Meeting Agenda | Finance, Administration, Audit and Compliance Committee |
Health Care Policy Committee | Retirement Policy Committee | Board of Directors
Wednesday, July 24, 2019 | 202 Arbor Lake Dr., Columbia, SC 29223 | First Floor Conference Room

I. Finance, Administration, Audit and Compliance (FAAC) Committee- 8:30 a.m.
   A. Call to Order
   B. Approval of Meeting Minutes- March 6, 2019
   C. CEM Benchmarking
   D. Internal Audit Reports
      i. Internal Audit Report 2019- 1 Retirement Member Access
      ii. Internal Audit Plan Status Report
   E. Fiscal Year 2021 Agency Budget Approval
   F. Governance Documents Review
      i. PEBA Board Bylaws
      ii. PEBA Board Ethics and Conflict of Interest Policy
      iii. PEBA Board Continuing Education Policy
      iv. PEBA Board Travel Policy
      v. PEBA Board Conference Event Attendance Policy
      vi. PEBA Board Powers Reserved Resolution
      vii. Emergency Succession Plan
   G. Compliance Review
   H. Organizational Development Update
   I. Old Business/Director’s Report
   J. Adjournment

II. Health Care Policy Committee Meeting- 10:30 a.m.
   A. Call to Order
   B. Approval of Meeting Minutes- December 5, 2018 and March 6, 2019
   C. 2020 State Health Plan Approval of Benefits and Contributions
   D. MUSC Update
   E. Old Business/Director’s Report
   F. Adjournment

LUNCH
III. Retirement Policy Committee Meeting- 1:00 p.m.
   A. Call to Order
   B. Approval of Meeting Minutes- March 6, 2019
   C. RSIC Report on Performance
   D. JSRS Contribution Rate Approval
   E. JSRS Contribution Rate Funding Policy Approval
   F. Defined Contribution Quarterly Reports
      i. Deferred Compensation Program Investment Performance Report
      ii. State ORP Investment Performance Report
   G. Deferred Compensation Program Plan Summary
   H. Old Business/Director’s Report
   I. Adjournment

IV. PEBA Board Meeting- 3:00 p.m.
   A. Call to Order
   B. Approval of Meeting Minutes- March 6, 2019 and April 24, 2019
   C. OPEB Actuarial Valuation
   D. Strategic Plan Update
   E. Committee Reports
      i. Finance, Administration, Audit and Compliance Committee
         a) Fiscal Year 2021 Agency Budget Approval
         b) PEBA Board Bylaws
         c) PEBA Board Ethics and Conflict of Interest Policy
         d) PEBA Board Continuing Education Policy
         e) PEBA Board Travel Policy
         f) PEBA Board Conference Event Attendance Policy
         g) PEBA Board Powers Reserved Resolution
         h) Emergency Succession Plan
      ii. Health Care Policy Committee
           a) 2020 State Health Plan Approval of Benefits and Contributions
      iii. Retirement Policy Committee
           a) JSRS Contribution Rate Approval
           b) JSRS Contribution Rate Funding Policy Approval
   F. Old Business
      i. Director’s Report
      ii. Roundtable Discussion
   G. Executive Session for Discussion of a Personnel Matter and to Receive Legal Advice
      Pursuant to S.C. Code of Laws § 30-4-70(a)(1)(a)(2)
   H. Adjournment
Meeting Date: July 24, 2019

1. **Subject**: CEM Pension Administration Benchmarking Analysis

2. **Summary**: Mr. Mike Heale, Principal, CEM Benchmarking, Inc. of Toronto, Ontario will present the results of PEBA’s fiscal year 2018 Pension Administration Benchmarking Analysis.

3. **What is Committee asked to do?** Receive as information

4. **Supporting Documents**:

   (a) Attached:

   1. 2018 - CEM Board Presentation
The South Carolina Public Employee Benefit Authority (PEBA)

Pension Administration Benchmarking Results
Fiscal Year 2018

Mike Heale
July 24, 2019
How you can use CEM’s pension administration benchmarking service:

• Measure and manage costs. Understand the factors influencing cost with a detailed peer analysis of your:
  - Staff costs
  - Transaction volumes
  - Productivity

• Measure and manage service. An analysis of over 120 key performance metrics that compares:
  - Your service levels relative to your peers
  - Service areas to improve or reduce

• Gain insights into current research on pension administration best practices and trends through CEM Insights.

• Network with your peers at CEM's annual Global Pension Administration Conference to share best practices in pension administration.

• Access to CEM's online Peer Intelligence Network for research and current issues in pension administration.

• Benchmarking cost and service performance is critical because "What gets measured gets managed".
## CEM’s universe of participants:

### Participants

<table>
<thead>
<tr>
<th>United States</th>
<th>Canada</th>
<th>The Netherlands*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arizona SRS</td>
<td>APs</td>
<td>ABN Amro Pensioenfonds</td>
</tr>
<tr>
<td>CalPERS</td>
<td>Alberta Teachers’ RF</td>
<td>ABP</td>
</tr>
<tr>
<td>CalSTRS</td>
<td>BC Pension Corporation</td>
<td>bpfBOUW</td>
</tr>
<tr>
<td>Colorado PERA</td>
<td>Canadian Forces Pension Plans</td>
<td>Pensioenfonds Metaal en Techniek</td>
</tr>
<tr>
<td>Delaware PERS</td>
<td>FPSPP</td>
<td>Pensioenfonds Vervoer</td>
</tr>
<tr>
<td>Florida RS</td>
<td>LAPP</td>
<td>Philips Pensioenfonds</td>
</tr>
<tr>
<td>Idaho PERS</td>
<td>OMERS</td>
<td>PFZW</td>
</tr>
<tr>
<td>Illinois MRF</td>
<td>Ontario Pension Board</td>
<td>Rabobank Pensioenfonds</td>
</tr>
<tr>
<td>Indiana PERS</td>
<td>Ontario Teachers</td>
<td>Shell Pensioenfonds</td>
</tr>
<tr>
<td>Iowa PERS</td>
<td>OPTrust</td>
<td>St. Pensioenfonds Openbaar Vervoer</td>
</tr>
<tr>
<td>KPERS</td>
<td>RCMP</td>
<td>Spoorwegpensioenfonds</td>
</tr>
<tr>
<td>LACERA</td>
<td>Retraite Quebec</td>
<td></td>
</tr>
<tr>
<td>Michigan ORS</td>
<td>SHEPP</td>
<td></td>
</tr>
<tr>
<td>Nevada PERS</td>
<td>United Kingdom*</td>
<td></td>
</tr>
<tr>
<td>North Carolina RS</td>
<td>Armed Forces Pension Schemes</td>
<td></td>
</tr>
<tr>
<td>NYC ERS</td>
<td>BSA NHS Pensions</td>
<td></td>
</tr>
<tr>
<td>NYC TRS</td>
<td>Pension Protection Fund</td>
<td></td>
</tr>
<tr>
<td>NYSLRS</td>
<td>Principal Civil Service Pension Scheme</td>
<td></td>
</tr>
<tr>
<td>Ohio PERS</td>
<td>Scottish Public Pension Agency</td>
<td></td>
</tr>
<tr>
<td>Oregon PERS</td>
<td>Teachers' Pensions Scheme</td>
<td></td>
</tr>
<tr>
<td>Pennsylvania PSERS</td>
<td>Universities Superannuation Scheme</td>
<td></td>
</tr>
</tbody>
</table>
PEBA was compared to the following peers.

### Custom Peer Group for South Carolina RS

<table>
<thead>
<tr>
<th>Peers (sorted by size)</th>
<th>Active Members</th>
<th>Annuitants</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ohio PERS</td>
<td>348</td>
<td>211</td>
<td>559</td>
</tr>
<tr>
<td>Virginia RS</td>
<td>343</td>
<td>206</td>
<td>549</td>
</tr>
<tr>
<td>Washington State DRS</td>
<td>321</td>
<td>186</td>
<td>507</td>
</tr>
<tr>
<td>Pennsylvania PSERS</td>
<td>256</td>
<td>233</td>
<td>490</td>
</tr>
<tr>
<td>Michigan ORS</td>
<td>206</td>
<td>273</td>
<td>479</td>
</tr>
<tr>
<td>Wisconsin DETF</td>
<td>257</td>
<td>203</td>
<td>461</td>
</tr>
<tr>
<td><strong>South Carolina RS</strong></td>
<td><strong>283</strong></td>
<td><strong>171</strong></td>
<td><strong>454</strong></td>
</tr>
<tr>
<td>Indiana PRS</td>
<td>255</td>
<td>157</td>
<td>411</td>
</tr>
<tr>
<td>STRS Ohio</td>
<td>211</td>
<td>160</td>
<td>371</td>
</tr>
<tr>
<td>Colorado PERA</td>
<td>242</td>
<td>118</td>
<td>359</td>
</tr>
<tr>
<td>Arizona SRS</td>
<td>207</td>
<td>150</td>
<td>357</td>
</tr>
<tr>
<td>Oregon PERS</td>
<td>173</td>
<td>148</td>
<td>321</td>
</tr>
<tr>
<td>Illinois MRF</td>
<td>176</td>
<td>127</td>
<td>302</td>
</tr>
<tr>
<td>Iowa PERS</td>
<td>170</td>
<td>121</td>
<td>291</td>
</tr>
<tr>
<td>Peer Median</td>
<td>248</td>
<td>165</td>
<td>433</td>
</tr>
<tr>
<td>Peer Average</td>
<td>246</td>
<td>176</td>
<td>422</td>
</tr>
</tbody>
</table>
Your Total Pension Administration Cost was $36 per active member and annuitant.

- This was $44 below the peer average of $80 and the 4\textsuperscript{th} lowest cost in our universe.
- Your total pension administration cost was $16.1 million.
CEM uses the following cost model to explain differences in costs.

**Reasons for differences in total costs**

1. More/ fewer front-office FTE per member
2. Higher/ lower third-party costs and other miscellaneous costs in front-office  
   (Front office activities are Member Transactions, Member Communication and Collections and Data Maintenance.)
3. Paying more/ less per FTE for: salaries and benefits, building and utilities, HR and IT desktop
4. Higher/ lower back-office activity costs  
   (Back office activities are Governance and Financial Control, Major Projects and Support Services.)

**Total Cost per Member**
Your cost per member was lower in all pension administration categories.

<table>
<thead>
<tr>
<th>Category</th>
<th>$000s</th>
<th>$ per Active Member and Annuitant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Front-office</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Member Transactions</td>
<td>2,937</td>
<td>6</td>
</tr>
<tr>
<td>Member Communication</td>
<td>2,512</td>
<td>6</td>
</tr>
<tr>
<td>Collections and Data Maintenance</td>
<td>1,372</td>
<td>3</td>
</tr>
<tr>
<td>Back-office</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Governance and Financial Control</td>
<td>984</td>
<td>2</td>
</tr>
<tr>
<td>Major Projects</td>
<td>427</td>
<td>1</td>
</tr>
<tr>
<td>Information Technology</td>
<td>4,381</td>
<td>10</td>
</tr>
<tr>
<td>Building</td>
<td>1,518</td>
<td>3</td>
</tr>
<tr>
<td>Legal</td>
<td>438</td>
<td>1</td>
</tr>
<tr>
<td>HR, Actuarial, Audit, Other</td>
<td>1,554</td>
<td>3</td>
</tr>
<tr>
<td>Total Pension Administration</td>
<td>16,124</td>
<td>36</td>
</tr>
<tr>
<td></td>
<td></td>
<td>80</td>
</tr>
</tbody>
</table>
Reasons why your total cost was $44 below the peer average:

<table>
<thead>
<tr>
<th>Reason</th>
<th>You</th>
<th>Peer Avg</th>
<th>Impact $ per active member and annuitant</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Fewer front-office FTE per 10,000 members</td>
<td>2.2</td>
<td>3.1</td>
<td>-$7.37</td>
</tr>
<tr>
<td>2. Lower third party costs per member in the front-office</td>
<td>$1</td>
<td>$5</td>
<td>-$4.16</td>
</tr>
<tr>
<td>3. Lower costs per FTE</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and Benefits</td>
<td>$69,343</td>
<td>$93,273</td>
<td></td>
</tr>
<tr>
<td>Benefits for Retired Staff</td>
<td>$3,096</td>
<td>$272</td>
<td></td>
</tr>
<tr>
<td>Building and Utilities</td>
<td>$10,599</td>
<td>$10,170</td>
<td></td>
</tr>
<tr>
<td>HR</td>
<td>$1,335</td>
<td>$3,445</td>
<td></td>
</tr>
<tr>
<td>IT Desktop, Networks, Telecom</td>
<td>$5,628</td>
<td>$15,592</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$90,001</td>
<td>$122,751</td>
<td>-$15.43</td>
</tr>
<tr>
<td>4. Lower back-office costs per member</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Governance and Financial Control</td>
<td>$3</td>
<td>$5</td>
<td></td>
</tr>
<tr>
<td>Major Projects</td>
<td>$1</td>
<td>$6</td>
<td></td>
</tr>
<tr>
<td>IT Strategy, Database, Applications</td>
<td>$9</td>
<td>$14</td>
<td></td>
</tr>
<tr>
<td>Actuarial, Legal, Audit, Other</td>
<td>$3</td>
<td>$7</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$16</td>
<td>$33</td>
<td>-$17.28</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>-$44.24</td>
</tr>
</tbody>
</table>
Cost Trends:

Between 2014 and 2018 your cost increased by 3.4% per annum. This was primarily due to:

- Renovations to the main building.

- Increased consultant fees in preparation for the upgrade of PEBA's operational IT system.

Despite your increased spending, your costs remain well below your peers.
Your total service score was 77.

- This was below the peer median of 82.

