



**STATE OF SOUTH CAROLINA
457 DEFERRED COMPENSATION PLAN AND TRUST
AND
STATE OF SOUTH CAROLINA
SALARY DEFERRAL [401(K)] AND SAVINGS
PROFIT-SHARING PLAN AND TRUST**

REPORT TO THE BOARD OF DIRECTORS OF THE
SOUTH CAROLINA PUBLIC EMPLOYEE BENEFIT AUTHORITY

FOR THE YEAR ENDED DECEMBER 31, 2014

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360° Service. Focused on You.



South Carolina Public Employee Benefit Authority
Post Office Box 11960
Columbia, South Carolina 29211-1960

To the Members of the Board of Directors:

We are pleased to present this report related to our audit of the financial statements of the State of South Carolina 457 Deferred Compensation Plan and Trust and the State of South Carolina Salary Deferral [401(k)] and Savings Profit-Sharing Plan and Trust (the "Plans") as of and for the year ended December 31, 2014. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Plans' financial reporting process.

This report is intended solely for the information and use of the South Carolina Public Employee Benefit Authority and management and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to you.

Elliott Davis Decosimo, LLC

Columbia, South Carolina
June 19, 2015

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Required Communications

Communications

Auditors are required to communicate certain matters to keep those charged with governance adequately informed about matters related to the financial statement audit that are, in our professional judgment, significant and relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. The following summarizes these communications.

Auditor's Responsibility Under Professional Standards

As communicated in our engagement letter dated November 13, 2014, our responsibility, as prescribed by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error, fraudulent financial reporting or misappropriation of assets. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Accordingly, the audits were designed to obtain reasonable, rather than absolute, assurance about the financial statements. We believe that our audits accomplished that objective.

We are also responsible for communicating significant matters related to the audits that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Our audits of the financial statements do not relieve you or management of your respective responsibilities.

Audit Planning Process

Our audit approach placed a strong emphasis on obtaining an understanding of how the Plans function. This enabled us to identify key audit components and tailor our procedures to the unique aspects of the Plans.

We obtained an understanding of internal control to assess the impact of internal control on determining the nature, timing and extent of audit procedures, and we established materiality limits for audit purposes. We conducted formal discussions among engagement team members to consider how and where your financial statements might be susceptible to material misstatement due to fraud or error.

Audit Planning Process, continued

We used this knowledge and understanding, together with other factors, to first assess the risk that errors or fraud may cause a material misstatement at the financial statement level. The assessment of the risks of material misstatement at the financial statement level provides us with parameters within which to design the audit procedures for specific account balances and classes of transactions. Our risk assessment process at the account-balance or class-of-transactions level consists of:

- An assessment of inherent risk (the susceptibility of an assertion relating to an account balance or class of transactions to a material misstatement, assuming there are no related controls)
- An evaluation of the design effectiveness of internal control over financial reporting and our assessment of control risk (the risk that a material misstatement could occur in an assertion and not be prevented or detected on a timely basis by the Plans' internal control)

We then determined the nature, timing and extent of tests of controls and substantive procedures necessary given the risks identified and the controls as we understand them.

Materiality in Planning and Executing the Audit

In planning the audits, the materiality limit is viewed as the maximum aggregate amount of misstatements, which if detected and not corrected, would cause us to modify our opinion on the financial statements. The materiality limit is an allowance not only for misstatements that will be detected and not corrected but also for misstatements that may not be detected by the audit. Our assessment of materiality throughout the audit was based on both quantitative and qualitative considerations. Because of the interaction of quantitative and qualitative considerations, misstatements of a relatively small amount could have a material effect on the current financial statements as well as financial statements of future periods.

Internal Control Relevant to the Audit

Our audits of the financial statements included obtaining an understanding of internal control sufficient to plan the audit and to determine the nature, timing and extent of audit procedures to be performed. An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. Our review and understanding of the Plans' internal control and that of its participating employers was not undertaken for the purpose of expressing an opinion on the effectiveness of internal control.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. A summary of the significant accounting policies adopted by the Plans is included in Note 2 to the financial statements.

Adoption of, or Change in, Accounting Policies

Effective for the fiscal year ended December 31, 2014, the Plan adopted GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Significant or Unusual Transactions

No matters have come to our attention that would require us, under professional standards, to inform you about the methods used to account for significant or unusual transactions or the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Alternative Treatments Discussed with Management

We did not discuss with management any alternative treatments within generally accepted accounting principles for accounting policies and practices related to material items during the current audit period.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgments. The process used by management encompasses their knowledge and experience about past and current events and certain 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 management's current judgments. You may wish to monitor throughout the year the process used to compute and record these accounting estimates.

