



## Meeting Minutes | Board of Directors Meeting

Wednesday, December 2, 2020 | 2:00 p.m.

Via Zoom Teleconference

Minutes Approved March 3, 2021

**Board Members Present Via Telephone:** Ms. Amanda Blankenship, Ms. Jennifer Blumenthal, Mr. Calvin Elam, Mr. Steve Heisler, Ms. Paige Lewis, Vice Chairman Joe “Rocky” Pearce, Mr. Alex Shissias, Chairman John Sowards, and Mr. Ed Walton.

**Board Members Absent:** Mr. Steve Matthews and Sherriff Steve Mueller

**Others Present for All or a Portion of the Meeting Via Telephone:** Peggy Boykin, Robby Brown, Sarah Corbett, Heather Muller, John Page, Rob Tester, Stephen Van Camp, Angie Warren, Justin Werner, and Heather Young from the South Carolina Public Employee Benefit Authority (PEBA); Danny White and Joe Newton from Gabriel, Roeder, Smith & Company; Mike Wright and Joe Ferguson from Segal Marco Advisors; and Geoff Berg, Kara Brurok, and Mike Hitchcock from the South Carolina Retirement System Investment Commission (RSIC).

### I. Call to Order

Chairman John Sowards called the PEBA Board of Director’s (Board) meeting to order at 2:04 p.m. and stated that the public meeting notice was posted in compliance with the Freedom of Information Act.

### II. Approval of Meeting Minutes- October 1, 2020

It was noted that the October 1, 2020, Board meeting minutes were approved as presented.

### III. RSIC Update

Mr. Mike Hitchcock, Chief Executive Officer, and Mr. Geoff Berg, Chief Investment Officer, from the South Carolina Retirement System Investment Commission (RSIC), presented an investment performance update for the period ending June 30, 2020. Mr. Hitchcock reported that fiscal year end returns were -1.58 percent. Currently, returns are approximately 11 percent fiscal-year-to date which indicates a significant market recovery since the beginning of the fiscal year.

Mr. Hitchcock stated that in April 2020, RSIC modified its portfolio and reduced the number of asset classes from 18 asset classes to five asset classes, which includes public equity (approximately 50 percent of the portfolio), bonds, private debt, private equity, and real assets. Mr. Hitchcock advised that these changes have resulted in a significant amount of cost savings in investment management fees.

Mr. Hitchcock also advised that approximately 70 percent of the new portfolio is passively managed, while the other 30 percent, including private debt, private equity, and private real estate, is actively managed; this is the best mix to maintain long-term investments. This simplified portfolio was effective July 1, 2020.

#### **IV. Actuarial Experience Study Approval**

Ms. Peggy Boykin, Executive Director, advised that the Actuarial Experience Study is required by statute to be conducted every five years; however, the Board has adopted a schedule of every four years consistent with PEBA's responsibility to propose an assumed rate of return for the Plan to the General Assembly. Ms. Boykin stated that the current assumed rate of return in statute is 7.25 percent, and it's important to note that in the 2017 legislation, the General Assembly updated the statute to include a provision that the Board, in conjunction with RSIC, make a recommendation for the assumed rate of return. Ms. Boykin advised that the General Assembly can set the assumed rate of return with a different rate than recommended by the Board, but if they fail to act, then the Board recommendation becomes effective for the next Actuarial Valuation.

Ms. Boykin reported that the actuaries completed the Actuarial Experience Study based on the 2019 Actuarial Valuations, and it was presented to the Board at the March 4, 2020, meeting. The Actuarial Experience Study was received as information, and action was deferred until this meeting.

Ms. Boykin reviewed several recommendations as a result of the Experience Study, including lowering the assumed rate of return from 7.25 percent to 7.00 percent, which will have a significant fiscal impact to the plan.

Mr. Calvin Elam made a motion, which was seconded by Mr. Alex Shissias, and passed unanimously, that the PEBA Board adopt the actuarial assumptions and methodologies recommended by Gabriel, Roeder, Smith & Company in the Actuarial Experience Study of the South Carolina Retirement Systems for the period ended June 30, 2019, to be effective for the actuarial valuations of the systems as of July 1, 2021; and, that the PEBA Board submit the actuaries' recommendation to decrease the investment return assumption from 7.25 percent to 7.00 percent to the General Assembly as the proposed assumed rate of return required by Section 9-16-335(B).

#### **V. Committee Reports**

##### **A. Finance, Administration, Audit and Compliance (FAAC) Committee**

Ms. Jennifer Blumenthal reported that a quorum of the FAAC Committee was not present, and therefore, no action was taken at the meeting.

Ms. Blumenthal stated that Mr. Thomas Rey, CPA, from CliftonLarsonAllen, PEBA's External Auditor, reviewed the Insurance Financial Statements and the South Carolina Retirement Systems (SCRS) Financial Statements, for the year ending June 30, 2020, as well as the Deferred Compensation Program Audit Reports for the year ending December 31, 2019. Mr. Rey reported that all three audit reports are unmodified "clean" opinions. Ms. Blumenthal advised that Mr. Rey thanked PEBA management and staff for their cooperation and professionalism during the audits.

