

REPORT OF THE LEGISLATIVE SUBCOMMITTEE

Herbkersman, Cobb-Hunter, Pitts, Hosey, Anthony, Whitmire, Sottile

Blythe Littlefield, Staff

HOUSE BILL 3726

RETIREMENT FUNDING AND ADMINISTRATION ACT

H. 3726 -- Reps. Herbkersman, Cobb-Hunter, Anthony, Whitmire, Stringer, Bradley, Lucas and White: A BILL TO AMEND SECTION 9-1-1085, CODE OF LAWS OF SOUTH CAROLINA, 1976, RELATING TO THE SOUTH CAROLINA RETIREMENT SYSTEM EMPLOYER AND EMPLOYEE CONTRIBUTION RATES, SO AS TO CHANGE FUTURE EMPLOYER AND EMPLOYEE CONTRIBUTION RATES AND TO REQUIRE THAT THE UNFUNDED LIABILITIES OF THE SYSTEM MUST BE ON A CERTAIN AMORTIZATION SCHEDULE; TO AMEND SECTION 9-11-225, RELATING TO THE POLICE OFFICERS RETIREMENT SYSTEM EMPLOYER AND EMPLOYEE CONTRIBUTION RATES, SO AS TO CHANGE FUTURE EMPLOYER AND EMPLOYEE CONTRIBUTION RATES AND TO REQUIRE THAT THE UNFUNDED LIABILITIES OF THE SYSTEM MUST BE ON A CERTAIN AMORTIZATION SCHEDULE; TO AMEND SECTION 9-16-335, RELATING TO THE ASSUMED RATE OF RETURN, SO AS TO CHANGE THE ASSUMED RATE OF RETURN TO SEVEN PERCENT AND TO PROVIDE THAT THE ASSUMED RATE OF RETURN EXPIRES EVERY FOUR YEARS; TO AMEND SECTION 9-4-10, RELATING TO THE TERM OF MEMBERS OF THE BOARD OF DIRECTORS OF THE SOUTH CAROLINA PUBLIC EMPLOYEE BENEFIT AUTHORITY (PEBA), SO AS TO CHANGE THE TERM FROM TWO TO FIVE YEARS AND TO REQUIRE THE BOARD TO EMPLOY AN EXECUTIVE DIRECTOR; TO AMEND SECTION 9-4-40, RELATING TO THE AUDIT OF PEBA, SO AS TO REQUIRE PEBA TO BE AUDITED EVERY FOUR YEARS; TO AMEND SECTION 9-16-10, AS AMENDED, RELATING TO RETIREMENT SYSTEM FUNDS "FIDUCIARY" DEFINITION, SO AS TO ADD THE COMMISSION'S "CHIEF EXECUTIVE OFFICER" TO THE DEFINITION; TO AMEND SECTION 9-16-90, AS AMENDED, RELATING TO CERTAIN INVESTMENT REPORTS, SO AS TO PROVIDE THAT CERTAIN REPORTS MUST CONTAIN A SCHEDULE OF NET MANAGER FEES AND EXPENSES; TO AMEND SECTION 9-16-315, AS AMENDED, RELATING TO THE RETIREMENT SYSTEM INVESTMENT COMMISSION, SO AS TO CHANGE CERTAIN MEMBERS OF THE COMMISSION, TO ADD QUALIFICATIONS, AND TO REQUIRE THE COMMISSION TO EMPLOY AN EXECUTIVE DIRECTOR; TO AMEND SECTION 9-16-330, AS AMENDED, RELATING TO CERTAIN STATEMENTS OF ACTUARIAL ASSUMPTIONS AND INVESTMENT OBJECTIVES, SO AS TO ALLOW FOR CERTAIN DELEGATIONS TO THE CHIEF INVESTMENT OFFICER, AND TO REQUIRE THE INVESTMENT PLAN TO INCLUDE THE FINAL AUTHORITY TO INVEST MADE BY THE COMMISSION; TO AMEND SECTION 9-16-380, RELATING TO THE AUDIT OF THE RETIREMENT SYSTEM INVESTMENT COMMISSION, SO AS TO PROVIDE THAT THE RETIREMENT SYSTEM INVESTMENT COMMISSION BE AUDITED EVERY FOUR YEARS; BY ADDING SECTION 9-16-100 SO AS TO PLACE CERTAIN RESTRICTIONS ON LOBBYISTS AND TO PROHIBIT THE COMMISSION FROM MAKING CERTAIN INVESTMENTS; TO AMEND SECTION 9-1-1310, AS AMENDED, RELATING TO THE TRUSTEE OF THE RETIREMENT SYSTEM, SO AS TO CHANGE A TRUSTEE FROM THE STATE FISCAL ACCOUNTABILITY AUTHORITY TO THE RETIREMENT SYSTEM INVESTMENT COMMISSION; TO AMEND SECTION 9-1-1320, RELATING TO THE CUSTODY OF THE ASSETS OF THE RETIREMENT SYSTEM, SO AS TO CHANGE THE CUSTODIAN OF THE ASSETS FROM THE STATE TREASURER TO THE BOARD OF DIRECTORS OF PEBA; TO AMEND SECTION 1-3-240, AS AMENDED, RELATING TO THE REMOVAL OF OFFICERS BY THE GOVERNOR, SO AS TO ADD THE SOUTH CAROLINA RETIREMENT INVESTMENT COMMISSION MEMBERS AND THE SOUTH CAROLINA PUBLIC BENEFIT AUTHORITY MEMBERS; AND TO REPEAL SECTIONS 9-4-45, 9-8-170, 9-9-160, 9-10-80, AND 9-11-250 RELATING TO POLICY DETERMINATIONS AND THE CUSTODY OF FUNDS FOR THE RETIREMENT SYSTEM FOR JUDGES AND SOLICITORS, THE RETIREMENT SYSTEM FOR

MEMBERS OF THE GENERAL ASSEMBLY, THE NATIONAL GUARD RETIREMENT SYSTEM, AND THE POLICE OFFICERS RETIREMENT SYSTEM.

Summary of Bill: Please see attached for full summary

- Sets employer contribution rates beginning FY18 with a 2% increase to 13.56% and each year thereafter, a 1% increase until FY23 where it reaches 18.56%.
- Decouples employer/employee contributions to eliminate the required 2.9% differential between the two rates.
- Increases and places a cap on employee contribution rates for SCRS and PORS. (SCRS employee rate increases from 8.66% currently to 9%. PORS employee rate increases from 9.24% currently to 9.75%.)
- Reduces the amortization period of unfunded liabilities from 30 years to 20 years over the next 10 years (by FY 28).
- Defines the roles and establish the authority of the Executive Director, designated by and who shall serve at the pleasure of the Board of Directors.
- Clarifies the organizational structure of PEBA, such that all employees are hired by and report to the Executive Director.
- Extend terms for board members from two to five years (to match the RSIC), and impose term limits of two consecutive terms. (Members who will have served five years plus at the expiration of their current term may serve one additional term.)
- Stagger term expirations such that the entire membership's terms do not expire at the same time.
- Board members and the Executive Director shall be named fiduciaries of PEBA, and imposes penalties for not fulfilling fiduciary responsibilities, identical to that already in statute for the RSIC.
- Defines the roles and establish the authority of the CEO, designated by and who shall serve at the pleasure of the Commission.
- Clarify the organizational structure of the RSIC, such that all employees, including the Chief Investment Officer (CIO), report to the CEO.
- Requires the Treasurer to appoint a member rather than serve himself (identical to the other appointing officials).
- Add prohibitions regarding lobbyists, placement agents, and investments in which a commissioner has an interest.
- The PEBA Board (not the Treasurer) shall be the custodian of the assets of the Retirement System.

Estimated Fiscal Impact: Please see full statement attached.

- Would increase the General Fund employer contributions by \$73.6 Million in FY 17/18 and by an additional \$36.8 M each year in FY 18/19 through FY 22/23
- Federal Funds and Other Funds employer contribution expenditures would increase by \$95.4 M in FY 17/18 and by an additional \$47.7 M each year in FY 18/19 through FY 22/23
- Local Government Employer contributions would increase by \$67.4 M in FY 17/18 and by an additional \$33.7 M each year in FY 18/19 through FY 22/23

Subcommittee Recommendation:

Passed Favorably

H. 3726
Retirement System Funding and Administration Act
Bill Summary

A. Funding of the Retirement Systems (SCRS and PORS):

1. Decouples employer/employee contributions to eliminate the required 2.9% differential for SCRS and 5% differential for PORS between the two rates.
2. Increases the employer contribution rate 2% effective July 1 2017. (SCRS employer rate increases from 11.56% currently to 13.56%. PORS employer rate increases from 14.24% currently to 16.24%.) Each year thereafter, the rate increases 1%, through FY 23.
3. Increases and places a cap on employee contribution rates for SCRS and PORS. (SCRS employee rate increases from 8.66% currently to 9%. PORS employee rate increases from 9.24% currently to 9.75%.)
4. Reduces the assumed annual rate of return from 7.5% to 7.25%. This is the rate recommended by GRS in its last experience study. (The funding scenario proposed assumed that the ARR would be further reduced to 7%.)
5. Future changes to the assumed rate of return, beginning no later than FY 22, shall be recommended by PEBA. The General Assembly has the opportunity to disagree with PEBA's recommendation prior to a change in the rate taking place; however, if the General Assembly fails to enact a joint resolution that sets a different rate than recommended by PEBA, the submitted rate stands.
6. The total cost contemplated for general funded agencies and the EIA for both SCRS and PORS is \$73.6 M for FY 18, and an additional \$36.8 M for each of the next 5 years.
7. Reduces the amortization period of unfunded liabilities from 30 years to 20 years over the next 10 years (by FY 28).
8. By applying a 2% employer increase in year 1, the funding period will be reduced an additional 3 years in the first year, and an additional \$100 Million payment would be applied to the negative interest payment, which is currently approximately \$220 M annually.
9. There is no reduction in the current COLA allowances.

