



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number: H. 5006
Author: Lucas
Subject: Lobbyists
Requestor: House Ways and Means
RFA Analyst(s): Fulmer and Kokolis
Impact Date: April 5, 2016

Estimate of Fiscal Impact

	FY 2016-17	FY 2017-18
State Expenditure		
General Fund	\$0	\$0
Other and Federal	Undetermined	\$0
Full-Time Equivalent Position(s)	0.00	0.00
State Revenue		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
Local Expenditure	\$0	\$0
Local Revenue	\$0	\$0

Fiscal Impact Summary

The expenditure impact of this bill cannot be determined at this time. The impact, if any, will depend on what steps the Retirement Investment Commission takes in order to reduce the investment fees paid to external managers to one-half of one percent.

Explanation of Fiscal Impact

State Expenditure

This bill would prohibit lobbyists from contacting any member of the Retirement Investment Commission, the executive director, chief investment officer, or staff members of the commission to solicit the investment of funds with any particular entity. It also prohibits investments in a fund managed by an external investment manager if a placement agent receives compensation as a result of the commission's investment. The commission may not invest in any asset or with any entity in which a commissioner has an interest. The bill changes the term for the Public Employee Benefit Authority (PEBA) board from two to five years and changes the frequency of meetings to once every sixty days and at other times set by the board. This bill also adds one additional member to the Retirement System Investment Commission (RSIC), includes a term limit of two five-year terms, and clarifies the required qualifications for commission members. It further directs RSIC to reduce the total amount of the fees paid by the commission by one-half of one percent of the total amount of the assets held by the commission and to continue the annual reduction until the total amount of fees paid by the commission is no more than one-half of one percent of the total assets held by the system. The bill establishes the Review and Oversight Commission on the Retirement Investment Commission and outlines its duties.

Retirement Investment Commission. This bill adds one additional member to the commission, which would increase Other Fund expenditures for mileage and per diem by approximately \$25,000. The expenditure impact, however, for the reduction in investment fees paid to external managers to one-half of one percent of the total amount of assets held by the system cannot be determined at this time. Reducing the total annual fees will require the RSIC to examine various options to in order to decrease fees paid to one-half of one percent. Options may include implementing new management systems for the asset classes currently managed by external managers. This would result in additional Other Fund expenditures for new employees. Another option may involve decreasing the plan's target allocation in alternative classes, which have relatively higher fees but also higher expected investment returns, and increasing the allocation in publicly traded securities, which have comparably lower investment fees and lower expected investment returns. These and other options will require RSIC actions. Due to the uncertainty, the Revenue and Fiscal Affairs Office is unable to determine the expenditure impact of this bill.

Inspector General and State Ethics Commission. These agencies indicate there is no expenditure impact to the General Fund, Federal Funds, or Other Funds.

Governor's Office, the Senate, and the House of Representatives. This bill would have a minimal impact for per diem, mileage, and sustenance, which can be absorbed within current appropriations.

State Revenue

N/A

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director