

Meeting Minutes | Retirement Policy Committee

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

Minutes Approved December 5, 2018

Board Members Present: Chairman Steve Heisler, Mr. Rocky Pearce, Mr. Audie Penn

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

Others Present for All or a Portion of the Meeting: Peggy Boykin, Ashley Brindle, Amber Carter, Sarah Corbett, Joe Greene, Heather Muller, Tammy Nichols, Travis Turner, Stephen Van Camp, and Justin Werner from the South Carolina Public Employee Benefit Authority (PEBA); Sam Griswold and Wayne Pruitt from the State Retirees Association of South Carolina; Marybeth Daubenspeck and Nancy Ornduff from Empower Retirement; Mike Wright and Joe Ferguson from Segal Marco Advisors; 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 1:00 p.m., and stated that the public meeting notice was posted in compliance with the Freedom of Information Act.

II. Approval of Meeting Minutes-June 6, 2018

Sheriff Leon Lott made a motion, which was seconded by Chairman Heisler, and passed unanimously, to adopt the June 6, 2018, meeting minutes as presented.

III. Election of Committee Vice-Chairman

Chairman Heisler made a motion, which was seconded by Sheriff Lott, and passed unanimously, to nominate Mr. Ed Walton as the Retirement Policy Committee Vice-Chairman.

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 June 30, 2018, and reviewed the asset class performance for the quarter. Mr. Ferguson stated that U.S. equities gained 3.9 percent in the second quarter of 2018, while international equities and emerging market equities declined.

Mr. Ferguson reviewed the SCDCP asset allocation, fund monitor, 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 second 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 stated that the Mass Mutual Thornburg Developing World fund has underperformed over the three and five year periods compared to its benchmark and peer group universe, and Segal Marco recommends that this fund be replaced.

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. Formal Review and Recommendation- Thornburg Developing World

Mr. Wright stated that Segal Marco conducted a formal review of the Thornburg Developing World Strategy fund, and recommends that it be terminated from the Mass Mutual investment line up due to the fund failing the criteria related to the performance versus benchmarks and the performance versus peer funds. Segal recommended that all assets be mapped to the replacement JP Morgan Emerging Markets Equity fund.

Sheriff Lott made a motion, which was seconded by Chairman Heisler, and passed unanimously, to replace the Thornburg Developing World Strategy fund with the JP Morgan Emerging Markets Equity fund.

VI. Deferred Compensation Program Plan Summary

Ms. Nancy Ornduff, from Empower Retirement, presented the second quarter plan activity summary to the Committee. Ms. Ornduff stated that the South Carolina Deferred Compensation Program was awarded an APEX Award of Excellence for the 2017 roll-in campaign.

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

VII. Old Business/Director's Report

Ms. Peggy Boykin, Executive Director, stated that the PEBA Board Retreat will be October 3-4, 2018, and will include educational sessions and a regular business meeting. Ms. Boykin advised that the Board will need to approve the initial 2020 State Health Plan budget requirements, and will also vote on the Committee recommendation to replace the Thornburg Developing World Strategy fund with the JP Morgan Emerging Markets Equity fund.

Ms. Boykin advised that the Governmental Accounting Standards Board (GASB) Statement No. 68 for the retirement trust funds as of June 30, 2017, along with the net OPEB liability under

GASB No. 75 for the OPEB trusts have been posted to the PEBA website so employers can recognize these liabilities on their financial statements.

Ms. Boykin reported that with the June 30, 2018, ending of the Teacher and Employee Retention Incentive (TERI) program, \$370 million was paid out of the defined benefit plan to almost 5,000 TERI participants. Ms. Boykin commended PEBA staff for their tremendous efforts to ensure payments were processed correctly and benefits recalculated accordingly.

Ms. Boykin stated that draft actuarial valuations should be received in late November or early December of 2018.

VIII. Adjournment

There being no further business, and upon motion by Sheriff Lott, which was seconded by Chairman Heisler, and approved unanimously, the Committee meeting adjourned at 2:04 p.m.