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**S.C. Budget and Control Board
Retirement Division**

Annual Summary Report FY 2008



**Retiring South Carolina's Public Workforce
*For Life***

Executive Summary

The purpose of the S.C. Budget and Control Board's Retirement Division is to provide a comprehensive program of retirement benefits for South Carolina's public workforce and to perform fiduciary duties as stewards of the contributions and disbursements of the pension trust funds. This goal is symbolized by our identity statement, "Retiring South Carolina's Public Workforce For Life." During FY08, the division:

- Retained an administrative cost per member well below that of comparable pension plans.
- Realized passage and implementation of legislation that provided and funded an annual automatic cost-of-living-adjustment of up to 2 percent for eligible retirees. House Bill 4876 also further secured retirement plan funding by placing restrictions on future ad hoc COLAs.
- Maintained very high stakeholder satisfaction levels (more than 96 percent).
- Increased the physical security of the division's facilities, and developed and implemented a division-wide flexible work schedule policy.
- Established a Communication and Education Unit to meet the broad strategic goal of educating all of our stakeholders; moved the Electronic Employer Services (EES) system to Financial Employer Services in an effort to improve customer service to our covered employers; and created a compliance officer position to review various Financial Employer Services' transactions and review postings reported from covered employers for compliance with regulations and procedures.
- Employer Reporting closed out FY08 one day early and with the lowest number of errors and outstanding reports in recent history.
- Modified multiple information systems to:
 - more accurately track return-to-work retirees;
 - accommodate state legislative changes that extended membership to circuit public defenders and provided deferred annuity options for eligible judicial retirees;
 - accommodate provisions of the federal Pension Protection Act related to pre-tax deductions and waiver of a 10 percent penalty on qualified distributions for eligible retirees, and to appropriately report distributions for tax purposes in accordance with new Internal Revenue Service guidelines;
 - apportion investment income to the retirement funds;
 - provide a new encryption process for transferring accounting files electronically; and
 - log visitor information in a secure, electronic tracking system that expedites verification of visitor data and service delivery.
- Worked closely with the Bank of New York Mellon to develop and implement automated general ledger interfaces for the various investment asset classes; successfully converted to the Mellon Workbench platform effective May 1, 2008, following the Bank of New York's merger with Mellon.
- Received the Government Finance Officers Association (GFOA) Award for Excellence in Financial Reporting for the FY 2007 Comprehensive Annual Financial Report (CAFR).
- Received the GFOA Award for Outstanding Achievement for the FY 2007 Popular Annual Financial Report (PAFR).

Organizational Profile

The South Carolina Retirement Systems (Retirement Division) was established by statute in 1945 to provide retirement security to South Carolina's state employees and public school teachers. The Retirement Division currently manages one defined contribution plan and five defined benefit plans, some that include group life insurance, in-service death, and survivorship benefits:

- The South Carolina Retirement System (SCRS);
- The Police Officers Retirement System (PORS);
- The General Assembly Retirement System (GARS);
- The Judges and Solicitors Retirement System (JSRS);
- The National Guard Retirement System (NGRS); and
- The South Carolina State Optional Retirement Program (State ORP), a defined contribution plan alternative to the SCRS defined benefit plan.

Each retirement plan has enabling legislation that guides its implementation and management.

The division relies closely upon covered employers, who report and pay contributions, and enroll members into the plans. Division staff support covered employers and other stakeholders through daily contact via telephone and/or e-mail, on-site visits and seminars, and the division's Web presence.

The division's primary purpose is to serve South Carolina's public workforce responsibly and responsively. The division's vision is to be an efficiently operated public pension plan that best serves the needs of public retirees and employees, governmental employers, and the citizens of South Carolina.

The Retirement Division's mission is to effectively administer a comprehensive program of retirement benefits responsive to the needs of public employees and to perform fiduciary duties as stewards of the contributions and disbursements of the

pension trust funds. The division's core values are quality customer services and products, innovation, leadership, professionalism, and employee well-being.

There were 191 permanent employees on staff in FY08—a diverse group of professional and administrative employees with varied education levels, professional certifications, and requirements.

The Retirement Division is located at 202 Arbor Lake Drive in Columbia, South Carolina. Its facilities include an office building owned by the retirement plan trust funds and from which the division operates, and a multiple platform and application technology environment utilized to ensure continued high level support of daily operations and member services availability.

The division's functions are legislatively and statutorily defined through the South Carolina General Assembly. Budget and Control Board members serve as trustees of the state's retirement trust funds. The Office of the Executive Director of the Budget and Control Board oversees the division's operations. The South Carolina Retirement System Investment Commission (RSIC), an independent state agency, manages all of the retirement trust funds' investments.

The division's key stakeholders are covered employers, which include state agencies, local governments, school districts, and higher education institutions; active and retired members; the Budget and Control Board, the Governor's Office and the General Assembly.

Covered employers are also key suppliers to the division, as are the members of the six retirement plans, other Board offices, the Office of the State Treasurer, the RSIC, and the Office of the Comptroller General.

The division provides services to stakeholders and suppliers as demand indicates. For example, educational materials are provided for covered

employers and members of the retirement plans. Informational materials, such as briefing papers and actuarial valuations, are provided to assist public policy makers, like the Budget and Control Board and the General Assembly, in the decision-making process.

A dedicated call center provides service to key stakeholders through its responses to telephone calls, and electronic and paper mail inquiries. Financial Employer Services' staff provide another level of service to covered employers by providing a dedicated representative. On-site, regional training and seminars are available to all stakeholders as well.

In FY08, the retirement plans' trust funds held in excess of \$26 billion in net assets and disbursed

more than \$2 billion in refunds and recurring benefits. These disbursements are more than the personal income derived in the Palmetto State from farming, forestry, fishing, and utilities combined (2007 U.S. Department of Commerce, Bureau of Economic Analysis). This is a significant contribution to the state's economy since 94 percent of annuitants reside in South Carolina.

The annual administrative cost per active and retired member was \$47, which was below the peer median of \$77 as reported in the 2007 Cost Effectiveness Measurement, Inc. benchmarking report. A key strategic challenge for the division is to maintain high quality services in response to stakeholder demand while keeping costs low.

Condensed Financial Information

The Retirement Systems' ability to adequately fund retirement benefits payable to members in future years is viable because funds are accumulated and invested on a regular and systematic basis and reviewed each year by our external consulting actuaries. The five defined benefit plans provide lifetime annuity benefits to vested eligible members who serve as employees of state, public school, local and municipal government, state legislative, judicial and National Guard employers.

