

SC PUBLIC EMPLOYEE BENEFIT AUTHORITY- BOARD OF DIRECTORS

Finance, Administration, Audit, and Compliance Committee

MINUTES [approved 4/1/2014]

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

Tuesday, March 4, 2014, 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:

Travis Turner, Lil Hayes, Stephen Van Camp, John Page, Matt Davis, Renee Dash, Tiffany Latimer, and Virginia Wetzel from the South Carolina Public Employee Benefit Authority (PEBA); Tom McNeish and Brian D'Amico with Elliott Davis; Nancy Ornduff, Amy Heyel, Danette Rausch, Gary Longwell, and Liz Davidsen with Great West Financial; and Donald Tudor with the SC Retirees 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. Ms. Boykin moved to adopt the proposed agenda. Mr. Bjontegard seconded. Unanimously approved.

2. APPROVAL OF MEETING MINUTES- DECEMBER 3, 2013

Mr. Matthews asked for amendments to the December 3, 2013, committee minutes. There being no amendments, Mr. Matthews asked for a motion for approval. Mr. Bjontegard moved to approve and Ms. Boykin seconded. Unanimously approved.

3. SC DEFERRED COMPENSATION PROGRAM: EXTERNAL AUDITOR REPORT [IN NOTEBOOK MATERIALS]

Mr. Davis introduced Renee Dash who joined PEBA in December 2013. He explained that Ms. Dash is handling the Defined Contribution Unit's accounting and audit functions. Ms. Dash provided a brief summary of her professional background.

Matthew Davis opened the presentation by explaining that Elliott Davis, LLC was contracted during 2013 to perform testing as part of the SC Deferred Compensation Program's Agreed Upon Procedures engagement. He introduced Tom McNeish and Brian D'Amico from Elliott Davis who reported on the findings related to the audit engagement. Members from Great-West Retirement Services were also available to address any comments or questions.

There was discussion regarding the 2012 Agreed-upon Procedure #1 audit findings regarding the continuation of contributions within six months following a hardship withdrawal. The Committee requested Elliott Davis to provide past recommendations concerning this audit finding and

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requested PEBA staff and Great West to compare IRS regulations in comparison to Deferred Compensation's Plan Document. As a result of this comparison, the Committee will be able to consider plan document changes and/or explore ideas that will affect the behavior of employers to assure the discontinuation of participant contributions following a hardship withdrawal.

There was discussion regarding the 2012 Agreed-upon Procedure #2 audit finding regarding the status of unclaimed distributions. The Committee directed PEBA staff to review previous minutes from the committee and summarize the discussions regarding unclaimed distributions. Specifically, staff is to research potential legislation allowing PEBA to create a fund to house unclaimed distributions.

Mr. Bjontegard noted that many of the repeat audit exceptions precede PEBA's relationship with Great-West and Elliott Davis. He suggested that PEBA staff should work toward eliminating repeat audit findings going forward by holding the employers accountable. The Committee directed staff to research if statutory changes are needed.

4. PEBA'S INTERNAL AUDITOR QUARTERLY REPORT (2014, 1ST QUARTER)

2014 Risk Based Internal Audit Plan [in notebook materials]

John Page, PEBA's Internal Auditor, presented a risk-based audit plan to determine the priorities of his audit activity, consistent with the organization's goals. The time period covered by this plan will be from March 1, 2014 to February 28, 2015. After consideration of external and internal audits, engagements, and reviews, he identified the important areas or processes that would be reviewed during 2014 with the top priority centered on data security.

Action:

Mr. Matthews asked for a motion to approve the 2014 Internal Auditor's risk-based Internal Auditor Plan for March 1, 2014 through February 28, 2015. Mr. Bjontegard moved to recommend and Ms. Boykin seconded. Unanimously recommended.

5. OLD BUSINESS

Legislative Update

There was discussion regarding the utilization of PEBA's legislative liaison and the timeliness of legislative updates provided to the Board. The Committee directed staff to provide the Board with an initial list of legislation involving PEBA and to follow-up weekly with any movement of the legislation. The Committee emphasized the importance of communicating with sponsors of PEBA related legislation in advance to get a clear vision of the purpose behind the legislation. They also stressed the importance of utilizing the Board Members' relations with legislators to properly communicate PEBA's vision and mission.

Mr. Van Camp reported the status of Senate Bill 954, 1008, and 962 which were on the agenda of the Senate Finance Committee Meeting being held simultaneously with the FAAC Committee

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meeting. The Committee directed staff to provide a detailed report of these bills as they were either passed or carried over in the Senate Finance Committee Meeting held on March 4, 2014.

PEBA's IG Fiduciary Audit

Mr. Turner advised that the Legislature has directed through a proviso in the FY 2015-2016 budget, the Inspector General's office to conduct a fiduciary audit to be completed by January 15, 2015. PEBA staff will be working with the Inspector General's office, and will offer amended and/or new proviso language for the IG to give to the Legislature to extend the completion deadline to March 31, 2015.

PEBA Employee Recognition

Action:

Mr. Matthews asked for a motion to direct PEBA staff to create criteria for an annual employee recognition and bonus program and to research the details of conducting a PEBA employee compensation study. Mr. Bjontegard moved to approve and Ms. Boykin seconded. Unanimously approved.

Board Member Tablets/ Software

Mr. Matthews announced that IT training on the use of new tablets and software will be provided during the April 2014 Board meeting.

6. NEW BUSINESS/ ROUND TABLE

There was no new business.

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

The Committee did not enter into Executive Session.

8. ADJOURNMENT

There being nothing further to discuss, the Committee meeting adjourned at 5:19 p.m.