

Meeting Minutes | Board of Directors

Thursday, March 17, 2016 | 1 p.m.

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

Minutes approved April 20, 2016

Board Members Present: Mr. Steve Heisler, Mr. Frank Fusco, Ms. Stacy Kubu, Mr. Steve Matthews, Mr. Audie Penn, Chairman John Sowards, and Mr. David Tigges

Board Members Present via Telephone: Sheriff Leon Lott and Mr. Steve Osborne

Board Members Absent: Vice Chairman Joe “Rocky” Pearce

Others Present for All or a Portion of the Meeting: Peggy Boykin, Ashley Brindle, Sarah Corbett, Doug Hislop, Heather Muller, Tammy Nichols, Darry Oliver, Jacalin Shealy, Travis Turner, Stephen Van Camp, Justin Werner, and Heather Young from the South Carolina Public Employee Benefit Authority (PEBA); Brooks Goodman and Karen Patton from Blue Cross Blue Shield of South Carolina; Michael Craig from Novo Nordisk, Inc.; Kent Miyamote from Express Scripts, Inc.; and Thompson Kinney from Milliken Law Firm.

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. Adoption of Proposed Agenda

It was noted that the proposed Board meeting agenda was adopted unanimously as presented.

III. Approval of Meeting Minutes- February 18, 2016

Chairman Sowards asked for amendments to the previous meeting minutes. There being none, Mr. Sowards noted that the February 18, 2016, meeting minutes were approved as presented.

IV. Committee Reports

A. Health Care Policy Committee

Mr. Steve Heisler reported that the Health Care Policy Committee met earlier in the morning, and participated in a facilitated discussion on the Committee’s Mission Statement, goals, and key measures. Mr. Heisler stated that the Health Care Policy Committee revised the Committee Mission Statement to read as follows: “To ensure a financially sustainable health program that improves member health and provides a positive member experience.”

Chairman Sowards asked for a motion to adopt the proposed Health Care Policy Committee Charter which includes the revised Mission Statement.

Mr. Heisler made a motion, which was seconded by Mr. Audie Penn, and approved unanimously, to adopt the Health Care Policy Committee Charter as presented.

B. Retirement Policy Committee

Chairman Sowards announced that Mr. David Tigges has agreed to serve as Chairman of the Retirement Policy Committee.

Mr. Tigges stated that the Retirement Policy Committee met on March 16, 2016, and reported that MetLife has requested a change from the originally proposed Vanguard Money Market Prime Fund to the Vanguard Federal Money Market Fund. Mr. Tigges explained that the replacement “Government” fund will avoid redemption fees possible with the previous “Prime” money market fund. The Vanguard Federal Money Market Fund is scheduled to be implemented on April 1, 2016, and is consistent with broader ORP changes. Mr. Tigges confirmed that the change is in compliance with the State ORP Investment Policy Statement criteria.

Mr. Tigges made a motion, which was seconded by Mr. Heisler, and approved unanimously, to approve the MetLife Money Market Fund change from the Vanguard Money Market Prime Fund to the Vanguard Federal Money Market Fund.

Mr. Tigges stated that Mr. Travis Turner, Chief Financial Officer, reviewed a compliance comparison between the National Association of Defined Contribution Administrators (NAGDCA), Best Practice Recommendations, the State ORP, and the South Carolina Deferred Compensation Program (SCDCP).

Mr. Tigges reported that Mr. Turner also provided a summary of the 2016 Experience Study, and the implications of the accompanying actuarial assumption changes. Mr. Tigges noted that the summary will be available for Board members in the near future. Chairman Sowards complemented Mr. Turner for his efforts in condensing the Experience Study and the assumption changes into a summary that is easy to follow and understand.

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

Mr. Steve Matthews stated that the FAAC Committee met on March 16, 2016, and reviewed several modifications to the PEBA Board of Directors Bylaws. Mr. Matthews stated that the revisions were made to minimize the potential for vacancies on committees and in officer positions when the current Board member terms expire. At the last Board meeting, it was suggested that Section 5A be amended to include that all non-Board members appointed to serve on a Committee are non-voting members.

