

**SC PUBLIC EMPLOYEE BENEFIT AUTHORITY
BOARD OF DIRECTORS MEETING**

Wednesday, September 10, 2014 1:00 p.m. Minutes Approved 10.16.14
200 Arbor Lake Drive, Columbia SC, 29201

Board Members Present:

Chairman Art Bjontegard
Vice Chairman Joe "Rocky" Pearce
Mr. Audie Penn
Mr. Frank Fusco
Mr. Steve Matthews
Mr. David Tigges
Mr. Steve Heisler
Mr. Steve Osborne
Ms. Stacy Kubu
Mr. John Sowards

Board Members Absent:

Sheriff Leon Lott (excused)

Others present for all or a portion of the meeting:

Robbie Bell, Peggy Boykin, Kim Brown, Matthew Davis, Dayle DeLong, Megan Lightle, Heather Muller, John Page, Justice Perkins, Caroline Royal, Laura Smoak, Stephen Van Camp, and Justin Werner from the South Carolina Public Employee Benefit Authority (PEBA); Michael Hitchcock from the South Carolina Retirement System Investment Commission (RSIC); Donald Tudor with the State Retirees Association; Daniel Brennan from the South Carolina Office of the State Treasurer; Brooks Goodman with Blue Cross Blue Shield of South Carolina; Sherri Browning and Lynn Murray from McNair Law Firm; and Mary Elizabeth Van Horn from Mulliken Law Firm.

1. 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.

Ms. Peggy Boykin, PEBA's Executive Director, introduced Mr. Michael Hitchcock, the new Executive Director of the South Carolina Retirement System Investment Commission (RSIC).

Chairman Bjontegard introduced Mr. Steve Osborne, Vice-President for Business Affairs at the College of Charleston, as the newest member of the PEBA Board of Directors and the Retirement Policy Committee.

2. ADOPTION OF PROPOSED AGENDA

Chairman Bjontegard asked for amendments to the proposed Board meeting agenda. Mr. Frank Fusco asked to amend the agenda by moving item eight, related to the executive session, after item two on the agenda. Mr. Fusco made a motion, which was seconded by Mr. Audie Penn, and passed unanimously, to adopt the amended agenda as presented.

SC Public Employee Benefit Authority - Board of Directors

200 Arbor Lake Drive, Columbia SC, 29223 2nd Floor Conference Room

PEBA's Mission: To recommend, offer and administer competitive programs of retirement and insurance benefits for SC public employers, employees and retirees.

Wednesday, September 10, 2014 - 1:00 p.m.

AGENDA

- I. Call to Order**
- II. Adoption of Proposed Agenda**
- III. Approval of Meeting Minutes- August 20, 2014**
- IV. Accountability Report Approval**
- V. Agency Budget Approval**
- VI. Committee Reports**
 - a. Health Care Policy Committee**
 - b. Retirement Policy Committee**
 - c. Finance, Administration, Audit and Compliance (FAAC) Committee**
- VII. Old Business**
 - a. Director's Report**
 - b. Roundtable Discussion**
- VIII. Executive Session to Discuss Legal Matters (if necessary)**
(Pursuant to SC Code of Laws §30-4-70)
- IX. Adjournment**

NOTICE OF PUBLIC MEETING

This notice is given to meet the requirements of the S.C. Freedom of Information Act and the Americans with Disabilities Act. Furthermore, this facility is accessible to individuals with disabilities, and special accommodations will be provided if requested in advance.

AGENCY NAME:	South Carolina Public Employee Benefit Authority		
AGENCY CODE:	F500	SECTION:	105



Fiscal Year 2013-14 Accountability Report

SUBMISSION FORM

AGENCY MISSION	To recommend, offer, and administer competitive programs of retirement and insurance benefits for public employers, employees, and retirees in South Carolina.
-----------------------	--

Please identify your agency's preferred contacts for this year's accountability report.

	<u>Name</u>	<u>Phone</u>	<u>Email</u>
PRIMARY CONTACT:	Peggy G. Boykin, CPA	803-734-8117	pboykin@peba.sc.gov
SECONDARY CONTACT:	Megan B. Lightle	803-737-7484	milightle@peba.sc.gov

I have reviewed and approved the enclosed FY 2013-14 Accountability Report, which is complete and accurate to the extent of my knowledge.

AGENCY DIRECTOR (SIGN/DATE):	
(TYPE/PRINT NAME):	Peggy G. Boykin, CPA

BOARD/CMSN CHAIR (SIGN/DATE):	
(TYPE/PRINT NAME):	Arthur M. Bjontegard, Jr.

AGENCY NAME:	South Carolina Public Employee Benefit Authority		
AGENCY CODE:	F500	SECTION:	105

AGENCY’S DISCUSSION AND ANALYSIS

In keeping with its mission, the South Carolina Public Employee Benefit Authority Board (PEBA) of Directors, staff, and external consultants worked diligently to recommend a slight premium increase for employers and copayment increases for covered subscribers to help ensure the continued viability, affordability and competitiveness of the state’s health insurance program for plan year 2015. As a prospective result of significant legislative reform to the retirement statute in 2012, employer and employee contribution rates to the retirement plans increased as statutorily required to ensure adequate funding of those plans for FY15.

The benefits that PEBA administers have a significant economic impact in all areas of the state. In FY14, PEBA disbursed in excess of \$3.1 billion in retirement-related benefits and in Plan Year 2013, paid more than \$2.15 billion in claims, premiums and expenses for all insurance benefits on behalf of the state’s public workforce and their covered family members. About 94 percent of the retirement benefit recipients reside in South Carolina.

PEBA began and ended its second fiscal year as a state agency under the leadership of its Board of Directors and two interim executive directors. Despite the fluctuation in and impermanence of the agency’s executive directorship, PEBA’s commitment to providing excellent customer service, achieving cost savings and process improvements, and ensuring employee well-being continued.

PEBA’s four major program areas are listed in the Program Template along with respective fiscal year expenditures. In FY13, there was no budget for Other Operating in Administration. Also, many people working in Administration were not being paid from that program. For FY14, the budget was realigned to provide Other Operating expenses to be captured in Administration and Personnel records were corrected to show the appropriate salaries being paid from Administration. These changes also resulted in the decreased expenditures in the Employee Insurance Program and Retirement Systems program areas. Next year’s report will be similar in that there was not enough Other Operating budget in Administration in FY14, so it was increased in FY15 and the Other Operating budgets for the Employee Insurance Program and Retirement Systems program areas were decreased. Almost all of the increase in the Employee Benefits program area is due to increases in the employer share of health insurance premiums and retirement plan contributions. Filling position vacancies and equity adjustments had a very minor impact on the increase.

In keeping with PEBA’s strategic plan for FY14, the organization either accomplished or made significant progress toward meeting all objectives within the plan’s four major goals. The agency’s strategic planning process was reviewed by the Board and senior leaders during the Board’s February retreat. An overview of strategic planning and performance excellence and measurement was provided by nationally renowned Baldrige expert, David McClaskey. PEBA’s management team is working closely with the Board to implement an ongoing strategic planning review process that will result in quarterly performance reports to the Board and continual updates to the current plan to reflect closed projects and new initiatives.

The Board and staff’s commitment to the pursuit of excellence in all areas was reinforced by the formation and implementation of an Organizational Performance Management program that involves 32 employees (Strategy 1.2, Objectives 1.2.1-1.2.2). The comprehensive investigative process began at the close of FY14 and will continue through at least spring 2015.

In an effort to ensure staffing needs are addressed proactively, agency management developed workforce plans for each major operational function. By strategically assessing future staffing needs in comparison to current staffing, managers are able to develop and implement strategies to address gaps in both staffing levels and skill

AGENCY NAME:	South Carolina Public Employee Benefit Authority		
AGENCY CODE:	F500	SECTION:	105

sets. Employee development and succession planning are two key areas on which the agency has focused. PEBA’s management will continue to formally evaluate staffing needs and adjust plans accordingly.

Employee satisfaction and engagement is crucial to accomplishing the agency’s goals and objectives. For the first time as PEBA, Human Resources surveyed the workforce to assess the climate. Management was pleased to find overall positive results in individual outlook and general job satisfaction. Communication, both from agency leadership and within the various departments, was at the core of several opportunities for improvement. Establishing a culture of collaboration among departments will also be an area the agency will work toward improving in the next year (Performance Measurements 24 and 25).