- CEM defines service from the member’s perspective:
  - More channels
  - Faster turnaround times
  - More availability
  - More choice
  - Better content
  - Higher quality
## Your service score by administration activity:

<table>
<thead>
<tr>
<th>Activity</th>
<th>Weight</th>
<th>You</th>
<th>Peer Median</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Member Transactions</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. Pension Payments</td>
<td>10.0%</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>b. Pension Inceptions</td>
<td>7.4%</td>
<td>76</td>
<td>88</td>
</tr>
<tr>
<td>c. Refunds, Withdrawals, and Transfers-out</td>
<td>1.3%</td>
<td>95</td>
<td>98</td>
</tr>
<tr>
<td>d. Purchases and Transfers-in</td>
<td>3.1%</td>
<td>93</td>
<td>92</td>
</tr>
<tr>
<td>e. Disability</td>
<td>3.8%</td>
<td>82</td>
<td>82</td>
</tr>
<tr>
<td><strong>2. Member Communication</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. Call Center</td>
<td>21.0%</td>
<td>61</td>
<td>70</td>
</tr>
<tr>
<td>c. 1-on-1 Counseling</td>
<td>7.4%</td>
<td>73</td>
<td>82</td>
</tr>
<tr>
<td>d. Member Presentations</td>
<td>6.5%</td>
<td>93</td>
<td>100</td>
</tr>
<tr>
<td>e. Written Pension Estimates</td>
<td>4.7%</td>
<td>71</td>
<td>90</td>
</tr>
<tr>
<td>f. Mass Communication</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Website</td>
<td>21.3%</td>
<td>92</td>
<td>86</td>
</tr>
<tr>
<td>• News and targeted communication</td>
<td>2.8%</td>
<td>38</td>
<td>78</td>
</tr>
<tr>
<td>• Member statements</td>
<td>4.7%</td>
<td>46</td>
<td>85</td>
</tr>
<tr>
<td><strong>3. Other</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Satisfaction Surveying</td>
<td>5.0%</td>
<td>55</td>
<td>52</td>
</tr>
<tr>
<td>Disaster Recovery</td>
<td>1.0%</td>
<td>55</td>
<td>92</td>
</tr>
<tr>
<td><strong>Weighted Total Service Score</strong></td>
<td>100.0%</td>
<td>77</td>
<td>82</td>
</tr>
</tbody>
</table>
Where can PEBA improve your total service score?

<table>
<thead>
<tr>
<th>Rank</th>
<th>Factor</th>
<th>Potential Improvement</th>
</tr>
</thead>
<tbody>
<tr>
<td>#1</td>
<td>On average, members calling your call center reach a knowledgeable person in 244 seconds. To achieve a perfect service score, members must reach a knowledgeable person on the phone in 60 seconds or less.</td>
<td>+ 3.8</td>
</tr>
<tr>
<td>#2</td>
<td>10.6% of your incoming calls resulted in undesired outcomes. To achieve a perfect service score, members must experience no undesired call outcomes.</td>
<td>+ 1.8</td>
</tr>
<tr>
<td>#3</td>
<td>Your member statements do not show members an estimate of future pension entitlements. To achieve a perfect service score member statements must show members an estimate of future pension entitlements.</td>
<td>+ 1.2</td>
</tr>
<tr>
<td>#4</td>
<td>None of your total 1-on-1 sessions were located in the field. To achieve a perfect service score, the number of 1-on-1 sessions located in the field must be 25% or more.</td>
<td>+ 1.0</td>
</tr>
<tr>
<td>#5</td>
<td>You have 2 menu layers. To achieve a perfect service score you must have one or fewer menu layers.</td>
<td>+ 0.8</td>
</tr>
</tbody>
</table>
Your total service score improved 3 points between 2014 and 2018.

This was primarily due to improvements in the following activities:

- **Website**: You made a number of enhancements: your calculator is now linked to member data, you no longer force members to acknowledge a disclaimer every time they log-in or use the calculator, members can apply for a transfer-out or refund, and upload documents in lieu of mailing.

- **Presentations**: Your percent of active members attending presentations increased from 1.7% to 2.1%.
Key Takeaways:

Cost

- Your cost of $36 per member and annuitant was the lowest of your peer group, and fourth lowest in CEM's global universe.

- The primary reasons why:
  - Your lower costs for the back office activities
  - Your lower costs per FTE

- Between 2014 and 2018 your cost increased by 3.4% per annum. This was primarily due to:
  - Renovations to the main building
  - Increased consultant fees in preparation for the upgrade of PEBA's operational IT system

Service

- Your total service score was 77. This was below the peer median of 82.

- Your total service score increased 3 points between 2014 and 2018 due to improvements in your website and presentation attendance.
Global Trends, Insights and CEM Research

IT/System Modernization/Major Projects

Customer Experience and ‘Journeys’
IT system modernization is necessary, costly and challenging.

**Top Challenges**
- Change leadership and management
- Program governance and risk management
- Vendor selection and management
- Data conditioning and quality
- Risk management
Your IT/Major Projects cost has increased but remains about 1/3 of your peer group average. Your costs in other areas have mostly been flat or decreasing.
IT investment has resulted in higher web visits for you and your peers. Other channel volumes have declined, but perhaps not by as much as expected or hoped.
Over 2018 - 2019, CEM facilitated an IT modernization research project with 10 large global plans.

<table>
<thead>
<tr>
<th>Plan</th>
<th>Active members and annuitants</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Canada</strong></td>
<td></td>
</tr>
<tr>
<td>Alberta Pension Services</td>
<td>323,793</td>
</tr>
<tr>
<td>BC Pension Corporation</td>
<td>512,713</td>
</tr>
<tr>
<td>Government of Canada</td>
<td>579,767</td>
</tr>
<tr>
<td>OMERS</td>
<td>451,000</td>
</tr>
<tr>
<td>Ontario Teachers</td>
<td>326,928</td>
</tr>
<tr>
<td><strong>U.S.</strong></td>
<td></td>
</tr>
<tr>
<td>Illinois MRF</td>
<td>308,039</td>
</tr>
<tr>
<td>Ohio PERS</td>
<td>516,873</td>
</tr>
<tr>
<td>Texas TRS</td>
<td>1,293,457</td>
</tr>
<tr>
<td>New York City TRS</td>
<td>217,150</td>
</tr>
<tr>
<td><strong>Netherlands</strong></td>
<td></td>
</tr>
<tr>
<td>ABP/APG</td>
<td>1,979,560</td>
</tr>
</tbody>
</table>
The average budgeted cost for IT modernization was USD $93.2 million. Most plans estimate completion at between 95-125% of budget.
The average time budgeted for IT modernization projects was 5.6 years. On average, peers expect to exceed the time budget by about 20%.
The role of Pension Services has changed and is expected to continue to change. The shift is from transaction focus to customer experience (CX) focus.

<table>
<thead>
<tr>
<th>Pension Administration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reactive Transaction focus</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Customer Experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proactive Across the customer journey</td>
</tr>
</tbody>
</table>
ABP/PFZW shared their experience about CEM’s service score at the May, 2019 CEM conference.

What do we measure and how does CEM fit in?

CEM *transactional* service results:

- Wow, ABP and PFZW are best of class!
- Your members must be very happy, right?

No wrong!

Source: CEM Global Pension Administration Conference breakout CX-shift happens! PFZW + ABP, Indianapolis, May 2018
Despite their high CEM transactional service score, their NPS score was -20, whereas most loved brands are >+51.

What do we measure and how does CEM fit in?

This is what our members really think of us:

Quick guide to Net Promoter Score®

<table>
<thead>
<tr>
<th>Score Range</th>
<th>Description</th>
<th>Example 1</th>
<th>Example 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>100 - 100</td>
<td>The best companies in the world.</td>
<td>NETFLIX</td>
<td>71</td>
</tr>
<tr>
<td>51 - 70</td>
<td>The most loved brands.</td>
<td>Apple</td>
<td>52</td>
</tr>
<tr>
<td>31 - 50</td>
<td>Satisfied customers.</td>
<td>Amazon</td>
<td>62</td>
</tr>
<tr>
<td>1 - 30</td>
<td>Customers aren’t very satisfied.</td>
<td>ABP</td>
<td>20</td>
</tr>
<tr>
<td>-100 - 0</td>
<td>Customers are having bad experiences.</td>
<td>Zorg &amp; Welzijn</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: CEM Global Pension Administration Conference breakout CX-shift happens! PFZW + ABP, Indianapolis, May 2018
Net Promoter Score is calculated based on one question:

- How likely are you to recommend xxxx as a great organization? Only 3 of the CEM Member Engagement surveying group are asking this question currently.

DETACTORS

‘Detractors’ give a score lower or equal to 6.

PASSIVES

‘Passives’ give a score of 7 or 8.

PROMOTERS

‘Promoters’ answer 9 or 10. They love the company’s products and services.
CEM plans to add customer experience metrics, costs and volumes by customer journey for plans that can provide the data.

<table>
<thead>
<tr>
<th>Journey</th>
<th>Cost per member</th>
<th>Satisfaction (or NPS)</th>
<th>Customer effort</th>
</tr>
</thead>
<tbody>
<tr>
<td>New member</td>
<td>$3.2 → $3.9</td>
<td>7.1 → 8.0</td>
<td>2.1 → 1.3</td>
</tr>
<tr>
<td>Disability</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marriage/children</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Divorce</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retiring</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retirement</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Death (survivorship)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Self-service volumes
48% → 51%

Incoming calls, emails, and letters
34% → 31%
Over 2019 - 2020, CEM will provide insights on what plans do to manage the customer experience.

**Annual CEM survey**

- Starting in December 2018, we are asking for what customer experience metrics you survey:
  - Satisfaction? NPS? CES? Engagement?
  - Which touchpoints, journeys and customer groups?

**2019 -2020 CEM Research**

- Comparisons of customer experience management capabilities (optional survey).
- Case studies on lessons learned by plans that are customer experience leaders.
Meeting Date: July 24, 2019

1. Subject: FY 2021 PEBA Agency Budget Request

2. Summary: The FY 2021 PEBA Agency Budget includes additional budget authorization of $10 million recurring funds for PEBA’s IT modernization project, peba:connect. This authorization was approved in FY 2018, FY 2019, and FY 2020. It remains in the FY 2021 request.

3. What is the Committee asked to do? Approve the FY 2021 Agency Budget as requested

4. Supporting Documents:
   (a) Attached: Fiscal Year 2021 Budget Request
Fiscal year 2021 budget request

Board of Directors
July 24, 2019
# Operating Budget Trends

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Trust Funds</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personal services</td>
<td>$14,593,889</td>
<td>$14,593,889</td>
<td>$15,403,176</td>
<td>$16,221,729</td>
<td>$16,558,789</td>
<td>$16,558,789</td>
<td>$16,558,789</td>
</tr>
<tr>
<td>Other operating</td>
<td>$12,663,734</td>
<td>$12,663,734</td>
<td>$11,049,436</td>
<td>$9,704,626</td>
<td>$8,948,509</td>
<td>$8,948,509</td>
<td>$8,948,509</td>
</tr>
<tr>
<td>Adoption assistance</td>
<td>$300,000</td>
<td>$300,000</td>
<td>$300,000</td>
<td>$300,000</td>
<td>$300,000</td>
<td>$300,000</td>
<td>$300,000</td>
</tr>
<tr>
<td>Employer contributions</td>
<td>$4,472,468</td>
<td>$4,472,468</td>
<td>$5,277,479</td>
<td>$5,803,736</td>
<td>$6,222,793</td>
<td>$6,222,793</td>
<td>$6,222,793</td>
</tr>
<tr>
<td>New IT system project</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$10,000,000</td>
<td>$10,000,000</td>
<td>$10,000,000</td>
</tr>
<tr>
<td><strong>Total Trust Funds</strong></td>
<td>$32,030,091</td>
<td>$32,030,091</td>
<td>$32,030,091</td>
<td>$42,030,091</td>
<td>$42,030,091</td>
<td>$42,030,091</td>
<td>$42,030,091</td>
</tr>
<tr>
<td><strong>General Funds</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$32,030,091</td>
<td>$40,301,601</td>
<td>$39,525,111</td>
<td>$167,767,422</td>
<td>$151,498,830</td>
<td>$154,398,830</td>
<td>$154,398,830</td>
</tr>
</tbody>
</table>

1Details available on Slide 3
# FY 2020 statewide employer contributions

## III. Statewide Employer Contributions

<table>
<thead>
<tr>
<th></th>
<th>FY20 Authorized</th>
<th>FY21 Budget Request</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ret Suppl-State Employee</td>
<td>$233,258</td>
<td>$233,258</td>
</tr>
<tr>
<td>Ret-Suppl-Public School Employee</td>
<td>$199,855</td>
<td>$199,855</td>
</tr>
<tr>
<td>Ret-Police Insur &amp; Annuity Fund</td>
<td>$960</td>
<td>$960</td>
</tr>
<tr>
<td>Ret Suppl-Police Officer</td>
<td>$17,506</td>
<td>$17,506</td>
</tr>
<tr>
<td>Pension Ret-National Guard¹</td>
<td>$5,289,727</td>
<td>$5,289,727</td>
</tr>
<tr>
<td>OPEB Trust Fund Pymt</td>
<td>$2,375,300</td>
<td>$2,375,300</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>$8,116,606</td>
<td>$8,116,606</td>
</tr>
<tr>
<td>SCRS Trust Fund</td>
<td>$88,230,143</td>
<td>$88,230,143</td>
</tr>
<tr>
<td>PORS Trust Fund</td>
<td>$13,121,990</td>
<td>$13,121,990</td>
</tr>
<tr>
<td>JSRS Trust Fund</td>
<td>$2,900,000</td>
<td>$2,900,000</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>$104,252,133</td>
<td>$104,252,133</td>
</tr>
<tr>
<td><strong>Pass through funds - Total</strong></td>
<td>$112,368,739</td>
<td>$112,368,739</td>
</tr>
</tbody>
</table>

¹The actual amount for fiscal year 2021 will be determined by the annual valuations, which will be available in January 2020.
History of approved budget authorization

• PEBA operations are funded by Trust Funds (insurance and retirement), not General Funds.

