

Meeting Minutes | Board of Directors

Wednesday, October 3, 2018 | 10:00 a.m.
Nexsen Pruet | 1230 Main St., Suite 700 Columbia, SC 29201

Minutes Approved December 5, 2018

Board Members Present: Mr. Steve Heisler, Mr. Steve Matthews, Ms. Paige Lewis, Vice Chairman Joe “Rocky” Pearce, Mr. Audie Penn, Mr. Chuck Richardson, Mr. Alex Shissias, Chairman John Sowards, and Mr. Ed Walton

Board Members Present via Telephone: Sheriff Leon Lott

Others Present for All or a Portion of the Meeting: Peggy Boykin, Kim Brown, Phyllis Buie, Ashley Brindle, Amber Carter, Sarah Corbett, Jennifer Dolder, Joe Greene, James Manning, Heather Muller, Tammy Nichols, Laura Smoak, Rob Tester, Travis Turner, Heather Young, Stephen Van Camp, and Justin Werner from the South Carolina Public Employee Benefit Authority (PEBA); Emma Jordan from the South Carolina Office of the State Treasurer; Joanie Lawson from the South Carolina Education Association; Carlton Washington from the South Carolina State Employees Association; Sam Griswold and Wayne Pruitt from the State Retirees Association of South Carolina; Brooks Goodman, Dr. Tripp Jennings, and Carmen Wilson from Blue Cross Blue Shield of South Carolina; Rachel Sokol from the Health Plan Advisory Council; Dwight Cauthen, Everett Neville, Karen Russell, and Robin Scott from Express Scripts, Inc.; Mike Madalena, Joe Newton and Danny White from Gabriel, Roeder, Smith & Company; and Charlie Mullikin from Mullikin Law Firm.

I. Call to Order

Chairman John Sowards called the PEBA Board of Director’s (Board) retreat to order at 10:05 a.m., and stated that the public meeting notice was posted in compliance with the Freedom of Information Act.

Chairman Sowards announced that Mr. Steve Heisler and Mr. Steve Matthews have been reappointed to the PEBA Board with terms expiring June 30, 2022. Chairman Sowards also welcomed Ms. Paige Lewis as PEBA’s newest Board member.

II. Retirement Funding- Gabriel Roeder Smith & Company

Mr. Travis Turner, Chief Financial Officer, introduced Mr. Joe Newton and Mr. Danny White from Gabriel Roeder Smith & Company (GRS), for a retirement funding presentation. Mr. White gave a brief history of Act 278 which was enacted in June 2012, and reviewed benefit changes for current and future members, as well as benefit changes that impacted members hired after June 30, 2012. Mr. White also discussed a summary of 2017 reform, which increased the South Carolina Retirement System (SCRS) employer rate to 18.56 percent by fiscal year 2023, and capped the member rate at

9.00 percent. The 2017 reform also reduced the assumed rate of return from 7.50 percent to 7.25 percent, and decreases the maximum funding period by one each year to a 20-year funding period in 2027.

Mr. Newton turned the discussion to financial stress testing, which is an analysis designed to determine the ability of a given financial instrument to deal with an economic crisis. Mr. Newton stated that stress testing should be used in the context of the overall strategic plan of the System and the stakeholders. Mr. Newton provided various examples of short-term shocks on the projected funding ratio, and the projected margin in scheduled employer contribution rates.

Mr. Newton stated that The Pew Charitable Trust (PEW) published a paper in May 2018, providing the results of their stress tests for retirement systems in 10 states. Mr. Newton reviewed PEW's main findings as well as comments specific to SCRS.

Mr. White concluded the presentation by reviewing system sustainability of SCRS and the Police Officer's Retirement System (PORS), including contribution amounts, funded ratios, amortization periods, and the unfunded actuarial accrued liability (UAAL).

III. Healthcare Landscape

Mr. Rob Tester, Insurance Policy Director, introduced Mr. Everett Neville, Executive Vice President of Strategy, Supply Chain and Specialty from Express Scripts, Inc., for a presentation regarding hot topics in pharmacy, including the continued increase in prescription drug prices. Mr. Neville noted that policymakers, patients, and payers are all focused on the affordability of prescription drugs. Innovative treatments drive better health care, but are accessible at a higher cost than traditional treatments.

Dr. Tripp Jennings, Medical Director, from Blue Cross Blue Shield of South Carolina, introduced Ms. Rachel Sokol, Practice Manager for the Health Plan Advisory Council, for a discussion regarding healthcare reform and issues currently facing health plans. Ms. Sokol noted that major cost drivers of health plans include pharmaceutical prices, labor and workforce cost, information technology, and purchased services.

Ms. Sokol concluded her presentation by reviewing three avenues to influence network entry: adding low-cost providers; encouraging preferred care onramps; and introducing new network providers.

IV. Executive Session for Discussion of Personnel and Contractual Matters Pursuant to S.C. Code of Laws § 30-4-70(a)(1) and (a)(2)

At 3:10 p.m., Mr. Alex Shissias made a motion, which was seconded by Mr. Heisler, and passed unanimously, to recede into executive session to discuss a personnel matter and to receive legal advice.

The Board reconvened in open session at 4:17 p.m. Chairman Sowards announced that no action was taken by the Board while in executive session.

V. Benefits at Work Conference Update

Ms. Jennifer Dolder, Employer Services Director, provided an update on the 2018 Benefits at Work (BAW) conference that was held August 27-29 2018, at the Columbia Metropolitan Convention Center. Ms. Dolder reported that 1,082 people attended the conference, including 772 benefits administrators, 159 PEBA staff members, and 151 vendor representatives. Breakout workshops were held regarding insurance open enrollment and benefit changes for 2019. Ms. Dolder thanked PEBA staff for their hard work and dedication to making the conference a success.

VI. Adjournment

There being no further business, and upon motion by Mr. Rocky Pearce, which was seconded by Mr. Audie Penn, and approved unanimously, the Board meeting adjourned at 4:43 p.m.