PEBA’s continuing efforts at improving customer response time proved effective in FY14, as evidenced by call center and visitor wait times. The call centers for both Retirement Benefits and Insurance Benefits saw wait times fall well below the targets of one minute and 45 seconds. Additionally, visitor wait times were improved to well below the wait time target of 15 minutes. Cross-training that occurred in both the call center and the visitor intake center greatly improved each unit’s ability to reduce wait times by enabling more employees to provide assistance in secondary areas (insurance or retirement) when customer volume experienced peaks (items 26 and 27 in the Performance Measurement Template). PEBA also conducts customer satisfaction surveys as often as daily to ensure that its services are meeting customer needs and are being delivered in a highly professional manner. See items 26-29 in the Performance Measurement Template.

More than 136,000 surveys were distributed either by paper/U.S. mail or electronically to customers to determine satisfaction with the agency’s communications efforts. The overall results, which are based on the 13,813 responses received, were very positive (Objective 1.4.3 and Performance Measurements 22 and 23).

PEBA has continued to integrate retirement and insurance information in all of its communications efforts, including retirement information in the insurance newsletters and including insurance and wellness information in the social media and news feed programs. Staff also use various technological means to reach customers (Objectives 1.4.4-1.4.5 and Performance Measurements 12-19). One of PEBA’s short- and long-term initiatives is to reach out to organizations affiliated with covered members, such the South Carolina Employees Association and the State Retirees Association of South Carolina, to build stronger, collaborative relationships and to help ensure that information about important benefits and programs is reaching as many members as possible. This initiative would be applied across all applicable lines of business.

The agency continued or initiated multiple measures to continue to ensure employer and member compliance with insurance plan requirements (Performance Measurements 35-39 and Objectives 2.1.1-2.1.5).The PEBA Board’s Health Care Policy Committee worked closely with agency staff to focus on improving health outcomes and reducing costs to the insurance plans (Objectives 2.21-2.25). One of the most intensive efforts that is carrying into FY15 and beyond is the establishment of PEBA’s Wellness Research Strategy Team (Objective 2.2.1). Most of the team’s work has occurred after June 30, 2014, so it is not included in this report.

In its efforts to help improve the overall health of State Health Plan members, the PEBA Board’s Health Policy Committee has recommended increased efforts toward implementing a Patient-Centered Medical Home (PCMH) approach to care. This approach facilitates improvement in health outcomes by enabling coordination of care between Primary Care Physicians and other healthcare providers. Physician participation in the SHP’s PCMH systems has increased since Calendar Year 2013, as has the number of members treated and managed under PCMH systems (Performance Measurements 47 and 48). PEBA aims to use the PCMH structure to provide an innovative solution to the increasing costs of health care associated with the repeat care and lack of care coordination in the current model.

AGENCY NAME:	South Carolina Public Employee Benefit Authority		
AGENCY CODE:	F500	SECTION:	105

The agency's dependent audit program continued into FY14 and is expected to conclude in spring 2015 (Objective 2.1.1 and Performance Measure 38 and 39). The agency increased the number of audits conducted and reduced the health plan's liability by about \$3.5 million by removing ineligible dependents from coverage. Ensuring compliance with plan requirements was enhanced as well through the implementation of automated delinquency letters for employers who are late paying premiums and a claims suspension policy that applies to their covered employees. One of the initiatives for FY15 includes the offering of an online payment portal through which individuals, such as survivor and COBRA subscribers, may make premium payments.

FY14 provided numerous opportunities across the agency for assumption of additional responsibility. One example is the successful assumption of responsibility for the National Medical Support Notice program, which included the development of a database to process and track cases.

One of the most significant and complex issues that affected the agency's operations in FY14 involved the pharmacy benefits management services contract. Prior to the December 31, 2013, expiration of a contract with Express Scripts, PEBA issued a request for proposal to provide pharmacy benefits management services for an initial contract period of January 1, 2014, through December 31, 2015. The bids were received and evaluated, and Catamaran was determined to offer the best value for the State Health Plan and its subscribers. Catamaran's pricing structure allowed the State Health Plan to preserve its prescription drug benefits without substantial increases in copayments. Catamaran was awarded the contract, but it was met with a protest that lasted until March 2014. The protest severely limited the window for implementation, and PEBA staff are still dealing with issues related to the move to a new vendor. Staff from multiple operational areas are in constant contact with Catamaran to resolve these issues and Legal staff is involved on an ad hoc basis as issues are escalated.

In further efforts to contain prescription drug costs, the State Health Plan began offering an employer group waiver plan (EGWP) to subscribers who are eligible for Medicare. This is a Medicare Part D program that complies with regulations set by the Centers for Medicare and Medicaid Services. The State Health Plan has an enhanced benefit in that it covers drugs that are not typically covered by Medicare Part D. Participation in the EGWP program allowed the State Health Plan to maximize federal drug subsidies. Before the EGWP was implemented, the State Health Plan relied upon the federal Retiree Drug Subsidy program to offset prescription drug costs. More funding is coming from the EGWP program, allowing the State Health Plan to preserve its prescription drug benefits for all subscribers.

Additionally, PEBA saw a significant advancement toward its goal of 78 percent utilization by members of generic alternative drugs, with more than a two percent increase in generic utilization (Performance Measurement 44). This can be attributed to PEBA's aggressive communication efforts to educate members on their options and potential savings by using alternative treatments, whenever deemed appropriate by their doctors.

In accordance with the agency's goal to provide for the efficient and cost effective administration of the retirement systems for active and retired member of the systems, the requisite annual financial statements were audited and published, and actuarial valuations were conducted for the five defined benefit retirement plans. Experience studies are also required every five years to set reasonable actuarial assumptions, which can vary over time dependent upon projected member behavior and actual plan experience. PEBA's next experience study is scheduled for 2016.

AGENCY NAME:	South Carolina Public Employee Benefit Authority		
AGENCY CODE:	F500	SECTION:	105

The agency also expanded its capability to monitor earnings for service and disability retirement retirees through the development and implementation of an automated data file exchange with the Department of Employment and Workforce (Objective 3.2.1).

While some of the agency's retirement accounting activities were part of the previous normal operating procedures, as a result of the creation of PEBA, all accounting and corresponding disclosures related to the administrative expenses of the pension trust funds became the responsibility of PEBA effective July 1, 2012. These were therefore included in the financial statements of the retirement systems for FY13, which were issued in October 2013 (Objective 3.2.2).

PEBA is not only on target to implement the provisions of the Governmental Financial Standards Board (GASB) statements 67 and 68, but produced additional resources for agency employees, employers, disseminated informational materials to all stakeholders, including legislators, to help ensure that public policy makers are aware of the questions they may get from constituents as a result of covered employers reporting their proportionate share of the pension plan's unfunded liability in their financial statements, and presented information and talked with covered employers as requested (Objective 3.2.3).

In keeping with Objective 3.2.4, PEBA's investment accounting staff is participating in detailed processes to reconcile/test/run parallel with the trust fund custodian, Bank of New York Mellon, in coordination with the South Carolina Retirement System Investment Commission (RSIC) and its external administrator, Confider Financial Services.

In November 2013, the agency discontinued the distribution of printed EFT stubs for benefit payments, which resulted in savings of about \$134,000 for FY14 and anticipated savings of approximately \$166,000 in FY15 (Objective 3.3.1). PEBA also developed and implemented a system through which a unique payment transaction identifying number is used to transmit electronic payments. This system enhancement eliminated Social Security numbers from the data file transmitted electronically, which further improved security and protected personally identifiable information for payment recipients (Objective 3.3.2). The agency is also working with the SCEIS team on the upcoming conversion of the pension trust funds from STARS to SCEIS (Objective 3.3.3). Along with this project, which is scheduled for early 2015, PEBA plans to implement new procedures that will enable us to transfer employer contributions more quickly to interest bearing accounts.

The agency successfully merged the retirement and insurance information technology staff to manage and support all PEBA information technology functions (Objective 3.3.4). System improvements were made as well, such as the integration of reporting functions into the Employer Benefits System and the elimination of the insurance benefits administrator information website on which these functions formerly existed (Objective 3.3.5). PEBA plans to add additional business features to the retirement Member Access and Electronic Employer Services websites (Strategy 3.3).

Part of PEBA's strategic plan for FY14 was to continue to improve coordination and communications with the RSIC, which was accomplished on multiple levels. The agency made progress toward increased coordination and communication with the RSIC through at least five major collaborative projects with more initiatives scheduled for FY15 (Strategy 3.4 and Objectives 3.4.1-3.4.3).

PEBA's Board finalized all committee charters, roles and responsibilities, as well as training and conflict of interested policies, and is reviewing current policies for additional revisions (Strategy 4.1 and Objectives 4.1.1-4.1.3)

AGENCY NAME:	South Carolina Public Employee Benefit Authority		
AGENCY CODE:	F500	SECTION:	105

One of the agency’s most significant efforts to strengthen PEBA’s physical and technology security in FY14 (Strategy 4.2) was to implement recommendations from a comprehensive information technology risk and vulnerability assessment that was conducted during the fiscal year. The agency outfitted its facilities with additional security cameras and a new security and alarm system that included new employee access cards for the various “locked down” areas.

