DISCLAIMER

The South Carolina Legislative Council is offering access to the unannotated South Carolina Code of Laws on the Internet as a service to the public. The unannotated South Carolina Code on the General Assembly's website is now current through the 2009 session. The unannotated South Carolina Code, consisting only of Code text and numbering, may be copied from this website at the reader's expense and effort without need for permission.

The Legislative Council is unable to assist users of this service with legal questions. Also, legislative staff cannot respond to requests for legal advice or the application of the law to specific facts. Therefore, to understand and protect your legal rights, you should consult your own private lawyer regarding all legal questions.

While every effort was made to ensure the accuracy and completeness of the unannotated South Carolina Code available on the South Carolina General Assembly's website, the unannotated South Carolina Code is not official, and the state agencies preparing this website and the General Assembly are not responsible for any errors or omissions which may occur in these files. Only the current published volumes of the South Carolina Code of Laws Annotated and any pertinent acts and joint resolutions contain the official version.

Please note that the Legislative Council is not able to respond to individual inquiries regarding research or the features, format, or use of this website. However, you may notify Legislative Printing, Information and Technology Systems at [LPITS@scstatehouse.gov](mailto:LPITS@scstatehouse.net) regarding any apparent errors or omissions in content of Code sections on this website, in which case LPITS will relay the information to appropriate staff members of the South Carolina Legislative Council for investigation.

CHAPTER 1.

SOUTH CAROLINA RETIREMENT SYSTEM

ARTICLE 1.

GENERAL PROVISIONS

**SECTION 9‑1‑10.** Definitions.

As used in this chapter, unless a different meaning is plainly required by the context:

(1) “Accumulated contribution” means the sum of all the amounts deducted from the compensation of a member and credited to the members individual account in the employee annuity savings fund, together with regular interest on the account, as provided in Article 9 of this chapter.

(2) “Active member” means an employee who is compensated by an employer participating in the system and who is making regular retirement contributions to the system.

(3) “Actuarial equivalent” means a benefit of equal value when computed upon the basis of mortality tables adopted by the board and regular interest.

(4) “Average final compensation” with respect to those members retiring on or after July 1, 1986, means the average annual earnable compensation of a member during the twelve consecutive quarters of his creditable service on which regular contributions as a member were made to the system producing the highest such average; a quarter means a period January through March, April through June, July through September, or October through December. An amount up to and including forty‑five days’ termination pay for unused annual leave at retirement may be added to the average final compensation. Average final compensation for an elected official may be calculated as the average annual earnable compensation for the thirty‑six consecutive months before the expiration of the elected official’s term of office.

(5) “Beneficiary” means a person in receipt of a pension, an annuity, a retirement allowance or other benefit provided under the system.

(6) “Board” means the State Budget and Control Board which shall act under the provisions of this chapter through its Division of Retirement Systems.

(7) “Creditable service” means a member’s earned service, prior service, and purchased service.

(8) “Earnable compensation” means the full rate of the compensation that would be payable to a member if the member worked the member’s full normal working time; when compensation includes maintenance, fees, and other things of value the board shall fix the value of that part of the compensation not paid in money directly by the employer.

(9) “Earned service” means:

(a) paid employment as a teacher or employee of an employer participating in the system where the teacher or employee makes regular retirement contributions to the system; or

(b) service rendered while participating in the State Optional Retirement Program, the Optional Retirement Program for Teachers and School Administrators, or the Optional Retirement Program for Publicly Supported Four Year and Postgraduate Institutions of Higher Education that has been purchased pursuant to Section 9‑1‑1140(F); or

(c) service earned as a participant in the system, the South Carolina Police Officers Retirement System, the Retirement System for Members of the General Assembly, or the Retirement System for Judges and Solicitors that is transferred to or purchased in the system.

(10) “Educational service” means paid service as a classroom teacher in a public, private, or sectarian school providing elementary or secondary education, kindergarten through grade twelve.

(11) “Employee” means:

(a) to the extent compensated by this State, an employee, agent, or officer of the State or any of its departments, bureaus, and institutions, other than the public schools, whether the employee is elected, appointed, or employed;

(b) the president, dean, professor, or teacher or any other person employed in any college, university, or educational institution of higher learning supported by and under the control of the State;

(c) an employee, agent, or officer of a county, municipality, or school district, or an agency or department of any of these, which has been admitted to the system under the provisions of Section 9‑1‑470, to the extent the employee, agent, or officer is compensated for services from public funds;

(d) an employee of the extension service and any other employee a part of whose salary or wage is paid by the federal government if the federal funds from which the salary or wage is paid before disbursement become state funds;

(e) an employee of a service organization, the membership of which is composed solely of persons eligible to be teachers or employees as defined by this section, if the compensation received by the employees of the service organization is provided from monies paid by the members as dues or otherwise, or from funds derived from public sources and if the employee contributions prescribed by this title are paid from the funds of the service organization;

(f) an employee of an alcohol and drug abuse planning agency authorized to receive funds pursuant to Section 61‑12‑20;

(g) an employee of a local council on aging or other governmental agency providing aging services funded by the Office on Aging, Office of the Lieutenant Governor.

“Employee” does not include supreme and circuit court judges, any person whose services are remunerated solely by per diem payments, or any person employed by a school, college, or university at which the person is enrolled as a student or otherwise regularly attending classes for academic credit unless the person is employed as a school bus driver and is paid by the same school district in which the person is enrolled in school. In determining student status, the system may consider the guidelines of the Social Security Administration regarding student services and other criteria the system uniformly prescribes.

(12) “Employee annuity” means annual payments for life derived from the accumulated contributions of a member.

(13) “Employee annuity reserve” means the present value of all payments to be made on account of an employee annuity or benefit in lieu of the employee annuity, computed on the basis of mortality tables adopted by the board and regular interest.

(14) “Employer” means this State, a county board of education, a district board of trustees, the board of trustees or other managing board of a state‑supported college or educational institution, or any other agency of this State by which a teacher or employee is paid; the term “employer” also includes a county, municipality, or other political subdivision of the State, or an agency or department of any of these, which has been admitted to the system under the provisions of Section 9‑1‑470, a service organization referred to in item (11)(e) of this section, an alcohol and drug abuse planning agency authorized to receive funds pursuant to Section 61‑12‑20, and a local council on aging or other governmental agency providing aging services funded by the Office on Aging, Office of the Lieutenant Governor.

(15) “Employer annuity” means annual payments for life derived from money provided by the employer.

(16)”Employer annuity reserve” means the present value of all payments to be made on account of an employer annuity or benefit in lieu of the employee annuity, computed on the basis of mortality tables adopted by the board and regular interest.

(17) [Reserved]

(18) “Member” means a teacher or employee included in the membership of the system as provided in Article 5 of this chapter.

(19) “Military service” means:

(a) service in the United States Army, United States Navy, United States Marine Corps, United States Air Force, or United States Coast Guard;

(b) service in the select reserve of the Army Reserve, Naval Reserve, Marine Corps Reserve, Air Force Reserve, or the Coast Guard Reserve, and

(c) service as a member of the Army National Guard or Air National Guard of this or any other state.

(20) “Nonqualified service” means purchased service other than public service, educational service, military service, leave of absence, and reestablishment of withdrawals.

(21) “Prior service” means service rendered as a teacher or employee before July 1, 1945, for which credit is allowable under Article 7 of this chapter.

(22) “Public school” means a school conducted within this State under the authority and supervision of a duly elected or appointed school district board of trustees.

(23) “Public service” means service as an employee of the government of the United States, a state or political subdivision of the United States, or an agency or instrumentality of any of these. “Public service” does not include “educational service” or “military service” as defined in this section. “Public service” does include paid service rendered as an employee of a postsecondary public technical college or public junior college, or a public four‑year or postgraduate institution of higher education, while the member was a student at that institution.

(24) “Purchased service” means service credit purchased by an active member while an employee of an employer participating in the system.

(25) “Regular interest” means interest compounded annually at a rate determined by the board in accordance with Section 9‑1‑280.

(26) “Retirement” means the withdrawal from active service with a retirement allowance granted under the system.

(27) “Retirement allowance” means the sum of the employer annuity and the employee annuity or any optional benefit payable in lieu of the annuity.

(28) “Retirement system” or “system” means the South Carolina Retirement System established under Section 9‑1‑20.

(29) “State” or “this State” means the State of South Carolina;

(30) “Teacher” means a classroom teacher employed in the public schools supported by this State as determined by the board.

**SECTION 9‑1‑20.** South Carolina Retirement System created; System shall have powers and privileges of corporation; purposes of System.

A retirement system is hereby established and placed under the management of the State Budget and Control Board for the purpose of providing retirement allowances and other benefits for teachers and employees of the State and political subdivisions or agencies or departments thereof. The System so created shall have the power and privileges of a corporation and shall be known as the South Carolina Retirement System, and by such name all of its business shall be transacted, all of its funds invested and all of its cash, securities and other property held.

**SECTION 9‑1‑30.** Property of System exempt from taxation.

All property owned or acquired by the Retirement System for the purposes of this chapter shall be exempt from all taxes imposed by the State or any political subdivision thereof.

**SECTION 9‑1‑40.** Penalties for making false statement or record.

Any person who shall knowingly make any false statement or shall falsify or permit to be falsified any record of the System in any attempt to defraud the System as a result of such act shall be guilty of a misdemeanor and, on conviction thereof by any court of competent jurisdiction, shall be punished by a fine not exceeding five hundred dollars or imprisonment in the county jail not exceeding twelve months, or both such fine and imprisonment at the discretion of the court.

**SECTION 9‑1‑50.** Reservation of right to revise System to conform to changes in Federal Social Security Act.

The State hereby reserves the right, in case the Federal Social Security Act be so amended that the members or beneficiaries of the System can be included in the old age and survivors insurance plan provided for in said Federal Act, to revise the System upon a fair and equitable basis so that the members or beneficiaries of the System may be included under the provisions of said Federal Act.

**SECTION 9‑1‑60.** Implementation of “cafeteria” plan.

(A) The System may develop and implement a program for the administration of a flexible benefits or “cafeteria” plan as defined by Section 125 of the Internal Revenue Code of 1986 for all employees covered by the health and dental insurance plan administered by the System. The plan may not decrease contributions paid to or benefits paid by the System.

The South Carolina Department of Highways and Public Transportation is herewith authorized to continue its independent cafeteria or flexible benefits pilot plan and to modify and implement the plan to accomplish maximum available benefits under Internal Revenue Section 125, until such time as the Comptroller General can convert Department of Transportation employees into the state cafeteria plan.

(B) Political subdivisions may develop and implement a program for the administration of a flexible benefits or “cafeteria” plan as defined by Section 125 of the Internal Revenue Code of 1986, as amended, for their employees. The plan may not decrease contributions paid to or benefits paid by the system. For political subdivisions that also participate in the plan adopted pursuant to subsection (A) of this section, any separate cafeteria plan adopted pursuant to this subsection may provide benefits in addition to, but shall not include, the specific types of benefits provided to employees under the plan adopted pursuant to subsection (A) of this section.

(C) An employer or coalition of employers working in concert may develop and implement a program for the administration of a flexible benefits or “cafeteria” plan as defined by Section 125 of the Internal Revenue Code of 1986, as amended, for their employees. The plan may not decrease contributions paid to or benefits paid by the system. For employers or coalition of employers working in concert, that also participate in the plan adopted pursuant to subsection (A) of this section, any separate cafeteria plan adopted pursuant to this subsection may provide benefits in addition to, but shall not include, the specific types of benefits provided to employees under the plan adopted pursuant to subsection (A) of this section.

**SECTION 9‑1‑70.** Repealed by 1990 Act No. 458, Section 2, eff May 3, 1990.

**SECTION 9‑1‑80.** Repealed by 2000 Act No. 387, Part II, Section 67R, eff January 1, 2001.

**SECTION 9‑1‑100.** Payments to beneficiaries may include payments to persons, trustees, and estates.

Payments made to beneficiaries pursuant to the provisions of this chapter may include payments to a person or persons, trustees, and estates.

ARTICLE 3.

ADMINISTRATION

**SECTION 9‑1‑210.** State Budget and Control Board shall administer System.

The general administration and responsibility for the proper operation of the System and for making effective the provisions hereof are hereby vested in the State Budget and Control Board.

**SECTION 9‑1‑220.** Repealed by 2005 Act No. 153, Pt. III Section 5, eff July 1, 2005.

**SECTION 9‑1‑230.** Authority to engage actuarial and other services.

The Board shall engage such actuarial and other services as shall be required to transact the business of the System.

**SECTION 9‑1‑240.** Appointment and duties of actuary.

The Board shall designate an actuary who shall be the technical adviser of the Board on matters regarding the operation of the System and shall perform such other duties as are required in connection therewith.

**SECTION 9‑1‑250.** Investigation and valuation by actuary every five years.

At least once in each five‑year period, the first of which began in 1947, the actuary shall make an actuarial investigation into the mortality, service and compensation experience of the members and beneficiaries of the System and shall make a valuation of the contingent assets and liabilities of the System and the Board, after taking into account the results of such investigations and valuations, shall adopt for the System such mortality, service and other tables as shall be deemed necessary.

**SECTION 9‑1‑260.** Annual valuation by actuary.

On the basis of regular interest and tables last adopted by the Board the actuary shall make an annual valuation of the contingent assets and liabilities of the System.

**SECTION 9‑1‑270.** Board shall keep actuarial data in convenient form.

The Board shall keep in convenient form such data as shall be necessary for actuarial valuation of the contingent assets and liabilities of the System and for checking the experience of the System.

**SECTION 9‑1‑280.** Board shall determine interest rate; base rate established.

The Board shall determine from time to time the rate of regular interest for use in all calculations, with the rate of four per cent per annum applicable unless heretofore or hereafter changed by the Board.

**SECTION 9‑1‑290.** Rules and regulations.

Subject to the limitations hereof, the Board shall, from time to time, establish rules and regulations for the administration of the System and for the transaction of business. The Board shall also, from time to time, in its discretion, adopt rules and regulations to prevent injustices and inequalities which might otherwise arise in the administration of the System.

**SECTION 9‑1‑300.** Records and reports.

The Board shall keep a record of all its proceedings under this chapter, which shall be open to public inspection. It shall publish annually a report showing the fiscal transactions of the System for the preceding year, the amount of the accumulated cash and securities of the System and the last balance sheet showing the financial condition of the System by means of an actuarial valuation of the contingent assets and liabilities of the System.

**SECTION 9‑1‑310.** Administrative costs of retirement systems funded from interest earnings; allocation of costs.

The administrative cost of the South Carolina Retirement System, the South Carolina Police Officers Retirement System, the Retirement System for Members of the General Assembly of the State of South Carolina, the Retirement System for Judges and Solicitors of the State of South Carolina, and the National Guard Retirement System must be funded from the interest earnings of the above systems. The allocation of the administrative costs of the systems must be made by the State Budget and Control Board and must be based upon a proration of the cost in proportion to the assets that each system bears to the total assets of all of the systems for the most recently completed fiscal year.

