SCRS.

CERTIFICATION

We certify that the information presented herein is accurate and fairly portrays the actuarial position of JSRS as of July 1, 2012.

All of our work conforms with generally accepted actuarial principles and practices and with the Actuarial Standards of Practice issued by the Actuarial Standards Board. In our opinion, our calculations also comply with the requirements of South Carolina Code of Laws and, where applicable, the Internal Revenue Code, ERISA, and the Statements of the Governmental Accounting Standards Board.

The undersigned are independent actuaries and consultants. Mr. Newton and Mr. White are Enrolled Actuaries and Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries. Both are experienced in performing valuations for large public retirement systems.

Sincerely,

Gabriel, Roeder, Smith & Co.

Joseph P. Newton, FSA, MAAA, EA
Senior Consultant

Daniel J. White, FSA, MAAA, EA
Senior Consultant

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SECTION A

EXECUTIVE SUMMARY

Executive Summary

(Dollar amounts expressed in thousands)

Valuation Date:	July 1, 2012	July 1, 2011
Membership		
• Number of		
- Active members[1]	144	144
- Retirees and beneficiaries	183	184
- DROP and Retired-in-Place members	17	14
- Inactive members	3	4
- Total	330	332
• Projected payroll of active members	$19,221	$18,661
Contribution Rates		
• Employer contribution rate	47.97% [2]	47.33%
• Member	10.00%	10.00%
Assets		
• Market value	$123,359	$127,152
• Actuarial value	145,604	144,927
• Return on market value	0.5%	18.3%
• Return on actuarial value	3.6%	4.3%
• Ratio of actuarial to market value of assets	118.0%	114.0%
• External cash flow %	-3.6%	-3.4%
Actuarial Information		
• Normal cost %	27.28%	27.90%
• Actuarial accrued liability (AAL)	$251,729	$243,514
• Unfunded actuarial accrued liability (UAAL)	106,125	98,587
• Funded ratio	57.8%	59.5%
• Funding period (years)	30	30
Reconciliation of UAAL		
• Beginning of Year UAAL	$98,587	$72,952
- Interest on UAAL	7,394	7,277
- Amortization payment with interest	(5,699)	(5,271)
- Assumption/method changes	0	24,079
- Asset experience	5,561	4,444
- COLA	0	(5,121)
- Salary experience	(2,216)	(2,141)
- Other liability experience	2,498	2,368
- Legislative Changes	0	0
• End of Year UAAL	$106,125	$98,587

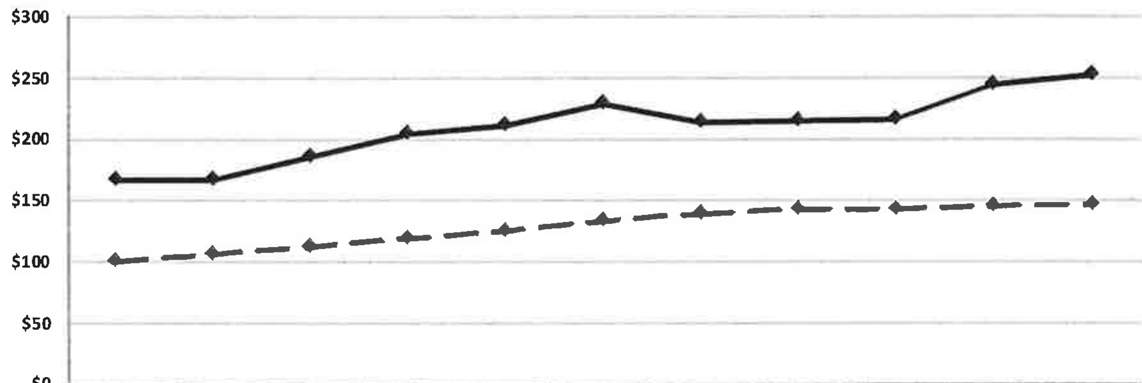
[1] Active member counts include unfilled positions and members in DROP or Retired-in-Place.

[2] The contribution rate determined by the July 1, 2012 actuarial valuation is subject to approval and adoption by the Public Employee Benefit Authority before becoming effective for the fiscal year beginning July 1, 2014. The contribution rate includes the cost of incidental death benefits.

EXECUTIVE SUMMARY (CONTINUED)

The unfunded actuarial accrued liability increased by $7.5 million since the prior year's valuation to $106.1 million. The single largest source of this increase is a result of continual recognition of deferred investment losses in the actuarial value of assets (an increase of $5.6 million). Below is a chart with the historical actuarial value of assets and actuarial accrued liability for JSRS.

Chart 1. - History of Actuarial Assets vs. Actuarial Accrued Liability
(Dollars in Millions)



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
AVA	$100	$106	$112	$119	$125	$133	$138	$142	$143	$145	$146
AAL	$166	$167	$185	$205	$211	$229	$213	$214	$216	$244	$252

There is still $22.2 million in deferred investment losses as of the valuation date (compared to $17.8 million in deferred investment losses in the prior year's valuation). Absent favorable investment experience, those deferred losses will be reflected in the actuarial value of assets over the next few years. Therefore, we expect the unfunded actuarial liability for the System to increase for several years and the funded ratio (on an actuarial value of asset basis) to decline before they improve.

The recommended employer contribution rate increased from 47.33% to 47.97% of pay. Absent legislative changes or significantly favorable investment experience, we also expect the contribution rate to increase as the $22.2 million deferred investment loss becomes recognized in the actuarial value of assets.

SECTION B
DISCUSSION

DISCUSSION

The results of the July 1, 2012 actuarial valuation of the Retirement System for Judges and Solicitors are presented in this report. The purposes of the valuation report are to depict the current financial condition of the System, determine the amortization period resulting from the current contribution rates, and analyze changes in the System's financial condition. In addition, the report provides information required by SCRS in connection with Governmental Accounting Standards Board Statement No. 25 (GASB 25), and various summaries of the members participating in the plan.

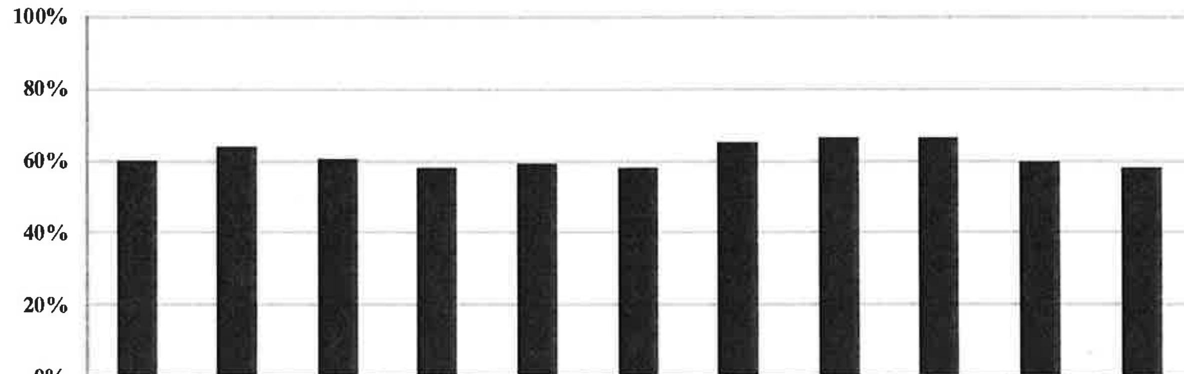
This section discusses the determination of the current funding requirements and the System's funded status, as well as changes in the financial condition of the retirement system.

All of the actuarial and financial tables referenced by the other sections of this report appear in Section C. Section D provides member data and statistical information. Appendices A and B provide summaries of the principle actuarial assumptions and methods and plan provisions. Finally, Appendix C provides a glossary of technical terms that are used throughout this report.

Funding Progress

The funded ratio decreased from 59.5% to 57.8% since the prior valuation. As shown in the table below, the funding ratio has been relatively level over the past 10 years. Table 10, Schedule of Funding Progress, in the following section of the report provides additional detail regarding the funding progress of the Retirement System.

Chart 2. - Funded Ratio
Actuarial Assets as a percentage of Actuarial Accrued Liabilities



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Funded Ratio	60.1%	63.7%	60.5%	58.0%	59.1%	58.0%	64.8%	66.1%	66.2%	59.5%	57.8%

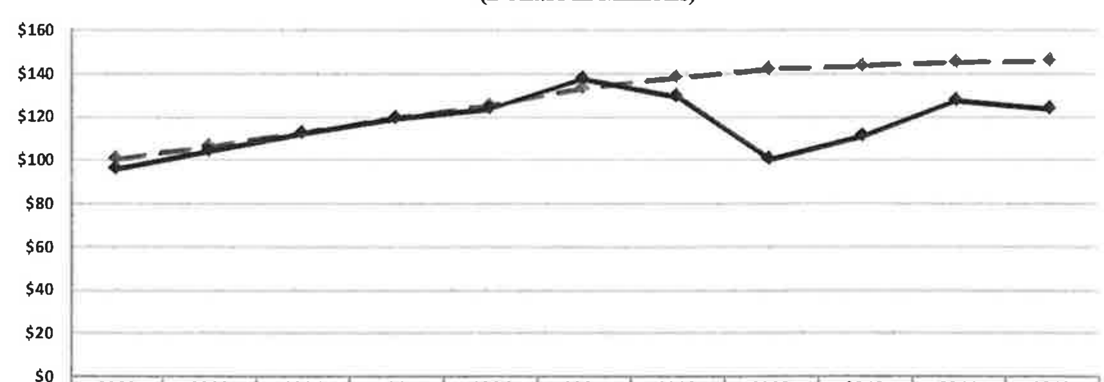
Asset Gains/(Losses)

The actuarial value of assets ("AVA") is based on a smoothed market value of assets, using a systematic approach to phase-in actual investment return in excess of (or less than) the expected investment income. This is appropriate because it dampens the short-term volatility inherent in investment markets. The expected investment income is determined using the assumed annual investment return rate and the actuarial value of assets (adjusted for receipts and disbursements during the year). The returns are computed net of administrative and investment expenses. The actuarial value of assets increased from $144.9 million to $145.6 million since the prior valuation. Table 8 in the following section of the report provides the development of the actuarial value of assets.

The rate of return on the mean market value of assets in 2012 was 0.5%; which is significantly below the expected annual return. Additionally, because of the recognition of prior investment experience, the actuarial (smoothed) asset value returned only 3.6%. This difference in the estimated return on market value and actuarial value illustrates the smoothing effect of the asset valuation method.

The market value of assets is less than the actuarial value of assets, which signifies that the retirement system is in a position of deferred losses. Therefore, unless the System experiences investment returns in excess of the assumed rate of return, the future recognition of these deferred losses is expected to increase the unfunded actuarial accrued liability and decrease the System's funded ratio over the next few years.

Chart 3. - History of Actuarial Value and Market Value of Assets
(Dollars in Millions)



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
AVA	$100	$106	$112	$119	$125	$133	$138	$142	$143	$145	$146
MVA	$96	$104	$112	$119	$124	$137	$129	$100	$111	$127	$123

Assets as of July 1,

Tables 6 and 7 in the following section of this report provide asset information that was included in the annual financial statements of the System. Also, Table 9 shows the estimated yield on a market value basis and on the actuarial asset valuation method.

Actuarial Gains/(Losses) and the Contribution Requirement

The annual actuarial valuation is a snapshot analysis of the benefit liabilities, assets and funded position of the System as of the first day of the plan year. In any one fiscal year, the experience can be better or worse from that which is assumed or expected. The actuarial assumptions do not necessarily attempt to model what the experience will be for any one given fiscal year, but instead try to model the overall experience over many years. The demographic experience for the last year is briefly summarized in the chart below.

The unfunded actuarial accrued liability (UAAL) has increased from $98.6 million in 2011 to $106.1 million in 2012. The table below shows the source of the gains and losses and the impact of those gains and losses on the UAAL.

Reconciliation of UAAL
(Dollars in thousands)

• Beginning of Year UAAL	$98,587
- Interest on UAAL	7,394
- Amortization payment with interest	(5,699)
- Assumption/method changes	0
- Asset Experience	5,561
- COLA	0
- Salary Experience	(2,216)
- Other Liability Experience	2,498
- Legislative Changes	0
• End of Year UAAL	$106,125

The following table provides a reconciliation of the change in the funding period from 2011 to 2012 based on the current employer contribution rate of 47.33%. The asset experience, which includes the recognition of prior deferred losses, had the largest single impact on the change in the recommended contribution.

Change in Funding Period (Years)
Based on a 47.33% Contribution Rate

• Prior Year	30.0
- Expected Experience	(1.0)
- Assumption Change	0.0
- Asset Experience	4.0
- COLA Experience	0.0
- Salary Experience	(1.6)
- Other Demographic Experience	(0.1)
- Legislative Changes	0.0
- Total Change	1.3
• Current Year Valuation	31.3

This funding method and contribution policy is designed to result in relatively level contribution requirements from year to year. However, absent favorable investment experience, we expect that the contribution requirement will continue to increase over the next several years as existing deferred investment losses become fully recognized in the actuarial value of assets and the calculation of the recommended contribution rate.

GASB No. 25 and No. 27 Disclosures

Accounting requirements for JSRS are provided by the Governmental Accounting Standards Board Statements No. 25 ("GASB 25") and No. 27 ("GASB 27"). Table 10 shows a historical summary of the funded ratios and other information for the System. Table 11 shows other information needed in connection with the required disclosures under GASB 25. GASB 27 governs reporting by the employers of government-sponsored retirement plans.

GASB 25 requires that plans calculate an Annual Required Contribution ("ARC"), and, if actual contributions received are less than the ARC, this must be disclosed. The ARC is calculated in accordance with certain parameters. In particular, it includes a payment to amortize the UAAL. This amortization payment must be computed using a funding period no greater than thirty (30) years. For this disclosure, JSRS treats the Board-established contribution requirement as the ARC, as long as this produces an amortization period that does not exceed 30 years.

Actuarial Assumptions and Methods

In determining costs and liabilities, actuaries use assumptions about the future, such as probabilities of retirement, termination, death and disability, and an annual investment return assumption. The actuarial assumptions and methods used to determine the results of the 2012 actuarial valuation are the same as those used for the prior year's valuation.

Appendix A includes a summary of the actuarial assumptions and methods used in this valuation.

It is our opinion that the assumptions are internally consistent and are reasonable and reflect anticipated future experience of the System. The actuarial assumptions and methods used in this report comply with the parameters for disclosure that appear in GASB 25.

Benefit Provisions

Appendix B of this report includes a summary of the benefit provisions for JSRS. Act 278 was enacted in 2012 and requires the cost of purchasing nonqualified service be no less than the true actuarial cost. There were no other changes to the benefit provisions since the last valuation.

Summary of Retirement Provisions

- A retirement benefit equal to 71.3% of the current active salary of the position from which the member retired plus an additional 2.67% of compensation for each year of service beyond 25 years for judges and 24 years for solicitors and public defenders (subject to a maximum retirement allowance that does not exceed 90% of salary).
- The normal form of payment for a married member is a 33 1/3 joint and survivor annuity.
- Active members contribute 10% of compensation.
- Members are eligible for retirement after they have (i) attained age 70 with 15 years of service, or (ii) attained age 65 with 20 years of service or (iii) completed 25 years of creditable service for judges and 24 years for solicitors and public defenders regardless of age.
- Members who have accrued a retirement allowance that is 90% of salary may elect to "retire in place" and begin to receive their accrued retirement benefits while remaining employed. Members who have retired in place but have not attained age 60 will have their retirement benefit paid into a deferred retirement option program (DROP) and receive the balance of their DROP account upon attaining age 60.
- The mandatory retirement age is 72.

SECTION C

ACTUARIAL TABLES

ACTUARIAL TABLES

Summary of Cost Items

(Dollar amounts expressed in thousands)

		July 1, 2012 (1)	July 1, 2011 (2)
1.	Projected payroll of active members[1]	$ 19,221	$18,661
2.	Present value of future pay	$ 134,272	$ 141,863
3.	Normal cost rate		
	a. Total normal cost rate	27.28%	27.90%
	b. Less: member contribution rate	-10.00%	-10.00%
	c. Employer normal cost rate	17.28%	17.90%
4.	Actuarial accrued liability for active members		
	a. Present value of future benefits	$ 108,895	$ 110,871
	b. Less: present value of future normal costs	(35,546)	(38,068)
	c. Actuarial accrued liability	$ 73,349	$ 72,803
5.	Total actuarial accrued liability for:		
	a. Retirees and beneficiaries	$ 177,483	$ 169,841
	b. Inactive members	897	870
	c. Active members (Item 4c)	73,349	72,803
	d. Total	$ 251,729	$ 243,514
6.	Actuarial value of assets	$ 145,604	$ 144,927
7.	Unfunded actuarial accrued liability (UAAL) (Item 5d - Item 6)	$ 106,125	$ 98,587
8.	GASB No. 25 Annual Required Contribution Rate		
	a. Employer normal cost rate	17.28%	17.90%
	b. Employer contribution rate available to amortize the UAAL	30.05%	27.19%
	c. Total employer contribution rate	47.33% [2]	45.09%
9.	Funding period based on the current employer contribution rate (years)	31	36
10.	Recommended 30-year contribution rate	47.97%	47.33%

[1] The projected payroll is based on all filled and unfilled positions.

[2] Contribution rate currently scheduled for FY 2015.

Actuarial Present Value of Future Benefits
(Dollar amounts expressed in thousands)

		July 1, 2012 (1)	July 1, 2011 (2)
1.	Active members		
	a. Service retirement	$ 98,907	$ 100,426
	b. Survivor benefits	3,073	3,269
	c. Disability benefits	6,915	7,176
	d. Total	$ 108,895	$ 110,871
2.	Retired members		
	a. Service retirement	$ 160,435	$ 152,985
	b. Disability retirement	785	787
	c. Beneficiaries	16,263	16,069
	d. Total	$ 177,483	$ 169,841
3.	Inactive members		
	a. Vested terminations	$ 838	$ 780
	b. Nonvested terminations	59	90
	c. Total	$ 897	$ 870
4.	Total actuarial present value of future benefits	$ 287,275	$ 281,582

Analysis of Normal Cost

	July 1, 2012 (1)	July 1, 2011 (2)
1. Total normal cost rate		
a. Service retirement	21.98%	22.55%
b. Survivor benefits	1.66%	1.72%
c. Disability benefits	3.64%	3.63%
d. Total	27.28%	27.90%
2. Less: member contribution rate	10.00%	10.00%
3. Net employer normal cost rate	17.28%	17.90%

Note: The normal cost includes the cost for incidental death benefits.

Results of July 1, 2012 Valuation
(Dollar amounts expressed in thousands)

		July 1, 2012 (1)
1.	Actuarial Present Value of Future Benefits	
	a. Present retired members and beneficiaries	$ 177,483
	b. Present active and inactive members	109,792
	c. Total actuarial present value	$ 287,275
2.	Present Value of Future Normal Contributions	
	a. Employee	$ 13,427
	b. Employer	22,119
	c. Total future normal contributions	$ 35,546
3.	Actuarial Liability	$ 251,729
4.	Current Actuarial Value of Assets	$ 145,604
5.	Unfunded Actuarial Liability	$ 106,125
6.	UAAL Amortization rates based on a 47.97% employer contribution rate	
	a. Active members	30.69%
	b. DROP and Retired-in-Place Members (including employee contributions)	57.97%
7.	Unfunded Actuarial Liability Liquidation Period	30 Years

Note: The employer contribution rate includes the cost for incidental death benefits.

Actuarial Balance Sheet

(Dollar amounts expressed in thousands)

	July 1, 2012 (1)	July 1, 2011 (2)
1. Assets		
a. Current assets (actuarial value)		
i. Employee annuity savings fund	$ 20,005	$ 18,864
ii. Employer annuity accumulation fund	125,599	126,063
iii. Total current assets	$ 145,604	$ 144,927
b. Present value of future member contributions	$ 13,427	$ 14,186
c. Present value of future employer contributions		
i. Normal contributions	$ 22,119	$ 23,882
ii. Accrued liability contributions	106,125	98,587
iii. Total future employer contributions	$ 128,244	$ 122,469
d. Total assets	$ 287,275	$ 281,582
2. Liabilities		
a. Employee annuity savings fund		
i. Past member contributions	$ 20,005	$ 18,864
ii. Present value of future member contributions	13,427	14,186
iii. Total contributions to employee annuity savings fund	$ 33,432	$ 33,050
b. Employer annuity accumulation fund		
i. Benefits currently in payment	$ 177,483	$ 169,841
ii. Benefits to be provided to other members	76,360	78,691
iii. Total benefits payable from employer annuity accumulation fund	$ 253,843	$ 248,532
c. Total liabilities	$ 287,275	$ 281,582

System Net Assets
Assets at Market or Fair Value
(Dollar amounts expressed in thousands)

Item	July 1, 2012	July 1, 2011
(1)	(1)	(2)
1. Cash and cash equivalents (operating cash)	$ 11,538	$ 15,118
2. Receivables	4,247	4,777
3. Investments		
a. Short-term securities	$ 0	$ 56
b. Domestic fixed income	18,850	18,445
c. Global fixed income	7,362	15,495
d. Domestic equities	9,037	10,080
e. Global equities	8,426	5,996
f. Alternative investments	70,159	65,277
g. Total investments	$ 113,834	$ 115,349
4. Securities lending cash collateral invested	$ 892	$ 1,107
5. Prepaid administrative expenses	3	4
6. Capital assets, net of accumulated depreciation	13	14
7. Total assets	$ 130,527	$ 136,369
8. Liabilities		
a. Due to other systems	$ 59	$ 0
b. Accounts payable	4,399	6,470
c. Investment fees payable	46	91
d. Obligations under securities lending	892	1,107
e. Deferred retirement benefits	586	632
f. Due to employee insurance program	0	0
g. Benefit payable	0	0
h. Other liabilities	1,186	917
i. Total liabilities	$ 7,168	$ 9,217
9. Total market value of assets available for benefits (Item 7 - Item 8.i.)	$ 123,359	$ 127,152
10. Asset allocation (investments)		
a. Net invested cash	7.7%	9.3%
b. Domestic fixed income	15.3%	14.5%
c. Global fixed income	6.0%	12.2%
d. Domestic equities	7.3%	7.9%
e. Global equities	6.8%	4.7%
f. Alternative investments	56.9%	51.4%
g. Total investments	100.0%	100.0%

Reconciliation of System Net Assets
(Dollar amounts expressed in thousands)

	Year Ending			
	July 1, 2012		July 1, 2011	
	(1)		(2)	
1. Value of assets at beginning of year	$	127,152	$	111,226
2. Revenue for the year				
a. Contributions				
i. Member contributions	$	2,299	$	2,209
ii. Employer contributions		8,414		8,414
iii. Total	$	10,713	$	10,623
b. Income				
i. Interest, dividends, and other income	$	1,233	$	1,222
ii. Investment expenses		(269)		(346)
iii. Net	$	964	$	876
c. Net realized and unrealized gains (losses)		(181)		19,216
d. Total revenue	$	11,496	$	30,715
3. Expenditures for the year				
a. Disbursements				
i. Refunds	$	134	$	0
ii. Regular annuity benefits[1]		15,171		14,750
iii. Other benefit payments		134		128
iv. Transfers to other systems		(261)		(193)
v. Total	$	15,178	$	14,685
b. Administrative expenses and depreciation		111		104
c. Total expenditures	$	15,289	$	14,789
4. Increase in net assets (Item 2. - Item 3.)	$	(3,793)	$	15,926
5. Value of assets at end of year (Item 1. + Item 4.)	$	123,359	$	127,152
6. Net external cash flow				
a. Dollar amount	$	(4,465)	$	(4,062)
b. Percentage of market value		-3.6%		-3.4%

[1] Includes deferred retirement benefit payments.

Development of Actuarial Value of Assets
(Dollar amounts expressed in thousands)

		July 1, 2012 (1)
1. Actuarial value of assets at the prior valuation date	$	144,927
2. Market value of assets at the prior valuation date	$	127,152
3. Net external cash flow during the year		
a. Contributions	$	10,713
b. Disbursements		(15,178)
c. Subtotal	$	(4,465)
4. Expected net investment income at 7.50% earned on		
a. Actuarial value of assets at the prior valuation date	$	10,870
b. Contributions		402
c. Disbursements		(569)
d. Subtotal	$	10,703
5. Expected actuarial value of assets, end of year (Item 1. + Item 3.c. + Item 4.d.)	$	151,165
6. Market value of assets as of the current valuation date	$	123,359
7. Difference between expected actuarial assets and market value of assets (Item 6. - Item 5.)	$	(27,806)
8. Excess/(shortfall) recognized (20% of Item 7.)	$	(5,561)
9. Actuarial value of plan assets, end of year (Item 5. + Item 8.)	$	145,604
10. Asset gain (loss) for year (Item 9. - Item 5.)	$	(5,561)
11. Asset gain (loss) as % of the actuarial value of assets		(3.82%)
12. Ratio of AVA to MVA		118.0%

Estimation of Yields
(Dollar amounts expressed in thousands)

	Year Ending July 1, 2012 (1)	Year Ending July 1, 2011 (2)
1. Market value yield		
a. Beginning of year market assets	$ 127,152	$ 111,226
b. Contributions to fund during the year	10,713	10,623
c. Disbursements	(15,178)	(14,685)
d. Investment income (net of investment and administrative expenses)	672	19,988
e. End of year market assets	$ 123,359	$ 127,152
f. Estimated dollar weighted market value yield	0.5%	18.3%
2. Actuarial value yield		
a. Beginning of year actuarial assets	$ 144,927	$ 142,871
b. Contributions to fund during the year	10,713	10,623
c. Disbursements	(15,178)	(14,685)
d. Investment income (net of investment and administrative expenses)	5,142	6,118
e. End of year actuarial assets	$ 145,604	$ 144,927
f. Estimated actuarial value yield	3.6%	4.3%

Schedule of Funding Progress

(Dollar amounts expressed in thousands)

July 1,	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL) (3) - (2)	Funded Ratio (2)/(3)	Annual Covered Payroll	UAAL as % of Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
2001	$ 94,795	$ 159,246	$ 64,451	59.5%	$ 14,109	456.8%
2002	100,074	166,440	66,366	60.1%	14,211	467.0%
2003	106,114	166,655	60,541	63.7%	14,437	419.3%
2004	112,016	185,052	73,036	60.5%	14,870	491.2%
2005	118,888	204,847	85,959	58.0%	15,465	555.8%
2006	124,837	211,384	86,547	59.1%	15,929	543.3%
2007	132,990	229,388	96,398	58.0%	16,407	587.5%
2008	138,323	213,406	75,083	64.8%	18,661	402.4%
2009	141,797	214,363	72,566	66.1%	18,661	388.9%
2010	142,871	215,823	72,952	66.2%	18,661	390.9%
2011	144,927	243,514	98,587	59.5%	18,661	528.3%
2012	145,604	251,729	106,125	57.8%	19,221	552.1%

Notes to Required Supplementary Information
(as required by GASB #25)

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date:	July 1, 2012
Actuarial cost method:	Entry Age Normal
Amortization method:	Level percentage of payroll
Amortization period for GASB 25 ARC:	30-year open period[1]
Asset valuation method:	5-year smoothed market
Actuarial assumptions:	
Investment rate of return[2]	7.50%
Projected salary increases[2]	3.00%
Inflation	2.75%
Cost-of-living adjustments	3.00%

[1] The Board will maintain the prior year's contribution rate to the extent the amortization period does not exceed 30 years.

[2] Includes inflation at 2.75%

Solvency Test
(Dollar amounts expressed in thousands)

	Actuarial Accrued Liability				Portion of Aggregate Accrued Liabilities Covered by Assets		
July 1,	Active Member Contributions	Retirants & Beneficiaries	Active & Inactive Members (Employer Financed)	Valuation Assets	Active	Retirants	ER Financed
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
2001	$ 15,254	$ 97,512	$ 46,480	$ 94,795	100.0%	81.6%	0.0%
2002	16,162	101,716	48,562	100,074	100.0%	82.5%	0.0%
2003	16,545	96,409	53,701	106,114	100.0%	92.9%	0.0%
2004	17,640	106,159	61,253	112,016	100.0%	88.9%	0.0%
2005	20,005	110,876	73,966	118,888	100.0%	89.2%	0.0%
2006	21,857	112,823	76,704	124,837	100.0%	91.3%	0.0%
2007	18,999	149,435	60,954	132,990	100.0%	76.3%	0.0%
2008	17,367	141,510	54,529	138,323	100.0%	85.5%	0.0%
2009	18,431	144,464	51,468	141,797	100.0%	85.4%	0.0%
2010	17,816	150,696	47,311	142,871	100.0%	83.0%	0.0%
2011	18,864	169,841	54,809	144,927	100.0%	74.2%	0.0%
2012	20,005	177,483	54,241	145,604	100.0%	70.8%	0.0%

SECTION D

MEMBERSHIP DATA

MEMBERSHIP TABLES

Summary of Membership Data

		July 1, 2012		July 1, 2011
		(1)		(2)
1. Active members				
a. Males		110		113
b. Females		33		31
c. Total members[1]		143		144
d. Total annualized pay[2]	$	19,220,513	$	18,661,000
e. Average pay[2]	$	133,476	$	129,590
f. Average age		55.6		55.1
g. Average credited service		15.1		14.3
h. Member contributions with interest	$	20,005,000	$	18,864,000
i. Average contributions with interest	$	139,895	$	131,000
2. Vested inactive members				
a. Number		1		1
b. Total annual deferred benefits	$	50,062	$	48,604
c. Average annual deferred benefit	$	50,062	$	48,604
3. Nonvested inactive members				
a. Number		2		3
b. Member contributions with interest	$	59,482	$	89,511
c. Average contributions with interest	$	29,741	$	29,837
4. Service retirees				
a. Number[1]		143		140
b. Total annual benefits	$	13,991,064	$	13,289,551
c. Average annual benefit	$	97,840	$	94,925
d. Average age at the valuation date		69.7		69.5
5. Disabled retirees				
a. Number		1		1
b. Total annual benefits	$	95,702	$	92,914
c. Average annual benefit	$	95,702	$	92,914
d. Average age at the valuation date		77.7		76.7
6. Beneficiaries				
a. Number		56		57
b. Total annual benefits	$	1,633,601	$	1,609,516
c. Average annual benefit	$	29,171	$	28,237
d. Average age at the valuation date		70.6		70.4

[1] Includes members in DROP and Retired-in-Place. It does not include unfilled positions.

[2] Based on filled and unfilled positions.

Summary of Historical Active Membership

	Active Members		Covered Payroll	Average Annual Pay			
July 1,	Number of Employers	Number[1]	Amount in Thousands[1]	Amount	Percent Increase /(Decrease)	Average Age	Average Service
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
2001	2	128	$ 14,109	$ 110,223	4.26%	N/A	N/A
2002	2	128	14,211	111,026	0.73%	53	16
2003	2	128	14,437	112,789	1.59%	54	17
2004	2	128	14,870	116,172	3.00%	54	18
2005	2	128	15,465	120,820	4.00%	55	19
2006	2	128	15,929	124,445	3.00%	55	20
2007	2	128	16,407	128,176	3.00%	55	19
2008	3	144	18,661	129,590	1.10%	54	15
2009	3	144	18,661	129,590	0.00%	55.0	15.4
2010	3	144	18,661	129,590	0.00%	54.9	15.0
2011	3	144	18,661	129,590	0.00%	55.1	14.3
2012	3	144	19,221	133,476	3.00%	55.6	15.1

[1] Includes filled and unfilled positions and members in DROP or Retired-in-Place.

Distribution of Active Members by Age and by Years of Service

	Years of Credited Service												
Attained Age	0 Count & Avg. Comp.	1 Count & Avg. Comp.	2 Count & Avg. Comp.	3 Count & Avg. Comp.	4 Count & Avg. Comp.	5-9 Count & Avg. Comp.	10-14 Count & Avg. Comp.	15-19 Count & Avg. Comp.	20-24 Count & Avg. Comp.	25-29 Count & Avg. Comp.	30-34 Count & Avg. Comp.	35 & Over Count & Avg. Comp.	Total Count & Avg. Comp.
Under 20	0	0	0	0	0	0	0	0	0	0	0	0	0
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
20-24	0	0	0	0	0	0	0	0	0	0	0	0	0
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
25-29	0	0	0	0	0	0	0	0	0	0	0	0	0
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
30-34	0	0	0	0	0	0	0	0	0	0	0	0	0
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
35-39	0	1	0	0	0	0	0	0	0	0	0	0	1
	$0	$130,312	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$130,312
40-44	2	3	1	2	2	1	2	1	0	0	0	0	14
	$128,712	$129,779	$126,883	$130,312	$128,597	$130,312	$130,312	$130,312	$0	$0	$0	$0	$129,479
45-49	1	4	1	4	0	3	2	6	2	0	0	0	23
	$128,712	$126,298	$130,312	$130,312	$0	$129,169	$131,341	$129,169	$130,312	$0	$0	$0	$129,187
50-54	1	1	3	0	2	2	3	7	6	2	0	0	27
	$128,712	$126,883	$128,026	$0	$130,312	$130,312	$129,169	$128,353	$130,312	$130,312	$0	$0	$129,237
55-59	0	2	0	1	3	0	4	5	4	4	1	0	24
	$0	$128,597	$0	$126,883	$129,169	$0	$129,455	$128,940	$131,169	$131,169	$130,516	$0	$129,749
60-64	0	0	0	2	5	2	2	2	4	4	9	0	30
	$0	$0	$0	$128,597	$128,940	$128,597	$126,883	$126,883	$128,597	$133,741	$129,575	$0	$129,405
65 & Over	0	0	0	1	3	1	2	3	2	2	10	0	24
	$0	$0	$0	$130,312	$128,026	$130,312	$130,312	$129,169	$128,597	$132,026	$131,072	$0	$130,200
Total	4	11	5	10	15	9	15	24	18	12	20	0	143
	$128,712	$128,083	$128,255	$129,626	$128,940	$129,550	$129,535	$128,740	$129,931	$132,026	$130,371	$0	$129,543

Membership information includes active and retired-in-place. It does not include unfilled positions.

Distribution of Annuitants by Monthly Benefit

Monthly Benefit Amount	Number of Annuitants	Female	Male	Average Service
(1)	(2)	(3)	(4)	(5)
Under $500	0	0	0	0.00
$ 500 - 999	10	4	6	25.37
1,000 - 1,499	0	0	0	0.00
1,500 - 1,999	2	2	0	9.67
2,000 - 2,499	2	2	0	20.13
2,500 - 2,999	34	33	1	23.00
3,000 - 3,499	12	12	0	31.06
3,500 - 3,999	2	1	1	22.00
4,000 - 4,499	3	1	2	13.00
4,500 - 4,999	3	0	3	18.00
5,000 - 5,499	2	1	1	16.50
5,500 - 5,999	3	1	2	22.53
6,000 - 6,499	5	0	5	19.45
6,500 - 6,999	4	0	4	23.79
7,000 - 7,499	1	0	1	22.33
7,500 - 7,999	46	2	44	21.83
8,000 - 8,499	19	1	18	27.78
8,500 - 8,999	5	1	4	27.77
9,000 - 9,499	10	0	10	30.20
9,500 - 9,999	30	1	29	31.90
10,000 & Over	7	1	6	32.02
Total	200	63	137	25.37

Schedule of Retirants Added to And Removed from Rolls

(Dollar amounts except average allowance expressed in thousands)

	Added to Rolls		Removed from Rolls		Rolls End of the Year		% Increase	Average
July 1,	Number	Annual Benefits	Number	Annual Benefits	Number	Annual Benefits	in Annual Benefit	Annual Benefit
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
2001	9	$ 685	6	$ 442	118	$ 7,594	3.3%	$ 64,356
2002	13	706	5	248	126	8,052	6.0%	63,905
2003	11	716	7	493	130	8,275	2.8%	63,654
2004	11	925	2	139	139	9,061	9.5%	65,190
2005	3	581	1	27	141	9,615	6.1%	68,191
2006	4	464	1	28	144	10,051	4.5%	69,799
2007	32	2,690	1	30	175	12,711	26.5%	72,634
2008	6	545	3	156	178	13,100	3.1%	73,596
2009	10	903	4	259	184	13,744	4.9%	74,696
2010	18	1,210	8	593	194	14,361	4.5%	74,025
2011	9	827	5	196	198	14,992	4.4%	75,717
2012	6	912	4	184	200	15,720	4.9%	78,600

Beginning July 1, 2007, includes participants who have retired in place.
Annual benefits added to rolls includes COLAs for continuing retirees.
The removed from rolls count does not include members who are replaced by beneficiaries.

APPENDIX A

ACTUARIAL ASSUMPTIONS AND METHODS

Summary of Actuarial Methods and Assumptions

The following presents a summary of the actuarial assumptions and methods used in the valuation of the Retirement System for Judges and Solicitors of South Carolina.

Investment Rate of Return

Assumed annual rate of 7.50% net of investment and administrative expenses composed of a 2.75% inflation component and a 4.75% real rate of return, net of investment and administration expenses.

Rates of Annual Salary Increase

Rates of salary are assumed to increase at an annual rate of 3.00%.

Active Member Decrement Rates

a. Assumed rates of service retirement are shown in the following table. In addition to the rates in the table below, all participants are assumed to retire upon reaching the mandatory retirement age of 72.

Assumed Rates of Retirement

Solicitors and Public Defenders				Judges			
Age	Service	RIP Eligible	Not RIP Eligible	Age	Service	RIP Eligible	Not RIP Eligible
70 to 72	15 to 23	12%	12%	70 to 72	15 to 24	12%	12%
65 to 69	20 to 23	40%	40%	65 to 69	20 to 24	40%	40%
Any	24	20%	40%	Any	25	15%	25%
Any	25	15%	25%	Any	26	10%	15%
Any	26	10%	12%	Any	27	10%	15%
Any	27	10%	12%	Any	28	10%	15%
Any	28	10%	12%	Any	29	10%	15%
Any	29	5%	12%	Any	30	5%	15%
Any	30	5%	12%	Any	31	5%	15%
Any	31+	100%	N/A	Any	32+	100%	N/A

b. An abbreviated table with the assumed rates of disability and mortality while employed is shown below. There is no active employment withdrawal assumption.

	Disability Rates		Pre-Retirement Mortality	
Age	**Males**	**Females**	**Males**	**Females**
25	0.04%	0.05%	0.0432%	0.0145%
30	0.06%	0.07%	0.0511%	0.0185%
35	0.08%	0.07%	0.0889%	0.0333%
40	0.15%	0.12%	0.1241%	0.0494%
45	0.25%	0.25%	0.1734%	0.0787%
50	0.40%	0.40%	0.2459%	0.1173%
55	0.65%	0.65%	0.3483%	0.1768%
60	1.00%	1.00%	0.5610%	0.2752%
65	1.25%	1.25%	0.8082%	0.3800%
Multiplier	N/A	N/A	115%	70%

Note: The multiplier has been applied to the decrement in the illustrative table.

Post Retirement Mortality

a. Healthy retirees and beneficiaries – The RP-2000 Mortality Table with White Collar adjustment projected using the AA projection table with multipliers based on plan experience. The following are sample rates:

Healthy Annuitant Mortality Rates Before Projection		
Age	**Males**	**Females**
50	0.2176%	0.1510%
55	0.3632%	0.2457%
60	0.6141%	0.4443%
65	1.2167%	0.8218%
70	2.1203%	1.4426%
75	3.6997%	2.4431%
80	6.5353%	4.0926%
85	11.5132%	7.0483%
90	19.6100%	11.9843%
Multiplier	110%	95%

Note: The multiplier has been applied to the decrement in the illustrative table.

The following table provides the life expectancy for individuals retiring in future years based on the assumption with full generational projection:

Life Expectancy for an Age 65 Retiree in Years				
	Year of Retirement			
Gender	**2015**	**2020**	**2025**	**2030**
Male	19.5	19.9	20.3	20.6
Female	22.4	22.6	22.8	22.9

b. A separate table of mortality rates is used for disabled retirees based on the RP-2000 Disabled Retiree Mortality Table. The following are sample rates:

Disabled Annuitant Mortality Rates		
Age	**Males**	**Females**
50	2.173%	1.269%
55	2.658%	1.820%
60	3.153%	2.402%
65	3.763%	3.083%
70	4.694%	4.140%
75	6.155%	5.745%
80	8.203%	7.954%
85	10.620%	11.022%
90	13.756%	15.405%
Multiplier	75%	110%

Note: The multiplier has been applied to the decrement in the illustrative table.

Asset Valuation Method

The actuarial value of assets is based on the market value of assets with five-year smoothing applied. This is accomplished by recognizing each year 20% of the difference between the market value of assets and the expected actuarial value of assets, based upon the assumed valuation rate of return.

Expected earnings are determined using the assumed investment rate of return and the beginning of year actuarial value of assets (adjusted for receipts and disbursements during the year). The returns are computed net of administrative and investment expenses.

Actuarial Cost Method

The Entry Age Normal actuarial cost method allocates the System's actuarial present value of future benefits to various periods based upon service. The portion of the present value of future benefits allocated to years of service prior to the valuation date is the actuarial accrued liability, and the portion allocated to years following the valuation date is the present value of future normal costs. The normal cost is determined for each active member as the level percent of payroll necessary to fully fund the expected benefits to be earned over the career of each individual active member. The normal cost is partially funded with active member contributions with the remainder funded by employer contributions.

An unfunded accrued liability exists in the amount equal to the excess of accrued liability over valuation assets. The amortization period of the System is the number of years required to fully amortize the unfunded accrued liability with the expected amount of employer contributions in excess of the employers' portion of the normal cost.

The calculation of the amortization period takes into account scheduled increases to contribution rates applicable to future years and payroll growth. Also, the calculation of the amortization period reflects additional contributions the System receives with respect to members in DROP and who are retired-in-place. These contributions are assumed to grow at the same payroll growth rate as for active employees. It is assumed that amortization payments are made monthly at the end of the month.

Future Cost-of-living Increases

Future benefits are assumed to increase at an annual rate of 3.00%.

Payroll Growth Rate

The total annual payroll of active members (including DROP and RIP participants) is assumed to increase at an annual rate of 3.00%. This rate represents the underlying expected annual rate of wage inflation and does not anticipate increases in the number of members.

Other Assumptions

1. Percent married: 95% of male and female employees are assumed to be married.
2. Age difference: Males are assumed to be four years older than their spouses.
3. Percent electing annuity on death (when eligible): All of the spouses of vested, married participants are assumed to elect an immediate life annuity.
4. Inactive Population: All non-vested members are assumed to take an immediate refund. Members with a vested benefit are assumed to elect a deferred benefit commencing at their earliest commencement possible age.
5. There will be no recoveries once disabled.
6. Decrement timing: Decrements of all types are assumed to occur mid-year.
7. Eligibility testing: Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.
8. Benefit Service: All active and members are assumed to accrue one year of eligibility service each year.

Participant Data

Participant data was supplied in electronic text files. There were separate files for (i) active and inactive members, and (ii) members and beneficiaries receiving benefits.

The data for active members included birth date, gender, service with the current city and total vesting service, salary, and employee contribution account balances. For retired members and beneficiaries, the data included date of birth, gender, spouse's date of birth (where applicable), amount of monthly benefit, date of retirement, and form of payment code.

Salary supplied for the current year was based on the annualized earnings for the year preceding the valuation date. Assumptions were made to correct for missing, bad, or inconsistent data. These had no material impact on the results presented.

APPENDIX B

BENEFIT PROVISIONS

Summary of Benefit Provisions for Retirement System for Judges and Solicitors for the State of South Carolina Retirement System (JSRS)

Effective Date: July 1, 1979.

Administration: The South Carolina Retirement System, organizationally aligned as a Division of the State Budget and Control Board, is responsible for the general administrative operations and day to day management of the Plan.

Type of Plan: This is a qualified governmental defined benefit retirement plan.

Eligibility: This System covers all solicitors, circuit public defenders, judges of a Circuit or Family Court, and justices of the Court of Appeals and Supreme Court who take office prior to age 72 are required to participate upon taking office unless exempted by statute.

Employee Contributions: Members contribute 10.00% of compensation per year. Contributions are credited with interest at the rate of 4.0% per annum.

Service Retirement:

a. Eligibility: There is a mandatory retirement age of 72. Members may retire if they have met one of the following eligibility conditions:
   i. Age 65 with 20 years of credited service.
   ii. Age 70 with 15 years of credited service.
   iii. Completed 25 years of credited service as a judge or 24 years as a solicitor or public defender.

b. Monthly Benefit: The monthly benefit is equal to one-twelfth ($1/12^{th}$) of the member's current salary, times 71.3% plus 2.67% of pay for each year of credited service beyond 25 for judges and 24 for solicitors and public defenders. The monthly benefit may not exceed one-twelfth of 90% of the member's current salary.

c. Payment Form: Standard Annuity Payment.

A JSRS member whose annuity as calculated at retirement exceeds the 90 percent maximum annuity will receive an additional lump sum benefit at retirement. The additional benefit is equal to the member's contributions and interest paid in to the system after the member attained sufficient service credit to be eligible to receive the maximum annuity of 90 percent of the current active salary. The 90 percent maximum annuity amount is generally reached when the following JSRS service credit is obtained: 32 years for justices and judges; and 31 years for solicitors and circuit public defenders.

Disability Retirement:

a. Eligibility: Member must have five or more years of earned service.

b. Monthly Benefit: The monthly disability benefit payable is determined the same as a service retirement benefit and payable immediately.

c. Payment Form: Standard Annuity Payment.

d. Death while Disabled: A disabled member is treated as a retired member for purposes of determining a death benefit.

Vesting and Refunds:

a. Eligibility: Judges are vested in the system after attaining ten (10) years of earned service. Solicitors and public defenders are vested in the system after attaining eight (8) years of earned service. Vested members may also elect to receive a refund in lieu of the deferred termination benefit described below.

b. Amount: The refund benefit is the accumulated value of the member's contributions plus interest credited by the fund.

Deferred Termination Benefit:

a. Eligibility: Member must be vested and must elect to leave his/her contributions on deposit. Members who began service before July 1, 2004 are eligible for a monthly benefit beginning at age 55. Members hired after July 1, 2004 are eligible to commence their deferred monthly benefit at age 65.

b. Monthly Benefit: The member's benefit is determined by multiplying the base benefit by a fraction, in which the numerator is the member's total credited service and twenty-four is the denominator.

c. Payment Form: Standard Annuity Payment.

d. Death Benefit: The beneficiary of an inactive member who dies is entitled to receive the amount of the member's accumulated contributions (with interest). A beneficiary of an inactive member who was eligible to commence his retirement annuity at the time of his death may elect a monthly survivor annuity equal to one-third the annuity that would have been payable to the deceased member.

Death while an Active Member:

a. In General: A refund of the member's accumulated contributions (with interest) is paid to the beneficiary of a deceased member.

b. Beneficiary Annuity: If the deceased member was married and eligible to commence his retirement annuity at the time of his death, then his beneficiary may elect a monthly survivor annuity equal to one-third the annuity that would have been payable to the deceased member.

Standard Annuity Payment: The monthly retirement benefit will be paid as follows. Other, reduced optional forms of payment are also available to a member to elect at retirement.

a. Unmarried Retiree: A life annuity. Upon the member's death, any remaining member contributions plus interest will be paid to the member's designated beneficiary.

b. Married Retiree (One-third Joint & Survivor): An unreduced annuity is payable during the member's life, and continues after the member's death at one-third of the rate paid to the member for the life of the surviving spouse, unless a contingent non-spousal beneficiary is named.

c. Optional Allowance: A reduced lifetime annuity is payable during the member's life, and continues after the member's death at one-third of the rate paid to the member for the life of the non-spousal beneficiary (or in equal shares to multiple beneficiaries).

Incidental Death Benefit:

a. Active Employees: The beneficiary (or estate) of an active employee who completes at least one full year of membership service, will receive a death benefit equal to the member's annual earnable compensation at the time of death.

