

SC PUBLIC EMPLOYEE BENEFIT AUTHORITY BOARD OF DIRECTORS

Wednesday, July 17, 2013 – 1:00 p.m.
202 Arbor Lake Drive, Columbia SC, Main Conference Room 2nd Floor
MINUTES [as approved 8/21/13]

Board Members Present:

Mr. Art Bjontegard, Chairman (in person)
Ms. Peggy Boykin (in person)
Mr. Frank Fusco (by telephone)
Ms. Stacy Kubu (in person)
Mr. Steve Matthews (in person)
Mr. Joe “Rocky” Pearce (in person)
Mr. Audie Penn (in person)
Mr. Steve Heisler (in person)
Mr. John Sowards (in person)
Mr. David Tigges (in person)

Others present for all or a portion of the meeting:

David Avant, Travis Turner, Lil Hayes, Stephen Van Camp, Matthew Davis, Justin Werner, Virginia Wetzel, Phyllis Buie, and Denise Hunter from the South Carolina Public Employee Benefit Authority (PEBA); Donald Tudor and Wayne Pruitt with the State Retirees Association; Vlad Steeve with the State Treasurer’s Office; Mark Sweatman with MUSC; and Brooks Goodman with Blue Cross Blue Shield of South Carolina.

I. Call to order

Chairman Bjontegard called the meeting to order at 1:00 p.m., and Ms. Kubu gave the invocation. Ms. Hayes confirmed meeting notice compliance with the Freedom of Information Act. Mr. Sowards moved to adopt the agenda. Mr. Penn seconded. Unanimously approved.

II. Approval of minutes from last meeting – June 19, 2013

Mr. Pearce moved to approve the minutes of the June 19, 2013 meeting. Mr. Tigges seconded. Unanimously approved.

III. Committee Reports/ Old Business

A. Health Care Policy Committee

2014 State Health Plan

Interim Director, David Avant provided a presentation summarizing the proposed details of the 2014 Employee State Health Plan as amended (In notebook materials, Tab 3).

Amendments:

- Employer premiums will increase by 6.8%
- Subscriber premium will increase 0% for each tier
- Co-payments and deductibles will increase by 20%
- Removal of ACA health care coverage requirements for full time/ temporary employees
- Removal of exclusions for pre-existing conditions for all covered subscribers

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It was noted that the Health Care Policy Committee recommended on June 24, 2013, an option in compliance with ACA regulations to provide health care coverage for full-time/temporary employees. On July 5, 2013, the IRS announced that ACA compliance requirements for health care coverage for full time temporary employees would be postponed until 2015. Therefore, this would not be included in the 2014 State Health Plan. Staff has been directed to research various options for the 2015 State Health Plan.

Mr. Sowards inquired about reserves collected during the 2014 Plan Year. Mr. Avant indicated that all reserves are placed into the OPEB Trust Fund.

Mr. Penn inquired if there is going to be legislation introduced to change the definition of full-time temporary employees (working 30 hours or more). Mr. Avant indicated that will be addressed directly with employers as changes are made in the future.

Mr. Heisler inquired if there is a provision allowing PEBA to make adjustments to the plan during the plan year? Mr. Avant explained that the existing statute already includes provisions to allow for adjustments. Therefore a new provision is not needed.

Action:

Chairman Bjontegard asked for a motion to approve the 2014 State Health Plan as amended. Mr. Pearce moved to approve. Mr. Heisler seconded. The 2014 State Health Plan as amended was unanimously approved.

Other Committee Updates:

Pharmacy Benefits Manager

Staff Member Travis Turner explained that the Pharmacy Benefits Manager Contract will be finalized by the end of August 2013.

Patient Center Medical Home (PCMH) - Updates

Mr. Avant advised that staff has been reviewing 3 pilot programs:

PCMH Pilot Program	Status	Potential Pilot Subscribers
Clemson	• Internal operations still being finalized. • Seeking revenue to start the program	8,000
Palmetto Health	• Scheduled meeting on July 23, 2013, with PEBA staff, Blue Cross Blue Shield, and Palmetto Health to go over introductory details of the pilot program.	1,200
MUSC	• Pilot program details in finalization stage • Pilot would require new health care plan • Concerned about timing of implementation of a new plan prior to October 2013 enrollment period.	18,000

Mr. Avant advised that pilot programs requiring new health plans must be approved by the PEBA Board and then approved by the SC Budget and Control Board. All other PCMH

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pilot programs that do not require a new health plan can be implemented within the parameters of the current State Health Plan. Therefore, the MUSC Pilot Program would require an approval by the PEBA Board and the Budget and Control Board before plan implementation for the 2014 plan year (enrollment during October 2013).