**SECTION 9‑1‑320.** Confidentiality of member records.

All records of all active, retired, and inactive members maintained by the South Carolina Retirement Systems are classified as confidential records. These records are exempt from the disclosure requirements of Chapter 4 of Title 30, and shall not be disclosed to third parties, except where authorized by the member or where requested by state and federal authorities, and then only at the sole discretion of the director of the South Carolina Retirement Systems.

ARTICLE 5.

MEMBERSHIP IN SYSTEM

**SECTION 9‑1‑410.** Membership generally.

The membership of the System shall be composed as provided in this article.

**SECTION 9‑1‑420.** Certain persons employed after December 31, 1948, are automatically members of System.

All persons who have or shall become teachers or employees after December 31, 1948, except those specifically excluded under Section 9‑1‑450 or those as to whom membership is optional under Sections 9‑1‑510 to 9‑1‑560, have become or shall become members of the System as a condition of their employment.

**SECTION 9‑1‑425.** Contributing member of system.

Notwithstanding any other provision of law, a contributing member of the System shall remain a contributing member while under employment to an employer covered by the System.

**SECTION 9‑1‑430.** Special provision for certain persons employed between April 26, 1945 and December 31, 1966.

All persons who were teachers or State, county or municipal employees on April 26, 1945, or who became such after this date but on or before December 31, 1966, except those specifically excluded under Section 9‑1‑450 and the persons permitted to exercise the option under Sections 9‑1‑510 to 9‑1‑560, became members as of July 1, 1945, or as of the date of last employment, if later, unless on or before December 31, 1948, they filed with the Board on a form prescribed by the Board a notice of their election not to be covered in the membership of the System 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.

**SECTION 9‑1‑440.** Repealed by 2000 Act No. 387, Part II, Section 67R, eff January 1, 2001.

**SECTION 9‑1‑450.** Members of other agency or departmental retirement plans.

Notwithstanding any provisions to the contrary, any teacher or employee who was a member of any other retirement plan or fund in operation on April 26, 1945 under sponsorship of any governmental agency or department shall not be entitled to membership in the System unless on or before July 1, 1946 any such teacher or employee indicated by a notice filed with the Board on a form prescribed by the Board his individual election and choice to participate in the System. If a majority of the members of any such retirement plan or fund so voted all members of that retirement plan or fund became eligible to participate in the System and became members of the System unless within thirty days next succeeding a date named by the Board they elected not to become members.

**SECTION 9‑1‑460.** Discontinuance of certain local plans or funds.

If the majority of the members of a retirement or pension plan or fund voted to enter the System in the manner described in Section 9‑1‑450, the local plan or fund was discontinued and the payment of all pensions to members on the pension roll as of the date of discontinuance became and is an obligation of the city, county or other unit in which the plan or fund was operated and shall be continued and paid by such city, county or other unit.

**SECTION 9‑1‑470.** Political subdivisions may apply for admission to System as employers.

A county, municipality, or other political subdivision of the State, an agency or department of them, including a school board, a service organization as defined in Section 9‑1‑10(11)(e), and any nonprofit corporation created under the provisions of Chapter 35 of Title 33, for the purpose of supplying water and sewer, in its discretion, may become an employer by applying to the board for admission to the system and by complying with the requirements and the regulations of the board.

**SECTION 9‑1‑480.** Employees of political subdivisions as members.

All persons, except those specifically excluded in Sections 9‑1‑450 and 9‑1‑490 and the persons permitted to exercise the option under Sections 9‑1‑510 to 9‑1‑560, who are employed by any county, municipality, or other political subdivision or agency or department of them, any eligible service organization, or any nonprofit corporation created under the provisions of Chapter 35 of Title 33, for the purpose of supplying water and sewer, after the admission of the county, municipality, or other subdivision, agency, or department of them, service organization, or any nonprofit corporation created under the provisions of Chapter 35 of Title 33, for the purpose of supplying water and sewer, into the System under the provisions of this section, shall become members of the System as a condition of their employment. All persons, except those specifically excluded in Section 9‑1‑450 and persons permitted to exercise the option under Sections 9‑1‑510 to 9‑1‑560, who are employed by any county, municipality, or other political subdivision or agency or department of them, by any eligible service organization, or any nonprofit corporation created under the provisions of Chapter 35 of Title 33, for the purpose of supplying water and sewer, at the date of the admission of the county, municipality, or other subdivision or agency or department, or eligible service organization, or any nonprofit corporation created under the provisions of Chapter 35, Title 33, for the purpose of supplying water and sewer, into the System under the provisions of this section become members on the date of the admission, unless within a period of six months next following the admission they 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.

**SECTION 9‑1‑490.** Firemen and peace officers.

A person employed by the State or by any county, municipality or other political subdivision in the capacity of a fireman or a peace officer shall not be required to participate in the Retirement System if such person is or becomes a member of any fireman’s pension fund or plan which may be established or created pursuant to law or the police insurance and annuity fund.

**SECTION 9‑1‑500.** Repealed by 2000 Act No. 387, Part II, Section 67R, eff January 1, 2001.

**SECTION 9‑1‑510.** Option of employees and teachers receiving $100 or less a month; legislators, and certain elected officials.

All employees and teachers having a monthly compensation from public funds of one hundred dollars or less and members of the General Assembly may exercise the option within thirty days after entering upon the discharge of such duties not to become a member of the System. Elected officials who are not fulltime employees and who earn nine thousand dollars annually, or less, may exercise an option not to become members of the system.

**SECTION 9‑1‑520.** Certain members of General Assembly may elect to remain members of System; contributions.

Members of the General Assembly who have been members of the South Carolina Retirement System for at least ten years may elect to remain a member of the System within one year following termination of service in the General Assembly and shall make yearly contributions to the System in an amount equivalent to contributions payable by active members of the General Assembly.

**SECTION 9‑1‑530.** Certain former legislators may elect to remain members following termination of service; contributions; members must establish service and qualify for allowance on or before December 31, 1965.

Members of the General Assembly who have been members of the South Carolina Retirement System and a member of the General Assembly for at least eight years may elect to remain a member of the System within one year following termination of service in the General Assembly and shall make yearly contributions to the System in an amount equivalent to contributions payable by active members of the General Assembly. Such members may establish such service and qualify for a retirement allowance from the Retirement System provided they do so on or before December 31, 1965.

**SECTION 9‑1‑540.** Certain constitutional officers and members of General Assembly may elect, prior to December 31, 1965, to return to System.

Any constitutional officer who has been a member of the South Carolina Retirement System and who has at least ten years of creditable service either as a constitutional officer or as a member of the General Assembly, or a combination of both under the System and who has separated prior to May 28, 1965 may elect to come under the provisions hereof; provided, he makes such election on or before December 31, 1965, and has not withdrawn his contributions from the System. Such constitutional officer shall make yearly contributions to the System in an amount equivalent to contributions payable by active members of the General Assembly.

**SECTION 9‑1‑550.** Option of certain public school employees.

Any teacher or employee employed in connection with the public school pupil transportation system or in connection with any program or activity defined by the Board as being of a nonpermanent nature may exercise an option not to become a member of the System, if such option is exercised within thirty days after entering upon the discharge of his duties in such employment.

**SECTION 9‑1‑560.** Option of day laborers.

Day laborers may exercise an option not to become members of the System, provided they file notice thereof within thirty days after beginning work as such day laborers.

**SECTION 9‑1‑570.** Option of State employees required to become members of Federal Railroad Retirement System.

Any person who becomes an employee of the State and, because of the nature of his employment, is required to become a member of the Federal Railroad Retirement System, may elect to become, or not to become, a member of the South Carolina Retirement System, provided that such option is exercised within thirty days after he enters upon the discharge of the duties of such position.

**SECTION 9‑1‑580.** Option of certain hospital employees.

(A) Any persons employed by a hospital, which is an employer under the system by application, in the capacity of a physician, nursing service personnel, technicians, housekeeping personnel, dietary personnel, and laundry personnel may elect not to become members of the South Carolina Retirement System, if this option is exercised within thirty days after they enter upon the discharge of their duties. The option provided for in this section is irrevocable.

(B) If for any reason, a determination is made that a person who exercised the option provided for in subsection (A) is entitled to any benefit provided pursuant to this title, the cost to establish service credit must be calculated pursuant to Section 9‑1‑1140(A). This calculation must be based on the person’s current salary or career highest fiscal year salary for any period of time the person was employed in a position that otherwise would have been covered by membership in the system, regardless of whether the person requests to purchase all of the eligible service credit. The calculated cost must be paid solely by the person’s employer, the person, or any combination of these.

(C) For purposes of this section, “physician” means a person who is licensed to practice medicine or osteopathy in this State in accordance with Chapter 47, Title 40.

**SECTION 9‑1‑610.** Determination of who is teacher or employee.

In all cases of doubt, the Board shall determine whether any person is a teacher or employee for the purposes of the System.

**SECTION 9‑1‑620.** Effect on members, beneficiaries, their widows or other dependents, of other statutes.

Subject to the provisions of Chapter 5 of this Title, no other provisions of law in any other statute which provides wholly or partly at the expense of the State for annuities, pensions or retirement benefits for teachers or employees of the State, their widows or other dependents, shall apply to members or beneficiaries of the System, their widows or other dependents.

**SECTION 9‑1‑630.** Certain persons may withdraw from System.

The Director of the South Carolina Retirement System is authorized to permit any member of the System who has joined through error or misunderstanding to withdraw from the System.

**SECTION 9‑1‑640.** Employers and members divided into two classes; change from Class One to Class Two.

Notwithstanding any other provisions of law governing the System, effective July 1, 1964, there shall be two classes of participating employers and two 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 members. 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.

Notwithstanding the foregoing, any Class One employer may elect to become a Class Two employer and have employees in its employ participate under the provisions of the System as amended effective July 1, 1964; provided, that such employer and each and every such member shall make such additional contributions to the System, plus regular interest, as would have been required had such employer become a Class Two employer as of July 1, 1964.

Effective July 1, 1976, or any subsequent July first, a Class One employer may elect Class Two coverage on July 1, 1976, or as of July first of any year thereafter. It is mandatory for each Class One employee of any such employer to participate in Class Two coverage from the effective date of the employer election. Upon service retirement, a member shall receive a service retirement allowance equal to the sum of his benefit computed by the Class One formula for service credited under Class One membership and his benefit computed by the Class Two formula for service credited under Class Two membership. A Class One member may convert Class One service to Class Two by paying into the System two and one‑half percent of his earnable compensation, or the average of the highest twelve consecutive quarters, whichever is greater, for each year prorated for periods of less than one year. A member who elects to convert from Class One to Class Two must convert all such service for which eligible.

**SECTION 9‑1‑650.** Continuation of membership in correlated systems.

As used in this section, “correlated system” shall mean one or more of the following:

(1) South Carolina Retirement System;

(2) South Carolina Police Officers’ Retirement System;

(3) Retirement System for members of the General Assembly of the State of South Carolina.

If a member of any correlated system ceases to occupy a position covered under the System and if, within the protective period and under such conditions as are set forth in the correlated system for continuation of membership therein, he accepts a position covered by another correlated system, he shall notify the Director of each System of the employment, and his membership in the first System must be continued so long as his membership in the other System continues. Service credited to the member under the provisions of the first System must be considered service credits for the purpose of determining eligibility for benefits, but not the amount thereof, under the other System. Any benefit under any one of the correlated systems must be computed solely on the basis of service and contributions credited under that System, and must be payable at such times and subject to such age and service conditions as are set forth therein, except the average final salary under either the South Carolina Retirement System or the Police Officers Retirement System may be used for the benefit calculation under both systems for consecutive earned service credit. 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.

**SECTION 9‑1‑660.** Firemen eligible for Police Officers Retirement System; benefits.

Any county, municipality or other political subdivision of the State and any agency or department thereof which has firemen it employs covered under the South Carolina Retirement System may become an employer and have such firemen covered under the South Carolina Police Officers Retirement System by applying for admission to the System on July 1, 1976, or any subsequent July first. A majority of the persons then employed as firemen by the prospective employer must elect irrevocably to become members of the South Carolina Police Officers Retirement System as of the requested date of admission.

Any fireman who is a member of the South Carolina Retirement System and who becomes a member of the South Carolina Police Officers Retirement System as provided in this section shall be continued as a member under the provisions of the South Carolina Retirement System 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 Police Officers Retirement System shall be considered for the purpose of determining eligibility for benefits but not the amount thereof under the South Carolina 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.

For the purposes of this section, “fireman” shall mean any person who receives his salary from an employer and who is required by the terms of his employment, either by election or appointment, to give his time to prevention and control of property destruction by fire. No fireman shall be eligible under this section unless his employer certifies to the System that his service as a fireman will require at least one thousand, six hundred hours per year of active duty and that his salary for such service will be at least two thousand dollars per year.

**SECTION 9‑1‑670.** Members eligible for membership in South Carolina State Employees Credit Union.

Notwithstanding any other provision of law, any person who is eligible to participate in the South Carolina Retirement System shall also be eligible for membership in the South Carolina State Employees Credit Union.

ARTICLE 7.

CREDITABLE SERVICE

**SECTION 9‑1‑810.** Claims for prior service.

Under rules and regulations adopted by the Board, each member who was a teacher or employee at any time prior to July 1, 1945, and who became a member on or before December 31, 1966, was required to file a detailed statement of all service as a teacher or employee rendered by him prior to July 1, 1945, for which he claimed credit.

**SECTION 9‑1‑820.** Verification of service claimed; determination of compensation paid during period of prior service.

Subject to the restrictions herein contained and to such other rules and regulations as the Board may adopt, the Board verified or, if such verifications have not been completed, shall verify, as soon as practicable after the filing of such statements under Section 9‑1‑810, the service therein claimed. In lieu of a determination of the actual compensation of a member that was received during such period of prior service the Board may use for the purpose of the System the compensation rates which, if they had progressed with the rates of salary increase shown in the tables as prescribed in 9‑1‑250, would have resulted in the same average earnable compensation of the member for five years immediately preceding July 1, 1945 as the records show the member actually received.

**SECTION 9‑1‑830.** Prior service certificates.

Upon verification of such statements of service, the Board issued or shall issue prior service certificates certifying to each member the period of service prior to July 1, 1945 with which the member was credited on the basis of his statement of service. So long as membership continues a prior service certificate shall be final and conclusive for retirement purposes as to such service. When membership ceases, such prior service certificate shall become void. Should the teacher or employee again become a member such teacher or employee shall enter the System as a teacher or employee not entitled to prior service credit except as provided in Section 9‑1‑1590.

**SECTION 9‑1‑840.** What constitutes one year of service.

The Board shall fix and determine by appropriate rules and regulations how much service in any year is equivalent to one year of service, but in no case shall more than one year of service be creditable for all services in one year. Service rendered for the regular school year in any district shall be equivalent to one year’s service.

