

SC PUBLIC EMPLOYEE BENEFIT AUTHORITY- BOARD OF DIRECTORS

Retirement Policy Committee Meeting Minutes Approved 7.7.14

200 Arbor Lake Drive, Columbia SC, Main Conference Room 2nd Floor

Wednesday, June 4, 2014, 9:30 A.M.

Retirement Policy Committee Members Present:

Mr. John Sowards, Chairman
Mr. David Tigges
Mr. Frank Fusco
Mr. Art Bjontegard

Others present for all or a portion of the meeting:

Matt Davis, Rene Dash, Lil Hayes, Megan Lightle, Heather Muller, Travis Turner, Stephen Van Camp, and Justin Werner from the South Carolina Public Employee Benefit Authority (PEBA); Donald Tudor and Wayne Pruitt with the State Retirees Association of South Carolina; Amy Heyel, Nancy Ornduff, Lisa Tilley, and Liz Davidsen (via telephone) with Great-West Retirement Services; Rose Guillette and Bob Liberto with Segal Rogerscasey; Caroline Stegman with Summit Strategies Group; and Katie Brennan from Catamaran.

1. CALL TO ORDER

Chairman Sowards called the PEBA Retirement Policy Committee (Committee) meeting to order at 9:30 a.m.

2. ADOPTION OF PROPOSED AGENDA

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

3. APPROVAL OF MEETING MINUTES - APRIL 30, 2014 and MAY 27, 2014

Chairman Sowards asked for amendments to the April 30, 2014, and May 27, 2014, Committee meeting minutes. There being none, it was noted that the minutes for April 30, 2014, and May 27, 2014, were adopted as presented.

4. PEBA LEGISLATIVE UPDATE

Mr. Travis Turner, Interim Director, provided the legislative update. Mr. Turner stated that there is a proviso in the House of Representatives that would increase Senators and Representatives in-district expense by \$1,000 a month, which would increase their earnable compensation by \$12,000 a year. Mr. Turner stated that if this additional earnable compensation is factored into retirement calculations, it would provide an additional \$17,350 in retirement benefits to members of the General Assembly, and would have an enormous impact on the General Assembly Retirement System (GARS).

5. DEFINED CONTRIBUTION QUARTERLY REPORTS

Mr. Matthew Davis, Defined Contribution Manager, distributed the Defined Contribution Quarterly Reports from Great-West Retirement Services, Segal Rogerscasey, and Summit Strategies Group. It was noted that no action was recommended at this time.

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Ms. Caroline Stegman, with Summit Strategies Group, provided an executive summary related to capital markets, the Deferred Compensation market, and the Optional Retirement Plan.

Ms. Rose Guillette, with Segal Rogerscasey, provided an investment performance summary by asset class and fund evaluation for the quarter ending March 31, 2014. Ms. Guillette stated that the market value for the 401(k) Program was \$2.6 billion on March 31, 2014, which represents an increase of \$24.1 million during the quarter. The 457(b) Plan was \$921 million at the end of the first quarter, which was an increase of \$6.5 million over the quarter.

Ms. Amy Heyel, with Great-West Retirement Services, provided an executive summary of the South Carolina Deferred Compensation program, and briefed the Committee on key organizational changes within Great-West. Ms. Nancy Ornduff, with Great-West Retirement Services, added additional Plan highlights, and stated that Plan assets grew by \$30.64 million as of March 31, 2014.

