

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

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Companion/Similar bill(s): 394

Introduced in the House on February 9, 2017

Introduced in the Senate on March 1, 2017

Last Amended on March 9, 2017

Currently residing in conference committee

Summary: SC Retirement system

HISTORY OF LEGISLATIVE ACTIONS

Date	Body	Action Description with journal page number
2/9/2017	House	Introduced and read first time (House Journal-page 36)
2/9/2017	House	Referred to Committee on Ways and Means (House Journal-page 36)
2/17/2017		Scrivener's error corrected
2/21/2017	House	Committee report: Favorable with amendment Ways and Means (House Journal-page 45)
2/22/2017	House	Requests for debate-Rep(s). White, Herbkersman, Cobb-Hunter, Weeks, JE Smith, Mack, GR Smith, Loftis, Dillard, Robinson-Simpson, Allison, Whitmire, Blackwell, Mitchell, Norrell, Funderburk, Douglas, Hart, Hill, Fry, Knight (House Journal-page 19)
2/22/2017		Scrivener's error corrected
2/28/2017	House	Amended (House Journal-page 20)
2/28/2017	House	Read second time (House Journal-page 20)
2/28/2017	House	Roll call Yeas-99 Nays-14 (House Journal-page 27)
3/1/2017	House	Read third time and sent to Senate (House Journal-page 12)
3/1/2017	Senate	Introduced and read first time (Senate Journal-page 8)
3/1/2017	Senate	Referred to Committee on Finance (Senate Journal-page 8)
3/8/2017	Senate	Polled out of committee Finance (Senate Journal-page 20)
3/8/2017	Senate	Committee report: Favorable with amendment Finance (Senate Journal-page 20)
3/9/2017	Senate	Committee Amendment Adopted (Senate Journal-page 28)
3/9/2017	Senate	Roll call Ayes-38 Nays-1 (Senate Journal-page 28)
3/9/2017	Senate	Read second time (Senate Journal-page 28)
3/9/2017	Senate	Roll call Ayes-38 Nays-0 (Senate Journal-page 28)
3/9/2017	Senate	Unanimous consent for third reading on next legislative day (Senate Journal-page 28)
3/10/2017	Senate	Read third time and returned to House with amendments (Senate Journal-page 1)
3/10/2017		Scrivener's error corrected
3/21/2017	House	Debate adjourned until Wed., 3-22-17 (House Journal-page 138)
3/22/2017	House	Debate adjourned until Wed., 3-29-17 (House Journal-page 38)
3/29/2017	House	Non-concurrence in Senate amendment (House Journal-page 71)
3/29/2017	House	Roll call Yeas-0 Nays-99 (House Journal-page 72)
3/30/2017	Senate	Senate insists upon amendment and conference committee appointed Sheheen,

Bennett, and Gambrell ([Senate Journal-page 17](#))
3/30/2017 House Conference committee appointed Herbkersman, Stringer, Cobb-Hunter ([House Journal-page 73](#))

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VERSIONS OF THIS BILL

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1 ~~Indicates Matter Stricken~~

