

Meeting Minutes | Board of Directors

Wednesday, December 16, 2015 | 1 p.m.
200 Arbor Lake Dr., Columbia, SC 29223 | Second Floor Conference Room

Approved January 21, 2016

Board Members Present: Chairman Art Bjontegard, Mr. Frank Fusco, Ms. Stacy Kubu, Mr. Steve Matthews, Vice Chairman Joe “Rocky” Pearce, and Mr. David Tigges

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

Others Present for All or a Portion of the Meeting: Peggy Boykin, Ashley Brindle, Tom Cone, Sarah Corbett, Doug Hislop, Ariail Kirk, Heather Muller, Tammy Nichols, Jacalin Shealy, Travis Turner, Stephen Van Camp, Lori Anna Varnadoe, Justin Werner, and Heather Young from the South Carolina Public Employee Benefit Authority (PEBA); Wayne Bell, Sam Griswold, and Wayne Pruitt from the State Retirees Association of South Carolina; Beth Lemmonds from Southern Strategies Group, Michael Craig from Novo Nordisk, Inc.; Hank Wall and Wade Mullins from Bruner Powell Wall & Mullins Law Firm; and Thompson Kinney from Milliken Law Firm.

I. Call to Order

Chairman Art Bjontegard 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

Chairman Bjontegard stated that the agenda should be amended by removing item four related to the ethics presentation. It was noted that the presenter had an unavoidable conflict, and the presentation will be rescheduled for a later time. Mr. Steve Matthews made a motion, which was seconded by Mr. Frank Fusco, and approved unanimously, to adopt the amended proposed Board meeting agenda.

III. Approval of Meeting Minutes- November 18, 2015

Mr. Matthews made a motion, which was seconded by Mr. David Tigges, and approved unanimously, to adopt the November 18, 2015, meeting minutes as presented.

IV. Funston Status Report

Ms. Sarah Corbett, Chief Operating Officer, provided a high level overview regarding the status of the Funston Advisory Services, LLC (Funston) recommendations. It was noted that Funston identified 113 recommendations for improvement on January 16, 2015, and as of November 30,

2015, PEBA has completed 59 percent of the recommendations in its purview. Ms. Corbett stated that each recommendation was placed in a category that directly ties to the Board's Strategic Action Plan. Ms. Corbett reported that all of the Board level/governance items have been completed.

V. 2016 PEBA Board and Committee Meeting Dates

Chairman Bjontegard stated that there are two different 2016 meeting schedules for the Board to review. Schedule A has the Committee and Board meeting dates on the same time frame as the current schedule. Ms. Peggy Boykin, Executive Director, pointed out that with schedule B, the Retirement Policy Committee, and the Finance, Administration, Audit and Compliance (FAAC) Committee will meet on the third Wednesday of each month, and the Health Care Policy Committee and the Board meeting will be on the third Thursday of the month. Ms. Boykin also noted that the January and February Retirement Policy Committee meeting dates are dependent upon the actuary's schedule for completing the experience study, and will be determined as soon as possible.

Mr. Matthews made a motion, which was seconded by Ms. Stacy Kubu, and approved unanimously, to adopt the revised 2016 PEBA Board and Committee meeting dates schedule where the Retirement Policy Committee and the FAAC Committee will meet on the third Wednesday of each month, and the Health Care Policy Committee and PEBA Board will be on the third Thursday of each month.

VI. Committee Reports

A. Health Care Policy Committee

Mr. Rocky Pearce reported that the Health Care Policy Committee met earlier in the morning, and discussed various State Health Plan (SHP) design changes, possibly moving from grandfathered to non-grandfathered status. Mr. Pearce stated that the Committee would like to design a SHP that is beneficial to members, and focuses on a healthy environment to mitigate long-term plan expenses.

The Committee also received a report from Ms. Sara Martin and Dr. Shawn Stinson with Blue Cross Blue Shield of South Carolina, regarding the meaningful uses of biometric data for the health plan.