   The one full year membership requirement is waived for members whose death is a result of an injury arising out of and in the course of performing his duties.

b. Post Employment: The beneficiary (or estate) of a retiree, both current and future retiree, will receive a one-time payment upon the retiree's death. The amount of the one-time payment is based on the retiree's credited service.

Years of Service Credit	Death Benefit
10 or more, but less than 20	$1,000
20 or more, but less than 30	$2,000
30 or more	$3,000

Retire in Place: Members who have accrued their maximum monthly benefit (i.e. 90% of salary) may elect to "retire in place". These members will receive their monthly retirement benefit while they remain employed. Members who retire in plan under the age of 60 will have his retirement benefit accumulated into a deferred retirement option program (DROP). These members will receive a distribution of their DROP balance upon reaching the age of 60 or retirement (if earlier).

Postretirement Benefit Increases: Benefits paid to retired members or surviving spouses are increased annually by an amount equal to the percentage increase in the current salary paid to the respective position from which the member retired. The cost of living adjustment for non-spousal beneficiaries is based on the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W), and said beneficiaries will receive a 4.00% increase in their benefit in years the annual increase in CPI-W exceeds 3.00%.

APPENDIX C

GLOSSARY

GLOSSARY

Actuarial Accrued Liability (AAL): That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of Future Plan Benefits which is not provided for by future Normal Costs. It is equal to the Actuarial Present Value of Future Plan Benefits minus the actuarial present value of future Normal Costs.

Actuarial Assumptions: Assumptions as to future experience under the Fund. These include assumptions about the occurrence of future events affecting costs or liabilities, such as:

- mortality, withdrawal, disablement, and retirement;
- future increases in salary;
- future rates of investment earnings and future investment and administrative expenses;
- characteristics of members not specified in the data, such as marital status;
- characteristics of future members;
- future elections made by members; and
- other relevant items.

Actuarial Cost Method or ***Funding Method:*** A procedure for allocating the Actuarial Present Value of Future Benefits to various time periods; a method used to determine the Normal Cost and the Actuarial Accrued Liability. These items are used to determine the ARC.

Actuarial Gain or ***Actuarial Loss:*** A measure of the difference between actual experience and that expected based upon a set of Actuarial Assumptions, during the period between two Actuarial Valuation dates. Through the actuarial assumptions, rates of decrements, rates of salary increases, and rates of fund earnings have been forecasted. To the extent that actual experience differs from that assumed, Actuarial Accrued Liabilities emerge which may be the same as forecasted, or may be larger or smaller than projected. Actuarial gains are due to favorable experience, e.g., the Fund's assets earn more than projected, salaries do not increase as fast as assumed, members retire later than assumed, etc. Favorable experience means actual results produce actuarial liabilities not as large as projected by the actuarial assumptions. On the other hand, actuarial losses are the result of unfavorable experience, i.e., actual results that produce actuarial liabilities which are larger than projected. Actuarial gains will shorten the time required for funding of the actuarial balance sheet deficiency while actuarial losses will lengthen the funding period.

Actuarially Equivalent: Of equal actuarial present value, determined as of a given date and based on a given set of Actuarial Assumptions.

Actuarial Present Value (APV): The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions. For purposes of this standard, each such amount or series of amounts is:

a. adjusted for the probable financial effect of certain intervening events (such as changes in compensation levels, marital status, etc.)

b. multiplied by the probability of the occurrence of an event (such as survival, death, disability, termination of employment, etc.) on which the payment is conditioned, and

c. discounted according to an assumed rate (or rates) of return to reflect the time value of money.

Actuarial Present Value of Future Plan Benefits: The Actuarial Present Value of those benefit amounts which are expected to be paid at various future times under a particular set of Actuarial Assumptions, taking into account such items as the effect of advancement in age and past and anticipated future compensation and service credits. The Actuarial Present Value of Future Plan Benefits includes the liabilities for active members, retired members, beneficiaries receiving benefits, and inactive, non-retired members either entitled to a refund or a future retirement benefit. Expressed another way, it is the value that would have to be invested on the valuation date so that the amount invested plus investment earnings would provide sufficient assets to pay all projected benefits and expenses when due.

Actuarial Valuation: The determination, as of a valuation date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values for a plan. An Actuarial valuation for a governmental retirement system typically also includes calculations of items needed for compliance with GASB 25, such as the funded ratio and the ARC.

Actuarial Value of Assets or ***Valuation Assets:*** The value of the Fund's assets as of a given date, used by the actuary for valuation purposes. This may be the market or fair value of plan assets, but commonly actuaries use a smoothed value in order to reduce the year-to-year volatility of calculated results, such as the funded ratio and the ARC.

Actuarially Determined: Values which have been determined utilizing the principles of actuarial science. An actuarially determined value is derived by application of the appropriate actuarial assumptions to specified values determined by provisions of the law.

Amortization Method: A method for determining the Amortization Payment. The most common methods used are level dollar and level percentage of payroll. Under the Level Dollar method, the Amortization Payment is one of a stream of payments, all equal, whose Actuarial Present Value is equal to the UAAL. Under the Level Percentage of Pay method, the Amortization payment is one of a stream of increasing payments, whose Actuarial Present Value is equal to the UAAL. Under the Level Percentage of Pay method, the stream of payments increases at the assumed rate at which total covered payroll of all active members will increase.

Amortization Payment: That portion of the pension plan contribution or ARC which is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability.

Annual Required Contribution (ARC): The employer's periodic required contributions, expressed as a dollar amount or a percentage of covered plan compensation, determined under GASB 25. The ARC consists of the Employer Normal Cost and the Amortization Payment.

Closed Amortization Period: A specific number of years that is counted down by one each year, and therefore declines to zero with the passage of time. For example if the amortization period is initially set at 30 years, it is 29 years at the end of one year, 28 years at the end of two years, etc. See Funding Period and Open Amortization Period.

Decrements: Those causes/events due to which a member's status (active-inactive-retiree-beneficiary) changes, that is: death, retirement, disability, or termination.

Defined Benefit Plan: A retirement plan that is not a Defined Contribution Plan. Typically a defined benefit plan is one in which benefits are defined by a formula involving the member's compensation and/or years of service.

Defined Contribution Plan: A retirement plan, such as a 401(k) plan, a 403(b) plan, or a 457 plan, in which the contributions to the plan are assigned to an account for each member, and the plan's earnings are allocated to each account, and each member's benefits are a direct function of the account balance.

Employer Normal Cost: The portion of the Normal Cost to be paid by the employers. This is equal to the Normal Cost less expected member contributions.

Experience Study: A periodic review and analysis of the actual experience of the Fund which may lead to a revision of one or more actuarial assumptions. Actual rates of decrement and salary increases are compared to the actuarially assumed values and modified as deemed appropriate by the Actuary.

Funded Ratio: The ratio of the actuarial value of assets (AVA) to the actuarial accrued liability (AAL). Plans sometimes calculate a market funded ratio, using the market value of assets (MVA), rather than the AVA, although GASB 25 reporting requires the use of the AVA.

Funding Period or ***Amortization Period:*** The term "Funding Period" is used two ways. In the first sense, it is the period used in calculating the Amortization Payment as a component of the ARC. This funding period is chosen by the Board of Trustees. In the second sense, it is a calculated item: the number of years in the future that will theoretically be required to amortize (i.e., pay off or eliminate) the Unfunded Actuarial Accrued Liability, based on the statutory employer contribution rate, and assuming no future actuarial gains or losses.

GASB: Governmental Accounting Standards Board.

GASB 25 and ***GASB 27***: Governmental Accounting Standards Board Statements No. 25 and No. 27. These are the governmental accounting standards that set the accounting rules for public retirement systems and the employers that sponsor or contribute to them. Statement No. 27 sets the accounting rules for the employers that sponsor or contribute to public retirement systems, while Statement No. 25 sets the rules for the systems themselves.

Normal Cost: That portion of the Actuarial Present Value of pension plan benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method. Any payment in respect of an Unfunded Actuarial Accrued Liability is not part of Normal Cost (see Amortization Payment). For pension plan benefits which are provided in part by employee contributions, Normal Cost refers to the total of employee contributions and employer Normal Cost unless otherwise specifically stated. Under the entry age normal cost method, the Normal Cost is intended to be the level cost (when expressed as a percentage of pay) needed to fund the benefits of a member from hire until ultimate termination, death, disability or retirement.

Open Amortization Period: An open amortization period is one which is used to determine the Amortization Payment but which does not change over time. In other words, if the initial period is set as 30 years, the same 30-year period is used in determining the Amortization Period each year. In theory, if an Open Amortization Period is used to amortize the Unfunded Actuarial Accrued Liability, the UAAL will never completely disappear, but will become smaller each year, either as a dollar amount or in relation to covered payroll.

Unfunded Actuarial Accrued Liability: The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. This value may be negative in which case it may be expressed as a negative Unfunded Actuarial Accrued Liability, also called the Funding Surplus.

Valuation Date or Actuarial Valuation Date: The date as of which the value of assets is determined and as of which the Actuarial Present Value of Future Plan Benefits is determined. The expected benefits to be paid in the future are discounted to this date.

STATE BUDGET AND CONTROL BOARD — REGULAR SESSION

MEETING OF May 8, 2013 — ITEM NUMBER 10

AGENCY: Public Employee Benefit Authority

SUBJECT: Approval of PEBA Policy Determination for Members of the General Assembly

Pursuant to the Retirement Code, as amended by Act 278 of 2012, the PEBA Board of Directors is authorized to adopt the necessary employer, and, in certain cases, employee, contribution rates for the five defined benefit plans administered by PEBA based upon the annual valuations of those plans performed by the plans' actuary.

For the Retirement System for Members of the General Assembly ("GARS"), the employee contribution rate is fixed by statute, and the PEBA Board is required to annually certify the amount of contributions required from the State as an employer contribution to the plan based upon the actuarial valuation of the plan. See Section 9-9-130.

At the regular meeting of the PEBA Board of Directors on February 1, 2013, the PEBA Board accepted as information the valuation prepared by the Board's actuary, Gabriel Roeder Smith ("GRS"), for GARS as of July 1, 2012, and adopted the employer contribution of $4.275 million for the fiscal year beginning July 1, 2014, as recommended therein.

BOARD ACTION REQUESTED:

Pursuant to Section 9-4-45(A) (as added by Act 278 of 2012), policy determinations made by the PEBA Board are subject to approval by the Budget and Control Board, as evidenced by a majority vote of the Board. Adjustments in employer and employee contribution rates are policy determinations subject to Budget and Control Board approval. See Section 9-4-45(B).

Accordingly, pursuant to Section 9-4-45, the Budget and Control Board is asked to approve the following adjustment in employer contributions adopted by the PEBA Board for the Retirement System for Members of the General Assembly ("GARS") for the fiscal year beginning July 1, 2014, based upon the actuarial valuation of the system as of July 1, 2012:

1. Increase GARS employer contribution from $4.063 million to $4.275 million.

ATTACHMENTS:

Agenda item worksheet; Minutes from the February 1, 2013, PEBA Board Meeting; Summary of GARS Actuarial Valuation as of July 1, 2012; Section 9-9-130 of the South Carolina Code of Laws

BUDGET AND CONTROL BOARD AGENDA ITEM WORKSHEET

For meeting scheduled for:

May 7, 2013

___**Blue Agenda**
X **Regular Session**
___**Executive Session**

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1. Submitted by:

(a) Agency: Public Employee Benefit Authority ("PEBA")

(b) Authorized Official Signature:

David K. Avant, Interim Director

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2. Subject: Approval of PEBA Policy Determination for the Retirement System for Members of the General Assembly

---

3. Summary Background Information:

Pursuant to the Retirement Code, as amended by Act 278 of 2012, the PEBA Board of Directors is authorized to adopt the necessary employer, and, in certain cases, employee, contribution rates for the five defined benefit plans administered by PEBA based upon the annual valuations of those plans performed by the plans' actuary.

For the Retirement System for Members of the General Assembly ("GARS"), the employee contribution rate is fixed by statute, and the PEBA Board is required to annually certify the amount of contributions required from the State as an employer contribution to the plan based upon the actuarial valuation of the plan. See Section 9-9-130.

At the regular meeting of the PEBA Board of Directors on February 1, 2013, the PEBA Board accepted as information the valuation prepared by the Board's actuary, Gabriel Roeder Smith ("GRS"), for GARS as of July 1, 2012, and adopted the employer contribution of $4.275 million for the fiscal year beginning July 1, 2014, as recommended therein.

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4. What is Board asked to do?

Pursuant to Section 9-4-45(A) (as added by Act 278 of 2012), policy determinations made by the PEBA Board are subject to approval by the Budget and Control Board, as evidenced by a majority vote of the Board. Adjustments in employer and employee contribution rates are policy determinations subject to Budget and Control Board approval. See Section 9-4-45(B).

Accordingly, pursuant to Section 9-4-45, the Budget and Control Board is asked to approve the following adjustment in employer contributions adopted by the PEBA Board for the Retirement System for Members of the General Assembly ("GARS") for the fiscal year beginning July 1, 2014, based upon the actuarial valuation of the system as of July 1, 2012:

1. Increase GARS employer contribution from $4.063 million to $4.275 million.

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5. What is recommendation of the Board division involved? N/A.

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6. Recommendation of other office (as required)? N/A.

Office Name ______________________	**Authorized Signature**______________________

7. Supporting Documents:

List those attached:

- Minutes from the February 1, 2013, PEBA Board Meeting.
- Summary of GARS Actuarial Valuation as of July 1, 2012.
- Section 9-9-130 of the South Carolina Code of Laws.

List those not attached but available:

South Carolina
PUBLIC EMPLOYEE BENEFIT AUTHORITY
PEBA
David K. Avant
Interim Executive Director
Retirement Benefits
April 24, 2012

Delbert H. Singleton, Jr.
Secretary, South Carolina Budget and Control Board
Post Office Box 12444
Columbia, South Carolina 29211

RE: Agenda Items for the Approval of Contribution Rates Adopted by the Board of Directors for the South Carolina Public Employee Benefit Authority

Dear Mr. Singleton:

Pursuant to the Retirement Code, as amended by Act 278 of 2012, the Board of Directors for the South Carolina Public Employee Benefit Authority ("PEBA") is authorized to adopt the necessary employer, and, in certain cases, employee, contribution rates for the five defined benefit plans administered by PEBA based upon the annual valuations of those plans performed by the plans' actuary. Further, as provided in Section 9-4-45 of the Code as added by Act 278, adjustments in employer and employee contribution rates made by the PEBA Board are policy determinations that are subject to approval by the Budget and Control Board, as evidenced by a majority vote of the Board.

At the regular meeting of the PEBA Board of Directors on February 1, 2013, the PEBA Board accepted as information valuations prepared by the plans' actuary, Gabriel Roeder Smith, for SCRS, PORS, JSRS, GARS, and NGRS as of July 1, 2012, and adopted the contribution rates recommended therein. As the PEBA Board and PEBA staff have taken all necessary actions for the acceptance of these valuations and adoption of the recommended contribution rates, the adjustments in the contribution rates adopted by the PEBA Board are now subject to approval by the Budget and Control Board pursuant to Section 9-4-45. Accordingly, please place five items on the agenda of the Budget and Control Board's May 7, 2013 meeting for the approval of these contribution rate adjustments, as reflected in more detail on the attached Agenda Item Worksheets.

Thank you for your attention to this matter. If you need any additional information, please do not hesitate to contact me.

Sincerely,

David K. Avant
Interim Executive Director

Enclosures

Street Address:
202 Arbor Lake Drive
Columbia, South Carolina 29223

www.retirement.sc.gov
803-737-6800
800-868-9002 (within S.C only)

Mailing Address:
Post Office Box 11960
Columbia, South Carolina 29211-1960

South Carolina
PUBLIC EMPLOYEE BENEFIT AUTHORITY

PEBA

South Carolina Public Employee Benefit Authority Meeting Minutes (Adopted 3/20/2013)

Friday, February 1, 2013, 8:30 A.M.

2nd Floor Conference Room
202 Arbor Lake Drive
Columbia, South Carolina 29223

Board Members Present:
Mr. Art Bjontegard, Chairman (in person)
Ms. Peggy Boykin (in person)
Mr. Frank Fusco (in person)
Ms. Cynthia Harley (in person)
Ms. Stacy Kubu (in person)
Sheriff Leon Lott (in person)
Mr. Steve Matthews (in person)
Mr. Joe "Rocky" Pearce (in person)
Mr. Audie Penn (in person)
Mr. John Sowards (arrived in person at 9:08am)
Mr. David Tigges (arrived in person at 10:21am)

Others present for all or a portion of the meeting:
David Avant, Lil Hayes, Robbie Bell, Geneva McIntosh, Stephen Van Camp, and Justin Werner from the South Carolina Public Employee Benefit Authority (PEBA); Terry Mumford with Ice Miller; Joe Newton and Danny White from Gabriel, Roeder, Smith & Company (GRS), Hershal Harper and Sarah Corbett form the SC Retirement Investment Commission; Suzanne Bernard with Hewitt, Ennisknupp; Donald Tudor, Wayne Bell and Wayne Pruitt from the State Retirees Association,

I. CALL TO ORDER; ADOPTION OF PROPOSED AGENDA

Chairman Bjontegard called the meeting to order at 8:30 a.m. Steve Matthews gave the invocation. Ms. Hayes confirmed meeting notice compliance with the Freedom of Information Act. The Chairman asked for a motion to adopt the agenda which was made, seconded by Sheriff Lott and adopted unanimously. A motion was made by Ms. Hartley to adopt the minutes from the December 12, 2012 meeting, which was seconded by Mr. Matthews and adopted. The Chairman mentioned that the Past Action Report had been updated and posted for the members on their Extranet. He said after items had been completed, they would be removed from the list after one month.

II. Terry Mumford Ice Miller LLC – Fiduciary Responsibilities

Chairman Bjontegard introduced Terry Mumford, partner with Ice Miller, LLC. Ms. Mumford began by explaining that for the South Carolina Retirement Systems, the PEBA Board is one of four fiduciaries: PEBA, Budget and Control Board, Retirement System Investment Commission, and the State Treasurer. She explained that the legislature is considered the "settlor" and, as such, determined the scope of each fiduciary's responsibility. She then explained each fiduciary's role. The PEBA Board is responsible to administer the benefits in accordance with the plan, to engage experts, establish contribution rates, and establish rules and regulations.
Ms. Mumford continued by explaining that the Board must carry out its responsibilities in accordance with fiduciary principles. She explained that these principles are established by the Internal Revenue

Code, ERISA, the *Restatement of Third—Trusts*, *Uniform Management of Public Retirement Systems Act*, and South Carolina state law. She explained the exclusive benefit rule, which requires a fiduciary to discharge his duties solely in the interest of the participants and beneficiaries of the plan. She also stated that a fiduciary must not deal with plan assets in his own interest or in the interest of a "third party."

Ms. Mumford concluded by explaining that although the RSIC is granted investment responsibility by the legislature, the PEBA Board is a co-trustee of the trust assets and is responsible to act in the best interests of the trust—including with respect to investments. This means the PEBA Board has a duty to be informed about the actions of its co-trustees, to make reasonable effort to avoid a breach by a co-trustee, and to make reasonable effort to redress any breaches by co-trustees.

III. SCRS Investment Commission: Asset Liability Modeling (ALM) Study Overview, and Risk Assessment Update

Hershal Harper and Sarah Corbett from the SC Retirement Systems Investment Commission (RSIC) and Suzanne Bernard with Hewitt Ennisknupp conducted a presentation regarding the RSIC. Ms. Corbett began by explaining the RSIC's history and governing laws. She explained that until 1997, the Retirement Systems assets were only invested in domestic fixed income investments. In the 1990's, the Retirement Systems Investment Panel was created to advise the Budget and Control Board on the domestic equity portfolio. The RSIC was then created in 2005 and was constitutionally permitted to invest across all asset classes in 2007. Ms. Corbett went on to explain the makeup of the seven-member RSIC. There are four political appointees—one each from the Governor, the Chairman of the Senate Finance Committee, the Chairman of the House Ways and Means Committee, and the Comptroller General. The remaining three members include a retiree representative, the Executive Director of PEBA (non-voting member), and the State Treasurer (ex-officio). She then explained the RSIC's governing policies and compensation structure. She explained that, in an effort to recruit and keep top investment talent to serve at the RSIC agency, they initiated a Performance Incentive Compensation program to reward good performance in investments. Ms. Corbett also explained that the RSIC publishes an Annual Investment Plan each fiscal year to spell out the policies and objectives of the RSIC.

Ms. Corbett went on to describe the RSIC's Due Diligence Guidelines. She explained that a set of guidelines was adopted on November 8, 2012 to create a uniform method of conducting and recording due diligence on investment managers. Chairman Bjontegard asked about "allegations" being made that the RSIC had not conducted due diligence on some of its managers. Mr. Harper—after responding that was not aware that actual allegations had been made, but rather believed they were currently just suggestions—explained that due diligence was done on all managers, but that some had been recorded differently from others. Ms. Corbett added that this is the reason for the newly-adopted guidelines.

Ms. Corbett concluded by explaining that the RSIC was currently in process of trying to acquire new FTE positions for the agency. They are also seeking to improve their information technology resources. She emphasized the RSIC's desire to work with PEBA to pool resources and share IT systems to allow greater transparency between the two organizations and to alleviate any concern on the part of the PEBA Board members over the actions of the RSIC.

IV. COMMITTEE REPORTS

Retirement
Committee Chairman Sowards asked that the ORP Vendors item be struck from the agenda, which was agreed to by the Board. Mr. Tigges recused himself on any votes dealing with the ORP Vendors as he has a conflict of interest.

Mr Sowards introduced and requested Joe Newton and Danny White with GRS give information on the Actuarial Valuations of 6/30/2012 before the group for approval. After the presentation by GRS, Mr. Sowards moved to accept the GRS valuations for SCRS, PORS, JSRS, GARS, and National Guard Retirement System for FY2014. Ms. Hartley seconded. Mr. Matthews then voiced concern that the valuation given for SCRS did not appear to meet the statutory requirement to accept contribution increases that maintain no more than a thirty-year amortization period. Discussion ensued. Mr. Matthews and Mr. Sowards asked General Counsel to weigh in. Mr. Van Camp advised the Board that based upon the projected amortization period as described by GRS, the recommended contribution increase for FY2014 would, in fact, satisfy the statutory requirement. Mr. Matthews restated his concern. Mr. Sowards then withdrew his previous motion and amended it. He moved to accept the GRS valuations for the five retirement systems, contingent upon a written decision by PEBA General Counsel on the legality of accepting the GRS recommended contribution increases. Ms. Hartley seconded. The Board voted to accept the GRS valuations for the five retirement system for FY2014, contingent upon General Counsel's written decision. All Board members voted in favor of the motion, except Mr. Matthews, who voted against the motion.

Mr. Sowards then discussed the necessity of adopting a Group Trust Resolution, and further explained that on January 25th, PEBA received favorable Determination Letters from the IRS on the 4 contributory defined benefit plans (SCRS, PORS, GARS and JSRS). With these letters, we now have updated favorable determination letters or private letter rulings for all qualified plans including, SCRS, PORS, GARS, JSRS, ORP and the Deferred Comp plans (401k & 457). With no further discussion the Resolution was adopted.

FAAC
Committee Chairman Matthews gave an update that as of January 30, no legislation had been introduced concerning the Indemnification of the Board members. He mentioned a few other items that he also felt were of a technical nature that should be brought to the attention of the Legislature so they could be addressed.

Health
Committee Chair Hartley gave an update of what the Governor had recommended for the agency and the State Health Plan in her Executive Budget Recommendation. Ms. Hartley also gave a brief description of the budget hearing at the House of Representatives Budget Subcommittee hearing that was on January 22.

Lunch Break

V. Executive Session to Discuss Legal Matters Pursuant to S.C. Code of Laws § 30-4-70(a)(2)

Adjournment

Upon concluding executive session, Mr. Bjontegard requested a motion to adjourn the meeting. Mr. Sowards moved to adjourn and Mr. Fusco seconded. The Board then unanimously voted to adjourn at 3:15 pm.

Retirement System for Members of the General Assembly of the State of South Carolina (GARS)

Executive Summary

(Dollar amounts expressed in thousands)

Valuation Date:	July 1, 2012	July 1, 2011
Membership		
• Number of		
- Active positions[1]	170	170
- Special contributors	18	26
- Retirees and beneficiaries	358	353
- Inactive members	33	40
- Total	579	589
• Projected payroll	$3,854	$3,854
Contribution Requirement		
• Member contribution rate[2]	11.00%	10.00%
• Employer contribution requirement[3]	$4,275	$4,063
Assets		
• Market value	$31,431	$34,669
• Actuarial value	39,233	41,484
• Return on market value	0.4%	17.6%
• Return on actuarial value	2.7%	3.5%
• Ratio - actuarial value to market value	124.8%	119.7%
• External cash flow %	-10.2%	-11.1%
Actuarial Information		
• Normal cost %	21.68%	21.67%
• Actuarial accrued liability (AAL)	$74,332	$74,604
• Unfunded actuarial accrued liability (UAAL)	35,099	33,120
• Funded ratio	52.8%	55.6%
• Funding period from the valuation date	15 years	16 years
Reconciliation of UAAL		
• Beginning of Year UAAL	$33,120	$24,959
- Interest on UAAL	2,484	2,296
- Amortization payment with interest	(2,400)	(2,241)
- Assumption change	0	5,715
- Asset experience	1,950	1,704
- Liability experience	(55)	687
- Legislative changes	0	0
• End of Year UAAL	$35,099	$33,120

[1] Includes filled and unfilled positions.

[2] The 11.00% member contribution rate is effective January 1, 2013.

[3] The contribution requirement determined by the July 1, 2012 actuarial valuation is subject to approval and adoption by the Public Employee Benefit Authority before becoming effective for the fiscal year beginning July 1, 2014.

SECTION 9-9-130. Contributions of State to Retirement System for members of General Assembly.

The contributions of the State to the System shall be determined by the Board each year on the basis of annual actuarial valuations of the System.
Each year the Board shall certify to the State the amount of its contribution due the System. The State's contributions shall be appropriated annually from the general fund to the System, and shall include such sums as are found necessary in order to create reserves in the System sufficient (i) to cover the cost of the allowances currently accruing under this chapter, (ii) to include a contribution, each year, toward the cost of prior service credits, and (iii) to cover any administrative expenses which the Board may incur in the operation of the System.

GRS Gabriel Roeder Smith & Company
Consultants & Actuaries

RETIREMENT SYSTEM FOR MEMBERS OF THE GENERAL ASSEMBLY OF THE STATE OF SOUTH CAROLINA (GARS)

ACTUARIAL VALUATION REPORT

AS OF JULY 1, 2012

GRS Gabriel Roeder Smith & Company
Consultants & Actuaries
5605 N. MacArthur Blvd.
Suite 870
Irving, TX 75038-2631
469.524.0000 phone
469.524.0003 fax
www.gabrielroeder.com

January 11, 2013

Public Employee Benefit Authority
South Carolina Retirement System
P.O. Box 11960
Columbia, SC 29211-1960

Subject: Actuarial Valuation as of July 1, 2012

Dear Members of the Board:

This report describes the current actuarial condition of the Retirement System for Members of the General Assembly of the State of South Carolina (GARS), determines the calculated employer contribution requirement, and analyzes changes in this amount. In addition, the report provides information required by the Retirement System in connection with Governmental Accounting Standards Board Statement No. 25 (GASB 25), and gives various summaries of the data. Results of this report should not be used for any other purpose without consultation with the undersigned. Valuations are prepared annually as of July 1, the first day of the plan year for GARS. This report was prepared at the request of the State Budget and Control Board (Board) and is intended for use by the South Carolina Retirement System (SCRS) staff and those designated or approved by the Board.

Under SCRS statutes, the Board must certify the employer contribution annually. This amount is determined actuarially, based on the Board's funding policy. The contribution is determined by a given actuarial valuation and becomes effective twenty-four months after the valuation date. In other words, the contribution determined by this July 1, 2012 actuarial valuation will be used by the Board when certifying the employer contribution amount for the year beginning July 1, 2014. If new legislation is enacted between the valuation date and the date the contribution becomes effective, the Board may adjust the calculated amount before certifying them, in order to reflect this new legislation. Such adjustments are based on information supplied by the actuary.

Financing Objectives and Funding Policy

The principle objectives in the funding policy that is maintained by the Board include:

- Establish a contribution amount that remains relatively level over time.
- To set an amount so that the measures of the System's funding progress which include the unfunded actuarial accrued liability, funded ratio, and funding period will be maintained or improved.

- To set a contribution amount that will result in the unfunded actuarial accrued liability (UAAL) to be amortized over a period from the current valuation date that does not exceed 30 years.

For GARS, the Board's funding policy is to determine an employer contribution amount equal to the sum of the employer normal cost (which pays the current year's cost) and an amortization amount which will result in the UAAL to be funded by June 30, 2027.

PROGRESS TOWARD REALIZATION OF FINANCING OBJECTIVES

The funded ratio (the ratio of the actuarial value of assets to the actuarial accrued liability) is a standard measure of a plan's funded status. In the absence of benefit improvements, it should increase over time, until it reaches at least 100%.

The funded ratio of the retirement system decreased from 55.6% to 52.8%. This decrease was primarily due to the continual recognition of the extraordinary investment loss that occurred in prior years. Absent favorable experience, we expect the funded ratio will continue to decrease for the next several years as those investment losses are fully recognized in the development of the actuarial value of assets.

If market value of assets had been used in the calculation instead of actuarial (smoothed) value of assets, the funded ratio for the System would have been 42.3%, compared to 46.5% in the prior year. The decrease in the funded ratio on a market value basis is due to unfavorable investment experience during the last plan year. In particular, the investment return for the year was 0.4% on a market value basis.

ASSUMPTIONS AND METHODS

The actuarial assumptions used to perform this valuation remain unchanged from the prior valuation, including the use of a 7.50% investment return assumption. South Carolina State Code requires that an experience analysis that reviews the economic and demographic assumptions be performed every five years. The next experience analysis is scheduled for 2016.

It is our opinion that the recommended assumptions are internally consistent and reasonably reflect the anticipated future experience of the System. The actuarial assumptions and methods used in this report comply with the parameters for disclosure that appear in GASB 25.

The results of the actuarial valuation are dependent on the actuarial assumptions used. Actual results can, and almost certainly will, differ as actual experience deviates from the assumptions. Even seemingly minor changes in the assumptions can materially change the liabilities, calculated contribution rate, and funding periods. The actuarial calculations are intended to provide information for rational decision making.

BENEFIT PROVISIONS

The benefit provisions reflected in this valuation are those which were in effect on July 1, 2012. Act 278 became law in June 2012 and increases the member contribution rate from 10% of pay to 11% of pay effective January 1, 2013. Additionally, the legislation closed GARS to new members. As a result, newly elected members of the General Assembly on or after the general election of 2012 shall elect to become members of the South Carolina Retirement System (SCRS), the State Optional Retirement Program (State ORP), or non-membership in a retirement program.

However, since Act 278 did not materially impact the valuation results and plan financial information as of July 1, 2011, or the contribution requirement for the fiscal year ending June 30, 2014, the 2011 actuarial valuation was not updated to reflect the pension reform legislation.

DATA

Member data for retired, active and inactive members was supplied as of July 1, 2012, by the SCRS staff. The staff also supplied asset information as of July 1, 2012. We did not audit this data, but we did apply a number of tests to the data, and we concluded that it was reasonable and consistent with the prior year's data. GRS is not responsible for the accuracy or completeness of the information provided to us by SCRS.

CERTIFICATION

We certify that the information presented herein is accurate and fairly portrays the actuarial position of GARS as of July 1, 2012.

All of our work conforms with generally accepted actuarial principles and practices, and is in conformity with the Actuarial Standards of Practice issued by the Actuarial Standards Board. In our opinion, our calculations also comply with the requirements of South Carolina Code of Laws and, where applicable, the Internal Revenue Code, ERISA, and the Statements of the Governmental Accounting Standards Board.

The undersigned are independent actuaries and consultants. Mr. Newton and Mr. White are Enrolled Actuaries and Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries. Both are experienced in performing valuations for large public retirement systems.

Sincerely,

Gabriel, Roeder, Smith & Co.

Joseph P. Newton, FSA, MAAA, EA
Senior Consultant

Daniel J. White, FSA, MAAA, EA
Senior Consultant

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SECTION A

EXECUTIVE SUMMARY

Executive Summary

(Dollar amounts expressed in thousands)

Valuation Date:	July 1, 2012	July 1, 2011
Membership		
• Number of		
- Active positions[1]	170	170
- Special contributors	18	26
- Retirees and beneficiaries	358	353
- Inactive members	33	40
- Total	579	589
• Projected payroll	$3,854	$3,854
Contribution Requirement		
• Member contribution rate[2]	11.00%	10.00%
• Employer contribution requirement[3]	$4,275	$4,063
Assets		
• Market value	$31,431	$34,669
• Actuarial value	39,233	41,484
• Return on market value	0.4%	17.6%
• Return on actuarial value	2.7%	3.5%
• Ratio - actuarial value to market value	124.8%	119.7%
• External cash flow %	-10.2%	-11.1%
Actuarial Information		
• Normal cost %	21.68%	21.67%
• Actuarial accrued liability (AAL)	$74,332	$74,604
• Unfunded actuarial accrued liability (UAAL)	35,099	33,120
• Funded ratio	52.8%	55.6%
• Funding period from the valuation date	15 years	16 years
Reconciliation of UAAL		
• Beginning of Year UAAL	$33,120	$24,959
- Interest on UAAL	2,484	2,296
- Amortization payment with interest	(2,400)	(2,241)
- Assumption change	0	5,715
- Asset experience	1,950	1,704
- Liability experience	(55)	687
- Legislative changes	0	0
• End of Year UAAL	$35,099	$33,120

[1] Includes filled and unfilled positions.

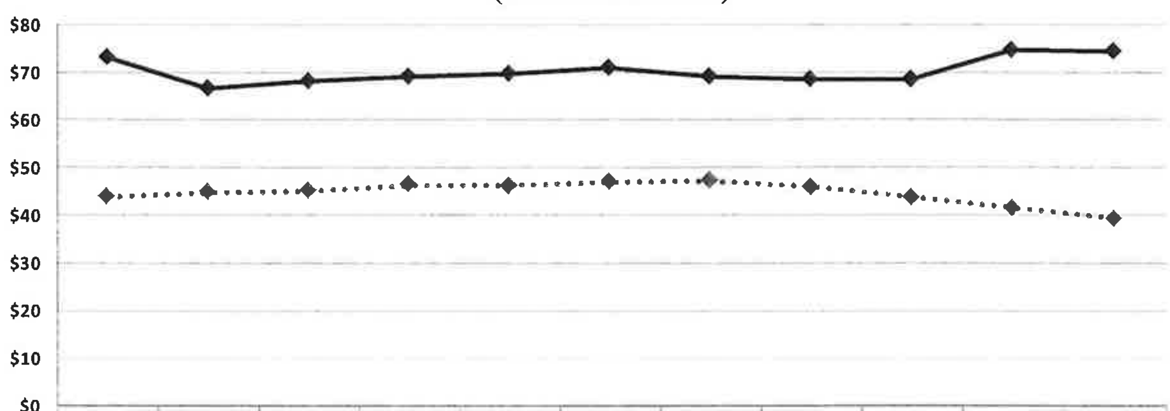
[2] The 11.00% member contribution rate is effective January 1, 2013.

[3] The contribution requirement determined by the July 1, 2012 actuarial valuation is subject to approval and adoption by the Public Employee Benefit Authority before becoming effective for the fiscal year beginning July 1, 2014.

EXECUTIVE SUMMARY (CONTINUED)

The unfunded actuarial accrued liability increased by $1.9 million since the prior year's valuation to $35.0 million. The single largest source of this increase is due to the continual recognition of deferred investment losses in the actuarial value of assets (i.e. $2.0 million was recognized in the July 1, 2012 valuation). Below is a chart with the historical actuarial value of assets and actuarial accrued liability for GARS.

Chart 1. - History of Actuarial Assets vs. Actuarial Accrued Liability
(Dollars in Millions)



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
AAL	$73.0	$66.6	$68.3	$69.2	$69.7	$71.0	$69.1	$68.5	$68.7	$74.6	$74.3
AVA	$43.8	$44.7	$45.1	$46.3	$46.1	$46.9	$47.2	$45.9	$43.7	$41.5	$39.2

There is still $7.8 million in deferred investment losses as of the valuation date. Absent favorable investment experience, those deferred losses will be reflected in the actuarial value of assets over the next few years. Therefore, we expect the unfunded actuarial liability for the System to increase for several years and the funded ratio (on an actuarial value of asset basis) to decline before these measures improve.

The recommended employer contribution requirement increased from $4.1 million in FY 2014 to $4.3 million in FY 2015. The plan's investment experience was the contributing factor to this increase in the recommended contribution. Absent legislative changes or significantly favorable investment experience, we expect the recommended contribution to continue to increase over the next several years as those deferred investment losses becomes recognized in the actuarial value of assets.

SECTION B

DISCUSSION

Discussion

The results of the July 1, 2012 actuarial valuation of the Retirement System for Members of the General Assembly are presented in this report. The purposes of the valuation report is to depict the current financial condition of the System, determine the annual required contribution, and analyze changes in the System's financial condition. In addition, the report provides information required by SCRS in connection with Governmental Accounting Standards Board Statement No. 25 (GASB 25), and various summaries of the members participating in the plan.

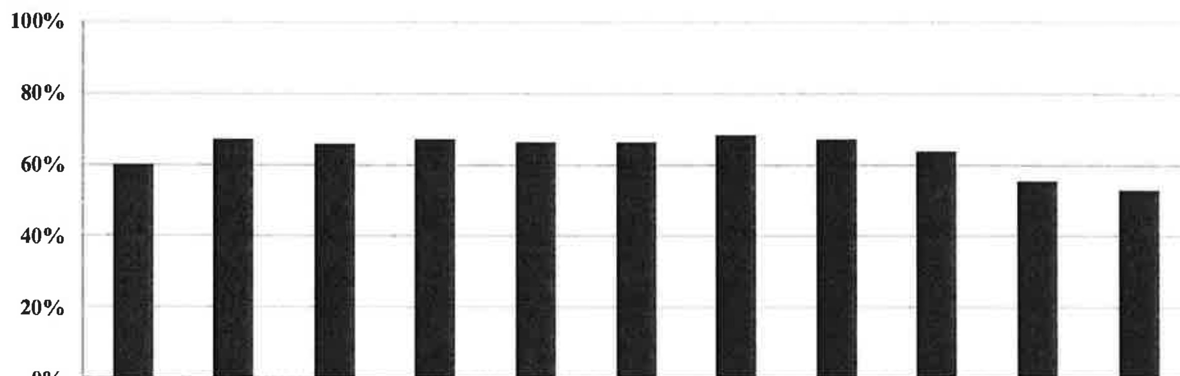
This section discusses the determination of the current funding requirements and the System's funded status, as well as changes in financial condition of the retirement system. The valuation results for the prior year are shown in this report for comparison purposes.

All of the actuarial and financial tables referenced by the other sections of this report appear in Section C Section D provides member data and statistical information. Appendices A and B provide summaries of the principle actuarial assumptions and methods and plan provisions. Finally, Appendix C provides a glossary of technical terms that are used throughout this report.

Funding Progress

The funded ratio decreased from 55.6% to 52.8% since the prior valuation. Table 10, Schedule of Funding Progress, in the following section of the report provides additional detail regarding the funding progress of the Retirement System.

Chart 2. - Funded Ratio
Actuarial Assets as a percentage of Actuarial Accrued Liabilities



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Funded Ratio	60.0%	67.1%	66.0%	67.0%	66.1%	66.1%	68.3%	67.0%	63.7%	55.6%	52.8%

The Board's funding policy for this plan is to fully amortize the unfunded actuarial accrued liability (UAAL) by June 30, 2027. Under this funding policy, there are 15 years remaining in the funding period from the valuation date.

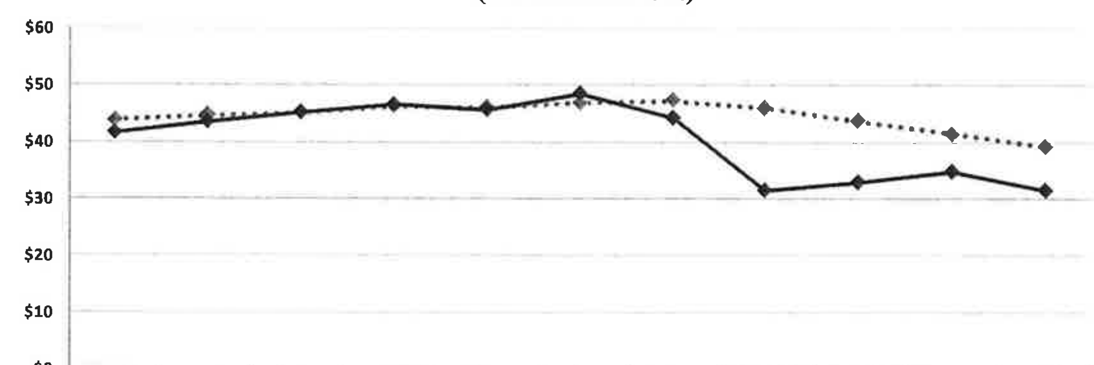
Asset Gains/ (Losses)

The actuarial value of assets ("AVA") is based on a smoothed market value of assets, using a systematic approach to phase-in actual investment return in excess of (or less than) the expected investment income. This is appropriate because it dampens the short-term volatility inherent in investment markets. The expected investment income is determined using the assumed annual investment return rate and the actuarial value of assets (adjusted for receipts and disbursements during the year). The returns are computed net of administrative and investment expenses. The actuarial value of assets decreased from $41.5 million to $39.2 million since the prior valuation. Table 8 in the following section of the report provides the development of the actuarial value of assets.

The rate of return on the mean market value of assets in 2012 was 0.4%; which is less than the 7.50% expected annual return. The return on an actuarial (smoothed) asset value was 2.7%. This difference in the estimated return on market value and actuarial value illustrates the smoothing effect of the asset valuation method.

The market value of assets is less than the actuarial value of assets, which signifies that the retirement system is in a position of deferred losses. Therefore, unless the System experiences investment returns in excess of the assumed rate of return, the future recognition of these deferred losses is expected to increase the unfunded actuarial accrued liability and decrease the System's funded ratio over the next few years.

Chart 3. - History of Actuarial Value and Market Value of Assets
(Dollars in Millions)



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
AVA	43.8	44.7	45.1	46.3	46.1	46.9	47.2	45.9	43.7	41.5	39.2
MVA	41.5	43.5	45.3	46.7	45.7	48.5	44.2	31.5	32.8	34.7	31.4

Assets as of July 1,

Tables 6 and 7 in the following section of this report provide asset information that was included in the annual financial statements of the System. Also, Table 9 shows the estimated yield on a market value basis and on the actuarial asset valuation method.

Actuarial Gains/ (Losses) and the Contribution Requirement

The annual actuarial valuation is a snapshot analysis of the benefit liabilities, assets and funded position of the System as of the first day of the plan year. In any one fiscal year, the experience can be better or worse from that which is assumed or expected. The actuarial assumptions do not necessarily attempt to model what the experience will be for any one given fiscal year, but instead try to model the overall experience on average over many years. The demographic experience for the last year is briefly summarized in the chart below.

The unfunded actuarial accrued liability (UAAL) has increased from $33.1 million in 2011 to $35.0 million in 2012. The table below shows the source of the gains and losses and the impact of those gains and losses on the UAAL.

Reconciliation of UAAL
(Dollars in thousands)

• Beginning of Year UAAL	$33,120
- Interest on UAAL	2,484
- Amortization payment with interest	(2,400)
- Assumption change	0
- Asset experience	1,950
- Liability experience	(55)
- Legislative changes	0
- Total change	1,979
• End of Year UAAL	$35,099

The following table provides a reconciliation of the change in the recommended contribution from 2011 to 2012 valuation. The plan's investment experience, on an actuarial asset basis, had the largest single impact on the change in the recommended contribution.

Change in Recommended Employer Contribution
(Dollars in thousands)

•	Prior year valuation	$4,063
	- Expected change	0
	- Assumption change	0
	- Asset experience	258
	- Liability experience	(8)
	- Legislative changes	(38)
	- Total change	212
•	Current year valuation	$4,275

This funding method and contribution policy is designed to result in relatively level contribution requirements from year to year. However, absent favorable investment experience, we expect that the contribution requirement will continue to increase over the next several years as existing deferred investment losses become fully recognized in the actuarial value of assets and calculation of the recommended contribution.

GASB No. 25 and No. 27 Disclosures

Accounting requirements for GARS are provided by the Governmental Accounting Standards Board Statements No. 25 ("GASB 25") and No. 27 ("GASB 27"). Table 10 shows a historical summary of the funded ratios and other information for the System. Table 11 shows other information needed in connection with the required disclosures under GASB 25. GASB 27 governs reporting by the employers of government-sponsored retirement plans.

GASB 25 requires that plans calculate an Annual Required Contribution ("ARC"), and, if actual contributions received are less than the ARC, this must be disclosed. The ARC is calculated in accordance with certain parameters. In particular, it includes a payment to amortize the UAAL. This amortization payment must be computed using a funding period no greater than thirty (30) years. For this disclosure, GARS treats the Board-established contribution requirement as the ARC.

Actuarial Assumptions and Methods

In determining costs and liabilities, actuaries use assumptions about the future, such as probabilities of retirement, termination, death and disability, and an annual investment return assumption. The actuarial assumptions and methods used to determine the results of the 2012 actuarial valuation are the same as those used for the prior year's valuation.

Appendix A includes a summary of the actuarial assumptions and methods used in this valuation.

It is our opinion that the recommended assumptions are internally consistent and are reasonable and reflect anticipated future experience of the System. The actuarial assumptions and methods used in this report comply with the parameters for disclosure that appear in GASB 25.

Benefit Provisions

Appendix B of this report includes a summary of the benefit provisions for GARS. Act 278 became enacted law in June 2012 and increases the member contribution rate from 10% of pay to 11% of pay effective January 1, 2013. Additionally, this legislation closed GARS to new members. As a result, newly elected members of the General Assembly on or after the general election of 2012 shall become members of the South Carolina Retirement System (SCRS), State Optional Retirement Program (State ORP) or non-membership in a retirement program.

Summary of Retirement Provisions

- Earnable compensation is comprised of $10,400 annually plus 40 times the daily rate of remuneration (i.e. $22,400 in total earnable compensation annually). Certain line-item additional compensation for specified offices is also included. Monthly benefits are based on one-twelfth of this amount.
- The member contribution rate is 11% of earnable compensation.
- The retirement benefit amount is equal to the 4.82% of the member's earnable compensation times the member's credited service (years).
- Members are eligible for retirement after they have (i) attained age 60, or (ii) completed 30 years of creditable service. Members may commence their benefit before retiring from service upon the attainment of age 70 or after accruing 30 years of service.
- Members with eight (8) or more years of credited service that cease membership in the General Assembly may elect to continue earning future service in the system by contributing the required membership contributions (i.e. a special contributing member).

SECTION C

ACTUARIAL TABLES

ACTUARIAL TABLES

Summary of Cost Items

(Dollar amounts expressed in thousands)

		July 1, 2012 (1)	July 1, 2011 (2)
1.	Projected payroll of active members[1]	$ 3,854	$ 3,854
2.	Present value of future pay	$ 21,519	$ 23,402
3.	Normal cost		
	a. Total normal cost	$ 836	$ 835
	b. Less: member contribution	(424)	(385)
	c. Employer normal cost	$ 412	$ 450
4.	Actuarial accrued liability for active members		
	a. Present value of future benefits	$ 18,051	$ 18,212
	b. Less: present value of future normal costs	(4,219)	(4,529)
	c. Actuarial accrued liability	$ 13,832	$ 13,683
5.	Total actuarial accrued liability for:		
	a. Retirees and beneficiaries	$ 58,213	$ 58,291
	b. Inactive members	2,287	2,630
	c. Active members (Item 4c)	13,832	13,683
	d. Total	$ 74,332	$ 74,604
6.	Actuarial value of assets	$ 39,233	$ 41,484
7.	Unfunded actuarial accrued liability (UAAL) (Item 5d - Item 6)	$ 35,099	$ 33,120
8.	GASB No. 25 Annual Required Contribution		
	a. Employer normal cost	$ 412	$ 450
	b. Employer contribution to amortize the UAAL	3,863	3,613
	c. Total employer contribution	$ 4,275	$ 4,063

[1] The projected payroll is based on 170 filled positions.

