

Meeting Agenda | Finance, Administration, Audit and Compliance (FAAC) Committee

Wednesday, July 20, 2016 | 3:15 p.m.

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

- I. Call to Order
- II. Adoption of Proposed Agenda
- III. Approval of Meeting Minutes- May 18, 2016
- IV. PEBA Board Bylaw Revisions
- V. Strategic Planning
- VI. Operational Assessment
- VII. Internal Audit Reports
 1. Audit Plan Status Report 7/8/16
 2. Internal Audit Department Charter Revisions
 3. Internal Audit Department Policy Revisions
- VIII. Old Business/Director's Report
- IX. Executive Session for Discussion of Security Plans and Devices Related to User Access pursuant to S.C. Code of Laws § 30-4-70(a)(3), and for the Receipt of Legal Advice related to PEBA's Ethics Policies pursuant to S.C. Code of Laws § 30-4-70(a)(2).
- X. Adjournment

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.

PUBLIC EMPLOYEE BENEFIT AUTHORITY AGENDA ITEM
Finance, Administration, Audit and Compliance Committee

Meeting Date: July 20, 2016

1. Subject: 2016 Bylaw Revisions

2. Summary: Attached are the proposed Bylaw changes related to the length of Committee terms.

3. What is Committee asked to do? Approve the proposed revisions

4. Supporting Documents:

(a) Attached: 1. June 2016 Bylaw Revisions

**SOUTH CAROLINA PUBLIC EMPLOYEE BENEFIT AUTHORITY
BOARD OF DIRECTORS
BYLAWS**

I. PURPOSE

The South Carolina Public Employee Benefit Authority Board of Directors (“Board”) is the governing body of the South Carolina Public Employee Benefit Authority (“PEBA”), established by Act No. 278 of 2012 of the South Carolina General Assembly, as codified in Title 9 of the Code of Laws, Chapter 11 of Title 1 of the Code of Laws, and Chapter 23 of Title 8 of the Code of Laws, as amended from time to time (“Governing Law”); and the Board has the powers and responsibilities set out in the Governing Law. PEBA is an administrative agency charged by the Governing Law with administering the State’s public employee insurance programs, its retirement programs, and its deferred compensation program.

II. BOARD MEMBERSHIP

A. COMPOSITION

1. The Board shall consist of the number of members selected in the manner set forth in the Governing Law; each member, prior to commencing performance of the member’s duties, must meet the qualifications, comply with the requirements, and take the oath of office set forth therein and elsewhere in the Code of Laws of South Carolina 1976, as amended.
2. Copies of records of appointments and of notarized oaths of all Board members will be maintained by the secretary of the Board.

B. TERM OF OFFICE

1. Board members will serve for the periods determined in accordance with the Governing Law.
2. It shall be the responsibility of the Board secretary to notify the Secretary of State and the relevant appointing authority of any appointment to, resignation from, or vacancy in the membership of the Board and to insure that the requirements of Section II.A.1~~1~~ above are met.

III. GENERAL RESPONSIBILITIES AND DUTIES

The Board will fulfill the responsibilities, perform the duties, and exercise the powers assigned to it by the Governing Law and other relevant provisions of the Code of Laws of South Carolina 1976, as amended.

In discharging his or her duties with respect to PEBA, a Board member is entitled to rely in good faith on information, opinions, reports, or statements, including financial statements and other financial data, if prepared or presented by: (1) one or more officers or employees of the State whom the Board member reasonably believes to be reliable and competent in the matters presented; (2)

legal counsel, public accountants, actuaries, the South Carolina Retirement Systems Investment Commission or other persons as to matters the Board member reasonably believes are within the person's professional or expert competence; or (3) a committee of the board of directors of which a Board member is not a member if the Board member reasonably believes the committee merits confidence. A Board member is not acting in good faith under this section if he or she has knowledge concerning the matter in question that makes reliance otherwise permitted by this section unwarranted.

IV. BOARD MEETINGS

A. REGULAR MEETINGS

1. The Board shall meet at such times and intervals and in such places as it may determine to be necessary to meet its responsibilities, but not less often than may be required by law.
2. At or before its final regular meeting of any calendar year, the Board shall establish the calendar for its regular meetings during the upcoming calendar year.

B. SPECIAL MEETINGS

1. The Chairman of the Board or the Executive Director of PEBA or any two chairmen of the Board's standing committees may call a special meeting of the Board upon not less than forty-eight (48) hours notice, sent to members of the Board via e-mail to the e-mail address provided by the Board members to PEBA for that purpose.
2. The calling authority or the Board secretary may send the notice, which shall state the date, time, place, and purpose of the meeting; and the business to be transacted at such special meeting shall be limited to such purpose.
3. Any member may waive notice of any meeting. Except as provided in the next sentence, the waiver must be in writing, signed by the member entitled to the notice, and filed with the minutes or corporate records. The attendance of a member at a meeting shall constitute a waiver of notice of such meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business and at the beginning of the meeting (or promptly upon arrival) objects to holding the meeting or transacting business at the meeting, and does not thereafter vote for or assent to action taken at the meeting.

C. QUORUM

A majority of the statutorily authorized number of Board members shall constitute a quorum for the transaction of business at any meeting of the Board.

D. MANNER OF ACTING

1. Required Vote. The act of the majority of the members present at a meeting at which a quorum is present when the vote is taken shall be the act of the Board, unless, by law, a supermajority is required.
2. Telephone Meeting. Any or all members may participate in a regular or special meeting by, or conduct the meeting through the use of, any means of communication by which all members participating may simultaneously hear each other during the meeting. A member participating in a meeting by this means is deemed to be present in person at the meeting. A member or invited non-member may participate in Executive Session by telephone provided the participant provides assurance to the Board or Committee, reflected in the minutes of the meeting, that no uninvited person is present and able to listen to the Executive Session portion of the meeting.
3. Failure To Object To Action. A member who is present at a meeting of the Board or a committee of the Board when corporate action is taken is deemed to have assented to the action taken unless: (1) he objects at the beginning of the meeting (or promptly upon his arrival) to holding it or transacting business at the meeting; or (2) his dissent or abstention from the action taken is entered in the minutes of the meeting; or (3) he delivers written notice of his dissent or abstention to the presiding officer of the meeting before its adjournment or to the Executive Director immediately after adjournment of the meeting. The right of dissent or abstention is not available to a member who votes in favor of the action taken.

E. EXECUTIVE SESSION

The Board and its Committees may enter executive session during a public meeting in the manner and for the purposes authorized under the Code of Laws of South Carolina 1976, as amended.

F. ATTENDANCE

The attendance of members at Board meetings and of Board committee members at committee meetings shall be recorded, and the Board secretary shall transmit each member's attendance record for the preceding six (6) months to that member's appointing authority in each January and July. At the request of a member, the attendance record transmitted to a member's appointing authority may also reflect the reason for an absence from a meeting of the Board or a committee of the Board, provided that the member has also notified the Chairman of the Board or Chairman of the committee, as applicable, of the reason for the absence.

G. AGENDA

1. Proposed meeting agendas will be developed by the Executive Director in consultation with the Chairman of the Board and the chairmen of the Board's standing committees.
2. Any member of the Board may propose an item for the agenda of a Board meeting by submitting the proposed item to the Chairman or Executive Director not less than seven days prior to the date of the meeting or, for a special meeting called with less than seven days' notice, as soon

as practicable. Any such requests shall be taken into consideration in developing the proposed meeting agenda.

3. All meeting agendas are subject to final approval by the Chairman of the Board.

H. BOARD ASSESSMENT PROCESS

At least annually, the Board shall engage in a self-assessment process to evaluate the Board's performance. The results of the self-assessment process shall be taken into consideration by the Chairman and Executive Director in developing and recommending training and educational opportunities for Board members.

V. COMMITTEES

A. CREATION OF COMMITTEES

The Board may create one or more committees, and the Chairman shall appoint members of the Board to serve on them. Each committee must have not fewer than two nor more than five Board members. The term of standing committee members shall run from their appointment in July of an even-numbered year ~~be annual and shall run from July 1~~ through the succeeding June 30 of the next even-numbered year, and until their successors are appointed. Each committee shall have a chairman who shall be appointed by the Chairman of the Board, and a vice-chairman who shall be elected by the members of the committee. ~~A~~ Committee chairman of the standing committees shall serve a term running from their appointment in July of an even-numbered year ~~July 1~~ through the succeeding June 30 of the next even-numbered year, and until their successor is appointed. Provided, however, that the term of a committee member or committee chairman ends when the member no longer serves on the Board. Each committee may appoint one or more non-Board members to serve as non-voting members of a committee if the committee finds that the non-Board members possess expertise, skills or qualifications that would aid the committee in fulfilling its responsibilities.

The Finance, Administration, Audit and Compliance Committee, the Retirement Policy Committee, and the Health Care Policy Committee shall be standing committees of the Board. The Chairman of the Board shall be a member of each standing committee. The Board may establish ad hoc committees as it deems appropriate to address specific matters or issues.

1. Committee Assignment Process

No later than ~~May 30~~ July 31 of each even-numbered year, the Chairman shall appoint members of the Board to serve on the standing committees and appoint the chairmen of those committees for the ensuing term running through June 30 of the next even-numbered year. In making these appointments, the Chairman shall solicit and take into consideration input from the members of the Board regarding their desired committee assignments and recommended committee chairman for the ensuing term. for the committee term commencing July 1. In addition, no later than May 30 of each year, the members of each committee shall, by vote at a duly called committee meeting, make a recommendation to the Chairman for the committee chairman for the ensuing committee

~~term commencing July 1. The Chairman shall take these requests and recommendations into consideration in making committee assignments for the committee term commencing July 1. At the first committee meeting after the Chairman's appointment of the standing committee members and chairmen July 1 each even-numbered year, the each standing committee shall elect a vice-chairman to preside over the committee and oversee committee business in the absence of the committee chairman.~~

2. Removal of Committee Members

No member shall be removed from a committee or from the chairmanship of a committee during a committee term, except upon request by that committee member or upon a vote of the Board.

B. REQUIRED PROCEDURES

The provisions of these Bylaws that govern meetings, including calling and setting agendas for regular and special meetings, notice and waiver of notice, executive sessions, and voting requirements of the Board apply to committees and their members, mutatis mutandis. A majority of Board members assigned to a committee of Board members constitutes a quorum for that committee to conduct business, and a majority of the Board members present must vote for an item for the committee to take official action on the item.

C. AUTHORITY

The authority of committees of the Board shall be limited to information-gathering and advice and recommendations to, and on behalf of, the Board, and to ministerial acts. Authority delegated to the Board by law may be exercised only by the Board. Committees may invite administrators, consultants, staff, external auditors, and/or others to attend meetings and provide pertinent information as necessary.

D. FINANCE, ADMINISTRATION, AUDIT AND COMPLIANCE COMMITTEE

The Finance, Administration, Audit and Compliance Committee (FAAC) will gather, analyze, and study information concerning PEBA's governance, financial reporting, audits, budgets, and regulatory compliance and will make recommendations and reports to the Board on those matters.

E. RETIREMENT POLICY COMMITTEE

The Retirement Policy Committee will gather, analyze, and study information concerning issues arising out of PEBA's administration of the retirement plans set out in Title 9 of the Code and the Deferred Compensation Program, and will make recommendations and reports to the Board on those matters.

F. HEALTH CARE POLICY COMMITTEE

The Health Care Policy Committee will gather, analyze, and study information concerning issues arising out of PEBA's administration of the insurance plans set out in Chapter 11 of Title 1 of the Code, and will make recommendations and reports to the Board on those matters.

VI. INDEMNIFICATION OF BOARD MEMBERS

PEBA shall indemnify and hold harmless members of the Board from and against all liabilities, costs, fees, and expenses, incurred as a result of their acts taken in their official capacity or as a result of allegations regarding those acts, to the full extent permitted by law, and shall insure its obligation hereunder from the insurers and in the amounts determined by the Board, if deemed reasonably necessary.

VII. OFFICER SELECTION PROCESS

A. The officers of the Board will be a Chairman, a Vice-Chairman, a secretary of the Board and the Executive Director of PEBA.

B. The Chairman and the Executive Director shall be selected in accordance with the Governing Law. The Board shall, in each regular meeting held in the month of July of even-numbered years, select one of its nonrepresentative members to serve as Chairman for a term ending June 30 of the next even-numbered year, and until a successor is elected. Provided, however, that the term as Chairman ends when the member no longer serves on the Board. If there is a vacancy in the Chairman position, the Vice-Chairman shall serve as Chairman until the next regularly scheduled meeting. At its next regularly scheduled meeting, the Board shall select a nonrepresentative member to serve as Chairman until the next election held in July of even-numbered years.

C. The Chairman shall (1) preside and conduct meetings of the Board, (2) convene and adjourn meetings, (3) appoint committee chairmen, and (4) propose agendas for Board meetings.

D. The Executive Director shall be the principal executive officer PEBA and, subject to the control of the Board of directors, shall, in general, perform and fulfill the statutory duties, responsibilities and powers conferred upon that office, and supervise and control all of the business and affairs of PEBA and have responsibility for the development and implementation of the strategic direction and initiatives of PEBA. The Board of Directors shall be responsible for selecting, evaluating the performance of, and, subject to the regulations of the Agency Head Salary Commission, setting the compensation of the Executive Director.

E. The Board shall, in each regular meeting held in the month of July of even-numbered years, select a Vice-Chairman from among its nonrepresentative members to serve for a term ending June 30 of the next even-numbered year, and until a successor is elected. Provided, however, that the term as Vice-Chairman ends when the member no longer serves on the Board. If there is a vacancy in the Vice Chairman position, at its next regularly scheduled meeting, the Board shall select a nonrepresentative member to serve as Vice Chairman until the next election held in July of even-numbered years. In the absence of the Chairman, the Vice Chairman shall preside at Board meetings.

F. At any meeting of the Board at which neither the Chairman or Vice-Chairman is in attendance, the meeting shall be called to order by the Executive Director who shall chair the meeting until a quorum elects a Chairman Pro Tempore as the meeting's first order of business. If the absence of the Chairman and Vice-Chairman is due to the holders of those officers having discontinued service on the Board, then the election shall be for both a Chairman and a Vice-Chairman for the remainder of the two-year term rather than pro tempore.

G. The Board shall, from time to time and with the advice of the Executive Director, select from among the PEBA employees, a person to serve as secretary of the Board, to serve at the pleasure of the Board. The secretary of the Board shall have the responsibilities prescribed herein and such other duties as the Board may from time to time require, including: (a) keep the minutes of the proceedings of the Board; (b) see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; and (c) be custodian of the records of the Board.

VIII. RULES OF ORDER

A. Board meetings should proceed in an informal and collegial manner with a design towards reaching consensus when possible.

B. The Chairman shall call for motions on items. Items presented to the Board for vote shall require a motion by a Board member other than the Chairman and a second of that motion by another Board member other than the Chairman.

C. The item can then be discussed by the Board. The Chairman shall manage the discussion of the item and may participate in the discussion.

D. The Chairman shall call for a vote on the item.

E. Questions of reconsideration, tabling or amendment of motions, etc., are all decided by majority vote.

F. The Board and its Committees may utilize the rules of order prescribed for small assemblies or similar small bodies in the most recently published revision of Robert's Rules of Order as a guide in conducting its meetings. Robert's Rules of Order shall not be binding on the Board, however. Rather, such rules of order will be construed to promote the orderly and efficient conduct of business and to avoid procedural complexity which may delay or hinder the taking of action required by law or advisable in the prudent exercise of the Board's fiduciary responsibilities.

G. The order of business will be at the discretion of the Chairman in the absence of instructions from the Board, but will normally be as follows:

- i. Call to Order
- ii. Approval of previous Board meeting minutes
- iii. Committee Reports
- iv. Executive Director Report

- v. Other Business
- vi. Adjournment

IX. MEETING MINUTES

- A. Minutes of the Board's meetings will be taken in accordance with law, and such records are open to public inspection.
- B. The Chairman will cause the minutes of all Board meetings to be prepared, recording therein the time and place of each meeting, the names of the Board members present, and the actions of the Board giving the affirmative and dissenting votes, except where the action is unanimous, and when requested, a Board member's dissent or approval with reasons.
- C. The Chairman will cause the minutes to be presented for approval at the next regular Board meeting. Board minutes will focus on describing any actions that occurred, and will provide sufficient detail to evidence the Board's due diligence in the matter. The minutes of a meeting during which an executive session is held will reflect the topic of the discussion at the executive session.
- D. The minutes as approved by the Board, will be preserved as a part of the public record of the Board, and will be kept open to public inspection in accordance with law.
- E. Board proceedings will be recorded on audio. The audio recordings will be kept at least until official minutes of the meeting are approved, after which time they may be destroyed.

X. REVIEW, HISTORY, AND AMENDMENT

- A. The Board will review the PEBA Bylaws at least every three years to ensure that they remain relevant and appropriate.
- B. No provision within these Bylaws shall apply to the extent that it is in conflict with any provision of the Code of Laws of South Carolina, 1976, as amended. In the event of such conflict, the applicable Code provision shall apply in all respects.
- C. These Bylaws were adopted by a majority of the Board members at a duly convened meeting of the Board on November 21, 2012. These Bylaws were amended on December 12, 2012, September 18, 2013, December 17, 2014, March 28, 2015, ~~and on~~ March 17, 2016, and June 23, 2016.
- D. These Bylaws may be amended only upon a majority vote of the Board members at a duly convened meeting of the Board upon proper notice pursuant to the South Carolina Freedom of Information Act. For purposes of this provision, majority shall mean a majority of the total membership of the Board, not simply a majority of the Board members present at any meeting convened for the purpose of amending the Bylaws.

PUBLIC EMPLOYEE BENEFIT AUTHORITY AGENDA ITEM
Finance, Administration, Audit and Compliance Committee

Meeting Date: July 20, 2016

1. Subject: Strategic Planning

2. Summary: Mrs. Sarah Corbett, Chief Operating Officer, will review a draft revision of the 2016-2018 Strategic Plan. Revisions include formatting changes and the addition of key measures and action items.

3. What is Committee asked to do? Review the revised PEBA Strategic Plan.

4. Supporting Documents:

(a) Attached: 1. Business Plan 2016-2018

Business Plan

2016-2018



Mission

PEBA's mission is to provide competitive retirement and insurance benefit programs for South Carolina public employers, employees and retirees.

Vision

Serving those who serve South Carolina

Core values

Solutions oriented

We anticipate the needs of our members, colleagues and supervisors, and work daily to improve processes and increase customer satisfaction.

Communication

We encourage and facilitate the flow of information, listen effectively and are receptive to constructive feedback.

Credibility

We accept responsibility for our individual jobs and achieving the goals of PEBA. We are accountable, thorough and accurate.

Collaboration

We foster cooperative relationships, and appreciate and respect the contributions of others.

Responsive

We strive to achieve our goals and objectives. We adapt to change. We follow through.

Emotional intelligence

We maintain self-awareness and modify behavior appropriately. We work to build rapport with others and effectively manage and resolve conflict.

Ethical behavior

We value honesty, trust, fairness and consistency.

Strategic goals

At the broadest level, PEBA's goals are to:

Goal one

Promote financially sound PEBA programs

Goal two

Improve health outcomes and promote retirement awareness

Goal three

Enhance the customer experience for members and employers

Goal four

Responsibly manage risk to the organization

Goal five

Maintain a workforce and work environment conducive to achievement of agency goals and objectives

Goal six

Improve internal efficiencies through new system implementation

Goal one

Promote financially sound PEBA programs

PEBA has a responsibility to its stakeholders to control public employee benefit costs while providing maximum benefits. The cost to members and taxpayers is impacted by investment performance, member behavior, competitive developments in relevant labor markets, policy determinations regarding cost-allocations and the willingness to pay of participants and taxpayers.

Key measures

Insurance

- State Health Plan expenditure growth per subscriber is at least two percentage points below the five-year average national benchmark (See key measure 1 in the appendix on Page 16 for actual measure)
- State Health Plan net expenditure per member per month (See key measure 2 in the appendix on Page 16 for actual measure)
- State Health Plan actuarial value ratio (AVR) is equal to or higher than the benchmark of the average of bordering peer plans (Florida, Georgia, North Carolina and Tennessee) and the southeast regional states (See key measure 3 in the appendix on Page 16 for actual measure)
- State Health Plan net expenditure to revenue loss ratio is less than or equal to 1.0 (See key measure 4 in the appendix on Page 16 for actual measure)
- Cumulative cash balance of self-funded health plan reserves is at least 140 percent of current estimated outstanding liability (See key measure 5 in the appendix on Page 16 for actual measure)
- State Health Plan average monthly composite premium is at or below the southeast regional state employee plan average for the employer, enrollee and total premium (See key measure 6 in the appendix on Page 16 for actual measure)

Retirement

- Ensure employer and employee contribution rates are sufficient to maintain a funding period for the Retirement Systems that does not exceed 30 years

Strategy 1.1

Provide the legislature with information to properly determine contributions and funding to ensure long-term viability of benefit programs.

Staff actions

- July 1, 2016
Communicate results of experience study and required contribution rate increases for retirement systems

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- November 15, 2016
Communicate the proposed budget requirements for both the State Health Plan and Basic Dental Plan for the 2018 plan year
 - July 1, 2017
Conduct an independent actuarial audit one year after the next scheduled experience study

Strategy 1.2

Research best practices, and recommend and implement health plan design changes.

Staff actions

- July 1, 2016
Develop strategies to address specialty pharmacy spend and to better manage specialty pharmacy sector; work collaboratively with pharmacy and medical contractors
- July 31, 2016
Continue financial analysis of MUSC Health Plan pilot performance and work collaboratively with MUSC on plan management
- December 31, 2016
Complete a review of the major cost drivers of the State Health Plan and develop methods for improvement
- December 31, 2017
Evaluate Patient-Centered Medical Home initiative's effectiveness, provider accessibility and member participation; continue to evaluate PCMH cost effectiveness
- December 31, 2017
Continue to evaluate new opportunities for reference based pricing strategies and continue a phased-in approach to implement current reference-based pricing

Completed staff actions

- Completed pharmacy benefits manager contracting process in a timely manner; complete implementation process in a manner which serves the best interest of the SHP and its membership
- Implemented referenced based pricing strategy for certain imaging, pathology and endoscopy services commonly performed in non-hospital settings to make pricing more comparable with those other settings and evaluated plan impact related to new strategy
- Implemented State Health Plan benefit design incentivizing members to receive care at a network Patient-Centered Medical Home by waiving the \$12 office visit copay and reducing the member coinsurance to 10 percent

Goal two

Improve health outcomes and promote retirement awareness

PEBA understands the importance of making appropriate changes to health plan design to improve health outcomes and reduce costs, including changes to reduce member behaviors that negatively affect health outcomes. In addition, the agency has a new focus on retirement awareness to ensure that members are aware of the benefits available to them through PEBA-administered plans, as well as options to supplement their benefits.

Key measures

- Maintain overall patient health risk score for non-Medicare primary adult State Health Plan members that is adjusted for demographics (See key measure 1 under “improve member health” in the appendix on Page 17 for actual measure)

Strategy 2.1

Promote member engagement with both retirement and insurance programs to ensure members understand benefit options and can make educated decisions and take personal responsibility regarding health and retirement.

Staff actions

- December 31, 2016
Reach 40 percent of State Health Plan active employees through employer participation in PEBA Health Hub
- December 31, 2016
Increase unique count of members participating in tobacco cessation program or utilizing tobacco cessation prescription drugs by 5 percent
- December 31, 2016
Increase rate of State Health Plan members current with colorectal cancer screening by 1.5 percentage points
- December 31, 2016
Achieve 10,000 interactions with members and employers to promote retirement awareness through the following channels:
 - Online resources (retirement awareness webpage)
 - Attendance at early- and mid-career seminars
 - Conversations with members who call the Customer Contact Center
 - Increase active accounts for deferred compensation

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- January 1, 2017
Require worksite screening providers to electronically provide biometric data to the plan
 - March 1, 2017
Implement Rally, a new digital platform to help members get and stay healthy through personalized challenges, rewards and content
 - March 31, 2017
Develop and execute marketing plans and goals for MoneyPlus/cafeteria plan
 - December 31, 2017
Engage employers to host worksite or regional preventive screenings using participating PEBA screening providers and collaborate with employers using their own screening provider to potentially share biometric data
 - December 31, 2017
Develop a “navigating your benefits” series to provide members with easy-to-use information about their insurance and retirement benefits
 - December 31, 2017
Target and engage executive management of our employers in managing the health of their employees and provide ready-to-use resources to promote benefits available to State Health Plan members

Completed staff actions

- Identified best practices among other insurance plans regarding improving health outcomes and reducing costs
- Defined and measured appropriate benchmarks against both public and private sector insurance plans
- Reviewed marketing plans for State Health Plan administrative services, behavioral health, life insurance, long term and supplemental long term disability, vision plan, pharmacy benefits and dental plan
- Implemented value-based insurance design at no member cost for routine and diagnostic colonoscopies, adult vaccinations recommended by the Centers for Disease Control, tobacco cessation prescription drugs (Chantix and generic Zyban) and diabetes education
- Included retirement awareness presentations on the agency website and incorporated into Field Services’ seminars
- Developed and communicated a wellness scorecard to employers to engage them in managing the health of their employees

Goal three

Enhance the customer service experience for members and employers

PEBA aims to provide the best quality service to its stakeholders, including members, dependents and beneficiaries. As such, PEBA strives for continuous improvement of the level of service we provide, as well as those services provided by our third-party administrators.

Key measures

- PEBA's customer satisfaction survey score should be greater than or equal to a 95 percent satisfaction rate for both the Visitor Center and Customer Contact Center (See key measure 4 under "provide positive member experience" in the appendix on Page 17 for actual measure)
- Trust: members feel the State Health Plan is a plan they can trust. Score at least an 8 out of 10 on the BlueCross BlueShield of South Carolina *Consumer Brand Index Survey* where "1" means strongly disagree and "10" means strongly agree (See key measure 1 under "provide positive member experience" in the appendix on Page 17 for actual measure)
- Likelihood to recommend: how likely members are to recommend the State Health Plan to family and friends; score at least an 8 out of 10 on the BlueCross BlueShield of South Carolina *Consumer Brand Index Survey* where "1" means very unlikely to recommend and "10" means likely to recommend (See key measure 2 under "provide positive member experience" in the appendix on Page 17 for actual measure)
- State Health Plan medical third party administrator customer satisfaction after-call survey average total score is greater than or equal to 4.5 where "1" means very dissatisfied and "5" means very satisfied (See key measure 3 under "provide positive member experience" in the appendix on Page 17 for actual measure)
- Deferred Compensation third party administrator customer satisfaction after-call survey average total score is greater than or equal to 4.5 where "1" means very dissatisfied and "5" means very satisfied

Strategy 3.1

Implement cost effective integrated systems and processes that are intuitive, practical and provide value for members and employers.

Staff actions

- September 30, 2016
Implement an updated call management system

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- December 31, 2016
Evaluate demand for additional regional services and/or offices
 - January 1, 2017
Implement the Business Transformation Project for the South Carolina Deferred Compensation Program
 - June 30, 2017
Complete requirements for new Governmental Accounting Standards Board other post-employment benefits (OPEB) standards (GASB 74)
 - July 1, 2017
Implement data sharing between PEBA and the third-party record keepers for the State Optional Retirement Program and Deferred Compensation Program in order to simplify enrollment and claims processes for members and employers
 - June 30, 2018
Complete requirements for new Governmental Accounting Standards Board other post-employment benefits (OPEB) standards (GASB 75)

Completed staff actions

- Launched a new agency identity to include logo, tagline, colors, templates and identity guidelines for staff and vendors
- Launched a consolidated agency website and implemented a survey feature on the website to solicit feedback from members regarding use and content
- Developed a comprehensive communications plan
- Created an employer advisory group which provides employers a forum to give feedback on processes and improvements related to customer satisfaction
- Implemented elimination of revenue sharing to State Optional Retirement Program third party administrators
- Implemented Governmental Accounting Standards Board 67 and 68 by communicating with stakeholders, employers and policy makers on new pension reporting requirements

Goal four

Responsibly manage risk to the organization

It is incumbent upon our individual employees and organization to continually assess and mitigate the threats and risks to which we are exposed. Through enterprise risk management, we will plan, organize, lead and control the activities of our organization in order to minimize the effects of risk. This will include financial, strategic and operational risks.

Key measures

- Compliance with state-issued Information Technology Security mandates
- Third-party relationships identified as high risk have a risk action plan developed
- Internal process changes rated as high risk have a risk action plan developed prior to implementation
- Routine/existing high-risk processes by functional area have a risk action plan developed

Strategy 4.1

Implement enterprise risk management to ensure compliance with internal and external policies, procedures and reporting requirements.

Staff actions

- December 31, 2016
Develop a risk management framework
- January 31, 2017
Incorporate risk identification and measures into the change management program for the agency
- March 31, 2017
Develop a plan to communicate high-risk changes and the associated plan for controls, transfer or acceptance of risk
- April 30, 2017
Complete an agency risk assessment
- May 31, 2017
Document agency compliance requirements and responsibilities
- December 31, 2017
Develop a risk action plan with associated controls, risk acceptance or risk transfer in association with business leaders for existing high-risk processes

Strategy 4.2

Create a culture of risk awareness through the development, implementation and maintenance of an Enterprise Risk Management (ERM) program.

Staff actions

- August 31, 2016
Develop a strategy to assess risks associated with third-party vendors
- January 31, 2017
Document the identified risks associated with third-party vendors, including financial impacts associated with risks
- March 31, 2017
Develop a risk plan that documents the mitigating controls, transfer or acceptance of identified risks for third-party vendors
- March 31, 2017
Document a strategy for ongoing evaluations

Strategy 4.3

Ensure information technology resources are utilized to implement continuing security initiatives.

Staff actions

- June 30, 2016
Comply with state-issued information security policies
- August 31, 2016
Develop an ongoing program to review policies and compliance with the policies
- December 31, 2016
Evaluate the need for cyber insurance

Complete staff actions

- Completed a business continuity plan
- Created a security review and practice calendar for internal review
- Hired an Enterprise Risk Management and Compliance Director
- Engaged external firm to review cyber security risks to the organization

Goal five

Maintain a workforce and work environment conducive to achievement of agency goals and objectives

Like many organizations, PEBA is faced with staffing challenges brought on by loss of staff due to retirement and new skills requirements due to advances in technology. We utilize our Characteristics of High Performance throughout the agency to develop a positive agency culture.

Key measures

- Maintain employee satisfaction and engagement
- Monitor turnover rate by functional area
- Reduce absenteeism

Strategy 5.1

Ensure a consistent, viable talent pool that adapts effectively and fulfills business needs for the present and future.

Staff actions

- August 31, 2016
Conduct bi-annual employee satisfaction and engagement survey
- December 31, 2016
Map succession needs and actions (positions, retirement eligibility)
- December 31, 2016
Benchmark and assess turnover rate and absenteeism

Strategy 5.2

Develop and maintain effective training and development programming.

Staff actions

- July 31, 2016
Ensure each operational area has up-to-date written policies and procedures, as well as specific training to be used in cross-training and on-the-job training
- September 30, 2016
Implement Phase I of onboarding process (includes new employee education of immediate compliance and awareness issues)
- September 30, 2016
Assess, identify and deliver employee and organizational training and development opportunities

-
- December 31, 2016
Implement Phase II of onboarding process (includes expansion of education on agency functions and operations)
 - December 31, 2016
Develop and deliver “The PEBA Way” training for all employees

Strategy 5.3

Foster an agency culture driven by high performance.

Staff actions

- August 31, 2016
Develop and deliver monthly high performance characteristics training
- December 31, 2016
Research the utilization of bonuses

Strategy 5.4

Ensure a safe, secure and functional physical working environment.

Staff actions

- December 31, 2016
Execute a long-term facilities plan to include updates to the physical property

Completed staff actions

- Created an Employer Services unit
- Hired a Director of Employer Services
- Hired an Insurance Policy Director
- Hired a Training and Development Director
- Developed characteristics of high performance
- Integrated characteristics of high performance into performance management process and performance compensation policy
- Updated signage in building and on Highway 277 to better identify PEBA for visitors
- Retained services of the Bureau of Protective Services to provide full-time security for the PEBA campus
- Received required approval to replace HVAC system and carpeting for building 202

Goal six

Improve internal efficiencies through new system implementation

PEBA is challenged with aging information systems. Operational systems and business processes are being assessed with assistance from benefits administration experts to create a roadmap for securing internal efficiencies through new technology. This system implementation project will be a multi-year endeavor requiring intensive capital and human resources.

Key measures

- Successfully transition all custom software programs written in Natural to a new technology with an expected life of at least 15 years
- Accomplish implementation with minimal service disruption to members and employers; meet project implementation milestone deliverables
- Complete transition on-budget

Strategy 6.1

Conduct and maintain multi-phase initiatives to generate system and operational changes to improve internal efficiencies.

Staff actions

- June 30, 2016
Complete phase three of the operational assessment to include a high-level roadmap, cost benefit analysis, recommendations for implementation projects, budget requirements and a final assessment report
- September 1, 2016
Define, develop, release RFP and award contract for client support services
- December 31, 2016
Define, develop, release RFP to procure new benefits administration system
- April 1, 2017
Define, develop, release RFP and award contract to data migration vendor
- June 30, 2017
Award contract to vendor for new system implementation
- June 30, 2017
Identify and collaborate with business units to implement process improvements specific to data integrity and operational efficiencies prior to new system implementation

Completed staff actions

- Completed phase one of the operational assessment
- Completed phase two of the operational assessment to include a future business flow document, high-level design of future systems and alternative proposal solution

Goal: Financially sustainable

Key measures:

1. State Health Plan expenditure growth per member is at least two percentage points below the five year average national benchmark. (annual)

	2011	2012	2013	2014	2015 (12/16)	5 year avg. (2011-2015)
State Health Plan	2.3%	6.4%	4.0%	-1.4%	9.0%	4.1%
National benchmark	6.7%	6.5%	5.6%	8.0%	8.1%	7.0%

This measures year over year SHP expenditure growth compared to national benchmark.

Source: Most recent Segal Health Plan Cost Survey.

2. State Health Plan net expenditure per member per month (PMPM). (annual)

	PMPM
2014 (12-15)	\$328.68
2015 (12-15)	\$356.99

This measures, on an incurred basis, the SHP net expenditure per member per month. This PMPM amount takes into account all expenditures (claims and administrative) offset by pharmacy rebates and subsidies.

Source: PEBA

3. State Health Plan Actuarial Value Ratio (AVR) is equal to or higher than the benchmark of the average of bordering peer plans (North Carolina, Georgia, Florida and Tennessee) and the southeast regional states. (annual)

	2016 Actuarial Value Ratio
State Health Plan-Standard Plan option	80.2
Average of bordering peer plans	79.02
All southern states MEP	73.758

This measure illustrates the portion the Plan pays of the total allowable amount taking into account patient cost-sharing elements such as deductibles, coinsurance, and copayments.

Source: Benefit design for each plan applied to the Centers for Medicare and Medicaid Service's 2015 Actuarial Calculator.

4. State Health Plan net expenditure to revenue loss ratio is less than or equal to 1.0. (annual)

	2015 incurred claims paid through 03.31.16
2015 State Health Plan	0.965

This measure provides a method of monitoring Plan expenses as compared to Plan revenue.

Source: PEBA

5. Cumulative cash balance of self-funded health plan reserves is at least 140 percent of current estimated outstanding liability. (annual)

	As of 12.31.15	Cash balance compared to estimated outstanding liability
SHP cash balance	\$272,990,827	186%
Outstanding liability	\$146,695,978	

This measure illustrates the amount of cash reserves available for claims payment and for any unexpected claims fluctuation.

Source: PEBA, quarterly GRS IBNR report

6. State Health Plan monthly composite premium at or below the southeast state plan average for employer, enrollee and total premium. (annual)

2016	Employer composite premium	% of southern regional	Enrollee composite premium	% of southern regional	Total composite premium	% of southern regional
State Health Plan	\$510.60	77.2%	\$159.51	91.3%	\$670.11	80.2%
Southern regional states	\$661.20		\$174.80		\$830.00	

Source: PEBA 2016 50-State Survey

This measure illustrates contribution efficiency of the employer, enrollee and total premium compared to peers in the southern regional states.

Goal: Improve member health

Key measure:

- Maintain overall patient health risk score for non-Medicare primary adult State Health Plan members that is adjusted for demographics. (annual)

	Low risk (00-01)	Medium risk (02-03)	High risk (04-05)	Overall Risk
2011	0.4757	1.4429	4.7305	1.5651
2013	0.4172	1.3942	4.5589	1.5148
2015	0.4160	1.4047	4.4710	1.4665

This measure quantifies the prospective (in the next year) risk for adult, non-Medicare State Health Plan members compared to the overall non-elderly (age less than sixty-five) United States population.

Source: SHP eligibility and claims data evaluated using Johns Hopkins Adjusted Clinical Grouper 10.0.

Goal: Provide positive member experience:

Key measures:

- Trust: members understand the plan and perceive that the benefits are delivered in accordance with that understanding relative to access to care and member cost share: score at least an 8 out of 10 where “1” means strongly disagree and “10” means strongly agree. (annual)

	2014		2015	
	Survey score	Participants	Survey score	Participants
State Health Plan	8.1	322	8.3	277
System average	8.2	N/A	8.1	N/A

- Likelihood to recommend: how likely members are to recommend the State Health Plan to family and friends; score at least an 8 out of 10 where “1” means very unlikely to recommend and “10” means very likely to recommend. (annual)

	2014		2015	
	Survey score	Participants	Survey score	Participants
State Health Plan	8.1	322	8.3	277
System average	8.2	N/A	8.1	N/A

Source: 2015 BCBS Consumer Brand Index Survey- this survey is an index of measures developed by the BlueCross Association in collaboration with the American Customer Satisfaction Index (ACSI). This survey is designed to measure business outcomes of customer experience such as loyalty and retention. The survey is conducted by the BlueCross Association and members from each BlueCross Plan are surveyed twice a year. State Health Plan survey participation numbers statistically valid with a 95% confidence level.

- State Health Plan Medical Third Party Administrator Customer Satisfaction After-Call Survey average total score is greater than or equal to 4.5 where “1” means very dissatisfied and “5” means very satisfied. (annual)

	2015 survey score
BCBSSC	4.5

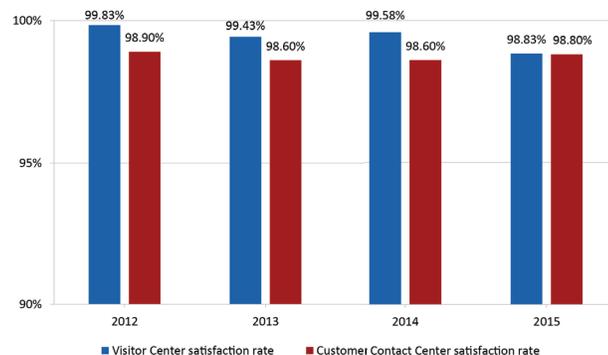
Source: 2015 BCBSSC State Health Plan After-Call survey- this brief six question survey is offered after each customer service call to a BCBSSC Customer Service representative.

- PEBA Customer Satisfaction survey score should be greater than or equal to a 95 percent satisfaction rate for both the Visitor and Customer Contact Center. (annual)

Customer Satisfaction

Visitor Center survey results procedure changed in November 2013 to begin using automated email surveys.

Source: 2015 PEBA Customer Satisfaction survey.



PUBLIC EMPLOYEE BENEFIT AUTHORITY AGENDA ITEM
Finance, Administration, Audit and Compliance Committee

Meeting Date: July 20, 2016

1. Subject: Operational Assessment

2. Summary: PEBA's core operational system was built in the early 1990's and cannot keep pace with future demands. This presentation reviews the Operational Assessment project scope, key findings and recommendations.

3. What is Committee asked to do? Receive as information

4. Supporting Documents:

(a) Attached: Operational Assessment Project



Serving those who serve South Carolina

Operational Assessment project

Executive summary
June 2016





Background

- PEBA's core operational system was built in the early 1990s on then-current Adabas/Natural technology foundation; 15-20 year system life typically expected
- 2012 creation of PEBA magnified the issue
 - Both retirement and insurance operational systems have Adabas/Natural as technology foundation; the systems are separate with no sharing of data and limited coordination of operational processes
 - Adabas/Natural customer base and market declining; no new sales since 1990s.
 - Limited product R&D and enhancements
 - Vendor license fee increases anticipated with dwindling customer base
 - PEBA continues to deploy resources to a declining business asset; risk increasing
- Estimated current system development costs
 - \$12M initial development cost with continuous enhancements
- PEBA has received significant value from its more than 20-year-old legacy system investment



Peer agency benchmark and audit findings



- 2015 CEM Retirement Peer Benchmark Study
 - PEBA's plans are more complex than peers
 - PEBA requires multiple system updates of the same data (names, addresses, statuses, terminations, deaths, etc.)
 - PEBA provides less real-time display of pension earnings/service and less online estimate capabilities
 - PEBA has lowest IT costs of 14 in peer group: 60% below peer average
- 2014 Funston audit findings
 - Administrative costs artificially low and not sustainable
 - PEBA's legacy system inflexible and will not keep pace with future demand
 - Significant PEBA institutional knowledge loss with coming retirements
 - Recommended migration to new technology platform
 - Conclusion: time to act now before impacts of technology obsolesce





Assessment scope and outcomes



+

Operational Assessment project scope



- Review PEBA's operational processes, technology and resources
- Linea Solutions selected to lead the effort
 - 20+ years consulting and supporting public sector benefit programs
 - Significant experience and benefits industry best practice knowledge
 - Currently engaged with 20 benefit and pension clients
- Assessment scope
 - Review current processes and highlight issues and non-standard industry operations
 - Define a future state operating model leveraging best practices
 - Analyze the current architecture and technology platform
 - Recommend the best approach to reduce risk and achieve the future state
 - Research the benefit solution market and available PEBA options
 - Formulate a recommended planning Roadmap, documenting required activity, costs and resources



Operational Assessment key findings



- Current systems are old and increasingly inflexible; required expertise increasingly scarce; dependent on a few individuals
- Significant technology risk with Adabas/Natural environment, jeopardizing future operational stability
- Many manual processes, system work-arounds and “side systems” required to adequately manage operations
- Significant project scope supported by many different and non-integrated current system technologies
- Many processes still based on paper
- Limited retirement and insurance business integration
- Inadequate Contact Center technology



Operational Assessment recommendations



- Replace current Adabas/Natural applications that make up about 75% of PEBA information systems
- Implement a configurable COTS software solution
- Achieve improvements in all areas by leveraging COTS system processes, new technology integration and contact center/customer service capabilities
 - Estimated 70-80% of functionality pre-built in the benefit industry solutions
- Reduce project costs by maximizing PEBA staff usage in their areas of expertise
- Enhance employer data capture and validation techniques
- Consider cloud-based technology solutions to reduce costs and minimize new technology risk
- Obtain best practice guidance and oversight from an industry client services vendor





Project benefits and value

- Create a new technology base to support PEBA for the next 20 years; eliminate legacy system vulnerability
- Establish strongest possible security infrastructure
- Enhance customer service and overall customer experience
- Create a common client profile enabling integration of enrollment, death and other PEBA functions
- Eliminate manual processes and increase efficiency
- Make system changes faster and easier by incorporating automated rules and reducing programming requirements
- Capture more accurate partner and employer data
- Automate controls and reconciliation processes





Employer project value

- Eliminate retirement and insurance duplicate data entry and large number of manual enrollment processes
- Provide new employer web capabilities including ability to correct data issues as they are transmitted to PEBA
- Enhance functionality
- Enable electronic uploads of paper forms





Industry view



Benefit system replacement project analysis



- Key outcomes
 - 30+ public benefit system replacements in last 5-7 years
 - Comparable peer project budget \$55 - \$60+ million



Other retirement/benefit funds' systems



Recent migration from Adabas/Natural

- CalPERS
- North Dakota PERS
- CalSTRS
- Texas Teachers
- Virginia
- Illinois Municipal

Still on Adabas/Natural

- New Jersey Pension and Benefits

Peer agency procurements



- Recent and representative peer agency project budgets; median budget is \$55M

Public retirement/ benefit agency	Year procured	Total cost	10% contingency	Total project budget	Primary implementation vendor	Active participant healthcare/insurance
Wisconsin Employee Trust Fund	2013	\$46,000,000	\$4,600,000	\$50,600,000	Vitech	Yes
University of California Retirement Fund	2014	\$50,000,000	\$5,000,000	\$55,000,000	Sagitec	No
Teacher Retirement System of Texas	2013	\$57,000,000	\$5,700,000	\$62,700,000	Hewlett Packard	No
New York City Teachers	2014	\$137,000,000	\$13,700,000	\$150,700,000	Sagitec	No
Ohio Public Employees Retirement	2013	\$46,000,000	\$4,600,000	\$50,600,000	Accenture	No
Average		\$67,200,000	\$6,720,000	\$73,920,000		
Median		\$50,000,000	\$5,000,000	\$55,000,000		



South Carolina large system projects



- Projects have many of the same common legacy system issues
- COTS implementation is the standard
- Losing institutional knowledge is a frequent project driver and concern

South Carolina state agency	Year procured	External vendor budget
South Carolina Department of Employment and Workforce UI Statewide Tax System	2016	\$25,000,000
South Carolina Department of Revenue Statewide Tax & Revenue System	2014	\$31,000,000
University of South Carolina Student Registration and Billing	2009	\$55,000,000
Average		\$36,500,000



South Carolina agencies and Adabas/Natural

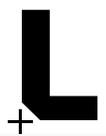


- Department of Health and Environmental Control
- State Personnel
- Comptroller General
- Treasurer's Office
- Department of Transportation
- Department of Social Services
- Department of Employment Workforce
- Budget Office
- PEBA
 - Insurance
 - Retirement

Still have critical systems running on Adabas/Natural



Going forward: PEBA's roadmap



Project roadmap highlights



- Cost estimate - \$50 million
- Proposed project duration - 5 years
 - First year – Detailed requirements, vendor procurement, project mobilization
 - Next 4 years – Design, implementation, staff and employer training, procedures and documentation updates
 - Adabas/Natural systems replaced by the end of 2021
- System delivered in 2 phases
 - Enrollment, employer reporting, customer service, insurance premiums
 - Retirement claims, benefit payments, taxes
- Significant PEBA resources will be dedicated and committed to the project



Project funding and financial plan



- \$50 million project implementation budget
 - \$10 million annually for 5 years
- COTS product and new technology tools have higher post production support costs
 - Additional \$1.9 to \$2.5 million in IT operational budget required
 - Higher IT funding required to keep future system current
 - Annual future IT cost per member will increase from \$7 to \$14 per member, but will still be 50% lower than the PEBA peer industry annual IT cost of \$28 per member





Recommended actions

- Initiate an operational system replacement project
- Secure funding and align resources for the project
- Secure benefit industry COTS solution and data vendor
- Reduce legacy system investment and allocate PEBA staff to the new project
- **Backfill critical business area staff assigned to the project and mitigate possible operational service level impacts**
- Start gradual project communication with stakeholder groups
- Secure consulting expertise to support client activities including requirements definition, procurement, design, testing and project management





Program execution risks

- PEBA project resources insufficient to execute project activity while also supporting day-to-day business operations
- Program management and project governance/authority not clearly defined
- Project goals and approach not aligned between management, business areas and stakeholders
- Significant development and training responsibilities placed on PEBA staff
- Project is not complete before key staff leave/retire
- Legacy system data contains significant errors and omissions
- PEBA data is compromised due to vendor processes





Next steps





Next steps

- Recommended third quarter 2016 activity
 - Externally communicate PEBA's IT system challenge, strategy and project
 - Internally communicate Operational Assessment outcomes, tempered with obvious budget constraints
 - Support project financing activity and external communication plan
 - Procure industry client services vendor
 - Organize business rules and document functional/technical rough draft requirements
- Recommended fourth quarter 2016 activity
 - Identify PEBA project participants and plan staff backfill
 - Define project governance and standards
 - Document detailed functional and technical requirements
 - Start insurance and retirement system data conversion and "common client profile" (name, address, demographics, etc.) analysis
 - Define scope and requirements for industry data vendor RFP





Disclaimer

This presentation does not constitute a comprehensive or binding representation regarding the employee benefits offered by the South Carolina Public Employee Benefit Authority (PEBA). The terms and conditions of the retirement and insurance benefit plans offered by PEBA are set out in the applicable statutes and plan documents and are subject to change. Please contact PEBA for the most current information. The language used in this presentation does not create any contractual rights or entitlements for any person.



In the early 90's the then SC Retirement Systems realized the need to address a host of issues concerning our technology and business processes.

We were facing backlogs and customer service problems:

- More than 60 days to process service retirement (initial request to first check)
- More than 180 days to finalize retirement
- Approximately 60 days to complete a service purchase request
- 30 – 45 days to respond to a benefit estimate request
- 75 employers late with June data, 43 more than 40 days late
- Approximately 3200 member/retiree telephone calls per day
- Complaints over unanswered telephone calls
- Telephone transfers around the agency to solve customer problems

With a new set of processes and technical solution, our goal was to:

- Improve customer service with faster turnaround time for calls and requests and fewer transfers
- Enhance the employer reporting process through better management on timeliness and quality of information
- Better align organization around critical processes; clear process understanding and more accountability
- Simplify service accounting rules, improve efficiency, and ease the history conversion process
- Improve employee skills and morale

That was more than 20 years ago – a wise investment that sustained us for over two decades. Now it is time to invest in our future again.

The current systems are becoming increasingly difficult to support due to aging technology and skill shortage.

The following are some of the retirement/benefit funds that have recently migrated away from Natural/Adabas:

- CalPERS (completed migration with custom development approach)
- North Dakota PERS (completed with Sagitec product)
- CalSTRS (in progress, migrating to Sagitec product)
- Texas Teachers (in progress, migrating to HP product)
- Virginia (in progress, migrating to Sagitec product)
- Illinois Municipal (in progress, migrating to new product - formerly moving to Deloitte product)

- Still on Adabas/Natural development environment
 - New Jersey Pension and Benefits

During the mid 80's the Natural/Adabas technology was becoming prevalent within central South Carolina state government. The following 11 state agencies built systems using Natural/Adabas and had resources to support the technology:

-
- Department of Health and Environmental Control
 - State Personnel
 - CG's Office
 - Treasurer's Office
 - Department of Transportation
 - Department of Social Services
 - Department of Employment Workforce (formerly Employment Security Commission)
 - Budget Office
 - South Carolina Retirement Systems
 - Employee Insurance Program

Today the below have critical systems running on Natural/Adabas:

- State Personnel (HRIS to support higher education; converting to SCEIS)
- Department of Transportation (Accounting System)
- Department of Social Services (Major system - working to get off Natural/Adabas for 20 years)
- Budget Office (SPIRS – converting to SCEIS)
- South Carolina Retirement Systems (75% of systems on Natural/Adabas)
- Employee Insurance Program (75% of systems on Natural/Adabas)

Not including PEBA, the agencies are primarily using contract, temporary and TERI employees to support their Natural/Adabas systems. Support of these systems is limited to routine maintenance, and mandatory changes, no new development is being done. It has been determined that none of the other state agencies have created a plan for sustainability of their systems that use the aging technology.

Notes from Consultants research on Software AG:

- Software Ag development platform very popular in 90's
- Of late, Software AG is making little investment in Natural development platform, as investment diverted to support new technology integration products (away from the Natural platform)
- No newly licensed Natural/Adabas customers in the last 20 years
- Number of Natural/Adabas customers decreasing each year
- Natural/Adabas skills continuing to decline. Shrinking replacement talent pool and "aging out" of current skills is a big risk for customers. Especially bad in South Carolina. Many of the remaining Natural/Adabas skills in SC are retired staff working on contract
- Software AG contracting terms, given a captive and shrinking customer base, are becoming stricter. Software AG demanding longer term contracts and higher renewal fees, given shrinking customer pool