**SECTIONS 9‑1‑850, 9‑1‑860.** Repealed by 2000 Act No. 387, Part II, Section 67R, eff January 1, 2001.

**SECTIONS 9‑1‑850, 9‑1‑860.** Repealed by 2000 Act No. 387, Part II, Section 67R, eff January 1, 2001.

ARTICLE 9.

THREE FUNDS AND COLLECTIONS FOR FUNDS

**SECTION 9‑1‑1010.** Assets to be credited to employee annuity savings fund and employer annuity accumulation fund.

All of the assets of the System are credited, according to the purpose for which they are held, to two bookkeeping accounts, hereinafter referred to as “funds”. The accounts are referred to as the employee annuity savings fund and the employer annuity accumulation fund.

**SECTION 9‑1‑1020.** Employee annuity savings fund; deductions from compensation of members of System; employer to pay required member contributions on earnings after July 1, 1982; tax treatment; funding; retirement treatment.

The employee annuity savings fund shall be the account in which shall be recorded the contributions deducted from the earnable compensation of members to provide for their employee annuities. Each employer shall cause to be deducted from the compensation of each member on each and every payroll of such employer for each and every payroll period four percent of his earnable compensation. With respect to each member who is eligible for coverage under the Social Security Act in accordance with the agreement entered into during 1955 in accordance with the provisions of Chapter 7 of this Title; however, such deduction shall, commencing with the first day of the period of service with respect to which such agreement is effective, be at the rate of three percent of the part of his earnable compensation not in excess of four thousand eight hundred dollars, plus five percent of the part of his earnable compensation in excess of four thousand eight hundred dollars. In the case of any member so eligible and receiving compensation from two or more employers, such deductions may be adjusted under such rules as the Board may establish so as to be as nearly equivalent as practicable to the deductions which would have been made had the member received all of such compensation from one employer. In determining the amount earnable by a member in a payroll period, the Board may consider the rate of annual earnable compensation of such member on the first day of the payroll period as continuing throughout such payroll period and it may omit deduction from earnable compensation for any period less than a full payroll period if a teacher or employee was not a member on the first day of the payroll period.

Each employer shall certify to the Board on each and every payroll or in such other manner as the Board may prescribe the amounts to be deducted and such amounts shall be deducted and, when deducted, shall be credited to said employee annuity savings fund, to the individual accounts of the members from whose compensation the deductions were made.

The rates of the deductions, without regard to a member’s coverage under the Social Security Act, must be the percentage of earnable compensation as provided in the following schedule:

Class One Class Two

Before July 1, 2005 5 6

July 1, 2005 through

June 30, 2006 5.25 6.25

After June 30, 2006 5.50 6.50”

Each department and political subdivision shall pick up the employee contributions required by this section for all compensation paid on or after July 1, 1982, and the contributions so picked up shall be treated as employer contributions in determining federal tax treatment under the United States Internal Revenue Code. For this purpose, each department and political subdivision is deemed to have taken formal action on or before January 1, 2009, to provide that the contributions on behalf of its employees, although designated as employer contributions, shall be paid by the employer in lieu of employee contributions. The department and political subdivision shall pay these employee contributions from the same source of funds which is used in paying earnings to the employee. The department and political subdivision may pick up these contributions by a reduction in the cash salary of the employee.

The employee, however, must not be given the option of choosing to receive the contributed amount of the pick ups directly instead of having them paid by the employer to the retirement system. Employee contributions picked up shall be treated for all purposes of this section in the same manner and to the extent as employee contributions made prior to the date picked up.

Payments for unused sick leave, single special payments at retirement, bonus and incentive‑type payments, or any other payments not considered a part of the regular salary base are not compensation for which contributions are deductible. Contributions are deductible on up to and including forty‑five days’ termination pay for unused annual leave. If a member has received termination pay for unused annual leave on more than one occasion, contributions are deductible on up to and including forty‑five days’ termination pay for unused annual leave for each termination payment for unused annual leave received by the member. However, only an amount up to and including forty‑five days’ pay for unused annual leave from the member’s last termination payment shall be included in a member’s average final compensation calculation.

**SECTION 9‑1‑1030.** Deductions must be made although compensation is thereby reduced below legal minimum; consent to deductions.

The deductions provided for in Section 9‑1‑1020 shall be made notwithstanding that the minimum compensation provided for by law for any member shall be reduced thereby. Every member shall be deemed to consent and agree to the deduction made and provided for in said section and shall receipt for his full compensation, and payment of such compensation less such deduction shall be a full and complete discharge and acquittance of all claims and demands whatsoever for the services rendered by such person during the period covered by such payments, except as to the benefits provided hereunder.

**SECTION 9‑1‑1040.** Repealed by 2000 Act No. 387, Part II, Section 67R, eff January 1, 2001.

**SECTION 9‑1‑1050.** Employer annuity accumulation fund; contributions shall be paid by employers.

The employer annuity accumulation fund shall be the account:

(1) In which shall be recorded the reserves on all employee annuities in force and against which shall be charged all employee annuities and all benefits in lieu of employee annuities;

(2) In which must be recorded all reserves for the payment of all employer annuities and other benefits payable from contributions made by employers and against which is charged all employer annuities and other benefits on account of members with prior service credit; and

(3) In which shall be recorded the reserves on all employer annuities granted to members not entitled to prior service credit and against which such employer annuities and benefits in lieu thereof shall be charged.

There shall be paid to the System and credited to the employer annuity accumulation fund contributions by the employers in an amount equal to a certain percentage of the earnable compensation of each member employed by each employer to be known as the “normal contribution” and an additional amount equal to a percentage of such earnable compensation to be known as the “accrued liability contribution.” The rate per cent of such contributions shall be fixed on the basis of the liabilities of the system as shown by actuarial valuation.

**SECTION 9‑1‑1060.** Normal contribution rate.

On the basis of regular interest and of such mortality and other tables as shall be adopted by the Board, the actuary engaged by the Board to make each annual valuation during the period over which the accrued liability contribution is payable, immediately after making such valuation, shall determine the uniform and constant percentage of the earnable compensation of the average new entrant throughout his entire period of active service which would be sufficient to provide for the payment of any employer annuity payable on his account. The rate per cent so determined shall be known as the “normal contribution rate.” After the accrued liability contribution has ceased to be payable, the normal contribution rate shall be the rate per cent of the earnable compensation of all members obtained by deducting from the total liabilities of the employer annuity accumulation fund the amount of the funds in hand to the credit of that account and dividing the remainder by one per cent of the present value of the prospective future earnable compensation of all members as computed on the basis of the mortality and service tables adopted by the Board and regular interest. The normal rate of contribution shall be determined by the actuary after each valuation.

**SECTION 9‑1‑1070.** Accrued liability contribution rate.

The rate per cent determined immediately after the first valuation by the actuary engaged by the Board as the rate per cent of the total annual earnable compensation of all members which is equivalent to four per cent of the amount of the total employer annuity liability on account of all members and beneficiaries which is not dischargeable by the aforesaid normal contribution made on account of such members during the remainder of their active service shall be known as the “accrued liability contribution rate.” Such rate shall be increased on the basis of subsequent valuations if benefits are increased over those included in the valuation on the basis of which the original accrued liability contribution rate was determined. Upon certification by the actuary engaged by the Board that the accrued liability contribution rate may be reduced without impairing the System, the Board may cause the accrued liability contribution rate to be reduced.

**SECTION 9‑1‑1080.** Minimum contributions to employer annuity accumulation fund.

The total amount payable in each year by each employer for credit to the employer annuity accumulation fund shall not be less than the sum of the rate per cent known as the normal contribution rate and the accrued liability contribution rate of the total earnable compensation of all members during the preceding year. Subject to the provisions of Section 9‑1‑1070, the amount of each annual accrued liability contribution shall be at least three per cent greater than the preceding annual accrued liability payment, and the aggregate payment by employers shall be sufficient, when combined with the amount in the fund, to provide the employer annuities and other benefits payable out of the fund during the year then current.

**SECTION 9‑1‑1090.** Discontinuance of accrued liability contribution.

The accrued liability contribution shall be discontinued as soon as the accumulated reserve in the employer annuity accumulation fund shall equal the present value, as actuarially computed and approved by the Board, of the total liability of such fund less the present value, computed on the basis of the normal contribution rate then in force, of the prospective normal contributions to be received on account of all persons who are at the time members.

**SECTION 9‑1‑1100.** Employer annuities and benefits to be paid from employer annuity accumulation fund.

All employer annuities, and benefits in lieu thereof, must be paid from the employer annuity accumulation fund.

**SECTION 9‑1‑1110.** Obligations of employer annuity accumulation fund.

The maintenance of employee annuity reserves and employer annuity reserves as provided for hereunder and regular interest creditable to the various funds as provided in this article and the payment of all annuities, retirement allowances, refunds, and other benefits granted hereunder, are made obligations of the employer annuity accumulation fund. All income, interest, and dividends derived from deposits and investments authorized hereunder must be used for payment of the obligations of the fund.

**SECTION 9‑1‑1120.** Transfer between funds on return of retired employee to active service.

Should any beneficiary be restored to active service and again become a member under the provisions of Section 9‑1‑1590, his employee annuity reserve shall be transferred from the employer annuity accumulation fund to the employee annuity savings fund and credited to his individual account therein.

**SECTION 9‑1‑1130.** Earnings to be credited to employer annuity accumulation fund.

All interest and dividends earned on the invested assets of the System must be credited to the employer annuity accumulation fund. The Board shall credit regular interest to the individual accounts of members in the employee annuity savings fund and shall transfer the amounts of the credits from the employer annuity accumulation fund. Any interest credited to the individual account of a member in the employee annuity savings fund and not payable to him under the provisions of Section 9‑1‑1650 upon his ceasing to be a teacher or employee except by death or retirement must be transferred from the fund to the employer annuity accumulation fund.

**SECTION 9‑1‑1135.** Interest on member accounts.

Interest shall be credited to the account of each member once each year as of June thirtieth, on the basis of the balance in the account of each member as of the previous June thirtieth. Upon the death, retirement, or termination of a member, interest shall be figured to the end of the month immediately preceding the date of refund or retirement, interest being based on the balance in such member’s account as of the June thirtieth immediately preceding the date of refund or retirement.

**SECTION 9‑1‑1140.** Establishing service credits by making payments into system; career highest fiscal year salary; credits during absences; employer payments; rules and regulations; credits for unused sick leave.

(A) An active member may establish service credit for any period of paid public service by making a payment to the system to be determined by the board, but not less than sixteen percent of the member’s current salary or career highest fiscal year salary, whichever is greater, for each year of credit purchased. A member’s career highest fiscal year salary shall include the member’s salary while participating in the State Optional Retirement Program, the Optional Retirement Program for Teachers and School Administrators, or the Optional Retirement Program for Publicly Supported Four‑Year and Postgraduate Institutions of Higher Education if the member has purchased service rendered under any of these programs pursuant to subsection (F) of this section. Periods of less than a year must be prorated. A member may not establish credit for a period of public service for which the member also may receive a retirement benefit from another defined benefit retirement plan. A member may not establish service credit for public service to the extent such service purchase would violate Section 415 or any other provision of the Internal Revenue Code.

(B) An active member may establish service credit for any period of paid educational service by making a payment to the system determined by the board, but not less than sixteen percent of the member’s current salary or career highest fiscal year salary, whichever is greater, for each year of credit purchased. A member’s career highest fiscal year salary shall include the member’s salary while participating in the State Optional Retirement Program, the Optional Retirement Program for Teachers and School Administrators, or the Optional Retirement Program for Publicly Supported Four‑Year and Postgraduate Institutions of Higher Education if the member has purchased service rendered under any of these programs pursuant to subsection (F) of this section. Periods of less than a year must be prorated. A member may not establish credit for a period of educational service for which the member also may receive a retirement benefit from another defined benefit retirement plan. A member may not establish service credit for educational service to the extent such service purchase would violate Section 415 or any other provision of the Internal Revenue Code.

(C) An active member may establish up to six years of service credit for any period of military service, if the member was discharged or separated from military service under conditions other than dishonorable, by making a payment to the system to be determined by the board, but not less than sixteen percent of the member’s current salary or career highest fiscal year salary, whichever is greater, for each year of credit purchased. A member’s career highest fiscal year salary shall include the member’s salary while participating in the State Optional Retirement Program, the Optional Retirement Program for Teachers and School Administrators, or the Optional Retirement Program for Publicly Supported Four‑Year and Postgraduate Institutions of Higher Education if the member has purchased service rendered under any of these programs pursuant to subsection (F) of this section. Periods of less than a year must be prorated.

(D) An active member on an approved leave of absence from an employer that participates in the system who returns to covered employment within four years may purchase service credit for the period of the approved leave, but may not purchase more than two years of service credit for each separate leave period, by making a payment to the system to be determined by the board, but not less than sixteen percent of the member’s current salary or career highest fiscal year salary, whichever is greater, for each year of credit purchased. A member’s career highest fiscal year salary shall include the member’s salary while participating in the State Optional Retirement Program, the Optional Retirement Program for Teachers and School Administrators, or the Optional Retirement Program for Publicly Supported Four‑Year and Postgraduate Institutions of Higher Education if the member has purchased service rendered under any of these programs pursuant to subsection (F) of this section. Periods of less than a year must be prorated.

(E) An active member who has five or more years of earned service credit may establish up to five years of nonqualified service by making a payment to the system to be determined by the board, but not less than thirty‑five percent of the member’s current salary or career highest fiscal year salary, whichever is greater, for each year of credit purchased. A member’s career highest fiscal year salary shall include the member’s salary while participating in the State Optional Retirement Program, the Optional Retirement Program for Teachers and School Administrators, or the Optional Retirement Program for Publicly Supported Four‑Year and Postgraduate Institutions of Higher Education if the member has purchased service rendered under any of these programs pursuant to subsection (F) of this section. Periods of less than a year must be prorated.

(F) An active member may establish service credit for any period of service in which the member participated in the State Optional Retirement Program, the Optional Retirement Program for Teachers and School Administrators, or the Optional Retirement Program for Publicly Supported Four‑Year and Postgraduate Institutions of Higher Education, by making a payment to the system to be determined by the board, but not less than sixteen percent of the member’s current salary or career highest fiscal year salary, whichever is greater, for each year of credit purchased. A member’s career highest fiscal year salary shall include the member’s salary while participating in the system or in the State Optional Retirement Program, the Optional Retirement Program for Teachers and School Administrators, or the Optional Retirement Program for Publicly Supported Four‑Year and Postgraduate Institutions of Higher Education. Periods of less than a year must be prorated. A member may not establish credit for a period of service for which the member also may receive a retirement benefit from another defined benefit retirement plan. A member may not establish service credit under this subsection to the extent such service purchase would violate Section 415 or any other provision of the Internal Revenue Code. Service purchased under this subsection is ‘earned service’ and counts toward the required five or more years of earned service necessary for benefit eligibility. Compensation earned for periods purchased under this subsection while participating in the State Optional Retirement Program, the Optional Retirement Program for Teachers and School Administrators, or the Optional Retirement Program for Publicly Supported Four‑Year and Postgraduate Institutions of Higher Education shall be treated as earnable compensation and shall be used in calculating a member’s average final compensation. A member purchasing service under this subsection who has funds invested in a TIAA Traditional account under a TIAA‑CREF Retirement Annuity contract shall be eligible to make a plan to plan transfer in accordance with the terms of that contract.