2 Indicates New Matter

3

4 COMMITTEE AMENDMENT ADOPTED

5 March 9, 2017

6

7

H. 3726

8

9 Introduced by Reps. Herbkersman, Cobb-Hunter, Anthony,
10 Whitmire, Stringer, Bradley, Lucas and White

11

12 S. Printed 3/9/17--S. [SEC 3/10/17 2:12 PM]

13 Read the first time March 1, 2017.

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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 AND ONE QUARTER PERCENT AND TO
28 PROVIDE THAT THE ASSUMED RATE OF RETURN
29 EXPIRES EVERY FOUR YEARS; TO AMEND SECTION
30 9-4-10, RELATING TO THE TERM OF MEMBERS OF THE
31 BOARD OF DIRECTORS OF THE SOUTH CAROLINA PUBLIC
32 EMPLOYEE BENEFIT AUTHORITY (PEBA), SO AS TO
33 CHANGE THE TERM FROM TWO TO FIVE YEARS AND TO
34 REQUIRE THE BOARD TO EMPLOY AN EXECUTIVE
35 DIRECTOR; TO AMEND SECTION 9-4-40, RELATING TO
36 THE AUDIT OF PEBA, SO AS TO REQUIRE PEBA TO BE
37 AUDITED EVERY FOUR YEARS; TO AMEND SECTION
38 9-16-10, AS AMENDED, RELATING TO RETIREMENT
39 SYSTEM FUNDS "FIDUCIARY" DEFINITION, SO AS TO ADD
40 THE COMMISSION'S "CHIEF EXECUTIVE OFFICER" TO
41 THE DEFINITION; TO AMEND SECTION 9-16-90, AS
42 AMENDED, RELATING TO CERTAIN INVESTMENT

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

1 RETIREMENT SYSTEM, AND THE POLICE OFFICERS
2 RETIREMENT SYSTEM.
3 Amend Title To Conform

4
5 Be it enacted by the General Assembly of the State of South
6 Carolina:

7
8 Part I

9
10 Funding of the Retirement System

11
12 SECTION 1. Section 9-1-1085 of the 1976 Code, as added by Act
13 278 of 2012, is amended to read:

14
15 “Section 9-1-1085. (A) As provided in Sections 9-1-1020 and
16 9-1-1050, the employer and employee contribution rates for the
17 system beginning in Fiscal Year ~~2012-2013~~ 2017-2018, expressed
18 as a percentage of earnable compensation, are as follows:

19
20 Fiscal Year Employer Contribution Employee
21 Contribution

22 2012-2013	10.60	7.00
23 2013-2014	10.60	7.50
24 2014-2015 and after	10.90	8.00
25 <u>2017-2018</u>	<u>13.56</u>	<u>9.00</u>
26 <u>2018-2019</u>	<u>14.56</u>	<u>9.00</u>
27 <u>2019-2020</u>	<u>15.56</u>	<u>9.00</u>
28 <u>2020-2021</u>	<u>16.56</u>	<u>9.00</u>
29 <u>2021-2022</u>	<u>17.56</u>	<u>9.00</u>
30 <u>2022-2023</u>	<u>18.56</u>	<u>9.00</u>
31 <u>2023-2024</u>	<u>18.56</u>	<u>9.00</u>
32 <u>2024-2025</u>	<u>18.56</u>	<u>9.00</u>
33 <u>2025-2026</u>	<u>18.56</u>	<u>9.00</u>
34 <u>2026-2027 and after</u>	<u>18.56</u>	<u>9.00</u>

35 The employer contribution rate set out in this schedule includes
36 contributions for participation in the incidental death benefit plan
37 provided in Sections 9-1-1770 and 9-1-1775. The employer
38 contribution rate for employers that do not participate in the
39 incidental death benefit plan must be adjusted accordingly.

40 (B) After June 30, ~~2015~~ 2027, the board may increase the
41 percentage rate in employer ~~and employee~~ contributions for the
42 system on the basis of the actuarial valuation, ~~but any such increase~~
43 ~~may not result in a differential between the employee and employer~~

1 ~~contribution rate for the system that exceeds 2.9 percent of earnable~~
2 ~~compensation.~~ An increase in the employer contribution rate
3 adopted by the board pursuant to this section may not provide for an
4 increase in an amount of more than one-half of one percent of
5 earnable compensation in any one year.

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

<u>Fiscal Year</u>	<u>Funding Period</u>
11 <u>2017-2018</u>	<u>30 years</u>
12 <u>2018-2019</u>	<u>29 years</u>
13 <u>2019-2020</u>	<u>28 years</u>
14 <u>2020-2021</u>	<u>27 years</u>
15 <u>2021-2022</u>	<u>26 years</u>
16 <u>2022-2023</u>	<u>25 years</u>
17 <u>2023-2024</u>	<u>24 years</u>
18 <u>2024-2025</u>	<u>23 years</u>
19 <u>2025-2026</u>	<u>22 years</u>
20 <u>2026-2027</u>	<u>21 years</u>
21 <u>2027-2028 and after</u>	<u>20 years</u>

