

FAAC Committee Members Present:

Mr. Steve Matthews, Chairman
Ms. Stacy Kubu (via telephone)
Mr. Leon Lott (via telephone)
Mr. Art Bjontegard

Others present for all or a portion of the meeting:

Edith Ashcraft, Peggy Boykin, Sarah Corbett, Doug Hislop, Megan Lightle, Heather Muller, Tammy Nichols, John Page, Travis Turner, Stephen Van Camp, Justin Werner, and Heather Young from the South Carolina Public Employee Benefit Authority (PEBA); and Wayne Pruitt and Donald Tudor with the State Retirees Association of South Carolina.

1. CALL TO ORDER

Chairman Steve Matthews called the PEBA Finance, Administration, Audit and Compliance (FAAC) Committee meeting to order at 3:17 p.m.

2. ADOPTION OF PROPOSED AGENDA

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

3. APPROVAL OF MEETING MINUTES – FEBRUARY 11, 2015

Chairman Matthews referred to the draft minutes from the February 11, 2015, Committee meeting, and asked for a motion to approve. Mr. Leon Lott made a motion, which was seconded by Mr. Bjontegard, and passed unanimously, to approve the minutes from the February 11, 2015, Committee meeting.

4. PEBA BOARD BYLAWS FOLLOW-UP REVISION

Chairman Matthews referred to an additional modification to the PEBA Board of Directors Bylaws which was amended to conform with the deletion of a prior section.

Mr. Bjontegard made a motion, which was seconded by Mr. Lott, and passed unanimously, to recommend the amended PEBA Board of Directors Bylaws to the full Board for approval.

5. INTERNAL AUDIT REPORTS

Mr. John Page, Director of Internal Audit, presented a series of internal audit reports including:

- a. Internal Audit Report on IT Network Access Controls;
- b. Internal Audit Report on IT Segregation of Duties and Supervision;
- c. Internal Audit Report on the Actuary File Creation Process;
- d. Internal Audit Plan Status Report; and
- e. 2015 PEBA Internal Audit Plan.

Mr. Page stated that all of the audit reports were delivered as information, except for the 2015 Audit Plan which must be approved by the Committee.

Following further review, Mr. Bjontegard made a motion, which was seconded by Ms. Kubu, and passed unanimously, to approve the 2015 Internal Audit Plan as presented.

6. OLD BUSINESS/DIRECTOR'S REPORT

Ms. Peggy Boykin, PEBA's Executive Director, stated that PEBA has received confirmation from the Bank of New York Mellon (BONY) that the securities lending portfolio assets in the Other Post Employment Benefits (OPEB) trust funds have been properly segregated as of February 17, 2015. Ms. Boykin advised that BONY will be correcting the Governmental Accounting Standards Board (GASB) 28 statements that were issued from the inception of OPEB in 2008, through the current date.

Ms. Boykin reported that BONY is still working on adjusting the reported income of the securities lending portfolio assets in the OPEB trust funds, and PEBA hopes to receive this information in the near future. Ms. Boykin stated that PEBA will be establishing a protocol on receiving a status update from BONY so that progress can be monitored weekly.

Ms. Boykin advised that PEBA presented the State Health Plan budget report to the House Ways and Means Committee Healthcare Subcommittee on February 4, 2015, and to the Senate Finance Health and Human Services Subcommittee on February 25, 2015.

Ms. Boykin reminded the Committee that the Board retreat will be March 27-28, 2015, and advised that a draft agenda has been posted for review. Ms. Boykin stated that March 27th will be dedicated to fiduciary education, and March 28th will be primarily focused on the staff action plans related to the Funston recommendations. Ms. Boykin advised that after the retreat, PEBA will be presenting a quarterly update on the progress towards the implementation of the Funston Fiduciary Audit recommendations to the Senate Finance Special Subcommittee to Review the Investment of State Retirement Funds.

Ms. Boykin expressed her appreciation to PEBA staff for their tremendous efforts related to the Funston recommendations.

7. ADJOURNMENT

There being no further business, the Committee meeting adjourned at 4:00 p.m.