

Meeting Minutes | Board of Directors

Wednesday, December 5, 2018 | 3:00 p.m.
202 Arbor Lake Dr., Columbia, SC 29223 | First Floor Conference Room

Minutes approved March 6, 2019

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

Board Members Absent: Mr. Ed Walton

Others Present for All or a Portion of the Meeting: Melissa Alexander, Ashley Brindle, Gwen Bynoe, Sarah Corbett, Joe Greene, Doug Hislop, Evan Mitchell, Heather Muller, Tammy Nichols, Jacalin Shealy, Laura Smoak, Rob Tester, Travis Turner, Stephen Van Camp, Justin Werner, and Heather Young from the South Carolina Public Employee Benefit Authority (PEBA); Sam Griswold from the State Retirees Association of South Carolina; Samantha Harper from the South Carolina Office of the State Treasurer; Joanie Lawson from the South Carolina Education Association; Thomas Rey from CliftonLarsonAllen; Robert Gauss from Ice Miller; 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) meeting to order at 3:00 p.m., and stated that the public meeting notice was posted in compliance with the Freedom of Information Act.

II. Approval of Meeting Minutes- October 3-4, 2018

It was noted that the October 3-4, 2018, Board meeting minutes were approved as presented.

III. Fiduciary Training- Ice Miller

Mr. Robert Gauss, Partner, from Ice Miller, conducted a presentation on fiduciary education. Mr. Gauss stated that good fiduciary and ethical practices should follow the applicable South Carolina Code of Laws; the State Ethics Act; and the PEBA Board’s Ethics Policy.

Mr. Gauss described a fiduciary as any person who exercises any discretionary authority, control, or management of a plan, or exercises any authority, control, or disposition of its assets. A fiduciary also renders investment advice, and has any discretionary authority or discretionary responsibility in the administration of the plan. Mr. Gauss noted that the Board is one of multiple fiduciaries for the South Carolina Retirement Systems, and shares responsibility with the South Carolina Retirement System Investment Commission (RSIC); the State Treasurer; and the state Legislature. Mr. Gauss stated that

the Board is also a fiduciary for the State Health Insurance and OPEB Trust Funds; the State Optional Retirement Program; and the South Carolina Deferred Compensation Program.

Mr. Gauss discussed several sources of fiduciary duties including: the Internal Revenue Code; the Employee Retirement Income Security Act (ERISA), which only applies to private plans but is an excellent resource; State Law; Common Law; and the Plan along with Plan-related documents.

Mr. Gauss reviewed Sources of Fiduciary Principles including the Exclusive Benefit Rule; prohibited transactions for fiduciary principles; the Board's Conflict of Interest Policy; and adherence to the Trust. Mr. Gauss also detailed the overall fiduciary standards including the Duty of Loyalty (which includes the Duty of Impartiality); and the Duty of Prudence (which includes the Duty of Care and Duty of Skill).

Mr. Gauss explained the "Pay to Play" Securities and Exchange Commission rule adopted in 2010. The "Pay to Play" rule prohibits investment advisors from providing advisory services, for compensation, for a period of two years following a political contribution to a public official or candidate who is in a position to influence the selection or retention of advisors to manage public pension funds or other government client assets.

Mr. Gauss concluded his presentation by providing an overview of litigation against other retirement plans, and challenges for the Board going forward, including the impact of increasing employee and employer contribution rates, and plan design versus plan administration.

IV. Committee Reports

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

Mr. Steve Matthews reported that the FAAC Committee met earlier in the morning and received a presentation from Ms. Kim Brown, Human Resources Director, regarding the results of the recent Workforce Survey, which is given every two years. Mr. Matthews stated that the survey shows that PEBA is either maintaining a high level of employee satisfaction, or improving in the noted categories.

Mr. Matthews advised that CliftonLarsonAllen, PEBA's External Auditor, presented the Health Financial Statements and the South Carolina Retirement Systems (SCRS) Financial Statements, for the year ending June 30, 2018, as well as the Deferred Compensation Program Audit Reports for the year ending December 31, 2017. Mr. Matthews reported that all three audit reports are unmodified "clean" opinions.

