

## Meeting Minutes | Board of Directors

Wednesday, July 19, 2017 | 3:30 p.m.  
200 Arbor Lake Dr., Columbia, SC 29223 | Second Floor Conference Room

Minutes Approved August 17, 2017

**Board Members Present:** Mr. Frank Fusco, Mr. Steve Heisler, Sheriff Leon Lott, Mr. Audie Penn, Mr. Alex Shissias, Chairman John Sowards, Mr. David Tigges, and Mr. Ed Walton

**Board Members Present Via Telephone:** Mr. Steve Matthews and Vice Chairman Joe “Rocky” Pearce

**Others Present for All or a Portion of the Meeting:** Peggy Boykin, Gwen Bynoe, Amber Carter, Sarah Corbett, Jennifer Dolder, Heather Muller, Tammy Nichols, Darry Oliver, Laura Smoak, Rob Tester, Travis Turner, Stephen Van Camp, Justin Werner, and Heather Young from the South Carolina Public Employee Benefit Authority (PEBA); Brooks Goodwin, Matt Shaffer, and Dr. Shawn Stinson from Blue Cross Blue Shield of South Carolina; Tricia Pool, Karen Russell, Robin Scott, and Traci Young from Express Scripts, Inc.; Wayne Pruitt from the State Retirees Association of South Carolina; Erin Brown from the South Carolina Office of the State Treasurer; and Will Kinney from Milliken Law Firm.

### I. Call to Order

Chairman John Sowards called the PEBA Board of Director’s (Board) meeting to order at 3:33 p.m., and stated that the public meeting notice was posted in compliance with the Freedom of Information Act.

### II. Approval of Meeting Minutes- June 15, 2017

The June 15, 2017, meeting minutes were adopted unanimously as presented.

### III. Committee Reports

#### A. Retirement Policy Committee

Mr. Steve Heisler stated that the Retirement Policy Committee met this morning, and received an actuarial audit presentation. Mr. Travis Turner, Chief Financial Officer, stated that the purpose of the actuarial audit is to determine if the results and conclusions determined by the valuation actuary (Gabriel, Roeder, Smith & Company), are valid and appropriate. Mr. Turner advised that Segal Consulting verified that the data appears complete, and the assumptions, methods, and communications comply with Actuarial Standards of Practice. While some data and programming issues were found that should be corrected, the impact on the System as a whole is not expected to be significant. It was also noted that Segal determined that the experience study covering the period ending June 30, 2015, provided a reasonable basis for setting the actuarial assumptions.

Mr. Heisler reported that the Committee received a performance update from the South Carolina Retirement System Investment Commission (RSIC), for the period ending May 31, 2017. Mr. Heisler stated that RSIC reviewed fiscal year-to-date performance relative to policy benchmarks, and stated that the Plan outperformed the policy benchmark by 11.32 percent, and total plan returns were 11.63 percent fiscal year-to-date.

**B. Health Care Policy Committee**

Mr. Audie Penn reported that the Health Care Policy Committee met earlier in the day and received a report from Express Scripts, Inc., regarding two programs upcoming for the Plan, including new clinical rules that will go into effect October 1, 2017, and a new maintenance pharmacy network that becomes effective January 1, 2018.

Mr. Penn advised that the Committee also received an annual review of the Medical University of South Carolina (MUSC) Health Plan including the latest financial performance, and the Plan's quality metrics.

Mr. Rob Tester, Insurance Policy Director, provided the 2018 State Health Plan Approval of Benefits and Contributions to the Board, and stated that the employer contribution rate for the State Health Plan will increase 3.3 percent, while employee rates remain the same. Mr. Tester also noted that the benefit structure for the State Health Plan will remain the same for 2018.

Mr. Tester pointed out that the rising cost of specialty pharmacy is the greatest cost challenge facing the health insurance industry today. Two changes were presented to address specialty pharmacy challenges in the Plan:

- A. Installing a custom exclusive specialty network for specialty medications dispensed through the pharmacy program for the commercial (non-Medicare) membership. This initiative is proposed to assure consistency in the quality of patient care involving specialty medications, and to provide the opportunity to address the rapidly escalating costs associated with specialty pharmacy. Better adherence, therapy management, and improved pricing should save the Plan an estimated \$6.7 million annually.
- B. Requiring that specialty drugs administered in a medical setting, and processed by Blue Cross receive prior authorization. Utilization management rules will ensure that therapy is clinically appropriate, and that products are utilized to obtain the best outcome and lowest cost. This change is estimated to achieve net savings of approximately \$3.6 million annually.

Mr. Tester also reviewed enrollment changes effective January 1, 2018, related to a subscriber's former spouse. Mr. Tester advised that Proviso 108.11 of the fiscal 2018 Appropriations Act, states that former spouses will continue to be eligible for coverage only under the terms of a court order, but will have their own individual policies going forward. There will no longer be an employer contribution applied to the former spouse's coverage, with the member obligated to pay the entire rate.

Mr. Penn stated that the Health Care Policy Committee made a motion to recommend that the full Board approve the proposed 2018 State Health Plan program changes effective January 1, 2018. Chairman Sowards stated that a Committee motion does not require a second. The motion passed unanimously.

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

Chairman John Sowards welcomed new Board member Mr. Alex Shissias to the FAAC Committee, and advised that the FAAC Committee did not meet in July.

**IV. Old Business**

The Board discussed meeting schedules going forward, and whether it would be feasible to compress all Committee meetings and the Board meeting to one day. Chairman Sowards stated that although the statutory requirements have changed, the Board will still have a meeting in August; however, there will not be a Board meeting in September.

**Director's Report**

Ms. Peggy Boykin, Executive Director, stated that PEBA's operating budget includes \$10 million as requested for implementation of the multiyear information technology modernization project. Ms. Boykin added that the project will be delayed because the client services vendor contract award was protested, and a hearing to dismiss is scheduled for Thursday, July 20, 2017. Once the client services vendor is determined, PEBA will proceed with finalizing the RFP for the implementation vendor.

Ms. Boykin advised that the Governor vetoed budget proviso 108.12 which was added in the Senate to expand no patient cost contraceptive coverage to dependents. Ms. Boykin added that vetoed legislation will be discussed in January.

Ms. Boykin reported that Segal Marco Advisors has been awarded the investment consulting contract for both the Optional Retirement Program (ORP), and the Deferred Compensation Program.

Ms. Boykin stated that the Group Life Insurance contract has been awarded to Met Life effective January 1, 2018.

Ms. Boykin commented that the transition of the custodial responsibility including banking services effective July 1, 2017, was successful, and she thanked RSIC, the State Treasurer's Office, Wells Fargo, and PEBA staff for a smooth transition.

**V. Executive Session to discuss a personnel matter pursuant to S.C. Code Ann. Section 30-4-70(A)(1)**

At 4:12 p.m., Mr. Heisler made a motion, which was seconded by Mr. Frank Fusco, and passed unanimously, to recede into executive session to discuss a personnel matter.

The Committee reconvened in open session at 5:14 p.m. Chairman Sowards announced that no action was taken by the Board while in executive session.

**VI. Adjournment**

There being no further business, and upon motion by Mr. Fusco, which was seconded by Mr. Ed Walton, and approved unanimously, the Board meeting adjourned at 5:15 p.m.