

**SOUTH CAROLINA PUBLIC EMPLOYEE BENEFIT AUTHORITY
INSURANCE BENEFITS**

AND

OTHER POST EMPLOYMENT BENEFITS TRUST FUNDS

AUDITED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

WITH

INDEPENDENT AUDITORS' REPORT

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OTHER POST EMPLOYMENT BENEFITS TRUST FUNDS

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INDEPENDENT AUDITORS' REPORT

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October 15, 2021

Members of the South Carolina Public Employee
Benefit Authority
Columbia, South Carolina

This report on the audit of the financial statements of the South Carolina Public Employee Benefit Authority, Insurance Benefits and Other Post Employment Benefits Trust Funds for the fiscal year ended June 30, 2021, was issued by CliftonLarsonAllen, LLP, Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

If you have any questions regarding this report, please let us know.

Respectfully submitted,

George L. Kennedy, III, CPA
State Auditor

GLKIII/trb



INDEPENDENT AUDITORS' REPORT

Mr. George L. Kennedy, CPA
State Auditor
Office of the State Auditor and
Members of the South Carolina Public
Employee Benefit Authority
South Carolina Public Employee Benefit Authority Insurance Benefits, the South Carolina Retiree
Health Insurance Trust Fund and the South Carolina Long-Term Disability Insurance Trust Fund
Columbia, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of South Carolina Public Employee Benefit Authority Insurance Benefits (PEBA), an internal service fund of the State of South Carolina, the South Carolina Retiree Health Insurance Trust Fund, a fiduciary fund of the State of South Carolina, and the South Carolina Long-Term Disability Insurance Trust Fund, a fiduciary fund of the State of South Carolina, collectively referred to as "PEBA Insurance Benefits," as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise PEBA Insurance Benefits' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of PEBA Insurance Benefits as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 1, the financial statements present only South Carolina Public Employee Benefit Authority Insurance Benefits (PEBA), an internal service fund of the State of South Carolina, the South Carolina Retiree Health Insurance Trust Fund, a fiduciary fund of the State of South Carolina, and the South Carolina Long-Term Disability Insurance Trust Fund, a fiduciary fund of the State of South Carolina, and do not purport to, and do not present fairly the financial position of the State of South Carolina, as of June 30, 2021, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4-22, Schedule of South Carolina Public Employee Benefit Authority, Insurance Benefits' Proportionate Share of the Net Pension Liability – South Carolina Retirement System on page 72, Schedule of South Carolina Public Employee Benefit Authority, Insurance Benefits' Employer Pension Contributions – South Carolina Retirement System on page 73, Schedule of South Carolina Public Employee Benefit Authority, Insurance Benefits' Proportionate Share of the Net OPEB Liability on page 74, Schedule of South Carolina Public Employee Benefit Authority, Insurance Benefits' Employer OPEB Contributions on page 75, Schedule of Changes in Net OPEB Liability and Related Ratios on page 76, Schedule of Net OPEB Liability on page 78, and Schedule of OPEB Investment Returns on page 79 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2021, on our consideration of the PEBA Insurance Benefits' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely describe the scope of our

Office of the State Auditor and Members
South Carolina Public
Employee Benefit Authority

testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of PEBA Insurance Benefits' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering PEBA, Insurance Benefits' internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Baltimore, Maryland
October 15, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section presents management's discussion and analysis for the financial performance of South Carolina Public Employee Benefit Authority, Insurance Benefits (PEBA, Insurance Benefits), the South Carolina Retiree Health Insurance Trust Fund (SCRHITF) and the South Carolina Long-Term Disability Insurance Trust Fund (SCLTDITF) during the fiscal year ended June 30, 2021. This section should be read in conjunction with the financial statements and the notes, which follow this section.

Questions about this report, or requests for additional financial information should be addressed as follows:

Phyllis Buie, Insurance Finance Director
PEBA, Insurance Benefits
202 Arbor Lake Drive
Columbia, SC 29223

Travis Turner, Chief Financial Officer
South Carolina Public Employee Benefit Authority
202 Arbor Lake Drive
Columbia, SC 29223

SOUTH CAROLINA PUBLIC EMPLOYEE BENEFIT AUTHORITY, INSURANCE BENEFITS

The financial statement presentation required under governmental accounting standards provides a comprehensive perspective of the South Carolina Public Employee Benefit Authority, Insurance Benefits' assets, liabilities, deferred inflows and outflows of financial resources, net position, revenues, expenses, changes in net position and cash flows.

Financial Highlights

Business Type activities reported a decrease in net position of \$17,539,446 and total net position of \$481,174,810 for the year ended June 30, 2021. In comparison, an increase in net position of \$100,428,169 and total net position of \$498,714,256 was reported for the year ended June 30, 2020.

Overview of Financial Statements

PEBA, Insurance Benefits is a proprietary type internal service fund engaged in Business Type activities. Following is a condensed Statement of Net Position, a condensed Statement of Activities and a condensed Statement of Cash Flows.

The Statement of Net Position presents the financial position of PEBA, Insurance Benefits at the end of the fiscal year and requires classification of assets and liabilities into current and noncurrent categories. The difference between total assets, total liabilities, and deferred inflows and outflows of financial resources is reflected in the net position section, which displays net investment in capital assets and unrestricted net position. Net position is generally an indicator of the current financial condition of PEBA, Insurance Benefits, while the change in net position is generally an indicator of the overall financial condition for the year.

Overview of Financial Statements (continued)

In accordance with the provisions of the SCRHITF, excess PEBA, Insurance Benefits' reserves above 140% of incurred but not reported claims, as of December 31 each year, to the extent available in order to maintain a reserve balance equal to but not less than one and one-half months' claims expense, will be transferred to the SCRHITF the following January. However, due to the uncertain impact of Covid-19 to the State Health Plan, legislators granted PEBA, Insurance Benefits a special exemption and waived the transfer for this fiscal year to the SCRHITF.

The Statement of Revenue, Expenses, and Changes in Net Position present revenue and expenses as operating and are detailed by classification.

The Statement of Cash Flows will aid readers in identifying the sources and uses of cash by the categories of operating, non-capital financing and investing activities.

The following schedule is a condensed version of PEBA, Insurance Benefits' assets, liabilities, and net position and is prepared from the Statement of Net Position.

	June 30, 2021	June 30, 2020
Assets		
Current assets	\$ 775.7	\$ 738.8
Noncurrent assets	0.1	0.1
Total assets	<u>775.8</u>	<u>738.9</u>
Deferred outflow of resources	<u>6.7</u>	<u>3.4</u>
Liabilities		
Current liabilities	269.2	215.4
Noncurrent liabilities	30.9	26.8
Total liabilities	<u>300.1</u>	<u>242.2</u>
Deferred inflow of resources	<u>1.2</u>	<u>1.4</u>
Net position		
Net investment in capital assets	0.1	0.1
Unrestricted	481.1	498.6
Total net position	<u>\$ 481.2</u>	<u>\$ 498.7</u>

Overview of Financial Statements (continued)

The following schedule is a summary of PEBA, Insurance Benefits' operating results for the fiscal year.

Condensed Statements of Revenues, Expenses, and Changes in Net Position Year Ended June 30, (in millions)

	2021	2020
Operating:		
Program revenue	\$ 3,374.7	\$ 3,274.2
Expenses	(3,403.7)	(3,188.2)
Total operating income/(loss)	(29.0)	86.0
Non-operating:		
Earnings on investments	11.5	14.4
Total non-operating income	11.5	14.4
Change in net position	(17.5)	100.4
Net position, beginning of the year	498.7	398.3
Net position, end of the year	\$ 481.2	\$ 498.7

A condensed version of Statement of Cash Flows is presented as follows:

Condensed Statements of Cash Flows Year Ended June 30, (in millions)

	2021	2020
Cash flows (used in) / from operating activities	\$ (109.5)	\$ (30.1)
Cash flows used in capital and related financing activities	(0.1)	(0.1)
Cash flows from investing activities	11.5	14.4
Net (decrease)/increase in cash and cash equivalents	(98.1)	(15.8)
Cash and cash equivalents, beginning of year	583.3	599.1
Cash and cash equivalents, end of year	\$ 485.2	\$ 583.3

Overview of PEBA, Insurance Benefits

PEBA, Insurance Benefits manages group health, dental, life, accidental death and dismemberment, and disability programs as authorized in § 1-11-710 and § 1-11-720 of the South Carolina Code of Laws, as well as the flexible benefits program (MoneyPlus) as authorized in § 9-1-60, and the employee adoption assistance program, pursuant to Proviso 108.2 of the 2020-2021 General Appropriations Act.

Following is a list of benefits offered by PEBA, Insurance Benefits differentiated according to self-insured versus insured status.

Self-Insured Programs

- State Health Plan:
 - Standard Plan (PPO)
 - Medicare Supplement
 - Savings Plan (HDHP)
- MUSC Health Plan
- State Dental Plan
- Basic Long Term Disability
- Adoption Assistance Program

Insured Programs

- Tricare Supplement
- Dental Plus
- State Life
- Optional Life
- Dependent Life
- Supplemental Long Term Disability
- Vision
- MoneyPlus

Benefits are offered to eligible employees and retirees of all state agencies and public school districts, and many local governments. As of June 2021, 782 employers participated in the program. The State Health Plan is PEBA, Insurance Benefits' "flagship" product, a "Preferred Provider Organization" model plan which encompasses medical, prescription drug, and behavioral health coverage. The State Health Plan is the most significant driver of PEBA, Insurance Benefits' financial activity, accounting for approximately 87.2% of all medical revenue.

Overview of the State Health Plan

The State Health Plan (Plan) consists of the Standard Plan, the Medicare Supplement Plan, and the Savings Plan. The majority of Plan subscribers (68.60%) are enrolled in the Standard Plan, a PPO option available to non-Medicare and Medicare enrollees. Of the remaining subscribers, 26.94% are enrolled in the Medicare Supplement, a retiree option for those enrolled in Medicare and 4.46% are enrolled in the Savings Plan. The Savings Plan is a qualified high deductible health plan (HDHP) available to non-Medicare enrollees.

The State Health Plan remains competitive with other southern state health plans in terms of plan deductibles, coinsurance, and prescription drug coverage. In aggregate, the employer contributes around 78.2% of the total contribution for State Health Plan coverage. The Plan self-contracts provider networks for hospitals and physicians. These networks continue to maintain extremely high participation rates. Following is a look at total enrollment in the State’s medical insurance programs and enrollment in the State Health Plan (as of June 2021).

	<u>All Medical Programs</u>	<u>State Health Plan</u>
Total Insured Persons:	514,285	513,362
Subscribers:	290,184	289,685
Spouses:	86,207	86,021
Children:	137,894	137,656
Total Subscribers:	290,184	289,685
Employees:	195,630	195,196
Retirees:	91,153	91,088
Survivors:	2,552	2,552
COBRA:	706	706
Former spouses:	143	143
Active Employees:	195,630	195,196
State Agencies:	59,799	59,627
School Districts:	86,216	86,056
Local Government	49,615	49,513

State Health Plan Premiums

The State Health Plan operates under a 4-tier premium structure, varying contribution levels according to level of coverage. The coverage levels include Employee Only, Employee/Spouse, Employee/Child, and Full Family. As of June 30, 2021, 57.23% of subscribers had Employee Only coverage, and the remaining 42.77% covered at least one dependent.

Premiums range from \$6,004.56 annually for Employee Only coverage to \$15,663.36 annually for Full Family coverage. Following are the monthly 2021 State Health Plan employee and employer rates.

2021 State Health Plan (Standard Plan) Monthly Premiums

ACTUAL RATES

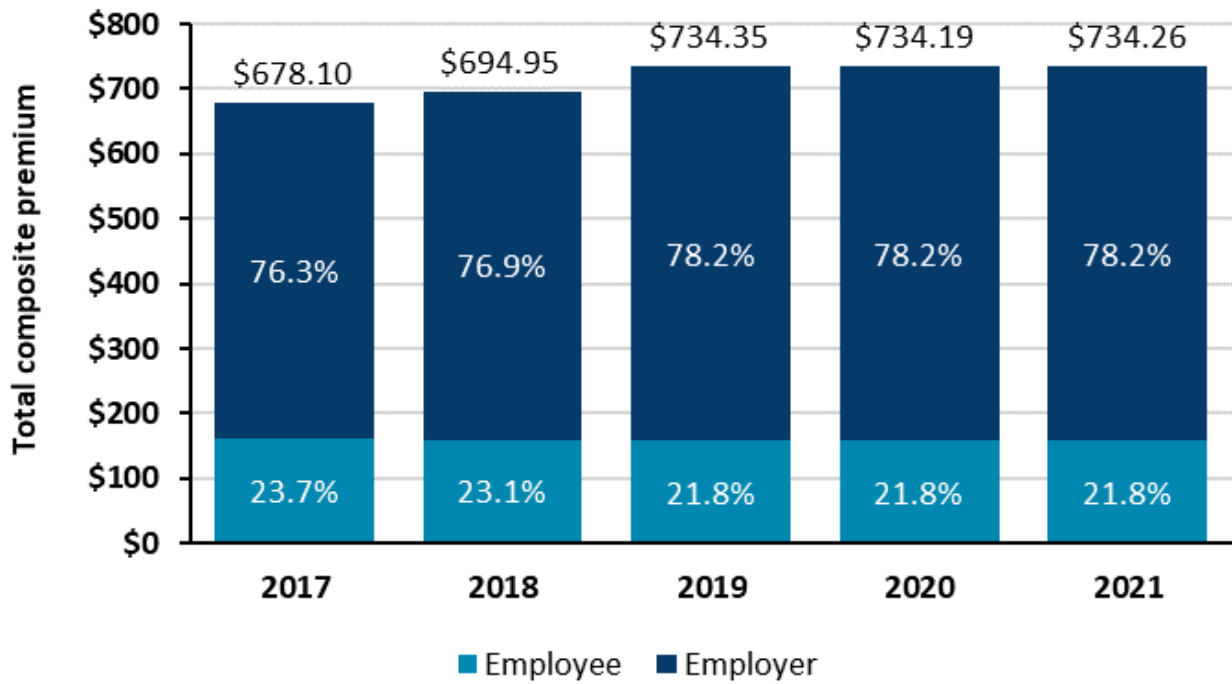
	Employee	Employer	Total
Employee Only	\$97.68	\$402.70	\$500.38
Employee / Spouse	\$253.36	\$797.68	\$1,051.04
Employee / Child(ren)	\$143.86	\$618.06	\$761.92
Full Family	\$306.56	\$998.72	\$1,305.28
Composite Rate	\$160.08	\$574.18	\$734.26

State Health Plan Premiums (continued)

Premium revenue is shared between the employer and the employee (or retiree).

For 2021, both the employer share and the employee share remained the same. The 2021 employee share reflects approximately 22% of the total premium.

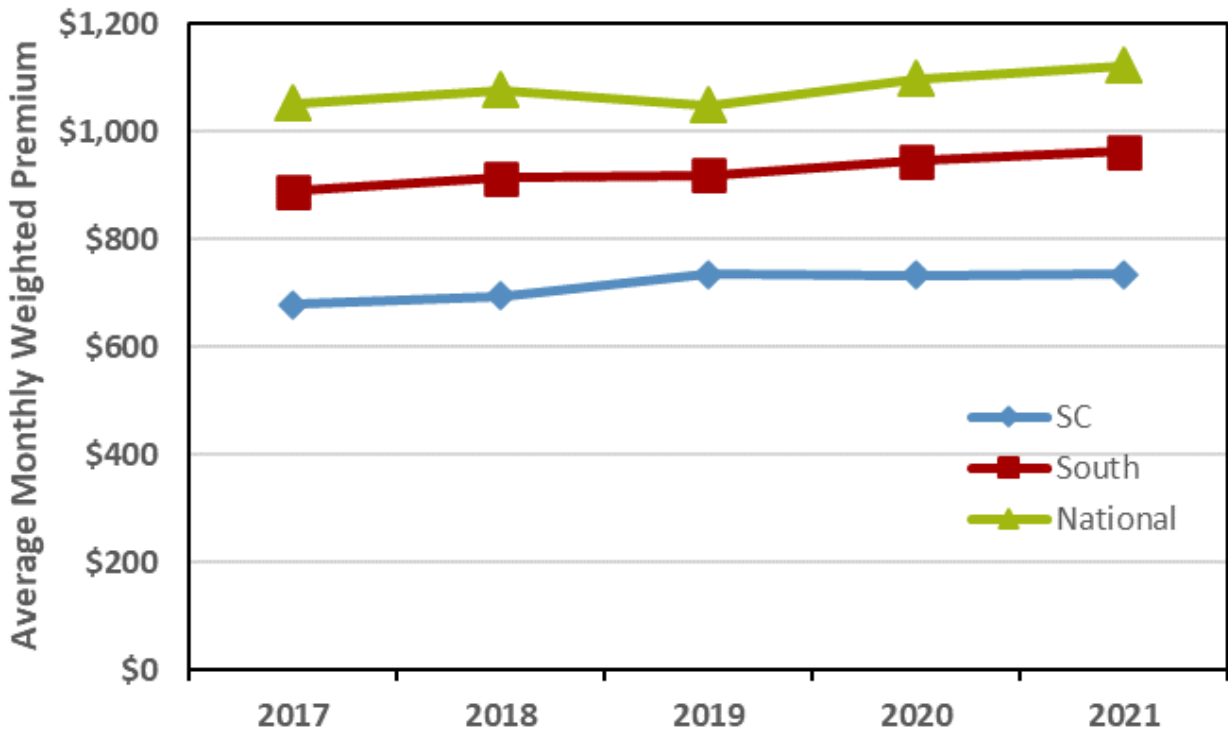
South Carolina Employee/Employer Sharing of Total Composite



State Health Plan Premiums (continued)

The 2021 composite total premium remains fairly well below both the regional and national levels. For 2021, the State Health Plan composite total premium was approximately 76% of the regional premium and 66% of the national premium.

