

**SC PUBLIC EMPLOYEE BENEFIT AUTHORITY
BOARD OF DIRECTORS MEETING**

Friday, May 16, 2014 8:00 a.m. MINUTES Adopted 6.18.14
200 Arbor Lake Drive, Columbia SC, Main Conference Room 2nd Floor

Board Members Present:

Chairman Art Bjontegard
Vice Chairman Joe "Rocky" Pearce
Ms. Peggy Boykin
Mr. Frank Fusco
Mr. Audie Penn
Mr. John Sowards
Ms. Stacy Kubu
Mr. Steve Matthews
Sheriff Leon Lott
Mr. David Tigges (Via Telephone)
Mr. Steve Heisler (Via Telephone)

Others present for all or a portion of the meeting:

Kim Brown, Robbie Bell, Lil Hayes, Megan Lightle, Heather Muller, Laura Smoak, Travis Turner, Stephen Van Camp, Angie Warren, and Justin Werner from the South Carolina Public Employee Benefit Authority (PEBA); Senator Ronnie Cromer, Chairman, South Carolina Senate Rules Committee; Wayne Bell, Sam Griswold, and Donald Tudor, with the State Retirees Association; Carlton Washington with the South Carolina State Employees Association; David McClaskey with the Business Excellence Institute; Joe Mack with Prudential; Shelvie Belser, Emily Donaldson, and Brooks Goodman with Blue Cross Blue Shield of South Carolina; Miranda Yeager with Catamaran; Deborah Abrams with Yorkville Pharmacy; and Candice Berry.

I. Performance Excellence: Committee Work Sessions with David McClaskey

A. Retirement Policy Committee: 8:15 a.m. – 10:00 a.m.

Mr. John Sowards introduced Mr. David McClaskey, the president of the Business Excellence Institute. Mr. McClaskey, as an independent consultant and Baldrige expert, guided the Retirement Policy Committee members through an interactive session to clearly define the Committee's mission and strategic plan.

During the session with Mr. McClaskey, the Retirement Policy Committee (Committee) developed their mission to fulfill all fiduciary responsibilities related to all aspects of the retirement plans, and the oversight of the staff related thereto; accomplished through the following four areas: Administrative; Policy; Financial; and Reporting.

The Committee discussed scheduling a follow-up session with Mr. McClaskey to establish strategic priorities. It was noted that the next Retirement Policy Committee meeting will be May 27, 2014 starting at 10:00 a.m.

SC Public Employee Benefit Authority - Board of Directors

200 Arbor Lake Drive, Columbia SC, 29223 2nd Floor Conference Room

PEBA's Mission: To recommend, offer and administer competitive programs of retirement and insurance benefits for SC public employers, employees and retirees.

Friday, May 16, 2014

8:00 a.m. - 5:00 p.m.

AGENDA

1. Performance Excellence: Committee Work

Sessions with David McClaskey

- a. Retirement Policy Committee 8:00 a.m. - 10:00 a.m.
- b. Health Care Policy Committee 10:15 a.m. -12:15 p.m.
- c. FAAC Committee 12:45 p.m. - 2:45 p.m.

2. Senator Ronnie Cromer 3:00 p.m.

3. Performance Excellence: Board Work Session 3:15 p.m. Committee Reports

4. Standing Board Agenda Items

a. Adopt Agenda

b. Adopt Minutes

c. Committee Reports

- i. Health Care Policy Report Rocky Pearce
- ii. Retirement Policy Committee Report John Sowards
- iii. FAAC Committee Report Steve Matthews

d. Old Business

- i. Director's Report Travis Turner

e. New Business/Round Table Discussion

f. Executive Session [if necessary] Pursuant to SC Code of Laws § 30-4-70

NOTICE OF PUBLIC MEETING

This notice is given to meet the requirements of the S.C. Freedom of Information Act and the Americans with Disabilities Act. Furthermore, this facility is accessible to individuals with disabilities, and special accommodations will be provided if requested in advance.