B. Governance - Funston and LAC Recommendations: The items included in the bill are drawn in large part from the governance recommendations made by Funston Advisory Services that require legislative action, and/or which were incorporated in bills passed by the Senate and the House during the last two-year session out of their respective bodies (S. 675 and H. 5006).

1. PEBA Executive Director
 - Defines the roles and establish the authority of the Executive Director, designated by and who shall serve at the pleasure of the Board of Directors.
 - Clarifies the organizational structure of PEBA, such that all employees are hired by and report to the Executive Director.
2. PEBA Board of Directors
 - Extend terms for board members from two to five years (to match the RSIC), and impose term limits of two consecutive terms. (Members who will have served five years plus at the expiration of their current term may serve one additional term.)

- Stagger term expirations such that the entire membership's terms do not expire at the same time.
- Include diversity language for the new appointees.
- Allow for members to be removed only for cause by the Governor.
- Require that the board meet quarterly instead of monthly.
- Board members and the Executive Director shall be named fiduciaries of PEBA, and imposes penalties for not fulfilling fiduciary responsibilities, identical to that already in statute for the RSIC.

3. RSIC Chief Executive Officer (CEO)

- Defines the roles and establish the authority of the CEO, designated by and who shall serve at the pleasure of the Commission.
- Clarify the organizational structure of the RSIC, such that all employees, including the Chief Investment Officer (CIO), report to the CEO.

4. RSIC Commission

- Revises Commissioner's qualification requirements to allow for more diverse composition of members, including allowing for a mix of Commissioners with a significant amount of broad business experience and Commissioners with investment experience reliant on professional certifications. Includes diversity language for the new appointees.
- Impose term limits for commissioners of two consecutive five-year terms. Members who are currently serving a second or greater term may not serve an additional term.
- Allow the Commission to engage attorneys in consultation with the Attorney General on a fee basis for investment and management of assets.
- Add prohibitions regarding lobbyists, placement agents, and investments in which a commissioner has an interest.
- Adds 1 voting member per Funston recommendations to avoid a tie vote, increase beneficiary representation, and increase diversity.
 - There are currently 7 members: 6 voting members plus the Executive Director of PEBA, with no voting privileges.
- Requires the Treasurer to appoint a member rather than serve himself (identical to the other appointing officials).
- Remove the retired stakeholder appointed by the commission, and gives this appointment to the President Pro Tempore of the Senate.
- Adds an active stakeholder to be appointed by the Speaker of the House of Representatives.
- All members, except for the Executive Director of PEBA, must certify that they meet or exceed the qualifications set forth for commissioners by statute, and the appointing official must certify such qualifications to the Secretary of State. This certification process is the same as that for PEBA board members in statute.
- Includes fee reporting requirements.
- Includes permissive language allowing the commission to delegate to the CIO, under the direct oversight of the CEO, the authority to invest up to 2% of the

assets of each investment. Such a delegation may be revoked by the Commission at any time.

5. PEBA and RSIC Fiduciary Audits

- Set a 4-year rotation schedule for fiduciary audits of PEBA and RSIC.
- The State Auditor will be the employing agency with a private audit firm (currently the State Inspector General).

6. Alignment of Governance Authority and Fiduciary Responsibilities

- Simplifies and clarifies fiduciary governance by reducing conflicts and overlapping authority of the Treasurer, SFAA and PEBA.
 - SFAA approval is no longer required for the implementation of PEBA policy decisions.
 - Removes the Treasurer as the custodian of the 5 retirement systems (SCRS, PORS, JSRS, GARS and NGRS).
- PEBA and the RSIC shall be co-trustees of the assets of the retirement system (SFAA is removed as a co-trustee).
- The PEBA Board (not the Treasurer) shall be the custodian of the assets of the Retirement System.
- The RSIC shall have the exclusive authority to select the custodial bank.
- Includes minimum qualifications the custodial bank must meet before they are selected.



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number: H. 3726 Introduced on February 9, 2017
Author: Herbkersman
Subject: Retirement System Funding and Administration
Requestor: House Ways and Means
RFA Analyst(s): Shuford
Impact Date: February 13, 2017

Estimate of Fiscal Impact

	FY 2017-18	FY 2018-19	FY 2022-23 Totals
State Expenditure			
General Fund	\$73,600,000	\$110,400,000	\$257,600,000
Other and Federal	\$95,400,000	\$144,550,000	\$335,450,000
Full-Time Equivalent Position(s)	0.00	0.00	0.00
State Revenue			
General Fund	\$0	\$0	\$0
Other and Federal	\$137,800,000	\$354,600,000	\$869,800,000
Local Expenditure	\$67,400,000	\$101,100,000	\$235,800,000
Local Revenue	\$0	\$0	\$0

Fiscal Impact Summary

This bill would increase General Fund employer contributions by \$73,600,000 in FY 2017-18 and by an additional \$36,800,000 each year in FY 2018-19 through FY 2022-23, for a total of \$257,600,000 for the six fiscal years. Federal Funds and Other Funds employer contribution expenditures would increase by \$95,400,000 in FY 2017-18 and by an additional \$47,700,000 each year in FY 2018-19 through FY 2022-23 for a total of \$334,000,000 for the six fiscal years. Local government employer contributions would increase by \$67,400,000 in FY 2017-18 and by an additional \$33,700,000 each year in FY 2018-19 through FY 2022-23 for a total of \$235,800,000 for the six fiscal years. These amounts are reported also in the enclosed Table 1, which provides a further breakout of these amounts between the two retirement systems.

These General Fund, Federal Funds, and Other Funds employer contributions expenditures are also a corresponding \$827,400,000 increase in Other Fund revenue for the SCRS and PORS retirement funds by FY 2022-23. In addition, member contributions would increase by \$42,400,000 in FY 2017-18 resulting in a total \$869,800,000 in Other Fund revenue for the SCRS and PORS retirement systems in the next six fiscal years through FY 2022-23.

Other Funds expenditures in FY 2018-19 for the South Carolina Public Employee Benefit Authority and the Retirement System Investment Commission fiduciary audits will increase by \$1,450,000 as administrative costs of these boards must be paid from the earnings of the retirement system.

Explanation of Fiscal Impact

Introduced on February 9, 2017

State Expenditure

This bill modifies many aspects of the South Carolina Retirement System. This fiscal impact statement analyzes the following sections that may affect state and local expenditures and revenue.

Section 1. This section increases the employer and employee contribution rates for the South Carolina Retirement System (SCRS) beginning in FY 2017-18. Employer contributions for SCRS will increase by 2 percent in FY 2017-18 from the current 11.56 percent. The rate will increase further by 1 percent per year in FY 2018-19 for five years until it reaches 18.56 percent in FY 2022-23. The member contribution rate will increase by thirty-four basis points in FY 2017-18 from the current 8.66 percent to 9 percent. The member contribution rate is capped at 9 percent and the 2.9 percent statutorily prescribed differential between the employer and member contribution rates is eliminated.

Beginning with FY 2027-28, the Board of Directors of the South Carolina Public Employee Benefit Authority (PEBA) may increase the employer contribution rate based on actuarial valuation. If the annual actuarial valuation of the system reports a funded ratio (ratio of the actuarial valuation of the assets to the actuarial accrued liability) of 85 percent or higher, then PEBA may decrease employer and employee contribution rates. Conversely, if the funded ratio is less than 85 percent, then PEBA may increase the contribution rates in amounts not to exceed one-half of one percent per year, and the member rate may not exceed 9 percent. The SCRS funded ratio is presently 60 percent and is expected to be 67 percent by FY 2027-28 with the changes prescribed in this bill. The bill requires amortization of the unfunded actuarial accrued liability over a thirty-year period in FY 2017-18, decreasing to a twenty-year period by FY 2027-28. If these funding periods are not met, PEBA may increase the employer contribution rate.

Section 2. This section similarly increases the employer and member contribution rates for the Police Officers Retirement System (PORS). Employer contributions for PORS will increase by 2 percent in FY 2017-18 from the current 14.24 percent. The rate will increase further by 1 percent per year in FY 2018-19 for five years until it reaches 21.24 percent in FY 2022-23. The member contribution rate will increase by fifty-one basis points in FY 2017-18 from the current 9.24 percent to 9.75 percent. The member contribution rate is capped at 9.75 percent, and the 5.0 percent statutorily prescribed differential between the employer and member contribution rates is eliminated.

Beginning with FY 2027-28, PEBA may increase the employer contribution rate based on actuarial valuation. If the annual actuarial valuation of the system reports a funded ratio (ratio of the actuarial valuation of the assets to the actuarial accrued liability) of 85 percent or higher, then PEBA may decrease employer and employee contribution rates. Conversely, if the funded ratio is less than 85 percent, then PEBA may increase the contribution rates in amounts not to exceed one-half of one percent per year and the member rate may not exceed 9.75 percent. The PORS funded ratio is presently 66 percent and is expected to be 76 percent by FY 2027-28 with the changes prescribed in this bill. The bill requires amortization of the unfunded actuarial accrued

liability over a thirty-year period in FY 2017-18, decreasing to a twenty-year period by FY 2027-28. If these funding periods are not met, PEBA may increase the employer contribution rate.