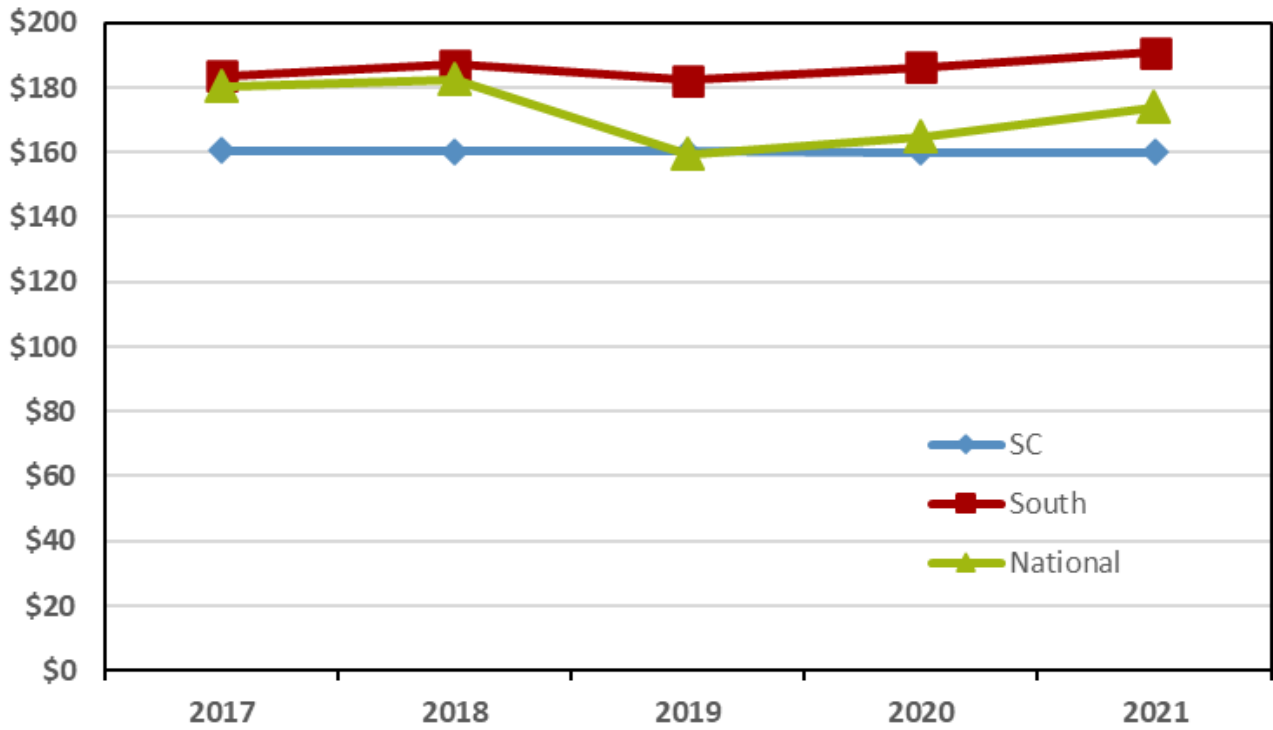
Combined Employee and Employer Averaged Weighted Premiums for State Health Plan Compared to Regional and National Averages



State Health Plan Premiums (continued)

For 2021, the State Health Plan employee composite remained below the regional composite and it dipped below the national composite.

Average Weighted Employee Premiums for State Health Plan Compared to Regional and National Averages



State Health Plan Contribution Increases

Contribution increases since 2011 are outlined below.

State Health Plan Contribution Increases			
Plan Year	Employer Rate Increase	Employee Rate Increase	Overall Plan Increase
2011	10.3%	0.0%	7.2%
2012	4.5%	4.5%	4.5%
2013	6.4%	0.0%	4.6%
2014	6.8%	0.0%	5.1%
2015	3.9%	0.0%	2.9%
2016	4.5%	0.0%	3.4%
2017	0.8%	0.0%	0.6%
2018	3.3%	0.0%	2.5%
2019	7.4%	0.0%	5.7%
2020	0.0%	0.0%	0.0%
2021	0.0%	0.0%	0.0%
2022	0.8%	0.0%	0.6%

Status of the Plan

The State Health Plan is currently in a stable financial position and has been able to transfer excess cash reserves for the previous 12 reporting periods, to the South Carolina Retiree Health Insurance Trust Fund. However, due to the uncertain impact of Covid-19 to the State Health Plan, legislators granted PEBA, Insurance Benefits a special exemption and waived the transfer for this fiscal year.

Following are the plan year changes in growth rate in payments per subscriber since 2011.

<u>Plan Year</u>	<u>Change in Payout/Subscriber</u>
2011	+1.1%
2012	+5.3%
2013	+4.5%
2014	+1.0%
2015	+7.9%
2016	+0.3%
2017	+2.5%
2018	+3.2%
2019	+2.5%
2020	+3.6%

Change is payout/subscriber updated with the most current claims data to account for run-out. The reporting method takes rebates, Medicare subsidies and administrative fees into account.

Status of the Plan (continued)

Following are the plan year medical utilization rates (and growth rates) per 1,000 insured persons (SHP primary) from 2011 through 2020 for office visits, ER visits, inpatient cases, and outpatient surgery.

	Office Visits		ER Visits		I/P Cases		O/P Surgery	
	Utilization	Growth	Utilization	Growth	Utilization	Growth	Utilization	Growth
2011	6,192.94	-1.2%	162.35	+1.1%	55.82	-3.3%	114.48	-0.1%
2012	6,624.21	+7.0%	173.03	+6.6%	59.30	+6.2%	113.56	-0.8%
2013	6,762.58	+2.1%	171.96	-0.6%	55.39	-6.6%	110.07	-3.1%
2014	6,645.51	-1.7%	181.82	+5.7%	53.20	-4.0%	110.33	+0.2%
2015*	7,100.12	+6.8%	188.08	+3.4%	53.84	+1.2%	109.67	-0.6%
2016*	7,420.53	+4.5%	193.56	+2.9%	52.14	-3.2%	114.70	+4.6%
2017*	7,915.69	+6.7%	197.76	+2.2%	53.24	+2.1%	114.05	-0.6%
2018*	8,147.92	+2.9%	196.10	-0.8%	51.98	-2.4%	110.67	-3.0%
2019*	6,898.66	-15.3%	191.83	-2.2%	50.56	-2.7%	108.22	-2.2%
2020*	6,569.25	+4.8%	155.64	-18.9%	50.60	+0.1%	101.49	-6.2%

* Used new methodology to calculate volume by place of service. This methodology was updated in 2015.

Plan year prescription drug utilization has also moderated, as well as shifted to more cost effective delivery channels, as indicated below.

	Rx/Insured		Generic Share	Mail Service Share
	Utilization	Growth		
2011	17.95	-0.6%	70.2%	8.5%
2012	18.21	+1.4%	74.2%	8.1%
2013	18.33	+0.7%	77.0%	7.7%
2014	18.16	-0.9%	79.5%	2.2%
2015*	18.60	+2.4%	81.5%	16.0%
2016*	18.22	-2.0%	84.7%	16.3%
2017*	17.91	-1.7%	85.6%	15.5%
2018*	17.46	-2.5%	85.6%	22.3%
2019*	16.88	-3.3%	86.0%	24.6%
2020*	16.09	-4.7%	86.0%	28.3%

* Used new reporting method to include both 90-day retail and mail, which have the same copayments.

Status of the Plan (continued)

Cost containment initiatives continue to influence the Plan's positive trend, including the following:

- Provider reimbursement pricing policy with direct-contracted provider networks (inpatient and outpatient hospital settings, and professional fee schedules)
- Pharmacy reimbursement pricing policy that takes advantage of Contractor discounts as part of its national networks
- Utilization review and management (precertification of inpatient cases and certain outpatient procedures, disease management of specified conditions, complex care management and chronic kidney disease management)
- Chiropractic limit of \$2,000/person/year and limit of one manual therapy unit per visit (implemented 2010)
- Pre-authorization process for high-end radiology procedures (implemented 2010)
- Tobacco surcharge of \$40/contract/month for members with single coverage who use tobacco and \$60/contract/month for members with dependent coverage who use tobacco or cover a family member that does
- "Evidence-based medicine" initiative involving analysis of claims data and communications with doctors regarding best practices
- Mail service pharmacy through Pharmacy Benefits Manager
- Prior authorization/step therapy requirements for specified medications, including "preferred step therapy" program to steer business to "front-line" generics
- Closed formulary — non-coverage of non-formulary products
- "Pay-the-difference" policy for brand drugs with generic equivalents
- "Gold standard" smoking cessation program
- Voluntary Data Sharing Agreement with Medicare (maintain current Medicare eligibility on all subscribers yielding significant cost savings)
- Significant patient cost sharing for all service types
- Pharmaceutical manufacturer rebates (for all health plans); the Plan received approximately \$392.42 million in rebates during the current fiscal year
- Implementation of a Medicare Part D Prescription Drug Program; the Plan received about \$186.05 million in subsidies during the current fiscal year
- A Wellness Incentive, which provides free generic drugs for participants with cardiovascular disease or diabetes who participate in a wellness program for these conditions (implemented 2010)
- Narrow pharmacy networks for specialty drugs and for retail maintenance

Going Forward:

Several points of interest going forward include the following:

- PEBA, Insurance Benefits will retain its “grandfathered” status under the Patient Protection and Affordable Care Act (ACA) for 2022.
- For 2022, there will be a 0.8 percent rate increase for employers and no increase for employees for continuation of the ongoing plan of benefits.
- A Tricare supplement will again be offered to non-Medicare subscribers on an employee pay all basis.
- The MUSC Health Plan will continue in 2022 for employees and dependents of MUSC and the Medical University Hospital Authority to reduce health care costs while improving the health of an entire population.
- Beginning in 2022, the Plan will implement a pharmacy benefit solution that allows for Medicare to pay its 80 percent share for a Medicare Part B product purchased by a Medicare beneficiary at a pharmacy and the Plan pay the 20 percent Part B coinsurance. Currently, a Medicare beneficiary would pay the appropriate Plan copayment but instead will have no cost share under this scenario. The annual savings for the Plan associated with this strategy is estimated to be approximately \$10.5 million.

SOUTH CAROLINA RETIREE HEALTH INSURANCE TRUST FUND

The SCRHITF was established by the State of South Carolina through Act 195 on May 1, 2008. In accordance with Act 195, the SCRHITF was created to provide for the employer costs of retiree post-employment health and dental insurance benefits for retired state employees and retired employees of public school districts. As of the SCRHITF valuation date of June 30, 2020 (the latest plan actuarial evaluation date), there were 251 participating employers and 284,717 eligible plan participants (186,353 active, 97,002 retired, and 1,362 vested terminated). The South Carolina Public Employee Benefit Authority (PEBA) administers the SCRHITF and the PEBA Board has been designated as the Trustee. The State Treasurer is the custodian of the funds held in the SCRHITF and invests those funds in accordance with the statutes of the State.

Financial Highlights

- Net position held in trust, as reported in the Statement of Plan Fiduciary Net Position, totaled \$1.683 billion at June 30, 2021, a net increase of \$31.118 million from the prior year.
- Total additions as reflected in the Statement of Changes in Plan Fiduciary Net Position totaling \$587.753 million are a result of contributions, investment income, and securities lending activities income.
- Total deductions as reflected in the Statement of Changes in Plan Fiduciary Net Position totaling \$556.635 million are a result of benefit and administrative expenses.

Overview of Financial Statements

The SCRHITF has two basic financial statements, the notes to the financial statements and the three required supplementary schedules. The basic financial statements and the required disclosures comply with the accounting principles and reporting guidelines as set forth by the Governmental Accounting Standards Board, utilizing the accrual basis of accounting.

The Statement of Plan Fiduciary Net Position is the first basic financial report. This is a snapshot of account balances at fiscal year-end. This statement reflects assets available for future payments to retirees and their beneficiaries and any current liabilities owed as of fiscal year end.

The following schedule is a condensed version of the SCRHITF's assets, liabilities, and fiduciary net position and is prepared from the Statement of Plan Fiduciary Net Position:

Condensed Statements of Plan Fiduciary Net Position

	<u>2021</u>	<u>2020</u>
Total assets	\$ 1,725,618,487	\$ 1,659,465,995
Total liabilities	<u>42,201,495</u>	<u>7,166,810</u>
Net position held in trust for other postemployment benefits	<u>\$ 1,683,416,992</u>	<u>\$ 1,652,299,185</u>

The Statement of Changes in Plan Fiduciary Net Position is the second financial report. This report reflects all the activities that occurred during the fiscal year and shows the impact of those activities as additions or deductions to the plan. The trend of additions versus deductions to the plan will indicate the condition of the SCRHITF's financial position over time.

Overview of Financial Statements (continued)

The following schedule is a condensed version of the SCRHITF's additions, deductions and changes in plan net position and is prepared from the Statement of Changes in Plan Fiduciary Net Position:

Condensed Statements of Changes in Plan Fiduciary Net Position

	<u>2021</u>	<u>2020</u>
Total additions	\$ 587,753,058	\$ 808,771,812
Total deductions	<u>556,635,251</u>	<u>551,212,676</u>
Net increase in net position held in trust for other postemployment benefits (OPEB)	31,117,807	257,559,136
Net position held in trust for OPEB, beginning of year	<u>1,652,299,185</u>	<u>1,394,740,049</u>
Net position held in trust for OPEB, end of year	<u><u>\$ 1,683,416,992</u></u>	<u><u>\$ 1,652,299,185</u></u>

The Notes to the Financial Statements (Notes) are an integral part of the financial reports. The Notes provide detailed discussion of key policies, programs, and activities that occurred during the period.

Plan Assets and Key Percentages

As of June 30, 2021, the SCRHITF had \$1.683 billion in Net Position (total assets of \$1.726 billion exceeding total liabilities of \$42.202 million). The Plan Fiduciary Net Position represents funds available for future payments.

The SCRHITF's independent actuary, Gabriel, Roeder, Smith and Company, performed an actuarial valuation as of June 30, 2020 which was rolled forward to June 30, 2021 to determine the net OPEB liability to be \$20.823 billion. The Plan Fiduciary Net Position as a percentage of total OPEB liability was 7.48% at the valuation date. The net OPEB liability as a percentage of covered-employee payroll was 222.29% at the valuation date.

Additions and Deductions to Plan Fiduciary Net Position

The primary sources which finance the health and dental benefits the SCRHITF provides are the collection of employer contributions, additional State appropriations, accumulated PEBA, Insurance Benefits reserve balances, and income generated from investments. For the period ending June 30, 2021, total additions amounted to \$587,753,058. Employer contributions accounted for \$581,528,115 that is a result of a surcharge of 6.25% on each employer's payroll. The surcharge is an estimated amount to cover the employer portion of the "pay go" costs of retiree claims and is collected by and transferred from the South Carolina Retirement System to the SCRHITF. Other additions were state appropriations of \$2,375,300 and \$3,849,643 in investment income. It is composed of interest earnings and securities lending activities of

Overview of Financial Statements (continued)

\$32,301,598, net realized gains of \$9,378,259, net unrealized losses of \$37,182,008 and net unrealized losses from value in securities lending of \$648,206.

For the period ending June 30, 2021, total deductions amounted to \$556,635,251, which was a result of claims and administrative expenses.

