

# SC PUBLIC EMPLOYEE BENEFIT AUTHORITY- BOARD OF DIRECTORS

## Retirement Policy Committee Meeting Minutes Approved 6.3.15

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

Wednesday, March 4, 2015, 9:30 A.M.

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### **Retirement Policy Committee Members Present:**

Mr. John Sowards, Chairman

Arthur Bjontegard

Mr. Steve Osborne

Mr. David Tigges

### **Others present for all or a portion of the meeting:**

Peggy Boykin, Sarah Corbett, Matthew Davis, Georgia Gillens, Megan Lightle, Heather Muller, Tammy Nichols, Travis Turner, Stephen Van Camp, Justin Werner, and Heather Young from the South Carolina Public Employee Benefit Authority (PEBA); Sam Griswold, Wayne Pruitt, and Donald Tudor with the State Retirees Association of South Carolina; Nancy Ornduff with Empower Retirement; Paul Staples with Summit Strategies Group (via telephone); and Rose Guillette and Pirie McIndoe with Segal Rogerscasey.

#### **1. CALL TO ORDER**

Chairman John Sowards called the PEBA Retirement Policy Committee (Committee) meeting to order at 9:30 a.m., and stated that the public meeting notice was posted in compliance with the Freedom of Information Act.

#### **2. ADOPTION OF PROPOSED AGENDA**

It was noted that the proposed Committee meeting agenda was adopted unanimously as presented.

#### **3. APPROVAL OF MINUTES – FEBRUARY 4, 2015**

Chairman Sowards asked for amendments to the previous meeting minutes. There being none, Mr. Sowards noted that the February 4, 2015, Committee meeting minutes were approved as presented.

#### **4. REVIEW OF FUNSTON RECOMMENDATIONS**

Ms. Sarah Corbett, PEBA's Chief Operating Officer, reviewed a spreadsheet regarding the Funston Fiduciary Audit Recommendations and staff action plans as related to the Retirement Policy Committee.

Following further discussion, Mr. Steve Osborne made a motion, which was seconded by Mr. David Tigges, and passed unanimously, to approve the recommendations made by Funston Advisory Services as related to the Retirement Policy Committee.

#### **5. DEFINED CONTRIBUTION QUARTERLY REPORTS**

##### **A. DEFERRED COMPENSATION**

Ms. Rose Guillette, Senior Consultant with Segal Rogerscasey, presented the Deferred Compensation investment performance and plan activity for the quarter ending December 31, 2014. Ms. Guillette stated that the Russell 3000 which represents domestic equity increased 5.24 percent for the quarter. Ms. Guillette reported that U.S. fixed income gained during the quarter, while

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international fixed income fell during the quarter. Ms. Guillette reviewed the Fund Evaluation Sheet for the quarter, and reported that all funds passed the benchmark criteria, with the exception of the BlackRock TIPS Fund; the T. Rowe Price Mid Cap Value Fund; and the PIMCO All Asset Institutional Fund. Ms. Guillette advised that Segal Rogerscasey has conducted a formal review of the T. Rowe Price Mid Cap Value Fund, and is completing further due diligence visits to the Fund. Ms. Guillette stated that the market value for the 401(k) Program was \$2.7 billion for the quarter, which represents an increase of \$37.4 million, and the 457 Plan was valued at \$925.7 million, which represents a decrease of \$0.3 million.

Mr. Pirie McIndoe with Segal Rogerscasey, discussed the PIMCO Total Return Fund, and stated that Segal Rogerscasey downgraded this fund from Recommended Status to Not Recommended Status in September of 2014, due to the departure of Bill Gross and the business risk associated with this change. Mr. McIndoe reported that the Fund has since started to stabilize, and Segal Rogerscasey will continue to monitor the Fund and provide updates at the next quarterly meeting.

