

FAAC Committee Members Present:

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

Others present for all or a portion of the meeting:

Peggy Boykin, Kim Brown, Doug Hislop, Tiffany Latimer, Megan Lightle, Tammy Nichols, John Page, Lisa Phipps, Paulette Redfern, Caroline Royal, Stephen Van Camp, and Justin Werner from the South Carolina Public Employee Benefit Authority (PEBA); 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 3:04 p.m. Chairman Matthews announced that in order to accommodate members' scheduling, the FAAC Committee will start meeting the first Wednesday of each month at 3:15 p.m.

2. ADOPTION OF PROPOSED AGENDA

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

3. APPROVAL OF MEETING MINUTES – JUNE 3, 2014

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

4. ELECTION OF COMMITTEE CHAIRMAN

Mr. Bjontegard made a motion, which was seconded by Mr. Lott, and passed unanimously, to reaffirm Mr. Steve Matthews as Chairman of the FAAC Committee.

5. BOARD MEETING ATTENDANCE CATEGORIES

Chairman Matthews stated that currently, there is not an attendance category for excused absences, and requested that there be an exception to the attendance policy for members who have personal emergencies, or other various necessary duties that may prevent them from attending meetings. Chairman Matthews asked the Legal Department to draft an exception to the attendance policy for the Committee's review. Mr. Bjontegard made a motion, which was seconded by Ms. Stacy Kubu, and passed unanimously, to create an excused absence attendance category.

6. ANNUAL PEBA AGENCY BUDGET REPORT

Ms. Caroline Royal, PEBA's Budget Officer, presented the annual agency budget report to the Committee. Ms. Royal reviewed the summary of expenditures for fiscal year 2014, and stated that the agency spent only 76 percent of the allotted budget due to various projects being deferred until the next fiscal year.

Ms. Royal also reviewed the 2016 budget request, and stated that PEBA will be requesting a base budget of \$33.1 million. Ms. Royal pointed out that fiscal year 2015 appropriations is \$700,000 higher than the fiscal year 2016 budget request due to financing of the fiduciary audit.

Following further discussion, Mr. Bjontegard made a motion, which was seconded by Mr. Lott, and passed unanimously, to recommend the 2016 PEBA agency budget request to the full Board.

7. PEBA INFORMATION TECHNOLOGY ASSESSMENT

Mr. Doug Hislop, IT manager, presented the Information Technology Assessment. Mr. Hislop stated that driving factors of the IT assessment include: future skill shortage; opportunities for insurance and retirement integration; opportunities for increased automation; and opportunities for technology modernization. Mr. Hislop advised that the IT assessment is broken into three phases including: the operational information technology systems assessment phase; the future design phase; and the modernization plan phase. Mr. Hislop stated that the initial Request for Proposal (RFP) was published in August 2014, the intent to award should occur in November 2014, and the vendor should start to work in December 2014. The IT assessment is expected to cost less than one million dollars.

8. STRATEGIC PLANNING AND ACCOUNTABILITY REPORTING

Mr. John Page, Director of Internal Audit, updated the FAAC Committee on accountability reporting, and stated that the accountability reporting process has recently changed to better align with the agency's budget and strategic plan. Mr. Page advised the Committee that the accountability report will be available to review during the PEBA Board meeting on September 10, 2014, and is due to be turned in to the Executive Budget Office by September 15, 2014.

Mr. Page stated that the quarterly planning progress reports will be available in the near future.

9. FIDUCIARY AUDIT PREPARATIONS

Mr. Page reported that The Fiduciary Audit RFP opened in July 2014, and closed in August 2014. It is anticipated that a decision regarding the selection of a firm will be made by close of business on September 8, 2014, and the fiduciary audit is scheduled to begin on October 1, 2014. Mr. Page stated that he has met with the executive management team regarding their preparations for the audit, and have discussed audit logistics and lessons learned with the Retirement System Investment Commission (RSIC's) Enterprise Risk Manager.

10. PEBA BOARD EDUCATION POLICY REVIEW

Chairman Matthews reviewed the PEBA Board Education Policy and stated that “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 every two fiscal years.” 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 required number of continuing educational credits. Chairman Matthews proposed that the Continuing Education Policy be amended to read **“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 in each two fiscal year period, prorated for the portion of the two fiscal year period of membership.”** It was noted that that suggested modifications will be made to the Continuing Education Policy, and will be submitted to the Committee for further consideration.

11. OLD BUSINESS/DIRECTOR’S REPORT

Ms. Boykin provided the Director’s Report, and stated that management is working with the Budget and Control Board and General Services to determine whether it is cost effective to combine all facility renovation projects into one project to complete the work in the most expeditious manner.

Ms. Boykin advised that management is also looking at additional space needs as various vacant positions are being filled. Ms. Boykin reminded the Committee that PEBA will have to obtain approval before leasing additional space.

12. ADJOURNMENT

There being no further business, Mr. Bjontegard made a motion, which was seconded by Mr. Lott, and passed unanimously, to adjourn the Committee meeting at 4:52 p.m.