

**SC PUBLIC EMPLOYEE BENEFIT AUTHORITY
BOARD OF DIRECTORS MEETING**

Wednesday, December 17, 2014 1:00 p.m. MINUTES Approved 1/21/15
200 Arbor Lake Drive, Columbia SC, 29201

Board Members Present:

Chairman Art Bjontegard
Vice Chairman Joe "Rocky" Pearce
Mr. Audie Penn
Mr. Frank Fusco
Mr. Steve Heisler
Mr. David Tigges
Sherriff Leon Lott (via telephone)
Mr. John Sowards
Mr. Steve Osborne
Ms. Stacy Kubu
Mr. Steve Matthews

Others present for all or a portion of the meeting:

Peggy Boykin, Matthew Davis, Megan Lightle, Heather Muller, Laura Smoak, Travis Turner, Stephen Van Camp, and Justin Werner from the South Carolina Public Employee Benefit Authority (PEBA); Wayne Pruitt and Donald Tudor with the State Retirees Association; Brooks Goodman from Blue Cross Blue Shield of South Carolina; Daniel Brennan from the South Carolina Office of the State Treasurer; Carlton Washington from the South Carolina State Employees Association; Nancy Ornduff with Empower Retirement (formally Great-West Retirement Services);Thompson Kinney from Milliken Law Firm; and Katie Brennan from Catamaran.

1. CALL TO ORDER

Chairman Art Bjontegard 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.

2. ADOPTION OF PROPOSED AGENDA

Chairman Bjontegard asked for amendments to the proposed Board meeting agenda. There being none, Mr. David Tigges made a motion, which was seconded by Mr. Steve Heisler, and passed unanimously, to adopt the agenda as presented.

3. APPROVAL OF MEETING MINUTES – NOVEMBER 19, 2014

Chairman Bjontegard asked for a motion to adopt the November 19, 2014, meeting minutes. Mr. Rocky Pearce made a motion, which was seconded by Mr. Heisler, and approved unanimously, to adopt the November 19, 2014, meeting minutes as presented.

4. 2015 BOARD AND COMMITTEE MEETING DATES

Mr. Heisler made a motion, which was seconded by Mr. Audie Penn, and approved unanimously, to adopt the 2015 Board and Committee meeting dates as presented.

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5. NOMINATIONS FOR RETIREMENT/PRE-RETIREMENT ADVISORY BOARD SEATS

Ms. Peggy Boykin, PEBA's Executive Director, stated that Title 9 of the South Carolina Code of Laws details the membership of the Retirement/Pre-retirement Advisory Board. Ms. Boykin advised that historically, the Advisory Board has not been very active, and stakeholder groups have been asked to provide feedback on whether the current structure of the Advisory Board is the most effective method of collaborating issues between stakeholders and PEBA staff. Ms. Boykin stated that the Board is asked to reappoint two members of the Retirement Pre-retirement Advisory Board that have served one term and are eligible for reappointment, as well as filling four seats based on new nominations provided from the associations that represent the membership groups defined in the statute.

Mr. Heisler made a motion, which was seconded by Mr. Steve Osborne, and approved unanimously, to accept the nominations to the Retirement/Pre-retirement Advisory Board as presented.

6. STRATEGIC PLANNING

Chairman Bjontegard thanked Ms. Sarah Corbett, PEBA's Chief Operating Officer, for her hard work and dedication to updating the Strategic Plan. Ms. Corbett stated that the updated version of the Strategic Plan includes suggestions from the last Board meeting, and is considerably streamlined with staff action plans divided by the applicable Committee; timelines to consider when completing the Strategic Plan; and accomplishments for 2014 listed as appendixes.

Mr. Heisler made a motion, which was seconded by Mr. Penn, to approve the Health Care Committee portion of the Strategic Plan. Further discussion ensued, and Mr. Heisler withdrew his original motion. Mr. Heisler made a motion, which was seconded by Mr. David Tigges, and approved unanimously, to adopt the 2015-2018 Strategic Plan, which includes the Board's Mission; Vision Statement; Values; and Objectives. It was noted that each Committee will individually adopt the staff action plans as it relates to their respective Committees.

7. COMMITTEE REPORTS

A. HEALTH CARE POLICY COMMITTEE

Mr. Pearce reported that the Health Care Policy Committee met earlier in the morning, and discussed updated staff action plans for the strategic goals related to the Health Care Policy Committee.

Mr. Pearce asked Mr. Stephen Van Camp, PEBA'S General Counsel, to provide an overview of a resolution drafted to give the Executive Director of PEBA the authority to make conforming amendments to the Plan of Benefits Document for PEBA's insurance plans based upon changes approved by the PEBA Board. Mr. Pearce stated that the Committee approved an amended version of the Resolution Empowering Executive Director to Amend the Plan of Benefits Documents for PEBA's Insurance Plans, which Mr. Van Camp provided to the Board for review.

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Following review, Chairman Bjontegard reminded the Board that a Committee motion does not require a second. The motion passed unanimously.

B. RETIREMENT POLICY COMMITTEE

Mr. John Sowards reported that the Retirement Policy Committee met on December 3, 2014, and accepted the revisions to the Investment Policy Statement (IPS) effective January 1, 2015. Mr. Matthew Davis, Defined Contribution Manager, stated that the following revisions to the IPS are necessary to carry out changes approved by the Board on June 18, 2014, including:

1. Removing the language related to the 84-month certificate option; and
2. Adding the restrictions to the Self-Directed Brokerage Option (SBD) that becomes effective January 1, 2015.