The methods and significant assumptions used to estimate the fair values of financial instruments are as follows:

Stable value fund: The fair value of the Stable Value Fund is determined as of the close of trading on each valuation date. Short-term securities with a maturity of 60 days or less are valued on the basis of amortized cost, due to their relatively short reset. Fixed income securities in the underlying account are normally valued on the basis of quotations from brokers or dealers or pricing services, which take into account appropriate factors such as institutional-size trading similar groups of securities, yield, quality, coupon rate, maturity, type of issue, trading characteristics and other market data.

Management Judgments and Accounting Estimates, continued

84-month GICs: Management considers all 84-month guaranteed investment contracts (GICs) to be “nonparticipating contracts” as defined in the GASB Codification Sec. 150, *Investments*. 84-month GICs are nonnegotiable and have redemption terms that do not consider future market rates. Management has reported the 84-month GICs using a cost-based measure, under the assumption that the fair value of those contracts is not significantly affected by the impairment of the credit standing of the issuer or other factors. The reported balance at December 31, 2014 and 2013 represents contributions received, plus interest credited less applicable charges and amounts withdrawn.

Mutual funds and the Schwab self-directed brokerage account: Valued at the net asset value of shares held by the Plans at year end.

Target retirement funds: Units of target retirement funds are valued at fair value by their issuer, State Street Global Advisors, based on quoted market prices of the investments held in the collective trust fund.

Notes receivable from participants: Valued at their unpaid balances plus accrued interest less an allowance for amounts deemed uncollectible by management.

Financial Statement Disclosures

The disclosures in the financial statements appear neutral, consistent and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Audit Adjustments 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.

Audit Adjustments

We proposed no audit adjustments which were recorded by the Plans as a result of our audits.

Uncorrected Misstatements

Uncorrected misstatements are summarized in the attached “Summary of Uncorrected Misstatements,” **Appendix A**.

Management Representations

We have requested certain written representations from management that are included in the management representation letter dated June 19, 2015. A copy of that correspondence is included in **Appendix B** for your information.

Disagreements with Management

For the purposes of this communication, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the Plans' financial statements or the auditor's report. No such disagreements arose during the course of the audits.

Consultations with Other Accountants

Management may consult with other accountants about auditing and accounting matters on certain situations. If a consultation involves the application of an accounting principle to the Plans' 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 notify us to determine that the consulting accountant has all the relevant facts. To our knowledge, and as management has informed us, there were no such consultations with other accountants regarding auditing and accounting matters.

Significant Issues Discussed with Management

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 Plans' auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

No other significant issues arising from the audit were discussed or were the subject of correspondence with management.

Difficulties Encountered in Performing the Audit

We did not encounter any difficulties in dealing with management relating to the performance of our audit and we appreciate the cooperation received.

Letter Communicating Control Deficiencies

We have separately communicated five control deficiencies of which two were deemed to be significant deficiencies during our audit of the Plans' financial statements. This communication is attached as **Appendix C**.

Certain Other Written Communications Between Management and Our Firm

Copies of certain other written communications between our firm and the management of the Plans are attached as **Appendix B**.

**Summary of Uncorrected Misstatements
For the Year Ended December 31, 2014**

During the course of our audits, we accumulated uncorrected misstatements that were determined by management to be immaterial, both individually and in the aggregate, to the statements of net position available for benefits and changes in net position available for benefits and the related financial statement disclosures.

State of South Carolina Salary Deferral [401(k)] and Savings Profit Sharing Plan and Trust
Summary of Uncorrected Misstatements
For the year ended December 31, 2014

Description	Statement of Net Position Impact - increase (decrease)			Changes in Net Position Impact - increase (decrease)
	Assets	Liabilities	Net Position	
Known misstatements				
<i>PAJE #1 - To accrue 2014 participant salary deferrals posted subsequent to year-end.</i>				
Contributions receivable	\$ 1,410,879	\$ -	\$ -	\$ -
Contribution from participants	-	-	-	1,410,879
<i>PAJE #2 - To record the net activity in the Wells Fargo operating account at 12/31/14.</i>				
Cash	343,252	-	-	-
Due to others	-	343,252	-	-
Total known misstatements	1,754,131	343,252	-	1,410,879
Estimated misstatements				
	-	-	-	-
	-	-	-	-
Total estimated misstatements	-	-	-	-
Turnaround effect of prior year misstatements	(573,570)	-	-	(573,570)
Pre-tax effect of differences	1,180,561	343,252	-	837,309
Effective tax rate	N/A	N/A	N/A	N/A
Estimated tax impact of misstatements	-	-	-	-
Total after-tax uncorrected misstatements	\$ 1,180,561	\$ 343,252	\$ -	\$ 837,309
Statement of Net Position and Changes in Net Position Amounts	\$ 2,770,761,861	\$ -	\$ 2,770,761,861	\$ 119,822,008
Percentage of Misstatements to Above Amounts	0.04%	0.00%	0.00%	0.70%

