

THE BELOW CONSTITUTED SUMMARY IS PREPARED BY THE STAFF OF THE SC HOUSE OF REPRESENTATIVES AND IS NOT THE EXPRESSION OF THE LEGISLATION'S SPONSOR(S) OR THE HOUSE OF REPRESENTATIVES. IT IS STRICTLY FOR THE INTERNAL USE AND BENEFITS OF MEMBERS OF THE HOUSE OF REPRESENTATIVES AND IS NOT TO BE CONSTRUCTED BY A COURT OF LAW AS AN EXPRESSION OF LEGISLATIVE INTENT.

**REPORT OF THE
GENERAL GOVERNMENT,
PERSONNEL & BENEFITS SUBCOMMITTEE**
(Anthony, Pitts, Herbkersman, Hayes & Whitmire - Staff Contact: Blythe Littlefield)

HOUSE BILL 5006

H. 5006 -- Reprs. Lucas, Pope, Merrill, Bradley, Finlay, Stringer and Norman: A BILL TO AMEND THE CODE OF LAWS OF SOUTH CAROLINA, 1976, BY ADDING SECTION 9-16-100 SO AS TO PROHIBIT LOBBYISTS AND PLACEMENT AGENTS FROM CONTACTING CERTAIN INDIVIDUALS CONNECTED WITH THE RETIREMENT SYSTEM INVESTMENT COMMISSION; TO AMEND SECTION 9-4-10, RELATING TO THE PUBLIC EMPLOYEE BENEFIT AUTHORITY, SO AS TO CLARIFY THE BOARD OF THE AUTHORITY IS THE SOLE GOVERNING BODY OF THE AUTHORITY, TO PROVIDE FOR A FIVE YEAR TERM AND STAGGERED TERMS OF BOARD MEMBERS, TO PRESCRIBE MEETING REQUIREMENTS, TO PROVIDE FOR AN EXECUTIVE DIRECTOR, AND TO PROVIDE CERTAIN FIDUCIARY DUTIES; TO AMEND SECTION 9-16-10, AS AMENDED, RELATING TO DEFINITIONS, SO AS TO REVISE CERTAIN DEFINITIONS; TO AMEND SECTION 9-16-315, AS AMENDED, RELATING TO THE RETIREMENT SYSTEM INVESTMENT COMMISSION, SO AS TO ADD A GUBERNATORIAL APPOINTMENT TO THE COMMISSION, TO LIMIT A MEMBER TO TWO TERMS, TO PROVIDE FURTHER QUALIFICATIONS FOR MEMBERS, TO PROVIDE FOR AN EXECUTIVE DIRECTOR, AND TO ALLOW THE COMMISSION TO ENGAGE ATTORNEYS ON A FEE BASIS; TO AMEND SECTION 9-16-380, RELATING TO THE AUDIT OF THE RETIREMENT SYSTEM INVESTMENT COMMISSION, SO AS TO REQUIRE THE AUDIT FIRM BE SELECTED USING THE PROCUREMENT CODE; TO AMEND SECTION 9-16-340, AS AMENDED, RELATING TO THE INVESTMENT OF RETIREMENT SYSTEM FUNDS, SO AS TO REQUIRE A REDUCTION IN THE TOTAL AMOUNT OF FEES PAID; BY ADDING ARTICLE 4 TO CHAPTER 16, TITLE 9 SO AS TO ESTABLISH THE REVIEW AND OVERSIGHT COMMISSION ON THE RETIREMENT SYSTEM INVESTMENT COMMISSION, TO PROVIDE FOR ITS MEMBERSHIP, AND TO PROVIDE FOR ITS SCREENING DUTIES; TO AMEND SECTION 9-1-1310, AS AMENDED, RELATING TO THE ASSETS OF THE RETIREMENT SYSTEM AND INVESTMENT OF RETIREMENT SYSTEM FUNDS, SO AS TO REQUIRE THE PUBLIC EMPLOYEE BENEFIT AUTHORITY TO HOLD THE ASSETS OF THE RETIREMENT SYSTEM IN A GROUP TRUST, AND TO PROHIBIT INVESTMENTS IN CERTAIN MONEY MORTGAGES AND REAL ESTATE INVESTMENT TRUSTS; AND TO AMEND SECTION 1-3-240, AS AMENDED, RELATING TO THE REMOVAL OF OFFICERS BY THE GOVERNOR, SO AS TO ADD THE MEMBERS OF THE RETIREMENT SYSTEM INVESTMENT COMMISSION TO THE LIST OF OFFICERS OR ENTITIES THE GOVERNING BOARD OF WHICH MAY BE REMOVED BY THE GOVERNOR ONLY FOR CERTAIN REASONS CONSTITUTING CAUSE.

Summary of Bill:

This bill makes requirements and stipulations regarding conflicts of interest and ethical standards for the Retirement System Investment Commission (RSIC). It clarifies and strengthens the governance of the RSIC and PEBA and creates term limits for members of each board. More qualifications to be appointed to the Investment Commission are established. It also reduces and limits the amount of fees paid by the commission to purchase investments. It also creates an oversight commission called the Review and Oversight Commission on the Retirement System Investment Commission and specifies the roles and responsibilities of that commission.

Introduced:

02/25/2016

Received by Ways and Means:

02/25/2016

Estimated Fiscal Impact:

The expenditure impact of this bill cannot be determined at this time. The impact, if any, will depend on what steps the Retirement Investment Commission takes in order to reduce the investment fees paid to external managers to one-half of one percent.

