

**SC PUBLIC EMPLOYEE BENEFIT AUTHORITY  
BOARD OF DIRECTORS MEETING**

Wednesday, August 20, 2014 1:00 p.m. MINUTES APPROVED 9.10.14  
200 Arbor Lake Drive, Columbia SC, 29201

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**Board Members Present:**

Chairman Art Bjontegard  
Vice Chairman Joe "Rocky" Pearce  
Mr. Audie Penn  
Sheriff Leon Lott (via telephone)  
Mr. Frank Fusco  
Mr. Steve Matthews  
Mr. David Tigges  
Mr. Steve Heisler

**Board Members Absent:**

Mr. John Sowards  
Ms. Stacy Kubu

**Others present for all or a portion of the meeting:**

Peggy Boykin, Gwen Bynoe, Megan Lightle, Heather Muller, John Page, Stephen Van Camp, and Justin Werner from the South Carolina Public Employee Benefit Authority (PEBA); Wayne Pruitt and Donald Tudor with the State Retirees Association; Daniel Brennan from the South Carolina Office of the State Treasurer; Gantt Taylor from Capital Consultants; Sherri Browning from McNair Law Firm; Will Kinney from Milliken Law Firm; Joe Mack and Robert Kniceley from Prudential; and Katie Brennan from Catamaran.

**1. CALL TO ORDER**

Chairman Art Bjontegard called the PEBA Board of Director's (Board) meeting to order at 1:00 p.m., and stated that the public meeting notice was posted in compliance with the Freedom of Information Act.

**2. ADOPTION OF PROPOSED AGENDA**

Chairman Bjontegard asked for amendments to the proposed Board meeting agenda. There being no amendments, Mr. Steve Heisler made a motion, which was seconded by Mr. Steve Matthews, and passed unanimously, to adopt the agenda as presented.

**3. APPROVAL OF MEETING MINUTES – JULY 16, 2014 AND JULY 24, 2014**

Chairman Bjontegard asked for a motion to adopt the July 16, 2014, and July 24, 2014, meeting minutes. Mr. Matthews made a motion, which was seconded by Mr. Heisler, and approved unanimously, to adopt the July 16, 2014, and July 24, 2014, meeting minutes as presented.

**4. CEM BENCHMARK**

Chairman Bjontegard introduced Mr. John Page, Director of Internal Audit, to discuss the CEM Benchmark. Mr. Page stated that CEM Benchmarking Inc. performed a defined benefit administration benchmarking analysis for the South Carolina Retirement Systems (SCRS) for fiscal year 2013, and SCRS would like to engage CEM Benchmarking Inc. again for fiscal year

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2014. Mr. Page stated that CEM is the best available independent provider of objective and actionable benchmarking information for large public pension plans. Mr. Page added that management would like to have more than one year of recent benchmarking information available for decision-making and audit purposes.

Mr. Heisler made a motion, which was seconded by Mr. Penn, and approved unanimously, to engage CEM Benchmarking Inc. to perform benchmarking analysis for SCRS.

**5. PROPERTY UPDATE**

Ms. Peggy Boykin, PEBA's Executive Director, provided an update on a comprehensive independent consultant's facilities assessment report. Ms. Boykin stated that this report identified five building repair projects that need immediate attention. Ms. Boykin advised that a portion of the general budget has been dedicated for building repairs; however, because of the significant expense of the projects, General Services, the Budget and Control Board, and possibly the Joint Bond Review Committee (JBRC) will need to approve the projects, which will be a time consuming process.

The Board expressed its concern for staff's health and well being. It was noted that the Board supported recommendations to begin the procurement process for contractors to handle extensive repairs to the 202 Arbor Lake Drive building that will eliminate multiple problems and help improve staff's work environment.

**6. LEGISLATIVE INITIATIVES AND ACTION PLAN**

Ms. Boykin updated the Board on an agreement between the State Treasurer's Office, and Bank of New York Mellon (BONY), regarding the separation of securities lending revenue from custody fees, and how that agreement impacts the PEBA budget.

Ms. Boykin detailed several legislative initiatives that were key components from last year's legislative session, including moving to a quarterly Board meeting schedule. Ms. Boykin suggested that the Committees continue to meet each month, and the Board move to a comprehensive quarterly meeting, with brief meetings in between to satisfy statutory requirements. Ms. Boykin stated that other legislative initiatives include Board term limits, staggered terms for Board members, and minor conforming and clean-up language.

Ms. Boykin also advised that the agreement between Catamaran and the Board to address the independent pharmacy issues could be nullified with the current proviso that requires the State Health Plan to reimburse all pharmacies participating in the network on an equal basis effective January 1, 2015. Ms. Boykin stated that she has met with the Governor's Office and the Budget and Control Board to inform them that the current proviso conflicts with the reached agreement, and further legislation may need to be pre-filled to revoke the current proviso.

Chairman Bjontegard asked each Committee to put any relevant legislative requests on their next meeting agenda for approval.

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**7. COMMITTEE REPORTS**

**A. HEALTH CARE POLICY COMMITTEE**

Mr. Pierce reported that the Health Care Policy Committee met earlier in the morning, which included a review of the Medical University of South Carolina (MUSC) Patient Centered Medical Home (PCMH) pilot project, and the Healthy Rewards program. Mr. Pearce stated that no action is needed at this time, but there will be a recommendation to present at the September 10, 2014, Board meeting.

Mr. Pearce thanked the members of the Wellness Research Strategy Team for their continuing efforts and dedication to the Healthy Rewards program.

**B. RETIREMENT POLICY COMMITTEE**

Mr. David Tigges reported that the Retirement Policy Committee did not meet in August.

Mr. Tigges stated that he recently attended the National Association of State Retirement Administrators (NASRA) conference in Asheville, North Carolina. Mr. Tigges was very complementary of the conference speakers which included a variety of investment and fiduciary audit topics.

Chairman Bjontegard reminded the Board of their continuing education requirements.

**FINANCE, ADMINISTRATION, AUDIT AND COMPLIANCE (FAAC) COMMITTEE**

Mr. Steve Matthews stated that the FAAC Committee did not meet in August, and the next meeting will be September 2, 2014.

**8. OLD BUSINESS/DIRECTOR'S REPORT**

Ms. Boykin provided the Director's Report, and stated that Mr. Steve Osborne, Vice-President for Business Affairs at the College of Charleston, will replace her seat on the Board, and will be in attendance at the next Board meeting on September 10, 2014.

Ms. Boykin advised that a Catamaran change order agreement was reached between Catamaran and PEBA, which will allow the independent pharmacies to retroactively receive reimbursements.

