

Meeting Minutes | Board of Directors

Thursday, May 19, 2016 | 1:30 p.m.

200 Arbor Lake Dr., Columbia, SC 29223 | Second Floor Conference Room

Minutes Approved June 23, 2016

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

Board Members Present via Telephone: Ms. Stacy Kubu, Mr. Steve Osborne, and Chairman John Sowards

Others Present for All or a Portion of the Meeting: Peggy Boykin, Ashley Brindle, Sarah Corbett, Doug Hislop, Ariail Kirk, Heather Muller, James Manning, Tammy Nichols, Darry Oliver, Sheila Pinckney, Travis Turner, Stephen Van Camp, Justin Werner, and Heather Young from the South Carolina Public Employee Benefit Authority (PEBA); Brooks Goodman from Blue Cross Blue Shield of South Carolina; Wayne Bell and Wayne Pruitt from the State Retirees Association of South Carolina; Michael Craig from Novo Nordisk, Inc., Carlton Washington from the South Carolina State Employees Association; Mark Roshelli from Sanofi; and Thompson Kinney from Milliken Law Firm.

I. Call to Order

Chairman John Sowards called the PEBA Board of Director’s (Board) meeting to order at 1:30 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- April 20, 2016

Mr. David Tigges made a motion, which was seconded by Mr. Frank Fusco, and approved unanimously, to adopt the April 20, 2016, meeting minutes as presented.

IV. Actuarial Valuations and Experience Study Recommendations

A. 0.5 Percent Contribution Rate Increase

Ms. Peggy Boykin, Executive Director, reminded the Board that they received the 2015 Actuarial Valuations, and adopted the valuations with a temporary approval to increase the employer and employee contribution rates for the South Carolina Retirement System (SCRS) by the required minimum three basis points effective July 1, 2017, to maintain a 30-year funding period. Ms. Boykin stated that all three versions of the fiscal year 2017 budget include provisions for the one-half percent contribution increase that will be required to absorb the investment losses from fiscal year 2015, and would be effective July 1, 2016.

Ms. Boykin reported that the Retirement Policy Committee recommends that the full Board adopt the recommendation to increase employee and employer contribution rates by one-half percent for both SCRS, and the Police Officer's Retirement System (PORS), effective July 1, 2016.

Ms. Boykin stated that the State Fiscal Accountability Authority (SFAA), will consider the one-half percent contribution increase for approval at their June 7, 2016, meeting.

Mr. Steve Heisler made a motion to accept the Retirement Committee's recommendation to increase employee and employer contribution rates by one-half percent for both SCRS and PORS, effective July 1, 2016. Chairman Sowards reminded the Board that the motion presented is a Committee motion and does not require a second. The motion passed unanimously.

B. Experience Study Recommendations

Ms. Boykin stated that Mr. Joseph Newton and Mr. Danny White from Gabriel Roeder Smith & Company (GRS), previously presented the 2016 Experience Study to the Retirement Committee as information, and the Board delayed taking action on the recommended assumptions until the General Assembly addressed the rate of return. Ms. Boykin advised that SFAA has asked the Board to deliver the recommendations for consideration and approval at their June 7, 2016, meeting.

Ms. Boykin reported that the Retirement Policy Committee recommends that the full Board adopt the Experience Study assumption recommendations (with the exception of the actuarial rate of return), and to send the recommendation to SFAA for approval. Ms. Boykin advised the Board that if the General Assembly fails to adopt the recommendation to lower the rate of return from 7.50 percent to 7.25 percent, the Board may have to take further actions to address the disparity between the actuarial value of assets and the market value of assets, and how that interrelates to the rate of return.

Chairman Sowards reminded the Board that the motion presented is a Committee motion and does not require a second. The motion passed unanimously.

V. Committee Reports

A. Health Care Policy Committee

Mr. Rocky Pearce reported that the Health Care Policy Committee met earlier in the day, and received updated materials related to key measures that the Committee is monitoring to determine if the goals for the State Health Plan (SHP) are being accomplished.

