



PEBASM
SC Retirement Systems
and State Health Plan

South Carolina Public Employee Benefit Authority
Serving those who serve South Carolina

Meeting Agenda

**Meeting Agenda | Finance, Administration, Audit and Compliance Committee |
Health Care Policy Committee | Retirement Policy Committee | Board of Directors**

**Wednesday, July 28, 2021 | 202 Arbor Lake Drive., Columbia, SC 29223 | First Floor Conference Room
Via teleconference: 888 475 4499 Meeting ID 646 749 5163 ##**

Finance, Administration, Audit and Compliance Committee | 8:30 a.m.

- I. Call to Order
- II. Approval of Meeting Minutes March 3, 2021
- III. Election of Vice-Chairman
- IV. Strategic Key Measures Review
- V. CEM Retirement Systems Benchmarking
- VI. Internal Audit Reports
 - A. Internal Audit Report 2021-1 Actuarial File Creation, Review, and Delivery
 - B. Internal Audit Report 2021-2 Health Plan Tax Reporting
 - C. Internal Audit Plan Update
- VII. Fiscal Year 2023 Agency Budget Approval
- VIII. Old Business/Director's Report
- IX. Adjournment

Health Care Policy Committee | 10:30 a.m.

- I. Call to Order
- II. Approval of Meeting Minutes March 3, 2021
- III. Strategic Key Measures Review
- IV. 2022 State Health Plan Approval of Benefits and Contributions
- V. MUSC Health Plan Update
- VI. MUSC Health Plan of Benefits Amendment
- VII. Old Business/Director's Report
- VIII. Adjournment

LUNCH

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.

Retirement Policy Committee| 1:00 p.m.

- I. Call to Order
- II. Approval of Meeting Minutes March 3, 2021
- III. Strategic Key Measures Review
- IV. Defined Contribution Quarterly Reports
 - i. Deferred Compensation Program Investment Performance Report
 - ii. State ORP Investment Performance Report
- V. Deferred Compensation Program Plan Summary
- VI. Old Business/Director's Report
- VII. Adjournment

Board of Directors | 3:00 p.m.

- I. Call to Order
- II. Approval of Meeting June 23, 2021
- III. OPEB Investment Performance Update
- IV. Strategic Plan Approval
- V. Committee Reports
 - A. Finance, Administration, Audit and Compliance Committee
 - i. Fiscal Year 2023 Agency Budget Approval
 - B. Health Care Policy Committee
 - i. 2022 State Health Plan Approval of Benefits and Contributions
 - ii. MUSC Health Plan of Benefits Amendment
 - C. Retirement Policy Committee
- VI. Old Business
 - A. Director's Report
 - B. Roundtable Discussion
- X. Executive Session for the Purpose of Discussing Security and Personnel Matters Pursuant to S.C. Code of Laws § 30-4-70(a)(1), (3).
- VII. Adjournment

**PUBLIC EMPLOYEE BENEFIT AUTHORITY AGENDA ITEM
BOARD MEETING**

Meeting Date: July 28, 2021

1. Subject: OPEB Investment Performance Update

2. Summary: State Treasurer Curtis Loftis and Mr. John Gentry from Federated Investment Counseling will present the OPEB Investment Performance Update.

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

4. Supporting Documents:

(a) Attached: PEBA Presentation



Public Employee Benefit Authority Meeting

July 2021

Hon. Curtis M. Loftis, Jr.
South Carolina State Treasurer

John Gentry, CFA
Federated Investment Counseling
Senior Vice President
Senior Portfolio Manager

Today's Presenters



Curtis M. Loftis, Jr.
South Carolina State Treasurer

Curtis Loftis is the State Treasurer of South Carolina. As Treasurer, he is the state's "private banker," managing, investing and retaining custody of more than \$50 billion in public funds. He also serves as administrator of the state's Unclaimed Property Program, Future Scholar 529 College Savings Plan and Palmetto ABLE Savings Program [treasurer.sc.gov], which provides eligible individuals with disabilities the opportunity to save and invest money while maintaining eligibility for important needs-based benefits.

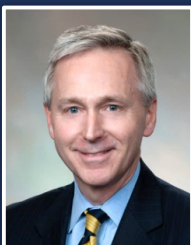
Treasurer Loftis is a fierce advocate for greater accountability, transparency and fiscal management in state government. As Treasurer, he has championed a number of causes for the benefit of state government and all South Carolinians, including public pension reform and financial education in K-12 schools.



Melissa Simmons, CPA, CFP
Director of Banking & Investment Management Division

Melissa joined the State Treasurer's Office staff in August 2016. She currently serves as Senior Assistant State Treasurer and is the Director of the Banking & Investment Management Division. This Division coordinates and provides banking and investments services for state agencies, colleges and universities.

Melissa has proudly served the State of South Carolina for over 25 years in various auditing, investment, treasury, management and financial roles. She has also served in the private sector for 8 years as a financial advisor at Ameriprise Financial Advisors. Her experience includes portfolio analysis and implementation, investment planning, tax planning, insurance planning and estate planning.



John Gentry, CFA
Senior Vice President, Senior Portfolio Manager, Head of Corporate Fixed Income Group
Federated Investment Counseling

Responsible for portfolio management and investment research in the fixed income area concentrating on high grade corporate, U.S. government, and U.S. government agency bonds. Previous associations: Senior Treasury Analyst, Sun Company, Inc.; Analyst, Golembe Associates, Inc. B.A., University of Virginia; M.B.A., Cornell University. Professional affiliation: Member, CFA Society of Pittsburgh and Financial Analysts of Philadelphia. Joined Federated 1995; Investment Experience: 31 years.



