

Meeting agenda

Board of Directors Retreat

Thursday, August 21, 2025 | 9:30 a.m.-2:30 p.m.

Wampee Conference Center | 2213 Pinopolis Road, Pinopolis, SC 29469

- | | | |
|-------|--|------------------|
| I. | Actuarial topics update
<i>Mr. Joe Newton, Gabriel, Roeder, Smith & Company</i> | 9:30-10:30 a.m. |
| II. | CAPTRUST investment recommendation
<i>Mr. Shaun Eskamani, CAPTRUST</i>
<i>Mr. Kevin Fieldman, CAPTRUST</i> | 10:30-10:45 a.m. |
| III. | Fiscal year 2027 budget request
<i>Mr. Travis Turner, Deputy Director and Chief Financial Officer</i> | 10:45-11 a.m. |
| IV. | Executive session for the purpose of discussing the development of personnel and devices affecting IT security pursuant to S.C. Code of Laws § 30-4-70(a)(3) | 11 a.m.-12 p.m. |
| | Lunch | 12-1 p.m. |
| V. | Retirement operations review
<i>Mr. Travis Turner, Deputy Director and Chief Financial Officer</i> | 1-1:30 p.m. |
| VI. | 2026-2030 Strategic Plan
<i>Ms. Heather Young, Communications Manager</i> | 1:30-2 p.m. |
| VII. | Old business
a. Director's report
b. Roundtable discussion | 2-2:30 pm. |
| VIII. | Adjournment | 2:30 p.m. |

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 RETREAT**

Meeting Date: August 21, 2025

1. Subject: Actuarial Topics Update

2. Summary: Mr. Joe Newton from PEBA's actuary Gabriel Roeder Smith & Company (GRS), will present an overview of actuarial topics including an updated projected financial condition, current industry funded status and projections, and things to be mindful of as funding improves.

3. What is Board asked to do? Receive as information

4. Supporting Documents:

Attached:

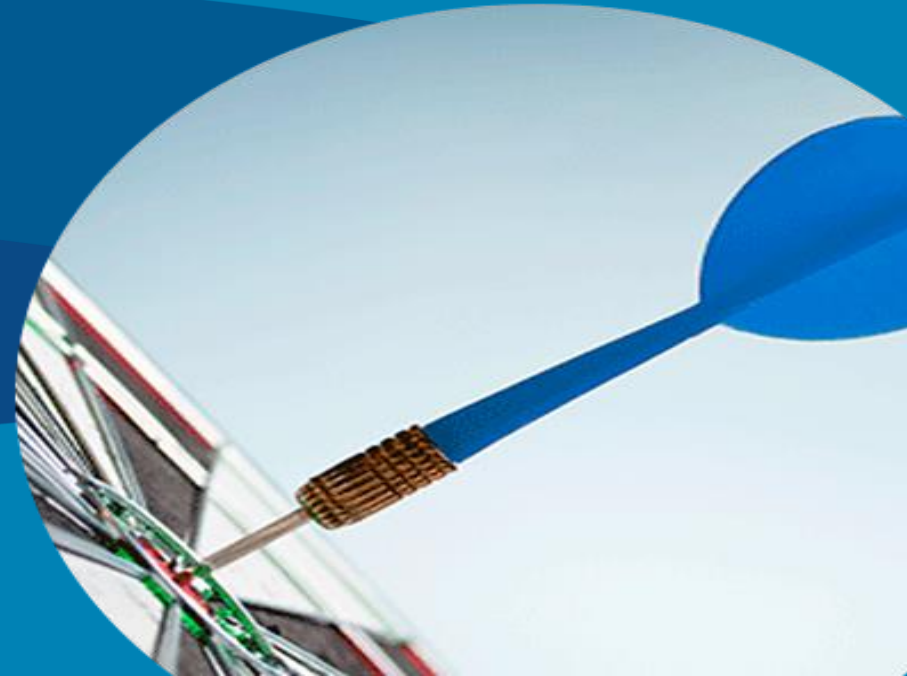
A. South Carolina PEBA Board Retreat



South Carolina PEBA Board Retreat

Joe Newton, FSA EA MAAA

August 21, 2025



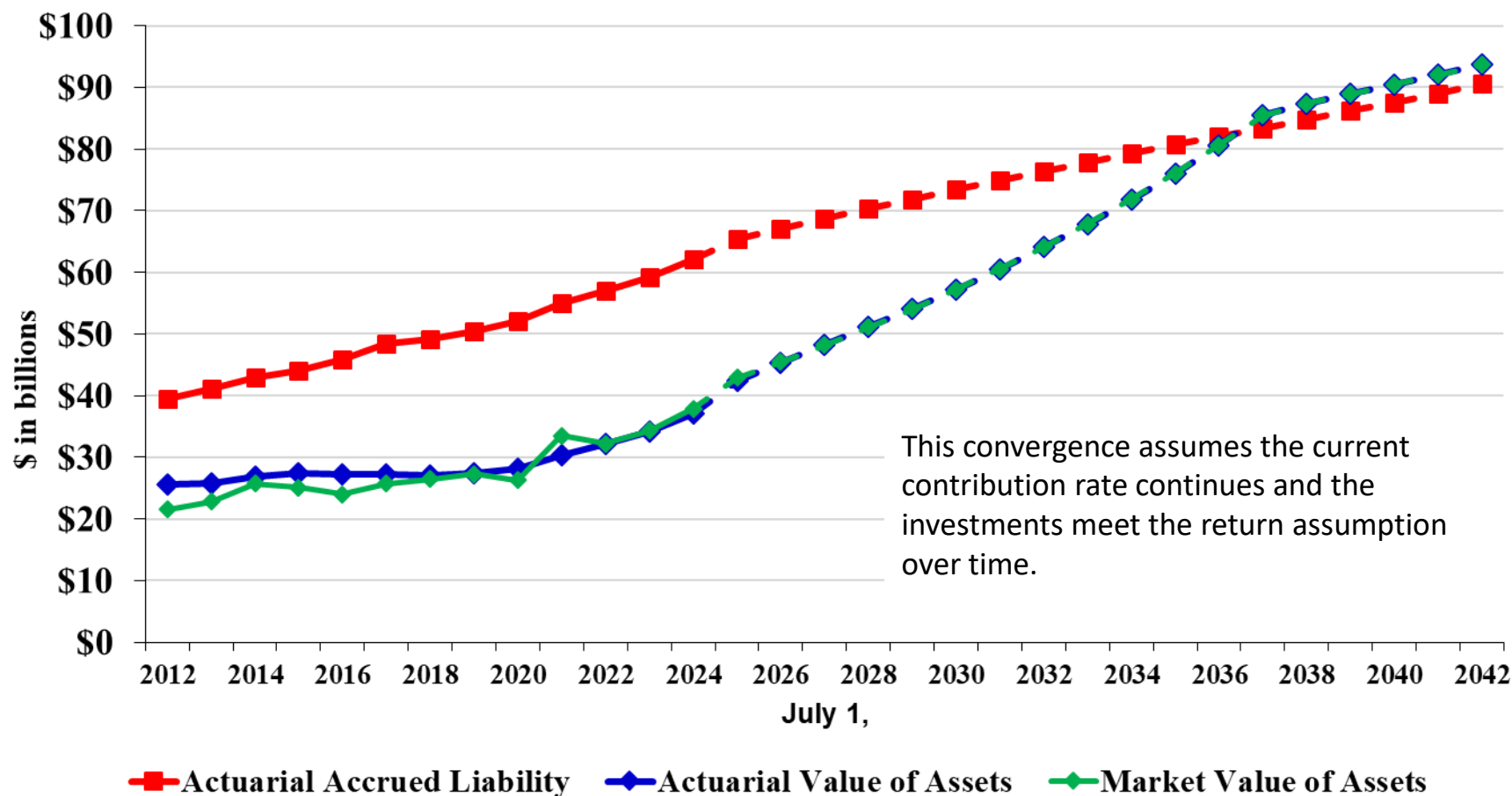
Agenda

- Current Projected Financial Condition
 - SCRS
- Overview of Rules Pertaining SCRS Contribution Effort
- Current Industry Funded Status and Projections
- Things to be Mindful as Funding Improves
- Possible Methods for Orderly Reduction in Contribution Effort

Summary of July 1, 2024 Valuation Results – SCRS and PORS (\$ in millions)

Item	SCRS		PORS	
	2024	2023	2024	2023
(1)	(2)	(3)	(4)	(5)
Actuarial accrued liability	\$62,139	\$59,164	\$10,387	\$9,707
Actuarial (smoothed) value assets	<u>37,016</u>	<u>34,254</u>	<u>7,010</u>	<u>6,401</u>
Unfunded liability (UAAL)	\$25,123	\$24,910	\$3,377	\$3,306
Funded ratio	60%	58%	68%	66%
Member contribution rate	9.00%	9.00%	9.75%	9.75%
Employer contribution rate next FY	<u>18.56%</u>	<u>18.56%</u>	<u>21.24%</u>	<u>21.24%</u>
Total contribution rate	27.56%	27.56%	30.99%	30.99%
Calculated funding period (based on FY 2025 contribution rate)	14 Years	16 Years	13 Years	16 Years
Expected contributions (actual for prior year)				
Member	\$1,120	\$1,117	\$202	\$198
Employer	2,596	2,552	430	420

Historical and Projected Liability and Assets - SCRS



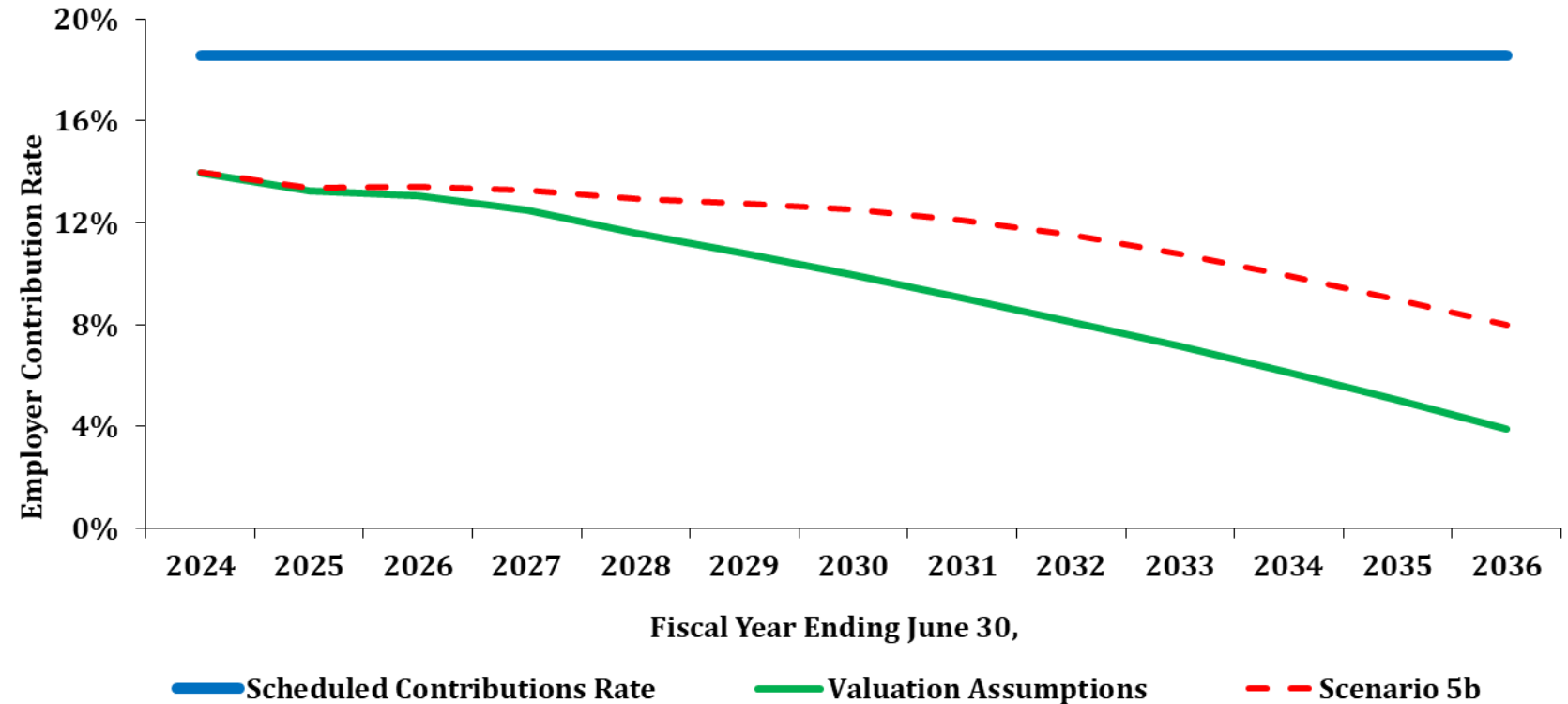
Projected information based on the 2024 actuarial valuation.

Projected Contribution Rates – SCRS

Legislative Decision Making (Scenario 5b)

Maximum Funding Period is declining annually until 20 years is reached in 2027

As long as a 20 year calculated rate (green line) remains below the current Statutory rate of 18.56%, then contributions will continue at 18.56%



Scenario 5b: Emerging investment experience is 4.00% for each of the next five years and 7.00% each year thereafter.

History the Funding Policy for SCRS

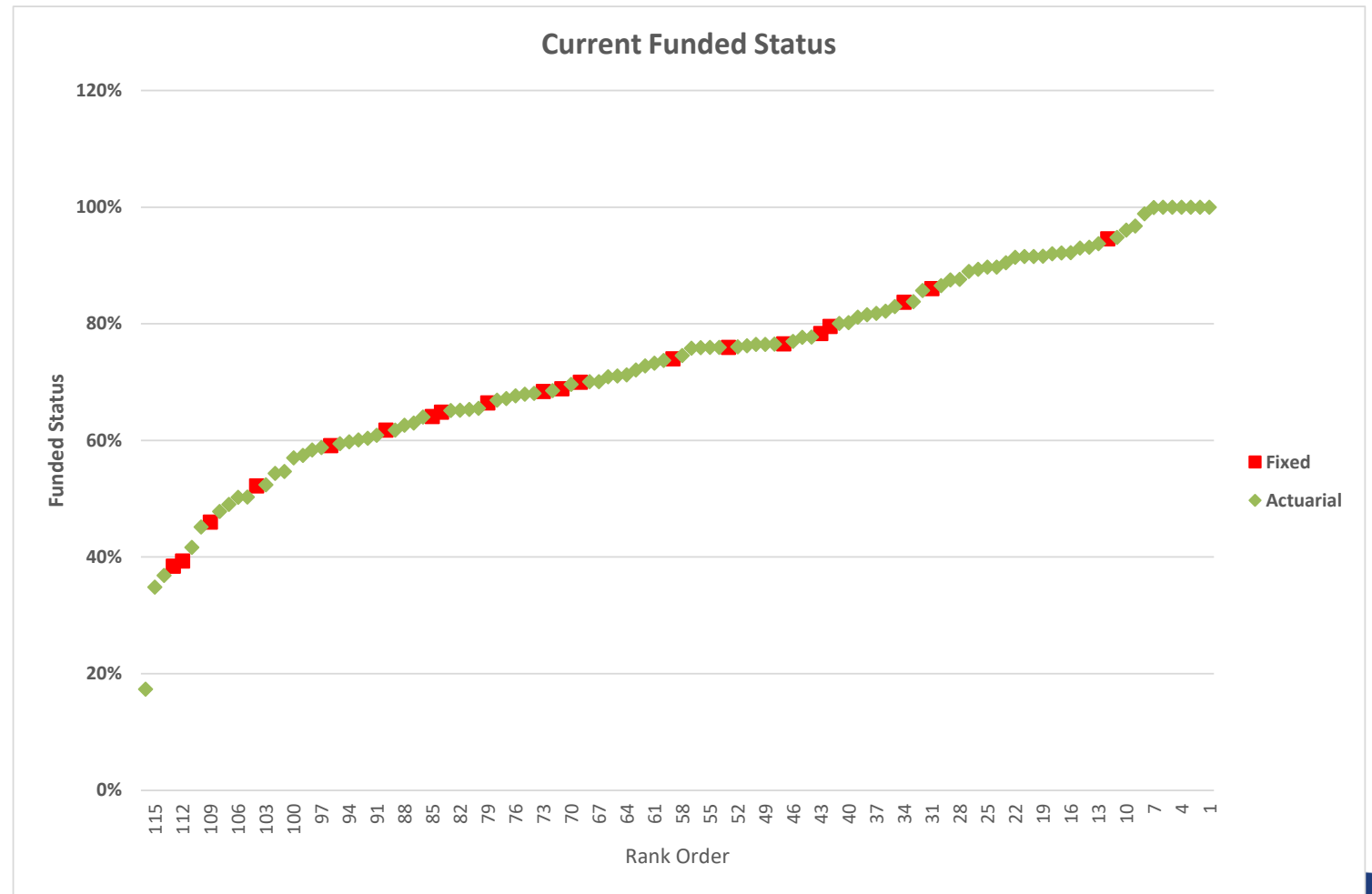
- **Prior to 2011:** Employer Contribution certified by the Budget and Control Board based on a funding policy
 - Employer contribution rate equal to the greater of prior year certified rate or an actuarial determined contribution rate based on a 30-year funding period
- **2012 through 2016:** Act 278 of 2012 established the PEBA Board, minimum contribution requirements
- **After 2016:** Act 135 of 2017 placed a maximum on the member contribution rate and established a schedule for the employer contribution rate with a maximum funding period

Peer Comparisons

The universe of peer systems varies widely in current funded status, from below 20% to over 100%

The colors represent what contribution strategy the system is currently utilizing.

