SHELBY COUNTY RETIREMENT SYSTEM

FINANCIAL STATEMENTS

June 30, 2013 and 2012

WATKINS UIBERALL

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November 12, 2013

To Chairman and Members of the Shelby County
Retirement System Board of Administration
Shelby County Retirement System

We have audited the financial statements of Shelby County Retirement System for the year ended June 30, 2013, and have issued our report thereon dated November 12, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 25, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Shelby County Retirement System are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2013. We noted no transactions entered into by the Plan during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

> Management's estimate of the fair value of the investments in limited partnerships that do not have a market price is based on valuations performed by those limited partnerships or by a third-party. We evaluated the key factors and assumptions used to develop the fair value of those investments in limited partnerships in

determining that their fair value is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the accumulated plan benefits is based on the Projected Unit Credit Actuarial Cost Method. We evaluated the key factors and assumptions used to develop the accumulated plan benefits in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 12, 2013.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Plan's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Plan's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Chair and Members of the Shelby County Retirement System Board of Administration and management of Shelby County Retirement System and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Watkins Uiberall, PLLC

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SHELBY COUNTY, TENNESSEE
SHELBY COUNTY RETIREMENT SYSTEM

June 30, 2013

ROSTER OF MANAGEMENT OFFICIALS

Mike Swift	Director of Administration & Finance
Patty Coker	Manager of Pension Administration
David Pontius	Manager of Pension Investments

ROSTER OF BOARD MEMBERS

Mark H. Luttrell, Jr., Mayor	Richard Swiggart
Michael Harris	Ron Willis
Marie Campbell	Deke Iglehart
Bill Cash	Homer L. Cody
Judge Larry Potter	Michael Ritz, Commissioner
Mike Swift	Walter Bailey, Commissioner
Harvey Kennedy	Daniel Dent

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INDEPENDENT AUDITOR'S REPORT

To the Chairman and Members of the Shelby County
Retirement System Board of Administration
Shelby County Retirement System
Memphis, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the Shelby County Retirement System which comprise the statements of plan net assets as of June 30, 2013 and 2012, and the related statements of changes in plan net assets for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Plan management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Plan's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the Shelby County Retirement System as of June 30, 2013 and 2012, and the changes in plan net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis as shown in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The introductory section and required supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements. The required supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the required supplementary information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2013, on our consideration of the Shelby County Retirement System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audits.

Watkins Uiberall, PLLC

Memphis, Tennessee
November 12, 2013

SHELBY COUNTY RETIREMENT SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

This discussion and analysis of the Shelby County Retirement System ("SCRS") (the "Plan") financial performance provides a narrative overview and analysis of the Plan's financial activities and funding conditions for the fiscal year ending June 30, 2013. Please read it in conjunction with the Plan's financial statements, which follow this section.

Financial Highlights

- Total plan net assets held in trust for pension benefits at June 30, 2013 were $1,008 million, increasing over $92 million, or 10.1% from the plan net assets at June 30, 2012. Total plan net assets held in trust for pension benefits at June 30, 2012 were $916 million, decreasing over $66.5 million, or 6.8%, from the plan net assets at June 30, 2011.

- Cash and cash equivalents for fiscal year 2013 increased by $37.4 million, or 90.5% compared to fiscal year 2012. Cash and cash equivalents for fiscal year 2012 increased by $10.5 million, or 34.3% compared to fiscal year 2011.

- Contributions for fiscal year 2013 increased by $8.3 million or 24.3%, compared to fiscal year 2012. Contributions for fiscal year 2012 increased by $5.9 million or 20.6%, compared to fiscal year 2011.

- Net investment gain for fiscal year 2013 totaled $115.7 million, an increase of $153 million, or 410% compared to fiscal year 2012. Net investment loss for fiscal year 2012 totaled $37.3 million, a decrease of $225.5 million, or (119.8%) compared to fiscal year 2011.

- Benefit payments, member refunds and administrative expenses total $66.7 million for the fiscal year 2013 and increased $2.8 million or 4.5% over fiscal year 2012. Benefit payments, member refunds and administrative expenses total $63.9 million for the fiscal year 2012, an increase of $3.7 million or 6.2% over fiscal year 2011.

Overview of the Financial Statements

The basic financial statements of the Plan are the Statements of Plan Net Assets, the Statements of Changes in Plan Net Assets, and notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements. Statements are shown for the most recent and previous fiscal years for comparison and analysis to changes in individual line items. The statements are presented using the accrual basis of accounting in accordance with the Government Accounting Standards Board ("GASB") Statement No. 25.

The Statements of Plan Net Assets are a measure of the Plan assets and liabilities at the close of the fiscal year. Total assets less liabilities equal net assets held in the trust for pension benefits.

The Statement of Changes in Plan Net Assets presents how the Plan's net assets changed during the fiscal year as a result of contributions, investment income (loss), operating expenses, and changes in net assets.

The Plan pays retirement benefits using a defined formula based on the years of service, salary and age. The Plan also provides for disability and survivor benefits.

The Notes to the Financial Statements are a fundamental part of the financial statements and provide important information to support the amounts in the financial statements. The notes describe accounting polices along with plan description and benefits.

The Required Supplementary information consists of a Schedule of Funding Progress, Schedule of Employer Contributions from all sources and related notes concerning the funded status and actuarial assumptions and methods of the Plan.

Analysis of Plan Net Assets

At June 30, 2013, the Plan net assets were $1,008 million. The value of net assets increased by $92 million, or 10.1%, from $916 million at June 30, 2012. The increase was due primarily to increasing market value of the assets held for the fiscal year 2013. At June 30, 2012, the Plan net assets were $916 million. The value of net assets decreased by $66.5 million, or 6.8%, from $982.5 million at June 30, 2011.

As of June 30, 2013, cash and cash equivalents increased by $37.4 million, or 90.5%, from fiscal year 2012. The increase was due primarily to money managers holding more cash and not being fully invested during 2013. As of June 30, 2012, cash and cash equivalents increased by $10.5 million, or 34.3%, from fiscal year 2011.