State of South Carolina 457 Deferred Compensation Plan and Trust
Summary of Uncorrected Misstatements
For the year ended December 31, 2014

Description	Statement of Net Position Impact - increase (decrease)			Changes in Net Position Impact - increase (decrease)
	Assets	Liabilities	Net Position	
Known misstatements				
<i>PAJE #1 - To accrue 2014 participant salary deferrals posted subsequent to year-end.</i>				
Contributions receivable	\$ 428,659	\$ -	\$ -	\$ -
Contribution from participants	-	-	-	428,659
<i>PAJE #2 - To record the net activity in the Wells Fargo operating account at 12/31/14.</i>				
Cash	115,212	-	-	-
Due to others	-	115,212	-	-
Total known misstatements	543,871	115,212	-	428,659
Estimated misstatements				
	-	-	-	-
	-	-	-	-
Total estimated misstatements	-	-	-	-
Turnaround effect of prior year misstatements	(183,763)	-	-	(183,763)
Pre-tax effect of differences	360,108	115,212	-	244,896
Effective tax rate	N/A	N/A	N/A	N/A
Estimated tax impact of misstatements	-	-	-	-
Total after-tax uncorrected misstatements	\$ 360,108	\$ 115,212	\$ -	\$ 244,896
Statement of Net Position and Changes in Net Position Amounts	\$ 938,146,372	\$ -	\$ 938,146,372	\$ 13,984,528
Percentage of Misstatements to Above Amounts	0.04%	0.00%	0.00%	1.75%

**Written Communications Between Management and Our Firm
For the Year Ended December 31, 2014**



November 3, 2014

South Carolina Public Employee Benefit Authority
Ms. Peggy G. Boykin, Executive Director
Post Office Box 11960
Columbia, South Carolina 29211

The Objective and Scope of the Audit

You have requested that we audit the financial statements of the State of South Carolina 457 Deferred Compensation Plan and Trust and the State of South Carolina Salary Deferral [401(k)] and Savings Profit Sharing Plan and Trust (the Plans), which comprise the statements of net position available for benefits, as of December 31, 2014 and 2013 and the related statements of changes in net position available for benefits, for the years ended December 31, 2014 and 2013, and the related notes to the financial statements.

We are pleased to confirm our acceptance and understanding of this audit engagement by means of this letter.

Our audits will be conducted with the objective of our expressing an opinion on those statements.

The Responsibilities of the Auditor

We will conduct our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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. 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.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with GAAS. Also, an audit is not designed to detect errors or fraud that are immaterial to the financial statements.

In making our risk assessments, we consider internal control relevant to the Plans' 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 Plans' internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal controls relevant to the audit of the financial statements that we have identified during the audit, as well as any significant deficiencies and material weaknesses communicated in previous audits that have not yet been remediated.

We will also communicate to the South Carolina Public Employee Benefit Authority (PEBA) (a) any fraud involving senior management and fraud (whether caused by senior management or other employees) that causes a material misstatement of the financial statements that becomes known to us during the audit, (b) any instances of noncompliance with laws and regulations that we become aware of during the audit (unless they are clearly inconsequential).

The Plans' Responsibilities and Identification of the Applicable Financial Reporting Framework

Our audits will be conducted on the basis that management acknowledge and understand that they have responsibility:

- a For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America;
- b For 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; and
- c To provide us with:
 - (1) Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters;
 - (2) Additional information that we may request from management for the purpose of the audits; and
 - (3) Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence.

As part of our audit process, we will request from management written confirmation concerning representations made to us in connection with the audits including among other items:

- a That management has fulfilled its responsibilities as set out in the terms of this letter; and
- b That it believes the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Management is responsible for identifying and ensuring that the entity complies with the laws and regulations applicable to its activities, and for informing us about all known material violations of such laws or regulations. In addition, management is responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the Plans involving management, employees who have significant roles in internal control, and others where the fraud could have a material effect on the financial statements. Management is also responsible for informing us of its knowledge of any allegations of fraud or suspected fraud affecting the Plans received in communications from employees, former employees, participants, regulators, beneficiaries, service providers, third-party administrators, or others.

Management is responsible for the preparation of the required supplementary information in accordance with accounting principles generally accepted in the United States of America. Management agrees to include the auditor's report on the required supplementary information in any document that contains the supplementary information and that indicates that the auditor has reported on such required supplementary information. Management also agrees to present the supplementary information with the audited financial statements or, if the supplementary information will not be presented with audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon.

PEBA is responsible for informing us of its views about the risks of fraud within the Plans, and its knowledge of any fraud or suspected fraud affecting the Plans.