Additional security enhancements included new logon banners for all workstations, increased network access controls, and improved physical security of network switches (Objectives 4.2.1 and 4.2.2). PEBA recognizes that its workforce is vulnerable to attacks through social engineering and other means, so in addition to mandatory annual training on emergency evacuation and other procedures and awareness of the requirement of the Health Insurance Portability and Accountability and Act (HIPAA), employees attend training geared toward making them more aware of the various methods used to secure unauthorized information. Also, PEBA employees are participating in mandatory online cyber-awareness training provided through the state’s Division of Information Security (Objective 4.2.3).

The agency also developed and submitted to the Information Management Technology Office a Request for Proposal for services to conduct a comprehensive assessment of the agency’s current information technology infrastructure and aging information systems, as well as information technology resources and/or a resultant plan for moving forward with required upgrades and allocation of resources.

Issues such as the information technology assessment point to the importance of ensuring that PEBA’s Board of Directors and Executive Director maintain and strengthen ongoing dialogue and relationships with other governmental agencies, such as the RSIC, the Governor’s Office and Executive Agencies, and the South Carolina General Assembly. It is critical to that PEBA’s operations, which have a more than \$5 billion impact on the state’s economy, are accountable and reliable. Through continued dialogue, all stakeholders can be aware of any challenges, risks, or opportunities that need to be addressed in any given budget year (Strategy 4.3).

PEBA’s Board of Directors and Executive Director are committed to excellence, accountability, and transparency with respect to all of their responsibilities. As the agency moves forward with a new Executive Director, the Board and management team will launch strategic planning efforts that will ensure the agency’s future strategic plans and ensuing accountability reports will be in complete alignment with the new accountability standards.

Agency Name: **Public Employee Benefit Authority**

Agency Code: **F500** Section: **105**



Fiscal Year 2013-14
Accountability Report

Program Template

Associated Object(s)

Program/Title	Purpose	FY 2012-13 Expenditures			TOTAL	FY 2013-14 Expenditures			TOTAL	Associated Object(s)	
		General	Other	Federal		General	Other	Federal			
I. Administration	To provide administrative services to the Employee Insurance Program and Retirement Systems	\$	519,593		\$	519,593		\$	1,946,087		1.1.1 through 1.4.5
II. A. Employee Insurance Program	To provide cost effective insurance benefits to employees and retirees of public sector employers in South Carolina to include health, dental, life, long-term care and flexible spending accounts.	\$	8,132,547		\$	8,132,547		\$	7,680,837		2.1.1 through 2.2.5
II. B. Retirement Systems	To administer a comprehensive program of retirement benefits responsive to the needs of public employees and to perform fiduciary duties as stewards of the contributions and distributions of the pension trust funds.	\$	11,862,809		\$	11,862,809		\$	10,052,028		3.1.1 through 3.4.3
III. Employee Benefits	To increase the economic security of agency staff, and in doing so, improve worker retention.	\$	4,070,293		\$	4,070,293		\$	4,125,399		1.3.1; 1.3.2

Agency Name: **Public Employee Benefit Authority**

Agency Code: **F500** Section: **105**



Fiscal Year 2013-14
Accountability Report

Item	Performance Measure	Last Value	Current Value	Target Value	Time Applicable	Data Source and Availability	Reporting Freq.	Calculation Method	Associated Objective(s)
1	Call Center Calls - Total	287,142	261,268	N/A	Fiscal Year	CMS	Monthly	Count number of calls	Strategy 1.4
2	Call Center Calls - Answered	91.70%	94.79%	>90%	Fiscal Year	CMS	Monthly	Number of calls/total calls by number of answered calls	Strategy 1.4
3	Call Center Calls - Abandoned	8.30%	5.21%	<10%	Fiscal Year	CMS	Monthly	Number of calls/total calls by number of abandoned calls	Strategy 1.4
4	Call Center Call Wait Times - Insurance	25 seconds	One minute, 26 seconds	Less than one minute and 45 seconds	Fiscal Year	CMS	Monthly	Number of minutes and seconds between the time a call enters the call center queue and the time the call is answered	Strategy 1.4
5	Call Center Call Wait Times - Retirement	One minute, 53 seconds	53 seconds	Less than one minute and 45 seconds	Fiscal Year	CMS	Monthly	Number of minutes and seconds between the time a call enters the call center queue and the time the call is answered	Strategy 1.4
6	Visitors Counseled - Total	19,311	16,785	N/A	Fiscal Year	UNIX	Monthly	Count number of visitors counseled	Strategy 1.4
7	Visitors Counseled - Average per Insurance Employee	611	1,015	N/A	Fiscal Year	UNIX	Monthly	Number of visitors counseled/Number of Insurance Intake employees	Strategy 1.4
8	Visitors Counseled - Average per Retirement Employee	1,534	1,157	N/A	Fiscal Year	UNIX	Monthly	Number of visitors counseled/Number of Retirement Intake employees	Strategy 1.4
9	Visitor Wait Time - Insurance	6 minutes	5 Minutes	<15 Minutes	Fiscal Year	UNIX	Monthly	Number of minutes between the time a visitor signs in at reception and the time the visitor is retrieved by a Retirement counselor	Strategy 1.4
10	Visitor Wait Time - Retirement	11 minutes	6 Minutes	<15 Minutes	Fiscal Year	UNIX	Monthly	Number of minutes between the time a visitor signs in at reception and the time the visitor is retrieved by a Insurance counselor	Strategy 1.4
11	Field Services Training/Seminar Attendance	11,284	12,498	N/A	Fiscal Year	Field Services Statistics	Monthly	Total number of members, employees, and benefits fair attendees who attended events at which PEBA's Retirement Benefits Field Services team presented	Strategy 1.4
12	Average Agency Website Session Time	2 minutes, 15 seconds	1 Minute, 38 seconds	N/A	Fiscal Year	Google Analytics	Daily	Number of minutes and seconds between the time user first accesses agency website and the time user leaves agency website/total number of accesses of agency website	Strategy 1.4
13	Agency Website Bounce Rate	62.95%	65.02%	>50%	Fiscal Year	Google Analytics	Daily	Number of visitors to PEBA's agency website who land on the PEBA home page and then leave instead of viewing other pages within the site/Total number of visitors to PEBA's agency website	Strategy 1.4

Agency Name: **Public Employee Benefit Authority**

Agency Code: **F500** Section: **105**



Fiscal Year 2013-14
Accountability Report

Item	Performance Measure	Last Value	Current Value	Target Value	Time Applicable	Data Source and Availability	Reporting Freq.	Calculation Method	Performance Measurement Template Associated Objective(s)
14	Insurance Website Bounce Rate	Not Available	32.58%	<50%	Fiscal Year	Google Analytics	Daily	Number of visitors to PEBA's Insurance Benefits website who land on the PEBA Insurance Benefits home page and then leave instead of viewing other pages within the site/Total number of visitors to PEBA's Insurance Benefits website	Strategy 1.4
15	Retirement Website Bounce Rate	36.17%	38.42%	<50%	Fiscal Year	Google Analytics	Daily	Number of visitors to PEBA's Retirement Benefits website who land on the PEBA Retirement Benefits home page and then leave instead of viewing other pages within the site/Total number of visitors to PEBA's Retirement Benefits website	Strategy 1.4
16	General RSS News Feed Subscriptions	5,143	5,913	(+)10%	Fiscal Year	Google Feedburner	Daily	Total number of subscriptions to PEBA's General RSS News Feed	Strategy 1.4
17	Employer RSS News Feed Subscriptions	1,194	1,360	(+)10%	Fiscal Year	Google Feedburner	Daily	Total number of subscriptions to PEBA's Employer RSS News Feed	Strategy 1.4
18	Facebook Likes	751	1,078	10%	Fiscal Year	Facebook	Daily	Total number of likes on PEBA's Facebook page	Strategy 1.4
19	Twitter Followers	278	371	10%	Fiscal Year	Twitter	Daily	Total number of followers for PEBA's Twitter account	Strategy 1.4
20	Communications Survey - Retirement Members (Active and Retiree)	N/A	78.75%	N/A	Fiscal Year	PEBA Communications Survey 2014	Annual	Number of active and retired members responding that it was easy to get necessary information about their retirement benefits via each of the following methods: benefits office, call center, visitor intake, website, Facebook and Twitter, RSS news feeds, and the member handbook/Total number of respondents to each question	Strategy 1.4
21	Communications Survey - Insurance Members (Active and Retiree)	N/A	85.82%	N/A	Fiscal Year	PEBA Communications Survey 2014	Annual	Number of active and retired members responding that it was easy to get necessary information about their insurance benefits via each of the following methods: benefits office, call center, visitor intake, BlueCross BlueShield, website, Facebook and Twitter, Insurance Benefits Guide, and Explanations of Benefits/Total number of respondents to each question	Strategy 1.4