Table of Contents

- Opening Remarks from State Treasurer's Office
- Portfolio Overview
- Portfolio Performance
- Portfolio Characteristics
- Economic Outlook



Portfolio Overview and Objectives

	Long-Term Disability Insurance	Retirees Health Insurance Trust Fund
Trustee	PEBA Board	PEBA Board
Administrator	PEBA	PEBA
Custodian/Investor	SC Treasurer	SC Treasurer
Underlying Liabilities	Employer costs of state's basic long-term disability income benefit plan	Employer costs of post-employment health and dental insurance benefits for retired state employees and retirees of public school districts
Assets (6/30/21)	\$41,933,503	\$1,596,897,337

Sources: SC Comprehensive Investment Policy and custodian bank.



Performance Summary

6/30/21						
	Market Value	QTD	YTD	(%) 1 Year	3 Years	Since Inception
LTDI TRUST FUND						
Total Gross Of Fees	\$41,933,503	2.46	(2.15)	(0.38)	6.03	4.63
Total Net Of Fees		2.45	(2.18)	(0.43)	5.98	4.58
Index*		2.42	(1.96)	(0.39)	5.94	4.32
Excess Gross Return Over Fees		0.04	(0.19)	0.01	0.09	0.31
SCRHI TRUST FUND						
Total Gross Of Fees	\$1,596,897,337	0.89	(0.86)	0.34	4.73	3.55
Total Net Of Fees		0.88	(0.88)	0.29	4.68	3.50
Index**		0.98	(0.90)	0.19	4.69	3.43
Excess Gross Return Over Fees		(0.09)	0.04	0.15	0.04	0.12

Performance periods over one year are annualized.

Performance inception date is 10/01/2017.

*Effective November 2017 the index changed to the Bloomberg Barclays Intermediate Gov't Credit index from the custom index of 20% ICE BofAML 3 month T-Bills / 80% Bloomberg Barclays Aggregate.

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Long-Term Disability Insurance – Characteristics

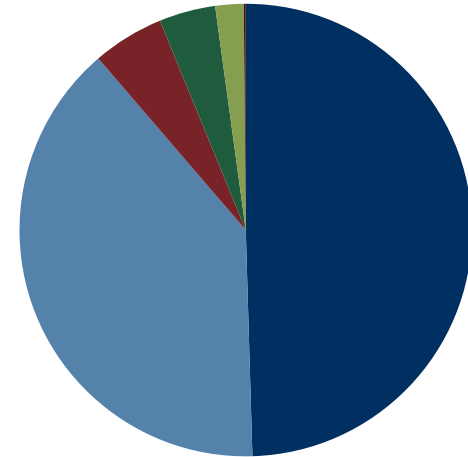
As of 6/30/21

Total Market Value	\$41.93M
Coupon:	2.44%
Yield To Maturity:	1.52%
Effective Duration:	6.99 Years
Average Quality:	A+

S&P Rating	Weight (%)
AAA	9.13
AA+ TO AA-	43.09
A+ TO BBB-	47.43
NR*	0.35

*Coca-Cola (1.85% 9/1/2032) is rated by Moody's and Fitch

Portfolio Composition



- Investment Grade Corporate Securities 49.53%
- U.S. Treasury Securities 39.17%
- Asset Backed Securities 5.11%
- Cash & Cash Equivalents 4.03%
- Commercial Mortgage Backed Securities 2.03%
- Mortgage Backed Securities 0.14%



Retirees Health Insurance Trust Fund – Characteristics

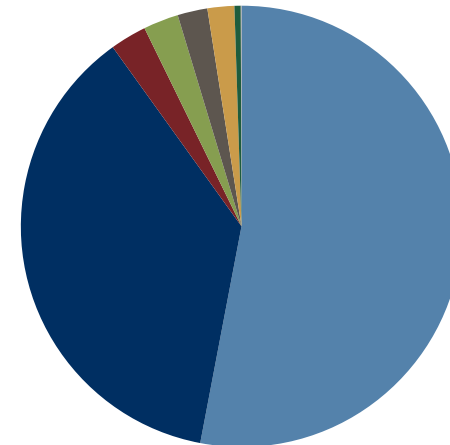
As of 6/30/21

Total Market Value	\$1.597B
Coupon:	2.04%
Yield To Maturity:	0.93%
Effective Duration:	3.78 Years
Average Quality:	AA-

S&P Rating	Weight (%)
AAA	4.66
AA+ TO AA-	57.88
A+ TO BBB-	36.87
BB+ AND BELOW	0.38
NR*	0.20

*Coca-Cola (2.75% 1/22/2030) and IHS Markit LTD (3.625% 5/1/2024) are rated by Moody's and Fitch

Portfolio Composition



- U.S. Treasury Securities 53.00%
- Investment Grade Corporate Securities 37.08%
- Commercial Mortgage Backed Securities 2.67%
- Asset Backed Securities 2.58%
- Commercial Paper 2.19%
- Cash & Cash Equivalents 1.97%
- Investment Grade Corporate At Time Of Purchase 0.46%
- Mortgage Backed Securities 0.05%



Economic Outlook



The Fed's New Policy Regime

Flexible average inflation targeting alters the Fed's approach to achieving its objectives