You agree that you will not include our reports, or otherwise make reference to us, in any public or private securities offering without first obtaining our consent. Any request to consent is a matter for which separate arrangements will be necessary. After obtaining our consent, you also agree to provide us with printer's proofs or masters of such offering documents for our review and approval before printing and with a copy of the final reproduced material for our approval before it is distributed.

Management is responsible for adjusting the financial statements to correct material misstatements and for affirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Although we may assist in drafting the financial statements, in whole or in part, based on information provided to us by management during the performance of the audit, management acknowledges and understands that it maintains responsibility for the preparation and fair presentation of the financial statements.

Records and Assistance

If circumstances arise relating to the condition of the Plans' records, the availability of appropriate audit evidence, or indications of a significant risk of material misstatement of the financial statements because of error, fraudulent financial reporting, or misappropriation of assets, which in our professional judgment, prevent us from completing the audit or forming an opinion, we retain the unilateral right to take any course of action permitted by professional standards, including declining to express an opinion or issue a report, or withdrawal from the engagement.

During the course of our engagement, we may accumulate records containing data that should be reflected in the Plans' books and records. You will determine that all such data, if necessary, will be so reflected. Accordingly, you will not expect us to maintain copies of such records in our possession.

The assistance to be supplied by PEBA personnel and the third party administrator, including the preparation of schedules and analyses of accounts, has been discussed and coordinated with appropriate personnel. The timely and accurate completion of this work is an essential condition to our completion of the audit and issuance of our audit report.

If, in connection with our audits, you request us to perform accounting services necessary for the preparation of the financial statements (such as drafting of the financial statements), you agree to designate an appropriate individual to oversee the services, make all management decisions involved in those services, evaluate the adequacy and results of the services, and accept responsibility for the results of the services.

Employee Control Testing

As with multi-employer Plans, we are required to perform certain tests of controls for a sample of employers participating in the Plans. As we have discussed with you, we have determined the sample size of 10 employers to be tested for the 2014 audits based on our knowledge of other plans similar in size and scope to the Plans. We consider this testing necessary to adequately address the audit risk associated with employer-level controls.

Fees, Costs, and Access to Workpapers

Our fees for the audits and accounting services described above are based on the value of the services performed and the time required by the individuals assigned to the engagement, plus direct expenses. Our fee estimate and completion of our work is based upon the following criteria:

- a. Anticipated cooperation from your personnel
- b. Timely responses to our inquiries
- c. Timely completion and delivery of client assistance requests
- d. Timely communication of all significant accounting and financial reporting matters
- e. The assumption that unexpected circumstances will not be encountered during the engagement

We estimate our fees to be \$55,500 for these audits and \$14,000 for employee testing. If any of the aforementioned criteria are not met, (including discovery of significant recordkeeping problems, SOC 1 reports that are qualified or otherwise cannot be relied upon, or issues that cause the Plans' qualified tax status to be questioned), then fees may increase.

If we are required to provide additional assistance beyond the scope of the financial statement audit, this assistance will be billed at our standard hourly rates as follows:

HOURLY RATES FOR ADDITIONAL ACCOUNTING AND CONSULTING SERVICES

<u>STAFF CLASSIFICATIONS</u>	<u>FEE/HOUR</u>
Shareholder	\$ 260
Senior Manager	180
Manager	152
Senior	120
Staff Accountant	112

You may terminate the arrangement at any time by written notice to us. Termination for any reason will not affect your obligation to pay us for fees and expenses incurred prior to termination or in transferring files to and otherwise cooperating with any successor auditor. All provisions of this arrangement will survive termination or cancellation, except that (a) we will not have any obligation to provide services after termination and (b) you will not have any obligation to pay us for any services that we perform after termination, except for costs incurred to cooperate with a successor auditor or regulatory agency subpoena or inquiry.

Our professional standards require that we perform certain additional procedures, on current and previous years' engagements, whenever a partner or professional employee leaves the firm and is subsequently employed by or associated with a client in a key position. Accordingly, PEBA agrees it will compensate the Firm for any additional costs incurred as a result of the employment of a partner or professional employee of the Firm.

In the event we are requested or authorized by the Plans or are required by government regulation, subpoena, or other legal process to produce our documents or our personnel as witnesses with respect to our engagement for the Plans, the Plans to the extent permitted by law or PEBA, as applicable, will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such requests.

Claim Resolution

The Plans and the Firm agree that no claim arising out of services rendered pursuant to this agreement shall be filed more than three years after the date of the audit report issued by the Firm or the date of this arrangement letter if no report has been issued. The Plans waives any claim for punitive damages.

If any term or provision of this Agreement is determined to be invalid or unenforceable, such term or provision will be deemed stricken and all other terms and provisions will remain in full force and effect.

