

Meeting Minutes | Board of Directors

Wednesday, November 18, 2015 | 1 p.m.
200 Arbor Lake Dr., Columbia, SC 29223 | Second Floor Conference Room

Approved December 16, 2015

Board Members Present: Chairman Art Bjontegard, Sheriff Leon Lott, Vice Chairman Joe “Rocky” Pearce, Mr. Audie Penn, Mr. John Sowards, and Mr. David Tigges

Board Members Present via Telephone: Mr. Steve Heisler, Ms. Stacy Kubu, Mr. Steve Matthews, and Mr. Steve Osborne

Board Members Absent: Mr. Frank Fusco

Others Present for All or a Portion of the Meeting: Peggy Boykin, Sarah Corbett, Doug Hislop, Ariail Kirk, Heather Muller, Tammy Nichols, Jacalin Shealy, Travis Turner, Stephen Van Camp, Justin Werner, and Heather Young from the South Carolina Public Employee Benefit Authority (PEBA); Wayne Bell and Wayne Pruitt from the State Retirees Association of South Carolina; Carlton Washington from the South Carolina State Employees Association; Courtney Keith from the South Carolina Office of the State Treasurer; Jonathan Rauh from the South Carolina Association of School Administrators; and Thompson Kinney from Milliken Law Firm.

I. Call to Order

Chairman Art Bjontegard 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

Mr. Steve Matthews made a motion, which was seconded by Mr. John Sowards, and approved unanimously, to adopt the proposed Board meeting agenda.

III. Approval of Meeting Minutes- October 21, 2015

Mr. Steve Heisler made a motion, which was seconded by Mr. Sowards, and approved unanimously, to adopt the October 21, 2015, meeting minutes as presented.

IV. Committee Reports

A. Health Care Policy Committee

Mr. Rocky Pearce reported that the Health Care Policy Committee met earlier in the morning, and received an implementation update from Express Scripts, Inc. (ESI); the new Pharmacy Benefit Manager (PBM) beginning January 1, 2016. Mr. Pearce confirmed that

the transition is going extremely well, largely in part to increased member communication and closely monitored operations.

Mr. Pearce stated that the Committee also discussed the State Health Plan (SHP) budget requirements for the next three years. Ms. Peggy Boykin, PEBA's Executive Director, added that PEBA has submitted SHP estimated budget requirements for fiscal year 2016-2017, to the Governor's Office, which included maintaining the current level of benefits as well as adding the cost to transition to an Affordable Care Act (ACA) compliant plan.

B. Retirement Policy Committee

Mr. Sowards reported that the Retirement Policy Committee met on October 21, 2015, to review the investment returns of the defined benefit plan. Mr. Joseph Newton and Mr. Danny White from Gabriel Roeder Smith & Company (GRS), presented information regarding the Plan, and confirmed that the investment return for fiscal year 2015 was approximately 1.60 percent.

Mr. White reported on the projected contribution rates and the unfunded actuarial accrued liability (UAAL) for both SCRS and PORS, and the method for amortizing the UAAL. It was noted that the amortization period must not exceed 30 years.

Mr. White reviewed the experience study process, and advised that the PEBA Board can accept, reject, or modify the recommended assumptions and methods. Assumptions adopted by the PEBA Board are first applied to the July 1, 2016, actuarial valuation.

Mr. White also discussed alternative amortization periods, explained the concept of negative amortization, and illustrated four different alternative interest rate assumptions for SCRS.

Mr. Newton discussed current and alternative structures for providing retirement benefits, and reviewed Act 278 of 2012 legislation, and the changes that impacted current and future SCRS members.

Ms. Boykin stated that the Actuarial Valuations will be discussed at the December 2, 2015, Committee meeting, and the Experience Study should be available in late January 2016. Ms. Boykin added that the South Carolina Retirement System Investment Commission (RSIC) will also attend the December 2, 2015, meeting, and will provide an update on actions taken to address the unsatisfactory investment performance.

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

Mr. Matthews stated that the FAAC Committee met on November 3, 2015, and received as information both the Health Financial Statement, and the SCRS Financial Statement Audits for fiscal year 2014-2015. Mr. Matthews reported that both audit reports are unmodified "clean" opinions with no internal control findings and no deficiencies identified.

Mr. Matthews added that a draft Dashboard Review was also presented to the Committee. After reviewing the dashboard, the Committee noted several items that they would like to include on the dashboard in the future. The Committee also requested that the dashboard be condensed to contain only operational measures that PEBA can internally control, and perhaps adding historical trend data on a yearly basis.

V. Old Business

A. Director's Report

Ms. Boykin, provided the Director's Report, and stated that there is a Request for Proposal (RFP) in the evaluation stage for an investment consult for both the South Carolina Deferred Compensation Program and the Optional Retirement Program (ORP). Ms. Boykin also advised that PEBA has released an RFP for Strategic Consulting Services.

Ms. Boykin stated that PEBA is working with the State Fiscal Accountability Authority (SFAA) Procurement Services to secure a state contract for Cyber Security, and procuring an updated Call Management System, which should be implemented in early 2016.

B. Roundtable Discussion

At the conclusion of the Director's Report, Chairman Bjontegard provided an opportunity for a roundtable discussion.

VI. Adjournment

There being no further business, and upon motion by Mr. Pearce, which was seconded by Mr. Sowards, and approved unanimously, the Board meeting adjourned at 1:20 p.m.