



## Meeting Minutes | Board of Directors Meeting

Wednesday, June 21, 2023 | 2:00 p.m.

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

Minutes approved September 20, 2023

**Board Members Present for All or a Portion of the Meeting:** Ms. Amanda Blankenship; Mr. Calvin Elam, Mr. Steve Heisler, Chairman Joe “Rocky” Pearce, Mr. John Sowards, and Mr. Ed Walton.

**Board members Present for All or a Portion of the Meeting Via Virtual Means:** Ms. Jennifer Blumenthal, Ms. Paige Lewis, Mr. Steve Matthews, and Sheriff Steve Mueller.

**Board members absent:** Mr. Alex Shissias and Mr. Ed Walton

**Others Present for All or a Portion of the Meeting:** Peggy Boykin, Ashley Brindle, Amber Carter, Justin Ellis, James Manning, Evan Mitchell, Heather Muller, Tammy Nichols, John Page, Rob Tester, Travis Turner, Angie Warren, Justin Werner, and Heather Young from the South Carolina Public Employee Benefit Authority (PEBA); Ms. Alisa Bennett, Mr. Ed Koebel, and Ms. Micki Taylor from Cavanaugh Macdonald Consulting; Wayne Bell from the State Retirees Association of South Carolina; Bill Tomes from Public Management Leadership Development Services, LLC.; and Mike Madalena; PEBA Consultant.

**Others Present for All or a Portion of the Meeting Via Virtual Means:** Mr. John Gentry with Federated Investment Counseling.

### I. Call to Order

Chairman Rocky Pearce called the PEBA Board of Director’s (Board) meeting to order at 2:00 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 1, 2023

Mr. Steve Heisler made a motion, which was seconded by Mr. John Sowards, and passed unanimously, to approve the minutes from the March 1, 2023, Board meeting.

### III. OPEB Investment Performance Update

Mrs. Peggy Boykin, Executive Director, introduced Mr. John Gentry, Senior Vice President and Senior Portfolio Manager for Federated Investment Counseling, to present an Other Post-Employment Benefits (OPEB) portfolio overview.

Mr. Gentry stated that as of March 31 2023, the Long-Term Disability Insurance Trust Fund has \$34,132,880 in assets, and the Retirees Health Insurance Trust Fund has \$1,574,167,112 in assets.

Mr. Gentry reviewed a performance summary and portfolio composition for the Retiree Health Insurance Trust Fund and the Long-Term Disability Insurance Trust Fund as of March 31, 2023.

Mr. Gentry concluded his presentation by reviewing an economic outlook, including U.S. Treasury Yields from December 31, 2021, to March 31, 2023; Gross Domestic Product descending to 15-year average; the U.S. Consumer Price Index since 1973; and a recession probability forecast.

#### **IV. Actuarial Audit Review**

Mr. Turner introduced Ms. Alisa Bennett, President; Mr. Ed Koebel, Chief Executive Officer; and Ms. Micki Taylor, Consulting Actuary from Cavanaugh Macdonald Consulting, to review the results of the 2023 Actuarial Audit Review.

Ms. Bennett stated that Cavanaugh Macdonald (CavMac) is an independent auditing actuary, tasked to provide a general overview and express an opinion of the reasonableness and soundness of the work performed by PEBA's external actuaries Gabriel, Roeder, Smith & Company (GRS). The work reviewed included the June 30, 2022, valuations for PEBA's five defined benefit plans, including the South Carolina Retirement System (SCRS); the Police Officers Retirement System (PORS); the Judges and Solicitors Retirement System (JSRS); the General Assembly Retirement System (GARS); and the South Carolina National Guard Retirement Plan (SCNG); as well as the 2020 Actuarial Experience Study.

Ms. Bennett advised that an actuarial audit should not focus on finding differences between actuarial processes and procedures utilized by two different actuaries, but rather to verify that there are no material errors, and to identify improvements to the process and procedures. The goal of the audit is to improve the actuarial process and the final work product.

Ms. Bennett reviewed the audit conclusions and stated that CavMac found the actuarial valuation results to be reasonable and accurate based on the assumptions used. They offered several suggestions for items to consider regarding the assumptions and reports. CavMac found that the valuation was performed by qualified actuaries and was performed in accordance with the principles and practices prescribed by the Actuarial Standards Board.

Mr. Koebel advised that there are two general types of actuarial assumptions that are incorporated in actuarial valuations including economic assumptions and demographic assumptions. Mortality is the most common type of demographic assumption.

Mr. Koebel stated that a funding policy is composed of the following actuarial methods: Actuarial Cost Method, Asset Valuation Method, and Amortization of Unfunded Actuarial Accrued Liability.

Ms. Taylor reviewed the census data used to conduct the actuarial audit, and reviewed the actuarial valuation results.

Ms. Bennett concluded by stating that the June 30, 2022, Actuarial Valuation Reports for PEBA provided sufficient information for another actuary to understand what was done and to assess the reasonableness of the results, and provided a few suggestions to consider for the next experience study or valuation.

Mr. Turner advised that GRS was provided a copy of the report and responded by providing a letter to the Board which stated that they would take the recommendations into consideration for the next valuations and experience study.

## **V. Strategic Plan Update**

Mr. Turner presented an update to the 2021-2025 Strategic Plan. Mr. Turner advised that the updated Strategic Plan is primarily focused on PEBA's Information Technology modernization project, PEBA:Connect. Mr. Turner 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. Mr. Turner briefly reviewed each goal, and stated that the PEBA:Connect project is scheduled to be completed in March 2027.

