

Meeting Minutes | Board of Directors

Thursday, August 18, 2016 | 1:00 p.m.
200 Arbor Lake Dr., Columbia, SC 29223 | Second Floor Conference Room

Minutes approved September 15, 2016

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

Board Members Present via Telephone: Mr. Frank Fusco, Mr. Steve Osborne, and Mr. David Tigges

Board Members Absent: Ms. Stacy Kubu and Sheriff Leon Lott

Others Present for All or a Portion of the Meeting: Peggy Boykin, Sarah Corbett, Jennifer Dolder, Doug Hislop, Heather Muller, James Manning, Tammy Nichols, Darry Oliver, Jacalin Shealy, 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; William Hunt from Abbott; and Will Kinney from Milliken Law Firm.

I. Call to Order

Chairman John Sowards called the PEBA Board of Director’s (Board) meeting to order at 1:00 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- July 21, 2016

It was noted that the July 21, 2016, meeting minutes were adopted unanimously as presented.

IV. Committee Reports

A. Health Care Policy Committee

Mr. Pearce reported that the Health Care Policy Committee met earlier in the day, and received a presentation from Blue Cross Blue Shield of South Carolina (BCBSSC), on the prevalence of obesity in South Carolina, cost associated with obesity, and the State Health Plan’s obesity intervention program.

Mr. Pearce announced that the Health Care Policy Committee elected Mr. Steve Heisler to continue serving as the Committee’s Vice-Chairman.

B. Retirement Policy Committee

Mr. Tigges announced that the Retirement Policy Committee met on August 17, 2016, and elected Mr. Steve Osborne to continue serving as the Committee's Vice-Chairman.

Mr. Tigges reported that Mr. Mike Hitchcock from the South Carolina Retirement System Investment Commission (RSIC), updated the Committee on the national search for a Chief Investment Officer. Mr. Tigges stated that RSIC hired a professional search firm to assist, and interviews will take place on August 31, 2016, and September 1, 2016. The top three candidates will be interviewed on September 21, 2016, with a selection being made the same day.

Mr. Tigges advised that Mr. Geoff Berg, Acting Chief Investment Officer, reviewed last fiscal years' performance ending June 30, 2016, and reported that total plan returns were -0.39 percent fiscal year-to-date.

Mr. Tigges stated that RSIC adopted a new asset allocation in February of 2016, which will ultimately take three years to implement.

Mr. Tigges added that Mr. Danny White and Mr. Joe Newton from Gabriel Roeder Smith & Company (GRS), discussed the estimated financial condition of the South Carolina Retirement System (SCRS) as of July 1, 2016, and provided an overview of 2011-2012 benefit assessment and legislation.

Mr. Tigges reported that the Committee also received Deferred Compensation and Optional Retirement Program (ORP) quarterly reports from Summit Strategies Group.

Ms. Peggy Boykin, Executive Director, advised that GRS prepared projections based on the approved assumptions, combined with a flat return and a 7.50 percent assumed rate of return. The ultimate employer contribution rate will increase from 11.56 percent to 12.87 percent, and the ultimate employee contribution rate will increase from 8.66 percent to 9.97 percent in fiscal year 2022. Ms. Boykin reported that investment losses would be smoothed in over a five-year period, and the total increase would be approximately 1.3 percent (70 basis points to absorb fiscal year 2016 investment losses, and 60 basis points for the approved actuarial assumptions).

Ms. Boykin noted that GRS will present the 2016 Valuations at the PEBA Board Retreat on November 30, 2016.

Ms. Boykin stated that the House and Senate has formed a Special Joint Committee on Pensions, and a tentative meeting has been scheduled for August 30, 2016.

Ms. Boykin announced that based on a recommendation from Funston Advisory Services, an actuarial audit will be completed in the beginning of 2017.

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

Mr. Steve Matthews advised that the FAAC Committee met on August 17, 2016, and elected Ms. Stacy Kubu to serve as the Committee's Vice-Chairman.

Mr. Matthews reported that Ms. Boykin presented the annual agency budget report to the Committee, and stated that PEBA's budget request for fiscal year 2018 is essentially the same as last years' budget, with the exception of the resources requested for the Operational Assessment. Mr. Matthews reported that the cost estimate for completing the Operational Assessment is \$50 million (\$10 million dedicated annually for five years). Additionally, \$1.9 to \$2.5 million in informational technology operating cost will be required. Mr. Mathews pointed out that PEBA will also request authorization for an additional 10 FTEs for the duration of the project. Ms. Boykin reminded the Committee that PEBA's operating budget is funded by the insurance and retirement Trust Funds, not from the General Fund.

Mr. Matthews stated that the FAAC Committee made a motion for the Board to approve the FY 2018 Agency Budget Request. Chairman Sowards stated that a Committee motion does not require a second. The motion passed unanimously.

Mr. Matthews advised that the Committee reviewed the Conference Event Attendance Policy which outlines the instances where PEBA Board members, directors, and employees attending an educational conference or seminar as a representative of PEBA may attend a meal, coffee break, reception or other similar networking event sponsored by a current or potential PEBA vendor without paying the full cost of attendance.

Mr. Matthews stated that the FAAC Committee made a motion for the Board to approve the Conference Event Attendance Policy as presented. Chairman Sowards stated that a Committee motion does not require a second. The motion passed unanimously.

V. Old Business

Chairman Sowards confirmed that he has asked all Committee Chairman to continue serving on their respective Committees. Chairman Sowards thanked each Committee Chairman for their service to the PEBA Board. It was noted that Chairman Sowards did not receive request from any Committee members to change Committee assignments.

A. Director's Report

Ms. Boykin stated that the State Fiscal Accountability Authority (SFAA) will meet August 23, 2016, and approval of the 2017 State Health Plan benefits and contribution rates will be on the agenda.

Ms. Boykin added that the 2016 Benefits at Work (BAW) conference will be held August 29, 2016, through September 1, 2016, at the Columbia Metropolitan Convention Center, and invited all PEBA Board members to attend.

Chairman Sowards reported that he will be speaking at the South Carolina State Employees Association luncheon on October 28, 2016.

B. Roundtable Discussion

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

VI. Adjournment

There being no further business, the Board meeting adjourned at 1:55 p.m.