Actuarial Present Value of Future Benefits
(Dollar amounts expressed in thousands)

		July 1, 2012 (1)	July 1, 2011 (2)
1.	Active members		
	a. Service retirment	$ 16,853	$ 16,973
	b. Disability retirement	620	636
	c. Survivors' benefits	578	603
	d. Total	$ 18,051	$ 18,212
2.	Retired members		
	a. Service retirement	$ 50,717	$ 50,225
	b. Disability retirement	0	94
	c. Beneficiaries	7,293	7,774
	d. Incidental death benefits	203	198
	e. Total	$ 58,213	$ 58,291
3.	Inactive members		
	a. Vested terminations	$ 2,096	$ 2,429
	b. Nonvested terminations	191	201
	c. Total	$ 2,287	$ 2,630
4.	Total actuarial present value of future benefits	$ 78,551	$ 79,133

Analysis of Normal Cost
(Dollar amounts expressed in thousands)

	July 1, 2012 (1)	July 1, 2011 (2)
1. Total normal cost rate		
a. Service retirement	19.32%	19.39%
c. Survivor benefits	1.04%	1.02%
d. Disability benefits	1.32%	1.26%
f. Total	21.68%	21.67%
2. Less: member contribution rate	11.00%	10.00%
3. Net employer normal cost rate	10.68%	11.67%
4. Projected valuation payroll[1]	$3,854	$3,854
5. Projected employer normal cost contribution	$412	$450

[1] The projected payroll is based on 170 filled positions.

Results of July 1, 2012 Valuation
(Dollar amounts expressed in thousands)

			July 1, 2012 (1)
1.	Actuarial Present Value of Future Benefits		
	a. Present retired members and beneficiaries	$	58,213
	b. Present active and inactive members		20,337
	c. Total actuarial present value	$	78,551
2.	Present Value of Future Normal Contributions		
	a. Employee	$	2,367
	b. Employer		1,852
	c. Total future normal contributions	$	4,219
3.	Actuarial Liability	$	74,332
4.	Current Actuarial Value of Assets	$	39,233
5.	Unfunded Actuarial Liability	$	35,099
6.	Unfunded Actuarial Liability Liquidation Period from from the Valuation Date		15 years

Actuarial Balance Sheet

(Dollar amounts expressed in thousands)

	July 1, 2012 (1)	July 1, 2011 (2)
1. Assets		
a. Current Assets (Actuarial Value)		
i. Employee annuity savings fund	$ 7,267	$ 7,100
ii. Employer annuity accumulation fund	31,966	34,384
iii. Total current assets	$ 39,233	$ 41,484
b. Present Value of Future Member Contributions[1]	$ 2,367	$ 2,340
c. Present Value of Future Employer Contributions		
i. Normal contributions	$ 1,852	$ 2,189
ii. Accrued liability contributions	35,098	33,120
iii. Total future employer contributions	$ 36,950	$ 35,309
d. Total Assets	$ 78,550	$ 79,133
2. Liabilities		
a. Employee Annuity Savings Fund		
i. Past member contributions	$ 7,267	$ 7,100
ii. Present value of future member contributions[1]	2,367	2,340
iii. Total contributions to employee annuity savings fund	$ 9,634	$ 9,440
b. Employer Annuity Accumulation Fund		
i. Benefits currently in payment	$ 58,213	$ 58,291
ii. Benefits to be provided to other members	10,703	11,402
iii. Total benefits payable from employer annuity accumulation fund	$ 68,916	$ 69,693
c. Total Liabilities	$ 78,550	$ 79,133

[1] Includes future special contributors

System Net Assets
Assets at Market or Fair Value
(Dollar amounts expressed in thousands)

Item (1)	July 1, 2012 (2)	July 1, 2011 (3)
1. Cash and cash equivalents (operating cash)	$ 3,970	$ 4,565
2. Receivables	924	1,117
3. Investments		
a. Short-term securities	$ 0	$ 16
b. Domestic fixed income	4,626	4,955
c. Global fixed income	1,806	4,163
d. Domestic equities	2,218	2,708
e. Global equities	2,068	1,611
f. Alternative investments	17,220	17,537
g. Total investments	$ 27,938	$ 30,990
4. Securities lending cash collateral invested	$ 219	$ 298
5. Prepaid administrative expenses	1	2
6. Capital assets, net of accumulated depreciation	8	8
7. Total assets	$ 33,060	$ 36,980
8. Liabilities		
a. Due to other systems	$ 0	$ 0
b. Accounts payable	1,080	1,738
c. Investment fees payable	12	24
d. Obligations under securities lending	219	298
e. Deferred retirement benefits	0	0
f. Due to employee insurance program	0	0
g. Benefit payable	2	0
h. Other liabilities	316	251
i. Total liabilities	$ 1,629	$ 2,311
9. Total market value of assets available for benefits (Item 7. - Item 8.i.)	$ 31,431	$ 34,669
10. Asset allocation (investments)		
a. Net Invested cash	11.1%	10.7%
b. Domestic fixed income	14.7%	14.3%
c. Global fixed income	5.7%	12.0%
d. Domestic equities	7.1%	7.8%
e. Global equities	6.6%	4.6%
f. Alternative investments	54.8%	50.6%
g. Total investments	100.0%	100.0%

Reconciliation of System Net Assets
(Dollar amounts expressed in thousands)

	Year Ending			
	July 1, 2012		July 1, 2011	
	(1)		(2)	
1. Value of Assets at Beginning of Year	$	34,669	$	32,770
2. Revenue for the Year				
a. Contributions				
i. Member contributions	$	724	$	624
ii. Employer contributions		2,532		2,414
iii. Total	$	3,256	$	3,038
b. Income				
i. Interest, dividends, and other income	$	313	$	333
ii. Investment expenses		(71)		(98)
iii. Net	$	242	$	235
c. Net realized and unrealized gains (losses)	$	(70)	$	5,447
d. Total revenue	$	3,428	$	8,720
3. Expenditures for the Year				
a. Disbursements				
i. Refunds	$	31	$	57
ii. Regular annuity benefits		6,570		6,528
iii. Other benefit payments		35		58
iv. Transfers to other Systems		0		146
v. Total	$	6,636	$	6,789
b. Administrative expenses and depreciation		30		32
c. Total expenditures	$	6,666	$	6,821
4. Increase in Net Assets (Item 2. - Item 3.)	$	(3,238)	$	1,899
5. Value of Assets at End of Year (Item 1. + Item 4.)	$	31,431	$	34,669
6. Net External Cash Flow				
a. Dollar amount	$	(3,380)	$	(3,751)
b. Percentage of market value		-10.2%		-11.1%

Development of Actuarial Value of Assets
(Dollar amounts expressed in thousands)

		July 1, 2012 (1)
1.	Actuarial value of assets at the prior valuation date	$ 41,484
2.	Market value of assets at the prior valuation date	$ 34,669
3.	Net external cash flow during the year	
	a. Contributions	$ 3,256
	b. Disbursements	(6,636)
	c. Subtotal	$ (3,380)
4.	Expected net investment income at 7.50% earned on	
	a. Actuarial value of assets at the prior valuation date	$ 3,111
	b. Contributions	217
	c. Disbursements	(249)
	d. Subtotal	$ 3,079
5.	Expected actuarial value of assets, end of year (Item 1. + Item 3.c. + Item 4.d.)	$ 41,183
6.	Market value of assets as of the current valuation date	$ 31,431
7.	Difference between expected actuarial assets and market value of assets (Item 6. - Item 5.)	$ (9,752)
8.	Excess/(shortfall) recognized (20% of Item 7.)	$ (1,950)
9.	Actuarial value of plan assets, end of year (Item 5. + Item 8.)	$ 39,233
10.	Asset gain (loss) for year (Item 9. - Item 5.)	$ (1,950)
11.	Asset gain (loss) as % of actual actuarial assets	-5.0%
12.	Ratio of AVA to MVA	124.8%

Estimation of Yields

(Dollar amounts expressed in thousands)

	Year Ending July 1, 2012 (1)	Year Ending July 1, 2011 (2)
1. Market Value Yield		
a. Beginning of year market assets	$ 34,669	$ 32,770
b. Contributions to fund during the year	3,256	3,038
c. Disbursements	(6,636)	(6,789)
d. Investment income (net of investment and administrative expenses)	142	5,650
e. End of year market assets	$ 31,431	$ 34,669
f. Estimated dollar weighted market value yield	0.4%	17.6%
2. Actuarial Value Yield		
a. Beginning of year actuarial assets	$ 41,484	$ 43,712
b. Contributions to fund during the year	3,256	3,038
c. Disbursements	(6,636)	(6,789)
d. Investment income (net of investment and administrative expenses)	1,129	1,523
e. End of year actuarial assets	$ 39,233	$ 41,484
f. Estimated actuarial value yield	2.7%	3.5%

Schedule of Funding Progress
(Dollar amounts expressed in thousands)

July 1,	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL) (3) - (2)	Funded Ratio (2)/(3)	Annual Covered Payroll	UAAL as % of Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
2001	$ 42,788	$ 68,291	$ 25,503	62.7%	$ 4,761	535.6%
2002	43,841	73,046	29,205	60.0%	4,515	646.9%
2003	44,682	66,619	21,937	67.1%	3,844	570.8%
2004	45,087	68,332	23,245	66.0%	3,839	605.5%
2005	46,316	69,161	22,845	67.0%	3,853	592.9%
2006	46,075	69,734	23,659	66.1%	3,854	613.9%
2007	46,925	71,014	24,089	66.1%	3,854	625.0%
2008	47,189	69,122	21,933	68.3%	3,854	569.1%
2009	45,891	68,491	22,600	67.0%	3,854	586.4%
2010	43,712	68,671	24,959	63.7%	3,854	647.6%
2011	41,484	74,604	33,120	55.6%	3,854	859.4%
2012	39,233	74,331	35,098	52.8%	3,854	910.7%

Notes to Required Supplementary Information
(as required by GASB #25)

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	July 1, 2012
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar
Amortization period for GASB 25 ARC	15-year closed period
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return[1]	7.50%
Projected salary increases	None.
Inflation	2.75%
Cost-of-living adjustments	0.00%

[1] Includes inflation at 2.75%

Solvency Test

(Dollar amounts expressed in thousands)

	Actuarial Accrued Liability				Portion of Aggregate Accrued Liabilities Covered by Assets		
July 1,	Active Member Contributions	Retirants & Beneficiaries	Active & Inactive Members (Employer Financed)	Valuation Assets	Active	Retirants	ER Financed
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
2001	$ 9,329	$ 45,013	$ 13,949	$ 42,788	100.0%	74.3%	0.0%
2002	9,470	47,485	16,091	43,841	100.0%	72.4%	0.0%
2003	8,324	46,781	11,515	44,682	100.0%	77.7%	0.0%
2004	8,485	48,126	11,721	45,087	100.0%	76.1%	0.0%
2005	8,024	51,353	9,784	46,316	100.0%	74.6%	0.0%
2006	8,094	51,870	9,770	46,075	100.0%	73.2%	0.0%
2007	7,735	54,115	9,164	46,925	100.0%	72.4%	0.0%
2008	7,265	53,240	8,617	47,189	100.0%	75.0%	0.0%
2009	6,822	54,586	7,083	45,891	100.0%	71.6%	0.0%
2010	7,265	53,486	7,920	43,712	100.0%	68.1%	0.0%
2011	7,100	58,291	9,213	41,484	100.0%	59.0%	0.0%
2012	7,267	58,213	8,851	39,233	100.0%	54.9%	0.0%

SECTION D

MEMBERSHIP DATA

MEMBERSHIP TABLES

Summary of Membership Data

	July 1, 2012 (1)	July 1, 2011 (2)
1. Active Members		
a. Males	125	126
b. Females	15	16
c. Total members	140	142
d. Total annualized prior year pay	$ 3,147,528	$ 3,193,050
e. Average pay	$ 22,482	$ 22,486
f. Average age	53.3	52.7
g. Average service	10.8	9.8
h. Member contributions with interest	$ 5,118,647	$ 4,567,851
i. Average contributions with interest	$ 36,562	$ 32,168
2. Special Contributors		
a. Males	15	23
b. Females	3	3
c. Total members	18	26
d. Member contributions with interest	$ 933,117	$ 1,283,294
e. Average contributions with interest	51,840	$ 49,357
3. Vested Inactive Members		
a. Number	15	18
b. Total annual deferred benefits	$ 274,960	$ 302,232
c. Average annual deferred benefit	$ 18,331	$ 16,791
4. Nonvested Inactive Members		
a. Number	18	22
b. Member contributions with interest	$ 190,490	$ 200,843
c. Average contributions with interest	$ 10,583	$ 9,129
5. Service Retirees		
a. Number	280	275
b. Total annual benefits	$ 5,521,922	$ 5,388,001
c. Average annual benefit	$ 19,721	$ 19,593
d. Average age at the valuation date	72.1	72.0
6. Disabled Retirees		
a. Number	0	1
b. Total annual benefits	$ 0	$ 15,432
c. Average annual benefit	$ 0	$ 15,432
d. Average age at the valuation date	N/A	74.1
7. Beneficiaries		
a. Number	78	77
b. Total annual benefits	$ 1,140,649	$ 1,138,899
c. Average annual benefit	$ 14,624	$ 14,791
d. Average age at the valuation date	77.1	76.0

Summary of Historical Active Membership

		Active Members		Covered Payroll		Average Annual Pay			
July 1,	Number of Employers	Number[1]	Percent Increase /(Decrease)	Amount in Thousands[1]	Percent Increase /(Decrease)	Amount	Percent Increase /(Decrease)	Average Age	Average Service
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
2001	2	209	N/A	$ 4,761	N/A	22,781	-0.1%	N/A	N/A
2002	2	200	-4.3%	4,515	-5.2%	22,573	-0.9%	N/A	N/A
2003	2	170	-15.0%	3,844	-14.9%	22,612	0.2%	N/A	N/A
2004	2	170	0.0%	3,839	-0.1%	22,582	-0.1%	N/A	N/A
2005	2	170	0.0%	3,853	0.4%	22,668	0.4%	N/A	N/A
2006	2	170	0.0%	3,854	0.0%	22,671	0.0%	N/A	N/A
2007	2	170	0.0%	3,854	0.0%	22,671	0.0%	N/A	N/A
2008	2	170	0.0%	3,854	0.0%	22,671	0.0%	N/A	N/A
2009	2	170	0.0%	3,854	0.0%	22,671	0.0%	51.4	9.0
2010	2	170	0.0%	3,854	0.0%	22,671	0.0%	52.3	10.2
2011	2	170	0.0%	3,854	0.0%	22,671	0.0%	52.7	9.8
2012	2	170	0.0%	3,854	0.0%	22,671	0.0%	53.3	10.8

[1] Based on 170 filled positions.

Distribution of Active Members by Age and Service

Attained Age	Years of Credited Service												
	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30-34	35 & Over	Total
Under 20	-	-	-	-	-	-	-	-	-	-	-	-	-
20-24	-	1	1	-	-	-	-	-	-	-	-	-	2
25-29	-	-	1	-	1	1	-	-	-	-	-	-	3
30-34	-	-	1	-	-	-	1	-	-	-	-	-	2
35-39	-	-	-	-	3	2	-	-	1	-	-	-	6
40-44	-	-	3	-	3	7	3	1	-	-	-	-	17
45-49	-	-	2	-	4	6	2	4	3	-	-	-	21
50-54	-	1	5	-	1	5	8	1	2	1	-	-	24
55-59	-	-	2	-	3	4	4	4	2	2	-	-	21
60-64	-	-	-	1	2	1	5	4	2	2	1	1	19
65 & Over	-	1	4	-	-	3	9	2	4	2	-	-	25
Total	-	3	19	1	17	29	32	16	14	7	1	1	140

Schedule of Annuitants by Type of Benefit

Type of Benefit/ Form of Payment	Number		Annual Benefits Amount		Average Monthly Benefit
(1)	(2)		(3)		(4)
Service :					
Maximum & QDRO	135	$	2,625,852	$	1,621
100% J&S	52		1,111,422		1,781
100% Pop-up	45		869,620		1,610
50% J&S	27		545,617		1,684
50% Pop-up	21		369,411		1,466
Subtotal:	280	$	5,521,922		1,643
Disability:					
Maximum	0	$	0	$	0
Beneficiaries:	78	$	1,140,649	$	1,219
Total:	358	$	6,662,571	$	1,551

Distribution of Annuitants by Monthly Benefit

Monthly Benefit Amount	Number of Annuitants	Female	Male	Average Service
(1)	(2)	(3)	(4)	(5)
Under $200	10	3	7	1.80
$ 200 - 399	16	8	8	9.00
400 - 599	16	7	9	6.94
600 - 799	22	8	14	13.86
800 - 999	40	15	25	13.93
1,000 - 1,199	28	12	16	15.61
1,200 - 1,399	24	6	18	19.71
1,400 - 1,599	32	11	21	19.88
1,600 - 1,799	43	6	37	20.91
1,800 - 1,999	38	6	32	22.55
2,000 - 2,199	25	9	16	28.72
2,200 - 2,399	14	3	11	30.14
2,400 - 2,599	14	2	12	30.57
2,600 - 2,799	13	2	11	33.08
2,800 - 2,999	5	0	5	32.40
3,000 - 3,199	6	1	5	33.17
3,200 - 3,399	4	3	1	45.00
3,400 - 3,599	1	0	1	41.00
3,600 - 3,799	1	0	1	30.00
3,800 - 3,999	2	0	2	29.50
4,000 & Over	4	1	3	40.00
Total	358	103	255	20.30

Schedule of Retirants Added to And Removed from Rolls

	Added to Rolls		Removed from Rolls		Rolls End of the Year		% Increase	Average
July 1,	Number	Annual Benefits($000)	Number	Annual Benefits($000)	Number	Annual Benefits($000)	in Annual Benefit	Annual Benefit
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
2001	27	$ 609	11	$ 204	251	$ 4,381	10.2%	$ 17,454
2002	24	453	9	160	266	4,674	6.7%	17,571
2003	40	839	12	226	294	5,287	13.1%	17,983
2004	12	185	9	119	297	5,353	1.2%	18,024
2005	22	486	7	125	312	5,716	6.8%	18,321
2006	13	238	8	179	317	5,775	1.0%	18,218
2007	18	321	2	13	333	6,083	5.3%	18,267
2008	19	337	10	134	342	6,286	3.3%	18,380
2009	26	505	15	266	353	6,525	3.8%	18,484
2010	7	148	14	261	346	6,412	-1.7%	18,532
2011	12	238	5	108	353	6,542	2.0%	18,534
2012	16	251	11	130	358	6,663	1.8%	18,611

APPENDIX A

ACTUARIAL ASSUMPTIONS AND METHODS

Summary of Actuarial Methods and Assumptions

The following presents a summary of the actuarial assumptions and methods used in the valuation of the Retirement System for Members of the General Assembly of South Carolina.

Investment Rate of Return

Assumed annual rate of 7.50% net of investment and administrative expenses composed of a 2.75% inflation component and a 4.75% real rate of return, net of investment and administration expenses.

Rates of Annual Salary Increase

No increases in salary are assumed.

Active Member Decrement Rates

a. Assumed rates of service retirement are shown in the following table. In addition to the rates in the table below, members with 30 years of service are assumed to immediately commence their retirement benefit. Special contributors are assumed to retire upon attaining age 60.

Age Based Retirement Rates	
Age	**Assumed Rate**
60 & Under	40.00%
61 - 64	7.00%
65 - 69	15.00%
70 & older	100.00%

b. An abbreviated table with the assumed rates of disability and mortality while employed is shown below. There is no active employment withdrawal assumption.

	Disability Rates		Pre-Retirement Mortality	
Age	Males	Females	Males	Females
25	0.0575%	0.0525%	0.0414%	0.0166%
30	0.1150%	0.0735%	0.0488%	0.0211%
35	0.1725%	0.1470%	0.0850%	0.0380%
40	0.2875%	0.1890%	0.1187%	0.0565%
45	0.4025%	0.2730%	0.1659%	0.0899%
50	0.5750%	0.4620%	0.2352%	0.1341%
55	0.9200%	0.7350%	0.3332%	0.2021%
60	1.1500%	1.1235%	0.5366%	0.3145%
Multiplier			110%	80%

Note: The multiplier has been applied to the decrement in the illustrative table.

Post Retirement Mortality

a. Healthy retirees and beneficiaries – The RP-2000 Mortality Table projected using the AA projection table with multipliers based on plan experience. The following are sample rates:

Healthy Annuitant Mortality Rates Before Projection		
Age	Males	Females
50	0.2138%	0.1508%
55	0.3624%	0.2445%
60	0.6747%	0.4550%
65	1.2737%	0.8735%
70	2.2206%	1.5068%
75	3.7834%	2.5295%
80	6.4368%	4.1291%
85	11.0757%	6.9701%
90	18.3408%	11.8514%
Multiplier	100%	90%

Note: The multiplier has been applied to the decrement in the illustrative table.

The following table provides the life expectancy for individuals retiring in future years based on the assumption with full generational projection:

Life Expectancy for an Age 65 Retiree in Years				
	Year of Retirement			
Gender	2015	2020	2025	2030
Male	19.6	20.0	20.4	20.7
Female	22.3	22.5	22.7	22.9

b. A separate table of mortality rates is used for disabled retirees based on the RP-2000 Disabled Retiree Mortality Table. The following are sample rates:

Disabled Annuitant Mortality Rates		
Age	**Males**	**Females**
50	2.4629%	1.2689%
55	3.0126%	1.8198%
60	3.5736%	2.4023%
65	4.2648%	3.0829%
70	5.3196%	4.1398%
75	6.9757%	5.7453%
80	9.2966%	7.9543%
85	12.0363%	11.0223%
90	15.5897%	15.4054%
Multiplier	85%	110%

Note: The multiplier has been applied to the decrement in the illustrative table.

Asset Valuation Method

The actuarial value of assets is based on the market value of assets with five-year smoothing applied. This is accomplished by recognizing each year 20% of the difference between the market value of assets and the expected actuarial value of assets, based upon the assumed valuation rate of return.

Expected earnings are determined using the assumed investment rate of return and the beginning of year actuarial value of assets (adjusted for receipts and disbursements during the year). The returns are computed net of administrative and investment expenses.

Actuarial Cost Method

The Entry Age Normal actuarial cost method allocates the System's actuarial present value of future benefits to various periods based upon service. The portion of the present value of future benefits allocated to years of service prior to the valuation date is the actuarial accrued liability, and the portion allocated to years following the valuation date is the present value of future normal costs. The normal cost is determined for each active member as the level dollar amount necessary to fully fund the expected benefits to be earned over the career of each individual active member. The normal cost is partially funded with active member contributions with the remainder funded by employer contributions.

An unfunded accrued liability exists in the amount equal to the excess of accrued liability over valuation assets. The amortization period of the System is the number of years required to fully amortize the unfunded accrued liability with the expected amount of employer contributions in excess of the employers' portion of the normal cost.

Future Cost-of-living Increases

No increases are assumed.

Payroll Growth Rate

None assumed.

Other Assumptions

1. Percent married: 100% of active members are assumed to be married.

2. Age difference: Males are assumed to be four years older than their spouses.

3. Percent electing annuity on death (when eligible): All of the spouses of vested, married participants are assumed to elect an immediate life annuity.

4. Inactive Population: All non-vested members are assumed to take an immediate refund. Members with a vested benefit are assumed to elect a refund or a deferred benefit commencing at age 60, whichever is more valuable at the valuation date.

5. It is assumed there will be no recoveries once disabled.

6. Decrement timing: Decrements of all types are assumed to occur mid-year.

7. Eligibility testing: Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.

8. Benefit Service: All active and special contributing members are assumed to accrue one year of eligibility service each year.

Participant Data

Participant data was supplied in electronic text files. There were separate files for (i) active and inactive members, and (ii) members and beneficiaries receiving benefits.

The data for active members included birth date, gender, service with the current city and total vesting service, salary, and employee contribution account balances. For retired members and beneficiaries, the data included date of birth, gender, spouse's date of birth (where applicable), amount of monthly benefit, date of retirement, and form of payment code.

Salary supplied for the current year was based on the annualized earnings for the year preceding the valuation date. Assumptions were made to correct for missing, bad, or inconsistent data. These had no material impact on the results presented.

APPENDIX B
BENEFIT PROVISIONS

Summary of Benefit Provisions for South Carolina General Assembly Retirement System (GARS)

Effective Date: January 1, 1966.

Administration: The South Carolina Retirement System, organizationally aligned as a Division of the State Budget and Control Board, is responsible for the general administrative operations and day to day management of the Plan.

Type of Plan: This is a qualified governmental defined benefit retirement plan.

Eligibility: All members of the General Assembly who acquired office prior to the 2012 general election are required to participate, unless exempted by Statute. Members with eight (8) or more years of credited service that cease membership in the General Assembly may elect to continue earning future service in the system by contributing the required membership contributions (i.e. special contributing member).

Employee Contributions: Effective January 1, 2013, the active member contribution rate increases from 10% to 11% of compensation. Member contributions are credited with interest at the rate of 4.0% per annum. Retired members who are serving in office do not make employee contributions to the system.

Earnable Compensation: $10,400 annually plus 40 times the daily rate of remuneration (i.e. $22,400 in total earnable compensation annually). Certain line-item additional compensation for specified offices is also included.

Service Retirement:

a. Eligibility: A member may retire upon the attainment of age 60 or completing 30 years of credited service, if earlier. Members may commence their benefit before retiring from service upon the attainment of age 70 or after accruing 30 years of service.

b. Monthly Benefit: 4.82% of earnable compensation times credited service.

c. Payment Form: Standard annuity payment

Disability Retirement:

a. Eligibility: Members must have five or more years of credited service, unless the disability is due to performing his or her duties.

b. Monthly Benefit: The member will receive a service retirement benefit if they become disabled after attaining the age of 60 or completed at least 35 years of credited service. Otherwise the member will receive a benefit that is equal to the larger of 1. or 2. below.

   1. 50% of the retirement benefit that would have been payable had he continued service to the earlier of age 60 or 35 years of credited service and his earnable compensation had remained unchanged.
   2. 100% of the retirement benefit based on the member's service and earnable compensation at the time of his disability.

c. Payment Form: Standard annuity payment

d. Death while Disabled: A disabled member is treated as a retired member for purposes of determining a death benefit.

Vesting and Refunds:

a. Eligibility: All members who are not vested are eligible for a refund when they terminate service. Members are vested after eight (8) years of credited service. Vested members may also elect to receive a refund in lieu of the deferred termination benefit described below.

b. Amount: The refund benefit is the accumulated value of the member's contributions plus interest credited by the fund.

Deferred Termination Benefit:

a. Eligibility: Member must be vested (8 years of credited service) and must elect to leave his/her contributions on deposit.

b. Monthly Benefit: Same as the service retirement benefit, based on service and earnable compensation at termination, and commencing once the member is eligible. Note, special contributors continue to accrue benefits under the system until the earlier of 22 years of creditable service or age 60.

c. Payment Form: standard annuity payment

d. Death Benefit: The beneficiary of an inactive member who dies is entitled to receive the amount of the member's accumulated contributions (with interest).

***Death while an Active Member*:**

a. In General: A refund of the member's accumulated contributions (with interest) is paid to the beneficiary of a deceased member.

b. Beneficiary Annuity: If the deceased member had attained the age of 60 or had accumulated 15 or more years of creditable service, may elect to receive, in lieu of the accumulated contributions, a monthly benefit for life of the beneficiary.

Optional Forms of Benefit: The System permit members to elect certain optional forms of benefit at retirement. In each case the benefit amount is adjusted to be actuarially equivalent to the "Maximum Option" form. The optional forms of payment include:

a. Maximum Option: A life annuity. Upon the member's death, any remaining member contributions will be paid to the member's designated beneficiary.

b. Option 1 (100% Joint & Survivor): A reduced annuity payable as long as either the member or his/her beneficiary is living.

c. Option 1A (100% Joint & Survivor with a revert to Maximum Option feature): A reduced annuity payable as long as either the member or his/her beneficiary is living. In the event the member's designated beneficiary predeceases the member, then the member shall receive a retirement allowance equal to the maximum option.

d. Option 2 (50% Joint & Survivor): A reduced annuity payable during the member's life, and continues after the member's death at 50% of the rate paid to the member for the life of the member's designated beneficiary.

e. Option 2B (50% Joint & Survivor with a revert to Maximum Option feature): A reduced annuity payable during the member's life, and continues after the member's death at 50% of the rate paid to the member for the life of the member's designated beneficiary. In the event the member's designated beneficiary predeceases the member, then the member shall receive a retirement allowance equal to the maximum option.

Incidental Death Benefit:

a. Active Employees: The beneficiary (or estate) of an active employee who completes at least one full year of membership service, will receive a death benefit equal to the member's annual earnable compensation at the time of death.

The one full year membership requirement is waived for members whose death is a result of an injury arising out of and in the course of performing his duties.

b. Post Employment: The beneficiary (or estate) of a retiree, both current and future retiree, will receive a one-time payment upon the retiree's death. The amount of the one-time payment is based on the retiree's credited service.

Years of Service Credit	Death Benefit
10 or more, but less than 20	$1,000
20 or more, but less than 30	$2,000
30 or more	$3,000

Postretirement Benefit Increases: Retired members and beneficiaries will receive an adjustment to their benefit equal to the same percentage increase that the General Assembly approves in earnable compensation for active GARS members.

APPENDIX C

GLOSSARY

GLOSSARY

Actuarial Accrued Liability (AAL): That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of Future Plan Benefits which is not provided for by future Normal Costs. It is equal to the Actuarial Present Value of Future Plan Benefits minus the actuarial present value of future Normal Costs.

Actuarial Assumptions: Assumptions as to future experience under the Fund. These include assumptions about the occurrence of future events affecting costs or liabilities, such as:

- mortality, withdrawal, disablement, and retirement;
- future increases in salary;
- future rates of investment earnings and future investment and administrative expenses;
- characteristics of members not specified in the data, such as marital status;
- characteristics of future members;
- future elections made by members; and
- other relevant items.

Actuarial Cost Method or ***Funding Method:*** A procedure for allocating the Actuarial Present Value of Future Benefits to various time periods; a method used to determine the Normal Cost and the Actuarial Accrued Liability. These items are used to determine the ARC.

Actuarial Gain or ***Actuarial Loss:*** A measure of the difference between actual experience and that expected based upon a set of Actuarial Assumptions, during the period between two Actuarial Valuation dates. Through the actuarial assumptions, rates of decrements, rates of salary increases, and rates of fund earnings have been forecasted. To the extent that actual experience differs from that assumed, Actuarial Accrued Liabilities emerge which may be the same as forecasted, or may be larger or smaller than projected. Actuarial gains are due to favorable experience, e.g., the Fund's assets earn more than projected, salaries do not increase as fast as assumed, members retire later than assumed, etc. Favorable experience means actual results produce actuarial liabilities not as large as projected by the actuarial assumptions. On the other hand, actuarial losses are the result of unfavorable experience, i.e., actual results that produce actuarial liabilities which are larger than projected. Actuarial gains will shorten the time required for funding of the actuarial balance sheet deficiency while actuarial losses will lengthen the funding period.

Actuarially Equivalent: Of equal actuarial present value, determined as of a given date and based on a given set of Actuarial Assumptions.

Actuarial Present Value (APV): The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions. For purposes of this standard, each such amount or series of amounts is:

a. adjusted for the probable financial effect of certain intervening events (such as changes in compensation levels, marital status, etc.)

b. multiplied by the probability of the occurrence of an event (such as survival, death, disability, termination of employment, etc.) on which the payment is conditioned, and

c. discounted according to an assumed rate (or rates) of return to reflect the time value of money.

Actuarial Present Value of Future Plan Benefits: The Actuarial Present Value of those benefit amounts which are expected to be paid at various future times under a particular set of Actuarial Assumptions, taking into account such items as the effect of advancement in age and past and anticipated future compensation and service credits. The Actuarial Present Value of Future Plan Benefits includes the liabilities for active members, retired members, beneficiaries receiving benefits, and inactive, nonretired members either entitled to a refund or a future retirement benefit. Expressed another way, it is the value that would have to be invested on the valuation date so that the amount invested plus investment earnings would be provide sufficient assets to pay all projected benefits and expenses when due.

Actuarial Valuation: The determination, as of a valuation date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values for a plan. An Actuarial valuation for a governmental retirement system typically also includes calculations of items needed for compliance with GASB 25, such as the funded ratio and the ARC.

Actuarial Value of Assets or ***Valuation Assets:*** The value of the Fund's assets as of a given date, used by the actuary for valuation purposes. This may be the market or fair value of plan assets, but commonly actuaries use a smoothed value in order to reduce the year-to-year volatility of calculated results, such as the funded ratio and the ARC.

Actuarially Determined: Values which have been determined utilizing the principles of actuarial science. An actuarially determined value is derived by application of the appropriate actuarial assumptions to specified values determined by provisions of the law.

Amortization Method: A method for determining the Amortization Payment. The most common methods used are level dollar and level percentage of payroll. Under the Level Dollar method, the Amortization Payment is one of a stream of payments, all equal, whose Actuarial Present Value is equal to the UAAL. Under the Level Percentage of Pay method, the Amortization payment is one of a stream of increasing payments, whose Actuarial Present Value is equal to the UAAL. Under the Level Percentage of Pay method, the stream of payments increases at the assumed rate at which total covered payroll of all active members will increase.

Amortization Payment: That portion of the pension plan contribution or ARC which is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability.

Annual Required Contribution (ARC): The employer's periodic required contributions, expressed as a dollar amount or a percentage of covered plan compensation, determined under GASB 25. The ARC consists of the Employer Normal Cost and the Amortization Payment

Closed Amortization Period: A specific number of years that is counted down by one each year, and therefore declines to zero with the passage of time. For example if the amortization period is initially set at 30 years, it is 29 years at the end of one year, 28 years at the end of two years, etc. See Funding Period and Open Amortization Period.

Decrements: Those causes/events due to which a member's status (active-inactive-retiree-beneficiary) changes, that is: death, retirement, disability, or termination.

Defined Benefit Plan: A retirement plan that is not a Defined Contribution Plan. Typically a defined benefit plan is one in which benefits are defined by a formula applied to the member's compensation and/or years of service.

Defined Contribution Plan: A retirement plan, such as a 401(k) plan, a 403(b) plan, or a 457 plan, in which the contributions to the plan are assigned to an account for each member, and the plan's earnings are allocated to each account, and each member's benefits are a direct function of the account balance.

Employer Normal Cost: The portion of the Normal Cost to be paid by the employers. This is equal to the Normal Cost less expected member contributions.

Experience Study: A periodic review and analysis of the actual experience of the Fund which may lead to a revision of one or more actuarial assumptions. Actual rates of decrement and salary increases are compared to the actuarially assumed values and modified as deemed appropriate by the Actuary.

Funded Ratio: The ratio of the actuarial value of assets (AVA) to the actuarial accrued liability (AAL). Plans sometimes calculate a market funded ratio, using the market value of assets (MVA), rather than the AVA, although GASB 25 reporting requires the use of the AVA.

Funding Period or ***Amortization Period:*** The term "Funding Period" is used two ways. In the first sense, it is the period used in calculating the Amortization Payment as a component of the ARC. This funding period is chosen by the Board. In the second sense, it is a calculated item: the number of years in the future that will theoretically be required to amortize (i.e., pay off or eliminate) the Unfunded Actuarial Accrued Liability, based on the employer contribution, and assuming no future actuarial gains or losses.

GASB: Governmental Accounting Standards Board.

GASB 25 and ***GASB 27***: Governmental Accounting Standards Board Statements No. 25 and No. 27. These are the governmental accounting standards that set the accounting rules for public retirement systems and the employers that sponsor or contribute to them. Statement No. 27 sets the accounting rules for the employers that sponsor or contribute to public retirement systems, while Statement No. 25 sets the rules for the systems themselves.

Normal Cost: That portion of the Actuarial Present Value of pension plan benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method. Any payment in respect of an Unfunded Actuarial Accrued Liability is not part of Normal Cost (see Amortization Payment). For pension plan benefits which are provided in part by employee contributions, Normal Cost refers to the total of employee contributions and employer Normal Cost unless otherwise specifically stated. Under the entry age normal cost method, the Normal Cost is intended to be the level cost (when expressed as a percentage of pay) needed to fund the benefits of a member from hire until ultimate termination, death, disability or retirement.

Open Amortization Period: An open amortization period is one which is used to determine the Amortization Payment but which does not change over time. In other words, if the initial period is set as 30 years, the same 30-year period is used in determining the Amortization Period each year. In theory, if an Open Amortization Period is used to amortize the Unfunded Actuarial Accrued Liability, the UAAL will never completely disappear, but will become smaller each year, either as a dollar amount or in relation to covered payroll.

Unfunded Actuarial Accrued Liability: The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. This value may be negative in which case it may be expressed as a negative Unfunded Actuarial Accrued Liability, also called the Funding Surplus.

Valuation Date or Actuarial Valuation Date: The date as of which the value of assets is determined and as of which the Actuarial Present Value of Future Plan Benefits is determined. The expected benefits to be paid in the future are discounted to this date.

STATE BUDGET AND CONTROL BOARD

MEETING OF May 8, 2013

REGULAR SESSION

ITEM NUMBER 11

AGENCY: Public Employee Benefit Authority

SUBJECT: Approval of PEBA Policy Determination for the National Guard Retirement System

Pursuant to the Retirement Code, as amended by Act 278 of 2012, the PEBA Board of Directors is authorized to adopt the necessary employer, and, in certain cases, employee, contribution rates for the five defined benefit plans administered by PEBA based upon the annual valuations of those plans performed by the plans' actuary.

For the National Guard Retirement System ("NGRS"), which does not require employee contributions, the PEBA Board is required to certify the amount of the appropriation required from the State to maintain the plan on a sound actuarial basis as determined by the annual actuarial valuation of the plan. See Section 9-10-60(D).

At the regular meeting of the PEBA Board of Directors on February 1, 2013, the PEBA Board accepted as information the valuation prepared by the Board's actuary, Gabriel Roeder Smith ("GRS"), for NGRS as of July 1, 2012, and adopted the employer contribution of $4.586 million for the fiscal year beginning July 1, 2013, as recommended therein.

BOARD ACTION REQUESTED:

Pursuant to Section 9-4-45(A) (as added by Act 278 of 2012), policy determinations made by the PEBA Board are subject to approval by the Budget and Control Board, as evidenced by a majority vote of the Board. Adjustments in employer and employee contribution rates are policy determinations subject to Budget and Control Board approval. See Section 9-4-45(B).

Accordingly, pursuant to Section 9-4-45, the Budget and Control Board is asked to approve the following adjustment in employer contributions adopted by the PEBA Board for the National Guard Retirement System ("NGRS") for the fiscal year beginning July 1, 2013, based upon the actuarial valuation of the system as of July 1, 2012:

1. Increase NGRS employer contribution from $4.539 million to $4.586 million

ATTACHMENTS:

Agenda item worksheet; Minutes from the February 1, 2013, PEBA Board Meeting; Summary of NGRS Actuarial Valuation as of July 1, 2012; Section 9-10-60(D) of the South Carolina Code of Laws

BUDGET AND CONTROL BOARD AGENDA ITEM WORKSHEET

For meeting scheduled for:

__May 7, 2013__

___**Blue Agenda**
_X_**Regular Session**
___**Executive Session**

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1. Submitted by:

(a) Agency: Public Employee Benefit Authority ("PEBA")

(b) Authorized Official Signature: David K. Avant, Interim Director

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2. Subject: Approval of PEBA Policy Determination for the National Guard Retirement System

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3. Summary Background Information:

Pursuant to the Retirement Code, as amended by Act 278 of 2012, the PEBA Board of Directors is authorized to adopt the necessary employer, and, in certain cases, employee, contribution rates for the five defined benefit plans administered by PEBA based upon the annual valuations of those plans performed by the plans' actuary.

For the National Guard Retirement System ("NGRS"), which does not require employee contributions, the PEBA Board is required to certify the amount of the appropriation required from the State to maintain the plan on a sound actuarial basis as determined by the annual actuarial valuation of the plan. __See__ Section 9-10-60(D).

At the regular meeting of the PEBA Board of Directors on February 1, 2013, the PEBA Board accepted as information the valuation prepared by the Board's actuary, Gabriel Roeder Smith ("GRS"), for NGRS as of July 1, 2012, and adopted the employer contribution of $4.586 million for the fiscal year beginning July 1, 2013, as recommended therein.

---

4. What is Board asked to do?

Pursuant to Section 9-4-45(A) (as added by Act 278 of 2012), policy determinations made by the PEBA Board are subject to approval by the Budget and Control Board, as evidenced by a majority vote of the Board. Adjustments in employer and employee contribution rates are policy determinations subject to Budget and Control Board approval. __See__ Section 9-4-45(B).

Accordingly, pursuant to Section 9-4-45, the Budget and Control Board is asked to approve the following adjustment in employer contributions adopted by the PEBA Board for the National Guard Retirement System ("NGRS") for the fiscal year beginning July 1, 2013, based upon the actuarial valuation of the system as of July 1, 2012:

1. Increase NGRS employer contribution from $4.539 million to $4.586 million.

---

5. What is recommendation of the Board division involved? N/A.

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6. Recommendation of other office (as required)? N/A.

Office Name ______________________________ **Authorized Signature**______________________________

7. Supporting Documents:

List those attached:

- Minutes from the February 1, 2013, PEBA Board Meeting.
- Summary of NGRS Actuarial Valuation as of July 1, 2012.
- Section 9-10-60(D) of the South Carolina Code of Laws.

List those not attached but available:

South Carolina
PUBLIC EMPLOYEE BENEFIT AUTHORITY

PEBA

David K. Avant
Interim Executive Director

Retirement Benefits

April 24, 2012

Delbert H. Singleton, Jr.
Secretary, South Carolina Budget and Control Board
Post Office Box 12444
Columbia, South Carolina 29211

RE: Agenda Items for the Approval of Contribution Rates Adopted by the Board of Directors for the South Carolina Public Employee Benefit Authority

Dear Mr. Singleton:

Pursuant to the Retirement Code, as amended by Act 278 of 2012, the Board of Directors for the South Carolina Public Employee Benefit Authority ("PEBA") is authorized to adopt the necessary employer, and, in certain cases, employee, contribution rates for the five defined benefit plans administered by PEBA based upon the annual valuations of those plans performed by the plans' actuary. Further, as provided in Section 9-4-45 of the Code as added by Act 278, adjustments in employer and employee contribution rates made by the PEBA Board are policy determinations that are subject to approval by the Budget and Control Board, as evidenced by a majority vote of the Board.

At the regular meeting of the PEBA Board of Directors on February 1, 2013, the PEBA Board accepted as information valuations prepared by the plans' actuary, Gabriel Roeder Smith, for SCRS, PORS, JSRS, GARS, and NGRS as of July 1, 2012, and adopted the contribution rates recommended therein. As the PEBA Board and PEBA staff have taken all necessary actions for the acceptance of these valuations and adoption of the recommended contribution rates, the adjustments in the contribution rates adopted by the PEBA Board are now subject to approval by the Budget and Control Board pursuant to Section 9-4-45. Accordingly, please place five items on the agenda of the Budget and Control Board's May 7, 2013 meeting for the approval of these contribution rate adjustments, as reflected in more detail on the attached Agenda Item Worksheets.

Thank you for your attention to this matter. If you need any additional information, please do not hesitate to contact me.

Sincerely,

David K. Avant
Interim Executive Director

Enclosures

Street Address:
202 Arbor Lake Drive
Columbia, South Carolina 29223

www.retirement.sc.gov
803-737-6800
800-868-9002 (within S.C only)

Mailing Address:
Post Office Box 11960
Columbia, South Carolina 29211-1960

South Carolina
PUBLIC EMPLOYEE BENEFIT AUTHORITY

PEBA

South Carolina Public Employee Benefit Authority
Meeting Minutes (Adopted 3/20/2013)

Friday, February 1, 2013, 8:30 A.M.

2nd Floor Conference Room
202 Arbor Lake Drive
Columbia, South Carolina 29223

Board Members Present:
Mr. Art Bjontegard, Chairman (in person)
Ms. Peggy Boykin (in person)
Mr. Frank Fusco (in person)
Ms. Cynthia Harley (in person)
Ms. Stacy Kubu (in person)
Sheriff Leon Lott (in person)
Mr. Steve Matthews (in person)
Mr. Joe "Rocky" Pearce (in person)
Mr. Audie Penn (in person)
Mr. John Sowards (arrived in person at 9:08am)
Mr. David Tigges (arrived in person at 10:21am)

Others present for all or a portion of the meeting:
David Avant, Lil Hayes, Robbie Bell, Geneva McIntosh, Stephen Van Camp, and Justin Werner from the South Carolina Public Employee Benefit Authority (PEBA); Terry Mumford with Ice Miller; Joe Newton and Danny White from Gabriel, Roeder, Smith & Company (GRS), Hershal Harper and Sarah Corbett form the SC Retirement Investment Commission; Suzanne Bernard with Hewitt, Ennisknupp; Donald Tudor, Wayne Bell and Wayne Pruitt from the State Retirees Association,

I. CALL TO ORDER; ADOPTION OF PROPOSED AGENDA

Chairman Bjontegard called the meeting to order at 8:30 a.m. Steve Matthews gave the invocation. Ms. Hayes confirmed meeting notice compliance with the Freedom of Information Act. The Chairman asked for a motion to adopt the agenda which was made, seconded by Sheriff Lott and adopted unanimously. A motion was made by Ms. Hartley to adopt the minutes from the December 12, 2012 meeting, which was seconded by Mr. Matthews and adopted. The Chairman mentioned that the Past Action Report had been updated and posted for the members on their Extranet. He said after items had been completed, they would be removed from the list after one month.

II. Terry Mumford Ice Miller LLC – Fiduciary Responsibilities

Chairman Bjontegard introduced Terry Mumford, partner with Ice Miller, LLC. Ms. Mumford began by explaining that for the South Carolina Retirement Systems, the PEBA Board is one of four fiduciaries: PEBA, Budget and Control Board, Retirement System Investment Commission, and the State Treasurer. She explained that the legislature is considered the "settlor" and, as such, determined the scope of each fiduciary's responsibility. She then explained each fiduciary's role. The PEBA Board is responsible to administer the benefits in accordance with the plan, to engage experts, establish contribution rates, and establish rules and regulations.
Ms. Mumford continued by explaining that the Board must carry out its responsibilities in accordance with fiduciary principles. She explained that these principles are established by the Internal Revenue

Code, ERISA, the *Restatement of Third—Trusts, Uniform Management of Public Retirement Systems Act*, and South Carolina state law. She explained the exclusive benefit rule, which requires a fiduciary to discharge his duties solely in the interest of the participants and beneficiaries of the plan. She also stated that a fiduciary must not deal with plan assets in his own interest or in the interest of a "third party."

Ms. Mumford concluded by explaining that although the RSIC is granted investment responsibility by the legislature, the PEBA Board is a co-trustee of the trust assets and is responsible to act in the best interests of the trust—including with respect to investments. This means the PEBA Board has a duty to be informed about the actions of its co-trustees, to make reasonable effort to avoid a breach by a co-trustee, and to make reasonable effort to redress any breaches by co-trustees.

