

SC PUBLIC EMPLOYEE BENEFIT AUTHORITY
BOARD OF DIRECTORS

Friday, February 28, 2014 2014 – 9:30 a.m. MINUTES Adopted 4-16-2014
200 Arbor Lake Drive, Columbia SC, Main Conference Room 2nd Floor

Retreat Location

McNair Law Firm - 1221 Main St., Suite 1800, Columbia, SC 29201

Board Members Present:

Ms. Peggy Boykin (in person)
Mr. Frank Fusco (in person)
Vice Chairman Joe “Rocky” Pearce (in person)
Mr. Audie Penn (in person)
Mr. John Sowards (in person)
Mr. David Tigges (in person)
Mr. Steve Heisler (in person)
Sheriff Leon Lott (by phone)
Chairman Bjontegard (in person)
Mr. Steve Matthews (in person)
Ms. Stacy Kubu (in person)

Others present for all or a portion of the meeting:

Travis Turner, Lil Hayes, Stephen Van Camp, Justin Werner, Kim Brown, Virginia Wetzel, Megan Lightle, Angela Warren, Kevin Crosby, John Page, Tammy Nichols, and Tiffany Latimer from the South Carolina Public Employee Benefit Authority (PEBA); Donald Tudor and Wayne Pruitt with the State Retirees Association; Tim Bryan with Prudential; Matt Shaffer, Brooks Goodman, and Sarah Martin with Blue Cross Blue Shield of South Carolina; Joseph Newton and Danny White with Gabriel Roeder Smith & Company; Jan Hartford with CEM Benchmarking; David McClaskey with the Business Excellence Institute; Alex Tomlinson with Mullikin Law Firm; and Melinda At Hasan with the SC State Treasurer’s Office

I. Call to order

Chairman Bjontegard called the meeting to order at 9:35 a.m. and Mr. Bjontegard gave the invocation. Ms. Hayes confirmed meeting notice compliance with the Freedom of Information Act.

II. Educational Program Sessions

Organizational Performance Excellence: 9:30 a.m. – 12:30 p.m.

Mr. Bjontegard referred to Mr. Fusco who introduced David McClaskey, the president of the Business Excellence Institute. Mr. McClaskey, as an independent consultant and Baldrige expert, guided the Board members through an interactive session to clearly define the Board and Agency’s purpose and mission.

Action:

Mr. Sowards moved to amend and approve a new mission statement for the agency to read as follows: “To recommend, offer, and administer competitive programs of retirement and insurance benefits for public employers, employees, and retirees in South Carolina.” Mr. Heisler seconded this motion. The motion was unanimously approved.

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The Board discussed scheduling a follow-up session with Mr. McClaskey to assist each Committee in clearly defining their goals. It was noted that the agency's strategic plan will need to be revisited in order to comply with the agency's new mission. Mr. McClaskey stressed the importance of developing measures within that plan.

Pension Administration Benchmarking: 1:30 p.m. – 2:30 p.m.

Mr. Bjontegard introduced Jan Hartford with CEM Benchmarking who provided an in-depth summary of her company's analysis of PEBA Retirement Division's costs, services, and performance data for Fiscal Year 2013. It was noted that the Retirement Division has contracted with CEM Benchmarking to provide measurement, analysis, and comparison of its performance against that of its peers since 2003, with reviews occurring approximately every other year.

There was discussion regarding best practices within the public pension plan industry specifically regarding retirement readiness of plan participants. Ms. Hartford highlighted the success of the Ontario Municipal Employees Retirement System, Ohio Public Employee Retirement System, and the Dutch Public Pension Plans.

The Board took a brief recess and resumed the meeting at 2:40 p.m.

New GASB Standards for Pension Accounting: 2:40 p.m. – 3:40 p.m.

Mr. Bjontegard introduced Joseph Newton and Danny White with Gabriel Roeder Smith & Company who provided a presentation on the new GASB standards for pension accounting. Specifically, they highlighted standard changes surrounding GASB 67 and GASB 68 to include their effective dates and effects of pension accounting and financial reporting rules for state and local government entities.

There was discussion regarding PEBA's involvement and communications with participating employers in the SC Retirement Systems during the implementation of the standard changes.

Patient Engagement: 3:45 p.m. – 5:00 p.m.

Mr. Bjontegard introduced Matt Shaffer, Brooks Goodman, and Sarah Martin with Blue Cross Blue Shield of South Carolina who provided a presentation on patient engagement efforts at Blue Cross Blue Shield. The Board requested utilization percentages of the engagement services currently being offered to State Health Plan participants. The Board directed the Health Care Policy Committee to analyze the engagement services not currently being offered to participants to evaluate the potential value to Board's goal of having a consumer driven plan. There was also discussion about the ongoing effort to collect participants' email addresses.

III. Round Table Discussion

The Board reflected on the day's education sessions and provided the following feedback:

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Organizational Performance Excellence: A follow-up session should be scheduled with Mr. McClaskey to help committees better define their strategic plans.

Pension Administration Benchmarking: The Retirement Policy Committee should further evaluate this report and seek opportunities for improvement to include ways to automate data collection and evaluate staffing needs and agency integrated technology upgrades.

New GASB Standards for Pension Accounting: The Board would like to ensure that local entities are aware and educated of the upcoming implementation of GASB 68. They would like to receive updates from PEBA professionals concerning efforts dedicated toward the implementation.

Patient Engagement: The Board would like to continue to review the services provided by Blue Cross Blue Shield and would like assurance that all communications distributed to State Health Plan participants and benefit administrators are reviewed by PEBA's professionals prior to distribution by Blue Cross Blue Shield.

IV. Adjournment

There being nothing further to discuss, Mr. Bjontegard adjourned the meeting at 6:00 p.m.

SC Public Employee Benefit Authority Board of Directors Retreat and Meeting

200 Arbor Lake Drive, Columbia SC, 29223, 2nd Floor Conference Room

Retreat Location

McNair Law Firm - 1221 Main St., Suite 1800, Columbia, SC 29201

Friday, February 28, 2014 – 9:30 A.M.

EDUCATION PROGRAM SESSIONS

1. Organizational Performance Excellence
David J. McClaskey, Business Excellence Institute

Lunch Break
2. Pension Administration Benchmarking
Jan Hartford, CEM Benchmarking
3. New GASB Standards for Pension Accounting
Joe Newton & Danny White, Gabriel Roeder Smith & Company
4. Patient Engagement
Brooks Goodman, Blue Cross Blue Shield

Saturday, March 1, 2014 – 9:00 a.m.

BUSINESS MEETING AGENDA

1. Adoption of Proposed Agenda
2. Minutes of Previous Meeting: January 15, 2014
3. Committee Reports
 - a. Retirement Policy Committee
 - i. Group Trust Document Amendment
 - b. Finance, Administration, Audit & Compliance Committee
 - c. Health Care Policy Committee
4. Old Business
 - a. Legislative Update
 - b. Blue Cross Blue Shield
5. New Business
6. Round Table Discussion
7. Executive Session Pursuant to §30-4-70(a)(2) [if necessary]

NOTICE OF PUBLIC MEETING

This notice is given to meet the requirements of the S.C. Freedom of Information Act and the Americans with Disabilities Act. Furthermore, this facility is accessible to individuals with disabilities, and special accommodations will be provided if requested in advance.

Friday, February 28, 2014: EDUCATION PROGRAM SESSIONS
6 Board Educational Credit Hours

Organizational Performance Excellence: 9:30 AM

Mr. McClaskey will guide the Board through an interactive work session to better align the agency with its strategic objectives using the Baldrige criteria.