Item	Performance Measure	Last Value	Current Value	Target Value	Time Applicable	Data Source and Availability	Reporting Freq.	Calculation Method	Performance Measurement Template Associated Objective(s)
22	Communications Survey - Retirement Participating Employers	N/A	76.64%	N/A	Fiscal Year	PEBA Communications Survey 2014	Annual	Number of employers responding that it was easy to get necessary information about their employees' retirement benefits via each of the following methods: call center, website, Facebook and Twitter, RSS news feeds, employer handbook, and Employer Services representatives/Total number of respondents to each question	Strategy 1.4
23	Communications Survey - Insurance Participating Employers	N/A	94.49%	N/A	Fiscal Year	PEBA Communications Survey 2014	Annual	Number of employers responding that it was easy to get necessary information about their employees' insurance benefits via each of the following methods: call center, website, Facebook and Twitter, PEBA Updates, and Benefits Administrator Manuals/Total number of respondents to each question	Strategies 1.4 and 2.1
24	Percentage of workforce satisfied with the flow of information received from management.	N/A	61.40%	Significant Improvement	Fiscal Year	Employee Survey - May 2014 - Conducted through SurveyMonkey	Bi-annually	Percentage of respondents that answered "Satisfied" or "Very Satisfied" to relevant question.	1.3.2
25	Percentage of workforce satisfied with communication/collaboration among departments.	N/A	50.60%	Significant Improvement	Fiscal Year	Employee Survey - May 2014 - Conducted through SurveyMonkey	Bi-annually	Percentage of respondents that answered "Agree" or "Strongly Agree" to relevant question.	1.3.2
26	Call Center Customer Satisfaction Survey Results - Retirement	98.40%	98.6	>95%	Fiscal Year	Survey Box (VoiceMail System)	Monthly	Percentage of respondents to the Retirement Call Center Post-Call Satisfaction Survey who gave a response of "satisfied"	1.4.1
27	Call Center Customer Satisfaction Survey Results - Insurance	98.70%	98.6	>95%	Fiscal Year	Survey Box (VoiceMail System)	Monthly	Percentage of respondents to the Insurance Call Center Post-Call Satisfaction Survey who gave a response of "satisfied"	1.4.1
28	Visitor Customer Satisfaction Survey Results - Retirement	99.43%	99.58* (*=combined ret/ins surveys)	>95%	Fiscal Year	ZIP SURVEY	Annual	Percentage of respondents to the Retirement Visitors Center Post-Counseling Satisfaction Survey who gave a response of "satisfied"	1.4.1
29	Visitor Customer Satisfaction Survey Results - Insurance	98.05%	99.58* (*=combined ret/ins surveys)	>95%	Fiscal Year	ZIP SURVEY	Annual	Percentage of respondents to the Insurance Visitors Center Post-Counseling Satisfaction Survey who gave a response of "satisfied"	1.4.1
30	Number of Cross-trained Employees - Call Center	9	9	N/A	Fiscal Year	Internal Training Program & CMS Annual		Number of employees accepting calls from all three call queues	1.4.2

Agency Name: **Public Employee Benefit Authority**

Agency Code: **F500** Section: **105**



Fiscal Year 2013-14
Accountability Report

Item	Performance Measure	Last Value	Current Value	Target Value	Time Applicable	Data Source and Availability	Reporting Freq.	Calculation Method	Associated Objective(s)
31	Number of Cross-trained Employees - Visitor Intake	9	9	N/A	Fiscal Year	Internal Training Program & CMS	Annual	Number of employees who have completed cross-training class and can answer basic questions about both retirement and insurance	1.4.2
32	Retirement Benefits Member Access Users	40,757	69,741	N/A	Fiscal Year	ADABAS file or Member Access account holders	As requested	Total number of existing active accounts in the Member Access system 2340 possible hours available; 4,75 hours recorded downtime; 4,75/2340 = .0020 (rounded); 99.98% system availability	1.4.5
33	IT System Availability - Percent Available	N/A	99.98%	99%	Fiscal Year	Illient	Annual	3063 helpdesk calls; 645 longer than one day to resolution; 645/3063 calls = .21 (rounded); 78.95% of calls close within one business day	1.4.5
34	Percentage of IT Helpdesk Calls Resolved Within 24-hour Business Cycle	N/A	78.95%	80%	Fiscal Year	Illient	Annual	Number of applications for Retiree, COBRA, or Survivor Insurance evaluated for eligibility for coverage Number coverage applications returned to employers or members due to inconformity with plan requirements (documentation, incorrectly completed applications, etc)	Strategy 2.1
35	Insurance eligibility Determined on Retirees, COBRA, and Survivors	N/A	17,904	N/A	Fiscal Year	Workflow Activity Report	Monthly	Number of requests for administrative review evaluated and approved based upon plan eligibility and enrollment guidelines	Strategy 2.1
36	Insurance Application Rejections Processed	N/A	5,087	N/A	Fiscal Year	Workflow Activity Report	Monthly	Number of completed audits of eligibility of dependents covered by PEBA health plans	2.1.1
37	Insurance Administrative Reviews Processed	N/A	2,248	N/A	Fiscal Year	Workflow Activity Report	Monthly	Number of dependents who were taken off health coverage due to non-response or non-verification of eligibility status	Strategy 2.1
38	Number of Dependent Insurance Eligibility Audits Performed	25,589	39,139	N/A	Fiscal Year	PEBA Insurance Audit Department Statistics	Annual	Using SHP, Standard Plan enrollment, calculate rates for the most prevalent plan in each state and compare to the SHP Standard Plan option.	Strategy 2.2
39	Number of Ineligible Dependents Removed from Insurance Coverage by Audit	N/A	1,078	N/A	Fiscal Year	PEBA Insurance Audit Department Statistics	Annual	Using SHP, Standard Plan enrollment, calculate rates for the most prevalent plan in each state and compare to the SHP Standard Plan option.	Strategy 2.2
40	Combined Employee and Employer Average Weighted Premiums	\$598.93	\$629.26	Less than regional average	Calendar Year	50 State Survey	Annual	Using SHP, Standard Plan enrollment, calculate rates for the most prevalent plan in each state and compare to the SHP Standard Plan option.	Strategy 2.2
41	Insurance Premiums - Employee/Employer Average - Regional	\$758.18	\$790.68	N/A	Calendar Year	50 State Survey	Annual	Using SHP, Standard Plan enrollment, calculate rates for the most prevalent plan in each state and compare to the SHP Standard Plan option.	Strategy 2.2



Item	Performance Measure	Last Value	Current Value	Target Value	Time Applicable	Data Source and Availability	Reporting Freq.	Calculation Method	Associated Objective(s)
42	Insurance Premiums - Employee Average Weighted	\$159.85	\$159.70	Less than regional average	Calendar Year	50 State Survey	Annual	Using SHP, Standard Plan enrollment, calculate rates for the most prevalent plan in each state and compare to the SHP Standard Plan option.	
43	Insurance Premiums - Employee Average Weighted - Regional	\$166.56	\$170.33	N/A	Calendar Year	50 State Survey	Annual	Using SHP, Standard Plan enrollment, calculate rates for the most prevalent plan in each state and compare to the SHP Standard Plan option.	
44	Generic Prescription Drug Utilization as a Percentage of all Prescriptions	74.90%	77.00%	78.00%	Calendar Year	Claims Data/Bi-Weekly	Monthly	Number of generic prescriptions filed as a percentage of total prescriptions filed.	Strategy 2.2
45	Eligible State Health Plan Members Participating In Workplace Screening	24,217	21,200	30,000	Fiscal Year	Claims Data/Monthly	Annual	Number of Eligible subscribers and spouses where the SHP is the primary payer who participated in the Workplace Screening	2.2.2
46	Attendees at Disease Management Workshops	3,708	3,207	3,500	Fiscal Year	Prevention Partners Database	Annual	Number of health plan participants who attended a Prevention Partners workshop	2.2.2
47	Members treated under SHP Patient-Centered Medical Home (PCMH) systems	N/A	57,295	97,039	Calendar Year	BlueCross BlueShield	Annual	Total number of members who were treated and whose health care was managed under one of the SHPs PCMH systems	2.2.3
48	State Health Plan PCMH Providers	414	419	650	Calendar Year	BlueCross BlueShield	Annual	Number of SHP network physicians providing care under a PCMH structure	2.2.3
49	Retirement Annuity Claims Processed - Total	10,965	7,673	N/A	Fiscal Year	In-house batch report RCL960PM	Monthly	Count number of Annuity Claims Processed	Strategy 3.1 and 3.2
50	Retirement Service Purchase Invoices - Total	10,770	3,939	N/A	Fiscal Year	UNIX REPORT/GENERATED AS NEEDED - WEEKLY/MONTHLY/ANNUAL	Annual	Count number Service Purchase Invoices Processed	Strategy 3.1 and 3.2
51	Retirement Average Final Compensation Calculated - Total	16,098	15,779	N/A	Fiscal Year	AFC weekly Stats Spreadsheet of transactions processed	weekly	Count number of AFCs calculated	Strategy 3.1 and 3.2
52	Number of Retirement Installment Service Purchases Processed	N/A	396	N/A	Fiscal Year	In-house report RER609PO	Monthly	Report gives count of transactions from Retirement subledger	Strategy 3.1 and 3.2
53	Number of Retirement Lump Sum Service Purchases Processed	N/A	906	N/A	Fiscal Year	In-house report RER609PO	Monthly	report gives count of transactions from Retirement subledger	Strategy 3.1 and 3.2
54	Average Cycle Time for Retirement Refunds Processed (Received At Least 30 Days Prior to Eligibility)	N/A	73 days	N/A	Fiscal Year	In-house batch report	Monthly	Number of days from the time the refund application is received until it is released to Payroll	Strategy 3.1 and 3.2