III. SCRS Investment Commission: Asset Liability Modeling (ALM) Study Overview, and Risk Assessment Update

Hershal Harper and Sarah Corbett from the SC Retirement Systems Investment Commission (RSIC) and Suzanne Bernard with Hewitt Ennisknupp conducted a presentation regarding the RSIC. Ms. Corbett began by explaining the RSIC's history and governing laws. She explained that until 1997, the Retirement Systems assets were only invested in domestic fixed income investments. In the 1990's, the Retirement Systems Investment Panel was created to advise the Budget and Control Board on the domestic equity portfolio. The RSIC was then created in 2005 and was constitutionally permitted to invest across all asset classes in 2007. Ms. Corbett went on to explain the makeup of the seven-member RSIC. There are four political appointees—one each from the Governor, the Chairman of the Senate Finance Committee, the Chairman of the House Ways and Means Committee, and the Comptroller General. The remaining three members include a retiree representative, the Executive Director of PEBA (non-voting member), and the State Treasurer (ex-officio). She then explained the RSIC's governing policies and compensation structure. She explained that, in an effort to recruit and keep top investment talent to serve at the RSIC agency, they initiated a Performance Incentive Compensation program to reward good performance in investments. Ms. Corbett also explained that the RSIC publishes an Annual Investment Plan each fiscal year to spell out the policies and objectives of the RSIC.

Ms. Corbett went on to describe the RSIC's Due Diligence Guidelines. She explained that a set of guidelines was adopted on November 8, 2012 to create a uniform method of conducting and recording due diligence on investment managers. Chairman Bjontegard asked about "allegations" being made that the RSIC had not conducted due diligence on some of its managers. Mr. Harper—after responding that was not aware that actual allegations had been made, but rather believed they were currently just suggestions—explained that due diligence was done on all managers, but that some had been recorded differently from others. Ms. Corbett added that this is the reason for the newly-adopted guidelines.

Ms. Corbett concluded by explaining that the RSIC was currently in process of trying to acquire new FTE positions for the agency. They are also seeking to improve their information technology resources. She emphasized the RSIC's desire to work with PEBA to pool resources and share IT systems to allow greater transparency between the two organizations and to alleviate any concern on the part of the PEBA Board members over the actions of the RSIC.

IV. COMMITTEE REPORTS

Retirement
Committee Chairman Sowards asked that the ORP Vendors item be struck from the agenda, which was agreed to by the Board. Mr. Tigges recused himself on any votes dealing with the ORP Vendors as he has a conflict of interest.

Mr Sowards introduced and requested Joe Newton and Danny White with GRS give information on the Actuarial Valuations of 6/30/2012 before the group for approval. After the presentation by GRS, Mr. Sowards moved to accept the GRS valuations for SCRS, PORS, JSRS, GARS, and National Guard Retirement System for FY2014. Ms. Hartley seconded. Mr. Matthews then voiced concern that the valuation given for SCRS did not appear to meet the statutory requirement to accept contribution increases that maintain no more than a thirty-year amortization period. Discussion ensued. Mr. Matthews and Mr. Sowards asked General Counsel to weigh in. Mr. Van Camp advised the Board that based upon the projected amortization period as described by GRS, the recommended contribution increase for FY2014 would, in fact, satisfy the statutory requirement. Mr. Matthews restated his concern. Mr. Sowards then withdrew his previous motion and amended it. He moved to accept the GRS valuations for the five retirement systems, contingent upon a written decision by PEBA General Counsel on the legality of accepting the GRS recommended contribution increases. Ms. Hartley seconded. The Board voted to accept the GRS valuations for the five retirement system for FY2014, contingent upon General Counsel's written decision. All Board members voted in favor of the motion, except Mr. Matthews, who voted against the motion.

Mr. Sowards then discussed the necessity of adopting a Group Trust Resolution, and further explained that on January 25th, PEBA received favorable Determination Letters from the IRS on the 4 contributory defined benefit plans (SCRS, PORS, GARS and JSRS). With these letters, we now have updated favorable determination letters or private letter rulings for all qualified plans including, SCRS, PORS, GARS, JSRS, ORP and the Deferred Comp plans (401k & 457). With no further discussion the Resolution was adopted.

FAAC
Committee Chairman Matthews gave an update that as of January 30, no legislation had been introduced concerning the Indemnification of the Board members. He mentioned a few other items that he also felt were of a technical nature that should be brought to the attention of the Legislature so they could be addressed.

Health
Committee Chair Hartley gave an update of what the Governor had recommended for the agency and the State Health Plan in her Executive Budget Recommendation. Ms. Hartley also gave a brief description of the budget hearing at the House of Representatives Budget Subcommittee hearing that was on January 22.

Lunch Break

V. Executive Session to Discuss Legal Matters Pursuant to S.C. Code of Laws § 30-4-70(a)(2)

Adjournment

Upon concluding executive session, Mr. Bjontegard requested a motion to adjourn the meeting. Mr. Sowards moved to adjourn and Mr. Fusco seconded. The Board then unanimously voted to adjourn at 3:15 pm.

South Carolina National Guard Retirement System (NGRS)

Executive Summary

(Dollar amounts expressed in thousands)

Valuation Date:	July 1, 2012	July 1, 2011
Membership		
• Number of		
- Active Members	12,041	12,271
- Retirees and Beneficiaries	4,419	4,252
- Inactive Members	2,484	2,458
- Total	18,944	18,981
GASB No. 25 Annual Required Contribution		
• Member	$0	$0
• Employer contribution[1]	$4,586	$4,539
Assets		
• Market value	$17,417	$17,466
• Actuarial value	20,814	20,138
• Return on market value	0.4%	14.9%
• Return on actuarial value	4.4%	4.5%
• Ratio - actuarial value to market value	119.5%	115.3%
• External cash flow %	-0.7%	-0.7%
Actuarial Information		
• Normal cost	$686	$703
• Actuarial accrued liability (AAL)	60,942	60,388
• Unfunded actuarial accrued liability (UAAL)	40,128	40,250
• Funded ratio	34.2%	33.3%
• Amortization period (blended)	20	21
Reconciliation of UAAL		
• Beginning of Year UAAL	$40,250	$34,695
- Interest on UAAL	3,019	3,010
- Amortization payment with interest	(3,669)	(3,670)
- Assumption/method changes	0	5,441
- Asset experience	849	668
- Other liability experience	(321)	106
- Legislative changes	0	0
• End of Year UAAL	40,128	$40,250

[1] The contribution amount determined by the actuarial valuation is effective for the following fiscal year.

SECTION 9-10-60. Eligibility; appropriation and use of funds.

(A) Notwithstanding any other provision of this chapter, a person who becomes a member of the National Guard of South Carolina after June 30, 1993, is ineligible to receive the pension authorized by this chapter.

(B) Persons with a break in service remain eligible for pension benefits under this chapter if the person was a member of the National Guard of South Carolina before July 1, 1993.

(C) RESERVED

(D) The General Assembly annually shall appropriate sums sufficient to establish and maintain the National Guard Retirement System on a sound actuarial basis as determined by the board.

(E) Assets and funds of the National Guard Retirement System must be used to pay obligations to persons entitled to receive benefits under this chapter and may not be diverted or used for any other purpose.

GRS Gabriel Roeder Smith & Company
Consultants & Actuaries

SOUTH CAROLINA NATIONAL GUARD RETIREMENT SYSTEM (NGRS)

ACTUARIAL VALUATION REPORT

AS OF JULY 1, 2012

GRS Gabriel Roeder Smith & Company
Consultants & Actuaries
5605 N. MacArthur Blvd.
Suite 870
Irving, TX 75038-2631
469.524.0000 phone
469.524.0003 fax
www.gabrielroeder.com

January 11, 2013

Public Employee Benefit Authority
South Carolina Retirement System
P.O. Box 11960
Columbia, SC 29211-1960

Subject: Actuarial Valuation as of July 1, 2012

Dear Members of the Board:

This report describes the current actuarial condition of the South Carolina National Guard Retirement System (NGRS), determines the calculated employer contribution requirement, and analyzes changes in this amount. In addition, the report provides information required by the Retirement System in connection with Governmental Accounting Standards Board Statement No. 25 (GASB 25), and it gives various summaries of the data. Results of this report should not be used for any other purpose without consultation with the undersigned. Valuations are prepared annually as of July 1, the first day of the plan year for NGRS. This report was prepared at the request of the Public Employee Benefit Authority (Board) and is intended for use by the South Carolina Retirement System (SCRS) staff and those designated or approved by the Board.

Under SCRS statutes, the Board must certify the employer contribution annually. This amount is determined actuarially, based on the Board's funding policy. The contribution is determined by a given actuarial valuation and becomes effective twelve months after the valuation date. In other words, the contribution amount determined by this July 1, 2012 actuarial valuation will be used by the Board when certifying the employer contribution amount for the year beginning July 1, 2013. If new legislation is enacted between the valuation date and the date the contribution becomes effective, the Board may adjust the calculated amount before certifying them, in order to reflect this new legislation. Such adjustments are based on information supplied by the actuary.

FINANCING OBJECTIVES AND FUNDING POLICY

The principle objectives in the funding policy that is maintained by the Board include:

- Establish a contribution amount that remains relatively level over time.
- To set an amount so that the measures of the System's funding progress which include the unfunded actuarial accrued liability, funded ratio, and funding period will be maintained or improved.

- To set a contribution amount that will result in the unfunded actuarial accrued liability (UAAL) to be amortized over a period from the current valuation date that does not exceed 30 years.

The contribution amounts are based on the Board's current funding policy, which is expected to completely amortize the unfunded actuarial accrued liability by June 30, 2036.

Progress Toward Realization of Financing Objectives

The funded ratio (the ratio of the actuarial value of assets to the actuarial accrued liability) is a standard measure of a plan's funded status. In the absence of benefit improvements, it should increase over time, until it reaches at least 100%.

The funded ratio of the System increased from 33.3% to 34.2%. If market value of assets had been used in the calculation instead of actuarial (smoothed) value of assets, the funded ratio for the System would have been 28.6%, compared to 28.9% in the prior year.

Assumptions and Methods

The actuarial assumptions used to perform this valuation remain unchanged from the prior valuation, including the use of a 7.50% investment return assumption. South Carolina State Code requires that an experience analysis that reviews the economic and demographic assumptions be performed every five years. The next experience analysis is scheduled for 2016.

It is our opinion that the recommended assumptions are internally consistent and reasonably reflect the anticipated future experience of the System. The actuarial assumptions and methods used in this report comply with the parameters for disclosure that appear in GASB 25.

The results of the actuarial valuation are dependent on the actuarial assumptions used. Actual results can, and almost certainly will, differ as actual experience deviates from the assumptions. Even seemingly minor changes in the assumptions can materially change the liabilities, calculated contribution rate, and funding periods. The actuarial calculations are intended to provide information for rational decision making.

Benefit Provisions

The benefit provisions reflected in this valuation are those which were in effect on July 1, 2012. There have been no changes in plan provisions since the preceding actuarial valuation.

Data

Member data for retired, active and inactive members was supplied as of July 1, 2012, by the SCRS staff. The staff also supplied asset information as of July 1, 2012. We did not audit this data, but we did apply a number of tests to the data, and we concluded that it was reasonable and consistent with the prior year's data. GRS is not responsible for the accuracy or completeness of the information provided to us by SCRS.

CERTIFICATION

We certify that the information presented herein is accurate and fairly portrays the actuarial position of NGRS as of July 1, 2012.

All of our work conforms with generally accepted actuarial principles and practices and complies with the Actuarial Standards of Practice issued by the Actuarial Standards Board. In our opinion, our calculations also comply with the requirements of South Carolina Code of Laws and, where applicable, the Internal Revenue Code, ERISA, and the Statements of the Governmental Accounting Standards Board.

The undersigned are independent actuaries and consultants. Mr. Newton and Mr. White are Enrolled Actuaries and Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries. Both are experienced in performing valuations for large public retirement systems.

Sincerely,

Gabriel, Roeder, Smith & Co.

Joseph P. Newton, FSA, MAAA, EA
Senior Consultant

Daniel J. White, FSA, MAAA, EA
Senior Consultant

TABLE OF CONTENTS

SECTION A
EXECUTIVE SUMMARY

Executive Summary

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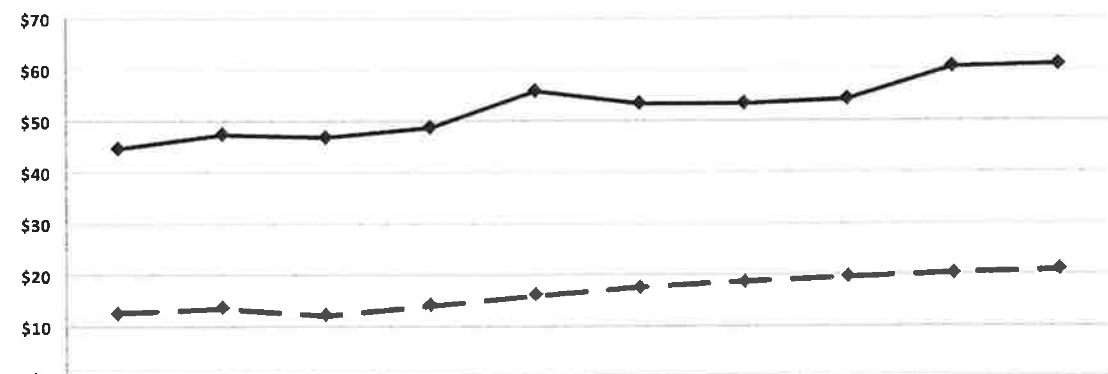
• End of Year UAAL	40,128	$40,250

[1] The contribution amount determined by the actuarial valuation is effective for the following fiscal year.

EXECUTIVE SUMMARY (CONTINUED)

The unfunded actuarial accrued liability decreased by $122 thousand since the prior year's valuation to $40.1 million. Below is a chart with the historical actuarial value of assets and actuarial accrued liability for NGRS.

Chart 1. - History of Actuarial Assets vs. Actuarial Accrued Liability
(Dollars in Millions)



	2002	2004	2005	2006	2007	2008	2009	2010	2011	2012
AVA	12.6	13.6	12.2	14.0	15.9	17.4	18.6	19.5	20.1	20.8
AAL	44.7	47.3	47.0	48.8	55.9	53.5	53.4	54.2	60.4	60.9

There is still $3.4 million in deferred investment losses as of the valuation date. Absent favorable investment experience, those deferred losses will be reflected in the actuarial value of assets over the next few years. Therefore, we expect the unfunded actuarial liability for the System and the funded ratio to remain relatively constant for the next few years as those deferred investment losses become recognized in the actuarial value of assets.

The recommended employer contribution requirement slightly increased from $4.5 million in FY 2013 to $4.6 million in FY 2014. Absent legislative changes or significantly favorable investment experience, we expect the contribution rate to gradually increase over the next several years as existing deferred investment losses becomes recognized in the actuarial value of assets.

SECTION B
DISCUSSION

Discussion

The results of the July 1, 2012 actuarial valuation of the South Carolina National Guard Retirement System are presented in this report. The purposes of the valuation report is to depict the current financial condition of the System, determine the annual required contribution, and analyze changes in the System's financial condition. In addition, the report provides information required by SCRS in connection with Governmental Accounting Standards Board Statement No. 25 (GASB 25), and various summaries of the members participating in the plan.

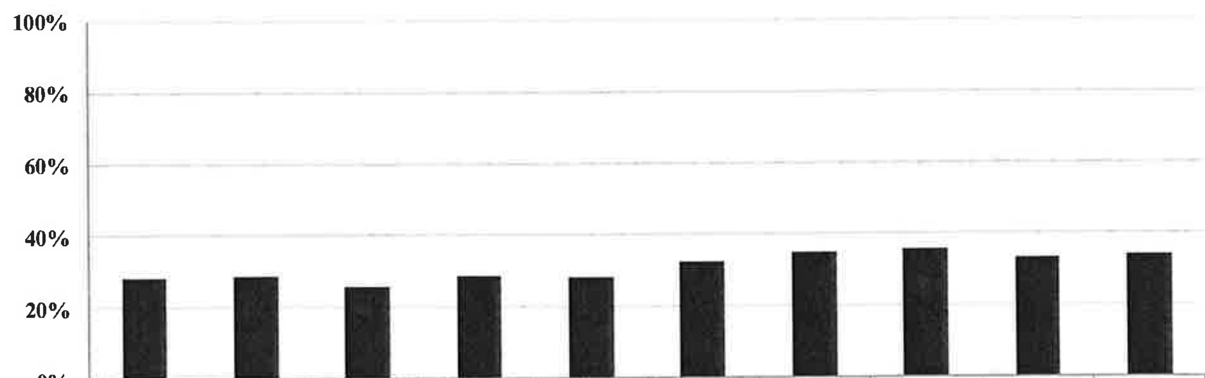
This section discusses the determination of the current funding requirements and the System's funded status, as well as changes in financial condition of the retirement system.

All of the actuarial and financial tables referenced by the other sections of this report appear in Section C. Section D provides member data and statistical information. Appendices A and B provide summaries of the principle actuarial assumptions and methods and plan provisions. Finally, Appendix C provides a glossary of technical terms that are used throughout this report.

Funding Progress

The funded ratio increased from 33.3% to 34.2% since the prior valuation and has generally trended slightly upward since 2002 as shown in the graph below. Table 10, Schedule of Funding Progress, in the following section of the report provides additional detail regarding the funding progress of the Retirement System.

Chart 2. - Funded Ratio
Actuarial Assets as a Percentage of Actuarial Accrued Liabilities



	2002	2004	2005	2006	2007	2008	2009	2010	2011	2012
Funded Ratio	28.2%	28.7%	25.9%	28.8%	28.5%	32.6%	34.8%	35.9%	33.3%	34.2%

The contribution policy established by the Board is to fully amortize the unfunded actuarial accrued liability (UAAL) over a 30 year period from July 1, 2006. Under this funding policy, there are 24 years remaining in the funding period from the valuation date.

The State appropriation (i.e. employer contribution) is the dollar amount necessary to fund the annual normal cost and systematically amortize the UAAL. There is an amortization cost of $587,062 to amortize the remaining balance of $3,744,807 that was established at July 1, 2006 due to a legislation change that allowed guardsmen who became members of the National Guard after June 30, 1993 to become eligible for membership in the System effective January 1, 2007. The remaining amortization period for this amount as of July 1, 2012 is nine years. The UAAL from other sources of $36,383,592 is funded over a 30 year period beginning July 1, 2006. The remaining amortization period for this balance as of July 1, 2012 is 24 years. Therefore, the total State appropriation to be made for FY 2014 is $4,585,560.

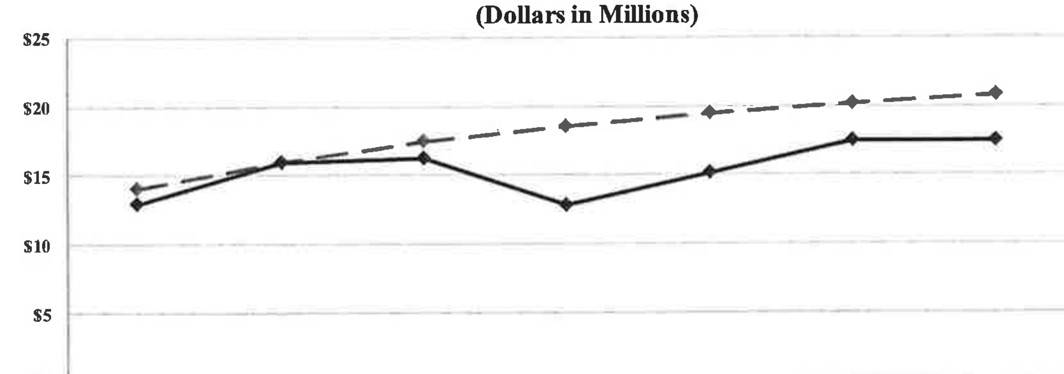
Asset Gains/ (Losses)

The actuarial value of assets ("AVA") is based on a smoothed market value of assets, using a systematic approach to phase-in actual investment return in excess of (or less than) the expected investment income. This is appropriate because it dampens the short-term volatility inherent in investment markets. The expected investment income is determined using the assumed annual investment return rate and the actuarial value of assets (adjusted for receipts and disbursements during the year). The returns are computed net of administrative and investment expenses. The actuarial value of assets increased from $20.1 million to $20.8 million since the prior valuation. Table 8 in the following section of the report provides the development of the actuarial value of assets.

The rate of return on the mean market value of assets in 2012 was 0.4%, which is significantly below the expected annual return. However, because of the recognition of prior investment experience, the actuarial (smoothed) asset value returned only 4.4%. This difference in the estimated return on market value and actuarial value illustrates the smoothing effect of the asset valuation method.

The market value of assets is less than the actuarial value of assets, which signifies that the retirement system is in a position of deferred losses. Therefore, unless the System experiences investment returns in excess of the assumed rate of return, the future recognition of these deferred losses is expected to increase the State's contribution requirement.

Chart 3. - History of Actuarial Value and Market Value of Assets
(Dollars in Millions)



	2006	2007	2008	2009	2010	2011	2012
AVA	$14.0	$15.9	$17.4	$18.6	$19.5	$20.1	$20.8
MVA	$12.9	$15.9	$16.2	$12.8	$15.1	$17.5	$17.4

Assets as of July 1,

Tables 6 and 7 in the following section of this report provide asset information that was included in the annual financial statements of the System. Also, Table 9 shows the estimated yield on a market value basis and on the actuarial asset valuation method.

Actuarial Gains/ (Losses) and the Contribution Requirement

The annual actuarial valuation is a snapshot analysis of the benefit liabilities, assets and funded position of the System as of the first day of the plan year. In any one fiscal year, the experience can be better or worse from that which is assumed or expected. The actuarial assumptions do not necessarily attempt to model what the experience will be for any one given fiscal year, but instead try to model the overall experience on average over many years. The demographic experience for the last year is briefly summarized in the chart below.

The unfunded actuarial accrued liability (UAAL) has decreased from $40.250 million in 2011 to $40.128 million in 2012. The table below shows the source of the gains and losses and the impact of those gains and losses on the UAAL.

Reconciliation of UAAL
(Dollars in thousands)

•	Beginning of Year UAAL	$40,250
	- Interest on UAAL	3,019
	- Amortization payment with interest	(3,669)
	- Assumption change	0
	- Asset experience	849
	- Liability experience	(321)
	- Legislative changes	0
	- Total change	($122)
•	End of Year UAAL	$40,128

The following table provides a reconciliation of the change in the recommended contribution from 2011 to 2012. The asset experience, which includes the recognition of prior deferred losses, had the largest single impact on the change in the recommended contribution.

Change in Recommended Contribution

• Prior year valuation	$4,539
- Expected change	0
- Assumption change	0
- Asset experience	93
- Liability experience	(46)
- Legislative changes	0
- Total change	$47
• Current year valuation	$4,586

This funding method and contribution policy is designed to result in relatively level contribution requirements from year to year. However, absent favorable investment experience, we expect that the contribution requirement will continue to increase over the next several years as existing deferred investment losses become fully recognized in the actuarial value of assets and calculation of the recommended contribution.

GASB No. 25 and No. 27 Disclosures

Accounting requirements for NGRS are provided by the Governmental Accounting Standards Board Statements No. 25 ("GASB 25") and No. 27 ("GASB 27"). Table 10 shows a historical summary of the funded ratios and other information for the System. Table 11 shows other information needed in connection with the required disclosures under GASB 25. GASB 27 governs reporting by the employers of government-sponsored retirement plans.

GASB 25 requires that plans calculate an Annual Required Contribution ("ARC"), and, if actual contributions received are less than the ARC, this must be disclosed. The ARC is calculated in accordance with certain parameters. In particular, it includes a payment to amortize the UAAL. This amortization payment must be computed using a funding period no greater than thirty (30) years. For this disclosure, NGRS treats the Board-established contribution requirement as the ARC.

Actuarial Assumptions and Methods

In determining costs and liabilities, actuaries use assumptions about the future, such as probabilities of retirement, termination, death and disability, and an annual investment return assumption. The actuarial assumptions and methods used to determine the results of the 2012 actuarial valuation are the same as those used for the prior year's valuation.

Appendix A includes a summary of the actuarial assumptions and methods used in this valuation.

It is our opinion that the assumptions are internally consistent and are reasonable and reflect anticipated future experience of the System. The actuarial assumptions and methods used in this report comply with the parameters for disclosure that appear in GASB 25.

Benefit Provisions

Appendix B of this report includes a summary of the benefit provisions for NGRS. There have been no changes in the benefit provisions since the prior valuation.

Summary of Retirement Provisions

- All members of the South Carolina National Guard are covered by the System.
- The retirement benefit amount is equal to $50 per month for 20 years' creditable service with an additional $5 per month for each additional year of service. The total pension is limited to $100 per month.
- Members with 20 years of military service are eligible for retirement after they have (i) attained age 60, or (ii) completed 30 years of creditable service. Eligible member may commence benefits at age 60.
- Member contributions are not required or permitted.

SECTION C

ACTUARIAL TABLES

Actuarial Tables

Summary of Cost Items

(Dollar amounts expressed in thousands)

		July 1, 2012 (1)	July 1, 2011 (2)
1.	Normal cost		
	a. Total normal cost	$ 686	$ 703
	b. Less: member contribution	0	0
	c. Employer normal cost	$ 686	$ 703
2.	Actuarial accrued liability for active members		
	a. Present value of future benefits	$ 21,550	$ 22,263
	b. Less: present value of future normal costs	6,222	6,365
	c. Actuarial accrued liability	$ 15,328	$ 15,898
3.	Total actuarial accrued liability for:		
	a. Retirees and beneficiaries	$ 32,989	$ 32,038
	b. Inactive members	12,625	12,452
	c. Active members (Item 2.c.)	15,328	15,898
	d. Total	$ 60,942	$ 60,388
4.	Actuarial value of assets	$ 20,814	$ 20,138
5.	Unfunded actuarial accrued liability (UAAL) (Item 3.d. - Item 4.)	$ 40,128	$ 40,250
6.	GASB No. 25 Annual Required Contribution		
	a. Employer normal cost	$ 686	$ 703
	b. Employer contribution available to amortize the UAAL	3,900	3,836
	c. Total employer contribution	$ 4,586	$ 4,539

Actuarial Present Value of Future Benefits

(Dollar amounts expressed in thousands)

		July 1, 2012 (1)	July 1, 2011 (2)
1.	Active members		
	a. Service retirement	$ 2,642	$ 2,830
	b. Deferred termination benefits[1]	18,908	19,433
	c. Survivor benefits	0	0
	d. Disability benefits	0	0
	e. Total	$ 21,550	$ 22,263
2.	Retired and Inactive members		
	a. Members in payment status	$ 32,989	$ 32,038
	b. Inactive Vested members	12,625	12,452
	c. Total	$ 45,614	$ 44,490
3.	Total actuarial present value of future benefits	$ 67,164	$ 66,753

[1] Attributable to members who terminate after attaining 20 years of service and prior to age 60, the age when retirement benefits commence.

Analysis of Normal Cost
(Dollar amounts expressed in thousands)

		July 1, 2012 (1)	July 1, 2011 (2)
1.	Total normal cost		
	a. Retirement benefits	$ 83	$ 91
	b. Deferred termination benefits	603	612
	c. Survivor benefits	0	0
	d. Disability benefits	0	0
	e. Total	686	703
2.	Less: member contributions	$ 0	$ 0
3.	Net employer normal cost	$ 686	$ 703

Results of July 1, 2012 Valuation

(Dollar amounts expressed in thousands)

			July 1, 2012 (1)
1.	Actuarial Present Value of Future Benefits		
	a. Present Retired Members and Beneficiaries	$	32,989
	b. Present Active and Inactive Members		34,175
	c. Total Actuarial Present Value	$	67,164
2.	Present Value of Future Normal Contributions		
	a. Employee	$	0
	b. Employer		6,222
	c. Total Future Normal Contributions	$	6,222
3.	Actuarial Liability	$	60,942
4.	Current Actuarial Value of Assets	$	20,814
5.	Unfunded Actuarial Liability	$	40,128
6.	Unfunded Actuarial Liability Liquidation Period (blended)		20 years

Actuarial Balance Sheet

(Dollar amounts expressed in thousands)

		July 1, 2012 (1)	July 1, 2011 (2)
1.	Assets		
	a. Current assets (actuarial value)	$ 20,814	$ 20,138
	b. Present value of future member contributions	0	0
	c. Present value of future employer contributions		
	i. Normal contributions	$ 6,222	$ 6,365
	ii. Accrued liability contributions	40,128	40,250
	iii. Total future employer contributions	$ 46,350	$ 46,615
	d. Total assets	$ 67,164	$ 66,753
2.	Liabilities		
	a. Benefits to be paid to retired members	$ 32,989	$ 32,038
	b. Benefits to be paid to former members entitled to deferred pensions	12,625	12,452
	c. Benefits to be paid to current active members	21,550	22,263
	d. Total liabilities	$ 67,164	$ 66,753

System Net Assets
Assets at Market or Fair Value
(Dollar amounts expressed in thousands)

Item (1)	July 1, 2012 (2)	July 1, 2011 (3)
1. Cash and cash equivalents (operating cash)	$ 2,473	$ 3,020
2. Receivables	499	532
3. Investments		
a. Short-term securities	$ 0	$ 7
b. Domestic fixed income	2,522	2,380
c. Global fixed income	985	1,999
d. Domestic equities	1,209	1,301
e. Global equities	1,127	773
f. Alternative investments	9,385	8,422
g. Total investments	$ 15,228	$ 14,882
4. Securities lending cash collateral invested	$ 119	$ 143
5. Prepaid administrative expenses	1	1
6. Capital assets, net of accumulated depreciation	0	0
7. Total assets	$ 18,320	$ 18,578
8. Liabilities		
a. Due to other systems	$ 0	$ 0
b. Accounts payable	589	835
c. Investment fees payable	6	11
d. Obligations under securities lending	119	143
e. Deferred retirement benefits	0	0
f. Due to employee insurance program	0	0
g. Benefit payable	31	4
h. Other liabilities	158	119
i. Total liabilities	$ 903	$ 1,112
9. Total market value of assets available for benefits (Item 7. - Item 8.i.)	$ 17,417	$ 17,466
10. Asset allocation (investments)		
a. Net Invested cash	12.6%	14.8%
b. Domestic fixed income	14.5%	13.6%
c. Global fixed income	5.7%	11.5%
d. Domestic equities	6.9%	7.5%
e. Global equities	6.5%	4.4%
f. Alternative investments	53.8%	48.2%
g. Total investments	100.0%	100.0%

Reconciliation of System Net Assets
(Dollar amounts expressed in thousands)

	Year Ending			
	July 1, 2012		July 1, 2011	
	(1)		(2)	
1. Value of assets at beginning of year	$	17,466	$	15,053
2. Revenue for the year				
a. Contributions				
i. Member contributions	$	0	$	0
ii. Employer contributions		3,937		3,904
iii. Total	$	3,937	$	3,904
b. Income				
i. Interest, dividends, and other income	$	155	$	152
ii. Investment expenses		(33)		(43)
iii. Net	$	122	$	109
c. Net realized and unrealized gains (losses)		(28)		2,424
d. Total revenue	$	4,031	$	6,437
3. Expenditures for the year				
a. Disbursements				
i. Refunds	$	0	$	0
ii. Regular annuity benefits		4,065		4,011
iii. Other benefit payments		0		0
iv. Transfers to other Systems		0		0
v. Total	$	4,065	$	4,011
b. Administrative expenses and depreciation		15		13
c. Total expenditures	$	4,080	$	4,024
4. Increase in net assets (Item 2.d.- Item 3.c.)	$	(49)	$	2,413
5. Value of assets at end of year (Item 1. + Item 4.)	$	17,417	$	17,466
6. Net external cash flow				
a. Dollar amount	$	(128)	$	(107)
b. Percentage of market value		-0.7%		-0.7%

Development of Actuarial Value of Assets
(Dollar amounts expressed in thousands)

			July 1, 2012 (1)
1.	Actuarial value of assets at the prior valuation date	$	20,138
2.	Market value of assets at the prior valuation date	$	17,466
3.	Net external cash flow during the year		
	a. Contributions	$	3,937
	b. Disbursements		(4,065)
	c. Subtotal	$	(128)
4.	Expected net investment income at 7.50% earned on		
	a. Actuarial value of assets at the prior valuation date	$	1,510
	b. Contributions		295
	c. Disbursements		(152)
	d. Subtotal	$	1,653
5.	Expected actuarial value of assets, end of year (Item 1. + Item 3.c. + Item 4.d.)	$	21,663
6.	Market value of assets as of the current valuation date	$	17,417
7.	Difference between expected actuarial assets and market value of assets (Item 6. - Item 5.)	$	(4,246)
8.	Excess/(shortfall) recognized (20% of Item 7.)	$	(849)
9.	Actuarial value of plan assets, end of year (Item 5. + Item 8.)	$	20,814
10.	Asset gain (loss) for year (Item 9. - Item 5.)	$	(849)
11.	Asset gain (loss) as % of actual actuarial assets		-4.1%
12.	Ratio of AVA to MVA		119.5%

Estimation of Yields
(Dollar amounts expressed in thousands)

	Year Ending	
	July 1, 2012	July 1, 2011
	(1)	(2)
1. Market value yield		
a. Beginning of year market assets	$ 17,466	$ 15,053
b. Contributions to fund during the year	3,937	3,904
c. Disbursements	(4,065)	(4,011)
d. Investment income (net of investment and administrative expenses)	79	2,520
e. End of year market assets	$ 17,417	$ 17,466
f. Estimated dollar weighted market value yield	0.4%	14.9%
2. Actuarial value yield		
a. Beginning of year actuarial assets	$ 20,138	$ 19,458
b. Contributions to fund during the year	3,937	3,904
c. Disbursements	(4,065)	(4,011)
d. Investment income (net of investment and administrative expenses)	804	787
e. End of year actuarial assets	$ 20,814	$ 20,138
f. Estimated actuarial value yield	4.4%	4.5%

Schedule of Funding Progress
(Dollar amounts expressed in thousands)

July 1, (1)	Actuarial Value of Assets (AVA) (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded Actuarial Accrued Liability (UAAL) (3) - (2) (4)	Funded Ratio (2)/(3) (5)	Annual Covered Payroll (6)	UAAL as % of Payroll (4)/(6) (7)
1998	$ 8,640	$ 41,478	$ 32,838	20.8%	N/A	N/A
2000*	11,089	43,427	32,338	25.5%	N/A	N/A
2002	12,608	44,678	32,069	28.2%	N/A	N/A
2004	13,567	47,281	33,714	28.7%	N/A	N/A
2005	12,151	46,985	34,835	25.9%	N/A	N/A
2006	14,046	48,755	34,709	28.8%	N/A	N/A
2007	15,937	55,917	39,980	28.5%	N/A	N/A
2008	17,426	53,534	36,108	32.6%	N/A	N/A
2009	18,600	53,421	34,821	34.8%	N/A	N/A
2010	19,458	54,153	34,695	35.9%	N/A	N/A
2011	20,138	60,388	40,250	33.3%	N/A	N/A
2012	20,814	60,942	40,128	34.2%	N/A	N/A

*As of April 30, 2000.

Notes to Required Supplementary Information
(as required by GASB #25)

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	July 1, 2012
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar
Amortization period for GASB 25 ARC	20-year closed period[1]
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return[2]	7.50%
Projected salary increases	None
Inflation	2.75%
Cost-of-living adjustments	0.00%

[1] The blended amortization period as of the valuation date.

[2] Includes inflation at 2.75%.

Solvency Test

(Dollar amounts expressed in thousands)

	Actuarial Accrued Liability				Portion of Aggregate Accrued Liabilities Covered by Assets		
July 1,	Active Member Contributions	Retirants & Beneficiaries	Active & Inactive Members (Employer Financed)	Valuation Assets	Active	Retirants	ER Financed
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1998	$ 0	$ 14,651	$ 26,827	$ 8,640	N/A	59.0%	0.0%
2000	0	16,186	27,241	11,089	N/A	68.5%	0.0%
2002	0	17,597	27,081	12,608	N/A	71.6%	0.0%
2004	0	19,704	27,577	13,567	N/A	68.9%	0.0%
2005	0	20,804	26,181	12,151	N/A	58.4%	0.0%
2006	0	22,366	26,389	14,046	N/A	62.8%	0.0%
2007	0	24,627	31,290	15,937	N/A	64.7%	0.0%
2008	0	25,554	27,980	17,426	N/A	68.2%	0.0%
2009	0	27,558	25,863	18,600	N/A	67.5%	0.0%
2010	0	28,492	25,661	19,458	N/A	68.3%	0.0%
2011	0	32,038	28,350	20,138	N/A	62.9%	0.0%
2012	0	32,989	27,953	20,814	N/A	63.1%	0.0%

SECTION D

MEMBERSHIP DATA

Membership Tables

Summary of Membership Data

		July 1, 2012 (1)	July 1, 2011 (2)
1.	Active members		
	a. Males	10,090	10,356
	b. Females	1,951	1,915
	c. Total members	12,041	12,271
	d. Average age	31.8	32.0
	e. Average service	9.2	9.3
2.	Vested inactive members		
	a. Number	2,484	2,458
	b. Total annual deferred benefits	$ 1,951,320	$ 1,910,760
	c. Average annual deferred benefit	$ 786	$ 777
3.	Service retirees		
	a. Number	4,419	4,252
	b. Total annual benefits	$ 4,072,980	$ 3,932,340
	c. Average annual benefit	$ 922	$ 925
	d. Average age	69.0	68.7

Summary of Historical Active Membership

July 1,	Number of Employers	Number of Members	Annual Payroll	Average Pay	Percentage Increase in Average Pay	Average Age	Average Service
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1998	1	9,604	N/A	N/A	N/A	N/A	N/A
2000	1	5,289	N/A	N/A	N/A	N/A	N/A
2002	1	4,010	N/A	N/A	N/A	N/A	N/A
2004	1	3,425	N/A	N/A	N/A	N/A	N/A
2005	1	2,864	N/A	N/A	N/A	45	23
2006	1	2,502	N/A	N/A	N/A	45	23
2007	1	11,076	N/A	N/A	N/A	45	23
2008	1	12,559	N/A	N/A	N/A	31	8
2009	1	12,599	N/A	N/A	N/A	31.7	8.7
2010	1	12,445	N/A	N/A	N/A	31.9	9.0
2011	1	12,271	N/A	N/A	N/A	32.0	9.3
2012	1	12,041	N/A	N/A	N/A	31.8	9.2

Distribution of Active Members by Age and by Years of Service

Attained	Years of Credited Service												
Age	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30-34	35 & Over	Total
Under 20	462	153	5	0	0	0	0	0	0	0	0	0	620
20-24	689	649	616	655	411	333	0	0	0	0	0	0	3,353
25-29	139	138	188	261	264	1,118	161	0	0	0	0	0	2,269
30-34	41	42	51	102	47	427	713	98	0	0	0	0	1,521
35-39	18	25	23	30	23	183	332	460	58	0	0	0	1,152
40-44	4	12	13	19	17	143	223	324	524	55	0	0	1,334
45-49	0	5	2	4	12	49	132	128	231	338	53	0	954
50-54	1	0	0	0	0	15	41	76	105	152	183	8	581
55-59	1	0	0	1	0	3	9	23	38	52	62	46	235
60-64	0	0	0	0	0	0	0	4	3	1	1	13	22
65 & Over	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	1,355	1,024	898	1,072	774	2,271	1,611	1,113	959	598	299	67	12,041

Distribution of Annuitants by Age
as of July 1, 2012

Age	Number of Annuitants	Total Annual Benefits	Average Annual Benefits
(1)	(2)	(3)	(4)
Under 50	0	$ 0	N/A
50 - 54	0	0	N/A
55 - 59	0	0	N/A
60 - 64	1,550	$ 1,380	$ 890
65 - 69	1,325	1,199	905
70 - 74	629	579	921
75 - 79	538	516	959
80 & Over	377	399	1,058
Total	4,419	$ 4,073	$ 922

Dollar amounts, except averages, are expressed in thousands.

Schedule of Retirants Added to And Removed from Rolls

(Dollar amounts except average allowance expressed in thousands)

	Added to Rolls		Removed from Rolls		Rolls End of the Year		% Increase	Average
July 1,	Number	Annual Benefits	Number	Annual Benefits	Number	Annual Benefits	in Annual Benefit	Annual Benefit
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1998	N/A	N/A	N/A	N/A	1,801	$ 1,808	13.6%	$ 1,004
2000	N/A	N/A	N/A	N/A	1,962	1,947	7.7%	992
2002	N/A	N/A	N/A	N/A	2,213	2,160	10.9%	976
2004	N/A	N/A	N/A	N/A	2,535	2,439	12.9%	962
2005	244	$ 214	89	$ 81	2,690	2,572	5.5%	956
2006	303	276	90	91	2,903	2,757	7.2%	950
2007	362	329	61	58	3,204	3,028	9.8%	945
2008	364	331	76	75	3,492	3,284	8.5%	940
2009	378	335	85	83	3,785	3,536	7.7%	934
2010	267	237	101	99	3,951	3,674	3.9%	930
2011	399	351	98	93	4,252	3,932	7.0%	925
2012	259	228	92	87	4,419	4,073	3.6%	922

APPENDIX A

ACTUARIAL ASSUMPTIONS AND METHODS

Summary of Actuarial Assumptions and Methods

The following presents a summary of the actuarial assumptions and methods used in the valuation of the South Carolina National Guard Retirement System.

Investment Rate of Return

Assumed annual rate of 7.50% net of investment and administrative expenses composed of a 2.75% inflation component and a 4.75% real rate of return, net of investment and administration expenses.

Rates of Annual Salary Increase

No increases in salary are assumed. Benefit is not pay related.

Active Member Decrement Rates

a. Assumed rates of service retirement are shown in the following table. Members who retire prior to age 60 are assumed to defer retirement benefits until age 60.

Age Based Retirement Rates		
Age	Rate with 20 or more years of service	Rate with 30 or more years of service
39 & Under	10.00%	100.00%
40-49	10.00%	100.00%
50-59	10.00%	100.00%
60 & older	100.00%	100.00%

b. An abbreviated table with the assumed rates of disability and mortality while employed is shown below. There is no active employment withdrawal assumption.

	Disability Rates		Pre-Retirement Mortality	
Age	Males	Females	Males	Females
25	0.0854%	0.0854%	0.0338%	0.0186%
30	0.1100%	0.1100%	0.0653%	0.0264%
35	0.1474%	0.1474%	0.0978%	0.0467%
40	0.2201%	0.2201%	0.1234%	0.0790%
45	0.3595%	0.3595%	0.1614%	0.1248%
50	0.6059%	0.6059%	0.2171%	0.1767%
55	1.0089%	1.0089%	0.3776%	0.2516%
60	1.6269%	1.6269%	0.7443%	0.4454%
Multiplier			90.0%	90.0%

Note: The multiplier has been applied to the decrement in the illustrative table.

Post Retirement Mortality

Retirees and beneficiaries – The RP-2000 Mortality Table projected using the AA projection table with multipliers based on plan experience. The following are sample rates:

Annuitant Mortality Rates Before Projection (Multiplier Applied)		
Age	**Males**	**Females**
50	0.2774%	0.2257%
55	0.4825%	0.3214%
60	0.9511%	0.5691%
65	1.7870%	1.1958%
70	3.0772%	2.1429%
75	4.9601%	3.5521%
80	8.1129%	5.6296%
85	13.2339%	9.5565%
90	20.9021%	15.7189%
Multiplier	115%	115%

The following table provides the life expectancy for individuals retiring in future years based on the assumption with full generational projection:

Life Expectancy for an Age 65 Retiree in Years				
	Year of Retirement			
Gender	**2015**	**2020**	**2025**	**2030**
Male	17.8	18.2	18.6	19.0
Female	19.7	19.9	20.1	20.4

Asset Valuation Method

The actuarial value of assets is based on the market value of assets with five-year smoothing applied. This is accomplished by recognizing each year 20% of the difference between the market value of assets and the expected actuarial value of assets, based upon the assumed valuation rate of return.

Expected earnings are determined using the assumed investment rate of return and the beginning of year actuarial value of assets (adjusted for receipts and disbursements during the year). The returns are computed net of administrative and investment expenses.

Actuarial Cost Method

The Entry Age Normal actuarial cost method allocates the System's actuarial present value of future benefits to various periods based upon service. The portion of the present value of future benefits allocated to years of service prior to the valuation date is the actuarial accrued liability, and the portion allocated to years following the valuation date is the present value of future normal costs. The normal cost is determined for each active member as the level dollar amount necessary to fully fund the expected benefits to be earned over the career of each individual active member. The normal cost is partially funded with active member contributions with the remainder funded by employer contributions.

An unfunded accrued liability exists in the amount equal to the excess of accrued liability over valuation assets. The amortization period of the System is the number of years required to fully amortize the unfunded accrued liability with the expected amount of employer contributions in excess of the employers' portion of the normal cost.

Future Cost-of-Living Increases

No increases are assumed.

Payroll Growth Rate

None assumed.

Other Assumptions

1. There is not a marriage assumption.

2. Decrement timing: Decrements of all types are assumed to occur mid-year.

2. Eligibility testing: Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.

Participant Data

Participant data was supplied in electronic text files. There were separate files for (i) active, and (ii) members and beneficiaries receiving benefits.

The data for active members included birth date, gender, total military service and total South Carolina National Guard service. For retired members and beneficiaries, the data included date of birth, gender, spouse's date of birth (where applicable), amount of monthly benefit, date of retirement, and form of payment code.

Assumptions were made to correct for missing, bad, or inconsistent data. These had no material impact on the results presented.

APPENDIX B

BENEFIT PROVISIONS

Summary of Benefit Provisions for South Carolina National Guard Retirement System (NGRS)

Effective Date: July 1, 1975

Administration: The South Carolina Retirement System, organizationally aligned as a Division of the State Budget and Control Board, is responsible for the general administrative operations and day to day management of the Plan.

Eligibility: All members of the South Carolina National Guard who became members on or before June 30, 1993 are covered by the System. Effective January 1, 2007, eligibility for membership has been extended to those guardsmen who became members of the South Carolina National Guard after June 30, 1993.

Employee Contributions: Contributions from members are not permitted.

Service Retirement:

a. Eligibility: Members who are honorably discharged after attaining age 60 with at least 20 years of creditable military service, which include at least 15 years, 10 of which immediately preceding retirement, with the National Guard of South Carolina.

b. Monthly Benefit: $50 per month for 20 years of creditable service with an additional $5 per month for each additional year of service, subject to a maximum monthly benefit of $100 per month.

c. Payment Form: Life annuity.

Disability Retirement: None

Deferred Termination Benefit:

a. Eligibility: Members who are honorably discharged prior to attaining age 60 with at least 20 years of creditable military service, which include at least 15 years, 10 of which immediately preceding retirement, with the National Guard of South Carolina.

b. Monthly Benefit: Upon attaining age 60, the member will receive $50 per month for 20 years of creditable service with an additional $5 per month for each additional year of service, subject to a maximum monthly benefit of $100 per month.

c. Payment Form: Life annuity.

Active Member Death Benefit: None.

Postretirement Benefit Increases: None.

APPENDIX C
GLOSSARY

GLOSSARY

Actuarial Accrued Liability (AAL): That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of Future Plan Benefits which is not provided for by future Normal Costs. It is equal to the Actuarial Present Value of Future Plan Benefits minus the actuarial present value of future Normal Costs.

Actuarial Assumptions: Assumptions as to future experience under the Fund. These include assumptions about the occurrence of future events affecting costs or liabilities, such as:

- mortality, withdrawal, disablement, and retirement;
- future increases in salary;
- future rates of investment earnings and future investment and administrative expenses;
- characteristics of members not specified in the data, such as marital status;
- characteristics of future members;
- future elections made by members; and
- other relevant items.

Actuarial Cost Method or ***Funding Method:*** A procedure for allocating the Actuarial Present Value of Future Benefits to various time periods; a method used to determine the Normal Cost and the Actuarial Accrued Liability. These items are used to determine the ARC.

