

Meeting Minutes | Finance, Administration, Audit and Compliance (FAAC) Committee

Wednesday, January 11, 2017 | 3:15 p.m.
200 Arbor Lake Dr., Columbia, SC 29223 | Second Floor Conference Room

Minutes approved March 22, 2017

Board Members Present: Chairman Steve Matthews

Board Members Absent: Mr. Steve Osborne and Mr. John Sowards

Others Present for All or a Portion of the Meeting: Shawunda Baker, Peggy Boykin, Robby Brown, Amber Carter, Sarah Corbett, Doug Hislop, James Manning, John Page, Tammy Nichols, Travis Turner, Stephen Van Camp, Justin Werner, and Heather Young from the South Carolina Public Employee Benefit Authority (PEBA); Wayne Pruitt from the State Retirees Association of South Carolina; and Rebecca Rochester with the South Carolina Education Association.

I. Call to Order

Chairman Steve Matthews called the PEBA Finance, Administration, Audit and Compliance (FAAC) Committee meeting to order at 3:23 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- October 19, 2016

It was noted that the October 19, 2016, Committee meeting minutes were adopted unanimously as presented.

IV. Internal Audit Reports

Mr. John Page, Director of Internal Audit, provided the PEBA internal audit reports including:

- A. Annual Certification of No Conflicts
- B. Collateralization of PEBA's Bank Balances
- C. Internal Audit Plan Status Report

V. Executive Session for the Purpose of Discussing Contractual Matters Pursuant to S.C. Code of Laws § 30-4-70 (a)(2), and Information Technology Security Matters Pursuant to S.C. Code of Laws § 30-4-70 (a)(3).

At 3:32 p.m., Mr. Steve Osborne made a motion, which was seconded by Mr. John Sowards, and passed unanimously, to recede into executive session for the purpose of discussing contractual and information technology security matters.

The Committee reconvened in open session at 4:10 p.m. Chairman Matthews announced that no action was taken by the Committee while in executive session.

VI. Old Business/Director's Report

Ms. Peggy Boykin, Executive Director, reported that the Governor's office has posted the Executive Budget which includes a recurring \$94 million in general fund appropriations, approximately \$26.5 million for funding for the State Health Plan (including well visits) and to partially cover insurance premium increases which will also be split between employees and employers; and \$10 million as requested for implementation of the Operational Assessment.

Ms. Boykin advised that the Joint Committee on Pension Systems Review met on January 10, 2017, and discussed key components of draft legislation that will be introduced this legislative session. Components include a recommendation to cap 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. Ms. Boykin added that it was also suggested to increase the employer rate by a minimum of one percent each year for an extended period of time to meet funding requirements.

Ms. Boykin stated that she advised the Joint Committee on Pension Systems Review that if the employee contribution rate is capped at 9.0 percent, the employer contribution rate will need to be raised approximately 3.5 percent to cover the \$3.5 billion in deferred investment losses which will be smoothed in over the next five years, and to cover reducing the assumed rate-of-return from 7.50 percent to 7.00 percent (which may be lowered in increments over the next two to three years).

VII. Adjournment

There being no further business, and upon a motion from Mr. Osborne, which was seconded by Chairman Matthews, and approved unanimously, the Committee meeting adjourned at 4:23 p.m.