

## Meeting Minutes | Retirement Policy Committee

Wednesday, October 21, 2015 | 1:30 p.m.  
200 Arbor Lake Dr., Columbia, SC 29223 | Second Floor Conference Room

Approved November 18, 2015

**Board Members Present:** Mr. Arthur Bjontegard, Chairman John Sowards, Mr. David Tigges

**Board Members Absent:** Sheriff Leon Lott

**Others Present for All or a Portion of the Meeting:** Peggy Boykin, Tom Cone, Sarah Corbett, Heather Muller, Tammy Nichols, 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; Carlton Washington from the South Carolina State Employees Association; Jonathan Rauh from the S.C. Association of School Administrators; and Joseph Newton and Danny White from Gabriel Roeder Smith & Company.

### I. Call to Order

Chairman John Sowards called the PEBA Retirement Policy Committee (Committee) meeting to order at 1:30 p.m., and stated that the public meeting notice was posted in compliance with the Freedom of Information Act.

### II. Adoption of Proposed Agenda

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

### III. Approval of Meeting Minutes- September 8, 2015

Chairman Sowards asked for amendments to the previous meeting minutes. There being none, Mr. Sowards noted that the September 8, 2015, Committee meeting minutes were approved as presented.

### IV. Review of Defined Benefit Plan

Ms. Peggy Boykin, PEBA's Executive Director, reminded the Committee that on August 19, 2015, Chairman Art Bjontegard directed the Committee to conduct a review of the Retirement System's Defined Benefit Plan, including investment returns and the impact of those returns on the System's unfunded liability, and the required employer and employee contribution rates to the System.

Ms. Boykin introduced Mr. Joseph Newton and Mr. Danny White from Gabriel Roeder Smith & Company (GRS), to present the review of the defined benefit plan. Ms. Boykin stated that GRS

provides the annual valuations of the Retirement Systems, as well as the experience study which is required by statute to be completed every five years. Ms. Boykin added that the valuations for the period ending June 30, 2015, should be available in December, and the five-year experience study should be completed in January 2016. Both of these items will result in recommendations that will be approved by the Retirement Policy Committee, the PEBA Board, and ultimately the State Fiscal Accountability Authority (SFAA). Ms. Boykin advised the Committee that PEBA provides a recommendation to the General Assembly on the actuarial rate of return based on the results of the experience study, but the General Assembly ultimately determines the Retirement Systems actuarial rate of return.

Mr. White reported that the investment return for fiscal year 2015 was approximately 1.60 percent, and the funded ratios on a market value basis for the South Carolina Retirement System (SCRS), and the Police Officers Retirement System (PORS), will decrease by approximately three percent. Mr. White advised the Committee that employer and employee contribution rates for SCRS are projected to increase by six basis points for fiscal year 2018. Mr. White added that the funding period for PORS is projected to remain under 30 years.

Mr. White discussed the allocation of the net pension liability as of June 30, 2015, which is disclosed on the employer's financial reports under the Governmental Account Standards Board (GASB) Statements 67 and 68. Mr. White noted that employers report the unfunded liability disclosure with a one-year lag.

Mr. White reported on the projected contribution rates and the unfunded actuarial accrued liability (UAAL) for both SCRS and PORS, and the method for amortizing the UAAL. Mr. White provided a summary of amortization provisions in the South Carolina Code of Laws, and stated that the amortization period must not exceed 30 years, and added that amortization cost is determined as a level percentage of payroll, and is currently assumed to grow at 3.50 percent annually.

Mr. White reviewed the experience study process, and advised that the PEBA Board can accept, reject, or modify the recommended assumptions and methods. Assumptions adopted by the PEBA Board are first applied to the July 1, 2016, actuarial valuation.

Mr. White also discussed alternative amortization periods, explained the concept of negative amortization, and illustrated four different alternative interest rate assumptions for SCRS.

Following a short break, Mr. Newton turned the discussion to current and alternative structures for providing retirement benefits. Mr. Newton reviewed the current financial condition of SCRS, and a breakdown of how member and employer contributions are utilized. Mr. Newton also reviewed characteristics of alternative benefit structures, and the investment risk associated with each structure. Mr. Newton concluded his discussion by reviewing Act 278 of 2012 legislation, and the changes that impacted current and future SCRS members.

#### **V. Old Business/Director's Report**

Ms. Boykin stated that she did not have any additional information to report.

#### **VI. Adjournment**

There being no further business, the Committee meeting adjourned at 5:10 p.m.