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UPDATE

Summer 2007



From the Director

Peggy G. Boykin, CPA

Return to Work Retirees
Page 2

Annuitants by Location
Page 3

Retiree COLA
Page 4

Rate this Newsletter
Page 4

Referendum Ratified, Commission Moving Forward

In last fall's *Systems Update*, we introduced you to the South Carolina Retirement System Investment Commission (RSIC), an independent board comprised of six financial experts which is responsible for the investments of the South Carolina Retirement Systems' pension trust fund, and its Chief Investment Officer, Robert L. Borden.

The RSIC became effective October 1, 2005, and under the leadership of Chairman Reynolds Williams, hired Borden, former executive director of the Louisiana State Employees' Retirement System (LASERS) as its CIO in April 2006. In November 2006, Amendment 3a, a referendum to allow full diversification of the South Carolina Retirement Systems' portfolio, was on the statewide ballot. South Carolina voters approved the referendum at the polls last fall and the South Carolina General Assembly ratified the referendum in February 2007.

Since its inception, the RSIC has made significant progress in implementing a complete restructuring of the state's investment program for the Retirement Systems' \$28 billion pension trust fund. The RSIC has contracted with New England Pension

Consultants (NEPC) for general investment consulting services, and has conducted an asset/liability model study through Mercer Investment Consulting, Inc., and a cost benchmarking study by Cost Effectiveness Measurement, Inc.

In addition to implementing the transition of the Retirement Systems' fixed income assets from the State Treasurer's Office to the RSIC, the RSIC is restructuring the Retirement Systems' portfolio through the development of private equity, portable alpha, global fixed income, and domestic and international equity portfolios.

The RSIC has selected the following managers to assist with the implementation of its plan: Credit Agricole, Loomis Sayles, WAMCO, and Mondrian as global fixed income managers; Bridgewater, D.E. Shaw, Morgan Stanley, and Mariner as portable alpha managers; Russell Investment Group to conduct beta overlay; Aquiline, Pantheon, and TCW as private equity managers; and GMO, Putnam, and Bridgewater as global tactical asset allocation managers.

Continued on Page 2

SC's Retirees Have Generous Return to Work Provisions

Service retirees of the South Carolina Retirement System (SCRS) and the Police Officers Retirement System (PORS) are allowed to return to work after retirement and draw an annuity benefit with no limit on their earnings.

Many other public retirement plans require that members

forfeit their right to retirement benefits, limit members' earnings, and/or require members to again become active contributing members when they return to covered employment.

In South Carolina, retirees who return to work for a covered employer pay employee contributions, which partially fund

guaranteed cost-of-living adjustments (COLAs) under SCRS and also help provide funding for ad hoc COLAs under SCRS and PORS.

A basic summary of the retiree return-to-work provisions for 11 other public pension plans is outlined in the table below.

| Comparison of Basic Service Retiree Return to Work Provisions - 12 Southern States | | | |
|--|------------------------------|---|---|
| State | Break-In-Service Requirement | Earnings Limitation | Forfeiture of Benefit |
| Alabama | None | \$20,000 per calendar year | Yes if annual earnings exceed \$20,000; yes if in permanent, full-time position |
| Arkansas | 30 days, 90 days | None | Yes if break-in-service is violated |
| Florida | 1 year | None after 1 year break-in-service | None after 1 year break-in-service |
| Georgia | None | No more than 1,040 hours per year | Yes if annual hours worked exceed 1,040 |
| Kentucky | 30 days or 6 months | None | Yes if return to work before 30 days |
| Louisiana | None | 50% of annual retirement benefit | Yes if earnings exceed 50% of annual retirement benefit - benefit reduced by amount of excess earnings |
| Mississippi | 45 consecutive calendar days | Two options - may work up to half the normal working days and earn up to half the normal salary OR may earn up to 25% of average compensation | Yes if return to work on a full-time basis |
| North Carolina | 6 months | Greater of \$26,960 or 50% of compensation for 12-month period preceding retirement date | Yes if earnings exceed limitation - benefit stopped |
| South Carolina | 15 consecutive calendar days | None | Yes if break-in-service is violated |
| Tennessee | None | 120 days with salary limitations | Yes if earnings limits exceeded - benefit is offset |
| Virginia | None | Benefits cease if return to any covered employment - must again become active member | Yes if return to any covered employment - must again become active member |
| West Virginia | None | \$15,000 for temporary covered employment | Yes if permanently employed - benefit suspended during employment and must again become contributing member |

Source: An informal survey of retiree return to work provisions on the Web sites for similar public employee pension plans in the following states: Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, Tennessee, Virginia, and West Virginia. A more detailed summary of these provisions is on our Web site at www.retirement.sc.gov.