Mr. Sowards and Ms. Boykin suggested that the PEBA Board have a telephonic meeting to review the MUSC Pilot Plan in a timely manner prior to the scheduled Budget and Control Board meeting on August 13, 2013.

Mr. Penn asked if there will be defined deliverables with measurable outcomes. Interim Director Avant explained that staff will work with MUSC to insure deliverables are established within plan design. He also stated that the current State Health Plan subscribers can serve as the population used to gather baseline data.

Action:

Chairman Bjontegard asked for a motion. Mr. Pearce made a motion to recognize that the Health Care Policy Committee will meet between now and August 5, 2013, to receive information about a potential MUSC Pilot Program that must be revenue neutral to the SC State Health Plan, must have PCMH components, and must include health wellness components. The Health Care Policy Committee must provide their recommendation to the PEBA Board during a telephonic Board meeting scheduled on August 5, 2013, at 1:00 p.m. The PEBA Board will then send their approvals to the Budget and Control Board during their scheduled meeting on August 13, 2013. Mr. Tigges moved to approve. Mr. Sowards seconded. The motion was unanimously approved.

Ms. Boykin asked for parameters requiring PEBA Board approvals of pilot programs. Mr. Avant explained that the PEBA Board will need to approve pilot programs that have terms and conditions apart from the State Health Plan. He advised that the PEBA Board is not legally required to approve pilot programs whose parameters fall within the terms and conditions of the State Health Plan. However, the Board can determine their level of involvement in the selection of pilot programs as they see fit. Chairman Bjontegard confirmed with the PEBA Board to give staff directive in all pilot programs whose parameters fall within the terms and conditions of the State Health Plan as approved by the PEBA Board.

B. Retirement Policy Committee

Committee Updates:

Chairman Sowards announced that the Retirement Policy Committee will be meeting on July 24, 2013, to resume their review of the Deferred Compensation Program and the PEBA Board's strategic plans. He will report any recommendations on these issues to the Board during the August 2014 Board meeting.

He reminded everyone that the State Optional Retirement Plan's quarterly performance call is scheduled for August 13, 2013. If any member would like to participate in that call they need to contact staff in advance.

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He also reminded everyone of the NAGDCA Conference scheduled for September 8 – 11, 2013.

C. Finance, Administration, Audit and Compliance Committee

Committee Updates

Mr. Matthews announced that the FAAC Committee will be meeting on August 16, 2013, and will be reviewing four agenda items:

- 1) Strategic Planning
- 2) PEBA's Accountability Report (due to the Office of State Budget on 9/16/2013)
- 3) PEBA's Detailed Agency Budget
- 4) Internal Auditor's Position.

He will report any recommendations on these issues to the Board during the August 2014 Board meeting.

Chairman Bjontegard would like to add an additional item to the FAAC scheduled meeting: Proxy Voting. Mr. Sowards, Mr. Tigges, and Mr. Matthews stated that proxy voting is not permissible under law for a fiduciary board.

IV. New business

A. 2014 Retreat:

Chairman Bjontegard asked all Board members to consider several different dates for the 2014 Board Retreat (January 31, 2014 – February 1, 2014 or February 28, 2014 – March 1, 2013) and to provide staff with topics they would like to review.

Chairman Bjontegard suggested an educational meeting with PEBA's top ten vendors.

Board members expressed their desire to have the retreat centrally located in the Columbia area out of convenience for all Board Members.

B. Additional Resource Materials: Available on the Extranet and in Notebook

Chairman Bjontegard asked members to review the following additional materials in their notebooks: Legislative Year End Update, PEBA Board Calendar, and the Past Action Report.

He would like to add 3 additional legislative bills that may require follow-up in the upcoming 2014 Legislative Session:

- 1) Senate Bill 290 (Telemedicine)
- 2) Senate Bill 568 (Certificate of Need)
- 3) Senate Bill 180 (Tobacco Surcharge)

C. Additional Updates

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Chairman Bjontegard announced that he and Mr. Avant will be meeting with Governor Haley on August 6, 2013, to discuss PEBA's agenda for the upcoming legislative year. All Board members were encouraged to provide their input to be relayed to the Governor at this meeting.