Agency Name: Public Employee Benefit Authority

Agency Code: F500 Section: 105



Fiscal Year 2013-14
Accountability Report

Item	Performance Measure	Last Value	Current Value	Target Value	Time Applicable	Data Source and Availability	Reporting Freq.	Calculation Method	Associated Objective(s)
55	Retirement Annuity Claims Processed - Average per Employee	731	480	N/A	Fiscal Year	In-house batch report RCL960PM	Monthly	Number of Annuity Claims Processed/Number of Annuity Claims employees	Strategy 3.1, 3.2, and 3.3
56	Retirement Service Purchase Invoices - Average per Employee	1,795	985	N/A	Fiscal Year	UNIX REPORT/GENERATED AS NEEDED- WEEKLY/MONTHLY/ANNUAL	Annual	Number of Service Purchase Invoices Processed/Number of Service Purchase employees	Strategy 3.1, 3.2, and 3.3
57	Retirement Average Final Compensation Calculated - Average per Employee	2,683	2,630	goal of 60 per week	Fiscal Year	AFC weekly Stats Spreadsheet of transactions processed	weekly	Number of AFCs calculated/Number of AFC employees	Strategy 3.1, 3.2, and 3.3

Agency Name: SC Public Employee Benefit Authority

Fiscal Year 2013-14

Agency Code: F500 Section: 105

Accountability Report



Strategic Planning Template

Type	Goal	Item #	Strat	Object	Description
G	1				Create an organization driven by the pursuit of excellence in all areas
S		1.1			Establish and maintain an ongoing strategic planning process.
O		1.1.1			<i>Develop strategic issues, goals, and strategies</i>
O		1.1.2			<i>Deploy the strategic plan through detailed action plans for key areas</i>
S		1.2			Implement PEBA's Organizational Performance Management Program
O		1.2.1			<i>Assign and train a member of PEBA staff to develop and implement the OPM</i>
O		1.2.2			<i>Choose and assign key PEBA staff to investigative teams directed in six key areas: Leadership, Planning, Customers,</i>
S		1.3			Implement a workforce planning process to ensure a stable, sufficient, and proficient workforce
O		1.3.1			<i>Develop a Workforce Plan to assess future staffing needs, facilitate succession planning, and employee development</i>
O		1.3.2			<i>Conduct an employee satisfaction and engagement survey and facilitate follow-up action planning</i>
O		1.3.3			<i>Consolidate physical work locations</i>
S		1.4			Enhance communication and service efforts to better meet the needs of PEBA stakeholders
O		1.4.1			<i>Conduct a customer service survey and analysis to evaluate the needs and expectations of customers</i>
O		1.4.2			<i>Cross-train customer service employees to provide services through a one-stop-shop culture of service</i>
O		1.4.3			<i>Conduct a survey of PEBA customers to determine satisfaction with communications efforts</i>
O		1.4.4			<i>Integrate retirement and insurance information in communications efforts</i>
O		1.4.5			<i>Use the latest technological tools to provide automated access to service</i>
G	2				Design and implement a financially sustainable health program that assists participating employers in maintaining a
S		2.1			Implement measures to ensure employer and member compliance with plan requirements
O		2.1.1			<i>Increase the number of dependent audits performed</i>
O		2.1.2			<i>Consolidate employer reporting</i>
O		2.1.3			<i>Develop improved procedures for employer delinquencies including automated delinquency notices and a claim</i>
O		2.1.4			<i>Offer and encourage use of EFT for employer payments</i>
O		2.1.5			<i>Accommodate new ACA eligibility requirements</i>
S		2.2			Focus on improving health outcomes and reducing costs
O		2.2.1			<i>Create the Wellness Research Strategy Team charged with establishing at least one pilot project for Plan Year 2015 that</i>
O		2.2.2			<i>Provide prevention initiatives to include disease management workshops and wellness screenings</i>
O		2.2.3			<i>Pilot patient-centered medical homes through partnership with MUSC</i>
O		2.2.4			<i>Transition to and implement a new Pharmacy Benefit Manager for the State Health Plan and MUSC Health Plans</i>
O		2.2.5			<i>Implement a new EGWP Medicare Part D plan for Medicare primary members</i>

Agency Name: SC Public Employee Benefit Authority

Fiscal Year 2013-14

Agency Code: F500 Section: 105

Accountability Report



Strategic Planning Template

Type	Goal	Item #	Strat	Object	Description
G	3				Provide for the efficient and cost effective administration of the retirement systems for active and retired members of the
S		3.1			Perform evaluations to ensure standards are met
O		3.1.1			<i>Conduct experience study every five years to set reasonable assumptions</i>
O		3.1.2			<i>Conduct and accept annual valuations</i>
O		3.1.3			<i>Obtain audited financial statements</i>
S		3.2			Implement and maintain quality and compliance measures
O		3.2.1			<i>Develop and implement an automated data exchange with the Department of Employment and Workforce to monitor</i>
O		3.2.2			<i>Assume all accounting and disclosure responsibilities for the pension trust funds and incorporate them into Retirement</i>
O		3.2.3			<i>Implement requirements of GASB 67 and 68</i>
O		3.2.4			<i>Ensure consistency between investment managers' financial statements and PEBA reporting</i>
S		3.3			Improve Systems integrity through efficiency and service
O		3.3.1			<i>Discontinue the distribution of printed EFT stubs</i>
O		3.3.2			<i>Increase security of personal data by eliminating SSNs from file transmissions</i>
O		3.3.3			<i>Streamline processes between SCEIS and internal systems</i>
O		3.3.4			<i>Merge retirement and insurance IT staff to better manage and support all IT functions</i>
O		3.3.5			<i>Integrate employer billing and reporting into Employer Benefit Services (EBS) to eliminate BA Info website</i>
S		3.4			Coordinate and communicate with the Retirement System Investment Commission
O		3.4.1			<i>Participate in the RSIC Fiduciary Audit</i>
O		3.4.2			<i>Participate in developing processes to reconcile/test/run parallel with the RSIC's external administrator and custodian</i>
O		3.4.3			<i>Coordinate with the RSIC Reporting Team in the documentation/verification of quarterly fee information</i>
G	4				Ensure the highest fiduciary, legal, and ethical standards are known and applied across the organization
S		4.1			The PEBA Board will be provided with education regarding its role as a Board of Trustees and focus on policy-level
O		4.1.1			<i>Develop committee charters to define roles and responsibilities</i>
O		4.1.2			<i>Develop a policy to establish training requirements-frequency and content-to ensure preparedness for meeting Board</i>
O		4.1.3			<i>Develop a conflict of interest policy applicable to Board members and staff</i>
S		4.2			Strengthen PEBA's physical and technological security
O		4.2.1			<i>Conduct IT Risk and Vulnerability Assessment and implement security enhancements</i>
O		4.2.2			<i>Implement new physical security for office complex to include cameras, access cards, and alarm system</i>
O		4.2.3			<i>Conduct multi-phase cyber security training for PEBA employees and provide industry standard security training for five</i>
O		4.2.4			<i>Initiate Request for Proposal for a comprehensive assessment and upgrade of PEBA IT systems and resources</i>

Agency Name: SC Public Employee Benefit Authority

Agency Code: F500 Section: 105



Fiscal Year 2013-14
Accountability Report

Strategic Planning Template

Type	Goal	Strat	Item #	Object	Description
S			4.3		Strengthen PEBA's governmental relations functions
O			4.3.1		Enhance relationships between PEBA and other entities - RSIC, B&CB, etc.
O			4.3.2		Staff/Executive Director will provide regular legislative updates to the Board

**SC Public Employee Benefit Authority
 FY16 Budget Request
 9/3/2014**

Funded Program	FY15 Appropriations	FY16 Budget Request
I. Administration		
Personal Services	\$1,382,237	\$1,382,237
Other Operating	\$3,089,262	\$3,089,262
Administration Total	\$4,471,499	\$4,471,499
II. A. Employee Insurance Program		
Personal Services	\$4,946,532	\$4,946,532
Adoption Assistance	\$300,000	\$300,000
Other Operating	\$4,686,663	\$3,986,663
Employee Insurance Program Total	\$9,933,195	\$9,233,195
II. B. Retirement Systems		
Personal Services	\$8,265,120	\$8,265,120
Other Operating	\$4,887,809	\$4,887,809
Retirement Systems Total	\$13,152,929	\$13,152,929
III. C. Employer Contributions		
Employer Contributions	\$4,472,468	\$4,472,468
Employer Contributions Total	\$4,472,468	\$4,472,468
GRAND TOTAL	\$32,030,091	\$31,330,091

Difference of \$700,000 between FY15 and FY16 request is for the fiduciary audit.

**PUBLIC EMPLOYEE BENEFIT AUTHORITY AGENDA ITEM
BOARD OF DIRECTOR'S MEETING**

Meeting Date: September 10, 2014

Tab

1. Subject: South Carolina Optional Retirement Program

2. Summary: Fund Change Recommendation (MetLife)

Background Information: Royce Premier (RYPRX) is a fund in MetLife's investment lineup, which has remained on the Watch List for eight consecutive quarters. MetLife provided Summit Strategies Group with a list of suitable replacement options for this fund. Upon analysis of the replacement options, Summit and Management recommend Delaware Small Cap Core (DCCIX) as its replacement.

3. What is Committee asked to do? Recommend action to the Board.

4. Supporting Documents:

- (a) List those attached:
 - 1. Summit Replacement Search Presentation



Summit Strategies Group

8182 Maryland Avenue, 6th Floor

St. Louis, Missouri 63105

314.727.7211

Royce Premier Replacement Search - MetLife

South Carolina State Optional Retirement Program

September 3, 2014

EXECUTIVE SUMMARY

As of June 30, 2014, Royce Premier (Small Blend) has been on the Watch List for 8 consecutive quarters within the MetLife plan.

- Royce Premier represents \$17,957,965, or 11.9% of plan assets.

MetLife provided Summit with four (4) replacement candidates.

Summit utilized the following criteria to evaluate the replacement fund candidates:

- Style consistency relative to the asset class mandate;
- Strong qualitative metrics such as a stable firm structure, low professional turnover, and a disciplined investment philosophy and process.
- Strong quantitative metrics such as excess performance, peer universe rank, standard deviation, beta, and information ratio;
- Fee is less than or equal to the existing fund's net expense ratio and competitive with peers.

Using this methodology, Summit has selected the Delaware Small Cap Core Inst (DCCIX) fund as the most compelling replacement option for the following reasons:

- The strategy has been managed by a team of seasoned professionals who have spent 10 years managing the fund together and have many years of previous industry experience.
- The fund strictly adheres to its small blend mandate and typically does not deviate greatly from the benchmark with regard to sector and stock bets.
- As a result, the fund has historically displayed a consistent performance profile and has not experienced significant swings in performance and peer rankings.
- Given its level of assets under management, the fund has ample room to grow without concern of capacity issues.

BACKGROUND

MetLife proposed the following funds as small blend replacement options for the Royce Premier fund:

- Delaware Small Cap Core Inst (DCCIX)
- Goldman Sachs Small Cap Value Inst (GSSIX)
- JPMorgan US Small Company Select (JSCSX)
- SSgA Enhanced Small Cap N (SESPX)

Goldman Sachs was eliminated from the search as it is a small cap value fund, rather than a small blend fund.

Of the options presented, Summit believes the Delaware Small Cap Core Inst (DCCIX) fund is the most compelling.

- Founded in 1929 and headquartered in Philadelphia, PA, Delaware has been offering small cap products for almost 30 years.
- This actively-managed strategy began in December 1998 and had \$632.5 million in assets as of June 30, 2014.
- The fund has been co-managed by a four-person team since November 2004. On average, this seasoned team has been with the firm for 18 years and have 26 years of investment experience.
 - The team is supported by 2 dedicated analysts plus Delaware's Equity Quantitative Research Team.
- Management seeks small cap stocks that are considered to be within the market cap range of the Russell 2000 Index (typically focused on \$200 million - \$3 billion) at the time of purchase.
 - Note that a stock will be sold when its market cap rises above \$3 billion due to price appreciation, which is not always the case with small cap managers.
- Utilizing a combination of proprietary quantitative modeling and fundamental analysis, management employs bottom-up selection to seek companies that they consider to have attractive valuations, growth prospects, and strong cash flows.
 - Management has maintained a consistent philosophy and process throughout their tenure on the strategy.
- The fund will hold 150 names, on average.
- MetLife has proposed the Institutional share class with an expense ratio of 106 bps including 25 bps in revenue share.
 - Note that the fund does not offer a less expensive share class at this time; however, Delaware is having internal discussions regarding offering an R6 share class with no revenue share.

South Carolina State Optional Retirement Program

STATISTICS AND COMPOSITION

AS OF JUNE 30, 2014

Each candidate has garnered a solid level of assets under management given the small core strategy with no capacity issues at this time.

Each have performed well relative to the benchmark and peers and currently maintain a 4-star Morningstar rating across all time periods shown.

Additionally, over the 5-year period, there is very little differentiation between each manager, as all have demonstrated strong batting average and competitive risk-adjusted metrics such as Sharpe and information ratio.

With regard to the underlying holdings, none of the candidates are expected to take on sizeable stock or sector bets like the existing Royce strategy.

Also, it should be noted that all three funds provide more revenue share than the 20 bps shared by Royce, with SSgA providing the most.

Name	Delaware Small Cap Core Inst	JPMorgan US Small Company Select	SSgA Enhanced Small Cap N	Russell 2000 Index
General				
Ticker	DCCIX	JSCSX	SESPX	--
Asset Class	Small Blend	Small Blend	Small Blend	--
Strategy Inception	Dec-98	Nov-93	Jun-00	--
Total Strategy Assets	\$632.5 million	\$898.0 million	\$531.8 million	--
Net Expense Ratio	1.06%	1.02%	0.89%	--
Revenue Share	0.25%	0.25%	0.45%	--
Manager Tenure (Longest)	9.7 years	9.9 years	14.0 years	
Cheaper Share Class Available?	No	Yes	Yes	
Performance (As of June 30, 2014)				
Morningstar Rating Overall	4	4	4	--
Morningstar Rating 3 Yr	4	4	4	--
Morningstar Rating 5 Yr	4	4	4	--
One-Year Trailing Return	29.53%	26.21%	25.45%	23.64%
Peer Rank ¹	4	17	24	49
Three-Year Trailing Return	16.78%	16.52%	16.24%	14.57%
Peer Rank ¹	17	23	28	56
Five-Year Trailing Return	22.00%	22.61%	22.33%	20.21%
Peer Rank ¹	18	11	15	55
5-Year Statistics (As of June 30, 2014)²				
Standard Deviation	18.65%	19.49%	18.54%	18.72%
Beta	0.99	1.03	0.99	1.00
Batting Average	60%	70%	60%	0%
Tracking Error	2.72%	2.24%	1.58%	0.00%
Sharpe Ratio	1.18	1.17	1.20	1.10
Information Ratio	0.57	1.00	1.12	0.00
Up Market Capture	103%	109%	105%	100%
Down Market Capture	89%	102%	95%	100%
R2	98%	99%	99%	--
Turnover	38%	54%	57%	--
Composition				
# of Holdings	142	366	608	1,973
Weighted Average Market Cap	\$1.5 billion	\$1.3 billion	\$1.2 billion	\$1.5 billion
% US Equities	94.0%	94.9%	98.5%	98.5%
% Non-US Equities	2.3%	0.7%	1.2%	1.4%
% Cash	<u>3.7%</u>	<u>4.4%</u>	<u>0.3%</u>	<u>0.1%</u>
Total	100.0%	100.0%	100.0%	100.0%
% Giant/Large of Total Equities	0.0%	0.0%	0.0%	0.0%
% Medium of Total Equities	8.1%	12.2%	7.3%	6.8%
% Small of Total Equities	62.6%	48.8%	50.8%	62.4%
% Micro of Total Equities	<u>29.3%</u>	<u>39.0%</u>	<u>41.9%</u>	<u>30.8%</u>
Total	100.0%	100.0%	100.0%	100.0%

All data obtained from Morningstar Direct and PARIS.

