

FAAC Committee Members Present:

Mr. Steve Matthews, Chairman
Ms. Peggy Boykin
Mr. Art Bjontegard
Mr. Leon Lott (Via Telephone)

Others present for all or a portion of the meeting:

Robbie Bell, Kim Brown, Matt Davis, Rene Dash, Lil Hayes, Heather Muller, John Page, Travis Turner, Stephen Van Camp, Angie Warren, and Justin Werner from the South Carolina Public Employee Benefit Authority (PEBA); Carlton Washington from the South Carolina State Employees Association; Donald Tudor with the State Retirees Association of South Carolina; Nancy Ornduff Lisa Tilley, and Liz Davidsen (via telephone) with Great West Retirement Services; Brian D'Amico and Tom McNeish with Elliott Davis, LLC.; and Katie Brennan from Catamaran.

1. CALL TO ORDER

Chairman Steve Matthews called the PEBA Finance, Administration, Audit and Compliance (FAAC) Committee meeting to order at 2:03 p.m.

2. ADOPTION OF PROPOSED AGENDA

Chairman Matthews asked to amend the agenda by moving section seven related to the South Carolina Deferred Compensation Program Audited Financial Statements before section four related to the PEBA Legislative Update. Ms. Peggy Boykin moved to adopt the agenda as amended. Mr. Leon Lott seconded the motion, which passed unanimously.

3. ADOPTION OF MINUTES

Chairman Matthews referred to the draft minutes from the April 1, 2014, Committee meeting, and asked for a motion to approve. Ms. Boykin made a motion, which was seconded by Mr. Lott, and passed unanimously, to approve the minutes from the April 1, 2014, Committee meeting.

4. S.C. DEFERRED COMPENSATION PROGRAM AUDITED FINANCIAL STATEMENTS

Mr. Matthew Davis, Defined Contribution Manager, introduced Mr. Brian D'Amico and Mr. Tom McNeish with Elliott Davis, LLC., to present the Report on Financial Statements for the 401(k) and 457 Plans. The Committee had several questions regarding the financial statements which they will forward, along with the statements, to the Retirement Policy Committee for a comprehensive review.

5. PEBA LEGISLATIVE UPDATE

Mr. Travis Turner, Interim Director, provided the legislative update. Mr. Turner stated that there is a proviso in the House of Representatives that would increase Senators and Representatives

in-district expense by \$1,000 a month which would increase their earnable compensation by \$12,000 a year. Mr. Turner stated that if this additional earnable compensation is factored into retirement calculations, it would provide an additional \$17,350 in retirement benefits to members of the General Assembly, and would have an enormous impact on the General Assembly Retirement System (GARS).

6. PEBA HUMAN RESOURCES REPORT

Ms. Kim Brown, Human Resources Director, presented a workforce planning update. Ms. Brown advised that workforce planning is a process that identifies workforce needs in the future, distinguishes gaps between projected workforce needs and the current workforce, and develops/implements strategies to mitigate workforce gaps. Ms. Brown reviewed several consistent agency-wide needs and strategies including: organizational awareness; collaboration among departments; analytical thinking skills; and training. Ms. Brown also provided and discussed the workforce survey positive results and opportunities for improvement.

7. PEBA PERFORMANCE EXCELLENCE QUARTERLY REPORT

Mr. Robbie Bell, Organizational Development Coordinator, provided an update regarding the Organizational Performance Management Program based on the Baldrige Criteria. Mr. Bell stated that organizational performance is a four phase process including: organizational profile; investigative research; strategic solutions; and implementation. Mr. Bell advised the Committee that organizational performance management identifies strengths and weaknesses of an organization which also feeds the strategic planning process.

8. PEBA INTERNAL AUDIT REPORTS

Mr. John Page, Director of Internal Audit, presented the Internal Audit Report on Data Security. He noted that the majority of PEBA's data security policies and procedures were very solid, and reviewed observations and recommendations of improvement in several areas. Mr. Page reviewed the Internal Audit Plan Status Report, and the Internal Audit Department Resource Budget, which details the description of each audit, dates of completion, and estimated cost associated with the audit. Mr. Page concluded his presentation by providing an overview of the Internal Audit Department Policies and Procedures; Fiduciary Audit Preparations; and the Role of Auditing in Public Sector Governance.

9. PEBA POLICY DEVELOPMENT

Justin Werner, Legal Counsel, presented a draft of PEBA's Ethics and Conflicts-of-Interest Policy, and reviewed the three sections of the Policy including: State Ethics Act Rules of Conduct; Additional Standards of Conduct; and Conflicts of Interest. The Committee recommended several updates to the draft, which would be presented to the full PEBA Board at the June 18, 2014 meeting.

10. FAAC COMMITTEE CHARTER REVIEW

Ms. Boykin made a motion, which was seconded by Mr. Leon Lott, and passed unanimously, to modify the FAAC Committee's charter by adding the language in bold under section (A) Purpose:

“To preserve and approve the operational integrity of PEBA by making recommendations and reports to the PEBA Board concerning matters of PEBA's governance, administration and operations; financial reporting, audits and budgets; regulatory compliance; and technology platforms, privacy and data security.”

11. PEBA BOARD TRAVEL AND EDUCATION POLICY REVIEW

Chairman Matthews reported that the Committee did not have any suggested modifications to the PEBA Board of Directors Continuing Educational Policy.

12. OLD BUSINESS/DIRECTOR'S REPORT

Mr. Turner reminded the Committee that the Communications Department mailed out ten separate surveys last fall to the following members: South Carolina Retirement System (SCRS) active members; SCRS retired members; Police Officers Retirement System (PORS) active members; PORS retired members; retirement employers; active insurance members; retired insurance members; Consolidated Omnibus Budget Reconciliation Act (COBRA) members, survivor annuity members, and insurance employers. Currently, the data is being analyzed, and the results should be compiled within the next few weeks.

13. ADJOURNMENT

There being nothing further to discuss, the Committee meeting adjourned at 4:05 p.m.