

Meeting Minutes | Retirement Policy Committee

Wednesday, March 7, 2018 | 1:00 p.m.
200 Arbor Lake Dr., Columbia, SC 29223 | Second Floor Conference Room

Minutes approved June 6, 2018

Board Members Present: Chairman Steve Heisler, Sheriff Leon Lott, Mr. Audie Penn, Mr. Chuck Richardson, and Mr. Ed Walton

Board Members Present Via Telephone: Mr. David Tigges

Others Present for All or a Portion of the Meeting: Peggy Boykin, Ashley Brindle, Amber Carter, Sarah Corbett, Joe Greene, Heather Muller, Sheila Pinckney, Travis Turner, Stephen Van Camp, Justin Werner, and Heather Young from the South Carolina Public Employee Benefit Authority (PEBA); Wayne Pruitt from the State Retirees Association of South Carolina; Nancy Ornduff from Empower Retirement; Mike Wright and Joe Ferguson from Segal Marco Advisors; Gary Parker and Billy Peebles with VALIC ; and Kathleen Stevens from Markets Group.

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- December 13, 2017

Sheriff Leon Lott made a motion, which was seconded by Mr. David Tigges, and passed unanimously, to adopt the December 13, 2017, meeting minutes as presented.

III. Segal Investment Policy Statement Overview Summary

Mr. Mike Wright from Segal Marco Advisors reviewed the suggested changes to the State Optional Retirement Program (State ORP) Investment Policy Statement, and the South Carolina Deferred Compensation Program (SCDCP) Investment Policy Statement.

Sheriff Lott made a motion, which was seconded by Mr. Tigges, and passed unanimously, to recommend that the full Board adopt the updated State ORP Investment Policy Statement.

Sheriff Lott made a motion, which was seconded by Mr. Ed Walton, and passed unanimously, to recommend that the full Board adopt the updated SCDCP Investment Policy Statement.

IV. Fund Updates

Mr. Joe Ferguson from Segal Marco Advisors presented a letter regarding Segal's review of the PIMCO All Asset Fund in the SCDCP investment selection, in which they recommend that the Committee remove the fund from the investment options.

Sheriff Lott made a motion, which was seconded by Mr. Walton, and passed unanimously, to recommend that the full Board approve the removal of the PIMCO All Asset Fund from the SCDCP investment options.

Mr. Ferguson also presented a letter regarding Segal's review of Fidelity's proposed change from the Fidelity Diversified International Mutual Fund to the Fidelity Diversified International Commingled Pool. Segal recommends that the Committee proceed with the change in the SCDCP investment lineup.

Sheriff Lott made a motion, which was seconded by Mr. Walton, and passed unanimously, to recommend that the full Board approve the change from the Fidelity Diversified International Mutual Fund to the Fidelity Diversified International Commingled Pool.

V. Defined Contribution Quarterly Reports

Mr. Wright presented the SCDCP report and the State ORP report for the quarter ending December 31, 2017, and reviewed the asset class performance for the quarter. World equity, U.S. Equity, International equity, and Emerging market equity all rose in the fourth quarter of 2017.

Mr. Wright discussed Target Date Funds in the State ORP and the SCDCP program. Target Date Funds are designed to provide participants with a simplified investment option that is diversified among asset classes and shifts to a more conservative asset allocation over time.

Mr. Ferguson stated that the AllianceBernstein Small Cap Growth fund remains on the SCDCP investment performance watch list for the fourth quarter of 2017.

Mr. Ferguson discussed the State ORP investment performance for the fourth quarter of 2017, and reported that Mass Mutual and TIAA-CREF both have funds on the watch list, including the INVESCO Small Cap Discovery, the Oppenheimer International Growth, Thornburg Developing World, Ivy Science and Technology, and CREF Inflation Linked Bond fund.

VI. Deferred Compensation Program Plan Summary

Ms. Nancy Ornduff, from Empower Retirement, presented the fourth quarter plan activity summary to the Committee. Ms. Ornduff stated that Empower launched a new website called the New Empower Experience on October 25, 2017, which is a holistic approach to retirement awareness that enables participants to view a lifetime income score and analysis of pension and social security incomes.

Ms. Ornduff concluded by reviewing a summary on plan statistics, completed communications projects, and an operations progress report.

VII. Old Business/Director's Report

Ms. Peggy Boykin, Executive Director, stated that the budget has passed the full Ways and Means Committee, and will be debated on the House floor next week, before passing to the Senate. Ms.

Boykin advised that the House approved PEBA's operating budget as requested, and stated that \$33 million from the General Fund was added to cover the state's share of the one percent retirement contribution increase, as well as \$4.2 million for the Educational Improvement Act's share of the one percent retirement contribution increase, and \$475,000 to fund the South Carolina National Guard Supplemental Retirement Plan.

Ms. Boykin reported that the Joint Committee on Pension Systems Review met on February 14, 2018, and included presentations from PEBA and The South Carolina Retirement System Investment Commission (RSIC), regarding investments and funding of the system. Ms. Boykin stated that the Joint Committee on Pension Systems Review will continue to evaluate plan design proposals, and PEBA will continue to provide the appropriate analysis to the Joint Committee on Pension Systems Review as requested. Ms. Boykin added that the Senate has also appointed a Standing Subcommittee on Retirement Systems to address policy issues regarding workforce development, and the current \$10,000 earnings limitation.

Ms. Boykin advised that PEBA is working collaboratively with the Department of Education concerning teacher workforce shortages, the earnings limitation, and the ending of the Teacher and Employee Retention Incentive (TERI) program, which closes June 30, 2018.

Ms. Boykin pointed out that there are approximately 1,150 teachers that will be ending TERI on June 30, 2018, and it would cost approximately \$20 million per year to fund the policy change of removing the earnings limitation for all South Carolina Retirement System (SCRS) and Police Officer's Retirement System (PORS) employees.

VIII. Adjournment

Chairman Heisler stated that the next Committee meeting will be held on June 6, 2018 at 1:00pm.

There being no further business, and upon motion by Mr. Walton, which was seconded by Sheriff Lott, and approved unanimously, the Committee meeting adjourned at 2:35 p.m.