Objective	Old Framework -Preemptive	New Framework -Reactive	Implications
Inflation	2% as measured by the annual change in headline PCE is consistent over longer run with price stability.	Inflation that averages 2% over time as measured by annual change in the headline PCE.	<p>Markets had come to believe the 2% was a target or ceiling and a preemptive Fed would tighten in anticipation inflation would hit target.</p> <p>Now Fed tells market it looks at 2% as an average and wants inflation above that level after years of falling below it before they tighten, producing a reactive Fed.</p>
Maximum Employment	Policy Decisions based on assessment of “ deviations from ” maximum employment.	Policy Decisions based on assessment of “ shortfalls of ” employment from its maximum level.	<p>Fed historically had tightened to prevent labor market from overheating as unemployment rate could be too low and prompt inflation pressures.</p> <p>Now, only shortfalls in employment prompt policy changes (eases); employment in excess of maximum alone is insufficient to cause tightening.</p>



US Price Stats Daily Country Inflation Index (% yoy)



Source: State Street Global Markets Research

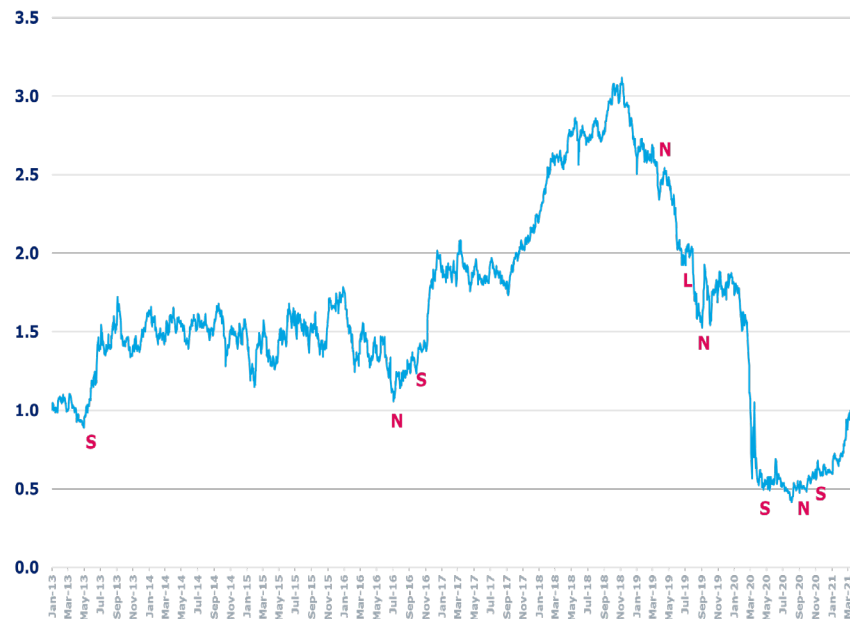
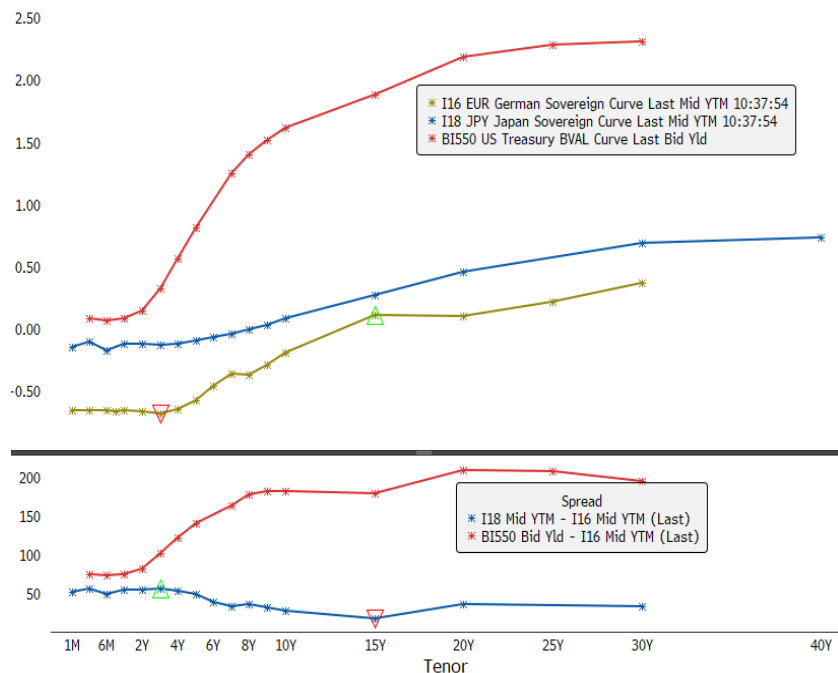


Inflation: Hints of the 1960's?