D. Report from Interim Director, David Avant

DeLoitte & Touche IT Risk Assessment:

IT risk assessment will begin August 5, 2013, and will be a four week process to include project planning and initiation, external network vulnerability assessment, internal network vulnerability assessment, web application vulnerability assessment, and final reporting. The final score card will be reported to the PEBA Board during the September 2013 Board meeting.

Ms. Boykin wanted to insure the final assessment report would be reviewed by the PEBA Board prior to the PEBA Agency's budget request submittal (September 2013) in the event IT changes would require additional funding.

V. Round Table Discussion

There were no comments.

VI. Executive Session Pursuant to S.C. Code of Laws

At 2:05 p.m., upon a motion by Chairman Bjontegard and second by Mr. Pearce, the Board voted unanimously to enter into executive session.

Open meeting resumed at 2:45 p.m. following the Executive Session. No action was taken by the Board while in Executive Session.

VII. Adjournment

There being nothing further to discuss, Chairman Bjontegard requested a motion to adjourn. Mr. Penn moved to adjourn and Mr. Heisler seconded. The committee unanimously voted to adjourn at 2:50 p.m.

Statement for the minutes:

"I was not present during the approval of the 2014 State Health Plan as amended but would have voted in favor of the 2014 State Health Plan as amended had I been present. I informed the Chairman and other Board members of my approval prior to the meeting."

-Frank Fusco

**SC Public Employee Benefit Authority
Board of Directors Meeting**

202 Arbor Lake Drive, Columbia SC, 29223 ♦Main Conference Room

Wednesday, July 17, 2013 – 1:00 P.M.

AGENDA

- 1. Adoption of Proposed Agenda**
- 2. Minutes of Previous Meeting**
- 3. Committee Reports**
 - a. Health Policy Committee**
 - i. Adoption of 2014 Health Plan**
 - b. Retirement Policy Committee**
 - c. Finance, Administration, Audit & Compliance Committee**
- 4. New Business**
- 5. Round Table Discussion**
- 6. Executive Session (if needed)**

SC PUBLIC EMPLOYEE BENEFIT AUTHORITY- BOARD OF DIRECTORS

DRAFT MINUTES

Wednesday, June 19, 2013 – 1:00 P.M.

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Board Members Present:

Mr. Art Bjontegard, Chairman (in person)
Mr. Stephen Heisler (in person)
Mr. John Sowards (in person)
Mr. David Tigges (in person)
Mr. Frank Fusco (in person)
Ms. Stacy Kubu (in person)
Mr. Steve Matthews (in person)
Mr. Joe "Rocky" Pearce (in person)
Mr. Audie Penn (in person)

Others present for all or a portion of the meeting:

David Avant, Travis Turner, Lil Hayes, Stephen Van Camp, Matthew Davis, and Virginia Wetzel with the Public Employee Benefits Authority; Sarah Corbett and Hershel Harper with the SC Retirement Investment Systems; Brady O'Connell with Hewitt EnnisKnupp; Brooks Goodman from BCBSSC; Wayne Pruitt and Donald Tudor from the South Carolina State Retirees Association.

1. CALL TO ORDER; ADOPTION OF PROPOSED AGENDA

Chairman Bjontegard called the meeting to order at 1:00 p.m., and Mr. Pearce gave the invocation. Ms. Hayes confirmed meeting notice compliance with the Freedom of Information Act. Mr. Penn moved to adopt the agenda.

Chairman Bjontegard introduced the newest Board member, Steve Heisler. He also introduced Virginia Wetzel, the new Assistant Liaison.

2. MINUTES OF PREVIOUS MEETING – MAY 15, 2013

Chairman Bjontegard asked for amendments to the May meeting minutes. Mr. Fusco requested a minor adjustment of removing the word "highly-" found on page 3 of the minutes. Mr. Matthews moved to approve the May 15, 2013 minutes as amended with a second by Mr. Sowards. The minutes were unanimously approved as amended.

3. RETIREMENT SYSTEMS INVESTMENT COMMISSION (RSIC)/HEK

Brady O'Connell with Hewitt EnnisKnupp gave a presentation reviewing asset/liability study recommendations (in notebook materials) for the SC Retirement Investment Commission. He explained that there were no dramatic changes to the previous investment structure, but thinks that this new plan will result in higher returns. Discussion followed concerning alternative investments, with Mr. Sowards confirming that HEK is comfortable with a portfolio with this type of mix of investments and assets, because the different types would mean maximized returns. Mr. Avant said the actuaries were comfortable with the portfolio and did not think the changes would destabilize the actuarial assumptions.