Reporting

We will issue a written report upon completion of our audit of the Plans' financial statements. Our report will be addressed to PEBA. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement.

This letter constitutes the complete and exclusive statement of the agreement between the Firm and the Plans, superseding all proposals, oral or written, and all other communication, with respect to the terms of the engagement between the parties.

If this letter defines the arrangements as you understand them, please sign and date the enclosed copy and return it to us.

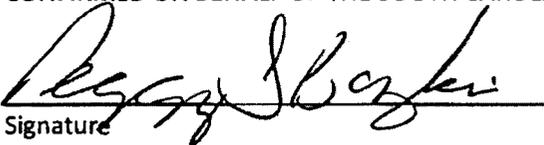
Very truly yours,

ELLIOTT DAVIS, LLC



Thomas J. McNeish, CPA
Shareholder

CONFIRMED ON BEHALF OF THE SOUTH CAROLINA PUBLIC EMPLOYEE BENEFIT AUTHORITY


Signature

Executive Director
Title

11/5/14
Date

South Carolina
PUBLIC EMPLOYEE BENEFIT AUTHORITY

PEBA

Peggy G. Boykin, CPA
Executive Director
Retirement Benefits

June 19, 2015

Elliott Davis Decosimo, LLC
Post Office Box 2227
Columbia, South Carolina 29202

This representation letter is provided in connection with your audits of the financial statements of the State of South Carolina Salary Deferral [401(k)] and Savings Profit Sharing Plan and Trust and the State of South Carolina 457 Deferred Compensation Plan and Trust (the Plans) which comprise the statements of net position available for benefits as of December 31, 2014 and 2013, and the related statements of changes in net position available for benefits for the years then ended and the related notes to the financial statements for the purpose of expressing an opinion on whether the financial statements present fairly, in all material respects, the net position and changes in net position in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

We confirm, to the best of our knowledge and belief, that as of June 19, 2015:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated November 3, 2014, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility for 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.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal controls and programs to provide reasonable assurance that fraud is prevented and detected.
4. We are responsible for making the accounting estimates included in the financial statements. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take.

In that regard, we are responsible for the estimation methods and assumptions used in measuring assets and liabilities reported or disclosed at fair value, including information obtained from brokers, pricing services or other third parties. The methods and significant assumptions used to determine fair values of the financial instruments are as follows:

Stable value fund: The fair value of the Stable Value Fund is determined as of the close of trading on each valuation date. Short-term securities with a maturity of 60 days or less are valued on the basis of amortized cost, due to their relatively short reset. Fixed income securities in the underlying account are normally valued on the basis of quotations from brokers or dealers or pricing services, which take into account appropriate factors such as institutional-size trading similar groups of securities, yield, quality, coupon rate, maturity, type of issue, trading characteristics and other market data.

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

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

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

84-month GICs: Management considers all 84-month guaranteed investment contracts (GICs) to be "nonparticipating contracts" as defined in the GASB Codification Sec. 150, *Investments*. 84-month GICs are nonnegotiable and have redemption terms that do not consider future market rates. Management has reported the 84-month GICs using a cost-based measure, under the assumption that the fair value of those contracts is not significantly affected by the impairment of the credit standing of the issuer or other factors. The reported balance at December 31, 2014 and 2013 represents contributions received, plus interest credited less applicable charges and amounts withdrawn.

Mutual funds and the Schwab self-directed brokerage account: Valued at the net asset value of shares held by the Plans at year end.

Target retirement funds: Units of target retirement funds are valued at fair value by their issuer, State Street Global Advisors, based on quoted market prices of the investments held in the collective trust fund.

Notes receivable from participants: Valued at their unpaid balances plus accrued interest less an allowance for amounts deemed uncollectible by management.

Our valuation methodologies have been consistently applied from period to period. The methods and assumptions used result in a measure of fair value appropriate for financial statement measurement and disclosure purposes.

5. All significant estimates and material concentrations known to management that are required to be disclosed in accordance with generally accepted accounting principles have been properly recorded and/or disclosed in the financial statements. Significant estimates are estimates at the statement of net position date that could change materially within the next year. Concentrations refer to nature and type of investments held by the Plans, or markets in which events could occur that would significantly disrupt normal finances within the next year.
6. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
7. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
8. We have no intention to terminate the Plans.
9. We have made available to you the currently effective version of the Plans' documents, adoption agreements, and all related amendments. The Plans' most recent amendment is effective January 1, 2015.
10. We have informed you of all uncorrected misstatements.

As of and for the year ended December 31, 2014 we believe that the effects of the uncorrected misstatements aggregated by you and summarized in the attachment are immaterial, both individually and in the aggregate to the financial statements taken as a whole. For purposes of this representation, we consider items to be material, regardless of their size, if they involve the misstatement or omission of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

11. The Plans' financial statements have been prepared from the balances and activity presented in Great-West Retirement Services' (Great-West) Plan summaries. Great-West's Plan summaries reflect those balances and activity at contract value.

Supplementary Information

12. With respect to supplementary information:
 - a. We acknowledge our responsibility for the presentation of such information.
 - b. We believe such information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.

Information Provided

13. We have provided you with:
 - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the Plans from whom you determined it necessary to obtain audit evidence.
 - d. All financial records and related data of the Plans. In that regard, the payroll information we provided you covered all employees that were eligible to participate in the Plans.
 - e. All minutes of the meetings of the South Carolina Public Employee Benefit Authority, or summaries of actions of recent meetings for which minutes have not yet been prepared.
 - f. Trust agreements, insurance contracts, or investment contracts and amendments to such documents entered into during the year, including amendments to comply with applicable laws.
14. All transactions have been recorded in the accounting records and are reflected in the financial statements.
15. We have disclosed to you the results of our assessment of risk that the financial statement may be materially misstated as a result of fraud. We believe there has been no fraud.
16. We have no knowledge of any allegations of fraud or suspected fraud affecting the Plans involving:
 - a. Management.
 - b. Employees who have significant roles in the internal control.
 - c. Others where the fraud could have a material effect on the financial statements.
17. We have no knowledge of any allegations of fraud or suspected fraud affecting the Plans received in communications from employees, former employees, participants, regulators, beneficiaries, service providers, third-party administrators, or others.

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

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

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

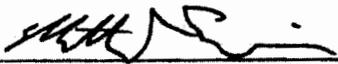
18. We are not aware of any pending or threatened litigation and claims, violations or possible violations of laws and regulations, or other matters, including gain or loss contingencies, whose effects should be considered when preparing the financial statements, and neither we, nor the Plans' Sponsor, or others acting on behalf of the Plans, have consulted a lawyer concerning litigation and claims or other matters affecting the Plans.
19. We have Informed you of all significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the Plans' ability to record, process, summarize, and report financial data.
20. We have no plans or intentions that may materially affect the carrying value or classification of assets or liabilities.
21. The Plans have satisfactory title to all owned assets which are recorded at fair value, and all liens, encumbrances, or security interests have been properly disclosed.
22. Financial instruments with off-balance-sheet risk have been properly disclosed.
23. Concentrations of credit risk have been properly disclosed.
24. The Plans meet the requirements for tax-favored treatment under the Internal Revenue Code, and there is no intent to change that status. We believe the Plans are designed and are currently being operated in compliance with the applicable requirements of the Code.
25. There have been no communications, whether written or oral, from regulatory agencies concerning non-compliance or deficiencies in the operation of the plans.
26. We have complied with all aspects of contractual agreements, including provisions of the Plans, that would have a material effect on the financial statements in the event of noncompliance.
27. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
28. We have reviewed the user control considerations of the *Independent Service Auditor's Report on Management's Description of a Service Organization's System and the Suitability of the Design and Operating Effectiveness of Controls* for the period October 1, 2013 through September 30, 2014 as of November 21, 2014 and we believe all applicable controls are in place.
29. There are no:
 - a. Material period-end adjusting entries affecting prior annual periods.
 - b. Notes receivable from participants or other receivables or investments in default or considered to be uncollectible that were not disclosed in the financial statements or supplemental schedules.
 - c. Reportable transactions that were not disclosed in the supplemental schedules.
 - d. Lease obligations by the Plans.
 - e. Other matters (e.g., breach of fiduciary responsibilities, nonexempt transactions, notes or leases in default, events reportable to the Pension and Welfare Benefits Administration or other agencies, or events that may jeopardize the tax status) that legal counsel has advised us that must be disclosed.

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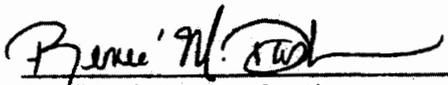
- f. Related-party transactions, including sales, purchases, notes, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
 - g. Guarantees whether written or oral under which the Plans are contingently liable to a bank or other lending institution.
 - h. Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with the Contingencies Topic of the GASB Accounting Standards Codification.
30. The Plans have properly established a trust in accordance with the Small Business Job Protection Act of 1996.
31. During the course of your audits, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.



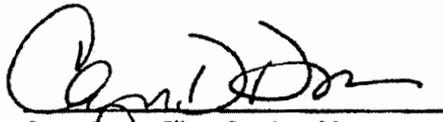
Matthew Davis, Program Manager
South Carolina Public Employee
Benefit Authority



Lisa Tilley, National Accounts Director
Great-West Retirement Services



René Dash, Program Coordinator
South Carolina Public Employee
Benefit Authority



Caryn Davis, Client Services Manager
Great-West Retirement Services

Control Deficiencies Letter
For the Year Ended December 31, 2014



South Carolina Public Employee Benefit Authority
Post Office Box 11960
Columbia, South Carolina 29211-1960

In planning and performing our audits of the financial statements of the State of South Carolina 457 Deferred Compensation Plan and Trust and the State of South Carolina Salary Deferral [401(k)] and Savings Profit-Sharing Plan and Trust (the Plans) as of and for the year ended December 31, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the Plans' internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plans' internal control. Accordingly, we do not express an opinion on the effectiveness of the Plans' internal control.

Our Responsibilities

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control.

Definitions Related to Internal Control Deficiencies

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 combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Plans' financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than material weakness, yet important enough to merit attention by those charged with governance.

We consider the following conditions to be deficiencies in internal control:

2012-3 - Outstanding checks in unclaimed property account

Condition: We noted 2,941 outstanding checks totaling approximately \$1.5 million in the "unclaimed property" administrative account (the account) written prior to the 2009 conversion to the current TPA. Subsequent to the conversion, the current TPA has transferred an additional 886 outstanding checks totaling approximately \$176,000 to the account. These checks had been written by the current TPA on or before December 31, 2011 and remained un-cashed.

2012-3 - Outstanding checks in unclaimed property account, continued

Cause: All un-cashed checks from the previous TPA were transferred to the current TPA and held in the account. These un-cashed checks have remained in this account since conversion and have not diminished significantly since 2009. The current TPA accumulated a significant number of un-cashed checks written on or before December 31, 2011 and transferred these checks to segregate them from their operating account.

Effect: With so many old outstanding checks being carried on the account, the account reconciliation becomes difficult to execute and increases the risk that errors or improper transactions may go undetected. In addition, after a check is written, it is no longer invested in the participant's retirement account. The participant may be forfeiting earnings while the check remains un-cashed.

Recommendation: We recommend that the TPA attempt to notify the participant in a timely manner that they have an un-cashed check and, if applicable, void the original check and reissue another check. In addition, Management should research alternative solutions and take action to reduce the amount of outstanding checks held in the "unclaimed property" account.

Great-West Response: Great-West adheres to the written procedure in place to address unclaimed property. We take appropriate action to research checks that have not been cashed after 180 days. For checks that remain uncashed after three years, the associated funds are transferred to the "unclaimed property" account. These transfers occur on a semiannual basis, and Great-West provides Management with a listing of all transferred checks.

Management Response: During 2014, Management determined that assets in the "unclaimed property" account may not be escheated to the State. We have since been researching methods to reduce the outstanding unclaimed property balance. Although we have identified a number of possibilities, Management has not yet completed its due diligence to identify the most appropriate solution. Pending that outcome, Management will continue its current procedure, which is to perform monthly reconciliations of the "unclaimed property" account and to maintain a detailed listing of all uncashed checks.

2011-6 - Deferral elections per the TPA's website (Plan Service Center)

Condition: We noted 9 out of 170 participant deferrals tested did not match the employee's deferral election per the Plan Service Center. In addition, 5 of the 9 deferral differences were not supported by a deferral election form on file with the employer.

Cause: Employers are receiving and making changes to deferral elections directly from employees instead of requiring the employees to make their changes with the TPA.

Effect: The deferral election per the Plan Service Center does not agree to the deferral being processed.

Recommendation: All deferral changes should be made by employees via the Plan Service Center or a client service representative.

Great-West Response: Great-West provides deferral recordkeeping as part of its outsourcing services. Participants must initiate all deferral change requests via Great-West in order for the recordkeeping system to track deferrals properly. As part of its service commitment, Great-West provides ongoing training and education to employers regarding the importance of this procedure, including annual fiduciary

2011-6 - Deferral elections per the TPA's website (Plan Service Center), continued

training and monthly Plan Service Center webinars. In addition, the local education counselors routinely remind employers of proper deferral change procedures.

Great-West mails a letter each year to any employer identified during the audit as having deferral elections that do not match the recordkeeping system. This letter provides details of the audit exceptions and encourages employers to follow the documented procedure for initiating deferral changes.

Management Response: Management believes the current controls and education initiatives effectively minimize the volume of these deferral differences. However, we will continue to search for practical ways to better identify and resolve such discrepancies.

2014-1 Discretionary Employer Matching Contributions

Condition: The Plans' TPA reported 6 401(k) participants who received an employer discretionary contribution but did not meet the requirements for such a contribution. The 401(k) Plan document states that the employer may only make discretionary employer matching contributions on behalf of an employee who has not elected to make salary deferral contributions and who has an annual salary of less than \$20,000 during the Plan year.