Future Funding

Going forward into 2022, the net OPEB liability will be funded primarily through the surcharge on employer's payroll. Effective July 1, 2021, the surcharge will remain at 6.25%. Other funding sources will include excess PEBA, Insurance Benefits reserves, additional State appropriations (which in this year's budget totaled \$2,375,300) and investment earnings.

SOUTH CAROLINA LONG-TERM DISABILITY INSURANCE TRUST FUND

The SCLTDITF was established by the State of South Carolina through Act 195 on May 1, 2008. In accordance with Act 195, the SCLTDITF was created to fund and account for the employer costs of the State's Basic Long-Term Disability Income Benefit Plan. As of June 30, 2020 (the latest plan actuarial valuation date), there were 774 participating employers and 197,986 eligible plan participants (197,075 active and 911 retired). The South Carolina Public Employee Benefit Authority (PEBA) administers the SCLTDITF and the PEBA Board has been designated as the Trustee. The State Treasurer is the custodian of the funds held in the SCLTDITF and invests those funds in accordance with the statutes of the State.

Financial Highlights

- Net position held in trust, as reported in the Statement of Plan Fiduciary Net Position, totaled \$41.201 million, a decrease of \$1.278 million from the prior year.
- Total additions as reflected in the Statement of Changes in Plan Fiduciary Net Position of \$7.398 million represent contributions revenue, investment income and securities lending activities income.
- Total deductions as reflected in the Statement of Changes in Plan Fiduciary Net Position of \$8.676 million represent benefit and administrative expenses.

Overview of Financial Statements

The SCLTDITF has two basic financial statements, the notes to the financial statements, and the three required supplementary schedules. The basic financial statements and the required disclosures comply with the accounting principles and reporting guidelines as set forth by the Governmental Accounting Standards Board, utilizing the accrual basis of accounting.

The Statement of Plan Fiduciary Net Position is the first basic financial report. This is a snapshot of account balances at fiscal year-end. This statement reflects assets available for future payments to beneficiaries and any current liabilities owed as of fiscal year end.

Overview of Financial Statements (continued)

The following schedule is a condensed version of the SCLTDITF's assets, liabilities, and net position and is prepared from the Statement of Plan Fiduciary Net Position:

Condensed Statements of Plan Fiduciary Net Position

	2021	2020
Total assets	\$ 45,036,166	\$ 43,737,452
Total liabilities	3,834,919	1,258,346
Net position held in trust for other postemployment benefits	<u>\$ 41,201,247</u>	<u>\$ 42,479,106</u>

The Statement of Changes in Plan Fiduciary Net Position is the second financial report. This report reflects all of the activities that occurred during the fiscal year and shows the impact of those activities as additions or deductions to the plan. The trend of additions versus deductions to the plan will indicate the condition of the SCLTDITF's financial position over time.

The following schedule is a condensed version of the SCLTDITF's additions, deductions and changes in plan net position and is prepared from the Statement of Changes in Plan Fiduciary Net Position:

Condensed Statements of Changes in Plan Fiduciary Net Position

	2021	2020
Total additions	\$ 7,397,957	\$ 11,698,973
Total deductions	8,675,816	7,995,367
Net increase in net position held in trust for other postemployment benefits (OPEB)	(1,277,859)	3,703,606
Net position held in trust for OPEB, beginning of year	42,479,106	38,775,500
Net position held in trust for OPEB, end of year	<u>\$ 41,201,247</u>	<u>\$ 42,479,106</u>

The Notes to the Financial Statements (Notes) are an integral part of the financial reports. The Notes provide detailed discussion of key policies, programs, and activities that occurred during the period.

Overview of Financial Statements (continued)

Plan Assets and Key Percentages

As of June 30, 2021, the SCLTDITF has \$41,201,247 in net position. The Plan Fiduciary Net Position represents funds available for future payments.

The SCLTDITF's independent actuary, Gabriel, Roeder, Smith and Company, performed an actuarial valuation as of June 30, 2020 which was rolled forward to June 30, 2021 to determine the net OPEB liability to be \$3,177,684. The Plan Fiduciary Net Position as a percentage of total OPEB liability was 92.84% at the valuation date.

Additions and Deductions to Plan Net Position

The primary sources which finance the long-term disability benefits the SCLTDITF provides are investment income and the collection of employer contributions. For the period ended June 30, 2021, total additions amounted to \$7,397,957. Employer contributions to the SCLTDITF were \$7,575,758 for premiums that are billed and transferred by PEBA, Insurance Benefits on a monthly basis. At June 30, 2021, there was a net loss in investment income of \$177,801. It is composed of interest earnings and securities lending activities of \$1,051,295, net realized gains of \$839,364, net unrealized losses of \$2,024,262 and net unrealized losses from value in securities lending of \$44,198. For the period ending June 30, 2021, total deductions amounted to \$8,675,816 resulting from claims expense and administrative expenses.

Future Funding

The Net OPEB Liability is 92.84% funded and going forward into 2022, the premium charged to employers will remain static.

**SOUTH CAROLINA PUBLIC EMPLOYEE BENEFIT AUTHORITY
INSURANCE BENEFITS**

**STATEMENT OF NET POSITION
JUNE 30, 2021**

Assets and Deferred Outflows of Resources

Current assets:

Cash and cash equivalents	\$ 485,186,064
Premiums receivable	2,425,072
Prescription drug rebate receivable	189,789,297
Medicare Part D subsidy receivable	95,998,757
Due from South Carolina Retirement Systems	1,800,000
Accrued interest	9,421
Prepaid items	486,524
Total current assets	<u>775,695,135</u>

Non-current assets:

Capital assets, net of accumulated depreciation	117,495
Total assets	<u>775,812,630</u>

Deferred outflow of resources:

Pension	3,751,865
Other postemployment benefits	2,990,369
Total deferred outflow of resources	<u>6,742,234</u>

Liabilities, Deferred Inflows of Resources, and Net Position

Current liabilities:

Accounts payable and accrued payroll	805,455
Accrued compensated absences	713,146
Unearned premium revenue	22,765,999
Claims payable and administrative fees	62,080,624
Claims incurred but not reported	182,885,597
Total current liabilities	<u>269,250,821</u>

Non-current liabilities:

Accrued compensated absences, net of current portion	472,227
Net OPEB liability	14,387,388
Net pension liability	16,038,987
Total non-current liabilities	<u>30,898,602</u>
Total liabilities	<u>300,149,423</u>

Deferred inflow of resources:

Pension	60,650
Other postemployment benefits	1,169,981
Total deferred inflow of resources	<u>1,230,631</u>

Net Position:

Net investment in capital assets	117,495
Unrestricted	481,057,315
Total net position	<u>\$ 481,174,810</u>

The accompanying notes are an integral part of these financial statements.

**SOUTH CAROLINA PUBLIC EMPLOYEE BENEFIT AUTHORITY
INSURANCE BENEFITS**

**STATEMENT OF REVENUE, EXPENSES,
AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Operating revenue:	
Insurance premiums:	
Active employees	\$ 1,973,865,343
Retirees	819,157,800
Total insurance premiums	<u>2,793,023,143</u>
Prescription drug rebates	392,416,846
Medicare Part D subsidy	186,047,692
Administrative fees and other	3,195,053
Total operating revenue	<u><u>3,374,682,734</u></u>
Operating expenses:	
Claims	3,130,429,337
Premiums	175,797,744
Non-employer contributions for OPEB <i>(see Note 4)</i>	-
Third party administrative fees	80,615,520
Salaries and benefits	10,462,806
Other services	4,315,891
Professional services	615,690
Adoption assistance program	251,070
Other operating expenses	1,245,846
Total operating expenses	<u>3,403,733,904</u>
Operating loss	(29,051,170)
Non-operating revenue:	
Income from deposits	11,511,724
Change in net position	(17,539,446)
Net position, beginning of year	<u>498,714,256</u>
Net position, end of year	<u><u>\$ 481,174,810</u></u>

The accompanying notes are an integral part of these financial statements.

**SOUTH CAROLINA PUBLIC EMPLOYEE BENEFIT AUTHORITY
INSURANCE BENEFITS**

**STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Cash Flows from Operating Activities

Premiums received from customers	\$ 2,793,143,167
Other receipts	448,870,290
Payments to employees	(9,729,651)
Payments for other post employment benefits	-
Payments to providers, suppliers and others	(3,341,839,292)
Net cash used in operating activities	<u>(109,555,486)</u>

Cash Flows Used in Capital and Related Financing Activities

Purchase of capital assets	<u>(76,076)</u>
Net cash used in capital and related financing activities	<u>(76,076)</u>

Cash Flows from Investing Activities

Interest received-deposits and investments	<u>11,513,304</u>
Net cash provided by investing activities	<u>11,513,304</u>
Net decrease in cash and cash equivalents	(98,118,258)

Cash and cash equivalents:

Beginning of year	<u>583,304,322</u>
End of year	<u>\$ 485,186,064</u>

Reconciliation of operating income to net cash from operating activities:

Operating loss	\$ (29,051,170)
Adjustments to reconcile operating income to net cash used in operating activities:	
Depreciation expense	54,846
Deferred outflows of resources - pension	(141,157)
Deferred inflows of resources - other postemployment benefits	748,893
Effect of changes in operating assets and liabilities:	
Premiums receivable	(580,232)
Due from related entity	(1,800,000)
Prescription drug rebate receivable	(139,149,344)
Medicare Part D Subsidy receivable	6,360,044
Prepaid expenses	197,984
Accounts payable, accrued payroll and compensated absences	125,419
Unearned premium revenue	700,256
Claims payable, administrative fees and incurred but not reported	<u>52,978,975</u>
Net cash used in operating activities	<u>\$ (109,555,486)</u>

The accompanying notes are an integral part of these financial statements.

**SOUTH CAROLINA PUBLIC EMPLOYEE BENEFIT AUTHORITY
OTHER POST EMPLOYMENT BENEFITS TRUST FUNDS**

**STATEMENTS OF PLAN FIDUCIARY NET POSITION
JUNE 30, 2021**

	South Carolina Retiree Health Insurance Trust Fund	South Carolina Long-Term Disability Insurance Trust Fund
Assets :		
Cash and cash equivalents	\$ 68,029,384	\$ 1,974,012
Invested securities lending collateral	41,374,507	3,056,431
Due from South Carolina Retirement Systems	85,719,809	-
Accrued interest receivable	7,697,121	265,866
Investments	1,522,797,666	39,739,857
 Total assets	 1,725,618,487	 45,036,166
 Liabilities :		
Collateral for loaned securities	42,201,495	3,117,149
Claims payable	-	717,770
 Total liabilities	 42,201,495	 3,834,919
 Fiduciary net position held in trust for other postemployment benefits	 \$ 1,683,416,992	 \$ 41,201,247

The accompanying notes are an integral part of these financial statements.

**SOUTH CAROLINA PUBLIC EMPLOYEE BENEFIT AUTHORITY
OTHER POST EMPLOYMENT BENEFITS TRUST FUNDS**

**STATEMENTS OF CHANGES IN PLAN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	<u>South Carolina Retiree Health Insurance Trust Fund</u>	<u>South Carolina Long-Term Disability Insurance Trust Fund</u>
Additions:		
Contributions:		
Employer contributions	\$ 581,528,115	\$ 7,575,758
Nonemployer contributions	2,375,300	-
Total contributions	<u>583,903,415</u>	<u>7,575,758</u>
Investment income / (loss)	3,813,896	(180,268)
Securities lending activities income:		
Gross earnings from interest and fees	10,024	1,157
Gross borrower rebates	29,693	1,582
Bank fees	(3,970)	(272)
Net earnings from securities lending activities	<u>35,747</u>	<u>2,467</u>
Total additions	<u>587,753,058</u>	<u>7,397,957</u>
Deductions:		
Benefits expense	555,537,137	8,584,087
Administrative expenses	<u>1,098,114</u>	<u>91,729</u>
Total deductions	<u>556,635,251</u>	<u>8,675,816</u>
Change in net position held in trust for OPEB	31,117,807	(1,277,859)
Net position held in trust for other postemployment benefits, beginning of year	<u>1,652,299,185</u>	<u>42,479,106</u>
Net position held in trust for other postemployment benefits	<u>\$ 1,683,416,992</u>	<u>\$ 41,201,247</u>

The accompanying notes are an integral part of these financial statements.

SOUTH CAROLINA PUBLIC EMPLOYEE BENEFIT AUTHORITY
INSURANCE BENEFITS
AND
OTHER POST EMPLOYMENT BENEFITS TRUST FUNDS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

1. Description

General

The South Carolina Public Employee Benefit Authority (PEBA) was created by the South Carolina General Assembly as part of Act No. 278 effective July 1, 2012. PEBA is a state agency responsible for the administration and management of the state's employee insurance programs, other post-employment benefits trusts and retirement systems and is part of the State of South Carolina primary government.

The governing board of PEBA is a board of 11 members. The membership composition is three members appointed by the Governor, two members appointed by the President Pro Tempore of the Senate, two members appointed by the Chairman of the Senate Finance Committee, two members appointed by the Speaker of the House of Representatives and two members appointed by the Chairman of the House Ways and Means Committee. Individuals appointed to the PEBA board must possess certain qualifications. Members of the PEBA board serve for terms of four years and until their successors are appointed and qualify. The PEBA board appoints the Executive Director. The laws of the State and the policies and procedures specified by the State for State agencies are applicable to all activities of PEBA.

The financial statements presented include the South Carolina Public Employee Benefit Authority, Insurance Benefits (PEBA, Insurance Benefits) and the other post-employment benefits trust funds, the South Carolina Retiree Health Insurance Trust Fund and the South Carolina Long-Term Disability Insurance Trust Fund. The financial statements were prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The core of the financial reporting entity is the primary government, which has a separately elected governing body. As required by accounting principles generally accepted in the United States of America, the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government may serve as a nucleus for a reporting entity when it issues separate financial statements. That organization is identified herein as a primary entity and these financials are included in the *Annual Comprehensive Financial Report* of the State of South Carolina.

SOUTH CAROLINA PUBLIC EMPLOYEE BENEFIT AUTHORITY
INSURANCE BENEFITS
AND
OTHER POST EMPLOYMENT BENEFITS TRUST FUNDS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Description (Continued)

The primary government or entity is financially accountable if it appoints a voting majority of the organization's governing body, including situations in which the voting majority consists of the primary entity's officials serving as required by law (e.g. employees who serve in an ex officio capacity on the component unit's board are considered appointments by the primary entity) and

- (1) it is able to impose its will on that organization or
- (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary entity.

The primary entity also may be financially accountable if an organization is fiscally dependent on it even if it does not appoint a voting majority of the board. An organization is fiscally dependent on the primary entity that holds one or more of the following powers:

- (1) Determine its budget without another government's having the authority to approve and modify that budget;
- (2) Levy taxes or set rates or charges without approval by another government
- (3) Issue bond debt without approval by another government.

Based on these criteria, this report has no component units or any other parts of the State of South Carolina primary government included.

PEBA, Insurance Benefits

The PEBA, Insurance Benefits manages the group health, dental, life, accidental death and dismemberment and disability programs as authorized in Sections 1-11-710 and 1-11-720 of the South Carolina Code of Laws of 1976, as amended.

The PEBA, Insurance Benefits provides health insurance to eligible employees and retirees of State agencies and its political subdivisions who elect coverage. Coverage elections include three self-insured health plans. The State Health Plan offers a High Deductible Health Plan (SHP Savings Plan), a Preferred Provider Organization (SHP Standard Plan) and Medicare Supplement. Tricare Supplement Plan is a fully insured product. Dental coverage is through the State's self-insured plan, which is available to eligible employees and retirees. An additional dental option is offered to subscribers, Dental Plus, which is a fully-insured product. Dental Plus is an employee pay all plan that supplements the State Dental Plan. Dental coverage is required to elect Dental Plus. The Basic Long-Term Disability Plan is a self-insured group long-term disability plan available to eligible active employees enrolled in a State health plan. Supplemental long-term disability, Optional Life and Dependent and/or Spouse Life are fully insured products offered to eligible employees.

SOUTH CAROLINA PUBLIC EMPLOYEE BENEFIT AUTHORITY
INSURANCE BENEFITS
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Description (Continued)

For active State employees, the employee share of monthly premiums is paid through payroll deductions and the respective employer pays the employer's monthly premium portion for active employees. For all other entities (School Districts, Higher Education Institutions, and Local Subdivisions), the employer is responsible for remitting the employer and employee monthly premium for active employees.

Retirees of the State and School Districts pay most of their monthly premiums through withholdings from individual retirement benefits, with the remaining individually billed. The employer portion is paid by the South Carolina Retiree Health Trust Fund through monthly employer surcharge contributions.

