



## Meeting Minutes | Board of Directors Meeting

Wednesday, June 23, 2021 | 1:00 p.m.

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

Minutes Approved July 28, 2021

**Board Members Present:** Ms. Amanda Blankenship, Ms. Jennifer Blumenthal, Mr. Calvin Elam, Mr. Steve Heisler, Mr. Steve Matthews, Sherriff Steve Mueller, Vice Chairman Joe “Rocky” Pearce, Mr. Alex Shissias, Chairman John Sowards, and Mr. Ed Walton.

**Board Members Present Via Telephone:** Ms. Paige Lewis

**Others Present for All or a Portion of the Meeting:** Peggy Boykin, Robby Brown, Sarah Corbett, Heather Muller, Rob Tester, Travis Turner, and Stephen Van Camp from the South Carolina Public Employee Benefit Authority (PEBA); and Bill Tomes from Public Management Leadership Development Services, LLC.

**Others Present for All or a Portion of the Meeting Via Telephone:** Tammy Nichols and Heather Young from the South Carolina Public Employee Benefit Authority (PEBA).

### I. Call to Order

Chairman John Sowards called the PEBA Board of Director’s (Board) meeting to order at 1:00 p.m., and stated that the public meeting notice was posted in compliance with the Freedom of Information Act.

### II. Approval of Meeting Minutes- March 3, 2021

It was noted that the March 3, 2021, Board meeting minutes were approved as presented.

### III. Strategic Plan Update

Ms. Sarah Corbett, Chief Operating Officer, presented an update to the 2021-2025 Strategic Plan. Ms. Corbett advised that the updated Strategic Plan is primarily focused on PEBA’s Information Technology modernization project, PEBA:Connect. Ms. Corbett stated that the Strategic Plan goals remain the same, but the staff action items for each goal will be focused around the PEBA:Connect project for the next four years.

### IV. PEBA:Connect Update

Ms. Corbett provided an update regarding PEBA:Connect. Ms. Corbett reminded the Board that PEBA’s core operational system was built in the early 1990’s with the Adabas/Natural technology foundation, and cannot keep pace with future demands.

Ms. Corbett advised that the PEBA:Connect project is now in the implementation phase, and there are three vendors under contract. Ms. Corbett reviewed the project goals and value for PEBA’s

infrastructure, customers, and employers. Ms. Corbett added that the new system will provide a unified, one-stop improved customer experience with respect to all programs administered by PEBA. Ms. Corbett reviewed the project management, and advised that PEBA's Steering Committee holds weekly meetings to ensure that the project is moving forward as efficiently as possible. Ms. Corbett advised that the PEBA:Connect project is on-time, and discussed key activities that have been completed, as well as future milestone dates including functional requirements; technical system requirements; and data conversion.

Ms. Corbett concluded her presentation by discussing potential risk for the PEBA:Connect project including human resources; scope/functionality; data cleaning/conversion; technical; contract management; and go-live and post-implementation risks.

## **V. Old Business**

Chairman Sowards reminded the Board that Mr. Steve Matthews, Chairman of the FAAC Committee, and Mr. Steve Heisler, Chairman of the Retirement Policy Committee, will both be ineligible for reappointment in June of 2022. Chairman Sowards announced that as part of the Board's succession planning, both Mr. Matthews and Mr. Heisler will relinquish their Chairmanships effective July 2021, so that they can participate in mentoring new Chairs for their respective Committees during the next year. Chairman Sowards advised that he will appoint a new Chairperson for both the FAAC and Retirement Policy Committee, effective July 2021. Chairman Sowards thanked both Mr. Matthews and Mr. Heisler for their tremendous efforts over the years, and for their support and dedication to their respective Committees and to the Board.

