

# SC PUBLIC EMPLOYEE BENEFIT AUTHORITY- BOARD OF DIRECTORS

## Retirement Policy Committee Meeting Minutes Approved 10.1.14

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

Wednesday, September 3, 2014, 9:30 A.M.

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### **Retirement Policy Committee Members Present:**

Mr. John Sowards, Chairman

Arthur Bjontegard

Mr. David Tigges

Mr. Steve Osborne

### **Others present for all or a portion of the meeting:**

Peggy Boykin, Matt Davis, Rene Dash, Tiffany Latimer, Tammy Nichols, Stephen Van Camp, Angie Warren, and Justin Werner from the South Carolina Public Employee Benefit Authority (PEBA); Sam Griswold and Donald Tudor with the State Retirees Association of South Carolina; Amy Heyel, Nancy Ornduff, Lisa Tilley, Aaron Schlupe, and Liz Davidsen (via telephone) with Great-West Retirement Services; Rose Guillette and Bob Liberto with Segal Rogerscasey; Paul Staples with Summit Strategies Group; Ed Poliakoff from TIAA CREF; and Daniel Brennan from the South Carolina Office of the State Treasurer.

### **1. CALL TO ORDER**

Chairman John Sowards called the PEBA Retirement Policy Committee (Committee) meeting to order at 9:36 a.m.

### **2. ADOPTION OF PROPOSED AGENDA**

Chairman Sowards asked to amend the agenda by moving section nine related to Executive Session ahead of section four related to the 2015 Retirement Legislative Agenda. Mr. David Tigges made a motion, which was seconded by Mr. Arthur Bjontegard, and approved unanimously, to adopt the agenda as amended.

Chairman Sowards welcomed Mr. Steve Osborne to the Retirement Policy Committee meeting. Mr. Sowards stated that Mr. Osborne would be replacing Ms. Peggy Boykin's seat on the Board of Director's and the Retirement Policy Committee.

### **3. APPROVAL OF MINUTES – JULY 7, 2014, JULY 14, 2014 AND JULY 31, 2014**

Chairman Sowards asked for amendments to the previous meeting minutes. There being none, Mr. Sowards noted that the July 7, 2014, July 14, 2014, and July 31, 2014 Committee meeting minutes were approved as presented.

### **4. EXECUTIVE SESSION**

At 9:45 a.m., Mr. Tigges made a motion, which was seconded by Mr. Bjontegard, and passed unanimously, to recede into executive session to receive legal advice pursuant to S.C. Code Ann. § 30-4-70. The Committee thereupon receded into executive session.

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The Committee reconvened in open session at 10:29 a.m. It was noted that no action was taken by the Committee while in executive session.

### **5. ORP FUND CHANGE RECOMMENDATION**

Paul Staples, Senior Vice President and Director of Defined Contribution Services with Summit Strategies Group, led the discussion regarding the Optional Retirement Program (ORP) fund change recommendation. Mr. Staples stated that Royce Premier (RYPRX) is a fund in MetLife's investment lineup, which has remained on the Watch List for eight consecutive quarters. Mr. Staples advised that MetLife provided Summit Strategies Group with a list of four suitable replacement options for the RYPRX fund, and upon analysis of the replacement options, Summit Strategies Group and the Defined Contribution Unit recommend Delaware Small Cap Core (DCCIX) as its replacement.

Following further discussion, Mr. Tigges made a motion, which was seconded by Mr. Bjontegard, and passed unanimously, to replace the Royce Premier fund with the Delaware Small Cap Core fund.

### **6. 2015 RETIREMENT LEGISLATIVE AGENDA**

Ms. Boykin, PEBA's Executive Director, reviewed the 2015 legislative agenda, and stated that PEBA would seek refilling of the 2014 bill that would modify the requirement of monthly Board meetings by moving to comprehensive quarterly Board meetings with brief meetings in between to satisfy statutory requirements. Committees would continue to meet each month. Ms. Boykin advised that other legislative initiatives include Board term limits, staggered terms for Board members, and minor conforming and clean-up language.

### **7. DEFINED CONTRIBUTION QUARTERLY REPORTS**

Mr. Matthew Davis, Defined Contribution Manager, introduced Mr. Robert Liberto, Senior Vice President, and Rosemary Guillette, Senior Consultant, from Segal Rogerscasey to provide an overview of the 401(k) and 457(b) Defined Contribution plans for the quarter ending June 30, 2014. Ms. Guillette reviewed the fund evaluation sheet for the quarter, and stated that four active managers underperformed both the respective benchmark and universe for the quarter. Ms. Guillette advised that the Pimco All Asset Institutional fund, and the T. Rowe Price Mid-Cap Value fund have failed for three cumulative quarters, and both are on the watch list. Ms. Guillette added that Segal Rogerscasey does not recommend any action at this time.

Ms. Guillette advised that the market value for the 401(k) Plan was \$2.7 billion on June 30, 2014, which represented an increase of \$63.6 million during the quarter. This increase was comprised of \$68.2 million in investment gains, offset by \$3.7 million in net distributions. Ms. Guillette stated that the 457(b) Plan was valued at \$936.1 million at the end of the second quarter, representing an increase of \$14.3 million over the quarter. This increase was comprised of \$19.8 million in investment gains, offset by \$5.2 million in net distributions during the quarter.

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Mr. Davis invited Ms. Nancy Ornduff, from Great-West Retirement Services to present the Plan review summary. Ms. Ornduff stated that Plan Assets grew by \$77.92 million or 2.2 percent as of June 30, 2014, and incoming rollovers to the plan increased to \$12,571,428.80 (241 accounts) from \$11,376,007.07 (232 accounts) in the first quarter of 2014. Ms. Ornduff stated that the South Carolina Stable Value Fund remains healthy with a market to book ratio of 102.3 percent. Ms. Ornduff also reported that the total number of participants investing 100 percent in Target Date Funds increased from 2,937 to 3,076. Ms. Ornduff added that contributions increased to \$49.53 million as of June 30, 2014, from \$47.85 million as of March 31, 2014.

Chairman Sowards thanked Mr. Liberto, Ms. Guillette, and Ms. Ornduff for their reports.

Mr. Staples, with Summit Strategies Group, presented the ORP quarterly report. Mr. Staples reminded the Committee that the ORP Plan has four vendors that Summit Strategies Group monitors by noting distribution of assets, number of participants, and performance of investment managers.

Mr. Staples stated that as of June 30, 2014, the ORP had \$1.5 billion in total Plan assets. Mr. Staples advised that during the quarter, MassMutual had four funds on the watch list; MetLife and VALIC both had two funds on the watch list; and TIAA-CREF had one fund on the watch list; however, no action is recommended at this time.

### **8. DEFINED CONTRIBUTION: BEST PRACTICES CONTINUED REVIEW**

Management has collaborated with Segal Rogerscasey and Summit Strategies Group to compile a list of recommendations to better align the South Carolina Deferred Compensation Program and the South Carolina Optional Retirement Program with industry trends and best practices. Chairman Sowards announced that there is not enough feedback from stakeholders to move forward with the recommendations at this time, and the best practices discussion would be deferred until the next Committee meeting.

### **9. OLD BUSINESS/DIRECTOR'S REPORT**

Chairman Sowards stated that there was not any old business to discuss.

### **10. ADJOURNMENT**

Mr. Tigges made a motion, which was seconded by Chairman Sowards, and approved unanimously, to adjourn the meeting. The Committee meeting adjourned at 11:29 a.m.