

H. 3726
RETIREMENT SYSTEM FUNDING AND ADMINISTRATION ACT

APRIL 4, 2017
CONFERENCE COMMITTEE ACTIONS
(Reference to 3/10/2017 version of bill)

1. **SECTION 1, page 3, after line 39, §9-1-1085 (A) AND SECTION 2, page 6, after line 11, §9-11-225(A).** The bill states that if the General Assembly provides a line item appropriation to cover a portion of the required employer contribution increase for SCRS and PORS in a given year, the contribution rate increase otherwise expected may be reduced accordingly. SENATE AMENDMENT (Bennett): Removes this provision. Specifically, the following language is removed: “If the General Assembly provides a direct appropriation to the system instead of all or part of a scheduled increase in the employer contribution rate, the board may adjust the required employer contribution rate in the schedule above such that the adjusted employer contribution rate, plus the direct appropriation, is the actuarial equivalent of the otherwise scheduled employer contribution rate.”
CONFERENCE COMMITTEE ACTION: ADOPT SENATE LANGUAGE (remove provision)

2. **SECTION 1, page 5, after line 5, §9-1-1085 (D)(1) AND SECTION 2, page 7, after line 20, §9-11-225(D)(1).** The bill clarifies that after FY 27, if the funded ratio of the SCRS or PORS system is 85% or more (reduced from 90% currently), employer and employee contribution rates may be decreased in equal amounts, so long as the decrease would not result in a funded ratio of less than 85%. HOUSE AMENDMENT (Herbkersman): In order to prevent the employee contribution from being eliminated entirely, new language was inserted to clarify that the employee contribution rate may not be less than one-half of the normal cost for the system, and that any further reduction warranted once the employee rate is reduced to this level must be a reduction to the employer contribution rate. Specifically, the House amendment adds the following language: “However, the employee contribution rate may not be less than one-half of the normal cost for the system and any contribution reduction allowed by this item after the employee contribution rate equals one-half of the normal cost must be a reduction in the employer contribution rate.”
CONFERENCE COMMITTEE ACTION: ADOPT HOUSE LANGUAGE

3. **SECTION 1, page 5, lines 23-26, §9-1-1085 (E) AND SECTION 2, page 7, lines 39-42, §9-11-225(E).** SENATE AMENDMENT (Davis): Closes the current SCRS and PORS defined benefit retirement plans and requires new employees to participate in a defined contribution plan once the UAAL is eliminated.
CONFERENCE COMMITTEE ACTION: ADOPT HOUSE LANGUAGE (remove provision)

4. **SECTION 4, page 10, lines 13 & 30-37, §9-4-10(E).** The bill expands the term of appointments for PEBA Board members from two years to five years. SENATE AMENDMENT (Setzler): Changes the term of PEBA Board members to four years. Changes the member removal provision such that a member may only be removed by the Governor for cause. Currently, a member serves at the pleasure of the member’s appointing authority. Further clarifies that any member who has served five or more years on July 1, 2016 may be reappointed to one more term.
CONFERENCE COMMITTEE ACTION: ADOPT SENATE LANGUAGE

5. **SECTION 8, page 14, lines 1-8, §9-16-30(A).** SENATE AMENDMENT (Climer): New subsection added to require the RSIC to cast shareholder proxy votes that are in keeping with its fiduciary duties and that are consistent with the best interest of the trust fund and most likely to maximize shareholder value.
CONFERENCE COMMITTEE ACTION: ADOPT SENATE LANGUAGE

6. **SECTION 10, page 15, lines 29-33, §9-16-315(A)(1).** As to the commissioners appointed to the RSIC, the bill adds an additional appointment of an active member of either SCRS, PORS, JSRS or NGRS made by the Speaker of the House of Representatives. SENATE AMENDMENT (Massey): Amendment removes this appointment from the Speaker of the House and gives this appointment to the Governor, so that the Governor now has 2 appointments rather than one appointment currently in statute.
CONFERENCE COMMITTEE ACTION: ADOPT SENATE LANGUAGE

7. **SECTION 10, page 15, lines 40-43 & page 16, lines 1-2, §9-16-315(A)(6).** As to the commissioners appointed to the RSIC, the bill reforms the appointment of the existing retiree representative appointed by the voting members of the commission by directing the President Pro Tempore of the Senate to make this appointment. The appointee must be a retired member of either SCRS, PORS, JSRS or NGRS. SENATE AMENDMENT (Massey): Amendment removes this appointment from the President Pro Tempore and reverts this appointment back to the RSIC Commission, which is current statute.
CONFERENCE COMMITTEE ACTION: ADOPT SENATE LANGUAGE

8. **SECTION 10, page 16, lines 14 & 30-37, §9-16-315(B).** Under current statute, terms for RSIC members are five years. The bill, as introduced, imposed term limits such that members may not serve more than two terms, and further clarified that members who are currently serving a second or greater term may not serve an additional term. SENATE AMENDMENT (Setzler): Changes the term of RSIC members to four years. Further clarifies that any member who has served for ten or more years as of July 1, 2017 cannot be reappointed once their current term has ended.
CONFERENCE COMMITTEE ACTION: ADOPT SENATE LANGUAGE

9. **SECTION 13, page 22, lines 7-10, §9-16-100(C).** The bill specifically prohibits the RSIC from investing in an asset or entity that a commissioner has any interest in, unless such investment is neither managed nor selected by the commissioner. SENATE AMENDMENT (Setzler): Clarifies that the RSIC cannot invest in any asset or entity that a commissioner *or his immediate family* has any interest in, unless such investments are in publicly traded securities (replaces/strikes investments that are neither managed nor selected by the commissioner.)
CONFERENCE COMMITTEE ACTION: ADOPT SENATE LANGUAGE

10. **SECTION 17, page 24, lines 16-19, §9-16-50(A)(5).** SENATE AMENDMENT (Climer): Precludes the RSIC from considering anything other than the merits of a potential investment when making investment decisions, even if all other benefits are considered equal, by striking §9-16-50(A)(5).
CONFERENCE COMMITTEE ACTION: ADOPT HOUSE LANGUAGE (remove provision)