Actuarial Gain or ***Actuarial Loss:*** A measure of the difference between actual experience and that expected based upon a set of Actuarial Assumptions, during the period between two Actuarial Valuation dates. Through the actuarial assumptions, rates of decrements, rates of salary increases, and rates of fund earnings have been forecasted. To the extent that actual experience differs from that assumed, Actuarial Accrued Liabilities emerge which may be the same as forecasted, or may be larger or smaller than projected. Actuarial gains are due to favorable experience, e.g., the Fund's assets earn more than projected, salaries do not increase as fast as assumed, members retire later than assumed, etc. Favorable experience means actual results produce actuarial liabilities not as large as projected by the actuarial assumptions. On the other hand, actuarial losses are the result of unfavorable experience, i.e., actual results that produce actuarial liabilities which are larger than projected. Actuarial gains will shorten the time required for funding of the actuarial balance sheet deficiency while actuarial losses will lengthen the funding period.

Actuarially Equivalent: Of equal actuarial present value, determined as of a given date and based on a given set of Actuarial Assumptions.

Actuarial Present Value (APV): The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions. For purposes of this standard, each such amount or series of amounts is:

a. adjusted for the probable financial effect of certain intervening events (such as changes in compensation levels, marital status, etc.)

b. multiplied by the probability of the occurrence of an event (such as survival, death, disability, termination of employment, etc.) on which the payment is conditioned, and

c. discounted according to an assumed rate (or rates) of return to reflect the time value of money.

Actuarial Present Value of Future Plan Benefits: The Actuarial Present Value of those benefit amounts which are expected to be paid at various future times under a particular set of Actuarial Assumptions, taking into account such items as the effect of advancement in age and past and anticipated future compensation and service credits. The Actuarial Present Value of Future Plan Benefits includes the liabilities for active members, retired members, beneficiaries receiving benefits, and inactive, nonretired members either entitled to a refund or a future retirement benefit. Expressed another way, it is the value that would have to be invested on the valuation date so that the amount invested plus investment earnings would be sufficient to pay all projected benefits and expenses when due.

Actuarial Valuation: The determination, as of a valuation date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values for a plan. An Actuarial Valuation for a governmental retirement system typically also includes calculations of items needed for compliance with GASB 25, such as the funded ratio and the ARC.

Actuarial Value of Assets or ***Valuation Assets:*** The value of the Fund's assets as of a given date, used by the actuary for valuation purposes. This may be the market or fair value of plan assets, but commonly actuaries use a smoothed value in order to reduce the year-to-year volatility of calculated results, such as the funded ratio and the ARC.

Actuarially Determined: Values which have been determined utilizing the principles of actuarial science. An actuarially determined value is derived by application of the appropriate actuarial assumptions to specified values determined by provisions of the law.

Amortization Method: A method for determining the Amortization Payment. The most common methods used are level dollar and level percentage of payroll. Under the Level Dollar method, the Amortization Payment is one of a stream of payments, all equal, whose Actuarial Present Value is equal to the UAAL. Under the Level Percentage of Pay method, the Amortization Payment is one of a stream of increasing payments, whose Actuarial Present Value is equal to the UAAL. Under the Level Percentage of Pay method, the stream of payments increases at the assumed rate at which total covered payroll of all active members will increase.

Amortization Payment: That portion of the pension plan contribution or ARC which is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability.

Annual Required Contribution (ARC): The employer's periodic required contributions, expressed as a dollar amount or a percentage of covered plan compensation, determined under GASB 25. The ARC consists of the Employer Normal Cost and the Amortization Payment.

Closed Amortization Period: A specific number of years that is counted down by one each year, and therefore declines to zero with the passage of time. For example if the amortization period is initially set at 30 years, it is 29 years at the end of one year, 28 years at the end of two years, etc. See Funding Period and Open Amortization Period.

Decrements: Those causes/events due to which a member's status (active-inactive-retiree-beneficiary) changes, that is: death, retirement, disability, or termination.

Defined Benefit Plan: A retirement plan that is not a Defined Contribution Plan. Typically a defined benefit plan is one in which benefits are defined by a formula applied to the member's compensation and/or years of service.

Defined Contribution Plan: A retirement plan, such as a 401(k) plan, a 403(b) plan, or a 457 plan, in which the contributions to the plan are assigned to an account for each member, and the plan's earnings are allocated to each account, and each member's benefits are a direct function of the account balance.

Employer Normal Cost: The portion of the Normal Cost to be paid by the employers. This is equal to the Normal Cost less expected member contributions.

Experience Study: A periodic review and analysis of the actual experience of the Fund which may lead to a revision of one or more actuarial assumptions. Actual rates of decrement and salary increases are compared to the actuarially assumed values and modified as deemed appropriate by the Actuary.

Funded Ratio: The ratio of the actuarial value of assets (AVA) to the actuarial accrued liability (AAL). Plans sometimes calculate a market funded ratio, using the market value of assets (MVA), rather than the AVA, although GASB 25 reporting requires the use of the AVA.

Funding Period or ***Amortization Period:*** The term "Funding Period" is used two ways. In the first sense, it is the period used in calculating the Amortization Payment as a component of the ARC. This funding period is chosen by the Board of Trustees. In the second sense, it is a calculated item: the number of years in the future that will theoretically be required to amortize (i.e., pay off or eliminate) the Unfunded Actuarial Accrued Liability, based on the statutory employer contribution rate, and assuming no future actuarial gains or losses.

GASB: Governmental Accounting Standards Board.

GASB 25 and ***GASB 27***: Governmental Accounting Standards Board Statements No. 25 and No. 27. These are the governmental accounting standards that set the accounting rules for public retirement systems and the employers that sponsor or contribute to them. Statement No. 27 sets the accounting rules for the employers that sponsor or contribute to public retirement systems, while Statement No. 25 sets the rules for the systems themselves.

Normal Cost: That portion of the Actuarial Present Value of pension plan benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method. Any payment in respect of an Unfunded Actuarial Accrued Liability is not part of Normal Cost (see Amortization Payment). For pension plan benefits which are provided in part by employee contributions, Normal Cost refers to the total of employee contributions and employer Normal Cost unless otherwise specifically stated. Under the entry age normal cost method, the Normal Cost is intended to be the level cost (when expressed as a percentage of pay) needed to fund the benefits of a member from hire until ultimate termination, death, disability or retirement.

Open Amortization Period: An open amortization period is one which is used to determine the Amortization Payment but which does not change over time. In other words, if the initial period is set as 30 years, the same 30-year period is used in determining the Amortization Period each year. In theory, if an Open Amortization Period is used to amortize the Unfunded Actuarial Accrued Liability, the UAAL will never completely disappear, but will become smaller each year, either as a dollar amount or in relation to covered payroll.

Unfunded Actuarial Accrued Liability: The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. This value may be negative in which case it may be expressed as a negative Unfunded Actuarial Accrued Liability, also called the Funding Surplus.

Valuation Date or Actuarial Valuation Date: The date as of which the value of assets is determined and as of which the Actuarial Present Value of Future Plan Benefits is determined. The expected benefits to be paid in the future are discounted to this date.

STATE BUDGET AND CONTROL BOARD

MEETING OF May 8, 2013

REGULAR SESSION

ITEM NUMBER 12

AGENCY: Division of State Budget

SUBJECT: Clemson University Research University Infrastructure Project

On March 22, 2013, the SmartState Review Board certified Clemson University for $5 million in general obligation debt to be issued under the South Carolina Research University Infrastructure Act (RUIA) for the Clemson University/Greenwood Genetics Center Research Collaborative project. The Act requires the Review Board to certify that at least 50% of the cost of each research infrastructure project is being provided by private, federal, municipal, county or other local government sources.

The Clemson research infrastructure project consists of the following components that were certified by the Review Board for funding or as part of the required match:

1) construction of a 17,000 square foot Genetics and Research Education Center for $6.5 million, of which $5 million will be funded with general obligation Research University Infrastructure Bonds and $1.5 million will be funded with gift funds received from Greenwood County, which provides a portion of the required match;

2) a gift of 14.79 acres of land to Clemson from Greenwood County and the Greenwood Commissioners of Public Works, valued at $1,140,000, on which the Genetics and Research Education Center will be constructed, which provides a portion of the required match. Greenwood County will donate 10.79 acres and the Commissioners of Public Works will donate 4.0 acres;

3) an in-kind lease of 3,331 square feet at 117 Gregor Mendel Circle in Greenwood, leased by the Greenwood Genetics Center to Clemson for $1 per year for three years, valued at $299,787 which provides a portion of the required match;

4) an in-kind lease of 30,301 square feet at 117 and 106 Gregor Mendel Circle in Greenwood, leased by the Greenwood Genetics Center to Clemson for $1 per year for 15 years, valued at $13,635,435 which provides a portion of the required match.

The total cost of the Clemson Research University Infrastructure Project is approximately $21,575,240. The facility to be constructed will be dedicated to human and agricultural genetic and epigenetic research and will contain eight labs and offices to accommodate more than 40 researchers, technicians, and doctoral students. The facility will provide cornerstone research space for Clemson's Genetics doctoral program and opportunities for research collaboration with investigators at the J.C. Self Research Institute of Human Genetics (Greenwood Genetics Center).

STATE BUDGET AND CONTROL BOARD

MEETING OF May 8, 2013

REGULAR SESSION

ITEM NUMBER 12, Page 2

AGENCY: Division of State Budget

SUBJECT: Clemson University Research University Infrastructure Project

The SmartState Board has certified to the Joint Bond Review Committee and Budget and Control Board the following in accordance with Code Sections 11-51-70 and 11-51-80:

1) The total cost of the Research Infrastructure project is approximately $21,575,240.

2) The completed schedule (projected construction period) during which the proceeds of the requested general obligation will be executed is as follows: June 2013 to January 2016.

3) The Clemson University RUIB project, for which $5,000,000 in general obligation debt is requested to be issued, is described in the February 1, 2013 letter and project summary from Clemson University. The Clemson RUIA project was presented and approved by the SmartState Review Board on March 22, 2013.

4) Pursuant to Code Section 11-51-70, at least 50 percent of the cost of the Clemson University RUIA Project is matched by private, federal, municipal, county or other local government sources. This match, totaling $16,575,222, conforms to the SC Research University Infrastructure Act Cost Share Accounting Policy.

5) Therefore, the provisions of Code Section 11-51-70 have been met, the source and validity of the match have been verified, and the Clemson University Project, as described in the Clemson University Proposal, complies with the provisions of Title 11, Chapter 51 of the SC Code, subject to confirmation of financing to be provided to the State Treasurer's Office.

6) The SmartState Board has determined that the Clemson RUIA Project conforms to the purposes and goals of the South Carolina Research University Infrastructure Act. The Board has approved the Clemson RUIA Project in accordance with the Act and the Board's implementation guidelines.

AGENCY: Division of State Budget

SUBJECT: Clemson University Research University Infrastructure Project

The Budget and Control Board is asked to approve the Clemson University/Greenwood Genetics Center Research Collaborative RUIA project. Associated with the RUIA project, the Board is also asked to approve the establishment of a permanent improvement project request for construction of the Clemson University/Greenwood Genetic Center Building for $6.5 million, funded with $5 million in Other, Research University Infrastructure Bonds and $1.5 million in Other, Gift funds from Greenwood County, and approve the acquisition by Clemson of 14.79 acres of land donated from Greenwood County and the Greenwood Commissioners of Public Works. The Joint Bond Review Committee approved the RUIA project and the associated requests at its meeting on April 24, 2013.

BOARD ACTION REQUESTED:

Approve the Clemson University/Greenwood Genetics Center Research Collaborative RUIA project, approve the establishment of a permanent improvement project for $6.5 million, including $5 million in Research University Infrastructure Bonds and $1.5 million from Greenwood County, for construction of the Clemson University/Greenwood Genetic Center Building, and approve the acquisition by Clemson of 14.79 acres of land donated from Greenwood County and the Greenwood Commissioners of Public Works.

ATTACHMENTS:

Agenda item worksheet; Letter from Regan Voit, Chairman, SmartState Review Board; Certification and Statement of the SmartState Review Board; Letter from Doris Helms, Provost, Clemson University; Clemson Matching Funds Request and Project Summary; RUIA Match Summary Sheet; Debt Service and Related Schedules

BUDGET AND CONTROL BOARD AGENDA ITEM WORKSHEET

Meeting Scheduled for: May 8, 2013 **Regular Agenda**

1. **Submitted By:**
   (a) Agency: State Budget Division
   (b) Authorized Official Signature:

Les Boles, Director

2. **Subject: Clemson University Research University Infrastructure Project**

3. **Summary Background Information:**

On March 22, 2013, the SmartState Review Board certified Clemson University for $5 million in general obligation debt to be issued under the South Carolina Research University Infrastructure Act (RUIA) for the Clemson University/Greenwood Genetics Center Research Collaborative project. The Act requires the Review Board to certify that at least 50% of the cost of each research infrastructure project is being provided by private, federal, municipal, county or other local government sources.

The Clemson research infrastructure project consists of the following components that were certified by the Review Board for funding or as part of the required match:

1) construction of a 17,000 square foot Genetics and Research Education Center for $6.5 million, of which $5 million will be funded with general obligation Research University Infrastructure Bonds and $1.5 million will be funded with gift funds received from Greenwood County, which provides a portion of the required match;
2) a gift of 14.79 acres of land to Clemson from Greenwood County and the Greenwood Commissioners of Public Works, valued at $1,140,000, on which the Genetics and Research Education Center will be constructed, which provides a portion of the required match. Greenwood County will donate 10.79 acres and the Commissioners of Public Works will donate 4.0 acres;
3) an in-kind lease of 3,331 square feet at 117 Gregor Mendel Circle in Greenwood, leased by the Greenwood Genetics Center to Clemson for $1 per year for three years, valued at $299,787 which provides a portion of the required match;
4) an in-kind lease of 30,301 square feet at 117 and 106 Gregor Mendel Circle in Greenwood, leased by the Greenwood Genetics Center to Clemson for $1 per year for 15 years, valued at $13,635,435 which provides a portion of the required match.

The total cost of the Clemson Research University Infrastructure Project is approximately $21,575,240. The facility to be constructed will be dedicated to human and agricultural genetic and epigenetic research and will contain eight labs and offices to accommodate more than 40 researchers, technicians, and doctoral students. The facility will provide cornerstone research space for Clemson's Genetics doctoral program and opportunities for research collaboration with investigators at the J.C. Self Research Institute of Human Genetics (Greenwood Genetics Center).

The SmartState Board has certified to the Joint Bond Review Committee and Budget and Control Board the following in accordance with Code Sections 11-51-70 and 11-51-80:

1) The total cost of the Research Infrastructure project is approximately $21,575,240.
2) The completed schedule (projected construction period) during which the proceeds of the requested general obligation will be executed is as follows: June 2013 to January 2016.
3) The Clemson University RUIB project, for which $5,000,000 in general obligation debt is requested to be issued, is described in the February 1, 2013 letter and project summary from Clemson University.

The Clemson RUIA project was presented and approved by the SmartState Review Board on March 22, 2013.

4) Pursuant to Code Section 11-51-70, at least 50 percent of the cost of the Clemson University RUIA Project is matched by private, federal, municipal, county or other local government sources. This match, totaling $16,575,222, conforms to the SC Research University Infrastructure Act Cost Share Accounting Policy.
5) Therefore, the provisions of Code Section 11-51-70 have been met, the source and validity of the match have been verified, and the Clemson University Project, as described in the Clemson University Proposal, complies with the provisions of Title 11, Chapter 51 of the SC Code, subject to confirmation of financing to be provided to the State Treasurer's Office.
6) The SmartState Board has determined that the Clemson RUIA Project conforms to the purposes and goals of the South Carolina Research University Infrastructure Act. The Board has approved the Clemson RUIA Project in accordance with the Act and the Board's implementation guidelines.

The Budget and Control Board is asked to approve the Clemson University/Greenwood Genetics Center Research Collaborative RUIA project. Associated with the RUIA project, the Board is also asked to approve the establishment of a permanent improvement project request for construction of the Clemson University/Greenwood Genetic Center Building for $6.5 million, funded with $5 million in Other, Research University Infrastructure Bonds and $1.5 million in Other, Gift funds from Greenwood County, and approve the acquisition by Clemson of 14.79 acres of land donated from Greenwood County and the Greenwood Commissioners of Public Works. The Joint Bond Review Committee approved the RUIA project and the associated requests at its meeting on April 24, 2013.

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4. What is the Board asked to do?

Approve the Clemson University/Greenwood Genetics Center Research Collaborative RUIA project, approve the establishment of a permanent improvement project for $6.5 million, including $5 million in Research University Infrastructure Bonds and $1.5 million from Greenwood County, for construction of the Clemson University/Greenwood Genetic Center Building, and approve the acquisition by Clemson of 14.79 acres of land donated from Greenwood County and the Greenwood Commissioners of Public Works.

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5. What is the recommendation of the Board Division involved?

Approve the Clemson University/Greenwood Genetics Center Research Collaborative RUIA project, approve the establishment of a permanent improvement project for $6.5 million, including $5 million in Research University Infrastructure Bonds, for construction of the Clemson University/Greenwood Genetic Center Building, and approve the acquisition by Clemson of 14.79 acres of land donated from Greenwood County and the Greenwood Commissioners of Public Works.

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6. List of Supporting Documents:

Attached:

1. Letter from Regan Voit, Chairman, SmartState Review Board
2. Certification and Statement of the SmartState Review Board
3. Letter from Doris Helms, Provost, Clemson University
4. Clemson Matching Funds Request and Project Summary
5. RUIA Match Summary Sheet
6. Debt Service and Related Schedules

Regan Voit, Chair
Melvin Williams, Vice Chair
Keith Munson, Secretary

SmartState®
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The Honorable Nikki R. Haley
Chairperson, S.C. Budget and Control Board
612 Wade Hampton Building, Box 12444
Columbia, SC 29211

March 22, 2013

RE: Certification of Research University Infrastructure Act (RUIA) Project for Clemson University: Greenwood Genetics Center Research Collaboration

Dear Governor Haley:

On behalf of the SmartState Review Board (Review Board), I am pleased to transmit to you certification of $5,000,000 in general obligation debt to be issued under the South Carolina Research University Infrastructure Act for the Clemson University/ Greenwood Genetics Center Research Collaboration project.

The Act requires that the Review Board "certify to the state board that at least fifty percent of the cost of each research infrastructure project is being provided by private, federal, municipal, county, or other local government sources." The Act further stipulates that "[t]his portion of the cost, in the discretion of the [Board], may be in the form of cash; cash equivalent; buildings including sale-lease back; gifts in kind including, but not limited to, land, roads, water, and sewer, and maintenance of infrastructure; facilities and administration costs; equipment; or furnishings."

Clemson University submitted supporting information to Commission on Higher Education staff on February 1, 2013, and presented this information to the Review Board on March 22, 2013. With the stipulation that all of the universities use the services and talents of South Carolinians to the maximum extent possible in conducting such infrastructure projects, the Review Board voted to certify the request from Clemson University on March 22, 2013.

Please find enclosed a Certification that summarizes the information required from the Review Board pursuant to the South Carolina Research University Infrastructure Act. This information has also been presented to the Joint Bond Review Committee. If the Budget & Control Board or Joint Bond Review Committee requires additional supporting information, the Review Board welcomes the opportunity to provide additional information supporting this certification.

The Review Board believes that this project represents an exciting opportunity for Clemson University and the State. Please do not hesitate to contact me or South Carolina Commission on Higher Education staff (Mr. Arik Bjorn / 803.737.2293 abjorn@che.sc.gov) should you have any questions or require any additional information about this matter.

Sincerely,

Regan E. Voit

Regan Voit

Chair, SmartState Review Board

cc: Ms. Marcia S. Adams, S.C. Budget & Control Board
Ms. Carol Routh, S.C. Budget & Control Board
Mr. Rick Harmon, State Treasurer's Office

Enclosure: Clemson University/Greenwood Genetics Center Research Collaboration Certification

Regan Voit, Chair
Melvin Williams, Vice Chair
Keith Munson, Secretary

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CERTIFICATION AND STATEMENT OF THE SMARTSTATE REVIEW BOARD

This Certification and Statement is made by the SmartState Review Board to the South Carolina Joint Bond Review Committee and the South Carolina State Budget & Control Board in accordance with Sections 11-51-70 and 11-51-80 of the Code of Laws of South Carolina (1976), as amended (the "Code"). This Certification and Statement concerns the proposed Research University Infrastructure Act (RUIA) Project, as defined in S.C. Code Section 11-51-30(4), to be developed on the Clemson University campus in Greenwood County, South Carolina.

The RUIA Project consists of the following original building components:

- **17,000 square footage Genetics Research and Education Center**, located on 14.79 acres of land (gifts to Clemson University by Greenwood County and Greenwood Commissioners of Public Works) located within the Greenwood Research Park in Greenwood County, South Carolina. The facility will be dedicated to human and agricultural genetic and epigenetic research and will contain eight laboratories and offices to accommodate more than 40 researchers, technicians, and doctoral students, including one Clemson program chair and a proposed SmartState Endowed Chair in the field of genetics. This facility will provide cornerstone research space for Clemson University's Genetics doctoral program, and will greatly assist in the recruitment to South Carolina of research and development companies engaged in human diagnostics; central nervous system research in cognitive development, autism, birth defects; and epigenetics. The facility will also provide opportunities for research collaboration with investigators at the J.C. Self Research Institute of Human Genetics (Greenwood Genetics Center). **Cost:** $6,500,000. [See Exhibits A, B-1, B-2, C-1, C-2, D & E.]

TOTAL COMPONENT COST: $6,500,000

The SmartState Review Board hereby certifies and states to the Joint Bond Review Committee and the Budget and Control Board the following:

(1) The total cost of the Research Infrastructure Project is approximately $21,575,240.

(2) The completed schedule (projected construction period) during which the proceeds of the requested general obligation will be executed is as follows:

June 2013 to January 2016

(3) The Clemson University RUIA Project, for which $5,000,000 in general obligation debt is requested to be issued, is described in the February 1, 2013, letter and project summary [Exhibit A] from Clemson University. The Clemson University RUIA Project was presented and approved by the SmartState Review Board on March 22, 2013.

(4) Pursuant to S.C. 11-51-70, at least 50 percent of the cost of the Clemson University RUIA Project is matched by private, federal, municipal, county or other local government sources. This match, totaling $16,575,222, conforms to the S.C. Research University Infrastructure Act Cost Share Accounting Policy. [See Exhibit H for match details.]

(5) Therefore, the provisions of S.C. 11-51-70 of the Code have been met, the source and validity of the match have been verified, and the Clemson University Project, as described in the Clemson University Proposal, complies with the provisions of Title 11, Chapter 51 of the Code, subject to confirmation of financing to be provided to the State Treasurer's Office.

(6) The Board has determined that the Clemson RUIA Project conforms to the purposes and goals of the South Carolina Research University Infrastructure Act. The Board has approved the Clemson RUIA Project in accordance with the Act and the Board's implementation guidelines.

This Certificate and Statement is made this 22nd day of March, 2013, by the Board:

Regan E. Voit

Regan Voit
Chair, SmartState Review Board

EXHIBIT A

CLEMSON
UNIVERSITY

February 1, 2013

Mr. Arik Bjorn
SC Commission on Higher Education
1122 Lady Street, Suite 300
Columbia, South Carolina 29201

RE: South Carolina Smart State Program

Dear Mr. Bjorn:

On behalf of Clemson University's President James F. Barker, who is currently on medical leave, Clemson University is requesting certification and URIA Funding for $5 million for the Human Genetic Research and Education Building located on the Greenwood Genetic Center campus in Greenwood, South Carolina. This center advances human genetic discovery and clinical research. Matching funding requirements have been met as requested.

Attached is a summary of the project, documentation of matching funding and the required A-1 Form.

We express our thanks to you and your staff for your assistance.

Sincerely,

Doris R. Helms

Doris R. Helms
Provost

DRH/jk

Enclosures

VICE PRESIDENT FOR ACADEMIC AFFAIRS & PROVOST
206 Sikes Hall Clemson, SC 29634-5101
864.656.3243 FAX 864.656.0851

EXHIBIT A

Matching Funds Request

Clemson University Building for Human Genetic Discovery and Translational Research

Greenwood, South Carolina

Clemson University – Greenwood Genetic Center Research Collaborative

February 2013

CLEMSON UNIVERSITY

Project Summary

Clemson University, in conjunction with the Greenwood Genetic Center, propose to build a new 17,000 square foot research and education center in human genetics with bond allocation reserves remaining from the South Carolina University Infrastructure Act. This project represents the physical building to expand the existing doctoral program in human genetics and to add a nationally/internationally competitive research and development team. The project will expand the existing research capabilities of the J.C. Self Research Institute of Human Genetics and represents a core campus for recruitment of research and development companies engaged in human diagnostics, central nervous system research in cognitive development, autism, birth defects and epigenetics.

The project presented represents a coordinated program with three primary elements representing education, research and economic development. The building is a cornerstone of county recruitment strategy with direct economic benefits to Greenwood County and South Carolina. The Greenwood Economic Alliance Partnership has a dedicated recruitment plan to attract private research and development companies to a 162 acres adjacent research park to partner with Clemson University and the Greenwood Genetic Center. An additional 300 acres is available to expand the park.

The Clemson University Office of Economic Development will directly participate in the recruitment using programs proven successful in the development of International Center for Automotive Research (CU-ICAR) in Greenville, SC and the Restoration Institute (CURI) in Charleston, SC. CU-ICAR and CURI represent two leading Clemson University economic development centers generating a combined $400 million plus in new private and public capital investment.

The Greenwood Genetic Center (GGC) is a private not-for-profit organization. The GGC currently conducts basic and clinical research supported by federal grants and private donations. The GGC receives partial funding from the State of South Carolina for delivery of services, diagnosis, testing and treatment for diseases and syndromes related to intellectual disabilities, birth defects, and related disabilities.

This is a request for $5 million in funding for the construction of a new research and teaching facility on the Greenwood Genetic Center campus to reside on land gifted to Clemson University. This proposal provides a match based on existing cash contributions, leased research facilities from the Greenwood Genetic Center and land donated by Greenwood County. The Greenwood County has committed to provide the land for the proposed new research and teaching facility. The new building and land is owned by Clemson University and will be located on the GGC campus and supported by the existing campus infrastructure including roads and utilities.

This research collaborative is unlike any proposed in South Carolina. The Greenwood Genetic Center is opening the research campus to the Clemson University investigators. These research teams will share existing and proposed new space in the pursuit of diagnostics and therapeutics that have the potential to provide immediate diagnosis of a variety of disease syndromes including intellectual disabilities, birth defects, and related human disabilities. In addition, the Greenwood Genetic Center and Clemson University are evaluating research pathways to create novel new diagnostics that may be used to predict the efficacy of therapeutics for new targeted disease states and provide early diagnostic tests identifying the potential for chronic disorders which may include diabetes, cancer and cardiovascular disease noted for high prevalence in South Carolina.

This center will create a world-class research center for personalized medicine providing genetic-based diagnostics and therapeutics. In recent years discoveries at the GGC target new pathways and therapeutics that have the potential of treating intellectual disabilities. This collaboration offers access to world-class genetic equipment and expertise that can create new intellectual property across a broad range of potential new products.

Economic Impact Summary

The Center for Human Genetic Discovery and Translational Research represents a nationally and internationally competitive research and development center created through a research collaboration of Clemson University and the Greenwood Genetic Center. Clemson University has an established private corporate collaborative research model to build and sustain private, soft-money, research centers in key nationally recognized growth markets. This center will address market opportunities in diagnostics and epigenetic therapeutics. New market demand in diagnostics is emerging from a market and regulatory demand for companion diagnostics and therapeutics designed to predict patient efficacy and decrease dangerous side effects. Further, whole genome sequencing and computational biology is creating new approaches for defining complex biological pathways and gene expression supporting new diagnostics and therapeutics. Diagnostics may include intellectual disabilities, autism, cancer, diabetes, developmental syndromes, heart disease, neurological and immunologic disorders.

Complementing research emerging from Clemson University and the Greenwood Genetic Center are identifying common nutrients that successfully alter epigenetic modifications. Understanding the genetic implications of diet, nutrients and the delivery of common vitamins has promise in creating new therapeutics and foods supporting improved health in many chronic diseases that plague South Carolinians including diabetes, heart disease, neurological development and birth defects.

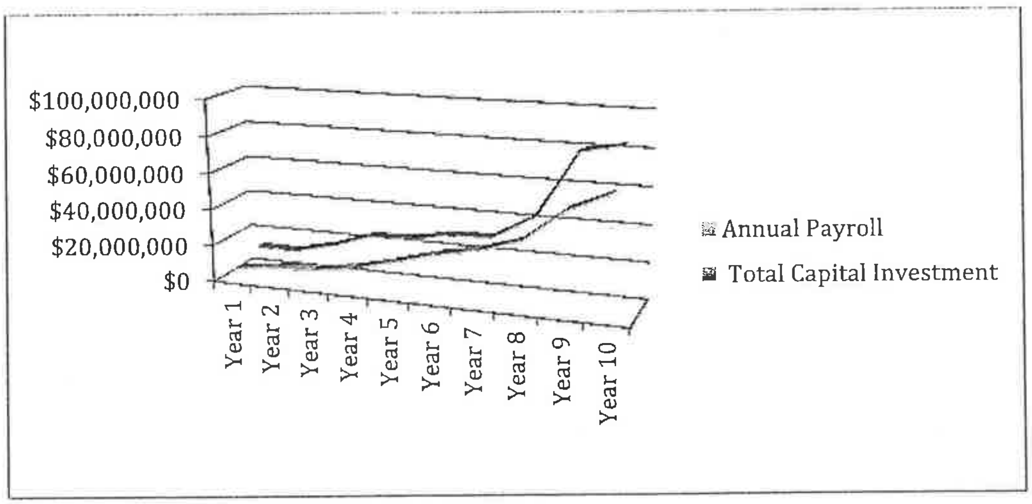
Likely outcomes that impact the economy of South Carolina include increased research, development and manufacturing outcomes that have the potential to create over 1,000 new direct and indirect jobs in research, manufacturing and agriculture. Preventative nutritional therapies have the potential to impact new crop development in South Carolina and engage food companies in new packaging opportunities. Diagnostic research and development activities, focused on companion diagnostic and therapeutics, can directly link the genetic research capabilities of this collaborative with major national and international pharmaceutical companies. This collaborative is projected to include 15 to 20 major US and international corporations in research and development activities. *Currently six pharmaceutical, diagnostic and medical companies are* *currently engaged with the Greenwood Genetic Center in primary and applied clinical research for diagnostics and therapeutics.*

Clemson University has a dedicated commercialization support program which will assist in licensing and development of research generated from the collaborative. This will include programs to assist faculty, students and interested entrepreneurs advancing South Carolina-based companies. This is a key economic development program designed to create new research, development and manufacturing jobs.

Private companies participating in the collaborative are encouraged to co-locate on an adjacent 165 acres using a model similar in design to the Clemson University Automotive Research (CU-ICAR) Center located in Greenville, SC. Additional location opportunities for companies may include Charleston or Clemson, based on specific company research, development or manufacturing requirements.

The Center is projected to create a total payroll of over $50 million annually with a projected capital investment exceeding $80 million across South Carolina. This center advances "knowledge-based industries" creating a nationally competitive team for new diagnostic development and genetic therapeutics.

Projected 10 year Fiscal Impact Analysis for Proposed Center Development[1]



The Center is anticipated to generate a minimum of $1.5 mm annually in grant revenue supported by five dedicated Clemson University new senior research positions, which may include one or more endowed chairs. The center will function as a collaborative soft-money institute blending federal and private corporate research and development funding with an annual research goal of

1 Clemson University internal model using projections similar to other economic development centers developed in Greenville and Charleston, SC including CU-ICAR and the Wind Turbine Testing Facility.

not-less-than $3 million annually. The collaborative, within five years, is projected to generate $10 million annually from federal and private genetic research from the lead research institutions.

Corporate partners invited to participate will span the field of human genetics including diagnostics, pharmaceuticals, biopharmaceuticals, genome sequencing, micro-array, hospital systems, food, nutraceuticals, and computational bioinformatic modeling. These partners will participate in three primary targets including development of diagnostics for human disabilities, companion diagnostics for developing therapeutics, and development of epigenetic and genetic therapies designed to mitigate methylation and histone modifications.

Exhibit H

Research University Infrastructure Act

Clemson University
Human Genetic Discovery & Translational Research
(Research Collaboration with Greenwood Genetics Center)

Match Summary Sheet

I. **Project Components:**

1. Research & Education Center $6,500,000
2. 14.79 Acres (Land Gift) $1,140,000
3. 117 Gregor Mendel Circle In-Kind Lease (3,331 sq. ft.)......................$299,790
4. 117 & 106 Gregor Mendel Circle In-Kind Lease (30,301 sq. ft.) ...$13,635,450

TOTAL PROJECT COST $21,575,240

Pursuant to S.C. 11-51-70, at least 50 percent of the cost of each Research Infrastructure Project must be matched by private, federal, municipal, county, or other local government sources. Based on the total project cost of $21,575,240 million, the match for the Innovation Center project must be *at least* $10.8 million.

II. **Cost Matching Components:**

1. Cash Gift toward Construction of Research & Education Center $1,500,000
   [See Exhibit B-1 & C. Source: Greenwood County.]

2. Land Gift of 14.79 Acres. $1,140,000
   [See Exhibits B-2, C & D. Source: Greenwood County, Greenwood Commission of Public Works.]

3. 117 & 106 Gregor Mendel Circle In-Kind Lease ....$13,635,435[1]
   [See Exhibits G-1 & G-2. Source: Greenwood Genetics Center.]

4. 117 Gregor Mendel Circle In-Kind Lease ....$299,787[2]
   [See Exhibits F-1 & F-2. Source: Greenwood Genetics Center.]

TOTAL MATCH $16,575,222

For the Innovation Center project, Clemson University has obtained $5.8 million in overmatch of non-state funds (as permitted by the Research University Infrastructure Act Cost Share Accounting Policy, Item III), which at a future date may be applied to unanticipated additional project costs.

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[1] The $15 cost of the lease has been deducted from the match value.
[2] The $3 cost of the lease has been deducted from the match value.

Debt Service Schedule Showing Annual Principal and Interest Requirements
For the General Obligation Debt Outstanding and the Proposed General Obligation Debt
At a Projected Current Rate of Interest

Section 11-51-80(7) Code of Laws of South Carolina 1976, as amended

Fiscal Year Ending	Principal	Interest	Debt Service
June 30, 2013	$ 14,305,000.00	$ 6,318,818.75	$ 20,623,818.75
June 30, 2014	15,265,000.00	5,741,592.51	21,006,592.51
June 30, 2015	15,815,000.00	5,042,131.26	20,857,131.26
June 30, 2016	16,415,000.00	4,299,833.01	20,714,833.01
June 30, 2017	15,970,000.00	3,557,129.26	19,527,129.26
June 30, 2018	16,595,000.00	2,850,762.76	19,445,762.76
June 30, 2019	17,285,000.00	2,185,723.76	19,470,723.76
June 30, 2020	18,025,000.00	1,537,623.76	19,562,623.76
June 30, 2021	16,525,000.00	930,079.76	17,455,079.76
June 30, 2022	4,405,000.00	564,083.00	4,969,083.00
June 30, 2023	4,565,000.00	393,310.00	4,958,310.00
June 30, 2024	4,185,000.00	214,800.00	4,399,800.00
June 30, 2025	4,370,000.00	65,550.00	4,435,550.00
Total	$ 163,725,000.00	$ 33,701,437.83	$ 197,426,437.83

STATE BUDGET AND CONTROL BOARD

MEETING OF May 8, 2013

REGULAR SESSION

ITEM NUMBER 13

AGENCY: Division of State Budget

SUBJECT: Permanent Improvement Projects

Budget and Control Board approval is requested for the following permanent improvement project establishment requests and budget revisions which have been reviewed favorably by the Joint Bond Review Committee:

Establish Project for A&E Design

(a) Summary 6-2013: JBRC Item 2. University of South Carolina
Project: 6102, Athletic Village Tennis Complex Addition
Funding Source: $15,000 Athletic Operating funds which are generated from Athletic revenues that consist of ticket sales, SEC Conference Distributions, Gamecock Club contributions, seat premiums, and corporate sponsorships.
Request: Establish project and budget for $15,000 (Athletic Operating funds) to begin design work to construct an addition to the Tennis Complex at the University of South Carolina. The 3,570 square foot addition will be constructed in areas below the existing raised viewing concourse of the tennis facility and will include men's and women's team meeting, film and locker rooms, a visitor meeting room and a restroom facility. Currently, the tennis teams share locker facilities in the Roost E building which has no meeting and film rooms. Teams are not allowed to leave the competition facility once a match has started and thus have no opportunity to return to a separate facility to meet between matches. Private team meeting areas and restrooms are crucial during match play so conversations are not overheard and competing players do not interact while using restroom facilities during breaks. The agency's internal estimated cost of this project, prior to A&E design being done, is $1 million. The proposed source of funds for construction is Athletic Operating funds.

(b) Summary 6-2013: JBRC Item 3. Budget and Control Board
Project: 9919, Senate Street Building Roof Replacement
Funding Source: $9,575 Other, Depreciation Reserve funds which are derived from the rent account which receives rent charged to state agencies housed in state-controlled office buildings.
Request: Establish project and budget for $9,575 (Other, Depreciation Reserve funds) to begin design work to replace the roof on the Senate Street Building that houses programs of the Budget and Control Board and the University of South Carolina. The work will include removing the existing concrete deck, installing a new vapor barrier, replacing the aluminum built up roof with a modified asphalt two-ply roof, and tuck pointing the joints between the limestone veneer wall panels that surround the building's high roof areas. The

AGENCY: Division of State Budget

SUBJECT: Permanent Improvement Projects

existing roof is leaking and retaining moisture. If the roof and insulation are not replaced, moisture will penetrate the building envelope, damaging building systems and creating the potential for environmental hazards such as mold. The agency's internal estimated cost of this project, prior to A&E design being done, is $478,725. The proposed source of funds for construction is Other, Depreciation Reserve funds.

Establish Construction Budget

(c) Summary 6-2013: JBRC Item 4. University of South Carolina
Project: 6096, Outdoor Football Practice Fields Construction
Funding Source: $3,000,000 Athletic Operating funds which are generated from Athletic revenues that consist of ticket sales, SEC Conference Distributions, Gamecock Club contributions, seat premiums, and corporate sponsorships.
Request: Increase budget to $3,000,000 (add $2,955,000 Athletic Operating funds) to develop two outdoor football practice fields for the University of South Carolina. The project was established in June 2012 for pre-design work which is now complete. The work on the former Farmer's Market site will include grading, installing drainage, turf, irrigation, lighting and goal posts, and constructing two film towers. Existing practice fields are located on leased property. The university has decided to develop permanent facilities on property owned by the university instead of investing in improvements to leased facilities. Energy savings and conservation measures will include the installation of energy efficient lighting. The agency reports the total projected cost of this project is $3 million and annual operating cost savings of $130,000 will result in the year following project completion. The agency also reports the projected date for execution of the construction contract is November 2013 and for completion of construction is June 2014. (See Attachment 1 for annual operating cost savings.)

(d) Summary 6-2013: JBRC Item 5. Adjutant General
Project: 9773, Multiple Armory Maintenance Repairs
Funding Source: $1,000,000, which includes $500,000 Appropriated State funds appropriated in 2012-13 for armory maintenance as match for federal funds to repair readiness centers on state land and $500,000 Federal funds received from the National Guard Bureau for maintenance.

AGENCY: Division of State Budget

SUBJECT: Permanent Improvement Projects

Request: Increase budget to $1,000,000 (add $500,000 Federal funds) to repair and maintain readiness centers statewide for the Adjutant General's Office. The project was established in March 2013 with legislatively authorized funds appropriated specifically for armory maintenance to provide match for federal funds available to the agency for repairs to readiness centers on state land. This request is to commit the federal funds for which matching funds were appropriated. No external pre-design work will be required for the repairs. The work will include replacing roofs, doors, windows and lighting, renovating restrooms, improving parking, replacing an HVAC system, and painting. The facilities to be repaired were constructed between 1950 and 1970, with one constructed in 1933, and all have maintenance needs. Energy savings and conservation measures will include the installation of energy efficient roof, lighting, HVAC and window systems. The agency reports the total projected cost of this project is $1 million and no additional annual operating costs will result from the project. The agency also reports the projected date for execution of the first construction contract is June 2013 and for completion of all construction is November 2013.

(e) Summary 6-2013: JBRC Item 6. Budget and Control Board
Project: 9852, Gressette Building Air Handler Fan Replacement
Funding Source: $699,631, which includes $22,500 Appropriated State funds previously approved for the project, $351,289 Other, Depreciation Reserve funds which are derived from the rent account that receives rent charged to state agencies housed in state-controlled office buildings, and $325,842 Other, Deferred Maintenance funds which were supplemental appropriated state funds from FY 09-10 appropriated specifically for deferred maintenance.
Request: Increase budget to $699,631 (add $677,131: $351,289 Other, Depreciation Reserve funds and $325,842 Other, Deferred Maintenance funds) to replace the air handler fans in the Gressette Building. The project was established in January 2008 for pre-design work, put on hold while addressing Gressette Building reinforcement work, and pre-design work is now complete. The work will include replacing the existing air handler fans with new fans, motors and cooling coils and doing associated electrical work. The air handling unit is 36 years old and original to the building. Parts have rusted and corroded and motor problems are occurring that could lead to no air conditioning if the motor were to break completely. The fans are outdated, inefficient, and difficult to repair and parts have become obsolete. Energy savings and conservation

AGENCY: Division of State Budget

SUBJECT: Permanent Improvement Projects

measures will include the installation of energy efficient fans with variable speed drives. The agency reports the total projected cost of this project is $699,631 and annual operating cost savings of $32,670 will result in the three years following project completion. The agency also reports the projected date for execution of the construction contract is November 2013 and for completion of construction is January 2014. (See Attachment 2 for annual operating cost savings.)

(f) Summary 6-2013: JBRC Item 7. Budget and Control Board
Project: 9912, Rutledge Building Emergency Generator Installation
Funding Source: $723,945 Other, Depreciation Reserve funds which are derived from the rent account that receives rent charged to state agencies housed in state-controlled office buildings.
Request: Increase budget to $723,945 (add $718,045 Other, Depreciation Reserve funds) to install an emergency generator in the Rutledge Building housing the Department of Education. The project was established in October 2012 for pre-design work which is now complete. The work will include installing a new emergency generator and automatic transfer switches and upgrading the electrical system to provide power from the generator to life safety and other systems. The 50 year-old building would be required to have an emergency generator if built today. The new generator will provide backup power for the fire pump, egress lighting, elevators, fire detection and notification systems, and information technology operations. Its installation will bring this part of the building up to current standards and prevent elevator passengers from being stranded during power outages as happened recently. Energy savings and conservation measures are not applicable to this generator project. The agency reports the total projected cost of this project is $723,945 and no additional annual operating costs will result from the project. The agency also reports the projected date for execution of the construction contract is October 2013 and for completion of construction is May 2014.

(g) Summary 6-2013: JBRC Item 8. Department of Mental Health
Project: 9721, Campbell Veterans Nursing Home Deferred Maintenance
Funding Source: $1,678,571, which includes $750,000 Capital Reserve Funds appropriated in 2010-11 specifically for this project and $928,571 Federal funds from a Veterans Administration grant specifically for this project.
Request: Increase budget to $1,678,571 (add $928,571 Federal funds) to replace the

AGENCY: Division of State Budget

SUBJECT: Permanent Improvement Projects

mechanical system at the Department of Mental Health's Campbell Veterans Nursing Home in Anderson. The project was established in November 2011, with Capital Reserve Funds appropriated for deferred maintenance at this facility, to repair the pond dam and do pre-design work for the mechanical system replacement, which are now complete. The remaining work on the project will include replacing two 200-ton chillers, associated pumps and the mechanical control systems serving the facility. The mechanical system is 22 years old, original to the building, and past its life expectancy and the chillers are failing. Energy savings and conservation measures will include the installation of energy efficient chillers and variable speed pumps. The agency reports the total projected cost of this project is $1,678,571 and annual operating cost savings of $16,000 will result in the three years following project completion. The agency also reports the projected date for execution of the construction contract is December 2013 and for completion of construction is December 2014. (See Attachment 3 for annual operating cost savings.)

(h) Summary 6-2013: JBRC Item 9. Department of Mental Health
Project: 9722, Stone Veterans Nursing Home Deferred Maintenance
Funding Source: $3,800,000, which includes $1,330,000 Capital Reserve Funds appropriated in 2010-11 specifically for this project and $2,470,000 Federal funds from a Veterans Administration grant specifically for this project.
Request: Increase budget to $3,800,000 (add $2,470,000 Federal funds) to address deferred maintenance and renovate the Department of Mental Health's Stone Veterans Nursing Home in Columbia. The project was established in November 2011, with Capital Reserve Funds appropriated for deferred maintenance at this facility, for pre-design work which is now complete. The work in the 45,684 square foot facility will include renovating client rooms and restrooms, upgrading handrails, wall protection, and the lighting, nurse call and fire alarm systems, replacing flooring and windows, renovating the mechanical system, replacing the roof, and abating asbestos. The facility is 41 years old and most of the features and finishes are original to the building. The roof is 20 years old and beginning to leak. Energy savings and conservation measures will include the installation of energy efficient windows, roofing with better insulated components, and a mechanical control system to better regulate and control temperatures. The agency reports the total projected cost of this project is $3,800,000 and no additional annual operating costs will result from the project. The agency also reports the projected date for execution of the construction contract is November 2013 and for completion of construction is December 2014.

AGENCY: Division of State Budget

SUBJECT: Permanent Improvement Projects

Increase Budget

(i) Summary 6-2013: JBRC Item 10. Clemson University
Project: 9864, CURI - Graduate Education Center Construction & Lasch Lab Upfit/Land Acquisition
Funding Source: $23,520,000 which includes $8,000,000 Federal grant funds from the Economic Development Administration, $5,100,000 Other, Private Gift funds, $10,300,000 Other, Research University Infrastructure Bonds previously approved for the project, and $120,000 Other, Operating Revenue funds previously approved for the project.
Request: Increase budget to $23,520,000 (add $13,100,000: $8,000,000 Federal and $5,100,000 Other, Private Gift funds) to upfit the Lasch Lab and construct a new Graduate Education Center at the Clemson University Restoration Institute (CURI) in North Charleston. The project was established in November 2005 and increased to establish the construction budget in December 2006 when Research University Infrastructure Bonds were certified for use in the project. The work will now include upfitting approximately 45,971 square feet in the Lasch Lab and constructing an approximately 51,000 square foot Graduate Education Center (GEC). The budget increase is due to the increased size of the facility, originally planned for approximately 22,000 square feet, required to house the Restoration Institute, industry partnering spaces and student oriented spaces. The Lasch Lab upfit is needed to develop and improve new technologies to conserve large metallic objects from marine environments. The GEC will be a mixed use teaching, electronic lab and research facility which will serve as the core of the CURI campus. The facility will be constructed to LEED Silver certification and will include many energy savings and conservation measures. The LEED cost benefit analysis shows a negative cost benefit of $202,500 at this phase of design based on preliminary figures, but Clemson staff anticipate the negative benefit will be negligible once the design nears completion. The agency reports the total projected cost of this project is $23,520,000 and additional annual operating costs ranging from $400,350 to $416,524 will result in the three years following project completion. The agency also reports the projected date for execution of the construction contract is August 2014 and for completion of construction is December 2016. (See Attachment 4 for additional annual operating costs.)

AGENCY: Division of State Budget

SUBJECT: Permanent Improvement Projects

(j) Summary 6-2013: JBRC Item 11. Department of Mental Health
Project: 9724, Bryan Hospital/Morris Village Energy Plant Chiller Replacements
Funding Source: $2,025,000 Other, Operating Revenue funds which is Medicaid fee-for-service earned revenue for clinical services provided.
Request: Increase budget to $2,025,000 (add $100,000 Other, Operating Revenue funds) to meet current cost estimates to replace two chillers and a cooling tower serving the Department of Mental Health's Bryan Hospital and Morris Village. The project was established for pre-design in June 2012 and the full design and construction budget was approved in October 2012. During the full design phase, it became evident to the electrical engineer that the electrical equipment needed replacing to service the new chillers. In addition, a new step-down transformer is needed for the variable speed chillers, roll-up doors are being replaced, and some framing will be modified to accommodate the new chillers. This work was not included in the pre-design cost estimate or determined to be needed until full design was almost complete. Mechanical cost estimates and the contingency have been reduced to accommodate much of the increase, but additional funds are needed to bid the project. Energy savings and conservation measures will include the installation of energy efficient chillers, pumps and variable speed drives. The agency reports the total projected cost of this project is $2,025,000 and annual operating cost savings of $53,120 will result in the three years following project completion. The agency also reports the projected date for execution of the construction contract is July 2013 and for completion of construction is June 2014. (See Attachment 5 for annual operating cost savings.)