## **VI. Committee Reports**

### **A. Health Care Policy Committee**

Mr. John Sowards reported that the Health Care Policy Committee met earlier in the morning, and stated that the Committee received an update regarding the Medical University of South Carolina (MUSC) Health Plan.

Mr. Sowards stated that the Committee also received as information a BioIQ Project Update related to colorectal cancer screening, and a Strategic Key Measures Review.

Mr. Sowards reported that Mr. Rob Tester, Insurance Policy Director, reviewed the 2024 State Health Plan Approval of Benefits and Contributions. Mr. Sowards advised that the Health Care Policy Committee made a motion that the PEBA Board approve the 2024 State Health Plan Approval of Benefits and Contributions as presented. Chairman Pearce reminded the Board that a Committee motion does not require a second. The motion passed unanimously.

Mr. Sowards also reported that the Committee discussed the Retiree Health Insurance Surcharge Policy, and advised that the Health Care Policy Committee made a motion that the PEBA Board ratify the method for the calculation of the retiree health insurance surcharge, and receive as information the surcharge rate for the upcoming fiscal year. Chairman Pearce reminded the Board that a Committee motion does not require a second. The motion passed unanimously.

### **B. Retirement Policy Committee**

Ms. Paige Lewis reported that the Retirement Policy Committee met in the morning, and advised that CapTrust presented the South Carolina Defined Contribution Plans Quarterly Investment Performance Report for the quarter ending March 31, 2023.

Ms. Lewis stated that Empower presented the first quarter Deferred Compensation Program Quarterly Plan Summary to the Committee.

Ms. Lewis advised that TIAA, presented a service overview of their investments in the State ORP program. It was noted that TIAA is one of four providers in the State ORP program.

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

Ms. Jennifer Blumenthal reported that the FAAC Committee met in the afternoon, and Mr. John Page, Director of Internal Audit, presented an internal audit report related to Retirement Bank Account Reconciliations. Mr. Page also provided the June 2023 PEBA Internal Audit Plan Update to the Committee.

Ms. Blumenthal stated that Mr. Travis Turner, Chief Financial Officer, provided the fiscal year 2025 Agency Administrative Budget for approval.

Ms. Blumenthal advised that the FAAC Committee made a motion to recommend that the full Board accept the proposed fiscal year 2025 agency administrative budget as presented. Chairman Pearce reminded the Board that a Committee motion does not require a second. The motion passed unanimously.

## **VII. Old Business**

### **Director's Report**

Ms. Boykin provided the Director's Report, and stated that the General Assembly has approved the State budget, and the Governor has issued his vetoes. The House and Senate have both adjourned Sine Die, and will not take up the Governor's vetoes until January 2024. Ms. Boykin added that there are not any vetoes that impact PEBA.

Ms. Boykin advised that the budget provides approval for PEBA's operating budget, and fully funds the State Health Plan including the well-woman visit initially added by Governor McMaster. Effective January 1, 2024, employer rates will increase 3.7 percent, with no increase for employees. Including the annualization, the General Assembly funded approximately \$120 million.

Ms. Boykin reminded the Board that a proviso was added last year to authorize the SHP to receive up to \$200 million from the American Rescue Plan Act (ARPA) funds to replenish the State Health Plan's cash reserve that was depleted due to COVID expenditures. PEBA will be using approximately \$71 million of these funds.

Ms. Boykin stated that the General Assembly continued the proviso for certain return-to-work retirees that allows an exemption from the current \$10,000 earnings limitation if the retiree has a complete 12-month break in-service with a covered employer. There are several other exemptions in statute to address workforce shortages.

Ms. Boykin advised that the budget also includes funding of approximately \$40 million to cover the general fund share of the one percent increase in employer retirement contribution rates effective July 1, 2023. This is the final one percent increase that was included in the 2017 legislation. In addition, the General Assembly continues to fund approximately \$100 million to cover the general fund share of the one percent of the initial two percent retirement contribution rate increase that became effective in 2017.

Mrs. Boykin reported that the General Assembly suspended the requirement for PEBA to have a fiduciary audit, and this year PEBA replaced the fiduciary audit with an actuarial audit. The results were reported earlier at this Board meeting.

Senate bill 108 was adopted by the General Assembly, and provides additional death benefits for law enforcement officers and other first responders killed in the line of duty. The effective date was modified to the Sine Die date of May 11, 2023, to include coverage for the Irmo firefighter recently killed during an apartment complex fire.

Ms. Boykin concluded the Director's Report by noting that May 12, 2023, was PEBA's Employee Appreciation Day, and service awards were presented to 22 employees.

**VIII. Executive Session for the Purpose of Discussing Personnel Matters and Legal Advice Pursuant to S.C. Code of Laws § 30-4-70(a)(1)(2)**

At 3:15 p.m., Mr. Heisler made a motion, which was seconded by Mr. Calvin Elam, and passed unanimously, to recede into executive session to discuss personnel matters and receive legal advice.

At 3:49 p.m., the meeting reconvened in open session. Chairman Pearce announced that no action was taken by the Board while in executive session.

**IX. Adjournment**

There being no further business, and upon a motion by Mr. Heisler, which was seconded by Vice-Chairman Sowards, and approved unanimously, the Board meeting adjourned at 3:50 p.m.