The Plan's assets consist primarily of investments in domestic and international equities, government securities, corporate bonds, collateralized mortgage obligations, mortgage-backed pooled securities, limited partnerships, hedge funds and private real estate and infrastructure funds. For fiscal year 2013 investments of $1,008 million, represented an increase of 10.1% from fiscal year 2012. The increase in the investment portfolio was due to gains in asset valuations as the Fed continued with its accommodative monetary policies. For fiscal year 2012 investments of $916 million, represented a decrease of 6.8% from fiscal year 2011.

Receivables decreased $5.1 million from June 30, 2012 to $6.1 million at June 30, 2013. The decrease was due to a decrease in accrued interest and dividends. Receivables increased $5.1 million from June 30, 2011 to $11.2 million at June 30, 2012.

Total liabilities increased $12.9 million from $128.2 million at June 30, 2012 to $141.1 million at June 30, 2013. The increase was due primarily to an increase in collateral subject to return to borrowers.

Condensed financial information comparing SCRS'S plan net assets at June 30, 2013, June 30, 2012 and 2011 is presented below:

Table 1
Plan Net Assets
(Dollars In Thousands)

	June 30, 2013	June 30, 2012	June 30, 2011	FY13 - FY12 Percentage Change
ASSETS				
Cash and cash equivalents	$ 78,602,141	$ 41,251,914	$ 30,726,414	90.5%
Investments at fair value	930,187,602	872,543,384	951,366,543	6.6%
Receivables	6,142,685	11,232,594	6,156,704	-45.3%
Collateral held for securities on loan	134,228,843	119,157,235	122,430,273	12.6%
TOTAL ASSETS	1,149,161,271	1,044,185,127	1,110,679,934	10.1%
LIABILITIES				
Liability for securities purchased	5,919,849	7,984,926	4,576,973	-25.9%
Accts Payables & accrued expenses	963,585	1,052,285	1,133,008	-8.4%
Collateral subject to return	134,228,843	119,157,235	122,430,273	12.6%
TOTAL LIABILITIES	141,112,277	128,194,446	128,140,254	10.1%
PLAN NET ASSETS	$ 1,008,048,994	$ 915,990,681	$ 982,539,680	10.1%

Analysis of Changes of Plan Net Assets

Members and employer contributions for fiscal year 2013 were $42.6 million, an increase of $8.3 million, or 24.3%, from $34.3 million in 2012. The increase was due to increases in both employer and employee contributions. Members and employer contributions for fiscal year 2012 were $34.3 million, an increase of $5.9 million, or 20.6%, from $28.4 million in 2011. Members covered under the SCRS Pension Plan B were required to contribute 8.0% of pensionable earnings into the SCRS Pension Plan, while members covered under Plan C were required to contribute 7.0% and members covered under Plan A were required to contribute 1.0% and members covered under Plan D were required to contribute 8.0%. The Shelby County Government contribution is determined by actuarial valuation. Shelby County Government contributed 12.1% of pensionable county employee earnings for the fiscal year 2013, which was equal to the actuarial annual required contribution rate. Due to decreases in employee earnings, the dollar amount required to meet the 12.1% annual contribution rate was $1,656,061 less than the previously calculated actuarial dollar amountof $31,825,727. Shelby County Government contributed 9.21% of pensionable county employee earnings for the fiscal year 2012, which was equal to the actuarial annual required contribution.

Net investment income for the year ending June 30, 2013, increased by $153 million compared to fiscal year 2012. The increase in the investment portfolio was due to gains in asset valuations as the Fed continued with its accommodative monetary policies. Net investment income for the year ending June 30, 2012, decreased by $225.5 million compared to fiscal year 2011.

Benefit payments were $61.4 million in 2013, an increase from 2012 of $3.6 million, or 6.2%. The 2013 increase in benefit payments is due to an increase in the number of new retirees and lump sum distributions. Benefit payments were $57.8 million in 2012, an increase from 2011 of $4.9 million, or 9.3%. Total refunds paid during fiscal year 2012 were $4.7 million, a decrease of 21.6%, over fiscal year 2011. Total refunds paid during fiscal year 2013 were $4.0 million, a decrease of 15.4%, over fiscal year 2012. The decrease in refunds was due primarily to a decrease in the number of employees terminating or resigning before reaching normal retirement age.

Condensed financial information comparing SCRS's changes in plan net assets for the years ended June 30, 2013, June 30, 2012 and June 30, 2011 is presented below:

Table 2
Changes in Plan Net Assets
(Dollars in Thousands)

	June 30, 2013	June 30, 2012	June 30, 2011	FY13 - FY12 Percentage Change
PLAN NET ASSETS, BEGINNING OF YEAR	$ 915,990,681	$ 982,539,680	$ 825,764,292	-6.8%
ADDITIONS				
Contributions	42,628,993	34,303,004	28,439,479	24.3%
Net investment income (loss)	115,741,889	(37,332,486)	188,180,152	410.0%
Net Securities lending activities income	409,821	353,177	292,737	16.0%
TOTAL ADDITIONS (DEDUCTIONS)	158,780,703	(2,676,305)	216,912,368	6032.8%
DEDUCTIONS				
Benefit payments	61,364,164	57,799,148	52,883,454	6.2%
Refunds	3,980,440	4,705,806	6,005,144	-15.4%
Administrative expenses	1,377,786	1,367,740	1,248,382	0.7%
TOTAL DEDUCTIONS	66,722,390	63,872,694	60,136,980	4.5%
NET INCREASE (DECREASE)	92,058,313	(66,548,999)	156,775,388	238.3%
PLAN NET ASSETS, END OF YEAR	$ 1,008,048,994	$ 915,990,681	$ 982,539,680	10.1%

Funding Status

The projected unit credit actuarial cost method is used in determining the funding requirements. The objective under this method is to fund each participant's benefits under the Plan as they would accrue, taking into consideration future salary increases. Thus, the total pension, to which each participant is expected to become entitled, is broken down into units, each associated with a year of past or future service credited service. When this method is introduced, there will be an initial liability for benefits credited for service prior to that date, and to the extent that the liability is not covered by assets of the Plan, there is an unfunded liability to be funded over a chosen period in accordance with an amortization schedule.