Factors	Current day parallels
Increased U.S. fiscal deficit associated with Vietnam War	Increased U.S. fiscal deficit associated with war on COVID
Oil price increases driven by U.S. reliance on foreign oil	ESG pressures on energy prices
Lyndon Johnson's "Great Society" stimulus	Multiple stimulus packages
Emerging baby boomer demographic led to demand pull inflation	Retiring baby boomer demographic leads cost-push labor inflation
Declining U.S. dollar driven by departure from the gold standard	Emergence of crypto
Dovish Federal Reserve pressured by administration	Dovish Federal Reserve pressured by socio-economic factors



Interest Rates/Duration



2021 Attribution Positive: Defensive duration during rising rates

Current Position Defensive 87.5% of bench

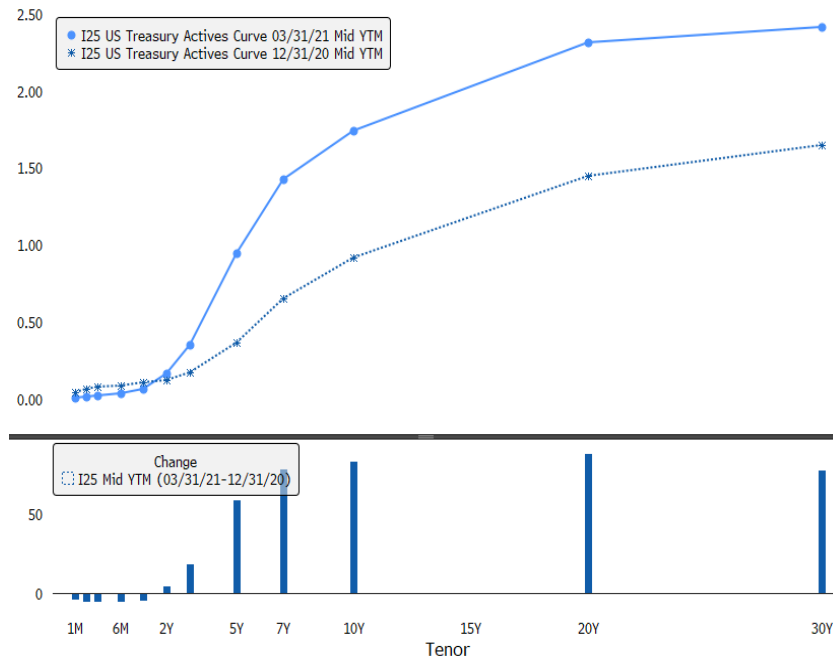
Dominant Factor Positive economic growth and reflation

Source: Bloomberg
Past performance is no guarantee of future results.

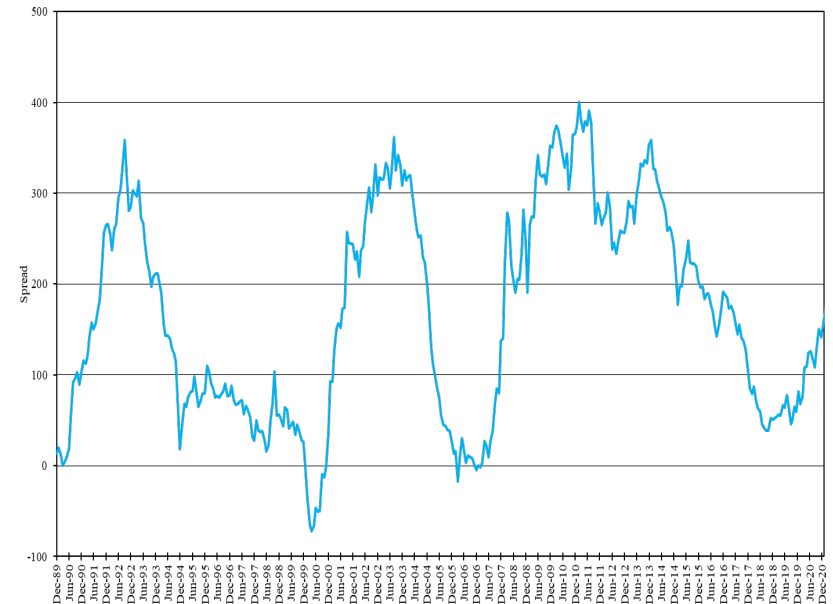


U.S. Yield Curve

Historical Yield Curve
12/31/2020 – 3/31/2021



Historical Yield Spread
(UST 2 Yr vs. UST 30 Yr)
12/31/1989 – 3/31/2021



Attribution Positive: Steepening bias

Current Position Increased steepening bias

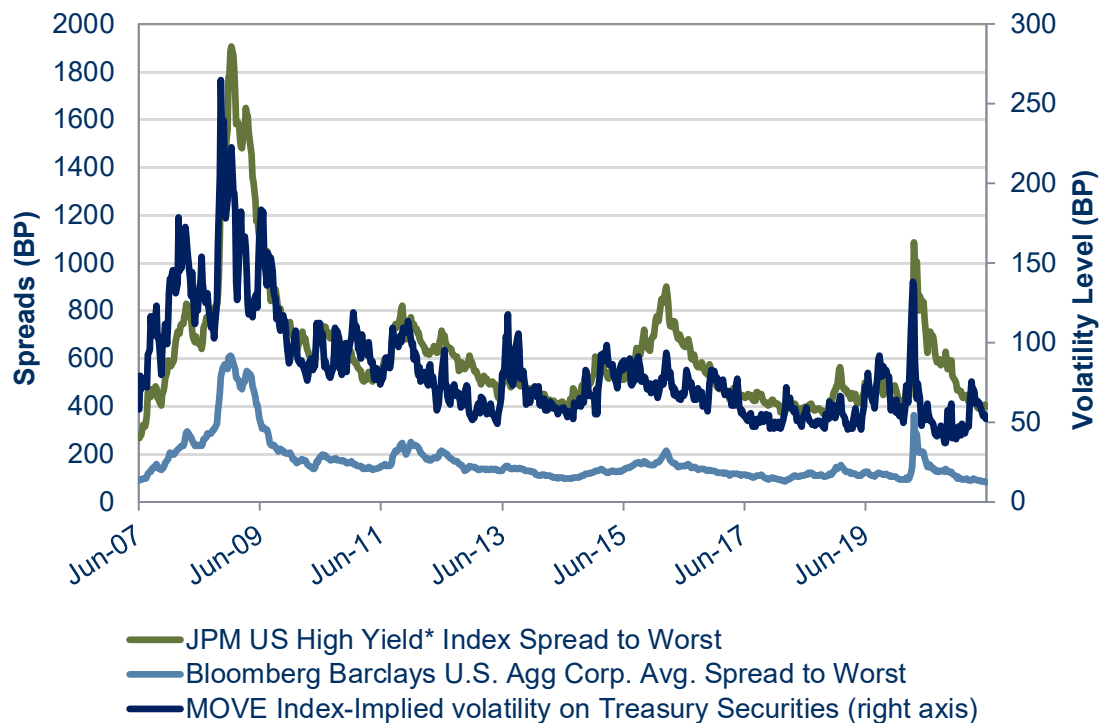
Dominant Factor Dovish Fed combined with increased growth and inflation