The combined expenditure impact from the increased employer contributions in Sections 1 and 2 for SCRS and PORS is based on personal service expenditures by funding source provided by the Revenue and Fiscal Affairs Office and actuarial valuation reports of the retirement system by PEBA consultants and actuaries. The enclosed Table 1 reports the additional expenditures by funding source and retirement system for FY 2017-18 through FY 2022-23. The increased employer contributions expense to the General Fund, Federal Funds, Other Funds, and local governments would increase by \$236,400,000 in FY 2017-18. The increased General Fund expenditure estimate of \$73,600,000 includes school district employees funded through Education Improvement Act (EIA) allocations.

Beginning in FY 2018-19, additional employer contributions from the proposed annual rate changes would increase total expenditures by an additional \$118,200,000 from all funding sources. General Fund expenditures would increase by \$36,800,000, Federal Funds and Other Funds would increase by \$47,700,000, and local government expenditures would increase by \$33,700,000.

The member contribution rate increase in FY 2017-18 to 9 percent for SCRS and 9.75 percent for PORS would increase employee contributions by a total of \$42,400,000. General Fund employees' contributions would increase by \$13,000,000. Federal Funds and Other Funds employees' contributions would increase by \$16,400,000, and local government employee's contributions would increase by \$13,000,000. Table 1 reports the additional employee contributions by funding source and retirement system. Member contributions will not affect General Fund, Federal Funds, or Other Funds expenditures.

Section 5. This section requires a completed fiduciary audit of PEBA every four years beginning January 15, 2019, by a private audit firm chosen by the State Auditor. This section deletes the requirement that the General Assembly appropriate sufficient funds to the Office of the State Inspector General for this annual audit. In past years, earnings of the retirement system funded this audit, which cost \$700,000 when last performed in 2015. The audit requirement has been suspended by temporary budget provisos through FY 2017-18. Given the suspension in temporary provisos, this section would have no General Fund, Federal Funds, or Other Funds expenditure impact until FY 2018-19 when the audit is required. In FY 2018-19, Other Fund expenditures would increase by \$700,000 as administrative costs of PEBA must be paid from the earnings of the retirement system.

Section 8. This section increases the number of Retirement System Investment Commission (RISC) board members from seven to eight. In addition, the section requires the State Treasurer appoint a RSIC member rather than serve on the board himself. RISC indicates that the two additional paid board members would increase Other Fund expenditures by \$52,880 in FY 2017-18. These expenditures include \$20,000 in salary, federal FICA taxes of \$1,240, and travel expenses of \$5,200 per board member. The RSIC indicates that these additional expenditures would be managed within current allocations to the board. Therefore, this section would not

have an expenditure impact on the General Fund, Federal Funds, or Other Funds. Administrative costs of the RSIC are paid from the earnings of the retirement system.

Section 10. This section requires a completed fiduciary audit every four years beginning January 15, 2019, on the RSIC by a private audit firm chosen by the State Auditor. This section deletes the requirement that the General Assembly appropriate sufficient funds to the Office of the State Inspector General for this annual audit. In past years, earnings of the retirement system funded this audit, which cost \$750,000 when last performed in 2014. The audit requirement has been suspended by temporary budget provisos through FY 2017-18. Given the suspension in temporary provisos, this section would have no General Fund, Federal Funds, or Other Funds expenditure impact until FY 2018-19 when the audit is required. In FY 2018-19, Other Fund expenditures would increase by \$750,000 as administrative costs of the RSIC must be paid from the earnings of the retirement system.

Sections 13 and 15. These two sections shift the responsibility of custodian of all retirement system funds or assets from the State Treasurer to the PEBA board. The RSIC is assigned the exclusive authority to select the custodial bank provided that PEBA is a third-party beneficiary of the contract with the custodial bank with full information rights. The bill does not mandate a change in the custodial bank.

As current custodian of the funds, the State Treasurer and the Bank of New York Mellon have negotiated a ten-year custody and securities lending agreement for the \$40 billion in assets held by the five defined benefit pension systems and other public funds of the state. The State Treasurer indicates that approximately \$68,000,000 in securities lending deficits exist under these accounts, which primarily result from the financial crisis beginning in 2007. While the State Treasurer has stated concerns that this deficit is noted in the state financial reports and changing the current custodial contract would have an immediate financial impact, PEBA and RSIC indicate that this issue is unclear and unsettled and would be addressed in any negotiations to amend or terminate the current contract. The Treasurer also expressed concern about the impact on the custody and securities lending contracts for other public funds. If separate custody agreements were negotiated, the Treasurer suggests that service fees on public funds may be affected.

Given the permissive aspect of this bill in regards to selection of the custodial bank and the unknown outcome of future negotiations, the expenditure impact on the General Fund, Federal Funds, or Other Funds from sections 13 and 15 is undetermined and will depend on how the custodial agreement may be modified.

State Revenue

The General Fund, Federal Funds, Other Funds, and local government employer contribution expenditures are also a corresponding increase in Other Fund revenue for the SCRS and PORS retirement funds. In addition, member contributions would increase by \$42,400,000 in FY 2017-18, resulting in a total \$869,800,000 in Other Fund revenue for the SCRS and PORS retirement systems in the next six fiscal years through FY 2022-23.

Local Expenditure

Local government employer contributions to the two retirement funds would increase by \$67,400,000 in FY 2017-18 and by an additional \$33,700,000 each year in FY 2018-19 through FY 2022-23 for a total of \$235,800,000 for the six fiscal years.

Local Revenue

N/A

Table 1.
Annual Impact of Retirement Contribution Increases
 (Millions of Dollars)

Employer Impact

July 1,	SCRS Employer Rate Increase	PORS Employer Rate Increase	General Fund			Local Government			Federal/Other Funds			Total All Funding Sources
			SCRS	PORS	Total	SCRS	PORS	Total	SCRS	PORS	Total	
2017	2.00%	2.00%	\$66.8	\$6.8	\$73.6	\$49.2	\$18.2	\$67.4	\$94.0	\$1.4	\$95.4	\$236.4
2018	1.00%	1.00%	33.4	3.4	36.8	24.6	9.1	33.7	47.0	0.7	\$47.7	\$118.2
2019	1.00%	1.00%	33.4	3.4	36.8	24.6	9.1	33.7	47.0	0.7	\$47.7	\$118.2
2020	1.00%	1.00%	33.4	3.4	36.8	24.6	9.1	33.7	47.0	0.7	\$47.7	\$118.2
2021	1.00%	1.00%	33.4	3.4	36.8	24.6	9.1	33.7	47.0	0.7	\$47.7	\$118.2
2022	1.00%	1.00%	33.4	3.4	36.8	24.6	9.1	33.7	47.0	0.7	\$47.7	\$118.2
Total			\$233.8	\$23.8	\$257.6	\$172.2	\$63.6	\$235.8	\$329.0	\$5.0	\$334.0	\$827.4

Employee Impact

July 1,	SCRS Employee Rate Increase	PORS Employee Rate Increase	General Fund Employees			Local Government Employees			Federal/Other Funds Employees			Total All Funding Sources
			SCRS	PORS	Total	SCRS	PORS	Total	SCRS	PORS	Total	
2017	0.34%	0.51%	\$11.3	\$1.7	\$13.0	\$8.4	\$4.6	\$13.0	\$16.0	\$0.4	\$16.4	\$42.4

Based on SCRS and PORS Scenarios 5b Alt 1 prepared by GRS on January 19, 2017
 Funding source impact based on RFA analysis in January 2017



Frank A. Rainwater, Executive Director

South Carolina General Assembly
122nd Session, 2017-2018

H. 3726

STATUS INFORMATION

General Bill

Sponsors: Reps. Herbkersman, Cobb-Hunter, Anthony, Whitmire, Stringer, Bradley, Lucas and White

Document Path: I:\council\bills\dka\3067sa17.docx

Companion/Similar bill(s): 394

Introduced in the House on February 9, 2017

Currently residing in the House Committee on **Ways and Means**

Summary: SC Retirement system

HISTORY OF LEGISLATIVE ACTIONS

<u>Date</u>	<u>Body</u>	<u>Action Description with journal page number</u>
2/9/2017	House	Introduced and read first time (<u>House Journal-page 36</u>)
2/9/2017	House	Referred to Committee on Ways and Means (<u>House Journal-page 36</u>)