The valuation method for the County is based on a funded status target of 100%. If the funded status is more than or less than 100%, the surplus or deficit is amortized over a period of thirty years beginning with the valuation date coincident or following the plan change. At June 30, 2013 and 2012, the actuarial values of assets were $1,118,965,000 which is a funding ratio of 87.4% and $1,090,210,000 which is a funding ratio of 87.8% respectively. At June 30, 2011 and 2010, the actuarial values of assets were $1,066,406,000, which is a funding ratio of 89.9% and $1,053,056,000, which is a funding ratio of 97.1% respectively.

Retirement benefits are financed by employer and participant contributions and income earned on the Plan's investments. Over the long term, the investment portfolio returns have been a major component of additions to Plan assets. In fiscal year 2013, the Plan investment portfolio increased as our portfolio managers earned strong investment returns. The pension fund continues to perform soundly; the County contributions have equaled or exceeded the Annual Required Contributions in recent years creating a Net Pension Asset, which provides some relief during turbulent economic times. This in addition to the contributions from SCRS Plan participants continues to reinforce the current and continued financial stability of the Plan. As mentioned in the Analysis of Changes in Plan Net Assets section above, employees covered under the SCRS Pension Plan B were required to contribute 8.0% of pensionable earnings into the SCRS Pension Plan, while members covered under Plan C were required to contribute 7.0% and members covered under Plan A were required to contribute 1.0% and members covered under Plan D were required to contribute 8.0%, and SCRS is required to contribute the remaining amounts necessary to fund the Plan in accordance with actuarially determined contribution requirements. For the year 2013 SCRS required annual contribution as determined by an actuarial valuation equaled the actual rate of 12.01%. For the year 2012 SCRS required annual contribution as determined by an actuarial valuation equaled the actual rate of 9.68%.

Request for Information

Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Shelby County Tennessee Retirement System
160 N. Main Street, Suite 301
Memphis, TN 38103

SHELBY COUNTY, TENNESSEE
SHELBY COUNTY RETIREMENT SYSTEM

STATEMENTS OF PLAN NET ASSETS

June 30, 2013 and 2012

Assets	2013	2012
Cash and cash equivalents	$ 78,602,141	$ 41,251,914
Receivables		
Accrued interest and dividends	2,697,604	8,110,207
Investments sold	3,445,081	3,122,387
Total receivables	6,142,685	11,232,594
Investments, at Fair Value		
Domestic equity	333,531,131	283,159,863
Fixed income	216,463,635	216,987,789
Hedge funds	101,621,844	109,116,317
International equity	170,550,282	163,125,715
Limited partnership interests	82,796,494	76,422,546
Private real estate and infrastructure	23,781,074	23,731,154
Forward contracts (net)	1,443,142	-
Total investments	930,187,602	872,543,384
Collateral held in trust for securities on loan	134,228,843	119,157,235
Total assets	1,149,161,271	1,044,185,127
Liabilities		
Accounts payable and accrued expenses	963,585	1,052,285
Investment purchases payable	5,919,849	7,984,926
Collateral subject to return to borrowers	134,228,843	119,157,235
Total liabilities	141,112,277	128,194,446
Net assets held in trust for pension benefits	$ 1,008,048,994	$ 915,990,681

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

SHELBY COUNTY, TENNESSEE
SHELBY COUNTY RETIREMENT SYSTEM

STATEMENTS OF CHANGES IN PLAN NET ASSETS

For the Years Ended June 30, 2013 and 2012

	2013	2012
Additions:		
Contributions		
Employer contributions	$ 30,169,666	$ 23,401,532
Member contributions	12,459,327	10,901,472
Total contributions	42,628,993	34,303,004
Investment Income		
Net change in market value of investments	96,941,244	(56,947,986)
Interest income	15,646,798	16,492,561
Dividend income	7,669,563	7,313,462
Other income	23,839	192,730
	120,281,444	(32,949,233)
Less investment management expenses	4,539,555	4,383,253
Net investment income (loss)	115,741,889	(37,332,486)
Security Lending Activities		
Securities lending income	630,316	543,181
Securities lending expenses	(220,495)	(190,004)
Net securities lending activities income	409,821	353,177
Total net investment income	116,151,710	(36,979,309)
Total additions (deductions)	158,780,703	(2,676,305)
Deductions:		
Benefit payments	61,364,164	57,799,148
Refund of member contributions	3,980,440	4,705,806
Administrative expenses	1,377,786	1,367,740
Total deductions	66,722,390	63,872,694
Change in plan net assets	92,058,313	(66,548,999)
Net assets held in trust for pension benefits, beginning of year	915,990,681	982,539,680
Net assets held in trust for pension benefits, end of year	$ 1,008,048,994	$ 915,990,681

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

NOTE 1 - ORGANIZATION

The Shelby County Retirement System ("SCRS"), is a single employer public employee retirement system (PERS) established by Shelby County, Tennessee, for the employees of Shelby County, Tennessee. SCRS is administered by the Shelby County Retirement System Board of Administration (the "Board"), the majority of whose members are nominated by the Shelby County Mayor, subject to approval by the Shelby County Board of Commissioners. SCRS is considered to be part of the Shelby County, Tennessee (the "County") financial reporting entity and is included in the County's financial reports as a pension trust fund.

The County provides office space and certain administrative services at no cost to the System. All other costs to administer the plan are paid from plan earnings.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the System are prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenue is recorded as earned and expenses are recorded as incurred.

Cash and Cash Equivalents

The Retirement System considers investments purchased with an original maturity date of three months or less to be cash equivalents.

Investments Sold and Investments Purchased

Receivables for investments sold represent amounts due from brokers for unsettled security sales transactions at year end. Liabilities for investments purchased represent amounts due to brokers for unsettled security purchases at year end.