Ms. Boykin added that the Fiduciary Audit is expected to begin October 1, 2014, and Mr. Page, Director of Internal Audit, will be assisting in gathering preliminary information in advance of the audit.

Ms. Boykin reported that there are a number of staffing and resource issues that need to be addressed by the Board, and that key operational staff will divide their time between the upcoming Fiduciary Audit, the Health and Wellness Initiatives, and the legal appeals process. Ms. Boykin stated that she will continue to utilize the resources that are available in the most effective manner. Ms. Boykin reported that there are approximately 20 full-time equivalent (FTE's) vacancies, and that four positions were posted last week.

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Ms. Boykin advised the Board that the Accountability Report is due September 15, 2014.

Chairman Bjontegard provided an opportunity for roundtable discussion, and reminded the Board that that next Board meeting has been moved to September 10, 2014.

**9. EXECUTIVE SESSION**

At 2:00 p.m., Mr. Heisler made a motion, which was seconded by Mr. Penn, and passed unanimously, to recede into executive session to discuss legal and personnel matters pursuant to S.C. Code Ann. § 30-4-70.

The Board reconvened in open session at 2:38 p.m. Chairman Bjontegard announced that no action was taken by the Board while in executive session.

**10. ADJOURNMENT**

There being no further business, and upon motion by Mr. Matthews, which was seconded by Mr. Fusco, and approved unanimously, the Board meeting adjourned at 2:40 p.m.

# **SC Public Employee Benefit Authority - Board of Directors**

200 Arbor Lake Drive, Columbia SC, 29223 2<sup>nd</sup> Floor Conference Room

PEBA's Mission: To recommend, offer and administer competitive programs of retirement and insurance benefits for SC public employers, employees and retirees.

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**Wednesday, August 20, 2014 - 1:00 p.m.**

## **AGENDA**

- 1. Call to Order**
- 2. Adoption of Proposed Agenda**
- 3. Approval of Meeting Minutes- July 16, 2014 and July 24, 2014**
- 4. CEM Benchmark**
- 5. Property Update**
- 6. Legislative Initiatives and Action Plan**
- 7. Committee Reports**
  - a. Health Care Policy Committee**
  - b. Retirement Policy Committee**
  - c. Finance, Administration, Audit and Compliance (FAAC) Committee**
- 8. Old Business**
  - a. Director's Report**
  - b. Roundtable Discussion**
- 9. Executive Session to Discuss Personnel Matters (if necessary)  
(Pursuant to SC Code of Laws §30-4-70)**
- 10. Adjournment**

### **NOTICE OF PUBLIC MEETING**

This notice is given to meet the requirements of the S.C. Freedom of Information Act and the Americans with Disabilities Act. Furthermore, this facility is accessible to individuals with disabilities, and special accommodations will be provided if requested in advance.

# S.C. PUBLIC EMPLOYEE BENEFIT AUTHORITY

## MEMORANDUM

Date: August 13, 2014  
To: PEBA Board of Directors  
From: John E. Page  
Subject: **CEM Benchmarking, Inc.**

Please recall that CEM performed a Defined Benefit Administration Benchmarking Analysis for the Retirement Division (SCRS) for fiscal year 2013 and Jan Hartford presented her company's findings at the PEBA Board's retreat last February 28th.

SCRS would like to engage CEM Benchmarking, Inc. again for fiscal year 2014 for the following reasons:

1. CEM is the best available independent provider of objective and actionable benchmarking information for large public pension plans. They specialize in peer group and best practice benchmarking of administrative costs and services - and they are considered to be the standard in their industry.
2. CEM was part of the Inspector General's fiduciary audit of the Retirement System Investment Commission (RSIC). They provided an independent cost effectiveness study that was used by the fiduciary auditors and quoted several times in the auditor's report.
3. CEM provided administrative benchmarking services to SCRS several times from 2003 to 2009, but only one time since...in 2013. Management would like to have more than one year of recent benchmarking information available for decision-making and audit purposes.

The cost for this service for 2014 will be \$45,000.

Thank you for considering.

Please let me know if you would like more information.

Date: August 19, 2014

To: Peggy Boykin, Executive Director PEBA

From: David Burgis, Director of Administration

Regarding: Funding for Major Facilities Maintenance and Repairs for FY 2014-15

Based upon a comprehensive independent consultant's report Facilities Management would like to pursue the following projects immediately:

- **HVAC Water Source Heat Pump Replacement** – Replace aging and unreliable water source HVAC units. Estimated cost \$489,100. Approval to fund this project and award a contract can take 9 to 12 months. \*(3)
- **Computer Room HVAC Replacement** – Replace three aging single-fan condensing units and the computer room/server air conditioners. Estimated cost \$120,000. Approval to fund this project and award a contract can take 4 to 7 months. \*(2)
- **Penthouse (Utility shed on roof) Wall Repair** – Replace flashing surrounding the mechanical area of the roof to avoid further damage. Estimate cost \$11,000. Approval to fund this project and award a contract can take 3 to 4 months. \*(1)
- **Roof Replacement in Mechanical Enclosure** – Install walkway mats on the roof for personnel to access mechanical equipment. Estimated cost 5,000. Approval to fund this project and award a contract can take 3 to 4 months. \*(1)
- **17,000 Square Feet of Carpet Replacement**. We are asking to replace the carpet in the entire building as it is past its service life. Estimated cost \$342,500. Approval to fund this project and award a contract can take 9 to 12 months. \*(3)

Not mentioned in the consultant's report, but is a part of PEBA's business continuity plan:

**Generator for IT Server Room** The Data Center UPS (Uninterruptible Power Supply), only provides a 2 hour window of power thereby allowing IT to shut systems down so as not to experience potential data loss or hardware failure. The capacity of the UPS does not extend beyond this initial phase of any power outage. A generator allows PEBA to mitigate any long-term power outage. The installation of an appropriately sized generator will allow for continued data center operations until power is restored this will supply sufficient power levels to sustain the data center's servers and other devices, lighting, as well as the air conditioning units for cooling the equipment. Cost \$272,650.00. Project initialized February 2014 scheduled for funding consideration by Budget and Control Board October 14, 2014. Installation start date estimated February/March 2015.

Also not included in the consultant's report or the budget a long standing deferred maintenance issue:

- **Caulk and Seal Windows and Install new Flashing.** Sections of windows on the Southwest side of 202 Arbor Lake Drive periodically leak during times of heavy rains and high winds. Repairs have been made to half of the affected area and the balance need to be repaired as well. Estimated Cost \$75,000. Approval to fund a project and the solicitation of bids can take 3 to 4 months to start a project.

