

**South Carolina Retirement System Investment Commission
Audit and Enterprise Risk Management Committee Meeting
Minutes
March 22, 2018**

**Capitol Center
1201 Main Street, Suite 1510
Columbia, South Carolina 29201**

Committee Members Present Via Teleconference:

Ms. Peggy Boykin
Mr. Allen Gillespie
Mr. Edward Giobbe

Others present for all or a portion of the meeting on Thursday, March 22, 2018: Betsy Burn, Andrew Chernick, Dori Ditty, Brad Gainey, Michael Hitchcock, and Tricia Miller from the South Carolina Retirement System Investment Commission, and John Page from the Public Employee Benefit Authority.

I. Call to Order; Adoption of Proposed Agenda

Chair Allen Gillespie called the meeting of the Audit and Enterprise Risk Management Committee (“Committee”) of the South Carolina Retirement System Investment Commission (“RSIC”) to order at 10:01 a.m. Mr. Edward Giobbe made a motion, which was seconded by Ms. Peggy Boykin and passed unanimously, to approve the agenda as presented.

II. Approval of Minutes (December 6, 2017)

Ms. Boykin made a motion to approve the Minutes as drafted from the December 6, 2017 meeting, which was seconded by Mr. Giobbe and passed unanimously.

III. Compliance Update

Mr. Brad Gainey stated that the three items related to routine quarterly review: the quarterly certifications for separately managed accounts (“SMAs”), securities lending, and personal trading review, as of 12/31/2017 have been completed with no material issues. Next Mr. Gainey explained the Bank of New York compliance reporting options. He noted that currently there is compliance monitoring for internal trading and RSIC staff is looking to expand the reporting to the SMAs to supplement the quarterly compliance certifications. Ms. Boykin asked when Mr. Gainey expected to have all of the SMAs being monitored through the Bank of New York’s compliance system to which Mr. Gainey replied mid-year. He explained we would begin to upload two to four at a time and should be completed by the June meeting.

Mr. Gainey informed the Committee that RSIC has officially endorsed the CFA’s code of ethics for asset managers. Mr. Gainey reminded the Committee that this is done by the managers on the firm level and our endorsement of the CFA code of ethics will facilitate transparency that RSIC is trying to convey.

Lastly Mr. Gainey informed the Committee that the Statement of Economic Interests are due by the end of the month. He also informed the Committee that all of the Commissioner Code of Ethics acknowledgments have been completed and turned in.

IV. Internal Audit

Mr. Gainey began his presentation by explaining that there are updates to the Audit and Enterprise Risk Management Committee Charter that need to be made. Mr. Gainey reviewed the proposed changes. Mr. Gillespie inquired about how the members of the Committee can be rotated. Mr. Michael Hitchcock, Chief Executive Officer, explained that this is governed by the Commission's governance policies. A discussion would be held on the Commission level regarding rotating the members of the each of the Committees when a new Commission Chair is selected. Following discussion about updates to the charter, Ms. Boykin moved that the Committee accepts the recommendations of Staff to amend the Charter and recommends that the Commission (i) adopt the proposed revisions to the Charter as presented; and (ii) authorize Staff to make technical revisions to the Charter and the other RSIC policy documents to reflect the decision. Mr. Giobbe seconded the motion, which passed unanimously.

Next, Mr. Gainey reviewed the duties for which the Committee should annually confirm satisfactory completion. Mr. Gainey also reviewed the responsibilities of the Committee in accordance with the Charter. He stated that the approval of the Audit Plan is planned for July. Based on the review, the Committee confirmed the responsibilities of the Committee required by the Charter have been met for the year.

Finally, Mr. Gainey outlined the Internal Audit Departmental Charter. Mr. Gainey revised the Department Charter to better reflect current policies and governance. He made the revisions to reflect his blended role as audit, compliance and ERM. He explained that he separated what the Committee is responsible for and what Staff is responsible for. Ms. Boykin moved that the Committee approve the proposed revisions to the Internal Audit Departmental Charter as drafted. Mr. Giobbe seconded the motion, which passed unanimously.

V. ERM Update

Mr. Gainey explained that the focus of the ERM update is to introduce the framework intended to be used and what it looks like for RSIC. Mr. Gainey acknowledged ERM is not an overnight process and for it to be effective it will have to align with the business objectives and he will work to determine risk framework and appetite. The framework that will be used is the revised 2017 COSO framework. The definition of ERM by COSO is to effectively manage stated risk within a risk appetite with the ultimate goal of enhancing value to the organization. Mr. Gainey stated that the Agency is still in the initial phases of risk identification with respect to the ERM process.

VI. Fiduciary Performance Audit Update

Mr. Gainey stated that the State Auditor has selected Funston as of February 23, 2018 to perform the fiduciary audit. Mr. Gainey outlined the timeline for the Funston work which is the documents will go to the Funston in May, interviews will be conducted in June, field work will be performed in July and August with a draft report by September and the final report by November.

VII. Executive Session

Mr. Giobbe made a motion to enter into Executive Session to discuss contractual arrangements pursuant to S.C. Code Ann. § 30-4-70(a)(2). Ms. Boykin seconded the motion, and it was unanimously approved.

VIII. GIPS Vendor Selection Update

The Committee reconvened in open session, and reported that no action was taken during Executive Session.

Mr. Gainey provided a summary of the progress for selecting a vendor for the GIPS Compliance Review. He noted that pending review of all RFPs and successful contract negotiation, the project would commence prior to the next meeting.

IX. Adjournment

There being no further business, Mr. Giobbe made a motion to adjourn. Ms. Boykin seconded the motion, which passed unanimously. The meeting adjourned at 10:49 p.m.

[Staff Note: In compliance with S.C. Code Ann. Section 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 on March 20, 2018 at 10:00 a.m. at the entrance, in the lobbies, and near the 15th Floor Presentation Center at 1201 Main Street, Columbia, S.C.]