For Local Subdivisions, the employer is also responsible for collecting the retiree monthly premium and remitting the entire monthly premium to the PEBA, Insurance Benefits.

Details on Eligibility requirements and coverage for all plans are contained in the *Insurance Benefits Guide*. Premium rates for all plans are reviewed on a calendar year basis and adjusted as considered necessary after actuarial calculations.

The State of South Carolina as the predominant participant retains the risk of loss for the self-insured health, dental and basic long-term disability coverages.

Other Post-Employment Benefits Trust Funds

The Other Post-Employment Benefits Trust Funds (OPEB Trusts), collectively refers to the South Carolina Retiree Health Insurance Trust Fund (SCRHITF) and the South Carolina Long-Term Disability Insurance Trust Fund (SCLTDITF), were established by the State of South Carolina as Act 195, which became effective in May 2008. The SCRHITF was created to fund and account for the employer costs of the State's retiree health and dental plans. The SCLTDITF was created to fund and account for the employer costs of the State's Basic Long-Term Disability Income Benefit Plan.

The SCRHITF is a healthcare plan that covers retired employees of the State of South Carolina, including all agencies and public school districts. The SCRHITF provides health and dental insurance benefits to eligible retirees.

The SCLTDITF is a long-term disability plan that covers employees of the State of South Carolina, including all agencies and public school districts and all participating local governmental entities. The SCLTDITF provides disability payments to eligible employees.

SOUTH CAROLINA PUBLIC EMPLOYEE BENEFIT AUTHORITY
INSURANCE BENEFITS
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Description (Continued)

Risks and Uncertainties

The OPEB Trusts invest in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statement of plan net position available for benefits.

2. Summary of Significant Accounting Policies

Basis of Presentations

The PEBA, Insurance Benefits is an internal service fund and in its stand-alone financial statements is considered a proprietary fund. The financial statement presentation provides a comprehensive, entity-wide perspective of the fund's net position, revenue, expenses and changes in net position and cash flows. Net position is segregated into net investment in capital assets, restricted net position and unrestricted net position components.

The OPEB Trusts exist for the benefit of each plan's participants and may not be utilized for any other purpose. They are part of the State of South Carolina's primary government and are included in the *Annual Comprehensive Financial Report of the State of South Carolina*. In making this determination, factors of financial accountability, governance and fiduciary responsibility of the state were considered.

Basis of Accounting

All financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Revenues and contributions are recognized in the period in which they are earned and become measurable; expenses and benefits are recognized in the period incurred and payable, if measurable. Claims liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

SOUTH CAROLINA PUBLIC EMPLOYEE BENEFIT AUTHORITY
INSURANCE BENEFITS
AND
OTHER POST EMPLOYMENT BENEFITS TRUST FUNDS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

The amounts shown in the accompanying financial statements as cash and cash equivalents represent cash on hand, cash on deposit in banks and cash invested in various instruments as part of the State's cash management pool, an internal investment pool. Because the cash management pool operates as a demand deposit account, amounts invested in the pool are classified as cash and cash equivalents. The State Treasurer administers the cash management pool. The pool includes some long-term investments such as obligations of the United States, government sponsored entities and domestic corporations, certificates of deposit and collateralized repurchase agreements held in the State's name.

Most entities in the primary government participate in the cash management pool except for some agencies due to restrictions on the use of funds. For activities excluded from the pool, cash equivalents include investments in short-term, highly liquid securities having a maturity at the time of purchase of three months or less. With respect to investments in the State's internal cash management pool, all of the State Treasurer's investments are insured or registered or are investments for which the securities are held by the State or its agents in the State's name. Information pertaining to the reported amounts, fair values and credit risk of the State Treasurer's investments is disclosed in the State's CAFR.

The State's cash management pool consists of a general deposit account and several special deposit accounts. The state records each fund's equity interest in the general deposit account. All earnings on that account are recorded in the General Fund. In contrast, each special deposit account retains its own earnings.

The amounts shown in the financial statements as cash and cash equivalents for PEBA, Insurance Benefits represents cash on deposit with the State Treasurer as part of the State's internal cash management pool, and cash invested in various short-term instruments by the State Treasurer and held in separate agency accounts.

Cash and cash equivalents for the OPEB Trusts consist mainly of collateralized repurchase agreements held by the State or its agent in the name of the State Treasurer as custodian and restricted to the related trust fund.

SOUTH CAROLINA PUBLIC EMPLOYEE BENEFIT AUTHORITY
INSURANCE BENEFITS
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OTHER POST EMPLOYMENT BENEFITS TRUST FUNDS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Summary of Significant Accounting Policies (Continued)

Investments

The State Treasurer is authorized by statute to be the custodian of and invest all State funds. The State Treasurer's investment objectives are preservation of capital, maintenance of adequate liquidity and obtaining the best yield possible within prescribed parameters. To meet those objectives, the State Treasurer uses various resources including an investment advisory service, electronic financial quotation and information services, various economic reports and daily communication with brokers and financial institution investment officers.

To ensure safety of principal, the State Treasurer's policy is to limit liquid investments, maturities not exceeding one year, to cash, repurchase agreements (collateralized by United States Treasury or federal agency obligations with a market value in excess of 100.00% of funds advanced), United States Treasury bills, federal agency discount notes and commercial paper. The State Treasurer further preserves principal by investing in only the highest investment grade securities; those rated at least A by two leading national rating services. In order to diversify investment holdings, asset allocation policies are utilized for investments having more than one year to maturity. Overall credit exposure is managed by asset allocation policies and by additional constraints controlling risk exposure to individual corporate issuers.

Investments are stated at fair value determined by the custodian from the last reported sales price as provided by Bank of New York Mellon. Net unrealized appreciation or depreciation for the year is reflected in the statement of changes in plan net position and is included as a component of investment income.

Receivables

For financial statement presentations enclosed herein, receivables are recorded when earned and due. No allowance for bad debt is required, as amounts are written-off when deemed uncollectible. Receivables due from other State Agencies are shown in Note 10.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods. These payments are shown as prepaid items so to reflect consumption in the future reporting period.

SOUTH CAROLINA PUBLIC EMPLOYEE BENEFIT AUTHORITY
INSURANCE BENEFITS
AND
OTHER POST EMPLOYMENT BENEFITS TRUST FUNDS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets are valued at original acquisition cost less accumulated depreciation from the purchase date. Assets donated are valued at fair market value at the date of the gift. One class of capital assets, furniture and equipment, is used. The costs of normal maintenance and repairs that do not significantly add to the value of an asset or materially extend an asset's useful life are not capitalized. Depreciation is recorded using the straight-line method over the estimated useful lives of 3-10 years. The capitalization dollar threshold limit for capital assets is \$5,000.

Unearned Premium Revenue

Premiums billed in advance or payments received in advance of when coverage is due, or collections of overpayments of amounts billed not earned are recorded as unearned premium revenue.

Claims Payable and Administrative Fees

Claims payable and administrative fees represent claims and fees related to health, dental and long-term disability expenses payable at June 30, 2021. The claims payable balance is based on claims that have been paid by the third party administrators for the fiscal year presented and total \$61,472,918. That amount includes administrative fees payable at June 30, 2021 of \$607,706.

Compensated Absences

Full-time employees earn 1.25 days of vacation leave per month and 1.25 days of sick leave. Employees with more than ten years of service earn an additional 1.25 days of vacation leave per year for each year of continuous State service in excess of ten years. This caps at 22 years in which an employee would earn 18.75 hours of vacation leave a month which equals 30 days, the maximum amount of vacation leave an employee can earn in any one calendar year. Sick leave earnings remain at 15 days per calendar year. Employees may carry forward 45 days of vacation leave and 180 days of sick leave from one calendar year to the next. Upon termination from State employment, a lump sum payment will be made to an employee for any unused accumulated vacation leave, not to exceed 45 days, at the rate the employee is being paid at the time of termination. The vacation leave payment is subject to retirement contribution if the employee is classified as a Class II membership, anyone hired prior to July 1, 2012. Employees are not paid for unused accumulated sick leave. However, at retirement, employees classified as a Class II membership receive service credit for not more than 90 days of unused accumulated sick leave. The additional service credit may not be used to qualify an employee for retirement.

SOUTH CAROLINA PUBLIC EMPLOYEE BENEFIT AUTHORITY
INSURANCE BENEFITS
AND
OTHER POST EMPLOYMENT BENEFITS TRUST FUNDS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources representing a consumption of net position that applies to a future period(s).

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources representing an acquisition of net position that applies to a future period(s).

The PEBA, Insurance Benefits statement of net position includes deferred outflows and inflows related to the Net OPEB Liability as detailed in Note 4 and Net Pension Liability as detailed in Note 8.

Pensions

In government-wide financial statements, pensions are required to be recognized and disclosed using the accrual basis of accounting, regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting. PEBA, Insurance Benefits recognizes their pension related liabilities and expenses on the same basis as the separately issued statements provided by the South Carolina Retirement System (*please see note 8*). PEBA, Insurance Benefits recognizes a net pension liability for each qualified pension plan in which it participates, which represents the excess of the total pension liability over the fiduciary net position of the qualified pension plan, or PEBA, Insurance Benefits' proportionate share thereof in the case of a cost-sharing multiple employer plan, measured as of PEBA, Insurance Benefits' fiscal year-end.

Changes in the net pension liability during the period are recorded as pension expense, or as deferred outflows or inflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred outflows or inflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

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Summary of Significant Accounting Policies (Continued)

Net Position

Net position for PEBA, Insurance Benefits is recorded in three categories:

Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on the use of net position are imposed by creditors, grantors, contributors and the like or imposed by law through constitutional provisions or enabling legislation. SC PEBA did not have restricted net position at June 30, 2021.

Unrestricted net position consists of net position that does not meet the definition of restricted net position or investment in capital assets.

The unrestricted net position of the PEBA, Insurance Benefits is required by State statute to be used for the purposes of providing insurance benefits for employees and retirees.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the need to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results may differ from those estimates.

3. Deposits, Investments and Securities Lending Transactions

As prescribed by Statute, the State Treasurer is the custodian and investment manager of all deposits of the entities.

For purposes of the PEBA, Insurance Benefits statement of cash flows, all amounts held by the State Treasurer's Office are considered highly liquid securities with a maturity of three months or less at the time of purchase. Fair value of cash and cash equivalents reported approximates the carrying value.

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Cash deposits held by the State Treasurer’s Office as of June 30, 2021 for financials presented were as follows:

PEBA, Insurance Benefits	<u>\$ 485,186,064</u>
SCRHITF	<u>\$ 1,599,633</u>
SCLTDITF	<u>\$ 34,381</u>

The following schedule reconciles the OPEB Trust Funds investments and deposits as reported in the statement of net positions to disclosures included in this note:

	SCRHITF		SCLTDITF	
	Statements	Note Disclosure	Statements	Note Disclosure
Held by State Treasurer:				
Cash and cash equivalents	\$ 68,029,384	\$ -	\$ 1,974,012	\$ -
Invested securities lending collateral	41,374,507	41,374,507	3,056,431	3,056,431
Investments	1,522,797,666	-	39,739,857	-
Deposits	-	1,599,633	-	34,381
Specifically identified investments	-	1,589,227,417	-	41,679,488
Total	<u>\$ 1,632,201,557</u>	<u>\$ 1,632,201,557</u>	<u>\$ 44,770,300</u>	<u>\$ 44,770,300</u>

Cash deposits held by the State Treasurer’s Office and the third party administrator are exposed to custodial credit risk. In the case of deposits, this is the risk that in the event of a bank failure, the entities’ deposits may not be returned. The entities do not have a deposit policy for custodial credit risk. As of June 30, 2021, the entities’ deposits were collateralized with securities held by the pledging financial institution’s trust department or agent, but not in the entities’ name.

Deposits held by the State Treasurer’s Office are classified by risk category in the *Annual Comprehensive Financial Report of the State of South Carolina*. Information about the classification of a portion of its pooled funds is not available.

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The amounts classified as investments in the financial statements comprise investments held by the OPEB Trusts, which are legally restricted and earnings thereon and is revenue of the specific trust from which the investments were made. The OPEB Trusts' investments are specific, identifiable investment securities held at Bank of New York Mellon.

For investment classifications reported below, the balances therein fluctuated minimally in excess of the year-end balances throughout the fiscal year ended June 30, 2021. As discussed in Note 2, investments are reported at fair value.

The following represents the fair values of the OPEB Trusts investments at June 30, 2021:

	Fair Value - OPEB Trust Funds		
	SCRHITF	SCLTDITF	Total
Collateralized mortgage-backed obligations	\$ 43,163,301	\$ 903,445	\$ 44,066,746
U.S. government and agency	884,656,948	18,523,138	903,180,086
Corporate bonds	383,387,512	14,164,757	397,552,269
Financial paper	211,589,906	6,148,516	217,738,422
Cash equivalents	66,429,750	1,939,632	68,369,382
Total	\$ 1,589,227,417	\$ 41,679,488	\$ 1,630,906,905

Due to higher cash flows at certain times during the year, the repurchase agreements fluctuated significantly throughout the fiscal year. The maximum amounts in this classification during the year ended June 30, 2021 were \$89,942,000 for the SCRHITF and \$3,833,000 for the SCLTDITF. Repurchase agreements are classified as cash and cash equivalents in the OPEB Trusts' Statement of Plan Net Position.

The OPEB Trusts investments are subject to credit risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the State. The State Treasurer's credit policy mitigates potential for loss of principal by purchasing only high investment grade fixed-income securities. In the event that the rating of a security falls below investment grade, that security may continue to be held contingent upon an evaluation of the longer term investment merits of the security.

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As of June 30, 2021, the investments rated by Moody's stated at fair value were as follows:

	Fair Value - OPEB Trust Funds						Total
	AAA/AA	A1/A2/A3	BAA/BA	B1/B2/B3	P-1/P-2	Not Rated	
Collateralized mortgage-backed obligations	\$ 44,066,746	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 44,066,746
U.S. government and agency securities	903,180,086	-	-	-	-	-	903,180,086
Corporate bonds	28,437,925	85,601,965	278,614,159	-	-	4,898,220	397,552,269
Financial paper	5,108,451	136,455,543	76,174,428	-	-	-	217,738,422
Cash equivalents	283,443	-	-	-	68,085,939	-	68,369,382
Total	\$ 981,076,651	\$ 222,057,508	\$ 354,788,587	\$ -	\$ 68,085,939	\$ 4,898,220	\$ 1,630,906,905

The OPEB Trusts investments are subject to interest rate risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The State Treasurer's policy does not specifically address interest rate risk. Its objectives for preservation of capital and maintenance of adequate liquidity focus the management of interest rate sensitivity on investing in securities with a range of maturities from one day to thirty years.

At June 30, 2021 the maturities of the investments for the OPEB Trusts that will mature were limited according to the following segmented time distribution:

	Fair Value - OPEB Trust Funds Maturities (in years)				Total
	Less than 1	1 - 5	6 - 10	More than 10	
Collateralized mortgage-backed obligations	\$ -	\$ 816	\$ -	\$ 44,065,930	\$ 44,066,746
U.S. government and agency securities	-	629,633,401	237,050,588	36,496,097	903,180,086
Corporate bonds	4,909,040	220,149,227	166,106,560	6,387,442	397,552,269
Financial paper	-	123,332,817	88,273,178	6,132,427	217,738,422
Cash equivalents	68,369,382	-	-	-	68,369,382
Total	\$ 73,278,422	\$ 973,116,261	\$ 491,430,326	\$ 93,081,896	\$ 1,630,906,905

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Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. The State's policy for reducing the risk is to diversify and limit exposure to any single issuer to no more than 5%, except for United States Treasury and agency obligations. As of June 30, 2021, the PEBA – Insurance Benefits did not have any single issuers of debt that were not fully collateralized by the U.S. government.

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The State Treasurer manages these risks as permitted by investment policy. There were no foreign investments at year end for either SCRHITF or SCLTDITF.

During the year, the following amounts earned from deposits or investments were included in investment earnings:

	PEBA, Insurance	OPEB Trust Funds	
	Benefits	SCRHITF	SCLTDITF
Interest earned from deposits	\$ 11,511,724	\$ -	\$ -
Interest earned from investments	-	32,301,598	1,051,295
Net realized gain on investments	-	9,378,259	839,364
Net unrealized loss from change in value of investments	-	(37,182,008)	(2,024,262)
Net unrealized loss from change in value of securities lending collateral	-	(648,206)	(44,198)
Interest and investment earnings	<u>\$ 11,511,724</u>	<u>\$ 3,849,643</u>	<u>\$ (177,801)</u>

Fair Value Measurements

The OPEB Trusts categorize fair value measurements within the fair value hierarchy established by GASB Statement No. 72, *Fair Value Measurement and Application*. The valuation technique uses a three level hierarchy of inputs to measure the fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). These classifications are summarized as follows:

Level 1 Inputs: Quoted prices (unadjusted) for identical assets or liabilities in active markets that a reporting entity can access at the measurement date.

