



Meeting Minutes | Retirement Policy Committee

Wednesday, December 2, 2020 | 1:00 p.m.

Via Zoom Conference

Minutes Approved March 3, 2021

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

Board Members Absent: Sheriff Steve Mueller

Others Present for All or a Portion of the Meeting: Peggy Boykin, Robby Brown, Ashley Brindle, Amber Carter, Sarah Corbett, Heather Muller, Tammy Nichols, Travis Turner, Stephen Van Camp, Angie Warren, Justin Werner, and Heather Young from the South Carolina Public Employee Benefit Authority (PEBA); Marybeth Daubenspeck and Nancy Ornduff from Empower Retirement; Danny White and Joe Newton from Gabriel, Roeder, Smith & Company; and Mike Wright and Joe Ferguson from Segal Marco Advisors.

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-October 1, 2020

Ms. Paige Lewis made a motion, which was seconded by Mr. Ed Walton, and passed unanimously, to approve the minutes from the October 1, 2020, Committee meeting.

III. 2020 Actuarial Valuations of the South Carolina Retirement Systems

Mr. Danny White, Senior Consultant, and Mr. Joe Newton, from Gabriel, Roeder, Smith & Company (GRS), presented the 2020 Retirement Systems Actuarial Valuations to the Committee.

Mr. White noted that the investment return for fiscal year 2020 was -1.58 percent, and 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; however, Act 135 in May 2020, delayed the contribution increases for one year. Mr. White advised that the originally scheduled contribution rates provided some margin for adverse experience before requiring additional increases in the contribution rate, and it's essential for the sustainability of the System that the contribution rate increases in statute continue without further adjustment or delay.

Mr. White discussed the summary results of the 2020 valuation for SCRS and PORS, and pointed out that the funding ratio for SCRS and PORS remained relatively unchanged from 2019 to 2020. 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 2019 to 20 years in 2020. Similarly, the calculated funding period for PORS decreased from 20 years in 2019 to 18 years in 2020. Mr. White advised that the maximum funding period for SCRS and PORS was 28 years in 2019, and is 27 years for 2020. 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, 2020; and, adopt the employer contributions for JSRS, GARS, and SCNG recommended therein, to be effective July 1, 2021.

IV. 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, 2020. Mr. Wright provided a market overview, and stated that U.S. equity remained positive with a third-quarter return of 9.2 percent, and U.S. fixed income was also positive with a return of 0.6 percent for the third quarter. Mr. Wright advised however, the global and US economy numbers are still trending far below their 2019 levels, due to the impact of COVID-19.

Mr. Ferguson reviewed the State Optional Retirement Program (State ORP) investment performance for the third quarter of 2020, and reported that none of the investment options in the current MassMutual lineup are under informal review, and reminded the Committee that the Board approved the removal of a balanced fund and addition of an international equity index fund, which are scheduled to take place in January 2021.

Mr. Ferguson stated that Voya will replace MetLife as a record keeper in the State ORP during a transition to take place over December 2020/January 2021.

Mr. Ferguson also reminded the Committee that the Board approved the removal of the CREF Social Choice and TIAA-CREF Real Estate Securities funds, and the addition of an international equity index fund, which will take place in January 2021.

Mr. Ferguson advised that the CREF Inflation Linked Bond placed below its index for the three and five-year periods, and is in the bottom half of its peer group universe. Segal Marco will continue to monitor this investment option on an informal basis.

Mr. Ferguson reviewed the scheduled lineup changes for AIG that the Board approved including the removal of the Vanguard Healthcare Fund, and the addition of an international equity index fund. The Vanguard Institutional Index, T. Rowe Price Large Cap Growth, and Vanguard Target

Date Funds were also approved to be replaced in January 2021. Mr. Ferguson advised that none of the current funds that will remain in the AIG lineup after the January changes are on informal review.

Mr. Ferguson reviewed the South Carolina Deferred Compensation Program (Deferred Comp) asset allocation and fund line-up performance for the third quarter, and noted that for the three and five-year periods, the T. Rowe Price Growth Stock placed below its index, and in the bottom half of its peer group universe. Segal Marco will continue to monitor this investment option on an informal basis.

Mr. Ferguson noted that the Hartford Mid Cap within the Deferred Comp lineup, also placed below its index, and in the bottom half of its peer group universe. Segal Marco will continue to monitor this investment option on an informal basis.

V. Deferred Compensation Program Plan Summary

Ms. Nancy Ornduff, from Empower Retirement, presented the third quarter Deferred Compensation plan activity summary to the Committee. Ms. Ornduff reviewed the investment transfer activity during the 2020 market fluctuations due to COVID-19, and reviewed the Coronavirus, Aid, Relief and Economic Security (CARES) Act loans and withdrawals for the third quarter.

Ms. Ornduff concluded her presentation by reviewing a plan statistics summary, retirement plan advisory activity, and the number of new enrollments for the third quarter.

VI. Old Business/Director's Report

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

VII. Adjournment

There being no further business, and upon motion by Ms. Lewis, which was seconded by Mr. Walton, and approved unanimously, the Committee meeting adjourned at 2:00 p.m.