

Meeting Minutes | Board of Directors

Wednesday, July 24, 2019 | 3:00 p.m.
202 Arbor Lake Dr., Columbia, SC 29223 | First Floor Conference Room

Minutes Approved October 2, 2019

Board Members Present: Ms. Jennifer Blumenthal, Mr. Calvin Elam, Mr. Steve Heisler, Ms. Paige Lewis, Mr. Steve Matthews, Vice Chairman Joe “Rocky” Pearce, Mr. Chuck Richardson, Mr. Alex Shissias, Chairman John Sowards, and Mr. Ed Walton.

Board Members Absent: Sheriff Leon Lott

Others Present for All or a Portion of the Meeting: Bob Avery, Peggy Boykin, Phyllis Buie, Ashley Brindle, Amber Carter, Sarah Corbett, Joe Greene, James Manning, Mike McDermott, Jessica Moak, Heather Muller, Tammy Nichols, Laura Smoak, Rob Tester, Travis Turner, Stephen Van Camp, Justin Werner, Chuck Wilson, and Heather Young from the South Carolina Public Employee Benefit Authority (PEBA); Sam Griswold and Wayne Pruitt from the State Retirees Association of South Carolina; Mike Wright and Joe Ferguson from Segal Marco Advisors; Mehdi Riazzi from Gabriel, Roeder, Smith & Company; Samantha Harper from the South Carolina Office of the State Treasurer; Lewis Carter from the South Carolina Department of Administration’s Executive Budget Office; Bill Tomes from Public Management Leadership Development Services, LLC.; and Alex Tomlinson from Mullikin Law Firm.

I. Call to Order

Chairman John Sowards 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.

Chairman Sowards welcomed Mr. Calvin Elam as the Board’s newest member, and thanked him for his service.

Chairman Sowards also advised that Mr. Elam replaced Mr. Audie Penn’s position on the Board. Chairman Sowards stated that Mr. Penn served the Board faithfully and consistently for seven years, and will be greatly missed. Mr. Penn was one of the original Board members appointed in 2012 when PEBA was created. Chairman Sowards expressed his heartfelt thanks and appreciation to Mr. Penn for his service to the PEBA Board and the Health Care Policy Committee. Chairman Sowards passed around a *Resolution in Recognition and Profound Appreciation of Distinguished Service by Audie M. Penn* that will be framed and presented to Mr. Penn at a later date. It reads as follows:

“WHEREAS, for seven years Mr. Penn served honorably, faithfully, and with great distinction as a member of the Board of Directors for the South Carolina Public Employee Benefit Authority;

WHEREAS, as a member of the first Board of Directors for the South Carolina Public Employee Benefit Authority, Mr. Penn provided outstanding leadership and guidance in the successful creation and launch of the state agency responsible for providing retirement and insurance benefits for South Carolina public employees, retirees and their families;

WHEREAS, Mr. Penn worked tirelessly to advance the cause of providing sustainable retirement and insurance benefits to hundreds of thousands of South Carolina public employees, retirees, and their families;

WHEREAS, as a member of the Health Care Policy Committee, Mr. Penn made significant and profound contributions to the design and management of the state’s health insurance plans;

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of the South Carolina Public Employee Benefit Authority hereby expresses its deep gratitude and appreciation for the distinguished and faithful service of Mr. Audie M. Penn as a member of the Board of Directors of the South Carolina Public Employee Benefit Authority. The Board thanks Mr. Penn for a job well done.”

Chairman Sowards made a motion, which was seconded by Mr. Steve Heisler, and passed unanimously, to adopt the Resolution for Mr. Penn as presented.

II. Approval of Meeting Minutes- March 6, 2019 and April 24, 2019

It was noted that the March 6, 2019, and April 24, 2019, Board meeting minutes were approved as presented.

III. OPEB Actuarial Valuation

Mr. Travis Turner, PEBA’s Chief Financial Officer, introduced Mr. Mehdi Riazzi from Gabriel, Roeder, Smith & Company, to present an update regarding Other Post-Employment Benefits (OPEB) valuation which includes the Retiree Health Insurance and the Long Term Disability Plan (LTD). Mr. Riazzi explained that the OPEB valuation only satisfies an accounting requirement, and there is no requirement to prefund the Plan.

Mr. Riazzi reviewed Plan accounting changes as a result of Governmental Accounting Standards Board (GASB) 74, which requires the use of a discount rate based on the yield of high-quality 20-year municipal bonds, and employer reporting changes as a result of GASB 75, which requires all participating employers to recognize a share of the unfunded actuarial accrued liability (UAAL) of OPEB on their financial statements.

Mr. Riazzi provided a funding overview of the OPEB plan, including historical and projected employer payroll surcharge amounts, and retiree medical insurance premium amounts

Mr. Riazzi concluded his presentation by stating that the LTD Fund has over a 90 percent funded ratio.

