

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

Wednesday, April 16, 2014 – 1:00 p.m. MINUTES Adopted 5.16.14
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 Wetzel, 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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BOARD OF DIRECTORS MEETING

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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.

SC PUBLIC EMPLOYEE BENEFIT AUTHORITY
BOARD OF DIRECTORS MEETING

Wednesday, April 16, 2014 – 1:00 p.m. MINUTES Adopted 5.16.14
200 Arbor Lake Drive, Columbia SC, Main Conference Room 2nd Floor

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.

Board of Directors Meeting
200 Arbor Lake Drive, Columbia, SC
2nd Floor Conference Room
Wednesday, 4/16/2014
1:00 - 5:00 PM ET

- | | | |
|---|---|----------------|
| 1. Call to Order | Chairman Bjontegard | |
| 2. Adopt Agenda | | Approve |
| 3. Adopt Minutes
<i>2.28.14 PEBA Minutes Draft - Page 2</i>
<i>3.1.14 PEBA Minutes Draft - Page 5</i> | Chairman Bjontegard | Approve |
| 4. Executive Session Pursuant to S.C. of Laws § 30-4-70
(a) (1)(2)(3) | | |
| 5. PEBA Legislative Update

<i>PEBA Legislative Update (4.11.14) - Page 8</i>
<i>House Approved FY14.15 Budget Appropriations - Page 11</i> | Travis Turner, PEBA
Director | |
| 6. Committee Reports | | |
| a. Health Care Policy Committee Report
Committee met April 16, 2014. | Rocky Pearce | |
| b. Retirement Policy Committee Report
Committee met March 5, 2014. | John Sowards | |
| c. FAAC Report
Committee met March 4, 2014 and April 1, 2014 | Steve Matthews | |
| d. Ad Hoc Executive Search Committee Report
Committee met March 12, March 24, April 9 and April 14, 2014. | Steve Matthews | |
| 7. Old Business | | |
| 8. New Business | | |
| a. Director's Report | Travis Turner, PEBA
Director | |
| 9. Adjournment | | |

SC PUBLIC EMPLOYEE BENEFIT AUTHORITY
BOARD OF DIRECTORS

DRAFT MINUTES

Friday, February 28, 2014 2014 – 9:30 a.m.
200 Arbor Lake Drive, Columbia SC, Main Conference Room 2nd Floor

Retreat Location

McNair Law Firm - 1221 Main St., Suite 1800, Columbia, SC 29201

Board Members Present:

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)
Sheriff Leon Lott (by phone)
Chairman Bjontegard (in person)
Mr. Steve Matthews (in person)
Ms. Stacy Kubu (in person)

Others present for all or a portion of the meeting:

Travis Turner, Lil Hayes, Stephen Van Camp, Justin Werner, Kim Brown, Virginia Wetzel, Megan Lightle, Angela Warren, Kevin Crosby, John Page, Tammy Nichols, and Tiffany Latimer from the South Carolina Public Employee Benefit Authority (PEBA); Donald Tudor and Wayne Pruitt with the State Retirees Association; Tim Bryan with Prudential; Matt Shaffer, Brooks Goodman, and Sarah Martin with Blue Cross Blue Shield of South Carolina; Joseph Newton and Danny White with Gabriel Roeder Smith & Company; Jan Hartford with CEM Benchmarking; David McClaskey with the Business Excellence Institute; Alex Tomlinson with Mullikin Law Firm; and Melinda At Hasan with the SC State Treasurer’s Office

I. Call to order

Chairman Bjontegard called the meeting to order at 9:35 a.m. and Mr. Bjontegard gave the invocation. Ms. Hayes confirmed meeting notice compliance with the Freedom of Information Act.

II. Educational Program Sessions

Organizational Performance Excellence: 9:30 a.m. – 12:30 p.m.

Mr. Bjontegard referred to Mr. Fusco who introduced David McClaskey, the president of the Business Excellence Institute. Mr. McClaskey, as an independent consultant and Baldrige expert, guided the Board members through an interactive session to clearly define the Board and Agency’s purpose and mission.

Action:

Mr. Sowards moved to amend and approve a new mission statement for the agency to read as follows: “To recommend, offer, and administer competitive programs of retirement and

SC PUBLIC EMPLOYEE BENEFIT AUTHORITY
BOARD OF DIRECTORS

DRAFT MINUTES

Friday, February 28, 2014 2014 – 9:30 a.m.
200 Arbor Lake Drive, Columbia SC, Main Conference Room 2nd Floor

insurance benefits for public employers, employees, and retirees in South Carolina.” Mr. Heisler seconded this motion. The motion was unanimously approved.

The Board discussed scheduling a follow-up session with Mr. McClaskey to assist each Committee in clearly defining their goals. It was noted that the agency’s strategic plan will need to be revisited in order to comply with the agency’s new mission. Mr. McClaskey stressed the importance of developing measures within that plan.

Pension Administration Benchmarking: 1:30 p.m. – 2:30 p.m.

Mr. Bjontegard introduced Jan Hartford with CEM Benchmarking who provided an in-depth summary of her company’s analysis of PEBA Retirement Division’s costs, services, and performance data for Fiscal Year 2013. It was noted that the Retirement Division has contracted with CEM Benchmarking to provide measurement, analysis, and comparison of its performance against that of its peers since 2003, with reviews occurring approximately every other year.

There was discussion regarding best practices within the public pension plan industry specifically regarding retirement readiness of plan participants. Ms. Hartford highlighted the success of the Ontario Municipal Employees Retirement System, Ohio Public Employee Retirement System, and the Dutch Public Pension Plans.

The Board took a brief recess and resumed the meeting at 2:40 p.m.

New GASB Standards for Pension Accounting: 2:40 p.m. – 3:40 p.m.

Mr. Bjontegard introduced Joseph Newton and Danny White with Gabriel Roeder Smith & Company who provided a presentation on the new GASB standards for pension accounting. Specifically, they highlighted standard changes surrounding GASB 67 and GASB 68 to include their effective dates and effects of pension accounting and financial reporting rules for state and local government entities.

There was discussion regarding PEBA’s involvement and communications with participating employers in the SC Retirement Systems during the implementation of the standard changes.

Patient Engagement: 3:45 p.m. – 5:00 p.m.

Mr. Bjontegard introduced Matt Shaffer, Brooks Goodman, and Sarah Martin with Blue Cross Blue Shield of South Carolina who provided a presentation on patient engagement efforts at Blue Cross Blue Shield. The Board requested utilization percentages of the engagement services currently being offered to State Health Plan participants. The Board directed the Health Care Policy Committee to analyze the engagement services not currently being offered to participants to evaluate the potential value to Board’s goal of having a consumer driven plan. There was also discussion about the ongoing effort to collect participants’ email addresses.

SC PUBLIC EMPLOYEE BENEFIT AUTHORITY
BOARD OF DIRECTORS

DRAFT MINUTES

Friday, February 28, 2014 2014 – 9:30 a.m.
200 Arbor Lake Drive, Columbia SC, Main Conference Room 2nd Floor

III. Round Table Discussion

The Board reflected on the day's education sessions and provided the following feedback:

Organizational Performance Excellence: A follow-up session should be scheduled with Mr. McClaskey to help committees better define their strategic plans.

Pension Administration Benchmarking: The Retirement Policy Committee should further evaluate this report and seek opportunities for improvement to include ways to automate data collection and evaluate staffing needs and agency integrated technology upgrades.

New GASB Standards for Pension Accounting: The Board would like to ensure that local entities are aware and educated of the upcoming implementation of GASB 68. They would like to receive updates from PEBA professionals concerning efforts dedicated toward the implementation.

Patient Engagement: The Board would like to continue to review the services provided by Blue Cross Blue Shield and would like assurance that all communications distributed to State Health Plan participants and benefit administrators are reviewed by PEBA's professionals prior to distribution by Blue Cross Blue Shield.

IV. Adjournment

There being nothing further to discuss, Mr. Bjontegard adjourned the meeting at 6:00 p.m.

SC PUBLIC EMPLOYEE BENEFIT AUTHORITY
BOARD OF DIRECTORS

DRAFT MINUTES

Saturday, March 1, 2014 2014 – 9:00 a.m.
200 Arbor Lake Drive, Columbia SC, Main Conference Room 2nd Floor

Retreat Location

McNair Law Firm - 1221 Main St., Suite 1800, Columbia, SC 29201

Board Members Present:

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)
Sheriff Leon Lott (in person)
Chairman Bjontegard (in person)
Mr. Steve Matthews (in person)
Ms. Stacy Kubu (in person)

Others present for all or a portion of the meeting:

Travis Turner, Lil Hayes, Stephen Van Camp, Justin Werner, Virginia Wetzel from the South Carolina Public Employee Benefit Authority (PEBA); Wayne Pruitt with the State Retirees Association; Tim Bryan with Prudential; Brooks Goodman with Blue Cross Blue Shield of South Carolina; John Wienges with McNair Law Firm; and Sarah Corbett and Betsy Burn with the Retirement Systems Investment Consultant.

I. Call to order

Chairman Bjontegard called the meeting to order at 9:00 a.m. and gave the invocation. Ms. Hayes confirmed meeting notice compliance with the Freedom of Information Act. Mr. Heisler moved to adopt the agenda and Sheriff Lott seconded. The agenda was unanimously approved.

II. Approval of minutes from the last meetings – January 15, 2014

Mr. Bjontegard asked for amendments to the January 15, 2014, meeting minutes. There being no amendments, Mr. Pearce moved to adopt the minutes and Mr. Sowards seconded. Unanimously approved.

III. Committee Reports

A. Retirement Policy Committee

South Carolina Retirement Systems Group Trust Amendment

SC PUBLIC EMPLOYEE BENEFIT AUTHORITY
BOARD OF DIRECTORS

DRAFT MINUTES

Saturday, March 1, 2014 2014 – 9:00 a.m.
200 Arbor Lake Drive, Columbia SC, Main Conference Room 2nd Floor

Mr. Sowards introduced Sarah Corbett and Betsy Burn with the Retirement Systems Investment Commission who explained the need for an amendment to the South Carolina Systems Group Trust Resolution.

Action:

Mr. Sowards moved to approve an amendment to Section 6 of the South Carolina Retirement Systems Group Trust to read as follows:

The assets of this Group Trust shall be invested and managed exclusively by the Investment Commission in accordance with the provisions of Sections 9-1-1310 and 9-16-10 et seq. of the South Carolina Code of Laws, as amended. Without limiting the generality of the foregoing, in compliance with Revenue Ruling 81-100, as amended, while assets of the Group Trust are invested in a collective trust or group trust, the provisions of the collective trust or group trust shall be adopted as a part of this Group Trust, so long as the Investment Commission has received a copy of a determination letter or otherwise received assurances that the collective trust or group trust is a group trust arrangement in accordance with Revenue Ruling 81-100, as amended.

Mr. Fusco seconded the motion to approve the amendment. Unanimously Approved.

Mr. Sowards advised that Hershel Harper, the Retirement Systems Investment Commission's Chief Investment Officer, will be offering innovative recommendation on how PEBA can work together with RSIC. It was noted that PEBA and RSIC are separate but both work for the good of those that benefit from the Trust. There was discussion regarding the SC Senate panel investigation on RSIC regarding investment fees in which there were no findings. RSIC reported that they are eager to see the results of the fiduciary audit by the SC Inspector General.

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

Mr. Matthews advised that the FAAC Committee will be meeting on March 4, 2014, to receive PEBA's Internal Auditor quarterly report to include an approval of the Internal Auditor's 2014 Audit Plan. They will also be reviewing the agreed upon procedures for the SC Deferred Compensation Program.

Mr. Matthews advised that the Ad Hoc Executive Director Search Committee has worked with the SC Office of Human Resources to post the Executive Director's position and will be scheduling follow-up meetings to review applications submitted. He also advised that the Committee is exploring the option of procuring an external Executive Director search firm.

C. Health Care Policy Committee

Mr. Pearce announced that the Health Care Policy Committee will be scheduling a meeting soon to review a potential USC Health Care Pilot proposal.

IV. Old Business

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

DRAFT MINUTES

Saturday, March 1, 2014 2014 – 9:00 a.m.
200 Arbor Lake Drive, Columbia SC, Main Conference Room 2nd Floor

- a. Legislative Update [in notebook materials]
The Board reviewed the status of PEBA related legislation and future strategies on how to stay better informed.

- b. State Health Plan: Fraud Prevention
Brooks Goodman with Blue Cross Blue Shield provided a report on their efforts to prevent fraud. There was discussion regarding the amount of savings as a result of fraud prevention that was directly related to PEBA and efforts towards engaging State Health Plan participants to actively monitor their Explanation of Benefits to prevent fraud. Mr. Brooks also provided information regarding medical tourism.

V. New Business

There was no new business discussed.

VI. Round Table Discussion

Each board member provided their feedback on the 2014 retreat. In general the retreat was well received and the members agreed that there should be a follow-up session with Mr. McClaskey regarding performance excellence.

The Board also received an update on the implementation of Catamaran as the new Pharmacy Benefits Manager. There was discussion regarding initial implementation issues and PEBA is working with Catamaran to seek resolution to the problems.

VII. Adjournment

There being nothing further to discuss, Mr. Bjontegard adjourned the meeting at 11:39 a.m.

					Legislative Update 4/11/2014		
Major Bills							
Bill Number	Companion	Description	Primary Sponsor	Known Opposition	Implications for PEBA	Status	Additional Comments
S0952		Would allow retired members of SCRS to cease making employee contributions if the employee's monthly retirement contribution exceeds the monthly retirement benefit	Peeler		Very few members impacted. Total employee contribution decrease estimated under \$100k per year. However, could begin a dangerous precedence of allowing retired members to not contribute	Still in Senate Finance. Would need to cross over to the House by May 1. Unlikely to pass.	
S0954		PEBA Technical Corrections bill	Courson/Leatherman	Davis	Technical corrections, staggered terms for PEBA Board members along with term limits, move from monthly to quarterly required PEBA meetings	Senator Davis desires to be present during any discussion	Sen. Setzler was opposed to PEBA Board members having 3 year terms. Bill now has 2 year terms and term limit of two terms. Given those conditions, it may be best to let this bill die and try again next year
S0962	H4536	Would allow all newly hired hospital employees to opt out of participation in SCRS	Peeler/ Allison		Major implications monetarily as this could lead to an increase of up to .11% in both member and employer cont. Also, implications of setting a precedence	In Senate Finance. Probably has issues meeting the crossover date as several senators have concerns	Being pushed by Spartanburg Regional Medical Center and their lobbyists which include Dan Cooper
S1008	H4828	Would allow administrative law judges to elect to be a member of JSRS	Setzler/Lourie		Slight increase in JSRS unfunded liability	4/10/14 On the House calendar for second reading 24 hr. point raised	

Other Bills Being Tracked							
Bill Number	Companion	Description	Primary Sponsor	Known Opposition	Implications for PEBA	Status	Additional Comments
H3021		Prohibits certain investments and contracts with persons who are engaged in investment activities in Iran	Clemmons, Sellers, R.L. Brown, Putnam, Kennedy, Gilliard, Toole, Branham, Rutherford, King and Cobb-Hunter			3/25/2014 – Carried Over by Senator Hutto	
H4623		Provides that a return to work retiree who returns to covered employment is exempted from the \$10,000 earnings limit if the member is hired by certain municipalites based on populatio, county, depending on the budget amounts and convered under PORS	Rivers			2-6-2014-referred to Ways and Means	
H0105		Provides for the creation of prepaid medical service agreements through which employers, individuals and non-employer org. may contract directly with health care providers and health care services with certain provisions	Bright			1/8/2013-referred to the Committee on Banking and Insurance	
S0897	H4462	Would allow persons retiring from a solicitor's office to participate in health and dental plans regardless if their county of employment participates	Coleman			1-14-2014-House introduced and read first time	
H3108		Increases annual salary of general assembly members to \$50,000	King			3-24-2014-Scrivener's error corrected	

S0618		Prohibits employer contributions to the state health plans from being used to pay for abortions	Bright, Hutto, Bryant, Verdin, Fair, L. Martin, Massey, S. Martin, Davis, Shealy and Campsen			5-1-2013- Senate amended	
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House of Representatives Recommended FY14-15 Budget (Adopted 3/12/14)

(No Changes from Ways and Means Recommendation)

Funding Recommendation: \$57,174,000

Proviso Additions, Changes & Deletions

~~DELETE: 105.6. (PEBA: Tobacco User Differential Study) The Public Employee Benefit Authority shall conduct a study to determine if it is in the best interest of the state and the State Health Plan to differentiate between tobacco users by category of product used and non-users regarding rates charged to enrollees in its health plans by imposing a surcharge on enrollee rates based upon the category of tobacco product used. In conducting the study, the authority shall offer a period for public comment. Recommendations shall include, but not be limited to an appropriate surcharge to be assessed and shall be submitted to the Chairman of the Senate Finance Committee and the Chairman of the House Ways and Means Committee by December 31, 2013.~~

AMEND: 105.7. (PEBA: FY 2014 2015 State Health Plan) Of the funds authorized for the State Health Plan in Plan Year 2014 2015 pursuant to Section 1-11-710(A)(2) of the 1976 Code, an employer premium increase of ~~6.8%~~ 3.9% and a subscriber premium increase of zero percent for each tier (subscriber, subscriber/spouse, subscriber/children, full family) will result for the standard State Health Plan in Plan Year 2014. Co-payment increases for participants of the State Health Plan in Plan Year 2014 2015 shall not exceed ~~twenty~~ nine percent. Notwithstanding the foregoing, pursuant to Section 1-11-710(A)(3), the Public Employee Benefit Authority may adjust the plan, benefits, or contributions of the State Health Plan during Plan Year 2014 2015 to ensure the fiscal stability of the Plan.

NEW: 105.9. (PEBA: Inactive SCRS Account Transfer) A current employee or teacher who is an active participant in the State Optional Retirement Program but who has an inactive account in the South Carolina Retirement Program due to previous service in that system, shall be allowed to transfer previous contributions to the employee's or teacher's active State Optional Retirement Program account.

NEW: 105.10. (PEBA: Market Forces Competition) For the 2015 paln year the Public Employee Benefit Authority shall adopt new policies for the state health plan that introduce market forces of competition and price conscientious in to the state plan. These policies may include, but are certainly not limited to, financial incentives for participants who make certain decisions regarding health care utilization. Any cost associated with these new policies shall be covered by the imbedded savings of the policy. The authority shall mnonitor the effectiveness of these policies and report back to the Governor and the General Assembly their findings.

Other Provisos of Interest to PEBA

AMEND: 117.114. (GP: Fiduciary Audit) Of the funds authorized for the ~~Retirement System Investment Commission~~ Public Employee Benefit Authority, the ~~commission~~ authority shall transfer \$700,000 to the Office of Inspector General. The funds transferred shall be utilized by the Inspector General to employ a private audit firm to perform the fiduciary audit on the ~~Retirement System Investment Commission~~ Public Employee Benefit Authority as required by Section ~~9-16-380~~ 9-4-40 of the 1976 Code, as amended.

New 101.32. (BCB: Cyber Security) All state agencies must adopt and implement cyber security policies, guidelines and standards developed by the Budget and Control Board. The Budget and Control Board may conduct audits as necessary to monitor compliance with established cyber security policies, guidelines and standards. In addition, the Budget and Control Board shall oversee all incident responses to agency cyber security breaches. Upon request of the Budget and Control Board for information or data, agencies must fully cooperate with and furnish the Budget and Control Board with all documents, reports, assessments, and any other data and documentary information needed by the Board to perform its mission and to exercise its functions, powers and duties.