

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

**MINUTES**  
[as approved 10/16/13]

Wednesday, September 18, 2013 – 1:00 p.m.  
202 Arbor Lake Drive, Columbia SC, Main Conference Room 2nd Floor

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**Board Members Present:**

Mr. Art Bjontegard, Chairman (in person)  
Ms. Peggy Boykin (in person)  
Mr. Frank Fusco (in person)  
Mr. Steve Matthews (in person)  
Mr. Joe "Rocky" Pearce (in person)  
Mr. Audie Penn (in person)  
Mr. John Sowards (in person)  
Sheriff Leon Lott (in person)  
Mr. David Tigges (in person)  
Mr. Steve Heisler (in person)  
Ms. Stacy Kubu (in person)

**Others present for all or a portion of the meeting:**

David Avant, Lil Hayes, Stephen Van Camp, Justin Werner, Travis Turner, Matt Davis, and Virginia Wetzel from the South Carolina Public Employee Benefit Authority (PEBA); Donald Tudor and Wayne Pruitt with the State Retirees Association; Carlton Washington with the South Carolina Employee Association ; Daniel Brennan with the SC State Treasurer's Office; Jennifer Hyler Yacobian with SC Senate Finance Committee; Nathan Strong with the University of South Carolina; and Mike Madalena with Gabriel, Roeder, Smith & Company (GRS).

**I. Call to order**

Chairman Bjontegard called the meeting to order at 1:00 p.m., and Mr. Heisler gave the invocation. Ms. Hayes confirmed meeting notice compliance with the Freedom of Information Act. Mr. Bjontegard requested to amend the agenda by moving the Health Care Policy Committee report as the first committee report to accommodate the travel schedule of the out of town presenter, Mike Madalena. Mr. Sowards moved to adopt the agenda. Mr. Heisler seconded. The agenda was unanimously approved.

**II. Approval of minutes from the last meetings - August 21, 2013**

Chairman Bjontegard asked for amendments to the August 21, 2013 meeting minutes. There being no amendments, Mr. Sowards moved to approve and Mr. Fusco seconded. Unanimously approved.

**III. Committee Reports**

**A. Health Care Policy Committee Report**

**Three Year Health Plan Vision [in notebook materials]**

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Mr. Pearce introduced Mike Madalena, PEBA's actuarial consultant who presented an overview of PEBA's three year health plan vision as it was discussed in the Health Care Policy Committee. The following health care plan components were highlighted:

- Focus on current and future pilot programs (PCMH and ACO)
- Structural changes to provider networks (3 tier approach)
- Plan design changes to incorporate incentives to the members and providers
- Revamp the Health Savings Plan to attract more users
- Promote a healthier standard of living through consumer driven communications

**Pharmacy Benefits Manager (PBM) – Request for Proposal (RFP) Status**

Interim Director, David Avant announced that the PBM RFP was awarded to a new vendor, Catamaran. The contract was protested by the incumbent and one other applicant vendor. A hearing was held before the State Chief Procurement Officer. PEBA prevailed at the hearing. In addition, the requested lifting of the automatic stay was granted. PEBA staff were commended for their work.

**Health Care Policy Committee Charter [in notebook materials]**

Action:

Mr. Pearce moved to approve the Health Care Policy Committee Charter as recommended by the Health Care Policy Committee. Chairman Bjontegard seconded. Unanimously approved.

**Committee Updates:**

Mr. Avant advised that the MUSC PCMH Pilot program was approved by the Budget and Control Board and PEBA. MUSC has since been in continuous communications with PEBA to develop the plan contract and plan documents. A summary of the final plan design will be presented to the Health Care Policy Committee during their October 2013 committee meeting.

Mr. Avant informed the Board of the increase in premiums for the State's fully insured HMO health plan product offered by Blue Choice. Blue Choice will be sending a notification of premium increases to 12,000 subscribers prior to open enrollment on October 1, 2013.

Mr. Pearce announced that a Public Information Session has been scheduled on October 2, 2013, at 10:00 AM, to receive presentations from Medicare Advantage plan carriers. Board members were invited but attendance was not mandatory. An additional Public Information Session will be scheduled soon to review the expansion of the State Health Plan's provider network.

Mr. Pearce also announced that the Health Care Policy Committee has directed staff to organize a Committee meeting to receive an initial presentation from the new PBM vendor, Catamaran. A date and time has yet to be determined.

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**B. Retirement Policy Committee Report**

Mr. Sowards advised that the Retirement Committee met on September 4, 2013, and reviewed the following agenda items.

**Deferred Compensation Overview [in notebook material]**

Mr. Sowards reported that the Committee received presentations from the SC Deferred Compensation Program's investment advisor, Segal RogersCasey, and from the record keeper, Great-West. Mr. Sowards then introduced staff member, Matt Davis who provided a brief overview of the SC Deferred Compensation Program.

**Retirement Committee Charter - Amendment [in notebook materials]**

Mr. Sowards reported that the Committee recommends the following amendment to their Committee Charter: The addition of the responsibility of oversight of agency communications specifically related to retirement functions.

**Action:**

Mr. Sowards moved to approve the Retirement Policy Committee Charter as amended and recommended by the Retirement Policy Committee. Chairman Bjontegard seconded. Unanimously approved.

**C. Finance, Administration, Audit and Compliance Committee Report**

Mr. Matthews advised that the FAAC Committee met on September 6, 2013, and reviewed the following agenda items.

**Agency Budget Request [in notebook materials]:**

Mr. Matthews summarized the Agency's Fiscal Year 2014/2015 budget proposal as it will be submitted to the SC Office of State Budget by October 1, 2013. He highlighted the relocation of approximately \$3.1 million in funds into other operating expenses in anticipation of future IT improvements.

**Action:**

Mr. Matthews moved to approve the Fiscal Year 2015 PEBA Agency Budget as recommended by the FAAC Committee. Chairman Bjontegard seconded. Unanimously approved.

**PEBA Bylaws as amended by the Committee [in notebook materials]:**

Mr. Matthews announced that the FAAC Committee recommends the following amendment to the PEBA Bylaws under Section IV, D, ii:

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

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minutes of the meeting, that no uninvited person is present and able to listen to the Executive Session portion of the meeting.

**Action:**

Mr. Matthews moved to approve the PEBA Bylaws as amended and recommended by the FAAC Committee. Chairman Bjontegard seconded. Unanimously approved.

**PEBA Travel Policy [in notebook materials]:**

**Action:**

Mr. Matthews moved to approve the PEBA Travel Policy as recommended by the FAAC Committee. Chairman Bjontegard seconded. Unanimously approved.

**PEBA Education Policy [in notebook materials]:**

Mr. Matthews presented a PEBA Board Member Education Policy as it was recommended by the FAAC Committee. There was discussion regarding the required education credits, approval of qualifying credits by the Chairman of the Board, and associated penalties. It was the will of the Board to defer this policy back to the FAAC Committee to clarify terms and conditions.

**Committee Updates:**

Mr. Matthews reported that the committee reviewed the Agency's Accountability Report which incorporated all recommended changes from the previous FAAC Committee Meeting. The report was then submitted to the Office of State Budget.

Mr. Matthews reported that Chairman of the PEBA Board, Chairman of the PEBA FAAC Committee, the Retirement Systems Investment Commission (RSIC), and the Inspector General's staff has collaborated to determine the priority ranking of fiduciary audit items to be used in the statutorily required fiduciary audit of PEBA and RSIC. The Inspector General's office will use the highest priorities to develop a Request for Proposals (RFP) to secure an auditor to complete the fiduciary audit for RSIC for FY 2013. Currently, PEBA's fiduciary audit is planned for the following fiscal year when appropriate funding has been authorized by the General Assembly. Mr. Fusco advised that the PEBA Board could utilize the fiduciary audit as qualifying educational training.

**IV. New Business**

There were no new business items discussed by the Board.

**V. Round Table Discussion**

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**Chairman's report:**

Chairman Bjontegard requested that all PEBA Board Members who participate in a related PEBA conference to report back to the Board any related beneficial information.

Chairman Bjontegard reported that he attended the 2013 National Association of Government Defined Contribution Administrators (NAGDCA) annual conference in Kentucky. Overall he gave the conference a B rating as it had a good educational component centered around the best practices of defined contribution plans and was a successful networking experience. The conference highlighted overall industry problems to include lack of policy statements (did not pertain to PEBA), lack of participation by subscribers, poor communications, little engagement with retirees, and small participant contribution percentage. He directed staff to create a list of industry best practices provided at the conference in comparison to PEBA's best practices. He also recommended that the Board review the option of automatic enrollment, the addition of a clearly defined social media plan, and the ongoing effort to collect subscriber's email addresses.

