

Meeting Minutes | Board of Directors

Thursday, March 23, 2017 | 12:00 p.m.
200 Arbor Lake Dr., Columbia, SC 29223 | Second Floor Conference Room

Minutes approved April 20, 2017

Board Members Present: Mr. Frank Fusco, Mr. Steve Heisler, Vice Chairman Joe “Rocky” Pearce, Mr. Audie Penn, Chairman John Sowards, Mr. David Tigges, and Mr. Ed Walton

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

Others Present for All or a Portion of the Meeting: Peggy Boykin, Ashley Brindle, Amber Carter, Sarah Corbett, Jennifer Dolder, Doug Hislop, Megan Lightle, Heather Muller, Darry Oliver, Sheila Pinckney, Jacalin Shealy, Travis Turner, Stephen Van Camp, and Justin Werner from the South Carolina Public Employee Benefit Authority (PEBA); Sam Sisney from the South Carolina Office of the State Treasurer; Neil Silverman and Paul Staples with Summit Strategies Group; Nancy Ornduff with Empower Retirement; and Michael Craig and Tim McDonald from Novo Nordisk, Inc.

I. Call to Order

Chairman John Sowards called the PEBA Board of Director’s (Board) meeting to order at 12:02 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 16, 2017

It was noted that the February 16, 2017, meeting minutes were adopted unanimously as presented.

IV. Committee Reports

A. Health Care Policy Committee

Mr. Rocky Pearce reported that the Health Care Policy Committee met earlier in the day, and received a presentation on 2017 Health Initiative Communications Goals.

B. Retirement Policy Committee

Mr. David Tigges stated that the Retirement Policy Committee met earlier in the morning, and advised the Board that the Investment Policy Statements for the State Optional Retirement and the South Carolina Deferred Compensation were not addressed and will be carried over to the next Committee meeting.

Mr. Tigges introduced Mr. Paul Staples from Summit Strategies who provided background information on each of the three motions that the Committee approved.

Mr. Tigges stated that the Retirement Policy Committee made a motion to recommend that the full Board adopt the modified South Carolina Deferred Compensation Program Stable Value Fund Guidelines. Chairman Sowards stated that a Committee motion does not require a second. The motion passed unanimously.

Mr. Tigges stated that the Retirement Policy Committee made a motion to recommend that the full Board replace the BlackRock Inflation Protected Bond Fund in the South Carolina Deferred Compensation Program fund lineup with the Fidelity Inflation Protected Bond Fund. Chairman Sowards stated that a Committee motion does not require a second. The motion passed unanimously.

Mr. Tigges stated that the Retirement Policy Committee made a motion to recommend that the full Board replace the Victory Munder Mid Cap Growth Fund in the South Carolina Deferred Compensation Program fund lineup with the Hartford MidCap Fund. Chairman Sowards stated that a Committee motion does not require a second. The motion passed unanimously.

Responding to a question from Chairman Sowards, Mr. Staples confirmed that both fund replacements are in compliance with the South Carolina Deferred Compensation Investment Policy Statement criteria.

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

Mr. Steve Matthews advised that the FAAC Committee met on March 22, 2017, and received a presentation regarding Cyber Insurance. Mr. Matthews stated that after reviewing the three options for incident responses services, the Committee agreed with Staff's recommendation to procure a broker to assist in the purchase of Cyber Liability Insurance.

Mr. Matthews also reported that Mr. John Page, Director of Internal Audit, and Ms. Shawunda Baker, Internal Auditor, provided the PEBA internal audit reports including:

- A. Retirement Claim Reviews
- B. Securities Lending Account Reviews
- C. Data Security - Software Patches
- D. Internal Audit Plan Status Report
- E. SC PEBA Internal Audit Plan for 2017

Mr. Matthews stated that the FAAC Committee made a motion to approve the 2017 PEBA Internal Audit Plan. Chairman Sowards stated that a Committee motion does not require a second. The motion passed unanimously.

V. Old Business

A. Director's Report

Ms. Peggy Boykin, Executive Director, reported that H.3726 has passed the House, but was amended in the Senate, and the House will debate the amended bill next week. Ms. Boykin reviewed funding mechanisms in the bill that would meet the recommendations of the Joint Committee on Pension Systems Review including: reducing the amortization period from 30 years to 20 years over a reasonable time period in order to eliminate the negative amortization; capping the South Carolina Retirement System (SCRS) employee contribution rate at 9.0 percent, and the Police Officers Retirement System (PORS) employee contribution rate at 9.75 percent; and increasing the employer rate by two percent this year, and one percent each year thereafter for the next five years.

Ms. Boykin advised that the House has finished budget deliberations, and Senate Finance will begin budget deliberations this week. Ms. Boykin stated that the current version of the budget includes \$10 million as requested for implementation of the Operational Assessment; approximately \$25 million for full funding of the State Health Plan (excluding well visits), with no employee premium increase and no changes in co-payments or deductibles; and approximately \$150 million for pension funding to support the increases in retirement contributions. Ms. Boykin explained that the House version of the budget intends for the general fund to cover approximately \$35 million of the first one percent of the increase in employer contribution rates, and the entire second one percent (approximately \$100 million) of the increase in employer contribution rates for all employers regardless of source of funds.

Vice-Chairman Pearce strongly encourages each Board member to reach out to their appointers to stress the importance of adding adult well visits to the State Health Plan thereby reducing health care cost. Chairman Sowards agreed and echoed Vice-Chairman Pearce' comments.

VI. Adjournment

There being no further business, and upon motion by Mr. Frank Fusco, which was seconded by Mr. Heisler, and approved unanimously, the Board meeting adjourned at 12:50 p.m.