• Approved authorization for FY 2013 and FY 2014 totaled $31,330,091.

• Additional $700,000 was added in FY 2015 for fiduciary audit, and remained as part of the approved authorizations for FY 2016 - FY 2020; total authorization was $32,030,091 for operations.
History of approved operating budget authorization

• Other than fiduciary audit addition, there have been no increases in approved authorization for operations from FY 2012 through the budget request for FY 2020.

• Additional budget authorization of $10 million recurring funds for PEBA’s IT modernization project, peba:connect, was approved in FY 2018, FY 2019 and FY 2020. It remains in the FY 2021 request.
General Funds appropriation

• PEBA’s General Fund appropriations are pass through appropriations only. They are not used for PEBA’s operating expenses.

• General Funds for statewide employer contributions were added for FY 2016, with termination of the Budget and Control Board and as part of Act 121 of the 2014 restructuring.

• Pass through funds for the SCRS Trust Fund and PORS Trust Fund equal to 1 percent of the employer contribution increase were added as recurring funds in FY 2018.

• Pass through funds for the JSRS Trust Fund equal to $2.9 million were added as recurring funds in FY 2020 to provide additional stabilization to the JSRS plan.
History of approved budget authorization

- The Investment Commission invests retirement systems assets to help fund the system over time; the State Treasurer’s Office invests the insurance assets.
- PEBA does not set aside a budget in a separate account for deferred maintenance.
- To maximize investment income, money is left in Trust Funds until needed for operational expenses.
- The Investment Commission is also funded by the Retirement Trust Funds.
peba:connect project funding and personnel plan

• The peba:connect project will be a multi-year endeavor to update aging information systems.
• Significant PEBA resources and personnel will be dedicated and committed to the project.
Client services vendor is onsite and assisting PEBA staff to ensure operational needs are met.

Data conversion vendor is onsite and working to cleanse operational data for the new system.

Request for qualifications for the system itself is complete, and the request for proposal is in progress.
Disclaimer

This presentation does not constitute a comprehensive or binding representation regarding the employee benefits offered by the South Carolina Public Employee Benefit Authority (PEBA). The terms and conditions of the retirement and insurance benefit plans offered by PEBA are set out in the applicable statutes and plan documents and are subject to change. Please contact PEBA for the most current information. The language used in this presentation does not create any contractual rights or entitlements for any person.
Meeting Date: July 24, 2019

1. **Subject:** Review of Governance Documents

2. **Summary:** Paragraph X(A) of the PEBA Board of Directors Bylaws requires a review of the bylaws every three years. Similarly, pursuant to Paragraph E(8) of the FAAC Committee Charter, the FAAC Committee must review the Board’s governance documents periodically, but no less than every three years, to determine compliance with the documents and to determine whether any changes to the governing documents are required. According to the Board calendar, it is time for the FAAC Committee’s review of the Board’s governance documents. Please note that this review will not include committee charters, which are scheduled for separate review in 2020.

The current version of the Resolution Reserving Certain Powers to the PEBA Board and Delegating Powers to the Executive Director, adopted in 2015, references Act 278 of 2012 for the legal authority establishing the position of the PEBA Executive Director. However, in Act 13 of 2017, the General Assembly formalized the PEBA Executive Director position in statute at Section 9-4-10(J) of the South Carolina Code of Laws.

3. **What is the Committee asked to do?** Review the Board’s governance documents and recommend that the PEBA Board amend the Powers Reserved Resolution to reflect the updated statutory authority for the PEBA Executive Director position.

4. **Supporting Documents:**

   (a) List those attached:

   1. PEBA Board Bylaws
   2. PEBA Board Ethics and Conflicts-of-Interest Policy
   3. PEBA Board Continuing Education Policy
   4. PEBA Board Travel Policy
   5. PEBA Board Conference Event Attendance Policy
   6. PEBA Board Powers Reserved Resolution, with draft amendment
   7. PEBA Executive Director Emergency Succession Plan
I. PURPOSE

The South Carolina Public Employee Benefit Authority Board of Directors (“Board”) is the governing body of the South Carolina Public Employee Benefit Authority (“PEBA”), established by Act No. 278 of 2012 of the South Carolina General Assembly, as codified in Title 9 of the Code of Laws, Chapter 11 of Title 1 of the Code of Laws, and Chapter 23 of Title 8 of the Code of Laws, as amended from time to time (“Governing Law”); and the Board has the powers and responsibilities set out in the Governing Law. PEBA is an administrative agency charged by the Governing Law with administering the State’s public employee insurance programs, its retirement programs, and its deferred compensation program.

II. BOARD MEMBERSHIP

A. COMPOSITION

1. The Board shall consist of the number of members selected in the manner set forth in the Governing Law; each member, prior to commencing performance of the member’s duties, must meet the qualifications, comply with the requirements, and take the oath of office set forth therein and elsewhere in the Code of Laws of South Carolina 1976, as amended.

2. Copies of records of appointments and of notarized oaths of all Board members will be maintained by the secretary of the Board.

B. TERM OF OFFICE

1. Board members will serve for the periods determined in accordance with the Governing Law.

2. It shall be the responsibility of the Board secretary to notify the Secretary of State and the relevant appointing authority of any appointment to, resignation from, or vacancy in the membership of the Board and to insure that the requirements of Section II.A.1 above are met.

III. GENERAL RESPONSIBILITIES AND DUTIES

The Board will fulfill the responsibilities, perform the duties, and exercise the powers assigned to it by the Governing Law and other relevant provisions of the Code of Laws of South Carolina 1976, as amended.

In discharging his or her duties with respect to PEBA, a Board member is entitled to rely in good faith on information, opinions, reports, or statements, including financial statements and other financial data, if prepared or presented by: (1) one or more officers or employees of the State whom the Board member reasonably believes to be reliable and competent in the matters presented; (2)
legal counsel, public accountants, actuaries, the South Carolina Retirement Systems Investment Commission or other persons as to matters the Board member reasonably believes are within the person’s professional or expert competence; or (3) a committee of the board of directors of which a Board member is not a member if the Board member reasonably believes the committee merits confidence. A Board member is not acting in good faith under this section if he or she has knowledge concerning the matter in question that makes reliance otherwise permitted by this section unwarranted.

IV. BOARD MEETINGS

A. REGULAR MEETINGS

1. The Board shall meet at such times and intervals and in such places as it may determine to be necessary to meet its responsibilities, but not less often than may be required by law.

2. At or before its final regular meeting of any calendar year, the Board shall establish the calendar for its regular meetings during the upcoming calendar year.

B. SPECIAL MEETINGS

1. The Chairman of the Board or the Executive Director of PEBA or any two chairmen of the Board’s standing committees may call a special meeting of the Board upon not less than forty-eight (48) hours notice, sent to members of the Board via e-mail to the e-mail address provided by the Board members to PEBA for that purpose.

2. The calling authority or the Board secretary may send the notice, which shall state the date, time, place, and purpose of the meeting; and the business to be transacted at such special meeting shall be limited to such purpose.

3. Any member may waive notice of any meeting. Except as provided in the next sentence, the waiver must be in writing, signed by the member entitled to the notice, and filed with the minutes or corporate records. The attendance of a member at a meeting shall constitute a waiver of notice of such meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business and at the beginning of the meeting (or promptly upon arrival) objects to holding the meeting or transacting business at the meeting, and does not thereafter vote for or assent to action taken at the meeting.

C. QUORUM

A majority of the statutorily authorized number of Board members shall constitute a quorum for the transaction of business at any meeting of the Board.
D. MANNER OF ACTING

1. Required Vote. The act of the majority of the members present at a meeting at which a quorum is present when the vote is taken shall be the act of the Board, unless, by law, a supermajority is required.

2. Telephone Meeting. Any or all members may participate in a regular or special meeting by, or conduct the meeting through the use of, any means of communication by which all members participating may simultaneously hear each other during the meeting. A member participating in a meeting by this means is deemed to be present in person at the meeting. A member or invited non-member may participate in Executive Session by telephone provided the participant provides assurance to the Board or Committee, reflected in the minutes of the meeting, that no uninvited person is present and able to listen to the Executive Session portion of the meeting.

3. Failure To Object To Action. A member who is present at a meeting of the Board or a committee of the Board when corporate action is taken is deemed to have assented to the action taken unless: (1) he objects at the beginning of the meeting (or promptly upon his arrival) to holding it or transacting business at the meeting; or (2) his dissent or abstention from the action taken is entered in the minutes of the meeting; or (3) he delivers written notice of his dissent or abstention to the presiding officer of the meeting before its adjournment or to the Executive Director immediately after adjournment of the meeting. The right of dissent or abstention is not available to a member who votes in favor of the action taken.

E. EXECUTIVE SESSION

The Board and its Committees may enter executive session during a public meeting in the manner and for the purposes authorized under the Code of Laws of South Carolina 1976, as amended.

F. ATTENDANCE

The attendance of members at Board meetings and of Board committee members at committee meetings shall be recorded, and the Board secretary shall transmit each member’s attendance record for the preceding six (6) months to that member’s appointing authority in each January and July. At the request of a member, the attendance record transmitted to a member’s appointing authority may also reflect the reason for an absence from a meeting of the Board or a committee of the Board, provided that the member has also notified the Chairman of the Board or Chairman of the committee, as applicable, of the reason for the absence.

G. AGENDA

1. Proposed meeting agendas will be developed by the Executive Director in consultation with the Chairman of the Board and the chairmen of the Board’s standing committees.

2. Any member of the Board may propose an item for the agenda of a Board meeting by submitting the proposed item to the Chairman or Executive Director not less than seven days prior to the date of the meeting or, for a special meeting called with less than seven days’ notice, as soon
as practicable. Any such requests shall be taken into consideration in developing the proposed meeting agenda.

3. All meeting agendas are subject to final approval by the Chairman of the Board.

**H. BOARD ASSESSMENT PROCESS**

At least annually, the Board shall engage in a self-assessment process to evaluate the Board’s performance. The results of the self-assessment process shall be taken into consideration by the Chairman and Executive Director in developing and recommending training and educational opportunities for Board members.

**V. COMMITTEES**

**A. CREATION OF COMMITTEES**

The Board may create one or more committees, and the Chairman shall appoint members of the Board to serve on them. Each committee must have not fewer than two nor more than five Board members. The term of standing committee members shall run from their appointment in July of an even-numbered year through June 30 of the next even-numbered year, and until their successors are appointed. Each committee shall have a chairman who shall be appointed by the Chairman of the Board, and a vice-chairman who shall be elected by the members of the committee. Committee chairmen of the standing committees shall serve a term running from their appointment in July of an even-numbered year through June 30 of the next even-numbered year, and until their successor is appointed. Provided, however, that the term of a committee member or committee chairman ends when the member no longer serves on the Board. Each committee may appoint one or more non-Board members to serve as non-voting members of a committee if the committee finds that the non-Board members possess expertise, skills or qualifications that would aid the committee in fulfilling its responsibilities.

The Finance, Administration, Audit and Compliance Committee, the Retirement Policy Committee, and the Health Care Policy Committee shall be standing committees of the Board. The Chairman of the Board shall be a member of each standing committee. The Board may establish ad hoc committees as it deems appropriate to address specific matters or issues.

1. Committee Assignment Process

No later than July 31 of each even-numbered year, the Chairman shall appoint members of the Board to serve on the standing committees and appoint the chairmen of those committees for the ensuing term running through June 30 of the next even-numbered year. In making these appointments, the Chairman shall solicit and take into consideration input from the members of the Board regarding their desired committee assignments and recommended committee chairman for the ensuing term. At the first committee meeting after the Chairman’s appointment of the standing committee members and chairmen each even-numbered year, each standing committee shall elect a vice-chairman to preside over the committee and oversee committee business in the absence of the committee chairman.
2. **Removal of Committee Members**

No member shall be removed from a committee or from the chairmanship of a committee during a committee term, except upon request by that committee member or upon a vote of the Board.

**B. REQUIRED PROCEDURES**

The provisions of these Bylaws that govern meetings, including calling and setting agendas for regular and special meetings, notice and waiver of notice, executive sessions, and voting requirements of the Board apply to committees and their members, mutatis mutandis. A majority of Board members assigned to a committee of Board members constitutes a quorum for that committee to conduct business, and a majority of the Board members present must vote for an item for the committee to take official action on the item.

**C. AUTHORITY**

The authority of committees of the Board shall be limited to information-gathering and advice and recommendations to, and on behalf of, the Board, and to ministerial acts. Authority delegated to the Board by law may be exercised only by the Board. Committees may invite administrators, consultants, staff, external auditors, and/or others to attend meetings and provide pertinent information as necessary.

**D. FINANCE, ADMINISTRATION, AUDIT AND COMPLIANCE COMMITTEE**

The Finance, Administration, Audit and Compliance Committee (FAAC) will gather, analyze, and study information concerning PEBA’s governance, financial reporting, audits, budgets, and regulatory compliance and will make recommendations and reports to the Board on those matters.

**E. RETIREMENT POLICY COMMITTEE**

The Retirement Policy Committee will gather, analyze, and study information concerning issues arising out of PEBA’s administration of the retirement plans set out in Title 9 of the Code and the Deferred Compensation Program, and will make recommendations and reports to the Board on those matters.

**F. HEALTH CARE POLICY COMMITTEE**

The Health Care Policy Committee will gather, analyze, and study information concerning issues arising out of PEBA’s administration of the insurance plans set out in Chapter 11 of Title 1 of the Code, and will make recommendations and reports to the Board on those matters.