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VERSIONS OF THIS BILL

2/9/2017

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10

A BILL

11 TO AMEND SECTION 9-1-1085, CODE OF LAWS OF SOUTH
12 CAROLINA, 1976, RELATING TO THE SOUTH CAROLINA
13 RETIREMENT SYSTEM EMPLOYER AND EMPLOYEE
14 CONTRIBUTION RATES, SO AS TO CHANGE FUTURE
15 EMPLOYER AND EMPLOYEE CONTRIBUTION RATES AND
16 TO REQUIRE THAT THE UNFUNDED LIABILITIES OF THE
17 SYSTEM MUST BE ON A CERTAIN AMORTIZATION
18 SCHEDULE; TO AMEND SECTION 9-11-225, RELATING TO
19 THE POLICE OFFICERS RETIREMENT SYSTEM EMPLOYER
20 AND EMPLOYEE CONTRIBUTION RATES, SO AS TO
21 CHANGE FUTURE EMPLOYER AND EMPLOYEE
22 CONTRIBUTION RATES AND TO REQUIRE THAT THE
23 UNFUNDED LIABILITIES OF THE SYSTEM MUST BE ON A
24 CERTAIN AMORTIZATION SCHEDULE; TO AMEND
25 SECTION 9-16-335, RELATING TO THE ASSUMED RATE OF
26 RETURN, SO AS TO CHANGE THE ASSUMED RATE OF
27 RETURN TO SEVEN PERCENT AND TO PROVIDE THAT THE
28 ASSUMED RATE OF RETURN EXPIRES EVERY FOUR
29 YEARS; TO AMEND SECTION 9-4-10, RELATING TO THE
30 TERM OF MEMBERS OF THE BOARD OF DIRECTORS OF
31 THE SOUTH CAROLINA PUBLIC EMPLOYEE BENEFIT
32 AUTHORITY (PEBA), SO AS TO CHANGE THE TERM FROM
33 TWO TO FIVE YEARS AND TO REQUIRE THE BOARD TO
34 EMPLOY AN EXECUTIVE DIRECTOR; TO AMEND SECTION
35 9-4-40, RELATING TO THE AUDIT OF PEBA, SO AS TO
36 REQUIRE PEBA TO BE AUDITED EVERY FOUR YEARS; TO
37 AMEND SECTION 9-16-10, AS AMENDED, RELATING TO
38 RETIREMENT SYSTEM FUNDS "FIDUCIARY" DEFINITION,
39 SO AS TO ADD THE COMMISSION'S "CHIEF EXECUTIVE
40 OFFICER" TO THE DEFINITION; TO AMEND SECTION
41 9-16-90, AS AMENDED, RELATING TO CERTAIN
42 INVESTMENT REPORTS, SO AS TO PROVIDE THAT

1 CERTAIN REPORTS MUST CONTAIN A SCHEDULE OF NET
2 MANAGER FEES AND EXPENSES; TO AMEND SECTION
3 9-16-315, AS AMENDED, RELATING TO THE RETIREMENT
4 SYSTEM INVESTMENT COMMISSION, SO AS TO CHANGE
5 CERTAIN MEMBERS OF THE COMMISSION, TO ADD
6 QUALIFICATIONS, AND TO REQUIRE THE COMMISSION
7 TO EMPLOY AN EXECUTIVE DIRECTOR; TO AMEND
8 SECTION 9-16-330, AS AMENDED, RELATING TO CERTAIN
9 STATEMENTS OF ACTUARIAL ASSUMPTIONS AND
10 INVESTMENT OBJECTIVES, SO AS TO ALLOW FOR
11 CERTAIN DELEGATIONS TO THE CHIEF INVESTMENT
12 OFFICER, AND TO REQUIRE THE INVESTMENT PLAN TO
13 INCLUDE THE FINAL AUTHORITY TO INVEST MADE BY
14 THE COMMISSION; TO AMEND SECTION 9-16-380,
15 RELATING TO THE AUDIT OF THE RETIREMENT SYSTEM
16 INVESTMENT COMMISSION, SO AS TO PROVIDE THAT
17 THE RETIREMENT SYSTEM INVESTMENT COMMISSION
18 BE AUDITED EVERY FOUR YEARS; BY ADDING SECTION
19 9-16-100 SO AS TO PLACE CERTAIN RESTRICTIONS ON
20 LOBBYISTS AND TO PROHIBIT THE COMMISSION FROM
21 MAKING CERTAIN INVESTMENTS; TO AMEND SECTION
22 9-1-1310, AS AMENDED, RELATING TO THE TRUSTEE OF
23 THE RETIREMENT SYSTEM, SO AS TO CHANGE A
24 TRUSTEE FROM THE STATE FISCAL ACCOUNTABILITY
25 AUTHORITY TO THE RETIREMENT SYSTEM INVESTMENT
26 COMMISSION; TO AMEND SECTION 9-1-1320, RELATING
27 TO THE CUSTODY OF THE ASSETS OF THE RETIREMENT
28 SYSTEM, SO AS TO CHANGE THE CUSTODIAN OF THE
29 ASSETS FROM THE STATE TREASURER TO THE BOARD OF
30 DIRECTORS OF PEBA; TO AMEND SECTION 1-3-240, AS
31 AMENDED, RELATING TO THE REMOVAL OF OFFICERS
32 BY THE GOVERNOR, SO AS TO ADD THE SOUTH
33 CAROLINA RETIREMENT INVESTMENT COMMISSION
34 MEMBERS AND THE SOUTH CAROLINA PUBLIC BENEFIT
35 AUTHORITY MEMBERS; AND TO REPEAL SECTIONS
36 9-4-45, 9-8-170, 9-9-160, 9-10-80, AND 9-11-250 RELATING TO
37 POLICY DETERMINATIONS AND THE CUSTODY OF FUNDS
38 FOR THE RETIREMENT SYSTEM FOR JUDGES AND
39 SOLICITORS, THE RETIREMENT SYSTEM FOR MEMBERS
40 OF THE GENERAL ASSEMBLY, THE NATIONAL GUARD
41 RETIREMENT SYSTEM, AND THE POLICE OFFICERS
42 RETIREMENT SYSTEM.
43

1 Be it enacted by the General Assembly of the State of South
2 Carolina:

3
4 Part I

5
6 Funding of the Retirement System

7
8 SECTION 1. Section 9-1-1085 of the 1976 Code, as added by Act
9 278 of 2012, is amended to read:

10
11 "Section 9-1-1085. (A) As provided in Sections 9-1-1020 and
12 9-1-1050, the employer and employee contribution rates for the
13 system beginning in Fiscal Year ~~2012-2013~~ 2017-2018, expressed
14 as a percentage of earnable compensation, are as follows:

15

16 Fiscal Year	Employer Contribution	Employee Contribution
17 2012-2013	10.60	7.00
18 2013-2014	10.60	7.50
19 2014-2015 and after	10.90	8.00
20 <u>2017-2018</u>	<u>13.56</u>	<u>9.00</u>
21 <u>2018-2019</u>	<u>14.56</u>	<u>9.00</u>
22 <u>2019-2020</u>	<u>15.56</u>	<u>9.00</u>
23 <u>2020-2021</u>	<u>16.56</u>	<u>9.00</u>
24 <u>2021-2022</u>	<u>17.56</u>	<u>9.00</u>
25 <u>2022-2023</u>	<u>18.56</u>	<u>9.00</u>
26 <u>2023-2024</u>	<u>18.56</u>	<u>9.00</u>
27 <u>2024-2025</u>	<u>18.56</u>	<u>9.00</u>
28 <u>2025-2026</u>	<u>18.56</u>	<u>9.00</u>
29 <u>2026-2027 and after</u>	<u>18.56</u>	<u>9.00</u>

30
31 The employer contribution rate set out in this schedule includes
32 contributions for participation in the incidental death benefit plan
33 provided in Sections 9-1-1770 and 9-1-1775. The employer
34 contribution rate for employers that do not participate in the
35 incidental death benefit plan must be adjusted accordingly. If the
36 General Assembly provides a direct appropriation to the system
37 instead of all or part of a scheduled increase in the employer
38 contribution rate, the board may adjust the required employer
39 contribution rate in the schedule above such that the adjusted
40 employer contribution rate, plus the direct appropriation, is the
41 actuarial equivalent of the otherwise scheduled employer
42 contribution rate."

1 (B) After June 30, ~~2015~~ 2027, the board may increase the
2 percentage rate in employer ~~and employee~~ contributions for the
3 system on the basis of the actuarial valuation, ~~but any such increase~~
4 ~~may not result in a differential between the employee and employer~~
5 ~~contribution rate for the system that exceeds 2.9 percent of earnable~~
6 ~~compensation.~~ An increase in the employer contribution rate
7 adopted by the board pursuant to this section may not provide for an
8 increase in an amount of more than one-half of one percent of
9 earnable compensation in any one year.

10 (C)(1) The unfunded actuarial accrued liability (UAAL) of the
11 system as determined by the annual actuarial valuation must be
12 amortized over a funding period that does not exceed the following
13 schedule:

<u>Fiscal Year</u>	<u>Funding Period</u>
<u>2017-2018</u>	<u>30 years</u>
<u>2018-2019</u>	<u>29 years</u>
<u>2019-2020</u>	<u>28 years</u>
<u>2020-2021</u>	<u>27 years</u>
<u>2021-2022</u>	<u>26 years</u>
<u>2022-2023</u>	<u>25 years</u>
<u>2023-2024</u>	<u>24 years</u>
<u>2024-2025</u>	<u>23 years</u>
<u>2025-2026</u>	<u>22 years</u>
<u>2026-2027</u>	<u>21 years</u>
<u>2027-2028 and after</u>	<u>20 years</u>

27
28 (2) If the scheduled employer and employee contributions
29 provided in subsection (A), or the rates last adopted by the board
30 pursuant to subsection (B), are insufficient to ~~maintain a thirty year~~
31 ~~amortization schedule for the unfunded liabilities of the system~~ meet
32 the funding period set forth in item (1) for the applicable year, then
33 the board shall increase the employer contribution rate ~~as provided~~
34 ~~in subsection (A) or as last adopted by the board in equal percentage~~
35 ~~amounts for employer and employee contributions as necessary to~~
36 ~~maintain an amortization schedule of no more than thirty years~~ meet
37 the funding period set forth in item (1). Such adjustments may be
38 made without regard to the annual limit increase of one-half percent
39 of earnable compensation provided pursuant to subsection (B), ~~but~~
40 ~~the differential in the employer and employee contribution rates~~
41 ~~provided in subsection (A) or subsection (B), as applicable, of this~~
42 ~~section must be maintained at the rate provided in the schedule for~~
43 ~~the applicable fiscal year.~~ Participating employers must be notified

1 of any contribution rate increase required by this item by July first
2 of the fiscal year preceding the fiscal year in which the increase
3 takes effect.