The principal sources from which the Systems' derives revenues are employee contributions, employer contributions, and earnings on invest-

ments. Required annual contributions for the NGRS are funded through an annual state appropriation. Expenses of the Systems consist primarily of payments of monthly annuities to retired members and their beneficiaries, and refunds of member contributions and interest paid upon termination. Other programs administered by the Systems include a group life insurance plan for both active and retired members, and an accidental death plan for members of the PORS.

Summary comparative financial statements of the pension trust funds are presented on Pages 4-5.

Plan Net Assets
June 30, 2008 and 2007
(Amounts expressed in thousands)

Assets	<u>2008</u>	<u>2007</u>	<u>% Increase/ (Decrease)</u>
Cash and cash equivalents, receivables and prepaid expenses	\$ 2,835,196	\$ 6,855,459	(58.64%)
Investments, at fair value	24,697,700	22,188,448	11.31%
Securities lending cash collateral invested	3,796,183	5,085,506	(25.35%)
Property, net of accumulated depreciation	3,459	3,577	(3.30%)
Total Assets	<u>31,332,538</u>	<u>34,132,990</u>	(8.20%)
Liabilities			
Deferred retirement benefits	552,260	641,750	(13.94%)
Obligations under securities lending	3,796,183	5,085,506	(25.35%)
Other liabilities	351,050	356,954	(1.65%)
Total Liabilities	<u>4,699,493</u>	<u>6,084,210</u>	(22.76%)
Total Net Assets	<u>\$ 26,633,045</u>	<u>\$ 28,048,780</u>	(5.05%)

Changes in Plan Net Assets
For the Years Ended June 30, 2008 and 2007
(Amounts expressed in thousands)

Additions	<u>2008</u>	<u>2007</u>	<u>% Increase/ (Decrease)</u>
Employee contributions	\$ 618,576	\$ 578,019	7.02%
Employer contributions	898,417	760,167	18.19%
State-appropriated contributions	3,948	3,948	0.00%
Investment income (loss)	(731,466)	3,397,801	(121.53%)
Other income	3,542	3,382	4.73%
Total Additions	<u>793,017</u>	<u>4,743,317</u>	(83.28%)
Deductions			
Annuities	2,072,109	1,947,789	6.38%
Refunds	93,094	89,825	3.64%
Group Life	19,969	18,253	9.40%
Administrative & other expenses	23,580	20,618	14.37%
Total Deductions	<u>2,208,752</u>	<u>2,076,485</u>	6.37%
Increase (Decrease) in Net Assets	<u>(1,415,735)</u>	<u>2,666,832</u>	(153.09%)
Beginning Net Assets	28,048,780	25,381,948	10.51%
Ending Net Assets	<u>\$ 26,633,045</u>	<u>\$ 28,048,780</u>	(5.05%)

Schedule of Administrative Expenses
For the Year Ended June 30, 2008
(Amounts expressed in thousands)

	<u>SCRS</u>	<u>PORS</u>	<u>GARS</u>	<u>JSRS</u>	<u>NGRS</u>	<u>TOTALS</u>
Personal Services						
Salaries and Wages	\$ 7,696	\$ 1,035	\$ 15	\$ 43	\$ 65	\$ 8,854
Employee Benefits	2,167	291	4	12	18	2,492
Contractual Services						
Data Processing Services	1,501	202	3	8	13	1,727
Medical & Health Services	716	96	1	4	6	823
Financial Audit	26	3				29
Actuarial Services	261	35	1	1	2	300
Other Professional Services	195	26		1	2	224
Legal Services	166	22	1	1	1	191
Operating Expenses						
Facilities Management	393	53	1	2	3	452
Intergovernmental Services	510	69	1	3	4	587
Transfers to Investment Commission	3,163	425	6	18	27	3,639
Telephone	81	11		1	1	94
Insurance	755	101	1	4	6	867
Postage	353	48	1	2	3	407
Supplies	217	29	1	1	2	250
Other Miscellaneous Expenses	353	48	1	2	3	407
Total Administrative Expenses	<u>\$ 18,553</u>	<u>\$ 2,494</u>	<u>\$ 37</u>	<u>\$ 103</u>	<u>\$ 156</u>	<u>\$ 21,343</u>

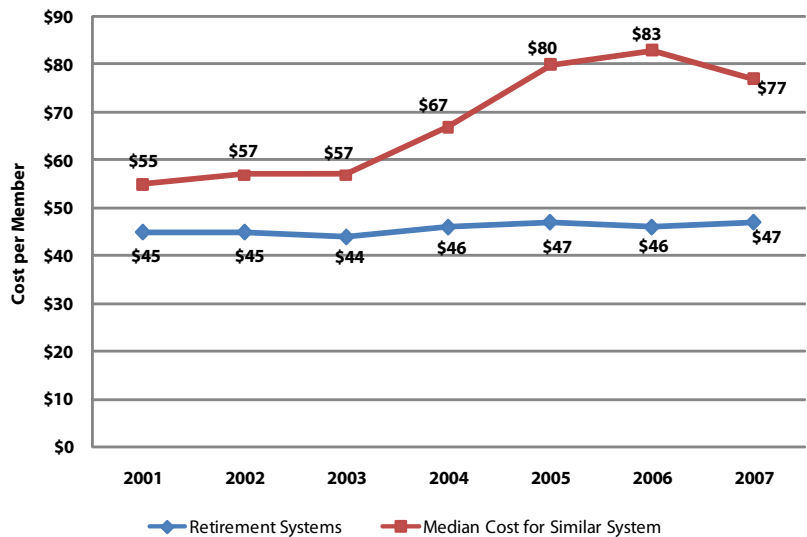
Business Results

The Retirement Systems takes its role of fiduciary steward seriously and compares favorably among its peer pension plans. Our business results are pre-

sented herein in the form of charts depicting our key performance measures and outcomes.

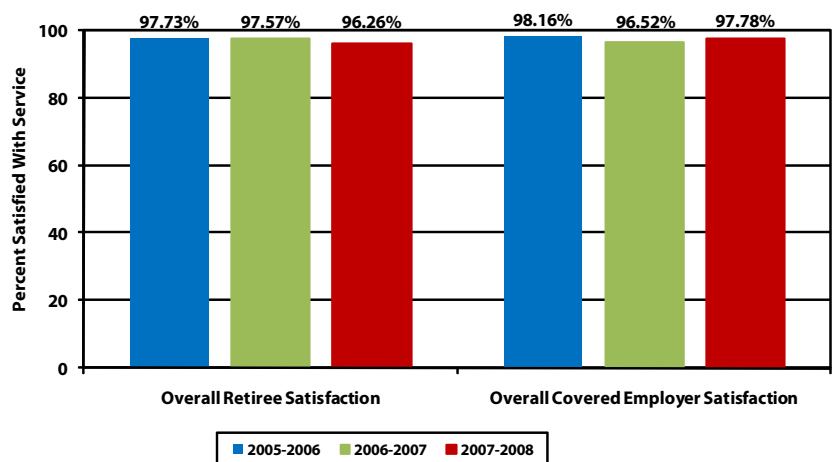
Administrative Cost Per Member

A benchmarking analysis by Cost Effectiveness Measurement, Inc., found that in 2007 the Retirement Systems operated at a cost significantly below the peer median. While maintaining this low cost per member, the Systems continued to compare favorably among its peer plans in areas of plan complexity, transaction volumes and service levels.