B. Retirement Policy Committee

Mr. John Sowards reported that the Retirement Policy Committee met on December 2, 2015. Mr. Danny White from Gabriel Roeder Smith & Company (GRS), presented the 2015 Actuarial Valuations, and confirmed that the investment return for fiscal year 2015 was approximately 1.60 percent. Mr. White reported on the projected contribution rates and the unfunded actuarial accrued liability (UAAL) for both the South Carolina Retirement System (SCRS) and the Police Officers Retirement System (PORS), and the method for amortizing the UAAL. It was noted that the amortization period must not exceed 30 years. Mr. White advised that employer and employee contribution rates for SCRS must increase by three basis points for fiscal year 2018 to maintain a 30-year funding period.

Mr. Sowards stated that the Retirement Committee made a motion to accept the 2015 Actuarial Valuations as information, and adopt the contribution rates set forth therein.

Chairman Bjontegard stated that the motion presented is a Committee motion which does not require a second. Following further discussion, the motion passed unanimously.

Mr. Sowards reported that Mr. Geoffrey Berg, Acting Chief Investment Officer, and Mr. Mike Hitchcock, Chief Executive Officer, with the South Carolina Retirement System Investment Commission (RSIC), reviewed the asset allocation and investment returns for RSIC. Mr. Hitchcock advised that every asset class and percentage allocation is being challenged to determine the best combination of assets that will provide the maximum opportunity to earn the assumed rate of return of 7.5 percent. Mr. Sowards stated that discussions with RSIC revolved around volatility and risk; standard deviation of returns; minimum cash allocation; the internal investment review process; and benchmarking of investment returns.

Mr. Sowards advised that at the November 18, 2015, Committee meeting, Mr. Mike Orso, with Summit Strategies Group (Summit), presented the Optional Retirement Program (ORP) Fund Line-up. Mr. Sowards advised that on April 1, 2016, each ORP vendor will offer a revised investment menu including zero revenue share investment options. Mr. Sowards reported that each menu is broadly diversified with sufficient asset class coverage, and that the menus meet the ORP Investment Policy Statement (IPS) compliance criteria. Mr. Sowards stated that under the new zero revenue fee structure, each plan becomes more transparent, more equitable, and less expensive due to the vendor basis point charge decreasing.

Mr. Sowards reported that the Committee made a motion to accept the recommendation to approve the ORP investment menu changes and mapping strategy, and to recommend the changes to the Board for final approval. Chairman Bjontegard stated that the motion presented is a Committee motion which does not require a second. The motion passed unanimously.

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

Mr. Matthews stated that the FAAC Committee met on December 2, 2015, and Mr. John Page, Director of Internal Audit, introduced Ms. Shawunda Baker, who recently joined the Internal Audit team. Mr. Page presented the Internal Audit Report No. 2015-2 related to investments; the Audit Plan Status Report; and the Internal Audit Quality Assurance Status Report.

Mr. Matthews reported that the Committee also received a strategic plan update.

VII. Old Business

A. Director's Report

Ms. Boykin, provided the Director's Report, and stated that the 2016 House Ways and Means Healthcare Budget Subcommittee hearing is scheduled for February 3, 2016.

B. Roundtable Discussion

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

Chairman Bjontegard reported that the Board Strategic Planning Retreat will be held in Wampee, South Carolina, on April 18-19, 2016, and strongly encouraged everyone to attend in person.

VIII. Executive Session Pursuant to S.C. Code of Laws § 30-4-70(a)(2)

At 1:48 p.m., Mr. Frank Fusco made a motion, which was seconded by Mr. Matthews, and passed unanimously, to recede into executive session for the specific purpose of receiving legal advice concerning procurement and the Freedom of information Act, and to discuss the Legislative Audit Council response pursuant to S.C. Code Ann. § 30-4-70(a)(2). The Committee thereupon receded into executive session.

The Committee reconvened in open session at 2:55 p.m. It was noted that no action was taken by the Committee while in executive session.

IX. 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 2:57 p.m.