4 (D)(1) After June 30, ~~2015~~ 2027, if the most recent annual
5 actuarial valuation of the system shows a ratio of the actuarial value
6 of system assets to the actuarial accrued liability of the system (the
7 funded ratio) that is equal to or greater than ~~ninety eight-five~~
8 percent, then the board, effective on the following July first, may
9 decrease the then current employer and employee contribution rates
10 in equal amounts upon making a finding that the decrease will not
11 result in a funded ratio of less than ~~ninety eighty-five~~ percent. ~~Any~~
12 ~~decrease in contribution rates must maintain the 2.9 percent~~
13 ~~differential between employer and employee contribution rates~~
14 ~~provided pursuant to subsection (B) of this section.~~

15 (2) If contribution rates are decreased pursuant to item (1) of this
16 subsection and the most recent annual actuarial valuation of the
17 system shows a funded ratio of less than ~~ninety eighty-five~~ percent,
18 then effective on the following July first, and annually ~~thereafter~~
19 after that time as necessary, the board shall increase the then current
20 employer and employee contribution rates ~~as provided pursuant to~~
21 ~~subsection (B) of this section~~ in equal amounts not exceeding
22 one-half of one percent of earnable compensation in any one year
23 until a subsequent annual actuarial valuation of the system shows a
24 funded ratio that is equal to or greater than ~~ninety eighty-five~~
25 percent. However, the employee contribution rate may not exceed
26 nine percent and any contribution increase required by this item
27 after the employee contribution rate equals nine percent must be an
28 increase in the employer contribution rate."

29
30 SECTION 2. Section 9-11-225 of the 1976 Code, as added by Act
31 278 of 2012, is amended to read:

32
33 "Section 9-11-225. (A) As provided in Sections 9-11-210 and
34 9-11-220, the employer and employee contribution rates for the
35 system beginning in Fiscal Year ~~2012-2013~~ 2017-2018, expressed
36 as a percentage of earnable compensation, are as follows:

37

38 Fiscal Year	Employer Contribution	Employee Contribution
39 2012-2013	<u>12.30</u>	<u>7.00</u>
40 2013-2014	<u>12.50</u>	<u>7.50</u>
41 2014-2015 and after	<u>13.00</u>	<u>8.00</u>
42 <u>2017-2018</u>	<u>16.24</u>	<u>9.75</u>
43 <u>2018-2019</u>	<u>17.24</u>	<u>9.75</u>

1	<u>2019-2020</u>	<u>18.24</u>	<u>9.75</u>
2	<u>2020-2021</u>	<u>19.24</u>	<u>9.75</u>
3	<u>2021-2022</u>	<u>20.24</u>	<u>9.75</u>
4	<u>2022-2023</u>	<u>21.24</u>	<u>9.75</u>
5	<u>2023-2024</u>	<u>21.24</u>	<u>9.75</u>
6	<u>2024-2025</u>	<u>21.24</u>	<u>9.75</u>
7	<u>2025-2026</u>	<u>21.24</u>	<u>9.75</u>
8	<u>2026-2027 and after</u>	<u>21.24</u>	<u>9.75</u>

9

10 The employer contribution rate set out in this schedule includes
 11 contributions for participation in the incidental death benefit plan
 12 provided in Sections 9-11-120 and 9-11-125 and for participation in
 13 the accidental death benefit program provided in Section 9-11-140.

14 The employer contribution rate for employers that do not participate
 15 in these programs must be adjusted accordingly. If the General
 16 Assembly provides a direct appropriation to the system instead of
 17 all or part of a scheduled increase in the employer contribution rate,
 18 the board may adjust the required employer contribution rate in the
 19 schedule above such that the adjusted employer contribution rate,
 20 plus the direct appropriation, is the actuarial equivalent of the
 21 otherwise scheduled employer contribution rate.”

22 (B) After June 30, ~~2015~~ 2027, the board may increase the
 23 percentage rate in employer ~~and employee~~ contributions for the
 24 system on the basis of the actuarial valuation, ~~but any such increase~~
 25 ~~may not result in a differential between the employee and employer~~
 26 ~~contribution rate for that system that exceeds 5.00 percent of~~
 27 ~~earnable compensation.~~ An increase in the employer contribution
 28 rate adopted by the board pursuant to this section may not provide
 29 for an increase in an amount of more than one-half of one percent
 30 of earnable compensation in any one year.

31 (C)(1) The unfunded actuarial accrued liability (UAAL) of the
 32 system as determined by the annual actuarial valuation must be
 33 amortized over a funding period that does not exceed the following
 34 schedule:

35

<u>Fiscal Year</u>	<u>Funding Period</u>
37 <u>2017-2018</u>	<u>30 years</u>
38 <u>2018-2019</u>	<u>29 years</u>
39 <u>2019-2020</u>	<u>28 years</u>
40 <u>2020-2021</u>	<u>27 years</u>
41 <u>2021-2022</u>	<u>26 years</u>
42 <u>2022-2023</u>	<u>25 years</u>
43 <u>2023-2024</u>	<u>24 years</u>

1	<u>2024-2025</u>	<u>23 years</u>
2	<u>2025-2026</u>	<u>22 years</u>
3	<u>2026-2027</u>	<u>21 years</u>
4	<u>2027-2028 and after</u>	<u>20 years</u>

5
6 (2) If the scheduled employer and employee contributions
7 provided in subsection (A), or the rates last adopted by the board
8 pursuant to subsection (B), are insufficient to ~~maintain a thirty year~~
9 ~~amortization schedule for the unfunded liabilities of the system~~ meet
10 the funding period set forth in item (1), for the applicable year, then
11 the board shall increase the employer contribution rate ~~as provided~~
12 ~~in subsection (A) or as last adopted by the board in equal percentage~~
13 ~~amounts for employer and employee contributions~~ as necessary to
14 ~~maintain an amortization schedule of no more than thirty years~~ meet
15 the funding period set forth in item (1). Such adjustments may be
16 made without regard to the annual limit increase of one-half percent
17 of earnable compensation provided pursuant to subsection (B), ~~but~~
18 ~~the differential in the employer and employee contribution rates~~
19 ~~provided in subsection (A) or subsection (B), as applicable, of this~~
20 ~~section must be maintained at the rate provided in the schedule for~~
21 ~~the applicable fiscal year. Participating employers must be notified~~
22 ~~of any contribution rate increase required by this item by July first~~
23 ~~of the fiscal year preceding the fiscal year in which the increase~~
24 ~~takes effect.~~

25 (D)(1) After June 30, ~~2015~~ 2027, if the most recent annual
26 actuarial valuation of the system shows a ratio of the actuarial value
27 of system assets to the actuarial accrued liability of the system (the
28 funded ratio) that is equal to or greater than ~~ninety eighty-five~~
29 ~~percent,~~ then the board, effective on the following July first, may
30 decrease the then current employer and employee contribution rates
31 in equal amounts upon making a finding that the decrease will not
32 result in a funded ratio of less than ~~ninety eighty-five~~ percent. ~~Any~~
33 ~~decrease in contribution rates must maintain the 5.0 percent~~
34 ~~differential between employer and employee contribution rates~~
35 ~~provided pursuant to subsection (B) of this section.~~

36 (2) If contribution rates are decreased pursuant to item (1) of
37 this subsection and the most recent annual actuarial valuation of the
38 system shows a funded ratio of less than ~~ninety eighty-five~~ percent,
39 then effective on the following July first, and annually ~~thereafter~~
40 after that time as necessary, the board shall increase the then current
41 employer and employee contribution rates ~~as provided pursuant to~~
42 ~~subsection (B) of this section~~ in equal amounts not exceeding
43 one-half of one percent of earnable compensation in any one year

1 until a subsequent annual actuarial valuation of the system shows a
2 funded ratio that is equal to or greater than ~~ninety~~ eighty-five
3 percent. However the employee contribution rate may not exceed
4 nine and three quarters of one percent and any contribution increase
5 required by this item after the employee contribution rate equals
6 nine and three quarters of one percent must be an increase in the
7 employer contribution rate.”

8
9 SECTION 3. Section 9-16-335 of the 1976 Code, as added by Act
10 278 of 2012, is amended to read:

11
12 “Section 9-16-335. (A) For all purposes of this title, the assumed
13 annual rate of return on the investments of the Retirement System
14 must be established by the General Assembly pursuant to this
15 section. Effective July 1, ~~2012~~ 2017, the assumed annual rate of
16 return on retirement system investments is seven ~~and one-half~~ and
17 one quarter percent.

18 (B) The assumed rate of return set in subsection (A) expires on
19 July 1, 2021. A new annual rate of return must be set and made
20 effective no later than July 1, 2021, and, every four years after, a
21 new annual rate must be set and made effective. Before January first
22 of each year that the assumed rate of return is due to expire, the
23 board shall submit a proposed assumed annual rate of return for the
24 corresponding four-year period. The proposed assumed annual rate
25 of return must be developed based on the recommendations of the
26 board’s actuary and in consultation with the commission, and must
27 be submitted to the Chairman of the Senate Finance Committee and
28 the Chairman of the House Ways and Means Committee. If the
29 General Assembly does not enact a joint resolution that continues or
30 amends the assumed annual rate of return before expiration, the
31 assumed annual rate of return developed and submitted by the board
32 takes effect for the corresponding four-year period until subsequent
33 action of the General Assembly.”