From the Director

Continued from Page 1

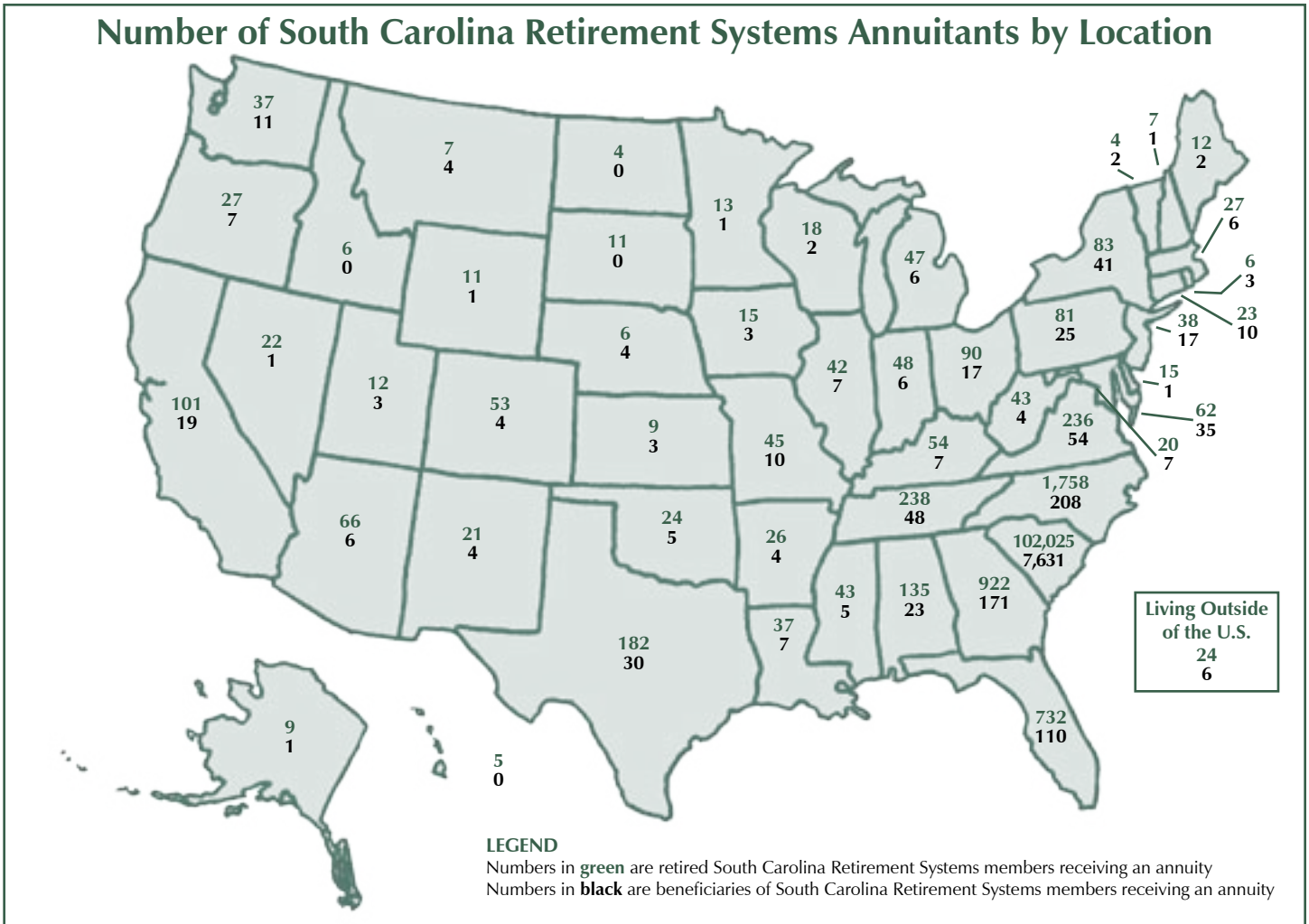
The asset allocation transition, and in particular the development of private equity, portable alpha, fixed income, and domestic equity portfolios, is an ongoing process.

Some of the RSIC's upcoming projects include formation of a real estate investment strategy, implementation of international and emerging equities strategies, and ongoing manager selection processes. For more specific information about

the RSIC's activities, please contact Bob Borden at bborden@retirement.sc.gov.

The following individuals serve on the RSIC: Reynolds Williams (chairman); James R. Powers (vice-chairman); Converse A. Chellis, III, CPA (State Treasurer); Blaine Ewing, III; Allen R. Gillespie, CFA; and Dr. S. Travis Pritchett (retired member representative).

Number of South Carolina Retirement Systems Annuitants by Location



Most Retired Members in SC

In addition to spending their working years in the state, 94.4 percent of the South Carolina Retirement Systems' retired members reside in South Carolina. This is good news for our state's economy, which benefits from the spending power of the 109,656 annuitants on the Retirement Systems' payroll who reside in South Carolina.



North Carolina comes in second with 1.7 percent of the state's public retirees in residence. Georgia and Florida are third and fourth, respectively.

At the time of publication, there were 116,165 annuitants receiving benefits from the Retirement Systems; 107,582 of which were retired members and 8,583 of which were beneficiaries. The Retirement Systems pays out almost \$2 billion in benefits each year, which is more than the income derived in the Palmetto State from farming, fishing, forestry, and utilities combined.

Systems Update is published periodically by the South Carolina Retirement Systems, a division of the State Budget and Control Board.

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Eligible Retirees Receive COLA

At its May 16, 2007, meeting, the South Carolina Budget and Control Board granted a 2.4 percent cost-of-living adjustment (COLA) for eligible South Carolina Retirement System (SCRS) and Police Officers Retirement System (PORS) retirees effective July 1, 2007. Eligible SCRS retirees received a 1 percent guaranteed COLA and an ad hoc 1.4 percent COLA for a total of 2.4 percent.

To maintain the current funded status of both SCRS and PORS, the Board approved an increase of .18 percent in the SCRS employer contribution rate and a .35 percent increase in the PORS employer contribution rate, both effective July 1, 2008.

The South Carolina Retirement Systems would like to remind all payees who receive benefits electronically to notify the Retirement Systems in writing of any change in a mailing address. For more information, contact Customer Services at (800) 868-9002, (803) 737-6800, or cs@retirement.sc.gov.

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