

DAVID K. AVANT  
Director  
South Carolina Retirement Systems

HERSHEL M. HARPER, JR., CFA  
Chief Investment Officer  
S. C. Retirement System Investment Commission

CARLTON B. WASHINGTON  
Executive Director  
S. C. State Employees Association

HARRY T. CONE  
Retired State Employee

DALE M. RHODES, CPA, VICE CHAIRMAN  
Retired State Employee

BRETT A. DALTON  
State Employee

PEGGY G. BOYKIN, CPA  
State Employee

MARY M. GREENE  
Retired Public Employee



## SOUTH CAROLINA DEFERRED COMPENSATION PROGRAM

### South Carolina Deferred Compensation Commission Meeting

Friday, September 27, 2013

**Commissioners Present:** Brett A. Dalton (by phone), Carlton B. Washington, Dale M. Rhodes, David K. Avant, Harry Tom Cone, Mary M. Greene, Peggy G. Boykin

**Others Present:** Brian D'Amico and Tom McNeish, Elliott Davis, LLC; Amy Heyel, Lisa Tilley, Melanie Strum, and Nancy Ornduff, Great-West Retirement Services, Art Bjontegard, Justin Werner, Lil Hayes, Matthew Davis, Stephen Van Camp, and Virginia Wetzell, South Carolina Public Employee Benefit Authority; Robert Liberto (by phone) and Rosemary Guillette (by phone), Segal Rogerscasey; Shakun Tahiliani, State Treasurer's Office

#### ***I. Call to Order***

Vice Chairman Rhodes called the meeting to order at 9:59 a.m. He provided a brief update on several open projects and noted that this is the final scheduled meeting of the Commission. He authorized the Investment Committee to approve the minutes of this meeting during its final scheduled meeting.

#### ***II. Approval of Minutes***

Commissioner Cone moved to adopt the April 19, 2013, meeting minutes without modification. The motion was seconded by Commissioner Avant and carried unanimously.

#### ***III. Audit Committee Report***

Vice Chairman Rhodes introduced Mr. Tom McNeish from Elliott Davis, LLC who provided a brief summary of the audit engagements. He recognized that there are specific challenges to governing a plan of this size and complexity. He explained that Elliott Davis has issued an unqualified opinion on the financial statements and added that the representatives of Great-West Financial Services were very helpful in providing documentation and in helping to educate employers. Mr. McNeish noted that there were several repeat findings related to the agreed upon procedures engagement, pointing out that most of the reported issues were at the employer level. He emphasized the importance of encouraging employers to follow proper procedures.

Mr. McNeish introduced Mr. Brian D'Amico from Elliott Davis who provided additional detail surrounding the findings noted in the agreed upon procedures engagement. Mr. D'Amico pointed out how Great-West has made good progress toward enhancing policies and procedures as a result of previous findings. He noted a lack of documentation for transactions that occurred prior to Great-West becoming the record keeper but explained that the engagement should help to provide a good road map for future governance.

Mr. D'Amico gave a description of new findings that resulted from the 2012 audit engagement. He detailed findings related to employer testing and pointed out that efficiencies could be gained if Great-West was able to classify administrative transactions more accurately. Mr. D'Amico noted that there is a large amount of money being held as unclaimed property and recommended that staff pursue a solution to reduce or eliminate the balance in the unclaimed property account.

Vice Chairman Rhodes commented that, despite the low probability and likelihood of attaining a zero-defect audit report, this should remain the expectation of the governing body. He recognized that, in addition to the assistance provided by Elliott Davis and Great-West, the State Comptroller General's Office and the South Carolina Enterprise Information System have provided enormous assistance by creating uniform administration of payroll for State agencies.

[Exhibit A – Agreed Upon Procedures Report]

[Exhibit B – Great-West Response to AUP Report]

[Exhibit C – SAS 114 Report]

[Exhibit D – Report on 401(k) Plan Financial Statements]

[Exhibit E – Report on 457 Plan Financial Statements]

#### **IV. Investment Committee Report**

Commissioner Avant explained that, in Commissioner Harper's absence, he would provide the report on Investment Committee business. He noted that there have been two Investment Committee meetings since the April 19, 2013, Commission meeting. He gave a brief summary on the investment performance, pointing out that no action was required on the part of the Investment Committee. Mr. Robert Liberto and Ms. Rosemary Guillette from Segal Rogerscasey confirmed that no action by the Commission is necessary as a result of the investment performance.

