

## **Meeting Agenda | Board of Directors**

Thursday, May 19, 2016 | 1:30 p.m.

200 Arbor Lake Dr., Columbia, SC 29223 | Second Floor Conference Room

- I. Call to Order
- II. Adoption of Proposed Agenda
- III. Approval of Meeting Minutes- April 20, 2016
- IV. Actuarial Valuations and Experience Study Recommendations
  1. 0.5 Percent Contribution Rate Increase
  2. Experience Study Recommendations
- V. Committee Reports
  1. Health Care Policy Committee
  2. Retirement Policy Committee
  3. Finance, Administration, Audit and Compliance (FAAC) Committee
- VI. Old Business
  1. Director's Report
  2. Roundtable Discussion
- XI. Executive Session Pursuant to S.C. Code of Laws § 30-4-70 (if necessary)
- XII. Adjournment

### **Notice of Public Meeting**

This notice is given to meet the requirements of the S.C. Freedom of Information Act and the Americans with Disabilities Act. Furthermore, this facility is accessible to individuals with disabilities, and special accommodations will be provided if requested in advance.

**PUBLIC EMPLOYEE BENEFIT AUTHORITY AGENDA ITEM  
BOARD MEETING**

**Meeting Date: May 19, 2016**

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**1. Subject:**

Contribution Rates for the South Carolina Retirement System (SCRS) and South Carolina Police Officers' Retirement System (PORS) for Fiscal Year 2016-2017

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**2. Summary:**

In the 2016-2017 State budget, the General Assembly is expected to provide for an increase in SCRS and PORS contribution rates in the amount of 0.5% for both employee and employer contribution rates, effective July 1, 2016.

**Background Information:**

For the fiscal year ended June 30, 2015, the investment return on the assets of SCRS and PORS significantly underperformed the assumed rate of investment return of 7.5%, producing a return of approximately 1.6%. Based upon recent reporting and statements from the South Carolina Retirement System Investment Commission, the systems' investment return for the current fiscal year will again significantly underperform the assumed rate of return, and the Commission expects that returns will continue to fall below the assumed rate of return in the near term.

Because the investment underperformance for the year ended June 30, 2015, is unlikely to be offset by near-term investment gains, the underperformance will likely have to be made up for with increases in employee and employer contribution rates to maintain the funding of the systems on an actuarially sound basis. PEBA's actuaries have calculated that, based upon the July 1, 2015 actuarial valuations of SCRS and PORS, an increase in both employee and employer contribution rates of 0.5% for SCRS and PORS, effective July 1, 2016, would offset the investment underperformance for the systems during the fiscal year ended June 30, 2015.

In order to offset the investment underperformance for the fiscal year ended June 30, 2015, the Governor's 2016-2017 executive budget and the versions of the general appropriations bill, H. 5001, passed by the House of Representatives on March 23, 2016, and passed by the Senate on May 4, 2016, provide for an increase in SCRS and PORS employee and employer contribution rates in the amount of 0.5% effective July 1, 2016. This mandated contribution rate increase is included not only in line item appropriations, but also in a Part I.B proviso that directs the appropriated funds to be used for SCRS and PORS contribution rate increases. See H. 5001, Part I.B, Section 106.2; see also Hampton v. Haley, 403 S.C. 395, 743 S.E.2d 258 (2013) (holding that the General Assembly's appropriation in the budget act for employer premium increases for the State Health Plan was a mandate that the rates be increased as

provided in the budget that could not be reduced or changed by the Budget and Control Board).

### **3. What is the Board asked to do?**

Adopt contribution rate increases for SCRS and PORS employee and employer contribution rates in the amount of 0.5% effective July 1, 2016, as provided for by the 2016-2017 general appropriations bill.

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### **4. Supporting Documents:**

- (a) List those attached:

**PUBLIC EMPLOYEE BENEFIT AUTHORITY AGENDA ITEM  
BOARD MEETING**

**Meeting Date: May 19, 2016**

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**1. Subject:**

2016 Actuarial Experience Study for the South Carolina Retirement Systems

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**2. Summary:**

At least once every five years, PEBA's actuary is required to perform an experience study of the South Carolina Retirement Systems. The results of this study are then used to set actuarial assumptions and methodologies for future valuations of the systems performed by the actuary.

**Background Information:**

On February 12, 2016, PEBA's actuaries at GRS delivered the 2016 Actuarial Experience Study for the period ended June 30, 2015, for the South Carolina Retirement Systems. In the experience study, GRS recommends the adoption of a set of economic assumptions, demographic assumptions, and actuarial methods and policies for use in future valuations of the South Carolina Retirement Systems. With the exception of the assumed rate of return on the systems' investments, these recommended actuarial assumptions and methodologies may be adopted by the PEBA Board, subject to approval by the State Fiscal Accountability Authority (SFAA). Under current law, the assumed rate of return on the systems' investments is set by the General Assembly pursuant to Section 9-16-335 of the Code of Laws. Because the actuaries develop the actuarial assumptions and methods recommended in the experience study as a consistent, comprehensive set of assumptions to be adopted as a cohesive whole, PEBA first forwarded the experience study to the General Assembly so that it could review and, if appropriate, take action on the actuaries' recommended adjustment to the assumed rate of return prior to any action by PEBA on the other assumptions.

As part of that review by the General Assembly, there is pending legislation that would change how the assumed rate of investment return is established. However, none of that legislation has been enacted to date. While the assumed rate of return legislation has been pending at the General Assembly, the co-trustees of the retirement systems at SFAA have requested that PEBA take action on the other actuarial assumptions and methods recommended by the experience study and submit those actions to SFAA for review.

In addition to the adoption of these recommended assumptions and methods, the PEBA Board may be required to take additional action in the future regarding the assumed rate of return on the systems' investments or other methods of valuing the

systems' assets, depending upon how the General Assembly's review of the assumed rate of return is resolved.

### **3. What is the Board asked to do?**

Adopt the actuarial assumptions and methodologies recommended by GRS in the 2016 Actuarial Experience Study of the South Carolina Retirement Systems, with the exception of the recommended assumed rate of return for the systems' investments, to be effective for the actuarial valuations of the systems as of July 1, 2016.

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### **4. Supporting Documents:**

- (a) List those attached:

South Carolina Retirement Systems 2016 Actuarial Experience Study for the Period Ending June 30, 2015.