Level 2 Inputs: Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

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Level 3 Inputs: Unobservable inputs for an asset or liability.

In the event that inputs used to measure the fair value of an asset or liability fall into different levels in the fair value hierarchy, the overall level of the fair value hierarchy in its entirety is determined based on the lowest level input that is significant to the entire valuation. These levels are not necessarily an indication of risk but are based upon the pricing transparency of the investment. In determining the appropriate levels, the OPEB Trusts performed a detailed analysis of the assets and liabilities that are subject to GASB Statement No. 72.

Fair value of certain investments that do not have a readily determinable fair value is established using net asset value (or its equivalent) as a practical expedient. These investments are not categorized according to the fair value hierarchy. The Trusts did not have any such investments at June 30, 2021.

Investments classified according to the fair value hierarchy are valued according to pricing policy established by the OPEB Trusts' custodian bank. Pricing is based primarily on prices from several third-party vendors or other specified alternative sources which are considered to be reliable. Where available, the custodian bank uses more than one vendor for securities of each asset type, class or issue. The price received from a primary source is used in valuation unless a tolerance check, or price challenge, results in the use of a price from a secondary vendor.

The OPEB Trusts have the following recurring fair value measurements as of June 30, 2021:

Investments by Fair Value Level	At 6/30/2021	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Collateralized mortgage-backed obligations	\$ 44,066,746	\$ -	\$ 44,066,746	\$ -
U.S. government and agency securities	903,180,086	860,074,833	\$ 43,105,253	-
Corporate bonds	397,552,269	-	397,552,269	-
Financial paper	217,738,422	-	217,738,422	-
Cash equivalents	68,369,382	33,086,483	35,282,899	-
Total	\$ 1,630,906,905	\$ 893,161,316	\$ 737,745,589	\$ -

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Deposits, Investments and Securities Lending Transactions (Continued)

Securities Lending Transactions

Through its custodial agent, the OPEB Trusts participate in a securities lending program whereby securities are loaned for generating additional income. The OPEB Trusts lend securities from its investment portfolio on a collateralized basis to third parties, primarily financial institutions. The market value of the required collateral must initially meet or exceed 102% of the market value of the securities loaned, providing a margin against a decline in the market value of the collateral, and requires additional collateral if the collateral value falls below 100%.

No restrictions are held on the amount of securities that may be loaned. The types of securities available for loan during the year ended June 30, 2021 included U.S. Government securities and agencies, corporate and convertible bonds. The contractual agreement with the OPEB Trusts' custodial bank provides indemnification in the event the borrower fails to pay the OPEB Trusts income distribution by the securities' issuers while the securities are on loan. Cash and U.S. Government securities were received as collateral for these loans. The OPEB Trusts cannot pledge or sell collateral securities without a borrower default. The OPEB Trusts invest cash collateral received; accordingly, investments made with cash collateral appear as an asset. A corresponding liability is recorded as the OPEB Trusts must return the cash collateral to the borrower upon the expiration of the loan.

At June 30, 2021, the fair value of securities on loan and invested in cash collateral were \$41,374,507 for SCRHITF and \$3,056,431 for SCLTDITF. Securities lending obligations at June 30, 2021 were \$42,201,495 for SCRHITF and \$3,117,149 for SCLTDITF. The unrealized gains and losses in invested cash collateral are recorded in the Statement of Changes in Plan Net Position and included in investment income.

With regard to custodial credit risk, the SCRHITF and the SCLTDITF's cash collateral invested are held by the custodial bank and is insured. All securities loaned can be terminated on demand by either the OPEB Trusts or the borrower. At year-end the average number of days the loans were outstanding was one day and the average weighted maturity of investments made with cash collateral was one day for both OPEB Trusts. At June 30, 2021, there had been no losses resulting from borrower defaults and both OPEB Trusts had no credit risk exposure to borrowers because the amounts the OPEB Trusts owed the borrowers exceeded the amounts the borrowers owed the OPEB Trusts.

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Deposits, Investments and Securities Lending Transactions (Continued)

The following table presents the fair value of the underlying securities and the total collateral received for securities on loan at June 30, 2021 for both OPEB Trusts:

	<u>SCRHITF</u>	<u>SCLTDITF</u>
Securities lent for cash collateral:		
U.S. government securities	\$ 33,185,002	\$ 1,851,721
Corporate bonds	8,189,505	1,204,710
Total securities lent for cash collateral	<u>\$ 41,374,507</u>	<u>\$ 3,056,431</u>
Cash collateral invested as follows:		
Repurchase agreements	\$ 41,012,227	\$ 2,749,272
Corporate bonds	1,189,268	367,877
Total for cash collateral invested	<u>\$ 42,201,495</u>	<u>\$ 3,117,149</u>

4. Other Post Employment Benefits – Plan Reporting in Accordance with GASB 74

The Other Post-Employment Benefits Trust Funds (OPEB Trusts), collectively refers to the South Carolina Retiree Health Insurance Trust Fund (SCRHITF) and the South Carolina Long-Term Disability Insurance Trust Fund (SCLTDITF), were established by the State of South Carolina as Act 195, which became effective on May 2008. The SCRHITF was created to fund and account for the employer costs of the State's retiree health and dental plans. The SCLTDITF was created to fund and account for the employer costs of the State's Basic Long-Term Disability Income Benefit Plan.

In accordance with Act 195, the OPEB Trusts are administered by the PEBA, Insurance Benefits and the State Treasurer is the custodian of the funds held in trust. The Board of Directors of PEBA has been designated as the Trustee.

The OPEB Trusts are cost-sharing multiple-employer defined benefit plans. Article 5 of the State Code of Laws defines the two plans and authorizes the Trustee to at any time adjust the plans, including its benefits and contributions, as necessary to insure the fiscal stability of the plans.

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Other Post Employment Benefits – Plan Reporting in Accordance with GASB 74 (continued)

In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides post-employment health and dental and long-term disability benefits to retired State and school district employees and their covered dependents. PEBA, Insurance Benefits contributes to the SCRHITF and the SCLTDITF, cost sharing multiple employer defined benefit postemployment healthcare, and long-term disability plans administered by the PEBA, Insurance Benefits, a part of the PEBA.

Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit. For new hires beginning employment May 2, 2008 and after, retirees are eligible for benefits if they have established 25 years of service for 100% employer funding and 15-24 years of service for 50% employer funding.

Benefits become effective when the former employee retires under a State retirement system. Basic Long-Term Disability (BLTD) benefits are provided to active state, public school district, and participating local government employees approved for disability.

Funding Policies

Section 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment and long-term disability benefits to be funded through annual appropriations by the General Assembly for active employees to the PEBA, Insurance Benefits and participating retirees to PEBA, except for the portion funded through the pension surcharge and provided from the other applicable sources of the PEBA,

Insurance Benefits, for its active employees who are not funded by State General Fund appropriations participating employers are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget, 6.25% of covered payroll for year ended June 30, 2021. At the beginning of the fiscal year, the Department of Administration Executive Budget Office sets annually the employer contribution rate based on a pay-as-you-go basis. The South Carolina Retirement System collects the monthly surcharge for all employers except Local Subdivisions, who do not participate in the SCRHITF, and remits it directly to the SCRHITF. PEBA, Insurance Benefits paid approximately \$437,854 for the payroll surcharge for year ended June 30, 2021.

Other sources of funding for the SCRHITF include mandatory transfers of accumulated PEBA, Insurance Benefits' reserves, state appropriations, and income generated from investments. However, due to the uncertainty of the impact of Covid-19, PEBA, Insurance Benefits received a special exemption from the legislators to not transfer any reserve funds for the year ended June 30, 2021.

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BLTD benefits are funded through a person’s premium charged to State agencies, public school districts and other participating local governments. The monthly premium per active employee paid to PEBA, Insurance Benefits was \$3.22 for the fiscal year ended June 30, 2021. The SCLTDITF premium is billed monthly by PEBA, Insurance Benefits and transferred monthly to the SCLTDITF. It is also funded through investment income.

Contributions, State appropriations and mandatory transfers for the year ended June 30, 2021 were as follows:

	SCRHITF	SCLTDITF	
Contributions	\$ 581,528,115	\$ 7,575,758	
Transfer from IBNR reserves	-	-	
State appropriations	2,375,300	-	
	<u>\$ 583,903,415</u>	<u>\$ 7,575,758</u>	

Administrative costs of the OPEB Trusts are paid from plan assets.

Eligible participants consisted of the following at June 30, 2020, the date of the latest actuarial valuation:

	SCRHITF	SCLTDITF	
Active participants	186,353	197,075	
Retired participants	97,002	911	
Vested terminated participants	1,362	-	
Total participants	<u>284,717</u>	<u>197,986</u>	
Number of participating employers	251	774	

Actuarial Assumptions and Methods

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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Other Post Employment Benefits – Plan Reporting in Accordance with GASB 74 (continued)

Projections of benefits for financial reporting purposes are based on the substantive plans (as understood by the employer and plan participants) and include the types of benefits provided at the time the valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation for SCRHITF:

Valuation Date:	June 30, 2020 census data; rolled forward to June 30, 2021
Actuarial Cost Method:	Individual Entry-Age Normal
Inflation:	2.25%
Investment Rate of Return:	2.75%, net of OPEB Plan investment expense; including inflation
Single Discount Rate:	1.92% as of June 30, 2021
Demographic Assumptions:	Based on the experience study performed for the South Carolina Retirement Systems for the 5-year period ending June 30, 2019
Health Care Trend Rate:	Initial trend starting at 6.00% and gradually decreasing to an ultimate trend rate of 4.00% over a period of 15 years
Aging Factors:	Based on plan specific experience
Participation Assumption:	79% for retirees that are eligible for Funded Premiums 59% for retirees that are eligible for Partially Funded Premiums 20% for retirees that are eligible for Non-Funded Premiums
Notes:	The single discount rate changed from 2.45% as of June 30, 2020 to 1.92% as of June 30, 2021. Also, the demographic and salary increase assumptions were updated to reflect the 2020 SCRS experience study, and the health care trend rates were reset to better reflect the plan's anticipated experience.

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Additional information as of the latest actuarial valuation for SCLTDITF:

Valuation Date:	June 30, 2020 census data; rolled forward to June 30, 2021
Actuarial Cost Method:	Individual Entry-Age Normal
Inflation:	2.25%
Investment Rate of Return:	3.00%, net of Plan investment expense; including inflation
Single Discount Rate:	2.48% as of June 30, 2021
Salary, Termination, and Retirement Rates:	Based on the experience study performed for the South Carolina Retirement Systems for the 5-year period ending June 30, 2019
Disability Incidence:	The disability incidence rates used in the valuation are 165% of the rates developed for the South Carolina Retirement Systems pension plans.
Disability Recovery:	For participants in payment, 1987 CGDT Group Disability; for active employees, 60% were assumed to recover after the first year and 93% were assumed to recover after the first two years.
Offsets:	45% are assumed to be eligible for Social Security benefits; assumed percentage who will be eligible for a pension plan offset varies based on employee group.
Expenses:	Third party administrative expenses are included in the benefit projections;
Notes:	The Single Discount Rate changed from 2.83% as of June 30, 2020 to 2.48% as of June 30, 2021. Additionally, the salary, termination rates and retirement rates assumptions were updated to reflect the 2020 experience study for the SCRS pension valuations, and the disability incidence, disability recovery, administration fee and offset assumptions were updated to better reflect the plan's anticipated experience.

The following table represents the components of the net OPEB liability as of June 30, 2021:

OPEB Trust	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability	Plan Fiduciary Net Position as a % of Total OPEB Liability
SCRHITF	\$ 22,506,597,989	\$ 1,683,416,992	\$ 20,823,180,997	7.48%
SCLTDITF	\$ 44,378,931	\$ 41,201,247	\$ 3,177,684	92.84%

Roll Forward Disclosure

The actuarial valuation for both the SCRHITF and SCLTDITF were performed as of June 30, 2020. Update procedures were used to roll forward the total OPEB liability to June 30, 2021.

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Single Discount Rate

The Single Discount Rate of 1.92% was used to measure the total OPEB liability for the SCRHITF. The accounting policy for this plan is to set the Single Discount Rate equal to the prevailing municipal bond rate. The Fidelity “20-Year Municipal GO AA Index” for fixed-income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds was used for reporting as of June 30, 2021. Due to the plan’s investment and funding policies, the difference between a blended discount rate and the municipal bond rate would be less than several basis points (several hundredths of one percent). Therefore, the plan used a Single Discount Rate for GASB 74 purposes which is equal to the municipal bond rate.

A Single Discount Rate of 2.48% was used to measure the total OPEB liability for the SCLTDITF. This Single Discount Rate was based on an expected rate of return on plan investments of 3.00% and a municipal bond rate 1.92%. The projection of cash flows to determine this Single Discount Rate assumed that employer contributions will remain \$38.64 per year for each covered active employee. Based on these assumptions, the plan’s Fiduciary Net Position and future contributions were sufficient to finance the benefit payments through the year 2037. As a result, the long-term expected rate of return on plan investments was applied to project benefit payments through the year 2037, and the municipal bond rate was applied to all benefit payments after that date.

Long-term Expected Rate of Return

Asset Class	Target Asset Allocation	SCRHITF		SCLTDITF	
		Long-Term Expected Real Rate of Return	Allocation-Weighted Long-Term Expected Real Rate of Return	Long-Term Expected Real Rate of Return	Allocation-Weighted Long-Term Expected Real Rate of Return
U.S. Domestic Fixed Income	80.00%	0.60%	0.48%	0.95%	0.76%
Cash	20.00%	0.35%	0.07%	0.35%	0.07%
Total	100.00%		0.55%		0.83%
Expected Inflation			2.25%		2.25%
Total Return			2.80%		3.08%
Investment Return Assumption			2.75%		3.00%

For the SCRHITF and the SCLTDITF, the annual money-weighted rate of return on the plan investments were 0.39% and -0.42%, respectively.

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Sensitivity Analysis

The following table presents the SCRHITF's net OPEB liability calculated using a Single Discount Rate of 1.92%, as well as what the plan's net OPEB liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

	1% Decrease 0.92%	Current Discount Rate 1.92%	1% Increase 2.92%
SCRHITF Net OPEB Liability	\$ 25,097,083,453	\$ 20,823,180,997	\$ 17,453,735,241

Regarding the sensitivity of the SCRHITF's net OPEB liability to changes in the healthcare cost trend rates, the following table presents the plan's net OPEB liability, calculated using the assumed trend rates as well as what the plan's net OPEB liability would be if were calculated using a trend rate that is one percent lower or one percent higher:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
SCRHITF Net OPEB Liability	\$ 16,705,795,439	\$ 20,823,180,997	\$ 26,309,460,519

The following table presents the SCLTDITF's net OPEB liability calculated using a Single Discount Rate of 2.48%, as well as what the plan's net OPEB liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

	1% Decrease 1.48%	Current Discount Rate 2.48%	1% Increase 3.48%
SCLTDITF Net OPEB Liability	\$ 4,622,659	\$ 3,177,684	\$ 1,721,194

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PEBA, Insurance Benefits' is a participant in the cost-sharing multiple-employer defined benefit plan of the OPEB SCRHITF and SCLTDITF. The following disclosures are to address PEBA, Insurance Benefits' proportionate share of the Net OPEB Liability with a measurement date of June 30, 2020. Please note that PEBA Insurance Benefits' proportionate share of the Net OPEB Liability for the SCLTDITF is insignificant and has not been included in the financial statements or note disclosures.

Actuarial Assumptions and Methods

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plans (as understood by the employer and plan participants) and include the types of benefits provided at the time the valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation for SCRHITF:

Valuation Date:	June 30, 2019 census data; rolled forward to June 30, 2020
Actuarial Cost Method:	Individual Entry Age Normal
Inflation:	2.25%
Investment Rate of Return:	2.75%, net of OPEB Plan investment expense; including inflation
Single Discount Rate:	2.45% as of June 30, 2020
Demographic Assumptions:	For healthy retirees, the 2016 Public Retirees of South Carolina Mortality Table for Males and Females are used with fully generational mortality projections based on Scale AA from the year 2016. Multipliers are applied to the base tables based on gender and employment type.
Health Care Trend Rate:	Initial trend starting at 6.40% and gradually decreasing to an ultimate trend rate of 4.00% over a period of 15 years
Participation Assumptions:	79% participation for retirees who are eligible for Funded Premiums 59% participation for retirees who are eligible for Partial Funded Premiums 20% participation for retirees who are eligible for Non-Funded Premiums
Notes:	The discount rate changed from 3.13% as of June 30, 2019 to 2.45% as of June 30, 2020. Updates were also made to the healthcare trend rate assumption, including an adjustment to reflect the repeal of the "Cadillac Tax".