### **Director's Report**

Ms. Peggy Boykin, Executive Director, provided the director's report, and stated that the fiscal year 2022 budget was recently adopted, and has been sent to the Governor. The budget includes \$5.9 million to fund the State Health Plan without increasing premiums for employees, but it did not include expanding the well visit coverage to every year for all age groups, at no cost to members. Ms. Boykin advised that the general fund continues to fund for most employers one percent of the initial two percent retirement contribution rate increase that became effective in 2017. The budget also includes \$32.4 million to cover the general fund share of the one percent of the increase in employer contribution rates effective July 1, 2021. The one percent increase was suspended last year as a result of the continuing resolution. The phase-in of the additional one percent increase in the contribution rate for the next three years will be extended by one year due to the previous suspension. It was noted that State employees will receive a 2.5 percent pay increase effective July 1, 2021.

Ms. Boykin reminded the Board that PEBA submitted the actuaries' recommendation to decrease the investment return assumption from 7.25 percent to 7.00 percent to the General Assembly as the proposed assumed rate of return. The General Assembly took no action on the actuarial rate of return; therefore, PEBA's recommendation becomes effective, and will have a significant fiscal impact to the unfunded liability, and the amortization period of the plan. Ms. Boykin advised that as a result of the reduction, the unfunded liability is expected to increase by \$1.5 billion, and the amortization period extended by two years. Ms. Boykin added that the current 20-year amortization period is significantly below the maximum threshold.

Ms. Boykin advised that the South Carolina Retirement System Investment Commission (RSIC) reported that the rate of return through the end of the March 2021, quarter is in excess of 20

percent, which is significantly higher than expected. If the increase extends through the end of the fiscal year on June 30, 2021, it will erase the \$1.8 billion actuarial losses sustained during last years' underperformance.

Ms. Boykin stated that the General Assembly adopted S658 which clarified that inactive members may elect contingent beneficiaries; standardized that an employee has 30 days to make enrollment elections for both retirement and insurance benefits; and abolished the Retirement and Pre-Retirement Advisory Board, which was recommended by the Funston Fiduciary Audit.

Ms. Boykin reminded the Board that the General Assembly adopted a Joint Resolution in January 2021, allowing PEBA to suspend the Other Post-Employment Benefits (OPEB) sweep of the State Health Plan that would normally occur on January 31, 2021, to mitigate any higher medical claims that the State Health Plan may see in 2021 due to COVID-19.

Ms. Boykin reported that the disaster recovery transition to the State provider was successful, and Mr. Robby Brown, Chief information Officer, will provide more information at the July 28<sup>th</sup> Board meeting.

Ms. Boykin stated that the Benefits at Work Conference is dedicated to engaging and informing employers on open enrollment and benefit changes for the upcoming year. Ms. Jennifer Dolder, Director of Employer Services, and her team developed recorded sessions for employers during COVID-19, and will provide virtual and/or recorded sessions again this year.

Ms. Boykin noted that PEBA's Employee Appreciation Day is June 24<sup>th</sup>, and staff will be provided a box lunch and a PEBA appreciation gift. PEBA was unable to host a celebration last year due to COVID-19, but this year we will be able to celebrate with restrictions. Service awards were presented to 62 employees last week, with three employees having 40 years of service. Ms. Boykin added that employees are what makes PEBA successful, and thanked the entire PEBA staff for their dedication to providing retirement and health benefits.

Ms. Boykin advised that the 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 announced that the Government Finance Officers Association of the United States and Canada (GFOA), awarded a Certificate of Achievement for Excellence in Financial Reporting to the South Carolina Retirement Systems for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2020. The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting. This was the 33rd consecutive year that the Retirement Systems has achieved this prestigious award. Ms. Boykin thanked Mr. Travis Turner, Chief Financial Officer, and his team, for this tremendous accomplishment.

**VI. Executive Session for Discussion of Personnel Matters, Legal Advice, and Contractual Matters Pursuant to S.C. Code of Laws § 30-4-70(a)(1) and (2)**

At 2:05 p.m., Mr. Heisler made a motion, which was seconded by Ms. Jennifer Blumenthal, and passed unanimously, to recede into executive session to discuss a personnel matter and to receive legal advice.

At 3:40 p.m. the meeting reconvened in open session. Chairman Sowards announced that no action was taken by the Board while in executive session.

**VII. Adjournment**

There being no further business, and upon a motion by Mr. Heisler, which was seconded by Mr. Alex Shissias, and approved unanimously, the Board meeting adjourned at 3:41 p.m.