

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

November 6, 2014

**Capitol Center
1201 Main Street, 15th Floor
Columbia, SC 29201**

Meeting Location: Presentation Center and Teleconference

Committee Members via Telephone:

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

Others present for all or a portion of the meeting on Thursday, November 6, 2014:

Gail Cassar, Andrew Chernick, Dori Ditty, John Farmer, Robert Feinstein, Mike Hitchcock, Monica Houston, Danny Varat and Ron Wilder (via telephone) from the South Carolina Retirement System Investment Commission (“RSIC”); Daniel Brennan via telephone from the State Treasurer’s Office.

- I. **Call to Order:** Chairman Allen Gillespie called the meeting of the RSIC Audit Committee (“Committee”) to order at 10:00 a.m. The agenda was unanimously approved.
- II. **Approval of Minutes:** The minutes of the September 18, 2014 meeting were carried over without objection.
- III. **Audit Committee Follow-up:** Ms. Monica Houston, Chief Audit Officer, reported that there were no new items for follow up.
- IV. **ERM and Compliance Update:** Mr. Andrew Chernick, Director Operations and Operational Due Diligence reported that he continues to perform the responsibilities of the Compliance function and that responsibilities relative to the implementation of ERM have been placed on hold pending a successful search for a new Director of ERM and Compliance. Chairman Gillespie underscored the need for increased diligence in settling processes such as those relative to management fees. Mr. Chernick noted his agreement and also stated that the organization was continuing to work through the recommendations from Funston and that such progress would be reported on shortly. Mr. Giobbe recommended the review of an October 27, 2014 article in *Pension and Investment* that details a more aggressive role the SEC is taking and that which managers and pension plans should be taking relative to compliance for Hedge Funds and Private Equity; the article highlights the “burden shift” for compliance from an enforcement perspective. A brief discussion ensued of the topic and all agreed upon a more detailed discussion of Investment Due Diligence and Operational Due Diligence at a later meeting.

- V. Internal Audit Update:** Chairman Gillespie gave a brief background on the Internal Audit Plan and Budget process for benefit of the other committee members. Ms. Houston discussed current status of the Internal Audit Plan providing the committee with a detailed explanation of revised hours for the Management Fees audit. The committee also discussed a revision of the Audit Plan in conjunction with a shift in focus from “consulting” to “auditing” in several areas. Ms. Houston updated the committee on other scheduled audits. Ms. Houston also updated the committee on the status of audits scheduled for completion by CliftonLarsonAllen.
- VI. Annual Investment Manager Compliance Certification:** Mr. Chernick delivered a presentation previously uploaded for committee members. He discussed several new and more probing questions contained on the IM questionnaire, several based upon Funston recommendations. Mr. Chernick also asked for continuing input from committee members on the questionnaire and potential additions to it. Chairman Gillespie inquired about the Operational Due Diligence questionnaire, and Mr. Chernick informed the committee that it is far more detailed and probing than the IM questionnaire.
- VII. Approval of 2015 Audit Committee Meeting Schedule:** The 2015 meeting schedule was approved unanimously.
- VIII. Human Resources Update – ERM and Compliance Position:** Mr. John Farmer, Director Human Resources reviewed the search for Director of ERM and Compliance position and offered mid-January 2015 as the likely time for an offer to a potential candidate or consideration of next steps.
- IX. Executive Session:** The Audit Committee adjourned into Executive Session to discuss personnel matters pursuant to S.C. Code Ann. Section 30-4-70(a)(1) and receive advice from legal counsel pursuant to S.C. Code Ann. Section 30-4-70(a)(2) at 10:37 a.m.
- The Committee reconvened into open session at 11:23 a.m. No action was taken.
- X. Adjournment:** Being no further business, Chairman Gillespie made a motion to adjourn the meeting, which passed unanimously. The meeting was adjourned at 11:24 a.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 1:49p.m. on November 4, 2014.]