**SC PUBLIC EMPLOYEE BENEFIT AUTHORITY
BOARD OF DIRECTORS MEETING**

Wednesday, April 16, 2014 – 1:00 p.m. **MINUTES DRAFT**
200 Arbor Lake Drive, Columbia SC, Main Conference Room 2nd Floor

Board Members Present:

Chairman Art Bjontegard (in person)
Ms. Peggy Boykin (in person)
Mr. Frank Fusco (in person)
Vice Chairman Joe “Rocky” Pearce (in person)
Mr. Audie Penn (in person)
Mr. John Sowards (in person)
Mr. David Tigges (in person)
Mr. Steve Heisler (in person)
Ms. Stacy Kubu (by phone)
Mr. Steve Matthews (in person)

Board Members Not Present:

Sheriff Leon Lott

Others present for all or a portion of the meeting:

Travis Turner, Lil Hayes, Virginia Wetzels, Stephen Van Camp, Justin Werner, Laura Smoak, Lisa Phipps, Robbie Bell, and Joe Greene from the South Carolina Public Employee Benefit Authority (PEBA); Donald Tudor, Sam Griswold, and Wayne Pruitt with the State Retirees Association; Joe Mack with Prudential; Brooks Goodman with Blue Cross Blue Shield of South Carolina; Nancy Ornduff with Great-West; and Will Kinney with Mulliken Law Firm.

1. Call to order

Chairman Bjontegard called the meeting to order at 1:00 p.m. and Mr. Pearce gave the invocation. Ms. Hayes confirmed meeting notice compliance with the Freedom of Information Act.

2. Adoption of Agenda

Chairman Bjontegard asked for a motion to have the Legislative Update before the Executive Session. Mr. Heisler moved to amend the agenda and Mr. Penn seconded. The agenda was unanimously approved.

3. Approval of minutes – February 28 and March 1, 2014 meetings

Chairman Bjontegard asked for amendments to the February 28 and March 1, 2014, meeting minutes. There being no amendments, Mr. Heisler moved to adopt the minutes for both and Mr. Penn seconded the motion for both. The Board minutes for both meetings were unanimously approved.

4. Legislative Update

Travis Turner introduced Ms. Gwen Bynoe, PEBA’s Director of Legislative Affairs. She noted there were no substantive changes to any bills being tracked, other than a proviso added in the Budget by Senate Finance dealing with part-time magistrates being eligible for State Health benefits. Mr. Turner added that since the PEBA Omnibus Bill had been amended

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and was being detained on the Senate calendar, it might be best to try to get PEBA legislation reintroduced next year.

5. Executive Session Pursuant to S.C. Code of Laws 30-4-70 (1), (2), & (3)

Mr. Heisler moved the Board enter into an Executive Session for legal advice, personnel issues and security issues. Mr. Sowards seconded the motion and the Board entered into executive session with a unanimous vote at 1:12 p.m.

Open session resumed at 2:53 p.m. following the Executive Session. No action was taken by the Board while in Executive Session.

6. Committee Reports

A. Health Care Policy Committee

Mr. Pearce advised that the Health Care Policy Committee met earlier that morning and discussed the following agenda items:

The Committee heard a presentation from HDL, Inc., on a proposal, but did not take any action. Mr. Pearce noted that the Committee will meet with Mr. David McClaskey on May 16, 2014, and hopes that he will help them identify the direction the Committee would like to move in for future pilots, proposals, etc., and help them find strategies to accomplish the new objectives.

B. Retirement Policy Committee

Mr. Sowards reported that the Retirement Committee met on March 5, 2014, to continue the review of industry best practices for the Deferred Compensation Program and the Optional Retirement Program. At the April 30, 2014 meeting, they will review staff recommendations for those programs.

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

Mr. Matthews reported that the FAAC Committee met on March 4, and on April 4, 2014. The PEBA Internal Audit risk-based plan was reviewed and adopted, and quarterly reports on progress will be given by the IA. Elliot-Davis reviewed the Agreed upon Procedures for the audit of the Deferred Compensation Program, which was then referred to the Retirement Committee. The Inspector General's Fiduciary Audit of PEBA will be starting later this year and staff has been instructed to review the recent South Carolina Retirement System Investment Commission (RSIC) Fiduciary Performance Audit.