\*Three levels of projects:

1. Projects less than \$100,000 (GS-1) do not need to go through the capital improvement budgeting process. Approval to fund this project and award a contract can take 3 to 4 months.
2. Projects greater than \$100,000 but less than \$250,000 must to go through the capital improvement process, require approval by the Capital Budgeting Unit, but not the Joint Bond Review Committee and the Budget and Control Board. Approval to fund this project and award a contract can take 4 to 7 months.
3. Projects greater than \$250,000 must go through the capital improvement process require approved by the Capital Budgeting Unit, the Joint Bond Committee and the Budget and Control Board. Approval to fund this project and award a contract can take 9 to 12 months.

\*\*Once the funding for a project is approved and established the funding can be used to complete the project over a period of several fiscal years.

**South Carolina General Assembly**  
120th Session, 2013-2014

Download [This Bill](#) in Microsoft Word format

~~Indicates Matter Stricken~~

Indicates New Matter

**S. 954**

**STATUS INFORMATION**

General Bill

Sponsors: Senators Courson and Leatherman

Document Path: I:\council\bills\bbm\10988htc14.docx

Introduced in the Senate on January 21, 2014

Last Amended on March 11, 2014

Currently residing in the Senate

Summary: S.C. Public Employee Benefit Authority

**HISTORY OF LEGISLATIVE ACTIONS**

Date	Body	Action Description with journal page number
1/21/2014	Senate	Introduced and read first time ( <a href="#">Senate Journal-page 6</a> )
1/21/2014	Senate	Referred to Committee on <b>Finance</b> ( <a href="#">Senate Journal-page 6</a> )
3/5/2014	Senate	Committee report: Favorable with amendment <b>Finance</b> ( <a href="#">Senate Journal-page 18</a> )
3/6/2014		Scrivener's error corrected
3/11/2014	Senate	Committee Amendment Adopted ( <a href="#">Senate Journal-page 25</a> )
3/12/2014	Senate	Read second time ( <a href="#">Senate Journal-page 40</a> )
3/12/2014	Senate	Roll call Ayes-41 Nays-0 ( <a href="#">Senate Journal-page 40</a> )

View the latest [legislative information](#) at the website

**VERSIONS OF THIS BILL**

[1/21/2014](#)

[3/5/2014](#)

[3/6/2014](#)

[3/11/2014](#)

(Text matches printed bills. Document has been reformatted to meet World Wide Web specifications.)

~~Indicates Matter Stricken~~

Indicates New Matter

COMMITTEE AMENDMENT ADOPTED

March 11, 2014

**S. 954**

Introduced by Senators Courson and Leatherman

S. Printed 3/11/14--S.

Read the first time January 21, 2014.

**A BILL**

TO AMEND SECTION [9-4-10](#), CODE OF LAWS OF SOUTH CAROLINA, 1976, RELATING TO THE ESTABLISHMENT, ORGANIZATION, MEMBERSHIP, AND DUTIES OF THE SOUTH CAROLINA PUBLIC EMPLOYEE BENEFIT AUTHORITY (PEBA), SO AS TO NUMBER PEBA BOARD SEATS, TO PROVIDE FOR THREE-YEAR TERMS FOR PEBA BOARD MEMBERS, TO STAGGER THE TERMS OF PEBA BOARD MEMBERS, TO PRESCRIBE QUARTERLY PEBA BOARD MEETINGS, AND TO PROVIDE THAT ALL OF PEBA'S ACTIVITIES ARE CARRIED OUT UNDER THE SUPERVISION OF AN EXECUTIVE DIRECTOR APPOINTED BY THE PEBA BOARD; TO AMEND SECTION [1-11-710](#), AS AMENDED, RELATING TO THE STATE INSURANCE PLAN, SO AS TO REQUIRE THE STATE BUDGET AND CONTROL BOARD TO APPROVE THE STATE HEALTH PLAN BY AUGUST FIFTEENTH OF EACH YEAR; TO AMEND SECTION [1-11-770](#), AS AMENDED, RELATING TO THE SOUTH CAROLINA 211 NETWORK, SO AS TO UPDATE A REFERENCE; TO AMEND SECTIONS [9-1-1135](#), [9-8-185](#), [9-9-175](#) AND [9-11-265](#), ALL AS AMENDED, ALL RELATING TO THE PAYMENT OF INTEREST ON INACTIVE RETIREMENT ACCOUNTS, SO AS TO PAY INTEREST ON INACTIVE ACCOUNTS IN THE VARIOUS RETIREMENT SYSTEMS IF A MEMBER IS PROHIBITED FROM WITHDRAWING THE MEMBER'S CONTRIBUTIONS BECAUSE OF ANOTHER PROVISION OF LAW; TO AMEND SECTION [9-1-640](#), AS AMENDED, RELATING TO THE CLASSES OF MEMBERS AND EMPLOYERS IN THE SOUTH CAROLINA RETIREMENT SYSTEM (SCRS), SO AS TO REFLECT CLASS THREE MEMBERSHIP IN SCRS; TO AMEND SECTION [9-1-1850](#), AS AMENDED, RELATING TO SERVICE CREDIT PURCHASES IN SCRS, SO AS TO CLARIFY THAT THE STATUTE ALLOWING THE ESTABLISHMENT OF THREE YEARS OF SERVICE CREDIT APPLIES TO CLASS TWO SCRS MEMBERS ONLY; TO AMEND SECTION [9-1-1770](#), AS AMENDED, RELATING TO THE SCRS DEATH BENEFITS, SO AS TO CONFORM THE INCIDENTAL DEATH BENEFITS STATUTE WITH NEW CLASS THREE ELIGIBILITY PROVISIONS IN SCRS; TO AMEND SECTION [9-1-10](#), AS AMENDED, RELATING TO SCRS DEFINITIONS, SO AS TO PROVIDE A DEFINITION FOR "EFFECTIVE DATE OF MEMBERSHIP" IN SCRS; TO AMEND SECTION [9-11-10](#), AS AMENDED, RELATING TO DEFINITIONS FOR THE SOUTH CAROLINA POLICE OFFICERS RETIREMENT SYSTEM (SCPORS), SO AS TO REFLECT CLASS THREE MEMBERSHIP IN SCPORS AND TO PROVIDE A DEFINITION OF "EFFECTIVE DATE OF MEMBERSHIP"; TO AMEND SECTION [9-11-40](#), AS AMENDED, RELATING TO SCPORS MEMBERSHIP, SO AS TO PROVIDE FOR CLASS THREE SERVICE IN SCPORS AND TO CLARIFY THAT ANY SCPORS MEMBER WITH AN EFFECTIVE DATE OF MEMBERSHIP AFTER JUNE 30, 2012, IS A CLASS THREE MEMBER; TO AMEND SECTION [9-11-210](#), AS AMENDED, RELATING TO SCPORS CONTRIBUTIONS, SO AS TO CLARIFY A REFERENCE TO CLASS ONE SERVICE IN SCPORS; TO AMEND SECTION [1-11-703](#), AS AMENDED, RELATING TO EMPLOYEE AND RETIREE HEALTH INSURANCE, SO AS TO SUBSTITUTE "PEBA" FOR "EMPLOYEE INSURANCE PROGRAM" OR "EIP"; TO