Establish Project for Preliminary Land Studies

(k) Summary 6-2013: JBRC Item 12. Department of Natural Resources
Project: 9933, Charleston - Dungannon Plantation Land Acquisition
Funding Source: $20,000 Other, Heritage Land Trust Fund, which is funded with a portion of the Documentary Stamp Tax and provides funds to the department to acquire property in priority areas and pay the costs associated with acquisition.
Request: Establish project and budget for $20,000 (Other, Heritage Land Trust Fund) to procure the investigative studies required to adequately evaluate property prior to purchase. The Department of Natural Resources is considering the purchase of approximately 88 acres of land in Charleston County adjacent to the

STATE BUDGET AND CONTROL BOARD
MEETING OF May 8, 2013

REGULAR SESSION
ITEM NUMBER 13, Page 8

AGENCY: Division of State Budget

SUBJECT: Permanent Improvement Projects

Dungannon Plantation Heritage Preserve and Wildlife Management Area. The acquisition will protect significant natural and cultural areas, including endangered species. The property provides habitat for the second largest colony of federally endangered wood stork in the state and other wading bird species and will offer additional recreational opportunities to the public.

BOARD ACTION REQUESTED:

Approve permanent improvement project establishment requests and budget revisions. All items have been reviewed favorably by the Joint Bond Review Committee.

ATTACHMENTS:

Attachments

ATTACHMENT 1

ADDITIONAL ANNUAL OPERATING COSTS/SAVINGS RESULTING FROM PERMANENT IMPROVEMENT PROJECT

1. AGENCY
Code H27 Name USC Columbia

2. PROJECT
Project # 6096 Name Outdoor Football Practice Fields Construction

3. ADDITIONAL ANNUAL OPERATING COSTS/SAVINGS. (Check whether reporting costs or savings.)

☐ COSTS ☒ SAVINGS ☐ NO CHANGE

4.

TOTAL ADDITIONAL OPERATING COSTS/SAVINGS Projected Financing Sources				
(1)	(2)	(3)	(4)	(5)
Fiscal Year	General Funds	Federal	Other	Total
1) 2014/15	$	$	$26,000.00	$ 26,000.00
2) 2015/16 *	$	$	$130,000.00	$ 130,000.00
3) 2016/17	$	$	$	$ 0.00

* lease expires April 2016

5. If "Other" sources are reported in Column 4 above, itemize and specify what the other sources are (revenues, fees, etc.).

Athletic Funds

6. Will the additional costs be absorbed into your existing budget? ☐ YES ☐ NO
If no, how will additional funds be provided?

7. Itemize below the cost factors that contribute to the total costs or savings reported above in Column 5 for the first fiscal year.

COST FACTORS	AMOUNT
1. Lease Savings	$26,000.00
2.	
3.	
4.	
5.	
6.	
7.	
8.	
TOTAL	$26,000.00

8. If personal services costs or savings are reported in 7 above, please indicate the number of additional positions required or positions saved. ______

9. Submitted By: [signature] Director, Planning and Programming
Signature of Authorized Official and Title

3/27/13
Date

ATTACHMENT 2

ADDITIONAL ANNUAL OPERATING COSTS/SAVINGS RESULTING FROM PERMANENT IMPROVEMENT PROJECT

1. AGENCY
Code F03 Name: South Carolina Budget & Control Board / General Services Division

2. PROJECT
Project # 9852 Name: Gressette Building – Air Handler Units Replacement

3. ADDITIONAL ANNUAL OPERATING COSTS/SAVINGS. (Check whether reporting costs or savings.)

☐ COSTS ☒ SAVINGS ☐ NO CHANGE

4.

TOTAL ADDITIONAL OPERATING COSTS/SAVINGS Projected Financing Sources				
(1) Fiscal Year	(2) General Funds	(3) Federal	(4) Other	(5) Total
1) 2013/2014	$	$	$32,670	$32,670
2) 2014/2015	$	$	$32,670	$32,670
3) 2015/2016	$	$	$32,670	$32,670

5. If "Other" sources are reported in Column 4 above, itemize and specify what the other sources are (revenues, fees, etc.).
The expected savings reflect the reduced electricity and maintenance costs attributable to the installation of a more efficient Air Handler. Utility bills are paid out of rent charged to tenants.

6. Will the additional costs be absorbed into your existing budget? ☐ YES ☒ NO
If no, how will additional funds be provided?

No additional costs.

7. Itemize below the cost factors that contribute to the total costs or savings reported above in Column 5 for the first fiscal year.

COST FACTORS	AMOUNT
1. Reduce energy cost by adding new HVAC equipment.	$31,790.00
2. Annual maintenance savings.	$880.00
3.	
4.	
5.	
6.	
7.	
8.	
TOTAL	$32,670.00

8. If personal services costs or savings are reported in 7 above, please indicate the number of additional positions required or positions saved. N/A

9. Submitted By: Nolan L. Wiggins Jr., Director – General Services Division 3/21/13
Signature of Authorized Official and Title Date

ATTACHMENT 3

ADDITIONAL ANNUAL OPERATING COSTS / SAVINGS RESULTING FROM PERMANENT IMPROVEMENT PROJECT

1. AGENCY
Code J12 Name SC Department of Mental Health

2. PROJECT
Project # 9721 Name Campbell Veterans Nursing Home Deferred Maintenance

3. ADDITIONAL ANNUAL OPERATING COSTS / SAVINGS. (Check whether reporting costs or savings.)

☐ COSTS ☒ SAVINGS ☐ NO CHANGE

4.

TOTAL ADDITIONAL OPERATING COSTS / SAVINGS Projected Financing Sources				
(1)	(2)	(3)	(4)	(5)
Fiscal Year	General Funds	Federal	Other	Total
1) 14/15	$ 16,000.00	$	$	$ 16,000.00
2) 15/16	$ 16,000.00	$	$	$ 16,000.00
3) 16/17	$ 16,000.00	$	$	$ 16,000.00

5. If "Other" sources are reported in Column 4 above, itemize and specify what the other sources are (revenues, fees, etc.).

6. Will the additional costs be absorbed into your existing budget? ☒ YES ☐ NO
If no, how will additional funds be provided?

7. Itemize below the cost factors that contribute to the total costs or savings reported above in Column 5 for the first fiscal year.

COST FACTORS	AMOUNT
1. Reduction in energy consumption for chillers	$16,000.00
2.	
3.	
4.	
5.	
6.	
7.	
8.	
TOTAL	$16,000.00

8. If personal services costs or savings are reported in 7 above, please indicate the number of additional positions required or positions saved. ______

9. Submitted By: James R Berf
Signature of Authorized Official and Title

2-19-2013
Date

ATTACHMENT 4

ADDITIONAL ANNUAL OPERATING COSTS/SAVINGS RESULTING FROM PERMANENT IMPROVEMENT PROJECT

1. **AGENCY CODE:** H12 **NAME:** Clemson University

2. **PROJECT #:** 9894 **NAME:** CURI-Graduate Education Center and Lasch Lab Upfit/Land Acquisition Construction

3. **ADDITIONAL ANNUAL OPERATING COSTS/SAVINGS. (Check whether reporting costs or savings.)**

   [X] COSTS [ ] SAVINGS [ ] NO CHANGE

4.

TOTAL ADDITIONAL OPERATING COSTS/SAVINGS Projected Financing Sources				
(1)	(2)	(3)	(4)	(5)
Fiscal Year	General Funds	Federal	Other	Total
1) 2015-2016			$400,350.00	$400,350.00
2) 2016-2017			$408,357.00	$408,357.00
3) 2017-2018			$416,524.00	$416,524.00

5. **If "Other" sources are reported in Column 4 above, itemize and specify what the other sources are (revenues, fees, etc.)**

   Of the annual operating costs in column 4, year 1 will be 100% E&G. Year 2 and 3 will be 75% E&G and 25% new revenue from tenants, services, programs, and development. Year 4 and beyond 50% E&G funds and 50% new revenues.

6. **Will the additional costs be absorbed into your existing budget?** [X] Yes [ ] No
   If no, how will the additional funds be provided?

   Additional revenue will be generated for the proposed project through lease of office spaces to industry partners, overhead costs associated with graduate research programs to cover infrastructure costs and educational services including seminars and workshops.

7. **Itemize below the cost factors that contribute to the total costs or savings reported above in Column 5 for the first fiscal year.**

COST FACTORS	AMOUNT
1. Utilities	$196,350.00
2. Maintenance	$204,000.00
3.	
4.	
5.	
6.	
7.	
8.	
TOTAL	$400,350.00

8. **If personal services or costs are reported in section 7 above, please indicate the number of additional positions required or positions saved.** 0

9. **Submitted By:** John McEntire 4/11/13

   Signature of Authorized Official and Title **Date**
   John McEntire, Director Capital Projects

ATTACHMENT 5

ADDITIONAL ANNUAL OPERATING COSTS / SAVINGS RESULTING FROM PERMANENT IMPROVEMENT PROJECT

1. AGENCY Code J12 Name S C Department of Mental Health

2. PROJECT Project # 9724 Name Bryan Hospital/Morris Village Energy Plant Chiller Replacements

3. ADDITIONAL ANNUAL OPERATING COSTS / SAVINGS. (Check whether reporting costs or savings.)

☐ COSTS ☒ SAVINGS ☐ NO CHANGE

4.

TOTAL ADDITIONAL OPERATING COSTS / SAVINGS Projected Financing Sources				
(1) Fiscal Year	(2) General Funds	(3) Federal	(4) Other	(5) Total
1) 14/15	$ 53,120.00	$	$	$ 53,120.00
2) 15/16	$ 53,120.00	$	$	$ 53,120.00
3) 16/17	$ 53,120.00	$	$	$ 53,120.00

5. If "Other" sources are reported in Column 4 above, itemize and specify what the other sources are (revenues, fees, etc.).

6. Will the additional costs be absorbed into your existing budget? ☒ YES ☐ NO
If no, how will additional funds be provided?

7. Itemize below the cost factors that contribute to the total costs or savings reported above in Column 5 for the first fiscal year.

COST FACTORS	AMOUNT
1. Plant Operating/Energy Costs Reductions	$53,120.00
2.	
3.	
4.	
5.	
6.	
7.	
8.	
TOTAL	$53,120.00

8. If personal services costs or savings are reported in 7 above, please indicate the number of additional positions required or positions saved. ______

9. Submitted By: [signature] Director, Physical Plant Services
Signature of Authorized Official and Title

3-19-2013
Date

ATTACHMENT 6

Permanent Improvement Project Information for May 8, 2013 B&CB Meeting

Agency/ Project No.	Agency/Project Name	Original Approved Budget	Date of Original Approval	Phase I Amount	Date of Phase I Approval	Included in CPIP	Total Projected Project Cost
H27-6102	USC - Athletic Village Tennis Complex Addition	$15,000 for pre-design	5/8/13	$15,000	5/8/13	No	To Be Determined
F03-9919	B&C Board - Senate Street Building Roof Replacement	$9,575 for pre-design	5/8/13	$9,575	5/8/13	No	To Be Determined
H27-6096	USC - Outdoor Football Practice Fields Construction	$45,000 for pre-design	6/27/12	$45,000	6/27/12	2012 CPIP Year 1	$3,000,000
E24-9773	Adjutant General - Multiple Armory Maintenance Repairs	$500,000	3/28/13	N/A	N/A	No	$1,000,000
F03-9852	B&C Board - Gressette Bldg Air Handler Fan Replacement	$22,500 for pre-design	1/31/08	$22,500	1/31/08	No	$699,631
F03-9912	B&C Board - Rutledge Bldg Emergency Generator Installation	$5,900 for pre-design	10/30/12	$5,900	10/30/12	No	$723,945
J12-9721	Mental Health - Campbell Veterans Nursing Home Deferred Maintenance	$750,000	11/1/11	N/A	N/A	2009 CPIP Year 4	$1,678,571
J12-9722	Mental Health - Stone Veterans Nursing Home Deferred Maintenance	$1,330,000	11/1/11	N/A	N/A	2009 CPIP Year 2	$3,800,000
H12-9864	Clemson - CURI Graduate Education Center Construction and Lasch Lab Upfit/Land Acquisition	$20,000 for preliminary studies	11/8/05	$10,420,000	12/12/06	2012 CPIP Year 1	$23,520,000
J12-9724	Mental Health - Bryan Hospital/Morris Village Energy Plant Chiller Replacements	$15,000 for pre-design	6/27/12	$15,000	6/27/12	No	$2,025,000
P24-9933	Natural Resources - Charleston - Dungannon Plantation Land Acquisition	$20,000 for preliminary studies	5/8/13	$20,000	5/8/13	No	To Be Determined

STATE BUDGET AND CONTROL BOARD
MEETING OF May 8, 2013

REGULAR SESSION
ITEM NUMBER 14

AGENCY: Division of State Budget

SUBJECT: Real Property Acquisitions

The Division of State Budget recommends approval of the following real property acquisitions:

(a)

Agency:	**Greenville Technical College**
Acreage:	14.53± acres
Location:	On West McElhaney Road adjoining the Greer campus of Greenville Technical College in Taylors.
County:	Greenville
Purpose:	For future expansion of the Greer Campus of Greenville Technical College.
Appraised Value:	$315,000
Price/Seller:	$220,000 / Greenville Tech Foundation, Inc.
Source of Funds:	Other, Local County
Project Number:	H59-6080
Environmental Study:	Approved
Building Condition Assessment:	N/A
Additional Annual Op Cost/SOF:	Additional annual operating costs of $26 for storm water fee are anticipated and will be funded with Local County funds.
Current Year Property Tax:	N/A - Exempt
Approved By:	CHE on 3/7/13; JBRC staff on 3/20/13

(b)

Agency:	**Coastal Carolina University**
Acreage:	8.16± acres of campus roads
Location:	Consisting of Chanticleer Drive West, Chanticleer Drive East, Founders Drive and Evergreen Lane on the Coastal Carolina main campus.
County:	Horry
Purpose:	To perform major road repair work needed due to heavy equipment movement on campus for recent construction projects.
Appraised Value:	N/A
Price/Seller:	Donation / Coastal Educational Foundation
Source of Funds:	N/A - Donation
Project Number:	H17-9597
Environmental Study:	Approved

BUDGET AND CONTROL BOARD AGENDA ITEM WORKSHEET

Meeting Scheduled for: May 8, 2013 **Regular Agenda**

1. **Submitted by:**
   (a) Agency: State Budget Division
   (b) Authorized Official Signature: Les Boles, Director

2. **Subject:** **REAL PROPERTY ACQUISITIONS**

3. **Summary Background Information:**

(a)

Agency:	**Greenville Technical College**
Acreage:	14.53± acres
Location:	On West McElhaney Road adjoining the Greer campus of Greenville Technical College in Taylors.
County:	Greenville
Purpose:	For future expansion of the Greer Campus of Greenville Technical College.
Appraised Value:	$315,000
Price/Seller:	$220,000 / Greenville Tech Foundation, Inc.
Source of Funds:	Other, Local County
Project Number:	H59-6080
Environmental Study:	Approved
Building Condition Assessment:	N/A
Additional Annual Op Cost/SOF:	Additional annual operating costs of $26 for storm water fee are anticipated and will be funded with Local County funds.
Current Year Property Tax:	N/A - Exempt
Approved By:	CHE on 3/7/13; JBRC staff on 3/20/13

(b)

Agency:	**Coastal Carolina University**
Acreage:	8.16± acres of campus roads
Location:	Consisting of Chanticleer Drive West, Chanticleer Drive East, Founders Drive and Evergreen Lane on the Coastal Carolina main campus.
County:	Horry
Purpose:	To perform major road repair work needed due to heavy equipment movement on campus for recent construction projects.
Appraised Value:	N/A
Price/Seller:	Donation / Coastal Educational Foundation
Source of Funds:	N/A - Donation
Project Number:	H17-9597
Environmental Study:	Approved
Building Condition Assessment:	N/A
Additional Annual Op Cost/SOF:	No additional annual operating costs are anticipated as the University already provides routine maintenance of roads.
Current Year Property Tax:	N/A - Exempt
Approved By:	CHE on 3/19/13; JBRC staff on 4/3/13

4. What is Board asked to do?

Approve the property acquisitions as requested.

5. What is recommendation of Board Division involved?

Recommend approval of the property acquisitions requested.

6. Recommendation of other Division/Agency (as required)?

(a) Authorized Signature:______________________________

(b) Division/Agency Name:______________________________

7. List of Supporting Documents:

1. Code Section 1-11-65
   (a) Greenville Technical College
   (b) Coastal Carolina University

SECTION 1-11-65. Approval and recordation of real property transactions involving governmental bodies.

(A) All transactions involving real property, made for or by any governmental bodies, excluding political subdivisions of the State, must be approved by and recorded with the State Budget and Control Board. Upon approval of the transaction by the Budget and Control Board, there must be recorded simultaneously with the deed, a certificate of acceptance, which acknowledges the board's approval of the transaction. The county recording authority cannot accept for recording any deed not accompanied by a certificate of acceptance. The board may exempt a governmental body from the provisions of this subsection.

(B) All state agencies, departments, and institutions authorized by law to accept gifts of tangible personal property shall have executed by its governing body an acknowledgment of acceptance prior to transfer of the tangible personal property to the agency, department, or institution.

(a) Greenville Technical College
Greenville County

1. Letter from Agency
2. Appraisal Results
3. Map
4. Environmental Results
5. Cost Implications

GREENVILLE TECH
College That Works

February 1, 2013

Ms. Carol Routh
Capital Budgeting
Budget & Control Board
1205 Pendleton Street
Columbia, SC 29201

Reference: Project H59-6080 – Greer Campus Land Acquisition

Dear Ms. Routh,

Our Area Commission has approved for the college to purchase 14.53 acres of land adjoining the college's property at our Greer Campus. The land is currently owned by the Greenville Tech Foundation, Inc. The approved purchase amount is $220,000.

This letter serves as official request of the South Carolina Budget and Control Board for Greenville Technical College to purchase the land identified as vacant land West McElhaney Road Taylors, SC 29687, Greenville County Tax Map # 0632010102700.

An appraisal of the property has been conducted by Owens Appraisal & Consulting Services, Inc. An environmental evaluation has been completed on the property by SynTerra Corp. Copies of both the appraisal and the environmental evaluation is included with this letter.

In addition, Appendix F- Property Acquisition Information form, an A-1 form for budget revision and land purchase, and an A-49 form Annual Operating Cost/Savings form is enclosed.

Should you have any questions or need further information regarding the property purchase, please contact me. Thank you in advance for your assistance in processing this request.

Sincerely,

Bill Tripp

Bill Tripp
Facilities Manager
bill.tripp@gvltec.edu
(864) 250-8112

Enclosures

CC: State Tec
Commission on Higher Education
Project # 6080 file

OWEN
Owen Appraisal & Consulting Services, Inc.

November 12, 2012

Mr. Bill Tripp
Greenville Technical College
PO Box 5616
Greenville, South Carolina 29606-5616

Dear Mr. Tripp:

Per your request, we have appraised the property located on the north side of West McElhaney Road, Greenville County, South Carolina. The designated subject property is defined as Greenville County, SC Tax Map Number 0632010102700.

A legal description of the parcel is recorded on a plat entitled "Boundary Survey for Josh Seppala", by Precision Land Surveying, Inc., dated February 25, 2003. A copy of this survey is included in the property description or this report. According to the plate, the subject property contains approximately 14.53 acres according to the survey.

The subject property is currently owned by Greenville Tech Foundation, Inc., and to the best of our knowledge, has not been for sale or lease in the past twelve months.

The appraisal assignment, as requested by the client, is to provide a market value estimate of the fee simple estate of the subject parcel as vacant land. The valuation of the fee simple interest assumes no indebtedness against the property which cannot be satisfied without penalty.

It should be noted at this point that the report is in summary format and is in compliance with the guidelines as set forth by the 2012/2013 edition of the Uniform Standards of Professional Appraisal Practice (USPAP),

10 Lavinia Avenue, Greenville, SC 29601
(864) 232-5393 (864) 232-5395 Fax
www.owenappraisals.com
OwenAppraisals@att.net
R. Bruce Owen, MAI

Standards Rule 2-2(b), in accordance with the Appraisal Standards Board of The Appraisal Foundation. As such, all of the information used in estimating the value may not be included in the report, but has been retained in our files.

We have considered what is thought to be all necessary and pertinent data available affecting the value of the property, including general real estate market conditions and trends, subject neighborhood analysis, highest and best use analysis, sales of similar type properties, and the Upstate South Carolina real estate market in general. The report contains all assumptions and limiting conditions upon which the value is predicated.

Based on the information contained in this report, it is our opinion that the market value of the fee simple estate of the subject property, as of November 9, 2012 is:

THREE HUNDRED FIFTEEN THOUSAND DOLLARS
($315,000)

Our report and valuation analysis follows. We certify we have no financial interest in the subject property and that our employment is not contingent upon the value reported. **It is also assumed that there are no harmful chemical spills, toxins, or other hidden waste materials on site and that the site is not contaminated with asbestos or other toxic waste. If such should be found on the site, the above value(s) would not apply. We are not qualified to determine the presence of such materials and if such a determination should be required, professional help is highly recommended.**

10 Lavinia Avenue, Greenville, SC 29601
(864) 232-5393 (864) 232-5395 Fax
www.owenappraisals.com
OwenAppraisals@att.net
R. Bruce Owen, MAI

OWEN
Owen Appraisal & Consulting Services, Inc.

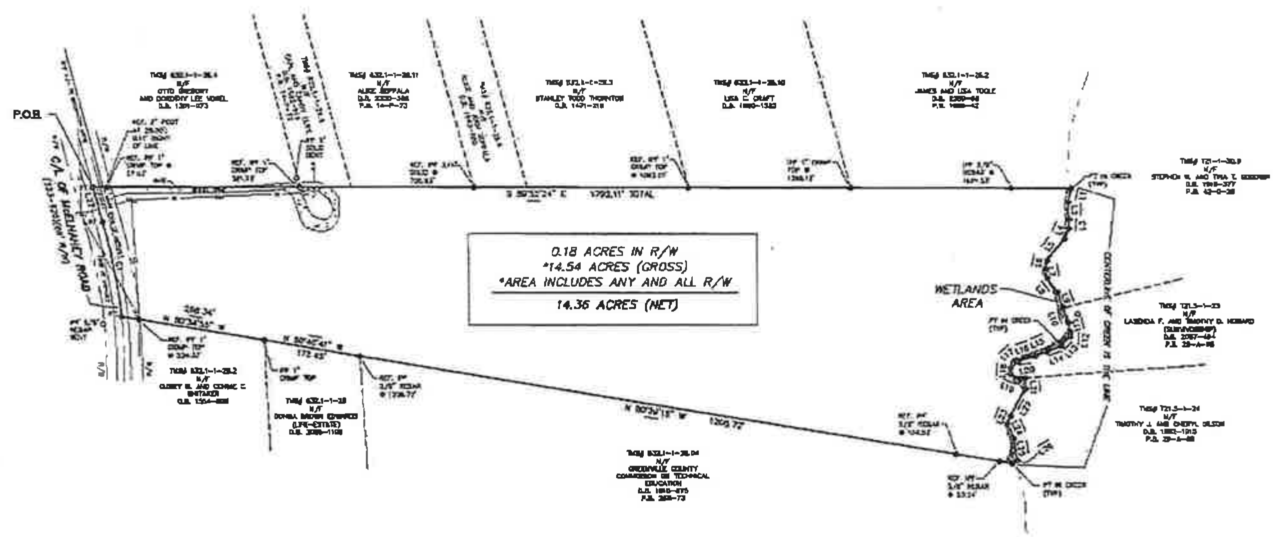
We appreciate the opportunity to provide this appraisal to you. If we can explain any of the relevant data or provide additional information, please do not hesitate to call. Once again, thank you for your consideration of Owen Appraisal & Consulting Services, Inc.

Sincerely,

Mack D. "Trip" Gilreath
South Carolina Certification Number CG5977

R. Bruce Owen, MAI
South Carolina Certification Number CG516

10 Lavinia Avenue, Greenville, SC 29601
(864) 232-5393 (864) 232-5395 Fax
www.owenappraisals.com
OwenAppraisals@att.net
R. Bruce Owen, MAI



TITLE EXCEPTIONS:

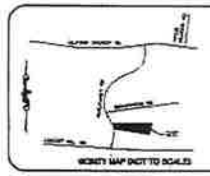
THIS PLAT HAS BEEN PREPARED WITHOUT THE BENEFIT OF A TITLE REPORT AND DOES NOT NECESSARILY INDICATE ALL ENCUMBRANCES ON THE PROPERTY.

LEGEND:

[illegible]

FLOOD INFORMATION:

THIS PROPERTY IS LOCATED IN FLOOD ZONE "X" (AREAS OF MINIMAL FLOODING) PER GREENVILLE COUNTY FIRM COMMUNITY PANEL NO. [illegible] EFFECTIVE DATE: DECEMBER 2, 2004



SURVEYOR'S NOTES:

1. I HEREBY STATE THAT TO THE BEST OF MY KNOWLEDGE, INFORMATION, AND BELIEF, THE SURVEY SHOWN HEREIN WAS MADE IN ACCORDANCE WITH THE REQUIREMENTS OF THE [illegible] STANDARDS MANUAL FOR THE PRACTICE OF LAND SURVEYING IN THE STATE OF SOUTH CAROLINA, AND MEETS OR EXCEEDS THE REQUIREMENTS FOR A CLASS "A" SURVEY AS SPECIFIED THEREIN. THIS PROPERTY IS NOT LOCATED WITHIN A DESIGNATED FLOOD HAZARD AREA.

POSSIBLE ENCROACHMENTS:

[illegible]

Freeland SURVEYORS + ENGINEERS

FREELAND & ASSOCIATES, INC.
[illegible] WEST STONE AVE.
GREENVILLE S.C. 29609
TEL. [illegible] FAX [illegible]
EMAIL: [illegible]

DRAWN [illegible]	
REF. PLAT BOOK:	[illegible]
REF. DEED BOOK:	[illegible]
TAX MAP	532.1-1-28.2
DATE OF SURVEY:	[illegible]
DATE DRAWN:	[illegible]
DRAWING NO:	[illegible]
DATE OF LAST REVISION:	

0' 100' 200' 300'
SCALE: 1" = 100'

PLS: JAMES B. FREELAND No: 4793

STATE OF SOUTH CAROLINA GREENVILLE COUNTY

ALTA/ACSM LAND TITLE SURVEY FOR GREENVILLE TECH FOUNDATION, INC.

SITE ADDRESS:
McELHANEY ROAD
TAYLORS, SC 29687

PARCEL DESCRIPTION:

[illegible]

CERTIFICATE:

To GREENVILLE TECH FOUNDATION, INC.:

[illegible]

JAMES B. FREELAND, PLS
Registration No. 4793

ZONING INFORMATION:

ZONED: R-S (RESIDENTIAL SUBURBAN)

SETBACK LINE:
FRONT:
30' WHEN FRONTING A RESIDENTIAL STREET
40' WHEN FRONTING A COLLECTOR STREET
50' WHEN FRONTING AN ARTERIAL STREET
SIDE: 5'
BACK: 5'
MAXIMUM BUILDING HEIGHT - 45'

LINE TABLE

LINE	LENGTH	BEARING
L1	25.72'	S 17°37'07" W
L2	31.51'	S 01°52'22" E
L3	18.83'	S 01°29'25" W
L4	20.27'	S 23°10'49" W
L5	30.25'	S 38°21'07" W
L6	14.18'	S 15°25'41" W
L7	17.90'	S 12°44'31" E
L8	32.91'	S 35°57'58" E
L9	29.71'	S 18°24'07" E
L10	28.55'	S 18°26'35" E
L11	17.15'	S 13°04'02" E
L12	8.04'	S 05°20'45" W
L13	22.97'	S 42°42'06" W
L14	28.51'	S 80°13'30" W
L15	23.25'	S 88°51'29" W
L16	32.77'	S 72°41'34" W
L17	16.48'	S 50°26'34" W
L18	10.34'	S 02°33'29" W
L19	21.00'	S 84°22'53" E
L20	8.45'	N 81°30'27" E
L21	19.64'	S 00°20'56" E
L22	56.41'	S 28°31'01" W
L23	13.27'	S 23°13'46" W
L24	29.37'	S 25°18'54" E
L25	40.12'	S 07°45'40" E
L26	11.06'	S 53°20'59" W
L27	35.00'	N 15°28'55" W

CURVE TABLE

CURVE	RADIUS	LENGTH	TANGENT	CHORD	BEARING	DELTA
C1	681.81'	178.12'	88.30	175.57'	N 11°13'48" W	15°02'37"

SHEET 1 OF 1

synTerra

January 9, 2013

VIA EMAIL (BILL.TRIPP@GVLTEC.EDU)

Mr. Bill Tripp
Greenville Technical College
P.O. Box 5616
Greenville, SC 29606

Subject: Follow-up Information
Environmental Assessment
McElhaney Road Property
Taylors, South Carolina

Dear Mr. Tripp:

In 2009, Greenville Tech Foundation retained SynTerra to conduct a Phase I Environmental Site Assessment (ESA) of a 14.5-acre tract of land located on West McElhaney Road, near Taylors, South Carolina. In late 2012, Greenville Technical College retained SynTerra to prepare an update to the Phase I ESA. The update report was delivered to Greenville Technical College on December 3, 2012. Following review of the report, Mr. Charles Shawver of the SC Budget and Control Board requested clarification regarding several of the findings of SynTerra's reports. This letter is submitted in response to that request.

The 2009 Phase I ESA identified an area of stained surface soils on the subject site. The stained soils had a hydrocarbon odor and encompassed a generally circular area with a diameter of approximately 10 – 15 feet. In addition to the affected soils, SynTerra identified numerous small containers of fuel, hydraulic oil, paint and other materials stored in a separate area on the site. No indication of spills or releases was observed in association with the containers.

In 2010, Greenville Tech Foundation retained SynTerra to provide assistance with excavation, removal and disposal of the affected soils, and with proper removal and disposal of the containers of fuel, hydraulic oil, paint and other materials.

On October 20, 2010 A&D Environmental Services (SC) LLC excavated and removed the affected soils from the site. The soils were transported to the Republic Services Union County Regional Landfill near Enoree, South Carolina, and disposed. Following completion of soil excavation activities, SynTerra collected a composite soil sample from five locations in the base of the excavation and submitted the sample to an accredited laboratory for analysis. The soil sample was analyzed for volatile organic compounds (VOCs) and semi-volatile organic compounds (S-VOCs). The laboratory reported all parameters were below detection limits. Based on this information, the affected soils appear to have been completely removed.

Personnel representing Greenville Technical College removed and disposed the small containers of fuel, hydraulic oil, paint and other materials. Following removal of the containers, no evidence of staining or indication of a release was observed on the ground surface in the former container storage area.

Based on the findings from our work at the site, SynTerra recommends no additional assessment of the 14.5-acre tract of land on West McElhaney Road.

Thank you for the opportunity to provide this information. If you have any questions or need additional information, please feel free to contact me by telephone at (864) 527-4647 or via email at bhusk@synterracorp.com.

Sincerely,

SYNTERRA CORPORATION

William H. Husk, CHMM
Principal

9.0 CONCLUSIONS

SynTerra has performed a Phase I ESA Update in general accordance with the scope and limitations of ASTM-E 1527-05 of the Greenville Tech Foundation (former Martin Henry Investments) property located on West McElhaney Road, Taylors, South Carolina, the Property. Any exceptions to, or deletions from, this practice are described in Section 1.6 of this report. This assessment has revealed no evidence of RECs at the subject property, with the exception of the following:

- In 2009, surface soil staining was observed near the south property line along the ridge at the west side of the site. The stained soils had a hydrocarbon odor. A representative of the site owner indicated the staining was likely due to a release of diesel fuel. The affected soils were excavated and removed in 2010, and a confirmation soil sample collected from the base of the excavation did not show evidence of petroleum hydrocarbons. Based on this information, the stained surface soils are a historical REC; however, the historical REC does not represent a significant concern for the subject property.

- In 2009, small containers of fuel, hydraulic oil, paint and other materials were observed on the ground on the site. No evidence of spills or releases was observed in the area; however, heavy vegetative growth covering the ground surface prevented observation of the surface soils in this area. Based on the site observations, the containers were considered a REC in 2009; however, the materials did not appear to represent a significant concern for the site. Personnel representing Greenville Technical College removed and disposed the materials in 2010. No evidence of spills or releases was observed in this area of the subject property during the site visit for this Phase I ESA update. The historical storage of these materials on the site represents a historical REC; however, the historical REC does not represent a significant concern for the subject property.

- The pole-mounted transformer on the subject property appeared to be in good condition, and no evidence of releases was observed. The transformer is the property of the utility serving the property, and maintenance, leaks or spills from the transformers are the responsibility of the owner. Based on the observed conditions and because the utility serving the property would likely be the responsible party in the event of a release, the transformer does not represent a significant concern for the subject property.

- The use of the subject property as a farm from prior to 1965 until the late 1980s or early 1990s is a suspect REC due to the probable use and storage of petroleum products, herbicides and pesticides on the site. No evidence of spills or releases was observed in the area; however, the historical use and storage and potential spills or releases of these materials on the site represent a historical REC. Based on visual observations, this historical REC does not appear to represent a significant concern for the subject property; however, additional information is necessary to evaluate the significance of this historical REC.

Adjoining Property

- The pole-mounted transformer along West McElhaney Road near the west side of the site appeared to be in good condition, and no evidence of releases was observed. The transformer is the property of the utility serving the property, and maintenance, leaks or spills from the transformers are the responsibility of the owner. Consequently, the transformer is a REC, but does not represent a significant concern for the subject property.

No other RECs were identified on property adjoining the subject property.

APPENDIX F

PROPERTY ACQUISITION INFORMATION FORMAT

PART 1

Project Number: **H59-6080**

County: **Greenville**

Description of Property: **Vacant land adjoining property at Greer Campus (Greenville Technical College)**

Grantor Name and Address:

Greenville Tech Foundation Inc. MS-6002 - PO Box 5616 Greenville, SC 29606

Grantee Name and Address

Greenville Technical College MS 1071 - PO Box 5616 Greenville, SC 29606

County Location: **West McElhaney Road, Taylors, SC 29687**

Acreage: **14.53**

Purpose for Acquisition: **Future expansion of Greer Campus.**

Purchase price: **$220,000**

Current Year Property Tax Amount: **None. In Greenville County, non-profit corporations do not incur property tax.**

PART II

How many sites were evaluated? **One, this property adjoins the college's property at the Greer Campus northeast side.**

Please list the selection criteria used to evaluate sites?

Location, contiguous to Greer Campus

Environmental condition of property

Utilities Infrastructure in existence on road right-of-way is water, sewer, power, telephone.

Roadway frontage

How was the final selection of this site made?

Location, property adjoins the college's property.

No environmental hazards exist on property.

Utilities (power, water, telephone) currently available in property right-of-way.

APPENDIX F

PROPERTY ACQUISITION INFORMATION FORMAT

PART II – continued

Why was this specific site selected? **Property adjoins college property on northeast side of Greer Campus**

What is the estimated cost of any construction or renovations to be done on the property and the anticipated source of funds for such work? **No plans for construction at present**.

What are the estimated additional annual operating costs which will result from the acquisition of the property and the anticipated source of funds? Explain the factors that determine the cost. If no cost, explain why not. **The only additional cost to be incurred at present is the Greenville County storm water fee of $25.65. In Greenville County, non-profit corporations do not incur property tax.**

What are the estimated annual operating cost which will result from construction/renovation on the property and the anticipated source of funds? Explain the factors that determine the costs. If no costs, explain why not.

No plans to building on the site currently, therefore; no additional cost from construction/renovations will be incurred.

Submitted by:

Bill Tripp
Greenville Technical College
Bill.tripp@gvltec.edu
(864) 250-8112

Project: H59-6080

(b) Coastal Carolina University
Horry County

1. Letter from Agency
2. Map
3. Environmental Results
4. Cost Implications

COASTAL CAROLINA UNIVERSITY

Vice President
for Finance and Administration

March 15, 2013

Ms. Carol Routh
Assistant Director, Capital Budgeting Section
Office of State Budget
1205 Pendleton Street
Edgar A. Brown Building, Suite 529
Columbia, SC 29201

Re: Road Land Donation

Dear Carol:

Please accept this letter as a request for State Budget and Control Board approval for the donation of 8.16 acres of roads on the main campus from the Coastal Educational Foundation to Coastal Carolina University. This donation will enable the University to proceed with some major road repairs. (Project #9597)

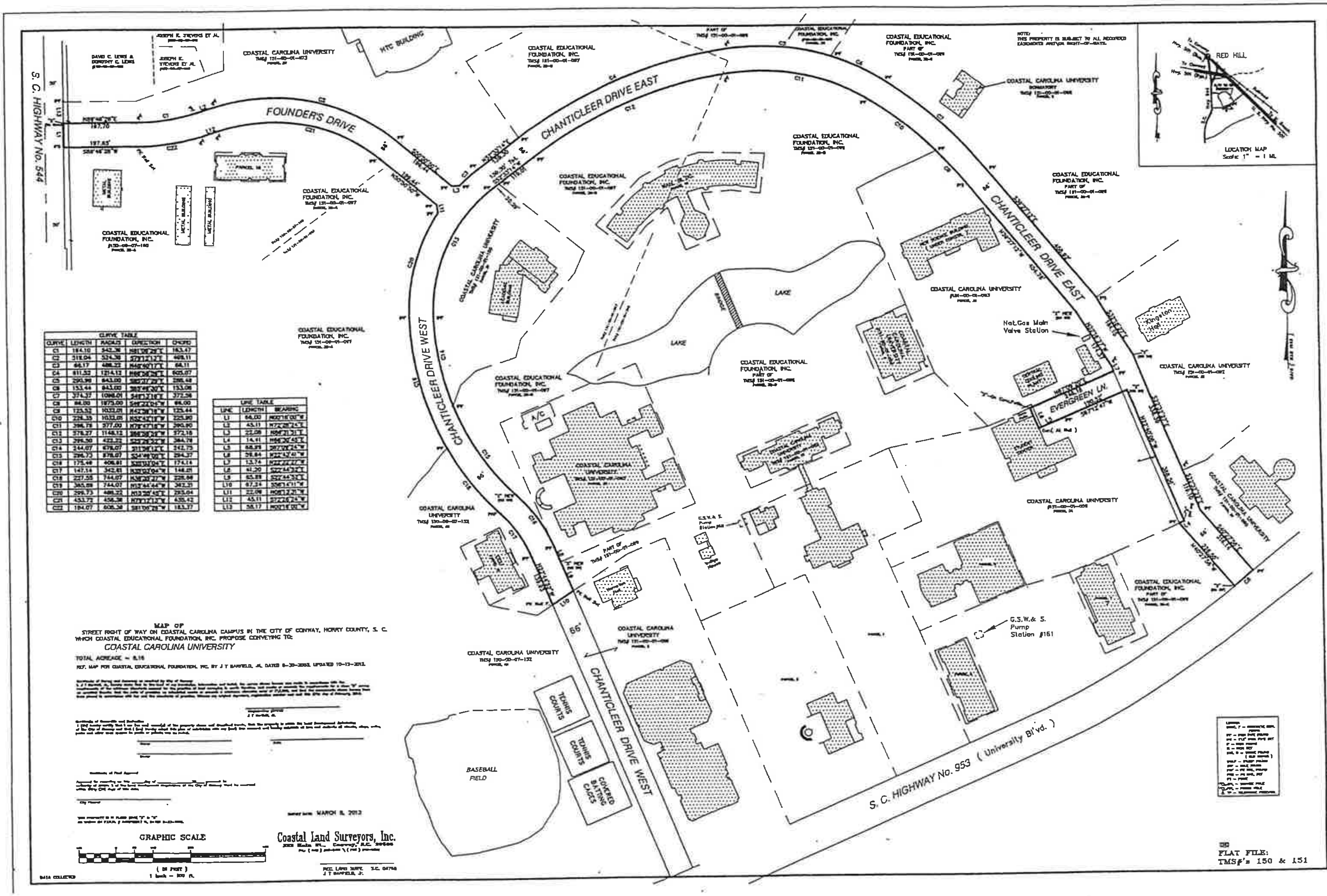
Thank you for your assistance in this regard.

Sincerely,

Stacie A. Bowie

Stacie A. Bowie
Vice President for Finance & Administration

P.O. Box 261954 • Conway, SC 29528-6054 • 843.349.2283 • 843.349.2055 fax • www.coastal.edu



CURVE TABLE				
CURVE	LENGTH	RADIUS	DIRECTION	CHORD
C1	164.10	342.36	N81°39'25"E	163.47
C2	318.04	524.36	S72°37'41"E	309.11
C3	66.17	486.22	N46°40'17"E	66.11
C4	611.52	1214.12	N66°26'56"E	605.07
C5	290.98	843.00	S86°11'29"E	289.48
C6	133.44	843.00	S85°48'30"E	133.08
C7	374.37	1090.01	S48°13'18"E	372.58
C8	66.00	1875.00	S34°22'25"W	66.00
C9	123.52	1032.01	N42°38'18"W	123.44
C10	226.35	1032.05	N53°45'18"W	225.90
C11	296.78	377.00	N78°47'18"W	290.90
C12	378.27	1146.12	S86°53'24"W	372.18
C13	295.50	422.22	S50°26'32"W	284.78
C14	244.07	678.07	S11°36'17"E	242.75
C15	296.73	878.07	S24°48'00"E	294.37
C16	175.48	406.81	S32°33'04"E	174.14
C17	147.14	342.81	N32°33'04"W	146.21
C18	227.55	744.07	N36°03'27"W	226.66
C19	365.69	744.07	N13°44'24"W	362.31
C20	296.73	486.22	N13°30'45"E	293.04
C21	433.72	456.38	N79°12'13"W	435.42
C22	184.07	606.36	S81°06'28"W	183.37

LINE TABLE		
LINE	LENGTH	BEARING
L1	66.00	N00°16'00"W
L2	43.11	N72°28'24"E
L3	22.08	N56°21'21"E
L4	14.41	N46°26'45"E
L5	68.89	S67°29'24"W
L6	29.84	S22°42'41"W
L7	13.74	S22°22'27"W
L8	41.20	S22°44'32"E
L9	63.89	S22°44'32"E
L10	67.24	S56°14'11"W
L11	22.09	N05°12'21"W
L12	43.11	S72°28'24"W
L13	58.17	N00°16'00"W

SUMMARY

S&ME, Inc. has completed a Phase I Environmental Site Assessment (ESA) for the following roadway segments located within the Coastal Carolina University (CCU) campus, in Conway (Horry County), South Carolina:

- Founders Drive, from Chanticleer Drive to SC Highway 544, for a roadway length of about 1,200 linear feet.
- Chanticleer Drive, from its intersection with University Boulevard near Bill Baxley Hall, to the parking lot entrance of Hampton Hall, for a roadway length of approximately 4,000 linear feet.
- An unnamed access road, from Chanticleer Drive to the east side of the Student Center, for a roadway length of approximately 250 linear feet.

This summary is intended as an overview of the Phase I ESA for the convenience of the reader. The complete report must be reviewed in its entirety prior to making decisions regarding this site.

The purpose of this Phase I ESA was to identify, to the extent feasible pursuant to ASTM E 1527-05, Recognized Environmental Conditions (RECs) in connection with the site. The ASTM Standard Practice E 1527-05 defines "good commercial and customary practice for conducting an environmental site assessment of a parcel of commercial real estate with respect to the range of contaminants within the scope of the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) and to petroleum products". This practice is intended to permit a user to satisfy one of the requirements to qualify for the "innocent landowner, contiguous property owner, or bona fide prospective purchaser limitations to CERCLA liability."

On March 7, 2013, Mrs. Dawn Schoolcraft, an environmental technologist with S&ME, under the guidance of Thomas Still, P.E., an environmental professional, conducted a site reconnaissance to evaluate the subject property for drainage patterns, vegetation patterns, stains, discoloration, surrounding land use, and other visual aspects suggestive of the presence of recognized environmental conditions. The subject properties consist of roadways surfaced with asphalt and some concrete pavements, and typical associated components such as concrete curb and gutter and utility appurtenances. The adjacent properties consist of buildings and property associated with CCU.

S&ME contracted Environmental Data Resources (EDR) to prepare a Field Check™ Radius Report compiling federal and state environmental database information. S&ME also viewed historical aerial photographs to determine past uses of the subject site and its adjacent properties. Interviews with the current property owner and with the local fire department were also conducted to further determine the environmental status of the subject site. This process revealed that the subject property has historically remained mostly wooded land prior to the initial development of CCU in the early 1960's.

In summary, this assessment has revealed no evidence of RECs in connection with the subject property.

PROPERTY ACQUISITION INFORMATION FORMAT
PART I
Coastal Carolina University – Project #9597 Road/Land Donation

1. Project Number: 9597

2. County: Horry

3. Description of Property: 8.16 acres of roads known as Chanticleer Drive West,, Chanticleer Drive East, Founder's Drive and Evergreen Lane.

4. Grantor(s) Name and Address: Coastal Educational Foundation
PO Box 261954
Conway, SC 29528-6054

5. Grantee(s) Name and Address: Coastal Carolina University
PO Box 261954
Conway, SC 29528-6054

6. County Location: Horry

7. Acreage: 8.16 acres

8. Purpose for Acquisition: University intends to perform major road repair work.

9. Demonstrate the need to acquire the property: Roads have fallen into disrepair and asphalt needs to be milled, utility tops and covers re-secured, crosswalks and speed bumps relocated, roads to be re-asphalted, lined and striped.

10. Purchase Price: N/A Land donation

11. Current Year Property Tax Amount: $0.00

PART II

1. How many sites were evaluated? One

2. Please list the selection criteria used to evaluate sites. None, specific roads are being donated.

3. How was the final selection of the site made? Roads are on University's main campus.

4. Why was this specific site selected? N/A

5. What is the estimated cost of any construction or renovations to be done on the property and the anticipated source of funds for such work? $690,000, Renovation Reserve/Plant Expansion.

6. What are the estimated additional annual operating costs which will result from acquisition of the property and the anticipated source of funds? Explain the factors that determine the cost. If no costs, explains why not. No costs, the University already provides routine maintenance for the roads.

7. What are the estimated additional annual operating costs which will result from construction/renovation on the property and the anticipated source of funds? Explain the factors that determine the costs. If no costs, explain why not. No costs, the University already provides routine maintenance for the roads.

STATE BUDGET AND CONTROL BOARD

MEETING OF May 8, 2013

REGULAR SESSION

ITEM NUMBER 15

AGENCY: State of South Carolina

SUBJECT: Not Exceeding $26,500,000 General Obligation State Highway Refunding Bonds, Series 2013, of the State of South Carolina

The Board is asked to adopt a resolution making provision for the issuance and sale of not exceeding $26,500,000 General Obligation State Highway Refunding Bonds, Series 2013, of the State of South Carolina.

BOARD ACTION REQUESTED:

Adopt a resolution making provision for the issuance and sale of not exceeding $26,500,000 General Obligation State Highway Refunding Bonds, Series 2013, of the State of South Carolina.

