

Meeting Agenda | Finance, Administration, Audit and Compliance (FAAC) Committee

Wednesday, March 16, 2016 | 3:15 p.m.

200 Arbor Lake Dr., Columbia, SC 29223 | Second Floor Conference Room

- I. Call to Order
- II. Adoption of Proposed Agenda
- III. Approval of Meeting Minutes- February 17, 2016
- IV. 2016 ByLaw Revisions
- V. Internal Audit Reports
 - A. StoneBridge Recovery Audit
 - B. Analytical Review of Retirement Accounts and Claims
 - C. Internal Audit Report on Data Security- Third Parties
 - D. Internal Audit Plan Status Report
 - E. 2016 SC PEBA Internal Audit Plan
- VI. Old Business/Director's Report
- VII. Adjournment

Notice of Public Meeting

This notice is given to meet the requirements of the S.C. Freedom of Information Act and the Americans with Disabilities Act. Furthermore, this facility is accessible to individuals with disabilities, and special accommodations will be provided if requested in advance.

PUBLIC EMPLOYEE BENEFIT AUTHORITY AGENDA ITEM
Finance, Administration, Audit and Compliance Committee

Meeting Date: March 16, 2016

1. Subject: 2016 Bylaw Revisions

2. Summary: Attached are the approved proposed Bylaw changes for the FAAC Committee. Additionally, suggested revisions are in in paragraph V(A) to remove any voting powers for non-Board members appointed to serve on a committee, and an amendment to paragraph X(C) to acknowledge the date of these amendments.

3. What is Committee asked to do? Approve the revisions

4. Supporting Documents:

(a) Attached: 1. 2016 Bylaw Revisions

**SOUTH CAROLINA PUBLIC EMPLOYEE BENEFIT AUTHORITY
BOARD OF DIRECTORS
BYLAWS**

I. PURPOSE

The South Carolina Public Employee Benefit Authority Board of Directors (“Board”) is the governing body of the South Carolina Public Employee Benefit Authority (“PEBA”), established by Act No. 278 of 2012 of the South Carolina General Assembly, as codified in Title 9 of the Code of Laws, Chapter 11 of Title 1 of the Code of Laws, and Chapter 23 of Title 8 of the Code of Laws, as amended from time to time (“Governing Law”); and the Board has the powers and responsibilities set out in the Governing Law. PEBA is an administrative agency charged by the Governing Law with administering the State’s public employee insurance programs, its retirement programs, and its deferred compensation program.

II. BOARD MEMBERSHIP

A. COMPOSITION

1. The Board shall consist of the number of members selected in the manner set forth in the Governing Law; each member, prior to commencing performance of the member’s duties, must meet the qualifications, comply with the requirements, and take the oath of office set forth therein and elsewhere in the Code of Laws of South Carolina 1976, as amended.
2. Copies of records of appointments and of notarized oaths of all Board members will be maintained by the secretary of the Board.

B. TERM OF OFFICE

1. Board members will serve for the periods determined in accordance with the Governing Law.
2. It shall be the responsibility of the Board secretary to notify the Secretary of State and the relevant appointing authority of any appointment to, resignation from, or vacancy in the membership of the Board and to insure that the requirements of Section II.A.1~~1~~ above are met.

III. GENERAL RESPONSIBILITIES AND DUTIES

The Board will fulfill the responsibilities, perform the duties, and exercise the powers assigned to it by the Governing Law and other relevant provisions of the Code of Laws of South Carolina 1976, as amended.

In discharging his or her duties with respect to PEBA, a Board member is entitled to rely in good faith on information, opinions, reports, or statements, including financial statements and other financial data, if prepared or presented by: (1) one or more officers or employees of the State whom the Board member reasonably believes to be reliable and competent in the matters presented; (2)

legal counsel, public accountants, actuaries, the South Carolina Retirement Systems Investment Commission or other persons as to matters the Board member reasonably believes are within the person's professional or expert competence; or (3) a committee of the board of directors of which a Board member is not a member if the Board member reasonably believes the committee merits confidence. A Board member is not acting in good faith under this section if he or she has knowledge concerning the matter in question that makes reliance otherwise permitted by this section unwarranted.

IV. BOARD MEETINGS

A. REGULAR MEETINGS

1. The Board shall meet at such times and intervals and in such places as it may determine to be necessary to meet its responsibilities, but not less often than may be required by law.
2. At or before its final regular meeting of any calendar year, the Board shall establish the calendar for its regular meetings during the upcoming calendar year.