Source: Bloomberg



Sector Allocation

6/30/2007 – 5/28/2021



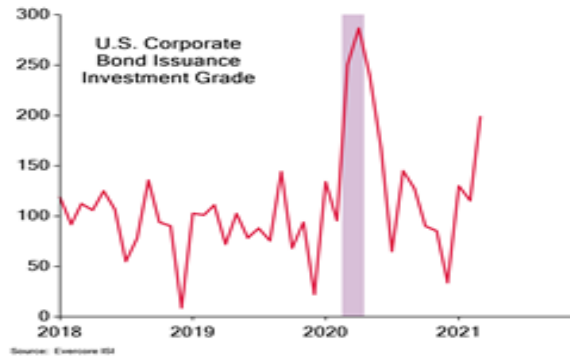
2021 Attribution	Positive: Overweight IG, HY, and EM
Current Position	Overweight HY and EM
Dominant Factor	Improving fundamentals from economic recovery overwhelms less attractive valuation

Source: Bloomberg/Barclays



U.S. corporate debt issuance has surged in 2020. But it did not negatively impact credit spreads.

U.S. Investment Grade ...



... And High-Yield Bond Issuance Are Elevated.



Will Private Placement of U.S. Corporate Bond Issuance Replicate the Growth in 2004 – 2007? Probably Yes.



Corporate Bond Trading Volume Is Elevated Too.



**PUBLIC EMPLOYEE BENEFIT AUTHORITY AGENDA ITEM
BOARD MEETING**

Meeting Date: July 28, 2021

1. Subject: Strategic Plan Approval

2. Summary: Approval of the 2021-2025 Strategic Plan that was presented at the last Board Meeting on June 23, 2021.

3. What is the Board asked to do? Approve the Strategic Plan as presented on June 23, 2021.

4. Supporting Documents:

- (a) Attached: 1. 2021-2025 Strategic Staff Actions
 2. FY 2021 Completed Strategic Staff Actions

Strategic Staff Actions

2021-2025

GOAL 1

Promote financially sound PEBA programs

GOAL 2

Enhance the customer service experience for members and employers

GOAL 3

Responsibly manage risk to the organization

GOAL 4

Maintain a workforce and work environment conducive to achievement of agency goals and objectives

GOAL 5

Improve internal efficiencies through new system implementation



PEBASM
SC Retirement Systems
and State Health Plan

GOAL 1



Promote financially sound PEBA programs

PEBA has a responsibility to its stakeholders to control public employee benefit costs while providing maximum benefits. The cost to members and taxpayers is impacted by investment performance, member behavior, competitive developments in relevant labor markets, policy determinations regarding cost-allocations and the willingness to pay of participants and taxpayers.

STRATEGY 1.1

Provide the legislature with information to properly determine contributions and funding to ensure long-term viability of benefit programs.

STAFF ACTIONS

- Conduct annual actuarial valuations and financial audits, and benchmarking and research to gauge and communicate soundness of plans.
- Provide fiscal impact and other information as needed for public policy makers as legislation is considered.

STRATEGY 1.2

Research best practices, recommend and implement health plan design changes, and promote the use of high-value health services to improve health outcomes.

STAFF ACTIONS

- Conduct ongoing research and analysis of health plan design, experience and industry best practices.
- Promote dental checkups to encourage good overall oral and physical health.
- Promote eye exams as appropriate to help detect vision and chronic health conditions.
- Promote value-based benefits, known as PEBA Perks, available at no cost to members.
- Conduct ongoing literature review for best practices in plan design.

STRATEGY 1.3

Reduce use of ineffective or unnecessary health services to reduce costs.

STAFF ACTIONS

- Continue to implement appropriate advanced utilization management programs to ensure the safest, most cost-effective prescription drug is chosen and administered in a medically appropriate site of care.
- Evaluate effectiveness of the advanced opioid management program implemented in the pharmacy benefit.
- Educate members on medically appropriate and cost-effective sites of care.

STRATEGY 1.4	STAFF ACTIONS
<p>Improve internal efficiencies by implementing PEBA:Connect on-time and on-budget.</p>	<ul style="list-style-type: none"> • March 2025 Complete PEBA:Connect project on-time and on-budget.

GOAL 2



Enhance the customer service experience for members and employers

PEBA aims to provide the best quality service to its stakeholders, including members, dependents and beneficiaries. As such, PEBA strives for continuous improvement of the level of service we provide, as well as those services provided by our third-party administrators.

