

SC PUBLIC EMPLOYEE BENEFIT AUTHORITY- BOARD OF DIRECTORS

Retirement Policy Committee- MINUTES adopted 11/4/13

202 Arbor Lake Drive, Columbia SC, Main Conference Room 2nd Floor

October 7, 2013, 9:30 A.M.

Retirement Policy Committee Members Present:

Mr. John Sowards, Chairman (in person)
Mr. David Tigges (by phone)
Mr. Frank Fusco (by phone)
Mr. Art Bjontegard (in person)

Others present for all or a portion of the meeting:

David Avant, Lil Hayes, Stephen Van Camp, Travis Turner, Justin Werner, Matt Davis & Virginia Wetzel from the South Carolina Public Employee Benefit Authority (PEBA); Paul Staples and Caroline Stegman with Summit Strategies Group (by phone); Carlton Washington with the State Employees Association; and Donald Tudor with the SC State Retirees Association.

AGENDA

1. CALL TO ORDER; ADOPTION OF PROPOSED AGENDA

Mr. Sowards called the meeting to order at 9:30 a.m. Ms. Hayes confirmed meeting notice compliance with the Freedom of Information Act. Mr. Tigges moved to adopt the proposed agenda. Mr. Sowards seconded. Unanimously approved.

2. Approval of Meeting Minutes- September 4, 2013

Mr. Sowards asked for amendments to the September 4, 2013, committee minutes. There being none, Mr. Sowards asked for a motion to approve the minutes. Mr. Tigges moved to approve the minutes. Mr. Sowards seconded. The meeting minutes were unanimously approved.

3. New Business

ORP MetLife Fund Change [in notebook materials]

Matt Davis with PEBA introduced Paul Staples and Caroline Stegman with Summit Strategies who summarize the proposed MetLife fund replacement. Mr. Staples advised that Oppenheimer Equity, one of MetLife's investment funds, has remained on the Watch List for eight consecutive quarters and must be replaced. Summit and PEBA staff recommend JPMorgan Disciplined Equity as the replacement.

There was discussion regarding the replacement process of failing funds within ORP.

Action:

Mr. Sowards asked for a motion to recommend the ORP MetLife fund change as recommended by Summit and PEBA staff. Mr. Tigges moved to approve and Mr. Sowards seconded. Unanimously approved.

Mr. Sowards asked Summit and PEBA Staff to organize a Retirement Policy Committee mini-retreat to discuss restructuring components of the investment fund process within ORP, including but not limited to: standard review of each vendor's funds, lack of penalties associated with poor

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performance of funds, lack of timely response for poor performing funds, motivation for fund replacement, low standards for measurement of failing funds. There was also discussion to include future review of the vendor's revenue sharing component.

Mr. Staples advised that he will work with PEBA staff to prepare an agenda for the retreat.

4. Old Business

Retirement Systems Investment Commission: Meeting Update

PEBA Interim Director, David Avant, reported that the Retirement Systems Investment Commission met on September 26, 2013 and the following items were discussed:

1. A new protocol has been created whereby the Commission will approve an investment fund, enters into a contract, and receive final funding from the SC State Treasurer. A successful non-disclosure agreement has been reached allowing member's of the State Treasurers staff to view previously confidential information.
2. The Commission approved the shifting of investment funds to global equities with passively index funds resulting in lower fees. Mr. Bjontegard requested the funding sources. Mr. Avant advised that he will be able to provide that information to the Board members during their meeting scheduled on October 16, 2013.

Mr. Avant advised that the Retirement Policy Committee and the PEBA Board should plan to receive a quarterly presentation from the Retirement Systems Investment Commission in the upcoming months.

Defined Contribution Plan Comparisons [in notebook materials]

As requested during the Retirement Policy Committee meeting held on September 4, 2013, PEBA staff Matt Davis presented a side by side plan comparison of the Optional Retirement Plan (ORP) and the Deferred Compensation Program (DCP).

There was discussion regarding a future presentation from the Deferred Compensation Program external auditor, Elliott Davis. Staff advised they will be scheduling a presentation from Elliott Davis to the committee sometime in 2014.

Mr. Sowards thanked staff for the comparison information. He then requested staff to create a list of recommendations on how to link the two defined contribution programs to maximize the benefits to subscribers. Recommendations should include but not be limited to easing administrative burdens and enhancing subscriber education through better marketing.

Mr. Sowards announced that the Retirement Policy Committee will be reviewing Investment Policy Statement comparisons for both defined contribution plans, the SC Deferred Compensation Governance Documents, and defined contribution best practices during their next committee meeting.

Mr. Bjontegard recommended that the PEBA Board be briefed on the items discussed during the last Deferred Compensation Commission meeting that was held on September 27, 2013.

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Staff was directed to send all Deferred Compensation Commission members a letter thanking them for their years of service.

5. Adjournment

There being nothing further to discuss, Mr. Sowards requested a motion to adjourn. Mr. Tigges moved to adjourn and Mr. Fusco seconded. The committee unanimously voted to adjourn at 10:50 p.m.