

## Meeting Minutes | Board of Directors

Thursday, July 21, 2016 | 1:00 p.m.

200 Arbor Lake Dr., Columbia, SC 29223 | Second Floor Conference Room

Minutes Approved August 18, 2016

**Board Members Present:** Mr. Frank Fusco, Mr. Steve Matthews, Vice Chairman Joe “Rocky” Pearce, Mr. Audie Penn, Chairman John Sowards, and Mr. David Tigges

**Board Members Present via Telephone:** Mr. Steve Osborne

**Board Members Absent:** Mr. Steve Heisler, Ms. Stacy Kubu, and Sheriff Leon Lott

**Others Present for All or a Portion of the Meeting:** Peggy Boykin, Robby Brown, Sarah Corbett, Doug Hislop, Heather Muller, James Manning, Tammy Nichols, Darry Oliver, Lisa Phipps, Jacalin Shealy, Laura Smoak, Travis Turner, Justin Werner, and Heather Young from the South Carolina Public Employee Benefit Authority (PEBA); Wayne Bell and Sam Griswold from the State Retirees Association of South Carolina; Brooks Goodman and Karen Patton from Blue Cross Blue Shield of South Carolina; Karen Russell, Robin Scott, and Traci Young from Express Scripts, Inc.; Eric St. Pierre from Gabriel, Roeder, Smith & Company; Michael Craig and Kipper Linville from Novo Nordisk, Inc.; Roy Brown from Southern Strategy Group; Mary Elizabeth Van Horn from Milliken Law Firm; and Bill Tomes from Public Management Leadership Development Services, LLC.

### I. Call to Order

Chairman John Sowards called the PEBA Board of Director’s (Board) meeting to order at 1:00 p.m., and stated that the public meeting notice was posted in compliance with the Freedom of Information Act.

### II. Adoption of Proposed Agenda

It was noted that the proposed Board meeting agenda was adopted unanimously as presented.

### III. Approval of Meeting Minutes- June 23, 2016

It was noted that the June 23, 2016, meeting minutes were adopted unanimously as presented.

### IV. Chairman and Vice-Chairman Elections

Mr. Rocky Pearce made a motion, which was seconded by Mr. Steve Matthews, and passed unanimously, to elect Mr. John Sowards as Chairman of the PEBA Board of Directors.

Mr. Frank Fusco made a motion, which was seconded by Mr. Audie Penn, and passed unanimously, to elect Mr. Rocky Pearce as Vice-Chairman of the PEBA Board of Directors.

## V. Committee Reports

### A. Health Care Policy Committee

Mr. Pearce reported that the Health Care Policy Committee met earlier in the day, and asked Mr. Rob Tester, Health Care Policy Director, to review the proposed 2017 State Health Plan program changes effective January 1, 2017 including:

- Adopt and transition to the Express Scripts National Preferred Formulary to maximize the State Health Plan's ability to obtain the lowest net cost for covered prescriptions.
- Adopt the Express Scripts Hepatitis C Cure Value Program to help ensure adherence and assistance with this high-cost medication and provide cost savings to the State Health Plan.
- Adopt the Express Scripts Cholesterol Care Value Program to actively manage high-cost specialty cholesterol medications known as PCSK9s.
- Add telehealth, clinically-appropriate virtual doctor's visits, through Blue CareonDemand as a regular, covered service with patient liability calculated in the same manner as other regular services.
- Add coverage at no cost to the member for manual or electric breast pumps obtained from Blue Cross Blue Shield of South Carolina-contracted providers.
- Increase the lifetime limit for hospice services to \$7,500.

Mr. Tester stated that the employer contribution rate is scheduled to increase by 0.8 percent for all health plans effective January 1, 2017. Mr. Tester added that the employer contribution for the State Dental Plan will increase 15 percent, while the enrollee rate remain the same.

Mr. Tester also advised that the Medical University of South Carolina (MUSC) Health Plan will add telehealth services from the MUSC panel of doctors as a Tier 1 benefit with a \$25 per virtual visit patient copayment.

Mr. Pearce stated that the Health Care Policy Committee made a motion for the Board to approve the proposed 2017 State Health Plan program changes effective January 1, 2017. Chairman Sowards stated that a Committee motion does not require a second. The motion passed unanimously.

Mr. Pearce reported that the Committee also discussed strategic planning, and received an update on the status of the MUSC Health Plan, which started January 1, 2014.

### B. Retirement Policy Committee

Mr. Tigges stated that the Retirement Policy Committee met on July 20, 2016, and reviewed a revised version of the 2016-2018 Strategic Plan.

