**South Carolina General Assembly**

121st Session, 2015-2016

**S. 527**

**STATUS INFORMATION**

General Bill

Sponsors: Senators Lourie and Bryant

Document Path: l:\council\bills\bbm\9229dg15.docx

Companion/Similar bill(s): 675, 5007

Introduced in the Senate on March 10, 2015

Currently residing in the Senate Committee on **Finance**

Summary: SC Retirement System

**HISTORY OF LEGISLATIVE ACTIONS**

Date Body Action Description with journal page number

3/10/2015 Senate Introduced and read first time ([Senate Journal‑page 5](file:///h:\SJ%20Archive\2015\03-10-15.docx))

3/10/2015 Senate Referred to Committee on **Finance** ([Senate Journal‑page 5](file:///h:\SJ%20Archive\2015\03-10-15.docx))

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**VERSIONS OF THIS BILL**

[3/10/2015](file:///p:\pprever\2015-16\527_20150310.docx)

**A** **BILL**

TO AMEND SECTION 9‑1‑1310, AS AMENDED, CODE OF LAWS OF SOUTH CAROLINA, 1976, RELATING TO TRUSTEES OF THE RETIREMENT SYSTEM, SO AS TO PROVIDE THAT THE RETIREMENT SYSTEM INVESTMENT COMMISSION (RSIC) IS A COTRUSTEE INSTEAD OF THE STATE BUDGET AND CONTROL BOARD, AND TO REQUIRE THE PUBLIC EMPLOYEE BENEFIT AUTHORITY (PEBA) TO HOLD THE ASSETS OF THE RETIREMENT SYSTEM IN A GROUP TRUST; TO AMEND SECTION 9‑1‑1320, RELATING TO THE CUSTODIAN OF RETIREMENT FUNDS, SO AS TO PROVIDE THAT THE BOARD OF DIRECTORS OF PEBA SHALL BE THE CUSTODIAN, AND TO AUTHORIZE RSIC TO SELECT THE CUSTODIAL BANK; TO REPEAL SECTIONS 9‑8‑170(1), 9‑9‑160(1), 9‑10‑80(A), AND 9‑11‑250(1) ALL RELATING TO THE CUSTODIAN OF RETIREMENT FUNDS, SO AS MAKE A CONFORMING CHANGE; TO AMEND SECTION 9‑4‑10, RELATING TO THE ESTABLISHMENT OF PEBA, SO AS TO CHANGE THE COMPOSITION OF THE BOARD OF DIRECTORS, TO PROVIDE THAT DIRECTORS SERVE FOR A TERM OF FIVE YEARS AND MAY NOT SERVE MORE THAN TWO CONSECUTIVE TERMS, AND TO PROVIDE FOR AN EXECUTIVE DIRECTOR; BY ADDING SECTION 9‑4‑35 SO AS TO AUTHORIZE PEBA TO EXPEND CERTAIN FUNDS TO SUPPORT THE PERSONAL SERVICE, EMPLOYEE BENEFITS, AND OPERATIONAL EXPENSES OF THE AUTHORITY; TO AMEND SECTION 9‑4‑40, RELATING TO THE AUDIT OF PEBA, SO AS TO REQUIRE THE AUDIT BE PERFORMED EVERY FOUR YEARS; TO REPEAL SECTION 9‑1‑310 RELATING TO THE ADMINISTRATIVE COSTS OF THE RETIREMENT SYSTEMS; TO REPEAL SECTION 9‑4‑45 RELATING TO PEBA POLICY DETERMINATIONS; TO AMEND SECTION 9‑16‑10, AS AMENDED, RELATING TO DEFINITIONS PERTAINING TO RETIREMENT SYSTEM FUNDS, SO AS TO DEFINE ‘FIDUCIARY’ AND ‘TRUSTEE’; BY ADDING SECTION 9‑16‑25 SO AS TO AUTHORIZE RSIC TO EXPEND AN AMOUNT OF THE TRUST FUNDS TO SUPPORT THE PERSONAL SERVICE, EMPLOYEE BENEFITS, AND OPERATIONAL EXPENSES OF THE COMMISSION; TO AMEND SECTION 9‑16‑315, AS AMENDED, RELATING TO THE RSIC, SO AS TO AMEND THE COMPOSITION OF RSIC, TO PROVIDE THAT COMMISSION MEMBERS SERVE FOR A TERM OF FIVE YEARS AND MAY NOT SERVE MORE THAN TWO CONSECUTIVE TERMS, TO PROVIDE FOR QUALIFICATIONS OF MEMBERS, TO PROVIDE FOR AN EXECUTIVE DIRECTOR, AND TO PROVIDE FOR A PROCUREMENT PLAN; TO AMEND SECTION 9‑16‑320, AS AMENDED, RELATING TO THE ANNUAL INVESTMENT PLAN OF RSIC, SO AS TO PROVIDE THAT THE CHIEF INVESTMENT OFFICER SHALL DEVELOP THE PLAN SUBJECT TO THE OVERSIGHT OF THE EXECUTIVE DIRECTOR; TO AMEND SECTION 9‑16‑330, AS AMENDED, RELATING TO INVESTMENT OBJECTIVES, SO AS TO INCORPORATE THE EXECUTIVE DIRECTOR; TO AMEND SECTION 9‑16‑335, RELATING TO THE ASSUMED RATE OF RETURN, SO AS TO PROVIDE THAT THE ASSUMED RATE OF RETURN EXPIRES EVERY FOUR YEARS; TO AMEND SECTION 9‑16‑340, AS AMENDED, RELATING TO THE INVESTMENT OF RETIREMENT FUNDS, SO AS TO INCORPORATE THE EXECUTIVE DIRECTOR; TO AMEND SECTION 9‑16‑380, RELATING TO THE AUDIT OF RSIC, SO AS TO REQUIRE THE AUDIT BE PERFORMED EVERY FOUR YEARS; AND TO AMEND SECTION 11‑35‑710, RELATING TO EXEMPTIONS FROM THE PROCUREMENT CODE, SO AS TO EXEMPT RSIC AND PEBA.