(G) An active member who previously withdrew contributions from the system may reestablish the service credited to the member at the time of the withdrawal of contributions by repaying the amount of the contributions previously withdrawn, plus regular interest from the date of the withdrawal to the date of repayment to the system.

(H) An active member establishing retirement credit pursuant to this chapter may establish that credit by means of payroll deducted installment payments. Interest must be paid on the unpaid balance of the amount due at the rate of the prime rate plus two percent a year.

(I) An employer, at its discretion, may pay to the system all or a portion of the cost for an employee’s purchase of service credit under this chapter. Any amounts paid by the employer under this subsection for all purposes must be treated as employer contributions.

(J) Service credit purchased under this section is not “earned service” and does not count toward the required five or more years of earned service necessary for benefit eligibility except:

(1) earned service previously withdrawn and reestablished;

(2) service rendered while participating in the State Optional Retirement Program, the Optional Retirement Program for Teachers and School Administrators, or the Optional Retirement Program for Publicly Supported Four‑Year and Postgraduate Institutions of Higher Education that has been purchased pursuant to subsection (F); or

(3) service earned as a participant in the system, the South Carolina Police Officers Retirement System, the Retirement System for Members of the General Assembly, or the Retirement System for Judges and Solicitors that is transferred to or purchased in the system.

(K) A member may purchase each type of service under this section once each fiscal year.

(L) The board shall promulgate regulations and prescribe rules and policies, as necessary, to implement the service purchase provisions of this chapter.

(M) At retirement, after March 31, 1991, a member shall receive credit for not more than ninety days of his unused sick leave from the member’s last employer at no cost to the member. The leave must be credited at a rate where twenty days of unused sick leave equals one month of service. This additional service credit may not be used to qualify for retirement.

(N) An employee drawing workers’ compensation who is on a leave of absence for a limited period may voluntarily contribute on his contractual salary, to be matched by the employer.

**SECTION 9‑1‑1150.** Repealed by 2000 Act No. 387, Part II, Section 67R, eff January 1, 2001.

**SECTION 9‑1‑1160.** Collection of members’ contributions; failure to make payroll reports and remittances; employer to pay required member contributions on earnings after July 1, 1982; tax treatment; funding; retirement treatment.

(A) The collection of members’ contributions must be as follows:

Each employer shall deduct on each payroll of a member the contributions payable by the member as provided in this section. The chief fiscal officer of the employer shall draw his warrant for the amount to be deducted, payable to the Retirement System, on a monthly basis, and shall transmit the warrant together with a schedule of the contributions on forms prescribed by the board, which is due in the office of the Retirement System no later than the last day of the month following the close of each month for the preceding month. If any employer fails to do so or arrears exist at any time in making monthly remittances required by this section and by regulations of the board, the monthly compensation of any person or officer of any employer charged with the responsibility of making monthly payroll reports and remittances to the system must be withheld by the employer until all required reports and remittances have been made. The system shall furnish monthly to the disbursing officers of each employer a statement of any failure to make payroll reports and remittances and the names of the persons or officers failing to make the reports and remittances.

A person failing to transmit the contributions deducted in the manner required in this section is guilty of a misdemeanor and, upon conviction, must be fined in the discretion of the court or imprisoned not more than three years, or both.

(B) Each department and political subdivision shall pick up the employee contributions required by this section for all compensation paid on or after July 1, 1982, and the contributions picked up must be treated as employer contributions in determining federal tax treatment under the United States Internal Revenue Code. Each department and political subdivision shall continue to withhold federal income taxes based upon these contributions until the Internal Revenue Service, or the federal courts, rule, pursuant to Section 414(h) of the United States Internal Revenue Code, that these contributions are not included as gross income of the employee until such time as they are distributed or made available. The department and political subdivision shall pay these employee contributions from the same source of funds which is used in paying earnings to the employee. The department and political subdivision may pick up these contributions by a reduction in the cash salary of the employee. Employee contributions picked up must be treated for all purposes of this section in the same manner and to the extent as employee contributions made before the date picked up.

**SECTION 9‑1‑1170.** Collection of employers’ contributions.

The collection of employers’ contributions shall be made as follows:

(1) Upon the basis of each actuarial valuation provided herein the Board shall annually prepare and certify to each employer a statement of the total amount payable by the employer for the ensuing fiscal year to the employer annuity accumulation fund and this amount must be handled and disbursed in accordance with the usual appropriations;

(2) The chief fiscal officer of each employer shall transmit funds which are due in the Retirement System office no later than the last day of the month on account of each employee who is a member of the System an amount sufficient to cover the normal contribution and the accrued liability contribution of each member employed by the employer for the preceding month. Delinquent payments under this section and Section 9‑1‑1160 must be charged interest compounded annually based on the adjusted prime rate charged by banks, rounded to the nearest full percent. The effective date of the adjustment must be based on the twelve‑month period ending March thirty‑first of any calendar year and must be established by April fifteenth for an effective date of the next July first. The adjusted prime rate charged by banks means the average predominant prime rate quoted by commercial banks to large businesses as determined by the Board of Governors of the Federal Reserve System. The adjusted prime rate used must be the adjusted prime rate charged by the bank during March of that year; and

(3) If within ninety days after request by the Board any employer has not provided the System with the records and other information required under this item or if the full accrued amount of the contributions and interest provided for under this section due from members employed by an employer or from an employer other than the State has not been received by the System from the chief fiscal officer of the employer within thirty days after the last due date as provided in this item, then upon notification by the Board to the State Treasurer and Comptroller General as to the default of the employer as provided in this item, any distributions which might otherwise be made to the employer from any funds of the State must be withheld from the employer until notice from the Board to the State Treasurer that the employer is no longer in default.

**SECTION 9‑1‑1175.** Employer contributions.

Effective July 1, 2006, the board shall increase the employer contribution rate for the system by one‑half percent of the earnable compensation of all members employed by an employer participating in the system. The board shall further increase the employer contribution rate by one‑half percent effective July 1, 2007. The employer rate provided in this section also applies to payments for unused annual leave under the circumstances provided in Section 9‑1‑1020. The employer rate provided in this section includes the system’s normal contribution rate and accrued liability contribution rate, but does not include contributions for group life insurance or other benefits that are remitted to the retirement systems. Contributions for group life insurance or other benefits are in addition to the applicable employer contribution rate. After June 30, 2007, the board, in its discretion, may increase or decrease the employer contribution rate set by this section based on the actuarial valuation provided to the board by the system’s actuaries and considering the normal contribution rate determined pursuant to Section 9‑1‑1060 and the accrued liability contribution rate determined pursuant to Section 9‑1‑1070.

**SECTION 9‑1‑1180.** Deductions and employer contributions for teachers and employees of technical training schools.

The deductions authorized hereunder from the earnable compensation of teachers, the payments by employers of teachers of the required percentages of earnable compensation and all retirement allowances or other benefits herein provided shall be calculated upon the full earnable compensation of teachers from public funds derived from any source, and all employers’ contributions for teachers shall be paid by the State. Provided, further, that all employers’ contributions for employees of the various county technical training schools shall be paid by the State, effective July 1, 1962.

Payments for unused sick leave, single special payments at retirement, bonus and incentive‑type payments, or any other payments not considered a part of the regular salary base are not compensation for which contributions are deductible. Contributions are deductible on pay for unused annual leave.

**SECTION 9‑1‑1190.** Board may change accounting methods and procedures of System.

The Board may make such changes in the accounting methods and procedures of the System from time to time as, in its opinion, are in the interest of sound and proper administration.

**SECTION 9‑1‑1200.** Repealed by 2005 Act No. 153, Pt II, Section 5.C, eff July 1, 2006.

**SECTION 9‑1‑1210.** Employer contributions shall reflect cost of Preretirement Death Benefit Program.

Notwithstanding any other provisions of law effective July 1, 1969, the rates of employer contributions shall be revised on the basis of actuarial valuation to reflect the additional cost resulting from the provisions of Section 9‑1‑1770 which added a death benefit provision effective on July 1 1968.

**SECTION 9‑1‑1220.** Repealed by 2005 Act No. 153, Pt II, Section 5.C, eff July 1, 2006.

ARTICLE 11.

MANAGEMENT OF FUNDS

**SECTION 9‑1‑1310.** Trustee of retirement system; investment of funds.

(A) The board is the trustee of the retirement system as “retirement system” is defined in Section 9‑16‑10(8). The Retirement System Investment Commission shall invest and reinvest the funds of the retirement system as “retirement system” is defined in Section 9‑16‑10(8), subject to all the terms, conditions, limitations, and restrictions imposed by Section 16, Article X of the South Carolina Constitution, subsection (B) of this section, and Chapter 16 of this title.

(B) Except where not allowed pursuant to Sections 11 and 16, Article X of the Constitution of this State and Chapter 16 of this title, the funds of the system may be invested in, including, but not limited to, the following:

(1) bonds of this State, other states of the United States, the United States, or any political subdivisions or agencies thereof;

(2) banks and savings and loan institutions;

(3) top‑rated commercial paper;

(4) funds of funds;

(5) foreign certificates of deposit;

(6) short‑term debt;

(7) investment trust securities;

(8) real estate securities;

(9) foreign fixed‑income obligations;

(10) futures and options regulated by the United States Securities and Exchange Commission;

(11) private equity;

(12) domestic and foreign group trusts;

(13) investment vehicles of Federal Deposit Insurance Corporation approved institutions;

(14) bonds of foreign countries designated industrialized by the International Monetary Fund;

(15) collateralized mortgage obligations;

(16) World Bank bonds;

(17) debt of the United States or Canadian corporations;

(18) equipment trust debt;

(19)(a) purchase money mortgages received for real estate;

(b) real property;

(c) exchange traded funds;

(d) American Depository Receipts;

(20) real estate investment trusts; and

(21) investments allowed pursuant to Section 11‑9‑660 and equity investments as allowed pursuant to Section 16, Article X of the Constitution of this State.

(C) The funds and assets of the various state retirement systems are not funds of the State, but are instead held in trust as provided in Section 9‑16‑20.

**SECTION 9‑1‑1320.** Custody and disbursement of funds.

The State Treasurer shall be the custodian of the funds of the System. All payments from such funds shall be made by him only upon vouchers signed by two persons designated by the Board.

**SECTION 9‑1‑1330.** Cash shall be kept available.

For the purpose of meeting disbursements for annuities and other payments there may be kept available cash, not exceeding ten per cent of the total funds of the System, on deposit with the State Treasurer.

**SECTION 9‑1‑1340.** Conflicts of interest and use of funds by commission members or employees.

Except as otherwise provided in this chapter or in Chapters 8, 9, 10, and 11 of this title, no member of or person employed by the Retirement System Investment Commission shall have any direct interest in the gains or profits of any investment made by the commission. No commission member or employee of the commission shall, directly or indirectly, for himself or as an agent in any manner use the funds of the commission except to make such current and necessary payments as are authorized by the board or commission. Nor shall any member or employee of the commission become an endorser or surety or in any manner an obligor for monies loaned or borrowed from the commission.

**SECTION 9‑1‑1350.** Transfers from general fund authorized.

Notwithstanding the amounts annually appropriated as “State Employer Contributions”, the State Treasurer and Comptroller General are hereby authorized and directed to transfer from the general fund of the State to the proper Retirement System Accounts, month by month, during the current fiscal year, such funds as are necessary to comply with the terms of the Retirement Act as amended, with respect to contributions by the State of South Carolina to the Retirement System.

ARTICLE 13.

RETIREMENT AND RETIREMENT BENEFITS

**SECTION 9‑1‑1510.** Retirement of members at age 60 or after 28 years’ service.

A member may retire upon written application to the system setting forth at what time, no more than ninety days before nor more than six months after the execution and filing of the application, the member desires to be retired, if the member at the time specified for the member’s service retirement has:

(1) five or more years of earned service;

(2) attained the age of sixty years or has twenty‑eight or more years of creditable service; and

(3) separated from service.

A member who is an elected official whose annual compensation is less than the earnings limitation pursuant to Section 9‑1‑1790 and who is otherwise eligible for service retirement may retire for purposes of this section without a break in service.

**SECTION 9‑1‑1515.** Early retirement.

(A) In addition to other types of retirement provided by this chapter, a member may elect early retirement if the member:

(1) has five or more years of earned service;

(2) has attained the age of fifty‑five years;

(3) has at least twenty‑five years of creditable service; and

(4) has separated from service.

A member electing early retirement shall apply in the manner provided in Section 9‑1‑1510.

(B) The benefits for a member electing early retirement under this section must be calculated in the manner provided in Section 9‑1‑1550, except that in lieu of any other reduction factor, the member’s early retirement allowance is reduced by four percent a year, prorated for periods less than one year, for each year of creditable service less than twenty‑eight.

(C) A member who elects early retirement under this section is ineligible to receive any cost‑of‑living increase provided by law to retirees until the second July first after the date the member attains age sixty; or the second July first after the date the member would have twenty‑eight years’ creditable service had he not retired, whichever is earlier.

(D)(1) Except as provided in item (2) of this subsection, a member who elects early retirement under this section is not covered by the State Insurance Benefits Plan until the earlier of:

(a) the date the member attains age sixty, or

(b) the date the member would have twenty‑eight years’ creditable service had he not retired.

(2) A member taking early retirement may maintain coverage under the State Insurance Benefits Plan until the date his coverage is reinstated pursuant to item (1) of this subsection by paying the total premium cost, including the employer’s contribution, in the manner provided by the Division of Insurance Services of the State Budget and Control Board.

**SECTIONS 9‑1‑1530, 9‑1‑1535.** Repealed by 2000 Act No. 387, Part II, Section 67R, eff January 1, 2001.

**SECTIONS 9‑1‑1530, 9‑1‑1535.** Repealed by 2000 Act No. 387, Part II, Section 67R, eff January 1, 2001.

**SECTION 9‑1‑1537.** Repealed by 1994 Act No. 308, Section 1, eff March 16, 1994.

**SECTION 9‑1‑1540.** Disability retirement.

Upon the application of a member in service or of his employer, a member in service on or after July 1, 1970, who has had five or more years of earned service or a contributing member who is disabled as a result of an injury arising out of and in the course of the performance of his duties regardless of length of membership on or after July 1, 1985, may be retired by the board not less than thirty days and not more than nine months next following the date of filing the application on a disability retirement allowance if the system, after a medical examination of the member, certifies that the member is mentally or physically incapacitated for the further performance of duty, that the incapacity is likely to be permanent, and that the member should be retired.

