

Meeting Minutes | Board of Directors

Thursday, January 12, 2017 | 1:00 p.m.
200 Arbor Lake Dr., Columbia, SC 29223 | Second Floor Conference Room

Minutes Approved February 16, 2017

Board Members Present: Mr. Frank Fusco, Mr. Steve Heisler, Vice Chairman Joe “Rocky” Pearce, Mr. Audie Penn, Mr. Steve Matthews, Chairman John Sowards, and Mr. David Tigges

Board Members Present via Telephone: Mr. Steve Osborne

Board Members Absent: Sheriff Leon Lott

Others Present for All or a Portion of the Meeting: Peggy Boykin, Robby Brown, Amber Carter, Sarah Corbett, Jennifer Dolder, Doug Hislop, James Manning, Heather Muller, Darry Oliver, Travis Turner, Stephen Van Camp, Justin Werner, and Heather Young from the South Carolina Public Employee Benefit Authority (PEBA); Sam Griswold and Wayne Pruitt from the State Retirees Association of South Carolina; Roy Brown from Southern Strategy Group; and Mary Elizabeth Van Horn from Milliken Law Firm.

I. Call to Order

Chairman John Sowards called the PEBA Board of Director’s (Board) meeting to order at 1:05 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- November 30, 2016, and December 1, 2016

It was noted that the November 30, 2016, and December 1, 2016, meeting minutes were adopted unanimously as presented.

IV. Committee Reports

A. Health Care Policy Committee

Mr. Rocky Pearce reported that the Health Care Policy Committee met earlier in the day, and received the State Health Plan (SHP) update and benchmarking in which key SHP measures are compared with peer and national benchmarks. Mr. Pearce invited Mr. Rob Tester, Health Care Policy Director, to provide a brief overview of the presentation for the Board. Mr. Tester reviewed the SHP enrollment as of January 2017; the SHP growth and expenditure per member compared to national trends; and the 2015 average annual gross plan cost per active

employee. Mr. Tester also discussed the 2016 average monthly total premiums; the 2016 average annual deductible; and the 2016 composite monthly premiums. Mr. Tester stated that the SHP compares very favorable to other public and private employers.

B. Retirement Policy Committee

Mr. David Tigges stated that the Retirement Policy Committee met on January 11, 2017, and received the defined contribution quarterly reports from Empower Retirement and Summit Strategies group. Mr. Tigges reported that 96 percent of employers are 100 percent compliant with the Business Transformation Project which is an outstanding accomplishment. Mr. Tigges advised that Summit is recommending to replace the PIMCO Total Return Fund with the Baird Aggregate Bond Fund, which exhibits less risk, and is also less expensive at 30 basis points. Mr. Tigges added that the Committee unanimously approved the replacement and is seeking approval from the full Board. Chairman Sowards stated that the replacement fund recommendation is consistent with the PEBA Board's Investment Policy Statement criteria, and reminded the Board that Committee motions do not require a second. The motion passed unanimously.

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

Mr. Steve Matthews advised that the FAAC Committee met on January 11, 2017, and received 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. Old Business

A. 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. Ms. Boykin stated that many of the components include the Funston Fiduciary Audit recommendations for both PEBA and the South Carolina Retirement System Investment Commission (RSIC), and includes 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).

B. Roundtable Discussion

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

VI. Executive Session for the Purpose of Discussing Contractual Matters pursuant to S.C. Code Ann. Section 30-4-70(A)(2)

At 1:42 p.m., Mr. Steve Heisler made a motion, which was seconded by Mr. Matthews, and passed unanimously, to recede into executive session for the purpose of discussing contractual matters.

The Committee reconvened in open session at 2:35 p.m. Chairman Sowards announced that no action was taken by the Board while in executive session.

VII. 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 2:36 p.m.