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

41 (D)(1) After June 30, ~~2015~~ 2027, if the most recent annual
42 actuarial valuation of the system shows a ratio of the actuarial value
43 of system assets to the actuarial accrued liability of the system (the

1 funded ratio) that is equal to or greater than ~~ninety eighty-five~~
2 percent, then the board, effective on the following July first, may
3 decrease the then current employer and employee contribution rates
4 in equal amounts upon making a finding that the decrease will not
5 result in a funded ratio of less than ~~ninety eighty-five~~ percent. ~~Any~~
6 ~~decrease in contribution rates must maintain the 2.9 percent~~
7 ~~differential between employer and employee contribution rates~~
8 ~~provided pursuant to subsection (B) of this section.~~

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

23 (E) When there is no longer an unfunded actuarial accrued
24 liability (UAAL) of the system as determined by the annual actuarial
25 valuation, all new employees must participate in a defined
26 contribution retirement plan.”

27

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

30

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

35 Fiscal Year	Employer Contribution	Employee Contribution
36 2012-2013	12.30	7.00
37 2013-2014	12.50	7.50
38 2014-2015 and after	13.00	8.00
39 <u>2017-2018</u>	<u>16.24</u>	<u>9.75</u>
40 <u>2018-2019</u>	<u>17.24</u>	<u>9.75</u>
41 <u>2019-2020</u>	<u>18.24</u>	<u>9.75</u>
42 <u>2020-2021</u>	<u>19.24</u>	<u>9.75</u>
43 <u>2021-2022</u>	<u>20.24</u>	<u>9.75</u>

1	<u>2022-2023</u>	<u>21.24</u>	<u>9.75</u>
2	<u>2023-2024</u>	<u>21.24</u>	<u>9.75</u>
3	<u>2024-2025</u>	<u>21.24</u>	<u>9.75</u>
4	<u>2025-2026</u>	<u>21.24</u>	<u>9.75</u>
5	<u>2026-2027 and after</u>	<u>21.24</u>	<u>9.75</u>

6 The employer contribution rate set out in this schedule includes
7 contributions for participation in the incidental death benefit plan
8 provided in Sections 9-11-120 and 9-11-125 and for participation in
9 the accidental death benefit program provided in Section 9-11-140.
10 The employer contribution rate for employers that do not participate
11 in these programs must be adjusted accordingly.

12 (B) After June 30, ~~2015~~ 2027, the board may increase the
13 percentage rate in employer ~~and employee~~ contributions for the
14 system on the basis of the actuarial valuation, ~~but any such increase~~
15 ~~may not result in a differential between the employee and employer~~
16 ~~contribution rate for that system that exceeds 5.00 percent of~~
17 ~~earnable compensation.~~ An increase in the employer contribution
18 rate adopted by the board pursuant to this section may not provide
19 for an increase in an amount of more than one-half of one percent
20 of earnable compensation in any one year.

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

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

37 (2) If the scheduled employer and employee contributions
38 provided in subsection (A), or the rates last adopted by the board
39 pursuant to subsection (B), are insufficient to ~~maintain a thirty year~~
40 ~~amortization schedule for the unfunded liabilities of the system~~ meet
41 the funding period set forth in item (1), for the applicable year, then
42 the board shall increase the employer contribution rate ~~as provided~~
43 ~~in subsection (A) or as last adopted by the board in equal percentage~~

1 ~~amounts for employer and employee contributions~~ as necessary to
2 ~~maintain an amortization schedule of no more than thirty years~~ meet
3 the funding period set forth in item (1). Such adjustments may be
4 made without regard to the annual limit increase of one-half of one
5 percent of earnable compensation provided pursuant to subsection
6 (B), ~~but the differential in the employer and employee contribution~~
7 ~~rates provided in subsection (A) or subsection (B), as applicable, of~~
8 ~~this section must be maintained at the rate provided in the schedule~~
9 ~~for the applicable fiscal year.~~ Participating employers must be
10 notified of any contribution rate increase required by this item by
11 July first of the fiscal year preceding the fiscal year in which the
12 increase takes effect.