Chairman Bjontegard announced that Ms. Boykin also attended the 2013 NAGDCA Conference and asked her to present a report of her attendance. Ms Boykin recommended that the Board review the following items discussed at the conference:

1. IRS 457 audits will now require documentation ensuring subscribers' contributions are reconciled between the employer and the record keeper. Ms. Boykin recommended that the Retirement Policy Committee insure that PEBA field auditors will complete this reconciliation.
2. A new industry best practice is to consolidate the following plans into one annual statement to include Defined Benefit, Defined Contribution, and any other supplemental retirement plan benefits. There was discussion of consolidating all retirement and insurance benefits annually on one statement.
3. In accordance the Defense of Marriage Act (DOMA), all defined contribution retirement plans must comply with this Act in regards to their distribution provisions.
4. Currently, the US Securities and Exchange Commission (SEC) require all municipal advisors to register by September 30, 2013. This would require the PEBA Board members to register with the SEC. However, there has been discussion of exempting municipal officers such as the Board members because they are receivers of investment information and not investment advisors.
5. IRS 457 audits now require documentation of annual fiduciary training education. There was discussion regarding fiduciary training at the Board's annual retreat.

Following the briefing there was discussion regarding potential online training offered by NAGDCA, NASRA, and NTR.

Mr. Bjontegard reported that the PEBA agency communication survey has been distributed to approximately 16,000 retirement and health insurance subscribers. He will continue to keep the Board updated as survey results are gathered.

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Mr. Bjontegard announced that Senator Leatherman and Representative White will be presenting to the Board during December 2013.

**Director's Report, David Avant:**

Mr. Avant announced that Deloitte Touche has completed their IT Risk Assessment of the PEBA agency and the final report will be summarized at the next FAAC Committee meeting. This concluded the Director's report.

There was discussion about the fact that Executive Session was not on the agenda for this Board meeting. It was decided that it should be on all agendas from this point forward.

Mr. Bjontegard introduced Nathan Strong with the University of South Carolina who presented a summary of survey results gathered from Board Members in regards to prioritizing qualifications of the PEBA Director's job description. It was the will of the Board to send this topic back to the FAAC Committee with the directive of finalizing the job description of the PEBA Agency Director.

**VI. Adjournment**

There being nothing further to discuss, Chairman Bjontegard adjourned the meeting at 3:03 p.m.

**SC Public Employee Benefit Authority  
Board of Directors Meeting**

202 Arbor Lake Drive, Columbia SC, 29223 •Main Conference Room

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**Wednesday, September 18, 2013 – 1:00 P.M.**

**AGENDA**

- 1. Adoption of Proposed Agenda**
- 2. Minutes of Previous Meeting – August 21, 2013**
- 3. Committee Reports**
  - a. Retirement Policy Committee**
  - b. Finance, Administration, Audit & Compliance Committee**
  - c. Health Policy Committee**
- 4. New Business**
- 5. Round Table Discussion**

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

**DRAFT MINUTES**

Wednesday, August 21, 2013 – 1:00 p.m.  
202 Arbor Lake Drive, Columbia SC, Main Conference Room 2nd Floor

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**Board Members Present:**

Mr. Art Bjontegard, Chairman (in person)  
Ms. Peggy Boykin (in person)  
Mr. Frank Fusco (in person)  
Mr. Steve Matthews (in person)  
Mr. Joe "Rocky" Pearce (in person)  
Mr. Audie Penn (in person)  
Mr. John Sowards (in person)  
Sheriff Leon Lott (in person)  
Mr. David Tigges (in person)

**Others present for all or a portion of the meeting:**

David Avant, Lil Hayes, Stephen Van Camp, Justin Werner, Travis Turner, Matt Davis, and Virginia Wetzel from the South Carolina Public Employee Benefit Authority (PEBA); Donald Tudor with the State Retirees Association; Carlton Washington with the South Carolina Employee Association ; Daniel Brennan with the SC State Treasurer's Office; and William Kinney with Mullikin Law Firm.

**I. Call to order**

Chairman Bjontegard called the meeting to order at 1:00 p.m., and Sheriff Lott gave the invocation. Ms. Hayes confirmed meeting notice compliance with the Freedom of Information Act. Mr. Penn moved to adopt the agenda. Sheriff Lott seconded. The agenda was unanimously approved.

**II. Approval of minutes from the last meetings: July 17, 2013 and August 5, 2013**

Chairman Bjontegard asked for amendments to the July 17, 2013 and August 5, 2013 meeting minutes. Mr. Fusco moved to approve the July 17, 2013 meeting minutes. Ms. Boykin seconded. Unanimously approved. Changes were made to the August 5, 2013 meeting minutes. Mr. Penn moved to approve the August 5, 2013 meeting minutes as amended. Mr. Fusco seconded. Unanimously approved.

**III. Committee Reports**

**A. Retirement Policy Committee Report**

**VALIC Funding Changes:** [in notebook materials]

**Action:** Mr. Sowards asked for a motion to approve the VALIC funding changes as recommended by the Retirement Policy Committee. Chairman Bjontegard moved to approve. Mr. Matthews seconded. Unanimously approved.

# SC PUBLIC EMPLOYEE BENEFIT AUTHORITY BOARD OF DIRECTORS

## DRAFT MINUTES

Wednesday, August 21, 2013 – 1:00 p.m.  
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### Retirement Committee Charter: [in notebook materials]

**Action:** Mr. Sowards gave the recommended motion to the Board to approve the Retirement Policy Committee Charter. Chairman Bjontegard noted the motion and called for the vote. Unanimously approved.

#### **Committee Updates:**

The Retirement Policy Committee received an introductory presentation on the Deferred Compensation Program during the meeting held on July 24, 2013. The Committee will continue an in-depth review of the Deferred Compensation Program with presentations from Great West Retirement Services and Segal Consultants during the next scheduled meeting, September 4, 2013.

Two Retirement Policy Committee Members participated in the Optional Retirement Program's quarterly performance call that took place on August 13, 2013. A summary of ORP quarterly performance will be reviewed during the next Committee meeting.

## B. Finance, Administration, Audit and Compliance Committee Report

#### **Internal Auditor:**

The FAAC Committee reviewed comparative information from other States' Internal Auditor positions. The Position Description is still being developed. For the agency organization chart, the Committee recommends to the Board the following motion:

- The Internal Auditor will report directly to the FAAC Committee with a dotted line to the PEBA Director for administrative purposes.
- The FAAC Committee has the authority by the PEBA Board to develop the Internal Auditor position description, job parameters and a proposed Audit Unit structure and tasks.

**Action:** Mr. Matthews moved to approve the motion. Chairman Bjontegard seconded. Unanimously approved.

#### **PEBA's Strategic Plan:**

The FAAC Committee reviewed and amended PEBA's Strategic Plan during their meeting held on August 16, 2013. Committee feedback and changes were incorporated. Further changes were made by the Board.

**Action:** Mr. Matthews moved to approve PEBA's Strategic Plan as amended. Chairman Bjontegard seconded. Unanimously approved as amended.

#### **PEBA Agency's Budget:**

The FAAC Committee reviewed details of the agency's budget during their meeting held on August 16, 2013. There was discussion about information technology needs that will be part of future budget requests. Next month FAAC will review PEBA's budget documents due to the State Budget Office in early October.

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**DRAFT MINUTES**

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**FAAC Committee Charter:**

**Action:** Mr. Matthews moved to approve the FAAC Committee Charter as recommended by the FAAC Committee. Chairman Bjontegard seconded. Unanimously approved.

Mr. Bjontegard noted that each committee may want to incorporate a communication oversight item in each of their charters.

**PEBA's Accountability Report:**

Chairman Bjontegard thanked communications staff for their work in developing PEBA's accountability report. Staff is incorporating changes that were recommended by the FAAC Committee. The amended document will be sent to all Board members for review.

**Board Bylaws:**

Mr. Matthews indicated the FAAC Committee will address the current policy of no participation in executive session by telephone in their next committee meeting.

**C. Health Care Policy Committee Report**

**MUSC PCHM Pilot:**

Mr. Pearce thanked staff and the Board for their work towards the approval of the MUSC Patient Centered Medical Home (PCMH) Pilot Program. Staff confirmed that the pilot program has been submitted as an agenda item for the Budget and Control Board meeting scheduled for September 3, 2013. Staff will report to the PEBA Board any actions taken by the Budget and Control Board. Details of program implementation are in progress in anticipation of the Budget and Control Board's approval.

**PCMH Pilot Programs: Updates**

Travis Turner, Chief of Staff, reported there have been communications with Clemson University, Palmetto Health, SC Coalition on Health, and Midlands Orthopedic to discuss PCMH pilot plan initiatives and introductory plan details. It was noted that PCMH pilot programs with components within the parameters of the current 2014 State Health Plan will not require approval by the Budget and Control Board. All pilot programs are being reviewed by the PEBA Board as they arise. There was discussion about the bundling of health service fee agreements within various pilot programs.

**Telemedicine:** There was discussion regarding the status of the Telemedicine legislation (S. 290) that was not adopted during the 2013 Legislative Session. Mr. Avant advised that the 2014 SC State Health Plan (SHP) does not offer any impediments to "tele-consulting"; the SHP is already reimbursing for these claims.

**Three Year Health Vision:**

Mr. Pearce announced that the Health Care Policy Committee will be reviewing PEBA's three year health vision/initiatives during the month of September. It was noted that PCMH Pilot programs, bundling of health service fees, and future focus on quality outcomes for Centers for Excellence will be major components of the three year health vision.

