

Meeting Minutes | Finance, Administration, Audit and Compliance (FAAC) Committee

Wednesday, July 20, 2016 | 3:15 p.m.

200 Arbor Lake Dr., Columbia, SC 29223 | Second Floor Conference Room

Minutes approved August 17, 2016

Board Members Present: Frank Fusco, Chairman Steve Matthews, and Mr. Steve Osborne

Board Members Present Via Telephone: Ms. Stacy Kubu

Others Present for All or a Portion of the Meeting: Melissa Alexander, Shawunda Baker, Peggy Boykin, Robby Brown, Sarah Corbett, Doug Hislop, Heather Muller, James Manning, Tammy Nichols, John Page, Lisa Phipps, Travis Turner, Stephen Van Camp, Justin Werner, and Heather Young from the South Carolina Public Employee Benefit Authority (PEBA).

I. Call to Order

Chairman Steve Matthews called the PEBA Finance, Administration, Audit and Compliance (FAAC) Committee meeting to order at 3:15 p.m., and stated that the public meeting notice was posted in compliance with the Freedom of Information Act.

II. Adoption of Proposed Agenda

Mr. Steve Osborne made a motion, which was seconded by Ms. Stacy Kubu, and passed unanimously, to adopt the proposed meeting agenda.

III. Approval of Meeting Minutes- May 18, 2016

Mr. Osborne made a motion, which was seconded by Ms. Kubu, and passed unanimously, to approve the minutes from the May 18, 2016, Committee meeting.

IV. 2016 Bylaw Revisions

Chairman Matthews reviewed several modifications to the PEBA Board of Directors Bylaws related to the Committee assignment process. Mr. Matthews explained that the revisions would adjust the appointment of Committee members to occur during the month of July of each even numbered years, rather than during the month of May as currently required.

Mr. Osborne made a motion, which was seconded by Ms. Kubu, and passed unanimously, to approve the proposed modifications to the PEBA Board of Directors Bylaws, and recommend the modifications to the full Board for approval.

V. Strategic Planning

Ms. Sarah Corbett, Chief Operating Officer, reviewed a revised version of the 2016-2018 Strategic Plan. Ms. Corbett advised that the modified version includes an updated format; the addition of

key measures; new action items; and the alignment of core values to reflect the Characteristics of High Performance. Ms. Corbett also noted that the Strategic Plan's Vision has been modified to read "Serving those who serve South Carolina".

The Committee commented that the new Strategic Plan format is much easier to read and follow.

Chairman Matthews asked that a Committee Charter review be included on the August 17, 2016, agenda.

VI. Operational Assessment

Ms. Corbett reviewed the Operational Assessment project, and stated that PEBA's core operational system was built in the early 1990's with the Adabas/Natural technology foundation, and cannot keep pace with future demands.

Ms. Corbett advised that the Operational Assessment is an enormous project that will take at least five years to complete. Ms. Corbett stated Funston Advisory Services LLC, noted in their audit findings that there will be significant PEBA institutional knowledge loss with upcoming retirements. Ms. Corbett reported that nearly 45 percent of PEBA's workforce is either already retired or will be eligible to retire within the next five years, which increases the urgency to migrate to a new technology platform.

Ms. Corbett advised that Linea Solutions has been selected to lead the project, and they have over 20 years of experience in consulting and supporting public sector benefit programs. Ms. Corbett stated the Linea Solutions reviewed PEBA's operational processes, technology and resources, and have provided a recommended planning Roadmap for consideration.

Ms. Corbett reviewed the Operation Assessment recommendations, and the project benefits and value for PEBA's infrastructure, customers, and employers. Ms. Corbett reported that the cost estimate for completing the Operational Assessment is \$50 million (\$10 million dedicated annually for five years). Additionally, \$1.9 to \$2.5 million in informational technology cost will be required. Ms. Corbett advised that the System would be delivered in two phases, and significant PEBA resources will be dedicated and committed to the project.

Ms. Corbett concluded the presentation by outlining recommended actions, discussing program execution risks, and detailing the next steps.

VII. Internal Audit Reports

Mr. John Page, Director of Internal Audit, provided the PEBA internal audit reports including:

- A. Audit Plan Status Report
- B. Internal Audit Department Charter Revisions
- C. Internal Audit Report Policy Revisions

Mr. Page stated that some of the language in the Internal Audit Department Charter has been revised regarding the professional standards that the Internal Audit will follow for 2016 and after.

Mr. Osborne made a motion, which was seconded by Ms. Kubu, and passed unanimously, to approve the Internal Audit Department Charter Revisions as presented.

VIII. Old Business/Director's Report

Ms. Peggy Boykin, Executive Director, stated that she did not have any additional information to report.

IX. Executive Session for Discussion of Security Plans and Devices Related to User Access pursuant to S.C. Code of Laws § 30-4-70(a)(3), and for the Receipt of Legal Advice related to PEBA's Ethics Policies pursuant to S.C. Code of Laws § 30-4-70(a)(2).

At 4:35 p.m., Mr. Osborne made a motion, which was seconded by Ms. Kubu, and passed unanimously, to recede into executive session for the discussion of security plans and devices related to user access and for the receipt of legal advice related to PEBA's ethics policies.

The Committee reconvened in open session at 5:14 p.m. Chairman Matthews announced that no action was taken by the Committee while in executive session

X. Adjournment

There being no further business, and upon motion by Mr. Osborne, which passed unanimously, the Committee meeting adjourned at 5:15 p.m.