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Questions were asked about the targeted return rate and results from past years. Mr. Avant noted that the PEBA Board is not responsible for setting the rate of return; that is the Legislature's role. The assumed rate of return is in the hands of the Legislature [because it is in statute]. Other discussion followed relating to rebalancing exercises, benchmarks, and investment strategies being related to a combination of factors tailored for this plan. Comparisons to other plans were questioned, with Mr. O'Connell saying that the unfunded liabilities make it hard to compare SC to other state's plans. Mr. O'Connell addressed the fact that SC was ranked 46th in terms of funding in the past. He is unaware of South Carolina's current ranking but noted that SC is taking action politically to improve this status.

4. COMMITTEE REPORTS/ OLD BUSINESS

RETIREMENT POLICY COMMITTEE

Mr. Sowards introduced staff, Mr. Matt Davis, who gave an Optional Retirement Program (ORP) Overview Presentation (in notebook materials). It was explained that Summit Strategies Group is the ORP investment consultant. Mr. Davis then stated his goal was for the Committee to be able to assume their responsibilities for the program as soon as possible, with Summit reporting quarterly to staff, and in the future staff would report to the Committee and the Committee would report to the full Board. Mr. Davis introduced Mr. Paul Staples with Summit [on speakerphone] and explained the co-fiduciary relationship Summit has with PEBA. Discussion followed on details of the ORP, with Mr. Sowards noting the Committee had done an extensive study on the program. He then re-introduced Paul Staples for a presentation of the Investment Policy Statement revisions (in notebook materials).

Action:

Chairman Bjontegard asked for a motion and Mr. Sowards moved to approve the Investment Policy Statement as amended. Mr. Fusco seconded. The Investment Policy Statement as amended was unanimously approved.

Further Committee Updates by Chairman Sowards:

Deferred Compensation:

The committee will begin reviewing the Deferred Compensation Program in depth during the month of September 2013.

PORS Disability Review Board

Senate Bill 484 has been passed and signed into law on June 13, 2013. It reverses changes made to the PORS Disability provisions found in Act 278 to add a Medical Review Board to review PORS disability decisions made by the Department of Vocational Rehabilitation.

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Mellon Case Settlement

The settlement is now public. Mr. Avant provided a brief overview of the terms of the settlement.

HEALTH POLICY COMMITTEE

Committee Update by Chairman Pearce:

The Health Committee will be meeting on June 24, 2013 and will be reviewing the 2014 Employee Health Plan and the ACA regulations regarding non-permanent full-time employees. He will report any actions taken on those two issues to the Board at the July 2014 Board meeting.

Chairman Bjontegard announced that new member, Mr. Heisler has been placed on Health Care Policy Committee. He advised all member to submit a request should they want to serve on a different committee.

FINANCE, ADMINISTRATION, AUDIT & COMPLIANCE COMMITTEE

Committee Update by Chairman Matthews:

Internal Auditor Position

A draft job description has been created. PEBA staff and Ms. Boykin are putting together comparative data from other state's structures for best practices. The committee advised that the internal auditor's job descriptions/ tasks should be amended to remove task directly associated with the executive director. For example, overseeing execution of policy should fall under the Executive Director's tasks rather than the internal auditor. Mr. Avant reported that 15 entities from the National Association of Pension Fund Lawyers submitted their structure information back to us and several more have responded from the Association of Pension Fund Auditors. The committee will continue to work on this topic.

Strategic Planning

A draft strategic plan has been created by PEBA staff with the help of consultants at USC (in notebook materials). Suggested amendments from committee members have been provided. There are 4 major areas of concern: Establishing Board duties as part of a larger whole based on the compensation package that will most benefit SC constituents; Identify various stockholders; Maximum benefit for resources allocated to us; Request that all committees consider this plan (not just FAAC).

Action:

Mr. Fusco provided a motion to have the Board's strategic goals reviewed and approved by each subcommittee and then sent back to the Board for overall approval. Mr. Matthews seconded. The motion was unanimously approved.

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5. NEW BUSINESS

Report from Interim Director David Avant:

DeLoitte & Touche IT Risk Assessment:

PEBA volunteered as 1 of 15 state agencies selected to conduct an IT risk assessment. This company is scheduled to perform their IT risk assessment in August 2013. Board members questioned if this audit was in line with the ISO certification. Mr. Avant will be meeting with the company in early July and will report back to the board exactly what will be included in the assessment.