AMEND SECTION [1-11-705](#), RELATING TO THE RETIREE INSURANCE TRUST FUND, SO AS TO SUBSTITUTE "PEBA" FOR REFERENCES TO "EMPLOYEE INSURANCE PROGRAM" AND TO SUBSTITUTE "PEBA'S SELF-FUNDED HEALTH PLANS" FOR "EMPLOYEE INSURANCE PROGRAM"; TO AMEND SECTION [1-11-707](#), RELATING TO THE LONG TERM DISABILITY INSURANCE TRUST FUND, SO AS TO SUBSTITUTE "PEBA" FOR "EMPLOYEE INSURANCE PROGRAM" AND TO SUBSTITUTE "PEBA'S SELF-FUNDED LTD PLANS" FOR "EMPLOYEE INSURANCE PROGRAM"; TO AMEND SECTION [1-11-715](#), RELATING TO INCENTIVE PROGRAMS IN THE EMPLOYEE AND RETIREE HEALTH INSURANCE PLANS, SO AS TO SUBSTITUTE "PEBA" FOR "EMPLOYEE INSURANCE PROGRAM OF THE STATE BUDGET AND CONTROL BOARD" AND "EMPLOYEE INSURANCE PROGRAM"; TO AMEND SECTION [1-11-720](#), AS AMENDED, RELATING TO ENTITIES WHOSE EMPLOYEES AND RETIREES ARE ELIGIBLE TO PARTICIPATE IN THE STATE HEALTH PLAN, SO AS TO SUBSTITUTE "PEBA" FOR "OFFICE OF INSURANCE SERVICES"; TO AMEND SECTION [1-11-725](#), AS AMENDED, RELATING TO THE RATING OF CERTAIN LOCAL GROUPS, SO AS TO SUBSTITUTE "STATE HEALTH PLAN" FOR "STATE EMPLOYEE HEALTH INSURANCE PROGRAM"; TO AMEND SECTION [1-11-730](#), AS AMENDED, RELATING TO ELIGIBILITY TO PARTICIPATE IN THE STATE HEALTH INSURANCE PLANS, SO AS TO SUBSTITUTE "PEBA" FOR "EIP"; TO AMEND SECTION [1-11-740](#), AS AMENDED, RELATING TO OPTIONAL LONG-TERM CARE INSURANCE, SO AS TO SUBSTITUTE "PEBA" FOR "DIVISION OF INSURANCE SERVICES OF THE BOARD"; AND TO AMEND SECTION [1-11-780](#), RELATING TO MENTAL HEALTH INSURANCE, SO AS TO SUBSTITUTE "PEBA'S SELF-FUNDED HEALTH PLANS" FOR THE "STATE EMPLOYEE INSURANCE PROGRAM".

Amend Title To Conform

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

SECTION 1. 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 governing body of the authority is a board of directors consisting of eleven members, each appointed to a specifically numbered seat. 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 nonrepresentative members appointed by the Governor, one to each of Seats 1, 2, and 3;
- (b) two members appointed by the President Pro Tempore of the Senate, one a nonrepresentative member, Seat 4, and one a representative member, Seat 5, 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, Seat 6, and one a representative member, Seat 7, who is a retired member of SCRS;
- (d) two members appointed by the Speaker of the House of Representatives, one a nonrepresentative member, Seat 8, and one a representative member, Seat 9, 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, Seat 10, and one a representative member, Seat 11, who is an active contributing member of SCRS employed by a public school district.

(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)(1) Members of the board shall serve for terms of two years and until their successors are appointed and qualify. However, board seats appointed in Term B as provided in item (4) below shall be appointed for an initial term of three years from July 1, 2014, until June 30, 2017, and until their successors are appointed and qualify.

(2) A member of the board may not serve more than two consecutive terms. A member of the board who has served two consecutive terms may become eligible to serve on the board again after not serving on the board for a two-year term.

(3) Board Seats 1, 2, 4, 7, 8, and 11 are designated as Term A and must be appointed on July 1, 2014, for two-year terms and until their successors are appointed and qualify. Board seats appointed in Term A must be appointed on July first of every subsequent even-numbered year after July 1, 2014.

(4) Board Seats 3, 5, 6, 9, and 10 are designated as Term B and must be appointed on July 1, 2014, for an initial term of three years until June 30, 2017, and until their successors are appointed and qualify. After June 30, 2017, board seats appointed in Term B must be appointed for two-year terms on July 1, 2017, and July first of every subsequent odd-numbered year after July 1, 2017.

(5) Vacancies must be filled within sixty days in the manner of original appointment for the unexpired portion of the term. ~~Terms commence on July first of even numbered years.~~ If an appointing official appoints a board member at a time other than the beginning of a term as set forth in this section, that board member shall serve for the remainder of the unexpired portion of the term for that board seat and until a successor is appointed and qualifies. 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.

(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 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. 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)(1) The functions of the South Carolina Public Employee Benefit Authority must be performed, exercised, and discharged under the supervision and direction of an executive director. The executive director shall act under the supervision and direction of the board.

(2) Effective January 1, 2014, the board shall appoint the executive director.

(I) 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."

SECTION 2. Section [1-11-710](#)(A)(2) of the 1976 Code, as last amended by Act 278 of 2012, is further amended to read:

"(2) ~~approve by August fifteenth~~ of each year a plan of benefits, eligibility, and employer, employee, retiree, and dependent contributions for the next calendar year. The approval of the plan of benefits and contributions for the next calendar year, and any review of that approval pursuant to Section 9-4-45 by the State Budget and Control Board or its successor, must be completed by August fifteenth of each year. The board shall devise a plan for the method and schedule of payment for the employer and employee share of contributions and by July first of the current fiscal year, develop and implement a plan increasing the employer contribution rates of the State Retirement Systems to a level adequate to cover the employer's share for the current fiscal year's cost of providing health and dental insurance to retired state and school district employees. The state health and dental plans must include a method for the distribution of the funds appropriated as provided by law which are designated for retiree insurance and also must include a method for allocating to school districts, excluding EIA funding, sufficient general fund monies to offset the additional cost incurred by these entities in their federal and other fund activities as a result of this employer contribution charge. The funds collected through increasing the employer contribution rates for the State Retirement Systems under this section must be deposited in the SCRHI Trust Fund established pursuant to Section [1-11-705](#). The amounts appropriated in this section shall constitute the state's pro rata contributions to these programs except the State shall pay its pro rata share of health and dental insurance premiums for retired state and public school employees for the current fiscal year;"

