

From: Veldran, Katherine
To: Shane Massey <asmlaw30@bellsouth.net>
Date: 4/22/2015 2:20:33 PM
Subject: FW: S.527 - PEBA, et. al.

Senator Massey,

Here's some background. Please read below. FYI

- 4/12 - Bryant said he agrees with the concerns below but there is already an agreement.? And we should have it amended in the House?
- Mike Shealy met with Josh Baker (Policy Director) and James Burns (COS) about these concerns and at that time he said Leatherman would be fine with them?

If you have any questions please let me know.

KV

From: Baker, Josh
Sent: Tuesday, April 14, 2015 5:23 PM
To: Veldran, Katherine
Subject: S.527 - PEBA, et. al.

Katherine,

We have taken a look at S.527 regarding custodian banking, composition of the RSIC and PEBA, procurement, and other issues and only have a few notes/concerns. I have gone back and looked at the Funston report and see that the genesis for these recommendations come from that report, but I think we would still prefer some changes.

Section 3 dilutes the Governor's representation on the board from the current 3 Executive/8 Legislative Appointments to a 2Gov/1RSIC/8Legislative Appointments. I know the intent is to maintain an odd-number, but possible solutions can be:

- o 4 Gov/1RSIC/8 Legislative – this still maintains the majority legislative appointments, which is still something we generally object to, but at least prevents backward movement with respect to gubernatorial representation.
- o 2Gov/1RSIC/4 Legislative;

I don't know that we have strong feelings on the form of the fix and under any circumstance, the report focused far more on opening up the scope of potential candidates for service on the board and the board stepping out of daily operations and returning to an appropriate strategic role than it does on the form of the board itself. Happy to talk about this issue further if you would like.

Section 9 reconstitutes the RSIC and my argument for this is basically the same as the one above. I see the that the intent is to ensure a greater balance of representation across the retirement systems, but don't see a reason to expand legislative representation on the Commission.

- o Current SFAA/BCB (5) plus a board-elected member and non-voting PEBA director.
- o Proposed by S.527: SFAA plus 1 gubernatorial appointment, 2 legislative appointments and a voting PEBA director (legislatively controlled board).

I understand that the goal is to complement giving RSIC voting rights on PEBA by giving PEBA voting rights on the RSIC while maintaining an odd-numbered board, and I don't know that we have a strong feeling on how exactly to reconstitute the board, but would be happy to discuss more balanced representation.

Section 12 creates §9-16-335 (B) places the assumed rate of return on auto-pilot in four-year sets, diverging from the responsibility of reviewing this all-important assumption annually. This seems problematic, but I am open to discussing the rationale and would like to hear any thoughts on this.

Other Issues

Section 4 allows for 10% annual growth in PEBA's budget without and legislative approval; this allows for doubling of the agency's operating budget every 7 years. Is there a clear understanding that PEBA would now exit the appropriation act itself and only a 10% increase would require a request to the Executive Budget Office and other funds oversight? I'm curious as to process here.

Section 8 establishes a process under which the RSIC for determining the size of the Agency's budget that creates possible conflict between 9-16-25 (A) and (B) in years where total assets decline. Is there a rationale behind 66 basis points or was this calculated based on the current asset value and commission budget?

I don't think we have a dog in this, but has the Attorney General weighed-in on §9-16-315 (l)(4) regarding the use of outside counsel. It would be nice to have his sign-off now so we're not surprised later.

I'm a little surprised at the procurement exemption in Section 15, but am under the understanding that this may not persist through the process.

Let me know what I can do to help; I'm available to discuss any time.

Thanks,

Josh

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