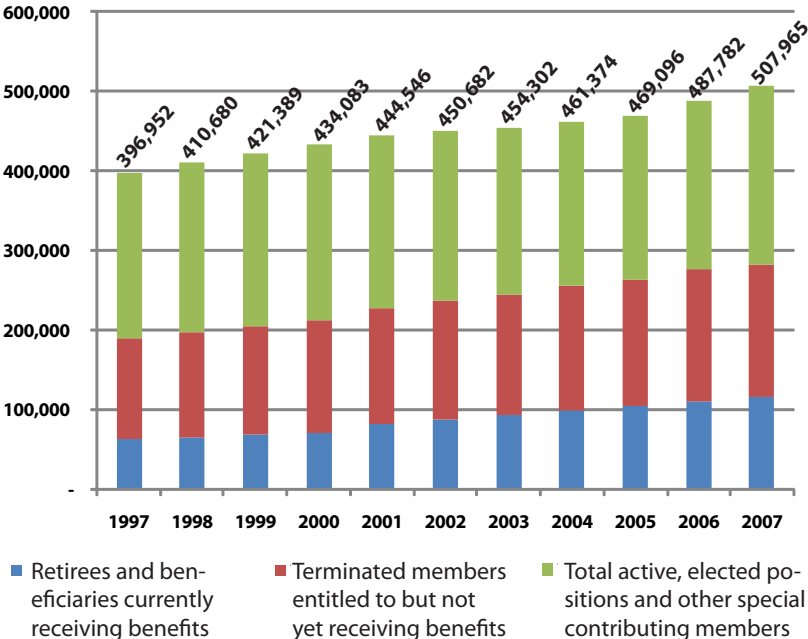


South Carolina Retirement Systems Stakeholder Satisfaction

The Retirement Systems conducts an annual stakeholder satisfaction survey on services received from our entire division. All covered employers receive a survey annually. A random sample of members who retired within the previous 12-month period is surveyed as well. Our stakeholder satisfaction continues to be high.



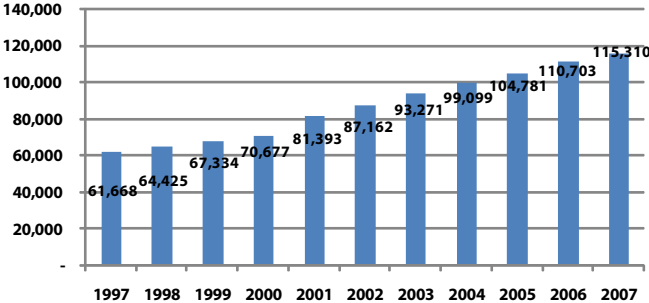
Total Membership by Fiscal Year



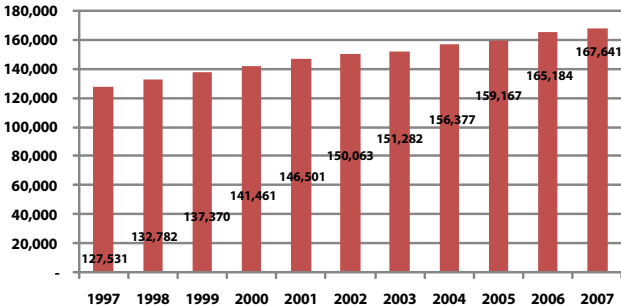
The membership data on this page is based on the most recent actuarial valuations of each defined benefit plan. Beginning in FY06, membership data includes NGRS membership totals.

The Retirement Systems also administers an alternative defined contribution plan, the State Optional Retirement Program, which at the end of FY07 had approximately 30,000 participants.

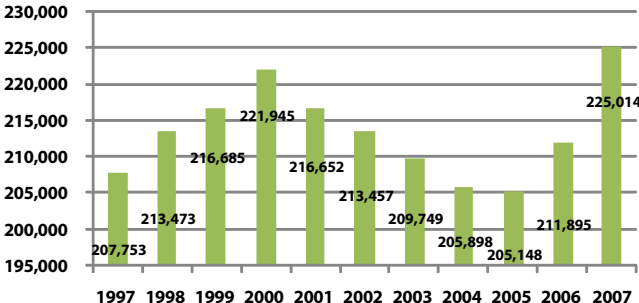
Retirees and Beneficiaries Currently Receiving Benefits By Fiscal Year



Terminated Members Entitled to But Not Yet Receiving Benefits By Fiscal Year



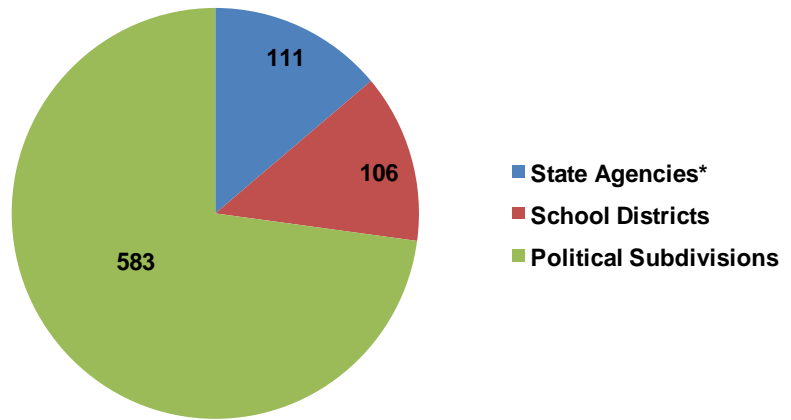
Total Active, Elected Positions and Other Special Contributing Members By Fiscal Year



