

## Meeting Minutes | Retirement Policy Committee

Thursday, March 23, 2017 | 9:30 a.m.  
200 Arbor Lake Dr., Columbia, SC 29223 | Second Floor Conference Room

Minutes approved June 15, 2017

**Board Members Present:** Chairman David Tigges and Mr. Ed Walton

**Board Members Present Via Telephone:** Sheriff Leon Lott and Mr. John Sowards

**Others Present for All or a Portion of the Meeting:** Peggy Boykin, Ashley Brindle, Sarah Corbett, Jennifer Dolder, James Manning, Heather Muller, Megan Lightle, Sheila Pinckney, Travis Turner, Stephen Van Camp, and Justin Werner from the South Carolina Public Employee Benefit Authority (PEBA); Wayne Bell, Sam Griswold, and Wayne Pruitt from the State Retirees Association of South Carolina; Neil Silverman and Paul Staples with Summit Strategies Group; Nancy Ornduff and Danette Rausche (via telephone) with Empower Retirement; and Robin Scott and Traci Young from Express Scripts, Inc.

### I. Call to Order

Chairman David Tigges called the PEBA Retirement Policy Committee (Committee) meeting to order at 9:30 a.m., and stated that the public meeting notice was posted in compliance with the Freedom of Information Act.

Chairman Tigges welcomed Mr. Ed Walton to the Committee. Mr. Walton serves as the Senior Vice President for Administration, and Chief Operating Officer for the University of South Carolina.

### II. Adoption of Proposed Agenda

It was noted that the proposed Committee meeting agenda was adopted unanimously as presented.

### III. Approval of Meeting Minutes- January 11, 2017

Mr. John Sowards made a motion, which was seconded by Sheriff Leon Lott, and approved unanimously, to approve the January 11, 2017, Committee meeting minutes as presented.

### IV. Investment Policy Reviews

Chairman Tigges asked that the Investment Policy Statement reviews for the State Optional Retirement Plan and the South Carolina Deferred Compensation Program be carried over until the next Committee meeting.

Mr. Paul Staples, with Summit Strategies Group (Summit), introduced Mr. Neal Silverman from Summit who replaced Mike Orso.

Mr. Staples stated that in September 2016, Great West approached Summit and PEBA staff to modify the guidelines of the South Carolina Deferred Compensation Program Stable Asset Fund. Mr. Staples clarified that Great West manages the Stable Value Fund, and Empower Retirement is the Recordkeeper for the program. The separate account structure allows PEBA to employ custom guidelines to manage the risk/return profile of the fund.

Mr. Staples reported that Great West is requesting to modify the following guidelines:

1. Lower the corporate bond minimum credit rating from A/A3 to BBB-/Baa3
2. Lower the asset-backed, non-agency MBS and commercial mortgage backed securities from AAA to A-/A3
3. Establish a maximum allocation of 10% to BBB rated securities

Mr. Staples added that these changes are expected to expand the universe of securities available for inclusion within the portfolio; increase the expected return of the portfolio; and not materially impact the risk of the portfolio. Mr. Staples stated that Summit supports the request to modify the South Carolina Deferred Compensation Program Stable Asset Fund Guidelines.

Following further discussion, Mr. Walton made a motion, which was seconded by Mr. Sowards, and approved unanimously, to recommend that the full Board adopt the modified South Carolina Deferred Compensation Program Stable Value Fund Guidelines.

#### **V. Manager Searches**

Mr. Staples reported that as of the fourth quarter 2016, the BlackRock Inflation Protected Bond Fund has been on the watch list for five consecutive quarters, and received a comprehensive review to determine its suitability within the Deferred Compensation Program. Mr. Staples advised that Summit recommends replacing the BlackRock Inflation Protected Bond Fund with a passive fund option, which not only has lower tracking error, but substantially lowers fees for management from 35 basis points to 6 basis points.

Mr. Staples stated that Summit evaluated the Fidelity Inflation Protected Bond Fund and the Vanguard Short Term Inflation Protected Bond Fund, and advised that Summit recommends replacing the BlackRock Inflation Protected Bond Fund with the Fidelity Inflation Protected Bond Fund.

Mr. Sowards made a motion, which was seconded by Mr. Walton, and approved unanimously, to recommend to the full Board that the BlackRock Inflation Protected Bond Fund in the South Carolina Deferred Compensation Program be replaced with the Fidelity Inflation Protected Bond Fund.

Mr. Staples reminded the Committee that as of September 30, 2016, the Victory Munder Mid Cap Growth Fund has been on the watch list for five consecutive quarters. Summit evaluated the Hartford MidCap Fund, the Janus Enterprise N Fund, and the Vanguard Mid-Cap Growth Index Fund. Mr. Staples advised that Summit recommends replacing the Victory Munder Mid Cap Growth Fund with the Hartford MidCap Fund.

Mr. Walton made a motion, which was seconded by Mr. Sowards, and approved unanimously, to recommend to the full Board that the Victory Munder Mid Cap Growth Fund in the South Carolina Deferred Compensation Program be replaced with the Hartford MidCap Fund.

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

Ms. Peggy Boykin, Executive Director, reported that the House has finished budget deliberations, and Senate Finance will begin budget deliberations this week. Ms. Boykin stated that the current version of the budget includes approximately \$150 million for pension funding to support the increases in retirement contributions. Ms. Boykin explained that the House version of the budget intends for the general fund to cover approximately \$35 million of the first one percent of the increase in employer contribution rates, and the entire second one percent (approximately \$100 million) of the increase in employer contribution rates for all employers regardless of source of funds.

Ms. Boykin reported that H.3726 has passed the House, but was amended in the Senate, and the House will debate the amended bill next week.

**VII. Adjournment**

There being no further business, and upon motion by Mr. Sowards, which was seconded by Mr. Walton, and approved unanimously, the Committee meeting adjourned at 10:09 a.m.