IV. Strategic Plan Update

Ms. Sarah Corbett, Chief Operating Officer, presented an update to the 2019-2021 Strategic Plan, and previewed a proposed new format that will be presented to the Board for approval at the October Board Retreat. Ms. Corbett stated that the updated Strategic Plan will incorporate four

different documents including the 2019-2021 Strategic Plan; 2019-2021 Strategic Staff Actions, FY 2019 Completed Strategic Staff Actions, and 2019-2021 Strategic Key Measures.

V. Committee Reports

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

Mr. Steve Matthews reported that the FAAC Committee met earlier in the morning, and received a presentation on PEBA's CEM Pension Administration Benchmarking Results for Fiscal Year 2018. Mr. Matthews stated that PEBA's total pension administration cost was significantly below the peer average. Cost trend increased by 3.4 percent, primarily due to building renovations and increased consultant fees, but is still well below the peer universe. Mr. Matthews advised that PEBA's total service score was 77, which is slightly below the peer median of 82.

Mr. Matthews advised that Mr. John Page, Director of Internal Audit, provided the PEBA internal audit reports including:

- A. Internal Audit Report 2019- 1 Retirement Member Access
- B. Internal Audit Plan Status Report

Mr. Matthews presented the annual agency budget report, and advised that PEBA's fiscal year 2021 total authorized budget request is \$42,030,091, which includes an additional budget authorization of \$10 million of reoccurring funds for PEBA's IT modernization project, peba:connect. This additional budget authorization was approved in fiscal years 2018, 2019, and 2020. Mr. Matthews explained that PEBA's General Fund appropriations are pass through appropriations only, and are not used for PEBA's operating expenses. Mr. Matthews added that General Funds for statewide contributions were added in fiscal year 2016, with the termination of the Budget and Control Board.

Mr. Matthews advised that the FAAC Committee made a motion to recommend that the full Board accept the proposed fiscal year 2021 agency budget effective July 1, 2020. Chairman Sowards stated that a Committee motion does not require a second. The motion passed unanimously.

Mr. Matthews stated that PEBA Board of Directors Bylaws requires a review of the bylaws every three years, and the FAAC Committee must review the Board's governance documents to determine compliance with the documents, and to determine whether any changes to the governing documents are required. The governance documents reviewed included:

- PEBA Board Bylaws
- PEBA Board Ethics and Conflicts-of-Interest Policy
- PEBA Board Continuing Education Policy
- PEBA Board Travel Policy
- PEBA Board Conference Event Attendance Policy
- PEBA Executive Director Emergency Succession Plan

- Resolution Reserving Certain Powers to the PEBA Board and Delegating Powers to the Executive Director

It was noted that staff and the Committee reviewed all governance documents listed above, and determined that no action was needed at this time except for updating the Resolution Reserving Certain Powers to the PEBA Board and Delegating Powers to the Executive Director. Mr. Matthews stated that the current version adopted in 2015, references Act 278 of 2012 for the legal authority establishing the position of the PEBA Executive Director. However, in Act 13 of 2017, the General Assembly formalized the PEBA Executive Director position in statute at Section 9-4-10(J) of the South Carolina Code of Laws.

Mr. Matthews advised that the FAAC Committee made a motion to recommend that the full Board amend the Resolution Reserving Certain Powers to the PEBA Board and Delegating Powers to the Executive Director, to reflect the updated statutory authority for the PEBA Executive Director position. Chairman Sowards stated that a Committee motion does not require a second. The motion passed unanimously.

Mr. Matthews noted that the FAAC Committee also received the results of Ice Miller's (PEBA's National Tax and Benefits Counsel) recent Comprehensive Compliance Review of PEBA's retirement plans, and advised that Ice Miller determined that PEBA's retirement plans comply with IRS requirements, and no amendments are required to maintain qualification status.

Mr. Matthews concluded his report by stating that Mr. Bobby George, Human Resources Training and Development Director, presented an update to the Committee regarding on-going organizational development at PEBA including current wellness initiatives, and fundraising efforts for charitable organizations.

It was noted that the next FAAC Committee meeting will be September 4, 2019.

B. Health Care Policy Committee

Mr. Rocky Pearce reported that the Health Care Policy Committee met earlier in the day, and advised that the State Health Plan (SHP) employee and employer contribution rates for Plan Year 2020 will remain the same as in Plan Year 2019. In addition, copayments for participants of the SHP will also remain the same. Mr. Pearce acknowledged PEBA's staff for their hard work and efforts in managing the SHP.

Mr. Pearce advised that the Health Care Policy Committee made a motion to recommend that the full Board accept the proposed 2019 State Health Plan program changes effective January 1, 2020. Chairman Sowards stated that a Committee motion does not require a second. The motion passed unanimously.

Mr. Pearce stated that the Committee also received an update regarding the Medical University of South Carolina (MUSC) Health Plan.

A video was shown regarding a Naturally Slim celebration event on May 30, 2019, where hundreds of participants gathered to celebrate their success with the Naturally Slim program.

Naturally Slim is an online program that promotes the concept of building skills that include mindful eating, physical activity, nutrition, and mental health.