34
35 Part II

36 Public Employee Benefit Authority

37
38
39 SECTION 4. Section 9-4-10 of the 1976 Code, as added by Act
40 278 of 2012, is amended to read:

41
42 “Section 9-4-10. (A) Effective July 1, 2012, there is created the
43 South Carolina Public Employee Benefit Authority. The sole

1 governing body of the authority is a board of directors consisting of
2 eleven members. The functions of the authority must be performed,
3 exercised, and discharged under the supervision and direction of the
4 board of directors.

5 (B)(1) The board is composed of:

6 (a) three nonrepresentative members appointed by the
7 Governor;

8 (b) two members appointed by the President Pro Tempore
9 of the Senate, one a nonrepresentative member and one a
10 representative member who is either an active or retired member of
11 SCPORS;

12 (c) two members appointed by the Chairman of the Senate
13 Finance Committee, one a nonrepresentative member and one a
14 representative member who is a retired member of SCRS;

15 (d) two members appointed by the Speaker of the House of
16 Representatives, one a nonrepresentative member and one a
17 representative member who must be a state employee who is an
18 active contributing member of SCRS; and

19 (e) two members appointed by the Chairman of the House
20 Ways and Means Committee, one a nonrepresentative member and
21 one a representative member who is an active contributing member
22 of SCRS employed by a public school district.

23 (2) For purposes of the appointments provided by this section,
24 a nonrepresentative member may not belong to those classes of
25 employees and retirees from whom representative members must be
26 appointed.

27 (C)(1) A nonrepresentative member may not be appointed to the
28 board unless the person possesses at least one of the following
29 qualifications:

30 (a) at least twelve years of professional experience in the
31 financial management of pensions or insurance plans;

32 (b) at least twelve years academic experience and holds a
33 bachelor's or higher degree from a college or university as classified
34 by the Carnegie Foundation;

35 (c) at least twelve years of professional experience as a
36 certified public accountant with financial management, pension, or
37 insurance audit expertise;

38 (d) at least twelve years as a Certified Financial Planner
39 credentialed by the Certified Financial Planner Board of Standards;
40 or

41 (e) at least twelve years membership in the South Carolina
42 Bar and extensive experience in one or more of the following areas
43 of law:

1 (i) taxation;
2 (ii) insurance;
3 (iii) health care;
4 (iv) securities;
5 (v) corporate;
6 (vi) finance; or
7 (vii) the Employment Retirement Income Security Act
8 (ERISA).

9 (2) A representative member may not be appointed to the
10 board unless the person:

11 (a) possesses one of the qualifications set forth in item (1);
12 or

13 (b) has at least twelve years of public employment
14 experience and holds a bachelor's degree from a college or
15 university as classified by the Carnegie Foundation.

16 (D) In making appointments, the appointing authorities shall
17 select members who are representative of the racial, gender, and
18 geographical diversity of the State.

19 (E) Members of the board shall serve for terms of two five years
20 and until their successors are appointed and qualify, except that the
21 terms of the board members appointed by the Governor on July 1,
22 2016, expire on June 30, 2018, the terms of the nonrepresentative
23 board members appointed by members of the General Assembly on
24 July 1, 2016, expire on June 30, 2019, and the terms of the
25 representative board members appointed by members of the General
26 Assembly on July 1, 2016, expire on June 30, 2020. Vacancies must
27 be filled within sixty days in the manner of original appointment for
28 the unexpired portion of the term. Terms commence on July first of
29 even numbered years expire after June thirtieth of the year in which
30 the term is due to expire. Upon a member's person's appointment,
31 the appointing official shall certify to the Secretary of State that the
32 appointee meets or exceeds the qualifications set forth in
33 subsections (B) and (C). No A person appointed may not qualify
34 unless he first certifies that he meets or exceeds the qualifications
35 applicable for their appointment. A member serves at the pleasure
36 of the member's appointing authority may be removed before the
37 term expires only by the Governor for the reasons provided in
38 Section 1-3-240(C). A member may not be appointed to serve more
39 than two consecutive five-year terms, except that a member of the
40 board who has five or more years of consecutive service on the
41 board at the expiration of his term beginning July 1, 2016, may not
42 be appointed to serve for more than one additional consecutive
43 five-year term.

1 ~~(E)~~(F) The members shall select a nonrepresentative member to
2 serve as chairman and shall select those other officers they
3 determine necessary. Subject to the qualifications for chairman
4 provided in this section, members may set their own policy related
5 to the rotation of the selection of a chairman of the board.

6 ~~(F)~~(G)(1) Each member ~~must~~ shall receive an annual salary of
7 twelve thousand dollars. This compensation must be paid from
8 approved accounts of general funds and retirement system funds
9 based on the proportionate amount of time the board devotes to its
10 various functions. Members may receive the mileage and
11 subsistence authorized by law for members of state boards,
12 commissions, and committees paid from approved accounts funded
13 by general funds and retirement system funds in the proportion that
14 compensation is paid.

15 (2) Notwithstanding any other provision of law, membership
16 on the board does not make a member eligible to participate in a
17 retirement system administered pursuant to this title and does not
18 make a member eligible to participate in the employee insurance
19 program administered pursuant to Article 5, Chapter 11, Title 1. Any
20 compensation paid on account of the member's service on the board
21 is not considered earnable compensation for purposes of any state
22 retirement system.

23 ~~(G)~~(H) Minimally, the board shall meet ~~monthly~~ quarterly and at
24 other times set by the board. If the chairman considers it more
25 effective, the board may meet by teleconferencing or video
26 conferencing. However, if the agenda of the meeting consists of
27 items that are not exempt from disclosure or the meeting may not be
28 closed to the public pursuant to Chapter 4, Title 30, the provisions
29 of Chapter 4, Title 30 apply, and the meeting must be open to the
30 public.

31 ~~(H)~~(I) Effective July 1, 2012, the following offices, divisions, or
32 components of the State Budget and Control Board are transferred
33 to, and incorporated into, an administrative agency of state
34 government to be known as the South Carolina Public Employee
35 Benefit Authority:

- 36 (1) Employee Insurance Program; and
37 (2) the Retirement Division.

38 (J) The board shall employ an executive director who will serve
39 at the pleasure of the board. The executive director is the chief
40 administrative officer of the authority as an agency and is charged
41 with the affirmative duty to carry out the mission, policies, and
42 direction of the board as established by the board. The executive
43 director is delegated all the authority of the board necessary.

1 reasonable, and prudent to carry out the operation and management
2 of the authority as an agency and to implement the board's decisions
3 and directives. The executive director shall employ the other
4 professional, administrative, and clerical personnel he determines
5 necessary to support the administration and operation of the
6 authority and fix their compensation pursuant to an organizational
7 plan approved by the authority.

8 (K) Members of the board and the executive director, and other
9 employees or agents designated by the board, are fiduciaries of the
10 authority and in discharging their duties as fiduciaries shall act:

11 (1) only in the interest of the participants and beneficiaries of
12 the employee benefit plans administered by the authority;

13 (2) for the exclusive purpose of providing retirement and
14 insurance benefits to participants and beneficiaries of the employee
15 benefit plans administered by the authority and paying reasonable
16 expenses of administering those employee benefit plans;

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

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

23 (5) incurring only costs that are appropriate and reasonable;
24 and

25 (6) in accordance with a good faith interpretation of this
26 chapter and other applicable provisions of law.

27 (L)(1) A board member or other fiduciary employed by the
28 authority who breaches a duty imposed by this section personally is
29 liable to the affected employee benefit plan administered by the
30 authority for any losses resulting from the breach and any profits
31 resulting from the breach or made by the board member or other
32 fiduciary through use of assets of the employee benefit plan by the
33 board member or other fiduciary. The board member or other
34 fiduciary is subject to other equitable remedies, as the court
35 considers appropriate, including removal.

36 (2) An agreement that purports to limit the liability of a
37 fiduciary for a breach of duty under this section is void.

38 (3) The authority may insure a fiduciary or itself against
39 liability or losses occurring because of a breach of duty under this
40 section.

41 (4) A fiduciary may insure against personal liability or losses
42 occurring because of a breach of duty under this section if the
43 insurance is purchased or provided by the individual fiduciary, but

1 a fiduciary who obtains insurance pursuant to this section shall
2 disclose all terms, conditions, and other information relating to the
3 insurance policy to the authority.

4 (5) Nothing in this subsection may be construed to limit the
5 applicability of the provisions of Section 9-4-15."

6
7 SECTION 5. Section 9-4-40 of the 1976 Code, as last amended by
8 Act 278 of 2012, is further amended to read:

9
10 "Section 9-4-40. ~~Each year in the general appropriations act, the~~
11 ~~General Assembly shall appropriate sufficient funds to the Office of~~
12 ~~the State Inspector General to~~ Every four years the State Auditor
13 shall employ a private audit firm to perform a fiduciary audit on the
14 South Carolina Public Employee Benefit Authority. The audit firm
15 must be selected by the ~~State Inspector General~~ State Auditor. ~~The~~
16 A report from the previous fiscal year the private audit firm must be
17 completed by January fifteenth 15, 2019, and every four years after
18 that time. Upon completion, the report must be submitted to the
19 Governor, the President Pro Tempore of the Senate, the Speaker of
20 the House of Representatives, the Chairman of the Senate Finance
21 Committee, and the Chairman of the House Ways and Means
22 Committee."

