

**South Carolina Retirement System Investment Commission
Audit Committee Meeting Minutes
September 18, 2014**

**Capitol Center
1201 Main Street, Suite 1510
Columbia, South Carolina 29201**
Meeting Location: Presentation Center

Commissioners Present:

Mr. Allen Gillespie, Chairman (by telephone)
Mr. Edward Giobbe
Ms. Peggy Boykin

Others present for all or a portion of the meeting on Thursday, September 18, 2014: From the South Carolina Retirement System Investment Commission: Andrew Chernick, Dori Ditty, Robert Feinstein, Michael Hitchcock, Monica Houston, James Manning, Jon Rychner, Samantha Skeeter, and Kathleen Shealy. From the State Treasurer's Office: Melinda Al-Hasan. From the Public Employee Benefits Authority: Tammy Nichols and Faith Wright. From the State Retirees Association of South Carolina: Donald Tudor.

I. CALL TO ORDER CONSENT AGENDA

Chairman Allen Gillespie called the meeting of the RSIC Audit Committee ("Committee") to order at 2:00 p.m. Ms. Peggy Boykin, the PEBA Executive Director made a motion to approve the agenda for the meeting, which was seconded by Mr. Edward Giobbe and passed unanimously.

II. APPROVAL OF MINUTES

Chairman Gillespie requested a motion to approve the minutes from the July 29, 2014 meeting after a brief review of such by members of the Committee. Ms. Boykin made the motion to approve the minutes, which was seconded by Mr. Giobbe. Ms. Monica Houston, Chief Audit Officer informed the committee of spelling correction to Clifton Larson Allen's name. Committee voted unanimously to approve the minutes with revision for spelling correction.

III. AUDIT COMMITTEE FOLLOW-UP

Ms. Houston reviewed the Audit Committee Follow-up Report, identifying the items closed since the last meeting and discussing those items that remain open. Open items and the course of action discussed were:

- Audit Committee self-evaluation – On today's meeting Agenda for action
- A motion to obtain external legal counsel in the review and assessment of compliance policies – Discuss further in Executive Session to determine if resolved to satisfaction of Audit Committee
- Commission Code of Ethics - On today's meeting Agenda for action
- Statutory requirement of 70% allocation to equity on cost versus market basis – Remains open pending RSIC's management action plan to the Funston Fiduciary
- Review as well as response to Commissioner requests at the Wampee Strategic Planning meeting relative to Performance Reporting

- Addition of timelier standard reporting – Remains open pending RSIC's management action plan to the Funston Fiduciary Review as well as response to Commissioner requests at the Wampee Strategic Planning meeting relative to Performance Reporting.
- Presentation of Commission Code of Ethics to full Commission for approval – scheduled to be discussed at the Oct 2 Commission Meeting during Audit Committee Update

IV. ENTERPRISE RISK MANAGEMENT AND COMPLIANCE UPDATE

Mr. Andrew Chernick, Director Enterprise Risk Management and Compliance spoke on working with Mr. Michael Hitchcock, in his new role as RSIC Executive Director, to understand the Funston Recommendation tracking sheet and how best to stay up to date with it. Mr. Chernick further noted that he would be meeting with Commissioners on ERM and the need for him to touch base with Chairman Gillespie on the same. Mrs. Boykin spoke on appreciating Mr. Chernick's assistance to PEBA with their Fiduciary Audit. Mr. Gillespie spoke on being willing to provide PEBA any assistance needed.

V. INTERNAL AUDIT PLAN UPDATE

Ms. Houston reviewed the results contained within the Annual Investment Report audit report for FYE June 30, 2013. The audit assessed the accuracy and completeness of the Annual Investment Report for FYE June 30, 2013, as well as the risk associated with the process and provided recommendations for improvement. Mr. Jon Rychner, Director Investment Reporting and Performance, provided management's response to the audit findings, noting the helpfulness of suggestions provided by Internal Audit and detailing the changes Reporting will make based on those recommendations. Ms. Houston explained that there will be a follow up review as detailed on the 2015 Audit Plan. Mr. Gillespie inquired as to the existence and use of a template/system for creating and documenting new policies. Mr. James Manning, Director Information Technology, explained the policy creation and revision process currently in effect at RSIC which includes the provision of a standard template and use of SharePoint as a repository. Additional discussion occurred relative to the consistency of location of policies and procedures Mr. Hitchcock offered to provide more oversight to and be accountable for the effort to provide a single repository location particularly one that is useful.

VI. AUDIT COMMITTEE SELF EVALUATION

Ms. Houston presented the Audit Committee self-evaluation results from the feedback provided by Mr. Giobbe, Chairman Gillespie, and Mr. Travis Turner, previous PEBA Interim Director. There was discussion regarding a few items on the evaluation that were not directly applicable due to the nature of RSIC's business model. Mr. Gillespie inquired relative to a formalized training program for Commissioners as well as rules governing the composition of each committee including the use of external expertise. Ms. Houston responded deferring to the governance policies and discussing the training which currently exists for on-boarding new Committee

members and management. Mr. Robert Feinstein, Chief Legal Counsel spoke relative to the specific areas within the RSIC governance policy that address training and committee composition. The discussion closed with Chairman Gillespie charging that thought be given to the continuous functioning of committees when change occurs.

VII. EXECUTIVE SESSION

The Audit Committee adjourned into Executive Session to discuss security matters pursuant to S.C. Code §30-4-70(a)(3) and receive advice from legal counsel pursuant to S.C. Code §30-40-70(a)(2) at 2:37 p.m.

The Committee reconvened into open session at 3:50 p.m. at which time Chairman Gillespie indicated no action was taken

VIII. ADJOURNMENT

There being no further business discussed following Executive Session, Mr. Giobbe proposed a motion to adjourn the meeting, which passed unanimously. The meeting was adjourned at 3:51 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, at 11:58 a.m. on September 15, 2014.]