

Meeting Minutes | Board of Directors

Thursday, June 15, 2017 | 1:00 p.m.

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

Minutes Approved July 19, 2017

Board Members Present: Mr. Frank Fusco, Mr. Steve Heisler, Sheriff Leon Lott, Mr. Steve Matthews, Mr. Audie Penn, Chairman John Sowards, Mr. David Tigges, and Mr. Ed Walton

Board Members Present via Telephone: Vice Chairman Joe “Rocky” Pearce

Others Present for All or a Portion of the Meeting: Peggy Boykin, Amber Carter, Sarah Corbett, Doug Hislop, Evan Mitchell, Heather Muller, Darry Oliver, Travis Turner, Stephen Van Camp, Justin Werner, and Heather Young from the South Carolina Public Employee Benefit Authority (PEBA); Lewis Carter from the South Carolina Department of Administration’s Executive Budget Office; Wayne Pruitt from the State Retirees Association of South Carolina; Terrall Robertson from Strategic Wealth Advisory Group, LLC.; Emma Jordan from the South Carolina Office of the State Treasurer; and Will Kinney from Milliken Law Firm.

I. Call to Order

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

II. Adoption of Proposed Agenda

The proposed Board meeting agenda was adopted unanimously as presented. It was noted that according to the Freedom of Information Act (FOIA), agendas for public meetings cannot be changed after publishing; therefore, this section will not be listed for future meetings.

III. Approval of Meeting Minutes- May 18, 2017

The May 18, 2017, meeting minutes were adopted unanimously as presented.

IV. Strategic Action Plan Review

Ms. Sarah Corbett, Chief Operating Officer, provided the Board with an updated 2016-2018 Business Plan and Strategic Plan. Chairman Sowards asked each Committee Chairman to discuss the revised Business Plan and address any questions or concerns at the July Board meeting.

V. Committee Reports

Chairman Sowards advised of changes to the July Committee and Board meeting dates and times. It was noted that the Retirement Policy Committee will meet on July 19, 2017, at 9:30 a.m. as

previously scheduled. The Finance, Administration, Audit and Compliance (FAAC) Committee will also continue to meet on July 19, 2017, at 2:00 p.m. as previously scheduled. The Health Care Policy Committee meeting will be moved to July 19, 2017, at 3:30 p.m., and the Board meeting will be moved to July 19, 2017, at 4:30 p.m.

Ms. Peggy Boykin, Executive Director, advised that the 2018 Insurance Plan of Benefits will need to be approved by the Health Care Policy Committee and full Board at the July meeting.

Chairman Sowards announced that Mr. Alex Shissias has been appointed to the Board and will serve on the FAAC Committee along with Chairman Steve Matthews and Mr. Frank Fusco. Mr. Steve Heisler will serve as Chairman on the Retirement Policy Committee which includes Sheriff Leon Lott, Mr. David Tigges, and Mr. Ed Walton. Health Care Committee members include Chairman Rocky Pearce, Mr. Frank Fusco, Mr. Audie Penn, and Mr. David Tigges.

A. Retirement Policy Committee

Mr. Tigges stated that the Retirement Policy Committee did not meet in May.

B. Health Care Policy Committee

Mr. Heisler reported that the Health Care Policy Committee met earlier in the day and received a report from BlueCross BlueShield of South Carolina regarding the 2019 State Health Plan adult well visit proposal, and a review on incentives that may be offered to Plan members in the future.

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

Mr. Matthews advised that the FAAC Committee met on June 14, 2017, and received the fiscal year 2016 Defined Benefit Plan Benchmarking Analysis as information. Mr. Matthews stated that PEBA's total pension administration cost was \$33 per active member and annuitant which is the lowest in our peer group. Mr. Matthews added that PEBA's cost per member was the lowest in all pension administration categories. Mr. Matthews also advised that PEBA's total service score was 73, which is below the peer median of 81.

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

- A. Internal Audit Report on Data Security- Removable Media
- B. Memo- Data Reliability- Analytics
- C. Memo- Internal Revenue Code (IRC) Compliance- Retirement Plans
- D. Update - Internal Audit Plan Status Report

Mr. Matthews reported that the FAAC Committee approved the Enterprise Risk Management and Compliance Charter as presented.

VI. Old Business

Director's Report

Ms. Boykin stated that PEBA's operating budget includes approximately \$25 million for full funding of the State Health Plan (excluding adult well visits), with no employee premium increase, and no changes in co-payments or deductibles. Ms. Boykin reported that the

Governor vetoed a proviso that would extend coverage of prescribed contraceptives for dependents under the same terms and conditions that the Plan provides contraceptive coverage for employees and spouses. PEBA's budget also includes \$10 million as requested for implementation of the Operational Assessment project.

Ms. Boykin added that the House version of the budget was adopted which intends for the general fund to cover approximately \$34 million of the first one percent of the increase in employer contribution rates, and the entire second one percent (approximately \$118 million) of the increase in employer contribution rates for all employers regardless of source of funds. The second one percent will be directed to PEBA, rather than to employers, and PEBA will credit each employer the appropriate allocation.

Ms. Boykin stated that a proviso was included in the budget that clarifies the transfer of contracts and agreements from the State Treasurer's Office to PEBA with regards to custodianship of the Retirement System assets which will transition effective July 1, 2017.

Ms. Boykin advised that a Request for Proposal (RFP) has been issued for an Investment Consultant for the Deferred Compensation Program and the State Optional Retirement Program, and a selection should be made in the near future.

Ms. Boykin reported that as of last week, fiscal year-to-date investment returns are approximately 12.5 percent.

VII. Adjournment

There being no further business, and upon motion by Mr. Frank Fusco, which was seconded by Mr. Heisler, and approved unanimously, the Board meeting adjourned at 1:30 p.m.