D. The Ad Hoc Executive Search Committee Report

Mr. Matthews reported that the Ad Hoc Committee met on March 12, March 24, April 9 and April 14, 2014.

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Old Business

There was no old business.

New Business

There was no new business discussed.

Round Table Discussion

Mr. Sowards said that in his continued interaction with PEBA staff, that kudos should be given for their professionalism and competency.

Mr. Heisler mentioned he liked the new Employee Newsletter.

Mr. Pearce asked about the status of the ISO certification.

Director's Report, Travis Turner:

Mr. Turner noted that David Quiat, PEBA's Procurement Officer, would be leaving PEBA to pursue other challenges. The Board expressed recognition of Mr. Quiat's skills, knowledge and dedication. Mr. Turner noted that Mr. Quiat's leaving would leave a large gap in the organization and going forward the agency will have to go through the Materials Management Office currently housed under the Budget and Control Board, unless PEBA is authorized to hire someone to fill Mr. Quiat's position that has a high level of procurement authorization, and could handle the constant procurements going through PEBA.

Mr. Turner mentioned that the agency has plans for an Employee Appreciation Week. He stated that PEBA does not have a staff morale problem, and that PEBA is a good place to work. Since its inception, PEBA has accomplished a lot of things, including the merging of two large program entities, merging into one campus, hiring and transitioning to a new Pharmacy Benefits Manager for the first time in many years, and creating a new health plan for MUSC from scratch, among other things. Mr. Turner offered his thanks to all the PEBA employees for their hard work and for being a great staff. He believes that once everything is stable, people will feel more comfortable.

Board Member's Comments:

The Chairman noted that it was the last day at PEBA for Ms. Virginia Wetzel, Assistant Liaison to the Board. He complimented her on her hard work and good attitude. Ms. Wetzel thanked the Board for the opportunity to work with them.

There being nothing further to discuss, Mr. Heisler moved to adjourn and Mr. Bjontegard adjourned the meeting at 3:00 p.m.

SENATE AMENDMENT

/DAD
MAY 6, 2014

01
AMENDMENT NO. _____

| ADOPTED | TABLED | CARRIED OVER | FAILED | RECONSIDERED |
|---------|--------|--------------|--------|--------------|
| | | | | |

Clerk of the Senate

ADOPTION NO. _____

BILL NO: H.4701

(Reference is to Printer's Date 5/5/14-S.)

Senators CLEARY, PINCKNEY, CAMPBELL and SHEHEEN propose the following amendment (DAD PBM AUDIT):

Amend the bill, as and if amended, Part IB, Section 105, PUBLIC EMPLOYEE BENEFIT AUTHORITY, page 513, after line 6, by adding an appropriately numbered new proviso to read:

/(PEBA: Pharmacy Benefit Manager Audit) By September 1, 2014, the Public Employee Benefit Authority shall have prepared a detailed report and have prepared an independent audit of its contract with Catamaran for Pharmacy Benefit Manager services to ensure, among other things, that fair and equitable reimbursement practices are being followed. The independent auditor must have experience in conducting Pharmacy Benefit Manager services audits. /

Renumber sections to conform.
Amend sections, totals and title to conform.

1.

Senator HUTTO proposes the following amendment (DG CBH PEBASTUDY):

Amend the bill, as and if amended, Part IB, Section 105, PUBLIC EMPLOYEE BENEFIT AUTHORITY, page 513, after line 6, by adding an appropriately numbered new proviso to read:

/ 105. . . (PEBA: Medicare Advantage) From the funds appropriated, the Public Employee Benefit Authority must study and determine whether cost savings may be realized through the utilization of Medicare Advantage for Medicare-eligible retirees. PEBA shall submit its findings to the Senate Finance Committee and the House Ways and Means Committee no later than September 1, 2014. The study must include, but is not limited to, an assessment of the experience of Georgia and North Carolina with Medicare Advantage, and any substantial reasons why the Authority should not issue a Request for Proposal for a Medicare Advantage program for Medicare-eligible retirees. /

Renumber sections to conform.