The South Carolina Retirement System may contract with the Department of Vocational Rehabilitation to evaluate the medical evidence submitted with the disability application relative to the job being performed and make recommendations to the medical board. The system may approve a disability retirement subject to the member participating in vocational rehabilitation with the Department of Vocational Rehabilitation. Upon determination by the department that a member retired on disability is able to reenter the job market and work is available, the Retirement System may adjust the benefit paid by the System in accordance with Sections 9‑1‑1580, 9‑1‑1590, 9‑9‑60, and 9‑11‑90.

**SECTION 9‑1‑1545.** Election between service retirement and disability retirement; receipt of service retirement pending approval of disability retirement.

A member may submit an application for service retirement and disability retirement. If the member qualifies for service retirement before the application for disability retirement is approved, the member, upon his request, may begin receiving service retirement benefits immediately. If the application for retirement disability is subsequently approved, the member may choose either the service retirement plan or the disability retirement plan.

**SECTION 9‑1‑1550.** Service retirement allowances.

(A) Upon retirement from service on or after July 1, 1964, a Class One member shall receive a service retirement allowance which shall consist of:

(1) an employee annuity which shall be the actuarial equivalent of his accumulated contributions at the time of his retirement; and

(2) an employer annuity equal to the employee annuity allowable at the age of sixty‑five years or at age of retirement, whichever is less, computed on the basis of contributions made prior to the age of sixty‑five years; and

(3) if he has a prior service certificate in full force and effect, an additional employer annuity which must be equal to the employee annuity which would have been provided at age sixty‑five or at age of retirement, whichever is less, by twice the contributions which he would have made during his entire period of prior service had the system been in operation and had he contributed thereunder during such entire period.

Upon retirement from service after December 31, 2000, a Class One member shall receive a service retirement allowance computed as follows: If the member’s service retirement date occurs on or after his sixty‑fifth birthday, or after he has completed twenty‑eight or more years of creditable service, the allowance must be equal to one and forty‑five hundredths percent of his average final compensation multiplied by the number of years of his creditable service.

If the member’s service retirement date occurs before his sixty‑fifth birthday and before he completes twenty‑eight years of creditable service, his service retirement allowance is computed as above, but is reduced by five‑twelfths of one percent thereof for each month by which his retirement date precedes the first day of the month, prorated for periods less than a month, coincident with or next following his sixty‑fifth birthday.

Notwithstanding the foregoing provisions, any Class One member who retires on or after July 1, 1976, shall receive not less than the benefit provided under the formula in effect before July 1, 1976.

(B) Upon retirement from service after December 31, 2000, a Class Two member shall receive a service retirement allowance computed as follows:

(1) If the member’s service retirement date occurs on or after his sixty‑ fifth birthday or after he has completed twenty‑eight or more years of creditable service, the allowance must be equal to one and eighty‑two hundredths percent of his average final compensation, multiplied by the number of years of his creditable service.

(2) If the member’s service retirement date occurs before his sixty‑fifth birthday and before he completes the twenty‑eight years of creditable service, his service retirement allowance is computed as in item (1) above but is reduced by five‑twelfths of one percent thereof for each month, prorated for periods less than a month, by which his retirement date precedes the first day of the month coincident with or next following his sixty‑fifth birthday.

(3) Notwithstanding the foregoing provisions, a Class Two member whose creditable service began before July 1, 1964, shall receive not less than the benefit provided by subsection (A) of this section.

**SECTION 9‑1‑1560.** Allowances upon retirement for disability.

(A) Upon retirement for disability on or after July 1, 1976, a Class One member shall receive a service retirement allowance if he has attained the age of sixty‑five years. Otherwise he shall receive a disability retirement allowance which shall be computed as follows:

(1) Such allowance shall be equal to the service retirement allowance which would have been payable had he continued in service to age sixty‑five based on the average final compensation, minus the actuarial equivalent of the contribution the member would have made during such continued service, with an interest rate of four percent per annum.

(2) Notwithstanding the foregoing provisions, any Class One member whose creditable service commenced prior to July 1, 1976, shall receive not less than the benefit which would have been provided by the provisions of this section in effect immediately prior to July 1, 1976.

(B) Upon retirement for disability on or after May 19, 1973, a Class Two member shall receive a service retirement allowance if he has attained the age of sixty‑five years. Otherwise he shall receive a disability retirement allowance which shall be computed as follows:

(1) Such allowance shall be equal to the service retirement allowance which would have been payable had he continued in service to age sixty‑five based on the average final compensation, minus the actuarial equivalent of the contribution the member would have made during such continued service, with an interest rate of four percent per annum.

(2) Notwithstanding the foregoing provisions, any Class Two member whose creditable service commenced prior to July 1, 1964, shall receive not less than the benefit provided by subsection (A) of this section.

(C) Employees retired on disability subsequent to July 1, 1982, must have their benefits recalculated in accordance with the provisions of item (1) of subsection A and item (2) of subsection B.

(D) Notwithstanding any other provision of this section, upon retirement for disability after October 15, 1992, at any age, a member must receive a disability retirement allowance equal to at least fifteen percent of his average final compensation.

**SECTION 9‑1‑1570.** Reexamination of beneficiaries retired on account of disability; consequences of refusal to submit to reexamination.

Once each year during the first five years following the retirement of a member on a disability retirement allowance and once in every three‑year period thereafter the Board may, and upon his application, require any disability beneficiary who has not yet attained the age of sixty‑five years to undergo a medical examination to be made at the place of residence of the beneficiary or other place mutually agreed upon by a physician designated by the Board. Should any disability beneficiary who has not yet attained the age of sixty‑five years refuse to submit to at least one medical examination in any such year by a physician designated by the Board his disability retirement allowance may be discontinued until his withdrawal of refusal and should his refusal continue for one year all his rights in and to his disability retirement allowance may be revoked by the Board.

**SECTION 9‑1‑1580.** Effect of ability to engage in gainful occupation; change in amount of disability retirement allowance.

Should the system report and certify to the Board that the disability beneficiary is engaged in or is able to engage in a gainful occupation paying more than the difference between his retirement allowance and his average final compensation and should the Board concur in the report, then the amount of his disability retirement allowance must be reduced to an amount which, together with the amount earnable by him, equals the amount of his average final compensation. Should his earning capacity be later changed, the amount of his disability retirement allowance may be further modified. The new disability retirement allowance shall not exceed the amount of the disability retirement allowance originally granted nor an amount which, when added to the amount earnable by the beneficiary, equals the amount of his average final compensation.

The average final compensation may be increased up to ten percent annually to adjust for inflation.

If the disability retirement allowance is eliminated as a result of this section for a period of five consecutive years, all rights in and to his disability retirement allowance are revoked. The member then is entitled to a deferred retirement allowance as provided in Section 9‑1‑1650 based upon his average final compensation and creditable service at his date of disability retirement.

After age sixty‑five, a disability retiree is subject to the same earnings limitation as a service retiree.

**SECTION 9‑1‑1590.** Effect of restoring beneficiaries to active service.

A disability beneficiary restored to active service at a salary less than his average final compensation shall not become a member of the System and his employer annuity shall be adjusted in accordance with the provisions of Section 9‑1‑1580.

Should a disability beneficiary under the age of sixty‑five years be restored to active service and his compensation then, or at any time thereafter, be equal to or greater than his average final compensation at retirement, his retirement allowance shall cease and any election of an optional benefit shall become void and he shall again become a member of the System and contribute thereafter as provided in Section 9‑1‑1020. Any prior service certificate on the basis of which his service was computed at the time of his retirement shall be restored to full force and effect and, in addition, upon his subsequent retirement he shall be credited with all his service as a member. The average final compensation may be increased up to ten percent annually to adjust for inflation.

Should any other beneficiary who has been restored to active employment continue in service for a period of forty‑eight consecutive months and his annual compensation be equal to or greater than seventy‑five percent of his average final compensation at retirement, then he may elect to cease his retirement allowance and become a contributing member again and void his election of an optional benefit. Any prior service certificate on the basis of which his service was computed at the time of his retirement shall be restored to full force and effect and, in addition, upon his subsequent retirement he shall be credited with all his service as a member. Any such beneficiary may request the board to allow him to repay to the System all monies received by him as benefits during any periods subsequent to the date of his reentry into active service and make a contribution equal to the amount he would have contributed had he been a member during the period of his restoration to active service prior to his again becoming a member, together with the interest which would have been credited to the contributions on account of such period of restoration up to the date such contribution is made. Upon the completion of such payment, this period shall also be credited to him as membership service. In no event shall the retirement allowance payable upon subsequent retirement be less than the amount of his allowance previously payable plus any increases which would have been payable under Section 9‑1‑1810 had he not been restored to service.

**SECTION 9‑1‑1600.** Repealed by 1999 Act No. 100, Part II, Section 27C, eff July 1, 1999.

**SECTION 9‑1‑1610.** Members of General Assembly may draw retirement benefits under certain conditions.

Any person who has been an active member of the South Carolina Retirement System and who meets all of the requirements and qualifications for retirement, and is or becomes a member of the General Assembly, shall be allowed, at his option, to draw his retirement.

**SECTION 9‑1‑1615.** Retirement allowances payable in monthly installments; payments after death of retired member.

All retirement allowances are payable in monthly installments. Upon the death of a retired member, the retirement allowance for the month the retired member died, if not previously paid, must be paid to the member’s designated beneficiary, if the beneficiary is living at the time of the member’s death, otherwise to the member’s estate. If the retired member elected a survivor option pursuant to the optional forms of allowances in Section 9‑1‑1620, any allowance payable to a survivor beneficiary commences in the month after the death of the retired member.

**SECTION 9‑1‑1620.** Optional forms of allowances.

(A) No later than the date the first payment of a retirement allowance is due, a member shall elect a form of monthly payment from the following options:

Option A. The maximum retirement allowance payable under law for the life of the member. Upon the member’s death, the member’s designated beneficiary is entitled to receive any remaining member contributions.

Option B. A reduced retirement allowance payable during the retired member’s life, which continues after the member’s death for the life of the member’s designated beneficiary or, if the member selects multiple beneficiaries, which continues after the member’s death in equal shares to and for the life of each of two or more beneficiaries. The reduced retirement allowance payable under this option must be the actuarial equivalent of the maximum retirement allowance payable to the member under law, and if the member selects multiple beneficiaries, the benefit reduction factor must be based on the average age of the designated beneficiaries. If all of the designated beneficiaries predecease the member, then the member shall receive a retirement allowance equal to the maximum retirement allowance payable under law to the member. Any retirement allowance payable under this option, except an allowance for disability retirement pursuant to Section 9‑1‑1540, shall be subject to the incidental death benefit limitation upon the payment of survivorship benefits to a nonspouse beneficiary under Section 401(a)(9)(G) of the Internal Revenue Code and Treasury Regulation Section 1.401(a)(9)‑6, Q&A‑2.

Option C. A reduced retirement allowance payable during the retired member’s life, which continues after the member’s death at one‑half the rate paid to the member for the life of the member’s designated beneficiary or, if the member selects multiple beneficiaries, which continues after the member’s death at one‑half the rate paid to the member in equal shares to and for the life of each of two or more beneficiaries. The reduced retirement allowance payable under this option must be the actuarial equivalent of the maximum retirement allowance payable to the member under law, and if the member selects multiple beneficiaries, the benefit reduction factor must be based on the average age of the designated beneficiaries. If all of the designated beneficiaries predecease the member, then the member shall receive a retirement allowance equal to the maximum retirement allowance payable under law to the member.

(B)(1) A retired member, within one year after a change in marital status, may revoke the form of monthly payment elected and elect a new form of monthly payment, which must be the actuarial equivalent of the maximum retirement allowance payable to the member under law. The new form of monthly payment is effective on the first day of the month in which the new form of monthly payment is elected.

(2) Notwithstanding any other provision of law, a retired member’s form of monthly payment may not be changed more than twice. A reversion to the maximum retirement allowance payable under law upon the death of the beneficiary or beneficiaries as provided in Options B and C of subsection (A) constitutes a change in the form of monthly payment for the purposes of this item.

(C) Members retiring before January 1, 2001, shall continue to receive a retirement allowance in accordance with the form of payment selected under the law in effect at the time of their retirement. The provisions of subsection (B) apply to these members but changes in forms of payment occurring before January 1, 2001, are not included in the limitation provided in subsection (B)(2).

(D) A member who retired under the provisions of the previously existing Social Security Advance Option before July 1, 1990, may elect to have his benefit adjusted so that cost‑of‑living and other special increases in benefits are not applied to the amount of advance or reduction in allowance under this option after July 1, 1992, or the member’s attainment of age sixty‑ two, if later, by making a special lump sum payment before that date. This lump sum payment must be equal to the excess, if any, of cost‑of‑living and other special increases in benefits actually paid to the member, over the increases that would have been paid had the member not elected an optional form of allowance. If a member does not elect to make the payment, his benefit must be automatically adjusted when no such excess exists, but not before July 1, 1992.

(E) Except as provided in this section, a retired member may not change the form of his monthly payment after the first payment of a retirement allowance is due.

**SECTION 9‑1‑1625.** Compliance with Internal Revenue Code Section 401(a)(31).

(A) This section applies to distributions made on or after January 1, 1993. Notwithstanding any contrary provision or retirement law that would otherwise limit a distributee’s election under this chapter, a distributee may elect, at the time and in the manner prescribed by the board, to have any portion of an eligible rollover distribution paid directly to an eligible retirement plan specified by the distributee in a direct rollover.

(B) Effective January 1, 2007, and notwithstanding anything in this chapter to the contrary that otherwise would limit a distributee’s election under this section, and to the extent allowed under the applicable provisions of the Internal Revenue Code and the Treasury Regulations, a distributee who is a designated beneficiary, but not a surviving spouse, spouse or former spouse alternate payee may elect, at the time and in the manner prescribed by the board, to have all or part of his benefit that qualifies as an eligible rollover distribution paid in a direct trustee‑to‑trustee transfer to an eligible retirement plan that is an individual retirement plan described in clause (i) or (ii) of Internal Revenue Code Section 402(c)(8)(B). If such a transfer is made:

(1) the transfer shall be treated as an eligible distribution;

(2) the individual retirement plan shall be treated as an inherited individual retirement account or individual retirement annuity within the meaning of Internal Revenue Code Section 408(d)(3)(C); and

(3) Internal Revenue Code Section 401(a)(9)(B) other than clause (iv) thereof shall apply to such individual retirement plan.

(C) A “designated beneficiary” is an individual who is designated as a beneficiary under this chapter and is the designated beneficiary under Internal Revenue Code Section 401(a)(9) and Section 1.401(a)(9)‑1, Q&A‑4 of the Treasury Regulations. An estate or revocable trust is not considered to be a designated beneficiary for purposes of Internal Revenue Code Section 401(a)(9).

(D) An “eligible rollover distribution” is any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include:

(1) any distribution that is one of a series of substantially equal periodic payments made not less frequently than annually for the life or the life expectancy of the distributee or the joint lives or joint life expectancies of the distributee and the distributee’s designated beneficiary, or for a specified period of ten years or more;

(2) any distribution to the extent such distribution is required under Internal Revenue Code Section 401(a)(9); and

(3) any hardship distribution.