There have been a significant number of systems move from a Fixed/Legislative approach to an Actuarial Approach over the last decade, so they may show as a green dot now, but historically were a red dot. That explains most of the greens on the lower left part of the chart.

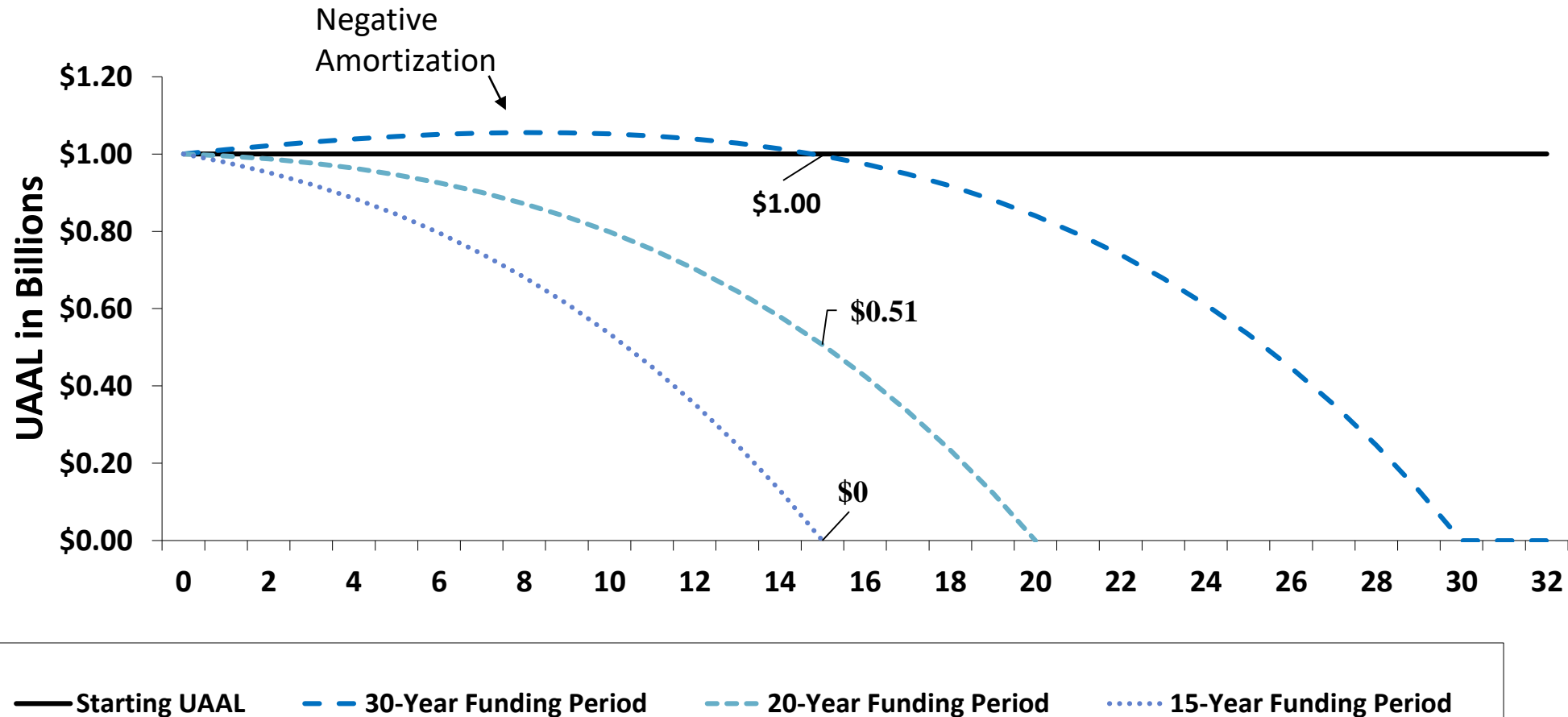


NASRA Public Funds Survey

Categories of Contribution Policies

- Actuarially Determined: Contributions required to change based on a predetermined formula with specific goals and parameters
 - For example: SCRS contribution are required to change if the funding period is more than 20 years
- Fixed Rate (Statutory) Contributions: Contributions are set by statute, or the legislative budget process. Requires legislative action to change, and almost always has no requirement to change.
 - Doing nothing is an option

Another distinguishing factor is whether the policy incorporates Negative Amortization: When the contributions do not cover the interest accruals, the UAAL is expected to increase year over year

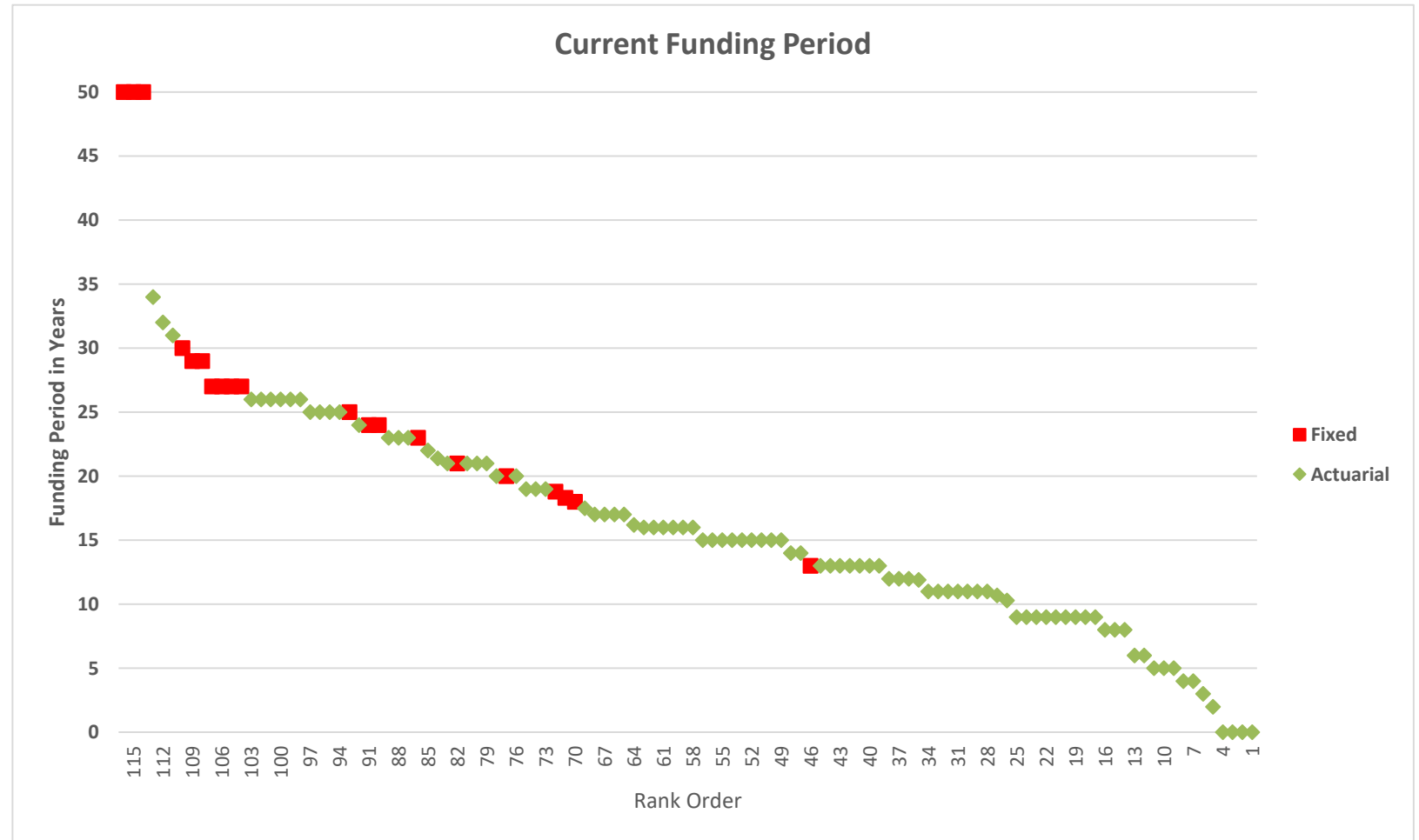


Plans utilizing actuarial funding have reacted to the Great Recession and the decrease in assumed returns faster than ones that require statutory or legislative changes

Funding Period is the number of years until the current UAAL is projected to be fully financed

78 of the 116 are currently in positive amortization (paying down principal on the UAAL)

Positive amortization begins when the funding period is around 20 years



NASRA Survey Data (Largest 116 plans) Grouped by Contribution Policy

	Actuarially Determined Contributions	Statutorily Set Contributions, No Requirement for Change (Fixed Rate)
Currently Experiencing Negative Amortization	23 Plans (20%) Avg Fund Ratio: 57% Average Funding Period: 25	15 Plans (13%) Avg Fund Ratio: 65% Average Funding Period: 40
Currently Experiencing Positive Amortization	73 Plans (63%) Avg Fund Ratio: 80% Average Funding Period: 12	5 Plans (7%) Avg Fund Ratio: 73% Average Funding Period: 18

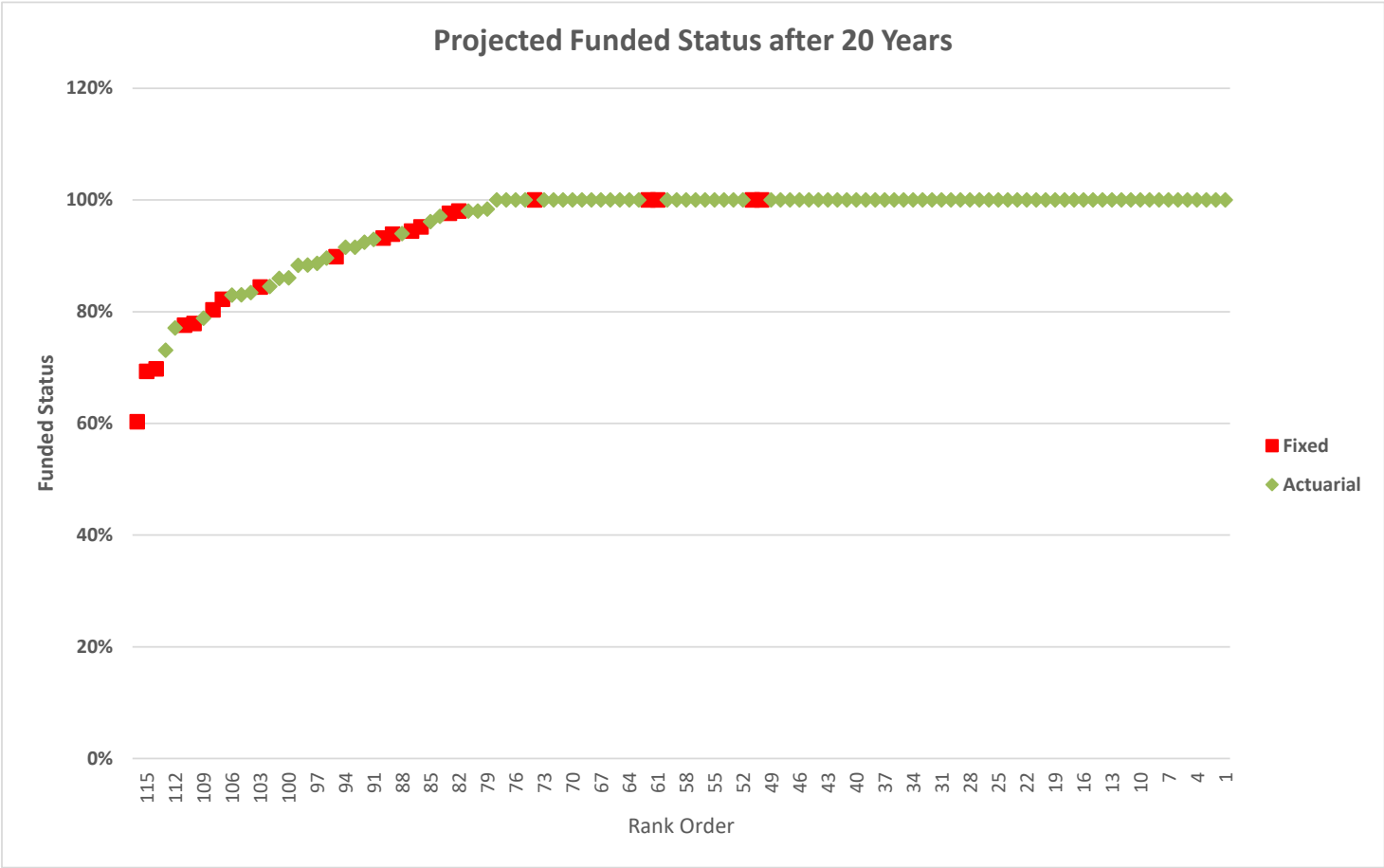
Generally, if assumptions are met, the universe of systems is projected to improve significantly over the next 20 years

			Current	Projected 10 Years	Projected 20 Years
Actuarially determined	Positive amortization	Funded ratio	80%	94%	100%
	73 Plans	Funding period	12	2	NA
	Negative amortization	Funded ratio	57%	70%	89%
	23 Plans	Funding period	25	15	5
Fixed/Legislatively set contributions, No requirement for change	Positive amortization	Funded ratio	73%	88%	100%
	5 Plans	Funding period	18	8	NA
	Negative amortization	Funded ratio	65%	73%	84%
	15 Plans	Funding period	40	30	20

Projected 20 years into the future, the financial outlook for a majority of plans looks healthy

67% of systems have reached full funding

Notice the difference of how the colors are distributed



NASRA Public Funds Survey, projected individually by system by GRS



Stress Test

- As shown, a vast majority of the systems are expected to improve significantly over the next 20 years if assumptions are met
- However, even modest adverse experience could impact many plans, especially the ones with fixed contributions
- The following recreates the projections, but assumes a -3% return the first year, followed by the assumed 7%
 - This would be similar to assuming 6.0% returns for a decade followed by 7%
 - This would also be similar to assuming 6.5% over the next 20 years

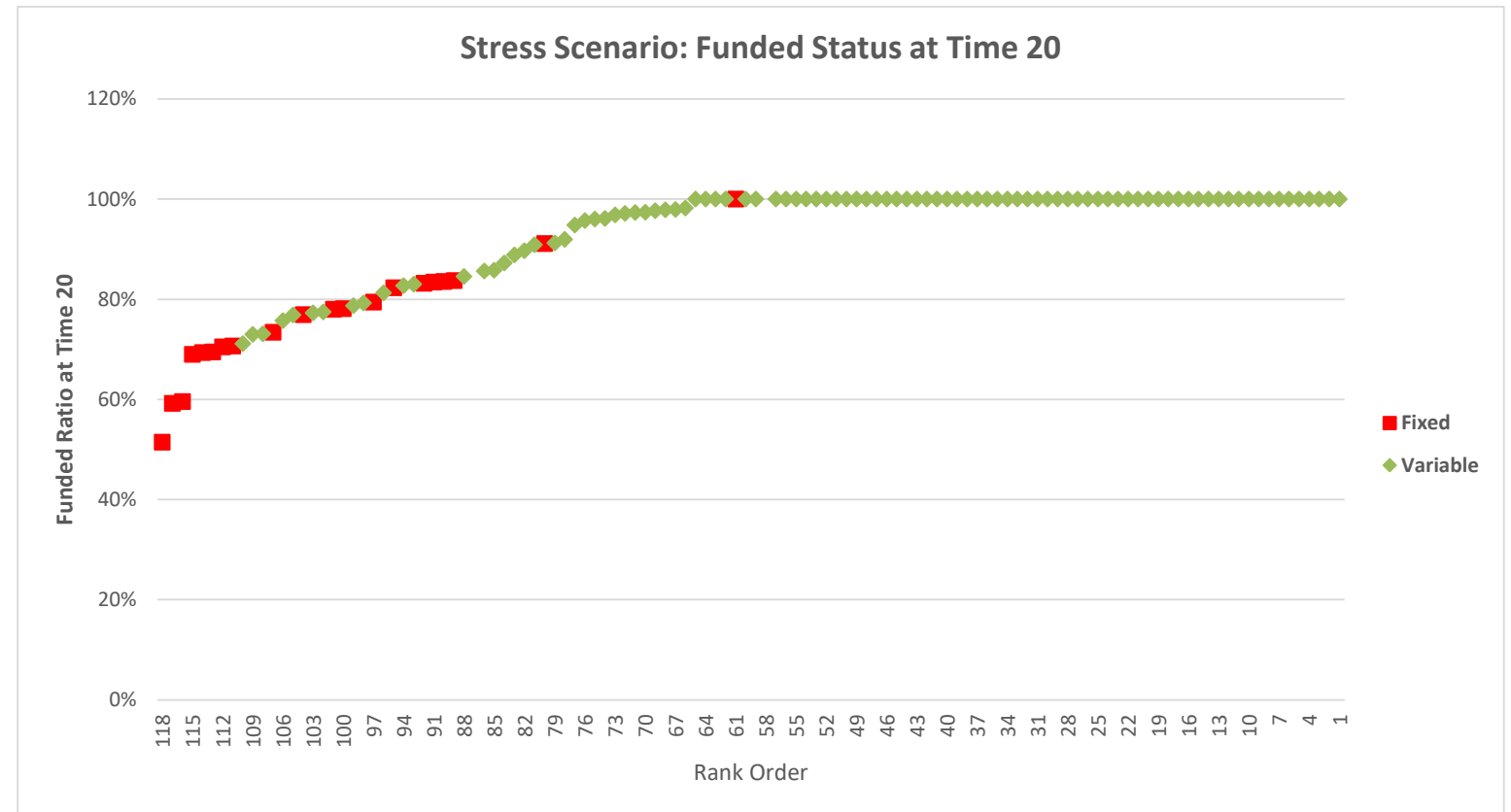
When a stress event is included in the projection, plans with contributions that automatically and appropriately adjust do so, and continue to improve, while the ones that do not fall further behind