STRATEGY 2.1

Implement cost effective integrated systems and processes that are intuitive and practical, and provide value for members and employers.

STAFF ACTIONS

- September 15, 2021
Implement online *Statement of Health* process with MetLife.
- December 31, 2021
Improve required minimum distribution process for all retirement plans.
- May 2024
Launch Phase I of PEBA:Connect, which includes retirement details on employer and member portals.
- March 2025
Launch Phase II of PEBA:Connect, which includes insurance details on employer and member portals.
- March 2025
Complete PEBA:Connect, providing a unified, one-stop improved customer experience with respect to all programs administered by PEBA; links to external providers; and enhanced integration with third-party administrators.

GOAL 3



Responsibly manage risk to the organization

It is incumbent upon our individual employees and organization to continually assess and mitigate the threats and risks to which we are exposed. Through enterprise risk management, we will plan, organize, lead and control the activities of our organization in order to minimize the effects of risk. This will include financial, strategic and operational risks.

STRATEGY 3.1

Maintain a culture of risk awareness through the development, implementation and maintenance of an enterprise risk management program.

STAFF ACTIONS

- Ensure ongoing compliance of retirement and insurance plans with federal IRS requirements through the Federal Compliance Review program.
- Maintain Business Continuity Plan.
- Maintain Incident Response Plan.

STRATEGY 3.2

Ensure information technology resources are used to implement continuing security initiatives.

STAFF ACTIONS

- Provide privacy and security training to staff on a regular basis.
- Ensure compliance with NIST standards and internal information technology policies.
- Regularly review information technology controls of external partners.
- Conduct internal reviews on a regular basis to ensure compliance.

STRATEGY 3.3

Minimize the effects of risk related to PEBA:Connect and appropriately manage the risk.

STAFF ACTIONS

- Document and report significant program level-related risks.
- Identify risks and document strategies to mitigate identified risks.

GOAL 4



Maintain a workforce and work environment conducive to achievement of agency goals and objectives

Like many organizations, PEBA is faced with staffing challenges brought on by loss of staff due to retirement and new skills requirements due to advances in technology. We respect the individual contributions of each employee and endeavor to empower employees with the needed resources for teamwork, shared pride and continuous learning.

STRATEGY 4.1

Ensure a consistent, viable talent pool that adapts effectively and fulfills business needs for the present and future.

STAFF ACTIONS

- Continue to evaluate staffing needs in operational areas as PEBA:Connect progresses.
- Align workforce structure with integration of insurance and retirement processes and implementation of PEBA:Connect.

STRATEGY 4.2

Develop and maintain effective training and development programming that fosters a culture driven by high performance.

STAFF ACTIONS

- Enhance employee engagement by identifying opportunities for cross-training and staff development.

STRATEGY 4.3

Ensure a safe, secure and functional physical working environment.

STAFF ACTIONS

- July 2021 Implement non-COVID telecommuting.

GOAL 5



Improve internal efficiencies through new system implementation

PEBA is challenged with aging information systems. Operational systems and business processes are being assessed with assistance from benefits administration experts to create a roadmap for securing internal efficiencies through new technology. This system implementation project will be a multi-year endeavor requiring intensive capital and human resources.

STRATEGY 5.1

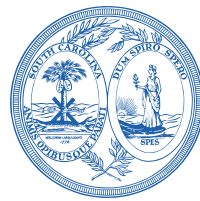
Conduct and maintain multi-phase initiatives to generate system and operational changes to improve internal efficiencies.

STAFF ACTIONS

- Complete PEBA: Connect project plan and associated tasks to implement a new system that will integrate retirement and insurance processes where further integration will improve operations and/or the efficiency and delivery of excellent services to customers.
- Provide a project update to the Board of Directors quarterly.

Fiscal year 2021

Completed Strategic Staff Actions



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Goal one

Promote financially sound PEBA programs

PEBA has a responsibility to its stakeholders to control public employee benefit costs while providing maximum benefits. The cost to members and taxpayers is impacted by investment performance, member behavior, competitive developments in relevant labor markets, policy determinations regarding cost-allocations and the willingness to pay of participants and taxpayers.

Completed staff actions

- Conducted actuarial valuations for retirement and insurance.
- Implemented a new contract to four State ORP service providers effective January 1, 2021.
- Issued request for proposal for evidence-based medicine services through claims data analysis and awarded contract.
- Issued request for proposal for health savings accounts and awarded contract.
- Issued request for proposal for behavioral health management services.
- Collaborated with the data warehouse consultant to ensure prescription drug pricing guarantees are met and that all rebates, Retiree Drug Subsidies and EGWP (Medicare) subsidies are realized based on the current pharmacy benefits manager (PBM) contract. Guarantees and subsidies received by PEBA help offset potential premium increases. Based on the PBM contract, PEBA has received \$17.1 million in prescription drug pricing guarantee reconciliation, and has validated \$1.6 billion in pharmacy rebates and \$732.7 million in EGWP subsidies through the life of the current contract. These guarantee and rebate dollars effectively closeout the PBM contract in effect from 2016 through 2020. The only exception will be some expected true-up amounts for rebates and EGWP subsidies.



Goal two

Improve health outcomes and promote retirement awareness

PEBA understands the importance of making appropriate changes to health plan design to improve health outcomes and reduce costs, including changes to reduce member behaviors that negatively affect health outcomes. In addition, the agency has a new focus on retirement awareness to ensure that members are aware of the benefits available to them through PEBA-administered plans, as well as options to supplement their benefits.