Effective January 1, 2002, a portion of a distribution shall not fail to be an eligible rollover distribution merely because the portion consists of after‑tax employee contributions that are not includible in gross income. However, such portion may be transferred only to an individual retirement account or annuity described in Internal Revenue Code Section 408(a) or (b), or in a direct trustee‑to‑trustee rollover to a qualified trust under Internal Revenue Code Section 401(a) or 403(a) that is part of a defined contribution or defined benefit plan, or to an annuity contract described in Internal Revenue Code Section 403(b), so long as such trust or annuity contract separately accounts for amounts so transferred, including separate accounting for the portion of such distribution that is includible in gross income and the portion of such distribution that is not includible. Effective January 1, 2008, an eligible rollover distribution also shall mean a qualified rollover contribution to a Roth IRA within the meaning of Internal Revenue Code Section 408A.

(E) Effective January 1, 2002, unless otherwise stated an “eligible retirement plan” is:

(1) a plan eligible under Internal Revenue Code Section 457(b) that is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state that agrees to separately account for amounts transferred into the plan from the system;

(2) an individual retirement account described in Internal Revenue Code Section 408(a);

(3) an individual retirement annuity described in Internal Revenue Code Section 408(b);

(4) an annuity plan described in Internal Revenue Code Section 403(a);

(5) an annuity contract described in Internal Revenue Code Section 403(b);

(6) a qualified trust described in Internal Revenue Code Section 401(a) that accepts the distributee’s eligible rollover distribution; or

(7) effective January 1, 2008, a Roth IRA described in Internal Revenue Code Section 408A.

(F) Effective January 1, 2002, the definition of eligible rollover distribution also includes a distribution to a surviving spouse, or to a spouse or former spouse who is an alternate payee under a domestic relations order, as defined in Internal Revenue Code Section 414(p).

(G) A “distributee” includes an employee or former employee. It also includes the employee’s or former employee’s surviving spouse and the employee’s or former employee’s spouse or former spouse who is the alternate payee under a qualified domestic relations order, as defined in Internal Revenue Code Section 414(p). Effective January 1, 2007, it further includes a nonspouse beneficiary who is a designated beneficiary as defined by Internal Revenue Code Section 401(a)(9)(E). However, a nonspouse beneficiary may rollover the distribution only to an individual retirement account or individual retirement annuity established for the purpose of receiving the distribution and the account or annuity will be treated as an “inherited” individual retirement account or annuity.

(H) A “direct rollover” is a payment by the system to the eligible retirement plan specified by the distributee.

**SECTION 9‑1‑1630.** Special benefits to teachers for service prior to July 1, 1945.

Teachers who retired between July 1, 1940 and July 1, 1945 under some other retirement or pension fund and who, at the time of their retirement, had taught for thirty‑five years or more shall be eligible for all of the benefits provided under the System on the same terms and conditions that apply to teachers who retire after July 1, 1945. The fact that any such teacher shall have received benefits after his retirement since July 1, 1940 from or under any other retirement or pension fund shall not make such teacher ineligible to come under the provisions of this paragraph, but no such teacher shall draw or receive benefits under the System when he is at the same time receiving benefits from or under any other retirement or pension fund and no such teacher shall be entitled to benefits under the System unless he filed application therefor prior to July 1, 1949.

Subject to the provisions of the preceding paragraph all teachers who, prior to July 1, 1945, shall have taught for a period of thirty‑five years, regardless of whether they were employed on April 26, 1945 or subsequently, shall be eligible to become members of the System and shall be entitled to all benefits therefrom, including prior service credit, provided that no benefits shall be payable prior to the date of application for membership. In the calculation of the thirty‑five years, teaching in adult schools, night schools and schools for illiterates and work in public school libraries shall be deemed to be equivalent to teaching in public schools.

**SECTION 9‑1‑1640.** Manner of paying annuities.

All employee and employer annuities shall be payable in equal monthly installments.

**SECTION 9‑1‑1650.** Amounts shall be paid upon termination of employment; election to leave contributions in System; effect of death before or after retirement.

If a member ceases to be a teacher or employee except by death or retirement, the member must be paid within six months after the member’s demand for payment, but not less than ninety days after ceasing to be a teacher or employee, the sum of the member’s contributions and the accumulated regular interest on the contributions. If the member has five or more years of earned service and before the time the member’s membership would otherwise terminate, elects to leave these contributions in the system, the member, unless these contributions are paid to him as provided by this section before the attainment of age sixty, remains a member of the system and is entitled to receive a deferred retirement allowance beginning at age sixty computed as a service retirement allowance in accordance with Section 9‑1‑1550. The employee annuity must be the actuarial equivalent at age sixty of the member’s contributions with the interest credits on the contributions, if any, as allowed by the board. If a member dies before retirement, the amount of the member’s accumulated contributions must be paid to the member’s estate or to the person the member nominated by written designation, duly acknowledged and filed with the board.

Upon the death of a member who did not select a survivor option or who selected a survivor option and the member’s designated beneficiary predeceased the member, a lump sum amount must be paid to the member’s designated beneficiary or the member’s estate if total member contributions and accrued interest at the member’s retirement exceed the sum of the retirement allowances paid to the member. Upon the death of a designated beneficiary selected under a survivor option, a lump sum amount must be paid to the beneficiary’s estate if total member contributions and accrued interest at the member’s retirement exceed the sum of the retirement allowances paid to the member and the member’s beneficiary. The lump sum payment must be the total member contributions and accrued interest at retirement less the sum of the retirement allowances paid to the member or in the case of a survivor option, the total member contributions and accrued interest at retirement less the sum of the retirement allowances paid to the member and the member’s designated beneficiary. This paragraph does not govern lump sum distributions payable on account of members retiring under former Option 1 of Section 9‑1‑1620 or on account of members retiring before July 1, 1990 under former Option 4 of Section 9‑1‑1620.

An active contributing member making the nomination provided under this section also may name contingent beneficiaries in the same manner that beneficiaries are named. A contingent beneficiary has no rights under this chapter unless all beneficiaries nominated by the member have predeceased the member and the member’s death occurs while in service. In this instance, a contingent beneficiary is considered the member’s beneficiary for purposes of this section and Section 9‑1‑1660, if applicable.

**SECTION 9‑1‑1660.** Nominee on member’s death may receive monthly allowance instead of accumulated contributions.

(A) The person nominated by a member to receive the full amount of the member’s accumulated contributions if the member dies before retirement may, if the member:

(1) has five or more years of earned service;

(2) dies while in service; and

(3) has either attained the age of sixty years or has accumulated fifteen years or more of creditable service, elect to receive in lieu of the accumulated contributions an allowance for life in the same amount as if the deceased member had retired at the time of the member’s death and had named the person as beneficiary under an election of Option B of Section 9‑1‑1620(A). For purposes of the benefit calculation, a member under age sixty with less than twenty‑eight years’ credit is assumed to be sixty years of age.

(B) A person otherwise eligible under subsection (A) of this section to elect to receive an allowance but who has received a refund of the member’s accumulated contributions under Section 9‑1‑1650, upon repayment of the refund to the system in a single sum, may make the election provided for in subsection (A). The monthly payments under Option B to the person date from the time of the repayment of the accumulated contributions to the system.

**SECTION 9‑1‑1665.** Compliance with Internal Revenue Code Section 401(a)(9).

(A) Effective as of January 1, 1989, the system will pay all benefits in accordance with the requirements of Section 401(a)(9) of the Internal Revenue Code, including the incidental death benefit requirement in Section 401(a)(9)(G), and the applicable Treasury Regulations and Internal Revenue Service Rulings and other interpretations issued thereunder, including Treasury Regulations Sections 1.401(a)(9)‑2 through 1.401(a)(9)‑9. The provisions of this section shall override any distribution options that are inconsistent with Section 401(a)(9) to the extent that those distribution options are not grandfathered under Treasury Regulation Section 1.401(a)(9)‑6, Q&A‑16.

(B) Each member’s entire benefit shall be distributed to the member, beginning no later than the required beginning date, over the member’s lifetime or the joint lives of the member and a designated beneficiary, or over a period not extending beyond the member’s life expectancy or the joint life expectancies of the member and a designated beneficiary. If a member fails to apply for retirement benefits by his required beginning date, the board shall begin distributing the benefit as required by this chapter.

(1) For purposes of this section, the “required beginning date” is April first of the calendar year after the later of the following:

(a) the calendar year in which the member reaches age seventy and one‑half years of age; or

(b) the calendar year in which the member retires.

(2) For purposes of this section, a “designated beneficiary” means any individual designated as a co‑beneficiary by the member under this chapter. If the member designates a trust as a co‑beneficiary, the individual beneficiaries of the trust shall be treated as designated beneficiaries if the trust satisfies the requirement set forth in Treasury Regulation Section 1.401(a)(9)‑3.

(3) Payment of retirement benefits, for those members who are eligible to receive retirement benefits and who have not applied for such pursuant to the provisions of this chapter, and who continue membership after attaining seventy and one‑half years of age, shall commence on the effective date of retirement.

(C) If a retired member dies after benefit payments have begun or are required to begin under subsection (B) of this section, any survivor benefits shall be distributed at least as rapidly as under the distribution method being used at the member’s death.

(D) If an active or inactive member dies before benefit payments have begun or are required to begin under subsection (B) of this section, any death benefits shall be distributed by December thirty‑first of the calendar year that contains the fifth anniversary of the member’s death. However, the five‑year rule shall not apply to any death benefit that is payable to a member’s designated beneficiary, if:

(1) the benefit is distributed over the designated beneficiary’s lifetime or over a period not extending beyond the designated beneficiary’s life expectancy; and

(2) the distributions begin no later than December thirty‑first of the calendar year that contains the first anniversary of the member’s death.

**SECTION 9‑1‑1670.** Change or error in records.

(A) If a change or error in the records results in a member or beneficiary receiving from the system more or less than he would have been entitled to receive had the records been correct, the board shall correct the error and, so far as practicable, adjust the payment so that the actuarial equivalent of the benefit to which the member or beneficiary was correctly entitled is paid.

(B) The system must correct its records relating to a member upon:

(1) written certification from the employer that the employer’s records contained an error that affected the enrollment of the member; and

(2) a showing to the system that all other related records and accounts have been corrected and adjusted to correspond to the change requested of the system.

A correction of the records of the system takes effect only upon payment by the employer and employee to the system of costs as determined by the system.

(C) An employer’s request to correct a member’s record pursuant to subsection (B) must be made within two years of the commission of the error by the employer.

**SECTION 9‑1‑1680.** Exemption from taxation and legal process; exceptions; assignment.

Except as provided in Section 9‑18‑10, and related sections, Article 11, Chapter 17, Title 63 and Section 8‑1‑115 and subject to the doctrine of constructive trust ex maleficio, and subject to income tax levies imposed pursuant to state or federal law and distributions made pursuant to the federal Pension Protection Act of 2006, the right of a person to an annuity or a retirement allowance or to the return of contributions, an annuity, or retirement allowance itself, any optional benefit, or any other right accrued or accruing to any person under the provisions of this chapter, and the monies of the system created under the provisions of this chapter or any private retirement system operated by a municipality, are exempted from any state or municipal tax, except the taxes imposed pursuant to Chapters 6 and 16 of Title 12, and exempted from levy and sale, garnishment, attachment, or any other process and are unassignable except as specifically otherwise provided in this chapter. This section does not apply to any authorized deduction from a retirement allowance.

**SECTION 9‑1‑1690.** Credit of State is not pledged for payments; rights in case of termination of System or discontinuance of contributions.

All agreements or contracts with members of the System pursuant to any of the provisions of this chapter shall be deemed solely obligations of the Retirement System and the full faith and credit of this State and of its departments, institutions and political subdivisions and of any other employer is not, and shall not be, pledged or obligated beyond the amounts which may be hereafter annually appropriated by such employers in the annual appropriations act, county appropriation acts and other periodic appropriations for the purposes of this chapter. In case of termination of the System, or in the event of discontinuance of contributions thereunder, the rights of all members of the System to benefits accrued to the date of such termination or discontinuance of contributions, to the extent then funded, are nonforfeitable.

**SECTIONS 9‑1‑1700 to 9‑1‑1730.** Repealed by 2000 Act No. 387, Part II, Section 67R, eff January 1, 2001.

**SECTIONS 9‑1‑1700 to 9‑1‑1730.** Repealed by 2000 Act No. 387, Part II, Section 67R, eff January 1, 2001.

**SECTIONS 9‑1‑1700 to 9‑1‑1730.** Repealed by 2000 Act No. 387, Part II, Section 67R, eff January 1, 2001.

**SECTIONS 9‑1‑1700 to 9‑1‑1730.** Repealed by 2000 Act No. 387, Part II, Section 67R, eff January 1, 2001.

**SECTION 9‑1‑1740.** Increase in benefits for persons who were receiving benefits prior to July 1, 1966.

Effective July 1, 1967, the monthly benefits, inclusive of the supplemental allowances payable under the provisions of Sections 9‑1‑1910, 9‑1‑1920 and 9‑1‑1930, for persons who commenced receiving benefits from the System prior to July 1, 1966, shall be increased as follows:

If benefits commenced July 1, 1965 to June 30, 1966, the increase shall be five percent. An additional one percent shall be added for each preceding fiscal year in which benefits commenced until July 1, 1945, at which time the increase shall be twenty‑five percent.

The minimum increase pursuant to this section, inclusive of the increase in the supplemental allowances, shall be five dollars per month. However, if an optional benefit has been elected, the minimum shall be reduced actuarially as determined by the Board, and shall be applicable to the retired member or his designated beneficiary under the option elected.

**SECTION 9‑1‑1750.** Increase in benefits for persons who were receiving benefits prior to July 1, 1967 and subsequent to June 30, 1966.

Effective July 1, 1968, the monthly benefits, inclusive of the supplemental allowances payable under the provisions of Sections 9‑1‑1910, 9‑1‑1920 and 9‑1‑1930, for persons who commenced receiving benefits from the System prior to July 1, 1967 and subsequent to June 30, 1966 shall be increased by five percent, and such monthly benefits to persons who commence receiving benefits in each fiscal year thereafter through the fiscal year ending June 30, 1970, shall be increased by five percent provided that there is sufficient investment income in excess of the valuation interest assumption to fund such increases or a proportionate part thereof on a lifetime basis, as determined by the actuary.

The minimum increase pursuant to this section, inclusive of the increase in the supplemental allowances, shall be five dollars per month. However, if an optional benefit has been elected, the minimum shall be reduced actuarially as determined by the Board, and shall be applicable to the retired member or his designated beneficiary under the option elected.

**SECTION 9‑1‑1760.** Increase in benefits for persons who retired prior to July 1, 1972.

All members of the State Retirement System who retired prior to July 1, 1972, shall have their service retirement allowance increased eleven percent. The computation of such increase shall commence on and include July 1, 1974, and the increase shall be paid from the General Fund of the State.