ATTACHMENTS:

Pope 4/16/13 letter; Summary of Refinancing Proposal; Resolution

POPE ZEIGLER
LAW FIRM
COLUMBIA | CHARLOTTE

Pope Zeigler, LLC
1411 Gervais St., Ste 300
Post Office Box 11509
Columbia, SC 29211

MAIN 803 354.4900
FAX 803 354.4899
popezeigler.com

April 16, 2013

Mr. Delbert H. Singleton, Jr., Board Secretary
South Carolina State Budget and Control Board
Wade Hampton Office Building
1200 Senate Street, Room 612
Columbia, South Carolina 29201

VIA HAND DELIVERY

Re: Not exceeding $26,500,000 General Obligation State Highway Refunding Bonds, Series 2013 of the State of South Carolina (the "***Bonds***")

Dear Delbert:

On behalf of the Office of State Treasurer of the State of South Carolina, we hereby respectfully enclose the following with respect to the issuance of the Bonds in preparation for the meeting of the South Carolina State Budget and Control Board (the "***State Board***") scheduled on May 7, 2013:

1. Ten (10) copies of the Commission of the Department of Transportation's resolution requesting the issuance of the Bonds, to be adopted on April 18, 2013.

2. Ten (10) copies of the State Board's resolution regarding the issuance of the Bonds; and

3. Ten (10) copies of a summary of refinancing proposal.

We will also be sending you in Microsoft Word, the electronic version of Item 2 listed above so that you can have it revised as necessary. Please let us know if you need anything further or if you have any questions or concerns.

Sincerely,

Gary T. Pope, Jr.

Enclosures

cc: Mr. F. Richard Harmon, Jr., Senior Assistant State Treasurer - Debt Management

Summary of Refinancing Proposal for

$26,500,000 General Obligation State Highway Refunding Bonds, Series 2013

PRELIMINARY – SUBJECT TO CHANGE

April 16, 2013

Outstanding bonds proposed to be refinanced	Portions or all of the General Obligation State Highway Refunding Bonds, Series 2003B
Average interest rate of bonds refinanced	3.978%
Projected average interest rate of refinancing bonds	3.514%
True interest cost of refinancing bonds	1.222%
Projected net present value savings (net of costs)	$3,029,573.77
Projected net present value savings as a percentage of the bonds refinanced	11.774%
Estimated costs (costs as a percentage of refinancing bonds, costs as a percentage of refinancing savings)	
Underwriting	$106,000 (0.40%; 3.50%)
Legal fees – bond, disclosure and general counsel	$37,500 (0.14%; 1.24%)
Rating agency fees	$55,000 (0.21%; 182%)
Advisory fees	$25,000 (0.09%; 0.83%)
Bond trustee/registrar	$2,000 (0.01%; 0.07%)
Accounting and verification	-
Credit enhancement/bond insurance	-
Publication, printing, contingencies and all other expenses	$7,300 (0.03%; 0.24%)
Total	$232,800 (0.88%; 7.68%)

Prepared by: Gary T. Pope, Jr., Pope Zeigler, LLC; summarized from information provided by the financial advisory firm First Southwest Company.

Date: April 16, 2103

STATE BUDGET AND CONTROL BOARD | REGULAR SESSION

MEETING OF May 8, 2013 | ITEM NUMBER 16

AGENCY: State of South Carolina

SUBJECT: Not Exceeding $13,350,000 in the Aggregate Principal Amount State General Obligation Research University Infrastructure Bonds of the State of South Carolina and Notes in Anticipation of the Issuance

The Board is asked to adopt a resolution making provision for the issuance and sale of not exceeding $13,350,000 in the Aggregate Principal Amount State General Obligation Research University Infrastructure Bonds of the State of South Carolina and Notes in Anticipation of the Issuance.

The proceeds from the sale of the bonds will be used to (a) reimburse the University of South Carolina for monies advanced in connection with the University of South Carolina Research Infrastructure Project, (b) pay costs of the University of South Carolina Research Infrastructure Project authorized by the Enabling Act, and (c) pay the costs of issuance of such Research University Infrastructure Bonds.

BOARD ACTION REQUESTED:

Adopt a resolution making provision for the issuance and sale of not exceeding $13,350,000 in the Aggregate Principal Amount State General Obligation Research University Infrastructure Bonds of the State of South Carolina and Notes in Anticipation of the Issuance.

ATTACHMENTS:

Corley 4/12/13 letter; Resolution

MCNAIR
ATTORNEYS

O. Wayne Corley

wcorley@mcnair.net
T (803) 799-9800
F (803) 753-3277

April 12, 2013

Via Hand Delivery
Delbert Singleton
Budget and Control Board
Wade Hampton Building
6th, Floor

RE:

A Resolution to Provide for the Issuance and Sale of Not Exceeding in the Aggregate Thirteen Million Three Hundred Fifty Thousand Dollars ($13,350,000) Principal Amount State General Obligation Research University Infrastructure Bonds of the State of South Carolina and Notes in Anticipation of the Issuance Thereof, to Prescribe the Purposes for Which the Proceeds Shall be Expended, to Provide for the Payment Thereof, and Other Matters Relating Thereto.

and

A Resolution to Provide for the Issuance and Sale of Not Exceeding in the Aggregate Five Million Dollars ($5,000,000) Principal Amount State General Obligation Research University Infrastructure Bonds of the State of South Carolina and Notes in Anticipation of the Issuance Thereof, to Prescribe the Purposes for Which the Proceeds Shall be Expended, to Provide for the Payment Thereof, and Other Matters Relating Thereto.

Dear Delbert:

I shall appreciate your scheduling the above two Budget and Control Board Resolutions for consideration and approval by the Budget and Control Board at its May 8, 2013 meeting.

As always, thank you for your most capable assistance and, should you need anything further, please let me know.

Sincerely,

Wayne

O. Wayne Corley

Enclosures

cc: Rick Harmon

COLUMBIA 1111460v1

McNair Law Firm, P. A
The Tower at 1301 Gervais
1301 Gervais Street
17th Floor
Columbia, SC 29201

Mailing Address
Post Office Box 11390
Columbia, SC 29211

mcnair.net

STATE BUDGET AND CONTROL BOARD

MEETING OF May 8, 2013

REGULAR SESSION

ITEM NUMBER 17

AGENCY: State of South Carolina

SUBJECT: Not Exceeding in the Aggregate $5,000,000 Principal Amount State General Obligation Research University Infrastructure Bonds of the State of South Carolina and Notes in Anticipation of the Issuance

The Board is asked to adopt a resolution making provision for the issuance and sale of not exceeding in the aggregate $5,000,000 Principal Amount State General Obligation Research University Infrastructure Bonds of the State of South Carolina and Notes in Anticipation of the Issuance.

The proceeds from the sale of the bonds will be used to (a) reimburse the Clemson University for monies advanced in connection with the Clemson Research Infrastructure Project, (b) pay costs of the Clemson Research Infrastructure Project authorized by the Enabling Act, and (c) pay the costs of issuance of such Research University Infrastructure Bonds.

BOARD ACTION REQUESTED:

Adopt a resolution making provision for the issuance and sale of not exceeding in the aggregate $5,000,000 Principal Amount State General Obligation Research University Infrastructure Bonds of the State of South Carolina and Notes in Anticipation of the Issuance.

ATTACHMENTS:

Corley 4/12/13 letter; Resolution

MCNAIR
ATTORNEYS

O. Wayne Corley

wcorley@mcnair.net
T (803) 799-9800
F (803) 753-3277

April 12, 2013

Via Hand Delivery
Delbert Singleton
Budget and Control Board
Wade Hampton Building
6th, Floor

RE:

A Resolution to Provide for the Issuance and Sale of Not Exceeding in the Aggregate Thirteen Million Three Hundred Fifty Thousand Dollars ($13,350,000) Principal Amount State General Obligation Research University Infrastructure Bonds of the State of South Carolina and Notes in Anticipation of the Issuance Thereof, to Prescribe the Purposes for Which the Proceeds Shall be Expended, to Provide for the Payment Thereof, and Other Matters Relating Thereto.

and

A Resolution to Provide for the Issuance and Sale of Not Exceeding in the Aggregate Five Million Dollars ($5,000,000) Principal Amount State General Obligation Research University Infrastructure Bonds of the State of South Carolina and Notes in Anticipation of the Issuance Thereof, to Prescribe the Purposes for Which the Proceeds Shall be Expended, to Provide for the Payment Thereof, and Other Matters Relating Thereto.

Dear Delbert:

I shall appreciate your scheduling the above two Budget and Control Board Resolutions for consideration and approval by the Budget and Control Board at its May 8, 2013 meeting.

As always, thank you for your most capable assistance and, should you need anything further, please let me know.

Sincerely,

Wayne

O. Wayne Corley

Enclosures

cc: Rick Harmon

COLUMBIA 1111460v1

McNair Law Firm, P. A
The Tower at 1301 Gervais
1301 Gervais Street
17th Floor
Columbia, SC 29201

Mailing Address
Post Office Box 11390
Columbia, SC 29211

mcnair.net

STATE BUDGET AND CONTROL BOARD
MEETING OF May 8, 2013

REGULAR SESSION
ITEM NUMBER 18

AGENCY: University of South Carolina

SUBJECT: Not Exceeding $34,000,000 University of South Carolina Higher Education Revenue Bonds, Series 2013

The Board is asked to adopt a resolution making provision for the issuance and sale of not exceeding $34,000,000 University of South Carolina Higher Education Revenue Bonds, Series 2013.

The proceeds from the sale of the bonds will be used to (i) reimburse the University for Capital Expenditures previously made in connection with, and to pay the costs of, renovating the Sims, McClintock, and Wade Hampton residence halls located on the University's Columbia Campus; (ii) pay capitalized interest on the Series 2013 Bonds, if any; (iii) provide for the Series 2013 Reserve Requirement; (iv) pay certain costs and expenses related to the issuance of the Series 2013 Bonds; and (v) provide for the credit enhancement with respect to the Series 2013 Bonds; if any.

BOARD ACTION REQUESTED:

Adopt a resolution making provision for the issuance and sale of not exceeding $34,000,000 University of South Carolina Higher Education Revenue Bonds, Series 2013.

ATTACHMENTS:

Lipsitz 4/15/13 letter; Resolution

NEXSEN | PRUET

Alan M. Lipsitz
Member
Admitted in SC

April 15, 2013

BY HAND DELIVERY

Mr. Delbert Singleton
South Carolina State Budget
and Control Board
612 Wade Hampton Office Building
Columbia, South Carolina 29201

Re: Not Exceeding $34,000,000 University of South Carolina Higher Education Revenue Bonds, Series 2013

Dear Delbert:

Charleston
Charlotte
Columbia
Greensboro
Greenville
Hilton Head
Myrtle Beach
Raleigh

Enclosed are six (6) duplicate originals of a Resolution for consideration by the State Budget and Control Board approving the issuance and sale of not exceeding $34,000,000 University of South Carolina Higher Education Revenue Bonds, Series 2013 (the "Series 2013 Bonds"). The proceeds of the Series 2013 Bonds shall be used to (i) reimburse the University for capital expenditures previously made in connection with, and to pay the costs of, renovating the Sims, McClintock and Wade Hampton residence halls located on the University's Columbia Campus; (ii) pay capitalized interest on the Series 2013 Bonds, if any; (iii) provide for the Series 2013 Reserve Requirement, if any; (iii) pay certain costs and expenses related to the issuance of the Series 2013 Bonds; and (v) provided for credit enhancement with respect to the Series 2013 Bonds, if any. Please place this Resolution on the agenda for the State Budget and Control Board's meeting scheduled for May 8, 2013. Also enclosed are three (3) copies the Series Resolution adopted by the Board of Trustees of the University of South Carolina on December 18, 2012 authorizing the issuance of the Series 2013 Bonds.

Please advise me at your earliest convenience of any additional requirements or documentation that may be necessary to assist the State Budget and Control Board in considering and approving this request on May 8, 2013.

1230 Main Street
Suite 700 (29201)
PO Drawer 2426
Columbia, SC 29202
www.nexsenpruet.com

T 803.253.8259
F 803.727.1459
E ALipsitz@nexsenpruet.com
Nexsen Pruet, LLC
Attorneys and Counselors at Law

Thanking you for your consideration, I am

Very truly yours,

Alan M. Lipsitz

AML/ssc

cc: Charles D. FitzSimons
F. Richard Harmon, Jr.

A RESOLUTION

APPROVING THE ISSUANCE AND SALE, IN ONE OR MORE SERIES, OF NOT EXCEEDING $34,000,000 AGGREGATE PRINCIPAL AMOUNT HIGHER EDUCATION REVENUE BONDS OF THE UNIVERSITY OF SOUTH CAROLINA PURSUANT TO TITLE 59, CHAPTER 147 OF THE CODE OF LAWS OF SOUTH CAROLINA 1976, AS AMENDED, TO FUND THE RENOVATION OF CERTAIN HOUSING AND OTHER FACILITIES; AUTHORIZING THE ISSUANCE AND SALE OF REVENUE BOND ANTICIPATION NOTES; AND OTHER MATTERS RELATED THERETO.

BE IT RESOLVED BY THE STATE BUDGET AND CONTROL BOARD OF SOUTH CAROLINA, IN MEETING DULY ASSEMBLED:

ARTICLE I

FINDINGS OF FACT

As an incident to the adoption of this Resolution, the State Budget and Control Board of South Carolina (the "State Board") finds:

Section 1.01

(a) The Board of Trustees (the "Board of Trustees") of the University of South Carolina (the "University") is authorized pursuant to Title 59, Chapter 147 of the Code of Laws of South Carolina 1976, as amended (the "Enabling Act"), to issue revenue bonds of the University for the purpose of financing or refinancing in whole or in part the cost of acquisition, construction, reconstruction, renovation and improvements of land, buildings, and other improvements to real property and equipment for the purposes of providing facilities serving the needs of the University including, but not limited to, dormitories, apartment buildings, dwelling houses, bookstores and other University operated stores, laundries, dining halls, cafeterias, parking facilities, student recreational, entertainment and fitness related facilities, inns, conference and other non-degree educational facilities and similar auxiliary facilities of the University and any other facilities which are auxiliary to any of the foregoing excluding, however, athletic department projects which primarily serve varsity athletic teams of the University.

(b) On June 21, 1996, the Board of Trustees adopted a resolution entitled, "AN AMENDATORY AND RESTATED RESOLUTION PROVIDING FOR THE ISSUANCE AND SALE OF UNIVERSITY OF SOUTH CAROLINA REVENUE BONDS AND OTHER MATTERS RELATING THERETO" (as amended, the "Bond Resolution"), as a means of providing for the issuance from time to time of Bonds of a particular series pursuant to the provisions of a Series Resolution of the Board of Trustees provided all conditions required by the Bond Resolution are met. Such Bonds are payable solely from the Net Revenues and Additional Funds.

(c) The Board of Trustees has determined that it is in the interest of the University to issue not exceeding $34,000,000 aggregate principal amount Higher Education Revenue Bonds (the "Series 2013 Bonds"), in one or more series, the proceeds of which will be used to (i) reimburse the University for capital expenditures previously made in connection with, and to pay the costs of renovating the Sims, McClintock and Wade Hampton residence halls located on the University's Columbia Campus (collectively, the "Project"), (ii) pay capitalized interest on the Series 2013 Bonds, if any, (iii) provide for the Series 2013 Reserve Requirement, if any, (iv) pay certain costs and expenses related to the issuance of the Series 2013 Bonds, and (v) provide for credit enhancement with respect to the Series 2013 Bonds, if any.

(d) The Board of Trustees adopted at its regularly scheduled meeting on December 18, 2012, a Series Resolution entitled, "A RESOLUTION PROVIDING FOR THE ISSUANCE AND SALE, IN ONE OR MORE SERIES, OF HIGHER EDUCATION REVENUE BONDS OF THE UNIVERSITY OF SOUTH CAROLINA TO BE DESIGNATED SERIES 2013 IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT EXCEEDING $41,000,000; AUTHORIZING THE ISSUANCE AND SALE OF HIGHER EDUCATION REFUNDING REVENUE BONDS OF THE UNIVERSITY OF SOUTH CAROLINA IF SO DETERMINED; AUTHORIZING THE ISSUANCE AND SALE OF REVENUE BOND ANTICIPATION NOTES PENDING THE ISSUANCE OF THE BONDS; AND OTHER MATTERS RELATING THERETO" (the "Series 2013 Resolution"), authorizing the issuance of the Series 2013 Bonds subject to the approval of the State Board.

(e) The Series 2013 Resolution authorized the use of the proceeds of the Series 2013 Bonds for the purposes of: (i) reimbursing the University for capital expenditures previously made in connection with, and paying the costs of, acquiring, constructing and equipping the Project, including capitalized interest on the Series 2013 Bonds, if any, (ii) providing for the Series 2013 Reserve Requirement, if any, (iii) paying certain costs and expenses related to the issuance of the Series 2013 Bonds, and (iv) providing for credit enhancement with respect to the Series 2013 Bonds, if any.

Section 1.02

The Bond Resolution and the Series 2013 Resolution, each in the form adopted by the Board of Trustees, have been presented to the State Board.

Section 1.03

The Board of Trustees has determined that all conditions precedent to the issuance of the Series 2013 Bonds, including those required by the Bond Resolution, the Series 2013 Resolution and the Enabling Act, will be met upon the issuance of the Series 2013 Bonds.

Section 1.04

All capitalized terms used, but not defined, in this Resolution shall have the meaning ascribed to such terms in the Bond Resolution and the Series 2013 Resolution.

ARTICLE II

AUTHORIZATION TO ISSUE AND SELL THE SERIES 2013 BONDS AND SERIES 2013 NOTES

Section 2.01

The State Board hereby approves and authorizes the issuance and sale of the Series 2013 Bonds in the principal amount not exceeding $34,000,000, at public or private sale, including a negotiated sale for public reoffering as authorized by the Board of Trustees in Article III and Section 7.01 of, and in the manner and under the conditions prescribed in, the Series 2013 Resolution.

Section 2.02

The State Board also hereby approves and authorizes the issuance and sale of not exceeding $34,000,000 Higher Education Revenue Bond Anticipation Notes, Series 2013, in one or more series (the "Series 2013 Notes"), in lieu of issuance of the Series 2013 Bonds as provided in the Series 2013 Resolution, should the Chief Financial Officer and State Treasurer determine that it would be in the interest of the University to issue the Series 2013 Notes rather than the Series 2013 Bonds.

Section 2.03

On the basis of the foregoing and after due consideration of the facts above recited and other matters appurtenant thereto, this Resolution has been adopted.

Dated: May 8, 2013

STATE BUDGET AND CONTROL BOARD

MEETING OF May 8, 2013

REGULAR SESSION

ITEM NUMBER 19

AGENCY: Higher Education Efficiency and Administrative Policies Act Committee

SUBJECT: Recommendations for Creation of a Separate and Comprehensive Human Resources System for Higher Education

Part III of the South Carolina Higher Education Efficiency and Administrative Policies Act [HEEAPA] of 2011 charged a representative committee of institutions of higher learning and technical colleges, with the participation of the Budget and Control Board's Office of Human Resources, to "study, develop, and recommend a separate, comprehensive human resources system for the public institutions of higher learning and technical colleges. The recommendation shall include, but not be limited to, prescription of a methodology to establish a uniform compensation and classification plan among the public institutions of higher learning and technical colleges. The recommendations must provide for necessary accountability to the Budget and Control Board, including a process for reporting human resources data."

As required by this legislation, representatives of the State Human Resources Division participated with the representative committee of higher education and technical colleges by attending a number of meetings and providing information to study and develop a separate, comprehensive human resources system for the public institutions of higher learning and technical colleges. The HEEAPA Committee has submitted its Recommendations for Creation of a Separate and Comprehensive HR System for Higher Education, dated January 15, 2013. Part III of HEEAPA also provides that the HEEAPA Committee's recommendations "shall not be implemented until approved by the Budget and Control Board pursuant to Section 8-11-230."

BOARD ACTION REQUESTED:

Approve the following Recommendations:

Recommendation: Create a Council of University and College HR Directors to work cooperatively with the State Human Resources Division to oversee and manage the Higher Education Classification and Compensation System, to develop and maintain HR regulations, and to propose innovative HR practices and programs.
[This Council would be advisory to the State Human Resources Division.]

Recommendation: Ensure appropriate accountability to the Budget and Control Board through the continued role of the State Human Resources Division, data reporting requirements, and continued emphasis on auditing by SHRD.

AGENCY: Higher Education Efficiency and Administrative Policies Act Committee

SUBJECT: Recommendations for Creation of a Separate and Comprehensive Human Resources System for Higher Education

Recommendation: Adopt a separate classification and compensation system that addresses the specific and unique needs of higher education institutions. The system should include:
job classes and unclassified titles specific to higher education, separate salary schedule that reflects the market for higher education positions, and operating regulations that govern how the system will be managed.

Recommendation: Request that online organizational charts on the web pages of each institution be recognized as fulfilling statutory reporting requirements and determine how reporting data into a statewide data system will impact various other-mandated reporting requirements.

Receive as information the remaining Recommendations.

ATTACHMENTS:

Agenda item worksheet; S.C. Higher Education Efficiency and Administrative Policies Act Part III of Act 74 of 2011; Recommendations for Creation of a Separate and Comprehensive System for Higher Education, dated January 15, 2013

BUDGET AND CONTROL BOARD AGENDA ITEM WORKSHEET (Revised 9/91)

For meeting scheduled for:

May 8, 2013

___ Blue Agenda
_X_ Regular Session
___ Executive Session

1. Submitted by: (a) Agency: Higher Education Efficiency and Administrative Policies Act Committee
   (b) Authorized Official Signature

Daniel A. DeCarpo

2. Subject: Recommendations for Creation of a Separate and Comprehensive HR System for Higher Education

3. Summary Background Information:

Part III of the South Carolina Higher Education Efficiency and Administrative Policies Act [HEEAPA] of 2011 charged a representative committee of institutions of higher learning and technical colleges, with the participation of the Budget and Control Board's Office of Human Resources, to "study, develop, and recommend a separate, comprehensive human resources system for the public institutions of higher learning and technical colleges. The recommendation shall include, but not be limited to, prescription of a methodology to establish a uniform compensation and classification plan among the public institutions of higher learning and technical colleges. The recommendations must provide for necessary accountability to the Budget and Control Board, including a process for reporting human resources data."

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4. What is Board asked to do?
   To approve the recommendations of the HEEAPA Committee.

5. What is recommendation of the Board division involved?
   Approve the following Recommendations:
   Recommendation: Create a Council of University and College HR Directors to work cooperatively with the State Human Resources Division to oversee and manage the Higher Education Classification and Compensation System, to develop and maintain HR regulations, and to propose innovative HR practices and programs.
   [This Council would be advisory to the State Human Resources Division.]

Recommendation: Ensure appropriate accountability to the Budget and Control Board through the continued role of the State Human Resources Division, data reporting requirements, and continued emphasis on auditing by SHRD.

Recommendation: Adopt a separate classification and compensation system that addresses the specific and unique needs of higher education institutions. The system should include: job classes and unclassified titles specific to higher education, separate salary schedule that reflects the market for higher education positions, and operating regulations that govern how the system will be managed.

Recommendation: Request that online organizational charts on the web pages of each institution be recognized as fulfilling statutory reporting requirements and determine how reporting data into a statewide data system will impact various other-mandated reporting requirements.

Receive as information the remaining Recommendations.

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6. Recommendation of other office (as required)?

Office Name______________________________ Authorized Signature________________________

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7. Supporting Documents:

List those attached:

(1) S.C. Higher Education Efficiency and Administrative Policies Act Part III of Act 74 of 2011
(2) Recommendations for Creation of a Separate and Comprehensive System for Higher Education, dated January 15, 2013

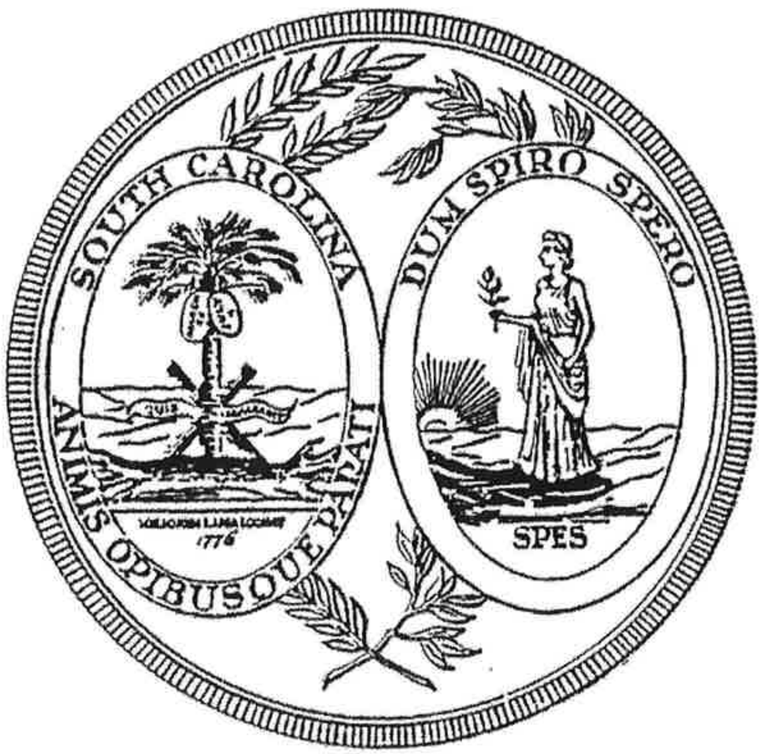
List those not attached but available:

Part III
Human Resources

Human Resources system

SECTION 3. The State Budget and Control Board's State Office of Human Resources shall participate with five representatives selected by the respective presidents of the public institutions of higher learning and technical colleges to represent all of the public institutions of higher learning and technical colleges to study, develop, and recommend a separate, comprehensive human resources system for the public institutions of higher learning and technical colleges. The recommendation shall include, but not be limited to, prescription of a methodology to establish a uniform compensation and classification plan among the public institutions of higher learning and technical colleges. The recommendations must provide for necessary accountability to the State Budget and Control Board, including a process for reporting human resources data. The recommendation must be submitted to the State Budget and Control Board for its review no later than July 1, 2012, and shall not be implemented until approved by the State Budget and Control Board pursuant to Section 8-11-230.

Recommendations for Creation of a Separate and Comprehensive HR System for Higher Education



South Carolina
Higher Education Efficiency and Administrative
Policies Act of 2011
Human Resources

January 15, 2013

Table of Contents

Appendices:

Executive Summary

The South Carolina Higher Education Efficiency and Administrative Policies Act (HEEAPA) of 2011 was a comprehensive regulatory relief effort that sought to provide South Carolina higher education institutions with much-needed reforms in the primary areas of Facilities and Capital Expenditures, Procurement, and Human Resources (HR). To determine the specific proposals for change in the HR area, the Act charged a representative committee of institutions to collaborate with the State Human Resources Division (SHRD) to "study and develop recommendations for a separate, comprehensive human resources system" for all public higher education institutions in South Carolina.

Since August 2011, when the Act was signed into law, the committee has been working to develop the recommendations outlined in this report. The recommendations herein suggest that a separate HR system is needed for public higher education institutions in South Carolina. The current State human resources management system does not sufficiently recognize the unique needs of higher education institutions, such as the different markets in which higher education institutions compete, and fails to offer institutions sufficient flexibility to respond to the rapid changes in these markets.

The committee recommends creation of a separate, comprehensive HR system for higher education which will give institutions appropriate flexibility to manage their day-to-day HR operations that support the effectiveness of their respective institutions while providing necessary accountability to the Budget and Control Board. The comprehensive system will include a separate classification and compensation system that addresses the specific needs of higher education institutions, a separate set of HR regulations that govern other areas of HR administration, and clearly established authority for each institution's governing board to oversee the HR practices of each institution. The comprehensive system will also create a clear structure through which the higher education community can work cooperatively with the Budget and Control Board's State Human Resources Division to ensure the system supports progressive HR practices that enable the faculty and staff of South Carolina's public higher education institutions to deliver the high quality education experience and outcomes that our State both needs and deserves. In addition, institutions will incur no costs nor will any employee receive a salary increase as a result of the implementation of these recommendations. Recognizing that legislative action is required to implement these recommendations, the committee recommends these proposals be addressed during the 2013 legislative session with implementation occurring as soon as practical.

Introduction and Background

The South Carolina Higher Education Efficiency and Administrative Policies Act (HEEAPA) of 2011 is a comprehensive regulatory relief effort that sought to provide South Carolina higher education institutions with much-needed reforms in the primary areas of Facilities and Capital Expenditures, Procurement, and Human Resources (HR). To determine the specific proposals for change in the HR area, the Act charged a representative committee of institutions to collaborate with the State Human Resources Division (SHRD) to "study and develop recommendations for a separate, comprehensive human resources system" for all public higher education institutions in South Carolina. Specifically the Act required:

SOUTH CAROLINA HIGHER EDUCATION EFFICIENCY AND ADMINISTRATIVE POLICIES ACT OF 2011

Part III
Human Resources

SECTION 3. The Budget and Control Board's State Office of Human Resources shall participate with five representatives selected by the respective presidents of the public institutions of higher learning and technical colleges to represent all of the public institutions of higher learning and technical colleges to study, develop, and recommend a separate, comprehensive human resources system for the public institutions of higher learning and technical colleges. The recommendation shall include, but not be limited to, prescription of a methodology to establish a uniform compensation and classification plan among the public institutions of higher learning and technical colleges. The recommendations must provide for necessary accountability to the Budget and Control Board, including a process for reporting human resources data. The recommendation must be submitted to the State Budget and Control Board for its review no later than July 1, 2012, and shall not be implemented until approved by the Budget and Control Board pursuant to Section 8-11-230.*

*Legislative permission was received for an extension until January 15, 2013.

In September 2011, when the Act was signed into law, the representative committee began working with the SHRD to develop the recommendations outlined in this report. The committee immediately recognized that the current State human resources management system does not sufficiently address the unique needs of higher education institutions and that a comprehensive system was needed to support higher education institutions as they compete nationally and internationally for talent in their unique markets, and to meet the unique needs of managing a workforce comprised of faculty and staff that support highly competitive 365/24/7 operations across the state. In addition, the national landscape for higher education is changing rapidly, and institutions need considerable flexibility to respond to the changes in this industry. These particular needs are vastly different from the needs of traditional state agencies, which have particular and unique missions that vary greatly from those of higher education institutions. As such, the committee recommends creation of a separate and comprehensive HR system for public higher education institutions in South Carolina.

The comprehensive HR system will include a separate classification and compensation system that addresses the jobs unique to higher education and provides appropriate management flexibility and decision-making authority at the institution level. The system will also include a separate set of HR regulations to govern how the classification and compensation system, along with other aspects of HR management will be administered. Finally, underlying all of the recommendations is a placement of decision-making authority at the appropriate level, assigning each institution's governing board the authority to oversee the HR operations of each respective institution while maintaining necessary accountability to the Budget and Control Board.

Methodology

The Act required the State Human Resources Division to work with a committee composed of "five representatives selected by the respective presidents of the public institutions of higher learning and technical colleges." The Commission on Higher Education coordinated the selection process and, to ensure appropriate representation of the institutions, named the following six committee members in August 2011 (Appendix F):

- Dr. David DeCenzo, Co-Chairman, President, Coastal Carolina University
- Dr. Fred Carter, Co-Chairman, President, Francis Marion University
- Michelle Piekutowski, Chief Human Resources Officer, Clemson University
- Susan Carullo, Director of Human Resources, Medical University of South Carolina
- Susan Jones, Associate VP Human Resources, Greenville Technical College
- Chris Byrd, Vice President for Human Resources, University of South Carolina

Once established, the committee analyzed the enabling legislation to determine the scope of these reforms, specifically whether it included the State Board for Technical and Comprehensive Education. Absent any reference to that state agency in the legislation, the committee proceeded with its review to include only public institutions of higher learning and the technical colleges. The committee next developed a list of guiding principles to govern their work (Appendix B) and sought to develop a system with the following characteristics:

- Efficient , flexible, and transparent
- Internally equitable and externally competitive
- Participatory governance and sustainable management
- Responsive to market changes and individual institutions' needs

Based on the above principles, the committee sought to recommend a system that would streamline and simplify current policies, processes, and procedures while increasing administrative and operational efficiency and effectiveness. The comprehensive system should also allow institutions to be responsive to rapidly changing markets at the national, regional, and local levels and to be innovative in addressing the diverse needs of Higher Education institutions. As public institutions, the system should recognize the need for public accountability and provide appropriate accountability to the Budget and Control Board, the General Assembly, and the Governor.

In regard to the separate classification and compensation system, the comprehensive system should better meet the needs of the higher education community by allowing institutions to recognize the need for positions and skills that make up a diverse academically-focused workforce and the associated compensation strategies that enable institutions to attract, retain and develop a world-class workforce.

To ensure the sustainability of the system, the proposed reforms recommend that higher education institutions share responsibility for overseeing the on-going administration of the system. This will require the collective higher education HR community to work collaboratively with the Budget and Control Board to provide mutual accountability and oversight to the system to ensure sound HR practices and appropriate accountability to central state government.

The unique market of higher education can change rapidly, and each institution can have unique needs based on differences in location, size, and mission. The proposed reforms will help institutions attract and retain employees in a highly competitive market and develop individual HR strategies that will help each institution fulfill its particular mission. This will be done through continued research of human resources best practices among peer institutions and appropriate oversight by a newly created council representing a cross-section of the institutions.

With the understanding that any recommendations must meet all requirements of state and federal laws, the committee reviewed the current comprehensive programs and systems used for managing human resources for the State of South Carolina, including compensation, classification, employment, benefits, HR policies, rules and regulations, training and career development, and data reporting (Appendix C). As a basic premise, the proposed system for higher education restructuring is not a wholesale replacement of the current system as no changes were considered in the areas of benefits, executive compensation, and training and development. However, the remaining components of the HR system in SC were reviewed to determine where modifications are needed. The recommendations included in this report reflect the work of the committee and representatives from nearly every institution.

Due to the primary focus on the need for a separate classification and compensation system, the six-member committee appointed a Classification and Compensation subcommittee to research and develop a proposal for a new system. Membership of the subcommittee consisted of representatives from the three research institutions, five of the comprehensive four-year institutions, and one from the technical college system (Appendix G). The subcommittee was asked to study and prescribe a methodology to establish a uniform classification and compensation plan among the public institutions of higher learning and technical colleges. As part of its review, the subcommittee met on multiple occasions, conducted surveys, reviewed internal and external market data (both private and public), contacted and gathered information from institutions in other states, researched issues and enabling legislation, and drafted regulations and other necessary documentation. In addition, thorough review and analysis of data from the College and University Professional Association for Human Resources (CUPA-HR) was critical in forming the recommendations. To support this process and to seek feedback, the Budget and Control Board's SHRD was included in several meetings of the subcommittee. Draft regulations were provided to the staff and leadership of SHRD for consideration. The recommendations regarding classification and pay were then presented to the six-member committee for review and approval and are part of the overall recommendations contained in this report.

In summary, the committee employed a collaborative process to develop its recommendations with broad participation from the institutions and the State Human Resources Division. Also, the recommendations in the report are cost neutral. Upon implementation of the committee's recommendations, no costs will be incurred by the institutions nor will any employee salaries be affected. The remainder of the report outlines the substance of the recommendations for a comprehensive system that will best serve the interests of all parties.

Governing Authority/Structure

The current governing structure for the HR system in SC state government is prescribed in Section 8-11-230 of the Code of Laws and has been in place since the creation of the State Personnel Division in 1975. While the Budget and Control Board's State Personnel Division has been renamed throughout the decades, its authority and role in governing the HR system has remained virtually the same. For the majority of SC state government, specifically the non-higher education state agencies, this structure may be sufficient to meet their needs. However, for the higher education community that has pursued reforms in various forms for the last decade, the current governing structure can be slow to respond in areas where critical decisions mandate flexibility and responsiveness. The current system's inflexibility is often based on the fact that the system applies to organizations with widely varying missions and needs. As a result, if system changes are needed but only impact some of the organizations, the changes can be slowly (or never) developed and implemented. Therefore, the committee recommends a separate system that is able to address the separate and distinct needs of the higher education community.

However, the committee also recognizes the need for appropriate oversight and accountability. Therefore the committee recommends a "shared governance" approach to oversight and management of the separate and comprehensive HR system for higher education.

In a system of shared governance, the higher education institutions and the Budget and Control Board's State Human Resources Division would cooperatively participate in the HR planning and decision-making processes for the separate higher education HR system, while being held administratively accountable for system oversight. To accomplish this, the committee is recommending a three-pronged approach:

1) Creation of a Council of University and College HR Directors to oversee and manage the comprehensive HR system for higher education,
2) Clarification of the authority of the governing boards of each institution to approve HR policies for the institution, and
3) Maintenance of appropriate accountability to the Budget and Control Board through the continued role of SHRD, reporting, and auditing.

First, the committee recommends the creation of a Council of University and College HR Directors to allow the institutions to participate in the management of the comprehensive HR system. The Council's membership will be representative of all institutions including three members from the research institutions, three from the comprehensive four-year institutions (not including the USC senior campuses since they are represented by USC as a research institution), and three from the technical colleges. Membership will consist of the Chief HR Officers as elected by the Presidents of the institutions and will serve on a rotating basis with two year terms. The Council will be chaired by the State Human Resources Director, will meet no less than quarterly, and will develop and approve by-laws under which it will operate. The Council, its membership, and the role it will play will be established in the separate HR regulations for Higher Education to include:

- Oversight and management of the Higher Education Classification and Compensation Plan;
- Review and recommendation of the separate Higher Education HR Regulations to the appropriate approving body; and
- Review, recommendation and approval of progressive HR programs and practices to ensure the comprehensive Higher Education HR system is innovative and meets the needs of the community.

As part of the collaborative management of the comprehensive HR system for higher education, the Council may conduct studies with systemic implications with costs shared proportionately by the institutions. Where appropriate, the results of these studies will be shared with the Governor, the General Assembly, Commission on Higher Education (CHE), and the Budget and Control Board. In an effort to ensure its continued viability, efficiency, and effectiveness, the Council will conduct a comprehensive review of the system no less than every four years. This review may include all components of the HR system and will ensure that the system continues to meet the needs of the institutions.

A second component of the shared governance approach seeks to clarify the authority of the governing board of each institution. Specifically, each institution's governing board will be required to approve policies and procedures to implement the separate regulations. This will ensure the HR activities of each institution receive appropriate oversight and responsibility for HR decisions is placed at the appropriate level.

Third, to ensure appropriate accountability to the Budget and Control Board and the State, this shared governance approach provides that:

- The Director of the State Human Resources Division will serve as Chairman of the Council of University and College HR Directors;
- The institutions will continue to meet all reporting requirements as specified by law or otherwise;

- The Council will inform the Commission on Higher Education (CHE) of approved program changes or initiatives, as necessary;
- The State Human Resources Division will maintain the ability to audit all classification and compensation actions taken by the higher education institutions; and
- The State Human Resources Division will maintain the administrative role in supporting any decisions made by the Council, to include communication of the changes and coordination with the South Carolina Enterprise Information System (SCEIS), if necessary.

In summary, the Council of University and College HR Directors will provide the higher education institutions significant input into the system under which they manage their most valuable resources. The clarified role of the governing boards of each institution will ensure appropriate oversight of the day-to-day HR operations of the institutions. The continued involvement of SHRD, data reporting requirements, and continued emphasis on auditing will ensure that the institutions are fully accountable to the Budget and Control Board, the General Assembly, and Governor.

Recommendation: Create a Council of University and College HR Directors to work cooperatively with the State Human Resources Division to oversee and manage the Higher Education Classification and Compensation System, to develop and maintain HR regulations, and to propose innovative HR practices and programs.

Recommendation: Clarify the authority and responsibility of the governing boards of each institution in approving policies and procedures to implement the separate HR regulations.

Recommendation: Ensure appropriate accountability to the Budget and Control Board through the continued role of the State Human Resources Division, data reporting requirements, and continued emphasis on auditing by SHRD.

Characteristics of the Proposed HR System for Higher Education

Separate Classification and Compensation System

The current State of South Carolina Classification and Compensation Plan is managed by the State Human Resources Division under the authority of Section 8-11-230 of the SC Code of Laws. The rules governing the system for all state agencies (including higher education) are found in the State HR Regulations. Currently, this single system must accommodate the needs of all 69 state agencies, 11 universities, and 16 technical colleges. The current system has struggled to remain current and meet the needs of higher education institutions due to the diverse missions and activities of all the agencies and institutions. The need for a separate system is based on multiple factors.

First, the job market for the higher education institutions varies greatly from the rest of state government. Competition can be fierce for faculty and staff with the unique skills needed in higher education. Also, the economic forces that impact higher education can be widely divergent from the rest of state government. (For example, during the recent budget contraction for the rest of state government, many higher education institutions were forced to grow enrollment to offset the loss of state funds.) In addition, the types of classifications (job titles) needed by higher education institutions are often unique and specific to higher education (e.g., Financial Aid Counselor or Development Officer). A separate Classification and Compensation System for Higher Education would be tailored to the unique and specific needs of jobs in higher education.

The proposed system shares many characteristics of the current system, but will be updated to include job titles specific to higher education (Appendix D) and pay policies designed to address the market needs of the higher education community. However, as a result of the implementation of these recommendations, no employee salaries will be affected. To support the separate system, the committee recommends establishing a separate set of operating regulations. Once the concept is approved, the separate regulations, entitled **Human Resources Regulations for the State Institutions of Higher Education**, will be promulgated through the appropriate process. Once approved, the higher education institutions would then be exempted from the current State Human Resources Regulations and would be governed by the separate regulations.

Classification

Section 8-11-220 of the SC Code of Laws defines classified service as "all of those positions in the State service which are subject to the classification policies and regulations as authorized by the provisions of this article." Section 19.702 of the State Human Resources Regulations and various procedures issued by the SHRD govern the administration of the plan. The State of South Carolina currently uses the whole job classification method of job evaluation to determine the most appropriate classification and related salary range for each position. This method is used for all jobs in the classified service. The committee proposes using the same method of job evaluation with updated job classes that are specific to higher education. The current classification plan for the State (covering all state agencies and higher education institutions) consists of 471 job classes. Based on the research of the Classification and Compensation subcommittee, the proposed system for higher education will have 447 job classes and associated specifications. The recommended changes to the classification listing include the deletion of 83 titles and the addition of 59 new titles. The existing class specifications were thoroughly analyzed to ensure they meet the needs of institutions and the content is applicable to work in a higher education environment.

Section 8-11-220 of the SC Code of Laws further defines unclassified service as "all of those positions in the State service which are not subject to the position classification policies and regulations." Section 19.706 of the State Human Resources Regulations outlines the specific categories of unclassified positions and the details regarding the administration of the unclassified system. The current State approved unclassified title listing consists of 108 titles, and the separate Higher Education unclassified title listing will consist of 100 titles. The recommended changes to the unclassified titles include the deletion of 38 titles and the addition of 30 titles. While no specifications are required for unclassified titles, general usage guidelines for these titles are provided with the recommendations. The establishment of a separate classification system for Higher Education will result in a more accurate and comprehensive list of classified and unclassified titles specific to the needs of the institutions.

Compensation

The current compensation system for the State includes a 10 band pay structure with salary ranges associated with each band. This system is administered by the SHRD. The salary ranges, which include a minimum, midpoint, and maximum salary, are 85% wide with considerable overlap between the ten bands.

Salary ranges are intended to reflect the market for all jobs in a common job class. The committee researched comparable salary data for state positions through the College and University Professional Association for Human Resources (CUPA-HR). Based on the committee's research, most of the benchmark jobs at a majority of the institutions can be accommodated within the current pay band structure. However, research also indicated that the competitive market for several job classes does not fit appropriately within the current assigned pay band. As a result, based on market salary data, several job classes should be allocated to higher pay bands.

Currently decisions about the allocation of job classes to pay bands are made solely by the State Human Resources Division (SHRD). The proposed regulatory reforms recommend a separate compensation system for all higher education institutions. Under the proposed system, decisions regarding the allocation of job classes to the appropriate pay bands would be made by the Council of University and College HR Directors working in concert with the SHRD, thus allowing the system to be representative of jobs unique to higher education and more responsive to market changes and individual institutions' needs.

In conclusion, based on a comparison of the current state pay bands and market rates for positions (as measured by CUPA-HR), it appears that the current salary schedule can accommodate the needs of higher education institutions as long as appropriate changes in the allocation of job classes to pay ranges can be made in light of current, relevant market comparisons. In addition, based on future market changes, the salary schedule for higher education may need to be adjusted at a different rate than the schedule for non-higher education state agencies. As a result, it is important that higher education institutions have the flexibility to make changes to the salary schedule in future years based on market changes.

In light of the above findings, the committee recommends that the institutions maintain the current ten-band pay structure for the higher education classification and compensation plan. However, a review all job classes and their current pay band assignments is necessary for the institutions to recommend changes in pay bands based on market data and institutions' current pay practices. For continued maintenance of the plan, the committee recommends that the Council of University and College HR Directors annually review changes in the job market for benchmark jobs based on identified market sources (e.g., CUPA-HR for mid-and upper level positions, local comparisons for Bands 5 and below). On the basis of the findings, the Council would approve any adjustments in the salary schedule and work with SHRD to implement the changes. Any recommended changes in the salary schedule should be implemented coincident with the beginning of the fiscal year.

Recommendation: Adopt a separate classification and compensation system that addresses the specific and unique needs of higher education institutions. The system should include:

Job classes and unclassified titles specific to higher education

Separate salary schedule that reflects the market for higher education positions

Operating regulations that govern how the system will be managed

Other Recommendations for Greater Efficiency

In addition to an updated classification and compensation system, the committee recommends several other modifications to the current HR system for higher education. These changes fall in five primary areas:

- Full-Time Equivalent (FTE) Position Management
- Data Reporting/SCEIS
- Policy Flexibility
- Administrative Flexibility

FTE Management

The FTE management process currently used by SC State government requires Higher Education institutions to maintain and report FTE information to a very detailed level. Proviso 89.15 of the 2012-2013 Annual Appropriations Act outlines the legislative requirements regarding this process. In summary, FTE's must be tracked and reported by several categories: source of funds (i.e., state, federal, and other); classified and unclassified status; and actual filled and actual vacant FTEs. In addition to the requirement for tracking FTE positions, FTE reconciliation must be conducted frequently since provisos direct the State Budget Office to periodically delete FTE positions that are vacant for a certain period of time or positions that are determined to be "unfunded." The regular reconciliation process is both labor-intensive and time-consuming.

While the higher education institutions are respectful of the requirements related to limitations on the growth of state positions and the monitoring of authorized positions within each institution, a more efficient FTE management process is needed. To accomplish this, the committee recommends that the higher education institutions be treated as "lump sum" agencies for FTE management purposes, which is similar to the different manner in which budgets for higher education institutions are developed and managed. Under this scenario, institutions will operate more efficiently if they are allowed to manage overall authorized FTE totals in the same manner that total budget dollars are managed. While institutions would continue to report authorized state FTE's, the committee recommends elimination of the distinction between classified and unclassified FTE's for reporting purposes. In addition, the committee recommends exempting higher education institutions from the FTE deletion process outlined in Provisos 80A.7 and 89.15 of the 2012-13 General Appropriation Act. (Note: The Governor's Executive Budget also includes a proposal to exempt higher education institutions from the FTE deletion process.)

Recommendation: Modify current FTE reporting requirements and exempt higher education institutions from the FTE deletion processes.

Data Reporting/South Carolina Enterprise Information System (SCEIS)

Currently, all higher education institutions enter data into HRIS, the State's outdated HR information system, and the institutions' internal HR/payroll systems. This inefficient system requires "double-keying" of HR data to meet State data reporting requirements until such time as the higher education institutions' data can be incorporated into SCEIS, the State's new HR/payroll system. The Committee recommends a plan for meeting all data reporting requirements to the State while transitioning away from HRIS and eliminating the double-keying requirement for the institutions. The transition proposal includes a target date for project completion (December 31, 2013), resource requirements and primary contacts from the institutions, SHRD, and SCEIS, and the overall project plan. The technical project plan includes a file layout for periodic reporting to SCEIS from various internal HR/payroll systems, frequency of data submission including error reports, testing plan to ensure accuracy of data transfer, licensing requirements, data retrieval for the institutions, and training and ongoing delivery needs. Once this plan has been successfully implemented and the higher education data is transferred into SCEIS, the committee is hopeful that various reporting requirements will be met without the administrative requirement of separate reports being submitted each year. The following reporting requirements may be impacted: Bonuses, Salary Supplements, Monetary awards, Fair Market Rental Value of Residences, and Mandatory furloughs. The proposed plan for transitioning these data reporting requirements is included in Appendix E.

