

**South Carolina Retirement System Investment Commission  
Audit and Enterprise Risk Management Committee Meeting  
Minutes  
December 6, 2017**

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

**Committee Members Present:**

Ms. Peggy Boykin  
Mr. Allen Gillespie  
Mr. Edward Giobbe (via teleconference)

**Others present for all or a portion of the meeting on Wednesday, December 6, 2017:**  
LaJoia Broughton, Kara Brurok, Andrew Chernick, Dori Ditty, Brad Gainey, Michael Hitchcock, Tricia Miller, and Jon Rychener from the South Carolina Retirement System Investment Commission, and John Page from the Public Employee Benefit Authority.

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**I. Call to Order; Adoption of Proposed Agenda**

Chairman 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 2:03 p.m. Ms. Peggy Boykin made a motion, which was seconded by Mr. Edward Giobbe and passed unanimously, to approve the agenda as presented.

**II. Approval of Minutes (August 28, 2017)**

Mr. Giobbe made a motion to approve the Minutes as drafted from the August 28, 2017 meeting, which was seconded by Ms. Boykin and passed unanimously.

**III. Compliance Update**

Mr. Michael Hitchcock, Chief Executive Officer, introduced Mr. Brad Gainey, CPA, the new Director of Enterprise Risk Management and Compliance. Mr. Gainey was formerly the Vice President Senior Internal Audit Manager at South State Bank where he was responsible for the execution of all audit plan methodology. He also worked for Elliott Davis prior to State South Bank. He has obtained both his Bachelor of Science and Master of Accounting from the University of South Carolina

Mr. Gainey provided an update that there had been no material exceptions for the review period of the quarter ending September 30, 2017

Mr. Chernick provided background information about the development and evolution of the annual compliance questionnaire, and the process for reviewing the questionnaires. He noted that the review of the questionnaires is now a requirement of the recently updated Ongoing Due Diligence Policy, and is tested as part of Agreed Upon Procedures. He then explained that the questionnaire covers many topics and went over some statistics gathered from the questionnaires related to the areas of the managers’ regulatory oversight, the managers’ service providers, including audit firms and administrators, and managers’ valuation policies. He reminded the Committee that all of the annual compliance questionnaires had been received and reviewed.

#### **IV. Internal Audit Update**

Mr. Chernick then informed the Committee that the Office of State Auditor had recently completed Agreed Upon Procedures for the Fiscal Year End June 30, 2016 including the areas of Cash Receipts, Non-Payroll Expenditures, Payroll, Journal Entries, Appropriation Act and Status of Prior Findings. The review resulted in no findings and a copy of the report was in the meeting materials.

Turning to the Agreed Upon Procedures review of Due Diligence and Valuation, Mr. Thomas Rey, Partner at CliftonLarsonAllen was introduced via teleconference. Mr. Rey provided background and history on the engagement and explained how the review had expanded in scope this year as new procedures were added to the January 1, 2017 amended Ongoing Due Diligence Policy in such areas as compliance monitoring for Separately Managed Accounts and the previously discussed annual compliance questionnaire review. The recently completed Fiscal Year Ended June 30, 2017 review yielded no findings and Mr. Rey commended the Staff on the thoroughness of its processes in the areas of due diligence and valuation.

Mr. Chernick introduced Mr. Jon Rychener, Director of Performance Reporting, to provide a presentation on the Global Investment Performance Standards (“GIPS”) compliance process. Mr. Rychener explained the benefits of undergoing a GIPS compliance review and the trend for public pension funds to participate in these reviews. Following Mr. Rychener’s explanation of the process to become GIPS compliant and undergo verification, Ms. Boykin made a motion to approve the Director of Enterprise Risk Management and Compliance, with the cooperation of the Office of State Auditor, to engage a firm to perform a GIPS compliance review. Mr. Giobbe seconded the motion, which passed unanimously.

#### **V. Review of Prior Fiduciary Performance Audit**

Mr. Gillespie reminded the Committee of the upcoming Fiduciary Audit which will be conducted by a firm selected by the Office of State Auditor (“State Auditor”) through a Request for Proposal (“RFP”) process. Mr. Gillespie informed the Committee that he had been in contact with the State Auditor regarding the engagement. Mr. Chernick provided a brief update of the status of the recommendations from the prior Fiduciary Audit, noting that almost all recommendations had been completed. The Committee discussed the scope of the audit and shared ideas about the ways the audit could provide the most helpful information. Ms. Boykin noted that she believes the audit should take an approach which would be more holistic than would an annual review of the updated recommendations. Following the discussion, Mr. Gillespie stated that he would provide information to the State Auditor reflecting the Committee’s ideas.

#### **VI. ERM/Compliance/Internal Audit Roadmap**

Mr. Gainey was recognized to provide his plans for the Compliance and Enterprise Risk Management duties. He provided a summary roadmap of high-level goals for his focus for the remaining part of the fiscal year, and the Committee thanked him for his direction. The

roadmap identified various projects for each function (Internal Audit, Compliance, and ERM), notwithstanding his upcoming involvement in both the Fiduciary Performance Audit and the GIPS Compliance review.

**VII. Discussion of Proposed 2018 Meeting Dates**

Mr. Gillespie referred to the previously provided dates for Committee meetings for the 2018 calendar year. Mr. Giobbe made a motion to approve the dates as posted for the Audit and Enterprise Risk Management Committee for calendar year 2018, Ms. Boykin seconded the motion which passed unanimously.

**VIII. Adjournment**

There being no further business, Mr. Giobbe made a motion to adjourn. Ms. Boykin seconded the motion, which passed unanimously.

[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 December 4, 2017 at 5:07 p.m. at the entrance, in the lobbies, and near the 15<sup>th</sup> Floor Presentation Center at 1201 Main Street, Columbia, S.C.]