Ms. Nancy Ornduff, with Empower Retirement, presented the 4th quarter Plan review summary. Ms. Ornduff stated that as of December 31, 2014, Plan assets increased by \$37.11 million, or 1 percent, and outgoing rollovers from the plan have decreased to \$18,346,854.97 from \$23,890,210.77. Ms. Ornduff stated that the South Carolina Stable Value Fund remains healthy with a market to book ratio of 102 percent; the number of participants utilizing Managed Accounts or Advice Services increased by 430 users; and the total number of participants investing 100 percent in Target Date Funds increased from 4,469 to 4,560. Ms. Ornduff added that contributions decreased to \$47.28 million as of December 31, 2014, from \$51.72 million as of September 30, 2014. Ms. Ornduff stated that three new employers joined the plan, bringing the total number of employers participating in the Plan to 633. Ms. Ornduff reported that there are approximately 200 employers that are not participating in the Plan, and additional marketing efforts will be made to reach these employers. Ms. Ornduff concluded her presentation by stating that 10 employer Plan Service Center (PSC) webinars were held with 134 attendees, and the Retirement Resource Center had 384 referrals with 240 opting to stay in the program during the fourth quarter.

### **B. OPTIONAL RETIREMENT PROGRAM**

Mr. Paul Staples, Senior Vice President and Director of Defined Contribution Services with Summit Strategies Group (Summit), reviewed the Optional Retirement Program (ORP) investment performance for the fourth quarter of 2014. Mr. Staples stated that as of December 31, 2014, ORP total assets were \$1.6 billion, with 55 percent of total assets being allocated to TIAA-CREF which has 16,923 participants, followed by VALIC with 23 percent of total assets and 9,233 participants.

Mr. Staples reviewed the compliance report cards for each ORP vendor, and stated that MassMutual, TIAA-CREF, Valic, and MetLife all have one fund on the watch list, and no recommendations or changes are recommended at this time.

Chairman Sowards thanked Mr. Staples for his presentation.

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### **6. OLD BUSINESS/DIRECTOR'S REPORT**

Ms. Peggy Boykin, PEBA's Executive Director, stated that PEBA has received confirmation from the Bank of New York Mellon (BONY) that the securities lending portfolio assets in the Other Post Employment Benefits (OPEB) trust funds have been properly segregated as of February 17, 2015. Ms Boykin advised that BONY will be correcting the historical Governmental Accounting Standards Board (GASB) 28 statements that were issued from the inception of OPEB in 2008, through the current date.

Ms. Boykin reported that BONY is still working on adjusting the reported income of the securities lending portfolio assets in the OPEB trust funds, and PEBA hopes to receive this information in the near future. Ms. Boykin stated that PEBA will be establishing a protocol on receiving a status update from BONY so that progress can be monitored weekly.

Ms. Boykin advised that PEBA presented the State Health Plan budget report to the House Ways and Means Committee Healthcare Subcommittee on February 4, 2015, and to the Senate Finance Health and Human Services Subcommittee on February 25, 2015.

Ms. Boykin reminded the Committee that the Board retreat will be March 27-28, 2015, and advised that a draft agenda has been posted for review. Ms. Boykin stated that March 27<sup>th</sup> will be dedicated to fiduciary education, and March 28<sup>th</sup> will be primarily focused on the staff action plans related to the Funston recommendations. Ms. Boykin advised that after the retreat, PEBA will be presenting a quarterly update on the progress towards the implementation of the Funston Fiduciary Audit recommendations to the Senate Finance Special Subcommittee to Review the Investment of State Retirement Funds.

### **7. EXECUTIVE SESSION**

At 10:40 a.m., Mr. Tigges made a motion, which was seconded by Mr. Osborne, and passed unanimously, to recede into executive session to discuss contractual matters pursuant to S.C. Code Ann. § 30-4-70. The Committee thereupon receded into executive session.

The Committee reconvened in open session at 11:09 a.m. It was noted that no action was taken by the Committee while in executive session.

### **8. ADJOURNMENT**

There being no further business, and upon motion by Mr. Osborne, which was seconded by Mr. Tigges, and passed unanimously, the Committee meeting adjourned at 11:10 a.m.