**VI. INDEMNIFICATION OF BOARD MEMBERS**

PEBA shall indemnify and hold harmless members of the Board from and against all liabilities, costs, fees, and expenses, incurred as a result of their acts taken in their official capacity or as a result of allegations regarding those acts, to the full extent permitted by law, and shall insure its
obligation hereunder from the insurers and in the amounts determined by the Board, if deemed reasonably necessary.

VII. OFFICER SELECTION PROCESS

A. The officers of the Board will be a Chairman, a Vice-Chairman, a secretary of the Board and the Executive Director of PEBA.

B. The Chairman and the Executive Director shall be selected in accordance with the Governing Law. The Board shall, in each regular meeting held in the month of July of even-numbered years, select one of its nonrepresentative members to serve as Chairman for a term ending June 30 of the next even-numbered year, and until a successor is elected. Provided, however, that the term as Chairman ends when the member no longer serves on the Board. If there is a vacancy in the Chairman position, the Vice-Chairman shall serve as Chairman until the next regularly scheduled meeting. At its next regularly scheduled meeting, the Board shall select a nonrepresentative member to serve as Chairman until the next election held in July of even-numbered years.

C. The Chairman shall (1) preside and conduct meetings of the Board, (2) convene and adjourn meetings, (3) appoint committee chairmen, and (4) propose agendas for Board meetings.

D. The Executive Director shall be the principal executive officer PEBA and, subject to the control of the Board of directors, shall, in general, perform and fulfill the statutory duties, responsibilities and powers conferred upon that office, and supervise and control all of the business and affairs of PEBA and have responsibility for the development and implementation of the strategic direction and initiatives of PEBA. The Board of Directors shall be responsible for selecting, evaluating the performance of, and, subject to the regulations of the Agency Head Salary Commission, setting the compensation of the Executive Director.

E. The Board shall, in each regular meeting held in the month of July of even-numbered years, select a Vice-Chairman from among its nonrepresentative members to serve for a term ending June 30 of the next even-numbered year, and until a successor is elected. Provided, however, that the term as Vice-Chairman ends when the member no longer serves on the Board. If there is a vacancy in the Vice Chairman position, at its next regularly scheduled meeting, the Board shall select a nonrepresentative member to serve as Vice Chairman until the next election held in July of even-numbered years. In the absence of the Chairman, the Vice Chairman shall preside at Board meetings.

F. At any meeting of the Board at which neither the Chairman or Vice-Chairman is in attendance, the meeting shall be called to order by the Executive Director who shall chair the meeting until a quorum elects a Chairman Pro Tempore as the meeting’s first order of business. If the absence of the Chairman and Vice-Chairman is due to the holders of those officers having discontinued service on the Board, then the election shall be for both a Chairman and a Vice-Chairman for the remainder of the two-year term rather than pro tempore.
G. The Board shall, from time to time and with the advice of the Executive Director, select from among the PEBA employees, a person to serve as secretary of the Board, to serve at the pleasure of the Board. The secretary of the Board shall have the responsibilities prescribed herein and such other duties as the Board may from time to time require, including: (a) keep the minutes of the proceedings of the Board; (b) see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; and (c) be custodian of the records of the Board.

VIII. RULES OF ORDER

A. Board meetings should proceed in an informal and collegial manner with a design towards reaching consensus when possible.

B. The Chairman shall call for motions on items. Items presented to the Board for vote shall require a motion by a Board member other than the Chairman and a second of that motion by another Board member other than the Chairman.

C. The item can then be discussed by the Board. The Chairman shall manage the discussion of the item and may participate in the discussion.

D. The Chairman shall call for a vote on the item.

E. Questions of reconsideration, tabling or amendment of motions, etc., are all decided by majority vote.

F. The Board and its Committees may utilize the rules of order prescribed for small assemblies or similar small bodies in the most recently published revision of Robert’s Rules of Order as a guide in conducting its meetings. Robert’s Rules of Order shall not be binding on the Board, however. Rather, such rules of order will be construed to promote the orderly and efficient conduct of business and to avoid procedural complexity which may delay or hinder the taking of action required by law or advisable in the prudent exercise of the Board’s fiduciary responsibilities.

G. The order of business will be at the discretion of the Chairman in the absence of instructions from the Board, but will normally be as follows:

i. Call to Order
ii. Approval of previous Board meeting minutes
iii. Committee Reports
iv. Executive Director Report
v. Other Business
vi. Adjournment

IX. MEETING MINUTES

A. Minutes of the Board’s meetings will be taken in accordance with law, and such records are open to public inspection.
B. The Chairman will cause the minutes of all Board meetings to be prepared, recording therein the time and place of each meeting, the names of the Board members present, and the actions of the Board giving the affirmative and dissenting votes, except where the action is unanimous, and when requested, a Board member’s dissent or approval with reasons.

C. The Chairman will cause the minutes to be presented for approval at the next regular Board meeting. Board minutes will focus on describing any actions that occurred, and will provide sufficient detail to evidence the Board’s due diligence in the matter. The minutes of a meeting during which an executive session is held will reflect the topic of the discussion at the executive session.

D. The minutes as approved by the Board, will be preserved as a part of the public record of the Board, and will be kept open to public inspection in accordance with law.

E. Board proceedings will be recorded on audio. The audio recordings will be kept at least until official minutes of the meeting are approved, after which time they may be destroyed.

X. REVIEW, HISTORY, AND AMENDMENT

A. The Board will review the PEBA Bylaws at least every three years to ensure that they remain relevant and appropriate.

B. No provision within these Bylaws shall apply to the extent that it is in conflict with any provision of the Code of Laws of South Carolina, 1976, as amended. In the event of such conflict, the applicable Code provision shall apply in all respects.

C. These Bylaws were adopted by a majority of the Board members at a duly convened meeting of the Board on November 21, 2012. These Bylaws were amended on December 12, 2012, September 18, 2013, December 17, 2014, March 28, 2015, March 17, 2016, and July 21, 2016.

D. These Bylaws may be amended only upon a majority vote of the Board members at a duly convened meeting of the Board upon proper notice pursuant to the South Carolina Freedom of Information Act. For purposes of this provision, majority shall mean a majority of the total membership of the Board, not simply a majority of the Board members present at any meeting convened for the purpose of amending the Bylaws.
South Carolina Public Employee Benefit Authority
Board of Directors Ethics and Conflicts-of-Interest Policy

I. State Ethics Act Rules of Conduct

The members of the PEBA Board of Directors are subject to, and must comply with, the provisions of the laws of the State of South Carolina. Members must be familiar with, and to the extent required must comply with, the State Ethics Act, found in Chapter 13 of Title 8 of the South Carolina Code of Laws, including the Rules of Conduct set out in Section 8-13-700 et seq. of the South Carolina Code of Laws and any successor provisions. The interpretation of terms used in this Policy should be guided where appropriate by the definitions of similar terms in that Act.

II. Additional Standards of Conduct

In addition to and not in lieu of the requirements of state law, the members of the PEBA Board of Directors shall also be subject to the following standards of conduct in the performance of their official duties as Directors:

(1) A Director shall take no action concerning matters before PEBA where the Director, his family, or his business associates have a financial interest in the action;

(2) A Director shall take no action to commit funds administered by PEBA if the Director, his family, or his business associates have an interest in, are underwriters of, or receive any fees from the transaction;

(3) A Director shall have no interest in the profits or receive any benefit from a contract entered into by PEBA;

(4) A Director shall not use his position to secure, solicit, or accept things of value, including gifts, travel, meals and lodging, consulting fees or other payment for outside employment, or other valuable business relationships from parties doing or seeking to do business with or who are interested in matters before PEBA;

(5) A Director shall not represent, while serving on the PEBA Board of Directors and for one year after leaving the PEBA Board of Directors, any person, in any fashion, before any public agency, with respect to any matters in which the Director personally participated while serving on the PEBA Board of Directors;

(6) A Director shall not take any official action on matters that will result in a benefit to himself, his family, or his business associates;
(7) A Director shall not, during or after his term of service, disclose or use confidential information acquired in his official capacity as a member of the PEBA Board of Directors without proper authorization;

(8) A Director shall not use assets administered by PEBA for his own interest; and,

(9) A Director shall not act on behalf of a party whose interests are adverse to PEBA, even if the Director receives no personal gain.

[Note: These additional standards of conduct are based upon the standards of conduct imposed upon the Retirement System Investment Commission under Section 9-16-360 of the Code of Laws.]

III. Conflicts of Interest

(A) No member of the Board of Directors may make, participate in making, or in any way attempt to use his membership to influence a Board decision in which he, a family member, an individual with whom he is associated, or a business with which he is associated has an economic interest. A Board member who, in the discharge of his official responsibilities, is required to take action or make a decision which affects an economic interest of himself, a family member, an individual with whom he is associated, or a business with which he is associated shall:

(1) Prepare a written statement describing the matter requiring action or decisions and the nature of his potential conflict of interest with respect to the action or decision;

(2) Furnish a copy of the statement to the Board Chairman, who shall cause the statement to be printed in the minutes and require that the member be excused from any votes, deliberations, and other actions on the matter on which the potential conflict of interest exists and shall cause the disqualification and the reasons for it to be noted in the minutes.

(B) The members of the PEBA Board of Directors must abide by the following additional conflict-of-interest guidelines:

(1) Directors should make reasonable efforts to avoid conflicts of interest and appearances of conflicts of interest.

(2) Directors may not under any circumstances accept offers, by reason of their service, relationship or employment with PEBA, to trade in any security or other investment on terms more favorable than those available to the general investing public or, in the case of private market investments, a similarly situated investor.
(3) A conflict of interest exists for a Director whenever the Director has or is seeking a personal or private commercial or business relationship that could reasonably be expected to diminish the Director’s independence of judgment in the performance of the Director’s responsibilities to PEBA.

(4) Curing Conflicts of Interest

(a) All Directors who become aware of a personal conflict of interest have an obligation not only to disclose that conflict, but to cure it. A person normally cures a conflict of interest by promptly eliminating it.

(b) A Director can cure a conflict by prudently withdrawing from action on a particular matter in which a conflict exists provided that:

(i) the person may be and is effectively separated from influencing the action taken;
(ii) the action may properly be taken by others; and
(iii) the nature of the conflict is not such that the person must regularly and consistently withdraw from decisions that are normally his or her responsibility with respect to PEBA.

(c) Directors must disclose any conflicts-of-interest regarding matters which are before the Board, absent themselves from any relevant deliberations, and not vote on the matter. Such Directors may be required to disclose additional relevant information with respect to the matter in question.

[Note: These additional conflict-of-interest provisions are modeled upon the Model Ethics and Conflict-of-Interest Policy for Texas Public Retirement Systems.]

IV. Exceptions

The following exceptions apply to the requirements of this Policy. These exceptions do not apply to any similar requirements imposed by the laws of the State of South Carolina or by any professional code of conduct; and members must be aware of and comply with the requirements of those laws and such codes to which they are subject.

(1) A Director who is a representative member on the PEBA Board shall not be prohibited from taking action on, and is not considered to have a conflict of interest in, a matter before the PEBA Board if the only economic benefit or reasonably foreseeable benefit that may accrue to the Director from the matter: (a) would accrue to the Director solely because of the Director's membership in a benefit plan offered by PEBA and (b) would be of no greater extent than the economic benefit or potential benefit that could reasonably be foreseen to accrue to all other similarly situated members of the affected benefit plan.
(2) A Director is not precluded from being associated with a business that represents a party (a) with respect to a matter before the PEBA Board of Directors or (b) whose interests are adverse to PEBA in a matter if (y) the Director does not personally participate in the representation and is otherwise properly screened from communications related to the representation and (z) the Director appropriately discloses the conflict of interest to the PEBA Board and withdraws from any action on the matter before the PEBA Board as required by this Policy.

(3) A Director shall not be considered to have acted in violation of this Policy with regard to a matter before the PEBA Board if (a) the Director did not have personal knowledge of an actual or potential conflict of interest with regard to the matter at the time the Director acted on the matter and (b) upon learning of an actual or potential conflict of interest regarding the matter, the Director appropriately cures the conflict of interest in connection with any future actions.

As approved and adopted:

THE BOARD OF DIRECTORS FOR THE

SOUTH CAROLINA PUBLIC EMPLOYEE BENEFIT AUTHORITY

By: [Signatures]

By: [Signatures]

By: [Signatures]

By: [Signatures]

By: [Signatures]

By: [Signatures]

By: [Signatures]

Dated: June 18, 2014
The Public Employee Benefit Authority Board of Directors recognizes its fiduciary responsibility to remain aware of significant current events impacting the retirement and insurance programs administered by PEBA and to be well-informed and educated on topics related to those programs, including best practices for the programs. Accordingly, the purpose of this policy is to promote high professional standards of trusteeship by the Board of Directors and to assure the participants of PEBA’s retirement and insurance plans of the Board’s continuing professional competence, consistent with prevailing industry standards.

1. As nearly as practical, members of the Board of Directors shall participate in no less than eighteen (18) hours of qualifying educational training programs or conferences each reporting period. The reporting period shall be a period of two fiscal years ending on June 30 of even-numbered years, commencing with the period beginning July 1, 2014. If a member has earned more than the required number of hours of educational credit during a reporting period, the member may carry over up to nine (9) hours of excess credit to the following reporting period. If a member is appointed to the Board of Directors after the beginning of a reporting period, the number of hours of required educational credit for that member shall be prorated for that period based upon the period of time between the member’s appointment and the end of the reporting period, or may, at the Chairman’s discretion, be waived in appropriate circumstances. For the purposes of this policy, fifty (50) minutes of educational training is equal to one (1) hour of educational credit.