Presenter:

David McClaskey, President of Business Excellence Institute

David McClaskey is an independent consultant and Baldrige expert. In 2000, he co-founded Pal's Business Excellence Institute (BEI). BEI teaches businesses of all types how to improve their organizations based on Pal's Baldrige-based, world-class performance excellence practices through the integration of all 7 Baldrige Categories. He has served as one of nine Judges for the Malcolm Baldrige National Quality Award from 1999-2002. This is the panel of experts, appointed by the Secretary of Commerce, which selects the national Baldrige winners. One of many of his major accomplishments include assisting one company, Florida Power and Light, to be the first company outside of Japan to win Japan's National Quality Award, the Deming Prize. He is a Fellow of both ASQ and the Institute of Industrial Engineers (IIE). He is an ASQ-certified Quality Manager, Quality Engineer, Six Sigma Black Belt, and Quality Improvement Associate; is a licensed Professional Engineer; and has a Bachelor's and Master's degrees in Industrial Engineering from the University of Florida and the University of Tennessee. The University of Florida established the Leavenworth/McClaskey undergraduate scholarship in 1995.

Pension Administration Benchmarking: 1:30 PM

Jan Hartford with CEM Benchmarking will provide an in depth summary of her company's analysis of PEBA Retirement Division's costs, services, and performance data for Fiscal Year 2013.

Presenter:

Jan Hartford, MBA

Jan Hartford is a Partner at CEM and leads their Pension Administration Benchmarking service. This service caters to the needs of public sector and corporate pension plans in North America, Europe and Australia. It provides insights into pension administration costs, service levels, transaction volumes and industry best practices. Under Jan's leadership, CEM currently benchmarks pension administration for over 80 pension plans with total membership in excess of 29.5 million members. Prior to joining CEM, Jan worked in the private banking division of the Harris Bank in Chicago for more than 10 years. Jan has a BA from August College and an MBA from DePaul University, Chicago.

New GASB Standards for Pension Accounting: 2:30 PM

Joe Newton and Danny White with Gabriel Roeder Smith & Company will be reviewing the new GASB standards as they will apply to employers participating in PEBA's Retirement Systems.

Presenters:

Joseph Newton, FSA, EA, FCA, MAAA, Gabriel Roeder Smith & Company

Joe Newton is a nationally recognized public sector actuary who works with numerous statewide, regional, and local retirement systems and is located in GRS' Dallas, Texas office. He has more than 15 years of actuarial and benefit consulting experience. Besides South Carolina, Joe's clients are located in Colorado, Hawaii, Rhode Island, Washington, Wyoming, and Texas. Joe has his Bachelors of Arts, Mathematics, and Business Administration from Austin College.

Danny White, FSA, EA, MAAA, Gabriel Roeder Smith & Company

Danny White is a Senior Consultant in GRS' Dallas, Texas office. He has more than 14 years of actuarial and benefits consulting experience with major public employee retirement systems and private sector employers. In addition to South Carolina, Danny provides consulting services to statewide and municipal retirement systems in Texas, and Utah. Danny has his Bachelors of Science, Mathematics and Economics and Masters in Mathematics from Pittsburg State University in Kansas.

Patient Engagement: 3:45 PM

One of PEBA's top initiatives for the State Health Plan is the creation of a consumer driven plan focusing on patient engagement. As part of this effort, Blue Cross Blue Shield will present how they interact with and engage participants of the State Health Plan.

Presenters:

Matt Shaffer, Senior Vice President, Major Group

Shaffer attended Washington & Jefferson College on an ROTC scholarship and was commissioned as an officer in the United States Army. He attained the rank of Captain as a pilot of Blackhawk helicopters in the Army's elite 82nd Airborne Division. Matt Shaffer joined the South Carolina BlueCross team in 2008. He is responsible for full Profit & Loss accountability for all employer groups of 50 + employees and national accounts, to include underwriting, sales, marketing, communications, product development, claims, customer service, billing, enrollment, compliance and ancillary products.

Brooks Goodman, Assistant Vice President, State Operations

Brooks received a B.S. degree from Clemson University. A 25-year BlueCross veteran, Brooks held positions in Corporate Planning and Strategic Services prior to joining the State Health Operations Unit in 1991. He held several positions within the State Health Operations unit, including Manager of Claims and Manager of Service before he accepted his current position. In this position, Brooks is responsible for claims, customer service, eligibility, quality control and refunds for the State Health and State Dental Plans and is the BlueCross liaison for the Vision Benefit Contractor. He acts as the Account Representative, providing one point of contact for the coordination of all activities surrounding the administration of the State contracts.

Sarah Martin, Assistant Vice President, Product Development and Member Engagement

Sarah holds a Bachelor's degree in Social Relations from Michigan State University and a Master's degree in Strategic Research and Polling from The George Washington University. In 2004, Sarah joined BlueCross as a Market Research Analyst and shortly after, accepted the role of Manager, Product Development and Market Research. In 2012, she was promoted to Director, Product Development and Strategic Account Planning, where she championed a number of efforts to develop wellness and incentive programs. Sarah is responsible for leading the company's efforts to create value-based benefits and incentive strategies that greatly enhance today's portfolio of products.

The South Carolina Public Employee Benefit Authority (PEBA)

Pension Administration Benchmarking Results FY 2013



What are the benefits of benchmarking?

- Successful benchmarking using peer comparative analysis can result in significant benefits:
 - Changes in performance and innovation
 - Improvement in quality and productivity
 - Improved performance measurement
 - Opens your organization to new methods, ideas and tools
- ***“What gets measured, gets managed”***

CEM's universe of participants

Participants

United States

Arizona SRS
 CalPERS
 CalSTRS
 Colorado PERA
 Delaware PERS
 Florida RS
 Idaho PERS
 Illinois MRF
 Indiana PRS
 Iowa PERS
 KPERS
 LACERA
 Michigan ORS
 MOSERS
 Nevada PERS
 New Mexico ERB
 NYC TRS
 NYSLRS
 Ohio PERS
 Orange County ERS
 Oregon PERS
 Pennsylvania PSERS
 South Carolina RS

South Dakota RS
 STRS Ohio
 SURS Illinois
 Texas MRS
 TRS Louisiana
 TRS of Texas
 Utah RS
 Virginia RS
 Washington State DRS
 Wisconsin DETF

United Kingdom*

Armed Forces Pension Schemes
 BMW
 BSA NHS Pension Scheme
 Principal Civil Service Pension Scheme
 Railway Pensions
 Scottish Public Pension Agency (SPPA)
 The Pension Protection Fund (PPF)
 Unilever
 Universities Superannuation Scheme (USS)

Canada

APS
 BC Pension Corporation
 Defence Canada
 Federal Public Service
 HOOPP
 LAPP
 OMERS
 Ontario Pension Board
 Ontario Teachers
 OPTrust
 RCMP
 Saskatchewan HEPP

Scandinavia

Alecta
 ATP

United Arab Emirates

Abu Dhabi RPB

The Netherlands

ABP
 bpfBOUW
 BPF Schilders
 Pensioenfonds Metaal en Techniek
 Pensioenfonds van de Metalektro
 PFZW
 Rabobank Pensioenfonds
 Stichting Pensioenfonds Medisch Specialisten

Australia*

AustralianSuper
 BUSS(Q)
 CBUS
 First State Super
 HESTA
 QSuper
 REST
 StatewideSuper
 SunSuper
 VicSuper

