

MINUTES OF
Budget and
Control Board
Meeting

August 10, 1979

MINUTES OF BUDGET AND CONTROL BOARD MEETING

AUGUST 10, 1979

POLL

State Personnel Division Director Jack S. Mullins advised that, on this date, he polled the following Budget and Control Board members on the item of business described below:

Governor Richard W. Riley (through
Executive Assistant Clarke)
Mr. Grady L. Patterson, Jr.
Mr. Earle E. Morris, Jr.
Senator Rembert C. Dennis
Representative Tom G. Mangum

HEALTH INSURANCE CONTRACT - INCORRECT PROVISIO - Dr.

Mullins advised that, since July 1, 1979, an incorrect proviso has existed in the State's contract with Blue Cross and Blue Shield. The situation, as explained in an August 6, 1979 letter from Blue Cross/Blue Shield President Joseph F. Sullivan to Dr. Mullins, involves the contract provisions relating to the manner in which interest would be earned on the surplus balance in the Fund. As President Sullivan outlined the matter, the pertinent language involved was as follows: "Each month the Fund will earn interest and such interest will be computed on the basis of sixty-five (65) percent of any surplus balance of the Fund at the end of the preceding Final Accounting, at the average thirty (30) day U. S. Treasury Bill Rate for the previous eight (8) weeks, as furnished by the U. S. Federal Reserve Bank as of the end of each month." (emphasis added) President Sullivan also points out that both sides were unaware that the U. S. Federal Reserve Bank did not publish a thirty (30) day

2 - 8/10/79 Poll

Treasury Bill Rate upon which interest earned by the Fund could be calculated. He further suggested that the crediting of interest be determined on the basis of the ninety day U. S. Treasury Bill Rate.

Dr. Mullins advised that, after discussing the matter with Mr. Patterson who expressed the view that crediting interest on the basis of the ninety day U. S. Treasury Bill rate would be a reasonable and proper approach, the Board members polled unanimously agreed to the change recommended and authorized him to execute a letter agreement with Blue Cross/Blue Shield correcting this provision.

Information relating to this matter has been retained in these files and is identified as Exhibit I.



EXHIBIT

AUG 10 1979

NO. 01

STATE BUDGET & CONTROL BOARD

State of South Carolina
PERSONNEL DIVISION
1205 Pendleton Street
Columbia, South Carolina 29201

Jack S. Mullins, Ph.D.
Director

August 13, 1979

803-758-3334

Mr. William T. Putnam
Executive Director
Budget and Control Board
Post Office Box 12444
Columbia, South Carolina 29211

Dear Mr. Putnam:

It recently came to our attention that there has existed since July 1, 1979, an incorrect proviso in our contract with Blue Cross and Blue Shield. The situation is explained in the enclosed copy of a letter dated August 6, 1979, from Joe Sullivan to me.

As is our practice concerning investment matters, I discussed this with Grady Patterson, who said that he thinks the crediting of interest on the basis of the ninety day U. S. Treasury Bill rate would be a reasonable and proper approach. In order to resolve this issue quickly, I polled the Board member on August 10, 1979, with Kitty Clark voting for Governor Riley. The members unanimously agreed to the change and authorized me to execute the letter agreement.

Sincerely,

Jack S. Mullins
Director

JSM/omc

Enclosure



Columbia, S. C. 29219
803/788-3860

WTF

RECEIVED
AUG 7 1979
S. C. STATE
PERSONNEL DIVISION

August 6, 1979

S. C. State Budget and Control Board
c/o Jack S. Mullins, Phd.
State Director of Personnel
State Personnel Division
Post Office Box 50367, Five Points
Columbia, South Carolina 29250

Dear Jack:

This is to confirm the agreement that you mutually arrived at in your meeting with Bill Snellgrove and Mac Boyle of our office and Hugh Penney of Price Waterhouse & Co., Inc. on Tuesday, July 31, 1979.

As you know, we originally spelled out the manner in which interest would be earned on the surplus balance in the Fund in paragraph A, 1 of the General Provisions of the Financial Agreement to Schedule A of the State Group Contract as it became effective on July 1, 1978. The pertinent language here involved read as follows:

"Each month the Fund will earn interest and such interest will be computed on the basis of sixty-five (65) percent of any surplus balance of the Fund at the end of the preceding Final Accounting, at the average thirty (30) day U. S. Treasury Bill Rate for the previous eight (8) weeks, as furnished by the U. S. Federal Reserve Bank as of the end of each month. (emphasis added)

Unfortunately, we were both unaware that the U. S. Federal Reserve Bank did not publish a thirty (30) day Treasury Bill Rate upon which we could calculate interest earned by the Fund.

A number of the larger banks do calculate the yield for thirty (30) day Treasury Bill in the secondary market. However, we find that such rates vary significantly for the same investment period. The thirty (30) day rates calculated by Bankers Trust of New York and Harris Bank in Chicago were examined by us and found to be actually lower than the ninety (90) day U. S. Treasury Bill rate that was regularly published by the U. S. Federal Reserve Bank as of the contract year ended June 30, 1979.

Thus, we calculated interest for the contract year ended June 30, 1979 based on the regularly published ninety (90) day U. S. Treasury Bill rate and credited the same to the Fund. Since the ninety (90) day rate is short term, regularly published, and readily available to calculate interest on the Fund, we recommend that we agree to the use of such ninety (90) day rate for at least the contract years ended June 30, 1979 and June 30, 1980.

(over)

August 6, 1979
Page Two

We, of course, can formalize this letter agreement by the appropriate amendment of page 1 of Schedule A. Such amendment will merely encompass changing thirty (30) to ninety (90) in paragraph A, 1 of the General Provisions referred to in the first paragraph of this letter. We are attaching page 1 of Schedule A as it now exists and incorporating such page herein by reference so to reinforce the mutual intentions expressed in this letter agreement.

We will mutually waive the formal amending procedure called for in Article XI, 1 of the State Group Contract in order that the ninety (90) day rate used in calculating interest from July 1, 1978 through June 30, 1979 can be duly recognized as the proper basis upon which interest was earned and credited to the Fund for such period.

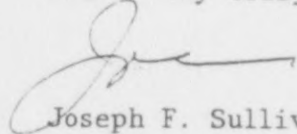
To recapitulate, we would agree to the following:

- (1) That interest would be calculated and credited to the Fund based on the ninety (90) U. S. Treasury Bill rate for the previous eight weeks as published by the U. S. Federal Reserve Bank for the period of July 1, 1978 through June 30, 1979; and
- (2) That interest would continue to be calculated on the same basis as (1) above through the contract year end June 30, 1980; and
- (3) That we will amend paragraph A, 1 of the General Provisions of the Financial Agreement to Schedule A of the State Group Contract by changing thirty (30) to ninety (90) to contractually formalize this understanding.

Please sign and date this letter as indicated below and return the same to me. The attached copy is for your files.

Thanking you again for your kind cooperation in this matter, I am

Yours very truly,


Joseph F. Sullivan
President

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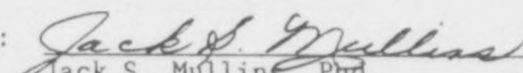
AUG 15 1979

BUDGET AND CONTROL BOARD
OFFICE OF EXECUTIVE DIRECTOR

I hereby concur with the agreement expressed in this letter and confirm that I am duly authorized to execute this letter agreement on behalf of the S. C. State Budget and Control Board.

DATE 8/13/79

S. C. STATE BUDGET
AND CONTROL BOARD

BY: 
Jack S. Mullins, Phd.

TITLE: State Director of Personnel

THE END