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Single Discount Rate

The Single Discount Rate of 2.45% was used to measure the total OPEB liability for the SCRHITF. The accounting policy for this plan is to set the Single Discount Rate equal to the prevailing municipal bond rate. The Fidelity “20-Year Municipal GO AA Index” for fixed-income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds was used for reporting as of June 30, 2020. Due to the plan’s investment and funding policies, the difference between a blended discount rate and the municipal bond rate would be less than several basis points (several hundredths of one percent).

Long-term Expected Rate of Return

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return	Allocation- Weighted Long- Term Expected Real Rate of Return
U.S. Domestic Fixed Income	80.00%	0.60%	0.48%
Cash	20.00%	0.35%	0.07%
Total	<u>100.00%</u>		<u>0.55%</u>
Expected Inflation			<u>2.25%</u>
Total Return			<u><u>2.80%</u></u>
Investment Return Assumption			<u><u>2.75%</u></u>

For the SCRHITF, the annual money-weighted rate of return on the plan investments was 7.70%.

Net OPEB Liability

The allocation of each employer’s proportionate share of the collective Net OPEB Liability (NOL) and collective OPEB Expense for SCRHITF was determined using the employer’s payroll-related contributions over the measurement period.

At June 30, 2021, PEBA, Insurance Benefits reported a liability for the SCRHITF of \$14,387,388 for its proportionate share of PEBA’s total NOL. At June 30, 2021, PEBA’s total proportionate share was 0.173007%, of that total percentage, 46.07% was allocated to PEBA, Insurance Benefits representing contributions of \$459,176.

For the year ended June 30, 2021 PEBA, Insurance Benefits recognized OPEB expense of \$1,050,049.

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Reported deferred outflows of resources and deferred inflows of resources related to the SCRHITF are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 411,492	\$ 327,652
Net difference between projected and actual earnings on OPEB plan investments	-	33,558
Assumption changes	2,141,023	572,980
Contributions subsequent to the measurement date	437,854	-
Net changes in proportion and differences between employer contributions and proportionate share of contributions	-	235,791
Total	\$ 2,990,369	\$ 1,169,981

Contributions subsequent to the measurement date of \$437,854 reported as deferred outflows of resources will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022.

The following schedule reflects the amortization of the net balance of remaining deferred outflows / (inflows) of resources at June 30, 2021 that will be recognized in OPEB expense as follows:

Measurement Period Ending June 30,	
2021	\$ 161,285
2022	156,648
2023	149,300
2024	276,818
2025	325,263
Thereafter	313,220
Net Balance of Deferred Outflows / (Inflows) of Resources	\$ 1,382,534

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Sensitivity Analysis

The following table presents PEBA, Insurance Benefits' net OPEB liability calculated using a Single Discount Rate of 2.45%, as well as what PEBA, Insurance Benefits' net OPEB liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

	1% Decrease 1.45%	Current Discount Rate 2.45%	1% Increase 3.45%
PEBA, Insurance Benefits' proportionate share of the net OPEB liability	\$ 17,167,041	\$ 14,387,388	\$ 12,166,236

Regarding the sensitivity of PEBA – Insurance Benefit's net OPEB liability to changes in the healthcare cost trend rates, the following table presents PEBA, Insurance Benefits' net OPEB liability, calculated using the assumed trend rates as well as what the plan's net OPEB liability would be if were calculated using a trend rate that is one percent lower or one percent higher:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
PEBA, Insurance Benefits' proportionate share of the net OPEB liability	\$ 11,645,210	\$ 14,387,388	\$ 17,988,657

Other Employee Benefits

In accordance with the South Carolina Code of Laws and the annual Appropriation Act, the State of South Carolina provides certain healthcare, dental and life insurance benefits to all permanent full-time and certain permanent part-time employees of PEBA, Insurance Benefits. These benefits are provided on a reimbursement basis by the employer agency based on rates established at the beginning of the service period by PEBA, Insurance Benefits within the PEBA. PEBA, Insurance Benefits recorded benefit expenses for these insurance benefits for active employees in the amount of \$757,707 for the year ended June 30, 2021.

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5. Premiums Receivable

PEBA, Insurance Benefits premiums receivable at June 30, 2021 consists of the following:

State government (Note 10)	\$ 313,816
Local government	1,832,476
Schools	6,068
Individuals	272,712
	<u>\$ 2,425,072</u>

As of June 30, 2021, all of the receivables are considered by management to be collectible. No allowance for doubtful accounts has been recognized. In addition, as of June 30, 2021, no discounts have been applied to the receivables.

6. Capital Assets

The following summarizes PEBA, Insurance Benefits' changes in capital assets for the year.

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Furniture and equipment	\$ 1,353,091	\$ 76,076	\$ -	\$ 1,429,167
Accumulated depreciation	(1,256,826)	(54,846)	-	(1,311,672)
Capital assets, net	<u>\$ 96,265</u>	<u>\$ 21,230</u>	<u>\$ -</u>	<u>\$ 117,495</u>

Depreciation expense for the year ended June 30, 2021 was \$54,846.

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7. Lease Obligations

The PEBA leases office space from CB Richard Ellis (CBRE) and the lease was renewed on July 1, 2018 for the period of July 1, 2018 through June 30, 2023. This lease is accounted for as an operating lease. PEBA, Insurance Benefits' proportionate share of rental expense under these leases were calculated at 45% for the year ended June 30, 2021 using a weighted average of staff in the facility at the beginning of the fiscal year. The lease expense for PEBA, Insurance Benefits was \$89,952 for the year ended June 30, 2021. The proportionate share percentage is updated near the end of each fiscal year and it was determined that the PEBA, Insurance Benefits proportionate share of the total lease expense for the year ending June 30, 2022 will be 43%. The current calculated proportionate share of the future minimum lease payments due under this lease is as follows:

Year Ending June 30,	Total
2022	\$ 85,954
2023	85,954
Total	\$ 171,908

8. Pension Plans

The South Carolina Public Employee Benefit Authority (PEBA), created July 1, 2012, is the state agency responsible for the administration and management of the various Retirement Systems and retirement programs of the state of South Carolina, including the State Optional Retirement Program and the S.C. Deferred Compensation Program, as well as the state's employee insurance programs. As such, PEBA is responsible for administering the South Carolina Retirement Systems' five defined benefit pension plans. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as custodian, co-trustee and co-fiduciary of the Systems and the assets of the retirement trust funds. The Retirement System Investment Commission (Commission as the governing body, RSIC as the agency), created by the General Assembly in 2005, has exclusive authority to invest and manage the retirement trust funds' assets. The Commission, an eight-member board, serves as co-trustee and co-fiduciary for the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems.

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Pension Plans (continued)

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with generally accepted accounting principles (GAAP). For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

PEBA issues an Annual Comprehensive Financial Report (ACFR) containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The ACFR is publicly available through the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

Plan Descriptions

The SCRS, a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provision of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for teachers and employees of the state and its political subdivisions. SCRS covers employees of state agencies, public school districts, higher education institutions, other participating local subdivisions of government and individuals newly elected to the SC General Assembly at or after the 2012 general election.

The State Optional Retirement Program (State ORP) is a defined contribution plan that is offered as an alternative to certain newly hired state agencies, public school districts, higher education institutions and individuals newly elected to the SC General Assembly at or after the 2012 general election. State ORP participants direct the investment of their funds into a plan administered by one of four third party service providers. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the four third party service providers. For this reason, State ORP assets are not part of the retirement systems' trust funds for financial statement purposes.

Membership

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under each system is presented below.

SCRS – Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election.

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An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class II member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class III member.

State ORP – As an alternative to membership in SCRS, newly hired state, public school, and higher education employees and individuals first elected to the S.C. General Assembly at or after the November 2012 general election have the option to participate in the State ORP. Contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employers to the member's account with the ORP service provider for the employee contribution and a portion of the employer contribution (5.00%). A direct remittance is also required to SCRS for the remaining portion of the employer contribution and an incidental death benefit contribution, if applicable, which is retained by SCRS.

Benefits

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation/current annual salary. A brief summary of the benefit terms for each system is presented below.

SCRS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

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Pension Plans (continued)

Contributions

Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, SCRS and PORS contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability (UAAL) over a period that does not exceed the number of years scheduled in state statute. Legislation in 2017 increased, but also established a ceiling for SCRS and PORS employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00 percent for SCRS and 9.75 percent for PORS. The legislation also increased employer contribution rates beginning July 1, 2017 for both SCRS and PORS by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year in accordance with state statute. However, the General Assembly postponed the one percent increase in the SCRS and PORS employer contribution rates that was scheduled to go into effect beginning July 1, 2020. If the scheduled contributions are not sufficient to meet the funding periods set in state statute, the board shall increase the employer contribution rates as necessary to meet the funding periods set for the applicable year. The maximum funding period of SCRS and PORS is scheduled to be reduced over a ten-year schedule from 30 years beginning fiscal year 2018 to 20 years by fiscal year 2028.

Additionally, the Board is prohibited from decreasing the SCRS and PORS contribution rates until the funded ratio is at least 85 percent. If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than 85 percent, then the board, effective on the following July 1, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than 85 percent. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than 85 percent, then effective on the following July 1, and annually thereafter as necessary, the board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 85 percent.

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Pension Plans (continued)

Required employee contribution rates for fiscal years 2020 and 2021 are as follows:

SCRS

Employee Class II	9.00% of earnable compensation ¹
Employee Class III	9.00% of earnable compensation ¹

State ORP

Employer Contribution	9.00% of earnable compensation ¹
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Required employer contributions for fiscal year 2020 and 2021 are as follows:

SCRS

Employer Class II	15.41% of earnable compensation ¹
Employer Class III	15.41% of earnable compensation ¹
Employer Incidental Death Benefit	0.15% of earnable compensation ¹

State ORP

Employer Contribution ²	15.41% of earnable compensation ¹
Employer Incidental Death Benefit	0.15% of earnable compensation ¹

¹ Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws.

² Of this employer contribution, 5% of earnable compensation must be remitted by the employer directly to the State ORP service provider to be allocated to the member's account with the remainder of the employer contribution remitted to SCRS.

Actuarial Assumptions and Methods

Actuarial valuations of the plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued for the period ending June 30, 2019 for first use in the July 1, 2021 actuarial valuation.

The June 30, 2020, total pension liability (TPL), net pension liability (NPL), and sensitivity information shown in this report were determined by our consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on an actuarial valuation performed as of July 1, 2019. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2020, using generally accepted actuarial principles.

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Pension Plans (continued)

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2020.

Actuarial cost method	Entry age normal
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases	3.0% to 12.5% (varies by service)
Includes inflation at	2.25%
Benefit adjustments	lesser of 1% or \$500 annually

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2016 Public Retirees of South Carolina Mortality table (2016 PRSC), was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016.

Assumptions used in the determination of the June 30, 2020, TPL are as follows.

<u>Former Job Class</u>	<u>Males</u>	<u>Females</u>
Educators	2016 PRSC multiplied by 92%	2016 PRSC multiplied by 98%
General Employees and Members of the General Assembly	2016 PRSC multiplied by 100%	2016 PRSC multiplied by 111%
Public Safety and Firefighters	2016 PRSC multiplied by 125%	2016 PRSC multiplied by 111%

Net Pension Liability

At June 30, 2021, PEBA, Insurance Benefits reported a liability of \$16,038,987 for its proportionate share of PEBA, Insurance Benefits net pension liability. The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. PEBA, Insurance Benefits' proportion of the net pension liability was based on a projection of PEBA, Insurance Benefits' long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2020, PEBA's proportionate share was 0.139614%, of which 44.96% was proportioned to PEBA, Insurance Benefits representing contributions of \$2,344,948.

For the year ended June 30, 2021 PEBA, Insurance Benefits recognized pension expense of \$938,226.

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Pension Plans (continued)

Reported deferred outflows of resources and deferred inflows of resources related to pensions are as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 185,069	\$ 60,650
Net difference between projected and actual earnings on pension plan investments	1,179,802	-
Assumption changes	19,650	
Contributions subsequent to the measurement date	1,079,382	-
Net changes in proportion and differences between employer contributions and proportionate share of contributions	1,287,962	-
Total	<u>\$ 3,751,865</u>	<u>\$ 60,650</u>

Contributions subsequent to the measurement date of \$1,079,382 reported as deferred outflows of resources will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

The following schedule reflects the amortization of the net balance of remaining deferred outflows / (inflows) of resources at June 30, 2020 that will be recognized in pension expense as follows:

Measurement Period Ending June 30,	
2021	\$ 773,101
2022	760,917
2023	776,754
2024	<u>301,060</u>
Net Balance of Deferred Outflows / (Inflows) of Resources	<u>\$ 2,611,832</u>

Average expected remaining services lives of all employees provided with pensions as determined by SCRS at June 30, 2020 was 4.026 years.

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Pension Plans (continued)

Discount Rate

The discount rate used to measure the SCRS total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of Laws. Based on those assumptions, fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments is based upon 20 year capital market assumptions. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2020 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table below. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the TPL includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

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Pension Plans (continued)

<u>Asset Class Allocation/Exposure</u>	<u>Policy Target</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Global Equity			
Global Public Equity	35.00%	7.81%	2.73%
Private Equity	9.00%	8.91%	0.80%
Equity Options Strategies	7.00%	5.09%	0.36%
Real Assets			
Real Estate (Private)	8.00%	5.55%	0.44%
Real Estate (REITs)	1.00%	7.78%	0.08%
Infrastructure (Private)	2.00%	4.88%	0.10%
Infrastructure (Public)	1.00%	7.05%	0.07%
Opportunistic			
Global Tactical Asset Allocation	7.00%	3.56%	0.25%
Other Opportunistic Strategies	1.00%	4.41%	0.04%
Credit			
High Yield Bonds/Bank Loans	4.00%	4.21%	0.17%
Emerging Markets Debt	4.00%	3.44%	0.14%
Private Debt	7.00%	5.79%	0.40%
Rate Sensitive			
Core Fixed Income	13.00%	1.60%	0.21%
Cash and Short Duration (Net)	1.00%	0.56%	0.01%
Total Expected Real Return	<u>100.00%</u>		<u>5.80%</u>
Inflation for Actuarial Purposes			<u>2.25%</u>
Total Expected Nominal Return			<u>8.05%</u>

Sensitivity Analysis

The following presents PEBA, Insurance Benefits' proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what PEBA, Insurance Benefits share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.25%) or 1% higher (8.25%) than the current rate.

	<u>1% Decrease 6.25%</u>	<u>Current Discount Rate 7.25%</u>	<u>1% Increase 8.25%</u>
PEBA, Insurance Benefits proportionate share of the net pension liability	\$ 19,878,357	\$ 16,038,987	\$ 12,833,066

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9. Deferred Compensation Plan

Several optional deferred compensation plans are available to State employees and employers of its political subdivisions. Some employees of PEBA, Insurance Benefits have elected to participate.

The multiple-employer plans, created under Internal Revenue Code Sections 457, 401(k) and 403(b), are administered by third parties and are not included in the State's CAFR. Compensation deferred under the plans is placed in trust for the contributing employee. The State has no liability for losses under the plans. Employees may withdraw the current value of their contributions when they terminate State employment or prior to termination if they meet requirements specified by the applicable plan.

PEBA, Insurance Benefits did not contribute for the fiscal year ended June 30, 2021.

10. Transactions with State Entities

PEBA, Insurance Benefits has significant transactions with the State of South Carolina and various State agencies. Services received at no cost include payroll processing, disbursement processing and maintenance of certain accounting records from the Comptroller General; check preparation, banking and investment functions from the State Treasurer; and legal services from the Attorney General.

Insurance services are provided for a fee to various State agencies and within the South Carolina Public Employee Benefit Authority. The fees are recorded as revenues in the financial statements for PEBA, Insurance Benefits. The insurance coverage provided consists of health, dental, vision, life and long-term disability.

