

## Meeting Minutes | Board of Directors

Wednesday, March 7, 2018 | 3:00 p.m.  
200 Arbor Lake Dr., Columbia, SC 29223 | Second Floor Conference Room

Minutes approved June 6, 2018

**Board Members Present:** Mr. Frank Fusco, Mr. Steve Heisler, Sheriff Leon Lott, , 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. Steve Matthews

**Board Members Absent:** Mr. David Tigges

**Others Present for All or a Portion of the Meeting:** Shawunda Baker, Peggy Boykin, Ashley Brindle, Amber Carter, Sarah Corbett, Joe Greene, Doug Hislop, Heather Muller, Tammy Nichols, James Manning; John Page, Travis Turner, Stephen Van Camp, Justin Werner, and Heather Young from the South Carolina Public Employee Benefit Authority (PEBA); Mike Wright and Joe Ferguson from Segal Marco Advisors; Wayne Pruitt from the State Retirees Association of South Carolina; Nancy Ornduff from Empower Retirement; and Kathleen Stevens from Markets Group.

### 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.

### II. Approval of Meeting Minutes- December 13, 2017

It was noted that the December 13, 2017, Board meeting minutes were approved as presented.

### III. Committee Reports

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

Mr. Steve Matthews reported that the FAAC Committee met earlier in the day, and received an update regarding PEBA’s IT modernization project, peba:connect.

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

- A. Internal Audit Report 2017-5 Retirement QA
- B. Internal Audit Report 2017-6 Retirement AFC

- C. Internal Audit Report 2017-8 Cash Account Reconciliations
- D. Memo to FAAC - Retirement Plan Compliance (Part III NTIS)
- E. Memo to FAAC - Annual Certification of No Conflicts
- F. Memo to FAAC - Internal Audit Plan Status Report
- G. Memo to FAAC - SC PEBA Internal Audit Plan 2018

Mr. Matthews advised that the FAAC Committee made a motion to recommend to the full Board approval of the 2018 Internal Audit Plan. Chairman Sowards stated that a Committee motion does not require a second. The motion passed unanimously.

**B. Health Care Policy Committee**

Mr. Rocky Pearce stated that the Health Care Policy Committee met earlier in the morning, and received presentations on reference based pricing, an analysis of the State Health Plan's claims expense at member level, and an update regarding the MoneyPlus flexible benefits program administered by PEBA.

**C. Retirement Policy Committee**

Mr. Steve Heisler advised that the Retirement Policy Committee also met earlier in the day, and representatives from Segal Marco Advisors reviewed suggested changes to the State Optional Retirement Program (State ORP) Investment Policy Statement, and the South Carolina Deferred Compensation Program (SCDCP) Investment Policy Statement.

Mr. Heisler stated that the Retirement Policy Committee made a motion to recommend that the full Board adopt the updated State ORP Investment Policy Statement. Chairman Sowards stated that a Committee motion does not require a second. The motion passed unanimously.

Mr. Heisler stated that the Retirement Policy Committee made a motion to recommend that the full Board adopt the updated SCDCP Investment Policy Statement. Chairman Sowards stated that a Committee motion does not require a second. The motion passed unanimously.

Mr. Heisler reported that Segal Marco Advisors presented a letter regarding Segal's review of the PIMCO All Asset Fund in the SCDCP investment selection, and the Retirement Policy Committee made a motion to recommend that the full Board approve the removal of the PIMCO All Asset Fund from the SCDCP investment selection. Chairman Sowards stated that a Committee motion does not require a second. The motion passed unanimously.

Mr. Heisler advised that Segal Marco Advisors presented a letter regarding Segal's review of Fidelity's proposed change from the Fidelity Diversified International Mutual Fund to the Fidelity Diversified International Commingled Pool. Mr. Heisler stated that the Retirement Policy Committee made a motion to recommend that the full Board approve the change from the Fidelity Diversified International Mutual Fund to the Fidelity Diversified International Commingled Pool. Chairman Sowards stated that a Committee motion does not require a second. The motion passed unanimously.

Chairman Sowards asked if all of the Retirement Committee motions were also the recommendations of Segal Marco Advisors as co-fiduciaries of the Plan. It was noted for the

record that Mr. Heisler, as well as Mr. Mike Wright and Mr. Joe Ferguson from Segal Marco Advisors, replied in the affirmative.

In conclusion, Mr. Heisler reported that Ms. Nancy Ornduff, from Empower Retirement, presented the fourth quarter plan activity summary.

#### **IV. Old Business**

##### **Director's Report**

Ms. Peggy Boykin, Executive Director, stated that the budget has passed the full Ways and Means Committee, and will be debated on the House floor next week, before passing to the Senate. Ms. Boykin advised that the House approved PEBA's operating budget as requested. The additional budget authorization of \$10 million of reoccurring funds for PEBA's IT modernization project which was approved in fiscal year 2018, but categorized incorrectly as non-reoccurring funds, will be restructured in 2019 to reflect the appropriate reoccurring fund category. PEBA also received authorization for an additional 10 FTEs for the duration of the project.

Ms. Boykin reported that the House budget includes \$56.4 million in appropriated money to fund the State Health Plan, which includes well visits as a contractual service, with a modest increase in copayments, deductibles, and coinsurance maximums, to maintain grandfathered status. There will be no premium increase for employees. The budget also includes \$33 million from the General Fund to cover the state's share of the one percent retirement contribution increase, as well as \$4.2 million for the Educational Improvement Act's share of the one percent retirement contribution increase, and \$475,000 to fund the South Carolina National Guard Plan.

Ms. Boykin reported that the Joint Committee on Pension Systems Review met on February 14, 2018, and included presentations from PEBA and The South Carolina Retirement System Investment Commission (RSIC), regarding investments and funding of the system. Ms. Boykin stated that the Joint Committee on Pension Systems Review will continue to evaluate plan design proposals, and PEBA will continue to provide the appropriate analysis as requested.

Ms. Boykin added that the Senate has also appointed a Standing Subcommittee on Retirement Systems to address policy issues regarding workforce development and the current \$10,000 earnings limitation. Ms. Boykin pointed out that it would cost approximately \$20 million per year to fund the policy change of removing the earnings limitation for all South Carolina Retirement System (SCRS) and Police Officer's Retirement System (PORS) employees.

Ms. Boykin advised that PEBA is working collaboratively with the Department of Education concerning teacher workforce shortages, the earnings limitation, and the ending of the Teacher and Employee Retention Incentive (TERI) program, which closes June 30, 2018.

At the conclusion of the Director's Report, Chairman Sowards commended Ms. Boykin for her excellent presentation to the Joint Committee on Pension Systems Review, and thanked the Board and staff for their hard work.

**V. Adjournment**

There being no further business, and upon motion by Mr. Frank Fusco, which was seconded by Mr. Audie Penn, and approved unanimously, the Board meeting adjourned at 3:43 p.m.