13 (D)(1) After June 30, ~~2015~~ 2027, if the most recent annual
14 actuarial valuation of the system shows a ratio of the actuarial value
15 of system assets to the actuarial accrued liability of the system (the
16 funded ratio) that is equal to or greater than ~~ninety eighty-five~~
17 percent, then the board, effective on the following July first, may
18 decrease the then current employer and employee contribution rates
19 in equal amounts upon making a finding that the decrease will not
20 result in a funded ratio of less than ~~ninety eighty-five~~ percent. ~~Any~~
21 ~~decrease in contribution rates must maintain the 5.0 percent~~
22 ~~differential between employer and employee contribution rates~~
23 ~~provided pursuant to subsection (B) of this section.~~

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

39 (E) When there is no longer an unfunded actuarial accrued
40 liability (UAAL) of the system as determined by the annual actuarial
41 valuation, all new employees must participate in a defined
42 contribution retirement plan.”

43

1 SECTION 3. Section 9-16-335 of the 1976 Code, as added by Act
2 278 of 2012, is amended to read:

3
4 “Section 9-16-335. (A) For all purposes of this title, the assumed
5 annual rate of return on the investments of the Retirement System
6 must be established by the General Assembly pursuant to this
7 section. Effective July 1, ~~2012~~ 2017, the assumed annual rate of
8 return on retirement system investments is seven ~~and one-half~~ and
9 one quarter percent.

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

26
27 Part II

28
29 Public Employee Benefit Authority

30
31 SECTION 4. Section 9-4-10 of the 1976 Code, as added by Act
32 278 of 2012, is amended to read:

33
34 “Section 9-4-10. (A) Effective July 1, 2012, there is created the
35 South Carolina Public Employee Benefit Authority. The sole
36 governing body of the authority is a board of directors consisting of
37 eleven members. The functions of the authority must be performed,
38 exercised, and discharged under the supervision and direction of the
39 board of directors.

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

41 (a) three nonrepresentative members appointed by the
42 Governor;

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

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

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

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

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

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

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

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

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

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

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

37 (i) taxation;

38 (ii) insurance;

39 (iii) health care;

40 (iv) securities;

41 (v) corporate;

42 (vi) finance; or

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

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

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

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

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

13 (E) Members of the board shall serve for terms of two four years
14 and until their successors are appointed and qualify, except that the
15 terms of the board members appointed by the Governor on July 1,
16 2016, expire on June 30, 2018, the terms of the nonrepresentative
17 board members appointed by members of the General Assembly on
18 July 1, 2016, expire on June 30, 2019, and the terms of the
19 representative board members appointed by members of the General
20 Assembly on July 1, 2016, expire on June 30, 2020. Vacancies must
21 be filled within sixty days in the manner of original appointment for
22 the unexpired portion of the term. Terms commence on July first of
23 even numbered years expire after June thirtieth of the year in which
24 the term is due to expire. Upon a member's person's appointment,
25 the appointing official shall certify to the Secretary of State that the
26 appointee meets or exceeds the qualifications set forth in
27 subsections (B) and (C). No A person appointed may not qualify
28 unless he first certifies that he meets or exceeds the qualifications
29 applicable for their appointment. A member serves at the pleasure
30 of the member's appointing authority may be removed before the
31 term expires only by the Governor for the reasons provided in
32 Section 1-3-240(C). A member may not be appointed to serve more
33 than two consecutive four-year terms, except that a member of the
34 board who has five or more years of consecutive service on the
35 board at the expiration of his term, beginning July 1, 2016, may not
36 be appointed to serve for more than one additional consecutive
37 four-year term.

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

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

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

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

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

- 31 (1) Employee Insurance Program; and
- 32 (2) the Retirement Division.

33 (J) The board shall employ an executive director who will serve
34 at the pleasure of the board. The executive director is the chief
35 administrative officer of the authority as an agency and is charged
36 with the affirmative duty to carry out the mission, policies, and
37 direction of the board as established by the board. The executive
38 director is delegated all the authority of the board necessary,
39 reasonable, and prudent to carry out the operation and management
40 of the authority as an agency and to implement the board's decisions
41 and directives. The executive director shall employ the other
42 professional, administrative, and clerical personnel he determines
43 necessary to support the administration and operation of the

1 authority and fix their compensation pursuant to an organizational
2 plan approved by the authority.