B. SPECIAL MEETINGS

1. The Chairman of the Board or the Executive Director of PEBA or any two chairmen of the Board's standing committees may call a special meeting of the Board upon not less than forty-eight (48) hours notice, sent to members of the Board via e-mail to the e-mail address provided by the Board members to PEBA for that purpose.
2. The calling authority or the Board secretary may send the notice, which shall state the date, time, place, and purpose of the meeting; and the business to be transacted at such special meeting shall be limited to such purpose.
3. Any member may waive notice of any meeting. Except as provided in the next sentence, the waiver must be in writing, signed by the member entitled to the notice, and filed with the minutes or corporate records. The attendance of a member at a meeting shall constitute a waiver of notice of such meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business and at the beginning of the meeting (or promptly upon arrival) objects to holding the meeting or transacting business at the meeting, and does not thereafter vote for or assent to action taken at the meeting.

C. QUORUM

A majority of the statutorily authorized number of Board members shall constitute a quorum for the transaction of business at any meeting of the Board.

D. MANNER OF ACTING

1. Required Vote. The act of the majority of the members present at a meeting at which a quorum is present when the vote is taken shall be the act of the Board, unless, by law, a supermajority is required.
2. Telephone Meeting. Any or all members may participate in a regular or special meeting by, or conduct the meeting through the use of, any means of communication by which all members participating may simultaneously hear each other during the meeting. A member participating in a meeting by this means is deemed to be present in person at the meeting. A member or invited non-member may participate in Executive Session by telephone provided the participant provides assurance to the Board or Committee, reflected in the minutes of the meeting, that no uninvited person is present and able to listen to the Executive Session portion of the meeting.
3. Failure To Object To Action. A member who is present at a meeting of the Board or a committee of the Board when corporate action is taken is deemed to have assented to the action taken unless: (1) he objects at the beginning of the meeting (or promptly upon his arrival) to holding it or transacting business at the meeting; or (2) his dissent or abstention from the action taken is entered in the minutes of the meeting; or (3) he delivers written notice of his dissent or abstention to the presiding officer of the meeting before its adjournment or to the Executive Director immediately after adjournment of the meeting. The right of dissent or abstention is not available to a member who votes in favor of the action taken.

E. EXECUTIVE SESSION

The Board and its Committees may enter executive session during a public meeting in the manner and for the purposes authorized under the Code of Laws of South Carolina 1976, as amended.

F. ATTENDANCE

The attendance of members at Board meetings and of Board committee members at committee meetings shall be recorded, and the Board secretary shall transmit each member's attendance record for the preceding six (6) months to that member's appointing authority in each January and July. At the request of a member, the attendance record transmitted to a member's appointing authority may also reflect the reason for an absence from a meeting of the Board or a committee of the Board, provided that the member has also notified the Chairman of the Board or Chairman of the committee, as applicable, of the reason for the absence.

G. AGENDA

1. Proposed meeting agendas will be developed by the Executive Director in consultation with the Chairman of the Board and the chairmen of the Board's standing committees.
2. Any member of the Board may propose an item for the agenda of a Board meeting by submitting the proposed item to the Chairman or Executive Director not less than seven days prior to the date of the meeting or, for a special meeting called with less than seven days' notice, as soon

as practicable. Any such requests shall be taken into consideration in developing the proposed meeting agenda.

3. All meeting agendas are subject to final approval by the Chairman of the Board.

H. BOARD ASSESSMENT PROCESS

At least annually, the Board shall engage in a self-assessment process to evaluate the Board's performance. The results of the self-assessment process shall be taken into consideration by the Chairman and Executive Director in developing and recommending training and educational opportunities for Board members.

V. COMMITTEES

A. CREATION OF COMMITTEES

The Board may create one or more committees, and the Chairman shall appoint members of the Board to serve on them. Each committee must have not fewer than two nor more than five Board members. The term of committee members shall be annual and shall run from July 1 through the succeeding June 30, and until their successors are appointed. Each committee shall have a chairman who shall be appointed by the Chairman of the Board, and a vice-chairman who shall be elected by the members of the committee. A committee chairman shall serve a term running from July 1 through the succeeding June 30, and until their successor is appointed. Provided, however, that the term of a committee member or committee chairman ends when the member no longer serves on the Board. Each committee may appoint one or more non-Board members to serve as non-voting members of a committee if the committee finds that the non-Board members possess expertise, skills or qualifications that would aid the committee in fulfilling its responsibilities. Such non-Board members may vote only on committee matters and may not vote at meetings of the Board as a whole.