SCRS Participating Employers

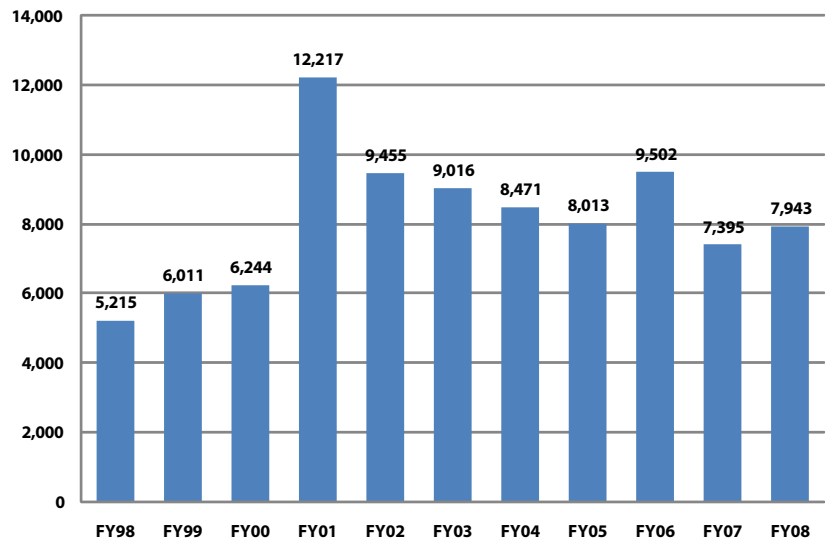
The South Carolina Retirement Systems administers five defined benefit plans. The largest plan is the South Carolina Retirement System which has 800 total participating employers.

**Includes Higher Education institutions.*

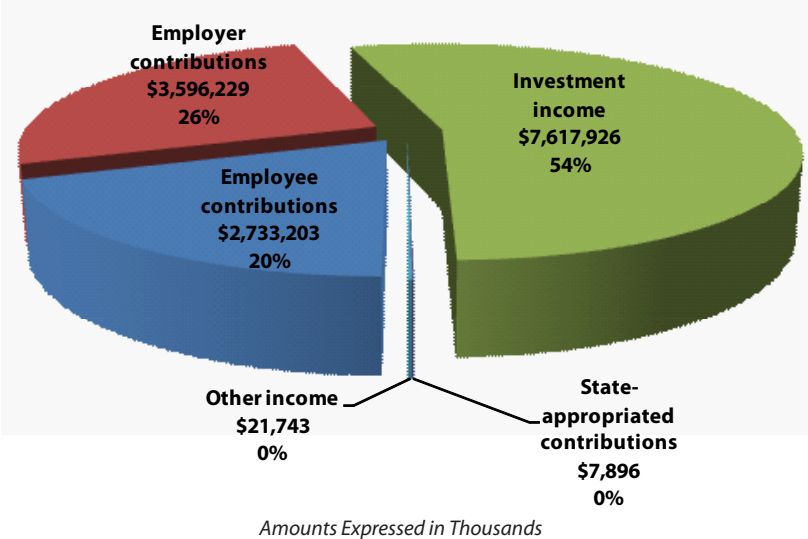


Service and Disability Retirement Annuitants Added to Payroll - SCRS, PORS, GARS, JSRS, NGRS

The surge in annuitants in FY01 was due to the enactment of the Teacher and Employee Retention Incentive (TERI) program and 28-year retirement eligibility for members of the South Carolina Retirement System (SCRS). The increase in FY06 was due to additions of National Guard Retirement System (NGRS) annuitants. The Retirement Systems assumed administration of NGRS January 1, 2006.

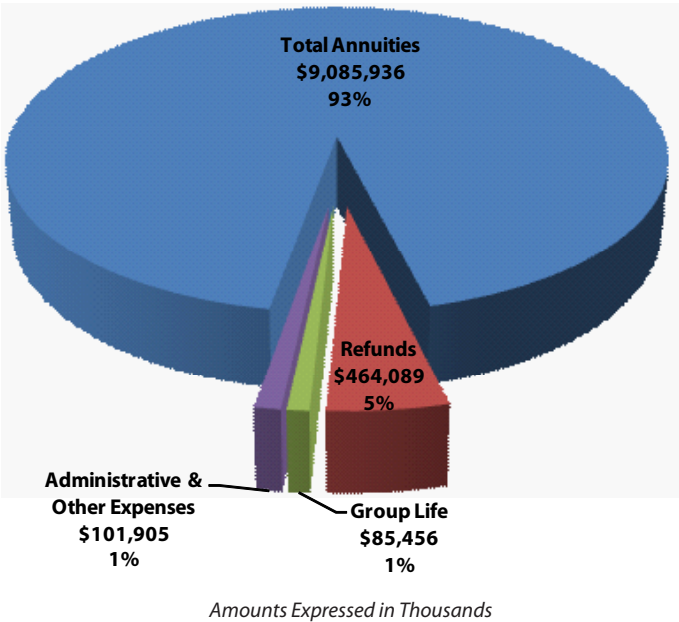


Additions to Pension Trust Funds FY 2004-2008



This chart depicts the revenue over time to the trust funds. Investment income, employer and employee contributions are the largest sources of revenue.

Deductions from Pension Trust Funds FY 2004-2008

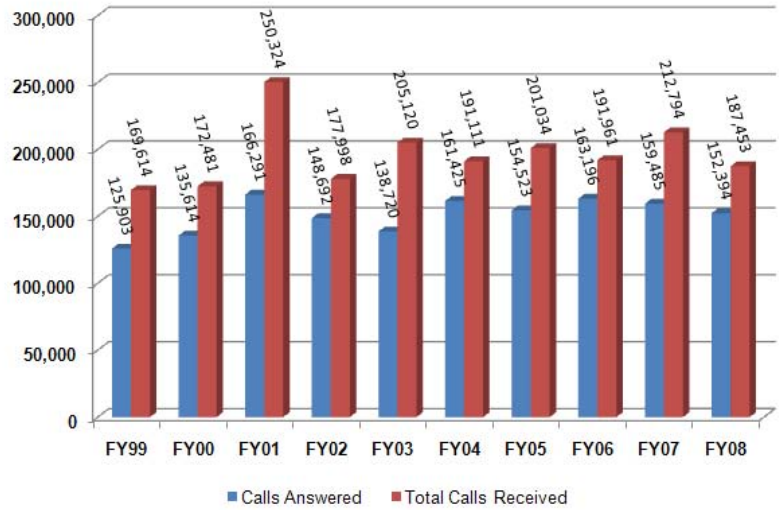


This chart illustrates deductions over time from the trust funds. As one would expect, annuities by far are the largest outflow of resources for the trust fund.

