



## Meeting Minutes | Board of Directors Meeting

Wednesday, March 3, 2021 | 2:00 p.m.

Via Zoom Teleconference

Minutes Approved June 23, 2021

**Board Members Present Via Telephone:** Ms. Amanda Blankenship, Ms. Jennifer Blumenthal, Mr. Calvin Elam, Mr. Steve Heisler, Ms. Paige Lewis, Mr. Steve Matthews, Sherriff Steve Mueller, Vice Chairman Joe “Rocky” Pearce, Mr. Alex Shissias, Chairman John Sowards, and Mr. Ed Walton.

**Others Present for All or a Portion of the Meeting Via Telephone:** Peggy Boykin, Robby Brown, Ashley Brindle, Sarah Corbett, Heather Muller, Jacalin Shealy, Laura Smoak, Rob Tester, Stephen Van Camp, Angie Warren, Justin Werner, and Heather Young from the South Carolina Public Employee Benefit Authority (PEBA); and James D’Alessio, Brooks Goodman, Dr. Tripp Jennings, Joel Pierstorff, and Carmen Wilson from BlueCross BlueShield of South Carolina.

### I. Call to Order

Chairman John Sowards called the PEBA Board of Director’s (Board) meeting to order at 2:00 p.m., and stated that the public meeting notice was posted in compliance with the Freedom of Information Act.

### II. Approval of Meeting Minutes- December 2, 2020

It was noted that the December 2, 2020, Board meeting minutes were approved as presented.

### III. COVID Update

Mr. Rob Tester, Insurance Policy Director, introduced Dr. Tripp Jennings, Clinical Innovation Officer, from BlueCross BlueShield of South Carolina, to provide an update to his October presentation on the effects and status of COVID-19 in South Carolina.

Dr. Jennings noted that COVID-19 is the most well-known virus in history. One year ago, on March 3, 2020, there were more than 100 cases and 9 deaths were reported in the United States. Currently, there have been 28,075,173 cases reported, and 495,070 deaths in the United States. Dr. Jennings reported that cases in the United States have fallen drastically within the last two weeks.

Dr. Jennings reviewed COVID-19 metrics in South Carolina, and noted that trends are significantly improving, but cautioned that the danger is not over yet. It is estimated that one-third of all COVID-19 cases are asymptomatic, which could be contributing to the decline in reported cases.

Dr. Jennings explained that herd immunity occurs when a sufficient part of the population is immune to a specific disease so that it has little chance of spreading. There are two paths to developing

immunity; infection and vaccination. Experts estimate that approximately 80 percent of the population must be immunized to achieve herd immunity.

Dr. Jennings discussed the COVID-19 vaccine development timeline. Although it appears the vaccine has been developed in an unprecedented timeframe, in reality, a variation of the COVID-19 vaccine has been in existence for a long period of time, and had been used to vaccinate against the SARS-CoV and MERS viruses.

Dr. Jennings concluded his presentation by reviewing the COVID-19 vaccines currently available, as well as additional vaccines that will be developed in the near future, and the prioritization of COVID-19 vaccination in South Carolina. Dr. Jennings stated that experts are suggesting that COVID-19 could become an endemic, much like the seasonal influenza. Dr. Jennings advised that COVID-19's long term impact rests on the duration of immunity; the effectiveness of the human immune system to prevent infection; the effectiveness of the mutations of the virus; individual human choices; and how vaccines are distributed globally.

#### **IV. National Legislative Update**

Mr. James D'Alessio, Vice-President of Governmental Relation from BlueCross BlueShield, presented an update on current federal legislative efforts in healthcare. Mr. D'Alessio reviewed the current political landscape, and noted that the United States Senate has become equally divided with a 50/50 split of Democrats and Republicans, and noted that the Vice-President will hold the tie breaking vote. Mr. D'Alessio discussed some of the challenges that could be presented with an evenly divided Senate, and also commented how closely divided the United States House has become with 220 Democrats and 212 Republicans residing.

Mr. D'Alessio discussed the Biden administration's first year healthcare agenda, including the COVID-19 vaccine supply; the COVID-19 Relief Bill; expanding Medicaid; and expanding access to the Affordable Care Act (ACA).

Mr. D'Alessio advised that the Biden administration is working diligently on immigration reform; environmental issues such as rejoining the Paris Climate Agreement; creating a standing domestic climate office; and criminal justice reform.

#### **V. Committee Reports**

##### **A. Finance, Administration, Audit and Compliance (FAAC) Committee**

Mr. Steve Matthews reported that the FAAC Committee met in the morning, and Mr. John Page, Director of Internal Audit, provided the 2021 PEBA Internal Audit Plan to the Committee.

Mr. Matthews advised that the FAAC Committee approved the 2021 Internal Audit Plan as presented.

##### **B. Health Care Policy Committee**

Mr. Rocky Pearce reported that the Health Care Policy Committee met earlier in the morning, and Mr. Rob Tester, Insurance Policy Director, presented the State Health Plan (SHP) update and benchmarking review, in which key SHP measures are compared with peer and national benchmarks. Mr. Pearce noted that the State Health Plan continues to compare very favorably

to other public and private employers. Mr. Pearce added that pharmacy spend significantly increased in 2020, and COVID-19 impacted the State Health Plan by \$120 million this past year.

Mr. Pearce advised that representatives from Express Scripts, Inc., reviewed new federal policies regarding Medicare Part D rebate rules, and Mr. Joel Pierstorff, from BlueCross BlueShield of South Carolina, discussed additional federal polices related to surprise billing and transparency rules.

### **C. Retirement Policy Committee**

Mr. Steve Heisler reported that the Retirement Policy Committee met earlier in the morning, and Segal Marco Advisors presented the South Carolina Defined Contribution Plans report for the quarter ending December 31, 2020, and Empower Retirement presented the fourth quarter Deferred Compensation plan activity summary to the Committee.

Ms. Ashley Brindle, Defined Contribution Manager, reviewed two Deferred Compensation Program amendments as a result of the Further Consolidated Appropriations Act 2020, which was signed into law on December 20, 2019. Two of the acts incorporated include mandatory and optional provisions of the Setting Every Community Up for Retirement Enhancement (SECURE Act), and the Bipartisan American Miners Act of 2019, which impacts the Deferred Compensation Program and the State Optional Retirement Plan.

Mr. Heisler stated that the Retirement Policy Committee moved that the PEBA Board adopt the following provisions for the Deferred Compensation Program:

1. Allow qualified birth or adoption distributions from the Deferred Compensation Program 401(k) and 457(b) plans as authorized by the SECURE Act and related IRS guidance, effective April 1, 2021, with conforming plan amendments to be made at a later time; and,
2. Allow in-service distributions from the Deferred Compensation Program 457(b) plan at age 59½ as authorized by the Bipartisan Miners Act of 2019 and related IRS guidance, effective April 1, 2021, with conforming plan amendments to be made at a later time.

Chairman Sowards stated that a Committee motion does not require a second. The motion passed unanimously.

## **VI. Old Business**

Chairman Sowards advised that four Board members including the Chairmanship of all Committees and the PEBA Board, will have terms expiring within the next two years. Chairman Sowards stressed the importance of developing a continuity plan for Chairmanships in the near future.

### **Director's Report**

Ms. Peggy Boykin, Executive Director, provided the director's report, and reported that the General Assembly adopted a Joint Resolution allowing PEBA to suspend the Other Post-Employment Benefits (OPEB) sweep of the State Health Plan that would normally occur on January 31, 2021, to mitigate any higher medical claims that the State Health Plan may see in 2021 due to COVID-19.

Ms. Boykin advised that there are several pieces of legislation being considered by the General Assembly related to PEBA, including proposed bills related to changes in the earnings limitation. Ms. Boykin reminded the Board that PEBA's responsibility is to ensure that the General Assembly is aware of the fiscal ramifications related to the proposed changes, and they have been provided the actuarial information as requested.

Ms. Boykin advised that the House Ways and Means Committee is currently deliberating their version of the budget, and the Governor's budget has already been introduced. The Governor's budget includes full funding of the State Health Plan with no employee rate increase. Ms. Boykin reported that the Governor's budget includes a provision to reinstate the one percent increase in the employer contribution rate for the South Carolina Retirement Systems, effective July 1, 2021. Ms. Boykin advised that the phase-in of the additional one percent increase in the contribution rate for the next three years will be extended by one year due to the previous suspension.

Ms. Boykin reminded the Board that PEBA submitted the actuaries' recommendation to decrease the investment return assumption from 7.25 percent to 7.00 percent to the General Assembly as the proposed assumed rate of return. If the General Assembly fails to act on the actuarial rate of return, then PEBA's recommendation becomes effective, and will have a significant fiscal impact to the unfunded liability and the amortization period of the plan. Ms. Boykin advised that as a result of the reduction, the unfunded liability is expected to increase by \$1.5 billion, and the amortization period, which is currently around 20 years, could possibly extend by two years. Ms. Boykin added that the 20-year amortization period is significantly below the maximum threshold.

## **VII. Adjournment**

There being no further business, and upon a motion by Mr. Pearce, which was seconded by Mr. Matthews, and approved unanimously, the Board meeting adjourned at 3:30 p.m.