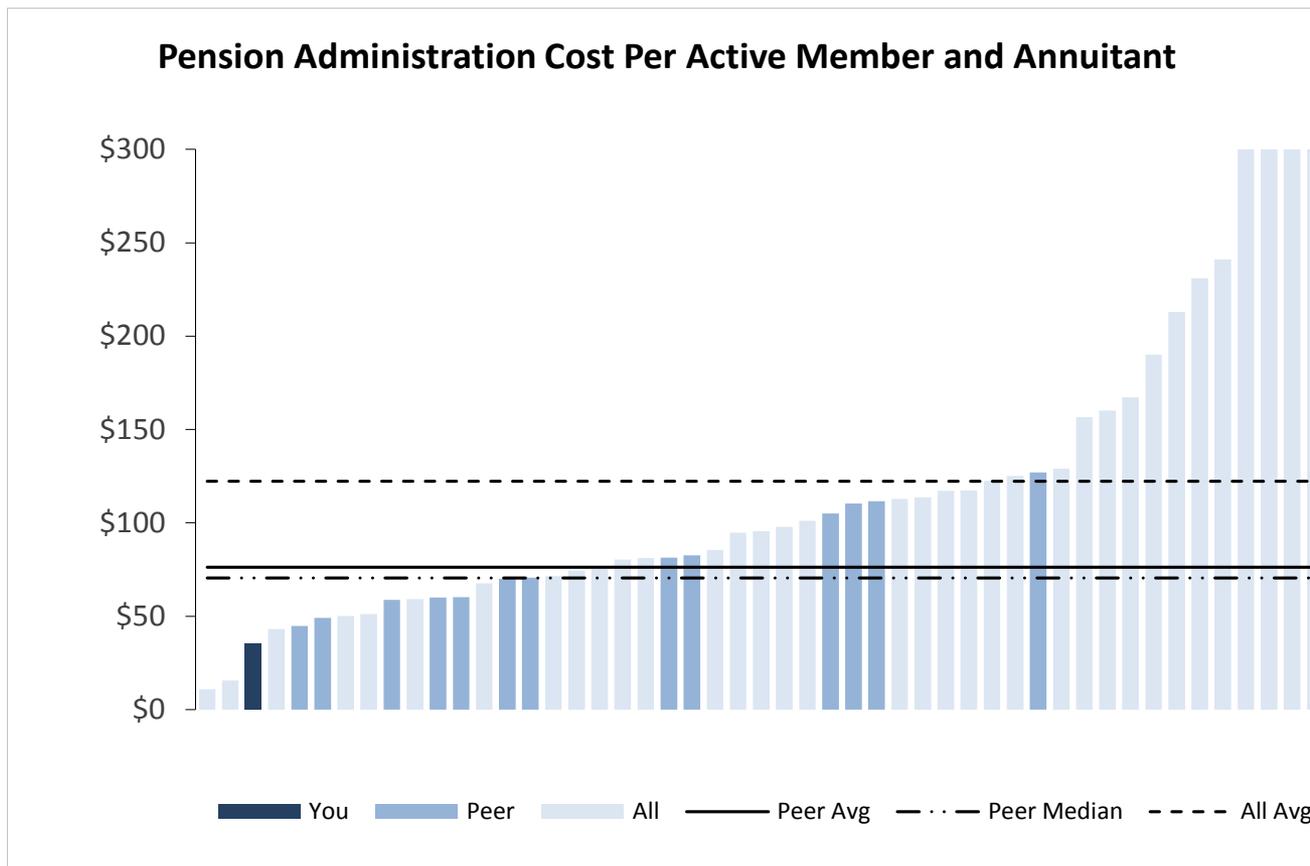
CEM facilitates the sharing of ideas and best practices:

- CEM hosts an online peer network
- CEM hosts an annual global best practice conference
 - 2014 in Portland, Oregon
 - Co-hosted by Oregon PERS
- CEM conducts and shares annual best practice research
 - Paperless pension administration
 - Satisfaction surveying methodology
 - Online member transactions; member websites
 - Communication strategies
 - Annual member statements
 - Information technology

PEBA was compared to the following peers:

Custom Peer Group for South Carolina PEBA			
Peers (sorted by size)	Membership (in 000's)		
	Active Members	Annuitants	Total
Ohio PERS	348	191	539
Virginia RS	341	170	510
Michigan ORS	243	256	500
Pennsylvania PSERS	284	208	492
Washington State DRS	291	151	442
Wisconsin DETF	257	174	430
South Carolina PEBA	257	148	406
Indiana PRS	253	133	386
STRS Ohio	198	149	348
Colorado PERA	230	100	330
Arizona SRS	203	125	328
Oregon PERS	167	126	293
Illinois MRF	175	102	277
Iowa PERS	165	105	270
Peer Median	248	149	396
Peer Average	244	153	396

Your Total Pension Administration Cost was \$35 per active member and annuitant.



- This was \$41 below the peer average of \$76 and \$87 below the all average of \$122
- Your total pension administration cost was \$14.4 million.

CEM measures these pension administration activities.

Front Office Activities:

1. Member Transactions

- a) Pension Payments
- b) Pension Inceptions
- c) Withdrawals
- d) Purchases
- e) Disability

2. Communication

- a) Call Center
- b) Mail, Imaging
- c) 1-on-1 Counseling
- d) Group Counseling
- e) Written Estimates
- f) Website, AMS, Newsletters

3. Employer Transactions

- a) Collections and Data
- b) Employer Service
- c) Data from Members

Back Office Activities:

1. Governance/ Financial Control

- a) Financial Administration
- b) Board, Strategy, Policy
- c) Government/ Public Relations

2. Major Projects

3. Support Services

- a) IT Database Management
- b) IT Desktop
- c) Building and Utilities
- d) Human Resources
- e) Actuarial
- f) Legal/ Rule Interpretation
- g) Internal/ External Audit
- h) Other Support Services

Cost per front office activity:

Activity	(\$000s)	<u>\$s per Active Member and</u>			<u>More/ -Less</u>	
	You	<u>Annuitant</u>		(vs. average)		
		You	Peer	Peer	\$s	%
1. Member Transactions						
a. Pension Payments	473	1.17	2.79	2.73	-1.57	-57%
b. Pension Inceptions	959	2.36	2.47	3.66	-1.30	-35%
c. Withdrawals and Transfers-out	624	1.54	0.91	1.32	0.22	16%
d. Purchases and Transfers-in	622	1.53	1.09	1.15	0.38	33%
e. Disability	600	1.48	1.61	2.52	-1.05	-41%
2. Member Communication						
a. Call Center	1,318	3.25	4.64	4.95	-1.71	-34%
b. Mail Room, Imaging	515	1.27	1.83	2.19	-0.93	-42%
c. 1-on-1 Counseling	663	1.63	1.69	1.98	-0.34	-17%
d. Presentations and Group Counseling	141	0.35	1.05	1.26	-0.91	-72%
e. Written Pension Estimates	98	0.24	0.86	1.06	-0.82	-77%
f. Mass Communication	624	1.54	2.71	3.18	-1.65	-52%
3. Collections and Data Maintenance						
a. Data and Money from Employers	721	1.78	1.97	2.62	-0.85	-32%
b. Service to Employers	379	0.93	1.19	1.54	-0.61	-39%
c. Data Not from Employers	176	0.43	0.99	1.03	-0.59	-58%

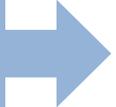
Cost per back office activity:

Activity	(\$000s)	\$s per Active Member and Annuitant			More/ -Less (vs. average)	
	You	You	Peer	Peer	\$s	%
4. Governance and Financial Control						
a. Financial Administration and Control	464	1.14	2.11	2.21	-1.06	-48%
b. Board, Strategy, Policy	218	0.54	1.64	1.73	-1.19	-69%
c. Government and Public Relations	117	0.29	0.60	0.92	-0.63	-69%
5. Major Projects						
a. Amortization of non-IT Major Projects	0	0.00	0.00	0.01	-0.01	-100%
b. Non-IT Major Projects (if you don't capitalize)	0	0.00	0.00	1.21	-1.21	-100%
c. Amortization of IT Major Projects	0	0.00	0.13	2.06	-2.06	-100%
d. IT Major Projects (if you don't capitalize)	0	0.00	0.40	4.71	-4.71	-100%
6. Information Technology						
a. IT Strategy, Database, Applications (excl. mp)	2,113	5.21	12.92	13.34	-8.13	-61%
b. IT Desktop, Networks, Telecom	1,255	3.09	4.91	5.19	-2.10	-40%
7. Support Services and Other						
a. Building and Utilities	869	2.14	3.99	4.97	-2.83	-57%
b. Human Resources	246	0.61	1.03	1.35	-0.74	-55%
c. Actuarial	237	0.58	1.32	1.50	-0.92	-61%
d. Legal and Rule Interpretation	405	1.00	1.85	2.57	-1.57	-61%
e. Internal and External Audit	309	0.76	1.09	1.21	-0.45	-37%
f. Other Support Services	243	0.60	0.98	1.85	-1.26	-68%
Total Pension Administration	14,389	35.46	70.42	76.23	-40.77	-53%

CEM uses this cost model to explain differences in total costs:

Reasons for differences in total costs

- 1 Economies of scale
- 2 Workloads: transactions per member
- 3 Productivity: transactions per FTE
- 4 Paying more/ less per FTE for: salaries and benefits, building and utilities, HR and IT desktop
- 5 Higher/ lower third-party costs and other miscellaneous costs in front-office activities
- 6 Higher/ lower back-office activity costs

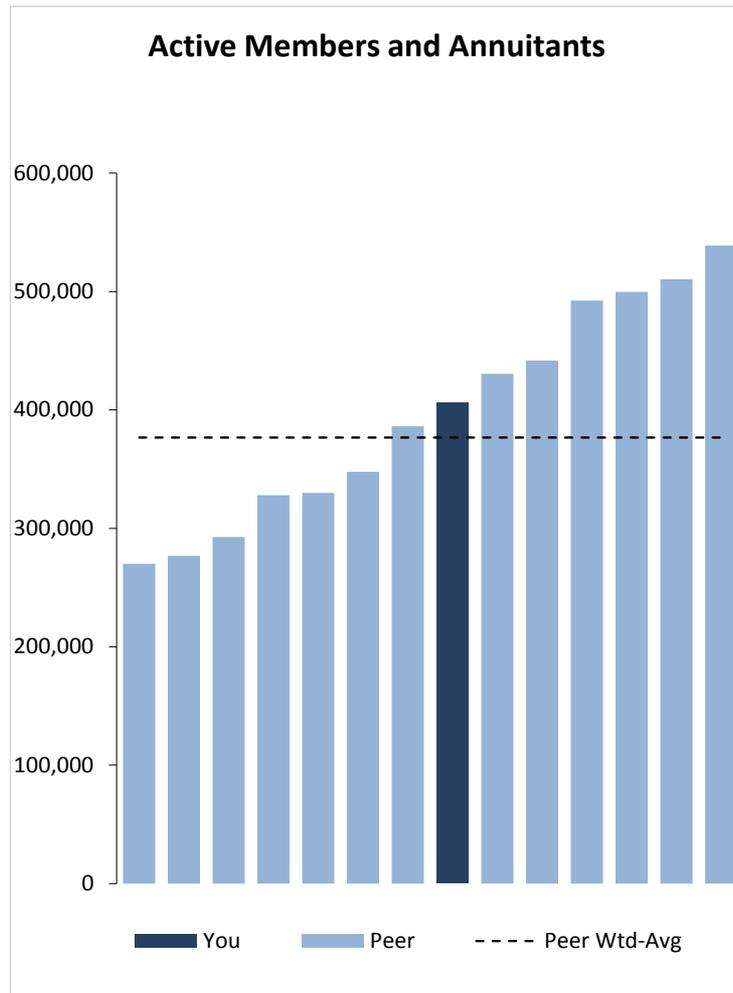


**Cost per
Member**

Reasons why your total cost was \$41 below the peer average:

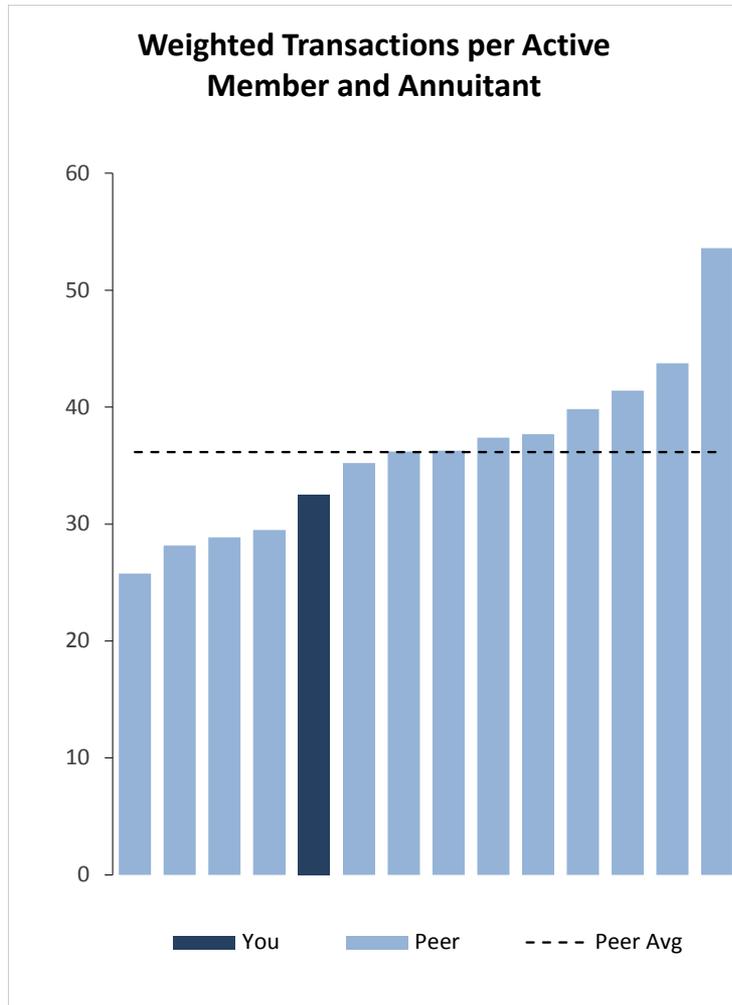
Reason	Impact
1. Economies of scale advantage	-\$0.81
2. Lower transactions per member (workloads)	-\$2.70
3. Slightly lower transactions per FTE (productivity)	\$0.78
4. Lower costs per FTE for: salaries and benefits, building and utilities, HR and IT desktop	-\$14.20
5. Lower third-party and other costs in front-office activities	-\$5.35
6. Paying more/-less for back-office activities:	
- Governance and Financial Control	-\$1.87
- Major Projects	-\$7.33
- IT Strategy, Database, Applications (excl. major projects)	-\$5.77
- Actuarial, Legal, Audit, Other Support Services	-\$3.50
Total	-\$40.77

Reason 1: You had an economies of scale advantage.



- You had 8% more members than the peer average.
- This means you had a cost advantage relative to the average peer of \$0.81 per member.

Reason 2: You had lower transaction volumes (workloads).

