



## Meeting Minutes | Board of Directors Meeting

Wednesday, December 7, 2022 | 3:00 p.m.

202 Arbor Lake Dr., Columbia, SC 29223 | First Floor Conference Room

Minutes approved March 1, 2023

**Board Members Present for All or a Portion of the Meeting:** Ms. Amanda Blankenship, Ms. Jennifer Blumenthal, Mr. Calvin Elam, Mr. Steve Heisler, Mr. Steve Matthews, Sheriff Steve Mueller, Ms. Paige Lewis, Chairman Joe “Rocky” Pearce, Mr. Alex Shissias, Mr. John Sowards, and Mr. Ed Walton.

**Others Present for All or a Portion of the Meeting:** Peggy Boykin, Ashley Brindle, Amber Carter, Justin Ellis, James Manning, Heather Muller, Tammy Nichols, Rob Tester, Travis Turner, Justin Werner, and Heather Young from the South Carolina Public Employee Benefit Authority (PEBA); Jared Hardin from CapTrust; Thomas Lyle and Danny White from Gabriel, Roeder, Smith & Company; and Geoff Berg and Mike Hitchcock from the South Carolina Retirement System Investment Commission (RSIC).

**Others Present for All or a Portion of the Meeting Via Virtual Means:** Evan Mitchell and Angie Warren from PEBA.

### I. Call to Order

Chairman Rocky Pearce called the PEBA Board of Director’s (Board) meeting to order at 3:00 p.m., and stated that the public meeting notice was posted in compliance with the Freedom of Information Act.

### II. Approval of Meeting Minutes- October 5, 2022 and October 25, 2022

Mr. Calvin Elam made a motion, which was seconded by Mr. Steve Heisler, and passed unanimously, to approve the minutes from the October 5, 2022, and October 25, 2022, Board meetings.

### III. Retirement Systems Investment Report Update

Mr. Mike Hitchcock, Chief Executive Officer, and Mr. Geoff Berg, Chief Investment Officer, from the Retirement Systems Investment Commission (RSIC), provided an investment report update as of September 30, 2022. Mr. Hitchcock advised that RSIC adopted a streamlined portfolio in 2020 that includes only five asset classes which should improve investment performance.

Mr. Hitchcock stated that fiscal year plan returns totaled negative -.89 percent, and returns for the third quarter ending September 30, 2022, totaled negative -3.77 percent, which is still ahead of the policy benchmark of negative -5.02 percent. Mr. Berg noted that fiscal year-to-date returns through the beginning of December are approximately 2.0 percent.

#### **IV. 2023 Board Meeting Schedule and Approval**

Ms. Peggy Boykin, Executive Director, reviewed the proposed 2023 quarterly Board and Committee meeting dates. Ms. Boykin advised that the PEBA Board Retreat date is to be determined, and she will notify the Board as soon as dates have been finalized.

Mr. Heisler made a motion, which was seconded by Mr. Alex Shissias, and passed unanimously, to adopt the schedule of board and committee meeting dates for 2023, as presented.

#### **V. Presentation of the 2022 Actuarial Valuations by the External Actuary**

Mr. Thomas Lyle, and Mr. Danny White, Senior Consultant, from Gabriel, Roeder, Smith & Company (GRS), presented the 2022 Retirement Systems Actuarial Valuations to the Board.

Mr. Lyle reviewed a summary of the membership demographics of the systems and the benefits provided to members, and noted that the investment return for the South Carolina Retirement Systems for fiscal year 2022 was negative -0.9 percent. Mr. Lyle explained that the valuation uses a five-year smoothing process for investment returns; therefore, fiscal year 2022 investment losses were offset by deferred gains from fiscal year 2021, and the net was a small actuarial gain in this valuation. Mr. Lyle advised that salaries increased larger than assumed, which added to the net loss, but covered payroll and future contributions also increased, so the impact on the long-term outlook is minimal.

Mr. Lyle discussed the summary results of the 2022 valuation for both the South Carolina Retirement System (SCRS) and the Police Officer's Retirement System (PORS), and pointed out that the funding ratio for SCRS and PORS increased, and the calculated funding period decreased during the last year.

Mr. Lyle 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 contributions necessary for each system.

Mr. White reviewed historical and projected liability and assets for both SCRS and PORS, and provided a history of the Unfunded Actuarial Accrued Liability (UAAL) for SCRS. Mr. White stated that in 2023, the UAAL is expected to begin to decline, which will be a significant turning point for SCRS.

