

FAAC Committee Members Present:

Mr. Steve Matthews, Chairman
Mr. Art Bjontegard
Mr. Frank Fusco
Ms. Stacy Kubu (Via telephone)

FAAC Committee Members Absent:

Mr. Leon Lott

Others present for all or a portion of the meeting:

Peggy Boykin, Sarah Corbett, Megan Lightle, Heather Muller, Tammy Nichols, John Page, Stephen Van Camp, and Justin Werner 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 3:18 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 – SEPTEMBER 3, 2014

Chairman Matthews referred to the draft minutes from the September 3, 2014, Committee meeting, and asked for a motion to approve. Mr. Bjontegard made a motion, which was seconded by Ms. Kubu, and passed unanimously, to approve the minutes from the September 3, 2014, Committee meeting.

4. PEBA BOARD CONTINUING EDUCATION POLICY REVISED

Chairman Matthews reminded the Committee that since the Continuing Education Policy was adopted after the beginning of the fiscal year, many Board members did not have the opportunity to obtain the required number of continuing educational credits. The Continuing Education Policy was amended to include the language in bold: "As nearly as practical, members of the Board of Directors shall participate in no less than eighteen (18) hours of qualifying educational training programs or conferences **each reporting period. The reporting period shall be a period of two fiscal years ending on June 30 of even-numbered years, commencing with the period that began July 1, 2014. If a member has earned more than the required number of hours of educational credit during a reporting period, the member may carry over up to nine (9) hours of excess credit to the following reporting period. If a member is appointed to the Board of Directors after the beginning of a reporting period, the number of hours of required educational credit for that member shall be prorated for that period based upon the period of time between the**

member's appointment and the end of the reporting period, or may, at the Chairman's discretion, be waived in appropriate circumstances."

Mr. Bjontegard made a motion, which was seconded by Ms. Kubu, and passed unanimously, to accept the revised Continuing Education Policy, and recommend the revisions to the Board for final approval.

5. PEBA BOARD ATTENDANCE POLICY

Chairman Matthews reminded the Committee that currently, there is not an attendance category for excused absences, and a PEBA Board Attendance Policy was created to address this issue.

After review, Mr. Bjontegard made a motion, which was seconded by Ms. Kubu, and passed unanimously, to accept the PEBA Board Attendance Policy, and recommend the Attendance Policy to the Board for consideration.

6. PEBA INTERNAL AUDIT REPORTS

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

1. Internal Audit Report on Operational Reports;
2. Retirement Division- External Investment Accounts;
3. Annual Certification of No Conflicts; and
4. Quarterly Internal Audit Plan Status Report.

Mr. Page presented the results of his review and management's responses to two minor audit exceptions within the Operational Reports. Mr. Page stated that he was extremely impressed that almost all of the audited reports were very accurate and relevant for the current use.

Mr. Page stated that some of the measurements that were used in the Operational Reports will also be useful in the upcoming strategic planning process.

Ms. Peggy Boykin, PEBA's Executive Director, stated that staff will be conducting a two-day strategic planning session to develop a long-term five-year Strategic Plan, and will present a draft Strategic Plan at the December 17, 2014, Board meeting, and going forward, will provide additional updates at each quarterly Board meeting.

Mr. Bjontegard stated that he would like each Committee to work on strategic planning at the Committee meetings in November, and be prepared to bring suggestions to the full Board meeting in December.

Mr. Page reviewed the Retirement Division – External Investment Accounts Report, and stated that as of December 31, 2013, PEBA's Retirement Division had an investment portfolio valued at over \$28 billion in accounts at Wells Fargo Bank, the Bank of New York Mellon (BNYM), and over 100 investment managers. Mr. Page added that Retirement accounting staff work with these banks, investment managers, the State Treasurer's Office (STO), and the South Carolina Retirement

System Investment Commission (RSIC) to ensure the investments are accounted for, audited, and properly reported each year.

Chairman Matthews thanked Mr. Page for his internal audit presentation.

7. OLD BUSINESS/DIRECTOR'S REPORT

Ms. Boykin provided the Director's Report, and stated that the contract with CliftonLarsonAllen, PEBA's external auditor, is in the process of being amended to include the Governmental Accounting Standards Board (GASB) 68 requirements. Ms. Boykin also stated that the contract with Elliott Davis, LLC, has been extended for an additional year with the deferred compensation plan.

8. EXECUTIVE SESSION

At 4:30 p.m., Mr. Bjontegard made a motion, which was seconded by Chairman Matthews, and passed unanimously, to recede into executive session to receive legal advice pursuant to S.C. Code Ann. § 30-4-70. The Committee thereupon receded into executive session.

The Committee reconvened in open session at 5:45 p.m. It was noted that no action was taken by the Committee while in executive session.

9. ADJOURNMENT

There being no further business, Mr. Bjontegard made a motion, which was seconded by Chairman Matthews, and passed unanimously, to adjourn the Committee meeting at 5:47 p.m.