				Stressed Scenario	
			Current	Projected 10 Years	Projected 20 Years
Actuarially determined	Positive amortization	Funded ratio	80%	90%	99%
	73 Plans	Funding period	12	7	1
	Negative amortization	Funded ratio	57%	65%	84%
	23 Plans	Funding period	25	16	6
Fixed/Legislatively set contributions, No requirement for change	Positive amortization	Funded ratio	73%	77%	88%
	5 Plans	Funding period	18	21	12
	Negative amortization	Funded ratio	65%	63%	71%
	15 Plans	Funding period	40	47	37

Even in the stressed scenario, most Actuarially Determined contribution policies have reached full funding, while most fixed rate plans are still less than 80% funded

Most Actuarially Determined approaches focus on remaining in positive amortization, thus would react the quickest, and would reach full funding in 20 years

This would also be the least expensive over time as it would generate the least interest charges

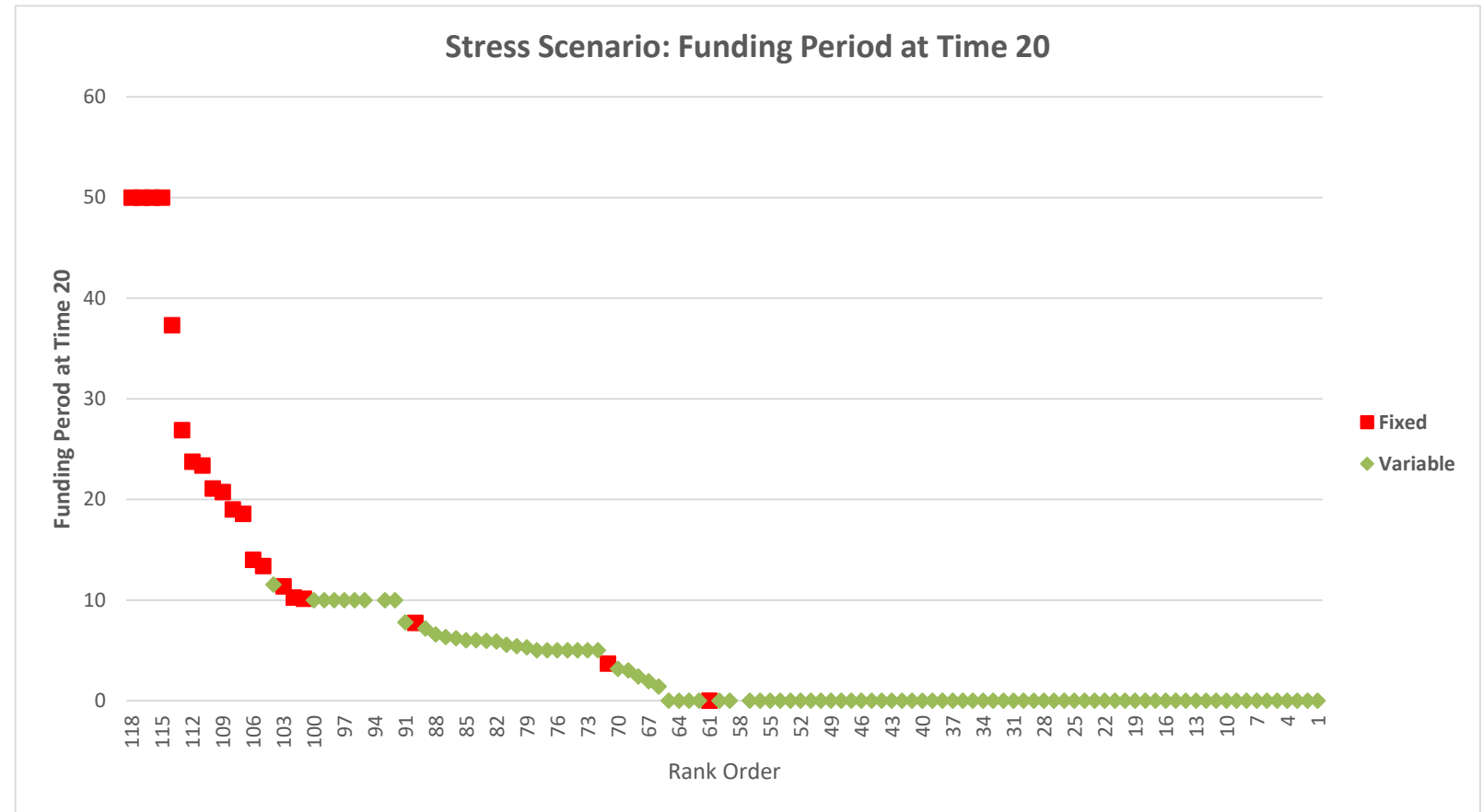


NASRA Public Funds Survey, projected individually by system by GRS



By year 20, essentially all Actuarially Determined strategies have less than 10 years left to full funding, while essentially all Fixed Rate strategies have more than 10 years left, with many over 20

Notice the huge difference by color
(contribution strategy)



NASRA Public Funds Survey, projected individually by system by GRS

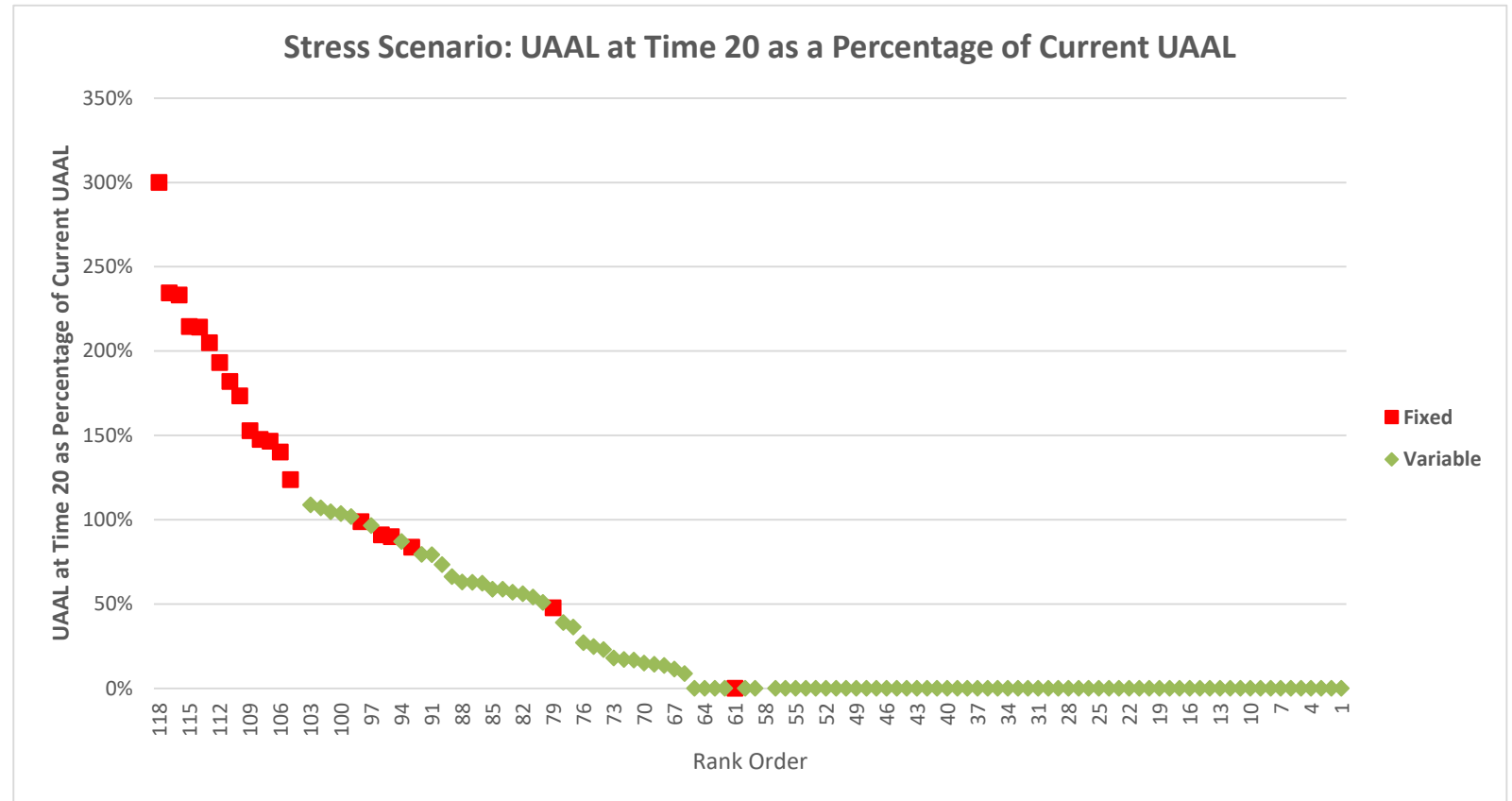


The UAAL is larger after 20 years for essentially all fixed rate plans, while smaller for all strategies that react

Notice the huge difference by color (contribution strategy)

In the example, many fixed strategies would have an UAAL that is double what the UAAL is at time 0

Most bond raters work based on comparisons to others. How will the plan sponsors of the systems in red be seen in comparison to the green ones?



NASRA Public Funds Survey, projected individually by system by GRS



It becomes easy to assess a system's likelihood of future success by the contribution strategy

	Actuarially Determined Contributions	Statutorily Set Contributions, No Requirement for Change (Fixed Rate)
Currently Experiencing Negative Amortization	High Probability	Low Probability no successful real life example
Currently Experiencing Positive Amortization	High Probability	Moderate Probability, but Uncommon Situation

Back to SCRS

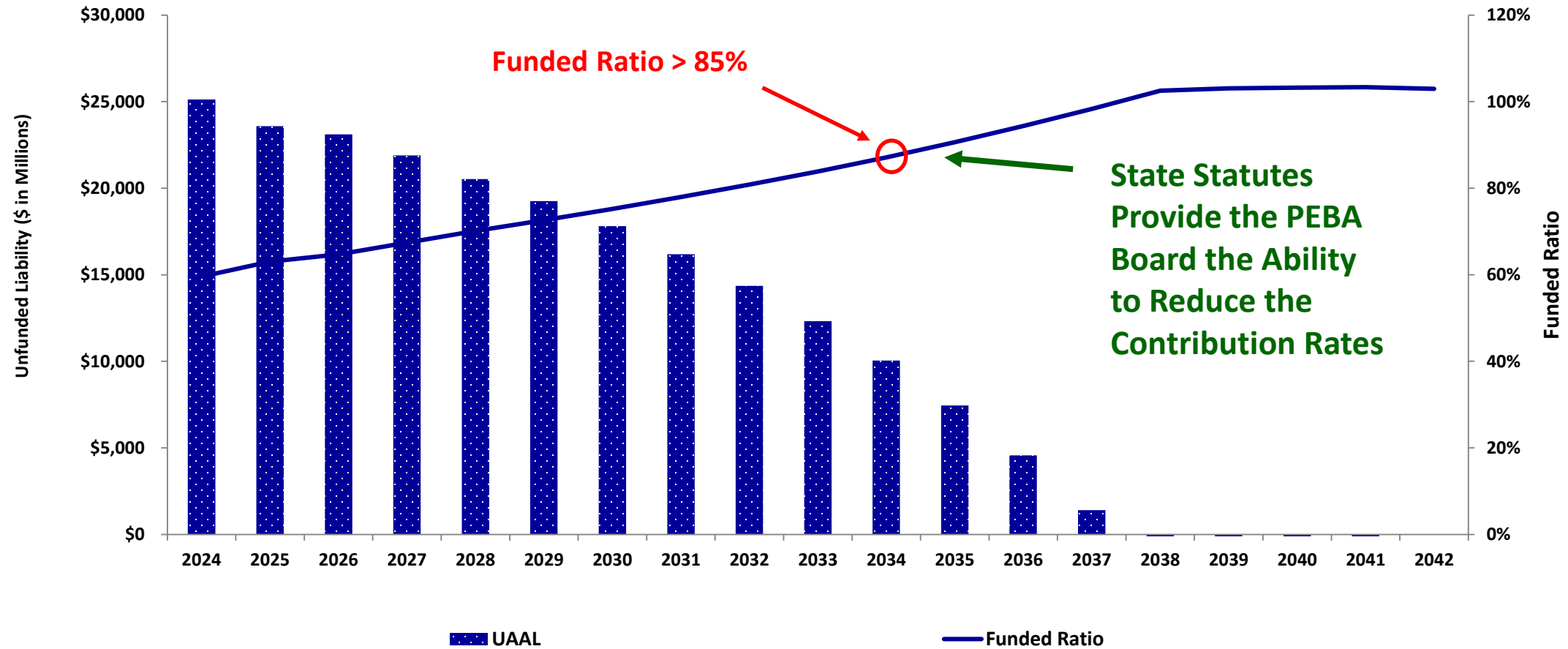
What's Next as the Financial Condition of the Systems Improve

- SECTION 9-1-1085. Employer and employee contribution rates
 - (D)(1) After June 30, 2027, if the most recent annual actuarial valuation of the system shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than eighty-five percent, then the board, effective on the following July first, may decrease the then current employer and employee contribution rates in equal amounts upon making a finding that the decrease will not result in a funded ratio of less than eighty-five percent. However, the employee contribution rate may not be less than one-half of the normal cost for the system and any contribution reduction allowed by this item after the employee contribution rate equals one-half of the normal cost must be a reduction in the employer contribution rate.

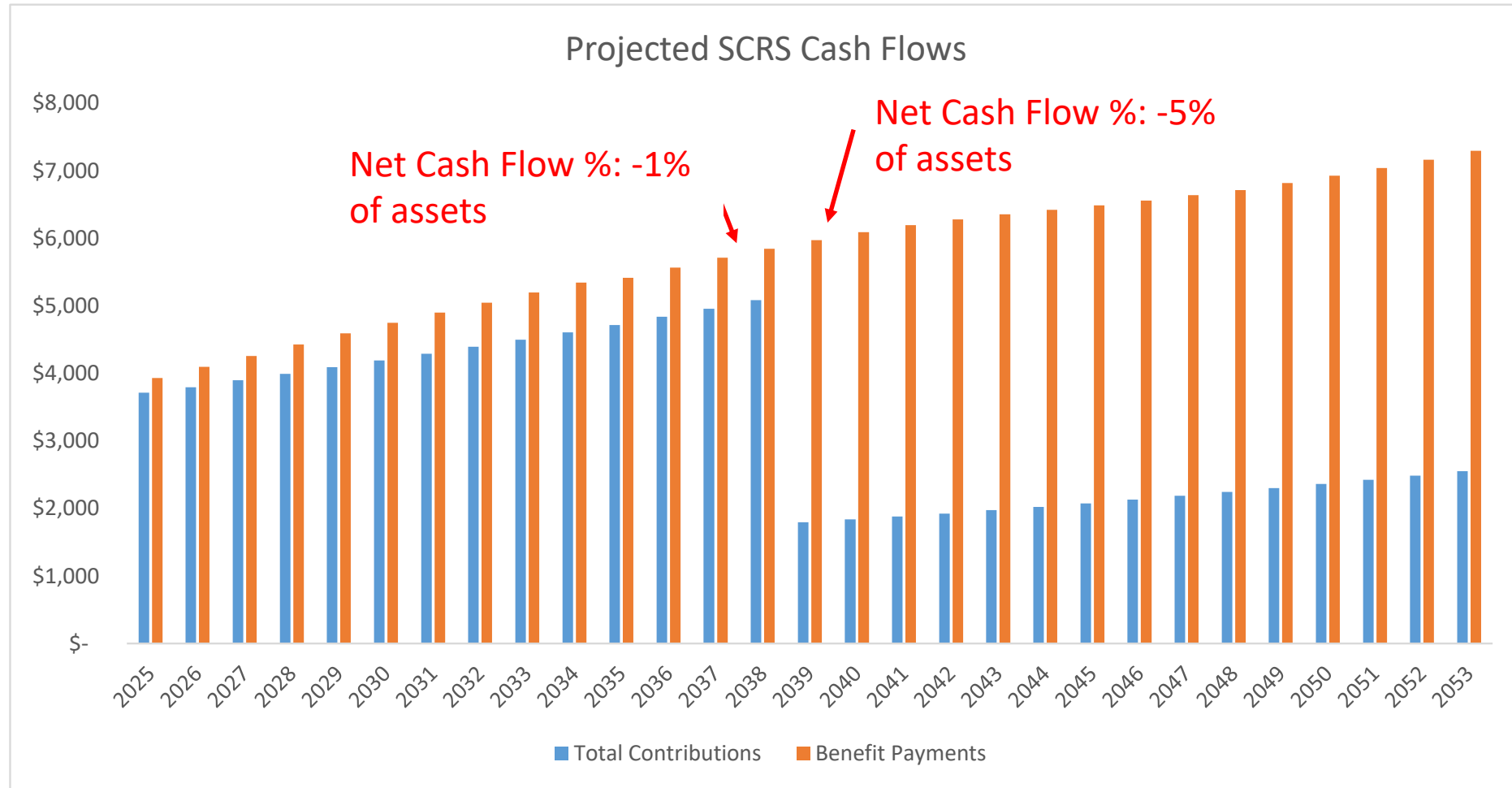


Note: The applicable provisions for PORs are identical and located in Section 9-11-225