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BOARD OF DIRECTORS**

**DRAFT MINUTES**

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**IV. New Business**

There were no new business items discussed by the Board.

**V. Round Table Discussion**

Mr. Avant reported that he and Chairman Bjontegard met with Governor Haley on August 6, 2013 to discuss PEBA. An extremely preliminary 2015 State Health Plan budget was presented. It had versions based upon PEBA's current Affordable Care Act (ACA) grandfathered status and also included ACA-compliant options. PEBA's legislative agenda for 2014 was also discussed.

Mr. Pearce inquired about PEBA's current IT Risk Assessment. Mr. Avant advised that Deloitte Touche's final assessment results will be provided to the PEBA Board in early September 2013. There was discussion about seeking International Organization for Standardization Certification (ISO) for PEBA's IT systems.

Based upon feedback from the majority of the PEBA Board, Chairman Bjontegard announced that the 2014 annual retreat will be held February 28, 2013 through March 1, 2014. Mr. Tigges volunteered McNair Law Firm's facilities as the location of the retreat. Chairman Bjontegard asked all Board members continue to provide agenda topics. Staff was directed to begin initial planning for presentations.

Chairman Bjontegard announced that the PEBA Board will be meeting in a new Board room starting in November 2013.

Mr. Fusco asked when the PEBA Board will begin preparing technical amendments to be submitted to the SC General Assembly for the upcoming 2014 Legislative Session. Mr. Avant advised that PEBA staff has generated a list of technical amendments for the Board to review in the next few months.

Mr. Avant announced that PEBA's IT department is exploring the use of Windows tablets or iPads for the PEBA Board members. Chairman Bjontegard requested there be an IT demonstration of each and an overview highlighting the pros and cons of each platform during the October 2013 Board meeting.

**VI. Executive Session Pursuant to S.C. Code of Laws**

At 2:28 p.m., upon a motion by Mr. Sowards and second by Sheriff Lott, the Board voted unanimously to enter into executive session.

Open meeting resumed at 3:20 p.m. following the Executive Session. No action was taken by the Board while in Executive Session.

**VII. Adjournment**

There being nothing further to discuss, Chairman Bjontegard adjourned the meeting at 3:22 p.m.

**PUBLIC EMPLOYEE BENEFIT AUTHORITY  
BOARD AGENDA ITEM  
(Retirement Policy Committee)**

**Meeting Date:** September 18, 2013

**Tab 3**

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- 1. Subject:** SC Deferred Compensation Program (SCDCP)
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- 2. Summary:**

SCDCP is a voluntary defined contribution program offered to employees of the State and other political subdivisions. The program has been in existence since 1977. We will provide an overview of SCDCP and will define roles and responsibilities.

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- 3. What is Board asked to do?** Receive as information.
- 

- 4. Supporting Documents:**

- (a) Attached:**
  1. SCDCP Overview
  2. SCDCP Presentation

The Defined Contribution Unit is responsible for ensuring the successful operation of the defined contribution retirement plans administered by the State of South Carolina. The plans that are currently overseen are the State Optional Retirement Program (State ORP) and the South Carolina Deferred Compensation Program (SCDCP or Program). The Board of Directors of the South Carolina Public Employee Benefit Authority (PEBA) is now the plan sponsor for the State ORP and will become the plan sponsor for SCDCP, effective January 1, 2014.

SCDCP is a voluntary savings option for all State employees and employees of other participating employers. The Program is governed by State statute under Title 8, Chapter 23 and offers 401(k) and 457 plans, both with pretax and Roth savings options. The current investment consultant is **Segal Rogerscasey**, and the current record keeper is **Great-West Retirement Services**. As of June 30, 2013, there were **626** employers in the Program with a total of **102,685** participant accounts. Total assets as of the same date were **\$3,277,667,537**.

PEBA staff responsibilities related to oversight of SCDCP include:

- Ensuring contract compliance, including periodic meetings and bi-weekly calls to discuss open items.
- Reviewing and approving all Program communication pieces and forms, including the Program website ([www.southcarolinadcp.com](http://www.southcarolinadcp.com)). Ensuring the accuracy of Program information provided via the PEBA website.
- Working with investment consultant to monitor compliance with the Investment Policy Statement.
- Communicating with investment consultant to discuss recommended changes and improvements, given industry trends and regulatory requirements.
- Following up on participant or employer issues that escalate to PEBA staff to ensure timely resolution.
- Preparation for and execution of Commission and Committee meetings (through December 31, 2013).
- Coordinating payment of Program expenses. Reconciling forfeiture accounts on a quarterly basis.
- Reconciling revenue share reimbursements on a quarterly basis and unclaimed property accounts on a semi-annual basis.
- Working with external audit firm (currently Elliott Davis, LLC) to prepare and audit annual financial statements and to review agreed-upon procedures, when contracted.
- Participating in annual strategic planning to address industry trends and best practices.
- Directing RFPs for the investment consultant, record keeper, external audit firm, and fiduciary liability insurance broker (currently Alliant Insurance Services).
- Ensuring that plan documents and amendments are completed in a timely manner and in accordance with established guidelines.
- Ensuring Program compliance with IRS and DOL regulations.
- Ensuring that all important documentation is saved in a logical manner on the network drives.

# **South Carolina Deferred Compensation Program**

## **Contracts Schedule**

### ➤ **Investment Consultant – Segal Rogerscasey**

*3-Year Contract with Two Optional 1-Year Renewals*

- **Current Contract Awarded:** November 1, 2011
- **Next Contract Begins:** November 1, 2016 (Assuming Optional Renewals are Exercised)
- **Issue RFP By:** March 1, 2016 (Assuming Optional Renewals are Exercised)
- **Fee:** \$85,000/Year (Guaranteed for First Three Years)
- **Fee Payment:** Equal Installments Billed Monthly In Arrears

### ➤ **Record Keeper – Great-West Retirement Services**

*1-Year Contract with Four Optional 1-Year Renewals*

- **Current Contract Awarded:** January 1, 2010
- **Next Contract Begins:** January 1, 2015 (Assuming Optional Renewals are Exercised)
- **Issue RFP By:** March 1, 2014 (Assuming Optional Renewals are Exercised)
- **Fee:** 11 BPS/Year (Based on Total Balance of Accounts)
- **Fee Payment:** 2.75 BPS Fee Automatically Deducted Quarterly

### ➤ **External Audit Firm – Elliott Davis, LLC**

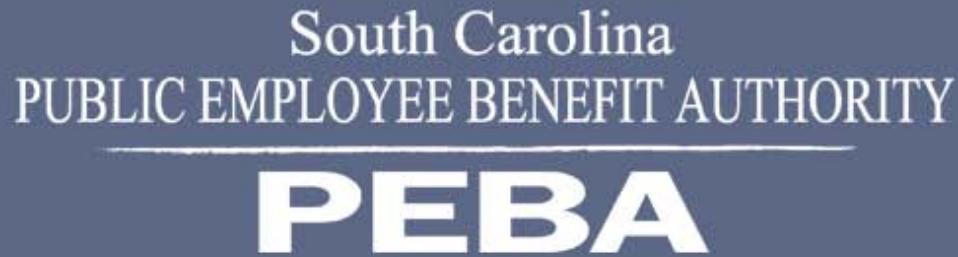
*Contracts Awarded per Engagement (via Letter of Engagement)*

- **Current Engagement Awarded:** April 19, 2013 (Performing 2012 Audit)
- **Next Contract Begins:** January 1, 2015
- **Issue RFP By:** May 1, 2014 (RFP to be performed by State Auditor's Office)

## **PEBA Board Fiduciary Duties**

- Approve Amendments to and Restatements of Plan Documents
- Approve Changes to Investment Policy Statement
- Approve Changes to Investment Options and Features within the Program
- Review Performance of Investment Options on a Quarterly Basis
- Review Plan-Level Reporting and Analysis on an Quarterly Basis
- Review Budget and Financial Statements on an Annual Basis
- Review Strategic Plan and Initiatives on an Annual Basis
- Ensure that Program Remains in Compliance with Federal and State Regulations
- Ensure that Program Adheres to Industry Best Practices as Appropriate

\* PEBA Board may Delegate Duties and Responsibilities to PEBA Staff and/or Third Parties as Appropriate. \*



# **Defined Contribution Unit**

**Deferred Compensation Program  
Overview**

# Defined Contribution Unit

- **State Optional Retirement Program**
- **S. C. Deferred Compensation Program**
  - Effective January 1, 2014

# SCDCP Overview

- **Voluntary Savings Option**
- **401(k) and 457 Plans**
- **Investment Consultant:**
  - Segal Rogerscasey
- **Record Keeper:**
  - Great-West Retirement Services

# Statistics and Eligibility

- **Total Participant Accounts:** 102,685
- **Total Assets:** \$3,277,667,537
- **Eligible Employers:**
  - State Agencies
  - Public School Districts
  - Public Colleges and Universities
  - Political Subdivisions and Other Governmental Entities