It was noted that the next Health Care Policy Committee meeting will be September 4, 2019.

C. Retirement Policy Committee

Mr. Steve Heisler reported that the Retirement Policy Committee met before the full Board meeting, and advised that Mr. Geoffrey Berg, Chief Investment Officer, and Mr. Mike Hitchcock, Chief Executive Officer, from the South Carolina Retirement System Investment Commission (RSIC), discussed estimates on year end performance.

Mr. Heisler stated that representatives from Segal Marco Advisors presented the South Carolina Defined Contribution Plan (SCDCP) investment report, and the State Optional Retirement Plan (State ORP) investment report for the quarter ending March 31, 2019.

Mr. Heisler also reported that Ms. Nancy Ornduff, from Empower Retirement, presented the first quarter plan activity summary.

Ms. Peggy Boykin, Executive Director, stated that the fiscal year 2020 General Appropriations Act provided increases in the salaries for the members of the Judges and Solicitors Retirement System (JSRS), as well as increased employer contributions to JSRS to amortize the cost of the additional liabilities accrued in JSRS as a result of salary increases. Ms. Boykin advised that the General Assembly appropriated funds in the budget to increase the JSRS employer contribution rate to 62.94 percent effective July 1, 2019.

Mr. Heisler advised that the Retirement Policy Committee made a motion to recommend to the PEBA Board that it increase the JSRS employer contribution rate to 62.94 percent for the 2020 fiscal year to conform to the funding appropriated for such contributions in the 2019-2020 state budget. Chairman Sowards stated that a Committee motion does not require a second. The motion passed unanimously.

Ms. Boykin stated that in Act 13 of 2017, the General Assembly established a schedule of increased employer contributions, and a schedule of the maximum funding period for the South Carolina Retirement System (SCRS) and the South Carolina Police Officers Retirement System (PORS), designed to pay off those systems' existing liabilities with maximum amortization periods. In the General Appropriations Act for the 2020 fiscal year, the General Assembly appropriated funds sufficient to support contribution rates for JSRS that would be expected to amortize the unfunded liabilities of JSRS on the same schedule established for SCRS and PORS.

Mr. Heisler advised that the Retirement Policy Committee made a motion to recommend to the PEBA Board that it adopt the JSRS Contribution Rate Policy. Chairman Sowards stated that a Committee motion does not require a second. The motion passed unanimously.

It was noted that the next Retirement Policy Committee meeting will be September 4, 2019.

VI. Old Business

Director's Report

Ms. Boykin stated that last year's appropriations bill includes \$49.7 million for full funding of the State Health Plan; \$32.4 million to cover the general fund share of the one percent of the increase in employer contribution rates; and \$2.9 million to add additional funding for the JSRS plan.

Ms. Boykin advised that 22 employee service awards were issued during Employee Appreciation Week this past May, including three employees who met their 30-year milestone and one employee who met their 40-year milestone.

Ms. Boykin reported that the State Auditor's office has selected Funston Advisory Services (Funston), to conduct PEBA's 2019 fiduciary audit. Ms. Boykin advised that Funston was on-site the second week of June, and interviewed a large number of staff. In addition, Funston will also be reaching out to interview Board members next week.

Ms. Boykin announced upgrades to MyBenefits, which is a secure online website that members and employers use to enroll or change insurance coverages. Employers will now be able to upload new hire documents directly into MyBenefits.

Ms. Boykin advised that Financial Services staff is working diligently on completing the audited financial statements that are provided annually to the Comptroller General's Office, and used in the Comprehensive Annual Financial Report.

Ms. Boykin advised that one of Funston's previous recommendations was to consider abolishing the Retirement/Pre-Retirement Advisory Panel, and incorporating this group into a broader stakeholder meeting which will be discussed at the next joint PEBA/RSIC stakeholder meeting on July 31, 2019, and the next Retirement/Pre-Retirement Advisory Panel meeting.

Ms. Boykin stated that PEBA will complete an information technology disaster recovery and business continuity test in Philadelphia, Pennsylvania, next month to test the restoration of all production systems from PEBA's back-up system.

Ms. Boykin announced that the Benefits at Work Conference will be August 26-28, 2019, at the Columbia Metropolitan Convention Center. This conference is dedicated to informing employers on open enrollment and benefit changes for 2019. Ms. Boykin thanked PEBA's employer services staff for all of their hard work to ensure that the BAW conference is a success.

Roundtable Discussion

At the conclusion of the Director's Report, Chairman Sowards provided an opportunity for a roundtable discussion.

VII. Executive Session for Discussion of a Personnel Matter and to Receive Legal Advice Pursuant to S.C. Code of Laws § 30-4-70(a)(1) and (2)

At 4:02 p.m., Mr. Heisler made a motion, which was seconded by Mr. Alex Shissias, and passed unanimously, to recede into executive session to discuss a personnel matter and to receive legal advice.

At 4:51 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 motion by Mr. Matthews, which was seconded by Mr. Heisler, and approved unanimously, the Board meeting adjourned at 4:52 p.m.