

## **Meeting Minutes | Finance, Administration, Audit and Compliance (FAAC) Committee**

Wednesday, July 24, 2019 | 8:30 a.m.

202 Arbor Lake Dr., Columbia, SC 29223 | First Floor Conference Room

### **Minutes Approved December 4, 2019**

**Board Members Present:** Ms. Jennifer Blumenthal, Chairman Steve Matthews, and Mr. Chuck Richardson

**Others Present for All or a Portion of the Meeting:** Bob Avery, Shawunda Baker, Robbie Brown, Phyllis Buie, Amber Carter, Sarah Corbett, Joe Greene, Jessica Moak, James Manning, Mike McDermott, Heather Muller, Tammy Nichols, John Page, Travis Turner, Stephen Van Camp, Justin Werner, Chuck Wilson, and Heather Young from the South Carolina Public Employee Benefit Authority (PEBA); Jimmy Yi from Sanofi Genzyme; Jason Richardson from Allergan; and Mike Heale; CEM Benchmarking, Inc.

#### **I. Call to Order**

Chairman Steve Matthews called the PEBA Finance, Administration, Audit and Compliance (FAAC) Committee meeting to order at 8:30 a.m., and stated that the public meeting notice was posted in compliance with the Freedom of Information Act.

#### **II. Approval of Meeting Minutes- March 6, 2019**

Mr. Chuck Richardson made a motion, which was seconded by Ms. Jennifer Blumenthal, and passed unanimously, to approve the minutes from the March 6, 2019, Committee meeting.

#### **III. FY 2018 CEM Benchmarking**

Mr. Mike Heale, Principal, CEM Benchmarking, presented PEBA's Pension Administration Benchmarking Results for Fiscal Year 2018. Mr. Heale stated that the purpose of benchmarking is to measure and manage costs and service. Mr. Heale reported that PEBA's total pension administration cost was \$16.1 million, or \$36 per active member and annuitant, which is \$44 below the peer average of \$80, and the fourth lowest cost in the peer universe. Mr. Heale added that PEBA's cost per member was the lowest in all pension administration categories. Cost trend increased by 3.4 percent, primarily due to building renovations and increased consultant fees in preparation for PEBA's IT modernization project, peba:connect, but is still well below the peer universe. PEBA's total service score was 77, which is below the peer median of 82, and Mr. Heale pointed out that PEBA's total service score has improved three points between 2014 and 2018, mainly due to improvements with the Website and the number of member presentations.

#### **IV. Internal Audit Reports**

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

A. Internal Audit Report 2019- 1 Retirement Member Access

#### **V. Internal Audit Plan Status Report Fiscal Year 2021 Agency Budget Approval**

Mr. Travis Turner, Chief Financial Officer, presented the annual agency budget report to the Committee, and provided a brief history of PEBA's approved budget authorizations. Mr. Turner reminded the Committee that PEBA's operating budget is funded by the insurance and retirement Trust Funds, not from General Funds, and explained that PEBA's General Fund appropriations are pass through appropriations only, and are not used for PEBA's operating expenses. Mr. Turner added that General Funds for statewide contributions were added in fiscal year 2016, with the termination of the Budget and Control Board. Pass through funds for the South Carolina Retirement System (SCRS) Trust Fund, and the Police Officer Retirement System (PORS) Trust Fund, equal to one percent of the employer contribution increase were added as recurring funds in fiscal year 2018. Pass through funds for the Judges and Solicitors Retirement System (JSRS) Trust Fund equal to \$2.9 million were added as recurring funds in fiscal year 2020 to provide additional stabilization to the JSRS plan.

Mr. Turner advised that approved authorization for fiscal year 2013 and fiscal year 2014 totaled \$31,330,091. An additional \$700,000 was added in fiscal year 2015, for the fiduciary audit, and remained as part of the approved authorizations for fiscal year 2016 through fiscal year 2020. Mr. Turner reported that PEBA's fiscal year 2021 total authorized budget request is \$42,030,091, which includes an additional budget authorization of \$10 million of reoccurring funds for PEBA's IT modernization project, peba:connect. This additional budget authorization was approved in fiscal years 2018, 2019, and 2020.

