

**South Carolina Retirement System Investment Commission
Audit and Enterprise Risk Management Committee Meeting
Minutes
February 18, 2020**

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

Committee Members Present:
Mr. William H. Hancock, Chair
Ms. Peggy Boykin
Mr. William J. Condon, Jr.

I. CALL TO ORDER AND ADOPTION OF PROPOSED AGENDA

Chair Mr. William H. Hancock called the meeting of the Audit and Enterprise Risk Management Committee (“Committee”) of the South Carolina Retirement System Investment Commission (“RSIC”) to order at 8:35 a.m. Ms. Peggy Boykin made a motion, which was seconded by Chair Hancock, to adopt the agenda as presented, and it was unanimously approved.

II. APPROVAL OF MINUTES (NOVEMBER 12, 2019)

Chair Hancock referred to the draft minutes from the Committee’s November 12, 2019 meeting. Ms. Boykin made a motion to adopt the minutes from the November 12, 2019 Committee meeting as presented. Chair Hancock seconded the motion, and it was unanimously approved.

III. INTERNAL AUDIT UPDATE

Chair Hancock then recognized Mr. Mitchell Goldsmith, Senior Legal Counsel, for an update on RSIC’s Internal Audit (“IA”) function. Mr. Goldsmith noted that Mr. Ben Quigley and Mr. Matt Haberman from Deloitte & Touche L.L.P. (“Deloitte”) were on the phone and would be presenting later in the meeting. Mr. Goldsmith began his presentation by reviewing the engagements that were completed during the 2019-20 fiscal year.

Mr. Goldsmith then turned to a discussion regarding the recently completed Investment Cash Processing & Capital Call/Distribution Review (“Investment Cash Review”) and asked Mr. Quigley to provide the Deloitte Team’s presentation. Mr. Quigley, who is a Senior Manager with the Deloitte Team, began by stating that the Deloitte Team would first be providing the results of the recent Investment Cash Review, and thereafter, the Deloitte Team would be presenting the scopes for two upcoming engagements: the Information Technology (“IT”) General Controls Review (“IT Controls Review”); and the Derivative Overlay (“Overlay”) Implementation Review (“Overlay Review”). Mr. Quigley then asked Mr. Haberman, who is a Manager with the Deloitte Team, to walk the Committee through the results of the Investment Cash Review.

Mr. Haberman overviewed the methodology of the Investment Cash Review. He stated that, in reviewing the processes and procedures around RSIC's cash disbursements to investment managers, the Deloitte Team examined five operational processes and tested seven controls. Mr. Haberman noted that the Deloitte Team's testing did not include testing of the controls of RSIC's custodian, the Bank of New York Mellon ("Custodian"). However, the Deloitte Team did assess RSIC's oversight of the Custodian. Mr. Haberman stated that the Deloitte Team did not identify any formal findings from the Investment Cash Review. He concluded by stating that the Investment Cash Review received a "satisfactory" rating, which is the Deloitte Team's highest rating for such a review.

The Chair then asked for questions. Mr. Goldsmith asked the Chair to recognize Ms. Brenda Gadson, Operations Officer, Ms. Nicole Waites, Investment Officer, and Mr. Scott Forrest, Director of Investment Operations, for all their work in assisting the Deloitte Team with the Investment Cash Review. Mr. Haberman also voiced thanks to Staff for making the Investment Cash Review a smooth process.

Mr. Goldsmith turned to the topic of engagements that are to be completed during the 2019-20 fiscal year and presented the scope for the IT Controls Review. The Chair then called for a motion to approve. Ms. Boykin made a motion that the Committee approve the scope of the IT Controls Review as presented. Mr. Hancock seconded the motion, and it was unanimously approved.

Mr. Goldsmith then turned to the next item on the 2019-20 fiscal year Audit Plan: the Overlay Review. He noted that the Overlay Review would be conducted by the Deloitte Team and would assess policies and procedures relating to RSIC's use of the Overlay, including the monitoring of derivative trade execution and reviewing reporting by the investment manager. Mr. Goldsmith stated the fieldwork should commence in April, and the Deloitte Team will be on-site in May. He cautioned the Committee that the Overlay Review may not be complete during the current fiscal year due to scheduling issues.

The Chair then asked for a motion to approve. Ms. Boykin made a motion to approve the scope of the Overlay Review as presented. Mr. Hancock seconded the motion, and it was unanimously approved.

IV. EXECUTIVE SESSION

Chair Hancock noted that no Executive Session was required for the meeting and moved on to the next topic on the Committee's agenda.

V. ENTERPRISE RISK MANAGEMENT AND COMPLIANCE UPDATES:

The Chair recognized Ms. Michelle Kennedy, Director of Enterprise Risk Management and Compliance, for her presentation. Ms. Kennedy began by stating that she would be covering updates regarding the continuing buildout of RSIC's enterprise risk management ("ERM") function as well as a compliance update. Ms. Kennedy presented the framework for RSIC's ERM dashboard and stated that the goal is to complete the dashboard draft items by third quarter of 2020. The Deloitte

Team will then help buildout the key performance indicators (“KPIs”) and key risk indicators (“KRIs”).

Ms. Kennedy then turned to the compliance update and reported that the compliance reviews regarding Securities Lending, Personal Trading, and Separately Managed Accounts for the quarter ending December 31, 2019 are complete, and no material issues were noted.

VI. ADJOURNMENT

There being no further business, Ms. Boykin made a motion to adjourn. Mr. Hancock seconded the motion, which was unanimously approved. The meeting adjourned at 9:03 a.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 February 14, 2020 at 4:15 p.m. at the entrance, in the lobbies, and near the 15th Floor Presentation Center at 1201 Main Street, Columbia, S.C.]