**SECTION 9‑1‑1765.** Additional increase in benefits for persons who retired prior to July 1, 1972.

In addition to the increase in the service retirement allowance for members of the State Retirement System who retired prior to July 1, 1972, provided in Section 9‑1‑1760, all such members shall receive an additional increase in their service retirement allowance of four percent per year computed and commencing on and including October 1, 1976.

**SECTION 9‑1‑1766.** Further additional increase in benefits for persons who retired prior to July 1, 1972.

In addition to the increase in the service retirement allowance for members of the State Retirement System who retired prior to July 1, 1972, provided in Section 9‑1‑1760 and Section 9‑1‑1765, all such members shall receive an additional increase in their service retirement allowance of five percent per year computed and commencing on and including January 1, 1978.

**SECTION 9‑1‑1767.** Increase of benefits payable due to retirement before July 1, 1988.

Effective July 1, 1988, the benefits payable due to retirement before July 1, 1988, must be increased by ten percent.

Effective July 1, 1989, the benefits payable due to retirement before July 1, 1989, must be increased by seven percent.

**SECTION 9‑1‑1770.** Preretirement Death Benefit Program; post‑retirement life insurance payment.

(A) There is created the Preretirement Death Benefit Program for all employers under the system except counties, municipalities, other political subdivisions, and those state departments, agencies, or other institutions which pay directly to the system the total employer contributions for the participating members in their employ.

(B) The program is available to those employers exempted in subsection (A) by written application of the employer. An application is an irrevocable commitment to participate under the program. Applications are effective July first next following the date of receipt by the system of the application.

(C)(1) Upon receipt of proof, satisfactory to the board, of the death of: (a) a contributing member in service who had completed at least one full year of membership in the system or of the death of a contributing member as a result of an injury arising out of and in the course of the performance of his duties regardless of length of membership, as of the effective date of his employer’s participation, or (b) a retired contributing member of the system, there must be paid to the person he nominated for the refund of his accumulated contributions, unless he has nominated a different beneficiary by written designation filed with the board, in the event of his death pursuant to Section 9‑1‑1650, if the person is living at the time of the member’s death, otherwise to the member’s estate, a death benefit equal to the annual earnable compensation of the member at the time his death occurs. The death benefit is payable apart and separate from the payment of the member’s accumulated contributions on his death pursuant to Sections 9‑1‑1650 or 9‑1‑1660.

(2) For purposes of this subsection, a member described in item (1)(a) is considered to be in service at the date of his death if the last day the member was employed in a continuous, regular pay status, while earning regular or unreduced wages and regular or unreduced retirement service credit, whether the member was physically working on that day or taking continuous accrued annual leave or sick leave while receiving a full salary, occurred not more than ninety days before the date of his death and he has not retired.

(3) For purposes of this subsection, a member described in (1)(b) is considered a retired contributing member if the last day the member was employed in a continuous, regular pay status, while earning regular or unreduced wages and paying retirement system contributions whether the member was physically working on that day or taking continuous accrued annual leave or sick leave while receiving a full salary, occurred not more than ninety days before the date of his death.

(D) The board may take the action necessary to provide the death benefit under this section in the form of group life insurance upon a determination that to do so would guarantee a more favorable tax treatment of the benefit to beneficiaries to whom the benefit is payable.

(E) Upon the death of a retired 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 life insurance 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 Group Life Insurance Program.

**SECTION 9‑1‑1775.** Group Life Insurance Plan.

(A) The Group Life Insurance Plan for members of the South Carolina Retirement System, hereinafter referred to as the “plan”, is hereby established and created, for the purpose of providing group life insurance for the payment of the benefits provided by Section 9‑1‑1770 of the laws governing said system.

(B) A separate fund, to be known as the Group Life Insurance Plan Reserve Fund, is hereby established within the South Carolina Retirement System, hereinafter referred to as the “retirement system”, to be held in trust by the board. The fund shall consist of all premiums paid by the employers and other monies received and paid into the fund for group term life insurance purposes, and of the investment earnings upon such monies, and shall be used only to pay the group term life insurance prescribed by subsection (C). Concurrent with the determination of the initial liability of the plan for the balance of the fiscal year on and after the effective date of insurance, for the group term life insurance provided and to be paid for pursuant to this plan, there shall be segregated and transferred from the Employer Annuity Accumulation Fund of the retirement system to the reserve fund created by this section such amounts as shall be determined by the actuary to be necessary to pay anticipated group term life insurance claims. Subsequent segregations and transfers shall be made as shall be required to pay the insurance prescribed by subsection (C) from the reserve fund provided by this section.

(C) In the event of the death of a member who has met the eligibility requirements set forth in Section 9‑1‑1770 on or after the effective date of insurance, an amount of insurance equal to the death benefit provided by Section 9‑1‑1770 shall be paid to the person nominated by the member in accordance with the provisions of Section 9‑1‑1770 or to the member’s estate.

(D) The actuary shall investigate the claim experience of the plan as provided by Section 9‑1‑250. On the basis of such investigations and upon the recommendation of the actuary, as provided in Section 9‑1‑1210, the board shall certify the premium rates computed to be necessary to fund the group term life insurance authorized to be paid by the plan. As soon as practicable after the close of each fiscal year, the board shall determine the premium which the employers participating in the plan are required to pay into the reserve fund to discharge the obligations of the plan for the past fiscal year.

(E) Each qualified member of the retirement system is to be insured as provided herein effective commencing as of June 19, 1973.

**SECTION 9‑1‑1780.** Recomputation allowances of certain persons having thirty‑five or more years of creditable service.

Effective July 1, 1969, any monthly retirement allowance which commenced prior to such date to or on account of a Class Two member who, at retirement or earlier death, had completed thirty‑five or more years of creditable service but had not reached his sixty‑fifth birthday shall be recomputed to reflect the deletion as of July 1, 1969 of the five‑twelfths of one percent reduction previously applicable. Commencing July 1, 1969 the recomputed allowance, modified to reflect the election, if any, of an optional benefit under Section 9‑1‑1620, shall be payable.

**SECTION 9‑1‑1790.** Amount which may be earned upon return to covered employment.

(A) A retired member of the system who has been retired for at least fifteen consecutive calendar days may be hired and return to employment covered by this system or any other system provided in this title without affecting the monthly retirement allowance he is receiving from the system. If the employment continues for at least forty‑ eight consecutive months, the provisions of Section 9‑1‑1590 apply. If a retired member of the system returns to employment covered by this system or any other system provided in this title sooner than fifteen days after retirement, the member’s retirement allowance is suspended while the member remains employed by the participating employer. If an employer fails to notify the system of the engagement of a retired member to perform services, the employer shall reimburse the system for all benefits wrongly paid to the retired member.

(B) An employer shall pay to the system the employer contribution for active members prescribed by law with respect to any retired member engaged to perform services for the employer, regardless of whether the retired member is a full‑time or part‑time employee or a temporary or permanent employee. If an employer who is obligated to the system pursuant to this subsection fails to pay the amount due, as determined by the system, the amount must be deducted from any funds payable to the employer by the State.

(C) A retired member shall pay to the system the employee contribution as if the member were an active contributing member if an employer participating in the system employs the retired member. The retired member does not accrue additional service credit in the system by reason of the contributions required pursuant to this subsection and subsection (B) of this section.

(D) A retired member of the South Carolina Retirement System who is not a member of the Police Officers Retirement System, but is employed in a position that would otherwise be covered by the Police Officers Retirement System, shall not join the Police Officers Retirement System but, notwithstanding any other provision of law, that member is deemed a retired contributing member of the South Carolina Retirement System and shall remit the employee contributions required under subsection (C) of this section to the South Carolina Retirement System and the employer shall remit to the South Carolina Retirement System the employer contribution required by subsection (B). An employer who hires a retiree of the South Carolina Retirement System pursuant to this subsection shall elect to participate as an employer in the South Carolina Retirement System.

**SECTION 9‑1‑1795.** Employment of certain retired teachers without loss of retirement benefits; procedure by which retired teachers may be employed.

(A) A retired member of the system may return to employment covered by the system without affecting the monthly retirement allowance he is receiving from the system if the retired member is a certified teacher and is employed by a school district to teach in the classroom in his area of certification in a critical academic need area or geographic need area as defined by the State Board of Education.

(B) For the provisions of this section to apply, the Department of Education must review and approve, from the documentation provided by the school district, that no qualified, nonretired member is available for employment in the position, and that the member selected for employment meets the requirements of this section. However, a school district may not consider a member of the system for employment before May thirty‑first of each year. After approval is received from the Department of Education, school districts must notify the State Board of Education of the engagement of a retired member as a teacher and the department must notify the State Retirement System of their exemption from the earnings limitation. If the employing district fails to notify the department of the engagement of a retired member as a teacher, the district shall reimburse the system for all benefits wrongly paid to the retired member.

(C) A school district shall pay to the system the employer contribution for active members prescribed by law with respect to any retired member engaged to perform services for the district, regardless of whether the retired member is a full‑time or part‑time employee, a temporary or permanent employee. If a district which is obligated to the system pursuant to this subsection fails to pay the amount due, as determined by the system, the amount must be deducted from any funds payable to the district by the State.

(D) Beginning July 1, 2001, any retired certified school teacher or certified employee may be employed in a school or school district which is in a critical geographic need area or has received a ‘below average’ or ‘unsatisfactory’ academic performance rating pursuant to the Education Accountability Act without penalty from the South Carolina Retirement System.

**SECTION 9‑1‑1800.** Recalculation of benefits for certain persons who retired prior to July 1, 1964.

Effective July 1, 1969, the monthly benefits payable to or on account of any member who retired from service prior to July 1, 1964 and who, had he remained in service thereafter would have been a Class Two member, shall be recalculated in accordance with the provisions of the System applicable to Class Two members retired on or after July 1, 1964, including any adjustment thereto which would be applicable under Section 9‑1‑1740. The benefit so determined shall be compared with the monthly benefit payable to or on account of the member under the System as in effect on June 30, 1969 inclusive of the supplemental allowances payable under the provisions of Sections 9‑1‑1910 and 9‑1‑1920, as amended, effective July 1, 1969, and Section 9‑1‑1930 and the increase, if any, in the monthly benefit shall be paid from the general fund of the State.

**SECTION 9‑1‑1810.** Increase in allowances based on Consumer Price Index.

(A) As of the end of each calendar year, the increase in the ratio of the Consumer Price Index to the index as of the prior December thirty‑first must be determined.

(B)(1) If the Consumer Price Index as determined pursuant to subsection (A) of this section increases by no more than two percent, the retirement allowance, inclusive of the supplemental allowances payable under the provisions of Sections 9‑1‑1910, 9‑1‑1920, and 9‑1‑1930, of each beneficiary in receipt of an allowance must be increased by a percentage equal to the increase in the index.

(2) If the Consumer Price Index as determined pursuant to subsection (A) of this section increases by more than two percent, then:

(a) the retirement allowance of each beneficiary in receipt of an allowance, inclusive of the supplemental allowances payable under the provisions of Section 9‑1‑1910, 9‑1‑1920, and 9‑1‑1930, must be increased by two percent; and

(b) the retirement allowance may be further increased by the board beyond two percent up to the lesser of the total percentage increase in the Consumer Price Index or four percent, but only to the extent all of the following conditions are met:

(i) the amortization period for unfunded liability as reported in the annual valuation by the actuary for the most recently concluded fiscal year is at twenty‑five years or below;

(ii) the estimated funded ratio in the current year, after an increase pursuant to this subitem, does not decrease from the actuary’s reported funded ratio for the most recently completed fiscal year;

(iii) the estimated amortization period in the current year, after the increase pursuant to this subitem, is reduced by at least one year from that reported by the actuary for the most recently completed fiscal year; and

(iv) no increased employer contribution is required to support the increase pursuant to this subitem.

(C) The increase in retirement allowances commences the July first immediately following the December thirty‑first that the increase in ratio was determined, and all increases in retirement allowances must be granted to these beneficiaries in receipt of a retirement allowance on July first immediately preceding the effective date of the increase. Any increase in allowance granted pursuant to this section must be included in the determination of any subsequent increases, irrespective of any subsequent decrease in the Consumer Price Index.

(D) The allowance of a surviving annuitant of a beneficiary whose allowance is increased under this section, when and if payable, must be increased by the same percent.

(E) For purposes of this section, “Consumer Price Index” means the Consumer Price Index for Wage Earners and Clerical Workers, as published by the United States Department of Labor, Bureau of Labor Statistics.

**SECTION 9‑1‑1820.** Repealed by 1986 Act No. 309, Section 10, eff February 4, 1986.

**SECTION 9‑1‑1830.** Payment and transfer of funds to the employer annuity accumulation fund.

Starting July 1, 1981, there must be paid to the System, and credited to the post‑retirement increase special fund, contributions by the employers in an amount equal to two‑tenths of one percent of the earnable compensation of each member employed by each employer. In addition, the State Budget and Control Board shall, on the recommendation of the actuary, transfer a portion of the monies as are received pursuant to Section 9‑1‑1050 that are available due to actuarial gains in the System if the transfers do not adversely affect the funding status of the System. Starting July 1, 1986, all contributions previously credited to the post‑retirement increase special fund must be diverted and credited to the employer annuity accumulation fund.

**SECTION 9‑1‑1840.** Repealed by 1993 Act No. 166, Section 6, eff June 16, 1993.

**SECTION 9‑1‑1850.** Purchases of additional service credit by members with at least twenty‑five years of creditable service.

A 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).

**SECTION 9‑1‑1860.** Repealed by 2000 Act No. 387, Part II, Section 67R, eff January 1, 2001.

**SECTION 9‑1‑1870.** Beneficiaries receiving Medicaid (Title XIX) sponsored nursing home care; effect on benefits; exception.

Notwithstanding any other provision of law, except as provided below, retirees and beneficiaries under the State Retirement Systems receiving Medicaid (Title XIX) sponsored nursing home care as of June thirtieth of the prior fiscal year shall receive no increase in retirement benefits during the current fiscal year. However, a retired employee affected by the above prohibition may receive the scheduled increase if he is discharged from the nursing home and does not require admission to a hospital or nursing home within six months. The Department of Health and Human Services, the Department of Social Services, and the State Retirement Systems must share the information needed to implement this section.

ARTICLE 15.

SUPPLEMENTAL ALLOWANCES FOR CERTAIN MEMBERS

**SECTION 9‑1‑1910.** Minimum allowance for persons retiring with twenty or more years of service, generally.

A member with five or more years of earned service, eligible for service retirement, who has twenty or more years of creditable service must be paid from the general fund of the State, a monthly sum in addition to the retirement allowance due the member under this chapter sufficient to provide the member a minimum eighty dollars a month, plus one dollar a month for each completed year of creditable service in excess of twenty years. If the teacher or employee elects to receive a reduced retirement allowance as provided in this chapter, the teacher or employee must be paid under the provisions of this section only the amount as would be paid under the section had the teacher or employee not elected the optional allowance.