# **SCDCP Legislation**

- **Title 8, Chapter 23**
- **Plan Sponsor:**
  - Commission: Through December 31, 2013
  - PEBA Board: Beginning January 1, 2014
- **Fund Additions:**
  - Require Advice and Approval of State Treasurer's Office
- **Employee and/or Employer Contributions**

# **PEBA Board – Scheduled Duties**

- **Quarterly Duties:**
  - Review Investment Options
  - Review Plan-Level Reporting
- **Annual Duties:**
  - Review Budget and Financial Statements
  - Review Strategic Plan and Initiatives

\* As Effective January 1, 2014 \*

# **PEBA Board – Ongoing Duties**

- **Approve Plan Document Changes**
- **Approve Investment Policy Changes**
- **Approve Investment Option Changes**
- **Approve Feature Changes**
- **Ensure Compliance to Regulations**
- **Ensure Adherence to Best Practices**

\* As Effective January 1, 2014 \*

# Questions

**Contact: Matthew Davis**  
**(803) 737-6900**  
**[mdavis@peba.sc.gov](mailto:mdavis@peba.sc.gov)**

**PUBLIC EMPLOYEE BENEFIT AUTHORITY  
AGENDA ITEM**

**Meeting Date:** September 18, 2013

**Tab 4**

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**1. Subject:** Retirement Committee Charter Amended

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**2. Summary:** Amendment to add the following responsibility:  
Oversight of agency communications specifically related to retirement functions.

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**3. What is Board asked to do?** Approve recommended changes to the Retirement Committee Charter.

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**4. Supporting Documents:**

(a) Attached:

1. Retirement Committee Charter as Amended by Committee 9/4/13

## **Retirement Policy Committee Charter**

**[As amended and recommended by the Committee on 9/4/13]**

**(A) Purpose:** To make recommendations and reports to the PEBA Board of Directors (“PEBA Board”) concerning issues arising out of PEBA’s administration of the retirement plans set out in Title 9 of the South Carolina Code of Laws, and after December 31, 2013, the Deferred Compensation Program.

**(B) Authority:** The authority of the Retirement Policy Committee is limited to information-gathering and advice and recommendations to, and on behalf of, the Board, and to ministerial acts. The Committee may invite administrators, consultants, staff, external auditors, and/or others to attend meetings and provide pertinent information as necessary. PEBA Board of Directors Bylaws, Section V(C)

**(C) Composition:** The Retirement Policy Committee shall be established pursuant to the process defined in the PEBA Board of Directors Bylaws.

**(D) Meetings**

- (1) The Retirement Policy Committee will meet as circumstances require upon the call of the Committee Chair.
- (2) Retirement Policy Committee meetings shall adhere to the rules outlined in the PEBA Board of Directors Bylaws and with applicable law.

**(E) Responsibilities:** The Retirement Policy Committee will carry out the following responsibilities:

- (1) Develop a strategic plan for PEBA retirement functions in conjunction with PEBA staff and consultants and make recommendations to the PEBA Board;
- (2) At least quarterly, meet with the PEBA Executive Director, or a designee, regarding the operational and financial performance of the PEBA retirement programs to monitor progress toward strategic objectives and make recommendations to the PEBA Board.
- (3) Review actuarial valuations for the various retirement systems and make recommendations to the PEBA Board;
- (4) Make recommendations to the PEBA Board concerning contribution rates for the various retirement systems;
- (5) Review actuarial assumptions for the various retirement systems on an annual basis and make recommendations to the PEBA Board;
- (6) Monitor the performance of the vendors and funds in the State Optional Retirement Program (State ORP) and make recommendations to the PEBA Board;
- (7) Review the State ORP Investment Policy at least annually and make recommendations to the PEBA Board;
- (8) Make recommendations to the PEBA Board regarding the termination, selection, and retention of funds in the State ORP pursuant to the

- investment benchmarks set forth in the State ORP Investment Policy approved by the PEBA Board;
- (9) Provide the PEBA Board with a recommended replacement fund for the State ORP in the event of a fund termination;
- (10) After December 31, 2013, monitor the performance of the administrator of the S.C. Deferred Compensation Program along with the performance of the funds in the Program and make recommendations to the PEBA Board;
- (11) After December 31, 2013, review the S.C. Deferred Compensation Program Investment Policy at least annually and make recommendations to the PEBA Board; and
- (12) After December 31, 2013, make recommendations to the PEBA Board regarding the termination, selection, and retention of funds in the S.C. Deferred Compensation Program pursuant to the investment benchmarks set forth in the S.C. Deferred Compensation Investment Policy approved by the PEBA Board.
- (13) Oversee agency communications involving areas of Retirement responsibilities.

**As approved and adopted:**

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

By: \_\_\_\_\_  
Arthur M. Bjontegard, Jr., Chairman

By: \_\_\_\_\_  
Frank W. Fusco

By: \_\_\_\_\_  
Stacy Kubu

By: \_\_\_\_\_  
Steve A. Matthews

By: \_\_\_\_\_  
Audie Penn

By: \_\_\_\_\_  
David J. Tigges

Dated: \_\_\_\_\_

By: \_\_\_\_\_  
Peggy G. Boykin, CPA

By: \_\_\_\_\_  
Stephen Heisler

By: \_\_\_\_\_  
Sheriff Leon Lott

By: \_\_\_\_\_  
Joe W. "Rocky" Pearce, Jr.

By: \_\_\_\_\_  
John A. Sowards

**PUBLIC EMPLOYEE BENEFIT AUTHORITY**  
**BOARD AGENDA ITEM**  
(Finance, Administration, Audit and Compliance Committee)

**Meeting Date:** September 18, 2013

**Tab 5**

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**1. Subject: PEBA Agency Budget Request**

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**2. Summary:** State Agency's operating budget and any budget request are due to the Office of State Budget by October 1, 2013.

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**3. What is Board asked to do?** Approve the FY 14/15 Agency budget request as recommended by the FAAC Committee.

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**4. Supporting Documents:**

- (a) Attached:  
1. PEBA Operating Budget - Summary

**SC Public Employee Benefit Authority**  
**FY15 Budget Submission DRAFT**  
**9/3/2013**

Funded Program	FY15 Proposed Budget	Projected FY14 Payroll/Fringe	Projected FY14 Other Operating	Projected Remaining Balance	% Remaining
<b>Administration</b>					
DIRECTOR	\$126,401	\$0		\$126,401	
PUBLIC EMP BENEFIT AUTH	\$132,000	\$132,000		\$0	
CLASSIFIED POSITIONS	\$757,396	\$728,124		\$29,272	
UNCLASSIFIED POSITIONS	\$241,440	\$240,088		\$1,352	
TERMINAL LEAVE	\$125,000	\$125,000		\$0	
<b>Personal Services Total</b>	<b>\$1,382,237</b>	<b>\$1,225,212</b>		<b>\$157,025</b>	<b>11%</b>
OTHER OPERATING EXPENSES	\$3,089,262		\$3,089,262	\$0	
<b>Other Operating Expenses Total</b>	<b>\$3,089,262</b>		<b>\$3,089,262</b>	<b>\$0</b>	<b>0%</b>
<b>Administration Total</b>	<b>\$4,471,499</b>	<b>\$1,225,212</b>	<b>\$3,089,262</b>	<b>\$157,025</b>	<b>4%</b>
<b>Employee Insurance Program</b>					
CLASSIFIED POSITIONS	\$4,279,805	\$4,042,371		\$237,434	
UNCLASSIFIED POSITIONS	\$304,726	\$73,132		\$231,594	
OTHER PERSONAL SERVICES	\$362,000	\$216,899		\$145,101	
<b>Personal Services Total</b>	<b>\$4,946,531</b>	<b>\$4,332,403</b>		<b>\$614,128</b>	<b>12%</b>
ADOPTION ASSISTANCE	\$300,000		\$300,000	\$0	
<b>Adoption Assitance Total</b>	<b>\$300,000</b>		<b>\$300,000</b>	<b>\$0</b>	<b>0%</b>
OTHER OPERATING - 3 yr avg *	\$3,986,663		\$3,716,208	\$270,455	
<b>Other Operating Expenses Total</b>	<b>\$3,986,663</b>		<b>\$3,716,208</b>	<b>\$270,455</b>	<b>7%</b>
<b>Employee Insurance ProgramTotal</b>	<b>\$9,233,194</b>	<b>\$4,332,403</b>	<b>\$4,016,208</b>	<b>\$884,584</b>	<b>10%</b>
<b>Retirement Systems</b>					
CLASSIFIED POSITIONS	\$7,407,599	\$6,664,282		\$743,318	
UNCLASSIFIED POSITIONS	\$650,692	\$282,601		\$368,091	
OTHER PERSONAL SERVICES	\$206,829	\$80,299		\$126,530	
<b>Personal Services Total</b>	<b>\$8,265,120</b>	<b>\$7,027,181</b>		<b>\$1,237,939</b>	<b>15%</b>
OTHER OPERATING - 3 yr avg*	\$4,887,809		\$4,450,712	\$437,097	
<b>Other Operating Expenses Total</b>	<b>\$4,887,809</b>		<b>\$4,450,712</b>	<b>\$437,097</b>	<b>9%</b>
<b>Retirement Systems Total</b>	<b>\$13,152,929</b>	<b>\$7,027,181</b>	<b>\$4,450,712</b>	<b>\$1,675,035</b>	<b>13%</b>
<b>Employer Contributions</b>					
EMPLOYER CONTRIBUTIONS	\$4,472,468	\$4,027,135		\$445,333	
<b>Employer Contributions Total</b>	<b>\$4,472,468</b>	<b>\$4,027,135</b>		<b>\$445,333</b>	<b>10%</b>
<b>GRAND TOTAL</b>	<b>\$31,330,090</b>	<b>\$16,611,931</b>	<b>\$11,556,182</b>	<b>\$3,161,978</b>	<b>10%</b>

\*EIP and Ret. Other Operating

Three year averages less decrease in EIP rent and decrease in Tapfin (\$200k). Also less building maintenance, postage, admin travel and other administrative expenses which have been moved up to Administration.

Includes set aside of \$3.2 million for systems upgrade. Assessment to be done in FY14 with outcome unknown at this time.

**PUBLIC EMPLOYEE BENEFIT AUTHORITY**  
**BOARD AGENDA ITEM**  
(Finance, Administration, Audit and Compliance Committee)

**Meeting Date:** September 18, 2013

**Tab 6**

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**1. Subject: PEBA Bylaws - Amendment**

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**2. Summary:** The FAAC Committee recommended the following amendment:

Bylaws. Section IV, D, ii.

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. What is Board asked to do?** Approve the amended Bylaws as recommended by the FAAC Committee.

---

**4. Supporting Documents:**

- (a) Attached:  
1. PEBA Bylaws as amended by FAAC 9.6.13

**SOUTH CAROLINA PUBLIC EMPLOYEE BENEFIT AUTHORITY**  
**BOARD OF DIRECTORS**  
**BYLAWS**  
**(RECOMMENDED AS AMENDED BY FAAC 9/6/13)**

**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, after December 31, 2013, its deferred compensation program.

**II. BOARD MEMBERSHIP**

**A. COMPOSITION**

- i. Members of the Board are “public officers” and “public officials” under the Code of Laws of South Carolina 1976, as amended.
- ii. 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.
- iii. At any regular meeting of the Board that includes a newly appointed or re-appointed Board member, it shall be announced on the record and included in the minutes that each such new or re-appointed members has complied with Section II.A.ii above.
- iv. Copies of records of appointments and of notarized oaths of all Board members will be maintained as exhibits to the meeting minutes.

**B. TERM OF OFFICE**

- i. Board members will serve for the periods determined in accordance with the Governing Law.
- ii. 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.ii 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**

- i. 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.
- ii. 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**

- i. The Chairman of the Board or the Executive Director of PEBA or any two members of the Executive Committee 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.
- ii. 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.
- iii. 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**

- i. 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.
- ii. 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. No A member or non-member may participate in Executive Session by telephone provided the member participant provides assurance to the Board or Committee, reflected in the minutes of the meeting, that no uninvited non-member person is present and able to listen to the Executive Session portion of the meeting.

- iii. 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.

## **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 committee members shall be annual and shall run from July 1 through the succeeding June 30; provided, however, that committee members shall serve at the pleasure of the Chairman. Each committee shall have a chairman who shall be appointed by the Chairman of the Board. Each committee may appoint one or more non-Board members to serve as 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. Such non-Board members may vote only on committee matters and may not vote at meetings of the Board as a whole.

### **B. REQUIRED PROCEDURES**

The provisions of these By-Laws that govern meetings, notice and waiver of notice, executive sessions, and voting requirements of the Board apply to committees and their members. 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 after December 31, 2013, 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.

**G. EXECUTIVE COMMITTEE**

The Executive Committee consists of the Board's Chairman, and the Chairmen of the Finance, Administration, Audit and Compliance Committee, the Retirement Policy Committee, and the Health Care Policy Committee. The Executive Committee shall be responsible for evaluations of performance and changes in compensation for the Board's Executive Director.

**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. At its regularly scheduled meeting in January 2014, the Board shall select one of its nonrepresentative members to serve as Chairman until the election held in July 2014. Beginning with the regular meeting scheduled for July 2014, 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 the ensuing twenty-four months. 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.
- 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 the ensuing twenty-four months. 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. 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 By-Laws 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.

South Carolina  
PUBLIC EMPLOYEE BENEFIT AUTHORITY  
**PEBA**

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- 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. As indicated by the signatures of the Board members below, these Bylaws were adopted by a majority of the Board members at a duly convened meeting of the Board on November 21, 2012.
- 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 FOIA. 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.

South Carolina  
PUBLIC EMPLOYEE BENEFIT AUTHORITY  
**PEBA**

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As approved and adopted:

**THE BOARD OF DIRECTORS FOR THE  
SOUTH CAROLINA PUBLIC EMPLOYEE BENEFIT AUTHORITY**

By: \_\_\_\_\_ By: \_\_\_\_\_

By: \_\_\_\_\_

Dated: \_\_\_\_\_

**PUBLIC EMPLOYEE BENEFIT AUTHORITY**  
**BOARD AGENDA ITEM**  
(Finance, Administration, Audit and Compliance Committee)

**Meeting Date:** September 18, 2013

**Tab 7**

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- 1. Subject:** PEBA Travel Policy  
PEBA Education Policy

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- 2. Summary:** The FAAC Committee recommends the attached Travel & Education Policies.

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- 3. What is Board asked to do?** Amend and/or approve the Travel and Education Policies as recommended by the FAAC Committee on 9.6.13.

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- 4. Supporting Documents:**
  - (a) Attached:
    1. PEBA Travel Policy
    2. PEBA Education Policy

**South Carolina Public Employee Benefit Authority**  
**Board of Directors Travel Policy**  
[Recommended by the FAAC Committee 9/6/13]

**GENERAL TRAVEL AUTHORIZATION**

From time to time, it may be necessary for members of the Public Employee Benefit Authority Board of Directors to travel on behalf of the Board. Travelers will be reimbursed for travel expenditures in compliance with the PEBA Board of Directors travel policy and applicable state laws and regulations. Adequate documentation must exist to allow for verification of expenditures.

All travel by the Board of Directors must be pre-approved by the Chairman of the Board or his designee. Travel should be for the purpose of fulfilling the educational requirements set forth by the Continuing Education Policy or performing due diligence when necessary.

All reimbursements should be submitted on an approved travel voucher. Travel vouchers submitted for reimbursement are required to have the signature of the traveler certifying that the amounts are true and correct and conform to state and federal laws, rules and regulations. All signatures must be original or in an approved electronic format (faxed or electronic mail). No stamped signatures will be accepted. The reimbursement must be approved by the Chairman of the Board or his designee. This approval certifies that the Chairman or his designee is aware of the Board member's travel and that the expenditures appear reasonable.

When a Board member files for reimbursement of travel expenditures, the member is certifying that:

1. The member has followed the PEBA Board of Directors travel policy;
2. The member has not, and will not, receive reimbursement for the expenditures from any other entity outside PEBA;
3. All expenditures are business-related; and,
4. That all supporting documentation has been provided to PEBA.

Travelers are expected to exercise the same judgment when making travel arrangements and expenditures that a prudent person would exercise if traveling on personal business. As a steward of the retirement and insurance funds entrusted to PEBA, each individual should use the following guidance when traveling:

- Excess costs, circuitous routes, delays or luxury accommodations unnecessary or unjustified in the performance of an assignment are not considered exercising prudence.
- Travel by commercial airlines should be in coach or tourist class.

- Automobile transportation may be used when common carrier transportation cannot be arranged satisfactorily, or to reduce expenses when two or more Directors or staff travel together.
- Transportation to or from points of arrival and departure should be by the most economical method.

## SPECIFIC TRAVEL GUIDELINES

### LODGING

Lodging arrangements are the responsibility of the traveler and will be reimbursed as part of the lodging expenses upon completion of the trip. In some instances, prepayment of lodging expenses may be approved.

For all approved travel, the traveler will be allowed reimbursement for actual expenses incurred for lodging, not to exceed the current maximum lodging rates, excluding taxes, established by the U.S. General Services Administration ([US General Services Per Diem Rates \[www.gsa.gov/perdiem\]](#)). The Chairman may approve lodging reimbursements above the applicable GSA rate (US General Services Per Diem Rates [www.gsa.gov/perdiem]) where appropriate, taking into consideration location, purpose of travel or other extenuating circumstances. Any such exception must be made in writing.

Lodging expenses will be allowed subject to the following guidelines:

- When payment is made to the hotel/motel, documentation should include an original itemized receipt.
- When payment is made through an internet provider (i.e. hotels.com, hotwire.com), documentation should reflect the name and location of the lodging and the amount of payment. If payment is not indicated, another source of documentation may be used to adequately document the expense.
- Only actual lodging expenses (plus applicable taxes) will be reimbursed; however, the more moderately priced accommodations should be requested when a choice is available.
- Travelers should request a state or government rate when available.
- No reimbursement should be made for overnight lodging within 50 miles of the traveler's official headquarters or residence.
- All necessary and reasonable tips for baggage handling will be reimbursed.