This bill adds one additional member to the commission, which increases Other Fund expenditures for mileage and per diem by approx. \$25,000.

Subcommittee Recommendation:

Favorable with Amendments

Full Committee Recommendation:

Pending

Other Notes/Comments:

See attached for full summary of the bill.

The subcommittee amendment provides that the PEBA Board meet once quarterly (instead of once every 60 days as the bill currently states) or at other times set by the board. It also

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corrects the language of the Investment Commission's makeup so as to keep the total number of Commissioners at seven as well as providing for an active or retired member of SCRS to be one of the possible appointments by the Governor.

HOUSE
AMENDMENT

THIS AMENDMENT
ADOPTED

GOOD/MELTON
APRIL 12, 2016

CLERK OF THE HOUSE

THE GENERAL GOVERNMENT, PERSONNEL AND BENEFITS SUBCOMMITTEE PROPOSES THE FOLLOWING AMENDMENT No. TO H. 5006 (H-WM\STAFF\BLYTHE\LEGISLATION\2016\5006\QUARTERLY AMENDMENT):

REFERENCE IS TO THE BILL AS INTRODUCED.

AMEND THE BILL, AS AND IF AMENDED, SECTION 2, BY STRIKING SECTION 9-4-10(G) AND INSERTING:

/ (G) MINIMALLY, THE BOARD SHALL MEET MONTHLY QUARTERLY AND AT OTHER TIMES SET BY THE BOARD. IF THE CHAIRMAN CONSIDERS IT MORE EFFECTIVE, THE BOARD MAY MEET BY TELECONFERENCING OR VIDEO CONFERENCING.

HOWEVER, IF THE AGENDA OF THE MEETING CONSISTS OF ITEMS THAT ARE NOT EXEMPT FROM DISCLOSURE OR THE MEETING MAY NOT BE CLOSED TO THE PUBLIC PURSUANT TO CHAPTER 4, TITLE 30, THE PROVISIONS OF CHAPTER 4, TITLE 30 APPLY, AND THE MEETING MUST BE OPEN TO THE PUBLIC.” /

AMEND THE BILL, AS AND IF AMENDED, SECTION 4, BY STRIKING SECTION 9-6-315(A)(6) AND INSERTING:

/ ~~(6) ONE MEMBER WHO IS A RETIRED MEMBER OF THE RETIREMENT SYSTEM. THIS REPRESENTATIVE MEMBER MUST BE APPOINTED BY UNANIMOUS VOTE OF THE VOTING MEMBERS OF THE COMMISSION~~ APPOINTED BY THE GOVERNOR, WHO IS AN ACTIVE OR RETIRED MEMBER OF THE SOUTH CAROLINA RETIREMENT SYSTEM, POLICE OFFICERS RETIREMENT SYSTEM, THE JUDGES AND SOLICITORS

RETIREMENT SYSTEM, OR THE NATIONAL GUARD
RETIREMENT SYSTEM; AND /

RENUMBER SECTIONS TO CONFORM.
AMEND TITLE TO CONFORM.



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
 (803)734-0640 • RFA.SC.GOV/IMPACTS

Bill Number: H. 5006
Author: Lucas
Subject: Lobbyists
Requestor: House Ways and Means
RFA Analyst(s): Fulmer and Kokolis
Impact Date: April 5, 2016

Estimate of Fiscal Impact

	FY 2016-17	FY 2017-18
State Expenditure		
General Fund	\$0	\$0
Other and Federal	Undetermined	\$0
Full-Time Equivalent Position(s)	0.00	0.00
State Revenue		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
Local Expenditure	\$0	\$0
Local Revenue	\$0	\$0

Fiscal Impact Summary

The expenditure impact of this bill cannot be determined at this time. The impact, if any, will depend on what steps the Retirement Investment Commission takes in order to reduce the investment fees paid to external managers to one-half of one percent.

Explanation of Fiscal Impact

State Expenditure

This bill would prohibit lobbyists from contacting any member of the Retirement Investment Commission, the executive director, chief investment officer, or staff members of the commission to solicit the investment of funds with any particular entity. It also prohibits investments in a fund managed by an external investment manager if a placement agent receives compensation as a result of the commission's investment. The commission may not invest in any asset or with any entity in which a commissioner has an interest. The bill changes the term for the Public Employee Benefit Authority (PEBA) board from two to five years and changes the frequency of meetings to once every sixty days and at other times set by the board. This bill also adds one additional member to the Retirement System Investment Commission (RSIC), includes a term limit of two five-year terms, and clarifies the required qualifications for commission members. It further directs RSIC to reduce the total amount of the fees paid by the commission by one-half of one percent of the total amount of the assets held by the commission and to continue the annual reduction until the total amount of fees paid by the commission is no more than one-half of one percent of the total assets held by the system. The bill establishes the Review and Oversight Commission on the Retirement Investment Commission and outlines its duties.