Ms. Blumenthal also noted that Mr. John Page, Director of Internal Audit, provided a PEBA Internal Audit Plan review, and discussed Internal Audit projects for 2020-2022.

## **B. Health Care Policy Committee**

Mr. Rocky Pearce reported that the Health Care Policy Committee met earlier in the morning, and asked Mr. Rob Tester, Health Care Policy Director, to review the 2022 Initial State Health Plan Budget Requirements.

Mr. Tester stated that there is no contribution rate increase upcoming for 2021, so there is no required annualization for the July-December 2021 period. Mr. Tester advised that the 2021-2022 retiree growth rate increase is estimated to be 2.055 million, and there will be a 0.6 percent contribution rate increase for 2022 based on current projections, to be effective January 1, 2022. Mr. Tester advised if the increase is provided entirely through the employer, the state appropriated funding for the rate increase would equal \$3.873 million for January-June 2022, and the average enrollee rate increase would equal \$0.94 per month. In summary, the total is estimated to be \$5.928 million for continuation of the State Health Plan.

It was noted that in addition to the budget continuation requirements, there will be a continued recommendation of an additional \$8.7 million for expanding adult well visits to members regardless of age and frequency. Mr. Tester reported that the total including the well visit expansion would be \$14.642 million.

Mr. Pearce advised that the Health Care Policy Committee made a motion that the PEBA Board approve the initial budget requirements for the 2022 State Health Plan as presented, to include the Board's previous recommendations regarding well visits.

Chairman Sowards stated that a Committee motion does not require a second. The motion passed unanimously.

Mr. Pearce stated that the Committee also received a presentation on the direct and indirect effects of COVID-19 on the State Health Plan's (SHP) claims experience and member population health.

Mr. Pearce also reported that the Committee received a Patient-Centered Medical Home (PCMH) Program update which included PCMH program results and how the program's structure is evolving.

## **C. Retirement Policy Committee**

Mr. Steve Heisler reported that the Retirement Policy Committee met earlier in the morning as well, and Mr. Danny White and Mr. Joe Newton from Gabriel, Roeder, Smith & Company (GRS), presented the 2020 Retirement Systems Actuarial Valuations to the Committee.

Ms. Boykin provided a brief summary of the Actuarial Valuations to the Board, and advised that the Retirement Policy Committee made a motion that the PEBA Board receive as information the actuarial valuations of SCRS, PORS, JSRS, GARS, and SCNG as of July 1, 2020; and, adopt the employer contributions for JSRS, GARS, and SCNG recommended therein, to be effective July 1, 2021.

Chairman Sowards stated that a Committee motion does not require a second. The motion passed unanimously.

Mr. Heisler stated that Segal Marco Advisors presented the South Carolina Defined Contribution Plans report for the quarter ending September 30, 2020, and Empower Retirement presented the third quarter Deferred Compensation plan activity summary to the Committee.

## **VI. Old Business**

### **Director's Report**

Ms. Boykin provided the director's report, and thanked PEBA staff for their extraordinary efforts whether working at the office, or from home, to keep operations running smoothly during these challenging times. Ms. Boykin updated the Board on efforts to keep staff as safe as possible, while still meeting the needs of members.

Ms. Boykin reported that PEBA has asked the General Assembly to suspend the sweep of the State Health Plan that would normally occur on January 31, 2021, to mitigate any higher medical claims that the State Health Plan may see next year due to COVID-19. Ms. Boykin advised that PEBA collects premiums and contributions for the State Health Plan which are used to pay claims, and at the end of each January, any monies that are left in the plan in excess of the reserve are swept into the Other Post-Employment Benefits (OPEB) trust fund, which cannot be reversed. Ms. Boykin stated that she has provided the General Assembly with a Joint Resolution to adopt as soon as they return in January 2021, that will allow PEBA to suspend the sweep of the State Health Plan.

Ms. Boykin advised that employee and employer contributions to the Plan are based on payroll and payroll growth. As budgets are constrained, employers are looking for creative ways to avoid paying their share of the retirement contributions. Ms. Boykin stated that she has voiced her concerns to the General Assembly so they will be aware of the challenges.

Ms. Boykin reported that there are distinct differences in eligibility for certain elections in the State Health Plan and the Retirement Plan, and she has asked the General Assembly for assistance in conforming to one standard, so that when Peba Connect is complete, and the Plans are consolidated, they will be less complicated for members and employers.

## **VII. Executive Session for the Purpose of Discussing Contractual Matters Pursuant to S.C. Code of Laws § 30-4-70(a)(2)**

At 2:54 p.m., Mr. Shissias made a motion, which was seconded by Mr. Heisler, and passed unanimously, to recede into executive session to discuss a contractual matter.

At 3:15 p.m. the meeting reconvened in open session. Chairman Sowards announced that no action was taken by the Board while in executive session.

## **VIII. Adjournment**

There being no further business, and upon a motion by Mr. Heisler, which was seconded by Mr. Shissias, and approved unanimously, the Board meeting adjourned at 3:16 p.m.