Recommendation: Implement the proposed plan to transition reporting of higher education data to SCEIS no later than December 31, 2013.

Policy Flexibility

Approval of Core Policies

Currently, each state agency is mandated by State HR Regulations to submit five policies to be approved by the State Human Resources Division of the Budget and Control Board prior to implementation. These policies include Employee Performance Management System (EPMS), progressive discipline, overtime, grievance, and reduction in force (RIF). As outlined in Section 8-11-230 of the SC Code of Laws, HRD has specific responsibilities in managing the statewide HR program. Specifically, Section 8-11-230 (6) outlines part of that authority: "After coordination with agencies served, develop policies and programs concerning leave with or without pay, hours of work, fringe benefits (except State retirement benefits), employee/management relations, performance appraisals, grievance procedures, employee awards, dual employment, disciplinary action, separations, reductions in force, and other conditions of employment as may be needed."

The SHRD has approved model policies that form the basis from which agencies and institutions must form their particular policies. Based on these model policies, institutions encounter a cumbersome approval process that is often limited by restrictions in the model policies. The committee believes a new set of model policies should be developed to address the particular needs of higher education institutions, subject to the approval of each institution's governing board.

Recommendation: Request the SHRD to work with the institutions to develop and implement a separate set of model HR policies tailored to the particular needs of higher education institutions.

Categories of Employment

Currently in SC state government, most staffing needs are met through the use of the following types of positions: full-time equivalent (FTE's), temporary, temporary grant, and time-limited positions. FTE positions are authorized and allocated to agencies and institutions by the annual General Appropriation Act. Temporary grant funded positions and time-limited positions are approved by the State Budget Division. In addition, all state agencies employ temporary positions as needed. Higher education institutions that meet the requirements of the Life Sciences Act also have the ability to use research grant positions to support non-state funded research and time-limited project positions. Each of these position types has differing funding requirements and terms of employment. However, a gap exists for the higher education institutions due to the restrictive wording prescribing the use of time-limited positions. To address this additional staffing need for the institutions, the committee is recommending a legislative proposal to expand the terms of the current time-limited position category. Section 8-11-196 of the SC Code of Laws provides for the establishment and use of positions with time-limited funding and references the use of these positions in conjunction with a time-limited project. Guidance (FAQ's) provided by SHRD addresses the use of these positions as "established to perform work directly associated with a time-limited project." The proposal will expand the use of the time-limited position category with the ability to make annual appointments and will include the use of any source of funds. In addition, the committee is including in this legislative proposal the provisions that the higher education institutions will report these positions to the Budget and Control Board on a post-establishment basis.

Recommendation: Expand the definition of time-limited employee and allow institutions to create a new category of employee/position which allows for an annual appointment, is eligible for benefits, and can be paid from any source of funds.

Temporary staff and faculty members are a significant part of the workforce of every higher education institution. Temporary faculty employees are used to teach classes as necessary, especially during summer sessions. Temporary staff employees are employed in various capacities, often working on projects that extend beyond one year. Currently the State HR Regulations define a temporary position as "a full-time or part-time non-FTE position created for a period of time not to exceed one year." This term is based on the definition of temporary employee as included in the State Employee Grievance Procedures Act. Section 8-17-320 (25) provides that temporary employee "means a full-time or part-time employee who does not occupy an FTE position, whose employment is not to exceed one year, and who is not a covered employee." Given that this definition was written for the purposes of the Grievance Act, the committee is recommending that in the separate regulations governing the higher education institutions, the definition of temporary position be modified to be "a full-time or part-time non-FTE position created for a period not to exceed two years for higher education."

Recommendation: Redefine the concept of temporary position to "no more than two years" for higher education institutions.

Probationary Period for New Employees

Currently, any newly hired employee in a state agency is required to serve a probationary period as prescribed by the State Employee Grievance Procedures Act. This test period at initial employment allows state agencies to assess the performance of the employee and to determine if the employee will be allowed to continue employment and attain covered status. Section 8-17-320 (16) of the SC Code of Laws states "Probationary employee means a full-time or part-time employee occupying a part or all of an established FTE position in the initial working test period of employment with the State of twelve months' duration for noninstructional personnel, of the academic year duration for instructional personnel except for those at state technical colleges, or of not more than two full academic years' duration for faculty at state technical colleges. An employee who receives an unsatisfactory performance appraisal during the probationary period must be terminated before becoming a covered employee." This definition provides for different standards for non-instructional personnel, instructional personnel (not faculty), and faculty at the technical colleges. The committee is recommending a legislative proposal that would change the probationary period for higher education institution employees from one to eighteen months or two years, which is consistent with the current probationary period for faculty at the technical colleges. This extended amount of time would allow institutions a longer amount of time to ensure that the new employee is meeting expectations.

Recommendation: Consider extending probationary periods from one year to eighteen months or two years, which is consistent with the current period for instructional personnel at the technical colleges.

The State HR Regulations (19.715) provide that employees who have completed a probationary period and are promoted, demoted, reclassified, reassigned, or transferred to a new classification must serve a trial period. This is defined as "the initial working test period of six months required of a covered employee upon movement to any class or an unclassified State title in which the employee has not held permanent status." If the employee is not successful during this trial period, he may be placed back in his previous position or in a comparable position if it is vacant. When higher education institutions hire a current state employee from another agency, the employee is typically a covered employee and will serve a trial period. However, should this new hire not meet the expectations of the institution, no option exists to place the employee back in his previous position. In order to terminate the employee, the institution has to proceed with the much more complicated substandard performance process. The trial period basically serves little purpose for the institution as the options to address the situation are limited. Therefore, the committee recommends further discussion of this issue with SHRD to identify a solution to address institutions' concerns in this area.

Recommendation: ***Request further discussion with SHRD regarding the institutions' concerns about trial periods served by employees who transfer from another state agency.***

Approval of Personnel Settlements

Section 19-718.11 of the State HR Regulations currently provides for the approval of personnel settlements by the Budget and Control Board. It states that in all human resources-related matters, the State Human Resources Director must review and recommend specific settlements to the Board. Furthermore, the State HR Director is given the authority to review and approve any personnel settlement of $10,000 or less. Section 11-1-45 of the SC Code of Laws also addresses settlement of certain litigation, disputes, or claims by state agencies. It requires that "no state agency or instrumentality of the State, excluding the General Assembly, Senate, House of Representatives, local political subdivisions, special purpose districts, and special taxing districts, shall enter into a settlement of any litigation, dispute, or claim over one hundred thousand dollars ($100,000) requiring the expenditure of monies appropriated or provided for in a general or supplemental appropriations act, or from any other source of public funds without prior written approval of the Budget and Control Board." Given the parameters provided in this existing law and the need for greater flexibility, the committee is recommending an increase in the amount of personnel settlement authority from $10,000 to an amount equivalent to an employee's annual salary or statutory limits, whichever is less. In addition, the committee proposes that the responsibility for approving personnel settlements be given to each institution's governing board. These proposed modifications will be made to the regulations governing higher education.

Recommendation: ***Authorize an institution's governing board to approve negotiated personnel settlements, not to exceed one year's salary for the employee, or the statutory limit of $100,000, whichever is less.***

Administrative Efficiency

A number of the concerns experienced by the higher education institutions that support the need for reform are administrative in nature. In light of these concerns, the committee makes recommendations in the following areas.

Definition of retroactive pay and associated process for administrative errors

Currently, the State Human Resources Division requires institutions to submit administrative letters on any actions affecting pay that the SHRD would approve. This requirement is based on an Attorney General's opinion regarding administrative errors. While the higher education institutions understand the legal implications of Article III, Section 30 of the South Carolina Constitution as it related to retroactive pay, the committee recommends that a focus group be convened to further study the issue and to seek clarification on when this administrative letter should be required. Due to the significant amount of federal grants and funding received by the higher education institutions, and the delays that occur beyond the institutions' control, this issue can be quite frustrating. The committee is seeking a review of the administrative error criteria to ensure that all legal requirements are met in the most efficient method possible.

Recommendation: Request the SHRD to review the administrative error criteria to ensure that all legal requirements are met in the most efficient method possible.

Annual Accountability Report

Pursuant to state law, each higher education institution prepares an annual accountability report. Section 1-1-810 of the SC Code of Laws requires that "each agency and department of state government shall submit an annual accountability report to the Governor and the General Assembly covering a period from July first to June thirtieth, unless otherwise directed by the specific statute governing the department or institution." While this report was once utilized for budget and administrative decision-making purposes, it now no longer serves that purpose in state government and is an administrative effort that seems inefficient and unnecessary. The committee is recommending a legislative proposal that exempts higher education institutions from this requirement.

Recommendation: Exempt higher education institutions from the reporting requirements of 1-1-810 (Annual accountability reports by agencies and departments of state government).

Final approval of Retirement Incentive Plans (RIP) and Voluntary Separation Programs (VSP)

The State of SC allows agencies to utilize Retirement Incentive Plans (RIP) and Voluntary Separation Programs (VSP) to realign resources and/or to downsize the workforce. These tools are valuable in strategic planning for the future workforce. Currently, when an agency implements a RIP, the Budget and Control Board approved guidelines require that "the Division of Budget and Analyses and the agency head must approve an agency's retirement incentive plan prior to implementation within the agency." In addition, pursuant to Proviso 89.38 of the 2012-2013 Appropriation Act, the Voluntary Separation Program "must be approved by the agency head and the Director of the State Human Resources Division based on ability to demonstrate recurring cost savings for realignment and/or permanent downsizing." With the understanding that the higher education institutions would continue to follow the established guidelines for implementing RIP's and VSP's, the committee is recommending that the governing board at each Institution be allowed to serve as the final approval step. This will require a change to the existing guidelines for RIP and a legislative proposal to modify the VSP proviso. The institutions may continue to seek consulting advice from SHRD as necessary as they prepare these programs for consideration by the governing boards. To ensure compliance, the VSP's and RIP's would be subject to audit by SHRD and the reporting requirements will remain as currently required.

Recommendation: Allow each institution's governing board to be final approval step when implementing a Voluntary Separation Plan (VSP) or a Retirement Incentive Plan (RIP), with SHRD providing consulting assistance as requested and making plans subject to audit by SHRD.

Dual Employment and Summer Pay Approval

When an employee in a FTE position accepts temporary, part-time employment with the same or another state agency, it is considered dual employment by the State. Differing processes and approvals are required for the management of dual employment between two agencies versus dual employment within an agency. State HR Regulations 19.713 provides the rules regarding approving, scheduling, and compensating employees who are dually employed. In addition, it outlines the recordkeeping requirements. In the higher education environment, dual employment in and among the institutions is a common occurrence. Often faculty members and staff are guest speakers or teach a class or two at other institutions. Under the current guidelines, this is considered dual employment and requires substantial paperwork to be completed by the faculty or staff member to seek approval. While this sharing of resources is encouraged among higher education, this process can be a deterrent to the faculty or staff members. Therefore, the committee is recommending the addition of a pay mechanism for overload pay for academic personnel in the separate higher education HR regulations that will not be considered dual employment. This will be used when academic personnel perform supplemental teaching and/or nonteaching duties which are outside of the employee's normal work assignment. Overload pay will be capped at not more than 30% of the employee's annualized base salary during the employee's base period. This additional pay mechanism should help lessen the administrative burden of managing dual employment. In addition, the committee recommends that the Council of University and College HR Directors should fully study both the internal and external dual employment processes to determine if other changes may be needed.

The management of pay for summer employment for academic personnel at the Higher Education institutions as provided under the current State HR Regulations is very complex. Currently, Section 19.706.04 distinguishes between pay for academic personnel who are teaching summer sessions outside of their base period of employment and those who are conducting sponsored research or other activities performed during the summer months. Two separate pay calculations are required based on the type of work performed. With the large number of faculty members working in these capacities during the summer months, the administrative burden of processing and approving such actions is tremendous. Therefore, the committee is recommending that the pay process for summer employment be simplified in the separate higher education HR regulations. The regulations will establish one primary method of compensation for summer pay, eliminating the complexities currently encountered. The one basic method will adhere to the current requirement that total summer pay not exceed 40% of the employee's annualized salary.

Recommendation: ***Review the current processes for approving and documenting dual employment and update the regulations governing summer and overload pay to provide greater simplicity and administrative efficiency.***

Emergency Closures

In case of hazardous weather or a state of emergency, the Governor has the authority to excuse employees from reporting to work. The current State HR Regulations (19.712.01 K.) outline the procedure used by the Governor to protect state employees in circumstances that would expose employees to harmful or unsafe conditions. As provided in Section 8-11-57 of the SC Code of Laws, the Governor has the authority to provide state employees up to five days of leave with pay for each emergency. This regulation also provides: "nothing in this Section precludes the necessary immediate evacuation of a facility by an individual in an appropriate supervisory capacity in the interest of personal safety." College Presidents shoulder a tremendous responsibility to care for and protect the students, faculty, and staff on each campus. Sensitivity to this basic responsibility would be further supported with more flexibility in this area. Therefore, the committee is recommending a legislative proposal that would allow the Presidents of the higher education institutions the authority to excuse missed work time for employees in the case of an emergency closure under this exception.

Recommendation: Allow College and University Presidents to excuse missed work time in the case of closure of the institution in an emergency situation.

Miscellaneous Reporting Requirements

As required by Section 89.56 of the 2012-2013 Appropriations Act and the S.C. Code of Laws Section 1-1-970, each state agency must submit updated organizational charts on an annual basis no later than September 1 of the current fiscal year to the State Division of Human Resources. In addition, any changes in the organizational structure that impact an employee's grievance rights must be submitted within 30 days. In the past, this requirement has been fulfilled by the submission of a paper organizational chart. To increase efficiency and lessen the administrative burden, the committee is recommending that online versions of the organizational charts be considered acceptable. The committee proposes that the institutions be allowed to maintain updated organizational charts on their secure websites and to provide SHRD access to view the charts. The online versions of the organizational charts will continue to meet the legislative requirements of including all authorized positions, class title or class code, and the indicator for those who are exempt from the State Employee Grievance Procedure Act.

In addition, many other miscellaneous reporting requirements are fulfilled for other agencies that report information to the state through SCEIS. The committee further recommends this flexibility be pursued for higher education institutions, as well.

Recommendation: Request that online organizational charts on the web pages of each institution be recognized as fulfilling statutory reporting requirements and determine how reporting data into a statewide data system will impact various other mandated reporting requirements.

Summary of Recommendations

The implementation of a separate and comprehensive HR system for higher education will bring much needed efficiency to higher education institutions. Below is a summary of the committee's recommendations for the comprehensive system.

Governing Structure

***Recommendation:** Create a Council of University and College HR Directors to work cooperatively with the State Human Resources Division to oversee and manage the Higher Education Classification and Compensation System, to develop and maintain HR regulations, and to propose innovative HR practices and programs.*

***Recommendation:** Clarify the authority and responsibility of the governing boards of each institution in approving policies and procedures to implement the separate HR regulations.*

***Recommendation:** Ensure appropriate accountability to the Budget and Control Board through the continued role of the State Human Resources Division, data reporting requirements, and continued emphasis on auditing by SHRD.*

Separate Classification and Compensation System

***Recommendation:** Adopt a separate classification and compensation system that addresses the specific and unique needs of higher education institutions. The system should include:*

Job classes and unclassified titles specific to higher education

Separate salary schedule that reflects the market for higher education positions

Operating regulations that govern how the system will be managed

Other Recommendations for Greater Efficiency

***Recommendation:** Modify current FTE reporting requirements and exempt higher education institutions from the FTE deletion processes.*

Recommendation: Implement the proposed plan to transition reporting of higher education data to SCEIS no later than December 31, 2013.

Policy Flexibility

Recommendation:Request the SHRD to work with the institutions to develop and implement a separate set of model HR policies tailored to the particular needs of higher education institutions.

Recommendation: Expand the definition of time-limited employee and allow institutions to create a new category of employee/position which allows for an annual appointment, is eligible for benefits, and can be paid from any source of funds.

Recommendation: Redefine the concept of temporary position to "no more than two years" for higher education institutions.

Recommendation: Consider extending probationary periods from one year to eighteen months or two years which is consistent with the current period for instructional personnel at the technical colleges.

Recommendation: Request further discussion with SHRD regarding the institutions' concerns about trial periods served by employees who transfer from another state agency.

Recommendation: Authorize an institution's governing board to approve negotiated personnel settlements, not to exceed one year's salary for the employee, or the statutory limit of $100,000, whichever is less.

Administrative Efficiency

Recommendation: Request the SHRD to review of the administrative error criteria to ensure that all legal requirements are met in the most efficient method possible.

Recommendation: Exempt higher education institutions from the reporting requirements of 1-1-810 (Annual accountability reports by agencies and departments of state government).

Recommendation: Allow each institution's governing board to be final approval step when implementing a Voluntary Separation Plan (VSP) or a Retirement Incentive Plan (RIP), with

SHRD providing consulting assistance as requested and making plans subject to audit by SHRD.

Recommendation: Review the current processes for approving and documenting dual employment and update the regulations governing summer and overload pay to provide greater simplicity and administrative efficiency.

Recommendation: Allow College and University Presidents to excuse missed work time in the case of closure of the institution in an emergency situation.

Recommendation: Request that online organizational charts on the web pages of each institution be recognized as fulfilling statutory reporting requirements and determine how reporting data into a statewide data system will impact various other mandated reporting requirements.

APPENDICES

Appendix A

SC Higher Education Efficiency and Administrative Policies Act of 2011

SOUTH CAROLINA HIGHER EDUCATION EFFICIENCY AND ADMINISTRATIVE POLICIES ACT OF 2011

Part III
Human Resources

SECTION 3. The Budget and Control Board's State Office of Human Resources shall participate with five representatives selected by the respective presidents of the public institutions of higher learning and technical colleges to represent all of the public institutions of higher learning and technical colleges to study, develop, and recommend a separate, comprehensive human resources system for the public institutions of higher learning and technical colleges. The recommendation shall include, but not be limited to, prescription of a methodology to establish a uniform compensation and classification plan among the public institutions of higher learning and technical colleges. The recommendations must provide for necessary accountability to the Budget and Control Board, including a process for reporting human resources data. The recommendation must be submitted to the State Budget and Control Board for its review no later than July 1, 2012, and shall not be implemented until approved by the Budget and Control Board pursuant to Section 8-11-230.

Appendix B

Guiding Principles

Under the authority granted by the South Carolina Higher Education Efficiency and Administrative Policies Act of 2011, a committee "representing all of the public institutions of higher learning and technical colleges" has been working to study and develop recommendations for "a separate, comprehensive human resources system" for all Higher Education institutions in SC. As a basic premise, this proposed restructuring is not a wholesale replacement of the current human resources program or system used for the State of South Carolina, but rather a process of modifying and amending existing "systems" to better meet the needs of the Higher Education community. The end result will be a new, comprehensive HR system that allows SC public institutions to better operate and compete in the Higher Education environment. The guiding principles adopted by this committee to guide and shape this reform are outlined below.

In summary, we seek a system that will be:

- Efficient , flexible, and transparent
- Internally equitable and externally competitive
- Self-governing and sustainable
- Responsive to market changes and individual institutions' needs

To elaborate, the following principles will shape the details of our recommendations:

- Efficiency - The proposed reforms seek to streamline and simplify current policies, processes, and procedures while increasing administrative and operational efficiency and effectiveness.
- Flexibility - The new system will allow institutions to be responsive to rapidly changing markets at the national, regional, and local levels and to be innovative in addressing the diverse needs of Higher Education institutions.
- Transparency – As public institutions, we appreciate our need for public accountability and will recommend systems that provide appropriate accountability to the general public, the General Assembly, and the Budget and Control Board.
- Internal equity and external competitiveness – The updated classification and compensation system will better meet the needs of the higher education community, allowing us to recognize the need for positions and skills that make up a diverse academically-focused workforce.
- Self-governing and sustainable – The proposed reforms recommend that higher education institutions share responsibility for overseeing the on-going administration of

the system. This will require us to work collaboratively as a Higher Education community, providing mutual accountability and oversight to ensure sound HR practices and appropriate accountability to central state government.

- Responsive to market changes and individual institutions' needs – The unique market of higher education can change rapidly, and each institution can have unique needs based on differences in location, size, and mission. The proposed reforms will help us attract and retain employees in a highly competitive market and develop individual HR strategies that will help each institution fulfill its particular mission. We will do this through continued research of human resources best practices among our peers and appropriate oversight by our governing committee.

Appendix C

Summary of Approach to Reforms

Components of a Comprehensive HR System	Current SC Equivalent	Recommended Approach
Method for evaluating and pricing jobs	Uniform Classification and Compensation Plan	Maintain the "classification method" of job evaluation for evaluating jobs and the ten band salary schedule for pricing jobs. Add higher education-specific job classes and eliminate job classes used by other state agencies but not needed for higher education Update the salary schedule to reflect the market in which higher education institutions compete for talent.
Rules and regulations to govern recruiting, hiring, movement, compensation, and separation	State Human Resources Regulations	Recommend a separate set of regulations to govern the recruitment, hiring, movement, compensation, and separation of college and university employees. Many of these regulations will place ultimate authority for classification and compensation activities at the individual institution level. Many regulations will be consistent with those governing the rest of state government, but others will address the specific needs of higher education institutions
System(s) for recording employee and position information	State's HRIS/SCEIS	Recommend that higher education institutions maintain their current separate systems for managing employee and position data, and report agreed-upon information (content and format) to the State Office of Human Resources on a regular basis.
Policies	Five OHR-approved Human Resources Policies and agency-specific policies	Review the five mandatory policies for higher education-specific changes that might be needed (EPMS, Progressive Discipline, RIF, Grievance, Overtime) Continue to allow agencies to develop other policies that meet their needs
Applicable state and federal laws	Specific budget provisos and state statutes, along with applicable federal laws	Recommend changes to specific budget provisos or state statutes as needed Pursue proviso and statutory changes as a package in 2013 legislative session
Executive compensation	Agency Head Salary Commission	No changes recommended
Benefits programs	State's EIP program and Retirement Systems	No changes recommended
Training and development programs	OHR and agency-specific training programs	No changes recommended

Appendix D

Proposed Job Classes - Higher Education Classification and Compensation Plan

Current/Proposed Class Code	Proposed Class Title	Band
AA20	Clerical Specialist	01
AA25	Administrative Specialist I	02
AA50	Administrative Specialist II	03
AA75	Administrative Assistant	04
AA80	Sales Associate	03
AA85	Sales Representative	04
AB10	Postal Specialist I (NEW TITLE)	02
AB20	Postal Specialist II (NEW TITLE)	03
AB30	Postal Center Director I	04
AB40	Postal Center Director II	05
AC01	Supply Specialist I	01
AC03	Supply Specialist II	02
AC05	Supply Specialist III	03
AC07	Supply Manager I	04
AC09	Supply Manager II	05
AC10	Procurement Specialist I	04
AC20	Procurement Specialist II	05
AC30	Procurement Manager I	06
AC40	Procurement Manager II	07
AC50	Procurement Director I (NEW TITLE)	08
AD01	Fiscal Technician I	03
AD03	Fiscal Technician II	04
AD05	Auditor I	03
AD08	Auditor II	04
AD10	Auditor III	05
AD12	Auditor IV	06
AD15	Audits Manager I	07
AD18	Audits Manager II	08
AD20	Accountant/Fiscal Analyst I	04
AD22	Accountant/Fiscal Analyst II	05
AD25	Accountant/Fiscal Analyst III	06
AD28	Accounting/Fiscal Manager I	07
AD30	Accounting/Fiscal Manager II	08
AD32	Accounting/Fiscal Manager III	09
AD40	Insurance Claims Examiner I	03
AD43	Insurance Claims Examiner II	04
AD58	Economic Development Manager I	05
AD60	Economic Development Manager II	06
AD63	Economic Development Manager III	07

Appendix D

Proposed Job Classes - Higher Education Classification and Compensation Plan

Current/Proposed Class Code	Proposed Class Title	Band
AD64	Economic Development Department Manager	08
AD70	Economist	07
AE10	Attorney I	05
AE20	Attorney II	06
AE30	Attorney III	07
AE40	Attorney IV	08
AE50	Attorney V	09
AE60	Attorney VI	10
AG05	Human Resources Specialist	04
AG10	Human Resources Manager I	05
AG15	Human Resources Manager II	06
AG20	Human Resources Director I	07
AG25	Human Resources Director II	08
AG28	Human Resources Director III	09
AG30	Instructor/Training Coordinator I	04
AG35	Instructor/Training Coordinator II	05
AG40	Training and Development Director I	06
AG45	Training and Development Director II	07
AG50	Benefits Counselor I	04
AG55	Benefits Counselor II	05
AG60	Benefits Manager	06
AH10	Administrative Coordinator I	05
AH15	Administrative Coordinator II	06
AH20	Administrative Manager I	07
AH25	Administrative Manager II	08
AH30	Program Assistant	04
AH35	Program Coordinator I	05
AH40	Program Coordinator II	06
AH42	Senior Consultant	07
AH45	Program Manager I	07
AH50	Program Manager II	08
AH55	Program Manager III	09
AI10	Executive Assistant I	06
AI20	Executive Assistant II	07
AI30	Executive Assistant III	08
AJ14	Agency Chief Information Officer	09
AJ20	Systems Support Technician	05
AJ55	EDP Production Services Supervisor I	04
AJ58	EDP Production Services Supervisor II	05

Appendix D

Proposed Job Classes - Higher Education Classification and Compensation Plan

Current/Proposed Class Code	Proposed Class Title	Band
AK03	Project Coordinator	06
AK04	Project Manager I	07
AK05	Project Manager II	08
AK06	Director of Project Management	09
BA10	Communications Specialist I	02
BA20	Communications Specialist II	03
BA30	Communications Specialist III	04
BA40	Communications Coordinator	05
BA45	Communications Technician	05
BA50	Communications Manager	06
BA55	FTS Technician I	03
BA60	FTS Technician II	04
BA65	FTS Technician III	05
BA70	FTS Manager I	06
BA75	FTS Manager II	07
BB10	Statistical and Research Analyst I	03
BB20	Statistical and Research Analyst II	04
BB30	Statistical and Research Analyst III	05
BB40	Research and Planning Administrator	06
BB50	Planning and Research Director I (NEW TITLE)	07
BB53	Statistician I	04
BB55	Statistician II	05
BB57	Statistician III	06
BC10	Public Information Specialist	04
BC20	Public Information Coordinator	05
BC30	Public Information Director I	06
BC40	Public Information Director II	07
BC50	Director of Information Services	08
BD10	Printing Equipment Operator I	02
BD20	Printing Equipment Operator II	03
BD30	Printing Manager I	04
BD40	Printing Manager II	05
BD50	Printing Manager III	06
BE10	Grants Coordinator I	04
BE20	Grants Coordinator II	05
BE30	Grants Administrator I	06
BE40	Grants Administrator II	07
BG10	Graphics Manager I	05
BG13	Graphics Manager II	06

Appendix D

Proposed Job Classes - Higher Education Classification and Compensation Plan

Current/Proposed Class Code	Proposed Class Title	Band
BG20	Graphic Artist I	03
BG30	Graphic Artist II	04
BG40	Media Resources Technician	02
BG50	Media Resources Specialist I	03
BG60	Media Resources Specialist II	04
BG70	Media Resources Consultant	05
BH10	Records Analyst I	03
BH30	Records Analyst II	04
BH40	Records Analyst III	05
CA10	Curriculum Coordinator I	05
CA20	Curriculum Coordinator II	06
CA30	Educational Specialist	04
CB05	Education Associate	07
CB10	Teacher	05
CB30	Teacher Assistant	02
CB35	Associate Teacher/Center Director	03
CB40	Care Center Coordinator	04
CB45	Dean of Students/Principal	06
CB50	Interpreter I	03
CB55	Interpreter II	04
CB60	Interpreter III	05
CB65	Student Services Program Coordinator I	04
CB70	Student Services Program Coordinator II	05
CB75	Student Services Manager I	06
CB80	Student Services Manager II	07
CB85	Student Services Manager III	08
CC10	Alumni/Development Coordinator I	04
CC20	Alumni/Development Coordinator II	05
CC30	Alumni/Dev Manager I	06
CC40	Alumni/Development Manager II	07
CD10	Library Technical Assistant	03
CD20	Library Specialist I (NEW TITLE)	04
CD30	Library Specialist II (NEW TITLE)	05
CD40	Library Manager (NEW TITLE)	06
CE02	Archaeological Assistant	03
CE05	Archaeologist I	04
CE10	Archaeologist II	05
CE15	Curator I	04
CE20	Curator II	05

Appendix D

Proposed Job Classes - Higher Education Classification and Compensation Plan

Current/Proposed Class Code	Proposed Class Title	Band
CE30	Archivist I	02
CE40	Archivist II	03
CE50	Archivist III	04
CE60	Archivist IV	05
CE70	Archival Supervisor	06
CE80	Arts Coordinator I	05
CE90	Arts Coordinator II	06
CG05	Production Assistant I	02
CG10	Production Assistant II	03
CG15	Production Manager I	04
CG20	Production Manager II	05
CG25	Production Manager III	06
CG30	Production Manager IV	07
CG35	Broadcast/Engineer Maintenance Technician I	03
CG40	Broadcast/Engineering Maintenance Technician II	04
CG45	Broadcast/Engineering Maintenance Technician III	05
CG50	Broadcast/Engineering Maintenance Technician IV	06
EA10	Licensed Practical Nurse	03
EA15	Licensed Practical Nurse II	04
EA20	Registered Nurse I	05
EA30	Registered Nurse II	06
EA40	Nurse Practitioner I	05
EA50	Nurse Practitioner II	06
EA60	Nurse Practitioner III	07
EA65	Nurse Practitioner IV	08
EA70	Nurse Administrator/Manager I	06
EA80	Nurse Administrator/Manager II	07
EA90	Nurse Administrator/Manager III	08
EB05	Physical Therapist Assistant I	04
EB07	Physical Therapist Assistant II	05
EB08	Occupational Therapy Assistant	04
EB10	Occupational Therapist I	06
EB12	Occupational Therapist II	07
EB15	Physical Therapist	07
EB20	Physical Therapy Chief	08
EB25	Pharmacist	07
EB30	Clinical Pharmacist	08
EB35	Physician's Assistant	07
EB40	Physician I	09

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Proposed Job Classes - Higher Education Classification and Compensation Plan

Current/Proposed Class Code	Proposed Class Title	Band
EB50	Physician II	10
EB51	Psychiatric Resident	06
EB52	Dentist	09
EB55	Speech and Hearing Assistant	03
EB60	Speech and Hearing Therapist I	04
EB65	Speech and Hearing Therapist II	05
EB85	Radiation Therapy Technologist I	06
EB90	Radiation Therapy Technologist II	07
EB95	Health Educator I	04
EB96	Health Educator II	05
EB97	Health Educator III	06
EC05	Medical Assistant	01
EC10	Medical Assistant Technician I	02
EC15	Medical Assistant Technician II	03
EC20	Technical Medical Associate I	04
EC25	Technical Medical Associate II	05
EC30	Technical Medical Associate III	06
EC35	Hair Care Specialist	02
EC40	Recreation Specialist I	01
EC45	Recreation Specialist II	03
EC50	Recreation Specialist III	04
ED03	Microbiologist I	05
ED05	Microbiologist II	06
ED07	Microbiologist III	07
ED10	Chemist I	05
ED12	Chemist II	06
ED15	Chemist III	07
ED17	Laboratory Aide	01
ED18	Laboratory Assistant	02
ED20	Laboratory Specialist I	03
ED25	Laboratory Specialist II	04
ED30	Laboratory Specialist III	05
ED35	Laboratory Technologist I	04
ED40	Laboratory Technologist II	05
ED45	Laboratory Technologist III	06
ED50	Laboratory Technologist IV	07
ED55	Research Specialist I	04
ED60	Research Specialist II	05
ED65	Research Specialist III	06

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Proposed Job Classes - Higher Education Classification and Compensation Plan

Current/Proposed Class Code	Proposed Class Title	Band
GA10	Human Services Assistant I	01
GA20	Human Services Assistant II	02
GA30	Human Services Specialist I	03
GA40	Human Services Specialist II	04
GA50	Human Services Coordinator I	05
GA60	Human Services Coordinator II	06
GA70	Human Services Coordinator III	07
GA80	Chief Psychologist	07
GB55	Social Worker I	03
GB60	Social Worker II	04
GB65	Social Worker III	05
GB70	Social Worker Director	06
GC10	Chaplain I	04
GC20	Chaplain II	05
GC30	Chaplain III	06
HA15	Digitizer I	03
HA20	Digitizer II	04
HA25	GIS Analyst	05
HA30	GIS Manager I	06
HA35	GIS Manager II	07
HB40	State Planner I	03
HB50	State Planner II	04
HB60	State Planner III	05
HB70	State Planner IV	06
HC30	Campus Developer	07
HD05	Electronics Technician I	03
HD10	Electronics Technician II	04
HD15	Drafter I	03
HD20	Drafter II	04
HD30	Drafter III	05
HD35	Engineering/Geodetic Technician I	02
HD40	Assistant Geodetic Technician	03
HD45	Associate Geodetic Technician	04
HD50	Senior Geodetic Technician	05
HD55	Chief Geodetic Technician	06
HD60	Engineer/Associate Engineer I	05
HD65	Engineer/Associate Engineer II	06
HD70	Engineer/Associate Engineer III	07
HD75	Engineer/Associate Engineer IV	08

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Proposed Job Classes - Higher Education Classification and Compensation Plan

Current/Proposed Class Code	Proposed Class Title	Band
HD80	Director of Engineering	09
HD83	Associate Architect	05
HD85	Architect/Design Engineer	06
JA05	Investigator I	03
JA10	Investigator II	04
JA15	Investigator III	05
JA20	Investigator IV	06
JA25	Investigator V	07
JA60	Criminalist I	05
JA65	Criminalist II	06
JA70	Senior Criminalist	07
JA75	Inspector I	03
JA80	Inspector II	04
JA85	Inspector III	05
JB10	OSHA Officer I	04
JB20	OSHA Officer II	05
JB30	OSHA Officer III	06
JB40	Environmental Health Manager I	05
JB50	Environmental Health Manager II	06
JB60	Environmental Health Manager III	07
JC10	Law Enforcement Officer I	04
JC20	Law Enforcement Officer II	05
JC30	Law Enforcement Officer III	06
JC40	Law Enforcement Officer IV	07
JC50	Law Enforcement Officer V	08
JC60	Fire Safety Officer I	03
JC70	Fire Safety Officer II	04
JC80	Fire Safety Officer III	05
JD05	Security Specialist I	01
JD10	Security Specialist II	02
JD15	Security Specialist III	03
JE10	EP Coordinator I	05
JE20	EP Coordinator II	06
KA05	Building/Grounds Specialist I	01
KA10	Building/Grounds Specialist II	02
KA15	Building/Grounds Specialist III	03
KA20	Building/Grounds Supervisor I	04
KA25	Building/Grounds Supervisor II	05
KA30	Building/Grounds Manager	06

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Proposed Job Classes - Higher Education Classification and Compensation Plan

Current/Proposed Class Code	Proposed Class Title	Band
KA40	Laundry Worker I	01
KA45	Laundry Worker II	02
KA50	Laundry Worker III	03
KA55	Laundry Manager	04
KA60	Director of Laundry Services	05
KB05	Food Service Specialist I	01
KB10	Food Service Specialist II	02
KB15	Food Service Specialist III	03
KB20	Food Service Specialist IV	04
KB25	Food Service Specialist V	05
KB30	Food Service Specialist VI	06
KB35	Nutritionist I	03
KB40	Nutritionist II	04
KB45	Nutritionist III	05
KB50	Nutritionist IV	06
KB55	Dietitian Director/Consultant	07
KC10	Trades Specialist I	01
KC20	Trades Specialist II	02
KC30	Trades Specialist III	03
KC40	Trades Specialist IV	04
KC50	Trades Specialist V	05
KC60	Trades Manager	06
KD05	Mechanic I	02
KD10	Mechanic II	03
KD15	Mechanic III	04
KD20	Pilot I	05
KD25	Pilot II	06
KD30	Chief Pilot	07
KD35	Equipment Operator I	01
KD40	Equipment Operator II	02
KD45	Equipment Operator III	03
KD50	Vehicle Maintenance Supervisor	04
KD55	Watercraft Captain I	05
KD60	Watercraft Captain II	06
LA05	Agricultural Aide	01
LA10	Agricultural/Animal Assistant I	02
LA15	Agricultural/Animal Assistant II	03
LA20	Agricultural/Animal Associate I	04
LA25	Agricultural/Animal Associate II	05

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Proposed Job Classes - Higher Education Classification and Compensation Plan

Current/Proposed Class Code	Proposed Class Title	Band
LA30	Volunteer Coordinator I	02
LA35	Volunteer Coordinator II	03
LA70	Field Specialist I	03
LA75	Field Specialist II	04
LA80	Field Specialist Supervisor	05
LA85	Livestock Control Officer I	04
LA90	Livestock Control Officer II	05
LA95	Farm Foreman I	03
LA97	Farm Foreman II	04
LB10	Park Technician	02
LB20	Park Ranger	03
LB25	Senior Park Ranger	04
LB30	Park Manager I	04
LB40	Park Manager II	05
LB50	Park Manager III	06
LC05	Geologic Technician	04
LC10	Geologist/Hydrologist I	05
LC20	Geologist/Hydrologist II	06
LC30	Geologist/Hydrologist III	07
LD10	Forestry Warden I	02
LD20	Forestry Technician I	03
LD30	Forestry Technician II	04
LD40	Forestry Technician III	05
LD50	Forester I	04
LD60	Forester II	05
LD70	Forester Supervisor I	06
LD80	Forester Supervisor II	07
LE10	Veterinarian	07
LE20	Veterinarian Specialist	08
LE50	Wildlife Biologist I	04
LE60	Wildlife Biologist II	05
LE70	Wildlife Biologist III	06
LE80	Wildlife Biologist IV	07
LE85	Natural Resource Technician I	01
LE90	Natural Resource Technician II	03
LE95	Natural Resource Technician III	04
LE97	Natural Resource Technician IV	05
AC60	Procurement Director II	09
AD19	Audits Director	09

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Proposed Job Classes - Higher Education Classification and Compensation Plan

Current/Proposed Class Code	Proposed Class Title	Band
AD80	Financial Aid Coordinator I	04
AD82	Financial Aid Coordinator II	05
AD85	Financial Aid Manager I	06
AD87	Financial Aid Manager II	07
AD90	Financial Aid Director	08
AD92	Financial Aid Technical Services Coordinator	05
AH27	Administrative Manager III	09
AJ50	Business Development Manager I	07
AJ60	Business Development Manager II	08
AL20	Information Technology Analyst I	05
AL23	Information Technology Analyst II	06
AL25	Information Technology Analyst III	07
AL27	Information Technology Analyst Senior	08
AL30	Information Technology Architect I	07
AL33	Information Technology Architect II	08
AL35	Information Technology Architect III	09
AL40	Information Technology Consultant I	05
AL43	Information Technology Consultant II	06
AL45	Information Technology Consultant III	07
AL47	Information Technology Consultant Senior	08
AL50	Information Technology Engineer I	06
AL53	Information Technology Engineer II	07
AL55	Information Technology Engineer III	08
AL57	Information Technology Engineer IV	09
AL60	Information Technology Manager I	07
AL63	Information Technology Manager II	08
AL65	Information Technology Manager III	09
AL67	Information Technology Manager IV	10
AL70	Information Technology Programmer I	04
AL72	Information Technology Programmer II	05
AL73	Information Technology Programmer III	06
AL75	Information Technology Programmer IV	07
AL77	Information Technology Programmer V	08
AL79	Information Technology Programmer VI	09
AL80	Information Technology Specialist I	03
AL82	Information Technology Specialist II	04
AL83	Information Technology Specialist III	05
AL85	Information Technology Specialist IV	06
AL87	Information Technology Specialist V	07

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Proposed Job Classes - Higher Education Classification and Compensation Plan

Current/Proposed Class Code	Proposed Class Title	Band
AL89	Information Technology Specialist Senior	08
AL90	Information Technology Technician I	04
AL92	Information Technology Technician II	05
AL93	Information Technology Technician III	06
AL95	Information Technology Technician Senior	07
BB51	Planning and Research Director II	08
BE50	Grants Administrator III	08
BE60	Grants Administrator IV	09
CA25	Curriculum Manager I	07
CC50	Development Officer I	07
CC60	Development Officer II	08
CC70	Development Officer III	09
EA35	Registered Nurse III	07
EB37	Physician's Assistant II	08
EB70	Clinical Counselor	06
ED70	Research Laboratory Manager	07
JB70	Environmental Health Manager IV	08
JD30	Parking Attendent	03

TOTAL: 447

Appendix D

Proposed Unclassified Titles - Higher Education Classification and Compensation Plan

UNCLASSIFIED CODES	UNCLASSIFIED TITLES
hUA01	AGENCY HEAD
hUA10	PRESIDENT-TECH
hUA18	CHANCELLOR
hUA19	VICE CHANCELLOR
hUB03	NON CERTIFIED TEACHER
hUB26	PSYCHIATRIST
hUC03	SENIOR VICE PRESIDENT
hUC04	VICE PRESIDENT
hUC61	ASSOCIATE VICE PRESIDENT
hUC63	ASSISTANT VICE PRESIDENT
hUD03	PROVOST
hUD05	VICE PROVOST
hUD07	ASSOCIATE PROVOST
hUD09	DEAN
hUD11	ASSOCIATE DEAN
hUD13	ASSISTANT DEAN
hUD14	DEPARTMENT CHAIR/HEAD
hUE01	COMMANDANT OF CADETS
hUE03	ACADEMIC PROGRAM DIRECTOR
hUE04	ASSOC ACADEMIC PROG DIRECTOR
hUE05	ASST ACADEMIC PROG DIRECTOR
hUE06	DIRECTOR/ADJUNCT FACULTY
hUE07	ACADEMIC PROGRAM MANAGER
hUG70	INSTRUCTOR
hUG71	SENIOR INSTRUCTOR
hUG72	LECTURER
hUG74	ASSISTANT PROFESSOR
hUG75	ASSOCIATE PROFESSOR
hUG76	PROFESSOR
hUG77	CLINICAL ASSOCIATE
hUG79	CLINICAL INSTRUCTOR
hUG80	CLINICAL ASSISTANT PROFESSOR
hUG81	CLINICAL ASSOCIATE PROFESSOR
hUG82	CLINICAL PROFESSOR
hUG83	RESEARCH ASSOCIATE
hUG84	RESEARCH ASSISTANT PROFESSOR
hUG85	RESEARCH ASSOCIATE PROFESSOR
hUG86	RESEARCH PROFESSOR
hUG87	VISITING INSTRUCTOR
hUG88	VISITING ASSISTANT PROFESSOR

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Proposed Unclassified Titles - Higher Education Classification and Compensation Plan

UNCLASSIFIED CODES	UNCLASSIFIED TITLES
hUG89	VISITING ASSOCIATE PROFESSOR
hUG90	VISITING PROFESSOR
hUG91	ADJUNCT PROFESSOR
hUG93	ALUMNI PROFESSOR
hUG95	NAMED PROFESSOR
hUG97	ENDOWED CHAIR
hUG99	RESEARCH INSTRUCTOR
hUH01	LIBRARIAN
hUH06	HEAD LIBRARIAN
hUH07	DIRECTOR OF LIBRARY
hUH09	MASTER TEACHER
hUH11	ATHLETICS DIRECTOR
hUH14	ATHLETICS COACH
hUH16	ATHLETICS ADMINISTRATOR
hUK03	ASSISTANT SCIENTIST
hUK05	ASSOCIATE SCIENTIST
hUK07	SCIENTIST
hUK09	SENIOR SCIENTIST
hUK41	EXTENSION ASSOCIATE
hUK43	EXTENSION AGENT-ASSISTANT
hUK45	EXTENSION AGENT-ASSOCIATE
hUK47	EXTENSION AGENT
hUK49	SENIOR EXTENSION AGENT
hUK51	EXTENSION DIRECTOR-ASSISTANT
hUK53	EXTENSION DIRECTOR-ASSOCIATE
hUK55	EXTENSION DIRECTOR
hUK57	SENIOR EXTENSION DIRECTOR
hUK59	DIRECTOR RESEARCH & EXTENSION
hUK61	RESIDENT/INTERN
hUK63	POST DOCTORAL FELLOW
NEW CODE TO BE CREATED	Adjunct Faculty
NEW CODE TO BE CREATED	Teaching Associate
NEW CODE TO BE CREATED	Administrator
NEW CODE TO BE CREATED	Director
NEW CODE TO BE CREATED	Registrar
NEW CODE TO BE CREATED	College/University Attorney
NEW CODE TO BE CREATED	Senior Vice Chancellor
NEW CODE TO BE CREATED	Assistant Coach
NEW CODE TO BE CREATED	Athletic Trainer
NEW CODE TO BE CREATED	Chief Development Officer

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Proposed Unclassified Titles - Higher Education Classification and Compensation Plan

UNCLASSIFIED CODES	UNCLASSIFIED TITLES
NEW CODE TO BE CREATED	Development Officer
NEW CODE TO BE CREATED	Master Teacher II
NEW CODE TO BE CREATED	Professor of Practice
NEW CODE TO BE CREATED	Senior Lecturer
NEW CODE TO BE CREATED	Assistant Department Chair/Head
NEW CODE TO BE CREATED	Clinical Lecturer
NEW CODE TO BE CREATED	Clinical Senior Lecturer
NEW CODE TO BE CREATED	Department Chair/Assistant Professor
NEW CODE TO BE CREATED	Department Chair/Associate Professor
NEW CODE TO BE CREATED	Department Chair/Professor
NEW CODE TO BE CREATED	Senior Research Assoicate
NEW CODE TO BE CREATED	Senior Teaching Assoicate
NEW CODE TO BE CREATED	Visiting Faculty
NEW CODE TO BE CREATED	Affiliate Librarian
NEW CODE TO BE CREATED	Assistant Librarian
NEW CODE TO BE CREATED	Associate Librarian
NEW CODE TO BE CREATED	Physician
NEW CODE TO BE CREATED	Physician Asst/ Nurse Practitioner
NEW CODE TO BE CREATED	Veterinarian
NEW CODE TO BE CREATED	Pharmacist

TOTAL 100

Appendix G

Membership of Classification and Compensation Subcommittee

Michelle Piekutowski, Chief Human Resources Officer
Clemson University

Chris Byrd, Vice President of Human Resources
University of South Carolina

Susan Carullo, Director of Human Resources
Medical University of South Carolina

Susan Jones, Associate VP Human Resources
Greenville Technical College

Lisa Cowart, Associate Vice President Human Resources
Winthrop University

Kim Sherfesee, Director of Compensation and Operations
Coastal Carolina University

Leah Schonfeld, Deputy Director of Human Resource
The Citadel

Dee Cole, Associate Director of HR
College of Charleston

Charlene Wages, Vice President for Administration
Francis Marion University

Connie Thompson
University of South Carolina

STATE BUDGET AND CONTROL BOARD

MEETING OF May 8, 2013

REGULAR SESSION

ITEM NUMBER 20

AGENCY: Budget and Control Board

SUBJECT: Future Meeting

The next regular meeting of the Budget and Control Board will be held at 10:00 a.m. on Tuesday, June 18, 2013, in Room 252, Edgar A. Brown Building.

Schedule of Remaining Meetings in 2013

August 13, 2013
October 22, 2013
December 10, 2013

BOARD ACTION REQUESTED:

Agree to meet at 10:00 a.m. on Tuesday, June 18, 2013, in Room 252, Edgar A. Brown Building.

ATTACHMENTS: