State of South Carolina
Salary Deferral [401(k)] and Savings
Profit Sharing Plan and Trust

Report on Financial Statements

For the years ended December 31, 2014 and 2013

Contents

elliott davis decosimo

Independent Auditor's Report

To the Members of the
South Carolina Public Employee Benefit Authority
Columbia, South Carolina

We have audited the accompanying financial statements of the State of South Carolina Salary Deferral [401(k)] and Savings Profit Sharing Plan and Trust (the Plan) 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.

Management's Responsibility for the Financial Statements

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 audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from 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 entity'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 entity'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the State of South Carolina Salary Deferral [401(k)] and Savings Profit Sharing Plan and Trust as of December 31, 2014 and 2013, and the respective changes in financial position for the years then ended in accordance 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 on pages 3 through 4 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 auditing 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.

Elliott Davis Decosimo, LLC

Columbia, South Carolina
June 19, 2015

This discussion and analysis of the financial performance of the State of South Carolina Salary Deferral [401(k)] and Savings Profit Sharing Plan and Trust (the Plan) provides an overview of the Plan's financial activities as of and for the years ended December 31, 2014 and 2013. It is intended to be a narrative supplement to the Plan's financial statements.

Using this Financial Report

Because of the long-term nature of a deferred compensation plan, financial statements alone cannot provide sufficient information to properly reflect the Plan's ongoing plan perspective. This financial report consists of two financial statements and the notes to the financial statements.

The Statement of Net Position Available for Benefits reports the Plan's assets, liabilities and resulting net position where Assets - Liabilities = Net Position Available for Benefits at the end of the Plan's year. It can be thought of as a snapshot of the financial position of the Plan at that specific point in time.

The Statement of Changes in Net Position Available for Benefits reports the Plan's transactions that occurred during the year where Additions - Deductions = Change in Net Position Available for Benefits. It can be thought of as a recording of events that occurred over the specified time period of a year and supports the changes that have occurred to the prior year's Plan net asset value on the Statement of Net Position Available for Benefits.

The notes to the financial statements are an integral part of the financial statements and include additional information not readily evident in the statements themselves.

Plan Highlights

The following Plan highlights occurred during the years ended December 31, 2014 and 2013:

- There were 75,968 and 77,160 participant accounts at the end of the 2014 and 2013 fiscal years, respectively, which is a decrease of 1,192 and 1,915 participant accounts, respectively.
- Net position available for benefits increased by approximately $120 million during 2014 as compared to an increase of approximately $293 million during 2013. This decrease in the change in net position available for benefits was primarily attributable to lower net investment earnings during 2014 than during 2013.
- Net investment earnings decreased by approximately $149 million, or 48.82 percent, during 2014 as compared to net investment earnings during 2013. This decrease was primarily due to the decrease in market gains from 2013 to 2014. The S&P 500 and Dow Jones Industrial Average gained 29.6 percent and 26.5 percent during 2013, respectively, compared to gains of 11.4 percent and 7.5 percent during 2014, respectively. In addition, the majority of the Plan's mutual funds distributed more share dividends during 2014 than 2013. These distributions increased the participant's number of shares owned while decreasing the share price subsequent to the dividend date. Dividend distributions are required by the IRS when the mutual fund incurs a realized gain on their investment. Since the Plan is a tax deferred plan, this did not represent a taxable event to its participants.
- Administrative expenses totaled just over $4.6 million during 2014, which represented an increase of approximately 7.54 percent from 2013. This increase was primarily due to investment management and Plan administration fees, which generally increase proportionally with the total net position available for benefits. During 2014 and 2013, Plan management elected to reimburse revenue sharing income of approximately $881,000 and $989,000, respectively, to participants in order to help offset their Plan administrative fees.
- Benefit payments increased by approximately $22 million, or 13.35 percent, during 2014. This increase is likely due, in part, to the maturing population of the Plan.

Summary comparative statements

Plan net position

	December 31, 2014	December 31, 2013	Increase/ (Decrease) Amount	Increase/ (Decrease) Percent
Assets				
Fixed income investments	$ 1,206,739,137	$ 1,202,341,559	$ 4,397,578	0.37 %
Other investments	1,523,641,817	1,409,206,729	114,435,088	8.12 %
Receivables, net of allowance	40,380,907	39,391,565	989,342	2.51 %
Total assets	2,770,761,861	2,650,939,853	119,822,008	4.52 %
Total Plan net position	$ 2,770,761,861	$ 2,650,939,853	$ 119,822,008	4.52 %

Changes in Plan net position

	For the years ended December 31, 2014	For the years ended December 31, 2013	Increase/ (Decrease) Amount	Increase/ (Decrease) Percent
Additions				
Net investment earnings	$ 156,591,366	$ 305,936,044	$ (149,344,678)	(48.82)%
Contributions	158,318,002	159,035,421	(717,419)	(0.45)%
Revenue sharing income	881,373	988,789	(107,416)	(10.86)%
Miscellaneous income	236,670	341,199	(104,529)	(30.64)%
Net additions	316,027,411	466,301,453	(150,274,042)	(32.23)%
Deductions				
Benefit payments	190,901,744	168,418,972	22,482,772	13.35 %
Allowance for notes receivable losses	666,138	572,050	94,088	16.45 %
Administrative expenses	4,637,521	4,312,554	324,967	7.54 %
Total deductions	196,205,403	173,303,576	22,901,827	13.21 %
Increase in Plan net position	119,822,008	292,997,877	(173,175,869)	(59.10)%
Beginning Plan net position	2,650,939,853	2,357,941,976	292,997,877	12.43 %
Ending Plan net position	$ 2,770,761,861	$ 2,650,939,853	$ 119,822,008	4.52 %

State of South Carolina Salary Deferral [401(k)] and Savings Profit Sharing Plan and Trust

Statements of Net Position Available for Benefits

December 31, 2014 and 2013

	2014	2013
Assets		
Fixed income investments, at fair value		
Stable value fund	$ 840,392,438	$ 816,715,794
84-month guaranteed investment contracts	366,346,699	385,625,765
Other investments, at fair value		
Mutual funds	1,306,320,687	1,215,137,848
Target retirement funds	206,851,789	184,755,536
Schwab self-directed brokerage	10,469,341	9,313,345
Notes receivable from participants, net of allowance of $35,958,711 and $35,292,573 respectively	40,380,907	39,391,565
Total assets	2,770,761,861	2,650,939,853
Net position available for benefits	$ 2,770,761,861	$ 2,650,939,853

See Notes to Financial Statements

State of South Carolina Salary Deferral [401(k)] and Savings Profit Sharing Plan and Trust

Statements of Changes in Net Position Available for Benefits

For the years ended December 31, 2014 and 2013

	2014	2013
Additions		
Investment income	$ 108,268,230	$ 67,542,008
Net appreciation in fair value of investments	48,323,136	238,394,036
Contributions from participants	154,924,239	156,165,677
Contributions from employers	3,393,763	2,869,744
Revenue sharing income	881,373	988,789
Miscellaneous income	236,670	341,199
Total additions	316,027,411	466,301,453
Deductions		
Benefit payments	190,901,744	168,418,972
Allowance for notes receivable losses	666,138	572,050
Administrative expenses	4,637,521	4,312,554
Total deductions	196,205,403	173,303,576
Net increase	119,822,008	292,997,877
Net position available for benefits,		
Beginning of year	2,650,939,853	2,357,941,976
End of year	$ 2,770,761,861	$ 2,650,939,853

See Notes to Financial Statements

Note 1. General Description of the Plan

The following description of the State of South Carolina Salary Deferral [401(k)] and Savings Profit Sharing Plan and Trust (the Plan) is provided for general information only. Users of the financial statements should refer to the Plan Document for complete information.

General:

The Plan was established by the South Carolina Deferred Compensation Commission (the Commission) effective January 1, 1985. Contributions to the Plan began in October 1985. The Commission, established in Chapter 23 of Title 8 of the State of South Carolina (the State) Code of Laws, was the trustee of the Plan through December 31, 2013. Effective after December 31, 2013, the Commission was abolished and all of the functions and duties of the Commission were devolved upon the Board of Directors of the South Carolina Public Employee Benefit Authority (PEBA).

In September 2009, the Commission selected Great-West Retirement Services (Great-West) as the third party administrator for the Plan effective January 1, 2010.

Approximately 573 South Carolina public sector entities (the employers) have employees who participate in the Plan. These entities include state agencies, counties, municipalities, colleges and universities, and special purpose districts.

Eligibility:

Under Plan provisions, any employee who elects to participate in the Plan is eligible. Contributions to the Plan are made through payroll deductions from their total compensation subject to certain limits. At December 31, 2014 and 2013, there were 75,968 and 77,160 participant accounts in the Plan, respectively.

Contributions:

For the years ended December 31, 2014 and 2013, participants could elect salary deferral contributions to reduce their compensation by not less than $10 per pay period and not more than 100% of their compensation; not to exceed the maximum contribution allowed by the IRS, which was $17,500 for 2014 and 2013. An election must be made in dollar increments per pay period. For participants age 50 or older, the IRS allows a catch-up contribution of $5,500 per year for a maximum contribution of $23,000 for 2014 and 2013. Amounts contributed on a pre-tax basis by participants are deferred, subject to the limitations above, for federal and state income tax purposes until benefits are paid to the participants.

Effective July 1, 1999, the Plan was amended to provide for employer matching contributions. This amendment permits employers to make contributions to the Plan on behalf of each employee who is a participant and who is active during the Plan year at an amount to be determined by the employer. Furthermore, the Plan was amended to provide for discretionary employer contributions, permitting an employer to make contributions to the Plan on behalf of each employee who has not elected to make salary deferral contributions and who has an annual salary of less than $20,000 during such Plan year. Employer matching and discretionary contributions shall not exceed contribution limitations as specified by the Plan.

Effective November 2, 2009, the Plan was amended to provide for Roth contributions. This amendment permits employees to contribute to the Plan with after-tax dollars.

Note 1. General Description of the Plan, Continued

Participant accounts:

Each participant's account is credited with the participant's salary deferral contributions, employer discretionary contributions and Plan earnings or losses, and charged with an allocation of third party administrator fees. The third party administrator fee allocations are based on participant account balances.

Vesting:

Participants are vested immediately in both their employee and employer contributions plus actual earnings thereon.

Notes receivable from participants:

Participants may borrow from their retirement plan accounts provided the note is at least $2,500 and not more than the greater of 50% of their vested account balance or $50,000. The notes are repayable in one to five years except for notes for the purchase of a primary residence which may be paid back over twenty years. Interest is charged at a fixed rate over the term of the note. The note’s interest rate is established based upon a prime interest rate plus an additional 2%, as listed in the Wall Street Journal on the last business day of the month prior to origination. Interest rates charged on participant notes ranged from 5.25% to 11.75% for the years ended December 31, 2014 and 2013. The participant is charged a $50 issuance fee at the initiation of the note and a quarterly maintenance fee of $6.25 throughout the year.

If a participant fails to repay a note at maturity or fails to make a scheduled payment by the end of the quarter following the quarter in which the payment was due, the note plus accrued interest is considered to be in default. If a defaulted note was issued prior to January 1, 2002, or if the participant is no longer active, the note is written off of the Plan’s books. Due to Internal Revenue Service (IRS) recordkeeping regulations, if the defaulted note was issued after January 1, 2002, and the participant is still active, the note remains on the Plan’s books. Management believes it is unlikely that such notes will be repaid since they have been reported to the participant and the IRS as withdrawals from the Plan. Therefore, management has recorded a 100% reserve for such notes.

Payment of benefits:

Participants may withdraw the present value of funds contributed to the Plan upon severance of employment from a participating employer, attainment of age 59½, or due to financial hardship, which requires approval of Great-West on behalf of PEBA. In the event of a participant’s death, the participant’s beneficiary would be entitled to the present value of funds contributed to the Plan. Participants may take a rollover from the Plan in order to purchase service credit in a defined benefit governmental plan such as the South Carolina Retirement System.

Participants may select various payout options including lump-sum payments or installment payments for the following: a fixed period of time, a fixed dollar amount until the account is exhausted, or payments throughout the participants' life expectancy or joint life expectancy with a spouse.

Note 1. General Description of the Plan, Continued

Reclassifications:

Certain items in the 2013 financial statements have been reclassified to be consistent with the 2014 presentation. Such reclassifications had no effect on the Statements of Net Position Available for Benefits or the Statements of Changes in Net Position Available for Benefits.

Note 2. Summary of Significant Accounting Policies

The financial statements of the Plan have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following are the significant accounting policies used in preparing the accompanying financial statements of the Plan.

Basis of accounting:

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, including all applicable effective statements of the GASB and the accrual basis of accounting.

Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires PEBA to make estimates and assumptions that affect the reported amounts of assets, liabilities, and the changes therein and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Investment valuation and income recognition:

The Plan's investments are stated at fair value. If available, quoted market prices are used to value investments. Mutual funds and the Schwab self-directed brokerage account are valued at the net position value of shares held by the Plan at year end. Notes receivable from participants are valued at their unpaid balances plus accrued interest less an allowance for amounts deemed uncollectible by management. Units of target retirement funds are stated at fair value as provided by their issuer, State Street Global Advisors, based on quoted market prices of the investments held in the collective trust 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, which approximates fair value 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.

Note 2. Summary of Significant Accounting Policies, Continued

Investment valuation and income recognition (continued):

Management considers all 84-month guaranteed investment contracts (GICs) to be "nonparticipating contracts" as defined in the GASB Codification Sec. I50, *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.

Purchases and sales of securities are recorded on a trade-date basis. Investment income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net realized and unrealized gains and losses on investments are included in the net appreciation in fair value of investments as reported on the statement of changes in net position available for benefits.

Administrative expenses:

All direct expenses of maintaining the Plan are paid from the Plan's net position.

New accounting pronouncements - adopted:

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.

Subsequent events:

These financial statements have not been updated for subsequent events occurring after June 19, 2015 which is the date these financial statements were available to be issued.

Note 3. Investments

The Plan's investments are subject to various risks. Among these risks are custodial credit risk, credit risk, concentration of credit risk and interest rate risk. Each one of these risks is discussed in more detail below.

Custodial credit risk - Custodial credit risk, as it relates to investments, is the risk that in the event of the failure of the custodian, the Plan will not be able to recover the value of investments or collateral securities that are in the possession of the third-party. The Plan's investment securities are exposed to a minimal level of custodial credit risk as they are held in segregated trust accounts with the custodian but in the name of the Plan.

Note 3. Investments, Continued

Credit risk - Credit risk is the risk that an issuer or the counterparty to an investment will not fulfill its obligations. The credit risk of a debt instrument is measured by nationally recognized statistical rating agencies such as Moody's Investor Services (Moody's), Standard & Poor's (S&P), and Fitch Ratings (Fitch). The Plan manages the overall credit risk of its fixed income investments by requiring the Stable Value Fund and 84-month GIC's manager, Great-West Life & Annuity Insurance Company (the Company), to invest in accordance with PEBA's approved Statement of Investment Policy (the Policy).

The Policy lists the primary objective of the Stable Value Fund to preserve principal and provide a stable, competitive rate of return. The Company is permitted to invest Plan assets in investment grade fixed income instruments, including those of the U.S. Government and its agencies, corporate bonds, and mortgage and asset-backed securities. According to the Company's contract with the Plan (the Contract), the Company must maintain or exceed an overall weighted average credit quality rating by Moody's of "Aa2" (or equivalent of Aa2) within the Stable Value Fund at all times. At the time of issuance, investments must meet or exceed the following Moody's credit ratings; Commercial paper – P, Corporate bonds – A3, and Asset backed securities, agency-mortgage backed securities, agency-collateralized mortgage obligations, and commercial mortgage backed securities – Aaa.

The primary objective for the 84-month GICs is to preserve principal while maintaining a rate of return comparable to other similar fixed income investments without market fluctuations. Each 84-month GIC is backed by the financial strength of the issuing company, whose crediting must exceed an "A2" rating (or equivalent of A2) as measured by Moody's at the time of issuance. The Company is expected to exercise due care and diligence in making investment decisions.

Concentration of credit risk - Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. PEBA places no limit on the amount the Plan may invest in any one 84-month GIC issuer.

The Contract dictates that amounts in the Stable Value Fund must be invested in accordance with the following concentration limits:

- A minimum of 50% of the account assets must be invested in U.S. Treasury debt, agency-mortgage backed securities or collateralized mortgage obligations.
- A maximum of 35% of the account assets may be invested in corporate bonds or asset-backed securities.
- A maximum of 20% of the account assets may be invested individually in either corporate bonds or asset-backed securities.
- No more than 15% of the account assets may be invested in corporate securities rated "A2" (or equivalent of A2) as measured by Moody's.
- No more than 5% of the account assets may be invested in any one corporate issuer (including asset-backed securities). For purposes of diversification, each asset-backed or non-agency mortgage-backed securities will be treated as a separate issuer.

