

Meeting Minutes | Retirement Policy Committee

Wednesday, December 4, 2019 | 10:30 a.m.
202 Arbor Lake Dr., Columbia, SC 29223 | First Floor Conference Room

Minutes Approved March 4, 2020

Board Members Present: Chairman Steve Heisler, Ms. Paige Lewis, and Mr. Ed Walton

Board Members Absent: Sheriff Leon Lott

Others Present for All or a Portion of the Meeting: Peggy Boykin, Ashley Brindle, Amber Carter, Sarah Corbett, Jennifer Dolder, Joe Greene, Evan Mitchell, Jessica Moak, Heather Muller, Kimberly Munteanu, Tammy Nichols, Sheila Pinckney, Rob Tester, Stephen Van Camp, Angie Warren, Justin Werner, and Heather Young from the South Carolina Public Employee Benefit Authority (PEBA); Darryl Collier, Nancy Ornduff and Darryn Zuehlke (via telephone) from Empower Retirement; Joe Newton and Danny White from Gabriel, Roeder, Smith & Company (GRS); Mike Wright and Joe Ferguson from Segal Marco Advisors; Billie Peeples and Jamie Robinson with AIG; David Johnson with MetLife; and Randy Miller from Funston Advisory Services.

I. Call to Order

Chairman Steve Heisler called the PEBA Retirement Policy Committee (Committee) meeting to order at 10:38 a.m., and stated that the public meeting notice was posted in compliance with the Freedom of Information Act. Chairman Heisler advised that there are several Board members attending the Retirement Policy Committee meeting that are not Committee members. He reminded the additional Board members that they are not permitted to participate in discussions during the Committee meeting, and must reserve comments or questions until after the meeting adjourns.

II. Approval of Meeting Minutes-July 24, 2019

It was noted that the July 24, 2019, meeting minutes were adopted as presented.

III. Review of the Retirement Systems Actuarial Valuations by the External Actuary

Mr. Danny White, Senior Consultant, and Mr. Joe Newton, from Gabriel, Roeder, Smith & Company (GRS), presented the 2019 Retirement Systems Actuarial Valuations to the Committee.

Mr. White stated that there was no change in assumptions or methods, and the employer contribution rates for both the South Carolina Retirement System (SCRS) and the Police Officer's Retirement System (PORS) continue to be statutorily scheduled. The investment return for fiscal year 2019 was 5.84 percent. Mr. White noted that PORS is beginning to experience positive amortization of the unfunded liability.

Mr. White discussed the summary results of the 2019 valuation for SCRS and PORS, and pointed out that the funding ratio for SCRS and PORS remained relatively steady from 2018 to 2019. Effective July 1, 2017, employee contribution rates were capped at 9.00 percent for SCRS, and 9.75 percent for PORS. Mr. White added that the calculated funding period for SCRS decreased from 22 years in 2018 to 21 years in 2019. Similarly, the calculated funding period for PORS decreased from 20 years in 2018 to 18 years in 2019. It was noted that positive amortization on the unfunded liability is reached once a funding period of approximately 20 years is obtained.

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 contributions necessary for each system.

Mr. White concluded his presentation by reviewing historical and projected liability and assets for both SCRS and PORS.

Chairman Heisler made a motion, which was seconded by Ms. Paige Lewis and approved unanimously, that the Retirement Policy Committee recommend to the PEBA Board that it receive as information the actuarial valuations of SCRS, PORS, JSRS, GARS, and SCNG as of July 1, 2019; and based on those valuations, maintain the employer contribution rate for JSRS at 62.94 percent; set the employer contribution rate for GARS at \$5.956 million; and set the employer contribution rate for SCNG at \$5.188 million, all effective July 1, 2020.

IV. Deferred Compensation Plan Document Amendments

Mr. Justin Werner, Deputy General Counsel, reviewed the deferred compensation plan document amendments for the 401(k) and 457 plans. For the Deferred Comp 401(k) plan, the amendments provide for the following: (1) allow for rollovers from the plan to SIMPLE IRAs, (2) allow for disaster relief distributions to the extent permitted by federal law, (3) update the hardship withdrawal provisions in accordance with changes made by the Bipartisan Budget Act, and (4) allow for contributions to the plan as a percentage of compensation.

For the Deferred Comp 457 plan, the amendments provide for the following: (1) allow for rollovers from the plan to SIMPLE IRAs, (2) allow for disaster relief distributions to the extent permitted by federal law, (3) allow rollovers into the plan from eligible plans to the full extent allowed by federal law, (4) allow for contributions as a percentage of compensation, and (5) conform the remittance schedule for 457 contributions to the 401(k) plan provisions.

Chairman Heisler made a motion, which was seconded by Ms. Lewis, and approved unanimously, to recommend to the PEBA Board that it adopt the amendments to the Deferred Compensation Program 401(k) and 457 plans as presented, to be effective January 1, 2020.

V. Defined Contribution Quarterly Reports

Mr. Mike Wright and Mr. Joe Ferguson from Segal Marco Advisors presented the South Carolina Defined Contribution Plans report for the quarter ending September 30, 2019. Mr. Wright provided a market overview, and stated that world equity markets and U.S. Equities were positive for the quarter.

Mr. Ferguson reviewed the South Carolina Deferred Compensation Program (Deferred Comp) asset allocation and fund line-up performance for the third quarter, and advised that there are no investment options in Deferred Comp that require further review at this time.

Mr. Ferguson turned the discussion to the State Optional Retirement Program (State ORP) investment performance for the third quarter of 2019, and reported that the Ivy Science and Technology fund within the Mass Mutual lineup has consistently underperformed and fell below its index for the third quarter. Segal Marco recommends moving this fund to the watch list and will provide investment recommendations at the next meeting.

Mr. Ferguson noted that the TIAA CREF Inflation Linked Bond fund fell below its index for both the three and five-year periods. Segal Marco will continue to monitor this fund on an informal basis.

VI. Deferred Compensation Program Plan Summary

Ms. Nancy Ornduff, from Empower Retirement, presented the third quarter Deferred Comp plan activity summary to the Committee. Ms. Ornduff also reviewed historical trends analysis, a review of completed communications projects, third quarter website statistics, and educational campaigns.

VII. Old Business/Director's Report

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

VIII. Adjournment

There being no further business, and upon motion by Ms. Lewis, which was seconded by Mr. Ed Walton, and approved unanimously, the Committee meeting adjourned at 11:45 a.m.