Investments

Investments are reported at fair value. Investments in equity securities, corporate bonds, and issues of U.S. Government and government-backed obligations are valued at the last reported sales price of the fiscal year-end. International securities reflect current exchange rates in effect at June 30, 2013 and 2012. Certain fixed income securities are valued based on equivalent values of comparable securities with similar yield and risk.

Investments in private investment companies consisting of interests in limited partnerships, hedge funds, and private real estate and infrastructure limited liability companies and funds are valued at estimated fair value as provided by the investment manager of the investee company. The estimated fair values are based upon the fair values of the underlying assets in the investee company.

Purchases and sales of securities are recorded on a trade-date basis. Consequently, investments have been increased for certain pending but unsettled purchases and investments have been reduced for certain pending but unsettled sales. As of June 30, 2013, 5.46% of the Plan's investments are in OFI Emerging Market Equity Funds. There are no investments that represent five percent (5%) or more of net assets held in trust for pension benefits as of June 30, 2012. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Retirement System management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

NOTE 3 – RETIREMENT SYSTEM

Plan Description

The Shelby County Retirement System consists of four component plans, Plan A, Plan B, Plan C and Plan D each governed by a separate plan document, and the Administration and Trust Agreement of the Shelby County Retirement System (the "Trust Agreement"). The Plans and the Trust Agreement were established by various resolutions of the Shelby County Commission having the force and effect of legislation.

Substantially all full-time and permanent part-time employees of the County (including its component units) are required as a condition of employment to participate in one of the plans of the SCRS. Employees exempted from the requirement and, in fact, not permitted to participate consist primarily of Shelby County Board of Education employees and employees who are covered by Social Security.

Plan B, the original Plan, is a contributory defined benefit pension plan for employees hired prior to December 1, 1978, and thereafter closed to new entrants. Until July 1, 2000, Plan A was a non-contributory defined benefit pension plan for those eligible employees hired on and after December 1, 1978, and for those employees who elected to transfer to Plan A from Plan B before January 1, 1981.

The Trust Agreement contains all administrative provisions applicable to Plans A, B, C and D, and further establishes a formal common trust to hold all of the assets of the plans.

Prior to 1990, for financial reporting purposes, Plan A and Plan B were accounted for separately. Beginning in 1990, both plans have been accounted for as a single reporting entity, whereby all assets of the SCRS are available for payment of benefits to participants of either plan.

All participants in Plan B are fully vested, and all active participants have now completed more than 25 years of service. Participants may retire after completing 25 years of service at any age or after completing 10 years of service upon attaining age 60 (age 55 for deputy sheriffs). The annual retirement benefit is the product of the average of the participant's highest three consecutive years' compensation (or, if the participant had completed 10 years of service before September 1, 1977, the participant's highest 12-months' compensation) and 2.7% a year for up to 25 years of service and an additional 1% per year for up to 10 further years of service. Plan B provides disability benefits for disabled participants and survivor benefits for certain survivors of retirees and of participants who die while actively employed.

Participants in Plan A accrue non-forfeitable benefits after having completed seven and one-half years of service (or attainment of age 65 regardless of years of service), although the benefits of participants who terminated before January 1, 1998, were vested only after completion of 10 years of service. A participant's normal retirement age is age 65. If a participant retires at or after his or her normal retirement age, his or her monthly retirement benefit is a percentage of his or her highest 36 consecutive months' earnings, with the percentage based upon a mathematical table in the Plan document that takes into account the participant's years of service and his or her age. Public Safety Employees are entitled to retire before age 65 with unreduced benefits if they have completed 25 years of service as Public Safety Employees and under certain other circumstances as defined by the Plan Agreement.

A vested participant of Plan A may also elect early retirement to begin at any time after attaining age 55. The early retirement monthly benefit is calculated using a different table that takes into account the same factors. A vested participant who terminates before age 55 may elect to begin receiving monthly benefits at any time after the participant attains age 55 (but no later than age 65), and his or her benefits are calculated under a third table. If, however, the present value of a vested participant's accrued benefit is under $30,000, the distribution is required to be made in the form of a lump sum payment. If the present value of the accrued benefit is between $30,000 and $50,000, the participant may elect to receive a lump sum distribution.

Plan A also provides disability benefits for participants who became disabled before January 1, 2002, and it provides survivor benefits for certain survivors of retirees and of participants who die while actively employed.

Effective July 1, 2012, Plan A was amended to mandate employee contributions of 1.0% for all active employees participating in Plan A. Member contributions are made by Plan B participants in the amount of 8% of their earnings (or 8% of a lesser amount of their earnings in the case of participants with more than 35 years of service). Employer contributions to the Trust are funded currently in an amount determined by the System's actuary to fund the benefits of both Plan A and Plan B participants.

Plan C became effective March 1, 2005 for newly hired employees and September 1, 2005 for current employees. Plan A was closed to new entrants as of February 28, 2005. Participation is mandatory for eligible employees hired after March1, 2005. Each Plan A active participant as of September 1, 2005, had the option to stay in Plan A or to move his or her participation to Plan C. Public Safety Employees in Plan A were required to move to Plan C to preserve their right to retire with unreduced benefits with 25 years of service; otherwise, they reverted to the original Plan A normal retirement provisions. All elections have now been made.

As of July 1, 2012, each Plan C participant is required to contribute 7.0% of his or her base compensation to the Trust Fund, which currently contains the assets of Plans A and B. These contributions will accrue "interest" at the rate of 2% annually, all of which will be reflected in a bookkeeping account. At the end of each calendar quarter, the County will match 3% of each participant's contributions, and a separate bookkeeping account will be maintained. Interest will be credited to this account in the same percentage and in the same way as interest is added to the participant contributions account.

The participant's own contributions account is fully vested at all times. The County's matching account is vested only after the participant has completed seven and one-half years of service. Credited service will be calculated in exactly the same way as it is calculated in Plan A.

