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ISSUE BRIEF

RSIC Makes Progress on Key Fiduciary Audit Recommendations

RSIC has made significant progress since the issuance of the Funston Advisory Services (FAS) fiduciary performance audit in April 2014. The audit evaluated the fiduciary roles and responsibilities of the RSIC Commissioners and staff, the relationship with other fiduciaries of the Retirement System, and the operational policies and practices of the RSIC. RSIC staff has worked diligently since the release of the report to implement their recommendations in a timely fashion.

The FAS team is experienced and competent in the issues of governance, strategy, risk, investment operations, investment accounting, and stakeholder engagement. As part of their evaluation, FAS experts spent months in an exhaustive effort reviewing documents, interviewing Commissioners, staff, stakeholders, managers and others, and conducting peer surveys.

Two critical findings are:

1. There are no indications of malfeasance or misfeasance regarding the Commission's current policies and practices.

2. RSIC is a leader among public pension systems in disclosing external management fees.

After concluding its comprehensive evaluation from January 2014 to March 2014, FAS recommended 126 areas for improvement at RSIC. RSIC began addressing several of these critical items before the audit report was published, and continues to make progress with the implementation of the remaining recommendations.

A few examples of recently completed recommendations are as follows:

- As part of the recently implemented RSIC Securities Lending Policy, RSIC Compliance staff has begun performing periodic reviews of compliance reporting provided by the Securities Lending Agent, with results of the review reported to the CIO.

- A revised charter was adopted for Internal Investment Committee which clarifies its role and decision-making.

Key Facts

- As of September 2016, 95 of the FAS recommendations have been completed. The remaining recommendations have been prioritized and assigned target completion dates.

- Of the 126 recommendations in the FAS report, 110 can be addressed by RSIC, 12 require action by the General Assembly, and 4 are tasked to the State Treasurer's Office.

- The full audit report can be can be found at www.ic.sc.gov.

www.ic.sc.gov
803.737.6885
1201 Main Street, Suite 1510
Columbia, SC 29201