¹Peer Universe: IM US Small Cap Core Funds.

²Performance statistics computed quarterly

South Carolina State Optional Retirement Program

HISTORICAL PERFORMANCE AS OF JUNE 30, 2014

The tables to the right show the trailing annualized and calendar year performance, as well as the peer ranks, of each candidate through June 30, 2014.

Each candidate has demonstrated consistent outperformance and above median peer rank over the trailing time periods shown.

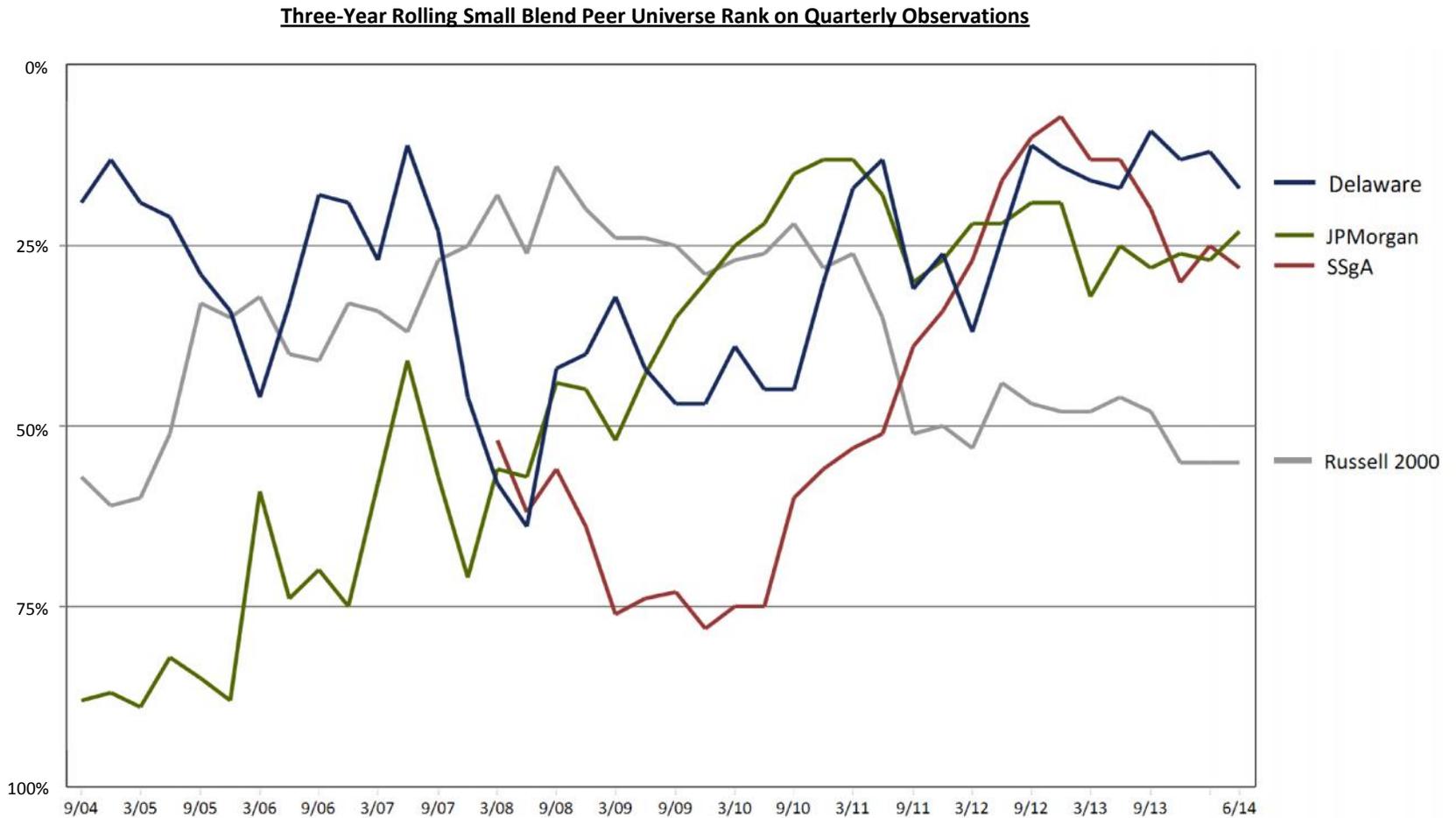
- SSgA is the exception over the 7-year period, which is attributed to its significant underperformance relative to the Russell 2000 benchmark in both 2008 and 2009.

	Trailing Return and Percentile Rank (blue)											
	CYTD		1 Year		3 Year		5 Year		7 Year		10 Year	
Delaware Small Cap Core Inst (DCCIX)	4.84	14	29.53	4	16.78	17	22.00	18	7.34	19	9.67	12
<i>Russell 2000 Index</i>	3.19		23.64		14.57		20.21		6.73		8.70	
Excess Return	1.65		5.89		2.21		1.79		0.61		0.97	
IM U.S. Small Cap Core Equity (MF)												
JPMorgan US Small Company Select (JSCSX)	4.75	15	26.21	17	16.52	23	22.61	11	7.62	15	9.28	25
<i>Russell 2000 Index</i>	3.19		23.64		14.57		20.21		6.73		8.70	
Excess Return	1.56		2.57		1.95		2.40		0.89		0.58	
IM U.S. Small Cap Core Equity (MF)												
SSgA Enhanced Small Cap N (SESPX)	4.47	21	25.45	24	16.24	28	22.33	15	5.75	51	-	-
<i>Russell 2000 Index</i>	3.19		23.64		14.57		20.21		6.73		-	-
Excess Return	1.28		1.81		1.67		2.12		-0.98		-	-
IM U.S. Small Cap Core Equity (MF)												

	Calendar Year Return and Percentile Rank (blue)											
	2013		2012		2011		2010		2009		2008	
Delaware Small Cap Core Inst (DCCIX)	43.24	18	15.62	49	0.58	10	28.72	22	27.35	45	-35.07	42
<i>Russell 2000 Index</i>	38.82		16.35		-4.18		26.85		27.17		-33.79	
Excess Return	4.42		-0.73		4.76		1.87		0.18		-1.28	
IM U.S. Small Cap Core Equity (MF)												
JPMorgan US Small Company Select (JSCSX)	40.32	39	21.41	7	-3.86	60	26.88	39	34.64	20	-34.27	36
<i>Russell 2000 Index</i>	38.82		16.35		-4.18		26.85		27.17		-33.79	
Excess Return	1.50		5.06		0.32		0.03		7.47		-0.48	
IM U.S. Small Cap Core Equity (MF)												
SSgA Enhanced Small Cap N (SESPX)	37.82	61	17.67	24	0.55	10	30.16	12	23.16	73	-37.17	57
<i>Russell 2000 Index</i>	38.82		16.35		-4.18		26.85		27.17		-33.79	
Excess Return	-1.00		1.32		4.73		3.31		-4.01		-3.38	
IM U.S. Small Cap Core Equity (MF)												

PEER UNIVERSE ANALYSIS
AS OF JUNE 30, 2014

The following chart illustrates each candidate's rolling three-year peer universe rank on a quarterly basis through June 30, 2014. Of the candidates, Delaware (blue) has demonstrated the most consistent rolling performance relative to peers, ranking predominantly above median over the ten-year time period shown.



South Carolina State Optional Retirement Program

FUND MONITORS AS OF JUNE 30, 2014

SCORP FUND MONITOR

The table below shows how each candidate would have performed utilizing the ORP's fund monitor criteria for the past 10 quarters. None of the candidates would not have appeared on the watch list at any time over the previous 10 quarters.

Date	Delaware				JPMorgan				SSgA			
	Excess Performance	Peer Universe Rank	Information Ratio Rank	Sharpe Ratio Rank	Excess Performance	Peer Universe Rank	Information Ratio Rank	Sharpe Ratio Rank	Excess Performance	Peer Universe Rank	Information Ratio Rank	Sharpe Ratio Rank
Jun-14	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass
Mar-14	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass
Dec-13	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass
Sep-13	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass
Jun-13	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass
Mar-13	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass
Dec-12	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass
Sep-12	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass
Jun-12	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass
Mar-12	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass

SUMMIT FUND MONITOR

Based on Summit's proprietary fund monitor, each candidate 'Exceeds' expectations across the four performance metrics outlined below.