2. A Board member’s required eighteen (18) hours of qualifying educational training for each reporting period must include at least two (2) hours of fiduciary education and at least two (2) hours of ethics education. The required fiduciary education shall include, but not be limited to, the following topics: the duty of loyalty, the duty of impartiality, the duty of care, the duty of prudence, the exclusive benefit rule, and the rule concerning prohibited transactions. The required ethics education shall include, but not be limited to, the following topics: the standards of conduct set forth in the State Ethics Act (S.C. Code Ann. § 8-13-700 et seq) and the additional standards of conduct required by the PEBA Board of Directors Ethics and Conflicts-of-Interest Policy. The PEBA Legal Department shall be responsible for providing the fiduciary and ethics education required by this item.

3. The annual PEBA Board retreat will include a minimum of six (6) hours of such qualifying educational credit. Other qualifying educational credit shall be approved at the discretion of the Chairman of the Board of Directors. By way of illustration, the additional educational credit that may be approved by the Chairman may include, but is not limited to: attendance at educational training programs and conferences offered by organizations related to governmental retirement...
and insurance plans; attendance at training sessions provided by PEBA staff, consultants, and affiliates; and participation in professional continuing educational programs related to the member’s qualifications to serve on the Board. Qualifying participation in educational training programs and conferences may include both in-person attendance at educational programs as well as participation in programs by electronic means, such as viewing webinars or completing on-line training modules.

4. At the discretion of the Chairman of the Board, a Board member may be reimbursed for reasonable registration fees and travel expenses related to the member’s attendance at or participation in an educational training program or conference that is pertinent to the retirement and insurance plans administered by PEBA. If approved by the Chairman, registration fees for these educational programs or conferences and associated travel expenses will be paid by PEBA in accordance with the Board’s travel policy and applicable state laws and regulations in effect at the time of travel.

5. Board members should promptly report all qualifying educational training to the Chairman, and records of each member’s qualifying educational credit will be included in the regular reports of the members’ attendance to their appointing authorities. However, if a member has failed to participate in the required amount of qualifying educational credit within two fiscal years, the member will be allowed forty-five (45) days to obtain the necessary credit before any deficiency in the member’s educational credit is reported to the member’s appointing authority.

6. The terms of this policy may be suspended or modified at the discretion of the Chairman of the Board, owing to the non-availability of funding or other limitations.

7. Records of educational credits earned, and reimbursement for educational expenses incurred, by the Chairman shall be subject to review and approval by the Vice Chairman of the Board.
South Carolina Public Employee Benefit Authority  
Board of Directors Travel Policy

**GENERAL TRAVEL AUTHORIZATION**

From time to time, it may be necessary for members of the Public Employee Benefit Authority Board of Directors to travel on behalf of the Board. Travelers will be reimbursed for travel expenditures in compliance with the PEBA Board of Directors travel policy and applicable state laws and regulations. Adequate documentation must exist to allow for verification of expenditures.

All travel by the Board of Directors must be pre-approved by the Chairman of the Board or his designee. Travel should be for the purpose of fulfilling the educational requirements set forth by the Continuing Education Policy or performing due diligence when necessary.

All reimbursements should be submitted on an approved travel voucher. Travel vouchers submitted for reimbursement are required to have the signature of the traveler certifying that the amounts are true and correct and conform to state and federal laws, rules and regulations. All signatures must be original or in an approved electronic format (faxed or electronic mail). No stamped signatures will be accepted. The reimbursement must be approved by the Chairman of the Board or his designee. This approval certifies that the Chairman or his designee is aware of the Board member’s travel and that the expenditures appear reasonable.

When a Board member files for reimbursement of travel expenditures, the member is certifying that:

1. The member has followed the PEBA Board of Directors travel policy;
2. The member has not, and will not, receive reimbursement for the expenditures from any other entity outside PEBA;
3. All expenditures are business-related; and,
4. That all supporting documentation has been provided to PEBA.

Travelers are expected to exercise the same judgment when making travel arrangements and expenditures that a prudent person would exercise if traveling on personal business. As a steward of the retirement and insurance funds entrusted to PEBA, each individual should use the following guidance when traveling:

- Excess costs, circuitous routes, delays or luxury accommodations unnecessary or unjustified in the performance of an assignment are not considered exercising prudence.
- Travel by commercial airlines should be in coach or tourist class.
• Automobile transportation may be used when common carrier transportation cannot be arranged satisfactorily, or to reduce expenses when two or more Directors or staff travel together.
• Transportation to or from points of arrival and departure should be by the most economical method.

SPECIFIC TRAVEL GUIDELINES

LODGING

Lodging arrangements are the responsibility of the traveler and will be reimbursed as part of the lodging expenses upon completion of the trip. In some instances, prepayment of lodging expenses may be approved.

For all approved travel, the traveler will be allowed reimbursement for actual expenses incurred for lodging, not to exceed the current maximum lodging rates, excluding taxes, established by the U.S. General Services Administration. The Chairman may approve lodging reimbursements above the applicable GSA rate where appropriate, taking into consideration location, purpose of travel or other extenuating circumstances. Any such exception must be made in writing.

Lodging expenses will be allowed subject to the following guidelines:

• When payment is made to the hotel/motel, documentation should include an original itemized receipt.
• When payment is made through an internet provider (i.e. hotels.com, hotwire.com), documentation should reflect the name and location of the lodging and the amount of payment. If payment is not indicated, another source of documentation may be used to adequately document the expense.
• Only actual lodging expenses (plus applicable taxes) will be reimbursed; however, the more moderately priced accommodations should be requested when a choice is available.
• Travelers should request a state or government rate when available.
• No reimbursement should be made for overnight lodging within 50 miles of the traveler’s official headquarters or residence.
• All necessary and reasonable tips for baggage handling will be reimbursed.

MEALS

While on official travel, travelers will be reimbursed for the actual expenses incurred in the obtaining of meals except that such costs shall not exceed the maximum daily meal reimbursements established by state law and regulation.
If meals are provided as part of a convention, meeting, or conference, the per diem rate will be reduced for the corresponding meals that were provided.

MISCELLANEOUS EXPENSES

Travelers will be reimbursed for all reasonable costs associated with taxi fare, tips, tolls and portage.

Movies, bar bills, laundry, room service, health or spa fees, and the like will not be subject to reimbursement on the travel expense report. These expenses are considered personal in nature and should be paid by the traveler.

RECEIPTS

Travelers must submit receipts for expenditures of $5 or more, except for meals, taxi fare, tips, tolls and portage. All receipts and paid bills should be originals. In rare occasions, a receipt may not have been provided to the traveler or the traveler may misplace the receipt. If originals are not available or documentation is inadequate, a detailed explanation signed by the authorized signer may be substituted.

REGISTRATION FEES

Registration fees in the amount necessary to qualify individuals to attend conventions, meetings, and conferences are allowed. These fees can be prepaid. If the registration is prepaid by the traveler or paid at the time of registration of the meeting, reimbursement will be made after the trip is completed.

REIMBURSEMENT PROCEDURES

Travel reimbursement requests should be filed:

- within 60 calendar days of completion of the trip or at least quarterly for local trips of a repetitive nature; and,
- within the same fiscal year in which the trip occurred (if feasible).

SPOUSAL TRAVEL

Travel expenses for spouses, friends, or other individuals not traveling on official PEBA Board business are not reimbursable. Any fees (such as registration fees) paid in advance by PEBA for such individuals will be offset against any travel reimbursement requests.
TRAVEL BY AUTOMOBILE

Travelers may use their own automobiles for official travel, provided PEBA will incur no added expenses above that of other forms of transportation available.

Reimbursement for personal automobiles will be based on the standard mileage rate set by the Internal Revenue Service.

No reimbursement will be made for fines related to moving or non-moving violations.

Mileage between a traveler’s residence and his/her place of employment is not subject to reimbursement. However, when a traveler leaves on a business trip directly from his/her residence, and does not go by his/her place of employment, the employee shall be eligible for reimbursement for actual mileage beginning at his/her residence.

TRAVEL BY COMMON CARRIER

Transportation for individuals traveling alone should be by common carrier (i.e., airline, train, bus, etc.) whenever practical. Advantages of reduced round-trip rates must be taken when available. Travel must be by the most direct route possible. Individuals traveling by an indirect route must bear any additional expenses. However, when discount fares are available which result in a savings to PEBA by extending a trip using personal time, the reimbursement will be limited to the lesser of the actual expenses incurred (subject to the limitations contained herein, such as meal allowances, mileage rates, etc.) or the amount that would be incurred for the business portion only. The calculations for the business portion of the trip must be made using the least expensive rates available.

Travel by airplane is recommended when the cost of the traveler's time is an important factor or where the travel time by other methods would increase the subsistence expense. Accommodations should be limited to tourist or economy class.

Expenses for travel by common carrier will be allowed subject to the following guidelines:

- **DIRECT PAYMENT BY PEBA**
  Air transportation tickets may be purchased in advance from a travel agency or an air carrier directly by PEBA. A credit card should be used for prepayment of airline tickets.

- **INITIAL PAYMENT BY THE INDIVIDUAL**
  Travelers who choose to purchase their tickets must secure reimbursement through a travel voucher after travel is completed. No reimbursement for reduced-fare advance purchase tickets will be made to travelers prior to completion of travel because direct payment by PEBA is available.

- **FREQUENT FLYER PROGRAM**
  Travelers, while in official travel status, shall select air carriers based on the cost and time criteria, not on whether frequent flyer premiums are given. Travelers earning
frequent flyer premiums while on state business must use them to reduce the cost of
subsequent business travel whenever possible.

- ADEQUATE DOCUMENTATION
  In order for the traveler to receive reimbursement, adequate documentation reflecting
  the ticket cost, dates, and destination must accompany the travel voucher. This may be
  accomplished via one or several of the following: boarding pass, copy of a printed ticket,
  or print-out from internet purchase.

Baggage fees charged by common carriers will be reimbursed to the extent that the amount of
baggage in use is reasonable for the length of the trip. Receipts for such fees must be provided
in order for them to be reimbursed to the traveler.

UNAUTHORIZED COSTS

Travelers will be responsible for unauthorized costs and any additional expenses incurred for
personal preference or convenience.

CHAIRMAN’S TRAVEL

Reimbursement for travel expenses incurred by the Chairman of the Board shall be subject to
review and approval by the Vice Chairman of the Board.
South Carolina Public Employee Benefit Authority
Conference Event Attendance Policy

1. PEBA is committed to ensuring that the members of the PEBA Board of Directors and PEBA employees receive the education and training they need to successfully oversee and administer the employee benefit plans offered by PEBA. Often this education is provided by sending directors and employees to educational conferences and seminars related to the employee benefit plans administered by PEBA. PEBA has found that much of the educational value of such conferences is derived not only in the regular sessions of the conferences, but also in networking events held in connection with the conferences. Because some of these networking events are sponsored by entities that do business, or could seek to do business, with PEBA, this policy is hereby adopted to provide guidance on the conditions under which PEBA directors and employees may attend such events.

2. Notwithstanding any other provisions of the PEBA Board of Directors Ethics and Conflicts of Interest Policy and the PEBA Employee Code of Conduct, PEBA directors and employees attending an educational conference or seminar as a representative of PEBA may attend a meal, coffee break, reception or other similar networking event sponsored by a current or potential PEBA vendor without paying the full cost of attendance, so long as:

a. attendance without paying full cost does not violate the requirements of the State Ethics Act, including provisions related to the receipt of things of value from lobbyists or lobbyists' principals;

b. there is no open procurement matter involving PEBA in which the current or potential vendor has, or could have, an interest; and,

c. all PEBA directors and employees attending the conference or seminar, and representatives from at least one other non-South Carolina entity, are invited to the event.

3. If a PEBA director or employee is precluded from attending the event without paying full cost pursuant to the provisions of Section 2, the director or employee may still attend the event if he or she pays the full cost of his or her attendance at the event or, if permissible, PEBA pays the full cost of his or her attendance. A director or employee should not attend an event, even if paying the full cost, if attendance at the event would create an appearance of impropriety in connection with a procurement or other business matter involving PEBA.

4. In addition to any reporting requirements of the State Ethics Act, a PEBA director or employee who attends an event without paying the full cost of attendance pursuant to Section 2 must report his or her attendance of the event to the PEBA Ethics Officer on the appropriate report. This report shall not be required for attendance at an event, such as a breakfast or coffee break, that is sponsored by a current or potential PEBA vendor and that is on the agenda and open to all attendees of a national or regional educational conference held by a non-commercial organization or association.
RESOLUTION RESERVING CERTAIN POWERS TO THE PEBA BOARD AND DELEGATING POWERS TO THE EXECUTIVE DIRECTOR

WHEREAS, under Section 9-4-10 of the South Carolina Code of Laws, the Board of Directors of the South Carolina Public Employee Benefit Authority (“PEBA Board”) is designated as the governing body of the Public Employee Benefit Authority (“Authority”), and the functions of the Authority must be performed, exercised, and discharged under the supervision and direction of the PEBA Board; and

WHEREAS, pursuant to Section 65 of Act 278 of 2012—9-4-10(J) and Sections VII(A), VII(B), and VII(D) of the PEBA Board Bylaws, the PEBA Board is responsible for designating an Executive Director to serve as the principal executive officer for the Authority; and,

WHEREAS, the PEBA Board finds that a prudent person acting in a like capacity and familiar with the Authority’s functions would delegate the power to manage the Authority’s affairs to the Authority’s Executive Director, except for certain trustee-level responsibilities that the PEBA Board reserves for itself; and

WHEREAS, the PEBA Board recognizes and acknowledges that its responsibilities with regard to the governance of the employee benefit plans under its administration, including any delegation of powers related to the administration of those plans, must be exercised in accordance with fiduciary principles; and,

WHEREAS, the PEBA Board further recognizes that, in accordance with those fiduciary principles, the PEBA Board must undertake appropriate oversight of the Executive Director’s exercise of responsibilities delegated to the Executive Director to ensure the proper administration of the Authority’s affairs.