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

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

“(A) The South Carolina Public Employee Benefit Authority and the Retirement System Investment Commission ~~State Budget and Control Board, or its successor~~, are cotrustees of the assets of the retirement system as ‘assets’ and ‘retirement system’ are ~~is~~ defined in Section 9‑16‑10(1) and (8) ~~in performing the functions imposed on them by law in the governance of the Retirement System~~. Notwithstanding any other provision of law, any reference in law to the trustee of the assets of the Retirement System must be construed to conform to the cotrusteeship as provided in this subsection. The Public Employee Benefit Authority shall hold the assets of the retirement system in a group trust as provided in Section 9‑16‑20. The Retirement System Investment Commission shall invest and reinvest the ~~funds~~ assets of the retirement system ~~as “retirement system” is defined in Section 9‑16‑10(8),~~ subject to all the terms, conditions, limitations, and restrictions imposed by Section 16, Article X of the South Carolina Constitution, subsection (B) of this section, and Chapter 16 of this title.”

SECTION 2. A. Section 9‑1‑1320 of the 1976 Code is amended to read:

“Section 9‑1‑1320. The ~~State Treasurer~~ board shall be the custodian of the assets ~~funds~~ of the retirement system as ‘assets’ and ‘retirement system’ are defined in Section 9‑16‑10(1) and (8),~~System~~ and the Retirement System Investment Commission shall have the exclusive authority to select the custodial bank, provided, however, that the Public Employee Benefit Authority shall be a third‑party beneficiary of the contract with the custodial bank with full rights to information thereunder. ~~All payments from such funds shall be made by him only upon vouchers signed by and two persons designated by the Board.~~ The custodial banking agreement may provide for electronic signatory approval.”

B. Sections 9‑8‑170(1), 9‑9‑160(1), 9‑10‑80(A), 9‑11‑250(1) are repealed.

SECTION 3. A. Section 9‑4‑10 of the 1976 Code, as added by Act 278 of 2012, is amended to read:

“Section 9‑4‑10. (A) Effective July 1, 2012, there is created the South Carolina Public Employee Benefit Authority. The sole governing body of the authority is a board of directors consisting of eleven members. The functions of the authority must be performed, exercised, and discharged under the supervision and direction of the board of directors.