Plan C contains a transition period. If a Plan A participant who elects to become a participant in Plan C terminates employment within five years, pension benefits will be calculated under Plan A, not Plan C. For each Plan A Public Safety Employee, however, the number of years the participant contributed to Plan A as a public safety employee will count toward the five year transition period. If the five year transition period is not satisfied before a participant's termination, then, (a) if the participant was <u>not</u> a Public Safety Employee while under Plan A, the Plan C participant contributions account will be refunded to the participant, and (b) if the participant <u>was</u> a Public Safety Employee while under Plan A, the amount of the refund will be the difference between the Plan C participant contributions account and the employee contributions account the participant would have had, if the original 25-and-out plan had remained in effect and the participant had remained an active participant.

If the transitional period is satisfied, a Plan C participant will be entitled to the following benefits. Upon termination but before beginning to receive a monthly pension, the participant will have the right to withdraw from the Trust Fund an amount equal to the lesser of (1) the sum of his or her participant contributions account and (if vested) his or her matching account or (2) up to $50,000. This withdrawal is called an "optional cash distribution." No optional cash distributions may be made before termination of employment or after beginning to receive a monthly pension.

A Plan C participant will be entitled to an unreduced "normal retirement pension" benefit if the participant has at least 25 years of credited service upon termination, regardless of age. If a participant attains age 65, having completed at least seven and one-half (7 ½) years but less than 25 years of credited service, the participant is also entitled to retire with a "normal" retirement pension. The amount of the normal retirement pension is the higher of two calculated amounts. In the first calculation, three figures are multiplied together: (1) the participant's "final average earnings" (determined in the same way as in Plan A); (2) the participant's years of credited service (no more than 35); and (3) 2.35%; the result is then reduced actuarially by the amount of any optional cash distributions the participant has elected to receive. The second figure is calculated by actuarially converting the sum of the participant contributions account and matching account (after reduction for all optional cash distributions) into a monthly pension for life or, if the participant is married, into a 75% joint and survivor pension.

If a Plan C participant terminates employment between age 55 and 65 with between seven and one-half and 25 years of credited service, the participant is entitled to a monthly "early" retirement pension for life. Again, the amount of the early retirement pension is the higher of two calculated amounts similar to those used for calculating the normal retirement pension. Participants who terminate employment before age 55 are also entitled to future benefits. Also, as in Plan A, deferred vested retirement pensions are required to be paid in the form of a lump sum if the actuarial value is $30,000 or less.

Plan C provides survivor benefits for certain survivors, but it does not provide any disability benefits. Plan C was closed to new entrants on June 30, 2011.

Plan D became effective July 1, 2011 for all newly hired employees. Each Plan D participant is required to contribute 8% of his or her base compensation to the Trust Fund, which currently contains the assets of Plans A, B, and C. These contributions will accrue "interest" at the rate of 2% annually, all of which will be reflected in a bookkeeping account. At the end of each calendar quarter, the County will match 3% of each participant's contributions, and a separate bookkeeping account will be maintained. Interest will be credited to this account in the same percentage and in the same way as interest is added to the participant contributions account.

The participant's own contributions account is fully vested at all times. The County's matching account is vested only after the participant has completed seven and one-half years of service. Credited service will be calculated in exactly the same way as it is calculated in Plan A.

A Plan D participant will be entitled to an unreduced "normal retirement pension" benefit if the participant has at least seven and one-half (7 ½) years of credited service and has reached age 67. If the participant is a Public Safety employee who has earned at least seven and one-half (7 ½) years of credited services, is at least age 55 and either (i) his last 20 years of credited service before attaining age 55 are constituted Public Safety Service or (ii) if he has fewer than 20 years, all of his years are constituted Public Safety Service.

The amount of the normal retirement pension is the higher of two calculated amounts. In the first calculation, three figures are multiplied together: (1) the participant's "final average earnings" (determined in the same way as in Plan A); (2) the participant's years of credited service (no more than 35); and (3) the percentage factor set forth in the Plan document which is based on the participant's age at his annuity starting date (or 2.175% for Public Safety employees). The second figure is calculated by actuarially converting the sum of the participant contributions account and matching account (after reduction for all optional cash distributions) into a monthly pension for life or, if the participant is married, into a 75% joint and survivor pension.

If a Plan D participant terminates employment between age 62 and 67 (50 and 55 for Public Safety employees) with seven and one-half years of credited service (20 for Public Safety employees), the participant is entitled to a monthly "early" retirement pension for life. Again, the amount of the early retirement pension is the higher of two calculated amounts similar to those used for calculating the normal retirement pension. Participants who terminate employment before age 55 but have fulfilled the seven- and one-half (7 ½) years of credited service are eligible for deferred benefits. Also, as in Plan C, deferred vested retirement pensions are required to be paid in the form of a lump sum if the actuarial value is $30,000 or less.

Plan D provides survivor benefits for certain survivors, but it does not provide any disability benefits.

At June 30, 2013 (the date of the latest actuarial valuation), the SCRS membership consisted of:

Retirees and beneficiaries currently receiving benefits	3,260
Terminated members entitled to, but not yet receiving, benefits	242
County to City transfers	193
Current active members	5,668
Total	9,363

Contributions and Funding Policy

The System's funding policy for employee contribution requirements is established by the Board. For fiscal years 2013 and 2012, the contribution requirements were based on the actuarially determined contribution rate and dollar amount, respectively.

The actuarially determined contribution rate was calculated using a projected unit credit actuarial cost method for Plans A, B, C and D participants.

The actuarial required employer contribution rate was 12.01% for the year ended June 30, 2013. During the year ended June 30, 2013, actual employer contributions were made at a rate of 12.1% of pensionable county employee earnings, totaling $30,169,666 and employee contributions were $12,459,327. Pensionable county employee earnings do not include County to City transfer employees. The actuarial required employer contribution is significantly impacted by the amortization of the actuarial surplus created from the investment results in prior years. The employer has chosen to fund a level amount that is approximately the normal cost for benefits earned.

During the year ended June 30, 2012, the employer contributions of $23,401,532 which were 9.21% of the related covered payroll costs and the employee contributions were $10,901,472.