6. DEFINED CONTRIBUTION UNIT BEST PRACTICES CONTINUED REVIEW

Mr. Davis provided seven best practice recommendations for the South Carolina Deferred Compensation Program (Program). After review and discussion the following motions were made:

- Mr. David Tigges made a motion, which was seconded by Mr. Frank Fusco, and passed unanimously, to accept the Defined Contribution Unit recommendation that the PEBA Board support and seek input to provide PEBA with the flexibility to implement automatic enrollment to the Deferred Compensation Program if this feature is deemed appropriate. It was noted that management will survey stakeholders regarding the prospect of implementing automatic enrollment, and active choice was approved for implementation.
- Mr. Art Bjontegard made a motion, which was seconded by Mr. Tigges, and passed unanimously, to accept the Defined Contribution Unit recommendation that participants be provided with annual fee disclosures.
- Mr. Tigges made a motion, which was seconded by Mr. Fusco, and passed unanimously, to accept the Defined Contribution Unit recommendation that participants be allowed to convert pre-tax assets to Roth assets within the Program.
- Mr. Tigges made a motion, which was seconded by Mr. Bjontegard, to accept the Defined Contribution Unit recommendation that the number of available participant loans be reduced from two to one, and that the loans must be repaid via payroll deduction while the participant is working for a participating employer. The motion passed by a vote of 2-1 with Mr. Tigges and Mr. Bjontegard voting for the motion, Chairman Sowards voting against the motion, and Mr. Fusco abstaining.

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- Mr. Tigges made a motion, which was seconded by Mr. Bjontegard, and passed unanimously, to accept the Defined Contribution Unit recommendation that access to investments within the Self-Directed Brokerage (SDB) Option be limited with the following specifications: (1) Participants would be required to have at least \$2,500 in Program assets in order to utilize the SDB option; (2) All transfers to the SDB option be at least \$1,000; and (3) Participants be allowed to invest no more than 50 percent of their Program assets within the SDB option.
- Mr. Fusco made a motion, which was seconded by Mr. Bjontegard, and passed unanimously, to accept the Defined Contribution Unit recommendation that the 84-month Certificate option be frozen to new investments and that all assets in maturing certificates, as well as all contributions directed to this option, be automatically mapped to the SSgA Target Retirement Income Fund, unless otherwise directed by the participant. Mr. Tigges abstained since he was absent for the vote.
- Mr. Bjontegard made a motion, which was seconded by Mr. Tigges, to accept the Defined Contribution Unit recommendation to require all participating employers to offer all features of the Program and adhere to standardized remittance and reporting requirements. Further discussion ensued. Mr. Bjontegard amended his original motion by adding the phrase "if economically feasible and includes the reasonable judgment of PEBA Staff". Mr. Fusco seconded the motion, which passed unanimously.

Mr. Davis provided four best practice recommendations for the South Carolina Optional Retirement Program (Program). After review and discussion the following motions were made:

- Mr. Bjontegard made a motion, which was seconded by Chairman Sowards, and passed unanimously, to accept the Defined Contribution Unit recommendation that the PEBA Board support and seek sponsorship of a bill to provide PEBA with the flexibility to determine the appropriate vendor structure.
- Mr. Tigges made a motion, which was seconded by Mr. Bjontegard, and passed unanimously, to accept the Defined Contribution Unit recommendation that all revenue generated by the mutual fund investment options be returned to PEBA and not used to compensate record keepers.
- Mr. Bjontegard made a motion, which was seconded by Mr. Fusco, to accept the Defined Contribution Unit recommendation to implement a uniform investment menu for all record keepers, with the exception of the Guaranteed Annuity/Stable Value option, and if a single menu is employed, the a restricted Self-Directed Brokerage (SDB) option would be implemented. After further discussion, the motion died, and the Committee decided to defer the recommendation to the next Committee meeting.

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- Mr. Bjontegard made a motion, which was seconded by Mr. Tigges, and passed unanimously, to accept the Defined Contribution Unit recommendation that investment advice, including a managed account service, be made available to all participants.

7. GOVERNANCE DOCUMENTS ANNUAL REVIEW

It was noted that the Governance Documents Annual Review would be deferred until the next Retirement Policy Committee meeting.

8. OLD BUSINESS/DIRECTOR'S REPORT

It was noted that there was no old business to report.

9. ADJOURNMENT

There being nothing further to discuss, Mr. Sowards adjourned the Committee at 11:42 a.m.