Retirement Policy Committee Chairman Paige Lewis advised that the Retirement Policy Committee moved that the PEBA Board receive as information the actuarial valuations of SCRS, PORS, JSRS, GARS, and SCNG as of July 1, 2022; and adopt the employer contributions for JSRS, GARS, and SCNG recommended therein, to be effective July 1, 2023. Chairman Pearce stated that a Committee motion does not require a second. The motion passed unanimously.

#### **VI. Committee Reports**

##### **A. Health Care Policy Committee**

Mr. Shissias reported that the Health Care Policy Committee met earlier in the morning, and stated that the Committee received an Open Enrollment update. Mr. Shissias noted that the Customer Contact Center received 1,267 total consultations during 2022's open enrollment, with a satisfaction rate of 99.43 percent.

Mr. Shissias advised that the Committee also received an update regarding the State Health Plan's Value-Based Programs, which now includes mental health and wellness programs. Mr.

Shissias reported that Plan spending for value-based benefits and programs accounted for 3.5 percent of total expenditures.

Mr. Shissias stated that the Committee also received a presentation from EyeMed, which partners with BlueCross BlueShield of South Carolina to bring an insured vision benefit to PEBA.

**B. Finance, Administration, Audit and Compliance (FAAC) Committee**

Ms. Jennifer Blumenthal reported that the FAAC Committee met earlier in the morning, and received the 2022 Financial Statements Audit Review from Crowe, PEBA's new External Auditor. Audit results were reviewed for the Deferred Compensation Program, the South Carolina Retirement Systems, and the Insurance Financial Statements. Ms. Blumenthal stated that all three audit reports were unmodified "clean" opinions, and there were no material weaknesses, significant deficiencies, or findings to report, and there were no corrected or uncorrected misstatements found in the audits.

Ms. Blumenthal stated that Mr. John Page, Director of Internal Audit, presented internal audit reports related to the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) Compliance Testing, and the annual Conflict of Interest Certification. Mr. Page also provided the December 2022 PEBA Internal Audit Plan Update to the Committee.

**C. Retirement Policy Committee**

Ms. Paige Lewis reported that the Retirement Policy Committee met that afternoon, and stated that CapTrust is the new Co-fiduciary Investment Consultant for the South Carolina Deferred Compensation Program and the State Optional Retirement Program.

Ms. Lewis advised that CapTrust provided an overview of the revised Investment Policy Statements for the Deferred Compensation Program and the State Optional Retirement Plan.

Ms. Lewis stated that the Retirement Policy Committee moved to recommend to the PEBA Board that it adopt the revised Investment Policy Statements for the State Optional Retirement Program and South Carolina Deferred Compensation Program, as presented, and recommended by PEBA's co-fiduciary investment consultants. Chairman Pearce stated that a Committee motion does not require a second. The motion passed unanimously.

Ms. Lewis reported that CapTrust presented the South Carolina Defined Contribution Plans Quarterly Investment Performance Report for the quarter ending September 30, 2022, and reviewed investment options and recommended changes to both the South Carolina Deferred Compensation Program and the State Optional Retirement Program.

Ms. Lewis stated that the Retirement Policy Committee moved to recommend to the PEBA Board that it adopt the changes to the State Optional Retirement Program and South Carolina Deferred Compensation Program investment options, as presented and recommended by PEBA's co-fiduciary investment consultants. Chairman Pearce stated that a Committee motion does not require a second. The motion passed unanimously.

Ms. Lewis also advised that Empower presented the third quarter Deferred Compensation Program Quarterly Plan Summary to the Committee.

**VII. Old Business**

**Director's Report**

Ms. Boykin provided the Director's Report, and stated that staff has been working diligently with the External Auditors to complete the financial statements, and she has already met with the Governor's office concerning PEBA's budget requirements. Ms. Boykin advised that she will also be meeting with the House and Senate and expect to have discussions regarding pension plan design and healthcare, since there are several pre-filed bills related to these topics.

**VIII. Executive Session for the Purpose of Discussing IT Security Plans and Devices Pursuant to S.C.**

**Code of Laws Section 30-4-70(a)(3)**

At 3:49 p.m., Ms. Blumenthal made a motion, which was seconded by Mr. Heisler, and passed unanimously, to recede into executive session to discuss IT security plans and devices.

At 4:15 p.m., the meeting reconvened in open session. Chairman Pearce announced that no action was taken by the Board while in executive session.

**IX. Adjournment**

There being no further business, and upon a motion by Mr. Heisler, which was seconded by Mr. Elam, and approved unanimously, the Board meeting adjourned at 4:16 p.m.