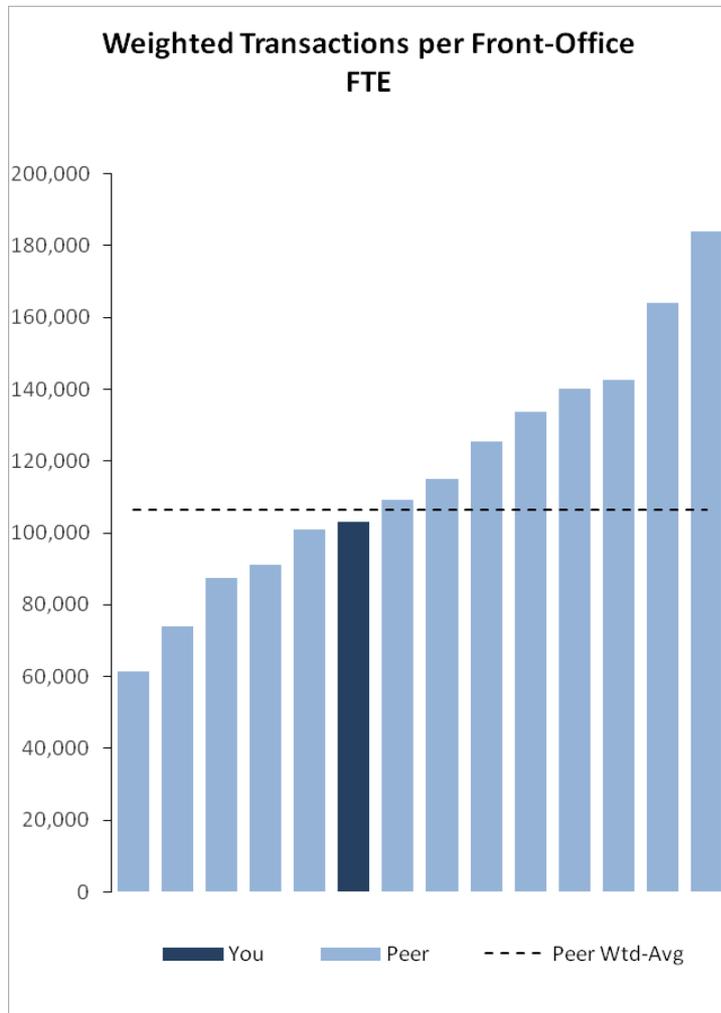


- Your transactions were 10% below the peer average.
- Your lower transaction volumes decreased your total cost per member by \$2.70 relative to the peer average.

Where you did more/ fewer transactions:

Front Office Transactions (or Transaction Driver)	<u>Volume per 1,000 Active Members and Annuitants</u>		
	You	Peer Average	More/ -Less
1. Member Transactions			
a. Pension Payments (Annuitants)	366	384	-5%
b. New Payee Inceptions	25	27	-8%
c. Withdrawals and Transfers-out	23	28	-17%
d. Purchases and Transfers-in	12	10	24%
e. Disability Applications	2.5	2.3	11%
2. Member Communication			
a. Calls and Emails	414	661	-37%
b. Incoming Mail	315	423	-25%
c. Members Counseled 1-on-1	42	24	75%
d. Member Presentations	0	1	-68%
e. Written Estimates	12	28	-58%
3. Collections and Data Maintenance			
a. Data and Money from Employers (Active Members)	634	616	3%
b. Service to Employers (Active	634	616	3%
c. Data Not from Employers (Actives, Inactives, Annuitants)	1,425	1,455	-2%
Weighted Total	32,470	36,152	-10%

Reason 3: You had slightly lower transactions per FTE (productivity).



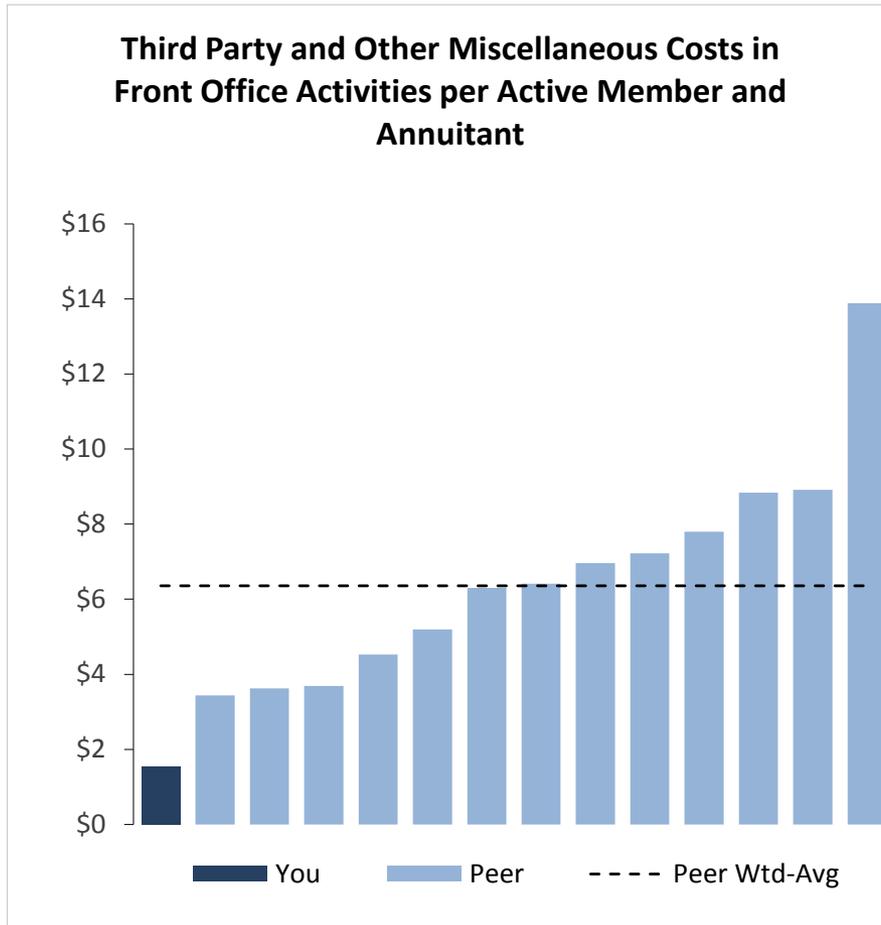
- Your transactions per front-office FTE were 3% below the peer average.
- Your lower transaction volumes per FTE increased your cost per member by \$0.78 relative to the peer average.

Reason 4: Your overall costs per FTE were lower.

Cost per FTE		
	You	Peer Avg
Salaries and Benefits	\$61,491	\$81,968
Building and Utilities	\$5,017	\$9,473
Human Resources	\$1,423	\$2,506
IT Desktop, Networks, Telecom	\$7,244	\$10,138
Total	\$75,175	\$104,085

- This decreased your total cost by \$14.20 per member relative to the peer average.

Reason 5: You had lower third party and other miscellaneous costs in the front-office activities.