### MEALS

While on official travel, travelers will be reimbursed for the actual expenses incurred in the obtaining of meals except that such costs shall not exceed the maximum daily meal

reimbursements established by state law and regulation, which, for 2013-2014, have been set at \$25.00 per day for in-state travel and \$32.00 per day for out-of-state travel.

If meals are provided as part of a convention, meeting, or conference, the per diem rate will be reduced for the corresponding meals that were provided.

#### MISCELLANEOUS EXPENSES

Travelers will be reimbursed for all reasonable costs associated with taxi fare, tips, tolls and portage.

Movies, bar bills, laundry, room service, health or spa fees, and the like will not be subject to reimbursement on the travel expense report. These expenses are considered personal in nature and should be paid by the traveler.

#### RECEIPTS

Travelers must submit receipts for expenditures of \$5 or more, except for meals, taxi fare, tips, tolls and portage. All receipts and paid bills should be originals. In rare occasions, a receipt may not have been provided to the traveler or the traveler may misplace the receipt. If originals are not available or documentation is inadequate, a detailed explanation signed by the authorized signer may be substituted.

#### REGISTRATION FEES

Registration fees in the amount necessary to qualify individuals to attend conventions, meetings, and conferences are allowed. These fees can be prepaid. If the registration is prepaid by the traveler or paid at the time of registration of the meeting, reimbursement will be made after the trip is completed.

#### REIMBURSEMENT PROCEDURES

Travel reimbursement requests should be filed:

- within 60 calendar days of completion of the trip or at least quarterly for local trips of a repetitive nature; and,
- within the same fiscal year in which the trip occurred (if feasible).

#### SPOUSAL TRAVEL

Travel expenses for spouses, friends, or other individuals not traveling on official PEBA Board business are not reimbursable. Any fees (such as registration fees) paid in advance by PEBA for such individuals will be offset against any travel reimbursement requests.

## TRAVEL BY AUTOMOBILE

Travelers may use their own automobiles for official travel, provided PEBA will incur no added expenses above that of other forms of transportation available.

Reimbursement for personal automobiles will be based on the standard mileage rate set by the Internal Revenue Service (for current rates, see the IRS Standard Millage Rates [<http://www.irs.gov/Tax-Professionals/Standard-Mileage-Rates>]).

No reimbursement will be made for fines related to moving or non-moving violations.

Mileage between a traveler's residence and his/her place of employment is not subject to reimbursement. However, when a traveler leaves on a business trip directly from his/her residence, and does not go by his/her place of employment, the employee shall be eligible for reimbursement for actual mileage beginning at his/her residence.

## TRAVEL BY COMMON CARRIER

Transportation for individuals traveling alone should be by common carrier (i.e., airline, train, bus, etc.) whenever practical. Advantages of reduced round-trip rates must be taken when available. Travel must be by the most direct route possible. Individuals traveling by an indirect route must bear any additional expenses. However, when discount fares are available which result in a savings to PEBA by extending a trip using personal time, the reimbursement will be limited to the lesser of the actual expenses incurred (subject to the limitations contained herein, such as meal allowances, mileage rates, etc.) or the amount that would be incurred for the business portion only. The calculations for the business portion of the trip must be made using the least expensive rates available.

Travel by airplane is recommended when the cost of the traveler's time is an important factor or where the travel time by other methods would increase the subsistence expense. Accommodations should be limited to tourist or economy class.

Expenses for travel by common carrier will be allowed subject to the following guidelines:

- DIRECT PAYMENT BY PEBA  
Air transportation tickets may be purchased in advance from a travel agency or an air carrier directly by PEBA. A credit card should be used for prepayment of airline tickets.
- INITIAL PAYMENT BY THE INDIVIDUAL  
Travelers who choose to purchase their tickets must secure reimbursement through a travel voucher after travel is completed. No reimbursement for reduced-fare advance purchase tickets will be made to travelers prior to completion of travel because direct payment by PEBA is available.
- FREQUENT FLYER PROGRAM

Travelers, while in official travel status, shall select air carriers based on the cost and time criteria, not on whether frequent flyer premiums are given. Travelers earning frequent flyer premiums while on state business must use them to reduce the cost of subsequent business travel whenever possible.

- **ADEQUATE DOCUMENTATION**

In order for the traveler to receive reimbursement, adequate documentation reflecting the ticket cost, dates, and destination must accompany the travel voucher. This may be accomplished via one or several of the following: boarding pass, copy of a printed ticket, or print-out from internet purchase.

Baggage fees charged by common carriers will be reimbursed to the extent that the amount of baggage in use is reasonable for the length of the trip. Receipts for such fees must be provided in order for them to be reimbursed to the traveler.

#### **UNAUTHORIZED COSTS**

Travelers will be responsible for unauthorized costs and any additional expenses incurred for personal preference or convenience.

**South Carolina Public Employee Benefit Authority**  
**Board of Directors Continuing Education Policy**  
[Recommended by the FAAC Committee on 9/6/13]

The Public Employee Benefit Authority Board of Directors recognizes its fiduciary responsibility to remain aware of significant current events impacting the retirement and insurance programs administered by PEBA and to be well-informed and educated on topics related to those programs, including best practices for the programs. Accordingly, the purpose of this policy is to promote high professional standards of trusteeship by the Board of Directors and to assure the participants of PEBA's retirement and insurance plans of the Board's continuing professional competence, consistent with prevailing industry standards.

1. Board members shall attend one or more educational training programs or conferences within one year of taking office or appointment. Thereafter, members may attend one or more educational training programs or conferences every year, but shall attend at least one educational training program or conference every two years. Training sessions provided by PEBA staff, its consultants, or other experts at PEBA Board meetings and retreats may, in the discretion of the Chairman of the Board, be considered training programs that meet the requirements of this section. As nearly as practical, members shall participate in no less than 15 hours of approved continuing education activity in each fiscal year, or no less than 30 hours every two fiscal years.
2. Any educational training programs or conferences shall be pertinent to the retirement and insurance plans administered by PEBA, and attendance at any such programs or conferences must be approved by the Chairman of the Board. Registration fees for these educational programs or conferences and associated travel expenses will be paid by PEBA in accordance with the Board's travel policy and applicable state laws and regulations in effect at the time of travel.
3. The terms of this policy may be suspended or modified at the discretion of the Chairman of the Board, owing to the non-availability of funding or other limitations.

**PUBLIC EMPLOYEE BENEFIT AUTHORITY  
BOARD AGENDA ITEM  
(Health Care Policy Committee)**

**Meeting Date:** September 18, 2013

**Tab 8**

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- 1. Subject: PEBA Strategic Plan  
Health Care Policy Committee Charter**

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- 2. Summary:** The Health Committee is the last committee to review the Board's Strategic Plan. They will review and recommend any changes during their meeting which is scheduled September 18, 2013 (morning of the Board meeting). Should they make any changes to the plan it will be recommended to the Board.

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- 3. What is Board asked to do?**  
Strategic Plan: Review and approve recommendation by the Health Committee.  
  
Health Policy Committee Charter: Review and approve recommendation by Health Committee.

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- 4. Supporting Documents:**
  - (a) Attached:
    1. PEBA Strategic Plan. Approved by Board on 8.21.13.
    2. Health Care Policy Committee Charter. Recommended 9.18.13

South Carolina Public Employee Benefit Authority  
Strategic Plan: 2013-2014  
[As approved by the PEBA Board on 8.21.2013]

**PART I – BASIC PRINCIPLES**

**Mission/Vision Statement**

The mission of the South Carolina Public Employee Benefit Authority is to offer and administer a comprehensive program of retirement and insurance benefits for public employees in South Carolina. In establishing or recommending the design of benefits to be offered, the Public Employee Benefit Authority seeks to provide the retirement and insurance components of an overall compensation package for public employees that will allow South Carolina governmental employers to compete, on a cost-effective basis, for the excellent employees needed to provide high-quality government services to the citizens of the State of South Carolina. In administering these benefits, the Public Employee Benefit Authority seeks to effectively and efficiently operate sustainable retirement and insurance plans in accordance with the terms of those plans and its fiduciary duties to the beneficiaries of those plans.

**Core Values**

- **Quality Customer Services and Products** – We consistently provide outstanding products and excellent customer services, as defined by our customers, and we strive for continuous improvement. Our interaction with customers is fair, fast, simple, and comprehensible.
- **Innovation** – We are receptive to and flexible with the changing environment and the evolving world of technology. We welcome challenges, embrace innovation, and encourage creativity.
- **Professionalism** – We perform our work with honesty, integrity, and loyalty. We are committed to performance that is credible, thorough, competent, and worthy of customer confidence.
- **Strong Workforce** – We are committed to having a strong workforce, with our employees placed in the right positions, well-trained, and motivated to consistently achieve high performance.

**Strategic Objectives**

At the broadest level, PEBA's strategic objectives are to:

- Create an organization driven by the pursuit of excellence in all areas.