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

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

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

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

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

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

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

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

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

33 (3) The authority may insure a fiduciary or itself against
34 liability or losses occurring because of a breach of duty under this
35 section.

36 (4) A fiduciary may insure against personal liability or losses
37 occurring because of a breach of duty under this section if the
38 insurance is purchased or provided by the individual fiduciary, but
39 a fiduciary who obtains insurance pursuant to this section shall
40 disclose all terms, conditions, and other information relating to the
41 insurance policy to the authority.

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

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

“Section 9-4-40. ~~Each year in the general appropriations act, the General Assembly shall appropriate sufficient funds to the Office of the State Inspector General to~~ Every four years the State Auditor shall 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~~ State Auditor. ~~The~~ A report from the previous fiscal year the private audit firm must be completed by January ~~fifteenth~~ 15, 2019, and every four years after that time. 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. Section 9-1-240 of the 1976 Code is amended to read:

“Section 9-1-240. The board shall designate an actuary, subject to the approval of the State Fiscal Accountability Authority or its successor, who ~~shall be~~ is the technical advisor of the board on matters regarding the operation of the system and shall perform such other duties as are required in connection therewith, provided, however, that the Retirement System Investment Commission is a third-party beneficiary of the contract with the actuary, with full rights to all actuarial valuations prepared by the actuary. The board shall provide to the State Fiscal Accountability Authority or its successor actuarial valuations and reports requested.”

Part III

Retirement System Investment Commission

SECTION 7. Section 9-16-10(4) of the 1976 Code, as last amended by Act 153 of 2005, is further amended by adding an appropriately lettered subitem to read:

“() is the commission’s chief executive officer.”

1 SECTION 8. Section 9-16-30 of the 1976 Code, as last amended
2 by Act 153 of 2005, is further amended by adding an appropriately
3 lettered subsection to read:

4
5 “() The commission shall cast shareholder proxy votes that are
6 in keeping with its fiduciary duties that are consistent with the best
7 interest of the trust fund and most likely to maximize shareholder
8 value.”

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

12
13 “(B) In addition to the quarterly reports provided in subsection
14 (A), the commission shall provide an annual report to the State
15 Fiscal Accountability Authority, Revenue and Fiscal Affairs Office,
16 and the Executive Budget Office, the Speaker of the House of
17 Representatives, members of the House of Representatives or
18 Senate, but only upon their request, the President Pro Tempore of
19 the Senate, and other appropriate officials and entities of the
20 investment status of the retirement systems. The report must
21 contain:

22 (1) a description of a material interest held by a trustee,
23 fiduciary, or an employee who is a fiduciary with respect to the
24 investment and management of assets of the system, or by a related
25 person, in a material transaction with the system within the last three
26 years or proposed to be effected;

27 (2) a schedule of the rates of return, net of total investment
28 expense, on assets of the system overall and on assets aggregated by
29 category over the most recent one-year, three-year, five-year, and
30 ten-year periods, to the extent available, and the rates of return on
31 appropriate benchmarks for assets of the system overall and for each
32 category over each period;

33 (3) a schedule of the sum of total investment expense,
34 manager fees and expenses, and ~~total~~ general administrative expense
35 for the fiscal year expressed as a percentage of the fair value of
36 assets of the system on the last day of the fiscal year, and an
37 equivalent percentage for the preceding five fiscal years; ~~and~~

38 (4) a schedule of the net manager fees and expenses for each
39 asset class for the fiscal year, including the total amount of manager
40 fee and expense for each asset class and the amount of manager fee
41 and expense for each asset class divided into the amounts
42 attributable to management fees, performance fees or carried
43 interest, and other expenses charged to the managed investment

1 vehicle. The amount of manager fees and expenses must be
2 expressed in total, and in each category of fee and expense, as a
3 dollar amount and a percentage of the fair value of assets of the
4 system on the last day of the fiscal year. The schedule also must
5 include the net investment return for each asset class. In addition to
6 being included in the annual report required by this subsection, the
7 schedule of manager fees and expenses required by this item also
8 must be published in a conspicuous location on the commission's
9 website; and

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

16 (6) a schedule of investment decisions that have been
17 delegated from the commission to the chief investment officer to
18 include the name, asset class, asset value, fees paid, and
19 performance since inception by manager.