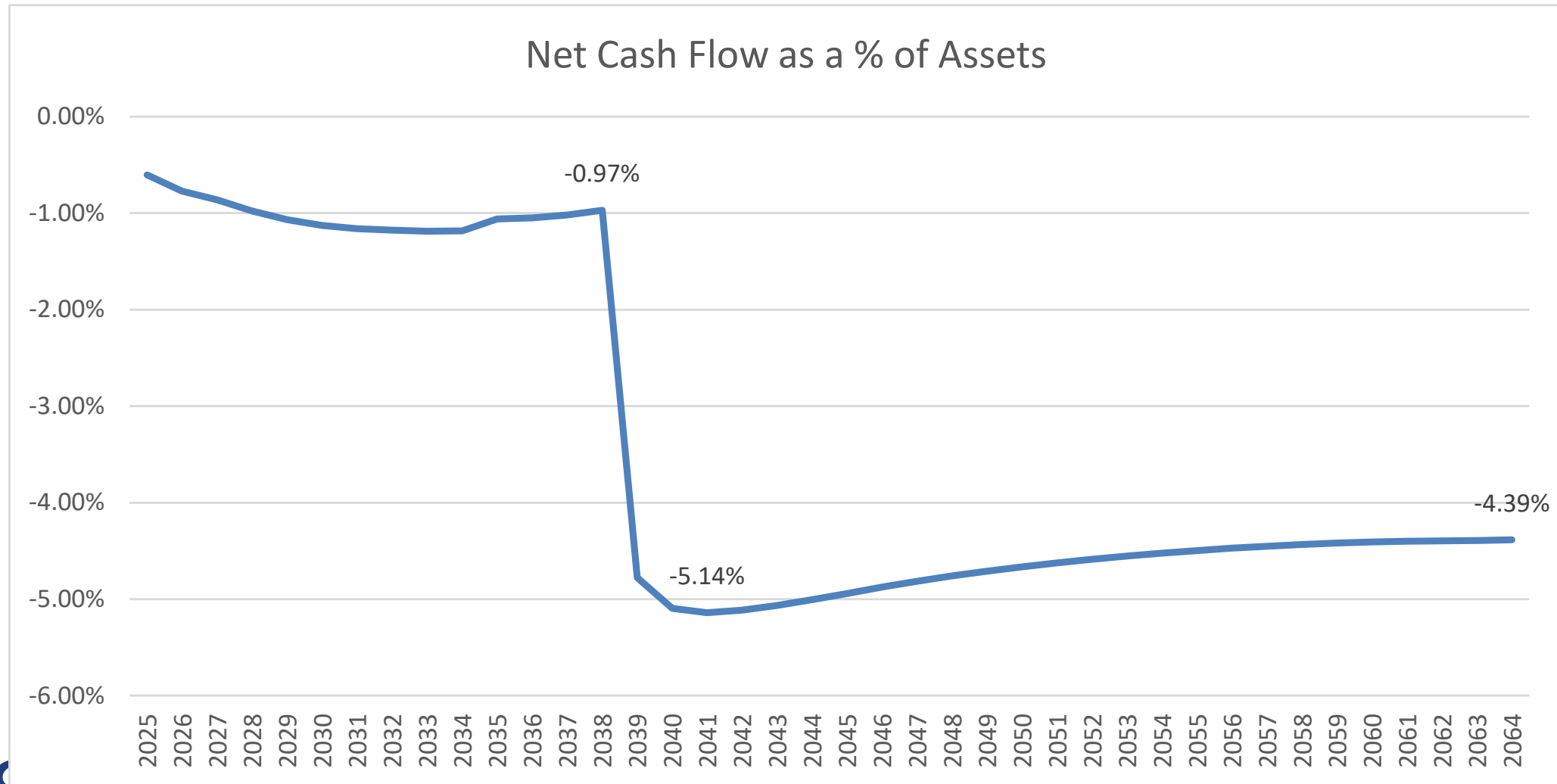
Projected Unfunded Liability - SCRS



Projection assumes contribution rate is maintained until a 100% funded ratio is attained, then decreases to Normal Cost



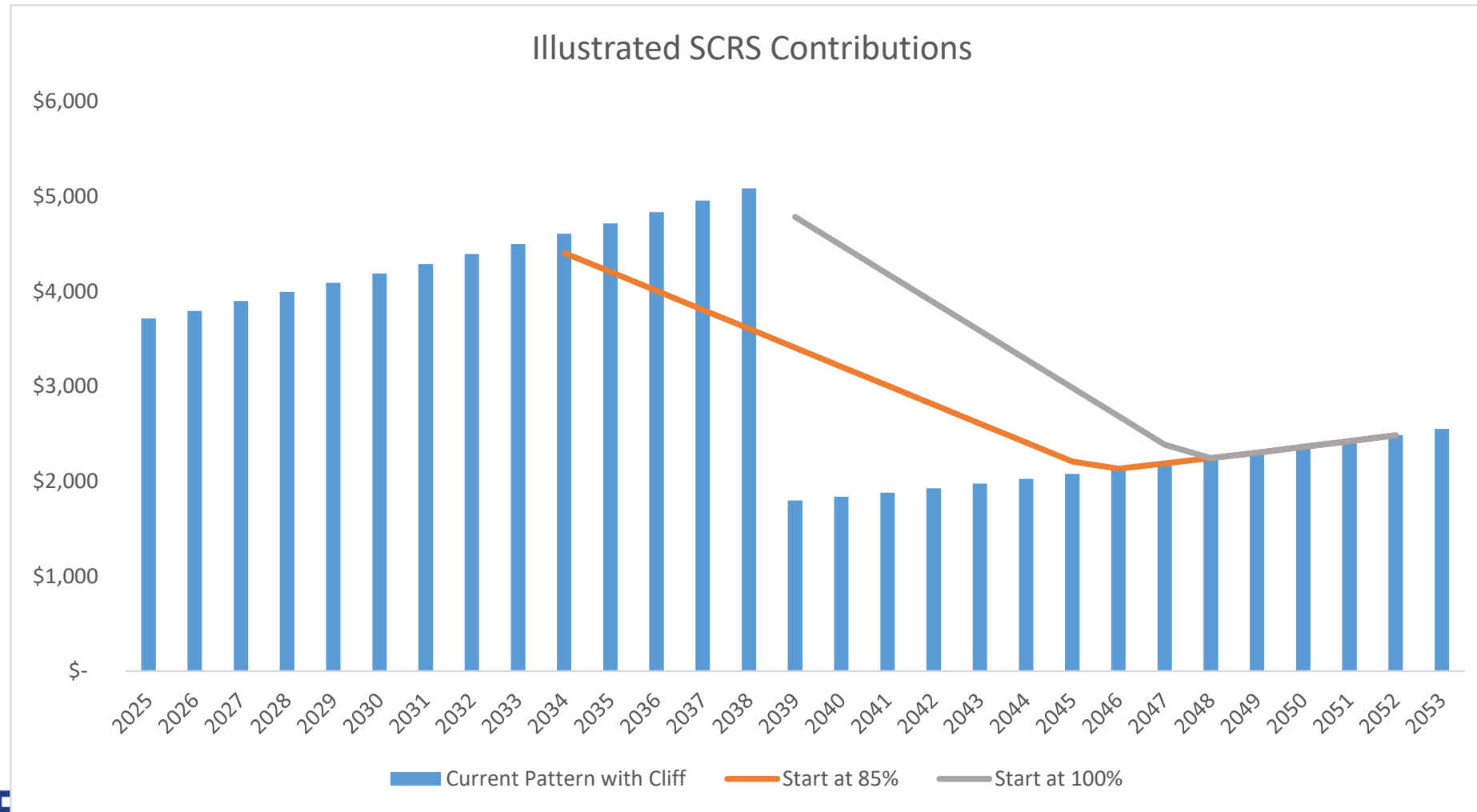
The net cash flow spikes to over 5% in 2039, and then gradually improves back to 4.4%



Issues and Items for PEBA Can Reasonably Expect (Part 1)

1. Possible Need to Reduce the Investment Return Assumption as the RSIC's Asset Allocation Policy Adjusts for changing external cash flow
 - A reduction in contributions will increase the net negative cash flow (i.e. contributions less benefit payments)
 - This effect may require a reduction in illiquid, higher expected earning investments
 - RSIC is already mindful of this from financial projection information provided to them by PEBA
 - An orderly and predefined reduction in the contribution rates would allow the RSIC more flexibility and to be able to manage the transition

An orderly decrease would be beneficial for PEBA and the SCIC



Issues and Items for PEBA Can Reasonably Expect (Part 2)

2. As the plan nears full funding. Stakeholders will want the contributions to begin to decline and/or benefits to be adjusted

Issues and Items for PEBA Can Reasonably Expect (Part 3)

3. We recommend PEBA develop a policy to identify how contribution rates will decreased prior to attaining an 85% funded ratio

- Increases transparency to stakeholders (employers and active members)
 - Could include multiple criteria (e.g. funded ratio, funding period, margin in Board certified contribution rate)
 - PEBA will need to identify the desired target funded ratio (e.g. 100%, 105%, 110%)
 - Cautious approach will be slower in reducing contribution requirements but decrease the likelihood of an increase in the contribution requirement in a future year

Possible combinations of strategies

- Target a funded ratio above 100%
- Decrease employer contribution rate
- Decrease member contribution rate
- Decrease assumed rate of return for funding risk mitigation
- Decrease assumed rate of return because portfolio asset allocation reacts to cash flow changes

Example – Utah Retirement Systems

Summary of Contribution Rate Management Plan

Funded Ratio (FR) on an AVA Basis	Maximum Effective Funding Period ¹	Change in Actuarially Determined Contribution Rate	Margin in Contribution Rate ²	Decrease in Board Certified Contribution Rate
(1)	(2)	(3)	(4)	(5)
FR < 90%	----- No Reduction in Contribution Rate -----			N/A
90% < FR < 95%	13 Years	Decrease	> 2.00%	Max 0.50%
95% < FR < 105%	10 Years	Decrease	> 1.00%	Max 1.00%
105% < FR < 110%	N/A	May not increase by more than 0.5%	N/A	Max 2.00%
110% < FR	N/A	N/A	N/A	Maintain 110% FR

¹ The maximum effective funding period must be maintained after the contribution rate is reduced.

² The contribution rate margin is the difference between the Board certified contribution rate and the actuarially determined contribution rate.



Closing Remarks

- The illustrations provided are intended to provide the Board a high-level understanding of the possible impact of contribution rate increases when permissible
- However, the illustrations are over simplification as it does not reflect the volatility drag that can occur in the plan experience (investments and liability)
- Well before Systems approach 85%, we recommend the Board develop and release a “contribution glidepath” policy to provide transparency to Stakeholders and the RSIC

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

Meeting Date: August 21, 2025

1. Subject: CAPTRUST Investment Recommendation

2. Summary: As the 3(21) co-fiduciary investment advisor to South Carolina Public Employee Benefit Authority, CAPTRUST Financial Advisors (“CAPTRUST”) reviews the investments with regard to the State Optional Retirement Program (“State ORP”) and Deferred Comp Program (“Deferred Comp”) quarterly. As part of this review, CAPTRUST is recommending a fund replacement as discussed in the attached memo dated August 21, 2025.

3. What is Board asked to do? Approve the Investment Menu Recommendation as presented

4. Supporting Documents:

Attached: CAPTRUST Investment Menu Recommendation



DATE: August 21, 2025
TO: The South Carolina Public Employee Benefit Authority Retirement Policy Committee and Board of Directors
FROM: CAPTRUST Financial Advisors
RE: Investment Menu Recommendation

Overview

As the 3(21) co-fiduciary investment advisor to South Carolina Public Employee Benefit Authority, CAPTRUST Financial Advisors (“CAPTRUST”) reviews the investments with regard to the State Optional Retirement Program (“State ORP”) and Deferred Comp Program (“Deferred Comp”) quarterly. As part of this review, CAPTRUST is presenting the following recommendation for approval.

Fund Replacement

T Rowe Price Growth Stock (PRGFX) is held in the State of South Carolina 457 Deferred Compensation Plan and Trust and State of South Carolina Salary Deferral and Savings Profit-Sharing Plan and Trust plans, which make up the Deferred Compensation Program, with Empower being the recordkeeper. Based upon a thorough analysis of the fund in relation to the guidelines of the CAPTRUST Investment Policy Monitoring Methodology, CAPTRUST recommends the removal and replacement of the fund with the **JP Morgan Large Cap Growth R6 (JLGMX)** fund.

Current Fund – Performance Overview

The T Rowe Price Growth Stock (LCG) longer-term performance is solid. The strategy annualized 12.0% over the last decade compared to the peer group at 12.6%. However, the 1) team, 2) process, and 3) macro backdrop that delivered these results has changed. T. Rowe Price Growth Stock favors high-growth businesses that can grow revenue or earnings at double-digit rates, often leading the strategy to cyclical, turnarounds, privates, and international stocks. The process fell under pressure in 2022; however, we remained confident in Portfolio Manager Joe Fath's leadership and his process. Pre- and post-covid are very different backdrops. The strategy was more "risk on" than the peer group, which the market rewarded when interest rates were zero. Post-covid, the market continues to punish risk-on managers with higher beta. After 2022, Joe Fath had to right size his risk exposures. He realized he had extended too far with unprofitable growth and more speculative companies. This process and backdrop is no longer compensating investors for the incremental risk and CAPTRUST believes the fund should be replaced.

Alternatives

In accordance with the guidelines of the South Carolina Deferred Compensation Program Investment Policy Statement, the service provider, Empower, provided several alternative investment options available on their platform. CAPTRUST reviewed the extensive list, running comprehensive quantitative and qualitative research and chose the following funds to include in our comparison:



- JP Morgan Large Cap Growth R6 (JLGMX)
- AB Large Cap Growth Fund Z (APGZX)

Of these options, CAPTRUST believes JP Morgan Large Cap Growth R6 (JLGMX) to be the most appropriate option to include in the comparison of alternative investment options alongside AB Large Cap Growth Fund Z.

Recommendation

Based on the analysis of the current investment option and the evaluated alternatives, CAPTRUST recommends the following related to **T Rowe Price Growth Stock (PRGFX)**:

Remove T Rowe Price Growth Stock (PRGFX) as an available investment option within the South Carolina Deferred Compensation Program and map all current assets and future contributions to JP Morgan Large Cap Growth R6 (JLGMX).

The JP Morgan Large Cap Growth R6 (LCG) is guided by lead portfolio manager Giri Devulapally who joined the strategy in 2004. Four additional co-portfolio managers joined since 2020. They are one of the few managers that have figured out how to navigate different regimes. The team's process allows pivot between enjoying growth markets while positioning in more Growth At a Reasonable Price (GARP) names where expectations have gotten dislocated. Time and time again, the team proves to be a strong manager that oversees risk exposures. In 2022, JPMorgan only declined by 25% vs. the average peer at 30%. Due to the power of compounding, JPMorgan only had to rebound 33% to recover. The average peer had to rebound 43% to recover.

Arguably the most important aspect of the strategy is its non-diversified status. The strategy switched from "diversified" to "non-diversified" under the 1940 Act. This allows the team to freely manage their portfolio relative to the Russell 1000 Growth Index. Nearly every other large growth manager is prevented from buying/selling positions that are 5%-plus weights. This offers a materially competitive advantage versus other managers who are forced to underweight the "Magnificent 7", a group of influential technology companies known for their significant stock growth and market influence. Initially coined in 2023, the group typically included Alphabet, Amazon, Apple, Meta Platforms, Microsoft, Nvidia, and Tesla.

Timing of Implementation

If the recommendation is approved, the timing of implementation will be dependent upon the recordkeeper's process and required timeframe to execute the change.