NOW, THEREFORE, BE IT RESOLVED THAT:

SECTION 1. The PEBA Board is the ultimate governing body of the Authority and reserves for itself the following, trustee-level powers and duties:

a. The selection, supervision, evaluation, and compensation of the Authority’s Executive Director;

b. The governance of the Board’s activities, including the adoption of bylaws, committee charters, and other Board-level governance documents;
c. The approval of the long-term strategic direction and major initiatives for the Authority;
d. The approval of the Authority’s budget;
e. The adoption of actuarial assumptions for the retirement and insurance programs administered by the Authority;
f. The adoption of funding policies for the defined benefit retirement programs administered by the Authority;
g. The adoption of employee and employer contribution rates for the defined benefit retirement programs administered by the Authority, where authorized by law;
h. The approval of the interest rate credited to member accounts under the defined benefit retirement programs administered by the Authority;
i. The acceptance of actuarial valuations and financial statements for the retirement and insurance programs administered by the Authority;
j. The receipt and oversight of audits of the Authority’s programs and functions;
k. The approval of the insurance benefits offered by the Authority, including the coverage to be offered and employee and employer premiums required for the coverage, and the approval of any mid-year adjustments required for those insurance benefit plans;
m. The adoption and amendment of plan documents for the defined contribution plans administered by the Authority;
n. The approval of investment options offered to participants in the defined contribution plans administered by the Authority, including the approval of investment policy statements for those plans; and,
o. The adoption of regulations for the programs administered by the Authority.

SECTION 2. A. The Executive Director is the Authority’s chief executive officer. As such, the PEBA Board hereby delegates to the Executive Director, with the authorization to sub-delegate, each and every power to manage the Authority and the employee benefit programs it administers, subject to law, except for the powers and duties reserved to the PEBA Board in Section 1 above. The Executive Director shall adopt an Emergency Succession Plan for the exercise of the powers delegated to the Executive Director in this Section.

B. In making the delegation set out in this resolution, the PEBA Board has exercised, and shall continue to exercise, reasonable care, skill and caution in selecting the Authority’s Executive
Director, establishing the scope and terms of the delegation of powers and duties to the Executive
Director, and periodically reviewing the Executive Director’s performance and compliance with
the terms of the delegation.

C. In exercising the powers and performing the duties delegated by this resolution, the
Executive Director shall comply with the terms of the delegation and, as a fiduciary, shall
discharge duties with respect to the Authority’s programs in accordance with fiduciary principles
set out in law.

SECTION 3. The PEBA Board may, upon giving appropriate notice, reassume any power
or duty delegated to the Executive Director in Section 2 above and/or delegate such powers and
duties to another appropriate person if such action would be prudent. Further, nothing in this
resolution shall be construed as restricting the PEBA Board’s authority to discuss and, if necessary,
take action on any significant issue that comes before the PEBA Board for consideration and
decision, nor shall anything in this resolution be construed as limiting the access of the PEBA
Board to information related to the Authority’s activities.

ADOPTED by the South Carolina Public Employee Benefit Authority Board of Directors this
______ day of _____________________, 2019.

______________________________
Arthur M. Bjontegard, Jr.
Chairman
South Carolina Public Employee Benefit Authority
Board of Directors

______________________________
John A. Sowards
Chairman
South Carolina Public Employee Benefit Authority
Board of Directors
PEBA EMERGENCY SUCCESSION PLAN

The PEBA Executive Director adopts this Emergency Succession Plan (Plan) pursuant to the PEBA Board’s directive set out in paragraph 2.A of the Resolution Reserving Certain Powers to the PEBA Board and Delegating Powers to the Executive Director (Powers Reserved Resolution), which was executed by the PEBA Board on March 28, 2015. Paragraph 2.A of the Powers Reserved Resolution provides: “The Executive Director shall adopt an Emergency Succession Plan for exercise of the powers delegated to the Executive Director in this Section”.

For purposes of this Plan, the term “emergency” means a sudden, unexpected or unforeseen event that calls for immediate action.

If the PEBA Executive Director is suddenly and unexpectedly unable to serve in that capacity due to death or incapacitation, the Chief Operating Officer shall serve as the Acting Executive Director of PEBA.

If the Chief Operating Officer is unable to serve as Acting Executive Director under this Plan, then the Chief Financial Officer shall serve as Acting Executive Director.

If neither the Chief Operating Officer nor the Chief Financial Officer is able to serve as Acting Executive Director under this Plan, then the General Counsel shall serve as Acting Executive Director.

The Acting Executive Director under this Plan shall have the full delegated powers of the Executive Director set out in Section 2 of the Powers Reserved Resolution to manage PEBA and the employee benefit programs it administers. The Acting Executive Director shall immediately notify the PEBA Board Chairman of the emergency appointment of an Acting Executive Director.

ADOPTED this 15th day of April, 2015.

Peggy G. Boykin, CPA
Executive Director
Public Employee Benefits Authority
Meeting Date: July 24, 2019

1. Subject: Compliance Review

2. Summary: Mr. Stephen Van Camp, General Counsel, will present the results of Ice Miller’s recent Comprehensive Compliance Review of PEBA’s retirement plans. Ice Miller concluded that PEBA’s retirement plans comply with IRS requirements and no amendments are required to maintain qualification status.

3. What is the Committee asked to do? Receive as information

4. Supporting Documents:
   (a) Attached:
       1. General Counsel Memo
       2. 2019 Final SCRS Executive Summary
       3. 2019 Final PORS Executive Summary
       4. 2019 Final GARS Executive Summary
       5. 2019 Final JSRS Executive Summary
       6. 2019 Final 457 Executive Summary
       7. 2019 Final 401(k) Executive Summary
       8. 2019 Final ORP Executive Summary
GENERAL COUNSEL MEMORANDUM

Re: Federal Compliance Review by National Tax and Benefits Counsel

Date: December 14, 2018

The retirement systems and health plans administered by PEBA are subject to federal statutes and regulations. Compliance with these statutes and regulations is a top priority for PEBA because members and subscribers in PEBA’s benefit programs could lose favorable tax treatment of their contributions and benefits if the plans fail to adhere to tax qualification rules. Further, failure to comply with governmental plan requirements could subject PEBA’s plans to the more onerous regulatory scheme set out in ERISA.

Consequently, federal regulatory compliance is an ongoing priority for the PEBA Legal Department. PEBA has engaged Ice Miller, LLP (“Compliance Counsel”), a highly experienced and qualified national tax and benefits firm, to assist the PEBA Legal Department in complying with the extensive and complicated federal regulatory regime. Compliance Counsel serves as national tax and benefits counsel for many governmental retirement and health insurance programs across the country, specializes in the highly technical areas of federal tax and benefit compliance, and has access to federal decision makers in Washington D.C.

Retirement System Periodic Comprehensive Compliance Review

Over a decade ago, the IRS implemented a five-year remedial amendment cycle for tax qualified pension plans in which the IRS issued favorable determination letters to plans that meet Internal Revenue Code requirements. A retirement plan may rely on a favorable IRS determination letter to establish that its retirement plan is qualified under Section 401(a) of the Internal Revenue Code (IRC) and that the plan’s trust is exempt from taxation under Section 501(a) of the IRC. If a retirement system operates its plan in accordance with provisions approved in a favorable IRS determination letter, then members may defer income taxes on amounts contributed to the plan and member contributions may accumulate in the plan trust without taxation until distributed from the plan.

In 2014, the IRS issued favorable determination letters for SCRS, PORS, GARS, JSRS, State ORP, and the 401(k) plan. PEBA may rely on the IRS determination letters to the extent that plan provisions have not been amended since the determination letters or plan provisions have not been adversely affected by a subsequent change in the law. The stated expiration date for each determination letter was January 31, 2019.

Effective January 1, 2017, the IRS discontinued the five-year remedial amendment cycle. IRS Revenue Procedure 2016-37. The IRS will now only provide a determination letter for initial
plan qualification or at plan termination. The IRS will also consider a determination letter for an individually-designed retirement plan, depending on IRS staff availability, when there have been significant changes to the law, there is a new approach to the plan’s design, or an individually-designed plan is not able to convert to a pre-approved design.

In section 13 of IRS Revenue Procedure 2016-37, the IRS stated that expiration dates for determination letters issued prior to January 4, 2016 are inoperative. Therefore, the determination letters for PEBA’s retirement plans will not expire on January 31, 2019.

Given that the IRS has discontinued the five-year remedial amendment cycle, it is up to PEBA to develop a prudent process to ensure its continuing compliance with all applicable tax qualification requirements for its retirement plans. Although the determination letters for PEBA’s retirement plans will not expire in 2019, PEBA will engage Compliance Counsel to conduct a Periodic Comprehensive Compliance Review for each of its retirement plans at a regular interval. A Comprehensive Compliance Review is a review of plan provisions against current IRS tax qualification requirements that is similar in scope and depth to the former IRS remedial amendment cycle process.

Compliance Counsel will conduct a Comprehensive Compliance Review (CCR) of SCRS, PORS, GARS, JSRS, State ORP, 401(k) plan and 457 plan no less than five years after the last Comprehensive Compliance Review was conducted with respect to each plan. Compliance Counsel will conduct the first CCR for PEBA’s retirement plans and issue its opinion during the second quarter of 2019.

Thereafter, PEBA will consult annually with Compliance Counsel to determine whether any plan changes or changes in tax law would affect its last CCR opinion. Compliance Counsel will provide an opinion concerning whether there is any modification or change to its prior CCR opinion. If Compliance Counsel determines there have been significant plan changes or changes in tax law that affect its last CCR opinion, Compliance Counsel will conduct a CCR for that plan notwithstanding that a normal five-year review is not yet due.

**Example 1**
For example, assume all PEBA retirement plans have a CCR opinion date of March 15, 2019. Absent a significant change in law or in the plans, the next CCR would normally be due no later than March 15, 2024 for each plan.

**Example 2**
Assume the same facts as Example 1, but further assume that SCRS and PORS had a significant design change in 2021 that required a CCR to be conducted by January 1, 2022. SCRS and PORS are no longer on the previous CCR review timeline. A CCR will be conducted no later than five years after the last CCR was completed with respect to a plan. Thus, the next CCR for SCRS and PORS would be due on January 1, 2027, rather than on March 15, 2024.

Generally, with respect to tax qualification of its retirement plans, PEBA will rely on the 2014 IRS favorable determination letters, supplemented by Compliance Counsel’s subsequent CCR opinions, as modified by any interim Compliance Counsel opinions.
Insurance Annual Compliance Review

Each year the PEBA Legal Department drafts the next year’s plan documents for the State Health Plan (including the Standard Plan, Savings Plan, and Medicare Supplement Plan), the MUSC Group Health Plan, the State Dental Plan, and the Flexible Benefits Plan (including Pre-tax Qualified Benefits, Medical Spending Accounts, Dependent Care Spending Accounts, and Health Savings Accounts). Compliance Counsel then reviews and edits each of these plan documents for compliance with applicable federal law prior to the effective dates of these plans on January 1st of the following year. Compliance Counsel’s review ensures that PEBA’s insurance plans are designed in accordance with applicable federal law each year.

Specifically, Compliance Counsel annually reviews the State Health Plan, MUSC Group Health Plan and State Dental Plan for compliance with a variety of applicable federal statutes and regulations, including COBRA, HIPAA, GINA, the Affordable Care Act, the Mental Health Parity Act, the Americans with Disabilities Act, the Public Health Safety Act and CMS provisions regarding Medicare and Medicaid.

Moreover, Compliance Counsel annually reviews the Flexible Benefits Plan for compliance with applicable federal law, including Internal Revenue Code Sections 125 (pre-tax qualified benefits) and 129 (dependent care spending accounts), COBRA, HIPAA, and federal law regarding Medical Spending Accounts and Health Savings Accounts.

Ad Hoc Compliance Projects

In addition to Compliance Counsel’s periodic compliance reviews of PEBA’s retirement plans and insurance plans, Compliance Counsel responds to the PEBA Legal Department’s ad hoc federal compliance questions that arise during the operation of PEBA’s retirement and insurance plans. Such ad hoc reviews by Compliance Counsel ensure that PEBA’s retirement and insurance plans are operated in compliance with applicable federal law on an ongoing basis, and form the basis for potential legislative and insurance plan amendments for the next year.

Stephen R. Van Camp
General Counsel
Public Employee Benefit Authority
July 12, 2019

Via Electronic Mail

Stephen R. Van Camp
General Counsel
South Carolina Public Employee Benefit Authority
Fontaine Business Center
202 Arbor Lake Drive
Columbia, SC 29223

RE: Executive Summary - Comply Now Plan Document Report for the South Carolina Retirement System

Dear Stephen:

As you know, effective January 1, 2017, the Internal Revenue Service ("IRS") eliminated the staggered five-year remedial amendment cycle system for individually designed qualified retirement plans. See Rev. Proc. 2016-37. As of that date, the IRS no longer accepts applications for determination letters based on the five-year remedial amendment cycle system. In general, the IRS’ current determination letter program provides that a plan sponsor that maintains a qualified plan which has been issued a favorable determination letter may continue to rely on the determination letter with respect to any plan provision, until such time that the plan provision is subsequently amended or affected by a change in law.

This 2019 Comply Now Federal Law Compliance Report ("Report") reviews the South Carolina Retirement System (the "Plan") for South Carolina's Public Employee Benefit Authority ("PEBA") to determine whether the Plan has been timely amended for all relevant changes required by the Internal Revenue Code ("Code") since the date of the Plan’s last IRS favorable determination letter. As part of our analysis, we have considered that the Plan is a defined benefit plan. We also considered that the Plan is intended to be qualified under Code § 401(a), and that the Plan has been represented to the IRS to be a governmental plan within the meaning of Code § 414(d).

