

Meeting Minutes | Board of Directors

Wednesday, August 19, 2015 | 1 p.m.

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

Minutes Approved September 16, 2015

Board Members Present: Chairman Art Bjontegard, Mr. Frank Fusco, and Mr. David Tigges

Board Members Present via Telephone: Mr. Steve Heisler, Sheriff Leon Lott, Mr. Steve Matthews, Mr. Steve Osborne, and Mr. Audie Penn

Board Members Absent: Ms. Stacy Kubu, Vice Chairman Joe “Rocky” Pearce, and Mr. John Sowards

Others Present for All or a Portion of the Meeting: Peggy Boykin, Sarah Corbett, Ariail Kirk, Tiffany Latimer, Megan Lightle, Jacalin Shealy, Laura Smoak, Rob Tester, Stephen Van Camp, and Heather Young from the South Carolina Public Employee Benefit Authority (PEBA); Rex Gayle and Brooks Goodman from Blue Cross Blue Shield of South Carolina; Sam Griswold and Wayne Pruitt from the State Retirees Association of South Carolina; and Brant Tomlinson from Milliken Law Firm.

I. Call to Order

Chairman Art Bjontegard 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

Mr. Steve Heisler made a motion, which was seconded by Mr. Frank Fusco, and approved unanimously, to adopt the proposed Board meeting agenda.

III. Approval of Meeting Minutes- July 15, 2015

Mr. Steve Matthews made a motion, which was seconded by Mr. Fusco, and approved unanimously, to adopt the July 15, 2015, meeting minutes as presented.

IV. Committee Reports

A. Health Care Policy Committee

Chairman Bjontegard stated that the Health Care Policy Committee did not meet in August, and does not have any business to report.

B. Retirement Policy Committee

Mr. David Tigges stated that the Retirement Policy Committee does not have any business to report at this time.

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

Mr. Steve Matthews stated that the FAAC Committee does not have any business to report.

V. Old Business

A. Director's Report

Ms. Peggy Boykin, PEBA's Executive Director, provided the Director's Report, and stated that PEBA staff have been working to obtain Cyber Security Insurance and may issue a Request for Proposal (RFP) to secure a Cyber Security firm to evaluate PEBA's business processes and continuity in order to determine and address specific Cyber Security needs. Ms. Boykin advised that all information will be presented to the FAAC Committee in March 2016, and the FAAC Committee will provide recommendations to the full Board on an appropriate course of action.

Ms. Boykin stated that the Fiscal Year 2015 Accountability Report is due September 15, 2015, and all Board members will be receiving a draft copy to review. Ms. Boykin added that the FAAC Committee will discuss the Accountability Report at the September 8, 2015, Committee meeting.

Ms. Boykin reported that the Benefits at Work (BAW) Conference will be held at the Columbia Convention Center August 31 - September 3, 2015, and invited the Board to attend. Ms. Boykin stated that the BAW conference is held annually for benefits administrators and other personnel across the state, to ensure that they understand any legislative or health care plan changes for the upcoming year.

Ms. Boykin advised that the first phase of the Operational Assessment is expected to be completed shortly. Ms. Boykin reminded the Board that the Operation Assessment is a long-term project that focuses on PEBA's business processes, information systems and organizational structures.

Ms. Boykin explained that the former Budget and Control Board has separated into two agencies which include the Department of Administration and the State Fiscal Accountability Authority (SFAA). Ms. Boykin added that the State Health Plan changes that were approved by PEBA at the July 15, 2015, Board meeting, will also be on the August 25, 2015, SFAA meeting agenda.

Ms. Boykin confirmed that the new Pharmacy Benefit Manager (PBM) contract with Express Scripts Inc. (ESI) will begin January 1, 2016.

Ms. Boykin stated that PEBA is continuing to work with the Legislative Audit Council, which is an oversight agency of the General Assembly that performs objective performance audits of state operations. Currently, the Council is conducting an audit of the state's pension funds which includes the SC Retirement System Investment Commission and PEBA. Ms. Boykin added that a draft of the audit should be provided in September.

Ms. Boykin advised that the Senate Finance Committee - Special Subcommittee to Review the Investment of State Retirement Funds will conduct a hearing on August 20, 2015, at 2:00pm.

Ms. Boykin confirmed that PEBA met with Gabriel, Roeder, Smith & Company (GRS), the South Carolina Comptroller General's Office, and the State Treasurer's Office to discuss the July 1, 2014, actuarial valuations, and what ramifications can be expected from the rate of return of approximate 1.6 percent for fiscal year 2015. Ms. Boykin stated that the 1.6 percent rate of return is significantly lower than the 7.5 percent assumed rate of return, which will impact the funding of the Retirement Systems.

Ms. Boykin advised that the ethics education training provided by the State Ethics Commission originally scheduled for the September Board meeting has been postponed to the December 16, 2015, Board Meeting.

Chairman Bjontegard added his comments regarding the 1.6 percent rate of return, and directed the Retirement Policy Committee to conduct a review of the Retirement System's investment returns for the last five fiscal years and the impact of those returns on the System's unfunded liability and the required employer and employee contribution rates to the System. It was noted that this review shall include an analysis of the System's asset allocation, the management fees associated with that asset allocation, and any other issues which may be relevant to the investment returns and contribution rates for the System. The Retirement Committee is to conclude its analysis and render a written report on the subject to the PEBA Board as soon as reasonably practicable, which is expected to be no more than six months.

Ms. Boykin explained the statutory requirement of conducting an experience study every five years to determine appropriate actuarial assumptions. Ms. Boykin stated that GRS will conduct the experience study this year, and will provide specific recommendations on actuarial assumptions based on the results of the experience

study. Ms. Boykin added that the actuarial assumptions will be provided to the Board for approval.

B. Roundtable Discussion

At the conclusion of the Director's Report, Chairman Bjontegard provided an opportunity for a roundtable discussion. Mr. Matthews stated that he attended the National Council on Teacher Retirement (NCTR) Trustee Workshop July 26-29, 2015, and will provide details to the Retirement Policy Committee of how other retirement plans are responding to issues effecting public pension funds.

VI. 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 1:27 p.m.