

Explanation of S527

Section 1 - (Page 2, Line 38) Defines who holds assets.

- Names PEBA and RSIC as co-trustees and eliminates the Budget and Control Board as a trustee. PEBA holds the fund in a group trust and RSIC invests those funds.

Section 2A - (Page 3, Line 16) Defines Custodian as PEBA and assigns choice of Custodial Bank to RSIC.

- RSIC has exclusive authority to select custodial bank and PEBA is a third party beneficiary with full rights to information.

Section 2B - (Page 3, Line 31) Deletes separate references to Treasurer as Custodial Banker for JSRS, PORS & GARS.

- §9-8-170 (1) is Judges and Solicitors Retirement System, §9-9-160(1) is General Assembly Retirement System, §9-10-80(A) is National Guard Retirement System, §9-11-250(1) is Police Officers Retirement System.

Section 3A - (Page 3, Line 34) PEBA Board membership changes and definition of Executive Director of PEBA.

- Decreases the number of appointments by the Governor from 3 to 2 to accommodate the addition of the Executive Director of RSIC as a voting member (membership stays at nine voting members).
- Expands the term of appointment from two years to five years.
- Staggers the terms with Gubernatorial appointee terms expiring 6/30/16, non-representative members appointed by General Assembly expiring 6/30/17 and representative members appointed by the General Assembly expiring 6/30/18.
- States that members may be removed only for cause by the Governor.
- Members are limited to serving two terms.
- Exempts the Executive Director of RSIC from receiving \$12K.
- Requires PEBA to meet quarterly versus monthly.
- PEBA Board employs an Executive Director who serves at the pleasure of the Board.
- PEBA Board and Executive Director are named as fiduciaries.
- PEBA must develop a model procurement code in the same way as local governments.

Section 4 - (Page 7, Line 41) PEBA budget.

- PEBA budget authorization uses FY15-16 as a base and allows up to a 10% increase in each successive year. Funds are transferred from the respective trust accounts to an expenditure account in the Treasurer's Office. The transfers are pro rata from the various systems.

Section 5 - (Page 9, Line 7) Rotation of fiduciary audit of PEBA.

- Sets a rotation for the PEBA fiduciary audit for every four years with the next audit scheduled for FY19-20.

Section 6 - (Page 9, Line 23) Deletes reference to allowed administrative costs for PEBA and deletes reference to policy decisions of the PEBA Board being subject to approval by the Budget and Control Board.

Section 7 - (Page 9, Line 26) Adds the executive directors of PEBA and RSIC as fiduciaries.

Section 8 - (Page 10, Line 1) Defines signature process and authority for disbursements by RSIC and defines RSIC budget.

- RSIC budget authorization uses FY15-16 as a base and allows up to a 10% increase in each successive year. Funds are transferred from the respective trust accounts to an expenditure account in the Treasurer's Office. The transfers are pro rata from the various systems.

Section 9 - (Page 11, Line 1) RSIC Board membership and executive director.

- Requires the Treasurer to appoint a member rather than serve himself.
- Reforms existing retiree representative by directing the Governor appoint a member who is retired or active from PORS, JSRS or NGRS.
- Add a new member who is an SCRS retiree appointed by the Senate President Pro Tempore.
- Add a new member who is an SCRS active appointed by the House Speaker.
- Members are limited to two five year terms and members serving on 6/30/15 may serve one more full term.
- Requires Certified Financial Planners to also have twelve years professional experience.
- Adds as a qualifying characteristic a certified Chartered Alternative Investment Analyst.
- Adds as a qualifying characteristic twelve years experience in financial management of pensions or insurance plans.
- Adds as a qualifying characteristic twelve years experience as a certified public accountant with financial management, pension or insurance audit experience.
- Defines the role of the RSIC Executive Director and sets his duties. Changes the model so that the Executive Director employs the Chief Investment Officer.
- Requires the Executive Director to submit a budget to the RSIC before May 1st of each year with same information provided to the Chairmen of the Senate Finance Committee and the House Ways and Means Committee.
- All employees serve at the pleasure of the Executive Director.
- The Commission may engage attorneys on a fee basis for investment and management of assets.

Section 10 - (Page 15, Line 13) Role of executive director at RSIC.

- Adds the term "Subject to the oversight of the Executive Director" in the CFO's development of the annual investment plan.

Section 11 - (Page 15, Line 25) Role of executive director at RSIC.

- Further defines the role of the Executive Director in the development of the annual investment plan.

Section 12 - (Page 15, Line 41) Assumed rate of return.

- The assumed rate of return expires 7/1/16 and every four years thereafter. By 1/1/16 PEBA must submit a proposed annual rate of return which is developed in consultation with its actuary and Commission as well as submitted to the Chairmen of the Senate Finance Committee and House Ways and Means Committee. If the General Assembly fails to enact a joint resolution to enact a rate of return, the submitted rate stands.

Section 13 - (Page 16, Line 22) Role of executive director at RSIC.

- Further defines the role of the Executive Director.

Section 14 - (Page 17, Line 1) Rotation of fiduciary audit at RSIC.

- Sets a rotation for the RSIC fiduciary audit for every four years with the next audit scheduled for FY18-19.

Section 15 - (Page 17, Line 17) Exempts RSIC and PEBA from the Procurement Code.

Section 16 - (Page 17, Line 23) Provides that the act takes effect upon approval by the Governor (Section 3B, 3C, and 3D which address PEBA and RSIC membership composition to take effect on July 1, 2016).