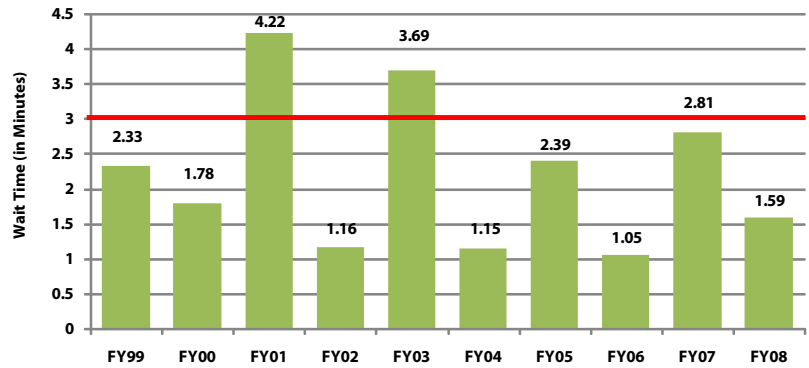
Call Center Calls and Call Center Wait Time by Fiscal Year

On average, it takes only 1.59 minutes for a Retirement Systems' customer service representative to answer a phone call. The benchmark is to respond to calls within three minutes. During FY 2008, customer service representatives answered a total of 152,394 calls.

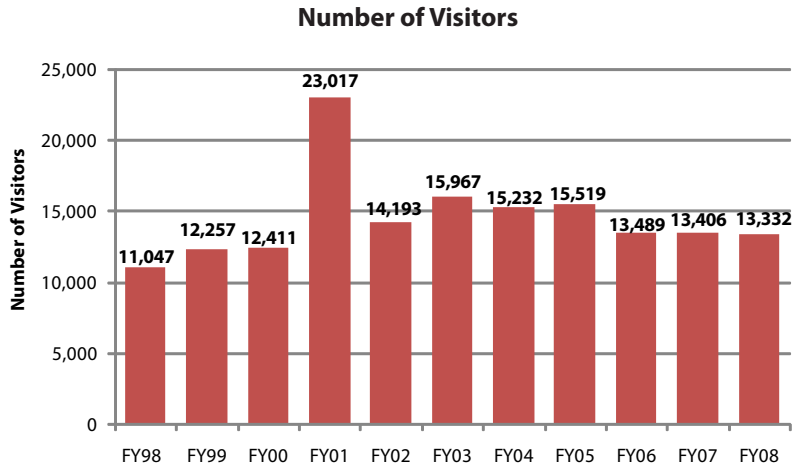
Call Center Calls



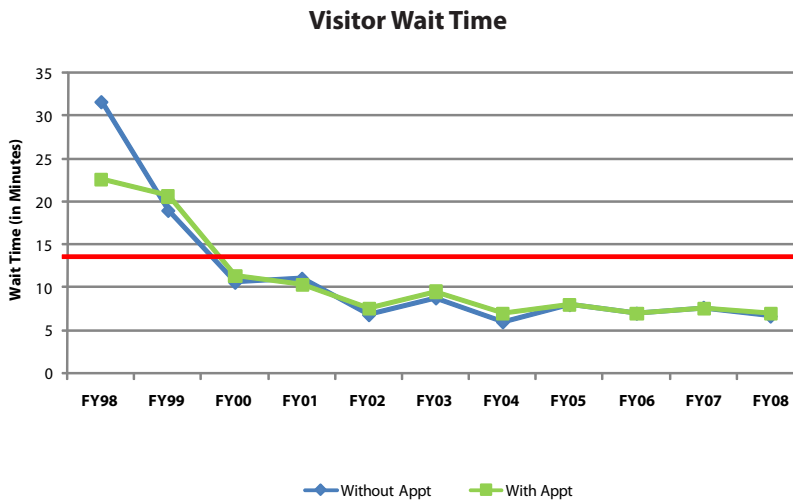
Call Center Wait Time



Number of Visitors and Customer Intake Visitor Wait Time by Fiscal Year

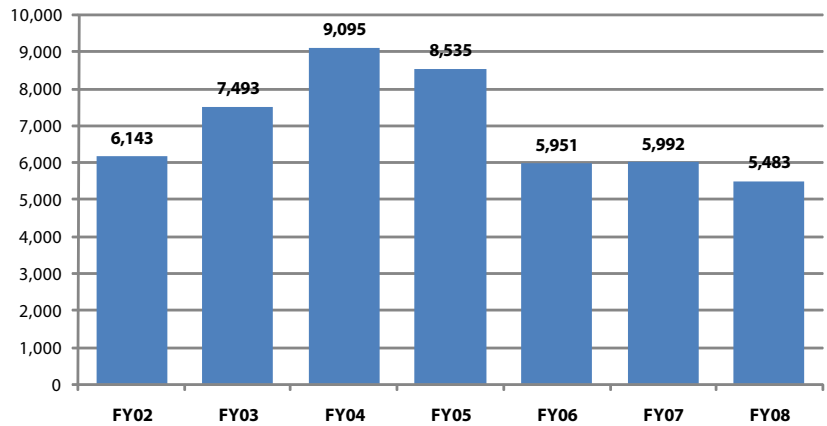


On average, it takes less than 7.25 minutes for a visitor to the Retirement Systems, both those with and those without appointments, to be seen by a benefits counselor. The benchmark is to see visitors within 15 minutes. During FY08, there were 13,332 visitors to the Retirement Systems.



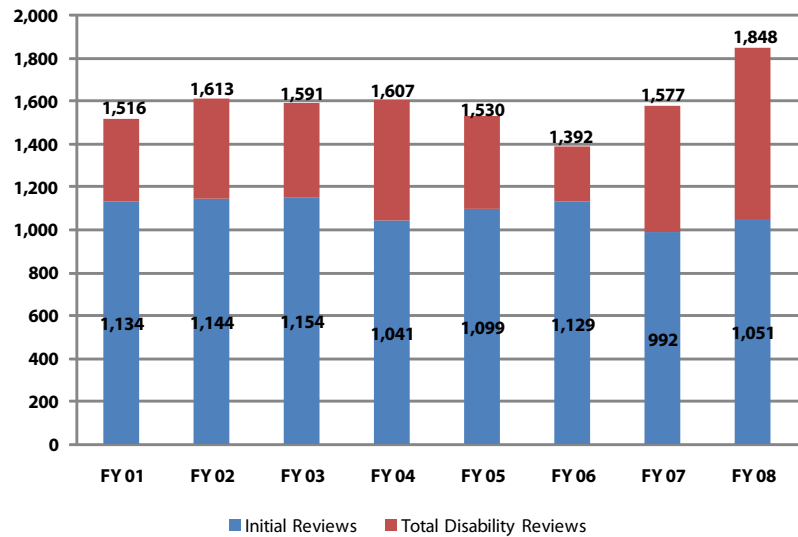
Service Purchase Invoices Generated by Fiscal Year

Of the 5,483 service purchase invoices produced for members during FY08, 92 percent were calculated within five days of receipt of verification.