Commissioner Avant explained that the Investment Committee is recommending a single action, which would require two separate motions. He noted that the first step would be to amend the investment policy statement (IPS) to allow for the addition of a global tactical asset allocation (GTAA) fund and to incorporate changes pertaining to the oversight of the Program. He noted that the second step would be to approve the addition of the PIMCO All Asset fund to the lineup of investment options.

Commissioner Avant explained that the Investment Committee has considered for some time the prospect of adding a GTAA fund and that, during its meeting on May 21, 2013, the Investment Committee approved a motion to recommend the addition of the PIMCO All Asset fund to the investment lineup. He explained that the Investment Committee reviewed this decision at its meeting on August 20, 2013, and reaffirmed the recommendation. He pointed out that this decision was based in large part upon Segal's recommendation and that Segal fully supports the addition of the PIMCO All Asset fund.

Commissioner Avant moved that the IPS be amended as proposed to allow for the addition of a GTAA fund and to reflect the devolution of authority of the Program to the Board of Directors of the South Carolina Public Employee Benefit Authority (PEBA) effective January 1, 2014. The motion was seconded by Commissioner Boykin and carried unanimously. Mr. Justin Werner from PEBA confirmed that authority over all contracts related to the Program would devolve to the Board of Directors of PEBA effective January 1, 2014.

Commissioner Avant explained that the Investment Committee has reviewed the top four GTAA funds, as presented by Segal, and moves that the Commission add the PIMCO All Asset fund to the investment lineup. The motion was seconded by Vice Chairman Rhodes and carried unanimously.

[Exhibit F – Investment Committee Memo]

[Exhibit G – Segal 2Q 2013 Analysis of Investment Performance]

[Exhibit H – Investment Policy Statement REDLINE]

#### **V. Quarterly Report and Administrative Update**

Ms. Nancy Ornduff from Great-West described three initiatives that were launched during 2013 to help participants become better prepared for retirement. She noted that Ron Nichols, a retiree advocate for Great-West, provided a series of educational seminars specifically directed toward participants who have retired or who are approaching retirement. She described the Retirement Income Control Panel, which is a new feature available on the website that allows participants to estimate their monthly income during retirement based upon their current account balance and other customizable factors. She shared about a 90-day free look period, which gave participants the opportunity to experience the Managed Account service at no cost.

Ms. Ornduff gave a brief summary of plan-level activity that occurred during the second quarter of 2013. She noted the addition of two new employers and pointed out that Great-West continues to conduct monthly Plan Service Center webinars and is preparing to hold its annual fiduciary responsibility training webinar.

[Exhibit I – 2Q 2013 Great-West Plan Summary]

[Exhibit J – 2Q 2013 Great-West Plan Review]

#### **VI. Amendment and Restatement of Plan Documents**

Mr. Werner from PEBA presented restated 401(k) and 457 plan documents. He explained that the documents were updated to ensure operational accuracy and IRS compliance and to address any necessary transitional changes. He went on to briefly describe the specific changes to the plan documents, noting that the restated documents have been reviewed and recommended by the Program's outside tax counsel.

After some discussion, Commissioner Avant moved to adopt the restated 401(k) and 457 plan documents without modification. The motion was seconded by Commissioner Cone and carried unanimously.

Mr. Stephen Van Camp from PEBA briefly addressed the fact that this is the final scheduled meeting of the Commission. He expressed appreciation on behalf of staff members for the Commission's outstanding leadership over the years and presented each Commissioner with a plaque recognizing their dedicated service to the Program.

[Exhibit K – 401(k) Restated Plan Document]

[Exhibit L – 401(k) Plan Restatement Side-by-Side Comparison]

[Exhibit M – 457 Restated Plan Document]

[Exhibit N – 457 Plan Restatement Side-by-Side Comparison]

**VII. Adjournment**

With there being no further business, Vice Chairman Rhodes adjourned the meeting at 11:00 a.m.