Mr. Davis added that additional revisions to the IPS include:

1. Deleting references to the Deferred Compensation Commission, and replacing with the PEBA Board, and/or Retirement Policy Committee;
2. Updating the performance standards, objectives, and benchmarks of certain investment options;
3. Updating the evaluation procedure for several investment options including the GTAA PIMCO All Asset Fund; and
4. Formatting and grammatical changes as needed.

Chairman Bjontegard reminded the Board that a Committee motion does not require a second. The motion passed unanimously.

Mr. Justin Werner, PEBA'S Legal Counsel, provided a summary of the plan document amendments for the 401(k) Plan, and the 457 Plan that were approved at the June 4, 2014, Retirement Policy Committee meeting, and will be effective January 1, 2015. Mr. Werner stated that the plan document amendments include:

1. Allowing participants to convert pre-tax assets to Roth assets within the Program;
2. Reducing the number of available participant loans from two to one, and requiring that the loans must be repaid via payroll deduction while the participant is working for a participating employer; and
3. Additional conforming and technical revisions.

Chairman Bjontegard reminded the Board that a Committee motion does not require a second. Mr. Fusco voiced his concerns on requiring that loans must be repaid via payroll deduction since not all employers under the Plan provide a payroll deduction option. Mr. Fusco pointed out that over 50 percent of participants work for employers that do not have automated payroll deduction capability for loan repayments. Mr. Sowards noted that existing loans will be grandfathered, which will allow those participants to continue repaying loans by personal check. Following further discussion, the question was called, and the motion passed unanimously.

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Mr. Sowards stated that the Retirement Policy Committee received the Deferred Compensation investment performance and plan activity for the quarter ending September 30, 2014, and the Committee was pleased with the investments results.

Mr. Sowards reported that the Committee received the 2014 retirement actuarial valuations, and provided a brief summary of the presentation. Ms. Boykin stated that contribution rates for the South Carolina Retirement System (SCRS) and the Police Officer's Retirement System (PORS) will not increase from fiscal year 2016 to fiscal year 2017, primarily due to favorable investments during the prior fiscal year.

Mr. Heisler made a motion, which was seconded by Mr. Sowards, and approved unanimously, to receive the 2014 retirement actuarial valuations as information.

Mr. Sowards advised that representatives from Elliott Davis, LLC, presented the 2013 Deferred Compensation Audit Report to the Committee during its meeting on October 1, 2014, and the Committee received this report as information.

FINANCE, ADMINISTRATION, AUDIT AND COMPLIANCE (FAAC) COMMITTEE

Mr. Steve Matthews reported that the FAAC Committee approved the revised PEBA Board Continuing Education Policy, and provided a brief explanation of the revisions.

Chairman Bjontegard reminded the Board that a Committee motion does not require a second. The motion passed unanimously.

Mr. Matthews advised that currently, there is not an attendance category for excused absences, and the PEBA Board Attendance Policy was created to address this issue. Mr. Matthews stated that the FAAC Committee has approved the Attendance Policy, and is submitting the Policy to the Board for final approval.

Chairman Bjontegard reminded the Board that a Committee motion does not require a second. Following further discussion, the question was called, and motion passed unanimously.

8. OLD BUSINESS/DIRECTOR'S REPORT

Chairman Bjontegard stated that the Board retreat will be held in Columbia this year, and Mr. Sowards has offered to host the retreat at his downtown office. The Board expressed its preference for holding the retreat on a Friday/Saturday during the months of February or March, and Mr. Sowards will check availability during these dates. Chairman Bjontegard advised that each Committee would like to hold separate Committee meetings in conjunction with the full Board meeting.

Ms. Boykin stated that staff is continuing to work on the Affordable Care Act (ACA) reporting that is required by the Internal Revenue Service. Ms. Boykin reported that PEBA will issue an electronic file to each employer that will include plan coverage information for their employees.

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Ms. Boykin advised that staff is also continuing to work on the Governmental Accounting Standards Board (GASB) 68 communications to employers. Ms. Boykin stated that GASB 68 will become effective June 30, 2015, and requires that the Plan's unfunded liability be reported on participating employers financial statements based on a pro rata share allocation.

Ms. Boykin reported that a draft of the Funston Fiduciary Audit will be received on Monday, December 22, 2014, and staff will have two weeks to issue feedback. The final draft of the audit will be provided to PEBA in mid-January, with the report released to the General Assembly on January 30, 2015. Ms. Boykin stated that Funston will make a presentation to the Board and the Senate Oversight Committee after the final report is submitted.

Ms. Boykin reminded the Board that the 2015 legislative session will be starting in January 2015, and provided the Board with House Ways and Means budget and legislation subcommittee contacts.

At the conclusion of the Director's Report, Chairman Bjontegard provided an opportunity for a roundtable discussion. Chairman Bjontegard expressed the Board's appreciation for PEBA employees, and noted the tremendous amount of work that staff has accomplished over the year. Mr. Sowards also expressed his appreciation to PEBA's legal staff for their guidance and diligent support.

9. EXECUTIVE SESSION

At 2:00 p.m., Mr. Heisler made a motion, which was seconded by Mr. Penn, and passed unanimously, to recede into executive session to discuss legal matters pursuant to S.C. Code Ann. § 30-4-70.

The Board reconvened in open session at 3:35 p.m. Chairman Bjontegard announced that no action was taken by the Board while in executive session.

10. ADJOURNMENT

There being no further business, and upon motion by Mr. Matthews, which was seconded by Mr. Fusco, and approved unanimously, the Board meeting adjourned at 3:37 p.m.