In order to complete this report, we reviewed the Plan document, including Title 9, Chapters 1, 4, 16, and 18 of the South Carolina Code of Laws; Article X, § 16 of the South Carolina Constitution; the 2013 Compliance Policy; and the 2013 IRS Determination Letter.
We reviewed multiple sources of IRS guidance in conducting our review, which we have listed below alongside our corresponding conclusions:

- **2016 Required Amendments List** – No amendments required.
- **2017 Required Amendments List** – No amendments required.
- **2018 Required Amendments List** – No amendments required.
- **Cumulative List of Changes** – No amendments required, however PEBA should consider the processes by which it reasonably concludes a rollover is valid within the meaning of Treas. Reg. § 1.401(a)(31)-1. Ice Miller is currently working with PEBA to ensure that its Special Tax Notice has been updated to comply with IRS Notice 2018-74.
- **2016 Operational Compliance List** – No amendments required, however PEBA should continue to monitor developments related to the IRS' normal retirement age regulations.
- **2017 Operational Compliance List** – No amendments required.
- **2018 Operational Compliance List** – No amendments required.
- **2019 Operational Compliance List** – No amendments required.
- **Protecting Americans from Tax Hikes Act of 2015 ("PATH Act")** – No amendments required, but PEBA should allow participants to directly rollover an eligible rollover distribution to a SIMPLE IRA if the SIMPLE IRA has been established for two years.

Based on our review as set forth in our Report, since the date of the Plan’s April 11, 2014 favorable determination letter, the Plan has been timely amended to comply with the changes required in order to be tax qualified under Code § 401(a). We did not identify any required amendments necessary to bring the Plan into compliance with the Code. Therefore, we believe that the form of the Plan complies with the qualification requirements of the Code, both as the Plan and the Code are in effect as of the date of this letter.

No opinions should be implied beyond those expressly stated in this letter. This letter is not intended to, nor does it, confer any rights to any third party, including any third party beneficiary rights to any person or entity. Further, we do not represent that our Report is, or would be, binding on the IRS, the Department of Labor, or any other third party with authority over the Plan.
Of course, if you have any questions or comments regarding our Report, or if we can be of assistance to you on any other compliance considerations for the Plan, please do not hesitate to contact us.

Very truly yours,

ICE MILLER LLP

Robert Gauss

Amy Dygert

AD:kwc
July 12, 2019

Via Electronic Mail

Stephen R. Van Camp
General Counsel
South Carolina Public Employee Benefit Authority
Fontaine Business Center
202 Arbor Lake Drive
Columbia, SC 29223

RE: Executive Summary – Comply Now Plan Document Report for the Police Officers Retirement System

Dear Stephen:

As you know, effective January 1, 2017, the Internal Revenue Service ("IRS") eliminated the staggered five-year remedial amendment cycle system for individually designed qualified retirement plans. See Rev. Proc. 2016-37. As of that date, the IRS no longer accepts applications for determination letters based on the five-year remedial amendment cycle system. In general, the IRS’ current determination letter program provides that a plan sponsor that maintains a qualified plan which has been issued a favorable determination letter may continue to rely on the determination letter with respect to any plan provision, until such time that the plan provision is subsequently amended or affected by a change in law.

This 2019 Comply Now Federal Law Compliance Report ("Report") reviews the Police Officers Retirement System (the "Plan") for South Carolina’s Public Employee Benefit Authority ("PEBA") to determine whether the Plan has been timely amended for all relevant changes required by the Internal Revenue Code ("Code") since the date of the Plan’s last IRS favorable determination letter. As part of our analysis, we have considered that the Plan is a defined benefit plan. We also considered that the Plan is intended to be qualified under Code § 401(a), and that the Plan has been represented to the IRS to be a governmental plan within the meaning of Code § 414(d).

In order to complete this report, we reviewed the Plan document, including Title 9, Chapters 4, 11, 16, and 18 of the South Carolina Code of Laws; Article X, § 16 of the South Carolina Constitution; the 2013 Compliance Policy; and the 2013 IRS Determination Letter.
We reviewed multiple sources of IRS guidance in conducting our review, which we have listed below alongside our corresponding conclusions:

- 2016 Required Amendments List – No amendments required.
- 2017 Required Amendments List – No amendments required.
- 2018 Required Amendments List – No amendments required.
- Cumulative List of Changes – No amendments required, however PEBA should consider the processes by which it reasonably concludes a rollover is valid within the meaning of Treas. Reg. § 1.401(a)(31)-1. Ice Miller is currently working with PEBA to ensure that its Special Tax Notice has been updated to comply with IRS Notice 2018-74.
- 2016 Operational Compliance List – No amendments required, however PEBA should continue to monitor developments related to the IRS' normal retirement age regulations.
- 2017 Operational Compliance List – No amendments required.
- 2018 Operational Compliance List – No amendments required.
- 2019 Operational Compliance List – No amendments required.
- Protecting Americans from Tax Hikes Act of 2015 ("PATH Act") – No amendments required, but PEBA should allow participants to directly rollover an eligible rollover distribution to a SIMPLE IRA if the SIMPLE IRA has been established for two years.

Based on our review as set forth in our Report, since the date of the Plan’s April 11, 2014 favorable determination letter, the Plan has been timely amended to comply with the changes required in order to be tax qualified under Code § 401(a). We did not identify any required amendments necessary to bring the Plan into compliance with the Code. Therefore, we believe that the form of the Plan complies with the qualification requirements of the Code, both as the Plan and the Code are in effect as of the date of this letter.

No opinions should be implied beyond those expressly stated in this letter. This letter is not intended to, nor does it, confer any rights to any third party, including any third party beneficiary rights to any person or entity. Further, we do not represent that our Report is, or would be, binding on the IRS, the Department of Labor, or any other third party with authority over the Plan.
Of course, if you have any questions or comments regarding our Report, or if we can be of assistance to you on any other compliance considerations for the Plan, please do not hesitate to contact us.

Very truly yours,

ICE MILLER LLP

Robert Gauss

Amy Dygert

AD:kwc
July 12, 2019

Via Electronic Mail

Stephen R. Van Camp
General Counsel
South Carolina Public Employee Benefit Authority
Fontaine Business Center
202 Arbor Lake Drive
Columbia, SC 29223

RE: Executive Summary – Comply Now Plan Document Report for the Retirement System for Judges and Solicitors of the State of South Carolina

Dear Stephen:

As you know, effective January 1, 2017, the Internal Revenue Service ("IRS") eliminated the staggered five-year remedial amendment cycle system for individually designed qualified retirement plans. See Rev. Proc. 2016-37. As of that date, the IRS no longer accepts applications for determination letters based on the five-year remedial amendment cycle system. In general, the IRS’ current determination letter program provides that a plan sponsor that maintains a qualified plan which has been issued a favorable determination letter may continue to rely on the determination letter with respect to any plan provision, until such time that the plan provision is subsequently amended or affected by a change in law.

This 2019 Comply Now Federal Law Compliance Report ("Report") reviews the Retirement System for Judges and Solicitors of the State of South Carolina (the "Plan") for South Carolina's Public Employee Benefit Authority ("PEBA") to determine whether the Plan has been timely amended for all relevant changes required by the Internal Revenue Code ("Code") since the date of the Plan’s last IRS favorable determination letter. As part of our analysis, we have considered that the Plan is a defined benefit plan. We also considered that the Plan is intended to be qualified under Code § 401(a), and that the Plan has been represented to the IRS to be a governmental plan within the meaning of Code § 414(d).

In order to complete this report, we reviewed the Plan document, including Title 9, Chapters 4, 8, 16, and 18 of the South Carolina Code of Laws; Article X, § 16 of the South Carolina Constitution; the 2013 Compliance Policy; and the 2013 IRS Determination Letter.
We reviewed multiple sources of IRS guidance in conducting our review, which we have listed below alongside our corresponding conclusions:

- 2016 Required Amendments List – No amendments required.
- 2017 Required Amendments List – No amendments required.
- 2018 Required Amendments List – No amendments required.
- Cumulative List of Changes – No amendments required, however PEBA should consider the processes by which it reasonably concludes a rollover is valid within the meaning of Treas. Reg. § 1.401(a)(31)-1. Ice Miller is currently working with PEBA to ensure that its Special Tax Notice has been updated to comply with IRS Notice 2018-74.
- 2016 Operational Compliance List – No amendments required, however PEBA should continue to monitor developments related to the IRS’ normal retirement age regulations.
- 2017 Operational Compliance List – No amendments required.
- 2018 Operational Compliance List – No amendments required.
- 2019 Operational Compliance List – No amendments required.
- Protecting Americans from Tax Hikes Act of 2015 ("PATH Act") – No amendments required, but PEBA should allow participants to directly rollover an eligible rollover distribution to a SIMPLE IRA if the SIMPLE IRA has been established for two years.

Based on our review as set forth in our Report, since the date of the Plan’s July 10, 2014 favorable determination letter, the Plan has been timely amended to comply with the changes required in order to be tax qualified under Code § 401(a). We did not identify any required amendments necessary to bring the Plan into compliance with the Code. Therefore, we believe that the form of the Plan complies with the qualification requirements of the Code, both as the Plan and the Code are in effect as of the date of this letter.

No opinions should be implied beyond those expressly stated in this letter. This letter is not intended to, nor does it, confer any rights to any third party, including any third party beneficiary rights to any person or entity. Further, we do not represent that our Report is, or would be, binding on the Internal Revenue Service, the Department of Labor, or any other third party with authority over the Plan.

Of course, if you have any questions or comments regarding our Report, or if we can be of assistance to you on any other compliance considerations for the Plan, please do not hesitate to contact us.
Very truly yours,

ICE MILLER LLP

\[Signature\]
Robert Gauss

[Signature]
Amy Dyger

AD:kwc
July 12, 2019

Via Electronic Mail

Stephen R. Van Camp
General Counsel
South Carolina Public Employee Benefit Authority
Fontaine Business Center
202 Arbor Lake Drive
Columbia, SC 29223

RE: Executive Summary – Comply Now Plan Document Report for the Retirement System for the Members of the General Assembly of the State of South Carolina

Dear Stephen:

As you know, effective January 1, 2017, the Internal Revenue Service ("IRS") eliminated the staggered five-year remedial amendment cycle system for individually designed qualified retirement plans. See Rev. Proc. 2016-37. As of that date, the IRS no longer accepts applications for determination letters based on the five-year remedial amendment cycle system. In general, the IRS’ current determination letter program provides that a plan sponsor that maintains a qualified plan which has been issued a favorable determination letter may continue to rely on the determination letter with respect to any plan provision, until such time that the plan provision is subsequently amended or affected by a change in law.

This 2019 Comply Now Federal Law Compliance Report ("Report") reviews the Retirement System for the Members of the General Assembly of the State of South Carolina (the "Plan") for South Carolina's Public Employee Benefit Authority ("PEBA") to determine whether the Plan has been timely amended for all relevant changes required by the Internal Revenue Code ("Code") since the date of the Plan’s last IRS favorable determination letter. As part of our analysis, we have considered that the Plan is a defined benefit plan. We also considered that the Plan is intended to be qualified under Code § 401(a), and that the Plan has been represented to the IRS to be a governmental plan within the meaning of Code § 414(d).

In order to complete this report, we reviewed the Plan document, including Title 9, Chapters, 4, 9, 16 and 18 of the South Carolina Code of Laws; Article X, § 16 of the South Carolina Constitution; the 2013 Compliance Policy; and the 2013 IRS Determination Letter.
We reviewed multiple sources of IRS guidance in conducting our review, which we have listed below alongside our corresponding conclusions:

- **2016 Required Amendments List** – No amendments required.
- **2017 Required Amendments List** – No amendments required.
- **2018 Required Amendments List** – No amendments required.
- **Cumulative List of Changes** – No amendments required, however PEBA should consider the processes by which it reasonably concludes a rollover is valid within the meaning of Treas. Reg. § 1.401(a)(31)-1. Ice Miller is currently working with PEBA to ensure that its Special Tax Notice has been updated to comply with IRS Notice 2018-74.
- **2016 Operational Compliance List** – No amendments required, however PEBA should continue to monitor developments related to the IRS’ normal retirement age regulations.
- **2017 Operational Compliance List** – No amendments required.
- **2018 Operational Compliance List** – No amendments required.
- **2019 Operational Compliance List** – No amendments required.
- **Protecting Americans from Tax Hikes Act of 2015 ("PATH Act")** – No amendments required, but PEBA should allow participants to directly rollover an eligible rollover distribution to a SIMPLE IRA if the SIMPLE IRA has been established for two years.

Based on our review as set forth in our Report, since the date of the Plan’s 2014 favorable determination letter, the Plan has been timely amended to comply with the changes required in order to be tax qualified under Code § 401(a). We did not identify any required amendments necessary to bring the Plan into compliance with the Code. Further, we did not identify areas of concern with amendments passed since the most recent determination letter filing. Therefore, we believe that the form of the Plan complies with the qualification requirements of the Code, both as the Plan and the Code are in effect as of the date of this letter.

No opinions should be implied beyond those expressly stated in this letter. This letter is not intended to, nor does it, confer any rights to any third party, including any third party beneficiary rights to any person or entity. Further, we do not represent that our Report is, or would be, binding on the IRS, the Department of Labor, or any other third party with authority over the Plan.
Of course, if you have any questions or comments regarding our Report, or if we can be of assistance to you on any other compliance considerations for the Plan, please do not hesitate to contact us.

