



Meeting Minutes | Retirement Policy Committee

Wednesday, October 5, 2022 | 1:00 p.m.

202 Arbor Lake Dr., Columbia, SC 29223 | First Floor Conference Room

Minutes approved December 7, 2022

Board Members Present for All or a Portion of the Meeting: Mr. Calvin Elam, PEBA Board Chairman Joe “Rocky” Pearce, and Committee Chairman Paige Lewis.

Board Members Present for All or a Portion of the Meeting Via Virtual Means: Sheriff Steve Mueller

Board Members absent: Mr. Ed Walton

Others Present for All or a Portion of the Meeting: Peggy Boykin, Ashley Brindle, Amber Carter, Justin Ellis, Heather Muller, Tammy Nichols, Travis Turner, Justin Werner, and Heather Young from the South Carolina Public Employee Benefit Authority (PEBA); Shaun Eskamani and Jared Hardin from CapTrust; Nancy Ornduff from Empower Retirement; and Sam Griswold from the State Retirees Association of South Carolina.

Others Present for All or a Portion of the Meeting Via Virtual Means: Angie Warren from PEBA.

I. Call to Order

Chairman Paige Lewis called the PEBA Retirement Policy Committee (Committee) meeting to order at 1:02 p.m., and stated that the public meeting notice was posted in compliance with the Freedom of Information Act.

II. Approval of Meeting Minutes- June 15, 2022

Sheriff Steve Mueller made a motion, which was seconded by PEBA Board Chairman Rocky Pearce, and passed unanimously, to approve the minutes from the June 15, 2022, Committee meeting.

III. Defined Contribution Plans Quarterly Investment Performance Report

Mr. Travis Turner, Deputy Director and Chief Financial Officer, introduced Mr. Shaun Eskamani, Principal and Financial Advisor, and Mr. Jared Hardin, Financial Advisor from CapTrust, as the new Investment Consultants for the Deferred Compensation Program and the State Optional Retirement Program, effective July 1, 2022. Mr. Eskamani stated that they have been reviewing the Plan, and will provide more detailed analysis along with specific recommendations at the next meeting.

Mr. Hardin provided market commentary for the quarter, specifically noting that U.S. and domestic equities ended the quarter significantly down, with Technology, Consumer Discretionary, and Communication Service having the largest declines in the S&P 500 Index.

Mr. Hardin reviewed the CapTrust Investment Policy Monitor or “Scorecard” for the Deferred Compensation Program and State ORP, which covers both quantitative and qualitative aspects of the investments. Mr. Hardin pointed out that both the T. Rowe Price Growth Stock fund, and the Hartford Mid Cap fund in the Deferred Compensation Program are underperforming and overweighted in the technology and health care sectors. These funds are on the CapTrust internal watch list, which will be reviewed at the next Committee meeting.

IV. Deferred Compensation Program Quarterly Plan Summary

Ms. Nancy Ornduff, from Empower Retirement, presented the second quarter of 2022 Deferred Compensation Program quarterly plan summary to the Committee. Ms. Ornduff reviewed the plan statistics for the second quarter, including participant accounts; assets; contributions and distributions; rollovers; and participating employers.

Ms. Ornduff concluded her presentation by reviewing retirement plan advisory activity; outreach to participants and employers during the second quarter; and website and call center statistics.

V. Strategic Key Measures Review

Mr. Turner discussed strategic key measures related to the Retirement Policy Committee. Mr. Turner reviewed total membership in the Retirement Systems as of July 1, 2021, and the average annual benefit paid to South Carolina Retirement System (SCRS), and Police Officers Retirement System (PORS) retirees.

Mr. Turner reviewed the Retirement System Funding and Administration Act of 2017, which decreased the assumed rate of return July 1, 2017, from 7.50 percent to 7.25 percent, and July 1, 2021, from 7.25 percent to 7.00 percent. Mr. Turner added that the 2017 Act also increased employee and employer contribution rates, and gradually decreased the negative amortization.

Mr. Turner detailed effects of the 2017 legislation on the SCRS amortization period by fiscal year, and stated that SCRS has been at a 20-year funding period since 2020, which is the threshold where the Unfunded Actuarial Accrued Liability (UAAL) is being reduced. Mr. Turner also reviewed SCRS and PORS contribution rates by fiscal year; and SCRS and PORS unfunded accrued liabilities as of July 1, 2021.

Ms. Peggy Boykin, Executive Director, added that the Retirement System Investment Commission (RSIC), reported a negative -0.89 percent return for the fiscal year ending June 30, 2022, which is significantly lower than the assumed rate of return of seven percent. Ms. Boykin advised that investment returns are smoothed over a five-year period, and the 2021 returns of 28.5 percent resulted in deferred gains which should offset the underperformance for this fiscal year. PEBA’s three, five, and ten-year returns of 7.84 percent, 7.43 percent, and 7.47 percent respectively, are still above the assumed rate of return of 7.0 percent.

Mr. Turner concluded his presentation by reviewing additions and deductions to the pension trust funds from 2007-2021; the number of SCRS participating employers as of June 30, 2021;

and State Optional Retirement Plan (State ORP) and Deferred Compensation Program participant accounts as of June 30, 2021.

VI. Old Business/Director's Report

Ms. Boykin reminded the Committee that PEBA's assumed rate of return of 7.0 percent is a net of fee return.

Ms. Boykin stated PEBA's external actuaries Gabriel Roeder Smith (GRS), will present the actuarial valuations at the December 7, 2022, Committee meeting.

VII. Adjournment

There being no further business, and upon motion by Mr. Heisler, which was seconded by PEBA Board Chairman Rocky Pearce, and approved unanimously, the Committee meeting adjourned at 1:46 p.m.