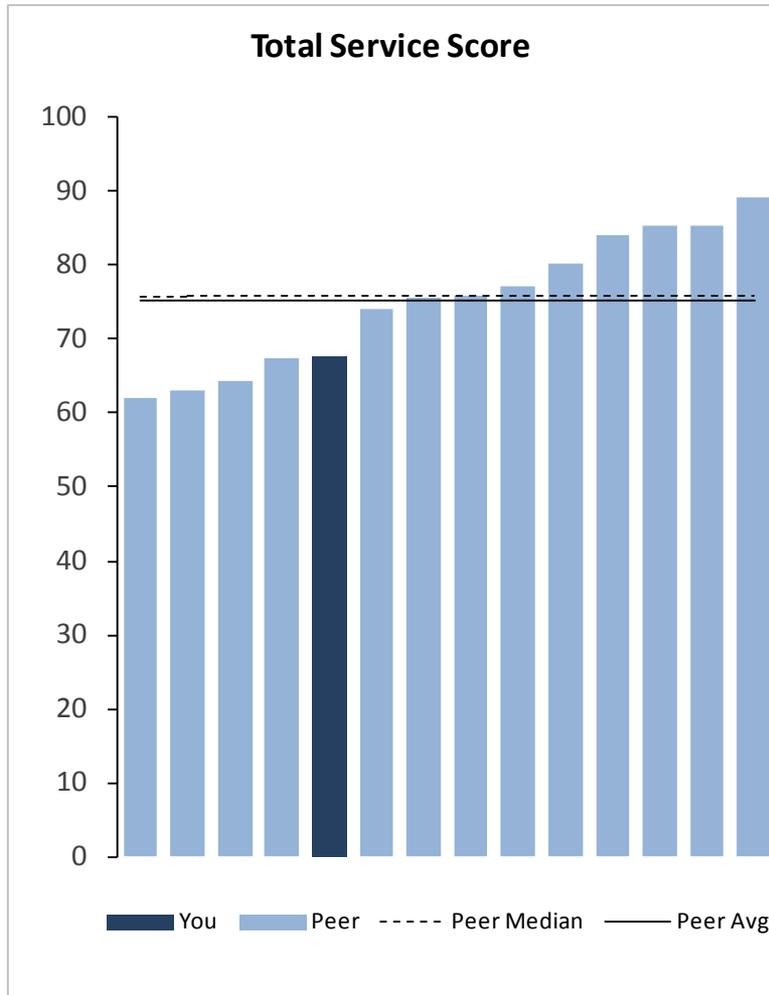
- Your third party and other miscellaneous costs in the front-office activities were \$1.55 per member.
- This was 76% below the peer weighted average of \$6.36.
- This decreased your total cost per member by \$5.35 relative to the peer average.

Reason 6: You paid less for back-office activities.

Back-Office Activities - Cost per Member			
Back Office Activities	You	Peer Avg	More/-less
Governance and Financial Control	\$2.54	\$4.41	-\$1.87
Major Projects	\$0.00	\$7.33	-\$7.33
IT Strategy, Database, Applications (excl. major projects)	\$5.90	\$11.68	-\$5.77
Actuarial, Legal, Audit, Other	\$3.20	\$6.70	-\$3.50
Total	\$11.65	\$30.12	-\$18.47

- Your cost per active and retiree of \$11.65 for back-office activities was below the peer average of \$30.12.
- This decreased your total cost per member by \$18.47 relative to the peer average.

Your total service score was 68 out of 100.



- This was below the peer median of 76.
- CEM defines service from the member's perspective:
 - Faster turnaround times
 - More availability
 - More choice
 - Higher quality

Select Key Service Metrics	You	Peer Avg
<u>Member Contacts</u>		
• % of calls resulting in undesired outcomes (busy signals, messages, hang-ups)	14%	14%
• Average total wait time including time negotiating auto attendants, etc.	163 sec:	177 secs
<u>Website</u>		
• Can members access their own data in a secure environment?	Yes	93% Yes
• Do you have an online calculator linked to member data?	No	86% Yes
• # of other website tools offered such as changing address information, registering for counseling sessions and/or workshops, viewing or printing tax receipts, etc.	9	8
<u>1-on-1 Counseling and Member Presentations</u>		
• % of your active membership that attended a 1-on-1 counseling session	6.6%	3.9%
• % of your active membership that attended a presentation	3.4%	5.5%
<u>Pension Inceptions</u>		
• What % of annuity pension inceptions are paid without an interruption of cash flow greater than 1 month between the final pay check and the first pension check?	99.3%	89.2%
• What % of annuity pension inceptions were initiated online?	n/a	35%
<u>Member Statements</u>		
• How current is an active member's data in the statements that the member receives?	3.0 mos	2.4 mos
• Do statements provide an estimate of the future pension entitlement?	No	57% Yes

Where can PEBA improve your score?

- Lower your call wait time
- Fewer undesired call outcomes

CEM is not recommending these changes.

Service improvement should be cost effective and important to your members.

Key Takeaways:

- Your cost of \$35 per member and annuitant was the lowest of your peer group and third lowest in CEM's universe.
- The primary reasons why:
 - Your lower costs per FTE
 - Your lower costs for the back office activities
- Your service score was 68 - below the peer median score of 76.
- This reflects a lower score for the Call Center, the highest weighted activity in the overall score.
- However, recent enhancements to your website are reflected in your high number of online transaction tools, 9 vs. a peer average of 8.

Best practices come from around the world

CALSTRS
HOW WILL YOU SPEND YOUR FUTURE?

AustralianSuper  

 **IMRF** Illinois Municipal Retirement Fund
"Locally Funded, Financially Sound"

 **TEACHERS'™
PENSION PLAN**
ONTARIO

 **STATE TEACHERS
RETIREMENT SYSTEM
OF OHIO**

 **apg**
morgen is vandaag

**PENSIOENFONDS
ZORG & WELZIJN**

 **COLORADO
PERA**

 **MOSERS**
WE ARE HERE FOR YOUR BENEFIT.

OMERS



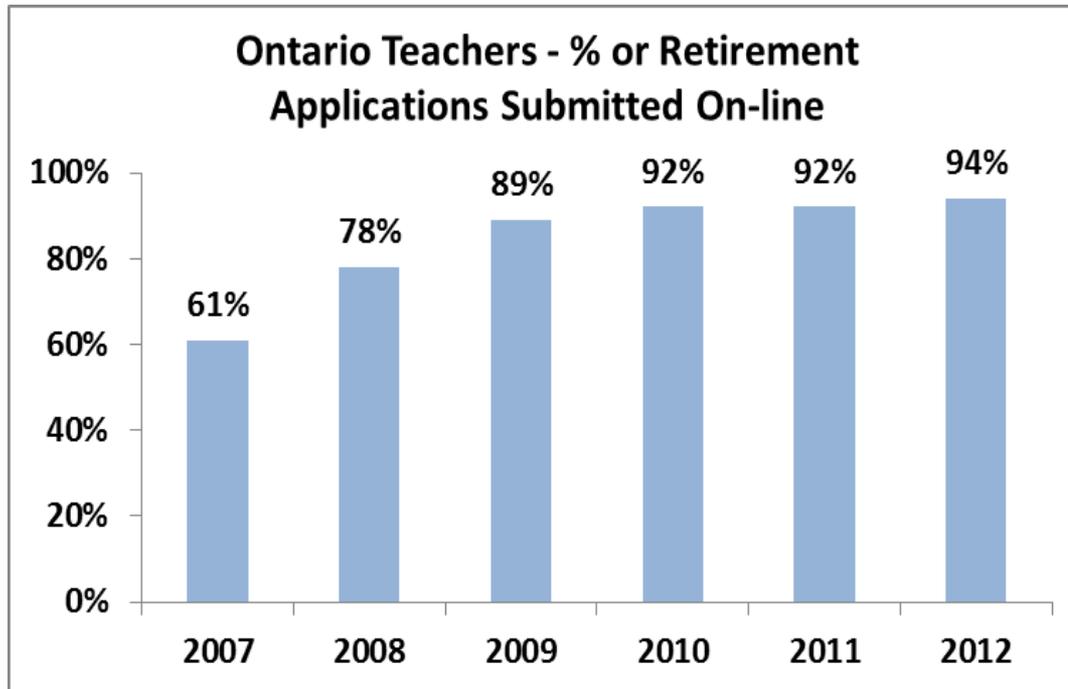
Department of Technology, Management & Budget
Office of Retirement Services

Paperless Pension Administration Transactions

Process / Communication	% answering 'Yes'
Web-based tools enabling employers to submit data	83%
Members can process change of addresses over the phone	77%
Members can initiate a change of address on-line	76%
Board members access papers electronically	75%
Members can get an estimate over the phone	65%
Employers are required to submit data electronically	63%
Board materials are 100% electronic	48%
Members can opt out of receiving paper member statements	45%
Members can initiate an annuity inception on-line	43%
Members can initiate a change of beneficiaries on-line	41%
Newsletters (if applicable) sent electronically to active members	37%
Members can initiate a change of bank details on-line	35%

The impact of straight through processing:

The % of retirement applications Ontario Teachers Pension Plan has received on-line has increased every year:



Impact

60% of retirement statements are delivered on the same-day

43% of statements are delivered within an hour with no manual intervention

Error rate reduced from 35% of applications to almost none

Paper volumes reduced

Arizona's On-line Tracking System:



Hello, Enedina!

