

South Carolina  
PUBLIC EMPLOYEE BENEFIT AUTHORITY

**PEBA**

**Senate Finance Special Subcommittee  
to Review the Investment of the  
State Retirement Funds**

**September 19, 2014**

**Peggy G. Boykin, CPA  
Executive Director**

# PEBA – A Brief History

- Created by the General Assembly on July 1, 2012
- Governed by an 11-member Board of Directors
  - (Four representative and seven non-representative – see table next slide)
- Responsibility for the state's employee insurance programs, retirement systems, and deferred compensation program

South Carolina  
PUBLIC EMPLOYEE BENEFIT AUTHORITY

**PEBA**

Appointing Authority	Member Category	Appointee	Represents
Governor	NR	Arthur M. Bjontegard, Jr.	
Governor	NR	Stephen M. Heisler	
Governor	NR	Steve A. Matthews	
Senate President Pro Tempore	NR	John A. Sowards	
Senate President Pro Tempore	R	Leon Lott	Active or Retired PORS Member
Senate Finance Committee Chairman	NR	Joe W. "Rocky" Pierce, Jr.	
Senate Finance Committee Chairman	R	Frank W. Fusco	Retired SCRS Member
Speaker, House of Representatives	NR	David J. Tigges	
Speaker, House of Representatives	R	Stephen C. Osborne	Active SCRS Member
House Ways & Means Committee Chairman	NR	Audie Penn	
House Ways & Means Committee Chairman	R	Stacy Kubu	Public School District Employee – Active SCRS Member

# Agency Mission

- To recommend, offer and administer competitive programs of retirement and insurance benefits for S.C. public employers, employees and retirees

# PEBA's Benefits Programs, Plans

- **Insurance Programs**

- State Health Plan
- State Dental Plan
- Vision Care
- Life Insurance
- Basic and Supplemental disability programs
- Flexible spending account program

- **Retirement Plans**

- South Carolina Retirement System
- State Optional Retirement Program
- Police Officers Retirement System
- General Assembly Retirement System
- Judges and Solicitors Retirement System
- South Carolina National Guard Supplemental Retirement Plan
- South Carolina Deferred Compensation Program

# State Health Plan

**Overall growth in total claims paid by plan from 2012 to 2013 was 5.9 percent.**

Plan Year 2013	Total Claims Paid by Plan	Paid per Subscriber	Paid per Individual
Medical	\$ 1,112,138,580	\$ 4,594.70	\$ 2,602.55
Rx	\$ 622,200,831	\$ 2,570.57	\$ 1,456.03
Total	\$ 1,734,339,411	\$ 7,165.27	\$ 4,058.58

**2013 Average Subscriber Count: 242,048 | Average Insured Lives Count: 427,327**

**2012 Average Subscriber Count: 236,154 | Average Insured Lives Count: 418,471**

Plan Year 2012	Total Claims Paid by Plan	Paid per Subscriber	Paid per Individual
Medical	\$ 1,083,468,705	\$ 4,587.98	\$ 2,589.11
Rx	\$ 553,592,066	\$ 2,344.20	\$ 1,322.89
Total	\$ 1,637,060,771	\$ 6,932.17	\$ 3,912.01

# Public Trust Funds

- Retirement Systems Trust Funds
- State Health Plan Trust Funds
- Other Post-Employment Benefits Trust Funds
  - S.C. Retiree Health Insurance Trust Fund
  - S.C. Long-Term Disability Insurance Trust Fund

# Defined Benefit Retirement Systems

- Significant retirement systems reforms in 2012
- In 2011, during public hearings, projected employer contribution rate for SCRS for FY 2015 was 13.2 percent, but actual rate is 10.9 percent
- Contribution rates lower than projections because of both retirement reform legislation and actual investment returns in excess of actuarial assumptions
- Although deferred investment gains/losses continue to be recognized under actuarial smoothing methods, we expect the gap between actuarial and market values to narrow



# Defined Benefit Retirement Systems

- FY 2014 investment returns – 15.29 percent on net-of-fees basis
  - Actuarial Assumed Rate of Return is 7.50 percent, so investment gains, coupled with legislatively mandated contribution increases will help improve funding and sustainability of plans
  - Similarly, FY 2013 returns were 10 percent
- Assets at June 30, 2014 - \$29.8 billion
- Retirement contributions collected - \$1.89 billion (244,000 active members)
- Retirement benefits paid (includes annuities, TERI and refunds) - \$3.04 billion (153,000 annuitants)
- More than 560,000 members

# SC Deferred Compensation Program

- The SC Deferred Compensation Program's 401(k) and 457 plans collectively had assets held in trust for participants totaling \$3.6 billion as of December 31, 2013
  - 401(k) = \$2.651 billion
  - 457 = \$924 million
- This represents a slightly more than 10 percent increase from the prior year

# Strategic Planning – Identifying Priorities

- How does PEBA plan to continue containing costs and meeting its mission?
  - PEBA’s Board of Directors and executive leadership are committed to an organized, robust strategic planning process that will formalize the direction and goals of the agency in meeting its mission
  - This process has begun and this presentation outlines the strategic priorities already identified by the Board and staff

# Strategic Priorities – Mission

- Contain the costs of the retirement and insurance programs
- Retirement reforms already in place with employers and employees sharing in contribution increases
- Implement initiatives, such as wellness and disease prevention, early detection and disease management, to encourage a healthier population, which will lower long term costs for all stakeholders

# Strategic Priorities – Staffing

- Conducting analysis of current human resources relative to the agency's mission and priorities
- Staff realignments to focus on our mission and priorities
- Identify areas in which additional staff is needed

# Strategic Priorities – Building

- Health and welfare of agency's employees is a major concern
- Main facility is more than 30 years old and maintenance has been delayed for years due to budgetary constraints
- Building condition assessment conducted
- Extensive maintenance and repairs needed to ensure healthy working conditions for staff

# Fiduciary Audit

- Funston retained by the Office of the Inspector General to conduct fiduciary audit beginning October 1
- Staff working to provide requested documents and information to Funston
- Board and agency staff interviews scheduled

# Fiduciary Audit

- PEBA is committed to being the best
  - Best practices in all areas of operations
  - Cost-efficient and effective administration
  - Responsible fiduciary stewardship of trust funds and programs with which we are entrusted
- Audit recommendations will provide us with a roadmap for getting there



# Fiduciary Audit

- As Funston identifies areas for improvement, PEBA will develop an ongoing implementation plan through which to accomplish the recommendations the Board and leadership believe are appropriate

# Co-Fiduciary Relationships

- We believe it is in the best interest of the trust funds to be managed prudently and for everyone to focus on issues and solutions
- We are committed to working with our co-fiduciaries: the Budget and Control Board, the Investment Commission, the State Treasurer as custodian, to accomplish this

South Carolina  
PUBLIC EMPLOYEE BENEFIT AUTHORITY

---

**PEBA**

**Questions?**