Note 3. Investments, Continued

Interest rate risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Contract limits the Stable Value Fund's average duration to not exceed 5 years. Duration is a theoretical measurement that gauges the sensitivity of a particular bond to changes in interest rates based on current prepayment speeds and scheduled interest payments. The average duration at December 31, 2014 and 2013 was 3.20 years and 4.00 years, respectively. The investment in guaranteed investment contracts and funding agreements is limited to a term of 84 months or less.

Refer to Footnote 4, Stable Value Fund, and Footnote 5, 84-month Guaranteed Investment Contracts for tables summarizing the fixed income investments by their credit rating and future maturities.

Note 4. Stable Value Fund

The Stable Value Fund (the Fund) is an investment option of the Plan in which bond securities are held as underlying investments in a segregated trust for participants. The Company is the Fund manager for the Plan. All monies invested in the Fund are maintained and held separate and apart from the Company's general account and any other investment account the Company may have. In addition, the Company has assumed sole responsibility of providing wrap coverage in order to guarantee return of the participants' principal and accrued interest.

This investment seeks to preserve principal value and provide a relatively stable rate of interest income. The objective of the Fund is to achieve returns, which over time exceed the returns on bank savings accounts and money market funds. The Fund invests in securities issued by the U.S. Government or one of its agencies, as well as high-grade corporate bonds, and mortgage and asset-backed securities.

Quarterly interest rates are declared by the Company prior to each calendar quarter for participant accounts based upon factors such as the current yield of the investments held by the Fund and Fund expenses. Once declared, the effective interest rates are guaranteed for the calendar quarter. The quarterly effective interest rate declared each calendar quarter applies to all assets in the Fund regardless of the date of deposit. Interest is credited to the participants' accounts in the Fund daily, at a rate which compounds to the effective rate for the quarter.

The total of all participant and unallocated Plan account balances in the Fund as of December 31, 2014 and 2013 was $824,986,283 and $811,008,403, respectively. The fair value of the Fund as of December 31, 2014 and 2013 included interest and gains or losses on investments which had not been allocated to participant accounts as of the plan year-end.

The following represents the Fund's annual interest rate credited to participants for the quarters during the years ended December 31, 2014 and 2013:

1Q 2014	2.70%	1Q 2013	3.00%
2Q 2014	2.65%	2Q 2013	2.85%
3Q 2014	2.65%	3Q 2013	2.85%
4Q 2014	2.65%	4Q 2013	2.80%

Note 4. Stable Value Fund, Continued

The following represents the fair value of the Fund's underlying investments by fixed income sector:

	2014	2013 (Reclassified)
Fixed Income Sector		
Agency - Mortgage Backed Securities	$ 448,796,951	$ 461,838,709
Agency - Collateralized Mortgage Obligations	34,910,575	23,364,501
Agency - Commercial Mortgage Backed Securities	53,017,243	33,193,598
Agency Securities	21,570,848	15,993,902
Asset Backed Securities	47,203,112	34,859,263
Non-Agency – Mortgage Backed Securities	59,371,858	55,910,949
Corporate Bonds	148,762,418	164,574,852
Cash and Equivalents	26,759,433	26,980,020
	$ 840,392,438	$ 816,715,794

The following represents the fair value of the Fund's underlying investments by their Moody's Credit Rating:

	2014	2013
Moody's Credit Rating		
Aaa	$ 629,309,105	$ 603,564,182
Aa1	11,725,059	7,721,998
Aa2	8,515,899	10,923,700
Aa3	25,705,759	25,594,361
A1	32,356,168	36,849,269
A2	38,755,239	40,250,634
A3	23,401,660	33,250,091
Baa1	10,258,110	9,085,998
Baa2	2,461,496	390,528
P-1	26,759,433	26,980,020
Not Rated	31,144,510	22,105,013
	$ 840,392,438	$ 816,715,794

The following represents the fair value of the Fund's underlying investments by their future maturities:

	2014	2013
Maturities in Years		
Less than 1	$ 35,834,586	$ 29,851,449
1 - 5	188,132,023	125,847,534
5 - 10	140,711,314	175,737,089
10 - 15	112,214,827	107,123,216
15 - 20	115,303,872	118,419,939
20 - 25	38,348,656	9,653,976
25 - 30	183,472,026	230,841,584
More than 30	26,375,134	19,241,007
	$ 840,392,438	$ 816,715,794

Note 4. Stable Value Fund, Continued

Mortgage backed securities and collateralized mortgage obligations make up the majority of investments with maturities exceeding 10 years. The fair values of these securities are based on cash flows from principal and interest payments of the underlying mortgages and are subject to the credit worthiness of the individual mortgagors. These securities are sensitive to prepayments, which are likely in an environment of declining interest rates, and thereby reduce the value of the security.

Note 5. 84-Month Guaranteed Investment Contracts

84-month GICs are deposited quarterly with insurance companies who invest the funds in their general asset account. The insurance companies provide a guarantee of principal and a guaranteed quarterly interest rate. As such, the 84-month GICs are subject to credit risk associated with the individual insurance company issuer. Each participant does not have access to or the ability to reinvest in the 84-month GIC until the 84-month maturity period is over.

The following are the interest rate ranges by year for 84-month GICs based on the date purchased:

Rates in effect during year purchased						
2008	2009	2010	2011	2012	2013	2014
4.74-5.43%	4.26-5.00%	2.90-3.95%	2.00-3.00%	1.65-2.25%	1.30-2.05%	1.75-1.85%

The following represents a summary of each 84-month GIC issuer, Moody's credit rating, and future maturities:

	Moody's Credit Rating	December 31, 2014 Maturities in years Less than 1	1 - 3	3 - 5	5 - 7	Total
Metropolitan Life Insurance Company	Aa3	$ 27,382,898	$ 69,460,886	$ -	$ -	$ 96,843,784
New York Life Insurance Company	Aaa	14,188,009	-	-	-	14,188,009
Hartford Life Insurance Company	Baa2*	18,049,155	-	-	-	18,049,155
Great-West Life & Annuity Insurance Company	Aa3	3,221,347	43,887,762	82,948,168	107,208,474	237,265,751
		$ 62,841,409	$113,348,648	$ 82,948,168	$107,208,474	$ 366,346,699

	Moody's Credit Rating	December 31, 2014 Maturities in years Less than 1	1 - 3	3 - 5	5 - 7	Total
Metropolitan Life Insurance Company	Aa3	$ 41,982,538	$ 98,642,079	$ -	$ -	$ 140,624,617
New York Life Insurance Company	Aaa	-	14,660,567	-	-	14,660,567
Principal Life Insurance Company	A1	12,488,341	-	-	-	12,488,341
Hartford Life Insurance Company	A3*	-	18,494,532	-	-	18,494,532
Great-West Life & Annuity Insurance Company	Aa3	4,824,103	-	90,822,388	103,711,217	199,357,708
		$ 59,294,982	$131,797,178	$ 90,822,388	$103,711,217	$ 385,625,765

* The Hartford Life Insurance Company maintained a Moody's credit rating of Aa3 upon issuance of the 84-month GICs with the Plan. As of December 31, 2014 and 2013, its credit rating had been downgraded to Baa2 and A3, respectively.

Note 6. Mutual Funds and Target Retirement Funds

The Plan's other investments are held by the custodian in pooled separate accounts. The following represents the fair value of the Plan's units of participation:

	2014	2013
Mutual funds		
American Funds Europacific Growth Fund R6	$ 64,061,932	$ 59,042,768
American Funds New Perspective Fund R6	23,976,627	28,497,694
Fidelity Diversified International Fund	81,988,952	88,111,079
AllianceBern Small Cap Growth I	34,950,968	36,352,877
American Beacon Small CP Val Inst	25,333,584	30,456,391
TIAA-CREF Small Cap Blend IDX Inst	11,613,659	8,458,646
Munder Mid Cap Growth Fund Class R6	87,697,072	78,221,386
T. Rowe Price Mid Cap Value	140,446,541**	117,480,862
Dodge & Cox Stock Fund	217,414,601**	191,419,880**
T. Rowe Price Growth Stock Fund	148,452,544**	138,274,401**
Vanguard Institutional Index Fund Plus	354,703,132**	329,747,180**
Pimco Funds – Institutional All Assets	1,424,671	64,253
Blackrock Inflation Protected Bond Institutional	14,741,974	13,067,128
Pimco Total Return-Institutional	99,514,430	95,943,303
	$ 1,306,320,687	$ 1,215,137,848
Target retirement funds		
State Street Global Advisors Aged Based Income	$ 16,538,403	$ 15,547,798
State Street Global Advisors Aged Based 2010	36,349,416	37,732,617
State Street Global Advisors Aged Based 2020	78,075,635	68,559,403
State Street Global Advisors Aged Based 2030	47,312,662	38,899,817
State Street Global Advisors Aged Based 2040	26,771,656	23,249,284
State Street Global Advisors Aged Based 2050	1,804,017	766,617
	$ 206,851,789	$ 184,755,536