SECTION 3. That portion of Section [1-11-770](#)(A) of the 1976 Code before item (1), as last amended by Act 278 of 2012, is further amended to read:

"(A) Subject to appropriations, the General Assembly authorizes the State Budget and Control Board to plan, develop, and implement a statewide South Carolina 211 Network, which must serve as the single point of coordination for information and referral for health and human services. The objectives for establishing the South Carolina 211 Network are to:"

SECTION 4. Section [9-1-1135](#)(B) of the 1976 Code, as last amended by Act 278 of 2012, is further amended to read:

"(B) Notwithstanding subsection (A), interest must not be credited to an inactive member account unless the member is prohibited from withdrawing contributions from the system. For purposes of this subsection, a member account becomes inactive on July first if no contributions were made to the account in the preceding twelve months."

SECTION 5. Section [9-8-185](#)(B) of the 1976 Code, as last amended by Act 278 of 2012, is further amended to read:

"(B) Notwithstanding subsection (A), interest must not be credited to an inactive member account unless the member is prohibited from withdrawing contributions from the system. For purposes of this subsection, a member account becomes inactive on July first if no contributions were made to the account in the preceding twelve months."

SECTION 6. Section [9-9-175](#)(B) of the 1976 Code, as last amended by Act 278 of 2012, is further amended to read:

"(B) Notwithstanding subsection (A), interest must not be credited to an inactive member account unless the member is prohibited from withdrawing contributions from the system. For purposes of this subsection, a member account becomes inactive on July first if no contributions were made to the account in the preceding twelve months."

SECTION 7. Section [9-11-265](#)(B) of the 1976 Code, as last amended by Act 278 of 2012, is further amended to read:

"(B) Notwithstanding subsection (A), interest must not be credited to an inactive member account unless the member is prohibited from withdrawing contributions from the system. For purposes of this subsection, a member account becomes inactive on July first if no contributions were made to the account in the preceding twelve months."

SECTION 8. The first undesignated paragraph of Section [9-1-640](#) of the 1976 Code is amended to read:

"Notwithstanding any other provisions of law governing the system, effective July 1, ~~1964~~ 2012, there shall be two classes of participating employers and ~~two~~ three classes of members. Class One employers shall include all employers who irrevocably elect, by written notification to the board not later than December 31, 1964, to remain, and to have members in their employ remain, under the provisions of the system as in effect on June 30, 1964. Class Two employers shall include all employers who irrevocably elect, by written notification to the board not later than December 31, 1964, to participate, and to have members in their employ participate, under the provisions of the system as amended effective July 1, 1964. Any such notification shall become effective for all purposes as of July 1, 1964. Failure by any employer to file such notification shall be deemed an irrevocable election by the employer to be a Class One employer. In any event, the State shall be a Class Two employer. Members in the employ of a Class One employer shall be Class One members, and members in the employ of a Class Two employer shall be Class Two or Class Three members as applicable. Any employer becoming such on or after July 1, 1964, shall be a Class Two employer. In the event that a member shall transfer, without break in membership, from one class to another, the board shall determine his benefit upon retirement in an equitable manner by uniform rules consistent herewith."

SECTION 9. Section [9-1-1850](#) of the 1976 Code, as last amended by Act 1 of 2001, is further amended to read:

"Section [9-1-1850](#). A Class Two member who has at least twenty-five years of creditable service may elect to receive up to three years of additional service credit as though the additional service credit were rendered by the member as an employee or member upon paying into the member's retirement system, during the ensuing number of years the member wishes to purchase in the manner the Comptroller General shall direct, the employer and employee contributions that would be due for the position that the member presently holds at the salary level in effect during those years. If the

position is consolidated or eliminated after the member's retirement, the member shall pay the employer and employee contributions during the remaining required years at a level equal to what these contributions were for the position before its consolidation or elimination. The member also shall pay the employer and employee cost for health and dental insurance in effect during the ensuing years the member wishes to purchase. The additional service credit qualifies the member for retirement and the member must terminate employment within ninety days after electing the option provided by this section. The salary level of the position the member presently holds, during the ensuing years the member pays the employer and employee contributions, is attributable to the member for purposes of determining the member's average final compensation.

The retirement benefits of the member shall not commence until the time benefits would have been paid when the member had completed twenty-eight years of service.

The option allowed by this section cannot be exercised if the member has purchased nonqualified service pursuant to Section [9-1-1140\(E\)](#).

The option allowed by this section is not available to a Class Three member."

SECTION 10. Section [9-1-1770\(E\)](#) of the 1976 Code, as last amended by Act 176 of 2010, is further amended to read:

"(E)(1) Upon the death of a retired Class One or Two member who is not a retired contributing member after December 31, 2000, there must be paid to the designated beneficiary or beneficiaries, if living at the time of the retired member's death, otherwise to the retired member's estate, a benefit of two thousand dollars if the retired member had ten years of creditable service but less than twenty years, four thousand dollars if the retired member had twenty years of creditable service but less than twenty-eight, and six thousand dollars if the retired member had at least twenty-eight years of creditable service at the time of retirement, if the retired member's most recent employer, before the member's retirement, is covered by the preretirement Death Benefit Program.

(2) Upon the death of a retired Class Three member who is not a retired contributing member, there must be paid to the designated beneficiary or beneficiaries, if living at the time of the retired member's death, otherwise to the retired member's estate, a benefit of two thousand dollars if the retired member had ten years of creditable service but less than twenty years, four thousand dollars if the retired member had twenty years of creditable service but less than thirty years, and six thousand dollars if the retired member had at least thirty years of creditable service at the time of retirement, if the retired member's most recent employer, before the member's retirement, is covered by the preretirement Death Benefit Program."

SECTION 11. Section [9-1-10\(17\)](#) of the 1976 Code, as last amended by Act 153 of 2005, is further amended to read:

"(17) ~~{Reserved}~~ 'Effective date of membership' means the beginning date of any period of employment that constitutes earned service in the system or the beginning date of any period of earned service in a correlated system."

SECTION 12. A. Section [9-11-10\(10\)](#) of the 1976 Code, as last amended by Act 387 of 2000, is further amended to read:

"(10) 'Class ~~one~~ One service' means credited service which is not ~~class two~~ Class Two service or Class Three service."

