**A** **BILL**

TO AMEND SECTION 9-1-1815, CODE OF LAWS OF SOUTH CAROLINA, 1976, RELATING TO RETIREMENT ALLOWANCE ADJUSTMENTS, SO AS TO BASE THE ADJUSTMENT ON THE ASSUMED RATE OF RETURN AND THE FIVE-YEAR AVERAGE INVESTMENT RETURN, AND TO PROVIDE THAT THE ADJUSTMENT MAY NOT EXCEED TWO AND ONE-HALF PERCENT.

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

SECTION 1. Section 9‑1‑1815 of the 1976 Code, as added by Act 278 of 2012, is amended to read:

“Section 9‑1‑1815. (A) Effective beginning July 1, ~~2012~~ 2016, and annually thereafter, the retirement allowance received by retirees and their surviving annuitants inclusive of supplemental allowances payable pursuant to the provisions of Sections 9‑1‑1910, 9‑1‑1920, and 9‑1‑1930, ~~must be increased by the lesser of one percent or five hundred dollars.~~ may be increased in the following manner:

(1) For each beneficiary receiving a retirement allowance, the annual retirement allowance adjustment provided pursuant to this section must be equal to the percentage determined by subtracting the assumed annual rate of return on the investments of the assets of the system from the five‑year average investment return of the assets of the system determined as of the last day of the plan year preceding the calendar year in which the adjustment is granted. The adjustment provided pursuant to this section may not exceed two and one‑half percent and may not be less than zero percent. An increase in the retirement allowance for beneficiaries must not occur in any year where the actual rate of return on the investment of the system’s assets for the plan year preceding the calendar year in which the adjustment would be granted was below the assumed annual return on the system’s assets, regardless of the five‑year average investment return.

(2) The ‘five‑year average investment return’ means the average of the investment returns of the most recent five plan years as determined by the board.

(B) Only those retirees and their surviving annuitants in receipt of an allowance on July first preceding the effective date of the increase are eligible to receive the increase. Any increase in allowance granted pursuant to this section must be included in the determination of any subsequent increase.”

SECTION 2. This act takes effect upon approval by the Governor.

‑‑‑‑XX‑‑‑‑