Amend sections, totals and title to conform.

2.

“Effective January 1, 2015, the self-insured group health benefits plan for state employees and retirees established under § 1-11-710 et seq. (the State Health Plan) and administered by the Public Employee Benefit Authority pursuant to §9-4-10 et seq. (PEBA) shall reimburse all pharmacies participating in the State Health Plan’s retail pharmacy network on an equal and uniform per-product basis. This requirement applies whether the network is established via direct contract with the State Health Plan or via an authorized pharmacy benefit manager.”

SENATE AMENDMENT

AMENDMENT NO. **061**

HITCHCOCK/HOLT
MAY 8, 2014

| | | | | |
|---------|--------|--------------|--------|--------------|
| ADOPTED | TABLED | CARRIED OVER | FAILED | RECONSIDERED |
|---------|--------|--------------|--------|--------------|

Clerk of the Senate

ADOPTION NO. _____

BILL NO: H.4701

(Reference is to Printer's Date 5/5/14-S.)

Senator LEATHERMAN proposes the following amendment (4701R025.HKL.DOCX):

Amend the bill, as and if amended, Part IB, Section 105, PUBLIC EMPLOYEE BENEFIT AUTHORITY, page 513, after line 6, by adding an appropriately numbered new proviso to read:

/ 105. (PEBA: Litigation Review) PEBA shall submit to the Chairman of the Senate Finance Committee and the Chairman of the House Ways and Means Committee, no later than December 1, 2014, a report on the settlement between the State of South Carolina and the Bank of New York Mellon that provides review and comment upon the benefits of the settlement for the employees and retirees of South Carolina. In conducting the review and preparing the report, PEBA may use appropriated or available funds as necessary to retain independent expert assistance, including legal counsel of its choosing. /

Renumber sections to conform.
Amend sections, totals and title to conform.

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B. Health Care Policy Committee: 10:20 a.m. – 12:50 p.m.

During the session with Mr. McClaskey, the Health Care Policy Committee (Committee) developed their mission to ensure a financially sustainable health program that improves member health, provides a positive member experience, and gives the participating employers, a competitive, productively engaged workforce.

The Committee defined three strategic priorities that will most impact the accomplishment of their mission including: emphasizing wellness; ensuring accountability of all involved parties; and developing an agreed upon strategic plan.

The Committee also designed a four-step action plan including:

1. Establishing a Health Strategy Team;
2. Earmarking \$10 to \$20 million in funds for health related incentives;
3. Use the Baldrige Criteria to help accomplish the strategy; and
4. Choosing the date for the next Health Care Policy Committee meeting.

**C. Finance, Administration, Audit and Compliance (FAAC) Committee:
12:50 p.m. – 2:45 p.m.**

During the session with Mr. McClaskey, The FAAC Committee (Committee) determined their mission is to monitor and coordinate the operational integrity of PEBA. It was noted that operational integrity contains both specific and generic factors.

The Committee defined three strategic priorities that will most impact the accomplishment of their mission including:

1. Developing a comprehensive governance manual, including orientation of new Board members, and defining roles of Board and staff members;
2. Conducting technology transformation; and
3. Establishing a habit of systematic fact-based improvement.

The Committee also identified key measures of success including:

1. The absence of negative headlines;
2. A high ratio of compliments to complaints;
3. A decrease in cost on a per transaction basis while maintaining or improving quality;
4. Crisis avoidance;
5. Low employee turnover and high productivity; and
6. No adverse regulatory findings.

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II. Adoption of Agenda

Chairman Art Bjontegard called the PEBA Board meeting to order at 3:05 p.m. and asked for a motion to approve the agenda. Mr. Audie Penn made a motion to approve the agenda as presented. Hearing no objections, the agenda was unanimously approved.

III. Senator Ronnie Cromer

Chairman Bjontegard introduced Senator Ronnie Cromer, Chairman of the South Carolina Senate Rules Committee. Senator Cromer addressed the Board related to concerns with Catamaran, and spoke on behalf of constituents, state employees, and community pharmacist. Senator Cromer stated that many constituents and independent pharmacies are concerned that Catamaran is cutting the reimbursement amount to the community pharmacist.

