

**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.

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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.