Retirement Investment Commission. This bill adds one additional member to the commission, which would increase Other Fund expenditures for mileage and per diem by approximately \$25,000. The expenditure impact, however, for the reduction in investment fees paid to external managers to one-half of one percent of the total amount of assets held by the system cannot be determined at this time. Reducing the total annual fees will require the RSIC to examine various options in order to decrease fees paid to one-half of one percent. Options may include implementing new management systems for the asset classes currently managed by external managers. This would result in additional Other Fund expenditures for new employees. Another option may involve decreasing the plan's target allocation in alternative classes, which have relatively higher fees but also higher expected investment returns, and increasing the allocation in publicly traded securities, which have comparably lower investment fees and lower expected investment returns. These and other options will require RSIC actions. Due to the uncertainty, the Revenue and Fiscal Affairs Office is unable to determine the expenditure impact of this bill.

Inspector General and State Ethics Commission. These agencies indicate there is no expenditure impact to the General Fund, Federal Funds, or Other Funds.

Governor's Office, the Senate, and the House of Representatives. This bill would have a minimal impact for per diem, mileage, and sustenance, which can be absorbed within current appropriations.

State Revenue

N/A

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director

H. 5006 - Retirement System Oversight and Investment Management

Ethics/Conflicts:

The bill makes requirements and stipulations regarding conflicts of interest and ethical standards.

- Prohibits lobbyists from having contact with certain individuals associated with the Investment Commission in order to solicit the investment of funds.
- States that the Investment Commission may not make an investment with or in a fund managed by an external investment manager if a placement agent receives compensation as a result of the commission's investment.
- Commission may not invest in any asset or with any entity that a commissioner has any interest in, however, this does not apply to investments that are not managed or selected by the commissioner

Clarification and Strengthening of Governance of PEBA and RSIC:

Public Employee Benefit Authority (PEBA)

- Clarifies that the sole governing body of PEBA is the eleven member board of directors.
- Members of the PEBA Board of Directors shall serve five year terms and those terms will be staggered. No member can serve more than two consecutive five-year terms. Terms will expire on June 30th of the year in which the term is due to expire.
- Board members may only be removed before their term expires by the Governor.
- Provides for an Executive Director of PEBA and specifies their roles, duties, and responsibilities.
- States that the Board members, Executive Director, and other employees are fiduciaries of the authority and specifies how they must perform their duties as such.
- Clarifies that trustee means SC PEBA and the State Fiscal Accountability Authority (SFAA).

Retirement System Investment Commission (RSIC)

- States that one of the Governor's appointments be an active or retired member of PORS, the Judges and Solicitors Retirement System, or the National Guard Retirement System. Deletes out requirement that one member of the commission is a retired member of the system and must be appointed by the unanimous vote of the voting members of the commission.
- Deletes out provision that the State Treasurer may appoint a member to serve in his stead and the requirements that follow that appointment.
- States that all RSIC Commissioners shall serve for terms of five years and that no member shall serve for more than two full five-year terms. Also, commissioners may only be removed before their term expires by the Governor.
- Changes it so that the Executive Director of PEBA and the State Treasurer may be elected as chairman of the commission.
- Establishes more qualifications to be appointed to the Commission.
- Provides for an Executive Director of the Investment Commission and specifies their roles, duties, and responsibilities.
- States that the commission may engage, on a fee basis, attorneys necessary. Commission shall establish policies and procedures for the retention of the attorneys and provide quarterly reports to the Attorney General.
- States that the private audit firm which is to conduct a fiduciary audit on the Retirement System Investment Commission, shall be done according to the SC Procurement Code and the terms of the proposal must be determined by the Inspector General and the custodian.

Fees

Reduces and limits the amount of fees paid by the commission to purchase investments.

- States that beginning July 1, 2016, the annual investment plan must reduce the amount of fees paid by the commission by .5% each year until they reach .5% as a total of assets and once that has been reached, it may not be exceeded.

Oversight

- The bill creates an oversight commission called the Review and Oversight Commission on the Retirement System Investment Commission. It provides for the membership of the commission and specifies the roles and responsibilities of the commission.
 - Oversight Commission is comprised of 9 members - of which 6 are members of the General Assembly, or their designees, and 3 are members appointed by the Governor.
 - The Oversight Commission must screen candidates for appointment to the Retirement System Investment Commission.
 - States that the Oversight Commission must conduct a review of the RSIC every two years. The bill specifies what oversight report shall include.

South Carolina General Assembly
121st Session, 2015-2016

H. 5006

STATUS INFORMATION

General Bill

Sponsors: Reps. Lucas, Pope, Merrill, Bradley, Finlay, Stringer, Norman, Ballentine and Felder
Document Path: I:\council\bill\bbm\9451dg16.docx

Introduced in the House on February 25, 2016
Currently residing in the House Committee on **Ways and Means**

Summary: Lobbyists

HISTORY OF LEGISLATIVE ACTIONS

<u>Date</u>	<u>Body</u>	<u>Action Description with journal page number</u>
2/25/2016	House	Introduced and read first time (<u>House Journal-page 71</u>)
2/25/2016	House	Referred to Committee on Ways and Means (<u>House Journal-page 71</u>)
3/2/2016	House	Member(s) request name added as sponsor: Ballentine
3/3/2016	House	Member(s) request name added as sponsor: Felder

