



SOUTH CAROLINA RETIREMENT SYSTEM

INVESTMENT COMMISSION

**Proposed Annual Investment Plan Review
Fiscal Year 2015-16**

Internal Audit Flash Report

As of April 22, 2015

TO: Allen Gillespie, Audit Committee Chair

**C: Mike Hitchcock, Executive Director
Hershel Harper, Chief Investment Officer
Ed Giobbe, Investment Commission Chair**

EXECUTIVE SUMMARY

At the request of the SC Retirement System Investment Commission (“RSIC”) Audit Committee, we recently completed a limited review of the Annual Investment Plan (“AIP”) for Fiscal Year 2015-16 which is scheduled for presentation and approval at the April 23, 2015 RSIC Commission Meeting. The following work was performed:

- Reviewed the AIP for compliance with the Section 9-16-330(B) of the SC Code of Laws
- Reviewed the AIP for consistency with the directives in the Statement of Investment Objectives and Policies as amended and adopted November 20, 2014
- Reviewed the AIP for clarity and consistency of the items presented.

The main purpose of this review was to provide the Commission with independent assurance relative to the technical adequacy of the AIP for Fiscal Year 2015-16 prior to their approval of such. The review was conducted by Monica Houston, Chief Audit Officer.

A review differs from an audit in that substantive testing is not performed at a level consistent with generally accepted auditing standards. The intent of this flash report is to detail the results of the work performed in accordance with the aforementioned scope and not to opine on the management’s compliance with the AIP or the system of internal controls relative to such.

As a result of our review, we conclude that overall the AIP for FY 2015-16, when reviewed in tandem with relevant portions of the SIOP, appears to meet the requirements of Section 9-16-330(B). However we did observe a few areas where management should consider technical revisions of a nature that is immaterial to the substance of the AIP.

BACKGROUND

Annually, the Commission adopts a Statement of Investment Objectives and Policies (“SIOP”), which provides the objectives, policies, and guidelines for investing the assets of the South Carolina Retirement Systems (the “Portfolio”). The SIOP provides the framework by which the RSIC, at the direction of the Chief Investment Officer (“CIO”), drafts a proposed Annual Investment Plan (“AIP”). South Carolina law requires the CIO to submit the proposed AIP to the Commission no later than April 1st of each year, and the Commission must adopt a final AIP no later than May 1st of each year for the following fiscal year which begins on July 1. The Commission may amend the AIP during the fiscal year as it deems appropriate.

The purpose of the AIP is to provide a formal document for investing and managing the Retirement System’s assets to achieve the Commission’s investment objectives and mission as stated in the SIOP, which is incorporated therein. The relevant portion of the SIOP may constitute parts of the AIP pursuant to Section 9-16-50(B). The Commission adopts the SIOP, in its entirety, into the AIP, in accordance with Section 9-16-50(B) and to satisfy compliance with the requirements of Section 9-16-330(B).

SCOPE OF REVIEW AND APPROACH

Our review covered the Annual Investment Plan for FY 2015-16 scheduled for presentation and approval at the April 23, 2015 RSIC Commission Meeting. The main purpose of this review was to provide the Commission with independent assurance relative to the technical adequacy of the AIP for Fiscal Year 2015-16 prior to their approval of such.

We performed the following procedures as part of our review:

- Reviewed the AIP for compliance with the Section 9-16-330(B) of the SC Code of Laws
- Reviewed the AIP for consistency with the directives in the Statement of Investment Objectives and Policies as amended and adopted November 20, 2014
- Reviewed the AIP for clarity and consistency of the items presented.

RESULTS

Overall the AIP for FY 2015-16, when reviewed in tandem with relevant portions of the SIOP, appears to meet the requirements of Section 9-16-330(B)

OBSERVATIONS

None

RECOMMENDATIONS

Provided and discussed with management a few areas where technical revisions may provide additional clarity. Items were not material in nature and as such there are no formal recommendations.