



Meeting Minutes | Board of Directors Meeting

Wednesday, December 6, 2023 | 3:00 p.m.

202 Arbor Lake Dr., Columbia, SC 29223 | First Floor Conference Room

Minutes Approved March 6, 2024

Board Members Present for All or a Portion of the Meeting: Ms. Amanda Blankenship, Ms. Jennifer Blumenthal, Mr. Steve Heisler, Ms. Paige Lewis, Mr. Steve Matthews, Sheriff Steve Mueller, Chairman Joe “Rocky” Pearce, Mr. Alex Shissias, Mr. John Sowards, and Mr. Ed Walton.

Board members absent: Mr. Calvin Elam

Others Present for All or a Portion of the Meeting: Ashley Brindle, Peggy Boykin, Robby Brown, Amber Carter, Justin Ellis, Evan Mitchell, Heather Muller, Rob Tester, Angela Thornton, Travis Turner, Justin Werner and Heather Young from the South Carolina Public Employee Benefit Authority (PEBA); Shaun Eskamani and Sam Kirby from CapTrust; Nancy Ornduff from Empower; Danny White from Gabriel, Roeder, Smith & Company; and Kevin Smith from Crowe.

Others Present for All or a Portion of the Meeting Via Virtual Means: Ryan Tooley from the House Ways and Means Committee; and Angie Warren from PEBA.

I. Call to Order

Chairman Rocky Pearce called the PEBA Board of Director’s (Board) meeting to order at 3:00 p.m., and stated that the public meeting notice was posted in compliance with the Freedom of Information Act.

II. Approval of Meeting Minutes- September 20, 2023

Mr. Steve Heisler made a motion, which was seconded by Ms. Jennifer Blumenthal, and passed unanimously, to approve the minutes from the September 20, 2023, Board meeting.

III. Presentation of the 2023 Actuarial Valuations by the External Actuary

Mr. Danny White, Senior Consultant, from Gabriel, Roeder, Smith & Company (GRS), presented the 2023 Retirement Systems Actuarial Valuations to the Board.

Mr. White noted that the investment return for the South Carolina Retirement Systems (SCRS) fiscal year 2023 was 7.2 percent. Mr. White advised that active membership in SCRS increased 2.5 percent and their annualized pay increased 7.3 percent from fiscal year 2022 to fiscal year 2023.

Mr. White discussed the summary results of the 2023 valuation for both the South Carolina Retirement System (SCRS) and the Police Officer’s Retirement System (PORS), and pointed out that the funding ratio for SCRS and PORS increased from 57 percent to 58 percent, and 65 percent to 66

percent respectively, during the last year. Mr. White added that effective July 1, 2017, employee contribution rates were capped at 9.00 percent for SCRS, and 9.75 percent for PORS.

Mr. White added that the calculated funding period for SCRS decreased to 16 years for 2023, and remained 16 years in 2023 for PORS. It was noted that positive amortization on the unfunded liability is reached once a funding period of approximately 20 years is obtained. The employer contribution rates for both SCRS and PORS are statutorily scheduled and are fully phased in accordance with the 2017 Act.

Mr. White also provided the Valuation results for the Judges and Solicitors Retirement System (JSRS); the General Assembly Retirement System (GARS); the South Carolina National Guard Retirement (SCNG) System; and the contributions necessary for each system.

Mr. White reviewed historical and projected liability and assets for both SCRS and PORS, and provided a history of the Unfunded Actuarial Accrued Liability (UAAL) for SCRS. Mr. White stated that the UAAL was expected to decline from 2022 to 2023, but the UAAL slightly increased due to larger than expected salary increases for active members. The UAAL in 2024 is expected to begin declining and this will be a financial turning point for SCRS.

Mr. White turned the discussion to the upcoming Experience Study that will be conducted for the period ending June 30, 2023, and presented to the Board in June of 2024. He explained that an experience study is a review of economic information, member behavior, and demographics to develop actuarial assumptions used in an actuarial valuation. The objective of an experience study is to validate current actuarial assumptions or recommend new assumptions for the Board's consideration. Mr. White noted that best practice is to conduct an experience study every three to five years. The last experience study on demographic assumptions was as of June 30, 2019.

Mr. White added that the assumed rate of return is currently 7.0 percent and will be reviewed in November 2024. PEBA will submit an assumed rate of return recommendation to the General Assembly by the end of 2024. The General Assembly may take action to adopt an updated investment return assumption for use beginning with the July 1, 2025, actuarial valuation.

Ms. Paige Lewis stated that the Retirement Policy Committee recommends to the PEBA Board that it receive as information the actuarial valuations of SCRS, PORS, JSRS, GARS, and SCNG as of July 1, 2023; and adopt the employer contributions for JSRS, GARS, and SCNG recommended therein, to be effective July 1, 2024. Chairman Pearce reminded the Board that a Committee motion does not require a second. The motion passed unanimously.

IV. 2024 Board Meeting Schedule Review and Approval

Mrs. Peggy Boykin, Executive Director, reviewed the proposed 2024 quarterly Board and Committee meeting dates. Mrs. Boykin advised that the PEBA Board Retreat date will be August 28-29, 2024.