- Design and implement an updated health care plan that focuses on improving health outcomes and reducing costs.
- Provide for the efficient and cost effective administration of the retirement systems for active and retired members of the systems.
- Ensure the highest fiduciary, legal and ethical standards are known and applied across the organization.

**Expected Results**

PEBA expects that, by pursuing the goals and objectives set out in this and future strategic plans, it will achieve the following results:

- Satisfied members, beneficiaries and stakeholders
- Engaged employees
- Improved fiscal and financial positions of the plans and programs administered by PEBA
- Long-term success for South Carolina's governmental employee insurance and retirement plans

**PART II – SPECIFIC INITIATIVES**

**I. STRATEGIC PLANNING**

This Section addresses how PEBA pursues strategic planning and how PEBA will implement the strategies and goals developed during the process.

**Strategic Issue:** Strategic Planning: PEBA should establish a robust, ongoing strategic planning process. Ultimately, PEBA intends to apply for, and receive, the Governor's Quality Award and the national Malcolm Baldrige Award.

*Goal:*

1. Annually, PEBA will conduct an organized process to create and update a comprehensive strategic plan.

*Broad Strategies*

1. Conduct a learning phase to identify the key stakeholders in PEBA's activities and to analyze the expectations of those stakeholders for PEBA and PEBA's expectations for those stakeholders.
2. Conduct an analysis of PEBA's strengths, weaknesses, opportunities, and threats, both in the near- and long-term.
3. Develop strategic issues, goals, strategies, and action plans based upon those analyses.

4. Deploy the strategic plan through:

- Communication
- Workforce planning/education
- Performance reviews
- Detailed action plans for all key areas

The strategic plan was developed, and will be deployed, under the process set out in this section. An action plan has been developed based on the issues, goals and strategies identified in this plan with the appropriate departments of PEBA tasked with necessary action steps.

***II. LEADERSHIP AND GOVERNANCE***

This section addresses how PEBA's Board of Directors and executive management define PEBA's mission, purpose, future vision, and the values by which PEBA will be managed.

For the 2013 – 2014 plan, the following goals and strategies have been established:

**Strategic Issue:** Governance: PEBA operates in a complex statutory framework that involves multiple governmental bodies, including the PEBA Board of Directors, the General Assembly, the Budget and Control Board, and the South Carolina Retirement System Investment Commission. It is important that PEBA satisfies all of its statutory and fiduciary duties responsibilities and effectively manages its relationships with other governmental entities.

*Goals*

1. The fiduciary responsibilities of the Board and its committees are clearly defined and they are able to satisfy them.
2. The PEBA Board is provided with education regarding its role as a Board of Trustees, and the Board focuses on policy-level activities under their authority.
3. The PEBA Board has confidence in the administrative abilities of the PEBA staff.
4. The PEBA Board speaks with one voice through the Board or committee chairs so as to not dilute its authority.
5. The PEBA Board anticipates and develops creative solutions to challenges faced by public employee insurance and retirement plans.
6. PEBA maintains an engaged and open relationship with the South Carolina Retirement System Investment Commission, the Budget and Control Board, and the South Carolina Executive and Legislative Branches of government.

*Broad Strategies*

1. Conduct regular and consistent Board training.
2. Develop fiduciary responsibility guidance and training.
3. Develop and periodically review committee by-laws and charters.
4. Refine communication process between Board, committee chairs, and PEBA staff.
5. Prioritize goals.
6. Develop the agency's governmental relations functions
7. Continue to enhance the relationship between PEBA and the RSIC to ensure that all necessary information is exchanged.

**III. CUSTOMER FOCUS**

This Section addresses how PEBA intends to provide the best quality service to its stakeholders. These stakeholders include participants and dependents covered by its insurance plans, members and beneficiaries of its retirement systems, and interested governmental parties, including participating governmental employers in the plans, the South Carolina General Assembly, the South Carolina Budget and Control Board, and the South Carolina Retirement System Investment Commission.

**Strategic Issue:** Communication: PEBA stakeholders do not have a full understanding of the issues surrounding the provision of benefits to public employees in South Carolina.

*Goals*

1. Stakeholders understand the rationale behind policy decisions regarding PEBA products and services.
2. Members are educated on the nature of their benefits in order to make sound decisions regarding their benefit plans and service choices.
3. Internal staff is informed of policy decisions and understand the impact on their work.

*Broad Strategies*

1. Evaluate current mechanisms of communication with stakeholders.
2. Utilize various, cost-effective mechanisms of communications.
3. Begin monthly management meetings with line managers and summarize and share results with employees.

4. Notify and update staff of the availability of Board meeting minutes and summarize important issues.

**Strategic Issue:** Service: PEBA strives for continuous improvement of the level of service provided to members and benefits administrators.

*Goals*

1. Members and benefits administrators are able to receive services through a “one-stop shop”.
2. PEBA services are rated both cost effective and of high quality.

*Broad Strategies*

1. Benchmark services to identify gaps.
2. Cross-train employees.
3. Have one office location.
4. Enhance communication regarding value of benefits.
5. Seek feedback from members regarding plans provided and allocation of benefits.
6. Ensure adequate competencies and continuous improvement by providing education and training of PEBA employees to stay current on trends and issues.
7. Offer flexible service and communication mechanisms

**IV. PLAN MEASUREMENT AND ANALYSIS**

This section addresses how PEBA measures the performance and funding of the plans and programs it administers. The Section also addresses how PEBA analyzes performance data in order to make decisions regarding future directions for the plans and programs.

**Strategic Issue:** Funding and Quality of the Plans: PEBA has 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.

*Goals*

1. Provide the maximum competitively-necessary benefit within the available resources on the most cost-efficient basis.
2. Plans are equitable.

3. Funding mechanisms established for the plans are fiscally sound.
4. There is progress toward eliminating unfunded liability.
5. Contributions are predictable and reasonable.
6. ORP participants are retirement-ready
7. PEBA Board will be ready to assume Deferred Compensation duties on January 1, 2014

*Broad Strategies*

1. Conduct experience studies to set reasonable assumptions.
2. Conduct annual valuations.
3. Obtain audited financial statements.
4. Coordinate and communicate with RSIC on liquidity needs and liability requirements.
5. Pilot patient-centered medical homes (PCMH).
6. Make appropriate changes to health plan design to improve health outcomes and reduce costs, including changes designed to reduce member behaviors that negatively affect health outcomes.
7. Have appropriate contracts in place and monitor vendor and provider performance for both the insurance and retirement plans.
8. Ensure plans are in compliance with applicable federal and state rules and regulations.
9. Develop a rolling three-year plan for health insurance plans.
10. Develop an internal capability to collect and analyze health care data.
11. Ensure employer and member compliance with plan requirements.
12. Focus education for ORP participants on retirement readiness
13. Adopt best practices concerning plan ORP offerings and structure
14. PEBA Board of Directors assumes trustee role for South Carolina Deferred Compensation Program

**V. WORKFORCE PLANNING**

This Section addresses how PEBA intends to build a strong workforce, slot people in the right positions, train them, and keep them motivated or engaged to consistently achieve high performance.

**Strategic Issue:** Workforce Planning: 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. PEBA has the additional challenge of integrating separate work units into one agency.

*Goals*

1. PEBA has the ability to recruit and maintain a stable, sufficient, and proficient workforce to carry out the strategic goals of the agency.
2. PEBA employees function as one agency.
3. Integrate EIP and Retirement staffs' functions and responsibilities as appropriate.

*Broad Strategies*

1. Develop a workforce plan to include succession planning and career management.
2. Initiate employee engagement activities
3. Initiate and continually update employee training related to maintaining necessary skills and improving systems and processes.
4. Create a “best place to work” environment.

**VI. OPERATIONS MANAGEMENT**

This Section addresses how PEBA will improve its work systems. Work systems consist of both human resources and technological elements. The human resource elements and processes have been addressed in Sections III and V above. For information technology, PEBA’s plan for 2013 – 2014 is as follows:

**Strategic Issue:** Information Technology: The agency is currently operating two separate, aging information systems- one for the retirement system and one for the insurance program.

*Goals*

1. PEBA will have a new, integrated system that improves efficiency in operations and effectiveness in service delivery.
2. PEBA will, at all times, ensure that its information technology resources are deployed in the most safe and secure manner feasible.

*Broad Strategies*

1. Conduct IT assessment and seek ISO certification (International Organization for Standardization).
2. Educate policy makers on needs and costs of system
3. Implement assessment recommendations
4. Ensure systems support of agency's analytical needs.

## **Health Care Policy Committee Charter - DRAFT 9/18/13**

**(A) Purpose:** To make recommendations and reports to the PEBA Board concerning issues arising out of PEBA's administration of the insurance plans authorized in Chapter 11 of Title 1 of the South Carolina Code of Laws.

**(B) Authority:** The authority of the Health Care Policy Committee is limited to information-gathering and advice and recommendations to, and on behalf of, the Board, and to ministerial acts. The Committee may invite administrators, consultants, staff, external auditors, and/or others to attend meetings and provide pertinent information as necessary. PEBA Board of Directors Bylaws, Section V(C)

**(C) Composition:** The Health Care Policy Committee shall be established pursuant to the process defined in the PEBA Board of Directors Bylaws.

