

Meeting Minutes | Retirement Policy Committee

Wednesday, December 5, 2018 | 1:00 p.m.
202 Arbor Lake Dr., Columbia, SC 29223 | First Floor Conference Room

Minutes approved March 6, 2019\

Board Members Present: Chairman Steve Heisler, Ms. Paige Lewis, Mr. Rocky Pearce, Mr. Audie Penn, and Mr. Chuck Richardson

Board Members Present Via Telephone: Sheriff Leon Lott and Mr. Ed Walton

Others Present for All or a Portion of the Meeting: Ashley Brindle, Amber Carter, Sarah Corbett, Joe Greene, Evan Mitchell, Heather Muller, Tammy Nichols, Sheila Pinckney, Travis Turner, Stephen Van Camp, and Justin Werner from the South Carolina Public Employee Benefit Authority (PEBA); Sam Griswold from the State Retirees Association of South Carolina; Becky Bailey, Derik Bailey, Marybeth Daubenspeck and Nancy Ornduff from Empower Retirement; Mike Wright and Joe Ferguson from Segal Marco Advisors; Joe Newton and Danny White from Gabriel, Roeder, Smith & Company; Thomas Rey from CliftonLarsonAllen; Robert Gauss from Ice Miller; Bruce Sheinhaus from TIAA; Denise Fortune from Voya Financial; and David Johnson with MetLife.

I. Call to Order

Chairman Steve Heisler called the PEBA Retirement Policy Committee (Committee) meeting to order at 1:03 p.m., and stated that the public meeting notice was posted in compliance with the Freedom of Information Act. Chairman Heisler advised that there are several Board members attending the Retirement Policy Committee meeting that are not Committee members. He reminded the additional Board members that they are not permitted to participate in discussions during the Committee meeting, and must reserve comments or questions until after the meeting adjourns.

II. Approval of Meeting Minutes-September 5, 2018

Sheriff Leon Lott made a motion, which was seconded by Mr. Ed Walton, and passed unanimously, to adopt the September 5, 2018, meeting minutes as presented.

III. Retirement System Actuarial Valuations

Mr. Danny White, Senior Consultant, and Mr. Joe Newton, from Gabriel Roeder Smith & Company (GRS), presented the 2018 Retirement Systems Actuarial Valuations to the Committee.

Mr. White stated that there was no change in assumptions or methods, and no change in plan provisions with the exception of the Teacher and Employee Retention Incentive Program (TERI) which closed on June 30, 2018.

Mr. White reminded the Committee that the Retirement System Funding and Administration Act of 2017, amended contribution rate provisions for the South Carolina Retirement System (SCRS), and the Police Officers Retirement System (PORS). Employer contribution rates will gradually increase to 18.56 percent for SCRS and 22.24 percent for PORS on July 1, 2022. Mr. White advised that the maximum permissible funding period will be decreased from 29 years in 2018 to 20 years in 2027.

Mr. White reported that the investment return for fiscal year 2018 was 7.91 percent.

Mr. White discussed the summary results of the 2018 valuation for SCRS and PORS, and pointed out that the funding ratio for SCRS and PORS remained relatively steady from 2017 to 2018. Effective July 1, 2017, employee contribution rates were capped at 9.00 percent for SCRS, and 9.75 percent for PORS. Mr. White added that the calculated funding period for SCRS decreased from 24 years in 2017 to 22 years in 2018. Similarly, the calculated funding period for PORS decreased from 23 years in 2017 to 20 years in 2018. It was noted that the decrease in the calculated funding period is based on the increase of fiscal year 2020 contribution rates.

Mr. White also provided the Valuation results for the Judges and Solicitors Retirement System (JSRS); the General Assembly Retirement System (GARS); the South Carolina National Guard Retirement (SCNG) System; and the expected increase in contributions necessary for each system.

Chairman Heisler made a motion, which was seconded by Sheriff Lott, and passed unanimously, that the Retirement Policy Committee recommend to the PEBA Board that it receive as information the actuarial valuations of SCRS, PORS, JSRS, GARS, and SCNG as of July 1, 2018; and based upon those valuations, maintain the employer contribution rate for JSRS at 52.49 percent; increase the employer contribution for GARS to \$6.329 million; and set the employer contribution for SCNG at \$5.262 million, all effective July 1, 2019.

IV. Defined Contribution Quarterly Reports

Mr. Mike Wright and Mr. Joe Ferguson from Segal Marco Advisors presented the South Carolina Defined Contribution Plan (SCDCP) report for the quarter ending September 30, 2018, and reviewed the asset class performance for the quarter. Mr. Wright provided a market overview, and stated that U.S. and international equities gained during the third quarter of 2018, while emerging market equities declined.

Mr. Ferguson reviewed the SCDCP asset allocation and fund line-up performance for the quarter, and advised that there are no investment options in the SCDCP that require further review at this time.

Mr. Ferguson turned the discussion to the State Optional Retirement Program (State ORP) investment performance for the third quarter of 2018, and reported that the Mass Mutual INVESCO Small Cap Discovery fund fell below its index for both the three and five year periods, but placed in the top half of its peers for the same periods. Mr. Ferguson stated that Segal Marco will continue to monitor performance returns.

Mr. Ferguson advised that the Mass Mutual Oppenheimer International Growth fund fell below its index and peer group median for both the three and five year periods, and Segal Marco will

continue to monitor this fund on an informal basis. Mr. Ferguson stated that in October 2018, the Board approved the removal of the Mass Mutual Thornburg Developing World fund, and the subsequent addition of the JP Morgan Emerging Markets as a replacement, which will occur in December 2018.

Mr. Ferguson reported that the Mass Mutual Ivy Science and Technology fund fell below its index and peer group median for both the three and five year periods, and Segal Marco will continue to monitor this fund on an informal basis.

Mr. Ferguson also noted that the TIAA CREF Inflation Linked Bond fund fell below its index and peer group median for both the three and five year periods, and Segal Marco will continue to monitor this fund on an informal basis as well.

V. Deferred Compensation Program Plan Summary

Ms. Nancy Ornduff, from Empower Retirement, presented the third quarter plan activity summary to the Committee. Ms. Ornduff stated that the South Carolina Deferred Compensation Program was awarded a Communicator Award of Excellence for the enrollment packet.

Ms. Ornduff concluded by reviewing a Plan statistics summary, a review of completed communications projects, and educational campaigns.

VI. Empower Customer Satisfaction Survey

Ms. Marybeth Daubenspeck, from Empower Retirement, presented the results of the recent Empower Participant Satisfaction Survey which targeted 39,053 participants via email. Ms. Daubenspeck reported that Empower received 2,964 responses, and 92 percent of respondents reported an overall satisfaction rating of extremely satisfied, satisfied, or neutral.

VII. Old Business

It was noted that the Director's Report will be presented at the full Board meeting.

VIII. Adjournment

There being no further business, and upon motion by Sheriff Lott, which was seconded by Mr. Walton, and approved unanimously, the Committee meeting adjourned at 2:40 p.m.