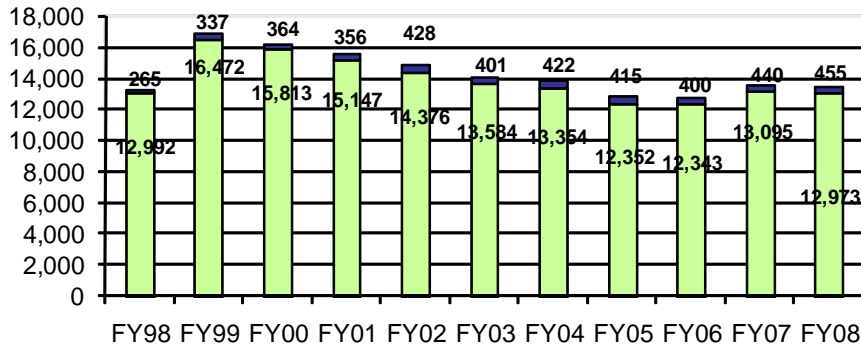


Disability Reviews by Fiscal Year

Fiscal year 2008 saw the highest number of disability reviews in the past eight years with 1,848 total reviews performed.



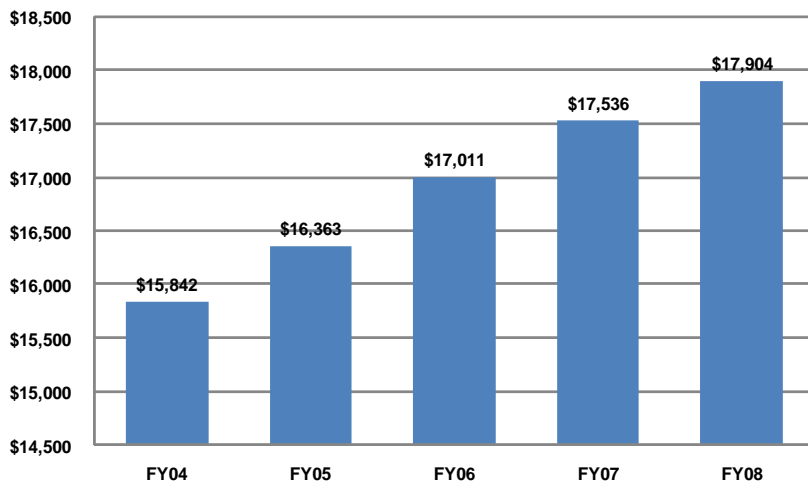
Number of Refunds Paid by Fiscal Year



In FY08, 13,428 refunds were paid. Of the 13,428 refunds, 455 were paid due to death.

■ Number of Refunds Paid Due to Termination
■ Number of Refunds Paid Due to Death

Average Annual Benefit Paid to SCRS Retirees



South Carolina Retirement System retirees continued to see the amount of their average annual benefit rise for the fifth consecutive year.

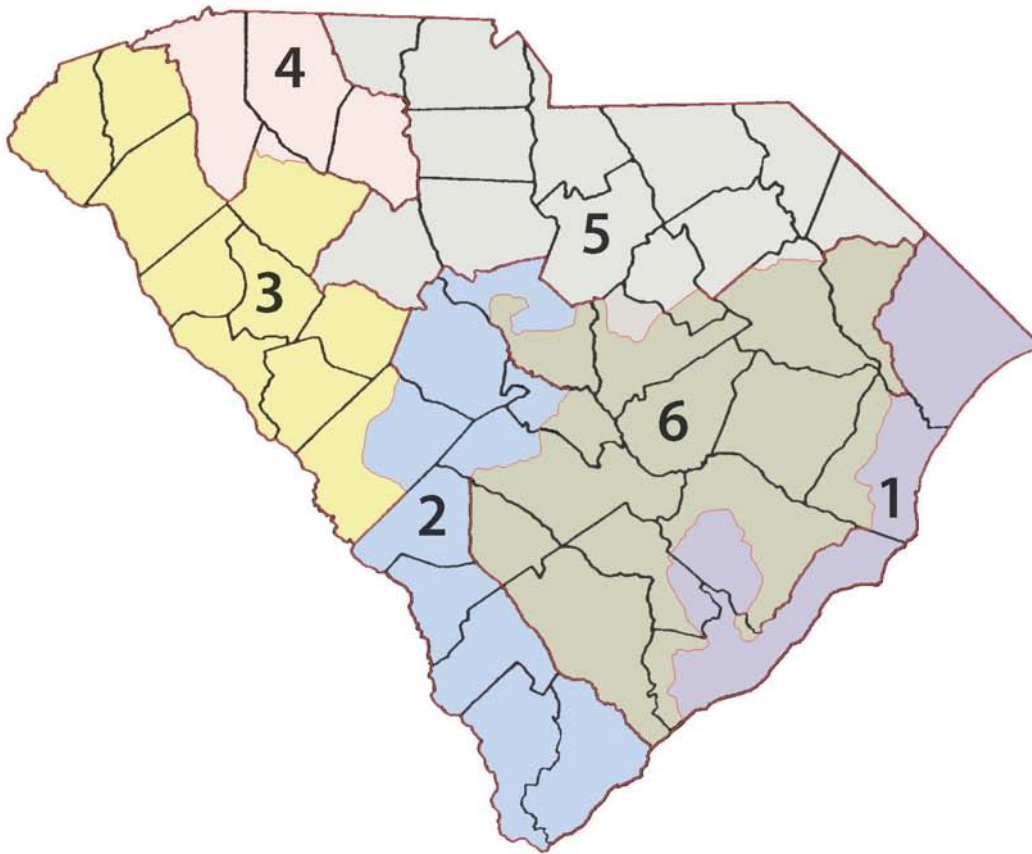
Benefits Disbursed in South Carolina by County
(Dollar Amounts in Map in Thousands)



	Number of Benefit Recipients	Amount of Benefits Disbursed
Total SC	111,616	\$ 1,977,491,548
Total Out of State/Other ¹	7,364	\$ 106,981,040
Total	118,980	\$ 2,084,472,589

¹There were 738 individuals for whom a county/ZIP code match could not be identified.