**Denotes investment that exceeds 5% of the Plan's total assets at December 31.

Note 6. Mutual Funds and Target Retirement Funds, Continued

The following represents units of shares and share prices of other investments:

	2014		2013	
	Shares	Share Price	Shares	Share Price
Mutual funds				
American Funds Europacific Growth Fund R6	1,360,414.7802	$ 47.09	1,204,217.1732	$ 49.03
American Funds New Perspective Fund R6	660,695.1502	36.29	758,522.5978	37.57
Fidelity Diversified International Fund	2,379,940.5515	34.45	2,387,187.1850	36.91
AllianceBern Small Cap Growth I	742,216.3517	47.09	679,112.2174	53.53
American Beacon Small CP Val Inst	1,010,513.9210	25.07	1,120,132.0706	27.19
TIAA-CREF Small Cap Blend IDX Inst	621,383.5741	18.69	449,449.8406	18.82
Munder Mid Cap Growth Fund Class R6	2,048,518.3836	42.81	1,814,460.3572	43.11
T. Rowe Price Mid Cap Value	4,873,231.8182	28.82	3,909,512.8785	30.05
Dodge & Cox Stock Fund	1,201,583.9560	180.94	1,133,533.9610	168.87
T. Rowe Price Growth Stock Fund	2,857,604.3118	51.95	2,630,291.0595	52.57
Vanguard Institutional Index Fund Plus	1,879,919.0799	188.68	1,947,939.3904	169.28
Pimco Funds - Institutional All Assets	122,816.4655	11.60	5,318.9570	12.08
Blackrock Inflation Protected Bond Institutional	1,370,071.9331	10.76	1,212,164.0074	10.78
Pimco Total Return-Institutional	9,344,077.9343	10.65	8,975,051.7306	10.69
Target retirement funds				
State Street Global Advisors Aged Based Income	1,036,240.7895	$ 15.96	1,009,597.2727	$ 15.40
State Street Global Advisors Aged Based 2010	2,196,339.3353	16.55	2,371,628.9755	15.91
State Street Global Advisors Aged Based 2020	4,222,587.0741	18.49	3,928,905.6160	17.45
State Street Global Advisors Aged Based 2030	2,474,511.6109	19.12	2,165,914.0869	17.96
State Street Global Advisors Aged Based 2040	1,379,982.2680	19.40	1,273,235.7065	18.26
State Street Global Advisors Aged Based 2050	119,077.0297	15.15	53,759.9579	14.26

Note 7. Investment Income

During the years ended December 31, 2014 and 2013, the Plan held the following investments which generated investment income as follows:

	2014	2013
Mutual funds		
American Funds Europacific Growth Fund R6	$ 1,091,934	$ 730,951
American Funds New Perspective Fund R6	1,611,442	1,520,549
Fidelity Diversified International Fund	3,055,459	1,310,208
AllianceBern Small Cap Growth I	3,676,152	2,072,747
American Beacon Small CP Val Inst	3,080,796	2,682,224
TIAA-CREF Small Cap Blend IDX Inst	595,713	361,383
Munder Mid Cap Growth Fund Class R6	8,963,935	1,426,446
T. Rowe Price Mid Cap Value	17,805,223	5,645,746
Dodge & Cox Stock Fund	6,267,843	2,387,275
T. Rowe Price Growth Stock Fund	13,345,043	52,488
Vanguard Institutional Index Fund Plus	6,789,549	6,047,565
Pimco Funds - Institutional All Assets	55,455	686
Blackrock Inflation Protected Bond Institutional	389,075	368,590
Pimco Total Return-Institutional	4,800,356	3,071,964
	71,527,975	27,678,822
Stable value fund	21,523,441	22,407,910
84-month guaranteed investment contracts	12,912,868	15,143,983
Notes receivable from participants	2,303,946	2,311,293
	$ 108,268,230	$ 67,542,008

