



Meeting Minutes | Retirement Policy Committee

Wednesday, December 7, 2022 | 1:00 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: Mr. Calvin Elam, Sheriff Steve Mueller, PEBA Board Chairman Joe “Rocky” Pearce, Committee Chairman Paige Lewis, and Mr. Ed Walton.

Others Present for All or a Portion of the Meeting: Peggy Boykin, Ashley Brindle, Karen Brown, Amber Carter, Justin Ellis, James Manning, Heather Muller, Tammy Nichols, Sheila Pinckney, Glenn Plummer, Danielle Quattlebaum, Travis Turner, Justin Werner, Faith Wright, and Heather Young from the South Carolina Public Employee Benefit Authority (PEBA); Jared Hardin from CapTrust; Nancy Ornduff from Empower; Thomas Lyle and Danny White from Gabriel, Roeder, Smith & Company; Jen Aras and Kevin Smith from Crowe; and Sam Griswold from the State Retirees Association of South Carolina.

Others Present for All or a Portion of the Meeting Via Virtual Means: Shaun Eskamani and Marcia Peters from CapTrust; Evan Mitchell and Angie Warren from PEBA.

I. Call to Order

Chairman Paige Lewis 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 5, 2022

Mr. Ed Walton made a motion, which was seconded by Sheriff Steve Mueller, and passed unanimously, to approve the minutes from the October 5, 2022, Committee meeting.

III. Investment Policy Statement Review and Approval

Mr. Travis Turner, Deputy Director and Chief Financial Officer, introduced Mr. Jared Hardin, Financial Advisor from CapTrust, who provided an overview of revised Investment Policy Statements for the Deferred Compensation Program and the State Optional Retirement Plan.

Mr. Harden reviewed the revised Investment Policy Statements objectives; roles and responsibilities of CapTrust as a co-fiduciary; and the roles and responsibilities of third-party administrators, and participants. He further discussed the remaining changes from the previously approved Investment Policy Statements.

Mr. Walton made a motion, which was seconded by Mr. Calvin Elam, and passed unanimously, 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.

IV. Defined Contribution Plans Quarterly Investment Performance Report

Mr. Shaun Eskamani, Principal and Financial Advisor from CapTrust, provided market commentary for the quarter, specifically noting that all major asset classes ended the third quarter in the negative. He pointed out that there have been some improvements in the fourth quarter, with U.S. Large Cap Stocks rebounding in October, along with improvements in Emerging Market stocks.

Mr. Hardin reviewed the South Carolina Deferred Compensation Program (Deferred Comp) investment performance for the third quarter of 2022, and stated that CapTrust recommends placing the T. Rowe Price Growth Stock fund on the watch list for further review. Mr. Hardin also advised that CapTrust recommends replacing the Hartford Mid Cap Growth fund investment option. Ms. Marcia Peters, Senior Investment Analyst, provided the rationale behind these investment recommendations.

Mr. Hardin turned the discussion to the State Optional Retirement Program (State ORP) investment performance for the third quarter of 2022, and advised that investments in the State ORP total \$3.2 billion across four vendors. Mr. Hardin noted that AIG recently rebranded under the name CoreBridge, and provided a State ORP vendor fee comparison.

Mr. Hardin stated that CapTrust recommends placing the MassMutual Select Blue Chip Growth I fund in the Empower investment lineup on the watch list for further review. Mr. Hardin also advised that CapTrust recommends replacing the Invesco Oppenheimer International Growth fund, also on the Empower investment lineup. Ms. Peters provided the rationale behind these investment recommendations.

Mr. Hardin reviewed the Deferred Compensation investment menu recommendations which includes share class changes, fund additions, and fund replacements. Ms. Peters provided the rationale behind these changes.

Mr. Hardin also reviewed the State ORP investment menu recommendations which includes share class changes and fund replacements. Ms. Peters provided the rationale behind these changes.

Mr. Elam made a motion, which was seconded by Sheriff Mueller, and passed unanimously, 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.

V. Deferred Compensation Program Quarterly Plan Summary

Ms. Nancy Ornduff, from Empower, presented the third quarter of 2022 Deferred Compensation Program quarterly plan summary to the Committee. Ms. Ornduff reviewed the plan statistics for the third quarter, including participant accounts; assets; contributions and distributions; rollovers; new enrollments; and participating employers.

Ms. Ornduff concluded her presentation by reviewing retirement plan advisory activity; outreach to participants and employers during the third quarter; and website and call center statistics.

VI. 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 Committee.

Mr. Lyle reviewed a summary of the membership demographics of the systems and the benefits provided to members.

Mr. Lyle noted that the investment return for the South Carolina Retirement Systems fiscal year 2022 was negative -0.9 percent, which was negative -\$3.25 billion less than expected. 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 from 55 percent to 57 percent, and 64 percent to 65 percent respectively, during the last year. Mr. White added that effective July 1, 2017, employee contribution rates were capped at 9.00 percent for SCRS, and 9.75 percent for PORS.

Mr. Lyle added that the calculated funding period for SCRS decreased to 17 years for 2022, and decreased from 19 years in 2021 to 16 years in 2022 for PORS. It was noted that positive amortization on the unfunded liability is reached once a funding period of approximately 20 years is obtained. The employer contribution rates for both SCRS and PORS continue to be statutorily scheduled; however, Act 135 in May 2020, delayed the contribution increases for one 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.

Mr. White advised that the phase-in for the long-term contribution rate for SCRS and PORS will be attained next year. Mr. White added that the funding ratio is projected to begin to increase, and the UAAL to begin to decrease for both systems. It is GRS' recommendation to stay the course and give the strategy time to achieve its objective.

Mr. Walton made a motion, which was seconded by Sheriff Mueller, 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, 2022; and adopt the employer contributions for JSRS, GARS, and SCNG recommended therein, to be effective July 1, 2023.

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 Mr. Calvin Elam, which was seconded by Sheriff Mueller, and approved unanimously, the Committee meeting adjourned at 2:40 p.m.