The significant actuarial assumptions used to compute these actuarially determined contribution requirements are the same as those used to compute the pension benefit obligation.

Trend Information

Six-year historical trend information designed to provide information about the Retirement System's progress made in accumulating sufficient assets to pay benefits when due is presented in the accompanying supplemental information.

NOTE 4 – CUSTODIAL CREDIT RISK

Custodial credit risk for deposits and investments is the risk that in the event of a financial institution's failure, SCRS would not be able to recover the value of its deposits, investments, or collateralized securities that are in the possession of an outside party. Deposits and investments are exposed to custodial credit risk if they are not insured, unregistered or not in the name of SCRS, or not collateralized. SCRS's cash deposits may be covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the State. The FDIC insures the first $250,000 of the Retirement System's interest bearing deposits at each financial institution. Deposit balances over $250,000 are insured by the collateral pool for those participating financial institutions. At June 30, 2013, deposits of $77,231,718 were uncollateralized.

NOTE 5 - INVESTMENTS

The Administration and Trust Agreement of Shelby County Retirement System (the "Trust Agreement") vests the Shelby County Retirement System Board of Administration (the "Board) with exclusive control over SCRS's investment portfolio. The Trust Agreement provides for specific investment authority and limitations in accordance with applicable state laws and county regulations. The Board members exercise their authority and control over investments solely in the interest of plan participants and beneficiaries. Additionally, the Board executes its policies with the aid of external investment advisors. The Trust Agreement generally provides that the Board may invest in the following:

* Bonds, notes or treasury bills of the United States or other obligations guaranteed as to principal and interest by the United States or any of its agencies.

* Certificates of deposit and other evidences of deposit at Tennessee or federally chartered financial institutions. The institutions must be federally insured.

* Obligations of the United States or its agencies under a repurchase agreement.

* Prime commercial paper which is rated at least A2 and issued by a corporation having no record of default of obligations during the ten (10) years preceding the investment.

* Prime bankers acceptances eligible for purchases by the Federal Reserve System.

* Corporate bonds rated B3 or better by Moody's or B- or better by Standard and Poor's.

* Common or preferred shares of stock in any entity listed on the New York Stock Exchange, American Stock Exchange or NASDAQ Stock Exchange or in American Depository Receipts ("ADRs"). The total market value of ADRs and common or preferred shares of stock, calculated on a monthly basis, shall not exceed 70% of the total market value of the Trust Fund.

* Covered call and put options on individual stocks or indexes, with the prior approval of the Investment Committee.

* Financial futures contracts on a limited basis for bona fide hedging purposes and only with prior approval of the Investment Committee.

* Real estate including interests in real estate investment trusts, provided, however, that the total real estate investments of SCRS shall not exceed five percent (5%) of the total value of the SCRS.

* International equities provided, however, that the total international investments of SCRS, excluding American Depository Receipts, shall not exceed thirty percent (30%) of the total value of the SCRS. Investments in international equities must be recommended by the Investment Committee and approved by a 2/3 vote of the Board of Trustees.

* Co-mingled funds, including registered mutual funds and interest in collective trusts as approved by the Investment Committee.

* Other investments, as approved individually by the Investment Committee, including securities offered through private placement memoranda.

Please refer to the Trust Agreement for a complete description of investment policies.

<u>Interest Rate Risk</u>

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment or deposit. Duration is the measure of the price sensitivity of a fixed income portfolio to changes in interest rates. The longer the duration of a portfolio, the greater its price sensitivity to changes in interest rates. The SCRS limits its exposure to interest rate risk by diversifying its investments by security type and institution.

The fair values of fixed income investments grouped by maturity at June 30, 2013 and June 30, 2012, are as follows:

	2013	2012
Current to one year	$ 27,881,283	$ 22,332,958
One to two years	12,061,227	8,327,816
Two to three years	16,634,916	11,498,717
Three to four years	9,427,202	16,519,472
Four to five years	9,663,603	9,418,649
Five years or more	140,795,404	148,890,177
	$ 216,463,635	$ 216,987,789

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. To control credit risk, credit quality guidelines have been established. Investment parameters as established by the Trust Agreement and the Investment Committee are summarized above. There are no restrictions on U.S. Government or Agency issues.

The System's exposure to credit risk at June 30, 2013 and 2012 is presented below by investment category as rated by Standard and Poor's rating service:

Investment Type	Ratings	2013 Fair Value	2012 Fair Value
Asset Backed Securities	BBB	$ 48,460	$ 55,165
	CCC	54,390	35,310
	CC	19,244	57,355
	D	593	578
	Not rated	15,026	15,013
Collateralized Bonds	CC	6	6
	Not rated	38,903	-
Corporate Bonds	AAA	1,981,744	-
	AA	4,506,445	5,072,887
	A	17,124,743	21,319,449
	BBB	13,443,899	20,017,145
	BB	2,041,910	3,444,524
	B	8,914,909	21,018,136
	CCC	6,869,915	6,741,563
	Not rated	42,343,779	2,963,581

Investment Type (Continued)	Ratings	2013 Fair Value	2012 Fair Value
Corporate Convertible Bonds	BBB	1,075,225	3,886,573
Government Agencies	AAA	6,391,451	653,901
	AA	10,852,819	4,131,711
	A	840,000	1,513,379
	BBB	1,066,250	1,110,000
Government Bonds (1)	AA	6,358,497	1,394,619
	A	20,857,318	23,169,052
	BBB	1,634,532	-
	BB	6,792,814	4,426,793
	Not rated	21,890,419	19,770,641
	U.S Government Guaranteed	7,567,937	14,117,675
Government Mortgage Backed Securities	U.S. Government Guaranteed	456,249	719,207
Municipal Bonds	AAA	4,020,492	4,562,205
	AA	2,071,072	5,247,389
	A	949,912	2,251,816
	BBB	300,747	-
	Not rated	265,301	-
Non-Government Backed CMOs	B	59,157	146,246
	CCC	1,166,227	1,062,956
	CC	483,974	559,268
	Not Rated	717,746	792,918
Other Fixed Income	Not Rated	15,320,576	39,179,182
	U.S. Government Guaranteed	7,920,954	7,551,548
Total Fixed Income		$ 216,463,635	$ 216,987,789

