

Meeting Minutes | Board of Directors

Wednesday, June 6, 2018 | 3:00 p.m.

200 Arbor Lake Dr., Columbia, SC 29223 | Second Floor Conference Room

Meeting Minutes Approved July 25, 2018

Board Members Present: Mr. Steve Heisler, Sheriff Leon Lott, Mr. Steve Matthews, Mr. Audie Penn, Vice Chairman Joe “Rocky” Pearce, Mr. Chuck Richardson, Mr. Alex Shissias, Chairman John Sowards, and Mr. Ed Walton.

Board Members Present Via Telephone: Mr. Frank Fusco

Others Present for All or a Portion of the Meeting: Bob Avery, Peggy Boykin, Ashley Brindle, Kim Brown, Phyllis Buie, Sarah Corbett, Joe Greene, Doug Hislop, Heather Muller, Tammy Nichols, James Manning, John Page, Laura Smoak, Rob Tester, Travis Turner, Stephen Van Camp, Justin Werner, and Heather Young from the South Carolina Public Employee Benefit Authority (PEBA); Mehdi Riazzi from Gabriel, Roeder, Smith & Company; Wayne Bell, Sam Griswold, and Wayne Pruitt from the State Retirees Association of South Carolina; Nancy Ornduff from Empower Retirement; Bill Tomes from Public Management Leadership Development Services, LLC.; Brooks Goodman from Blue Cross Blue Shield of South Carolina; Joanie Lawson from the South Carolina Education Association; Alex Tomlinson from Milliken Law Firm; and Mark Nicklas from Perspecta.

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 regrettably announced that Mr. David Tigges has resigned from the PEBA Board of Directors due to business commitments and obligations. Chairman Sowards thanked Mr. Tigges for his faithful service to the PEBA Board since inception.

II. Approval of Meeting Minutes- March 7, 2018

It was noted that the March 7, 2018, Board meeting minutes were approved as presented.

III. 2017 OPEB Update

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) accounting changes. 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 effective for fiscal year 2018.

Mr. Riazzi concluded his presentation by providing a funding overview of the OPEB plan, including historical and projected employer payroll surcharge amounts.

IV. Committee Reports

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

Mr. Steve Matthews reported that the FAAC Committee did not meet in June.

B. Health Care Policy Committee

Mr. Rocky Pearce stated that the Health Care Policy Committee did not meet in June.

C. Retirement Policy Committee

Mr. Steve Heisler advised that the Retirement Policy Committee met earlier in the day, and 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, 2018.

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

V. Old Business

Director's Report

Ms. Peggy Boykin, Executive Director, provided a brief update regarding PEBA's IT modernization project, peba:connect, and stated that a Request for Qualifications (RFQ) is in process, and the next steps include a Request for Proposal (RFP) for both data and implementation vendors.

Ms. Boykin stated that the General Assembly is currently in recess, and will be returning June 27, 2018, for budget discussions. Ms. Boykin reminded the Board that PEBA's operating budget is the same in both the House and Senate versions, but the funding for retirement contributions is slightly different in the two plans. Ms. Boykin advised that the House version of the budget includes funding to cover the entire one percent of the increase in employer contribution rates, and the Senate version differs on the entities that they are including in the state's share of the one percent. \$475,000 is added in both versions to fund the South Carolina National Guard Plan.

Ms. Boykin reported that both versions of the budget fully fund the State Health Plan, with no premium increase for employees. The House version including adult well visits as a contractual service, with a modest increase in copayments, deductibles, and coinsurance

maximums. The Senate version fully funds adult well visits with no patient liability to members.

Ms. Boykin advised that there is still an unresolved issue related to workforce development and the current \$10,000 earnings limitation for retirees. Ms. Boykin stated that PEBA's responsibility to the General Assembly is to advise of the potential financial ramifications that surround changes to the Plan, and not to be involved in human resource management discussions.

Ms. Boykin updated the Board on legislation that has been passed this year related to PEBA, and noted that House bill 4868 which staggers the Fiduciary Audit completion dates of PEBA and the South Carolina Retirement Systems Investment Commission (RSIC), was adopted and ratified, along with House bill 4869 which removes the notarization requirements for PEBA beneficiary designations forms, and House bill 4673 which corrects the Probate Code section that disallows PEBA to pay survivor benefits to a former spouse.

At the conclusion of the Director's Report, Chairman Sowards commended Mr. Pearce and the Health Care Policy Committee for their consistent long-term efforts in regards to incorporating adult well visits into the State Health Plan. Mr. Pearce also thanked PEBA staff for their diligence in assisting the Health Care Policy Committee.

VI. 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 3:40 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 4:23 p.m., Mr. Heisler made a motion, which was seconded by Mr. Shissias, and passed unanimously, to reconvene in open session. Chairman Sowards announced that no action was taken by the Board while in executive session.

Chairman Sowards stated that the next PEBA Board meeting will be July 25, 2018, at 3:00 p.m.

VII. Adjournment

There being no further business, and upon motion by Mr. Frank Fusco, which was seconded by Mr. Matthews, and approved unanimously, the Board meeting adjourned at 4:25 p.m.