Accountability Report:

It will be due to the Office of State Budget in September 2013. A draft will be presented to the Board at the August Meeting.

Legislative Update:

Mr. Avant introduced Gwen Bynoe, PEBA Legislative Liaison. A summary was provided of all legislative changes during the 2013 Legislative Session (in notebook material).

Other New Business:

Chairman Bjontegard reported that all PEBA Board Self Assessment Surveys have been collected and results compiled (in notebook material).

Chairman Bjontegard introduced the SC Retirees Association's new president, Donald Tudor. He thanked former president Wayne Bell for his services.

6. ROUND TABLE COMMENTS

There were no comments.

7. EXECUTIVE SESSION PURSUANT TO S.C. CODE OF LAWS

At 3:20 p.m., upon motion by Mr. Fusco and second by Mr. Heisler, the Board voted unanimously to enter into executive session.

Open meeting resumed at 3:55 p.m. following the Executive Session. No action was taken by the Board while in Executive Session.

8. ADJOURNMENT

There being no further business, Chairman Bjontegard adjourned the meeting at 4:00 p.m.

PUBLIC EMPLOYEE BENEFIT AUTHORITY AGENDA ITEM
Board of Directors Meeting

Wednesday, July 17, 2013

Agenda 3

1. Subject: 2014 Employee Insurance Program

2. Summary:

Background Information:

3. What is Board asked to do? Take action to amend the State Health Plan for the upcoming 2014 Plan to conform to available funding and Legislative provisions.

4. Supporting Documents:

(a) Attached:

- 1. Health plan appropriated funds information and requirements for 2014**

Budget Proviso

- 105.7. (PEBA: FY 2014 State Health Plan) Of the funds authorized for the State Health Plan in Plan Year 2014 pursuant to Section 1-11-710(A)(2) of the 1976 Code, an employer premium increase of 6.8% and a subscriber premium increase of 0% for each tier (subscriber, subscriber/spouse, subscriber/children, full family) will result for the standard State Health Plan in Plan Year 2014. Co-payment increases for participants of the State Health Plan in Plan Year 2014 shall not exceed 20%. 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 2014 to ensure the fiscal stability of the Plan.

Monthly Premiums

	Employee	2013 Employer	2014 Employer
Employee	\$102.18	\$310.52	\$331.64
Employee/Spouse	\$265.02	\$615.08	\$656.92
Employee/Children	\$150.48	\$476.60	\$509.02
Full Family	\$320.66	\$770.12	\$822.50

Benefit Structure

	Current	20% Increase	Member Impact*
Deductible	\$350/\$700	\$420/\$840	253,832
Coinsurance max	\$2000/\$4000	\$2400/\$4800	23,018
Physician co-pay	\$10	\$12	373,198
Emergency room co-pay	\$125	\$150	58,589
Outpatient Hospital co-pay	\$75	\$90	199,738
Pharmacy co-pay	\$9/\$30/\$50	\$9/\$36/\$60	340,670

*Medicare eligible retirees with the Medicare Supplement are not impacted by these changes unless they utilize non-generic drugs.

SHP Demographic Data

	Subscribers	Covered Lives
State Agencies	57,222	106,019
Schools	80,291	159,986
Local/Other	38,378	71,437
Retirees	79,418 (73% Medicare elig)	108,725
Total	255,309	446,167

SHP is Grandfathered Under ACA

- **As a grandfathered plan, most ACA provisions, such as required preventive care, do not apply to SHP.**
- **As a grandfathered plan, other than changes authorized or required by ACA, there have been no substantive changes to the SHP since 2010.**

Some ACA Provisions Apply to Grandfathered Plans

- **No pre-existing condition exclusion for participants under age 19**
- **No lifetime maximum limits**
- **Coverage required for dependents up to age 26.**
- **These three elements have been in the SHP since January 1, 2011**

New ACA Requirements for Grandfathered Plans in 2014

- **No pre-existing condition exclusion for participants age 19 or older**
- **Participating employers must offer coverage to all full-time employees, including nonpermanent full-time employees**

2014 Amendments

- **Remove pre-existing condition provisions from Plan (this provision is mandatory)**
- **Amend Plan to extend eligibility to nonpermanent full-time employees (this provision is optional)**

2014 Annual ACA Fees Payable by Grandfathered Plans

- **Patient-Centered Outcomes Research Institute (sometimes referred to as “PCORI fees” or Comparative Effectiveness Research “CER fees”) \$400,000**
- **Required Contributions Toward Reinsurance Payments -- \$25 million**