Your Account

- Home Page
- Beneficiaries
- 1099-R Statements

Your Payments

- Recent Payments
- Payment History
- About My Check

Apply Now

- Pending Requests

Communication & Education

- Secure E-Mail
- Webinars & Online Counseling
- Member Tutorials

Your Profile

- Edit Profile/Email
- Change Password

Log Out

Pending Requests

RETIREMENT APPLICATION

Retirement Date: 11/05/2012 PLS Increment: 0 Retirement Option: Life Annuity 10 Year Certain

Required Documents ⁱ		
Document	Status	Date
Retirement Application	Received	12/27/2012

Payment and Final Calculation Status		
Action	Status	Date
Review/Approve Required Documents ⁱ	Complete	01/02/2013
Final Pension Calculation and Review ⁱ	Complete	01/02/2013
Payment Generated and Issued ⁱ	In progress	

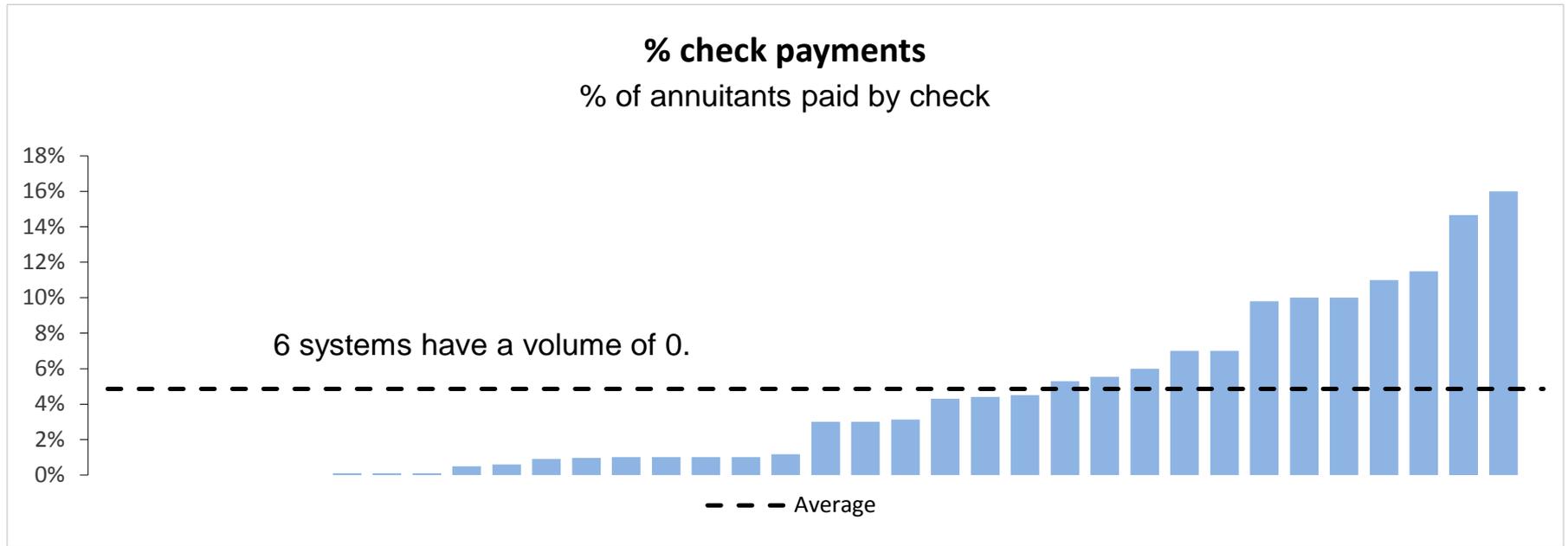
1st Pension Payment ⁱ
Pending
To be Paid by : 02/03/2013

See what documents remain outstanding

Anticipates a completion date

Track progress towards completion

The Paperless Pensioner:



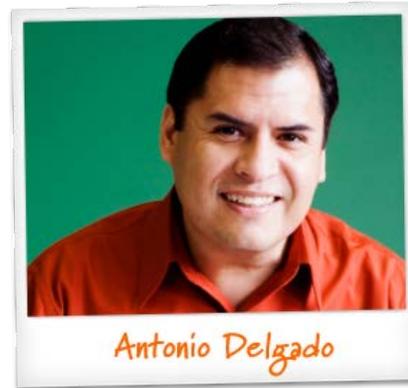
- At Arizona SRS:
 - 99% of annuitants signed for direct deposit
 - Approx. 1000 have a debit card that is reloaded automatically each month
- 2% of your pensioners were paid by check in FY 2013

Best Practice: CalSTRS uses a personalized approach to identify member needs and perceptions.

2nd career,
complex retirement

Early career,
disengaged

Late career,
retiring now



Mid career,
struggling financially

Late career,
when to retire?

How did this research impact CalSTRS' communications?

- Redesigned member communications
 - More electronic and online options
 - Increased social media presence
 - Video education and counseling

CALSTRS

HOW WILL YOU SPEND YOUR FUTURE?

Engaging younger members to be better-informed and pro-active about retirement.

- Ohio SERS hired a consultant to research how to communicate with their youngest members.
- 800 Ohio SERS members were selected at random from a list provided by SERS.
- The sample crossed 4 generations of members.
- The result: The millennial generation were the least engaged members

Research provided by Martin Saperstein, President Martin Saperstein Associates, Columbus, Ohio



Millenials are wired, digital and potentially print averse.

	Millenials	Gen X	Boomers	Traditional
Internet Access	96%	92%	88%	78%
Email	92%	90%	82%	68%
Text Messaging	99%	86%	68%	20%
Smartphone	78%	53%	37%	9%
Landline	47%	73%	79%	90%
Desktop Computer	50%	69%	67%	52%
Laptop	89%	64%	55%	46%
Tablet	20%	19%	13%	9%
MP3 Player	73%	57%	38%	16%
Facebook Account	81%	61%	51%	24%
YouTube	76%	48%	46%	26%
Blogged	40%	19%	14%	3%
Twitter Account	24%	9%	5%	3%

Millennials' communication must be dynamic, interactive; not static or one-way

- Recognize that Millennials are different from other generations with respect to:
 - The devices they use to communicate
 - Their expectations regarding what messages look like
 - Their life-cycle interests



Position retirement as a part of everyday long-term financial security.

- Examples:
 - *How will spending \$3,000 less on a new car today benefit your retirement?*
 - *Is a condo right for you?*
 - *Is a house still a good long-term investment?*
 - *How can you find a financial advisor who keeps you on track?*
 - *How can you make sure that children don't scuttle your plans for retirement?*

“The SBCERA mobile app is a useful tool for staying in touch with and informed about SBCERA and your retirement benefits.”



Flex Time, Hot Desking, Hoteling: Lowering costs through work at home programs.

