

SC PUBLIC EMPLOYEE BENEFIT AUTHORITY- BOARD OF DIRECTORS

Retirement Policy Committee Meeting Minutes Approved 3.4.15

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

Wednesday, February 4, 2015, 9:30 A.M.

Retirement Policy Committee Members Present:

Mr. John Sowards, Chairman
Arthur Bjontegard
Mr. Steve Osborne
Mr. David Tigges
Mr. Frank Fusco

Others present for all or a portion of the meeting:

Peggy Boykin, Ashley Brindle, Sarah Corbett, Matthew Davis, Megan Lightle, Heather Muller, Tammy Nichols, Travis Turner, Stephen Van Camp, Justin Werner, and Heather Young from the South Carolina Public Employee Benefit Authority (PEBA); Sam Griswold, Wayne Pruitt, and Donald Tudor with the State Retirees Association of South Carolina; David Bennett, Paul Manville, and Nancy Ornduff with Empower Retirement; and Rose Guillette with Segal Rogerscasey.

1. CALL TO ORDER

Chairman John Sowards called the PEBA Retirement Policy Committee (Committee) meeting to order at 9:35 a.m., and stated that the public meeting notice was posted in compliance with the Freedom of Information Act.

2. ADOPTION OF PROPOSED AGENDA

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

3. APPROVAL OF MINUTES – DECEMBER 3, 2014

Chairman Sowards asked for amendments to the previous meeting minutes. There being none, Mr. Sowards noted that the December 3, 2014, Committee meeting minutes were approved as presented.

4. UPDATE ON GASB COMMUNICATION

Ms. Ashley Brindle, Accounting Fiscal Manager, provided an overview of the pension disclosure accounting changes due to the implementation of Governmental Accounting Standards Board (GASB) 68, which affects participating employers. Ms. Brindle stated that GASB 68 requires participating employers to record a liability for their proportionate share of the plans' collective Net Pension Liability on their individual financial statements effective for fiscal years beginning on or after June 15, 2014. Ms. Brindle advised that employers will also be required to show expanded note disclosures and additional required supplementary information in the financial statements. Ms. Brindle reviewed PEBA's communication and employer education efforts on GASB 68 changes including: numerous educational presentations; significant updates to the GASB Resource Center on PEBA's public website; in-house training sessions for PEBA employees; and establishing a dedicated email account specifically for GASB inquires.

Ms. Brindle reported that PEBA engaged external auditor CliftonLarsonAllen to audit the underlying employer census data and actuarial schedules in order to provide a separate audit opinion which participating employers can use to help prepare their financial statements.

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5. DEFERRED COMPENSATION PROGRAM

Ms. Rose Guillette, Senior Consultant with Segal Rogerscasey, stated that the T. Rowe Price Mid-Cap Value fund has failed the report card for four consecutive quarters, which has caused the fund to be placed under formal review. Ms. Guillette reported that this fund has received a failing score for the last four consecutive quarters due to under-performance on the three-year and five-year periods against both the benchmark and its peers. Ms. Guillette advised that additional due diligence will be conducted over the next two months, and a report will be issued on whether the fund should be retained or replaced.

Mr. Matthew Davis, Defined Contribution Manager, reported that PEBA and Empower Retirement will provide a status update at the March or April meeting on the Modernization Project. Mr. Davis explained that the Modernization Project is part of the best practices recommendations which requires all participating employers to offer all features of the Program and adhere to standardized remittance and reporting requirements effective January 1, 2017.

6. OLD BUSINESS/DIRECTOR'S REPORT

Ms. Peggy Boykin, PEBA's Executive Director stated that the report concerning the impact on retirees and active members related to the settlement between the State of South Carolina and the Bank of New York Mellon (BONY), was provided to the Chairman of the Senate Finance Committee, and the Chairman of the House Ways and Means Committee, as directed by last year's proviso.

Chairman Sowards thanked PEBA staff for their tremendous efforts in helping to complete the proviso report. Chairman Sowards also expressed his appreciation to PEBA's outside counsel for their assistance and guidance in completing the report, and he opined that PEBA would not have been able to compile the report without the assistance of outside counsel.

Ms. Boykin confirmed that there is not a securities lending deficit of \$4.9 million in the Other Post Employment Benefits (OPEB) trust funds as originally reported in PEBA's Insurance Financial Statements. Ms. Boykin advised that next year's financial statements will include a restatement and a note disclosure explaining the restatement.

Ms. Boykin advised that PEBA will be presenting the State Health Plan budget report to the House Ways and Means Committee Healthcare Subcommittee later this afternoon.

7. ADJOURNMENT

The Committee meeting adjourned at 10:40 a.m.