B. Section 9-11-10 of the 1976 Code, as last amended by Act 69 of 2013, is further amended by adding a new item to read:

"(17A) 'Effective date of membership' means the beginning date of any period of employment that constitutes earned service in the system or the beginning date of any period of earned service in a correlated system."

SECTION 13. Items (3), (7), and (10) of Section 9-11-40 of the 1976 Code, as last amended by Act 77 of 2003, are further amended respectively to read:

"(3) ~~Any~~ An employer participating in the system as of June 30, 1974, which is not participating in the Supplemental Allowance Program may elect as of July 1, 1974, or as of July 1 first of any year thereafter to provide Class Two membership for police officers in its employ and thereby enable them to qualify for benefits based on Class Two service. Any such employer who so elects shall agree to pay the increased rate of employer contributions applicable to Class Two members with respect to police officers in its employ who become Class Two members. The police officers in the employ of any such employer which does not make such election shall be entitled only to the benefits herein provided with respect to Class One service. A member with an effective date of membership after June 30, 2012, is a Class Three member.

(7) Each member shall be classified as either a Class One member, Class Two or a Class ~~Two~~ Three member, as hereinafter provided, and shall make the contributions and be eligible for the benefits provided for his class. Each member who is a participant in the Supplemental Allowance Program as of June 30, 1974, shall be a Class Two member. Any other police officer who became a member prior to July 1, 1974, and who is employed by the State or by an employer which is participating in the Supplemental Allowance Program as of June 30, 1974, or which elects to provide Class Two membership for police officers in its employ may elect by written notice filed with the board within 60 days after July 1, 1974, to become a Class Two member as of said date, provided that any such member who is not in service as of July 1, 1974, may make such election within 60 days after his return to service. Any police officer becoming a member on or after July 1, 1974, who is employed by the State or by an employer which has elected to provide Class Two membership for police officers in its employ shall become a Class Two member. However, a member with an effective date of membership after June 30, 2012, is a Class Three member. Any member employed by an employer whose date of admission is on or after July 1, 1974, ~~shall be is~~ is a Class Two or Class Three member, as applicable. Any member who is not a Class Two or Class Three member ~~shall be is~~ is a Class One member.

(10) Notwithstanding any other provision of law, any county, municipality, or other political subdivision of the State, and any agency or department thereof which is participating in the South Carolina Retirement System with respect to firemen in its employ, may become an employer under the South Carolina Police Officers Retirement System with respect to such firemen by applying to the board for admission to the system and complying with the rules and regulations of the board. Such application shall set forth the requested date of admission which shall be July 1, 1976, or any subsequent July first, next following receipt by the board of such application.

In no event will admission as an employer under this subsection be allowed unless a majority of all persons then employed as firemen by the prospective employer elect irrevocably to become members of the system as of the requested date of admission.

All persons who are employed as firemen by such employer at the date of the employer's admission to the system shall become members as of such date unless, within a period of one month following such date, they shall have filed with the board on a form prescribed by the board a notice of their election not to be covered in the membership and a duly executed waiver of all present and prospective benefits which would otherwise inure to them on account of their participation in the system.

All persons who become employed as firemen by the State or other employer after the employer's date of admission to the system under the provisions of this subsection shall become members, as a condition of their employment.

Notwithstanding the provisions of this subsection, no fireman shall become a member on or after July 1, 1976, unless the member's employer certifies to the system that his service as a fireman requires at least one thousand, six hundred hours a year of active duty and that the member's salary for the service is at least two thousand dollars a year. If in any year after this certification the member does not render at least one thousand, six hundred hours of active duty as a fireman, or if the member does not receive at least two thousand dollars in salary, his membership ceases and the provisions of Section 9-11-100 apply.

Each fireman who becomes a member of the system as provided in this subsection shall be classified as a Class Two or Class Three member, as applicable, and shall make the contributions and be eligible for the benefits provided for Class Two or Class Three members. With respect to his service while a member of the system, any fireman who becomes a member of the system pursuant to this subsection shall be subject to all of the provisions of this article which would be applicable if he were a police officer.

If a fireman is a member of the South Carolina Retirement System at the time he becomes a member of the South Carolina Police Officers Retirement System his membership in the South Carolina Retirement System shall be continued so long as his membership in the South Carolina Police Officers Retirement System continues. Service credited to the member under the provisions of the South Carolina Retirement System shall be considered credited service for the purpose of determining eligibility for benefits, but not the amount thereof, under the South Carolina Police Officers Retirement System. Any benefit under either one of these two correlated systems shall be computed solely on the basis of service and contributions credited under that system, but in determining the member's average final compensation, his compensation received during credited service under both systems shall be taken into account. Such benefits shall be payable at such times and subject to such age and service conditions as provided under the respective systems; provided, however, a member shall not be eligible to receive retirement payments so long as he is employed in a position covered by the South Carolina Retirement System or the South Carolina Police Officers Retirement System. Notwithstanding the above, the disability retirement benefit shall only be paid from and based on the benefit provisions of the system to which the member is contributing at the time of disability and shall be based on the total of his credited service under both systems. The amount of accumulated contributions of such disabled member which is credited to his account under the system to which he is not contributing at the time of disability, shall be transferred to the system from which his disability retirement benefit shall be paid."

SECTION 14. Section 9-11-210(3) of the 1976 Code, is amended to read:

"(3) Any Class Two member, other than a member who makes the election provided in subsection (2) of this section, who has Class One credited service ~~which does not qualify as Class Two service~~ may elect by written notice filed with the board at any time ~~prior to~~ before retirement to establish credit for such service as Class Two service by making a special contribution prior to retirement equal to the excess of (a) five percent of his monthly rate of compensation at the time such contribution is made, over (b) sixteen dollars, multiplied by (c) the number of months of such credited service."

SECTION 15. Items (10) and (14) of Section [1-11-703](#) of the 1976 Code, as last amended by Act 278 of 2012, are further amended respectively to read:

"(10) ~~"Employee insurance program" or "EIP"~~ 'PEBA' means ~~the office of the South Carolina Public Employee Benefit Authority, which operates~~ designated by the board to operate insurance programs pursuant to this article.

(14) 'State health and dental plans' means any insurance program administered by ~~the employee insurance program~~ PEBA pursuant to this article."

SECTION 16. Section [1-11-705](#) of the 1976 Code, as added by Act 195 of 2008, is amended to read:

"Section [1-11-705](#). (A) There is established in the State Treasury separate and distinct from the General Fund of the State and all other funds the South Carolina Retiree Health Insurance Trust Fund (SCRHI Trust Fund) to provide for the employer costs of retiree post-employment health insurance benefits for retired state employees and retired employees of public school districts. Earnings on the SCRHI Trust Fund must be credited to it and unexpended funds carried forward in it to succeeding fiscal years.