(1) At June 30, 2013, Moody's ratings and amounts of Government Bonds were Aaa of $10,569,040, Aa of $8,425,682, A of $7,144,666, Baa of $29,251,455, Ba of $8,427,346, and Not rated of $1,283,328.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of the investment. The Retirement System's exposure to foreign currency risk in U.S. Dollars as of June 30, 2013, is as follows:

Currency	Equities	Government Bonds and Agencies	Other Fixed Income	Hedge Funds	Total
Austrialian dollar	$ -	$ 3,092,818	$ 6,091,564	$ -	$ 9,184,382
Brazilian real	960,564	2,688,545	-	-	3,649,109
British sterling pound	20,070,712	3,988,577	-	-	24,059,289
Canadian dollar	3,415,556	-	-	-	3,415,556
Danish krone	2,772,305	-	-	-	2,772,305
Euro	22,924,112	11,253,949	-	-	34,178,061
Hong Kong dollar	11,148,981	-	-	-	11,148,981
Hungarian forint	-	3,997,180	-	-	3,997,180
Japanese yen	18,124,817	-	-	-	18,124,817
Korean won	1,884,828	4,437,406	-		
Malaysian ringgit	-	4,236,994	-	-	4,236,994
Mexican peso	1,534,922	13,977,773	-	-	15,512,695
New Zealand dollar	-	3,001,103	522,735	-	3,523,838
Polish zloty	-	4,191,000	-	-	4,191,000
South African rand	-	3,085,341	-	-	3,085,341
Swedish krona	1,686,083	-	-	-	1,686,083
Swiss franc	9,643,161	-	-	-	9,643,161
Turkish lira	-	2,676,014	-	-	2,676,014
Total securities subject to foreign currency risk	94,166,041	60,626,700	6,614,299	-	155,084,806
International portofolio in U.S. dollars	76,384,241	10,847,305	4,674,977	31,454,088	123,360,611
Total international securities	$ 170,550,282	$ 71,474,005	$ 11,289,276	$ 31,454,088	$ 278,445,417

The Retirement System's exposure to foreign currency risk in U.S. Dollars as of June 30, 2012, is as follows:

Currency	Equities	Government Bonds and Agencies	Other Fixed Income	Hedge Funds	Total
Austrialian dollar	$ 562,808	$ 3,482,759	$ 7,955,816	$ -	$ 12,001,383
Brazilian real	2,275,533	3,090,892	-	-	5,366,425
British sterling pound	23,158,527	8,366,627	-	-	31,525,154
Canadian dollar	4,200,716	-	-	-	4,200,716
Danish krone	3,275,260	-	-	-	3,275,260
Euro	20,204,447	-	-	-	20,204,447
Hong Kong dollar	12,290,709	-	-	-	12,290,709
Hungarian forint	-	4,426,793	-	-	4,426,793
Japanese yen	11,366,272			-	11,366,272
Malaysian ringgit	-	4,761,959	-	-	4,761,959
Mexican peso	1,658,561	11,074,876	-	-	12,733,437
New Zealand dollar	-	1,394,619	2,411,727	-	3,806,346
Polish zloty	-	6,422,014	-	-	6,422,014
South African rand	-	4,267,599	-	-	4,267,599
South Korean won	2,006,603	4,955,725	-	-	6,962,328
Swedish krona	2,933,400	-	-	-	2,933,400
Swiss franc	8,228,242	-	-	-	8,228,242
Total securities subject to foreign currency risk	92,161,078	52,243,863	10,367,543	-	154,772,484
International portofolio in U.S. dollars	70,964,637	1,110,000	4,755,599	46,215,824	123,046,060
Total international securities	$ 163,125,715	$ 53,353,863	$ 15,123,142	$ 46,215,824	$ 277,818,544

Securities Lending Transactions

SCRS has authorized its custodial agent to enter into, on behalf of SCRS, securities lending transactions comprised of loans of securities to broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. Initial collateral, consisting of cash and securities must not be less than 102% of the market value of the borrowed securities or not less than 105% if the borrowed securities and collateral are denominated in different currencies. The borrower is required to deliver additional collateral when necessary so that the total collateral held by the custodial agent for all loans to the borrower will at least equal 102% of market value of all the borrowed securities. At June 30, 2013 and 2012, SCRS had no credit risk exposure to borrowers as amounts owed to the borrowers exceeded amounts the borrowers owed to SCRS. Collateral held in trust for securities on loan consists of an investment in the Core USA Collateral Pool.

The fair value of investment securities loaned for collateral and held by broker-dealers at June 30, 2013 and 2012 are summarized as follows:

	2013	2012
Domestic equity	$ 104,202,762	$ 79,057,997
International equity	3,601,258	8,402,069
Fixed income	23,090,537	30,996,029
	$ 130,894,557	$ 118,456,095

Risks and Uncertainties

SCRS invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of plan assets.

SCRS contributions are made based upon certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimation and assumption processes, it is at least reasonably possible that changes in these estimates and assumptions in the near term could materially affect the amounts reported and disclosed in the financial statements.