Senator Cromer recognized Mr. Travis Turner, Interim Director, and staff as being extremely attentive to state employees' needs regarding the change to Catamaran from Express Scripts Medco.

Senator Cromer stated that there is a proviso in the South Carolina Senate for an independent audit of Catamaran, and an additional proviso that requires all pharmacies to be reimbursed at the same rate effective January 1, 2015.

Chairman Bjontegard thanked Senator Cromer for his comments.

IV. Approval of Minutes – April 16, 2014 meeting

Chairman Bjontegard asked for a motion to adopt the April 16, 2014, meeting minutes. Mr. Sowards made the motion, which was seconded by Sheriff Leon Lott, and approved unanimously, to adopt the April 16, 2014 meeting minutes as presented.

V. Legislative Update

Mr. Turner provided the legislative update to the Board, and reiterated that the proviso requiring an independent audit of Catamaran would have to be completed by September 1, 2014.

Mr. Turner advised the Board of two additional provisos currently in the Senate. One would require PEBA to study and provide a report by September 1, 2014, related to why PEBA has determined that Medicare Advantage would not be beneficial to members. The second proviso would require PEBA to hire external counsel to provide a report concerning the validity and impact of the Bank of New York Mellon (BONY) settlement on retirees and active members by December 1, 2014.

Mr. Turner also provided an update regarding S1008 which concerns an administrative law judge in the Judges and Solicitors Retirement System (JSRS). Mr. Turner stated that S1008 is moving through the House of Representatives, and has an amendment that would allow a

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JSRS retiree to return to covered employment under the same terms and conditions as a South Carolina Retirement Systems (SCRS) retiree.

VI. Performance Excellence: Board Work Session Committee Reports

A. Committee Reports

i. Health Care Policy Committee

Mr. "Rocky" Pearce advised that the Health Care Policy Committee met earlier with Mr. McClaskey and developed a solid strategic plan. Mr. Pearce made a motion to adopt the Health Care Policy Committee's mission statement as follows: "to ensure a financially sustainable health program that improves member health; provides a positive member experience; and gives the participating employers, a competitive, productively engaged workforce". Chairman Bjontegard reminded the Board that a committee motion does not require a second. The motion passed unanimously.

Mr. Pearce advised the Board on several action plans that the Health Care Policy Committee designed, including setting the next strategic planning meeting for June 6, 2014.

ii. Retirement Policy Committee

Mr. Sowards made a motion to adopt the Retirement Policy Committee's mission statement as follows: "to fulfill all fiduciary responsibilities related to all aspects of the retirement plans, and the oversight of the staff related thereto; accomplished through the following four areas: Administrative; Policy; Financial; and Reporting". The motion passed unanimously.

Mr. Sowards advised the Board that the Retirement Policy Committee is in process of completing their strategic plan, and the next strategic planning meeting will be May 27, 2014.

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

Mr. Steve Matthews made a motion to adopt the FAAC Committee's mission statement as follows: "to monitor and coordinate the operational integrity of PEBA". The motion passed unanimously.

Mr. Matthews also reviewed the FAAC Committee's strategic priorities and key measures of success.

Chairman Bjontegard thanked Mr. McClaskey for his help in facilitating the development of strategic plans for each Committee.

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B. New Business

Chairman Bjontegard reported that Board terms expire June 30, 2014, and will need to be renewed prior to committee assignments being distributed at the June 18, 2014 Meeting.

C. Executive Session

At 3:50 p.m., Sheriff Lott made a motion, which was seconded by Mr. Sowards, and passed unanimously, to recede into executive session to receive legal advice and discuss personnel matters pursuant to S.C. Code Ann. § 30-4-70 (a)(1), (a)(2).

The Board reconvened in open session at 5:00 p.m. It was noted that no action was taken by the Board while in executive session.

There being no further business, Chairman Bjontegard adjourned the meeting at 6:21 p.m.