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

(a) ~~three~~ two nonrepresentative members appointed by the Governor;

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

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

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

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

(f) the Executive Director of the Retirement System Investment Commission, ex officio.

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

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

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

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

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

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

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

(i) taxation;

(ii) insurance;

(iii) health care;

(iv) securities;

(v) corporate;

(vi) finance; or

(vii) the Employment Retirement Income Security Act (ERISA).

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

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

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

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

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

(F)(1) Each member, except for the Executive Director of the Retirement System Investment Commission, must receive an annual salary of twelve thousand dollars. This compensation must be paid from approved accounts of general funds and retirement system funds based on the proportionate amount of time the board devotes to its various functions. Members may receive the mileage and subsistence authorized by law for members of state boards, commissions, and committees paid from approved accounts funded by general funds and retirement system funds in the proportion that compensation is paid.

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

(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.

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

(1) Employee Insurance Program; and

(2) the Retirement Division.

(I) The board shall employ an executive director who shall serve at the pleasure of the board. The executive director is the chief administrative officer of the authority as an agency and is charged with the affirmative duty to carry out the mission, policies, and direction of the board as established by the board. The executive director is delegated all the authority of the board necessary, reasonable, and prudent to carry out the operation and management of the authority as an agency and to implement the board’s decisions and directives. The executive director must employ the other professional, administrative, and clerical personnel he determines necessary to support the administration and operation of the authority and fix their compensation pursuant to the organizational plan established pursuant to Section 9‑4‑35(C)(2).

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

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

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

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

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

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

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

(K) The commission shall develop and adopt policies and procedures embodying sound principles of appropriately competitive procurement no later than January 1, 2016. The commission must consider the draft model ordinances, regulations, and manuals developed for consideration by political subdivisions pursuant to Section 11‑35‑50, in developing the commission’s policies and procedures. The procurement policies and procedures must be published in a conspicuous place on the commission’s website. The procurement policies and procedures and any amendments must be provided to the Chairman of the Senate Finance Committee, the Chairman of the House Ways and Means Committee, and the Director of the Department of Administration. Before the adoption of the policies and procedures required by this subsection, the provisions of the consolidated procurement code shall continue to apply to any procurement initiated before adoption.”

B. Section 9‑4‑10(B), (C), and (D) as contained in this SECTION takes effect on July 1, 2016.

SECTION 4. Article 1, Chapter 4, Title 9 of the 1976 Code is amended by adding:

“Section 9‑4‑35. (A) Beginning with Fiscal Year 2016‑2017, the authority is authorized to expend an amount of funds to support the personal service, employee benefits, and operational expenses of the authority which is not less than, but does not exceed by more than ten percent, the amount authorized for the preceding fiscal year, unless otherwise authorized by the General Assembly. For purposes of this section, the base year for calculating the amount authorized by this section is the total amount authorized for the authority for personal service, employee benefits, and operational expenses in the Fiscal Year 2015‑2016 General Appropriations Act. In order to fund the amount authorized by this subsection the authority shall:

(1) transfer funds from the retirement system’s trust fund to an expenditure account established in the Office of the State Treasurer, as necessary, to support the personal service, employee benefits, and operational expenses for the administration of the retirement system, and disbursements from the expenditure account must be made in accordance with state disbursement rules and regulations. Earnings on the funds held in the expenditure account must be credited to the account. Amounts transferred pursuant to this item must be funded pro rata from the five retirement systems based upon the proportion of the assets of each system to the total assets of all the systems; and

(2) transfer funds from employee and employer insurance premiums to an expenditure account established in the Office of the State Treasurer, as necessary, to support the personal service, employee benefits, and operational expenses for the administration of insurance benefits offered by the authority, and disbursements from this expenditure account must be made in accordance with state disbursement rules and regulations. Earnings on the funds held in the expenditure account must be credited to the account.

(C)(1) Before May first of each fiscal year, the executive director must prepare and submit a detailed budget for the authority’s personal services and operational expenses to the board. The board must then approve a detailed budget before the beginning of each fiscal year which must be provided to the Governor, the Chairman of the Senate Finance Committee, and the Chairman of the House Ways and Means Committee. The total amount budgeted must not exceed the amount to be provided by subsections (A) and (B) for the corresponding fiscal year.