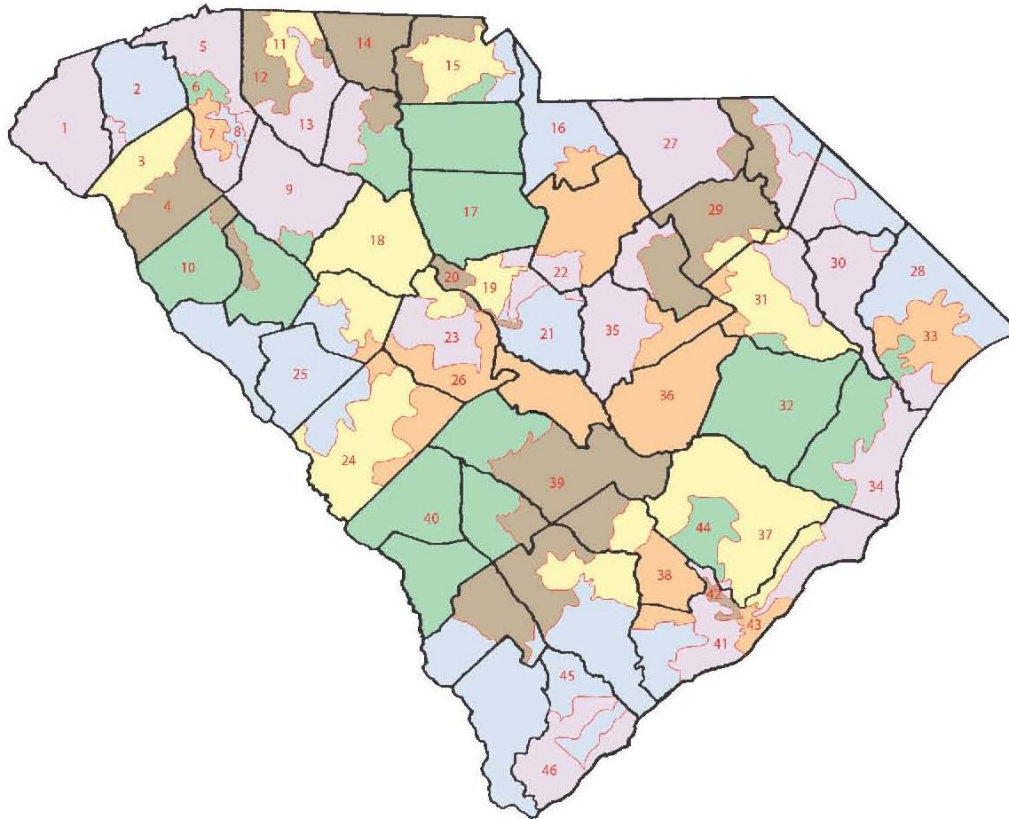
Benefits Disbursed by South Carolina Congressional District



SC Congressional District	Number of Benefit Recipients	Amount of Benefits Disbursed
1	16,558	\$ 312,877,787
2	23,626	\$ 470,155,573
3	17,779	\$ 306,839,303
4	14,215	\$ 251,174,471
5	17,481	\$ 285,983,694
6	21,393	\$ 341,757,204
Total SC	111,616	\$ 1,977,491,548
Total Out of State/Other¹	7,364	\$ 106,981,040
Total	118,980	\$ 2,084,472,589

¹There were 564 recipients for whom a congressional district/ZIP code match could not be identified.

Benefits Disbursed in South Carolina by SC Senate District



SC Senate District	Number of Benefit Recipients	Amount of Benefits Disbursed
1	3,054	\$66,856,015
2	2,067	\$36,286,224
3	2,452	\$45,680,514
4	2,077	\$32,776,725
5	1,654	\$29,077,319
6	1,669	\$29,547,156
7	1,160	\$18,632,874
8	1,766	\$36,491,133
9	2,439	\$35,477,481
10	2,436	\$40,180,738
11	2,035	\$34,322,771
12	2,141	\$39,309,660
13	2,388	\$43,142,319
14	2,108	\$33,413,201
15	2,060	\$40,637,454
16	1,592	\$27,311,700
17	2,682	\$41,122,153
18	3,823	\$77,153,677
19	4,030	\$68,594,836
20	4,187	\$96,580,479
21	3,691	\$63,696,893
22	4,193	\$89,065,331
23	3,416	\$62,747,373