The Finance, Administration, Audit and Compliance Committee, the Retirement Policy Committee, and the Health Care Policy Committee shall be standing committees of the Board. The Chairman of the Board shall be a member of each standing committee. The Board may establish ad hoc committees as it deems appropriate to address specific matters or issues.

1. Committee Assignment Process

No later than May 30 of each year, the Chairman shall solicit input from the members of the Board regarding their desired committee assignments for the committee term commencing July 1. In addition, no later than May 30 of each year, the members of each committee shall, by vote at a duly called committee meeting, make a recommendation to the Chairman for the committee chairman for the ensuing committee term commencing July 1. The Chairman shall take these requests and recommendations into consideration in making committee assignments for the committee term commencing July 1. At the first committee meeting after July 1 each year, the committee shall elect a vice-chairman to preside over the committee and oversee committee business in the absence of the committee chairman.

2. Removal of Committee Members

No member shall be removed from a committee or from the chairmanship of a committee during a committee term, except upon request by that committee member or upon a vote of the Board.

B. REQUIRED PROCEDURES

The provisions of these Bylaws that govern meetings, including calling and setting agendas for regular and special meetings, notice and waiver of notice, executive sessions, and voting requirements of the Board apply to committees and their members, mutatis mutandis. A majority of Board members assigned to a committee of Board members constitutes a quorum for that committee to conduct business, and a majority of the Board members present must vote for an item for the committee to take official action on the item.

C. AUTHORITY

The authority of committees of the Board shall be limited to information-gathering and advice and recommendations to, and on behalf of, the Board, and to ministerial acts. Authority delegated to the Board by law may be exercised only by the Board. Committees may invite administrators, consultants, staff, external auditors, and/or others to attend meetings and provide pertinent information as necessary.

D. FINANCE, ADMINISTRATION, AUDIT AND COMPLIANCE COMMITTEE

The Finance, Administration, Audit and Compliance Committee (FAAC) will gather, analyze, and study information concerning PEBA's governance, financial reporting, audits, budgets, and regulatory compliance and will make recommendations and reports to the Board on those matters.

E. RETIREMENT POLICY COMMITTEE

The Retirement Policy Committee will gather, analyze, and study information concerning issues arising out of PEBA's administration of the retirement plans set out in Title 9 of the Code and the Deferred Compensation Program, and will make recommendations and reports to the Board on those matters.

F. HEALTH CARE POLICY COMMITTEE

The Health Care Policy Committee will gather, analyze, and study information concerning issues arising out of PEBA's administration of the insurance plans set out in Chapter 11 of Title 1 of the Code, and will make recommendations and reports to the Board on those matters.

VI. INDEMNIFICATION OF BOARD MEMBERS

PEBA shall indemnify and hold harmless members of the Board from and against all liabilities, costs, fees, and expenses, incurred as a result of their acts taken in their official capacity or as a

result of allegations regarding those acts, to the full extent permitted by law, and shall insure its obligation hereunder from the insurers and in the amounts determined by the Board, if deemed reasonably necessary.

VII. OFFICER SELECTION PROCESS

A. The officers of the Board will be a Chairman, a Vice-Chairman, a secretary of the Board and the Executive Director of PEBA.

B. The Chairman and the Executive Director shall be selected in accordance with the Governing Law. The Board shall, in each regular meeting held in the month of July of even-numbered years, select one of its nonrepresentative members to serve as Chairman for the ensuing twenty four months a term ending June 30 of the next even-numbered year, and until a successor is elected. Provided, however, that the term as Chairman ends when the member no longer serves on the Board. If there is a vacancy in the Chairman position, the Vice-Chairman shall serve as Chairman until the next regularly scheduled meeting. At its next regularly scheduled meeting, the Board shall select a nonrepresentative member to serve as Chairman until the next election held in July of even-numbered years.

C. The Chairman shall (1) preside and conduct meetings of the Board, (2) convene and adjourn meetings, (3) appoint committee chairmen, and (4) propose agendas for Board meetings.

D. The Executive Director shall be the principal executive officer PEBA and, subject to the control of the Board of directors, shall, in general, perform and fulfill the statutory duties, responsibilities and powers conferred upon that office, and supervise and control all of the business and affairs of PEBA and have responsibility for the development and implementation of the strategic direction and initiatives of PEBA. The Board of Directors shall be responsible for selecting, evaluating the performance of, and, subject to the regulations of the Agency Head Salary Commission, setting the compensation of the Executive Director.

E. The Board shall, in each regular meeting held in the month of July of even-numbered years, select a Vice-Chairman from among its nonrepresentative members to serve for the ensuing twenty four months a term ending June 30 of the next even-numbered year, and until a successor is elected. Provided, however, that the term as Vice-Chairman ends when the member no longer serves on the Board. If there is a vacancy in the Vice Chairman position, at its next regularly scheduled meeting, the Board shall select a nonrepresentative member to serve as Vice Chairman until the next election held in July of even-numbered years. In the absence of the Chairman, the Vice Chairman shall preside at Board meetings.

F. At any meeting of the Board at which neither the Chairman or Vice-Chairman is in attendance, the meeting shall be called to order by the Executive Director who shall chair the meeting until a quorum elects a Chairman Pro Tempore as the meeting's first order of business. If the absence of the Chairman and Vice-Chairman is due to the holders of those officers having discontinued service on the Board, then the election shall be for both a Chairman and a Vice-Chairman for the remainder of the two-year term rather than pro tempore.

G. The Board shall, from time to time and with the advice of the Executive Director, select from among the PEBA employees, a person to serve as secretary of the Board, to serve at the pleasure of the Board. The secretary of the Board shall have the responsibilities prescribed herein and such other duties as the Board may from time to time require, including: (a) keep the minutes of the proceedings of the Board; (b) see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; and (c) be custodian of the records of the Board.

VIII. RULES OF ORDER

A. Board meetings should proceed in an informal and collegial manner with a design towards reaching consensus when possible.

B. The Chairman shall call for motions on items. Items presented to the Board for vote shall require a motion by a Board member other than the Chairman and a second of that motion by another Board member other than the Chairman.

C. The item can then be discussed by the Board. The Chairman shall manage the discussion of the item and may participate in the discussion.

D. The Chairman shall call for a vote on the item.

E. Questions of reconsideration, tabling or amendment of motions, etc., are all decided by majority vote.

F. The Board and its Committees may utilize the rules of order prescribed for small assemblies or similar small bodies in the most recently published revision of Robert's Rules of Order as a guide in conducting its meetings. Robert's Rules of Order shall not be binding on the Board, however. Rather, such rules of order will be construed to promote the orderly and efficient conduct of business and to avoid procedural complexity which may delay or hinder the taking of action required by law or advisable in the prudent exercise of the Board's fiduciary responsibilities.

G. The order of business will be at the discretion of the Chairman in the absence of instructions from the Board, but will normally be as follows:

- i. Call to Order
- ii. Approval of previous Board meeting minutes
- iii. Committee Reports
- iv. Executive Director Report
- v. Other Business
- vi. Adjournment

IX. MEETING MINUTES

A. Minutes of the Board's meetings will be taken in accordance with law, and such records are open to public inspection.

B. The Chairman will cause the minutes of all Board meetings to be prepared, recording therein the time and place of each meeting, the names of the Board members present, and the actions of the Board giving the affirmative and dissenting votes, except where the action is unanimous, and when requested, a Board member's dissent or approval with reasons.

C. The Chairman will cause the minutes to be presented for approval at the next regular Board meeting. Board minutes will focus on describing any actions that occurred, and will provide sufficient detail to evidence the Board's due diligence in the matter. The minutes of a meeting during which an executive session is held will reflect the topic of the discussion at the executive session.

D. The minutes as approved by the Board, will be preserved as a part of the public record of the Board, and will be kept open to public inspection in accordance with law.

E. Board proceedings will be recorded on audio. The audio recordings will be kept at least until official minutes of the meeting are approved, after which time they may be destroyed.

X. REVIEW, HISTORY, AND AMENDMENT

A. The Board will review the PEBA Bylaws at least every three years to ensure that they remain relevant and appropriate.

B. No provision within these Bylaws shall apply to the extent that it is in conflict with any provision of the Code of Laws of South Carolina, 1976, as amended. In the event of such conflict, the applicable Code provision shall apply in all respects.

C. These Bylaws were adopted by a majority of the Board members at a duly convened meeting of the Board on November 21, 2012. These Bylaws were amended on December 12, 2012, September 18, 2013, December 17, 2014, ~~and on~~ March 28, 2015, and on March 17, 2016.

D. These Bylaws may be amended only upon a majority vote of the Board members at a duly convened meeting of the Board upon proper notice pursuant to the South Carolina Freedom of Information Act. For purposes of this provision, majority shall mean a majority of the total membership of the Board, not simply a majority of the Board members present at any meeting convened for the purpose of amending the Bylaws.