

SC PUBLIC EMPLOYEE BENEFIT AUTHORITY- BOARD OF DIRECTORS

Finance, Administration, Audit, and Compliance Committee

MINUTES [approved 3/4/14]

202 Arbor Lake Drive, Columbia SC, Main Conference Room 2nd Floor

Tuesday, December 3, 2013, 2:00 p.m.

FAAC Committee Members Present:

Mr. Steve Matthews, Chairman (in person)
Ms. Peggy Boykin (in person)
Mr. Leon Lott (by phone)
Mr. Art Bjontegard (in person)

Other Members Present:

Mr. Frank Fusco (in person)

Others present for all or a portion of the meeting:

David Avant, Lil Hayes, Stephen Van Camp, Travis Turner, Justin Werner, John Page, Phyllis Buie, and Breta Smith from the South Carolina Public Employee Benefit Authority (PEBA); Ray Williamson with DeLoach & Williamson, Donald Tudor with the SC Retirees Association, and Carlton Washington with the SC Employees Association.

AGENDA

1. CALL TO ORDER; ADOPTION OF PROPOSED AGENDA

Mr. Matthews called the meeting to order at 2:05 p.m. Ms. Hayes confirmed meeting notice compliance with the Freedom of Information Act. Mr. Bjontegard moved to adopt the proposed agenda. Mrs. Boykin seconded. Unanimously approved.

2. APPROVAL OF MEETING MINUTES- NOVEMBER 6, 2013

Mr. Matthews asked for amendments to the November 6, 2013, committee minutes. After noting one typographic correction, Mr. Matthews asked for a motion to approve the minutes. Ms. Boykin moved to approve and Mr. Lott seconded. Unanimously approved.

3. HEALTH FINANCIAL STATEMENTS AUDIT FY 12/13 [IN NOTEBOOK MATERIALS]

Mr. Avant introduced Ray Williamson with DeLoach & Williamson who presented an executive overview of the audit of June 30, 2013 for PEBA's Insurance Benefits and Related Trusts (SC Retiree Health Insurance and Long-term Disability Insurance). Mr. Williamson indicated that the independent auditors' report on the financial statements of PEBA's Insurance Benefits and related trusts were an unmodified or "clean" opinion, which is the highest level of reporting assurance an organization can receive from its independent auditors. He summarized the internal controls of the audit, the statement of net position of the Trust, and statement of revenues, expenses and changes in net position.

The Committee directed the Health Care Policy Committee to examine the overfunded status of the Long-term Disability Insurance Fund and to request the actuaries to provide their recommendations on eliminating premiums due to the overfunded status. PEBA staff indicated they could work with the actuaries and provide recommendation to the Health Care Policy Committee during their January 2014 meeting.

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The Committee also asked PEBA staff to explore the possibility of accelerating the completion of the dependent audit currently being conducted on members of the State Health Plan in order to capture more savings. It was noted that the audit is approximately 50% completed and has yielded approximately \$15 million in decreased liability to the Plan.

4. OLD BUSINESS

Internal Auditor Charter [in notebook materials]

PEBA's Internal Auditor introduced and requested the adoption of the Internal Auditor Charter. The International Standards for the Professional Practice of Internal Auditing require the purpose, authority, and responsibility of the internal audit activity to be formally defined in a Charter.

There was discussion regarding the internal structure of PEBA's field auditors. Mr. Page advised leaving the current reporting structure to associated department managers, as the people in those positions are researching employer compliance issues than auditing, and have expertise in those subject areas.

The Committee requested Mr. Page to analyze his workload and report to the Committee if additional resources are needed within his unit.

The Committee reiterated Mr. Page's direct line of reporting should be to Mr. Matthews as Chairman of the FAAC Committee with a dotted line to the Director of the agency for administrative purposes.

Action:

Mr. Matthews asked for a motion to approve the Internal Auditor Charter. Mr. Bjontegard moved to recommend and Ms. Boykin seconded. Unanimously recommended.

Internal Auditor Follow-up Information [in notebook material]

As requested during the previous FAAC Committee meeting, Mr. Page provided follow-up information on the following:

1. PEBA's Internal Audit Department's standards in comparison with Internal Audit Standards
2. Internal Audit Department quality Assurance and Benchmarking Procedures
3. SCRS & EIP External Financial Auditors 2005 – 2017

The Committee received this as information.

2014 Proposed PEBA Legislation

Mr. Matthews advised that a final consolidated copy of PEBA's proposed legislation for 2014 is available for members to provide to their sponsors.

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2014 FAAC Meeting Schedule

Mr. Matthews announced that the FAAC Committee will tentatively plan to meet in 2014 on the first Tuesday of each month at 2:00 PM.

Executive Director Search

Mr. Matthews announced that he has set up a meeting with the State Office of Human Resources to review the position description, dissemination of the position, and the timeline for dissemination.

5. EXECUTIVE SESSION PURSUANT TO S.C. CODE OF LAWS § 30-4-70 (A)(2)

An executive session was called and entered into unanimously at 3:27 p.m. for purposes of legal advice. Mr. Lott confirmed that he was the only person present on the line.

Open meeting resumed at 3:39 p.m. following the Executive Session. No action was taken by the Committee while in Executive Session.

6. ADJOURNMENT

There being nothing further to discuss, the Committee meeting adjourned at 3:40 p.m.