The following details the insurance premiums charged by PEBA, Insurance Benefits to other State agencies and divisions of the PEBA during the year ended June 30, 2021:

<u>STATE ENTITY</u>	<u>AMOUNT</u>	<u>STATE ENTITY</u>	<u>AMOUNT</u>
ADJUTANT GENERAL'S OFFICE	\$ 3,085,201	COLLEGE OF CHARLESTON	\$ 13,397,832
AID TO SUBDIVISIONS-COUNTY AUDIT	591,852	COMMISSION ON HIGHER EDUCATION	309,629
AIKEN TECHNICAL COLLEGE	1,141,837	COMPTROLLER GENERALS OFFICE	209,885
ATTORNEY GENERAL'S OFFICE	2,207,306	CONFEDERATE RELIC ROOM AND MILITARY COMMISSION	52,457
CENTRAL CAROLINA TECH COLLEGE	2,111,687	DENMARK TECHNICAL COLLEGE	620,059
CLEMSON UNIVERSITY	51,121,554	DEPARTMENT OF ADMINISTRATION	4,812,848
COASTAL CAROLINA UNIVERSITY	13,067,067	DEPARTMENT OF AGRICULTURE	1,340,795

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Transactions with State Entities (continued)

STATE ENTITY	AMOUNT	STATE ENTITY	AMOUNT
DEPARTMENT OF ARCHIVES & HISTORY	\$ 359,823	ORANGEBURG - CALHOUN TECHNICAL COLLEGE	\$ 1,660,567
DEPARTMENT OF CHILDREN'S ADVOCACY	1,493,177	PATIENTS COMPENSATION FUND	8,206
DEPARTMENT OF EDUCATION	11,481,254	PATRIOTS POINT DEVELOPMENT AUTHORITY	626,268
DEPARTMENT OF HEALTH & ENVIRONMENTAL CONTROL	28,736,532	PIEDMONT TECHNICAL COLLEGE	2,614,272
DEPARTMENT OF HEALTH AND HUMAN SERVICES	10,502,591	PROCUREMENT REVIEW PANEL	24,113
DEPARTMENT OF LABOR, LICENSING AND REGULATION	3,591,102	PUBLIC SERVICE COMMISSION	336,989
DEPARTMENT OF MENTAL HEALTH	33,141,612	RETIREMENT SYSTEM INVESTMENT COMMISSION	405,310
DEPARTMENT OF REVENUE	6,121,637	REVENUE AND FISCAL AFFAIRS OFFICE	737,812
DEPARTMENT OF SOCIAL SERVICES	32,546,587	S C ARTS COMMISSION	153,557
DEPARTMENT OF TRANSPORTATION	36,899,929	S C DEPARTMENT OF CONSUMER AFFAIRS	394,574
DEPARTMENT OF VETERAN AFFAIRS	112,621	S C DEPARTMENT OF EMPLOYMENT AND WORKFORCE	4,894,946
DEPARTMENT ON AGING	385,024	S C DEPARTMENT OF INSURANCE	750,541
DEPT OF PARKS RECREATION & TOURISM	3,918,389	S C DEPARTMENT OF MOTOR VEHICLES	9,326,491
FLORENCE-DARLINGTON TECHNICAL COLLEGE	2,314,300	S C DEPARTMENT OF NATURAL RESOURCES	7,983,811
FORESTRY COMMISSION	3,468,508	S C DEPARTMENT OF PROBATION PAROLE & PARDON SERV	6,048,636
FRANCIS MARION UNIVERSITY	4,761,214	S C EDUCATION OVERSIGHT COMMITTEE	53,455
GOVERNOR'S OFFICE - EXECUTIVE CONTROL OF STATE	186,341	S C EDUCATIONAL TELEVISION COMM	1,294,959
GOVERNOR'S OFFICE - MANSIONS AND GROUNDS	50,190	S C HUMAN AFFAIRS COMMISSION	265,442
GREENVILLE TECHNICAL COLLEGE	6,767,631	S C JOBS ECONOMIC DEVELOPMENT AUTHORITY	16,453
HIGHER EDUCATION TUITION GRANTS COMMISSION	36,680	S C SCHOOL FOR THE DEAF & BLIND	2,979,525
HORRY-GEORGETOWN TECH COLLEGE	3,599,367	S C STATE LIBRARY	373,524
HOUSE OF REPRESENTATIVES-CLERK	2,157,560	S C STATE SENATE - CLERICAL	1,598,329
JOHN DE LA HOWE SCHOOL	332,938	S C STATE UNIVERSITY	4,508,706
LANDER UNIVERSITY	4,276,822	S C WORKERS' COMPENSATION COMMISSION	496,305
LEGISLATIVE AUDIT COUNCIL	172,292	S.C. DEPARTMENT OF PUBLIC SAFETY	12,140,810
LEGISLATIVE COUNCIL	350,635	SC ADMINISTRATIVE LAW COURT	342,193
LEGISLATIVE PRINTING & INFO TC	363,033	SC COMMISSION FOR THE BLIND	719,468
MEDICAL UNIVERSITY OF S C	46,576,498	SC COMMISSION ON INDIGENT DEFENSE	591,603
MIDLANDS TECHNICAL COLLEGE	6,026,226	SC COMMISSION ON PROSECUTION COORDINATION	397,866
NORTHEASTERN TECHNICAL COLLEGE	826,547	SC DEPARTMENT OF COMMERCE	1,014,328
OFFICE OF REGULATORY STAFF	695,529	SC DEPARTMENT OF CORRECTIONS	36,399,773
OFFICE OF STATE AUDITOR	442,252	SC DEPARTMENT OF JUVENILE JUSTICE	9,148,556
OFFICE OF STATE INFRASTRUCTURE BANK	31,890	SC DEPT OF ALCOHOL & OTHER DRUG ABUSE SERVICES	312,473
OFFICE OF THE INSPECTOR GENERAL	63,066	SC DEPT OF DISABILITIES & SPECIAL NEEDS	11,180,409

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Transactions with State Entities (continued)

STATE ENTITY	AMOUNT	STATE ENTITY	AMOUNT
SC PUBLIC EMPLOYEE BENEFIT AUTHORITY	\$ 2,414,539	STATE ELECTION COMMISSION	\$ 239,239
SC RURAL INFRASTRUCTURE AUTHORITY	84,516	STATE ETHICS COMMISSION	146,215
SC STATE HOUSING FINANCE & DEV AUTHORITY	1,181,089	STATE FISCAL ACCOUNTABILITY AUTHORITY	1,184,642
SEA GRANT CONSORTIUM	162,079	STATE LAW ENFORCEMENT DIVISION	5,903,513
SECRETARY OF STATE	298,194	STATE TREASURER	744,300
SOUTH CAROLINA AERONAUTICS COMMISSION	127,517	TECHNICAL COLLEGE OF LOW COUNTRY	1,183,255
SOUTH CAROLINA CONSERVATION BANK	26,674	THE CITADEL	6,180,824
SOUTH CAROLINA CRIMINAL JUSTICE ACADEMY	1,120,509	TRI COUNTY TECHNICAL COLLEGE	3,825,347
SOUTH CAROLINA JUDICIAL DEPARTMENT	5,453,986	TRIDENT TECHNICAL COLLEGE	5,636,433
SOUTH CAROLINA MUSEUM COMMISSION	319,343	UNIVERSITY OF SOUTH CAROLINA	69,888,702
SOUTH CAROLINA OFFICE OF RESILIENCE	87,798	VOCATIONAL REHABILITATION	9,000,281
SPARTANBURG COMMUNITY COLLEGE	3,273,666	WIL LOU GRAY OPP SCHOOL	556,544
STATE ACCIDENT FUND	680,946	WILLIAMSBURG TECH COLLEGE	611,261
STATE BOARD FOR TECH & COMPREHENSIVE EDUC	1,353,469	WINTHROP UNIVERSITY	7,632,681
STATE BOARD OF FINANCIAL INSTITUTIONS	433,955	YORK TECHNICAL COLLEGE	2,708,780
STATE COMMISSION FOR MINORITY AFFAIRS	97,511		
		Total premiums received from state entities	<u>\$ 599,217,884</u>

PEBA, Insurance Benefits had other financial transactions with various State agencies during the fiscal year. Significant payments were made to other Divisions (Funds) of the State for retirement and insurance plans contributions, vehicle rental, printing, telephone, interagency mail, data processing services, purchasing, record maintenance, internal audit, personnel services, unemployment and workers' compensation coverage for employees.

The identifiable amounts of 2021 expenses applicable to related party transactions are as follows:

South Carolina Retirement Division	\$ 1,512,939
South Carolina State Accident Fund	15,023
	<u>\$ 1,527,962</u>

A significant portion of PEBA, Insurance Benefits total insurance premium revenue is for insurance premiums charged to other state agencies and division of the PEBA. Premiums owed from these entities at June 30, 2021 are as follows:

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Transactions with State Entities (continued)

STATE ENTITY	AMOUNT	STATE ENTITY	AMOUNT
ADJUTANT GENERAL'S OFFICE	\$ 2,221	S C DEPARTMENT OF MOTOR VEHICLES	\$ 1,592
CLEMSON UNIVERSITY	8	S C DEPARTMENT OF NATURAL RESOURCES	8,394
DEPARTMENT OF ADMINISTRATION	3,775	S C EDUCATIONAL TELEVISION COMM	255
DEPARTMENT OF ARCHIVES & HISTORY	5	S C HUMAN AFFAIRS COMMISSION	897
DEPARTMENT OF CHILDREN'S ADVOCACY	98	S C SCHOOL FOR THE DEAF & BLIND	2,775
DEPARTMENT OF EDUCATION	5,150	S.C. DEPARTMENT OF PUBLIC SAFETY	2,455
DEPARTMENT OF HEALTH & ENV CONTROL	16,707	SC COMMISSION FOR THE BLIND	1,860
DEPARTMENT OF MENTAL HEALTH	30,928	SC COMMISSION ON INDIGENT DEFENSE	9,430
DEPARTMENT OF REVENUE	47,748	SC DEPARTMENT OF CORRECTIONS	61,332
DEPARTMENT OF SOCIAL SERVICES	14,746	SC DEPARTMENT OF JUVENILE JUSTICE	1,563
DEPARTMENT OF TRANSPORTATION	16,252	SC DEPT OF DISABILITIES & SPECIAL NEEDS	15,738
FORESTRY COMMISSION	1,126	SC PEBA BCBS	24,591
GREENVILLE TECHNICAL COLLEGE	108	SC PUBLIC EMPLOYEE BENEFIT AUTHORITY	1,261
LEGISLATIVE PRINTING & INFO TC	2,217	SC RURAL INFRASTRUCTURE AUTHORITY	420
MEDICAL UNIVERSITY OF S C	57	SC STATE HOUSING FINANCE & DEV AUTHORITY	413
OFFICE OF REGULATORY STAFF	12	SEA GRANT CONSORTIUM	492
OFFICE OF STATE INFRASTRUCTURE BANK	210	SOUTH CAROLINA AERONAUTICS COMMISSION	14,713
PATIENTS COMPENSATION FUND	8,607	STATE BOARD FOR TECHNICAL & COMP EDUC	1,098
PATRIOTS POINT DEVELOPMENT AUTHORITY	1,396	STATE COMMISSION FOR MINORITY AFFAIRS	1,427
PUBLIC SERVICE COMMISSION	404	STATE ELECTION COMMISSION	263
S C DEPARTMENT OF CONSUMER AFFAIRS	1,086	VOCATIONAL REHABILITATION	8,396
S C DEPARTMENT OF EMP & WORKFORCE	1,590		
		TOTAL PREMIUMS OWED BY STATE ENTITIES	<u>\$ 313,816</u>

11. Contingencies

By the nature of its operations and responsibilities as an insurer, PEBA, Insurance Benefits has been named in a number of lawsuits, many of which are pending. A provision has been made in the financial statements for the payment of routine insurance claims. Management is not aware of any other claims that, in their opinion, would have a material effect on the financial statements; therefore, no liability has been recorded.

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12. Risk Management/Reinsurance

PEBA Insurance Benefits is exposed to various risks of loss and maintains State or commercial insurance coverage for each of those risks except for certain types of risks for which it is self-insured (these risks are further described herein). Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. There were no significant reductions in insurance coverage from coverage in the prior year. Settled claims have not exceeded this coverage in any of the past three years.

PEBA, Insurance Benefits pays insurance premiums to itself and certain other State agencies and commercial insurers to cover risks that may occur in normal operations. The insurers promise to pay to or on behalf of the insured for covered economic losses sustained during the policy period in accord with insurance policy and benefit program limits.

State management believes it is more economical to manage certain risks internally and set aside assets for claim settlement. Several State funds accumulate assets and the State itself assumes substantially all risks for the following:

1. Claims of State employees for unemployment compensation benefits (Department of Employment and Workforce);
2. Claims of covered employees for workers' compensation benefits for job-related illnesses or injuries (State Accident Fund);
3. Claims of covered public employees for health and dental insurance benefits (PEBA, Insurance Benefits); and
4. Claims of covered property damage, theft, collision (automobile), liability, and general tort (Insurance Reserve Fund).

Employees elect health coverage through the State Health Plan or a fully funded health plan if available. The State Health Plan offered by PEBA, Insurance Benefits is a self-insured product. State agencies and other governmental entities in South Carolina are the primary participants in PEBA, Insurance Benefits.

PEBA, Insurance Benefits obtains coverage of up to \$750,000 per loss through a commercial carrier for employee fidelity bond insurance for all employees for losses arising from theft or misappropriation. PEBA, Insurance Benefits has recorded insurance premium expense regarding its internal operations in the applicable administrative expense categories.

PEBA, Insurance Benefits has not transferred the portion of the risk of loss related to insurance policy deductibles and limits. Because information at June 30, 2021 did not indicate that an asset had been impaired or a liability had been incurred, no actual or estimated claims loss expense or related liability has

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Risk Management/Reinsurance (Continued)

been reported at June 30, 2021. A liability of claims must be reported only if information prior to issuance of the financial statements indicates that it is probable that an asset has been impaired or a liability has been incurred on or before June 30, 2021 and the amount of loss can be reasonably estimated.

PEBA, Insurance Benefits self-insures health and dental insurance for all participating governmental employees, including those of PEBA, Insurance Benefits. PEBA, Insurance Benefits also offers a fully insured insurance product, Tricare Supplement Plan to qualifying members that elect this coverage. The basic long-term disability product is a self-insured product managed through the SCLTDITF. In addition a supplemental long-term disability product is available as a fully insured product. Dental Plus, Vision and various Life products offered are fully insured products.

PEBA, Insurance Benefits has not had any claims exceed coverage in the past three years.

The schedule below presents PEBA, Insurance Benefits changes in claims liabilities for the past two years.

	(in thousands)	
	2021	2020
Unpaid claims and claim adjustment expenses at beginning of the fiscal year	<u>\$ 191,416</u>	<u>\$ 270,814</u>
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current fiscal year	3,083,654	2,755,861
Increases in provision for insured events of prior fiscal years	<u>46,775</u>	<u>29,499</u>
Total incurred claims and claim adjustment expenses	<u>3,130,429</u>	<u>2,785,360</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current fiscal year	3,030,712	2,835,259
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	<u>46,775</u>	<u>29,499</u>
Total Payments	<u>3,077,487</u>	<u>2,864,758</u>
Total unpaid claims and claim adjustment expenses at end of the fiscal year	<u><u>\$ 244,358</u></u>	<u><u>\$ 191,416</u></u>
The above totals are included in the following:		
Claims payable	\$ 61,473	\$ 45,924
Claims incurred but not reported	<u>182,885</u>	<u>145,492</u>
Total	<u><u>\$ 244,358</u></u>	<u><u>\$ 191,416</u></u>

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13. Changes in Long-Term Liabilities

Changes in long-term obligations for the year ended June 30, 2021 were as follows:

	Beginning Balance July 1, 2020	Increases	Decreases	Ending Balance June 30, 2021	Due Within One Year
Accrued compensated absences	\$ 1,079,606	\$ 643,991	\$ (538,224)	\$ 1,185,373	\$ 713,146
Net pension liability	14,375,970	1,663,017	-	16,038,987	-
Net OPEB liability	11,958,964	2,428,424	-	14,387,388	-
Total	<u>\$ 27,414,540</u>	<u>\$ 4,735,432</u>	<u>\$ (538,224)</u>	<u>\$ 31,611,748</u>	<u>\$ 713,146</u>

14. Medicare Part D Subsidy

The Medicare Part D prescription drug benefit became effective in January 2006. The State Health Plan, administered and managed by PEBA, Insurance Benefits, elected to maintain primary coverage for pharmaceuticals for its Medicare eligible retirees. By providing drug coverage at least as valuable as that in the standard Medicare Part D program, the State Health Plan qualifies for the Retiree Drug Subsidy (RDS), an incentive provided in the federal Part D law to encourage employers to retain good prescription benefits for retirees. The State Health Plan earned and recorded \$186,047,692 in RDS funding for the year ended June 30, 2021.

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15. Direct Premium Revenues and Insurance Related Expenses

Total insurance premium revenues and direct expenses by line of insurance are as follows.