(2) The detailed budget prepared by the executive director and approved by the board also must include an organizational plan for the authority. The organizational plan must include the amount of full‑time equivalent positions the executive director and board determine necessary to support the administration and operation of the retirement and insurance plans administered by the authority, except that the plan must not provide for an increase in full‑time equivalent positions of more than ten percent over the preceding fiscal year unless approved by the General Assembly.”

SECTION 5. Section 9‑4‑40 of the 1976 Code, as added by Act 278 of 2012, is amended to read:

“Section 9‑4‑40. ~~Each year in~~ Beginning with the general appropriations act for Fiscal Year 2019‑2020, and every four years thereafter, the General Assembly shall appropriate sufficient funds to the Office of the State Inspector General to employ a private audit firm to perform a fiduciary audit on the South Carolina Public Employee Benefit Authority. The audit firm must be selected by the State Inspector General. The report from the previous fiscal year must be completed by January fifteenth. Upon completion, the report must be submitted to the Governor, the President Pro Tempore of the Senate, the Speaker of the House of Representatives, the Chairman of the Senate Finance Committee, and the Chairman of the House Ways and Means Committee.”

SECTION 6. Sections 9‑1‑310 and 9‑4‑45 of the 1976 Code are repealed.

SECTION 7. Section 9‑16‑10(4), as last amended by Act 153 of 2005, and Section 9‑16‑10(9) of the 1976 Code, as last amended by Act 278, of 2012, are further amended to read:

“(4) ‘Fiduciary’ means a person who:

(a) exercises any authority to invest or manage assets of a system;

(b) provides investment advice for a fee or other direct or indirect compensation with respect to assets of a system or has any authority or responsibility to do so;

(c) is a member of the commission; or

(d) is the commission’s executive director or chief investment officer.

(9) ‘Trustee’ means the board or the commission as applicable ~~Board of Directors of the South Carolina Public Employee Benefit Authority~~.”

SECTION 8. Article 1, Chapter 16, Title 9 of the 1976 Code is amended by adding:

“Section 9‑16‑25. (A) Beginning with Fiscal Year 2016‑2017, the commission is authorized to expend an amount of trust funds to support the personal service, employee benefits, and operational expenses of the commission which is not less than, but does not exceed by more than ten percent, the amount authorized for the preceding fiscal year, unless otherwise authorized by the General Assembly. For purposes of this section, the base year for calculating the amount authorized by this section is the total amount appropriated to the authority for personal service and operational expenses in the Fiscal Year 2015‑2016 General Appropriations Act. The commission shall transfer funds from the retirement system’s trust fund to an expenditure account established in the Office of the State Treasurer, as necessary, to support the personal service, employee benefits, and operational expenses of the commission, and disbursements from the expenditure account shall be made in accordance with state disbursement rules and regulations. Earnings on the funds held in the expenditure account must be credited to the account. Amounts transferred pursuant to this item must be funded pro rata from the five retirement systems based upon the proportion of the assets of each system to the total assets of all the systems.

(B) In a fiscal year, the commission may expend 0.066 percent of the value of the retirement system’s assets as of the beginning of the fiscal year to support the personal service and operational expenses of the commission as an agency. The amount authorized by this subsection must not be less than, but must not exceed by more than ten percent, the amount authorized by this subsection for the preceding fiscal year unless authorized by the General Assembly. The commission shall transfer funds from the retirement system’s trust funds to an expenditure account established in the Office of the State Treasurer, as necessary, from time to time to support the personal service and operational expenses of the commission, and disbursements from this expenditure account shall be made in accordance with state disbursement rules and regulations. Earnings on the funds held in the expenditure account must be credited to the account. Amounts transferred pursuant to this subsection must be funded pro rata from the five retirement systems based upon the proportion of the assets of each system to the total assets of all of the systems for the most recently completed fiscal year.”