Ms. Lewis made a motion, which was seconded by Mr. Heisler, and passed unanimously, to adopt the schedule of board and committee meeting dates for 2024, as presented.

V. Committee Reports

A. Health Care Policy Committee

Committee Chairman Alex Shissias reported that the Health Care Policy Committee met in the morning, and Ms. Phyllis Buie, Director of Insurance Operations, provided a recap of this year's annual enrollment activity.

Mr. Shissias advised that Dr. Shawn Stinson, Senior Vice President, at BlueCross BlueShield of South Carolina presented a report on value-based care which is defined as a process by which health care providers are paid at least in part based on outcomes, rather than solely on the volume of services performed. The State Health Plan has a large investment in value-based care through its participation in our contractor Blue Cross of South Carolina's Patient-Centered Medical Home (PCMH) program and other provider specialty-specific initiatives. Mr. Shissias stated that the level of growth involved in these value-based programs has led PEBA to initiate fresh analysis as to their cost effectiveness. This analysis is ongoing and is planned for completion before next summer.

Mr. Shissias added that Ms. Laura Smoak, Analytics and Health Initiatives Director, discussed PEBA's annual Health Initiatives and Value-Based Benefits report. Over the course of 30 years, the State Health Plan has gradually added more value-based benefits for its membership. Mr. Shissias advised that value-based benefits are services that the member would seek affirmatively to live a healthier life, rather than in response to sickness or disease. Value-based benefits are often distinguished with less patient cost sharing than regular services.

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

Ms. Jennifer Blumenthal reported that the FAAC Committee met earlier in the morning, and received the 2023 Financial Statements Audit Review from Crowe, PEBA's External Auditor. Audit results were reviewed for the South Carolina Deferred Compensation Program, the South Carolina Retirement Systems, and the Insurance Financial Statements. Ms. Blumenthal stated that all three audit reports were unmodified "clean" opinions, and there were no material weaknesses, significant deficiencies, or findings to report, and there were no corrected or uncorrected misstatements found in the audits.

Ms. Blumenthal stated that Mr. John Page, Director of Internal Audit, presented internal audit reports related to Retirement Average Final Compensation (AFC), National Technical Information Service (NTIS) Compliance, System and Organizational Control Reports, Office of Foreign Assets Control (OFAC) Compliance 2023, and the Annual Conflicts of Interest Certification. Mr. Page also provided the December 2023 PEBA Internal Audit Plan Update to the Committee.

C. Retirement Policy Committee

Ms. Lewis reported that the Retirement Policy Committee met that afternoon, and Mr. White from GRS presented the 2023 Retirement Systems Actuarial Valuations to the Committee.

Ms. Lewis advised that CapTrust presented the South Carolina Defined Contribution Plans Quarterly Investment Performance Report for the quarter ending September 30, 2023, and recommended several investment option changes.

Ms. Lewis stated that the Retirement Policy Committee moves that the PEBA Board adopt the changes to the State Optional Retirement Program (State ORP) and South Carolina Deferred Compensation Program (Deferred Comp) investment options, as presented and recommended by CAPTRUST, PEBA's co-fiduciary investment consultants. Chairman Pearce reminded the Board that a Committee motion does not require a second. The motion passed unanimously.

Ms. Lewis stated that Ms. Nancy Ornduff, from Empower, presented the third quarter of 2023 Deferred Comp quarterly plan summary to the Committee.

Ms. Lewis added that Ms. Stephanie Biddle, relationship manager for Empower, presented a service overview of the State ORP administered through Empower. It was noted that Empower is one of four service providers for the State ORP.

Ms. Lewis advised that Mr. Justin Werner, General Counsel, reviewed an amendment to the Deferred Comp 457(b) Plan. Ms. Lewis stated that the Retirement Policy Committee moves that the PEBA Board amend the Deferred Comp 457(b) plan, effective January 1, 2024, to delete the "first day of the month" rule and to allow deferral elections for the plan to become effective as soon as practicable after being made, with conforming plan document amendments to be made at a later time. Chairman Pearce reminded the Board that a Committee motion does not require a second. The motion passed unanimously.

VI. Old Business

Director's Report

Mrs. Boykin provided the Director's Report, and introduced Ms. Angela Thornton, Human Resources Director, and Ms. Katie Turner, Director of Administration and Budget.

Mrs. Boykin advised that effective January 1, 2024, the State Health Plan will be updated to include an annual well-women visit in accordance with the annual appropriations bill adopted earlier this year with no increase in premiums for employees.

Mrs. Boykin stated that the budget hearing was held with the Governor's office on October 24, 2023. The date has not been set yet for hearings with the Senate Finance or House Ways and Means Committees.

Mrs. Boykin thanked Mr. Turner and his staff for their tremendous efforts in producing the financial statements and stated that PEBA received the Governmental Financial Officers Association (GFOA) Certificate of Achievement in Excellence for Financial Reporting for the 36th consecutive year.

Mrs. Boykin noted that PEBA also received the Public Pension Coordinating Council (PPCC) Public Pension Standards Award for the 20th consecutive year.

VII. Adjournment

There being no further business, and upon a motion by Mr. Shissias, which was seconded by Mr. Heisler, and approved unanimously, the Board meeting adjourned at 3:35 p.m.