

## **Meeting Minutes | Board of Directors**

Wednesday, July 25, 2018 | 1:00 p.m.

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

Minutes Approved October 4, 2018

**Board Members Present:** Mr. Frank Fusco, Mr. Steve Heisler, Mr. Steve Matthews, Mr. Audie Penn, Vice Chairman Joe “Rocky” Pearce, Mr. Chuck Richardson, Mr. Alex Shissias, and Chairman John Sowards

**Board Members Present Via Telephone:** Mr. Ed Walton

**Board Members Absent:** Sheriff Leon Lott

**Others Present for All or a Portion of the Meeting:** Bob Avery, Emily Barnhill, Peggy Boykin, Phyllis Buie, Jeremy Cannon, LaShaun Curry, Sarah Corbett, Joe Greene, Sharon Graham, Doug Hislop, Mike McDermott, Heather Muller, Tammy Nichols, James Manning, John Page, Laura Smoak, Rob Tester, Travis Turner, Stephen Van Camp, Justin Werner, and Heather Young from the South Carolina Public Employee Benefit Authority (PEBA); Geoffrey Berg and Mike Hitchcock from the South Carolina Retirement System Investment Commission (RSIC); Clarissa Adams, Edward Frazer, Tonia Morris, the Honorable Curtis Loftis, and Jordan Raines from the South Carolina Office of the State Treasurer; John Gentry from Federated Investment Counseling; Sam Griswold from the State Retirees Association of South Carolina; Brooks Goodman and Carmen Wilson from Blue Cross Blue Shield of South Carolina; Will Kenney from Mullikin Law Firm; Billy Peebles with VALIC; and Mark Nicklas from Perspecta.

### **I. Call to Order**

Chairman John Sowards called the PEBA Board of Director’s (Board) meeting to order at 1:04 p.m., and stated that the public meeting notice was posted in compliance with the Freedom of Information Act.

### **II. Approval of Meeting Minutes- June 6, 2018**

It was noted that the June 6, 2018, Board meeting minutes were approved as presented.

### **III. Election of Chairman and Vice-Chairman**

Mr. Rocky Pearce made a motion, which was seconded by Mr. Steve Heisler, to reelect Mr. John Sowards as Chairman of the PEBA Board of Directors. The motion passed by acclamation.

Chairman Sowards made a motion, which was seconded by Mr. Frank Fusco, and passed unanimously, to reelect Mr. Rocky Pearce as Vice-Chairman of the PEBA Board of Directors.

Chairman Sowards asked Mr. Steve Matthews to continue to serve as Chairman of the Finance, Administration, Audit and Compliance (FAAC) Committee.

Chairman Sowards asked Mr. Heisler to continue to serve as Chairman of the Retirement Policy Committee.

Chairman Sowards asked Mr. Pearce to continue to serve as Chairman of the Health Care Policy Committee.

#### **IV. OPEB Investment Performance Update**

The Honorable Curtis Loftis, South Carolina State Treasurer, provided an Other Post-Employment Benefits (OPEB) update. Treasurer Loftis stated that in 2017, all of the South Carolina Treasury portfolios were comprehensively evaluated, and benchmarks were revised in November 2017.

Treasurer Loftis introduced Mr. John Gentry, Senior Vice President and Senior Portfolio Manager for Federated Investment Counseling, who presented a portfolio overview, new benchmark selections, a performance summary, and a comparative portfolio positioning for the Retiree Health Insurance Trust Fund, and the Long-Term Disability Insurance Trust Fund. Mr. Gentry advised that the new benchmarks are composed of high quality, liquid securities, and were chosen to better match assets with underlying liabilities and investment assets. Mr. Gentry reported that returns for the new benchmarks compared favorably to the previous benchmark returns, and noted that private sector insurance companies follow similar duration benchmarks.

#### **V. RSIC Performance Update**

Mr. Geoffrey Berg, Chief Investment Officer, and Mr. Mike Hitchcock, Chief Executive Officer, from the South Carolina Retirement System Investment Commission (RSIC), updated the Board on investment returns as of May 31, 2018.

Mr. Hitchcock advised the Board that Meketa Investment Group is the new investment consultant for RSIC. Mr. Hitchcock added that Meketa recommended asset allocation changes effective July 1, 2018, which will be implemented during the fiscal year.

Mr. Berg reviewed fiscal year-to-date performance ending May 31, 2018, relative to policy benchmarks, and stated that the Plan outperformed the policy benchmark of 7.41 percent, and total plan returns were 8.15 percent fiscal year-to-date.

#### **VI. 2019 State Health Plan Approval of Benefits and Contributions**

Mr. Rob Tester, Health Care Policy Director, stated that effective January 1, 2019, the employer contribution rate for the State Health Plan will increase 7.4 percent, while employee rates remain the same. Program changes include an increase in patient cost sharing, including deductibles, coinsurance, and copayments within limits, permitting the State Health Plan to remain grandfathered under the Affordable Care Act.