Note 8. Net Appreciation in Fair Value

During the years ended December 31, 2014 and 2013, the Plan held the following investments which generated a net appreciation (depreciation) in fair value as follows:

	2014	2013
Mutual funds		
American Funds Europacific Growth	$ -	$ 3,336,230
American Funds Europacific Growth Fund R6	(2,731,627)	5,472,460
American Funds New Perspective Fund R6	(569,706)	5,156,463
Fidelity Diversified International Fund	(5,728,113)	16,115,184
AllianceBern Small Cap Growth I	(4,307,284)	8,979,159
American Beacon Small CP Val Inst	(1,851,436)	4,050,718
TIAA-CREF Small Cap Blend IDX Inst	(69,223)	1,927,425
Munder Mid Cap Growth Fund Class R6	(821,362)	6,871,424
Munder Mid Cap Growth	-	11,636,965
T. Rowe Price Mid Cap Value	(5,259,590)	23,391,747
Dodge & Cox Stock Fund	14,022,126	53,757,751
T. Rowe Price Growth Stock Fund	(1,358,173)	39,000,848

Note 8. Net Appreciation in Fair Value, Continued

	2014	2013
Vanguard Institutional Index Fund Plus	36,970,035	74,035,904
Pimco Funds - Institutional All Assets	(106,450)	(514)
Blackrock Inflation Protected Bond Institutional	(76,172)	(1,437,817)
Pimco Total Return-Institutional	(303,257)	(5,122,108)
	27,809,768	247,171,839
Target retirement funds		
State Street Global Advisors Aged Based Income	558,894	770,021
State Street Global Advisors Aged Based 2010	1,488,799	2,068,029
State Street Global Advisors Aged Based 2020	4,144,109	7,908,519
State Street Global Advisors Aged Based 2030	2,659,049	5,822,496
State Street Global Advisors Aged Based 2040	1,499,755	3,912,702
State Street Global Advisors Aged Based 2050	70,397	121,784
	10,421,003	20,603,551
Stable value fund	9,729,619	(30,298,877)
Schwab self-directed brokerage account	362,746	917,523
	$ 48,323,136	$ 238,394,036

Note 9. Schwab Self-Directed Brokerage Account

Effective January 1, 2010, participants have the option to invest in a self-directed brokerage account. The self-directed brokerage account is offered through Charles Schwab & Co., Inc. and allows participants to select from numerous mutual funds and other types of securities, such as stocks and bonds, for an additional fee or fees. As of December 31, 2014 and 2013, the balances invested in the Schwab self-directed brokerage account were $10,469,341 and $9,313,345, respectively.

Note 10. Plan Termination

Currently, there are no intentions to terminate the Plan. However, the State reserves the right to terminate, suspend, withdraw or amend the Plan at anytime.

Note 11. Tax Status

The Plan has received a favorable determination from the IRS as qualifying under Section 401(k) of the Internal Revenue Code (IRC) and, as such, is exempt from federal and state income taxes. As a result, amounts of compensation deferred by employees participating in the Plan are not subject to federal income tax withholding, and the compensation is not includable in taxable income until actually paid or otherwise made available to the participant, his beneficiary or his estate.

Accounting principles generally accepted in the United States of America require plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the Plan has taken an uncertain position that more likely than not would not be substantiated upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2014, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

Note 12. Risks and Uncertainties

The Plan 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 participants' account balances and the amounts reported in the statements of net position available for benefits.

Note 13. Commitments

Effective November 1, 2014, PEBA entered into a new agreement with the investment advisor that runs through October 31, 2015, which requires an annual fee of $85,000, payable in twelve equal monthly installments. The Plan will share the cost pro-rata with the South Carolina 457 Deferred Compensation Plan and Trust based upon Plan assets under management.

Effective January 1, 2015, PEBA entered into a new agreement with the Plan administrator that runs through December 31, 2017, which requires an annual fee of 0.10 percent of total Plan assets, assessed to participant accounts on a quarterly basis.