(B) The board is the trustee of the SCRHI Trust Fund and the State Treasurer is the custodian of the funds of the SCRHI Trust Fund.

(C) ~~The employee insurance program~~ PEBA shall administer the SCRHI Trust Fund.

(D) ~~The employee insurance program~~ PEBA shall engage actuarial and other services as required to transact the business of the SCRHI Trust Fund. The actuary engaged by ~~the employee insurance program~~ PEBA shall provide technical advice to the board regarding operation of the SCRHI Trust Fund.

(E) Upon recommendations of the actuary, the board shall adopt generally accepted and reasonable actuarial assumptions and methods for the operation and funding of the SCRHI Trust Fund as it considers necessary and prudent. The actuarial assumptions and methods adopted by the board must be appropriate for the purposes at hand and must be reasonable, individually and in the aggregate, taking into account the experience of the plan and reasonable expectations. Utilizing the actuarial assumptions most recently adopted by the board, the actuary engaged by ~~the employee insurance program~~ PEBA shall set the annual actuarial valuations of normal cost, actuarial liability, actuarial value of assets, and related actuarial present values for the SCRHI Trust Fund.

(F) The board may adopt policies and procedures and promulgate regulations as necessary for the proper administration of the SCRHI Trust Fund.

(G)(1) The funds of the SCRHI Trust Fund must be invested and reinvested by the State Treasurer in the manner allowed by law. The State Treasurer shall consult with ~~the employee insurance program~~

~~PEBA and the employee insurance program's~~ PEBA's actuary to develop an annual investment plan for the SCRHI Trust Fund taking into account the cash flow needs of ~~the employee insurance program~~ PEBA's self-funded health plans with regard to payment of the employer share of premiums and claims for covered retirees.

(2) Effective beginning with the first fiscal year after the ratification of an amendment to Section 16, Article X of the Constitution of this State allowing funds in post-employment benefits trust funds to be invested in equity securities, the Retirement System Investment Commission (RSIC) established pursuant to Chapter 16, of Title 9, shall invest and reinvest the funds of the SCRHI Trust Fund as assets of a retirement system are invested. The chief investment officer shall consult with ~~the employee insurance program~~ PEBA and ~~the employee insurance program's~~ PEBA's actuary to develop an annual investment plan for the SCRHI Trust Fund taking into account the cash flow needs of ~~the employee insurance program~~ PEBA's self-funded health plans with regard to payment of the employer share of premiums and claims for covered retirees. After the initial fiscal year the RSIC assumes this investing function, the annual investment plan for the SCRHI Trust Fund must be approved by the commission no later than June first of each year for the fiscal year beginning July first of the same calendar year.

(H) The board annually shall determine the minimum annual required contributions to the SCRHI Trust Fund on an actuarially sound basis in accordance with Governmental Accounting Standards Board Statement No. 45, or any other Governmental Accounting Standards Board statements that may be applicable to the SCRHI Trust Fund.

(I) The board shall fund the SCRHI Trust Fund:

(1) through the employer contributions for the South Carolina Retirement Systems as provided in Section [1-11-710\(A\)\(2\)](#). The total employer contributions collected from the State and school districts for post-employment benefits must be transferred immediately to the SCRHI Trust Fund for investment, reinvestment, and the payment of post-employment benefits;

(2) by transfer of ~~the Employee Insurance Program~~ PEBA as of January thirty-first of each calendar year to the trust fund from ~~the employee insurance program'~~ PEBA's operating account, the cash balance in the operating account in excess of one hundred forty percent of the actuarially-determined IBNR reserves of ~~the state's health plans~~ PEBA's self-funded health plans as of December thirty-first of the preceding year. On May 1, 2008, an initial transfer must take place applicable to the cash balance as of December 31, 2007; and

(3) with funding as authorized by the General Assembly pursuant to Section [1-11-710\(D\)](#).

(J) Each month, ~~the employee insurance program~~ PEBA shall determine the monthly amount of the state-funded employer premium with respect to retired state employees and retired public school district employees who are eligible for state-paid employer premiums pursuant to Section [1-11-730](#), and shall transfer this amount to the operating account from the SCRHI Trust Fund. In addition, ~~the employee insurance program~~ PEBA shall transfer the total cost of post-employment benefits for retirees and their dependents, net of premium contributions made on behalf of retirees and other sources of revenue attributable to retirees, in accordance with Governmental Accounting Standards Board Statements Nos. 43 and 45 and the Implementation Guide.

(K) The funds of the SCRHI Trust Fund may only be used for the payment of employer-provided other post-employment benefits under the terms of the state health and dental plans. The

administrative costs related to the administration of the SCRHI Trust Fund, and the investment and reinvestment of its funds, may be funded from the earnings of the SCRHI Trust Fund.

(L) As a trust, the funds of the SCRHI Trust Fund are not assets of the State or the school districts or their respective agencies. The contributions to the SCRHI Trust Fund are irrevocable and may not revert to the employer except upon complete satisfaction of all liabilities and administrative expenses of the state health and dental plans of other post-employment benefits provided pursuant to the state health and dental plans."

SECTION 17. Section [1-11-707](#) of the 1976 Code, as added by Act 195 of 2008, is amended to read:

"Section [1-11-707](#). (A) There is established in the State Treasury separate and distinct from the General Fund of the State and all other funds the South Carolina Long Term Disability Insurance Trust Fund (LTDI Trust Fund) to provide for the payment of benefits under the state's Basic Long Term Disability Income Benefit Plan. Earnings on the LTDI Trust Fund must be credited to it and unexpended funds carry forward in it to succeeding fiscal years.

(B) The board is the trustee of the LTDI Trust Fund and the State Treasurer is the custodian of the funds of the LTDI Trust Fund.

(C) ~~The employee insurance program~~ [PEBA](#) shall administer the LTDI Trust Fund.

(D) ~~The employee insurance program~~ [PEBA](#) shall engage actuarial and other services as required to transact the business of the LTDI Trust Fund. The actuary engaged by ~~the employee insurance program~~ [PEBA](#) shall provide technical advice to the board regarding operation of the LTDI Trust Fund.

(E) Upon recommendations of the actuary, the board shall adopt generally accepted and reasonable actuarial assumptions and methods for the operation and funding of the LTDI Trust Fund as it considers necessary and prudent. The actuarial assumptions and methods adopted by the board must be appropriate for the purposes at hand and must be reasonable, individually and in the aggregate, taking into account the experience of the plan and reasonable expectations. Utilizing the actuarial assumptions most recently adopted by the board, the actuary engaged by ~~the employee insurance program~~ [PEBA](#) shall set the annual actuarial valuations of normal cost, actuarial liability, actuarial value of assets, and related actuarial present values for the LTDI Trust Fund.