Completed staff actions

- Transitioned to providing online member and employer education.



Goal three

Enhance the customer service experience for members and employers

PEBA aims to provide the best quality service to its stakeholders, including members, dependents and beneficiaries. As such, PEBA strives for continuous improvement of the level of service we provide, as well as those services provided by our third-party administrators.

Completed staff actions

- Developed and deployed the availability for Customer Service to provide scheduled video and phone consultations to members.
- Identified and proactively contacted new benefits administrators to offer training.
- Conducted proactive outreach to employers to reduce the amount of paper transactions.
- Implemented additional member surveys.



Goal four

Responsibly manage risk to the organization

It is incumbent upon our individual employees and organization to continually assess and mitigate the threats and risks to which we are exposed. Through enterprise risk management, we will plan, organize, lead and control the activities of our organization in order to minimize the effects of risk. This will include financial, strategic and operational risks.

Completed staff actions

- Implemented online dual factor authentication for employers.
- Monitored employer payroll growth in comparison with actuarial assumptions.
- Completed disaster recovery provider transfer and enhanced business continuity testing.



Goal five

Maintain a workforce and work environment conducive to achievement of agency goals and objectives

Like many organizations, PEBA is faced with staffing challenges brought on by loss of staff due to retirement and new skills requirements due to advances in technology. We respect the individual contributions of each employee and endeavor to empower employees with the needed resources for teamwork, shared pride and continuous learning.

Completed staff actions

- The COVID-19 pandemic required the implementation of a telecommuting policy and associated procedures were developed and implemented. The majority of staff transitioned to working remotely in Spring 2020 and were successful in doing so for more than a year. All staff returned to the office in April 2021.
- Enhanced employee engagement by identifying opportunities for cross-training and staff development.
- Conducted a facility safety review.
- Implemented a formal feedback process for new hires.



Goal six

Improve internal efficiencies through new system implementation

PEBA is challenged with aging information systems. Operational systems and business processes are being assessed with assistance from benefits administration experts to create a roadmap for securing internal efficiencies through new technology. This system implementation project will be a multi-year endeavor requiring intensive capital and human resources.

Completed staff actions

- Awarded contract to vendor for a new benefits administration system.
- Began implementation of the PEBA:Connect project. The project is on-time and on-budget through May 2021.



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South Carolina Public Employee Benefit Authority

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Columbia, SC 29223

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**PUBLIC EMPLOYEE BENEFIT AUTHORITY AGENDA ITEM
BOARD MEETING**

Meeting Date: July 28, 2021

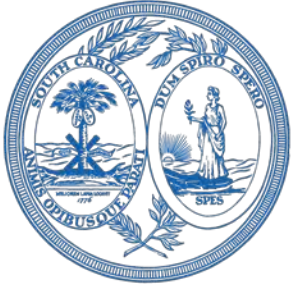
1. Subject: FY 2023 PEBA Agency Budget Request

2. Summary: The FY 2023 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 2022. It remains in the FY 2023 request.

3. What is the Board asked to do? Approve the FY 2023 Agency Budget as requested

4. Supporting Documents:

(a) Attached: Fiscal Year 2023 Budget Request



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Fiscal year 2023 budget request

Board of Directors

July 28, 2021

Operating budget trends

	Authorized budget						FY 2023 request
Trust Funds	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	
Personal services	\$15,403,176	\$16,221,729	\$16,558,789	\$16,558,789	\$16,558,789	\$16,558,789	\$16,558,789
Other operating	\$11,049,436	\$9,704,626	\$8,948,509	\$8,948,509	\$8,948,509	\$8,025,601	\$8,025,601
Adoption assistance	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000
Employer contributions	\$5,277,479	\$5,803,736	\$6,222,793	\$6,222,793	\$6,222,793	\$7,145,701	\$7,145,701
New IT system project	-	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000
Total Trust Funds	\$32,030,091	\$42,030,091	\$42,030,091	\$42,030,091	\$42,030,091	\$42,030,091	\$42,030,091
General Funds ¹	\$7,495,020	\$125,737,331	\$109,468,739	\$112,368,739	\$112,266,880	\$111,484,135	\$111,484,135
Total	\$39,525,111	\$167,767,422	\$151,498,830	\$154,398,830	\$154,296,971	\$153,514,226	\$153,514,226

¹Details available on Slide 3.

FY 2021 statewide employer contributions

	FY22 authorized	FY23 budget request
III. Statewide Employer Contributions		
Ret Suppl-State Employee	\$233,258	\$233,258
Ret-Suppl-Public School Employee	\$199,855	\$199,855
Ret-Police Insur & Annuity Fund	\$960	\$960
Ret Suppl-Police Officer	\$17,506	\$17,506
Pension Ret-National Guard ¹	\$4,405,123	\$4,405,123
OPEB Trust Fund Pymt	\$2,375,300	\$2,375,300
Subtotal	\$7,232,002	\$7,232,002
SCRS Trust Fund	\$88,230,143	\$88,230,143
PORS Trust Fund	\$13,121,990	\$13,121,990
JSRS Trust Fund	\$2,900,000	\$2,900,000
Subtotal	\$104,252,133	\$104,252,133
Total pass through funds	\$111,484,135	\$111,484,135

¹The actual amount for fiscal year 2023 will be determined by the annual valuations, which will be available in January 2022.