Mr. Matthews made a motion, which was seconded by Mr. Heisler, and approved unanimously, to approve the 2016 PEBA Board of Directors Bylaw revisions.

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

- A. StoneBridge Recovery Audit
- B. Analytical Review of Claims
- C. Internal Audit Report on Data Security- Third parties
- D. Internal Audit Plan Status Report
- E. 2016 SC PEBA Internal Audit Plan

Mr. Matthews stated that the FAAC Committee approved the 2016 Internal Audit Plan as submitted. Mr. Matthews made a motion, which was seconded by Mr. Penn, and approved unanimously, to approve the 2016 Internal Audit Plan as presented.

Chairman Sowards thanked Mr. Steve Osborne for agreeing to serve on both the Retirement Policy and the FAAC Committees until a replacement is made for the vacancy on the PEBA Board.

V. Old Business

A. Director's Report

Ms. Boykin provided the Director's Report, and stated that the House will begin budget deliberations next week. Ms. Boykin stated that the employer and employee contribution rates for the South Carolina Retirement System (SCRS), must be increased by a minimum three basis points effective July 1, 2017, to maintain a 30-year funding period.

Ms. Boykin explained that based on the 2015 Actuarial Valuations, the ramifications of fiscal year 2015 investment losses result in a one-half percent increase in employer contribution rates, which would normally be phased in during a five-year period. Ms. Boykin reported that the House version of the fiscal year 2017 budget fully funds the State Health Plan, and includes funding that will cover only the general fund portion of the one-half percent increase in employer contribution rates. The House version includes a one percent pay increase for state employees, and a one-half percent increase in the employer and employee contribution rates. Contribution increases would be effective July 1, 2016. Historically, contribution increases become effective two years after the date of the actuarial valuations. Ms. Boykin explained that the reason for the two-year delay is to allow participating employers time to incorporate the contribution increase requirements into their budgeting process.

Ms. Boykin advised that a combined meeting of the Senate Finance Committee - Special Subcommittee to Review the Investment of State Retirement Funds, and the Health and Human Services Subcommittee will meet on March 24, 2016, and will receive a presentation from PEBA and RSIC, with regards to the Experience Study and funding requirements.

Ms. Boykin stated that the State Fiscal Accountability Authority (SFAA), will hold a special meeting to review the 2016 Experience study, the 2015 Actuarial Valuations, and funding issues in regards to PEBA and RSIC on April 19, 2016. Ms. Boykin pointed out that alternative

dates will need to be selected for the PEBA Board retreat that was originally scheduled for April 19, 2016, as well as the April Board meeting since the Board is required by statute to meet monthly. Ms. Boykin stated that a possible alternative date for the April Board meeting would be April 20, 2016. Ms. Boykin noted that the Board Retreat may be postponed until the end of the legislative session.

Ms. Boykin informed the Board that PEBA will be hiring an Enterprise Risk Manager in the near future.

Ms. Boykin reported that as of March 11, 2016, the fiscal year-to-date investment return was -3.61 percent, which is still significantly below the 7.50 percent assumed rate of return, but is a slight increase over the -6.0 percent fiscal year-to date investment return ending January 2016.

B. Roundtable Discussion

At the conclusion of the Director's Report, Chairman Sowards provided an opportunity for a roundtable discussion. Members of the Health Care Policy Committee expressed their appreciation to PEBA staff for all of their hard work regarding the recent facilitated strategic planning sessions.

Chairman Sowards reminded the Board that their individual terms end June 30, 2016, so they should reach out to their respective appointees as soon as possible to ensure reappointments of all Board members.

Chairman Sowards also reminded the Board that the required Statement of Economic Interest Reports are due by March 30, 2016.

VI. Adjournment

There being no further business, and upon motion by Mr. Fusco, which was seconded by Mr. Penn, and approved unanimously, the Board meeting adjourned at 1:40 p.m.