### **(D) Meetings**

- (1) The Health Care Policy Committee will meet as circumstances require upon the call of the Committee Chair.
- (2) Health Care Policy Committee meetings shall adhere to the rules outlined in the PEBA Board of Directors Bylaws and with applicable law.

**(E) Responsibilities:** The Health Care Policy Committee will carry out the following responsibilities:

- (1) Develop a strategic plan for PEBA insurance functions in conjunction with PEBA staff and consultants and make recommendations to the PEBA Board;
- (2) At least quarterly, meet with the PEBA Executive Director, or a designee, regarding the operational and financial performance of the PEBA insurance programs to monitor progress toward strategic objectives and make recommendations to the PEBA Board;
- (3) No later than October of each year, develop recommendations to the PEBA Board concerning a proposed State Health Plan design for the Plan Year beginning fourteen months later;
- (4) No later than November of each year, develop recommendations to the PEBA Board concerning proposed premiums for the proposed State Health Plan for the Plan Year beginning thirteen months later for purposes of the State's budgeting process;
- (5) No later than July of each year, considering the final State budget, make recommendations to the PEBA Board regarding the final State Health Plan design and final premiums for the State Health Plan for the Plan Year beginning six months later; and
- (6) Receive information from the actuaries concerning the Other Post Employment Benefits (OPEB) valuations for retirees in the State Health Plan and for beneficiaries of Long-Term Disability benefits and make recommendations to the PEBA Board.

(7) Oversee agency communications involving areas of Health Care responsibilities.

**As approved and adopted:**

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

By: \_\_\_\_\_

Arthur M. Bjontegard, Jr., Chairman

By: \_\_\_\_\_

Frank W. Fusco

By: \_\_\_\_\_

Stacy Kubu

By: \_\_\_\_\_

Steve A. Matthews

By: \_\_\_\_\_

Audie Penn

By: \_\_\_\_\_

David J. Tigges

Dated: \_\_\_\_\_

By: \_\_\_\_\_

Peggy G. Boykin, CPA

By: \_\_\_\_\_

Cynthia A. Hartley

By: \_\_\_\_\_

Sheriff Leon Lott

By: \_\_\_\_\_

Joe W. "Rocky" Pearce, Jr.

By: \_\_\_\_\_

John A. Sowards

**PUBLIC EMPLOYEE BENEFIT AUTHORITY  
BOARD AGENDA ITEM  
(Health Care Policy Committee)**

**Meeting Date:** September 18, 2013

**Tab 9**

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**1. Subject: 3 Year Health Vision**

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**3. What is Board asked to do?** Receive as information.

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**3. Supporting Documents:**

- (a) Attached:  
1. 3 Year Health Vision - PowerPoint

# **STATE OF SOUTH CAROLINA**

## **Public Employee Benefits**

## **Authority**



**EMPLOYEE INSURANCE PROGRAM  
2014 TO 2017 STRATEGIC PLANNING**

# Agenda

2

- Background
  - Current situation and key decisions
- Summary of Health Care Benefits Strategy
  - Studies, potential changes, measurements
- 2013-2015 Activities
  - Major projects in support of the strategy
- Potential Plan Design Alterations–2016
- Potential Fiscal Effect
- Discuss and Evaluate Programs and Alternatives

# Background

3

- The State Health Plan:
- **Statutory governance: 1-11-710.** make available to active and retired employees of this State and its public school districts and their eligible dependents group health, dental, life, accidental death and dismemberment, and disability insurance plans and benefits in an equitable manner and of maximum benefit to those covered within the available resources;
  - Covers 440,000 members
  - Mission
    - Helps protect people financially in the event of serious illness or injury
    - Makes it easy to improve and maintain health
    - Is efficient for the State
    - Costs employees amounts that are consistent with or lower than the amounts charged by other large employers
  - Currently, medical and pharmacy benefits cost \$2.1 Billion per year

# Summary of Short-Term Strategy 2013-2014

4

- Conduct Core Pilot Studies
  - Patient-Centered Medical Homes (PCMH)
    - Encourages partnership between patients, providers, and families
  - Accountable Care Organizations (ACO)
    - An integrated hospital and physician approach to care management
  - Payment Reform
    - Investigate alternative methodologies
  - Value-Based Benefit Design
    - Investigate barriers to effective care
  - Pay for Performance
    - Investigate innovative ways to provide incentives for higher performance

# Summary of Short-Term Strategy 2013-2014 (Continued)

5

- Identify hospitals and physicians for a three-tier structure
  - High-performance
  - In-network
  - Out-of-network
- Develop and identify how to track program baselines to measure effectiveness in 2014-2016

# Summary of Short-Term Strategy

## 2015

6

- Comply fully with the Patient Protection and Affordable Care Act
  - Adopt U.S. Preventive Care Task Force coverage recommendations
  - Implement cost-sharing
- Implement plan design adjustments—in addition to the USPCTF preventive coverage—to the Standard Plan

# Summary of Short-Term Strategy 2015 (Continued)

7

- Restructure the Savings Plan to be a more mainstream Health Savings Account
  - Allow a State contribution into an employee-controlled account
  - Account may be used to pay for or be reimbursed for legally allowed expenses
- Measure and report performance and indicators according to the baselines identified in 2013 and 2014

# Summary of Short-term Strategy

## 2016

8

- Accountable Care Organizations and Patient-Centered Medical Homes will be added to the Standard Plan and the revised Savings Plan
- Implement three provider tiers (High Performance, In-Network, Out-of-Network) to the Standard Health Plan
- Identify additional helpful performance indicators to measure
- Continue to measure and report performance and indicators according to the baselines identified in 2013 and 2014

# 2013-2015 Activities

9

- Ongoing Pilot Projects
  - PCMH
    - Members select a medical home
    - That practice coordinates medical care
    - Practices participate in shared savings based on meeting agreed upon quality metrics
    - Implementation of the MUSC pilot project is proceeding and will provide a roadmap for other PCMH projects.
  - ACO
    - Typically associated with large urban hospitals (broad array of affiliated physicians)
    - Members select ACO, ACO becomes responsible for coordinating care
    - Depending on the set-up, ACO may participate in shared savings based on meeting agreed upon quality metrics
    - Currently in discussions with Palmetto Health regarding a number of approaches including global payments for selected procedures.

# 2013-2015 Activities (Continued)

10

- Develop PCMH and ACO Participation Criteria
  - PEBA will develop parameters based on qualification standards, contracting approach, and procurement approach
- Develop PCMH, ACO, and High-Performance Quality Metrics
  - PEBA will identify and test measures to evaluate appropriateness and performance
- Develop PCMH and ACO reimbursement strategy, investigating
  - Fee-for-service
  - Capitation
  - Case rates
  - Hybrid approach

# 2013-2015 Activities (Continued)

11

- Develop High-performance Network Criteria
  - Devise cost- and quality-based criteria for
    - ✖ Participation
    - ✖ Reimbursement strategy
- Investigate payment reform
  - Develop alternative payment methodologies, including
    - ✖ Global case rates
    - ✖ Pay-for-performance
    - ✖ Capitation
    - ✖ Other approaches considered to be more innovative

# 2013-2015 Activities (Continued)

12

- **Develop Risk Adjustment Approach**
  - Strategy: Accurately assess provider and plan performance
  - Tactic: Devise and implement approaches to measure differences in risk across
    - ✖ Providers
    - ✖ Products
    - ✖ Populations
    - ✖ Other salient factors

# 2013-2015 Activities (Continued)

13

- **Conduct Analysis of Value-based Benefits**
  - Identify plan design features that would remove barriers to care
  - Especially for those conditions/treatments that significantly affect the State Health Plan
- **Contribute to communication and sensing activities**
  - Gather information from or disseminate information to key stakeholders
    - ✖ To devise effective and streamlined communication and implementation strategies

# 2016 Plan Design Offerings

14

- **Highly Managed Plans**
  - ACO—offer coverage outside of ACO only for emergencies
  - PCMH—offer higher level of benefits for physician-coordinated care
  - Richer plan designs in return for higher levels of management and/or lower levels of provider selection
- **Standard Plan**
  - Three-tier network approach
  - Highest level of benefits in the high performance network, followed by in-network, and lowest level of benefits out-of-network
- **Revised Savings Plan**
  - State contribution to employee-controlled Health Savings Account
- **Value-Based Benefits**
  - All plan designs will include plan features that discourage low value benefits and encourage high value benefits
- **Premium Strategy**—steerage based on employee contribution

# Fiscal Effect

15

- Healthcare expenditures
  - Immediate (plan costs)
  - Long term (avoided care and improved health)
- Productivity
- Challenges
  - Strictly adhere to statutory requirements, while
  - Making the best decisions for the State Health Plan, and
  - Minimizing the negative effect on constituencies

# **STATE OF SOUTH CAROLINA**

## **Public Employee Benefits**

## **Authority**



**EMPLOYEE INSURANCE PROGRAM  
2014 TO 2017 STRATEGIC PLANNING**