Cause: It does not appear that discretionary employer matching contributions are being adequately monitored to ensure that they are made in accordance with eligibility requirements of the 401(k) Plan document.

Effect: Certain 401(k) participants have received discretionary employer matching contributions in excess of that allowed by the 401(k) Plan.

Recommendation: We recommend that controls be put in place to prevent discretionary employer matching contributions from being made to participants who do not meet eligibility requirements as stated in the 401(k) Plan document.

Great-West Response: During 2014, Great-West enhanced its oversight of discretionary employer matching contributions so that all such contributions are now confirmed prior to generating the year-end plan summary. Great-West now communicates directly with each employer to ensure these contributions are reported properly.

Management Response: Management believes these enhanced controls should eliminate improper reporting of discretionary employer matching contributions. We will work with Great-West to closely monitor these contributions going forward.

We consider the following deficiencies to be significant deficiencies in internal control:

2011-1 - Contributions (late remittances from employers)

Condition: We noted remittances for 2014 that were received by the Plans' third party administrator (TPA) exceeded the remittance periods as stated in the Plan documents. The 401(k) Plan document states that all payroll deferrals must be remitted to the TPA within 30 days of the payroll end date. The 457 Plan document states that all payroll deferrals must be remitted to the TPA within 15 days of the payroll end date. Below is a summary of our findings.

2011-1 - Contributions (late remittances from employers), continued

401(k) Plan

- 77 or 15% of employers made at least one late remittance during 2014
- 285 or 1% of the remittances made during 2014 were late
- \$720,692 or .57% of the remittances made during 2014 were late

457 Plan

- 110 or 29% of employers made at least one late remittance during 2014
- 514 or 4% of the remittances made during 2014 were late
- \$800,362 or 2% of the remittances made during 2014 were late

Cause: Remittances of Plan contributions do not appear to be sufficiently monitored to prevent significant late remittances from occurring.

Effect: A participant's payroll deferrals may not be invested timely in the Plans as established by the Plan documents resulting in potential lost earnings to the participant.

Recommendation: We recommend that contributions be monitored to determine the employers that are remitting late during the year and that these employers are educated on the importance of investing contributions timely. We further recommend that controls be implemented by the employers to ensure remittances are made in a timely manner.

Great-West Response: Since not all employers list the payroll date on the remittance file, Great-West is sometimes unable to determine whether or not contributions are late. However, we will continue to remind employers of their responsibility to remit contributions timely as outlined in the Plan documents, and this will remain a central focus during employer training opportunities.

Great-West mails a letter each year to any employer identified during the audit as having remitted late. This letter provides details of the audit exceptions and encourages employers to remit contributions timely.

Management Response: As a result of the Business Transformation Project, which is scheduled to be completed by January 1, 2017, each employer will be required to provide the payroll date on its remittance file. This will allow Great-West to more effectively identify late remittances. Management will continue to search for practical ways to encourage timely remittance.

2011-3 - Defaulted notes receivable

Condition: The 401(k) and 457 allowances for defaulted notes at December 31, 2014 were approximately \$35,959,000 and \$5,020,000, respectively. In addition, we noted five of the ten employers tested denied their participants the option to repay their notes via payroll deduction.

Cause: Participants are not required to repay notes via automated payroll deduction. Depending on the employer, note repayments may be processed by payroll deferrals or paid directly by the participants. Also, participants are not required to repay their notes in full upon termination or retirement from their employer.

2011-3 - Defaulted notes receivable, continued

Effect: The allowance for notes receivable currently represents 47% and 44% of the 401(k) and 457 Plans' note balances, respectively. Participants who default on these notes are effectively reducing their retirement assets which is counter to the intent of the Plans.

Recommendation: We recommend that the Plans require all notes to be repaid via automatic payroll deduction.

Great-West Response: Recent plan design changes have reduced the number of loans available to participants and also require any new loans to be repaid via payroll deduction. Great-West will continue to educate employers and participants about the consequences associated with a loan default.

Management Response: Management expects the level of loan defaults to decrease substantially as a result of recent plan design changes. In particular, the default rate is statistically proven to be lower when loans are repaid via payroll deduction as opposed to other repayment methods.

We have previously discussed our observations and suggestions with Plan sponsor personnel and the TPA and would be pleased to discuss them in further detail at your convenience, to perform any additional study of the matter, or to assist you in implementing the recommendations to the extent our independence is not impaired.

This communication is intended solely for the information and use of the South Carolina Public Employee Benefit Authority and is not intended to be and should not be used by anyone other than these specified parties.

Columbia, South Carolina
June 19, 2015

A handwritten signature in black ink that reads "Elliott Davis Decosimo, LLC". The signature is written in a cursive, flowing style.