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

“Section 9‑16‑315. (A) There is established the ‘Retirement System Investment Commission’ (RSIC) consisting of ~~seven~~ nine members as follows:

(1) one member appointed by the Governor;

(2) one member appointed by the State Treasurer~~, ex officio~~;

(3) one member appointed by the Comptroller General;

(4) one member appointed by the Chairman of the Senate Finance Committee;

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

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

(7) one member appointed by the President Pro Tempore of the Senate who is a retired member of the South Carolina Retirement System;

(8) one member appointed by the Speaker of the House of Representatives who is an active contributing member of the South Carolina Retirement System; and

(9) the Executive Director of South Carolina Public Employee Benefit Authority, ex officio~~, without voting privileges~~.

(B) ~~The State Treasurer may appoint a member to serve in his stead. A member appointed by the State Treasurer shall serve for a term coterminous with the State Treasurer and must possess at least one of the qualifications provided in subsection (E). Once appointed, this member may not be removed except as provided in subsection (C).~~

~~(C)~~ ~~Except as provided in subsection (B), members~~ Members shall serve for terms of five years and until their successors are appointed and qualify~~, except that of those first appointed, the appointees of the Comptroller General and the Chairman of the Senate Finance Committee shall serve for terms of three years and the appointee of the Chairman of the Committee on Ways and Means and the representative appointee shall serve for terms of one year~~. Terms are deemed to expire after June thirtieth of the year in which the term is due to expire. Members are appointed for a term and may be removed before the term expires only by the Governor for the reasons provided in Section 1‑3‑240(C). A member may not be appointed to serve more than two consecutive full five‑year terms. Any member serving a full five year term on June 30, 2015 only may be reappointed to one additional consecutive full five year term.

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

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

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

(2) the Certified Financial Planner credential of the Certified Financial Planner Board of Standards and at least twelve years of corresponding professional experience;

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

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

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

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

(7) the Certified Internal Auditor credential of The Institute of Internal Auditors~~.~~;

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

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

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

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

(G) The commission shall employ an executive director who shall serve at the pleasure of the commission. The executive director is the chief administrative officer of the commission as an agency and is charged with the affirmative duty to carry out the mission, policies, and direction of the commission as established by the commission. The executive director is delegated all the authority of the commission necessary, reasonable, and prudent to carry out the operation and management of the commission as an agency and to implement the commission’s decisions and directives. Notwithstanding Section 9‑16‑30, the executive director may execute on behalf of the commission any documents necessary to implement a final decision to invest.

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

(I)(1) Before May first of each fiscal year, the executive director must prepare and submit a detailed budget for the commission’s personal services and operational expenses to the commission. The commission must then approve a detailed budget before the beginning of each fiscal year which must be provided to the Governor, the Chairman of the Senate Finance Committee, and the Chairman of the House Ways and Means Committee. The total amount budgeted must not exceed the amount to be provided by Section 9‑16‑25(B) for the corresponding fiscal year.

(2) The detailed budget prepared by the executive director and approved by the commission also must include an organizational plan. The organizational plan must include the amount of full‑time equivalent positions the executive director and commission determine necessary to support the administration and operation of the commission as an agency, except that the plan must not provide for an increase in full‑time equivalent positions of more than ten percent over the preceding fiscal year unless approved by the General Assembly. The executive director ~~commission may~~ must employ the other professional, administrative, and clerical personnel he ~~it~~ determines necessary to support the administration and operation of the commission as an agency and fix their compensation pursuant to the organizational plan.

(3) All employees of the commission are employees at will and serve at the pleasure of the executive director. The compensation of the executive director, the chief investment officer, and other employees of the commission are ~~is~~ not subject to the state compensation plan.

(4) Notwithstanding Section 1‑7‑170, the commission may engage on a fee basis attorneys necessary to exercise its exclusive authority to invest and manage the retirement system’s assets. The commission shall establish policies and procedures for the retention of attorneys pursuant to this subsection and provide quarterly reports to the Attorney General on attorneys retained, hourly rates, and estimated maximum fees.

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

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

(K) The commission shall develop and adopt policies and procedures embodying sound principles of appropriately competitive procurement no later than January 1, 2016. The commission shall consider the draft model ordinances, regulations, and manuals developed for consideration by political subdivisions pursuant to Section 11‑35‑50, in developing the commission’s policies and procedures. The procurement policies and procedures must be published in a conspicuous place on the commission’s website. The procurement policies and procedures and any amendments must be provided to the Chairman of the Senate Finance Committee, the Chairman of the House Ways and Means Committee, and the Director of the Department of Administration. Before the adoption of the policies and procedures required by this subsection, the provisions of the consolidated procurement code must continue to apply to any procurement initiated before adoption.”