NOTE 6 – DERIVATIVE INSTRUMENTS – FORWARD CONTRACTS

The Plan may enter into foreign currency forward exchange contracts primarily to hedge against foreign currency exchange rate risks on its non-U.S. dollar denominated investment securities. When entering into a forward currency contract, the Plan agrees to receive or deliver a fixed quantity of foreign currency for an agreed-upon price on an agreed future date. The Plan's net equity therein, representing unrealized gain or loss on the contracts, as measured by the difference between the forward foreign exchange rates at the dates of entry in the contracts and the forward rates at the reporting date is included in the Plan's statement of net assets. Realized and unrealized gains and losses are included in the Plan's statement of changes in net assets. These instruments involve market risk, credit risk, or both kinds of risks in excess of the amount recognized in the statement of net assets. Risks arise from the possible inability of counterparties to meet the terms of their contracts and movement of currency and securities values and interest rates. At June 30, 2013, the Plan has the following foreign currency forward exchange contracts:

	Settlement	Unrealized Gain/(Loss)
1,646,202,400 Japanese yen vs. $33,727,544	July 8, 2013	$ 566,157
5,454,200 Euros vs. $7,060,242	October 29, 2013	(34,405)
1,216,490,300 Japanese yen vs. $12,267,583	January 6, 2014	854

	Settlement	Unrealized Gain/(Loss)
2,282,000 Brazilian real vs. $1,122,866	August 30, 2013	(103,608)
1,690,000 Brazilian real vs. $838,127	September 18, 2013	(85,809)
8,420,000 Euro vs. $11,091,666	August 7, 2013	144,991
10,300,000 Australian dollar vs. $10,580,473	August 12, 2013	1,176,204
2,357,000,000 Korean wan vs. $2,168,453	August 13, 2013	109,494
467,280,000 Chilean peso vs. $974,718	September 13, 2013	(62,353)
127,600,000 Russian ruble vs. $3,975,540	September 16, 2013	(10,714)
1,141,500,000 Chilean peso vs. $2,227,534	November 8, 2013	(12,700)
5,850,000 British pound vs. $9,079,785	September 16, 2013	(211,849)
2,570,000,000 Korean wan vs. $2,256,762	October 18, 2013	17,359
4,430,000 New Zealand dollar vs. $3,464,260	September 20, 2013	63,657
277,000,000 Indian rupee vs. $4,709,283	September 18, 2013	(114,136)
		$ 1,443,142

NOTE 7 - COMMITMENTS

SCRS has capital commitments totaling $96 million to nine investment fund managers. As of June 30, 2013, approximately $28 million is unfunded and the remaining commitment will be funded within the next four years.

NOTE 8 – SUBSEQUENT EVENTS

The plan sponsor evaluated the Plan's June 30, 2013 financial statements for subsequent events through November 12, 2013, the date the financial statements were available to be issued. The plan sponsor is not aware of any subsequent events where would require recognition or disclosure in the financial statements.

SHELBY COUNTY, TENNESSEE
SHELBY COUNTY RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2013

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date of June 30	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability/ (Surplus)	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability/ (Surplus) as a Percentage of Covered Payroll
2008	$ 1,040,514,476	$ 1,000,475,305	$ (40,039,171)	104.0%	$ 260,108,000	-15.4%
2009	$ 1,052,640,000	$ 1,025,867,000	$ (26,773,000)	102.6%	$ 271,888,000	-9.8%
2010	$ 1,053,056,000	$ 1,084,353,000	$ 31,297,000	97.1%	$ 266,559,000	11.7%
2011*	$ 1,066,406,000	$ 1,186,788,000	$ 120,382,000	89.9%	$ 265,137,000	45.4%
2012	$ 1,090,210,000	$ 1,241,966,000	$ 151,756,000	87.8%	$ 258,670,000	58.7%
2013*	$ 1,118,965,000	$ 1,280,073,000	$ 161,108,000	87.4%	$ 250,367,000	64.3%

* Reflects change in assumptions.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30	Annual Required Contribution	Actual Contributions	% of Required Contributions Made
2008	$ 12,956,023	$ 18,786,233	145.0%
2009	$ 15,261,041	$ 18,771,080	123.0%
2010	$ 16,652,005	$ 19,316,326	116.0%
2011	$ 18,570,739	$ 18,756,446	101.0%
2012	$ 23,401,532	$ 23,401,532	100.0%
2013*	$ 31,825,727	$ 30,169,666	100.0%

* Actual contributions are based on the actuary's calculated contribution rate applied to the actual pensionable 2013 payroll instead of the actuary's estimated dollar amount presented as the annual required contribution. Since the System applied the appropriate contribution rate, 100% of the required contribution is considered to have been made.

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

Valuation date	June 30, 2013
Actuarial cost method	Projected unit credit actuarial cost method
Amortization method	Level dollar closed
Remaining amortization period*	22 years
Asset valuation method	10 -year smoothed market value
Rate of investment return	8.00%
Projected salary increases	Graded salary scale (3.0% to 6.0%)
Cost-of-living adjustments	CPI-U up to 4% for Plan A and Plan C; CPI-U up to 1% for Plan B; CPI-U up to 2% for Plan D.

* This is the weighted average of the amortization for Plan C (13 years) and the amortization of the unfunded accrued liability (27 years).

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Chairman and Members of the Shelby County
Retirement System Board of Administration
Shelby County Retirement System
Memphis, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial statements contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Shelby County Retirement System as of and for the years ended June 30, 2013 and 2012,and the related notes to the financial statements, and have issued our report thereon dated November 12, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Shelby County Retirement System's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Shelby County Retirement Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing* Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Watkins Uiberall, PLLC

Memphis, Tennessee
November 12, 2013

SHELBY COUNTY RETIREMENT SYSTEM

SCHEDULE OF CURRENT AND PRIOR YEAR FINDINGS

For the Years Ended June 30, 2013 and 2012

Current Year Findings

None

Prior Year Findings

2012-1

Criteria: Generally accepted accounting principles require that investments be reported in the financial statements at the appropriate value.

Condition: As a result of the audit, a material misstatement of the Plan's investments was discovered. Investments were understated by approximately $7.5 million resulting in an adjusting journal entry to correct the misstatement.

Cause: The investment statement from the asset custodian had not been properly reconciled to the Plan's accounting records for one of the Plan's holdings.

Effect: A material audit adjustment was recorded to increase the value of investments by approximately $7.5 million.

Recommendation: We recommend that procedures be implemented to ensure that the Plan's accounting records are properly reconciled to the related investment statements as provided by the asset custodian and reviewed by management for accuracy.

Current Status: A new accounting system was installed during FY 13 which provides a better reconciliation process for each investment account. Investment activity is reviewed at least monthly by the Investment Manager.