Very truly yours,

ICE MILLER LLP

Robert Gauss

Amy Dygert

AD:kwc
July 19, 2019

Via Electronic Mail

Stephen R. Van Camp
General Counsel
South Carolina Public Employee Benefit Authority
Fontaine Business Center
202 Arbor Lake Drive
Columbia, SC 29223

RE: Executive Summary – Comply Now Plan Document Report for the State of South Carolina Salary Deferral [401(k)] and Savings Profit Sharing Plan and Trust

Dear Stephen:

As you know, effective January 1, 2017, the Internal Revenue Service ("IRS") eliminated the staggered five-year remedial amendment cycle system for individually designed qualified retirement plans. See Rev. Proc. 2016-37. As of that date, the IRS no longer accepts applications for determination letters based on the five-year remedial amendment cycle system. In general, the IRS’ current determination letter program provides that a plan sponsor that maintains a qualified plan which has been issued a favorable determination letter may continue to rely on the determination letter with respect to any plan provision, until such time that the plan provision is subsequently amended or affected by a change in law.

This 2019 Comply Now Federal Law Compliance Report ("Report") reviews the State of South Carolina Salary Deferral [401(k)] and Savings Profit Sharing Plan and Trust (the "Plan") for the South Carolina Public Employee Benefit Authority ("PEBA") to determine whether the Plan has been timely amended for all relevant changes required by the Internal Revenue Code ("Code") since the date of the Plan’s last IRS favorable determination letter. As part of our analysis, we have considered that the Plan is a grandfathered 401(k) which is intended to be qualified under Code § 401(a). We also considered that the Plan has been represented to the IRS to be a governmental plan within the meaning of Code § 414(d).

In order to complete this report, we reviewed the State of South Carolina Salary Deferral [401(K)] and Savings Profit Sharing Plan and Trust and Amendment One to the State of South Carolina Salary Deferral [401(K)] and Savings Profit Sharing Plan and Trust.
We reviewed multiple sources of IRS guidance in conducting our review, which we have listed below alongside our corresponding conclusions:

- **2016 Required Amendments List** – No amendments required.
- **2017 Required Amendments List** – No amendments required.
- **2018 Required Amendments List** – No amendments required.
- **Cumulative List of Changes** – No amendments required, however PEBA should consider the processes by which it reasonably concludes a rollover is valid within the meaning of Treas. Reg. § 1.401(a)(31)-1. Ice Miller is currently working with PEBA to ensure that its Special Tax Notice has been updated to comply with IRS Notice 2018-74.
- **2016 Operational Compliance List** – No amendments required, however PEBA should continue to monitor developments related to the IRS' normal retirement age regulations.
- **2017 Operational Compliance List** – No amendments required.
- **2018 Operational Compliance List** – No amendments required.
- **2019 Operational Compliance List** – No amendments required.
- **Protecting Americans from Tax Hikes Act of 2015 ("PATH Act")** – No amendments required, but PEBA should allow participants to directly rollover an eligible rollover distribution to a SIMPLE IRA if the SIMPLE IRA has been established for two years.
- **Bipartisan Budget Act of 2018 ("BBA 2018")** – No amendments immediately required, though PEBA should monitor future Required Amendments lists for guidance on hardship distributions.

Based on our review as set forth in our Report, since the date of the Plan’s March 18, 2014 favorable determination letter, the Plan has been timely amended to comply with the changes required in order to be tax qualified under Code § 401(a). We did not identify any current required amendments necessary to bring the Plan into compliance with the Code. However, as discussed in Section VII.B. of the letter, an amendment to Plan § 11.1(f) should be considered. Therefore, we believe that the form of the Plan complies with the qualification requirements of the Code, both as the Plan’s terms and the Code requirements which are in effect as of the date of this letter.
No opinions should be implied beyond those expressly stated in this letter. This letter is not intended to, nor does it, confer any rights to any third party, including any third party beneficiary rights to any person or entity. Further, we do not represent that our Report is, or would be, binding on the IRS, the Department of Labor, or any other third party with authority over the Plan.

Of course, if you have any questions or comments regarding our Report, or if we can be of assistance to you on any other compliance considerations for the Plan, please do not hesitate to contact us.

Very truly yours,

ICE MILLER LLP

Robert Gauss

Amy Dygert

AD:kwc
July 19, 2019

Via Electronic Mail

Stephen R. Van Camp
General Counsel
South Carolina Public Employee Benefit Authority
Fontaine Business Center
202 Arbor Lake Drive
Columbia, SC 29223

RE: Executive Summary – Comply Now Plan Document Report for the State of South Carolina 457 Deferred Compensation Plan and Trust

Dear Stephen:

This 2019 Comply Now Federal Law Compliance Report ("Report") reviews the State of South Carolina Deferred Compensation Plan and Trust (the "Plan") for the South Carolina Public Employee Benefit Authority ("PEBA") to determine whether the Plan has been timely amended for all relevant changes required by the Internal Revenue Code ("Code") since the date of the Plan’s last IRS favorable Private Letter Ruling. As part of our analysis, we have considered that the Plan is an eligible governmental deferred compensation plan under Code § 457(b).

In order to complete this report, we reviewed the Plan document, including State of South Carolina 457 Deferred Compensation Plan and Trust, as currently as amended and restated effective January 1, 2013; Amendment One to the State of South Carolina 457 Deferred Compensation Plan and Trust, effective December 17, 2014; and the August 2013 letter detailing Ice Miller LLP’s compliance review of the State of South Carolina 457 Deferred Compensation Plan and Trust, which reviewed the Plan through the 2012 Cumulative List.

We reviewed multiple sources of IRS guidance in conducting our review, which we have listed below alongside our corresponding conclusions:

- 2016 Required Amendments List – No amendments required.
- 2017 Required Amendments List – No amendments required.
• 2018 Required Amendments List – No amendments required.

• Cumulative List of Changes – No amendments required, however PEBA should consider the processes by which it reasonably concludes a rollover is valid within the meaning of Treas. Reg. § 1.401(a)(31)-1. Ice Miller is currently working with PEBA to ensure that its Special Tax Notice has been updated to comply with IRS Notice 2018-74.

• 2016 Operational Compliance List – No amendments required, however PEBA should continue to monitor developments related to the IRS' normal retirement age regulations.

• 2017 Operational Compliance List – No amendments required.

• 2018 Operational Compliance List – No amendments required.

• 2019 Operational Compliance List – No amendments required.

• Protecting Americans from Tax Hikes Act of 2015 ("PATH Act") – No amendments required, but PEBA should allow participants to directly rollover an eligible rollover distribution to a SIMPLE IRA if the SIMPLE IRA has been established for two years.

• Bipartisan Budget Act of 2018 ("BBA 2018") – No amendments immediately required, though PEBA should monitor future Required Amendments lists for guidance on hardship distributions.

Based on our review as set forth in our Report, since the date of the Plan’s favorable Private Letter Ruling on March 25, 2009, the Plan has been timely amended to comply with the changes required in order to be an eligible deferred compensation plan under Code § 457. We did not identify any required amendments necessary to bring the Plan into compliance with the Code. Therefore, we believe that the form of the Plan complies with the eligibility requirements of the Code, both as the Plan’s terms and the Code requirements which are in effect as of the date of this letter.

No opinions should be implied beyond those expressly stated in this letter. This letter is not intended to, nor does it, confer any rights to any third party, including any third party beneficiary rights to any person or entity. Further, we do not represent that our Report is, or would be, binding on the IRS, the Department of Labor, or any other third party with authority over the Plan.
Of course, if you have any questions or comments regarding our Report, or if we can be of assistance to you on any other compliance considerations for the Plan, please do not hesitate to contact us.

Very truly yours,

ICE MILLER LLP

Robert Gauss

Amy Dygert

AD:kwc
July 19, 2019

Via Electronic Mail

Stephen R. Van Camp
General Counsel
South Carolina Public Employee Benefit Authority
Fontaine Business Center
202 Arbor Lake Drive
Columbia, SC 29223

RE: Executive Summary – Comply Now Plan Document Report for the State of South Carolina State Optional Retirement Program

Dear Stephen:

As you know, effective January 1, 2017, the Internal Revenue Service ("IRS") eliminated the staggered five-year remedial amendment cycle system for individually designed qualified retirement plans. See Rev. Proc. 2016-37. As of that date, the IRS no longer accepts applications for determination letters based on the five-year remedial amendment cycle system. In general, the IRS’ current determination letter program provides that a plan sponsor that maintains a qualified plan which has been issued a favorable determination letter may continue to rely on the determination letter with respect to any plan provision, until such time that the plan provision is subsequently amended or affected by a change in law.

This 2019 Comply Now Federal Law Compliance Report ("Report") reviews the State of South Carolina Optional Retirement Plan (the "Plan") for the South Carolina Public Employee Benefit Authority ("PEBA") to determine whether the Plan has been timely amended for all relevant changes required by the Internal Revenue Code ("Code") since the date of the Plan’s last IRS favorable determination letter. As part of our analysis, we have considered that the Plan is a defined contribution plan. We also considered that the Plan is intended to be qualified under Code § 401(a), and that the Plan has been represented to the IRS to be a governmental plan within the meaning of Code § 414(d).

In order to complete this report, we reviewed the South Carolina State Optional Retirement Program Plan Document and Plan provisions set forth in Title 9, Chapter 20 of the South Carolina Code of Laws.
We reviewed multiple sources of IRS guidance in conducting our review, which we have listed below alongside our corresponding conclusions:

- 2016 Required Amendments List – No amendments required.
- 2017 Required Amendments List – No amendments required.
- 2018 Required Amendments List – No amendments required.
- Cumulative List of Changes – No amendments required, however PEBA should consider the processes by which it reasonably concludes a rollover is valid within the meaning of Treas. Reg. § 1.401(a)(31)-1. Ice Miller is currently working with PEBA to ensure that its Special Tax Notice has been updated to comply with IRS Notice 2018-74.
- 2016 Operational Compliance List – No amendments required, however PEBA should continue to monitor developments related to the IRS' normal retirement age regulations.
- 2017 Operational Compliance List – No amendments required.
- 2018 Operational Compliance List – No amendments required.
- 2019 Operational Compliance List – No amendments required.
- Protecting Americans from Tax Hikes Act of 2015 ("PATH Act") – No amendments required, but PEBA should allow participants to directly rollover an eligible rollover distribution to a SIMPLE IRA if the SIMPLE IRA has been established for two years.

Based on our review as set forth in our Report, since the date of the Plan’s March 26, 2014 favorable determination letter, the Plan has been timely amended to comply with the changes required in order to be tax qualified under Code § 401(a). We did not identify any required amendments necessary to bring the Plan into compliance with the Code. Therefore, we believe that the form of the Plan complies with the qualification requirements of the Code, both as the Plan's terms and the Code requirements which are in effect as of the date of this letter.

No opinions should be implied beyond those expressly stated in this letter. This letter is not intended to, nor does it, confer any rights to any third party, including any third party beneficiary rights to any person or entity. Further, we do not represent that our Report is, or would be, binding on the IRS, the Department of Labor, or any other third party with authority over the Plan.
Of course, if you have any questions or comments regarding our Report, or if we can be of assistance to you on any other compliance considerations for the Plan, please do not hesitate to contact us.

Very truly yours,

ICE MILLER LLP

[Signature]
Robert Gauss

[Signature]
Amy Dygert

AD:kwc
1. Subject: Organizational Development Update

2. Summary: Mr. Bobby George, Human Resources Training and Development Director, will present an update to the Committee regarding on-going organizational development at PEBA to include: strategic planning sessions, online and in-person training, new hire development, and current wellness initiatives.

3. What is the Committee asked to do? Receive as information

4. Supporting Documents:

   (a) Attached: 1. Organizational Development at PEBA
Organizational development at PEBA

FAAC Committee
July 24, 2019
Staff development
On-going development and engagement

• Strategic planning sessions for supervisors and managers.

• Educational lunch and learns:
  • Navigating insurance financial statements.
  • Retirement actuarial valuations.
  • Retiree insurance eligibility and funding.

• Book club.

• Team building sessions for departments.
On-going development and engagement

• Engagement committee-sponsored activities:
  • TERI closeout staff appreciation lunch.
  • Chili and soup cook-off.
  • Employee recognition week.

• Benefit fairs for PEBA employees.
Online and in-person training

- Successful Supervision.
- Privacy, Safety and Security.
- Prevent, Defend and Respond.
- Where in the World is PEBA?
- What does PEBA Do?
- Customer Contact Center Retirement Benefits counselor training.
- Microsoft Excel training.
- Data analytics training.
- First aid, CPR and AED certification training.
New hire development

• Group and individual new employee onboarding briefings.
  • Introduction to online learning modules for new hire orientation.
• The PEBA Way: customer service training.
• Executive staff meet and greets.
Wellness initiatives
Wellness committee

• Formed in 2017.
  • Comprised of staff volunteers.
  • Currently, 18 members serve on committee.
• Plans, promotes and implements wellness activities for the agency.
• Yes2Health! is the name of our wellness programs.
• PEBA gym.
• Yoga classes.
• Squat challenge.
• Stair challenge.
• Swing dance, line dancing lessons.
• Biggest Loser contest.
• Running group.
• Walking group.
• Ongoing group and individual walkers on PEBA campus.
Education, screenings and other initiatives

- Healthy hours (lunch and learns).
- Annual worksite screenings.
- A1C and PSA screenings.
- Mobile mammography.
- Tobacco-free workplace.
- Weekly onsite farmer’s market.
- Water challenge.
- Naturally Slim.
  - Forum where PEBA participants can share successes and challenges.
- Wellness wall.
Community involvement
Fundraising for charitable organizations

- United Way of the Midlands: $3,834.32.
- March of Dimes: $1,439.91.
- Sistercare: $1,338.
- American Heart Association: $1,144.
- Lighthouse for Life: $282.
- Harvest Hope Food Bank: $245.63.
- Epworth Children’s Home: 40 Christmas wishes.
- Greenview Elementary School’s Lunch Buddy Mentoring Program: 15 employees participated.
Agency recognition

• Patriotic Employer by the S.C. National Guard for supporting employee participation in America’s National Guard and Reserve Force.

• United Way’s 2018 Highest Participation Award for employers with more than 100 employees.
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