SECTION 10. Section 9‑16‑320(A) of the 1976 Code, as last amended by Act 153 of 2005, is further amended to read:

“(A) The commission shall meet no later than May first of each year to adopt the proposed annual investment plan for the retirement systems for the next fiscal year. The annual investment plan must be developed by the chief investment officer subject to the oversight of the executive director. No later than April first of each year, the chief investment officer shall submit the proposed plan to the executive director for submission to the commission. Amendments may be made to the plan by the commission during the fiscal year.”

SECTION 11. Section 9‑16‑330(A) of the 1976 Code, as last amended by Act 253 of 2005, is further amended to read:

“(A) The commission shall provide the executive director and the chief investment officer with a statement of general investment objectives. The commission also shall ~~also~~ provide the executive director and the chief investment officer with a statement of actuarial assumptions developed by the system’s actuary and approved by the board. The commission shall review the statement of general investment objectives annually for the purpose of affirming or changing it and advise the executive director and the chief investment officer of its actions. The retirement system shall provide the commission, ~~and its~~ the executive director, and the chief investment officer ~~that~~ data or other information needed to prepare the annual investment plan.”

SECTION 12. Section 9‑16‑335 of the 1976 Code, as added by Act 278 of 2012, is amended to read:

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

(B) The assumed rate of return set in subsection (A) expires on July 1, 2016, and every four years thereafter, unless the General Assembly enacts a joint resolution that continues or amends the assumed rate of return. Before January first of each year that the assumed rate of return is due to expire, the board will submit a proposed assumed annual rate of return for the corresponding four year period. The proposed assumed annual rate of return must be developed in consultation with the board’s actuary and the commission, and must be submitted to the Chairman of the Senate Finance Committee and the Chairman of the House Ways and Means Committee. If the General Assembly does not continue or amend the assumed annual rate of return prior to expiration, the assumed annual rate of return developed and submitted by the board will take effect for the corresponding four year period until subsequent action of the General Assembly.”

SECTION 13. Section 9‑16‑340 of the 1976 Code, as last amended by Act 153 of 2005, is further amended to read:

“Section 9‑16‑340. (A) The commission, acting through the chief investment officer subject to the oversight of the executive director, shall invest and reinvest the assets of the retirement systems as provided in Section 9‑1‑1310. The commission may employ or retain administrators, agents, consultants, or other advisors it considers necessary with respect to making investments. The commission ~~chief investment officer~~ may use the services of the State Treasurer in making nonequity security investments as the chief investment officer determines appropriate.

(B) After receiving the proposed plan of the chief investment officer, the commission shall adopt an annual investment plan, which must be implemented by the commission through the chief investment officer subject to the oversight of the executive director. The commission shall regularly review the plan implementation and make amendments as it considers appropriate. The plan must include the minimum and maximum portions of system assets that may be allocated to equity investments on an ongoing basis not to exceed seventy percent.”

SECTION 14. Section 9‑16‑380 of the 1976 Code, as added by Act 278 of 2012, is amended to read:

“Section 9‑16‑380. ~~Each year in~~ Beginning with the general appropriations act for Fiscal Year 2018‑2019, and every four years thereafter, the General Assembly shall appropriate sufficient funds to the Office of the State Inspector General to employ a private audit firm to perform a fiduciary audit on the Retirement System Investment Commission. The audit firm must be selected by the State Inspector General. The report from the previous fiscal year must be completed by January fifteenth. Upon completion, the report must be submitted to the Governor, the President Pro Tempore of the Senate, the Speaker of the House of Representatives, the Chairman of the Senate Finance Committee, and the Chairman of the House Ways and Means Committee.”

SECTION 15. Section 11‑35‑710 of the 1976 Code is amended by adding appropriately numbered items to read:

“( ) Retirement System Investment Commission;

( ) Public Employee Benefit Authority.”

SECTION 16. Except where provided otherwise, this act takes effect upon approval by the Governor.

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