

**South Carolina Retirement System Investment Commission
Audit Committee Meeting Minutes**

April 11, 2012

**SC Retirement System Investment Commission
1201 Main Street, 15th Floor
Columbia, SC 29201
Meeting Location: Fishbowl Conference Room**

Committee Members Present:

Mr. Allen Gillespie
Mr. Reynolds Williams
Dr. Travis Pritchett

Others present for all or a portion of the meeting on Wednesday, April 11, 2012: Commissioner Curtis M. Loftis, Jr. (observer); Sarah Corbett, Robert Feinstein, Adam Jordan, and Nancy Shealy from the South Carolina Retirement System Investment Commission (“RSIC”); John Page from the South Carolina Retirement Systems (“SCRS”); Bill Condon, Dinah Raven, and Shakun Tahiliani from the State Treasurer’s Office; Joye Lang from the Office of Human Resources (“OHR”); Michael Chung from Deloitte and Touche.

- I. **Call to Order:** Mr. Allen Gillespie called the meeting of the RSIC Audit Committee (“Committee”) to order at 8:30 a.m. He stated that Mr. Reynolds Williams had not yet arrived, but noted that a quorum was present. Mr. Gillespie asked for a motion to approve the agenda. Dr. Travis Pritchett made a motion to approve the agenda as posted, which was seconded by Mr. Gillespie and approved unanimously.
- II. **Approval of Minutes:** Mr. Gillespie asked if there were any questions or comments regarding the minutes for the previous two meetings of the Committee. Dr. Pritchett made a motion to approve the minutes from the Committee’s January 16, 2012 and January 19, 2012 meetings, which was seconded by Mr. Gillespie and approved unanimously.
- III. **Deloitte Risk Assessment Implementation Update:** Ms. Sarah Corbett, the RSIC’s Deputy Chief of Staff, noted that a document referred to as a project dashboard had been provided to each Committee member. Ms. Corbett explained that the project dashboard is designed to assist the commissioners and RSIC management in tracking the implementation of the recommendations made in the Investment Risk Assessment completed by Deloitte in 2011. Mr. Williams joined the meeting. Ms. Corbett noted that the project dashboard does not list every item outlined in the Investment Risk Assessment, but identifies and monitors the key areas to be addressed.

Ms. Corbett updated the Committee with regard to RSIC staff’s implementation efforts. Among the items discussed were the following:

1. Develop operational infrastructure – A number of steps have already been taken, including finalization of retention schedule and hiring of the Commission’s first-ever Director of Information Technology. It was noted that dependencies in making further progress include the budget approval process and outcome of the STO’s custody services procurement.
2. Approve, fully implement and monitor adherence to current initial investment due diligence guidelines – A number of steps have already been taken, including presentation to staff of new initial due diligence guidelines and development of new filing structures for due diligence materials. In response to a question, Ms. Corbett noted that while the Contact Management Software (“CMS”) procurement had been concluded, and a contract awarded, a protest had been filed by an unsuccessful bidder, and implementation of the CMS system cannot begin until the State Procurement Office renders a decision relating to the protest.

Mr. Gillespie asked if there were any major changes made to the due diligence processes. Ms. Corbett responded that she did not believe so.

The scope of RSIC’s digitization effort was also discussed.

3. Develop on-going due diligence guidelines – It was noted that Deloitte was expected to commence a due diligence audit on Wednesday, April 18.
4. Develop operational due diligence program – It was noted that the Deloitte audit would cover operational due diligence.
5. Fully develop risk management function – It was noted that the hiring of a Director of Risk Management and the creation of an internal risk committee had been completed. The build out of operational infrastructure was identified as the key dependency for accomplishing this task.
6. Develop internal audit and compliance function – The numerous steps that had already been taken were reviewed. Hiring a Director and overseeing the audits that are to be conducted by Deloitte were identified as key next steps in this area.
7. Document all policies and procedures – Steps that had been taken to enhance internal communication and coordination were reviewed.
8. Recruit current Full Time Employees (“FTEs”) – It was noted that all vacant FTE positions, save the Fixed Income Director position, were being actively recruited. Recently completed recruitments were also noted.
9. Obtain legislative approval for additional FTEs – It was noted that the Commission’s budget had been developed with the objective of addressing the major issues identified in Deloitte’s Investment Risk Assessment report, but the Legislature had not yet taken action with regard to the budget.

10. Complete new Performance Incentive Compensation (“PIC”) plan – The several steps that had previously been taken with regard to revising the Commission’s existing PIC plan were reviewed. It was noted that the Commission is expected to review and act on the revised Compensation Policy document later this month.
11. Enhance employee management/employee incentives – It was noted that the goal of this task is to develop ways of enhancing existing employee management tools. Ms. Corbett indicated that RSIC’s managers are attempting to ensure that all employees receive timely EPMSs.
12. Evaluate alternative financial statement preparation or enhancements to current process – Ms. Corbett noted that meetings have been held with SCRS to discuss long term plans. Significant dependencies include approval of budget and FTEs, and development of operational infrastructure.
13. Enhance legal resources to expedite contract process – Ms. Corbett noted that RSIC Legal desires to convert two temporary staff positions into FTEs. Approval of budget and FTEs was identified as the key dependency. Steps taken to date were reviewed.
14. Formalize roles of Internal Investment Committee, Investment Commission, and Strategic Partnership Investment Committees - The restructuring of the Internal Investment Committee (“IIC”) and adoption of an IIC Charter were noted. Mr. Gillespie indicated that this topic would be discussed at the Commission’s April meeting.

After Ms. Corbett concluded her explanation of the project dashboard, Mr. Gillespie asked what areas Deloitte would be working on when they begin their work the following week. Ms. Corbett and Mr. Chung confirmed that the focus would be on due diligence and valuation.

(Information relating to this matter has been retained in the Commission’s files and is identified as Exhibit A).

The Committee took a brief recess. Upon reconvening, the Committee entered executive session for the purpose of conducting discussions relating to personnel matters.

- IV. Executive Session to Review Personnel Matters:** The Committee reconvened in open session, and Mr. Williams made a motion to authorize the Chairman to extend an offer of employment consistent with the Committee’s discussions in executive session. Dr. Pritchett seconded the motion, and it was approved unanimously.

V. Adjournment

There being no further business, the meeting adjourned at 3:00 p.m.

[Staff Note: In compliance with S.C. Code Ann. §30-4-80, public notice of and the agenda for this meeting were delivered to the press and to parties who requested notice and were posted at the entrance, in the lobbies, and near the 15th Floor Conference Room at 1201 Main Street, Columbia, SC, on April 5, 2012.]