INVESTMENT ANALYSIS - US FUND LARGE GROWTH

Period Ending 6.30.25 | Q2 25

Fund Comparison

	T. Rowe Price Growth Stock	JPMorgan Large Cap Growth R6	AB Large Cap Growth Z	Russell 1000 Growth TR USD	US Fund Large Growth
Ticker	PRGFX	JLGMX	APGZX	—	—
Manager Name	James Stillwagon	Multiple	Multiple	—	—
Manager Tenure (Longest)	0.58	21.00	13.50	—	—
Fund Size	\$ 51,335,721,244	\$ 118,764,525,443	\$ 27,815,306,493	—	—
Prospectus Net Expense Ratio	0.65%	0.44%	0.51%	—	0.92%

Annualized Performance

Quarter	16.47%	15.53%	17.22%	17.84%	17.09%
YTD	5.39%	6.60%	7.45%	6.09%	7.06%
1 Year	13.32%	15.01%	12.57%	17.22%	16.92%
3 Year	23.30%	25.36%	21.87%	25.76%	23.35%
5 Year	12.36%	17.35%	15.14%	18.15%	14.79%
10 Year	13.49%	17.84%	15.78%	17.01%	14.30%

Calendar Year Performance

2024	29.59%	34.17%	25.51%	33.36%	28.96%
2023	45.27%	34.95%	35.11%	42.68%	36.74%
2022	-40.14%	-25.21%	-28.73%	-29.14%	-29.91%
2021	20.03%	18.79%	28.98%	27.60%	20.45%
2020	36.93%	56.42%	34.46%	38.49%	35.86%
2019	30.82%	39.39%	34.24%	36.39%	31.90%

MPT Statistics (5 Year)

Standard Deviation	20.39	18.94	18.51	19.62	18.90
Sharpe Ratio	0.53	0.79	0.70	0.80	0.66
Alpha	-5.17	0.04	-1.56	0.00	-2.54
Beta	1.02	0.95	0.92	1.00	0.95
R-Squared	96.04	96.01	95.26	100.00	97.73

Portfolio Statistics

Average Market Cap	\$ 1,075,710.51	\$ 698,362.44	\$ 490,465.40	\$ 820,050.81	\$ 652,169.84
Total Holdings	50	74	54	388	490
% Asset in Top 10 Holdings	70.03%	54.40%	57.70%	59.94%	54.72%
Turnover Ratio %	38.20%	32.00%	30.00%	—	48.51%

INVESTMENT ANALYSIS - US FUND LARGE GROWTH

Period Ending 6.30.25 | Q2 25

Asset Allocation

	T. Rowe Price Growth Stock	JPMorgan Large Cap Growth R6	AB Large Cap Growth Z	Russell 1000 Growth TR USD	US Fund Large Growth
Portfolio Date	6/30/2025	6/30/2025	6/30/2025	7/31/2025	7/31/2025
Cash %	0.35%	0.52%	1.15%	0.00%	0.98%
US Equity %	96.53%	95.41%	96.48%	99.78%	94.16%
Non-US Equity %	3.12%	4.07%	2.37%	0.22%	4.27%

Sector Weightings

Communication Services %	12.61%	14.65%	17.43%	11.43%	13.79%
Consumer Discretionary %	12.17%	14.71%	13.24%	13.28%	13.67%
Consumer Staples %	0.00%	5.03%	5.10%	2.48%	2.42%
Energy %	0.00%	0.30%	0.00%	0.29%	0.57%
Financials %	5.94%	8.75%	7.22%	6.37%	8.71%
Healthcare %	6.65%	7.50%	11.47%	6.57%	8.15%
Industrials %	2.49%	5.67%	5.76%	5.93%	6.75%
Information Technology %	51.73%	42.88%	37.36%	52.54%	41.61%
Materials %	0.64%	0.00%	1.27%	0.31%	0.99%
Real Estate %	0.00%	0.00%	0.00%	0.47%	0.71%
Utilities %	0.00%	0.00%	0.00%	0.34%	0.66%

Regional Exposure

United States %	96.53%	95.41%	96.48%	99.78%	93.99%
Canada %	0.84%	0.78%	0.51%	0.08%	0.97%
Latin America %	0.80%	1.45%	0.00%	0.13%	0.60%
United Kingdom %	0.00%	0.00%	0.00%	0.00%	0.27%
Europe Developed %	0.39%	0.05%	0.31%	0.00%	1.12%
Europe Emerging %	0.00%	0.00%	0.00%	0.00%	0.00%
Asia Developed %	1.09%	1.01%	1.56%	0.00%	0.96%
Asia Emerging %	0.00%	0.77%	0.00%	0.00%	0.17%
Japan %	0.00%	0.00%	0.00%	0.00%	0.14%

Portfolio Statistics

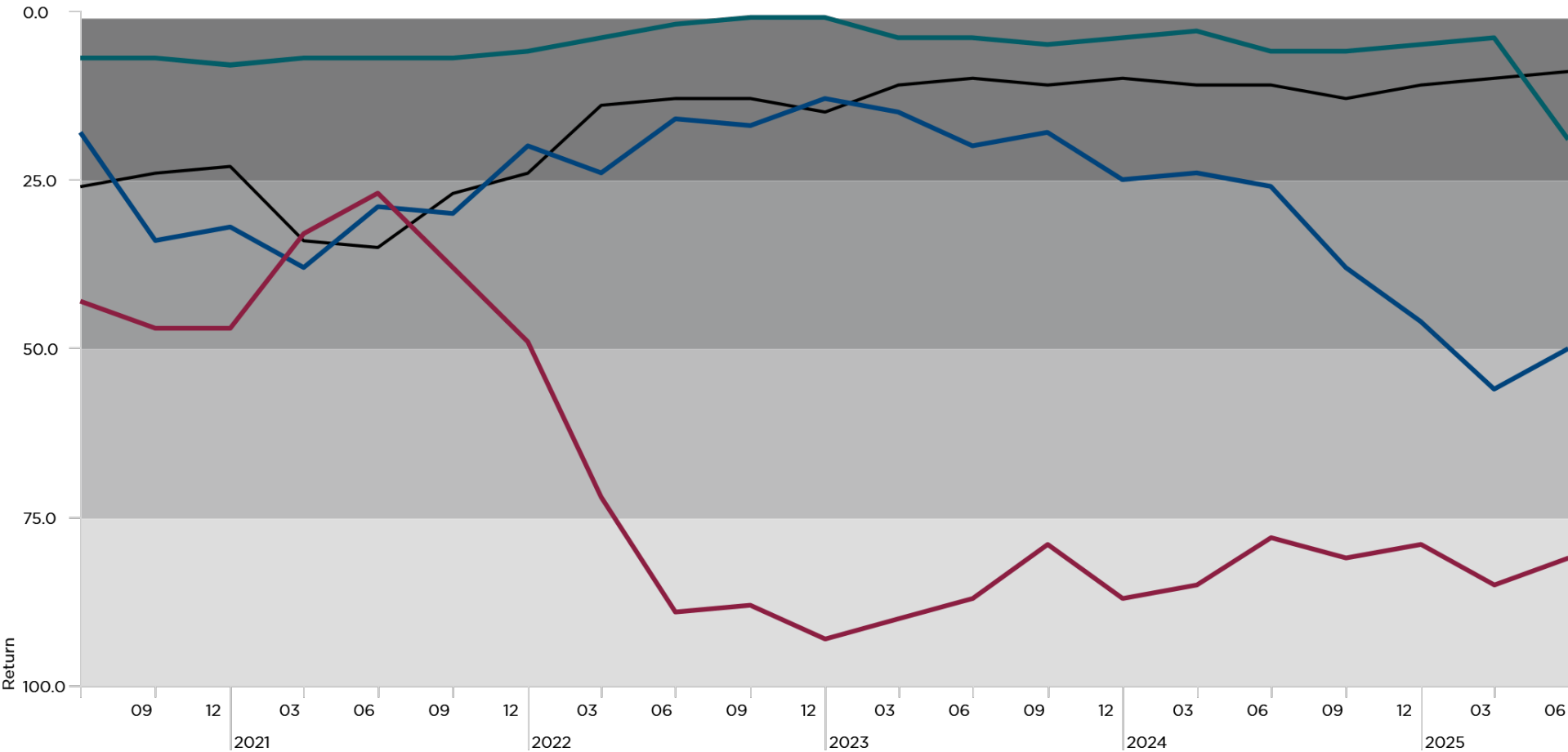
Mega Cap %	71.70%	64.53%	60.07%	68.02%	66.40%
Large Cap %	15.55%	28.63%	21.45%	20.96%	13.86%
Mid Cap %	4.77%	5.90%	15.79%	9.66%	15.50%
Small Cap %	0.20%	0.00%	1.54%	1.32%	1.90%
Micro Cap %	0.00%	0.00%	0.00%	0.04%	0.16%

Five Year Rolling Percentile Rank

Time Period: 7/1/2015 to 6/30/2025

Peer Group (5-95%): Funds - U.S. - Large Growth

1st to 25th Percentile 26th to Median 51st to 75th Percentile 76th to 100th Percentile



T. Rowe Price Growth Stock

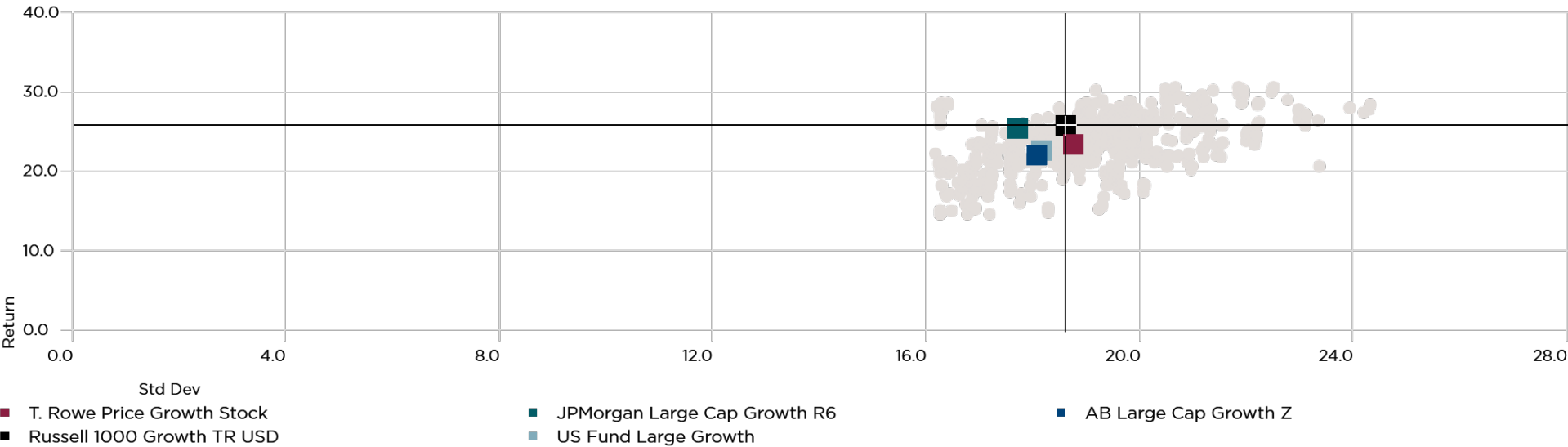
JPMorgan Large Cap Growth R6

AB Large Cap Growth Z

Russell 1000 Growth TR USD

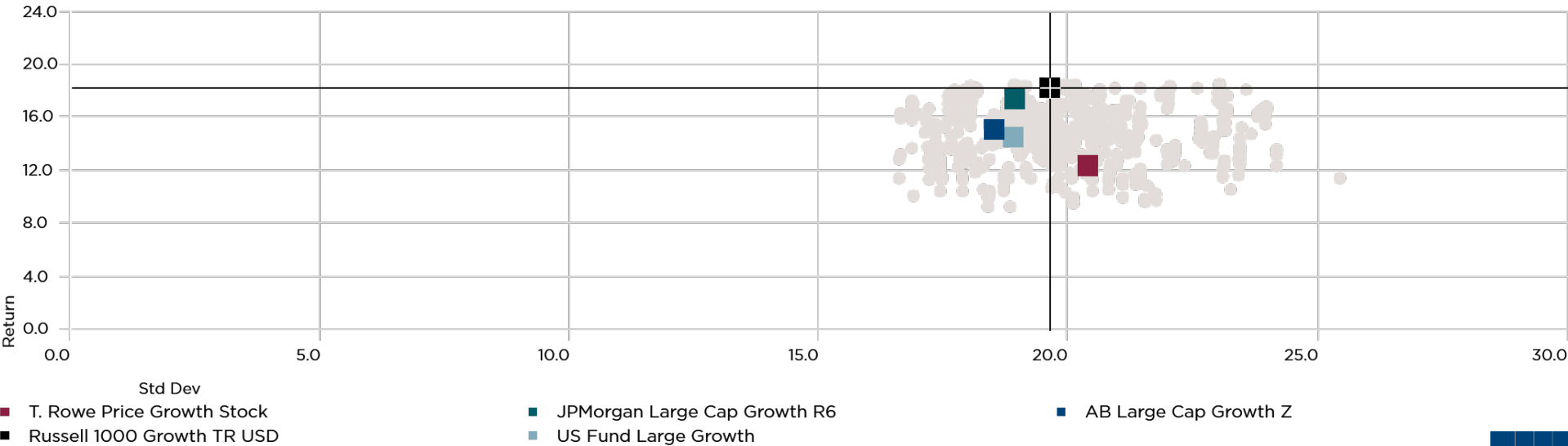
Risk-Return (3 Yr)

Peer Group (5-95%): Funds - U.S. - Large Growth



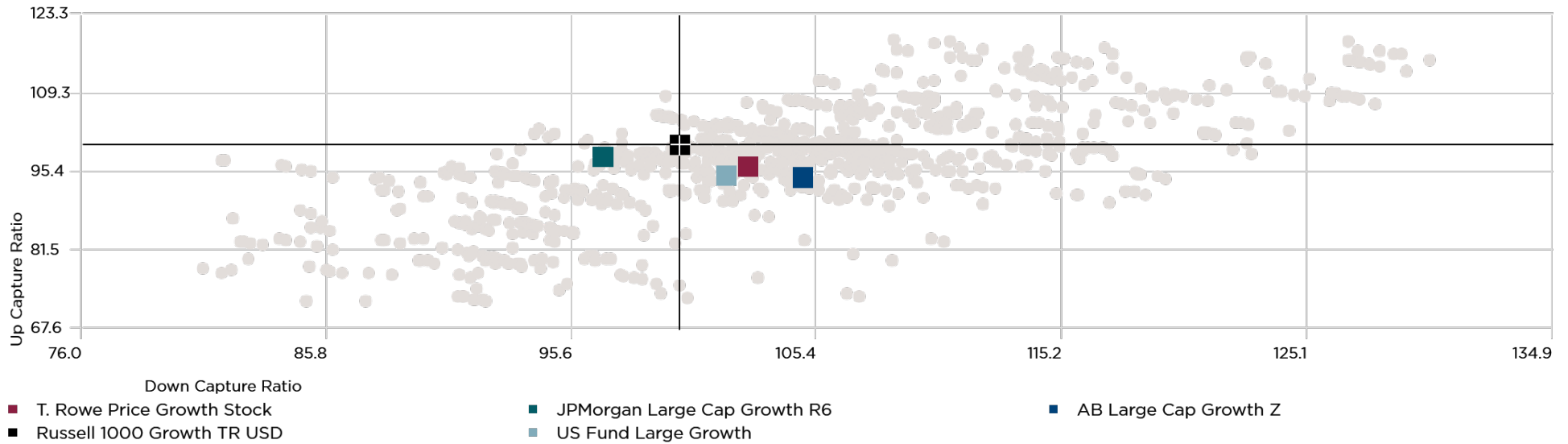
Risk-Return (5 Yr)

Peer Group (5-95%): Funds - U.S. - Large Growth



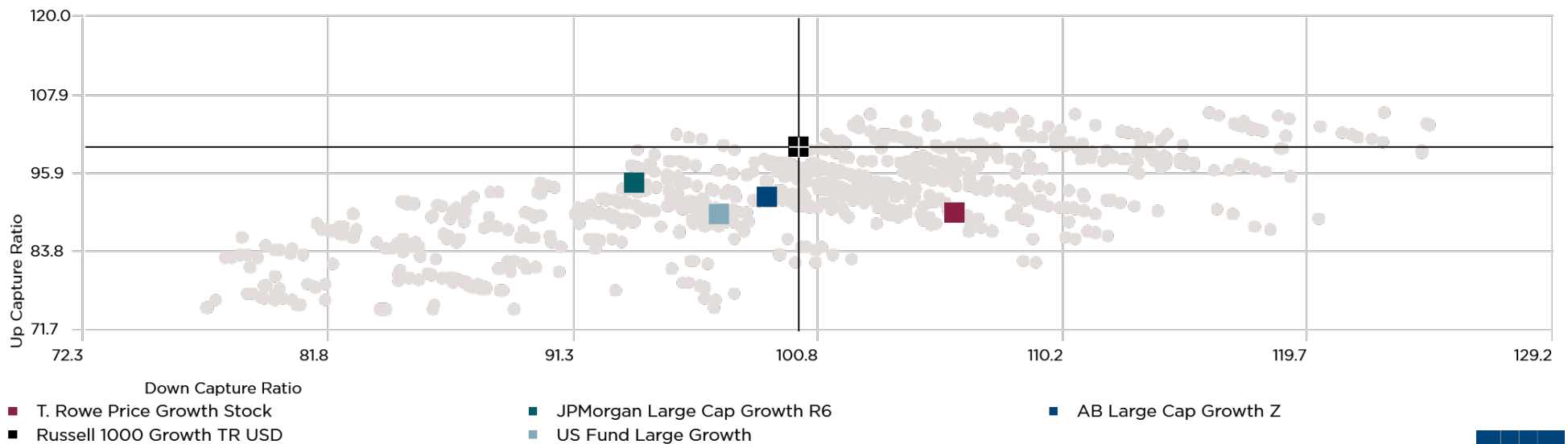
Up-Down Market Capture (3 Yr)

Peer Group (5-95%): Funds - U.S. - Large Growth



Up-Down Market Capture (5 Yr)

Peer Group (5-95%): Funds - U.S. - Large Growth



Disclaimer:

Fund performance depicts historical performance and is not meant to predict future results. Peer group averages are derived from Morningstar and are provided for comparison purposes only. The information and statistics in this report are from sources believed to be reliable but are not warranted by CAPTRUST Financial Advisors to be accurate or complete. The opinions expressed in this report are subject to change without notice. This material has been prepared or is distributed solely for informational purposes and is not a solicitation or an offer to buy any security or instrument or to participate in any trading strategy.

Glossary:

ALPHA

A manager's rate of return in excess of that which can be explained by its systematic risk, or Beta. It is a result of the analysis regressing a manager's returns against those of a benchmark index. A positive alpha implies that a manager has added value relative to its benchmark on a risk-adjusted basis.

BETA

A manager's sensitivity to systematic, or market risk. Beta is a result of the analysis regressing a manager's return against those of a benchmark index. A manager with a Beta of 1 should move perfectly with the benchmark. A Beta of that 1 implies that a manager's returns are less volatile than the market's. A Beta of greater than 1 similarly implies that a manager exhibits greater volatility than the market.

CAPTURE RATIO

A measure of a manager's performance relative to its benchmark under different market conditions. It is the ratio of the average manager return to the average benchmark return. Up market capture refers to relative performance in periods where the benchmark return is greater than 0. Down market capture is calculated over those periods where the benchmark return is less than 0.

INFORMATION RATIO

An efficiency measure which estimates a manager's excess return over a benchmark, divided by the volatility of the excess return, or Tracking Error.

PERCENTILE RANK

Percentile Rank is based on an individual fund's performance relative to all other available funds in its universe. Percentiles range from 1, being the best, to 100 being the worst. Ideally managers prefer to be in the 50th percentile or above which demonstrates that they have done better on a relative basis than at least 50% of their peers.

R-SQUARED

The portion of a manager's movements that are explained by movements in a benchmark index. R-squared values range from 0 to 100. An R-squared of 100 means that all movements of a manager are completely explained by movements in the index. Also identified as the coefficient of determination from a regression equation, a high R-squared value supports the validity of the Alpha and Beta measures.

SHARPE RATIO

A measure of a manager's return per unit of risk. It is the ratio of a manager's excess return above the risk free rate over the standard deviation. A higher Sharpe Ratio implies greater manager efficiency.

STANDARD DEVIATION

A measure of the extent to which observations in a series vary from the arithmetic mean of the series. This measure of volatility or risk allows the estimation of a range of values for a manager's returns. The wider the range, the more uncertainty, and therefore the riskier a manager is assumed to be.

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

Meeting Date: August 21, 2025

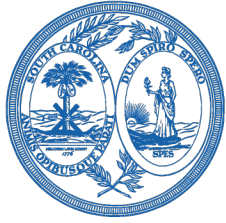
1. Subject: FY 2027 PEBA Agency Administrative Budget Request

2. Summary: The FY 2027 PEBA Agency Budget includes additional budget authorization of \$10 million recurring funds for PEBA's IT modernization project, peba:connect. This authorization was approved in FY 2018- FY 2026. The funds remain in the FY 2027 request.

3. What is the Board asked to do? Approve the FY 2027 Agency Budget as requested

4. Supporting Documents:

(a) Attached: Fiscal Year 2027 Budget Request



PEBASM
SC Retirement Systems
and State Health Plan

Fiscal year 2027 budget request

Board of Directors

August 21, 2025

Serving those who serve South Carolina

Operating budget trends

	Authorized budget					FY 2027 request
	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	
Trust Funds						
Personal services	\$16,558,789	\$16,558,789	\$17,221,140.56	\$18,349,540	\$18,349,540	\$18,283,187
Other operating	\$8,025,601	\$8,025,601	\$7,363,249.44	\$5,991,411	\$5,991,411	\$9,059,440
Adoption assistance	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000
Employer contributions	\$7,145,701	\$7,145,701	\$7,145,701	\$7,389,140	\$11,389,140	\$8,387,464
New IT system project	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000
Subtotal	\$42,030,091	\$42,030,091	\$42,030,091	\$42,030,091	\$46,030,091	\$46,030,091
General Funds	\$112,368,739	\$112,368,739	\$112,368,739	\$112,368,739	\$112,368,739	\$112,368,739
Total	\$154,398,830	\$154,398,830	\$154,398,830	\$154,398,830	\$158,398,830	\$158,398,830

FY 2027 statewide employer contributions

	FY 2026 authorized	FY 2027 request
Statewide employer contributions		
Ret Supp - State Employee	\$233,258	\$233,258
Ret-Supp - Public School Employee	\$199,855	\$199,855
Ret - Police Insurance & Annuity Fund	\$960	\$960
Ret Supp - Police Officer	\$17,506	\$17,506
Pension - Ret National Guard ¹	\$5,289,727	\$5,289,727
OPEB Trust Fund Pymt	\$2,375,300	\$2,375,300
Subtotal	\$8,116,606	\$8,116,606
SCRS Trust Fund	\$88,230,143	\$88,230,143
PORS Trust Fund	\$13,121,990	\$13,121,990
JSRS Trust Fund	\$2,900,000	\$2,900,000
Subtotal	\$104,252,133	\$104,252,133
Total pass through funds	\$112,368,739	\$112,368,739

¹The actual amount for fiscal year 2027 will be determined by the annual valuations, which will be available in January 2026.

History of approved budget authorizations

- PEBA operations are funded by Trust Funds (insurance and retirement), not General Funds.
- Approved authorization for FY 2013 and FY 2014 totaled \$31,330,091.
- Additional \$700,000 was added in FY 2015 for fiduciary audit and remained as part of the approved authorizations for FY 2016 through FY 2025; total authorization was \$32,030,091 for operations.
- Other than fiduciary audit addition, there have been no increases in approved authorization for operations from FY 2012 through the budget request for FY 2025.
- Additional \$4,000,000 was added in FY 2026 for increases in employer contributions that have occurred over time.
- Additional budget authorization of \$10 million of recurring funds for PEBA's IT modernization project, PEBA:Connect, was approved in FY 2018 through FY 2026. The funds remain in the FY 2027 request.

General Funds appropriation

- PEBA's General Fund appropriations are pass through appropriations only. They are not used for PEBA's operating expenses.
- General Funds for statewide employer contributions were added for FY 2016, with termination of the Budget and Control Board and as part of Act 121 of the 2014 restructuring.
- Pass through funds for the SCRS Trust Fund and PORS Trust Fund equal to 1% of the employer contribution increase were added as recurring funds in FY 2018.
- Pass through funds for the JSRS Trust Fund equal to \$2.9 million were added as recurring funds in FY 2020 to provide additional stabilization to the JSRS plan.

History of approved budget authorizations

- The Investment Commission invests retirement systems assets to help fund the system over time; the State Treasurer's Office invests the insurance assets.
- PEBA does not set aside a budget in a separate account for deferred maintenance.
- To maximize investment income, money is left in Trust Funds until needed for operational expenses.
- The Investment Commission is also funded by the Retirement Trust Funds.

Disclaimer

This presentation does not constitute a comprehensive or binding representation of the employee benefit programs PEBA administers. The terms and conditions of the employee benefit programs PEBA administers are set out in the applicable statutes and plan documents and are subject to change. Benefits administrators and others chosen by your employer to assist you with your participation in these employee benefit programs are not agents or employees of PEBA and are not authorized to bind PEBA or make representations on behalf of PEBA. Please contact PEBA for the most current information. The language used in this presentation does not create any contractual rights or entitlements for any person.

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

Meeting Date: August 21, 2025

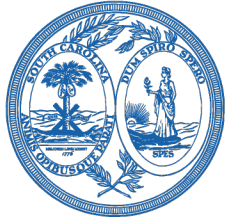
1. Subject: Retirement Operations Review

2. Summary: Mr. Travis Turner, Deputy Director and Chief Financial Officer, will provide a review of the various stages of Retirement Operations including enrollment, membership, service purchase, refunds, retirement applications, and death benefits.

3. What is Board asked to do? Receive as information

4. Supporting Documents:

(a) Attached: Retirement Operations Review



PEBASM
SC Retirement Systems
and State Health Plan

Retirement operations review

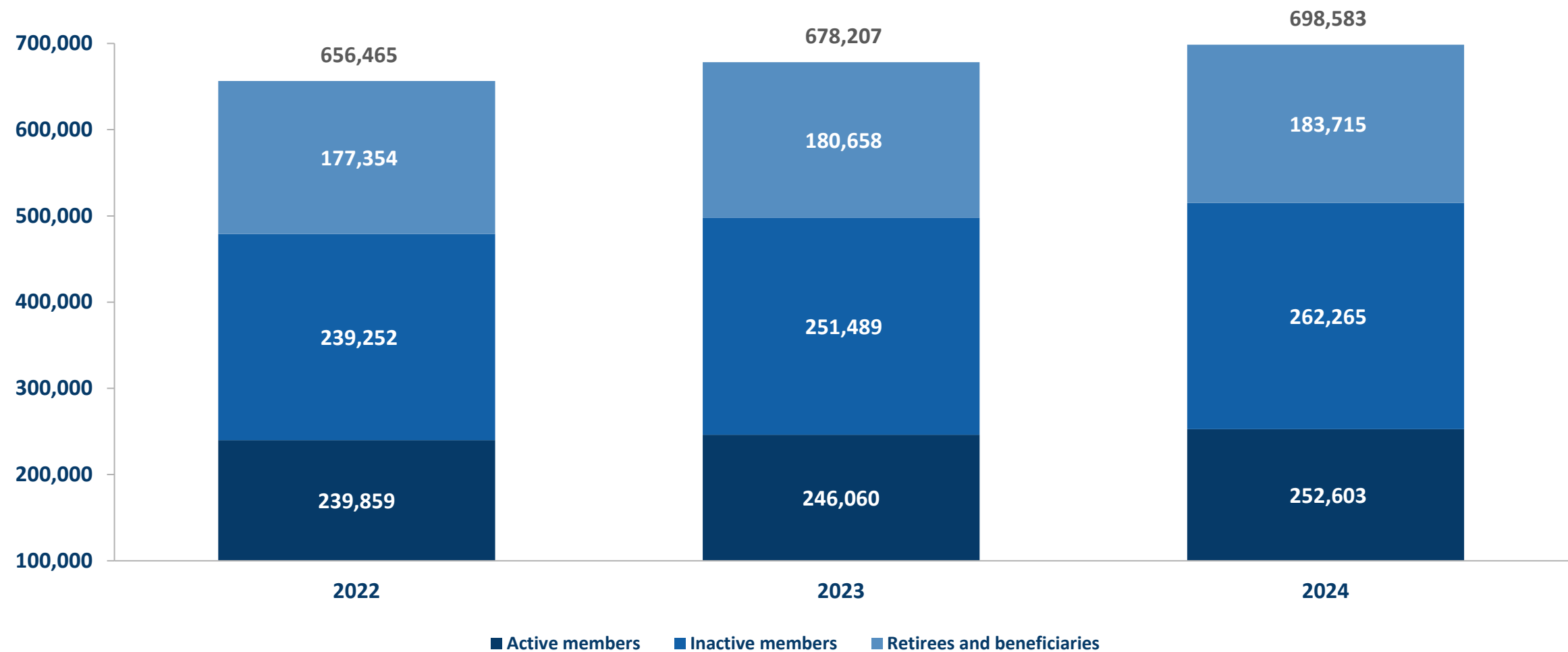
Board of Directors

August 21, 2025

Serving those who serve South Carolina

Membership as of July 1

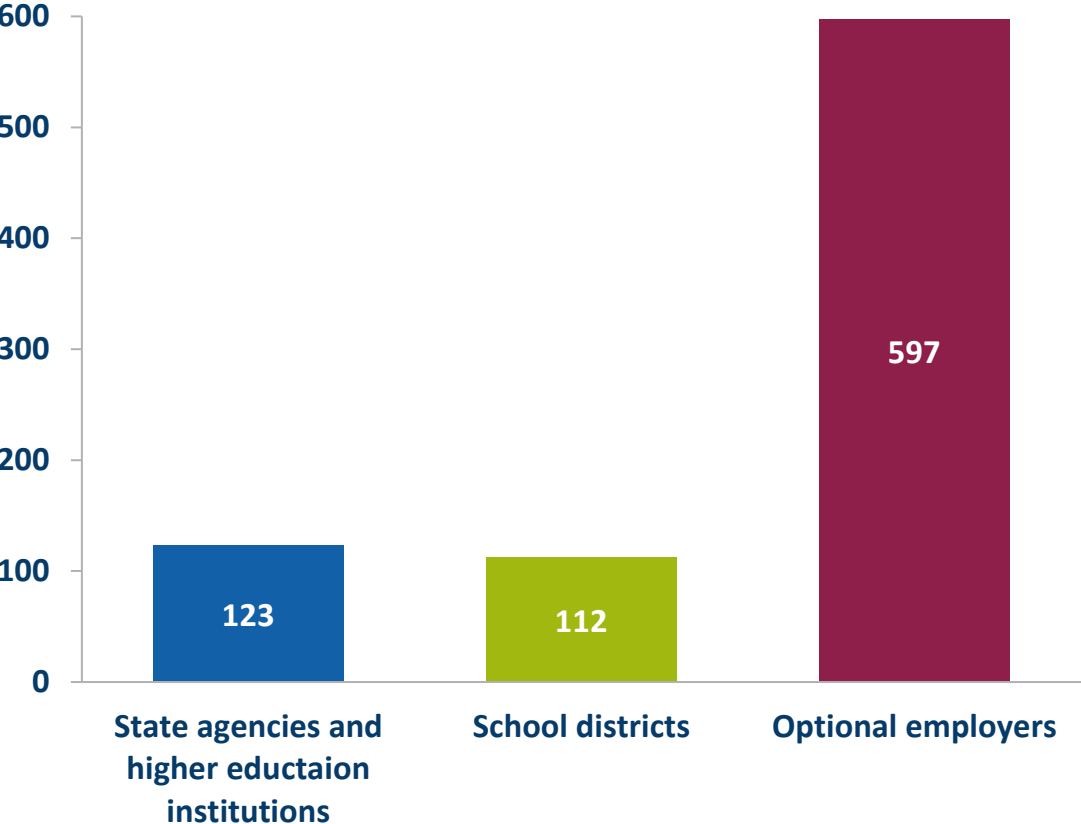
Includes SCRS, PORS, GARS, JSRS and SCNG



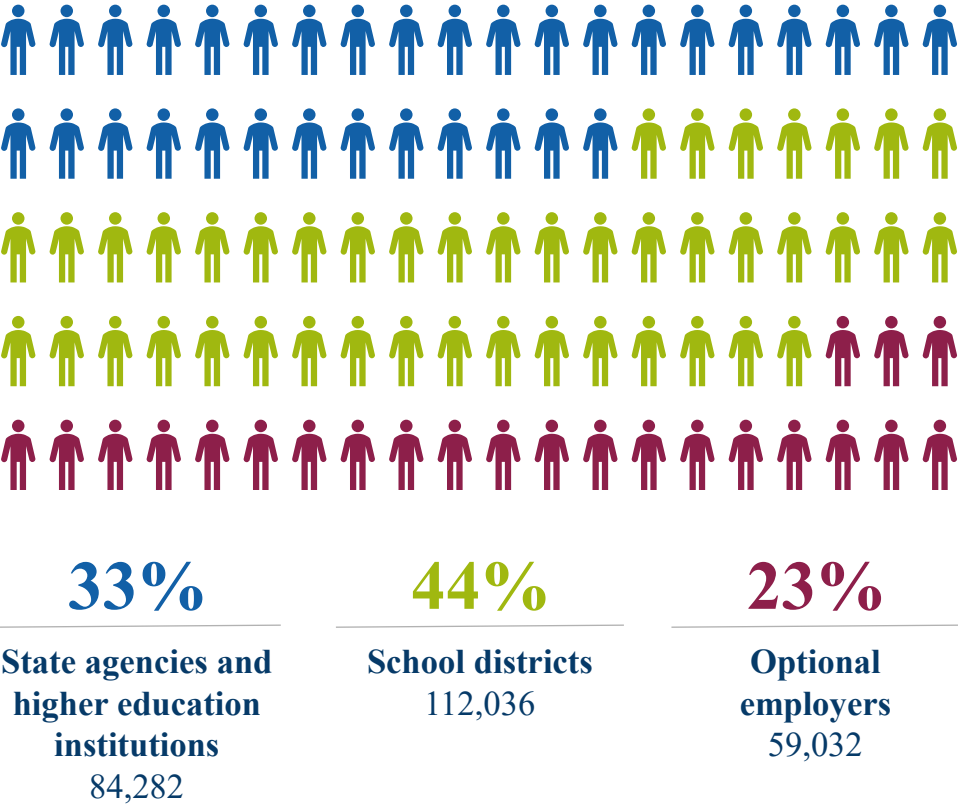
SCRS participating employers and active members by type

As of June 30, 2024

Employers



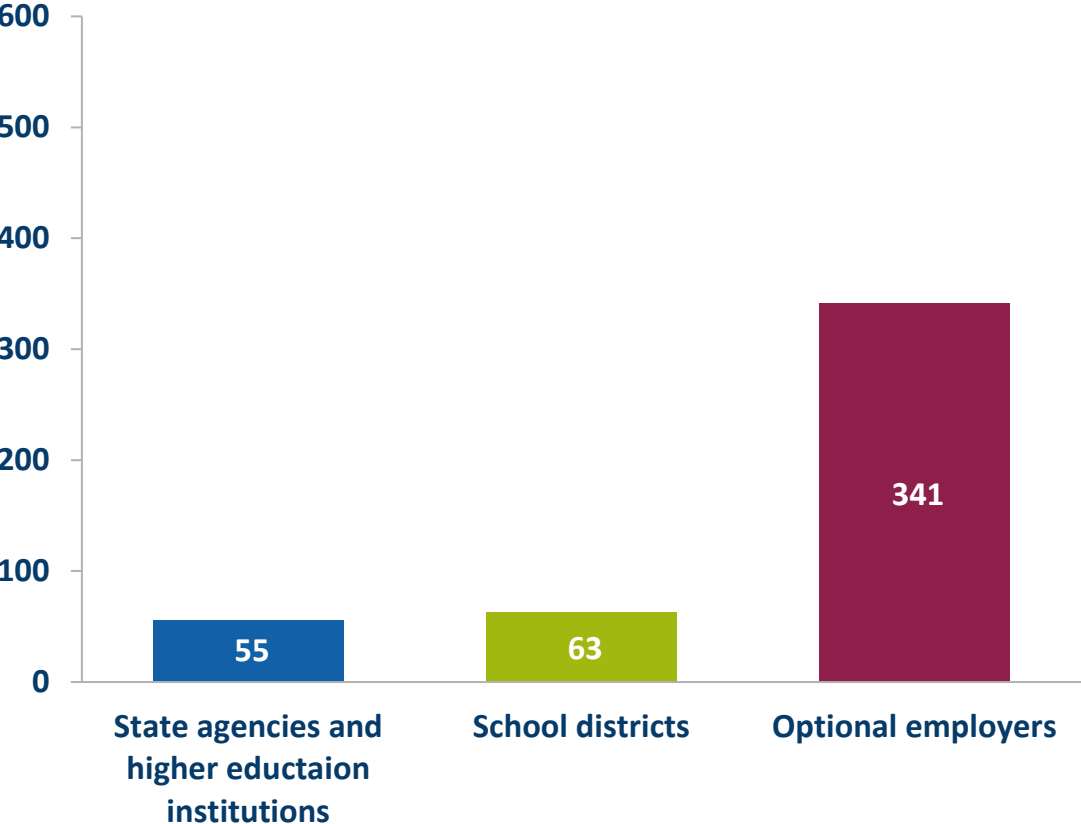
Active members



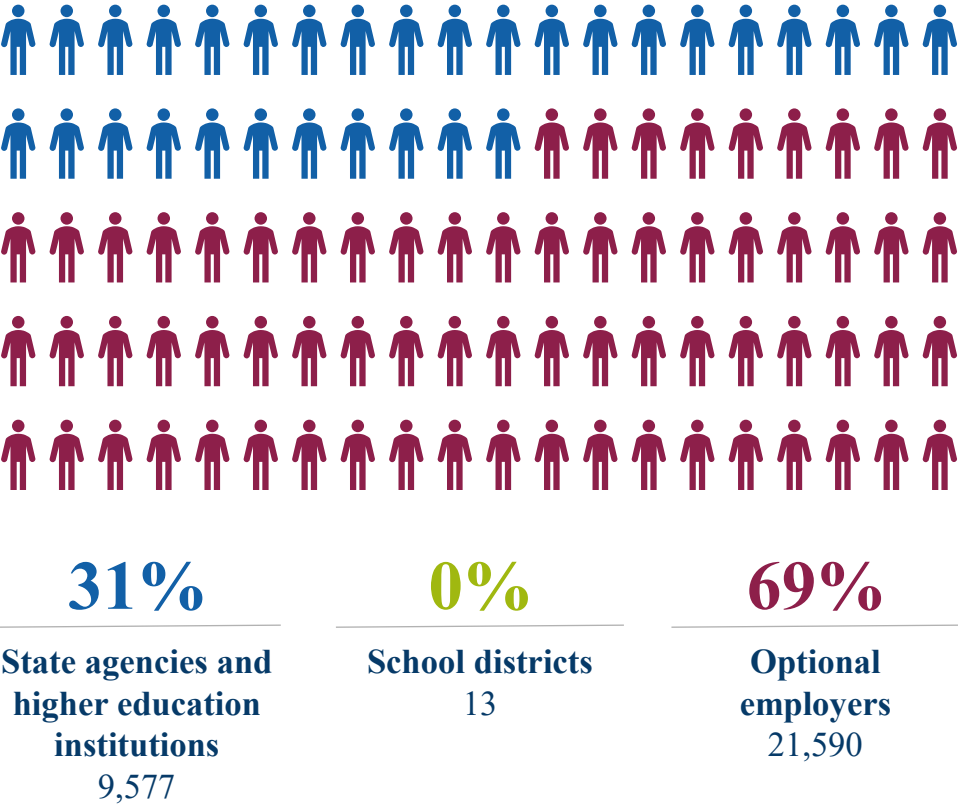
PORS participating employers and active members by type

As of June 30, 2024

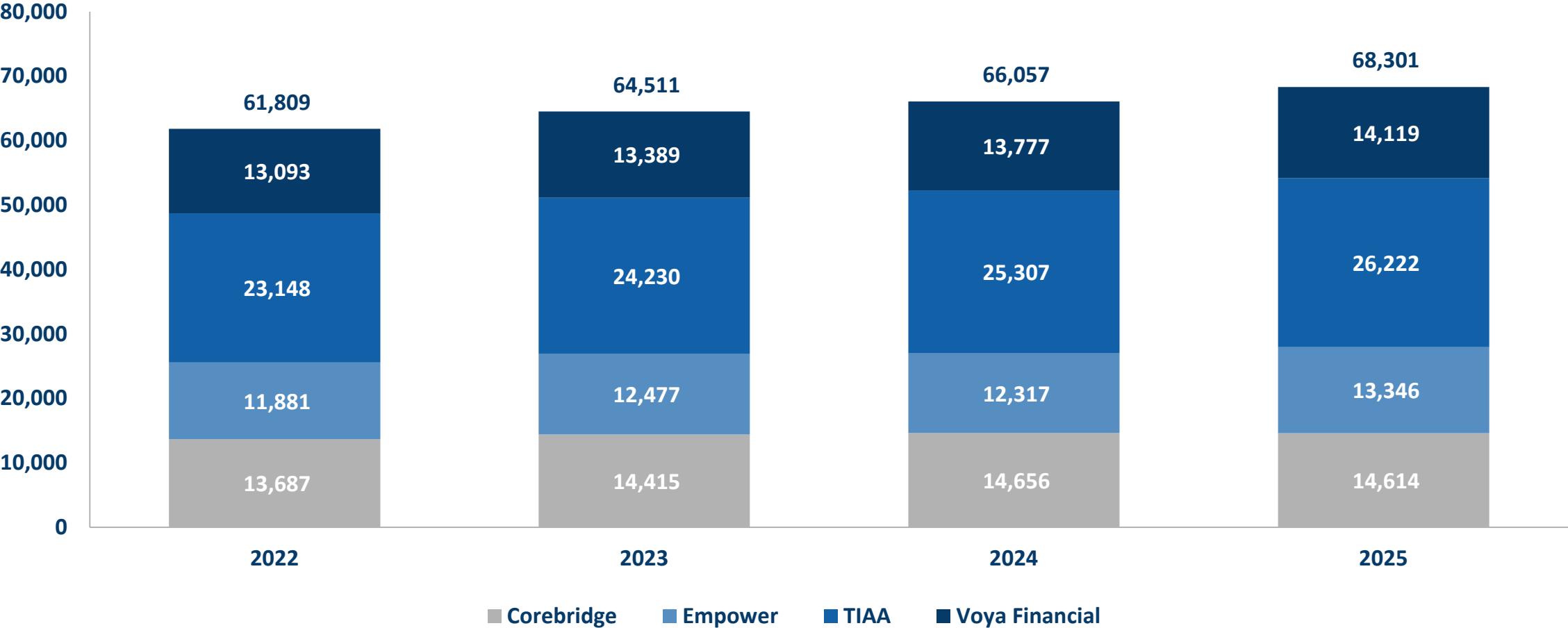
Employers



Active members



State ORP accounts by service provider as of June 30¹

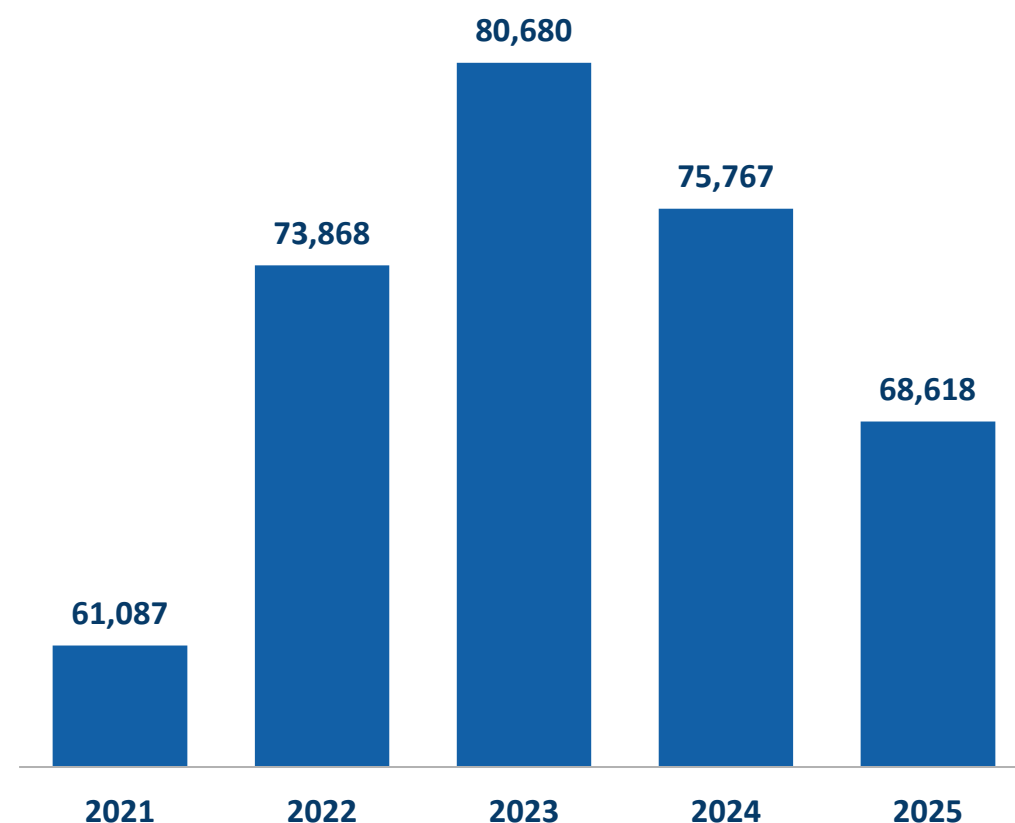


¹Accounts include active, contributing employees and inactive, non-contributing participants.

Enrollment process

- Majority of new hire retirement enrollments are submitted electronically.
 - Paper enrollments must be keyed and imaged in the member's file.
- Electronic enrollments might require manual review (e.g., ensure information is correct, the position is eligible for PORS, the member is eligible to elect to not participate, etc.).

Enrollment transactions by fiscal year



Member contributions

- After enrollment, an employer must withhold contributions from an employee's paycheck to remit to PEBA with the corresponding employer contribution.
- All employers except state agencies remit contributions monthly and send a detail file each quarter that shows how to post funds to members' accounts.
- While this process is highly automated, it requires a significant amount of work by PEBA staff to resolve errors in the reporting from employers.
- Count of employers who report payroll:
 - SCRS - 745 employers
 - PORS - 434 employers

Employer and member contributions

- Participating employers and members must contribute to SCRS, PORS or State ORP, depending on the plan in which a member enrolls.
- Contribution rates for employers are subject to change each July 1.
- Currently, member contributions are fixed by statute and not scheduled to change.
- Employer contributions are not placed in member accounts.
- Employers remit contributions based on compensation for:
 - Contributing SCRS and PORS members.
 - State ORP participants.
 - Return-to-work SCRS and PORS retired members.
 - Incidental death benefit coverage, if covered.
 - Accidental Death Program coverage, if covered (PORS only).
- State agencies, public higher education institutions, public school districts and charter schools are required to pay insurance surcharge to share the cost of retiree insurance.

Fiscal year 2026 employer contribution rates

Effective for all wages paid on and after July 1, 2025.

Retirement plan	Employer contribution	Incidental death benefit contribution ¹	Accidental death contribution ¹	Total employer rate	Insurance surcharge ¹
SCRS	18.41%	0.15%	N/A	18.56%	6.10%
State ORP ²	18.41%	0.15%	N/A	18.56%	6.10%
PORS	20.84%	0.20%	0.20%	21.24%	6.10%

¹Rates are applicable only to employers covered under these programs.

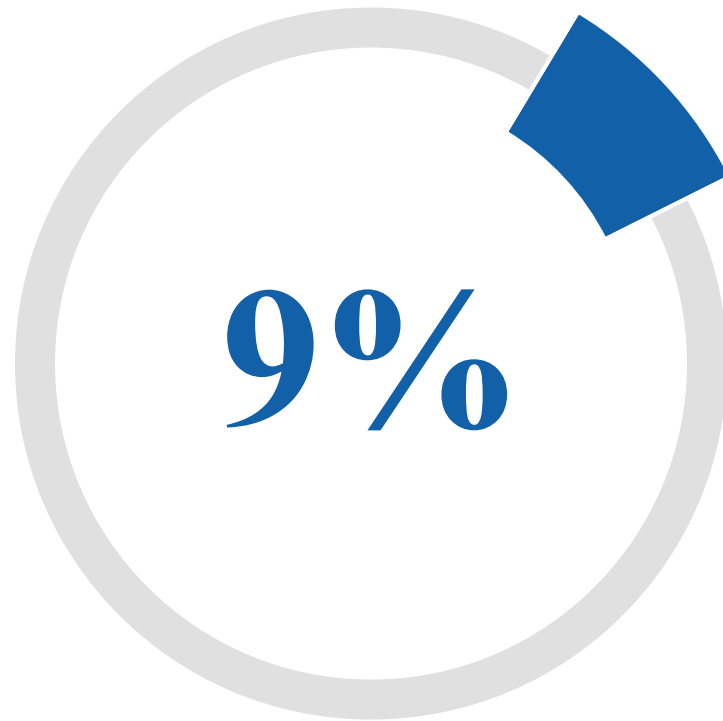
²For State ORP participants, 5% of the employer contribution is remitted directly to the participant's State ORP service provider.

Employee contributions

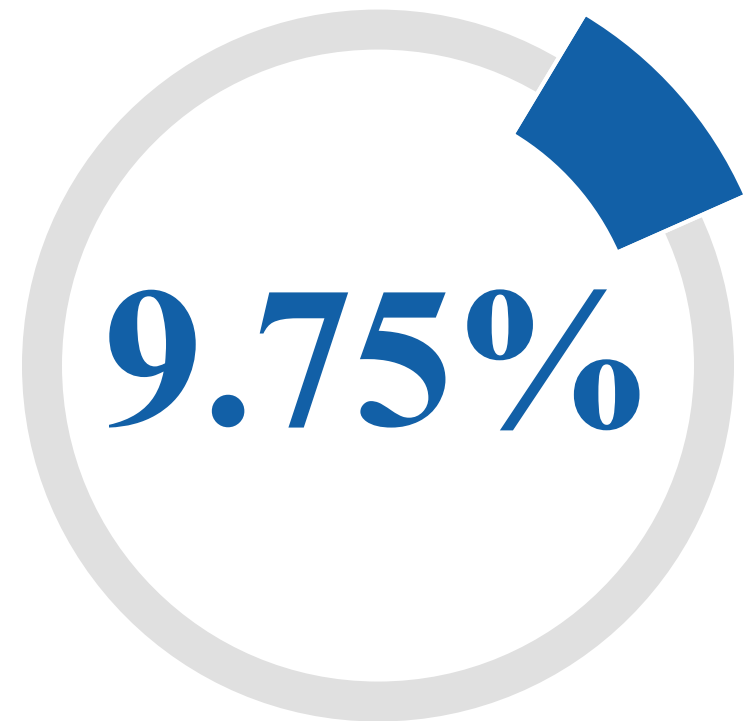
- Contributions are tax-deferred.
- Member contributions credited to member's account.
- Active accounts earn 4% interest compounded annually or until account becomes inactive.
- In retirement, monthly benefit payments continue even when member's account is exhausted.
- Refund of unexhausted contributions payable only if there is no survivor benefit due.
 - If monthly survivor benefit is payable, there is no refund of contributions.

Employee contributions effective July 1, 2025

SCRS and State ORP



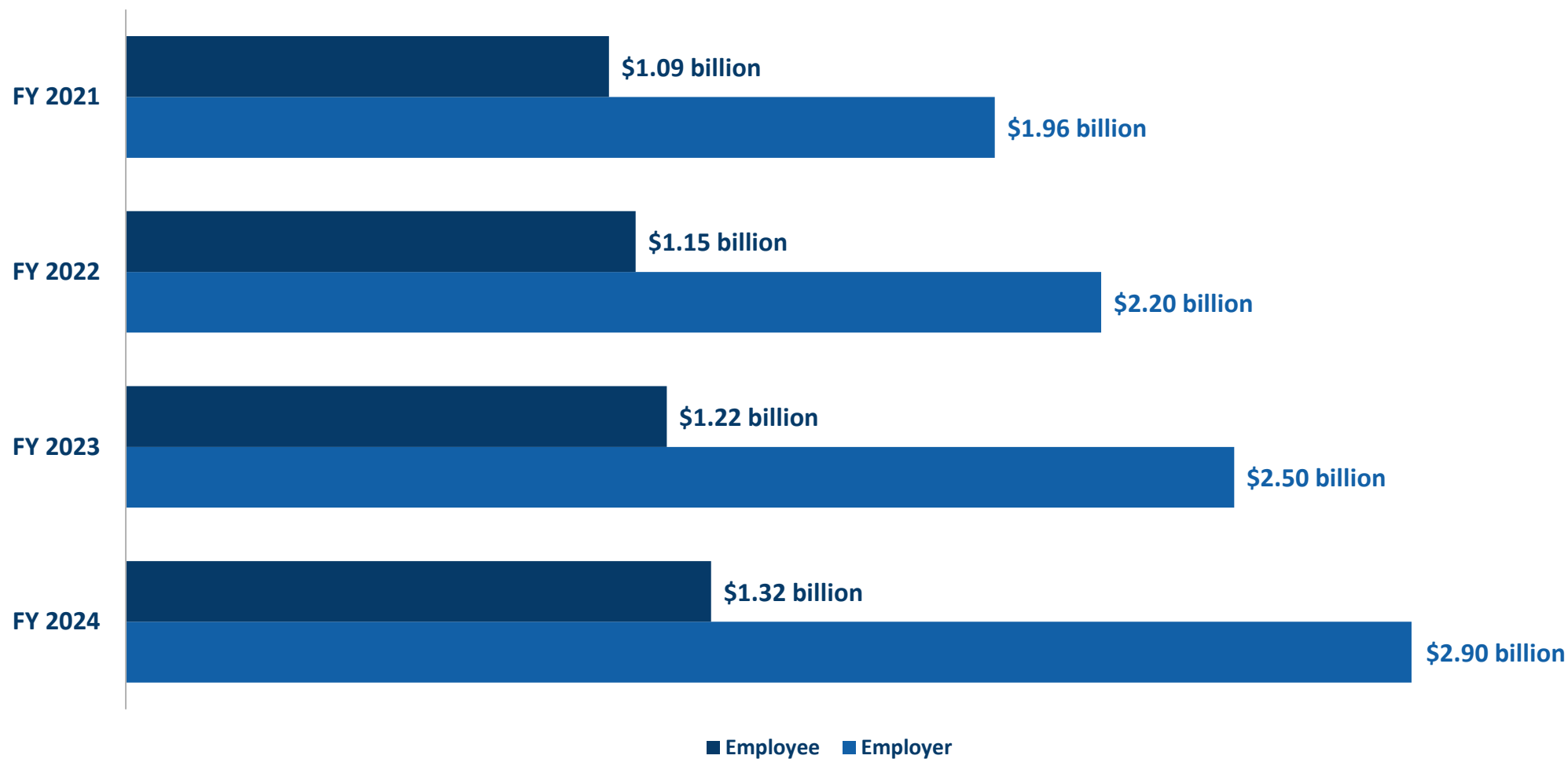
PORS



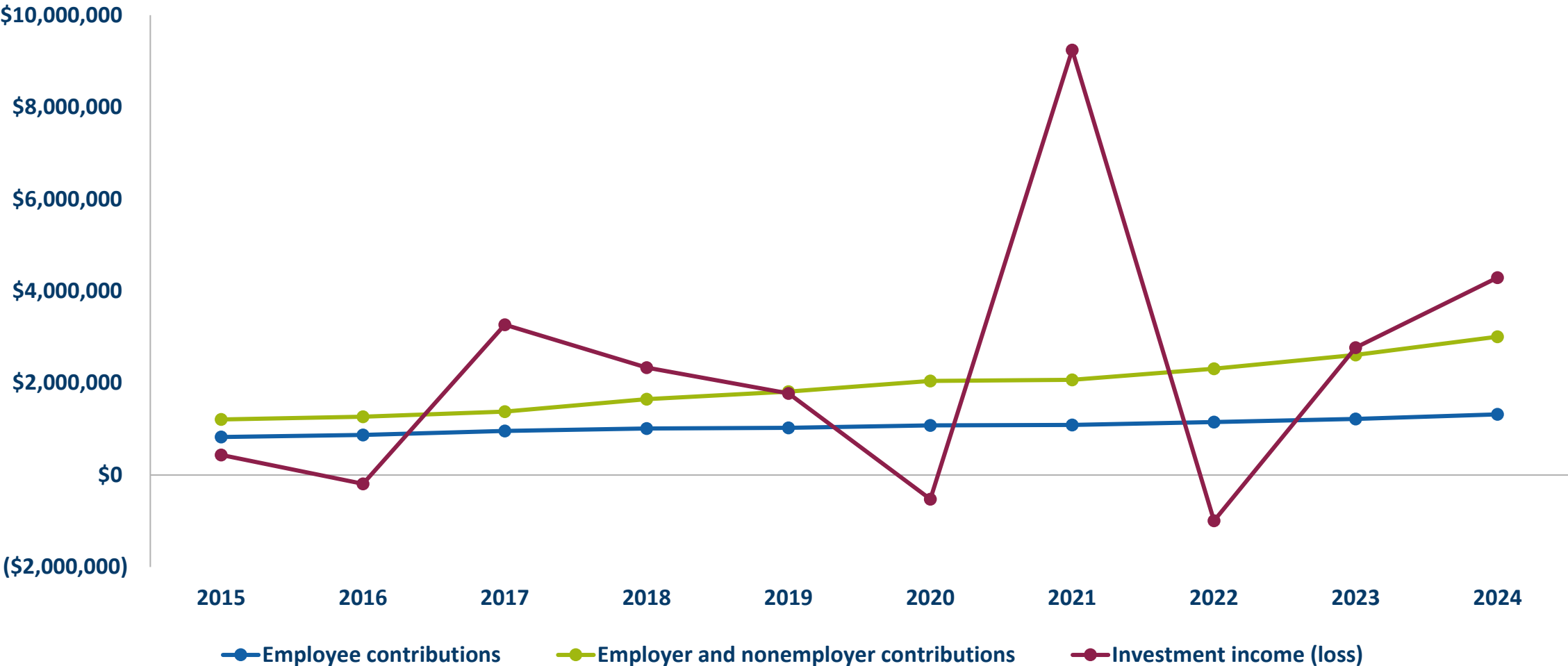
Return-to-work retired member contributions

- Retired member contributes same rate as active member.
- Retired member does not accrue additional service credit.
- Contributions must be made to system from which the member retired.
- Retired member receiving both SCRS and PORS benefit:
 - Contributions based on rate for any other active member in the same position.

Contributions to pension trust funds



Pension trust fund additions by source each fiscal year



What happens next?

- Each quarter, PEBA updates an active member's account with the monetary contributions and service credit earned.
- An active member may:
 - Work until they become eligible for a benefit;
 - Purchase additional service credit; and
 - Terminate employment and request a refund.
- Each of these events requires PEBA staff to assist the member and employer with these transactions.
 - Transactions then become the basis for the financial and actuarial information.

Purchasing service

- A member may choose to increase their service credit to be able to retire earlier or receive a larger benefit upon retirement.
- Pension reform in 2012 required most service purchase transactions be actuarially neutral to the plan.

Types of service

- Public service.
- Educational service (K-12).
- Military service.
- Leave of absence.
- Workers' compensation.
- Previously withdrawn service.
- Non-qualified service.
- State ORP service.
- Transfer between systems.

Paying for purchased service

- Members may establish service credit through a lump-sum payment or an installment service purchase.
- Installment accounts allow members to pay for service through payroll deduction over time. This requires the employer remit a separate file to PEBA to process these transactions each time a member is paid. For fiscal year 2025, there were 761 active installment accounts.

FY 2025 service purchases

Payment type	Total years of service purchased	Number of transactions	Total cost
Lump sum	1,958.66	975	\$30.61 M
Installment	337,31	250	\$3.04 M

Refunds

- When a member terminates covered employment, they may choose to leave their funds on deposit or request a refund.
- If the member leaves their funds on deposit, their account will not earn interest after no contributions are received for one fiscal year.
- If the member requests a refund, state statute requires PEBA pays the refund within six months of the request but no sooner than 90 days after terminating covered employment.
 - There are no partial refunds for defined benefits plans.
 - All funds and service credit are withdrawn.

Fiscal year	Refund requests	Refunds paid
FY 2021	12,508	\$149 M
FY 2022	13,874	\$193 M
FY 2023	10,864	\$171 M
FY 2024	11,355	\$179 M
FY 2025	11,905	\$193 M

Disability

- The defined benefit plans, except for SCNG, provide a retirement benefit if a member becomes disabled.
- Previously, SCRS and PORS provided a benefit based on the inability of a member to perform duties of their specific occupation.
- Act 278 of 2012 requires that SCRS members qualify for Social Security disability benefits to receive SCRS disability benefits, unless disability is job related.
- Disability claims require extensive processing and review by PEBA staff and external agencies.

Fiscal year	Disability retirement applications received
FY 2021	409
FY 2022	359
FY 2023	305
FY 2024	265
FY 2025	246

Death benefits

- When an active member passes away, their beneficiary may be entitled to receive:
 - A refund of contributions plus the interest earned on the account; or
 - A monthly benefit if the member was a Class Two member with at least five years of earned service credit or a Class Three member with at least eight years of earned service credit and had either 15 years of total service credit or are at least age 60 (SCRS) or age 55 (PORS) at time of death.
- A retired member may select a payment option that allows for a beneficiary to receive a benefit upon the member's death. If the member did not select that option, the beneficiary may receive any contributions and interest from the account not already paid.
- Both active and retired members' beneficiaries may receive an incidental death benefit if the members' employer offered it.

Fiscal year	Death claims
FY 2021	7,082
FY 2022	6,853
FY 2023	6,376
FY 2024	6,302
FY 2025	6,665

Retirement

- Members who reach retirement eligibility based on age and/or years of service may apply for a service retirement benefit.
- The retirement claim process requires a member to apply and submit documentation, then the employer must submit termination date and last quarter's earnings.
- For each application, PEBA processes the information submitted and calculates the member's average final compensation (AFC) to determine the final benefit amount.

Fiscal year	Service retirement applications received
FY 2021	7,688
FY 2022	8,357
FY 2023	7,467
FY 2024	7,123
FY 2025	7,268

FY 2025 retirement statistics

	SCRS	PORS	GARS	JSRS	SCNG
Average current age of service retirees	72	66	76	73	72
Average years of service at retirement (all retirees)	22	19	21	26	26
Average AFC at retirement (all retirees)	\$48,928	\$50,898	\$22,640	\$145,332	N/A
Average current annual benefit (all retirees)	\$22,595	\$23,344	\$18,465	\$127,954	\$908

Quality assurance

Before issuing a benefit payment, the Quality Assurance team reviews the transaction to ensure information used to process the claim is accurate and complete.

Fiscal year	Events reviewed
FY 2021	78,419
FY 2022	77,989
FY 2023	73,017
FY 2024	71,992
FY 2025	74,056

Post-retirement changes

- Direct deposit updates.
- Tax withholding and other deduction changes.
- Beneficiary designations.
- Payment option changes following qualified events.
- Earnings limitations.
- Annual benefit adjustments (COLAs).

Annual projects

- Confirm validity of benefit recipients who are ages 100 or older or who live outside of the United States.
- Tax reporting (Form 1099 and W-2s).

Earnings limitation

- The earnings limit was put into place to entice members to delay the start of their retirement benefit if they chose to continue covered employment.
- However, there are many exemptions to this limit that require staff to monitor and educate members.

Exemptions

- Retired before January 2, 2013.
- Retired on or after January 2, 2013, and were age 62 (SCRS) or age 57 (PORS).
- 12-month break.
- Critical needs teacher.
- School resource officer.
- Service as an elected official.
- \$50,000 exemption for some public school employees for 36 months.

48-month rule

- Retirees who have satisfied certain legal requirements can terminate their retirement benefit and return to active status under the 48-month rule.
- These transactions were once minimal, but the volume has increased substantially.
- Each transaction is extremely manual and involves almost all areas of retirement operations.

Statistics

- 70 48-month rule transactions in FY 2025.
- 20 years ago, there were 2 transactions.

Member Access features

SCRS and PORS members

- View account and service credit statement.
- Review and update beneficiary designations.
- Estimate benefit amount.¹
- Update address and contact information.
- Calculate service purchase cost estimate and submit service purchase request.
- Apply for service retirement.

State ORP participants

- Link to State ORP service provider's website.
- View and update PEBA active member incidental death beneficiaries.
- Update address and contact information with PEBA.
 - Must update separately [with service provider](#).
- Receive messages regarding annual State ORP open enrollment (January 1–March 1).
 - Change State ORP service provider or make an irrevocable election to switch to SCRS, if eligible.

¹Estimates are not a guarantee of monthly benefits.

Customer service

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Total calls	273,971	279,938	263,112	257,834	221,582
Total visitors	6,062 ¹	12,863	13,039	17,749	18,911
Member Access total logins	678,940	752,444	738,290	762,838	802,354
EES total logins	107,191	234,873	236,736	242,093	248,467

¹The Visitor Center was closed March 2020 to March 2021 due to COVID-19. The 2021 count includes in-person, scheduled video and phone benefit consultations.

Disclaimer

This presentation does not constitute a comprehensive or binding representation of the employee benefit programs PEBA administers. The terms and conditions of the employee benefit programs PEBA administers are set out in the applicable statutes and plan documents and are subject to change. Benefits administrators and others chosen by your employer to assist you with your participation in these employee benefit programs are not agents or employees of PEBA and are not authorized to bind PEBA or make representations on behalf of PEBA. Please contact PEBA for the most current information. The language used in this presentation does not create any contractual rights or entitlements for any person.

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

Meeting Date: August 21, 2025

1. Subject: 2026-2030 Strategic Plan

2. Summary: Ms. Heather Young, Communications Manager, will provide the 2026-2030 Strategic Plan.

3. What is Board asked to do? Approve the 2026-2030 Strategic Plan as presented.

4. Supporting Documents:

Attached:

A. Strategic Plan Update 2026-2030



PEBASM
SC Retirement Systems
and State Health Plan

Strategic Plan

2026-2030

Serving those who serve South Carolina



Vision

Serving those who serve South Carolina



Mission

PEBA's mission is to provide competitive retirement and insurance benefit programs for South Carolina public employers, employees and retirees.



Core values

Solutions oriented
Communication
Credibility
Collaboration
Responsive
Emotional intelligence
Ethical behavior



GOAL 1 Promote financially sound PEBA programs

PEBA has a responsibility to its stakeholders to control public employee benefit costs while providing maximum benefits. The cost to members and taxpayers is impacted by investment performance, member behavior, competitive developments in relevant labor markets, policy determinations regarding cost-allocations and the willingness to pay of participants and taxpayers.

Strategy 1.1

Provide the legislature with information to properly determine contributions and funding to ensure long-term viability of benefit programs.

Strategy 1.2

Research best practices, recommend and implement health plan design changes, and promote the use of high-value health services to improve health outcomes.

Strategy 1.3

Reduce use of ineffective or unnecessary health services to reduce costs.

Strategy 1.4

Improve internal efficiencies through PEBA:Connect.



GOAL 2

Enhance the customer service experience for members and employers

PEBA aims to provide the best quality service to its stakeholders, including members, dependents and beneficiaries. As such, PEBA strives for continuous improvement of the level of service we provide, as well as those services provided by our third-party administrators.

Strategy 2.1

Implement cost effective integrated systems and processes that are intuitive and practical, and provide value for members and employers.



GOAL 3

Responsibly manage risk to the organization

It is incumbent upon our individual employees and organization to continually assess and mitigate the threats and risks to which we are exposed. Through enterprise risk management, we will plan, organize, lead and control the activities of our organization to minimize the effects of risk. This will include financial, strategic and operational risks.

Strategy 3.1

Maintain a culture of risk awareness through the development, implementation and maintenance of an enterprise risk management program.

Strategy 3.2

Ensure information technology resources are used to implement continuing security initiatives.

Strategy 3.3

Minimize the effects of risk related to PEBA:Connect and appropriately manage the risk.



GOAL 4

Maintain a workforce and work environment conducive to achievement of agency goals and objectives

PEBA faces staffing challenges brought on by loss of staff due to retirement and new skills requirements due to advances in technology. We respect the individual contributions of each employee and endeavor to empower employees with the needed resources for teamwork, shared pride and continuous learning.

Strategy 4.1

Ensure a consistent, viable talent pool that adapts effectively and fulfills business needs for the present and future.

Strategy 4.2

Develop and maintain effective training and development programming that fosters a culture driven by high performance.

Strategy 4.3

Ensure a safe, secure and functional physical working environment.



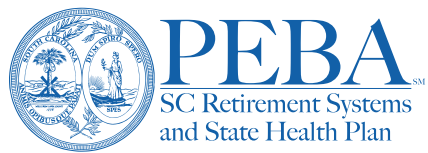
GOAL 5

Improve internal efficiencies through system enhancements

PEBA is challenged with aging information systems. Operational systems and business processes have been assessed with assistance from benefits administration experts to create a roadmap for securing internal efficiencies through system enhancements. This project is a multi-year endeavor requiring intensive capital and human resources.

Strategy 5.1

Conduct and maintain initiatives to generate system and operational changes to enhance internal efficiencies.



South Carolina Public Employee Benefit Authority

Serving those who serve South Carolina

202 Arbor Lake Drive | Columbia, SC 29223

803.737.6800 | 888.260.9430

peba.sc.gov



This document does not constitute a comprehensive or binding representation regarding the employee benefits offered by PEBA. The terms and conditions of insurance plans offered by PEBA are set out in the applicable plan documents and are subject to change. The language on this flyer does not create any contractual rights or entitlements for any person. PEBA complies with applicable Federal civil rights laws and does not discriminate on the basis of race, color, national origin, age, disability, or sex. ATENCIÓN: si habla español, tiene a su disposición servicios gratuitos de asistencia lingüística. Llame al 1.888.260.9430. 注意：如果您使用繁體中文，您可以免費獲得語言援助服務。請致電 1.888.260.9430