

Meeting Minutes | Retirement Policy Committee

Wednesday, December 13, 2017 | 1:00 p.m.
200 Arbor Lake Dr., Columbia, SC 29223 | Second Floor Conference Room

Minutes approved March 7, 2018

Board Members Present: Mr. Frank Fusco, Chairman Steve Heisler, Mr. Audie Penn, and Mr. David Tigges

Board Members Present Via Telephone: Mr. Ed Walton

Board Members Absent: Sheriff Leon Lott

Others Present for All or a Portion of the Meeting: Peggy Boykin, Ashley Brindle, Gwen Bynoe, Amber Carter, Sarah Corbett, Joe Greene, Heather Muller, Tammy Nichols, Sheila Pinckney, Travis Turner, Stephen Van Camp, Justin Werner, and Heather Young from the South Carolina Public Employee Benefit Authority (PEBA); Geoffrey Berg and James Wingo from the South Carolina Retirement System Investment Commission (RSIC); Mr. Thomas Lyle and Mr. Danny White from Gabriel Roeder Smith & Company (GRS); Sam Griswold from the State Retirees Association of South Carolina; Nancy Ornduff from Empower Retirement; Mike Wright and Joe Ferguson from Segal Marco Advisors; and Alex Tomlinson from Mullikin Law Firm.

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- September 21, 2017

Mr. David Tigges made a motion, which was seconded by Mr. Ed Walton, and passed unanimously, to adopt the September 21 2017, meeting minutes as presented.

III. 2017 Retirement Valuations

Mr. Danny White, Senior Consultant, and Mr. Thomas Lyle from Gabriel Roeder Smith & Company (GRS), presented the 2017 Retirement Systems Actuarial Valuations to the Committee.

Mr. White stated that the Retirement System Funding and Administration Act of 2017, enacted in April of 2017, amended contribution rate provisions for the South Carolina Retirement System (SCRS), and the Police Officers Retirement System (PORS). Effective July 1, 2017, employee contribution rates are capped at 9.00 percent for SCRS, and 9.75 percent for PORS, and employer

contribution rates will gradually increase to 18.56 percent for SCRS and 21.24 percent for PORS by fiscal year 2023. Mr. White advised that the assumed rate of return is set by state statute, and decreased from 7.50 percent to 7.25 percent. It was also pointed out that the maximum permissible funding period will be decreased from 30 years in 2017 to 20 years in 2027.

Mr. White reported that the investment return for fiscal year 2017 was 11.88 percent.

Mr. White discussed the summary results of the 2017 valuation for SCRS and PORS, and pointed out that the funding ratio for SCRS decreased from 60 percent in 2016 to 56 percent in 2017. Similarly, the funding ratio for PORS decreased from 66 percent in 2016 to 63 percent in 2017, with both reductions primarily due to the decrease in the assumed rate of return.

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.

Mr. Tigges made a motion, which was seconded by Mr. Walton, and passed unanimously, that the Retirement Policy Committee recommend to the Board that it receive as information the actuarial valuations of SCRS, PORS, JSRS, GARS, and SCNG as of July 1, 2017; and, based upon those valuations, increase the employer contribution rate for JSRS to 52.49 percent; increase the employer contribution for GARS to \$5.804 million; and increase the employer contribution for SCNG to \$5.290 million, all effective July 1, 2018.

IV. RSIC Performance Update

Mr. Geoff Berg, Chief Investment Officer from the South Carolina Retirement System Investment Commission (RSIC), reported that fiscal year-to-date performance through October 31, 2017, increased 5.23 percent, for a Plan value of \$31,338 million.

V. Defined Contribution Quarterly Reports

Mr. Mike Wright and Mr. Joe Ferguson from Segal Marco Advisors presented the SC Deferred Compensation Program (SCDCP) report and the Optional Retirement Plan (ORP) report for the quarter ending September 30, 2017. World equity markets were positive due to continued optimism about the U.S. economy and continued signs of political stability in Europe, and U.S. fixed income rose with uncertainty about inflation holding down longer rates in the quarter.

Mr. Wright reviewed the Deferred Compensation Program investment performance, and stated that AllianceBernstein Small Cap Growth fund remains on the watch list for the third quarter of 2017.

Mr. Wright also reviewed the Optional Retirement Program investment performance for the third quarter of 2017, and reported that Mass Mutual and TIAA-CREF both have funds on the watch list, including the Thornburg Developing World, Ivy Science and Technology, and CREF Inflation Linked Bond.

Mr. Wright stated that as of September 30, 2017, ORP total assets were \$2.2 billion, with 39 percent of total assets being allocated to CREF; 22 percent of total assets dedicated to VALIC; 18 percent to MassMutual; and 21 percent of total assets with MetLife.

VI. Deferred Compensation Program Plan Summary

Ms. Nancy Ornduff, from Empower Retirement, presented the third quarter plan activity summary. Ms. Ornduff stated that as of September 30, 2017, Plan assets increased by \$107.41 million, or 2.6 percent. Incoming rollovers to the Program have increased year over year from \$22.1 million to \$29.7 million, and outgoing rollovers increased year over year from \$20.5 million to \$28.9 million. Ms. Ornduff stated that the South Carolina Stable Value Fund remains healthy with a market to book ratio of 100.1 percent.

Ms. Ornduff reported that the number of participants utilizing Managed Accounts or advice Services increased from 17,724 in the second quarter of 2017, to 18,533 in the third quarter of 2017.

Ms. Ornduff advised that contributions increased year over year from \$59.45 million as of September 30, 2016, to \$67.63 million as of September 30, 2017, and the total number of participants investing 100 percent in Target Date Funds increased from 6,684 to 6,804. Ms. Ornduff also reported that there are 733 total participating employers in the Program.

VII. Old Business/Director's Report

Ms. Peggy Boykin, Executive Director, stated that she would provide the Director's Report at the full Board meeting.

VIII. Adjournment

There being no further business, and upon motion by Mr. Frank Fusco, which was seconded by Mr. Audie Penn, and approved unanimously, the Committee meeting adjourned at 2:42 p.m.