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

22
23 SECTION 10. Section 9-16-315 of the 1976 Code, as last
24 amended by Act 278 of 2012, is further amended to read:

25
26 “Section 9-16-315. (A) There is established the ‘Retirement
27 System Investment Commission’ (RSIC) consisting of ~~seven~~ eight
28 members, seven of which have voting privileges, as follows:

29 (1) ~~one~~ two member members appointed by the Governor,
30 one of which is an active member of the South Carolina Retirement
31 System, Police Officers Retirement System, the Judges and
32 Solicitors Retirement System, or the National Guard Retirement
33 System;

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

35 (3) one member appointed by the Comptroller General;

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

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

40 (6) one member who is a retired member of the retirement
41 system South Carolina Retirement System, Police Officers
42 Retirement System, Judges and Solicitors Retirement System, or
43 National Guard Retirement System. This representative member

1 must be appointed by unanimous vote of the voting members of the
2 commission; and

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

5 ~~(B) The State Treasurer may appoint a member to serve in his~~
6 ~~stead. A member appointed by the State Treasurer shall serve for a~~
7 ~~term coterminous with the State Treasurer and must possess at least~~
8 ~~one of the qualifications provided in subsection (E). Once~~
9 ~~appointed, this member may not be removed except as provided in~~
10 ~~subsection (C) In making appointments, the appointing authorities~~
11 ~~shall select members who are representative of the racial, gender,~~
12 ~~and geographical diversity of the State.~~

13 ~~(C) Except as provided in subsection (B), members~~ Members
14 shall serve for terms of five four years and until their successors are
15 appointed and qualify, except that of those first appointed, the
16 appointees of the Comptroller General and the Chairman of the
17 Senate Finance Committee shall serve for terms of three years and
18 the appointee of the Chairman of the Committee on Ways and
19 Means and the representative appointee shall serve for terms of one
20 year. Except for the Executive Director of the South Carolina Public
21 Employee Benefit Authority, a person appointed may not serve until
22 the appointing official certifies to the Secretary of State that the
23 appointee meets or exceeds the qualifications set forth in
24 subsections (D) and (E). A person appointed may not qualify unless
25 he first certifies that he meets or exceeds the qualifications
26 applicable for his appointment. Terms are deemed to expire after
27 June thirtieth of the year in which the term is due to expire. Members
28 are appointed for a term and may be removed before the term expires
29 only by the Governor for the reasons provided in Section
30 1-3-240(C). A member may not be appointed to serve more than two
31 consecutive full four-year terms. A member serving a second or
32 greater term, beginning July 1, 2016, may not serve an additional
33 consecutive four-year term upon the expiration of his term pursuant
34 to the provisions of this subsection. A member who has served for
35 ten or more years as of July 1, 2017, may complete the term for
36 which he was appointed but may not be reappointed to the
37 commission.

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

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

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

3 (2) ~~the~~ at least twelve years as a Certified Financial Planner
4 ~~credential of-credentialed by~~ the Certified Financial Planner Board
5 of Standards;

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

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

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

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

23 (7) the Certified Internal Auditor credential of The Institute
24 of Internal Auditors;

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

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

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

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

41 (G) The commission shall employ a chief executive officer who
42 serves at the pleasure of the commission. The chief executive officer
43 is the chief administrative officer of the commission as an agency

1 and is charged with the affirmative duty to carry out the mission,
2 policies, and direction of the commission as established by the
3 commission. The chief executive officer is delegated the authority
4 of the commission necessary, reasonable, and prudent to carry out
5 the operation and management of the commission as an agency and
6 to implement the commission's decisions and directives.
7 Notwithstanding Section 9-16-30, the chief executive officer may
8 execute on behalf of the commission any documents necessary to
9 implement a final decision to invest.