Mr. Tester reviewed additional program changes, and advised that effective January 1, 2019, the State Health Plan will include a well visit for adults who are State Health Plan-primary at specified age intervals. Evidence-based services with an A or B recommendation by the US Preventive Services Task Force (USPSTF) will be included.

Age intervals are:

- Ages 19-39, one visit every three years;
- Ages 40-49, one visit every two years; and
- Ages 50 and up, one visit per year.

Mr. Tester noted that the visit and covered services will be subject to regular patient cost sharing.

Mr. Pearce advised that the Health Care Policy Committee made a motion to recommend that the full Board accept the proposed 2019 State Health Plan program changes effective January 1, 2019. Chairman Sowards stated that a Committee motion does not require a second. The motion passed unanimously.

Mr. Pearce thanked PEBA staff for their tremendous efforts to enhance the State Health Plan benefits by adding adult well visits and other health initiatives, such as Naturally Slim, an online clinical behavioral counseling program proven to deliver positive outcomes with respect to weight management.

#### **VII. Fiscal Year 2020 Agency Budget Approval**

Mr. Matthews presented the annual agency budget report, and advised that there has not been an increase in basic approved fund authorization since fiscal year 2012, except for an additional \$700,000 that was added in fiscal year 2015, for the fiduciary audit. Mr. Matthews reported that the total authorized budget remains at \$32,030,091, with an additional budget authorization of \$10 million of reoccurring funds for PEBA's IT modernization project, peba:connect. Mr. Matthews explained that PEBA's General Fund appropriations are pass through appropriations only, and are not used for PEBA's operating expenses.

Mr. Matthews advised that the FAAC Committee made a motion to recommend that the full Board accept the proposed fiscal year 2020 agency budget effective July 1, 2019. Chairman Sowards stated that a Committee motion does not require a second. The motion passed unanimously.

#### **VIII. Strategic Plan Update**

Ms. Sarah Corbett, Chief Operating Officer, provided the Board with a fiscal year update on completed staff actions related to the 2017-2019 Strategic Plan. Ms. Corbett stated that staff will provide the Board with recommended changes to the Strategic Plan at the Board retreat in October.

Chairman Sowards asked for several reports at the Board retreat including an update on the peba:connect project, a human resources update, and an update on the Funston recommendations.

#### **IX. Committee Reports**

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

Mr. Matthews reported that the FAAC Committee met earlier in the morning and received a series of internal audit reports, and an update on the peba:connect project. Mr. Matthews stated that once the peba:connect implementation vendor is in place, the project will consume the majority of PEBA's internal resources which may impact other strategic plan items and timelines.

Mr. Matthews stated that he has asked staff to prepare a briefing on data security and privacy protection at the next FAAC meeting which will be September 5, 2018.

**B. Health Care Policy Committee**

Mr. Pearce stated that the Health Care Policy Committee met earlier in the day, and in addition to the action items noted above, received an update regarding the Medical University of South Carolina (MUSC) Health Plan. It was noted that the next Health Care Policy Committee meeting will be September 5, 2018.

**C. Retirement Policy Committee**

Mr. Heisler advised that the Retirement Policy Committee did not meet in July. It was noted that the next Retirement Policy Committee meeting will be September 5, 2018.

**X. Old Business**

**Director's Report**

Ms. Peggy Boykin, Executive Director, provided the director's report, and advised that a new two-year legislative session will begin in January 2019. The Joint Committee on Pension Systems Review will continue to discuss pension funding issues, and the Standing Subcommittee on Retirement Systems will continue to discuss retirement legislation.

Ms. Boykin reminded the Board that the Investment Commission's operating budget is also authorized by the General Assembly and is funded by the Retirement System Trust Funds. Ms. Boykin stated that the Investment Commission invests the Retirement System Trust Funds, and the Treasurer's Office invests the insurance trust funds, which are limited to fixed income investments. Ms. Boykin added that the Treasurer's Office has indicated that they will begin charging PEBA an administrative fee for investing the insurance trust funds, but PEBA has not yet received a contract detailing the fee structure.

Ms. Boykin advised the Board that the budget that they approved was PEBA's operating budget, and they will also vote on the State Health Plan budget in October at the Board retreat.

Ms. Boykin stated that the Benefits at Work Conference will be August 27-29, 2018, at the Columbia Metropolitan Convention Center. This conference is dedicated to informing employers on open enrollment and benefit changes for 2019. Ms. Boykin thanked PEBA's employer services staff for all of their hard work to ensure that the BAW conference is a success.

**Roundtable Discussion**

Chairman Sowards provided an opportunity for a roundtable discussion, and thanked PEBA Board members and staff for their tireless efforts over the last several years dedicated to adding adult well visits to the State Health Plan.

Chairman Sowards also stated that it is a pleasure to serve as the PEBA Board Chairman and thanked Board members for their continued support.

Chairman Sowards reminded the Board that the Board retreat will be October 3-4, 2018, with the location to be determined in the near future.

**XI. Adjournment**

There being no further business, and upon motion by Mr. Frank Fusco, which was seconded by Mr. Chuck Richardson, and approved unanimously, the Board meeting adjourned at 3:10 p.m.