

**FAAC Committee Members Present:**

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

**Others present for all or a portion of the meeting:**

Edith Ashcraft, Peggy Boykin, Kim Brown, Phyllis Buie, Sarah Corbett, Megan Lightle, Heather Muller, Tammy Nichols, John Page, Breta Smith, Stephen Van Camp, and Justin Werner from the South Carolina Public Employee Benefit Authority (PEBA); Sam Griswold and Donald Tudor with the State Retirees Association of South Carolina; and Thomas Ray from CliftonLarsonAllen.

**1. CALL TO ORDER**

Chairman Steve Matthews called the PEBA Finance, Administration, Audit and Compliance (FAAC) Committee meeting to order at 3:20 p.m.

**2. ADOPTION OF PROPOSED AGENDA**

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

**3. APPROVAL OF MEETING MINUTES – OCTOBER 8, 2014**

Chairman Matthews referred to the draft minutes from the October 8, 2014, 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 October 8, 2014, Committee meeting.

**4. FY 13/14 SCRS FINANCIAL STATEMENTS AUDIT**

Mr. Thomas Ray, CPA, with CliftonLarsonAllen, PEBA's external auditor, presented the Retirement System's financial statements for fiscal year 2013-2014. Mr. Ray stated that this audit report is an unmodified "clean" opinion that the financial statements are presented fairly, and in conformity with the U.S. General Accepted Accounting Principles (GAAP). Mr. Ray noted that there are significant pension disclosure changes due to the implementation of Governmental Accounting Standards Board (GASB) 67. Mr. Ray advised that a retroactive change in accounting principles associated with the implementation of GASB 67, resulted in an adjustment to current year and prior year period amounts for the deferred retirement benefit liability and expenses, to reflect only benefits immediately due and payable, but not yet distributed at June 30, 2014.

Mr. Ray stated that there were no material weaknesses or significant deficiencies identified in the audit. Mr. Ray reported that the Retirement System's net position increased by \$3 billion, for a total of \$29,927,711, and the long-term expected rate of return is 8.63 percent, which includes a 2.75 percent inflation component.

Following further discussion, Chairman Matthews thanked Mr. Ray for his presentation.

## **5. INTERNAL AUDIT QUARTERLY UPDATE**

Mr. John Page, Director of Internal Audit, introduced Ms. Edith Ashcraft, who joined the Internal Audit team in November. Mr. Page stated that Ms. Ashcraft will be working on the Internal Audit Plan, various special projects, and Information Technology reviews.

Mr. Page also provided the PEBA internal audit reports including:

1. Internal Audit Report on Building Key Cards;
2. Internal Audit Plan Status Report;
3. Fiduciary Audit Status Report; and
4. Quality Assurance Processes.

Ms. Peggy Boykin, PEBA's Executive Director, stated that Funston Advisory Services (Funston) will provide a draft of the Fiduciary Audit to the Inspector General's Office by December 22, 2014. Ms. Boykin stated that Funston will also provide a draft report to the Board that can be discussed at the January 2015 Board meeting.

Ms. Boykin advised that the Insurance Dependant Eligibility Audit should be completed by March 2015, and has resulted in saving \$15 million of liability to the Plan.

## **6. STRATEGIC PLANNING**

Ms. Sarah Corbett, PEBA's Chief Operating Officer, provided a draft of the Strategic Plan that the Board will review at the December 17, 2014, quarterly meeting. Ms. Corbett reviewed staff action plans and accomplishments that have been inserted within the Strategic Plan document that was previously approved by the Board in 2013.

Mr. Bjontegard advised that each Committee should review the draft Strategic Plan, prioritize each action plan item according to its urgency for completion, and provide feedback to staff before the December 17, 2014, quarterly Board meeting. Mr. Bjontegard stated that staff will incorporate these changes into the Strategic Plan that the Board will discuss at their next meeting. Mr. Bjontegard also reported that the final version of the Strategic Plan will be very succinct, with detailed action plans and accomplishments as part of the appendix.

## **7. OLD BUSINESS/DIRECTOR'S REPORT**

Ms. Boykin provided the Director's Report, and stated that when the legislative session begins in January, PEBA will ask the General Assembly to adopt a resolution that will nullify the proviso that requires PEBA to reimburse all pharmacies equally, since this proviso conflicts with the previously arranged agreement with Catamaran.

## **8. ADJOURNMENT**

There being no further business, the Committee meeting adjourned at 5:05 p.m.