	Premium Revenues			Expenses		
	Active Employees	Retirees	Total Premium Revenue	Claims Expenses	Premium Expenses	Third Party Administrative Expenses
Medical-PPO	\$ 1,780,270,013	\$ 768,314,131	\$ 2,548,584,144	\$ 1,722,398,735	\$ -	\$ 61,194,911
Medical-fully insured	522,241	75,781	598,022	-	598,022	-
Dental	115,875,120	45,756,251	161,631,371	65,489,290	93,007,892	-
Prescription drug (1)	-	-	-	1,342,541,312	-	19,420,609
Life and optional dependent life	47,874,632	-	47,874,632	-	47,855,647	-
Vision	17,517,874	5,011,637	22,529,511	-	22,529,916	-
Long-term disability	11,805,463	-	11,805,463	-	11,806,267	-
	<u>\$ 1,973,865,343</u>	<u>\$ 819,157,800</u>	<u>\$ 2,793,023,143</u>	<u>\$ 3,130,429,337</u>	<u>\$ 175,797,744</u>	<u>\$ 80,615,520</u>

(1) Prescription drug claims relate to the individual lines but are presented here in aggregate.

(2) Claims expense presented above does not include any contribution to the SCRHITF from PEBA, Insurance Benefits.

**SOUTH CAROLINA PUBLIC EMPLOYEE BENEFIT AUTHORITY
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**SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE PLAN YEAR ENDED JUNE 30, 2021**

South Carolina Retirement System

Plan year ended June 30 ¹ ,	Employer's proportion of the net pension liability	Employer's proportionate share of the net pension liability	Employer's covered payroll	Employer's share of the liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of total pension liability
2020	0.062771%	\$ 16,038,987	\$ 7,170,369	223.68%	50.70%
2019	0.062958%	\$ 14,375,970	\$ 6,818,615	210.83%	54.40%
2018	0.062879%	14,089,173	7,965,092	176.89%	54.10%
2017	0.059875%	13,478,904	6,743,060	199.89%	53.30%
2016	0.057902%	12,367,845	6,074,479	203.60%	52.90%
2015	0.054496%	10,335,436	5,327,720	193.99%	57.00%
2014	0.045357%	8,602,246	4,661,648	184.53%	59.90%

Notes to the Schedule:

¹ - This schedule will present 10 years of information once it is accumulated.

**SOUTH CAROLINA PUBLIC EMPLOYEE BENEFIT AUTHORITY
INSURANCE BENEFITS**

**SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

South Carolina Retirement System

Fiscal year ended June 30 ¹ ,	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a percentage of employer's covered payroll
2021	\$ 938,226	\$ 1,079,383	\$ (141,157)	\$ 6,936,907	13.53%
2020	\$ 2,106,765	\$ 1,115,709	\$ 991,056	\$ 7,170,369	29.38%
2019	1,970,109	992,790	977,319	6,818,615	28.89%
2018	1,818,301	879,384	938,917	7,965,092	22.83%
2017	1,456,265	712,738	743,527	6,743,060	21.60%
2016	948,643	636,918	311,725	6,074,479	15.62%
2015	602,912	557,218	45,694	5,327,720	11.32%
2014	480,935	480,935	-	4,661,648	10.32%
2013	428,654	428,654	-	4,160,434	10.30%

Notes to the Schedule:

¹ - This schedule will present 10 years of information once it is accumulated.

**SOUTH CAROLINA PUBLIC EMPLOYEE BENEFIT AUTHORITY
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**SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
FOR THE PLAN YEAR ENDED JUNE 30, 2021**

South Carolina Retiree Health Insurance Trust Fund

Plan year ended June 30¹,	Employer's proportion of the net OPEB liability	Employer's proportionate share of the net OPEB liability	Employer's covered payroll	Employer's share of the net OPEB liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2020	0.079702%	\$ 14,387,388	\$ 7,346,819	195.83%	8.39%
2019	0.079079%	\$ 11,958,964	\$ 6,916,706	172.90%	8.44%
2018	0.078745%	11,158,027	6,790,371	164.32%	7.91%
2017	0.077012%	10,429,917	6,493,527	160.62%	7.60%

Notes to the Schedule:

¹ - This schedule will present 10 years of information once it is accumulated.

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**SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

South Carolina Retiree Health Insurance Trust Fund

Fiscal year ended June 30¹,	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a percentage of employer's covered payroll
2021	\$ 437,854	\$ 437,854	\$ -	\$ 7,005,658	6.25%
2020	\$ 459,177	\$ 459,177	\$ -	\$ 7,346,819	6.25%
2019	418,461	418,461	-	6,916,706	6.05%
2018	373,470	373,470	-	6,790,371	5.50%
2017	346,105	346,105	-	6,493,527	5.33%

Notes to the Schedule:

¹ - This schedule will present 10 years of information once it is accumulated.

**SOUTH CAROLINA PUBLIC EMPLOYEE BENEFIT AUTHORITY
OTHER POST EMPLOYMENT BENEFITS TRUST FUNDS**

**SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

South Carolina Retiree Health Insurance Trust Fund

Fiscal year ending June 30,	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB liability:					
Service cost	\$ 759,721,682	\$ 636,259,701	\$ 510,940,536	\$ 521,172,493	\$ 610,843,077
Interest on the total OPEB liability	485,243,030	518,306,015	556,576,392	522,862,057	455,295,633
Changes of benefit terms	-	-	-	-	-
Difference between expected and actual experience	(237,319,945)	433,120,608	(567,028,397)	246,504,202	(6,819,786)
Changes of assumptions	2,350,744,687	2,149,988,446	1,163,754,700	(96,913,144)	(1,478,557,636)
Benefit payments	(555,537,137)	(550,193,715)	(535,093,624)	(466,121,568)	(416,089,964)
Net change in total OPEB liability	<u>2,802,852,317</u>	<u>3,187,481,055</u>	<u>1,129,149,607</u>	<u>727,504,040</u>	<u>(835,328,676)</u>
Total OPEB liability - beginning	<u>19,703,745,672</u>	<u>16,516,264,617</u>	<u>15,387,115,010</u>	<u>14,659,610,970</u>	<u>15,494,939,646</u>
Total OPEB liability - ending	<u>\$ 22,506,597,989</u>	<u>\$ 19,703,745,672</u>	<u>\$ 16,516,264,617</u>	<u>\$ 15,387,115,010</u>	<u>\$ 14,659,610,970</u>
Plan fiduciary net position:					
Employer contributions	\$ 581,528,115	\$ 572,237,512	\$ 533,327,819	\$ 460,477,569	\$ 411,799,086
Nonemployer contributing entities	2,375,300	133,360,738	103,178,492	106,948,694	79,306,737
OPEB plan net investment income	3,849,643	103,173,562	77,682,485	515,607	13,460,171
Benefit payments	(555,537,137)	(550,193,714)	(535,093,624)	(466,121,568)	(416,089,964)
OPEB plan administrative expense	(1,098,114)	(1,018,962)	(885,185)	(65,000)	(10,000)
Other	-	-	-	-	-
Net change in plan fiduciary net position	<u>31,117,807</u>	<u>257,559,136</u>	<u>178,209,987</u>	<u>101,755,302</u>	<u>88,466,030</u>
Plan fiduciary net position - beginning	<u>1,652,299,185</u>	<u>1,394,740,049</u>	<u>1,216,530,062</u>	<u>1,114,774,760</u>	<u>1,026,308,730</u>
Plan fiduciary net position - ending	<u>\$ 1,683,416,992</u>	<u>\$ 1,652,299,185</u>	<u>\$ 1,394,740,049</u>	<u>\$ 1,216,530,062</u>	<u>\$ 1,114,774,760</u>
Net OPEB liability - ending	<u>\$ 20,823,180,997</u>	<u>\$ 18,051,446,487</u>	<u>\$ 15,121,524,568</u>	<u>\$ 14,170,584,948</u>	<u>\$ 13,544,836,210</u>
Plan fiduciary net position as a percentage of total OPEB liability	7.48%	8.39%	8.44%	7.91%	7.60%
Covered payroll	\$ 9,367,714,944	\$ 9,261,422,144	\$ 8,748,981,785	\$ 8,614,421,372	\$ 8,437,059,071
Net OPEB liability as a percentage of covered payroll	222.29%	194.91%	172.84%	164.50%	160.54%
Single discount rate used in each year	1.92%	2.45%	3.13%	3.62%	3.56%

Notes to Schedule:

This ten year schedule will be completed as more information becomes available.

Changes of assumptions reflects the effects of changes in the Single Discount Rate each period.

For fiscal year 2021, the demographic and salary increase assumptions were updated to reflect the 2020 SCRS experience study, and the healthcare trend rates were reset to better reflect the plan's anticipated experience.

For fiscal year 2020, there were updates to the healthcare trend assumption; including an adjustment to reflect the repeal of the "Cadillac Tax."

For fiscal year 2019, there was a slight update to the healthcare trend assumption.

**SOUTH CAROLINA PUBLIC EMPLOYEE BENEFIT AUTHORITY
OTHER POST EMPLOYMENT BENEFITS TRUST FUNDS**

**SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

South Carolina Long-Term Disability Insurance Trust Fund

Fiscal year ending June 30,	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB liability:					
Service cost	\$ 8,676,335	\$ 8,410,412	\$ 7,941,182	\$ 7,555,741	\$ 7,952,412
Interest on the total OPEB liability	1,212,045	1,246,540	1,536,123	1,481,366	1,399,527
Changes of benefit terms	-	-	-	-	-
Difference between expected and actual experience	(1,367,092)	(40,459)	(1,329,978)	(207,107)	-
Changes of assumptions	1,659,414	310,807	1,224,654	(58,966)	(182,868)
Benefit payments, including refunds of contributions	(8,584,087)	(7,888,739)	(7,889,317)	(8,020,511)	(8,205,609)
Net change in total OPEB liability	<u>1,596,615</u>	<u>2,038,561</u>	<u>1,482,664</u>	<u>750,523</u>	<u>963,462</u>
Total OPEB liability - beginning	<u>42,782,316</u>	<u>40,743,755</u>	<u>39,261,091</u>	<u>38,510,568</u>	<u>37,547,106</u>
Total OPEB liability - ending	<u>\$ 44,378,931</u>	<u>\$ 42,782,316</u>	<u>\$ 40,743,755</u>	<u>\$ 39,261,091</u>	<u>\$ 38,510,568</u>
Plan fiduciary net position:					
Employer contributions	\$ 7,575,758	\$ 7,557,968	\$ 7,532,690	\$ 7,479,841	\$ 7,288,566
Nonemployer contributing entities	-	-	-	-	400,000
OPEB plan net investment income	(177,801)	4,141,005	2,972,915	52,944	371,679
Benefit payments	(8,584,087)	(7,888,739)	(7,889,317)	(8,020,511)	(8,205,609)
OPEB plan administrative expense	(91,729)	(106,628)	(40,651)	(10,000)	(10,000)
Net change in plan fiduciary net position	<u>(1,277,859)</u>	<u>3,703,606</u>	<u>2,575,637</u>	<u>(497,726)</u>	<u>(155,364)</u>
Plan fiduciary net position - beginning	<u>42,479,106</u>	<u>38,775,500</u>	<u>36,199,863</u>	<u>36,697,589</u>	<u>36,852,953</u>
Plan fiduciary net position - ending	<u>\$ 41,201,247</u>	<u>\$ 42,479,106</u>	<u>\$ 38,775,500</u>	<u>\$ 36,199,863</u>	<u>\$ 36,697,589</u>
Net OPEB liability - ending	<u>\$ 3,177,684</u>	<u>\$ 303,210</u>	<u>\$ 1,968,255</u>	<u>\$ 3,061,228</u>	<u>\$ 1,812,979</u>
Plan fiduciary net position as a percentage of total OPEB liability	92.84%	99.29%	95.17%	92.20%	95.29%
Covered payroll	N/A	N/A	N/A	N/A	N/A
Net OPEB liability as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A
Single discount rate used in each year	2.48%	2.83%	3.04%	3.91%	3.87%

Notes to Schedule:

This ten year schedule will be completed as more information becomes available.

Changes of assumptions reflects the effects of changes in the Single Discount Rate each period.

For fiscal year 2021, the salary, termination rates, and retirement rates assumptions were updated to reflect the 2020 experience study for the SCRS' pension valuations. In addition, the disability incidence, disability recovery, administration fee and offset assumptions were updated to better reflect the plan's anticipated experience.

For fiscal year 2019, the long-term rate of return assumption was changed from 4.00% to 3.00%.

**SOUTH CAROLINA PUBLIC EMPLOYEE BENEFIT AUTHORITY
OTHER POST EMPLOYMENT BENEFITS TRUST FUNDS**

**SCHEDULE OF NET OPEB LIABILITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

South Carolina Retiree Health Insurance Trust Fund

Fiscal Year Ending June 30,	Total OPEB Liability	Plan Net Position	Net OPEB Liability	Plan Net Position as a % of Total OPEB Liability	Covered Payroll	Net OPEB Liability as a % of Covered Payroll
2021	22,506,597,989	1,683,416,992	20,823,180,997	7.48%	9,367,714,944	222.29%
2020	19,703,745,672	1,652,299,185	18,051,446,487	8.39%	9,261,422,144	194.91%
2019	16,516,264,617	1,394,740,049	15,121,524,568	8.44%	8,748,981,785	172.84%
2018	15,387,115,010	1,216,530,062	14,170,584,948	7.91%	8,614,421,372	164.50%
2017	14,659,610,970	1,114,774,760	13,544,836,210	7.60%	8,437,059,071	160.54%
2016	15,494,939,646	1,026,308,730	14,468,630,916	6.62%	8,137,661,670	177.80%

South Carolina Long-Term Disability Insurance Trust Fund

Fiscal Year Ending June 30,	Total OPEB Liability	Plan Net Position	Net OPEB Liability	Plan Net Position as a % of Total OPEB Liability	Covered Payroll	Net OPEB Liability as a % of Covered Payroll
2021	44,378,931	41,201,247	3,177,684	92.84%	N/A	N/A
2020	42,782,316	42,479,106	303,210	99.29%	N/A	N/A
2019	40,743,755	38,775,500	1,968,255	95.17%	N/A	N/A
2018	39,261,091	36,199,863	3,061,228	92.20%	N/A	N/A
2017	38,510,568	36,697,589	1,812,979	95.29%	N/A	N/A
2016	37,547,106	36,852,952	694,154	98.15%	N/A	N/A

Notes to Schedules:

This ten year schedule will be completed as more information becomes available.

The following are the Single Discount Rates used in each period:

	SCRHITF	SCLTDITF
2021	1.92%	2.48%
2020	2.45%	2.83%
2019	3.13%	3.04%
2018	3.62%	3.91%
2017	3.56%	3.87%
2016	2.92%	3.74%

**SOUTH CAROLINA PUBLIC EMPLOYEE BENEFIT AUTHORITY
OTHER POST EMPLOYMENT BENEFITS TRUST FUNDS**

**SCHEDULE OF OPEB INVESTMENT RETURNS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

South Carolina Retiree Health Insurance Trust Fund

Fiscal Year Ending June 30,	Annual Return¹
2021	0.39%
2020	7.70%
2019	6.77%
2018	0.27%
2017	1.36%

South Carolina Long-Term Disability Insurance Trust Fund

Fiscal Year Ending June 30,	Annual Return¹
2021	-0.42%
2020	10.57%
2019	8.13%
2018	0.14%
2017	1.00%

¹ - Annual money-weighted rate of return, net of investment expenses.

Notes to Schedules:

This ten year schedule will be completed as more information becomes available.



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Mr. George L. Kennedy, CPA
State Auditor
Office of the State Auditor and
Members of the South Carolina Public
Employee Benefit Authority
South Carolina Public Employee Benefit Authority Insurance Benefits, the South Carolina Retiree
Health Insurance Trust Fund and the South Carolina Long-Term Disability Insurance Trust Fund
Columbia, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of South Carolina Public Employee Benefit Authority (PEBA) Insurance Benefits, the South Carolina Retiree Health Insurance Trust Fund and the South Carolina Long-Term Disability Insurance Trust Fund, collectively referred to as "PEBA Insurance Benefits," as of and for the year ended, June 30, 2021, and the related notes to the financial statements, which collectively comprise PEBA Insurance Benefits' basic financial statements, and have issued our report thereon dated October 15, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered PEBA Insurance Benefits' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of PEBA Insurance Benefits' internal control. Accordingly, we do not express an opinion on the effectiveness of PEBA Insurance Benefits' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether PEBA Insurance Benefits' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of PEBA Insurance Benefits' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering PEBA Insurance Benefits' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Baltimore, Maryland
October 15, 2021