(F) The board may adopt policies and procedures and promulgate regulations as necessary for the proper administration of the LTDI Trust Fund.

(G)(1) The funds of the LTDI Trust Fund must be invested and reinvested by the State Treasurer in the manner allowed by law. The State Treasurer shall consult with ~~the employee insurance program~~ [PEBA](#) and ~~the employee insurance program's~~ [PEBA's](#) actuary to develop an annual investment plan for the LTDI Trust Fund taking into account the cash flow needs of ~~the employee insurance program~~ [PEBA's self-funded LTD plans](#) with regard to payment of the employer share of premiums and claims for covered retirees.

(2) Effective beginning with the first fiscal year after the ratification of an amendment to Section 16, Article X of the Constitution of this State allowing funds in post-employment benefits trust funds to be invested in equity securities, the Retirement System Investment Commission (RSIC) established

pursuant to Chapter 16, of Title 9, shall invest and reinvest the funds of the LTDI Trust Fund as assets of a retirement system are invested. The chief investment officer shall consult with ~~the employee insurance program~~ PEBA and ~~the employee insurance program's~~ PEBA's actuary to develop an annual investment plan for the LTDI Trust Fund taking into account the cash flow needs of ~~the employee insurance program~~ PEBA's self-funded LTD plans with regard to payment of the employer share of premiums and claims for covered retirees. After the initial fiscal year the RSIC assumes this investing function, the annual investment plan for the LTDI Trust Fund must be approved by the commission no later than June first of each year for the fiscal year beginning July first of the same calendar year.

(H) The board annually shall determine the minimum annual required contributions to the LTDI Trust Fund on an actuarially sound basis in accordance with Governmental Accounting Standards Board Statement No. 45, or any other Governmental Accounting Standards Board statements that may be applicable to the LTDI Trust Fund.

(I) The board shall increase the employer contributions used to fund the BLTD Plan by an amount equal to or greater than the minimum annual required contribution for the LTDI Trust Fund as determined in subsection (H) of this section. The increased employer contributions remitted to ~~the employee insurance program~~ PEBA under this subsection must be deposited in the LTDI Trust Fund.

(J) Each month, ~~the employee insurance program shall~~ PEBA transfer to the operating account from the LTDI Trust Fund the amount invoiced by the third-party administrator for the BLTD Plan for payment of LTDI claims, including reasonable expenses associated with claims administration of the BLTD Plan.

(K) The assets of the LTDI Trust Fund may only be used for the payment of the state's claims under the BLTD Plan along with reasonable expenses associated with the operation of the BLTD Plan, and the assets of the LTDI Trust Fund may not be used for any other purpose. The administrative costs related to the administration of the LTDI Trust Fund, and the investment and reinvestment of its funds, must be funded from the earnings of the LTDI Trust Fund.

(L) As a trust, the funds of the LTDI Trust Fund are not assets of the State or the school districts or their respective agencies. The contributions to the LTDI Trust Fund are irrevocable and may not revert to the employer except upon complete satisfaction of all liabilities and administrative expenses of the State Basic Long Term Disability Income Benefit Plan of other post-employment benefits provided pursuant to the State Basic Long Term Disability Income Benefit Plan."

SECTION 18. Section [1-11-715](#) of the 1976 Code, as added by Act 31 of 2011, is amended to read:

"Section [1-11-715](#). ~~The Employee Insurance Program of the Budget and Control Board~~ PEBA is directed to develop and implement, for employees and their spouses who participate in the health plans offered by ~~the Employee Insurance Program~~ PEBA, an incentive plan to encourage participation in programs offered by ~~the Employee Insurance Program~~ PEBA that promote health and the prevention of disease. ~~The Employee Insurance Program~~ PEBA is further directed to implement a premium reduction or other financial incentive, beginning on January 1, 2012, for those employees and their spouses who participate in these programs."

SECTION 19. Section [1-11-720](#)(C) of the 1976 Code is amended to read:

"(C) If an entity participating in the plans pursuant to subsection (A) is delinquent in remitting proper payments to cover its obligations, ~~the board's Office of Insurance Services~~ PEBA shall certify the delinquency to the department or agency of the State holding funds payable to the delinquent entity, and that department or agency shall withhold from those funds an amount sufficient to satisfy the unpaid obligation and shall remit that amount to ~~the Office of Insurance Services~~ PEBA in satisfaction of the delinquency."

SECTION 20. Section [1-11-725](#) of the 1976 Code, as last amended by Act 278 of 2012, is further amended to read:

"Section [1-11-725](#). The board's experience rating of all local disabilities and special needs providers pursuant to Section [1-11-720\(A\)\(3\)](#) must be rated as a single group when rating all optional groups participating in the ~~state employee health insurance program~~ State Health Plan."

SECTION 21. Section [1-11-730\(C\)](#) of the 1976 Code, as last amended by Act 195 of 2008, is further amended to read:

"(C) For employees who participate in the state health and dental plans pursuant to the provisions of Section [1-11-720](#) but who are not members of the State Retirement Systems, one year of full-time employment or its equivalent under their employment relation equates to one year of earned retirement service credit under a state retirement system for purposes of the requirements of subsection (B)(1) and (2) of this section. ~~The EIP~~ PEBA shall implement the provisions of this subsection and make determinations pursuant to it. A person aggrieved by a determination of ~~the EIP~~ PEBA pursuant to this subsection may appeal that determination as a contested case as provided in Chapter 23, of Title 1, the Administrative Procedures Act."

SECTION 22. Section [1-11-740](#) of the 1976 Code, as last amended by Act 278 of 2012, is further amended to read:

"Section [1-11-740](#). ~~The Division of Insurance Services of the board~~ PEBA may develop an optional long-term care insurance program for active and retired members of the various state retirement systems depending on the availability of a qualified vendor. A program must require members to pay the full insurance premium."

SECTION 23. Section [1-11-780](#) of the 1976 Code, as added by Act 76 of 2005, is amended to read:

"Section [1-11-780](#). ~~The State Employee Insurance Program~~ PEBA's self-funded health plans shall continue to provide mental health parity in the same manner and with the same management practices as included in the ~~plan plans~~ beginning in 2002, and ~~is are~~ not under the jurisdiction of the Department of Insurance. The continuation by ~~the State Employee Insurance Program~~ PEBA's self-funded health plans of providing mental health parity in accordance with the ~~plan plans~~ set forth in 2002 constitutes compliance with this act."

SECTION 24. This act takes effect July 1, 2014.

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