View the latest legislative information at the website

VERSIONS OF THIS BILL

2/25/2016

1
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9

A BILL

10

11 TO AMEND THE CODE OF LAWS OF SOUTH CAROLINA,
12 1976, BY ADDING SECTION 9-16-100 SO AS TO PROHIBIT
13 LOBBYISTS AND PLACEMENT AGENTS FROM
14 CONTACTING CERTAIN INDIVIDUALS CONNECTED WITH
15 THE RETIREMENT SYSTEM INVESTMENT COMMISSION;
16 TO AMEND SECTION 9-4-10, RELATING TO THE PUBLIC
17 EMPLOYEE BENEFIT AUTHORITY, SO AS TO CLARIFY THE
18 BOARD OF THE AUTHORITY IS THE SOLE GOVERNING
19 BODY OF THE AUTHORITY, TO PROVIDE FOR A FIVE
20 YEAR TERM AND STAGGERED TERMS OF BOARD
21 MEMBERS, TO PRESCRIBE MEETING REQUIREMENTS, TO
22 PROVIDE FOR AN EXECUTIVE DIRECTOR, AND TO
23 PROVIDE CERTAIN FIDUCIARY DUTIES; TO AMEND
24 SECTION 9-16-10, AS AMENDED, RELATING TO
25 DEFINITIONS, SO AS TO REVISE CERTAIN DEFINITIONS;
26 TO AMEND SECTION 9-16-315, AS AMENDED, RELATING
27 TO THE RETIREMENT SYSTEM INVESTMENT
28 COMMISSION, SO AS TO ADD A GUBERNATORIAL
29 APPOINTMENT TO THE COMMISSION, TO LIMIT A
30 MEMBER TO TWO TERMS, TO PROVIDE FURTHER
31 QUALIFICATIONS FOR MEMBERS, TO PROVIDE FOR AN
32 EXECUTIVE DIRECTOR, AND TO ALLOW THE
33 COMMISSION TO ENGAGE ATTORNEYS ON A FEE BASIS;
34 TO AMEND SECTION 9-16-380, RELATING TO THE AUDIT
35 OF THE RETIREMENT SYSTEM INVESTMENT
36 COMMISSION, SO AS TO REQUIRE THE AUDIT FIRM BE
37 SELECTED USING THE PROCUREMENT CODE; TO AMEND
38 SECTION 9-16-340, AS AMENDED, RELATING TO THE
39 INVESTMENT OF RETIREMENT SYSTEM FUNDS, SO AS TO
40 REQUIRE A REDUCTION IN THE TOTAL AMOUNT OF FEES
41 PAID; BY ADDING ARTICLE 4 TO CHAPTER 16, TITLE 9 SO
42 AS TO ESTABLISH THE REVIEW AND OVERSIGHT

1 COMMISSION ON THE RETIREMENT SYSTEM
2 INVESTMENT COMMISSION, TO PROVIDE FOR ITS
3 MEMBERSHIP, AND TO PROVIDE FOR ITS SCREENING
4 DUTIES; TO AMEND SECTION 9-1-1310, AS AMENDED,
5 RELATING TO THE ASSETS OF THE RETIREMENT SYSTEM
6 AND INVESTMENT OF RETIREMENT SYSTEM FUNDS, SO
7 AS TO REQUIRE THE PUBLIC EMPLOYEE BENEFIT
8 AUTHORITY TO HOLD THE ASSETS OF THE RETIREMENT
9 SYSTEM IN A GROUP TRUST, AND TO PROHIBIT
10 INVESTMENTS IN CERTAIN MONEY MORTGAGES AND
11 REAL ESTATE INVESTMENT TRUSTS; AND TO AMEND
12 SECTION 1-3-240, AS AMENDED, RELATING TO THE
13 REMOVAL OF OFFICERS BY THE GOVERNOR, SO AS TO
14 ADD THE MEMBERS OF THE RETIREMENT SYSTEM
15 INVESTMENT COMMISSION TO THE LIST OF OFFICERS OR
16 ENTITIES THE GOVERNING BOARD OF WHICH MAY BE
17 REMOVED BY THE GOVERNOR ONLY FOR CERTAIN
18 REASONS CONSTITUTING CAUSE.

19
20 Be it enacted by the General Assembly of the State of South
21 Carolina:

22
23 SECTION 1. Article 1, Chapter 16, Title 9 of the 1976 Code is
24 amended by adding:

25
26 "Section 9-16-100.(A) A lobbyist, as defined in Section
27 2-17-10(13), may not contact any member of the commission, the
28 executive director, chief investment officer, or staff member of the
29 commission to solicit the investment of funds with a particular entity
30 regardless of whether the lobbyist represents that entity.

31 (B) The commission may not make an investment with or invest
32 in a fund managed by an external investment manager if a placement
33 agent receives compensation as a result of the commission's
34 investment. For purposes of this subsection, 'placement agent'
35 means an individual directly or indirectly hired, engaged, or retained
36 by, or serving for the benefit of or on behalf of, an external manager
37 or an investment fund managed by an external manager, and who
38 acts or has acted for compensation as a finder, solicitor, marketer,
39 consultant, broker or other intermediary in connection with making
40 an investment with or investing in a fund managed by the external
41 investment manager.

42 (C) The commission may not invest in any asset or with any
43 entity in which a commissioner has any interest. This subsection

1 does not apply to investments that are not managed or selected by
2 the commissioner including, but not limited to, index or mutual
3 funds managed by a professional fund manager.”

4
5 SECTION 2. A. Section 9-4-10(A), (D), and (G) of the 1976 Code,
6 as added by Act 278 of 2012, is amended to read:

7
8 “(A) Effective July 1, 2012, there is created the South Carolina
9 Public Employee Benefit Authority. The sole governing body of the
10 authority is a board of directors consisting of eleven members. The
11 functions of the authority must be performed, exercised, and
12 discharged under the supervision and direction of the board of
13 directors.