Fund	Consistency of Excess Return	Average Percentile Ranking (Return)	Batting Average Versus Peers	Information Ratio Rank	Status
Delaware Small Cap Core Inst (DCCIX)	70%	26%	70%	18%	Exceeds
JPMorgan US Small Company Select (JCSX)	90%	24%	80%	8%	Exceeds
SSgA Enhanced Small Cap N (SESPX)	60%	39%	65%	4%	Exceeds

Disclaimer

The information set forth in these materials is provided for informational and discussion purposes only and is not intended to be, and shall not be regarded or construed as a recommendation for a transaction or investment, financial, tax or other advice of any kind or constitutes or imply any commitment whatsoever, including without limitation an offer to purchase, sell or hold any security investment, loan or other financial product or to enter into or arrange any type of transaction.

Disclaimer

The information set forth in these materials is provided for informational and discussion purposes only and is not intended to be, and shall not be regarded or construed as a recommendation for a transaction or investment, financial, tax or other advice of any kind or constitutes or imply any commitment whatsoever, including without limitation an offer to purchase, sell or hold any security investment, loan or other financial product or to enter into or arrange any type of transaction.

**SC PUBLIC EMPLOYEE BENEFIT AUTHORITY
BOARD OF DIRECTORS MEETING**

Wednesday, September 10, 2014 1:00 p.m. Minutes Approved 10.16.14
200 Arbor Lake Drive, Columbia SC, 29201

3. EXECUTIVE SESSION

At 1:10 p.m., Mr. Fusco made a motion, which was seconded by Mr. Penn, and passed unanimously, to recede into executive session to discuss legal matters pursuant to S.C. Code Ann. § 30-4-70.

The Board reconvened in open session at 2:05 p.m. Chairman Bjontegard announced that no action was taken by the Board while in executive session.

4. APPROVAL OF MEETING MINUTES – AUGUST 20, 2014

Chairman Bjontegard asked for a motion to adopt the August 20, 2014, meeting minutes. Mr. Penn made a motion, which was seconded by Mr. Steve Heisler, and approved unanimously, to adopt the August 20, 2014, meeting minutes as presented.

5. ACCOUNTABILITY REPORT APPROVAL

Chairman Bjontegard introduced Mr. Robbie Bell, PEBA's Organizational Development Coordinator, to present an overview of the Accountability report. Mr. Bell stated that standards for the Accountability Report have changed for fiscal year 2014, and performance measures will directly tie to PEBA's Strategic Plan. Mr. Bell advised that the Accountability Report is due to the State Budget Office by September 15, 2014.

Ms. Boykin stated that the Accountability Report was a collaborated effort of several key staff members that worked diligently to meet the required deadline, and she thanked everyone involved for their tremendous efforts.

6. AGENCY BUDGET APPROVAL

Ms. Caroline Royal, PEBA's Budget Officer, presented the 2016 budget request to the Board, and stated that PEBA will be requesting a base budget of \$33.1 million. Ms. Royal pointed out that fiscal year 2015 appropriations is \$700,000 higher than the fiscal year 2016 budget request due to financing of the fiduciary audit in 2015.

Mr. Steve Matthews made a motion for the Board to adopt the 2016 PEBA agency budget request. Chairman Bjontegard reminded the Board that a Committee motion does not require a second. The motion passed unanimously.

Chairman Bjontegard announced that going forward, Board meetings that do not take place at the end of a quarter will be extremely abbreviated, with most of the business being conducted during the Committee meetings.

7. COMMITTEE REPORTS

A. HEALTH CARE POLICY COMMITTEE

**SC PUBLIC EMPLOYEE BENEFIT AUTHORITY
BOARD OF DIRECTORS MEETING**

Wednesday, September 10, 2014 1:00 p.m. Minutes Approved 10.16.14
200 Arbor Lake Drive, Columbia SC, 29201

Mr. Rocky Pierce reported that the Health Care Policy Committee met earlier in the morning, and invited Mr. Mike Madalena, from Gabriel, Roeder, Smith and Company (GRS), to provide a brief overview of the preliminary State Health Plan budget requirements for 2016. Mr. Madalena also discussed the 2015 State Health Plan budget, and reviewed the range of copayments and deductible amounts required to remain in grandfathered status.

Mr. Heisler made a motion that the schedule of increases in copayments and deductibles for the 2015 State Health Plan may be amended, but shall not exceed the schedule of copayment and deductible increases previously approved by the PEBA Board and the Budget and Control Board with budget proviso 105.7. Chairman Bjontegard reminded the Board that a Committee motion does not require a second. The motion passed unanimously.

Mr. Pearce reported that the Wellness Team will be implementing the pilot project, but due to time constraints and other challenges, they will be selecting a small sample of employers to test the pilot in 2015.

Mr. Heisler made a motion to direct the PEBA staff to begin implementation of the wellness pilot program, with a limited test group, effective April 1, 2015. The implementation would include the addition of staff and procurement of contracts, etc. Chairman Bjontegard reminded the Board that a Committee motion does not require a second. The motion passed unanimously.

Mr. Pearce stated that Mr. Kevin DeStefino, from GRS, reviewed the Pharmacy Benefit Strategy presentation, which included details on specialty pharmacy management and specialty drugs.

Mr. Pearce reported that Mr. Brooks Goodman, from Blue Cross Blue Shield of South Carolina, presented the Birth Outcomes Initiatives (BOI), and stated that BOI is a public health effort that was launched in July of 2011, with the goal of reducing South Carolina's high preterm birth and neonatal intensive care unit (NICU) utilization rates.

B. RETIREMENT POLICY COMMITTEE

Mr. John Sowards reported that the Retirement Policy Committee met on September 3, 2014, and received as information the Defined Contribution Quarterly Reports for the quarter ending June 30, 2014.

Mr. Sowards stated that based on a need for additional stakeholder information, the Committee deferred a discussion on the Defined Contribution Best Practices Review until the next meeting on October 1, 2014.

Mr. Sowards advised that Summit Strategies Group presented an Optional Retirement Program (ORP) fund change recommendation. Mr. Sowards invited Mr. Matthew Davis,

**SC PUBLIC EMPLOYEE BENEFIT AUTHORITY
BOARD OF DIRECTORS MEETING**

Wednesday, September 10, 2014 1:00 p.m. Minutes Approved 10.16.14
200 Arbor Lake Drive, Columbia SC, 29201

Defined Contribution Manager, to provide a brief summary of the recommendation. Mr. Davis stated that the Royce Premier (RYPRX) is a fund in MetLife's investment lineup, which has remained on the Watch List for eight consecutive quarters. Mr. Davis advised that MetLife provided Summit Strategies Group with a list of four replacement options for the RYPRX fund, and upon analysis of the replacement options, Summit Strategies Group and the Defined Contribution Unit recommended Delaware Small Cap Core (DCCIX) as its replacement.

Mr. Tigges made a motion to replace the Royce Premier fund with the Delaware Small Cap Core fund. Chairman Bjontegard reminded the Board that a Committee motion does not require a second. The motion passed unanimously.

FINANCE, ADMINISTRATION, AUDIT AND COMPLIANCE (FAAC) COMMITTEE

Mr. Steve Matthews reported that the FAAC Committee met on September 3, 2014, and discussed the annual agency budget report and fiduciary audit preparations. Mr. Matthews stated that Funston Advisory Services will start audit preparations at the beginning of October, and should be fully completed by the end of January 2015.

Mr. Matthews stated that Mr. John Page, Director of Internal Audit, updated the FAAC Committee on strategic planning and accountability reporting, and Mr. Doug Hislop, IT Manager, presented an Information Technology Assessment.

Mr. Matthews advised that the FAAC Committee discussed Board meeting attendance categories, and requested an exception to the attendance policy for members who have personal emergencies, or other various necessary duties that may prevent them from attending meetings. Mr. Matthews asked the Legal Department to draft an exception to the attendance policy for the Committee's review.

Mr. Matthews also stated that the FAAC Committee reviewed the PEBA Board Continuing Education Policy, and asked that the Policy be amended to clarify the number of continuing educational training credits that are required in each two fiscal year period, and to prorate the requirements for the portion of the two fiscal year period of membership. Mr. Matthews noted that suggested modifications will be made to the Continuing Education Policy, and will be submitted to the Committee for further consideration.

8. OLD BUSINESS/DIRECTOR'S REPORT

Ms. Boykin provided the Director's Report, and commended participating Staff for their hard work and efforts at the three-day Employee Benefits Conference.

Chairman Bjontegard provided an opportunity for roundtable discussion, and reminded the Board that the next Board meeting has been moved to October 16, 2014.

9. 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 2:50 p.m.