Ms. Blumenthal made a motion, which was seconded by Mr. Richardson, and passed unanimously, to approve the fiscal year 2021 PEBA agency budget as requested, and submit to the full Board for approval.

#### **VI. Governance Documents Review**

Mr. Stephen Van Camp, General Counsel, advised that the PEBA Board of Directors Bylaws require a review of the bylaws every three years, and the FAAC Committee must review the Board's governance documents periodically, but no less than every three years, to determine compliance with the documents, and to determine whether any changes to the governing documents are required. It was noted that this review will not include committee charters, which are scheduled for separate review in 2020. The governance documents reviewed included:

- PEBA Board Bylaws
- PEBA Board Ethics and Conflicts-of-Interest Policy
- PEBA Board Continuing Education Policy
- PEBA Board Travel Policy
- PEBA Board Conference Event Attendance Policy
- PEBA Executive Director Emergency Succession Plan
- Resolution Reserving Certain Powers to the PEBA Board and Delegating Powers to the Executive Director

Staff and the Committee reviewed all governance documents listed above, and determined that no action was needed at this time except for updating the Resolution Reserving Certain Powers to the PEBA Board and Delegating Powers to the Executive Director. Mr. Van Camp stated that the current

version adopted in 2015, references Act 278 of 2012 for the legal authority establishing the position of the PEBA Executive Director. However, in Act 13 of 2017, the General Assembly codified the PEBA Executive Director position in Section 9-4-10(J) of the South Carolina Code of Laws.

Ms. Blumenthal made a motion, which was seconded by Mr. Richardson, and passed unanimously, for the PEBA Board to amend the Resolution Reserving Certain Powers to the PEBA Board and Delegating Powers to the Executive Director to reflect the updated statutory authority for the PEBA Executive Director position.

#### **VII. Compliance Review**

Mr. Van Camp presented the results of Ice Miller's (PEBA's National Tax and Benefits Counsel) recent Comprehensive Compliance Review of PEBA's retirement plans, and advised Ice Miller concluded that PEBA's retirement plans comply with IRS requirements, and no amendments are required to maintain qualification status.

#### **VIII. Organizational Development Update**

Mr. Bobby George, Human Resources Training and Development Director, presented an update to the Committee regarding on-going organizational development at PEBA including: strategic planning sessions; department team building sessions; online and in-person training; new hire development; and current wellness initiatives. Mr. George concluded his presentation by reviewing PEBA's fundraising efforts for charitable organizations, and announced that PEBA won the United Way's 2018 Highest Participation Award for employers with more than 100 employees, and was named a Patriotic Employer by the South Carolina National Guard for supporting employee participation in America's National Guard and Reserve Force.

#### **IX. Old Business/Director's Report**

Ms. Peggy Boykin, Executive Director, stated that last year's appropriations bill includes \$49.7 million for full funding of the State Health Plan; \$32.4 million to cover the general fund share of the one percent of the increase in employer contribution rates; and \$2.9 million to add additional funding for the JSRS plan.

Ms. Boykin reported that the State Auditor's office has selected Funston Advisory Services (Funston), to conduct PEBA's 2019 fiduciary audit. Ms. Boykin advised that Funston was on-site the second week of June, and interviewed a large number of staff. Ms. Boykin advised that Funston will also be reaching out to interview Board members next week.

Ms. Boykin advised that Financial Services staff is working diligently on completing the audited financial statements that are provided annually to the Comptroller General's Office, and used in the Comprehensive Annual Financial Report.

Ms. Boykin stated that PEBA will complete an information technology disaster recovery and business continuity test in Philadelphia, Pennsylvania, next month to test the restoration of all production systems from PEBA's back-up system.

#### **X. Adjournment**

There being no further business, the Committee meeting adjourned at 10:05 a.m.