10 ~~(H)(1)~~ To assist the commission in its investment function, it ~~The~~
11 chief executive officer shall employ a chief investment officer, ~~who~~
12 ~~under the direction and supervision of the commission, and as its~~
13 ~~agent. The chief investment officer shall develop and maintain~~
14 ~~annual investment plans and invest and oversee the investment of~~
15 ~~retirement system funds subject to the oversight of the chief~~
16 ~~executive officer. The chief investment officer serves at the pleasure~~
17 ~~of the commission and must receive the compensation the~~
18 ~~commission determines appropriate.~~

19 (2) ~~The commission may~~ chief executive officer shall employ
20 the other professional, administrative, and clerical personnel ~~it~~ he
21 determines necessary to support the administration and operation of
22 the commission and fix their compensation pursuant to an
23 organizational plan approved by the commission. All employees of
24 the commission are employees at will and serve at the pleasure of
25 the chief executive officer. The compensation of the chief executive
26 officer, chief investment officer, and other employees of the
27 commission is not subject to the state compensation plan.

28 (I) Notwithstanding Section 1-7-170, the commission, in
29 consultation with the Attorney General, may engage, on a fee basis,
30 attorneys necessary to exercise its exclusive authority to invest and
31 manage the retirement system's assets. The commission shall
32 establish policies and procedures for the retention of attorneys
33 pursuant to this subsection and shall notify the Attorney General of
34 the terms and conditions of a representation upon engagement. The
35 commission shall provide quarterly reports to the Attorney General
36 on attorneys retained, hourly rates, and estimated maximum fees,
37 which he shall monitor for reasonableness and to ensure consistency
38 with the terms and conditions of the representation.

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

42 (2) ~~Effective beginning July 1, 2012,~~ Each commission
43 member, ~~not including~~ except for the Executive Director of the

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

14
15 SECTION 11. Section 9-16-330 of the 1976 Code, as last
16 amended by Act 153 of 2005, is further amended to read:

17
18 “Section 9-16-330. (A) The commission shall provide the chief
19 executive officer and the chief investment officer with a statement
20 of general investment objectives. The commission ~~shall~~ also shall
21 provide the chief executive officer and the chief investment officer
22 with a statement of actuarial assumptions developed by the system's
23 actuary and approved by the board. The commission shall review
24 the statement of general investment objectives annually for the
25 purpose of affirming or changing it and advise the chief executive
26 officer and the chief investment officer of its actions. The retirement
27 system shall provide the commission, ~~and~~ its chief executive officer
28 and chief investment officer that data or other information needed
29 to prepare the annual investment plan.

30 (B)(1) Notwithstanding Section 9-16-30(A), the commission's
31 statement of general investment objectives may include a delegation
32 to the chief investment officer of the final authority to invest an
33 amount not to exceed:

34 (a) two percent of the total value of portfolio assets for each
35 investment, if the investment is in assets that are publicly tradeable
36 and the investment provides for liquidity in ninety days or less; or

37 (b) one percent of the total value of portfolio assets for each
38 investment, if the investment is in assets that are not publicly
39 tradeable or the investment's liquidity provision is greater than
40 ninety days.

41 (2) Any final authority delegated to the chief investment officer
42 pursuant to this subsection must be exercised subject to the
43 oversight of the chief executive officer. The closing documentation

1 of an investment made pursuant to this delegation must include the
2 chief executive officer's certification that the investment conforms
3 to the amount and the extent of the delegation. Any authority
4 exercised pursuant to this section must be exercised in a manner
5 consistent with the limitations imposed by this section and
6 investments may not be divided into smaller amounts in order to
7 avoid these limitations. The commission must be notified of an
8 investment made pursuant to any delegated authority within three
9 business days of the investment's closing and the investment must
10 be reviewed with the commission at its next regularly scheduled
11 meeting. The commission may amend, suspend, or revoke the
12 delegation of the final authority to invest at any time and may place
13 stricter limits on any delegated authority than those provided in this
14 subsection.

