

Memorandum

May 12, 2006

Dear TERI participant:

Last week the South Carolina Supreme Court issued an opinion in Layman et al versus The State of South Carolina and The South Carolina Retirement System. Below is a "Notice to all Employers" issued by the South Carolina Retirement System concerning the court's opinion. This document is also available on the South Carolina Retirement System website located at <http://www.retirement.sc.gov/news/>.

This notice requires employers to continue collecting employee contributions on both TERI participants and working retirees until further notice from the Retirement Systems or the Court. Also, the South Carolina Retirement System has not issued a statement concerning the return of retirement contributions to the TERI participants at this time. After a decision is made concerning the appeal, the South Carolina Retirement System will determine how the funds will be returned to the employee. This process may take several months. When a decision is made, The South Carolina Retirement System will instruct the University of South Carolina and other employers how to handle the return or the contributions. The Payroll website located at <http://busfinance.admin.sc.edu/payroll> will be updated as information is made available.

Thank you in advance for your patience as we await the decision of the court and the South Carolina Retirement System.

Sincerely,

Pamala T. Cope
Director of Payroll

The South Carolina Retirement System Notice to all Employers

On May 4, 2006, the South Carolina Supreme Court issued an opinion in Layman et al. vs. The State of South Carolina and The South Carolina Retirement System. You may obtain a copy of the opinion on the South Carolina Supreme Court's Web site at www.judicial.state.sc.us.

The State of South Carolina and the South Carolina Retirement Systems have 15 days from the date of the Supreme Court decision to file a Petition for Rehearing with the South Carolina Supreme Court. The attorneys representing the state and the South Carolina Retirement Systems are currently studying the opinion and will make a decision whether or not to pursue additional legal relief with the Court within the 15-day time period. Until that time, the decision of the Supreme Court is not final.

Employers are advised to continue collecting employee contributions on both TERI participants and working retirees until further notice from the Retirement Systems or the Court.

We have not been notified by the Court what notices will be provided to members of the plaintiff class.

If you receive inquiries from members of the class, you may wish to direct them to A. Camden Lewis, Esquire, of Lewis, Babcock & Hawkins, L.L.P., who represents the class in this case.