Mr. Matthews stated that Mr. John Page, Director of Internal Audit, and Ms. Shawunda Baker, Internal Auditor, provided the PEBA internal audit reports including:

- A. Retirement Plan Enrollments
- B. PEBA Administrative Finances
- C. Retirement Plan Compliance- Judges and Solicitors Retirement System
- D. Internal Audit Plan Status Report
- E. Memo to FAAC- Annual Conflict of Interest Notification

It was noted that the next FAAC Committee meeting will be March 6, 2019.

B. Health Care Policy Committee

Mr. Rocky Pearce stated that the Health Care Policy Committee met earlier in the day, and received an update regarding the State Health Plan (SHP) benchmarks in which key SHP measures are compared with peer and national benchmarks.

Mr. Pearce reported that the Committee also received a presentation regarding PEBA's open enrollment, an update on MoneyPlus, and Customer Contact Center statistics.

Mr. Pearce advised that Blue Cross Blue Shield of South Carolinas' telehealth program, has been expanded to include behavioral health services through Blue CareOnDemand. Ms. Cathryn Adair, manager of Blue Cross Blue Shield of South Carolinas' telehealth program, provided a presentation regarding the expansion.

Mr. Pearce also stated that the Committee received an update regarding Naturally Slim, an online behavioral program designed to help members lose weight and maintain a healthy lifestyle. Mr. Austin Wilcox of ACAP Health reported on the progress of the program which started September 2018, and provided testimonials from participants that have been in the program for the first nine weeks.

It was noted that the next Health Care Policy Committee meeting will be March 6, 2019.

C. Retirement Policy Committee

Mr. Steve Heisler advised that the Retirement Policy Committee met before the full Board meeting, and representatives from Segal Marco Advisors presented the South Carolina Defined Contribution Plan (SCDCP) investment report, and the State Optional Retirement Plan (State ORP) investment report for the quarter ending September 30, 2018.

Mr. Heisler also reported that Ms. Nancy Ornduff, from Empower Retirement, presented the third quarter plan activity summary, and Ms. Marybeth Daubenspeck from Empower Retirement presented the results of the recent Empower Participant Satisfaction Survey.

Mr. Heisler advised that Mr. Danny White, Senior Consultant, and Mr. Joe Newton, from Gabriel Roeder Smith & Company (GRS), presented the 2018 Retirement Systems Actuarial Valuations to the Committee.

Mr. Heisler stated that the Retirement Policy Committee made a motion to recommend to the PEBA Board that it receive as information the actuarial valuations of SCRS, PORS, JSRS, GARS, and SCNG as of July 1, 2018; and based upon those valuations, maintain the employer contribution rate for JSRS at 52.49 percent; increase the employer contribution for GARS to \$6.329 million; and set the employer contribution for SCNG at \$5.262 million, all effective July 1, 2019.

Chairman Sowards reminded the Board that Committee motions do not require a second. The motion passed unanimously.

It was noted that the next Retirement Policy Committee meeting will be March 6, 2019.

V. Old Business

Director's Report

Ms. Sarah Corbett, Chief Operating Officer provided the Director's Report. Ms. Corbett stated that the Senate Finance Budget Hearing will be Wednesday, December 12, 2018, at 10:30 a.m.

Ms. Corbett advised that PEBA will host a joint stakeholders meeting with the Retirement System Investment Commission (RSIC) on Thursday, December 13, 2018, at 2:30 p.m.

Ms. Corbett invited all Board members to PEBA's holiday brunch on December 13th from 9:30-11:00 a.m.

Ms. Corbett advised that the City of Columbia is joining the State Health Plan. Ms. Corbett stated that PEBA's Employer Services staff has been at the City of Columbia most of November meeting with active employees and retirees and trying to help facilitate their insurance elections.

Ms. Corbett also reported that she, along with Mr. Doug Hislop, IT Director, and Mr. James Manning, Enterprise Risk Management Director, attended an information technology security training hosted by the Secret Service. Ms. Corbett stated that after attending the training, she is very confident with PEBA's incident response training and cyber insurance implementation.

Roundtable Discussion

At the conclusion of the Director's Report, Chairman Sowards provided an opportunity for a roundtable discussion, and wished PEBA Board members and staff a happy holiday season.

VI. Adjournment

There being no further business, and upon motion by Mr. Heisler, which was seconded by Mr. Alex Shissias, and approved unanimously, the Board meeting adjourned at 4:28 p.m.