Mr. Pearce stated that the Committee also received a progress report on each of the PEBA Board Strategic Plan-Staff Action Plans related to the Health Care Policy Committee, and confirmed that staff anticipates meeting the 2016 target completion dates.

Mr. Pearce stated that the Committee received a brief overview of the Other Post-Employment Benefits (OPEB) Trust Fund, and a full OPEB Trust Fund review will be provided at the Board retreat.

Mr. Pearce advised that the Committee received a presentation from Blue Cross Blue Shield of South Carolina (BSBSSC), concerning State Health Plan expenses related to diabetes, and various programs in place to address diabetes. Mr. Pearce added that diabetes is extremely

prevalent in the United States and in South Carolina, and BCBSSC has programs in place to better educate members on how to prevent and treat diabetes to improve health outcomes.

Mr. Pearce stated that the Committee will also review additional medical cost drivers, including musculoskeletal and obesity in the upcoming months.

B. Retirement Policy Committee

Mr. Tigges stated that the Retirement Policy Committee met on May 18, 2016, and held lengthy discussions related to the recommended 0.5 percent employee and employer contribution increase for SCRS and PORS, and the experience study recommendations. Mr. Tigges reported that the Committee received actuarial projected employer and employee contribution rates for SCRS and PORS, and will continue to discuss contribution rates and the Defined Benefit Plan in future meetings.

Ms. Boykin confirmed that as of May 13, 2016, the fiscal year-to-date investment return was -3.12 percent.

Mr. Tigges stated that Mr. Paul Staples with Summit Strategies Group (Summit), provided a first quarter update in regards to the Deferred Compensation Program and the Optional Retirement Program (ORP).

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

Mr. Steve Matthews noted that the FAAC Committee met on May 18, 2016, and discussed several modifications to the PEBA Board of Directors Bylaws related to the Committee assignment process. Mr. Matthews explained that the revisions would adjust the appointment of Committee members to occur during the month of July. The Chairman of the Board will continue to be a member of each standing committee, and will continue to make the appointments that expire on June 30th of each year, or until a successor is appointed.

Mr. Matthews asked the Board's opinion if it would be beneficial for Committee members to serve two-year terms that would coincide with the two-year terms for Board members, rather than the current annual appointment. After discussion, there was consensus from the Board for Committee members to serve two-year terms as suggested. Mr. Matthews stated that the FAAC Committee will approve the revision, and present the revised PEBA Board of Directors Bylaws to the Board for approval at the next meeting.

VI. Old Business

A. Director's Report

Ms. Boykin reported that both the House and Senate versions of the budget fully funds the State Health Plan, so there will not be a cost share increase for employees, and all versions of the budget have provisions for a one-half percent increase in employee and employer contribution rates for SCRS and PORS.

Ms. Boykin stated that the Board retreat was tentatively scheduled for June 23, 2016, but due to scheduling conflicts, the current proposed retreat date is June 22, 2016. Ms. Boykin

asked Board members to notify staff if they are available on the proposed date, as well as dates that may coincide with their schedules for the month of August.

Ms. Boykin reported that the Retirement Policy Committee will continue to review projections and anticipated employer and employee contribution increases as the fiscal year final returns are calculated. Ms. Boykin added that information from the South Carolina Retirement System Investment Commission (RSIC) indicate a possible four percent rate of return over the next few years, which would result in additional employee and employer contribution increases of 2.5 to 3.5 percent.

Ms. Boykin stated that PEBA recently completed a disaster recovery test in which all production systems were recovered within 72 hours. Ms. Boykin extended her appreciation to PEBA's information technology and operations staff that were involved with the testing and recovery.

Chairman Sowards thanked Ms. Boykin for her commitment to PEBA and her contributions to the Board.

B. Roundtable Discussion

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

VII. Adjournment

There being no further business, and upon motion by Mr. Fusco, which was seconded by Mr. Tigges, and approved unanimously, the Board meeting adjourned at 2:00 p.m.