Mr. Tigges advised that the Committee also discussed funding issues regarding the defined benefit plan. Ms. Peggy Boykin, Executive Director, stated that the Committee reviewed historical information regarding the value of the South Carolina Retirement System (SCRS) unfunded liability as of June 30, 2015, and explained the difference between Actuarial Value and Market Value of the SCRS unfunded liability.

Ms. Boykin reported that the final returns ending June 30, 2016, appear to be flat, and noted that Mike Hitchcock and Geoff Berg from the South Carolina Retirement System Investment Commission (RSIC) will attend the next Retirement Policy Committee meeting on August 17, 2016, to provide final year-to-date performance returns. Mr. Joseph Newton and Mr. Danny White from Gabriel Roeder Smith & Company (GRS) will also attend the next Retirement Policy Committee meeting.

Ms. Boykin stated that the underperformance for 2016 will result in ultimate employer and employee contribution rate increases by approximately 69 basis points which would be phased in over a five-year period. Ms. Boykin added that during the next few months the Retirement Committee will be discussing sustained underperformance projections and recommendations for funding the Plan based on the revised projections.

Mr. Tigges advised that the Retirement/Pre-Retirement Advisory Panel nominations have been tabled to the next Retirement Committee meeting.

**C. Finance, Administration, Audit and Compliance (FAAC) Committee**

Mr. Steve Matthews advised that the FAAC Committee met on July 20, 2016, and discussed a revised version of the 2016-2018 Strategic Plan.

Mr. Matthews reviewed several modifications to the PEBA Board of Directors Bylaws related to the Committee assignment process, and stated that the FAAC Committee made a motion for the Board to accept the proposed changes to the Bylaws. Chairman Sowards stated that a Committee motion does not require a second. The motion passed unanimously.

Mr. Matthews reported that Mr. John Page, Director of Internal Audit, provided the PEBA internal audit reports including:

- A. Audit Plan Status Report
- B. Internal Audit Department Charter Revisions
- C. Internal Audit Report Policy Revisions

Mr. Matthews stated that the FAAC Committee made a motion for the Board to accept the proposed revisions to the Internal Audit Department Charter. Chairman Sowards stated that a Committee motion does not require a second. The motion passed unanimously.

Mr. Matthews reported that the Committee received information on the Operational Assessment project, and stated that PEBA's core operational system was built about 20 years ago with the Adabas/Natural technology foundation, and cannot keep pace with future demands.

Mr. Matthews explained that nearly 45 percent of PEBA's workforce is either already retired or will be eligible to retire within the next five years, which increases the urgency to migrate to a new technology platform.

Mr. Matthews advised that Linea Solutions has been selected to lead the project which is expected to take approximately five years to complete. Mr. Matthews reported that the new system will require extensive training for both PEBA staff and employers, and the cost estimate for completing the Operational Assessment is \$50 million (\$10 million dedicated annually for five years), and additional informational technology cost will also be required.

## **VI. Old Business**

Chairman Sowards asked each Committee Chairman to express their interest in continuing to serve on their respective Committees as soon as possible, and also asked Committee members to review their current Committee assignment and advise if they wish to be appointed to a different Committee. Chairman Sowards stated that each Committee will elect a Vice-Chairman at the August Committee meetings.

Chairman Sowards announced that former Board Chairman Arthur Bjontegard passed away June 29, 2016, and commented on his impressive career as a public servant. Chairman Sowards acknowledged Chairman Bjontegard's significant contribution to the PEBA Board, and expressed the Board's deep appreciation for his leadership and guidance as the charter Chairman.

### **A. Director's Report**

Ms. Boykin stated that PEBA will be focusing their efforts to allocate appropriate staff to the Operational Assessment project.

Ms. Boykin stated that the Board retreat will be postponed until the fall.

### **B. Roundtable Discussion**

At the conclusion of the Director's Report, Chairman Sowards provided an opportunity for a roundtable discussion.

## **VII. Executive Session to discuss a personnel matter pursuant to S.C. Code Ann. Section 30-4-70(A)(1)**

At 2:12 p.m., Mr. Matthews made a motion, which was seconded by Mr. Fusco, and passed unanimously, to recede into executive session to discuss a personnel matter.

The Committee reconvened in open session at 2:50 p.m. Chairman Sowards announced that no action was taken by the Board while in executive session.

## **VIII. Adjournment**

There being no further business, and upon motion by Mr. Fusco which was approved unanimously, the Board meeting adjourned at 2:51 p.m.