



## Meeting Minutes | Retirement Policy Committee

Minutes Approved October 6, 2021

Wednesday, July 28, 2021 | 1:00 p.m.

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

**Board Members Present:** Mr. Steve Heisler, Chairman Paige Lewis, Sheriff Steve Mueller, and Mr. Ed Walton

**Others Present for All or a Portion of the Meeting:** Peggy Boykin, Robby Brown, Ashley Brindle, Sarah Corbett, James Manning, Heather Muller, Travis Turner, Stephen Van Camp, and Justin Werner from the South Carolina Public Employee Benefit Authority (PEBA); and Sam Griswold from the State Retirees Association of South Carolina.

**Others Present for All or a Portion of the Meeting Via Telephone:** Amber Carter, Jessica Moak, Tammy Nichols, Angie Warren, and Heather Young from the South Carolina Public Employee Benefit Authority (PEBA); Nancy Ornduff from Empower Retirement; and Rob Hungerbuhler and Mike Wright from Segal Marco Advisors.

### 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-March 3, 2021

Mr. Steve Heisler made a motion, which was seconded by Mr. Ed Walton, and passed unanimously, to approve the minutes from the March 3, 2021, Committee meeting.

### III. Strategic Key Measures Review

Mr. Travis Turner, Chief Financial Officer, reviewed strategic key measures related to the Retirement Policy Committee. Mr. Turner reviewed total membership in the Retirement Systems as of July 1, 2021, and the average annual benefit paid to South Carolina Retirement System (SCRS) and Police Officers Retirement System (PORS) retirees.

Mr. Turner reviewed past pension reform legislation, and the Retirement System Funding and Administration Act of 2017, which decreased the assumed rate of return from 7.50 percent to 7.25 percent, effective July 1, 2017. This rate remained in effect through July 1, 2021. Effective July 1, 2021, the assumed rate of return will decrease from 7.25 percent to 7.00 percent. Mr. Turner added that the Act 2017 also changed employee and employer contribution rates, effective July 1, 2017, and gradually reduces the maximum funding period from 30 years to 20

years by July 1, 2027. The schedule reflects a one-year reduction in the funding period for each of the next 10 years, but it also allows for future unforeseen negative experience.

Mr. Turner detailed effects of the 2017 legislation on the SCRS amortization period by fiscal year; SCRS and PORS contribution rates by fiscal year; and SCRS and PORS unfunded accrued liabilities as of July 1, 2021.

Mr. Turner concluded his presentation by reviewing a summary of investment returns by fiscal year; deductions from the pension trust funds from 2006-2020; the number of SCRS participating employers as of June 30, 2020; and State Optional Retirement Plan (State ORP) and Deferred Compensation Program participant accounts as of June 30, 2020.

#### **IV. Defined Contribution Quarterly Reports**

Mr. Mike Wright, from Segal Marco Advisors, announced that Mr. Joe Ferguson has left Segal Marco Advisors, and Mr. Rob Hungerbuhler, Senior Consultant, will be replacing him as a Segal representative for PEBA. Mr. Rob Hungerbuhler introduced himself to the Committee.

Mr. Wright presented the South Carolina Defined Contribution Plans report for the quarter ending March 31, 2021. Mr. Wright provided a market overview and stated that U.S. equity remained positive with a first-quarter return of 6.4 percent, and 62.5 percent year-to-date.

Mr. Wright reviewed the South Carolina Deferred Compensation Program (Deferred Comp) investment performance for the first quarter of 2021 and reported that the book to market value for the Plan's stable value fund was 102.8 percent at the end of the first quarter.

Mr. Wright stated that the Hartford Mid Cap fund 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. Wright turned the discussion to the State Optional Retirement Program (State ORP) investment performance for the first quarter of 2021, and reviewed the lineup changes for AIG that the Board approved. Mr. Wright advised that none of the current funds that will remain in the AIG lineup after the January changes are under review.

Mr. Wright reported that Empower Retirement took over MassMutual's retirement plan recordkeeping business in an acquisition that was completed in January 2021. Lineup changes that the Board approved included the removal of a balanced fund, and addition of an international equity index fund. These changes were implemented in January 2021. Mr. Wright stated that none of the investment options in the current MassMutual lineup are under review.

Mr. Wright reminded the Committee that Voya replaced MetLife as a record keeper in the State ORP effective January 1, 2021, and none of the investment options in the current Voya lineup are under review.

Mr. Wright advised that the TIAA Bond Index 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. Wright also reported 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. Wright stated that the TIAA-CREF Lifecycle funds have not met expectations, and Segal Marco is reviewing target date funds across all four service providers.

**V. Deferred Compensation Program Plan Summary**

Ms. Nancy Ornduff, from Empower Retirement, presented the first quarter of 2021 Deferred Compensation plan activity summary to the Committee. Ms. Ornduff reviewed the plan statistics for the first quarter, including participant accounts; assets; contributions and distributions; rollovers; and participating employers.

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

**VI. Old Business/Director's Report**

Ms. Peggy Boykin, Executive Director, provided the Director's Report, and stated that the South Carolina Retirement System Investment Commission (RSIC), reported fiscal year end returns of 28.6 percent, which should offset the adverse investment performance from last year, and should mitigate the impact on the unfunded liability of reducing the assumed rate of return from 7.25 percent to 7.00 percent.

Ms. Boykin advised that the PEBA Board Retreat will be November 30, 2021 - December 1, 2021, in Wampee, SC. The first day of the retreat will be focused on comprehensive educational programs for Board members, including PEBA's actuaries providing significant detail regarding the actuarial valuations, funding of the plan, and plan design proposals. The second day of the retreat will be the regular business meeting.

**VII. Adjournment**

There being no further business, and upon motion by Mr. Heisler, which was seconded by Sheriff Steve Mueller, and approved unanimously, the Committee meeting adjourned at 2:10 p.m.