- ABP has desk space for 80% of the staff
- Workers do not have their own desk
- Requires more planning and communication







South Carolina Retirement System

New GASB Standards for Pension Accounting

Joe Newton and Danny White

February 28, 2014

GRS

Gabriel Roeder Smith & Company
Consultants & Actuaries
www.gabrielroeder.com

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What has GASB Changed

- ◆ The Standards change the pension accounting and financial reporting rules for state and local governments
 - ▶ Disconnect pension accounting and pension funding
 - ▶ Require employers to recognize the Net Pension Liability (NPL) on their balance sheets (*where NPL is code for the Unfunded Accrued Liability based on Market Value of Assets*)
 - ▶ Require employers to recognize a new measure of the Pension Expense (PE) on their income statements, which will be different from their actuarially determined contributions (ARC)
 - ▶ Requires some additional disclosure information in the annual report



Big Picture

- ◆ There will be a large liability on the governments' balance sheet
 - ▶ Estimated \$21.1B Net Pension Liability as of July 1, 2014
 - Approximately \$4.1B in liability is allocated to the State
 - ▶ This will be a “volatile” liability that changes each year with the change in market value of assets
- ◆ There will be a large pension expense on the governments' income statement
 - ▶ Estimated \$1.8B pension expense vs. \$1.1B cash cost for all plans
 - ▶ The shorter amortization gains and losses will result in a “volatile” pension expense from year to year
- ◆ The changes only impact the accounting rules, but



Effective Dates

- ◆ GASB 67 – Reporting for the Retirement System
 - ▶ Fiscal Year ending June 30, 2014
- ◆ GASB 68 – Reporting for Participating Employers
 - ▶ Effective for fiscal years ending after June 15, 2015
 - ▶ For the State, the fiscal year ending June 30, 2015
 - The effective date for local employers will depend on the beginning date of their fiscal year.
 - ▶ Participating employers have the option to early implement the new accounting standard



Employer Reporting Requirements

◆ Current Standard (GASB 27)

- ▶ Participating employers report the contractually required contribution in their financial statements
- ▶ There is no pension liability assigned or disclosed

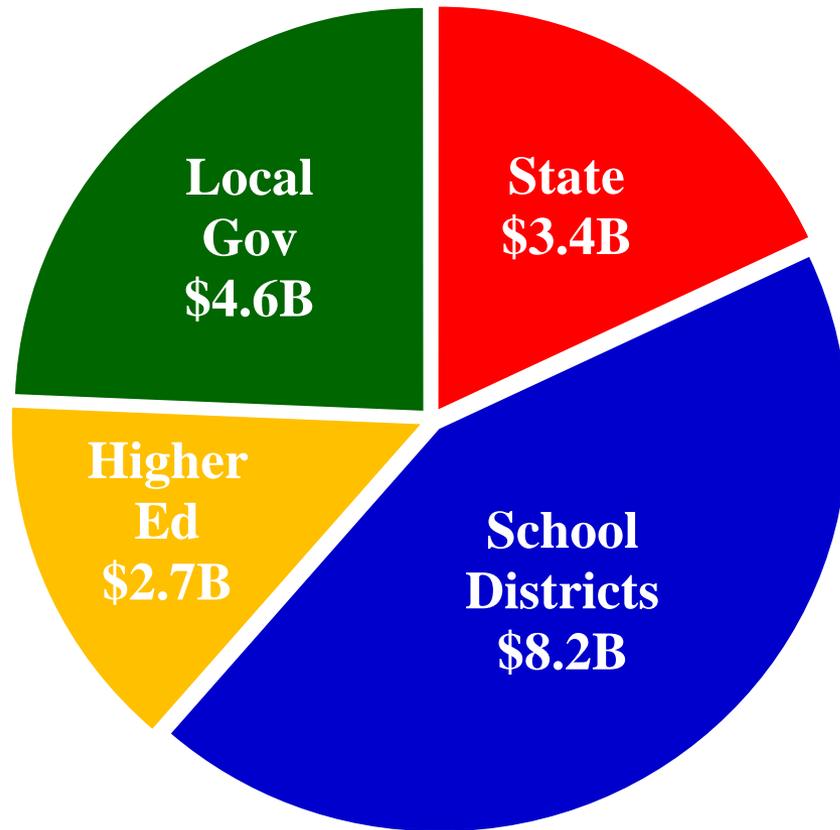
◆ New Standard (GASB 68)

- ▶ Participating employers will report a proportionate share of the collective Net Pension Liability and Pension Expense on their financial statements
- ▶ Additional disclosures in the footnotes and RSI

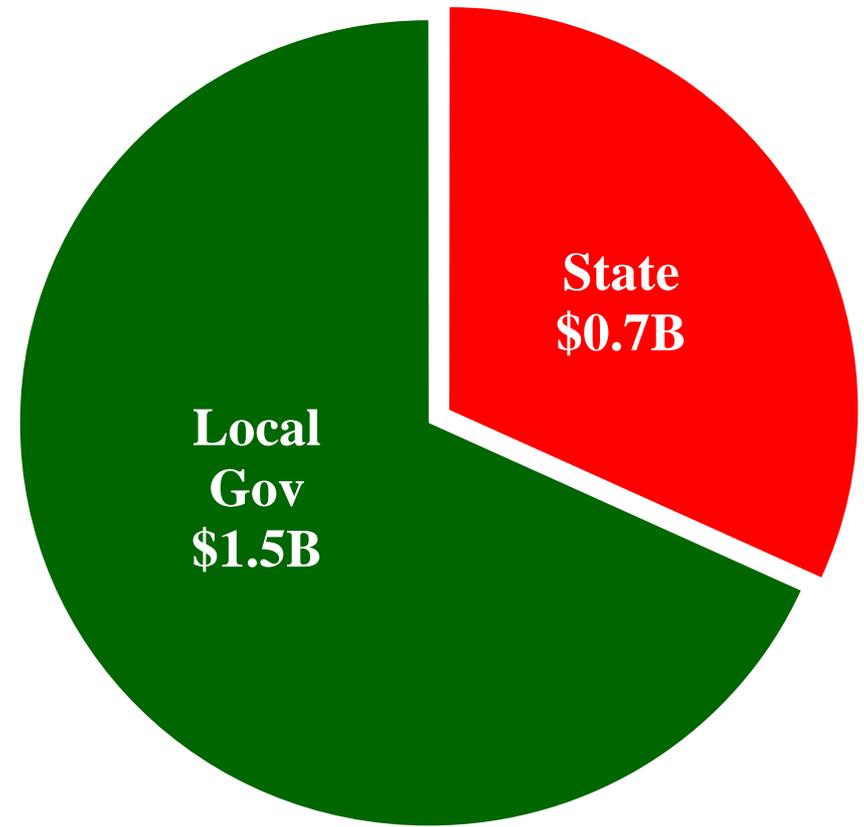


Cost-Sharing Plans

SCRS
\$18.9B NPL



PORS
\$2.2B NPL





Cost-Sharing Plans (cont'd)

◆ Liability assigned to largest employers¹ in SCRS

- ▶ University of South Carolina – \$727M (3.8%)
- ▶ Greenville County School District – \$708M (3.7%)
- ▶ Medical University Hospital Authority – \$630M (3.3%)
- ▶ Spartanburg Regional Medical Center – \$583M (3.1%)
- ▶ Lexington Medical Center – \$562M (3.0%)

◆ Liability assigned to largest employers¹ in PORS

- ▶ SC Department of Corrections – \$371M (16.8%)
- ▶ Department of Public Safety – \$95M (4.3%)
- ▶ Department of Juvenile Justice – \$86M (3.9%)
- ▶ City of Charleston – \$72M (3.3%)
- ▶ City of Columbia – \$71M (3.2%)



Action Steps for the PEBA

- ◆ Prepare to execute the new requirements for FY 2014
 - ▶ Incorporate new reporting requirements in the Retirement Systems Annual Report (CAFR)
- ◆ Develop a Communication Process with Participating Employers
 - ▶ Develop a process for providing the participating employers the necessary financial and disclosure information
 - ▶ Manage questions and requests from the employer's external auditors



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