14
15 (D) Members of the board shall serve for terms of ~~two~~ five years
16 and until their successors are appointed and qualify, except that the
17 terms of the board members appointed by the Governor on July 1,
18 2014, expire on June 30, 2016, the terms of the nonrepresentative
19 board members appointed by members of the General Assembly on
20 July 1, 2014, expire on June 30, 2017, and the terms of the
21 representative board members appointed by members of the General
22 Assembly on July 1, 2014, expire on June 30, 2018. Vacancies must
23 be filled within sixty days in the manner of original appointment for
24 the unexpired portion of the term. ~~Terms commence on July first of~~
25 ~~even numbered years are deemed to expire after June thirtieth of the~~
26 ~~year in which the term is due to expire.~~ Upon a member’s
27 appointment, the appointing official shall certify to the Secretary of
28 State that the appointee meets or exceeds the qualifications set forth
29 in subsections (B) and (C). ~~No~~ A person appointed may not qualify
30 unless he first certifies that he meets or exceeds the qualifications
31 applicable for their appointment. A member ~~serves at the pleasure~~
32 ~~of the member’s appointing authority~~ may be removed before the
33 term expires only by the Governor for the reasons provided in
34 Section 1-3-240(C). A member may not be appointed to serve more
35 than two consecutive full five-year terms.

36
37 (G) Minimally, the board shall meet ~~monthly~~ once every sixty
38 days and at other times set by the board. If the chairman considers
39 it more effective, the board may meet by teleconferencing or video
40 conferencing. However, if the agenda of the meeting consists of
41 items that are not exempt from disclosure or the meeting may not be
42 closed to the public pursuant to Chapter 4, Title 30, the provisions

1 of Chapter 4, Title 30 apply, and the meeting must be open to the
2 public.”

3

4 B. Section 9-4-10 of the 1976 Code, as added by Act 278 of 2012, is
5 amended by adding appropriately lettered subsections to read:

6

7 “() The board shall employ an executive director who shall serve
8 at the pleasure of the board. The executive director is the chief
9 administrative officer of the authority as an agency and is charged
10 with the affirmative duty to carry out the mission, policies, and
11 direction of the board as established by the board. The executive
12 director is delegated all the authority of the board necessary,
13 reasonable, and prudent to carry out the operation and management
14 of the authority as an agency and to implement the board’s decisions
15 and directives. The executive director shall employ the other
16 professional, administrative, and clerical personnel he determines
17 necessary to support the administration and operation of the
18 authority and fix their compensation pursuant to an organizational
19 plan approved by the authority.

20 () Members of the board and the executive director, and other
21 employees or agents designated as such by the board are fiduciaries
22 of the authority and in discharging their duties as fiduciaries must
23 act:

24 (1) solely in the interest of the participants and beneficiaries
25 of the employee benefit plans administered by the authority;

26 (2) for the exclusive purpose of providing retirement and
27 insurance benefits to participants and beneficiaries of the employee
28 benefit plans administered by the authority and paying reasonable
29 expenses of administering those employee benefit plans;

30 (3) with the care, skill, and caution under the circumstances
31 then prevailing which a prudent person acting in a like capacity and
32 familiar with those matters would use in the conduct of an activity
33 of like character and purpose;

34 (4) impartially, taking into account any differing interests of
35 participants and beneficiaries;

36 (5) incurring only costs that are appropriate and reasonable;
37 and

38 (6) in accordance with a good faith interpretation of this
39 chapter and other applicable provisions of law.”

40

41 SECTION 3. A. Section 9-16-10(3.5) of the 1976 Code, as added
42 by Act 155 of 2005, is amended to read:

43

1 “(3.5) ‘Commission’ means the Retirement System Investment
2 Commission, except as specified in Article 4.”

3
4 B. Section 9-16-10(9) of the 1976 Code, as last amended by Act 278
5 of 2012, is further amended to read:

6
7 “(9) ‘Trustee’ means the Board of Directors of the South Carolina
8 Public Employee Benefit Authority and the State Fiscal
9 Accountability Authority.”

10
11 SECTION 4. Section 9-16-315 of the 1976 Code, as last amended
12 by Act 278 of 2012, is further amended to read:

13
14 “Section 9-16-315. (A) There is established the ‘Retirement
15 System Investment Commission’ (RSIC) consisting of seven
16 members as follows:

17 (1) one member appointed by the Governor;
18 (2) the State Treasurer, ex officio;
19 (3) one member appointed by the Comptroller General;
20 (4) one member appointed by the Chairman of the Senate
21 Finance Committee;

22 (5) one member appointed by the Chairman of the Ways and
23 Means Committee of the House of Representatives;

24 (6) ~~one member who is a retired member of the retirement~~
25 ~~system. This representative member must be appointed by~~
26 ~~unanimous vote of the voting members of the commission~~ two
27 members appointed by the Governor, one of whom is an active or
28 retired member of the Police Officers Retirement System, the
29 Judges and Solicitors Retirement System, or the National Guard
30 Retirement System; and

31 (7) the Executive Director of South Carolina Public
32 Employee Benefit Authority, ex officio, without voting privileges.

33 (B) ~~The State Treasurer may appoint a member to serve in his~~
34 ~~stead. A member appointed by the State Treasurer shall serve for a~~
35 ~~term coterminous with the State Treasurer and must possess at least~~
36 ~~one of the qualifications provided in subsection (E). Once~~
37 ~~appointed, this member may not be removed except as provided in~~
38 ~~subsection (C).~~ Except for the State Treasurer and the Executive
39 Director of the South Carolina Employee Benefit Authority, all
40 members appointed to the commission are subject to the
41 requirement of Article 4 of this chapter.

42 (C) ~~Except as provided in subsection (B),~~ Members shall serve
43 for terms of five years and until their successors are appointed and

1 qualify, ~~except that of those first appointed, the appointees of the~~
2 ~~Comptroller General and the Chairman of the Senate Finance~~
3 ~~Committee shall serve for terms of three years and the appointee of~~
4 ~~the Chairman of the Committee on Ways and Means and the~~
5 ~~representative appointee shall serve for terms of one year.~~ Terms are
6 deemed to expire after June thirtieth of the year in which the term is
7 due to expire. Members are appointed for a term and may be
8 removed before the term expires only by the Governor for the
9 reasons provided in Section 1-3-240(C). A member may not be
10 appointed to serve more than two full five-year terms. Any member
11 -serving a full five-year term on June 30, 2015, only may be
12 reappointed to one additional full five-year term.

13 (D) The commission shall select one of the ~~voting~~ members to
14 serve as chairman and shall select those other officers it determines
15 necessary, ~~but the State Treasurer may not serve as chairman.~~

16 (E) A person may not be appointed to the commission unless the
17 person possesses at least one of the following qualifications:

18 (1) the Chartered Financial Analyst credential of the CFA
19 Institute with a minimum of ten years of experience;

20 (2) the Certified Financial Planner credential of the Certified
21 Financial Planner Board of Standards and at least ten years of
22 corresponding professional experience;

23 (3) ~~reserved~~ the Chartered Alternative Investment Analyst
24 certification of the Chartered Alternative Investment Analyst
25 Association with a minimum of ten years of experience;

26 (4) at least twenty years professional actuarial experience,
27 including at least ten as an Enrolled Actuary licensed by a Joint
28 Board of the Department of the Treasury and the Department of
29 Labor, to perform a variety of actuarial tasks required of pension
30 plans in the United States by the Employee Retirement Income
31 Security Act of 1974;

32 (5) at least twenty years professional teaching experience in
33 economics or finance, ten of which must have occurred at a
34 doctorate-granting university, master's granting college or
35 university, or a baccalaureate college as classified by the Carnegie
36 Foundation;

37 (6) an earned Ph.D. in economics or finance from a
38 doctorate-granting institution as classified by the Carnegie
39 Foundation; ~~or~~

40 (7) the Certified Internal Auditor credential of The Institute
41 of Internal Auditors;

42 (8) at least twelve years of professional experience in the
43 financial management of pensions or insurance plans; or

1 (9) at least twelve years of professional experience as a
2 certified public accountant with financial management, pension, or
3 insurance audit expertise.

4 (F) Not including the State Treasurer, ~~no~~ a person may not be
5 appointed or continue to serve who is an elected or appointed officer
6 ~~or employee~~ of the State or any of its political subdivisions,
7 including school districts.

8 (G) The Retirement System Investment Commission is
9 established to invest the funds of the retirement system. All of the
10 powers and duties of the State Budget and Control Board, or its
11 successor agencies, as investor in equity securities and the State
12 Treasurer's function of investing in fixed income instruments are
13 transferred to and devolved upon the Retirement System Investment
14 Commission.

15 (H) The commission shall employ an executive director who
16 shall serve at the pleasure of the commission. The executive director
17 is the chief administrative officer of the commission as an agency
18 and is charged with the affirmative duty to carry out the mission,
19 policies, and direction of the commission as established by the
20 commission.

21 ~~(I)(1) To assist the commission in its investment function, it~~ The
22 executive director shall employ a chief investment officer, who
23 ~~under the direction and supervision of the commission, and as its~~
24 ~~agent.~~ The chief investment officer shall develop and maintain
25 annual investment plans and invest and oversee the investment of
26 retirement system funds subject to the oversight of the executive
27 director. The chief investment officer serves at the pleasure of the
28 ~~commission and must receive the compensation the commission~~
29 ~~determines appropriate.~~

30 (2) ~~The commission may~~ executive director must employ the
31 other professional, administrative, and clerical personnel ~~if~~ he
32 determines necessary to support the administration and operation of
33 the commission and fix their compensation pursuant to an
34 organizational plan approved by the commission. All employees of
35 the commission are employees at will and serve at the pleasure of
36 the executive director. The compensation of the executive director,
37 chief investment officer, and other employees of the commission ~~is~~
38 are not subject to the state compensation plan.

39 (J) Notwithstanding Section 1-7-170, the commission may
40 engage, on a fee basis, attorneys necessary to exercise its exclusive
41 authority to invest and manage the retirement system's assets. The
42 commission shall establish policies and procedures for the retention
43 of attorneys pursuant to this subsection and provide quarterly reports

1 to the Attorney General on attorneys retained, hourly rates, and
2 estimated maximum fees.

3 ~~(H)(1) (K)(1)~~ The administrative costs of the Retirement System
4 Investment Commission must be paid from the earnings of the state
5 retirement system ~~in the manner provided in Section 9-1-1310.~~

6 (2) ~~Effective beginning July 1, 2012,~~ Each commission
7 member, ~~not including except for~~ the Executive Director of the
8 South Carolina Public Employee Benefit Authority, must receive an
9 annual salary of twenty thousand dollars plus mileage and
10 subsistence as provided by law for members of state boards,
11 committees, and commissions ~~paid as provided pursuant to item (1)~~
12 ~~of this subsection.~~ Notwithstanding any other provision of law,
13 membership on the commission does not make a member eligible to
14 participate in a retirement system administered pursuant to this title
15 and does not make a member eligible to participate in the employee
16 insurance program administered pursuant to Article 5, Chapter 11,
17 Title 1, if the member is not otherwise eligible. Compensation paid
18 on account of the member's service on the commission is not
19 considered earnable compensation for purposes of any retirement
20 system administered pursuant to this title.”

21
22 SECTION 5. Section 9-16-380 of the 1976 Code, as added by Act
23 278 of 2012, is amended to read:

24
25 “Each year in the general appropriations act, the General
26 Assembly shall appropriate sufficient funds to the Office of the State
27 Inspector General to employ a private audit firm to perform a
28 fiduciary audit on the Retirement System Investment Commission.
29 The audit firm must be selected by the State Inspector General,
30 pursuant to the South Carolina Procurement Code. The request for
31 proposal and the terms of the fiduciary audit must be determined by
32 the Inspector General and the custodian. The report from the
33 previous fiscal year must be completed by January fifteenth. Upon
34 completion, the report must be submitted to the Governor, the
35 President Pro Tempore of the Senate, the Speaker of the House of
36 Representatives, the Chairman of the Senate Finance Committee,
37 and the Chairman of the House Ways and Means Committee.”

38
39 SECTION 6. Section 9-16-340 of the 1976 Code, as last amended
40 by Act 153 of 2005, is further amended by adding two subsections
41 to read:

1 “(C) Beginning July 1, 2016 the annual investment plan must
2 reduce the total amount of fees paid by the commission by one-half
3 of one percent of the total amount of assets held by the commission
4 and continue that annual reduction until the total amount of fees paid
5 by the commission is no more than one-half of one percent of the
6 total amount of assets held by the system.

7 (D) Once the fee limitation of one-half of one percent of the total
8 amount of assets is established pursuant to subsection (C), the
9 commission is not authorized to expend more than one-half of one
10 percent of the total value of the system’s assets on fees on its
11 investments.”

12
13 SECTION 7. Chapter 16, Title 9 of the 1976 Code is amended by
14 adding:

15
16 “Article 4

17
18 The Review and Oversight Commission on the Retirement System
19 Investment Commission

20
21 Section 9-16-400. (A)(1) There is established the Review and
22 Oversight Commission on the Retirement System Investment
23 Commission which must exercise the powers and fulfill the duties
24 described in this article.

25 (2) For purposes of this article, ‘commission’ means the
26 Review and Oversight Commission on the Retirement System
27 Investment Commission.

28 (B) The commission is composed of the following nine
29 members:

30 (1) from the Senate:

31 (a) the Chairman of the Finance Committee or his
32 designee;

33 (b) two members of the Senate appointed by the President
34 Pro Tempore, one member upon the recommendation of the Senate
35 Majority Leader and one member upon the recommendation of the
36 Senate Minority Leader;

37 (2) from the House of Representatives:

38 (a) the Chairman of the Ways and Means Committee or his
39 designee;

40 (b) two members of the House of Representatives
41 appointed by the Speaker of the House of Representatives, one
42 member upon the recommendation of the House Majority Leader

1 and one member upon the recommendation of the Leader of the
2 largest minority party in the House;

3 (3) three members appointed by the Governor from the state
4 at large. One member must be an active member of the South
5 Carolina Retirement System and one member must be an active
6 member of the South Carolina Police Officers Retirement System.

7 (C) In making appointments to the commission, race, gender,
8 and other demographic factors, such as residence in rural or urban
9 areas, must be considered to assure nondiscrimination, inclusion,
10 and representation to the greatest extent possible of all segments of
11 the population of the State.

12 (D) The commission must meet as soon as practicable after
13 appointment and organize itself by electing one of its members as
14 chairman and electing any other officers the commission considers
15 necessary. After the organizational meeting, the commission must
16 meet as necessary to screen candidates for appointment and at the
17 call of the chairman or by a majority of the members. A quorum
18 consists of six members.

19

20 Section 9-16-410. The commission has the following powers
21 and duties:

22 (1)(a) to screen each person appointed to serve on the Retirement
23 System Investment Commission;

24 (b) in screening candidates and making its findings, the
25 commission must give due consideration to:

26 (i) ability, area of expertise, dedication, compassion,
27 common sense, and integrity of each candidate; and

28 (ii) the impact that each candidate would have on the racial
29 and gender composition of the commission, and each candidate's
30 impact on other demographic factors represented on the
31 commission, such as residence in rural or urban areas, to assure
32 nondiscrimination to the greatest extent possible of all segments of
33 the population of the State;

34 (c) to determine if each candidate is qualified and meets the
35 requirements provided by law to serve as a member of the
36 Retirement System Investment Commission, make findings
37 concerning whether each candidate is qualified, and deliver its
38 findings to the President Pro tempore of the Senate and the Speaker
39 of the House of Representatives;

40 (2) to receive, annually, in public session, the results of all
41 audits, experience studies or other required analysis conducted by
42 the Retirement System Investment Commission;

1 (3) to conduct an oversight review of the Retirement System
2 Investment Commission and its operations at least once every two
3 years; and

4 (4) undertake any additional reviews, studies, or evaluations as
5 it considers necessary.

6
7 Section 9-16-420. Each state agency must fully cooperate with
8 requests from the commission for assistance in carrying out its
9 responsibilities and duties as established in this article.

10
11 Section 9-16-430. The oversight report required by this article
12 must at least contain:

13 (1) a performance review of each member of the board for the
14 previous two years;

15 (2) a performance review of the Executive Director of the
16 Retirement System Investment Commission; and

17 (3) an evaluation of the actions of the Retirement System
18 Investment Commission, sufficient to allow the members of the
19 General Assembly to better judge whether these actions serve the
20 best interests of the citizens of South Carolina, both individual and
21 corporate.

22
23 Section 9-16-440. Commission members are entitled to such
24 mileage, subsistence, and per diem as authorized by law for
25 members of boards, committees, and commissions while in the
26 performance of the duties for which appointed. These expenses shall
27 be paid by the Retirement System Investment Commission.

28
29 Section 9-16-450. The commission must use clerical and
30 professional employees of the General Assembly and the Office of
31 the Governor for its staff, who must be made available to the
32 commission. The commission may employ or retain other
33 professional staff, upon the determination of the necessity for other
34 staff by the commission and as may be funded in the legislative
35 appropriation of the annual general appropriations act.”

36
37 SECTION 8. Section 9-1-1310 of the 1976 Code, as last amended
38 by Act 278 of 2012, is further amended to read:

39
40 “Section 9-1-1310. (A) The South Carolina Public Employee
41 Benefit Authority and the State Fiscal Accountability Authority, ~~or~~
42 ~~its successor~~, are cotrustees of the assets of the retirement system as
43 ‘assets’ and ‘retirement system’ is are defined in Section 9-16-10(1)

1 and (8) ~~in performing the functions imposed on them by law in the~~
2 ~~governance of the Retirement System.~~ Notwithstanding any other
3 provision of law, any reference in law to the trustee of the assets of
4 the retirement system must be construed to conform to the
5 cotrusteeship as provided in this subsection. The South Carolina
6 Public Employee Benefit Authority shall hold the assets of the
7 retirement system in a group trust provided in Section 9-16-20. The
8 Retirement System Investment Commission shall invest and
9 reinvest the funds assets of the retirement system ~~as "retirement~~
10 ~~system" is defined in Section 9-16-10(8),~~ subject to all the terms,
11 conditions, limitations, and restrictions imposed by Section 16,
12 Article X of the South Carolina Constitution, subsection (B) of this
13 section, and Chapter 16 of this title.

14 (B) Except where not allowed pursuant to Sections 11 and 16,
15 Article X of the Constitution of this State and Chapter 16 of this
16 title, the funds of the system may be invested in, including, but not
17 limited to, the following:

- 18 (1) bonds of this State, other states of the United States, the
19 United States, or any political subdivisions or agencies thereof;
- 20 (2) banks and savings and loan institutions;
- 21 (3) top-rated commercial paper;
- 22 (4) funds of funds;
- 23 (5) foreign certificates of deposit;
- 24 (6) short-term debt;
- 25 (7) investment trust securities;
- 26 (8) real estate securities;
- 27 (9) foreign fixed-income obligations;
- 28 (10) futures and options regulated by the United States
29 Securities and Exchange Commission;
- 30 (11) private equity;
- 31 (12) domestic and foreign group trusts;
- 32 (13) investment vehicles of Federal Deposit Insurance
33 Corporation approved institutions;
- 34 (14) bonds of foreign countries designated industrialized by the
35 International Monetary Fund;
- 36 (15) collateralized mortgage obligations;
- 37 (16) World Bank bonds;
- 38 (17) debt of the United States or Canadian corporations;
- 39 (18) equipment trust debt;
- 40 (19) ~~(a) purchase-money mortgages received for real estate;~~
41 ~~(b) real property;~~
42 ~~(c) exchange-traded funds;~~
43 ~~(d) American Depository Receipts Reserved;~~

1 (20) ~~real estate investment trusts~~ Reserved; and
2 (21) investments allowed pursuant to Section 11-9-660 and
3 equity investments as allowed pursuant to Section 16, Article X of
4 the Constitution of this State.

5 (C) The funds and assets of the various state retirement systems
6 are not funds of the State, but are instead held in trust as provided in
7 Section 9-16-20.

8 (D) The fees authorized to be paid for the purchase of or
9 participation in any of the instruments enumerated in this section
10 may not exceed the limitations set forth in Section 9-16-340(C) and
11 (D)."

12
13 SECTION 9. Section 1-3-240(C)(1) of the 1976 Code, as last
14 amended by Act 224 of 2014, is further amended by adding an
15 appropriately lettered subitem to read:

16
17 “() South Carolina Retirement Investment Commission
18 members appointed by the Governor or members of the General
19 Assembly.”

20
21 SECTION 10. This act takes effect upon approval by the
22 Governor.

23 ---XX---

24