23
24 Part III

25
26 Retirement System Investment Commission

27
28 SECTION 6. Section 9-16-10(4) of the 1976 Code, as last
29 amended by Act 153 of 2005, is further amended by adding an
30 appropriately lettered subitem to read:

31
32 "() is the commission's chief executive officer."

33
34 SECTION 7. Section 9-16-90(B) of the 1976 Code, as last
35 amended by Act 153 of 2005, is further amended to read:

36
37 "(B) In addition to the quarterly reports provided in subsection
38 (A), the commission shall provide an annual report to the State
39 Fiscal Accountability Authority, Revenue and Fiscal Affairs Office,
40 and the Executive Budget Office, the Speaker of the House of
41 Representatives, members of the House of Representatives or
42 Senate, but only upon their request, the President Pro Tempore of
43 the Senate, and other appropriate officials and entities of the

1 investment status of the retirement systems. The report must
2 contain:

3 (1) a description of a material interest held by a trustee,
4 fiduciary, or an employee who is a fiduciary with respect to the
5 investment and management of assets of the system, or by a related
6 person, in a material transaction with the system within the last three
7 years or proposed to be effected;

8 (2) a schedule of the rates of return, net of total investment
9 expense, on assets of the system overall and on assets aggregated by
10 category over the most recent one-year, three-year, five-year, and
11 ten-year periods, to the extent available, and the rates of return on
12 appropriate benchmarks for assets of the system overall and for each
13 category over each period;

14 (3) a schedule of the sum of total investment expense,
15 manager fees and expenses, and ~~total~~ general administrative expense
16 for the fiscal year expressed as a percentage of the fair value of
17 assets of the system on the last day of the fiscal year, and an
18 equivalent percentage for the preceding five fiscal years; and

19 (4) a schedule of the net manager fees and expenses for each
20 asset class for the fiscal year, including the total amount of manager
21 fee and expense for each asset class and the amount of manager fee
22 and expense for each asset class divided into the amounts
23 attributable to management fees, performance fees or carried
24 interest, and other expenses charged to the managed investment
25 vehicle. The amount of manager fees and expenses must be
26 expressed in total, and in each category of fee and expense, as a
27 dollar amount and a percentage of the fair value of assets of the
28 system on the last day of the fiscal year. The schedule also must
29 include the net investment return for each asset class. In addition to
30 being included in the annual report required by this subsection, the
31 schedule of manager fees and expenses required by this item also
32 must be published in a conspicuous location on the commission's
33 website; and

34 (5) a schedule of all assets held for investment purposes on
35 the last day of the fiscal year aggregated and identified by issuer,
36 borrower, lessor, or similar party to the transaction stating, if
37 relevant, the asset's maturity date, rate of interest, par or maturity
38 value, number of shares, costs, and fair value and identifying an
39 asset that is in default or classified as uncollectible.

40 These disclosure requirements are cumulative to and do not
41 replace other reporting requirements provided by law.”

42

1 SECTION 8. Section 9-16-315 of the 1976 Code, as last amended
2 by Act 278 of 2012, is further amended to read:

3
4 “Section 9-16-315. (A) There is established the ‘Retirement
5 System Investment Commission’ (RSIC) consisting of ~~seven~~ eight
6 members as follows:

7 (1) one member appointed by the Governor;
8 (2) one member appointed by the State Treasurer, ex officio;
9 (3) one member appointed by the Comptroller General;
10 (4) one member appointed by the Chairman of the Senate

11 Finance Committee;
12 (5) one member appointed by the Chairman of the House
13 Ways and Means Committee ~~of the House of Representatives;~~

14 (6) one member appointed by the President Pro Tempore of
15 the Senate who is a retired member of the South Carolina Retirement
16 System, Police Officers Retirement System, the Judges and
17 Solicitors Retirement System, or the National Guard Retirement
18 System ~~retired member of the retirement system. This representative~~
19 ~~member must be appointed by unanimous vote of the voting~~
20 ~~members of the commission; and~~

21 (7) one member appointed by the Speaker of the House of
22 Representatives who is an active member of the South Carolina
23 Retirement System, Police Officers Retirement System, the Judges
24 and Solicitors Retirement System, or the National Guard Retirement
25 System; and

26 (8) the Executive Director of South Carolina Public
27 Employee Benefit Authority, ex officio, without voting privileges.

28 (B) ~~The State Treasurer may appoint a member to serve in his~~
29 ~~stead. A member appointed by the State Treasurer shall serve for a~~
30 ~~term coterminous with the State Treasurer and must possess at least~~
31 ~~one of the qualifications provided in subsection (E). Once~~
32 ~~appointed, this member may not be removed except as provided in~~
33 ~~subsection (C) In making appointments, the appointing authorities~~
34 ~~shall select members who are representative of the racial, gender,~~
35 ~~and geographical diversity of the State.~~

36 (C) ~~Except as provided in subsection (B), Members shall serve~~
37 ~~for terms of five years and until their successors are appointed and~~
38 ~~qualify, except that of those first appointed, the appointees of the~~
39 ~~Comptroller General and the Chairman of the Senate Finance~~
40 ~~Committee shall serve for terms of three years and the appointee of~~
41 ~~the Chairman of the Committee on Ways and Means and the~~
42 ~~representative appointee shall serve for terms of one year. Except~~
43 ~~for the Executive Director of the South Carolina Public Employee~~

1 Benefit Authority, a person appointed may not serve until the
2 appointing official certifies to the Secretary of State that the
3 appointee meets or exceeds the qualifications set forth in
4 subsections (D) and (E). A person appointed may not qualify unless
5 he first certifies that he meets or exceeds the qualifications
6 applicable for their appointment. Terms expire after June thirtieth
7 of the year in which the term is due to expire. Members are
8 appointed for a term and may be removed before the term expires
9 only by the Governor for the reasons provided in Section
10 1-3-240(C). A member may not be appointed to serve more than two
11 consecutive full five-year terms. A member serving a second or
12 greater term beginning July 1, 2016, may not serve an additional
13 consecutive five-year term upon the expiration of their term
14 pursuant to the provisions of this subsection.

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

18 ~~(E)(D)~~ A person may not be appointed to the commission unless
19 the person possesses at least one of the following qualifications:

20 (1) the Chartered Financial Analyst credential of the CFA
21 Institute;

22 (2) ~~the~~ at least twelve years as a Certified Financial Planner
23 credential of credentialed by the Certified Financial Planner Board
24 of Standards;

25 (3) ~~reserved~~ the Chartered Alternative Investment Analyst
26 certification of the Chartered Alternative Investment Analyst
27 Association;

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

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

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

42 (7) the Certified Internal Auditor credential of The Institute
43 of Internal Auditors;

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

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

6 ~~(F)(E)~~ Not including the State Treasurer Except for the member
7 appointed pursuant to subsection (A)(6) and (7), no a person may
8 not be appointed or continue to serve who is an elected or appointed
9 officer or employee of the State or any of its political subdivisions,
10 including school districts.

11 ~~(G)(F)~~ The Retirement System Investment Commission is
12 established to invest the funds of the retirement system. All of the
13 powers and duties of the State Budget and Control Board as investor
14 in equity securities and the State Treasurer's function of investing
15 in fixed income instruments are transferred to and devolved upon
16 the Retirement System Investment Commission.

17 (G) The commission shall employ a chief executive officer who
18 serves at the pleasure of the commission. The chief executive officer
19 is the chief administrative officer of the commission as an agency
20 and is charged with the affirmative duty to carry out the mission,
21 policies, and direction of the commission as established by the
22 commission. The chief executive officer is delegated the authority
23 of the commission necessary, reasonable, and prudent to carry out
24 the operation and management of the commission as an agency and
25 to implement the commission's decisions and directives.
26 Notwithstanding Section 9-16-30, the chief executive officer may
27 execute on behalf of the commission any documents necessary to
28 implement a final decision to invest.

29 ~~(H)(1)~~ To assist the commission in its investment function, it The
30 chief executive officer shall employ a chief investment officer, who
31 under the direction and supervision of the commission, and as its
32 agent. The chief investment officer shall develop and maintain
33 annual investment plans and invest and oversee the investment of
34 retirement system funds subject to the oversight of the chief
35 executive officer. The chief investment officer serves at the pleasure
36 of the commission and must receive the compensation the
37 commission determines appropriate.

38 (2) ~~The commission may~~ chief executive officer shall employ
39 the other professional, administrative, and clerical personnel # he
40 determines necessary to support the administration and operation of
41 the commission and fix their compensation pursuant to an
42 organizational plan approved by the commission. All employees of
43 the commission are employees at will and serve at the pleasure of

1 the chief executive officer. The compensation of the chief executive
2 officer, chief investment officer, and other employees of the
3 commission is not subject to the state compensation plan.

4 (I) Notwithstanding Section 1-7-170, the commission, in
5 consultation with the Attorney General, may engage, on a fee basis,
6 attorneys necessary to exercise its exclusive authority to invest and
7 manage the retirement system's assets. The commission shall
8 establish policies and procedures for the retention of attorneys
9 pursuant to this subsection and shall notify the Attorney General of
10 the terms and conditions of a representation upon engagement. The
11 commission shall provide quarterly reports to the Attorney General
12 on attorneys retained, hourly rates, and estimated maximum fees,
13 which he shall monitor for reasonableness and to ensure consistency
14 with the terms and conditions of the representation.

15 ~~(H)(J)(1)~~ The administrative costs of the Retirement System
16 Investment Commission must be paid from the earnings of the state
17 retirement system ~~in the manner provided in Section 9-1-1310.~~

18 (2) ~~Effective beginning July 1, 2012,~~ Each commission
19 member, ~~not including except for~~ the Executive Director of the
20 South Carolina Public Employee Benefit Authority, ~~must~~ shall
21 receive an annual salary of twenty thousand dollars plus mileage and
22 subsistence as provided by law for members of state boards,
23 committees, and commissions ~~paid as provided pursuant to item (1)~~
24 ~~of this subsection.~~ Notwithstanding any other provision of law,
25 membership on the commission does not make a member eligible to
26 participate in a retirement system administered pursuant to this title
27 and does not make a member eligible to participate in the employee
28 insurance program administered pursuant to Article 5, Chapter 11,
29 Title 1, ~~if the member is not otherwise eligible.~~ Compensation paid
30 on account of the member's service on the commission is not
31 considered earnable compensation for purposes of any retirement
32 system administered pursuant to this title.”

33
34 SECTION 9. Section 9-16-330 of the 1976 Code, as last amended
35 by Act 153 of 2005, is further amended to read:

36
37 “Section 9-16-330. (A) The commission shall provide the chief
38 executive officer and the chief investment officer with a statement
39 of general investment objectives. The commission ~~shall~~ also shall
40 provide the chief executive officer and the chief investment officer
41 with a statement of actuarial assumptions developed by the system's
42 actuary and approved by the board. The commission shall review
43 the statement of general investment objectives annually for the

1 purpose of affirming or changing it and advise the chief executive
2 officer and the chief investment officer of its actions. The retirement
3 system shall provide the commission, ~~and~~ its chief executive officer
4 and chief investment officer that data or other information needed
5 to prepare the annual investment plan.

6 (B) Notwithstanding Section 9-16-30(A), the commission's
7 statement of general investment objectives may include a delegation
8 to the chief investment officer of the final authority to invest an
9 amount not to exceed two percent of the total value of the portfolio's
10 assets for each investment. Any final authority delegated to the
11 chief investment officer pursuant to this subsection must be
12 exercised subject to the oversight of the chief executive officer. The
13 closing documentation of an investment made pursuant to this
14 delegation must include the chief executive officer's certification
15 that the investment conforms to the amount and the extent of the
16 delegation. Any authority exercised pursuant to this section must
17 be exercised in a manner consistent with the limitations imposed by
18 this section and investments may not be divided into smaller
19 amounts in order to avoid these limitations. The commission may
20 amend, suspend, or revoke the delegation of the final authority to
21 invest at any time.

22 (C) The annual investment plan must be consistent with actions
23 taken by the commission pursuant to subsection (A) and must
24 include, but is not limited to, the following components:

- 25 (1) general operational and investment policies;
- 26 (2) investment objectives and performance standards;
- 27 (3) investment strategies, which may include indexed or
28 enhanced indexed strategies as the preferred or exclusive strategies
29 for equity investing, and an explanation of the reasons for the
30 selection of each strategy;
- 31 (4) industry sector, market sector, issuer, and other
32 allocations of assets that provide diversification in accordance with
33 prudent investment standards, including desired rates of return and
34 acceptable levels of risks for each asset class;
- 35 (5) policies and procedures providing flexibility in
36 responding to market contingencies;
- 37 (6) procedures and policies for selecting, monitoring,
38 compensating, and terminating investment consultants, equity
39 investment managers, and other necessary professional service
40 providers; ~~and~~
- 41 (7) methods for managing the costs of the investment
42 activities; and

1 (8) a detailed description of the amount and extent of the final
2 authority to invest made by the commission pursuant to subsection
3 (B).

4 ~~(C)(D)~~ In developing the annual investment plan, the chief
5 investment officer shall:

6 (1) diversify the investments of the retirement systems, unless
7 the commission reasonably determines that, because of special
8 circumstances, it is clearly not prudent to do so; and

9 (2) make a reasonable effort to verify facts relevant to the
10 investment of assets of the retirement systems.”

11
12 SECTION 10. Section 9-16-380 of the 1976 Code, as added by
13 Act 278 of 2012, is amended to read:

14
15 ~~“Section 9-16-380. Each year in the general appropriations act,~~
16 ~~the General Assembly shall appropriate sufficient funds to the~~
17 ~~Office of the State Inspector General to~~ Every four years the State
18 Auditor shall employ a private audit firm to perform a fiduciary
19 audit on the Retirement System Investment Commission. The audit
20 firm must be selected by the State ~~Inspector General~~ Auditor. ~~The~~
21 A report from the ~~previous fiscal year private audit firm~~ must be
22 completed by January ~~fifteenth~~ 15, 2019, and every four years after
23 that time. Upon completion, the report must be submitted to the
24 Governor, the President Pro Tempore of the Senate, the Speaker of
25 the House of Representatives, the Chairman of the Senate Finance
26 Committee, and the Chairman of the House Ways and Means
27 Committee.”

28
29 SECTION 11. Article 1, Chapter 16, Title 9 of the 1976 Code is
30 amended by adding:

31
32 “Section 9-16-100. (A) A lobbyist, as defined in Section
33 2-17-10(13), may not contact any member of the commission, the
34 chief executive officer, chief investment officer, or staff member of
35 the commission to solicit the investment of funds with a particular
36 entity regardless of whether the lobbyist represents that entity.

37 (B) The commission may not make an investment with or invest
38 in a fund managed by an external investment manager if a placement
39 agent receives compensation as a result of the commission’s
40 investment. For purposes of this subsection, ‘placement agent’
41 means an individual directly or indirectly hired, engaged, or retained
42 by, or serving for the benefit of or on behalf of, an external manager
43 or an investment fund managed by an external manager, and who

1 acts or has acted for compensation as a finder, solicitor, marketer,
2 consultant, broker, or other intermediary in connection with making
3 an investment with or investing in a fund managed by the external
4 investment manager.

5 (C) The commission may not invest in any asset or with any
6 entity in which a commissioner has any interest. This subsection
7 does not apply to investments that are not managed or selected by
8 the commissioner including, but not limited to, index or mutual
9 funds managed by a professional fund manager.”

10

11

Part IV

12

Administration of Retirement System Funds

13

14
15 SECTION 12. Section 9-1-1310(A) of the 1976 Code, as last
16 amended by Act 278 of 2012, is further amended to read:

17

18 “(A) ~~The South Carolina Public Employee Benefit Authority and~~
19 ~~the State Fiscal Accountability Authority, or its successor,~~
20 Retirement System Investment Commission are cotrustees of the
21 assets of the retirement system as ‘assets’ and ‘retirement system’ is
22 are defined in Section 9-16-10(1) and (8) in performing the
23 functions imposed on them by law in the governance of the
24 Retirement System. Notwithstanding any other provision of law,
25 any reference in law to the trustee of the assets of the Retirement
26 System must be construed to conform to the cotrusteeship as
27 provided in this subsection. The Public Employee Benefit Authority
28 shall hold the assets of the Retirement System in a group trust as
29 provided in Section 9-16-20. The Retirement System Investment
30 Commission shall invest and reinvest the ~~funds~~ assets of the
31 retirement system as ~~‘retirement system’ is defined in Section~~
32 ~~9-16-10(8),~~ subject to all the terms, conditions, limitations, and
33 restrictions imposed by Section 16, Article X of the South Carolina
34 Constitution, 1895, subsection (B) of this section, and Chapter 16 of
35 this title.”

36

37 SECTION 13. Section 9-1-1320 of the 1976 Code is amended to
38 read:

39

40 “Section 9-1-1320. (A) ~~The State Treasurer board shall be~~ is the
41 custodian of the funds assets of the Retirement System as ‘assets’
42 and ‘retirement system’ are defined in Section 9-16-10(1) and (8),
43 and the Retirement System Investment Commission has the

1 exclusive authority to select the custodial bank, provided, however,
2 that the Public Employee Benefit Authority is a third-party
3 beneficiary of the contract with the custodial bank with full rights to
4 information under them. All payments from such funds shall be
5 made by him only upon vouchers signed by two persons designated
6 by the Board. The custodial banking agreement may provide for
7 electronic signatory approval.

8 (B)(1) A custodial bank selected by the commission must:

9 (a) be a United States domiciled trust company and a
10 member of the Federal Reserve;

11 (b) have in excess of one trillion dollars of assets under
12 custody;

13 (c) have provided custody services for at least the previous
14 fifteen years; and

15 (d) provide custody services to other public fund
16 institutional clients that individually have assets under management
17 that meet or exceed the amount of assets managed by the
18 commission.

19 (2) Nothing in this subsection prohibits the commission from
20 imposing more stringent or additional qualifications as part of its
21 selection process.”

22
23 Part V

24
25 Miscellaneous and Time Effective

26
27 SECTION 14. Section 1-3-240(C)(1) of the 1976 Code, as last
28 amended by Act 275 of 2016, is further amended by adding
29 appropriately lettered subitems to read:

30
31 “() South Carolina Retirement Investment Commission
32 members appointed by the Governor or members of the General
33 Assembly;

34 () South Carolina Public Benefit Authority members.”

35
36 SECTION 15. Sections 9-4-45, 9-8-170, 9-9-160, 9-10-80, and
37 9-11-250 of the 1976 Code are repealed.

38
39 SECTION 16. This act takes effect on July 1, 2017.

40 ----XX----