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

- 18 (1) general operational and investment policies;
- 19 (2) investment objectives and performance standards;
- 20 (3) investment strategies, which may include indexed or
21 enhanced indexed strategies as the preferred or exclusive strategies
22 for equity investing, and an explanation of the reasons for the
23 selection of each strategy;
- 24 (4) industry sector, market sector, issuer, and other
25 allocations of assets that provide diversification in accordance with
26 prudent investment standards, including desired rates of return and
27 acceptable levels of risks for each asset class;
- 28 (5) policies and procedures providing flexibility in
29 responding to market contingencies;
- 30 (6) procedures and policies for selecting, monitoring,
31 compensating, and terminating investment consultants, equity
32 investment managers, and other necessary professional service
33 providers; ~~and~~
- 34 (7) methods for managing the costs of the investment
35 activities; and
- 36 (8) a detailed description of the amount and extent of the final
37 authority to invest made by the commission pursuant to subsection
38 (B).

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

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

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

3 (E) Before the implementation of delegation of final investment
4 authority from the commission to the chief investment officer, the
5 commission's external investment consultant shall provide an
6 analysis of the extent of investment authority delegation in other
7 public pension funds, including resulting investment performance,
8 and recommendations regarding policy parameters to govern
9 investment authority delegation. The analysis and
10 recommendations must be completed and provided to the
11 commission before the implementation of delegation of final
12 investment authority to the chief investment officer."

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

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

30
31 SECTION 13. Article 1, Chapter 16, Title 9 of the 1976 Code is
32 amended by adding:

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

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

1 by, or serving for the benefit of or on behalf of, an external manager
2 or an investment fund managed by an external manager, and who
3 acts or has acted for compensation as a finder, solicitor, marketer,
4 consultant, broker, or other intermediary in connection with making
5 an investment with or investing in a fund managed by the external
6 investment manager.

7 (C) The commission may not invest in any asset or with any
8 entity in which a commissioner or his immediate family has any
9 interest. This subsection does not apply to publicly traded
10 securities.”

11

12

Part IV

13

14

Administration of Retirement System Funds

15

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

18

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

37

38 SECTION 15. Section 9-1-1320 of the 1976 Code is amended to
39 read:

40

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

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

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

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

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

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

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

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

23 24 Part V

25 26 Miscellaneous and Time Effective

27
28 SECTION 16. Section 1-3-240(C)(1) of the 1976 Code, as last
29 amended by Act 275 of 2016, is further amended by adding
30 appropriately lettered subitems to read:

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

35 () South Carolina Public Benefit Authority members.”

36
37 SECTION 17. Section 9-16-50(A) of the 1976 Code, as last
38 amended by Act 153 of 2005, is further amended to read:

39
40 “(A) In investing and managing assets of a retirement system
41 pursuant to Section 9-16-40, the commission:

42 (1) shall consider among other circumstances:

43 (a) general economic conditions;

1 (b) the possible effect of inflation or deflation;
2 (c) the role that each investment or course of action plays
3 within the overall portfolio of the retirement system;
4 (d) needs for liquidity, regularity of income, and
5 preservation or appreciation of capital; and
6 (e) the adequacy of funding for the plan based on
7 reasonable actuarial factors;

8 (2) shall diversify the investments of the retirement system
9 unless the commission reasonably determines that, because of
10 special circumstances, it is clearly prudent not to do so;

11 (3) shall make a reasonable effort to verify facts relevant to
12 the investment and management of assets of a retirement system;
13 and

14 (4) may invest in any kind of property or type of investment
15 consistent with this chapter and Section 9-1-1310

16 ~~(5) may consider benefits created by an investment in~~
17 ~~addition to investment return only if the commission determines that~~
18 ~~the investment providing these collateral benefits would be prudent~~
19 ~~even without the collateral benefits.”~~

20
21 SECTION 18. Sections 9-4-45, 9-8-170, 9-9-160, 9-10-80, and
22 9-11-250 of the 1976 Code are repealed.

23
24 SECTION 19. This act takes effect on July 1, 2017.

25 ----XX----

26