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 through FY 2022; 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 2022.
- Additional budget authorization of \$10 million of recurring funds for PEBA's IT modernization project, PEBA:Connect, was approved in FY 2018 through FY 2022. The funds remain in the FY 2023 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 are dedicated and committed to the project.
- Client services vendor is assisting PEBA staff to ensure operational needs are met.
- Data conversion vendor is working to cleanse operational data for the new system.
- Awarded contract to benefits administration system vendor and implementation of PEBA:Connect project began in February 2021.

Disclaimer

This presentation does not constitute a comprehensive or binding representation of the employee benefit programs PEBA administers. The terms and conditions of the employee benefit programs PEBA administers are set out in the applicable statutes and plan documents and are subject to change. Benefits administrators and others chosen by your employer to assist you with your participation in these employee benefit programs are not agents or employees of PEBA and are not authorized to bind PEBA or make representations on behalf of PEBA. 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.

**PUBLIC EMPLOYEE BENEFIT AUTHORITY AGENDA ITEM
BOARD MEETING**

Meeting Date: July 28, 2021

1. Subject: 2022 State Health Plan Approval of Benefits and Contributions

2. Summary: Rob Tester will present contribution rates and plan design changes for 2022 in accord with program funding from the General Assembly, as well as other proposals to achieve savings and/or enhance program value.

3. What is Board asked to do? Approve the State Health Plan Benefit and Contribution for Plan Year 2022 as presented.

4. Supporting Documents:

(a) Attached: 1. Approval of State Health Plan Benefit and Contribution for Plan Year 2022



Approval of State Health Plan benefits and contributions for plan year 2022

State Health Plan funding proviso from Appropriations Act

108.6 (PEBA: State Health Plan) Of the funds authorized for the State Health Plan pursuant to Section 1-11-710(A)(2) of the 1976 Code, an employer premium increase of 0.8 percent and a subscriber premium increase of zero percent will result for the standard State Health Plan for Plan Year 2022. Copayments for participants of the State Health Plan shall remain the same in Plan Year 2022 as in Plan Year 2021. Notwithstanding the foregoing, pursuant to Section 1-11-710(A)(3), the Public Employee Benefit Authority may adjust the plan, benefits, or contributions of the State Health Plan during Plan Year 2022 to ensure the fiscal stability of the Plan.

2022 Employer rates for all health plans (composite 0.8% increase)

Coverage level	Rate
Enrollee only	\$402.70
Enrollee/spouse	\$804.06
Enrollee/children	\$625.48
Full family	\$1,018.70

2022 Employee rates (no change from 2021)

Coverage level	Standard Plan and Medicare Supplemental Plan	Savings Plan
Enrollee only	\$97.68	\$9.70
Enrollee/spouse	\$253.36	\$77.40
Enrollee/children	\$143.86	\$20.48
Full family	\$306.56	\$113.00

Program changes | Medicare Part B pharmacy solution

Generally, for Medicare retirees in the State Health Plan (Plan), medical services covered under Medicare Part B are ultimately processed by BlueCross BlueShield of South Carolina through the medical benefit, with the Plan acting as secondary payer and its liability amounting to the Part B annual deductible and 20 percent coinsurance. There are certain products, however, that are payable in a pharmacy setting but included in Medicare Part B. In this situation currently, the Plan becomes the

primary payer, and because they are under Medicare Part B (rather than Part D), there is no Medicare subsidy to offset a portion of the product expense.

Express Scripts, the Plan's pharmacy benefits manager, now has an administrative solution where if a product purchased in a pharmacy by a Medicare beneficiary is under Part B, it automatically bills Medicare for its share of the expense and, in our case, bills the Plan for the 20 percent Part B coinsurance. This is a seamless process and creates no patient disruption; in fact, the member is advantaged by moving from paying the applicable prescription copayment to having no cost share under this scenario. The Plan changes from primary payer under the prescription benefit for these products to secondary payer under Medicare Part B. The estimated annual savings associated with this recommendation are \$10.5 million.

**PUBLIC EMPLOYEE BENEFIT AUTHORITY AGENDA ITEM
BOARD MEETING**

Meeting Date: July 28, 2021

1. Subject: Participation of MUHA-affiliated entities in the MUSC Health Plan

2. Summary: Currently, participation in the MUSC Health Plan is limited to employees of the Medical University of South Carolina ("MUSC") and the Medical University Hospital Authority ("MUHA"). However, pursuant to Section 59-123-60(E)(13) of the South Carolina Code of Laws, MUHA is authorized to establish affiliated non-profit corporations as necessary to assist MUHA in carrying out its functions. Employees of these affiliated non-profit corporations are not considered employees of MUHA and would not currently be eligible to participate in the MUSC Health Plan.

As part of its recent acquisitions of several hospitals in South Carolina, MUHA has acquired physicians' practice groups that it intends to operate through an affiliated non-profit corporation established pursuant to Section 59-123-60(E)(13). The proposed amendments to the MUSC Health Plan would allow MUHA-affiliated, governmental non-profit corporations created under Section 59-123-60(E)(13) to elect to participate in the MUSC Health Plan for their eligible employees.

3. What is the Board asked to do? Amend the Plan of Benefits for the MUSC Health Plan to allow an MUHA-affiliated governmental entity created pursuant to Section 59-123-60(E)(13) to elect to participate in the MUSC Health Plan for its eligible employees.

4. Supporting Documents: