



Meeting Minutes | Board of Directors

Wednesday, March 4, 2020 | 2:00 p.m.

202 Arbor Lake Dr., Columbia, SC 29223 | First Floor Conference Room

Minutes Approved July 22, 2020

Board Members Present: Ms. Jennifer Blumenthal, Mr. Calvin Elam, Mr. Steve Heisler, Ms. Paige Lewis, Vice Chairman Joe “Rocky” Pearce, Mr. Chuck Richardson, Mr. Alex Shissias, Chairman John Sowards, and Mr. Ed Walton.

Board Members Present Via Telephone: Sheriff Leon Lott and Mr. Steve Matthews

Others Present for All or a Portion of the Meeting: Peggy Boykin, Ashley Brindle, Amber Carter, Sarah Corbett, Joe Greene, Evan Mitchell, Jessica Moak, Heather Muller, John Page, Travis Turner, Stephen Van Camp, Angie Warren, Justin Werner, and Heather Young from the South Carolina Public Employee Benefit Authority (PEBA); Sam Griswold and Wayne Pruitt from the State Retirees Association of South Carolina; Marilyn Collister, Marybeth Daubenspeck, and Nancy Ornduff from Empower Retirement; Danny White and Joe Newton from Gabriel, Roeder, Smith & Company; Mike Wright and Joe Ferguson from Segal Marco Advisors; Sharon Manaso from the South Carolina Department of Health and Human Services; Samantha Harper from the South Carolina Office of the State Treasurer; and Charlie Whitney from Milliken Law Firm.

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 4, 2019

It was noted that the December 4, 2019, Board meeting minutes were approved as presented.

III. 2020 Actuarial Experience Study

Mr. Danny White and Mr. Joe Newton from Gabriel, Roeder, Smith & Company (GRS), presented the 2020 Actuarial Experience Study to the Board as information. Mr. White stated that the results of the Actuarial Experience Study are used to set actuarial assumptions and methodologies for future valuations of the Retirement Systems. Mr. White pointed out that action on any recommended changes to the actuarial assumptions and methodologies will be taken at a later Board meeting.

Ms. Peggy Boykin, Executive Director, reminded the Board that the General Assembly determines the Retirement Systems actuarial rate of return based on a recommendation by the PEBA Board. The General Assembly can modify or accept PEBA’s recommendation. If the General Assembly fails to act on the actuarial rate of return, then PEBA’s recommendation becomes effective.

Mr. Newton reviewed the summary of recommendations based on the Experience Study and stated that GRS recommends decreasing the actuarial rate of return from 7.25 percent to 7.00 percent when the current statutory rate expires June 30, 2021. Other minor recommendations included decreasing the payroll growth assumption from 3.00 percent to 2.70 percent; increasing probabilities of retirement rates; increasing probabilities of termination; updating the base mortality and improvement assumption; and decreasing the probabilities of disability incidence.

Mr. Steve Heisler advised that the Retirement Policy Committee recommends receiving the Actuarial Experience Study of the South Carolina Retirement Systems for the period ended June 30, 2019, as information, and taking the recommendations made therein under advisement for future action. Chairman Sowards stated that a Committee motion does not require a second. The motion passed unanimously.

IV. Ethics Training

Mr. Stephen Van Camp, General Counsel, conducted the Board's annual ethics training. Mr. Van Camp centered the ethics training around the PEBA Board's Ethics and Conflicts of Interest Policy. He explained that most ethics provisions are rooted in preventing conflicts of interest; therefore, impartiality is both a fiduciary obligation and an ethical obligation. Mr. Van Camp advised PEBA Board decisions must be made for the exclusive purpose of providing retirement and insurance benefits to participants and beneficiaries. Accordingly, a Board member must be impartial and must not benefit from these decisions.

Mr. Van Camp stated that the Board's Ethics and Conflicts of Interest Policy imposes requirements on Board members in addition to those of the State Ethics Act. It was noted that the State Ethics Act definitions are also applicable to the PEBA Board's Ethics and Conflicts of Interest Policy.

In conclusion, Mr. Van Camp discussed what a Board member should do when faced with a potential conflict of interest; provided hypothetical examples; detailed prohibited lobbyist and lobbyist principal acts; and reviewed the PEBA Board Conference Event Attendance Policy.

V. Fiduciary Training

Ms. Marilyn Collister, Senior Director, Regulatory Affairs, Government Market, from Empower Retirement, conducted a presentation on fiduciary education.

Ms. Collister reviewed the applicable state law and the applicable Internal Revenue Code which defines fiduciary responsibilities and pointed out that the standards of conduct are very similar to the Employee Retirement Income Security Act (ERISA), which applies to private plans, but is used as an excellent resource.

Ms. Collister stated that it's important to identify your plan fiduciaries and the applicable fiduciary responsibilities since fiduciaries are required to adhere to generally accepted investment standards and adopt prudent polices for selecting and monitoring plan investments.

Ms. Collister reviewed the five basic fiduciary standards of conduct including: Duty of loyalty; Duty of prudence; Duty to monitor; Duty to diversify investments; and Duty to follow plan documents. Ms. Collister also stated that fiduciaries should ensure plan policies, procedures, and forms match plan document provisions, and should also pay attention to top IRS compliance issues.

Ms. Collister turned the discussion to ways to mitigate fiduciary risk including training committee members on basic fiduciary responsibilities; reviewing plan documents and understanding how each provision works; ensuring all plan fees are reasonable; and providing participants with information to make informed investment decisions.

Ms. Collister concluded by reviewing mandatory and optional provisions of the recently passed SECURE Act which became effective January 1, 2020. She noted changes from the previous provisions related to the Required Beginning Date (RBD) for Required Minimum Distributions (RMD); post death required distributions; and implementation guidelines.

VI. 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 PEBA internal audit reports including:

- A. Internal Audit Report 2019- 4 Document Management System
- B. The Internal Audit Plan Status Report
- C. The Internal Audit Plan 2020/2021

Mr. Matthews advised that the FAAC Committee approved the 2020/2021 Internal Audit Plan as presented.

B. Health Care Policy Committee

Mr. Rocky Pearce reported that the Health Care Policy Committee met in the morning, and received an update on Naturally Slim, the weight management program introduced to Plan membership in September 2018.

Mr. Pearce noted that Ms. Laura Smoak, Analytics and Health Initiatives 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 stated that the State Health Plan continues to compare very favorably to other public and private employers and attributed the success to staff of PEBA for their management of the Plan.

Mr. Pearce advised that the Health Care Policy Committee made a motion to recommend that the PEBA Board resolve that, if the General Assembly appropriates additional funding to the State Health Plan to reduce the maximum experience rating load factor for the 2021 plan year, PEBA will reduce the maximum load factor for the 2021 State Health Plan to conform to that additional funding. Chairman Sowards stated that a Committee motion does not require a second. The motion passed unanimously.

C. Retirement Policy Committee

Mr. Heisler reported that the Retirement Policy Committee made a motion to recommend that the PEBA Board remove the Ivy Science and Technology Fund from the MassMutual State ORP investment lineup and map the plan assets from that fund to the Vanguard Small Cap Index Fund. Chairman Sowards stated that the recommendation complies with the

Investment Policy Statement and reminded the Board that a Committee motion does not require a second. The motion passed unanimously.

Mr. Heisler announced that the Retirement Policy Committee made a motion to recommend that the PEBA Board reduce the plan administration fee charged by the South Carolina Deferred Compensation Program from the current fee of \$1 per quarter per account, to a fee of \$1 per year per account, effective January 1, 2020. Chairman Sowards stated that a Committee motion does not require a second. The motion passed unanimously.

VII. Old Business

Director's Report

Ms. Boykin stated that the House Ways and Means Committee has completed their deliberations of the budget, which will move to the House floor next week. Ms. Boykin reported that the State Health Plan is fully funded in this version of the budget, and funding was included to provide adult well visit benefits to all members annually with no cost to the member, and no age frequency restrictions.

Roundtable Discussion

At the conclusion of the Director's Report, Chairman Sowards provided an opportunity for a roundtable discussion. Chairman Sowards announced that that next Board meeting will be on June 3, 2020, at 1:00p.m., and each of the Committees will meet again on July 22, 2020.

VIII. Adjournment

There being no further business, and upon motion by Mr. Heisler, which was seconded by Mr. Alex Shissias, and approved unanimously, the Board meeting adjourned at 4:55 p.m.