

Meeting Minutes | Board of Directors

Wednesday, December 13, 2017 | 3:00 p.m.
200 Arbor Lake Dr., Columbia, SC 29223 | Second Floor Conference Room

Minutes approved March 7, 2018

Board Members Present: Mr. Frank Fusco, Mr. Steve Heisler, Mr. Steve Matthews, Mr. Audie Penn, Mr. Chuck Richardson, Mr. Alex Shissias, and Mr. David Tigges

Board Members Present Via Telephone: Chairman John Sowards and Mr. Ed Walton

Board Members Absent: Sheriff Leon Lott and Vice Chairman Joe “Rocky” Pearce

Others Present for All or a Portion of the Meeting: Peggy Boykin, Ashley Brindle, Amber Carter, Sarah Corbett, Joe Greene, Doug Hislop, Heather Muller, Darry Oliver, Jacalin Shealy, Travis Turner, Stephen Van Camp, Justin Werner, and Heather Young from the South Carolina Public Employee Benefit Authority (PEBA); and Mr. Thomas Lyle and Mr. Danny White from Gabriel Roeder Smith & Company (GRS).

I. Call to Order

Chairman John Sowards called the PEBA Board of Director’s (Board) meeting to order at 3:00 p.m., by telephone. Chairman Sowards nominated Mr. Steve Heisler as Chairman pro tempore to preside over the Board meeting in the absence of Vice-Chairman Rocky Pearce. Chairman pro tempore Heisler stated that the public meeting notice was posted in compliance with the Freedom of Information Act, and welcomed Mr. Chuck Richardson as the Board’s newest member.

II. Approval of Meeting Minutes- October 18-19, 2017

Mr. Audie Penn made a motion, which was seconded by Mr. Steve Matthews, and approved unanimously, to approve the October 18-19, 2017, Board meeting minutes.

III. Committee Reports

A. Health Care Policy Committee

Mr. Frank Fusco stated that the Health Care Policy Committee met earlier in the morning, and received presentations on State Health Plan benchmarks and expenditure growth, and current as well as possible future incentive offerings in the State Health Plan. Mr. Fusco advised that staff will provide further detail and budgetary information related to possible future incentives in either June or July of 2018. Mr. Fusco reported that the State Health Plan compares favorably to other public and private employers. Mr. Fusco also noted that expenditure growth per member for the past 11 months is 6 percent, with medical totaling 1.6 percent, and pharmacy totaling 11.9 percent. Specialty drugs account for 70 percent of

the increase in medical expenses for 2017, so they will continue to be closely monitored, and require prior-authorization.

B. Retirement Policy Committee

Chairman pro tempore Heisler advised that the Retirement Policy Committee met earlier in the day, and received a performance update from Mr. Geoff Berg, Chief Investment Officer, from the South Carolina Retirement System Investment Commission (RSIC). Chairman pro tempore Heisler also reported that Segal Marco Advisors presented the SC Deferred Compensation Program (SCDCP) and the Optional Retirement Plan (ORP) quarterly reports, as of September 30, 2017, and Empower Retirement presented the SCDCP Plan Summary Report for the third quarter ending September 30, 2017.

Chairman pro tempore Heisler introduced Mr. Danny White, Senior Consultant, and Mr. Thomas Lyle, from Gabriel Roeder Smith & Company (GRS), to present the 2017 Retirement Systems Actuarial Valuations to the Board for approval.

Mr. White stated that the Retirement System Funding and Administration Act of 2017, enacted in April of 2017, amended contribution rate provisions for the South Carolina Retirement System (SCRS), and the Police Officers Retirement System (PORS). Effective July 1, 2017, employee contribution rates are capped at 9.00 percent for SCRS, and 9.75 percent for PORS, and employer contribution rates will gradually increase to 18.56 percent for SCRS and 21.24 percent for PORS by fiscal year 2023. Mr. White advised that the assumed rate of return is set by state statute, and decreased from 7.50 percent to 7.25 percent. It was also pointed out that the maximum permissible funding period will be decreased from 30 years in 2017 to 20 years in 2027.

Mr. White discussed the summary results of the 2017 valuation for SCRS and PORS, and pointed out that the funding ratio for SCRS decreased from 60 percent in 2016 to 56 percent in 2017. Similarly, the funding ratio for PORS decreased from 66 percent in 2016 to 63 percent in 2017, with both reductions primarily due to the decrease in the assumed rate of return.

Mr. White also provided the Valuation results for the Judges and Solicitors Retirement System (JSRS); the General Assembly Retirement System (GARS); the South Carolina National Guard Retirement (SCNG) System; and the expected increase in contributions necessary for each system.

Mr. Steve Matthews made a motion, which was seconded by Mr. Chuck Richardson, and passed unanimously, that the Board receives as information the actuarial valuations of SCRS, PORS, JSRS, GARS, and SCNG as of July 1, 2017; and, based upon those valuations, increase the employer contribution rate for JSRS to 52.49 percent; increase the employer contribution for GARS to \$5.804 million; and increase the employer contribution for SCNG to \$5.290 million, all effective July 1, 2018.

Chairman pro tempore Heisler stated that the next meeting for the Retirement Policy Committee will be on March 7, 2018.

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

Mr. Steve Matthews reported that the FAAC Committee did not meet in December, and the next meeting will be on March 7, 2018.

IV. Old Business

A. Director's Report

Ms. Peggy Boykin, Executive Director, stated that the State Fiscal Accountability Authority (SFAA) approved PEBA's request to designate Gabriel Roeder Smith & Company as the actuary for the Retirement Systems for the period July 1, 2018, through June 30, 2023.

Ms. Boykin reported that last years' fiscal end performance was 11.88 percent, and while it is a positive gain, deferred losses of approximately 1.5 billion will be phased in over a five-year period.

Ms. Boykin also provided a brief update on PEBA's Information technology modernization project (peba:connect), and stated that the procurement protest has been resolved, and Linea Solutions is the client services vendor for the project and is working onsite with staff to develop the Request for Proposal (RFP) for both data and implementation vendors.

Ms. Boykin announced that the Popular Annual Financial Report (PAFR), and the Comprehensive Annual Financial Report (CAFR), for fiscal year ending June 30, 2017, are completed and posted on PEBA's website. Ms. Boykin added that PEBA has received the Public Pension Standard Award for excellence in reporting. Ms. Boykin thanked Mr. Travis Turner, Chief Financial Officer, and accounting staff for their diligence in adhering to reporting procedures.

B. Roundtable Discussion

At the conclusion of the Director's Report, Chairman pro tempore Heisler provided an opportunity for a roundtable discussion, and thanked staff and Board members for all of their hard work during the past year.

V. Adjournment

There being no further business, and upon motion by Mr. Frank Fusco, which was seconded by Mr. Penn, and approved unanimously, the Board meeting adjourned at 3:40 p.m.