Total SC
Benefit Recipients
111,616

Benefits Disbursed
\$1,977,491,548

Total Out of State/Other¹
Benefit Recipients
7,364

Benefits Disbursed
\$106,981,040

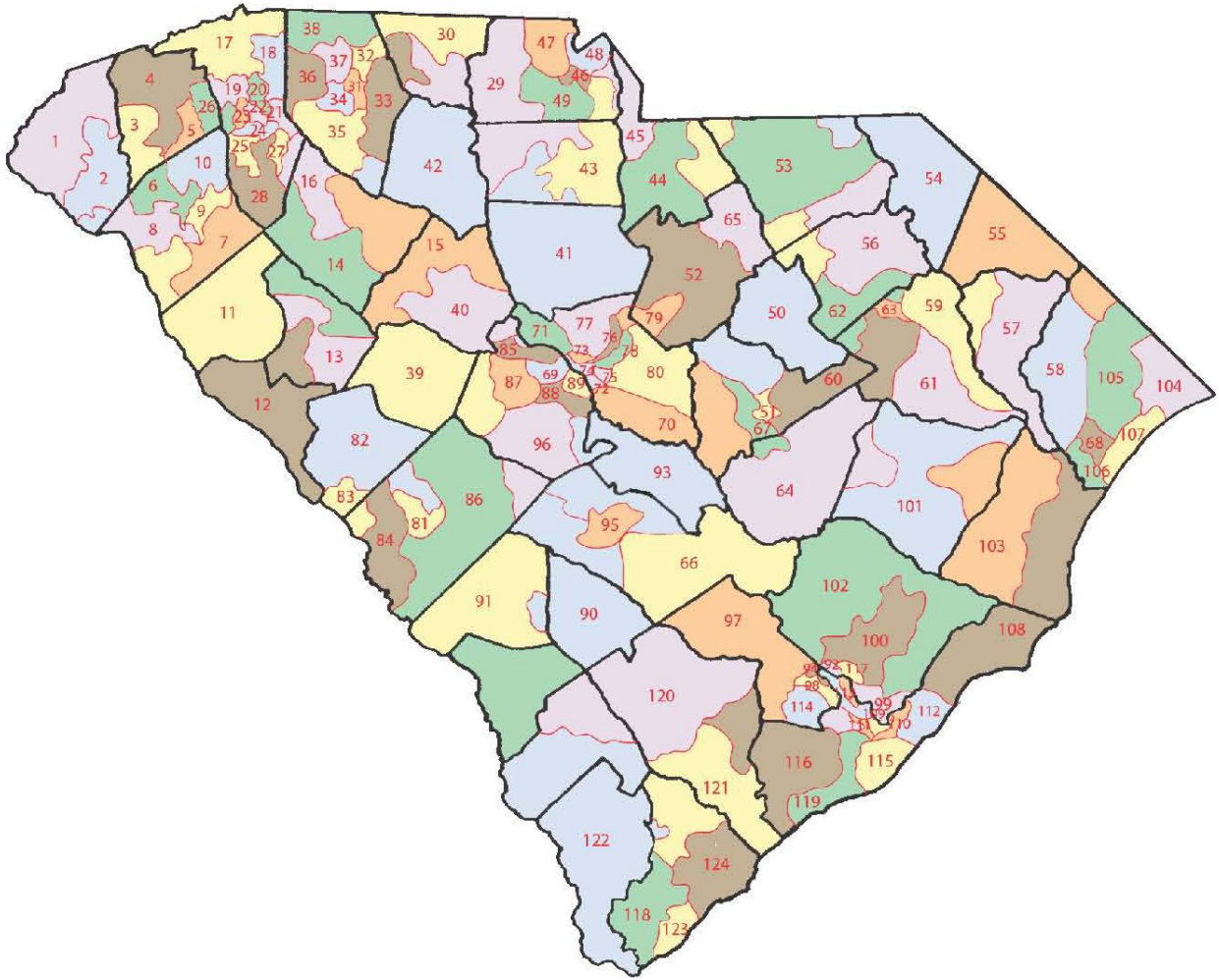
Total
Benefit Recipients
118,980

Benefits Disbursed
\$2,084,742,589

SC Senate District	Number of Benefit Recipients	Amount of Benefits Disbursed
24	1,467	\$25,149,329
25	1,863	\$26,382,992
26	3,145	\$56,941,099
27	2,414	\$37,957,887
28	1,797	\$30,650,100
29	2,160	\$31,251,389
30	2,577	\$41,291,959
31	2,380	\$42,127,885
32	2,405	\$38,258,082
33	1,497	\$29,203,129
34	1,992	\$37,495,144
35	2,178	\$34,423,017
36	2,292	\$35,177,736
37	2,400	\$43,331,524
38	2,170	\$36,596,614
39	2,694	\$40,944,977
40	3,062	\$52,876,561
41	3,014	\$59,962,034
42	1,925	\$29,360,650
43	2,552	\$51,223,208
44	1,789	\$31,731,849
45	1,763	\$26,050,846
46	1,273	\$23,958,630

¹There were 1,687 individuals for whom a senate district/ZIP code match could not be identified.

Benefits Disbursed in South Carolina by SC House of Representatives District



<p>Total SC Benefit Recipients 111,616</p> <p>Benefits Disbursed \$1,977,491,548</p>	<p>Total Out of State/Other¹ Benefit Recipients 7,364</p> <p>Benefits Disbursed \$106,981,040</p>	<p>Total Benefit Recipients 118,980</p> <p>Benefits Disbursed \$2,084,742,589</p>
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¹There were 1,456 individuals for whom a house district/ZIP code match could not be identified.

Benefits Disbursed in South Carolina by SC House of Representatives District

SC House District	Number of Benefit Recipients	Amount of Benefits Disbursed
1	901	\$14,048,170
2	1,165	\$23,496,447
3	1,329	\$35,816,956
4	737	\$12,189,440
5	700	\$12,276,373
6	1,030	\$19,450,502
7	718	\$11,030,722
8	690	\$10,832,900
9	848	\$14,560,604
10	633	\$11,768,116
11	984	\$14,027,325
12	828	\$12,091,757
13	1,167	\$22,867,857
14	834	\$12,305,026
15	1,349	\$18,562,011
16	860	\$13,737,010
17	681	\$11,808,634
18	648	\$10,811,736
19	553	\$9,226,487
20	686	\$12,987,197
21	488	\$10,230,915
22	575	\$11,556,643
23	396	\$6,042,996
24	796	\$16,187,338
25	498	\$8,268,266
26	463	\$7,373,809
27	421	\$8,039,108
28	516	\$9,202,988
29	880	\$14,860,779
30	673	\$10,494,427
31	577	\$8,355,057
32	1,024	\$19,838,518
33	870	\$15,638,441
34	1,059	\$20,763,908
35	862	\$15,701,408
36	549	\$9,030,563
37	732	\$12,445,831
38	769	\$13,723,425
39	1,155	\$18,247,224
40	1,395	\$25,051,424
41	1,190	\$17,905,572

SC House District	Number of Benefit Recipients	Amount of Benefits Disbursed
42	1,116	\$15,421,261
43	762	\$12,115,461
44	730	\$11,261,301
45	689	\$12,936,245
46	942	\$20,274,288
47	614	\$10,651,899
48	445	\$8,859,470
49	643	\$10,810,349
50	771	\$10,838,544
51	774	\$11,294,245
52	1,124	\$19,144,410
53	874	\$12,979,412
54	724	\$10,996,835
55	853	\$13,518,721
56	859	\$11,763,665
57	880	\$13,844,374
58	979	\$16,331,593
59	766	\$12,740,987
60	907	\$14,493,988
61	799	\$12,128,065
62	784	\$11,069,853
63	1,207	\$23,514,572
64	851	\$14,144,711
65	707	\$10,364,163
66	940	\$14,251,010
67	1,088	\$19,249,477
68	429	\$8,292,188
69	1,528	\$33,578,173
70	848	\$10,890,262
71	1,566	\$34,623,327
72	1,121	\$24,453,601
73	1,320	\$20,673,811
74	1,206	\$21,881,741
75	1,644	\$39,843,779
76	1,608	\$27,870,532
77	1,786	\$32,305,478
78	1,697	\$38,970,629
79	1,166	\$22,241,955
80	1,239	\$19,999,379
81	793	\$14,494,326
82	699	\$10,337,544

SC House District	Number of Benefit Recipients	Amount of Benefits Disbursed
83	442	\$7,661,790
84	431	\$5,350,491
85	1,901	\$45,580,223
86	580	\$8,808,350
87	1,707	\$35,694,227
88	1,023	\$17,244,113
89	1,755	\$33,139,750
90	921	\$14,070,719
91	843	\$12,852,240
92	507	\$8,773,049
93	1,142	\$17,938,805
94	877	\$15,899,665
95	1,534	\$30,486,189
96	701	\$10,253,338
97	987	\$14,080,927
98	619	\$10,737,770
99	629	\$10,589,418
100	965	\$18,166,826
101	839	\$13,199,257
102	1,103	\$18,802,380
103	920	\$14,516,731
104	480	\$9,516,925
105	1,002	\$19,125,520
106	461	\$7,832,251
107	423	\$8,464,553
108	1,028	\$19,834,022
109	748	\$11,573,461
110	822	\$18,682,945
111	1,136	\$19,421,257
112	876	\$20,167,681
113	528	\$7,472,145
114	1,004	\$21,209,981
115	1,275	\$25,405,434
116	1,117	\$18,425,076
117	569	\$8,262,498
118	265	\$4,529,505
119	1,016	\$19,806,419
120	955	\$14,630,088
121	611	\$9,115,170
122	645	\$9,185,420
123	152	\$2,649,354
124	914	\$17,234,841