Any person who retired prior to October 1, 1956, under the provisions of the South Carolina Retirement Act, while in service as such teacher or employee and who furnishes proper proof that he is not receiving primary Federal Social Security payments as a result of such employment, shall, effective July 1, 1969, be paid twenty‑five dollars per month in addition to any payments otherwise payable under this section.

Effective July 1, 1972, any person who has retired or may retire under the provisions of the South Carolina Retirement Act while in service as a teacher or employee, who has twenty or more years of creditable service and whose annual average final compensation is at least fifteen hundred dollars shall be paid from the South Carolina Retirement System a monthly sum, in addition to the retirement allowance he may receive under the act and any amount provided from the general fund of the State under the previous paragraphs, to provide a minimum of one hundred and fifty dollars per month, plus one dollar per month for each completed year of creditable service in excess of twenty years. If such person’s effective date of retirement is on or after July 1, 1972, and he has not attained age sixty‑five nor completed thirty‑five years of creditable service at the time of his service retirement the gross minimum amount shall be reduced by five‑twelfths of one per cent for each month by which his retirement date preceded the first day of the month coincident with or next following his sixty‑fifth birthday. If such person’s effective date of retirement is on or after July 1, 1972, and he retired on a deferred retirement allowance the amount payable at age sixty shall be seventy‑five per cent of the gross minimum amount otherwise determined. Provided, however, that should such teacher or employee elect to receive a reduced retirement allowance as provided in the act, he shall be paid under the provisions of this section only such amount as would be paid under the section had he not elected such optional allowance. Provided, further, that the fifteen hundred dollars average final compensation required by this paragraph shall not apply to full‑time lunchroom employees who retire no later than July 1, 1974.

**SECTION 9‑1‑1920.** Minimum allowance for certain persons who retired prior to July 1, 1945.

Any public school teacher, State employee, or employee of an employer covered by the South Carolina Retirement System who retired prior to July 1, 1945, in service with twenty or more years of such service and who has reached age sixty, shall be eligible for the minimum allowance of eighty dollars per month for the remainder of his life, such benefits to be paid from the general fund of the State. Notwithstanding the foregoing, effective July 1, 1972, the minimum allowance shall be one hundred and fifty dollars per month, plus one dollar per month for each completed year of service in excess of twenty years.

**SECTION 9‑1‑1930.** Minimum allowance for certain persons whose membership became effective on or after January 1, 1953.

Notwithstanding any other provision of law, any person whose membership in the South Carolina Retirement System became effective on or after January 1, 1953, and who had twenty or more years creditable service performed prior to July 1, 1945, shall receive the benefits and come under the provisions of Section 9‑1‑1910. The provisions of this section shall become effective as of May 18, 1959, or as of the effective date of the member’s retirement or withdrawal from the South Carolina Retirement System, whichever is the later date.

**SECTION 9‑1‑1940.** Minimum allowance for certain persons whose membership became effective on or after January 1, 1951.

Notwithstanding any other provision of law, any person whose membership in the South Carolina Retirement System became effective on or after January 1, 1951, and who had twenty or more years creditable service performed prior to July 1, 1945, shall receive the benefits and come under the provisions of Section 9‑1‑1920, Code of Laws of South Carolina, 1976, as amended.

**SECTION 9‑1‑1950.** Minimum allowance for certain members of General Assembly.

Any member of the General Assembly who may retire under the provisions of the South Carolina Retirement Act and has twenty or more years of creditable service shall be paid in the same manner as provided in Section 9‑1‑1910 a monthly sum in addition to the retirement allowance he may receive under such act, to provide him a minimum of eighty dollars per month, plus one dollar per month for each completed year of such service in excess of twenty years. Should such member of the General Assembly elect to receive a reduced retirement allowance as provided in such act, he shall be paid under the provisions of this section only such amount as would be paid under this section had he not elected such optional allowance.

**SECTION 9‑1‑1960.** Additional payments to certain members of the General Assembly effective July 1, 1972.

Effective July 1, 1972, any member of the General Assembly who has retired or may retire under the provisions of the South Carolina Retirement Act and has twenty or more years of creditable service shall be paid in the same manner as provided in Section 9‑1‑1910 a monthly sum in addition to the retirement allowance he may receive under such act, to provide him a gross minimum of one hundred and fifty dollars per month, plus one dollar per month for each completed year of such service in excess of twenty years. Should such member of the General Assembly elect to receive a reduced retirement allowance as provided in such act, he shall be paid under the provisions of this section only such amount as would be paid under this section had he not elected such optional allowance.

**SECTION 9‑1‑1970.** Compensation used for determining benefits to be subject to federal limitations.

Effective as of January 1, 1996, the annual compensation of a member taken into account for determining all benefits provided under this retirement system is subject to the limitations set forth in Section 401(a)(17) of the Internal Revenue Code of 1986 and any regulations promulgated thereunder, as adjusted for any cost‑of‑living increases in accordance with Section 401(a)(17)(B) of the Internal Revenue Code. Annual compensation means compensation during the plan year or such other consecutive twelve‑month period over which compensation is otherwise determined under the retirement system hereinafter referred to as the determination period. The cost‑of‑living adjustment in effect for a calendar year applies to annual compensation for the determination period that begins with or within such calendar year. However, the limitation on compensation does not apply to the compensation of an individual who became a member of this retirement system before January 1, 1996.

**SECTION 9‑1‑1975.** Compliance with USERRA.

Effective December 12, 1994, and notwithstanding any provision in this chapter to the contrary, contributions, benefits, and service credit with respect to qualified military service shall be provided in accordance with Section 414(u) of the Internal Revenue Code.

**SECTION 9‑1‑1980.** Compliance with Internal Revenue Code Section 415.

(A) Effective as of July 1, 1989, member contributions paid to, and retirement benefits paid from, the system may not exceed the annual limits on contributions and benefits, respectively, allowed by Internal Revenue Code Section 415. For purposes of applying these limits, the definition of compensation where applicable shall be compensation as defined in Treasury Regulation Section 1.415(c)‑2(d)(3), or successor regulation; provided, however, that the definition of compensation will exclude member contributions picked up under Internal Revenue Code Section 414(h)(2), and for plan years beginning after December 31, 1997, compensation shall include the amount of any elective deferrals, as defined in Internal Revenue Code Section 402(g)(3), and any amount contributed or deferred by the employer at the election of the member and which is not includible in the gross income of the member by reason of Internal Revenue Code Section 125 or 457, and, for plan years beginning on and after January 1, 2001, Internal Revenue Code Section 132(f)(4).

(B) Before January 1, 1995, a member may not receive an annual benefit that exceeds the limits specified in Internal Revenue Code Section 415(b), subject to the applicable adjustments in that section. On and after January 1, 1995, a member may not receive an annual benefit that exceeds the dollar amount specified in Internal Revenue Code Section 415(b)(1)(A), subject to the applicable adjustments in Internal Revenue Code Section 415(b).

(C) For purposes of applying the limits under Internal Revenue Code Section 415(b), hereinafter referred to as “limit”, the following shall apply:

(1) prior to January 1, 2009, cost‑of‑living adjustments under Section 9‑1‑1810, shall be taken into consideration when determining a member’s applicable limit;

(2) on or after January 1, 2009, with respect to a member who does not receive a portion of his annual benefit in a lump sum:

(a) a member’s applicable limit shall be applied to the member’s annual benefit in the first limitation year without regard to any automatic cost‑of‑living increases pursuant to Section 9‑1‑1810;

(b) to the extent the member’s annual benefit equals or exceeds the limit, the member shall no longer be eligible for cost‑of‑living increases until such time as the benefit plus the accumulated increases are less than the limit;

(c) thereafter, in a subsequent limitation year, the member’s annual benefit including any automatic cost‑of‑living increase applicable pursuant to Section 9‑1‑1810 shall be tested under the then applicable benefit limit including any adjustment to the Internal Revenue Code Section 415(b)(1)(A) dollar limit under Internal Revenue Code Section 415(d) and the regulations thereunder;

(3) on and after January 1, 2009, with respect to a member who receives a portion of the member’s annual benefit in a lump sum, a member’s applicable limit shall be applied taking into consideration automatic cost‑of‑living increases under Section 9‑1‑1810 as required by Internal Revenue Code Section 415(b) and applicable Treasury Regulations;

(4) on and after January 1, 1995, in no event shall a member’s annual benefit payable under the system in any limitation year be greater than the limit applicable at the annuity starting date, as increased in subsequent years pursuant to Internal Revenue Code Section 415(d) and the regulations thereunder. If the form of benefit without regard to the automatic benefit increase feature is not a straight life or a qualified joint and survivor annuity, then the preceding sentence is applied by adjusting the form of benefit to an actuarially equivalent straight life annuity benefit that is determined using the following assumptions and that take into account the death benefits under the form of benefit:

(a) for a benefit paid in a form to which Internal Revenue Code Section 417(e)(3) does not apply, the actuarially equivalent straight life annuity benefit which is the greater of (or the reduced 415(b) limit applicable at the annuity starting date which is the lesser of when adjusted in accordance with the following assumptions):

(i) the annual amount of the straight life annuity, if any, payable to the member under the plan commencing at the same annuity starting date as the form of benefit payable to the member; or

(ii) the annual amount of the straight life annuity commencing at the same annuity starting date that has the same actuarial present value as the form of benefit payable to the member, computed using (aa) a five percent interest assumption or the applicable statutory interest assumption and (bb) the applicable mortality table described in Treasury Regulation Section 1.417(e)‑1(d)(2) which is the mortality table specified in Revenue Ruling 98‑1 for years prior to 2003 or, for subsequent years, in Revenue Ruling 2001‑62 or any subsequent revenue ruling modifying the applicable provisions of Revenue Ruling 2001‑62;

(b) for a benefit paid in a form to which Internal Revenue Code Section 417(e)(3) applies, the actuarially equivalent straight life annuity benefit which is the greatest of (or the reduced 415(b) limit applicable at the annuity starting date which is the least of when adjusted in accordance with the following assumptions):

(i) the annual amount of the straight life annuity commencing at the annuity starting date that has the same actuarial present value as the particular form of benefit payable, computed using the interest rate and mortality table, or tabular factor, specified in the plan for actuarial experience;

(ii) the annual amount of the straight life annuity commencing at the annuity starting date that has the same actuarial present value as the particular form of benefit payable, computed using (aa) a five and one‑half percent interest assumption or the applicable statutory interest assumption and (bb) the applicable mortality table for the distribution under Treasury Regulation Section 1.417(e)‑1(d)(2) which is the mortality table specified in Revenue Ruling 98‑1 for years prior to 2003 or, for subsequent years, in Revenue Ruling 2001‑62 or any subsequent revenue ruling modifying the applicable provisions of Revenue Ruling 2001‑62; or

(iii) the annual amount of the straight life annuity commencing at the annuity starting date that has the same actuarial present value as the particular form of benefit payable, computed using (aa) the applicable interest rate for the distribution under Treasury Regulation Section 1.417(e)‑1(d)(3) which, prior to July 1, 2007, is the thirty‑year treasury rate in effect for the month prior to retirement, and, on and after July 1, 2007, is the thirty‑year treasury rate in effect for the first day of the plan year with a one‑year stabilization period and (bb) the applicable mortality table for the distribution under Treasury Regulation Section 1.417(e)‑1(d)(2), which is the mortality table specified in Revenue Ruling 98‑1 for years prior to 2003 or, for subsequent years, in Revenue Ruling 2001‑62 or any subsequent revenue ruling modifying the applicable provisions of Revenue Ruling 2001‑62, divided by 1.05; and

(5) The member’s annual benefit shall be adjusted as provided by Internal Revenue Code Section 415(b)(2)(B) and related Treasury regulations by taking into consideration after‑tax contributions and rollover and transfer contributions made by the member.

(D) Notwithstanding any other provision of law to the contrary, the system may modify a request by a member to make a contribution to the system if the amount of the contribution would exceed the limits provided in Internal Revenue Code Section 415 by using the following methods:

(1) if the law requires a lump sum payment for the purchase of service credit, the board may establish a periodic payment plan for the member to avoid a contribution in excess of the limits under Internal Revenue Code Section 415(c) or 415(n);

(2) if payment pursuant to item (1) shall not avoid a contribution in excess of the limits imposed by Internal Revenue Code Section 415(c), the system may either reduce the member’s contribution to an amount within the limits of that section or refuse the member’s contribution;

(3) effective for permissive service credit contributions made in years beginning after December 31, 1997, if a member makes one or more contributions to purchase permissive service credit under the system, then the requirements of this section shall be treated as met only if:

(a) the requirements of Internal Revenue Code Section 415(b) are met, determined by treating the accrued benefit derived from all such contributions as an annual benefit for purposes of Internal Revenue Code Section 415(b); or

(b) the requirements of Internal Revenue Code Section 415(c) are met, determined by treating all such contributions as annual additions for purposes of Internal Revenue Code Section 415(c).

For purposes of applying subitem (a) the system will not fail to meet the reduced limit under Internal Revenue Code Section 415(b)(2)(C) solely by reason of this subsection (D), and for purposes of applying subitem (b) the system will not fail to meet the percentage limitation under Internal Revenue Code Section 415(c)(1)(B) solely by reason of this subsection (D);

(4) for purposes of subsection (D), the term “permissive service credit” means service credit:

(a) recognized by the system for purposes of calculating a member’s benefit under the system;

(b) which such member has not received under the system; and

(c) which such member may receive only by making a voluntary additional contribution, in an amount determined under the system, which does not exceed the amount necessary to fund the benefit attributable to such service credit.

Effective for permissive service credit contributions made in years beginning after December 31, 1997, such term may include service credit for periods for which there is no performance of service, and, notwithstanding subitem (b), may include service credited in order to provide an increased benefit for service credit which a member is receiving under the system;

(5) the system will fail to meet the requirements of this subsection (D) if:

(a) more than five years of nonqualified service credit are taken into account for purposes of this subsection (D); or

(b) any nonqualified service credit is taken into account under this subsection (D) before the member has at least five years of participation under the system;

(6) for purposes of item (5), effective for permissive service credit contributions made in years beginning after December 31, 1997, the term “nonqualified service credit” means permissive service credit other than that allowed with respect to:

(a) service including parental, medical, sabbatical, and similar leave, as an employee of the government of the United States, any state or political subdivision thereof, or any agency or instrumentality of any of the foregoing other than military service or service for credit which was obtained as a result of a repayment described in Internal Revenue Code Section 415(k)(3);

(b) service including parental, medical, sabbatical, and similar leave, as an employee other than as an employee described in subitem (a), of an education organization described in Internal Revenue Code Section 170(b)(1)(A)(ii) which is a public, private, or sectarian school which provides elementary or secondary education through grade twelve, or a comparable level of education, as determined under the applicable law of the jurisdiction in which the service was performed; provided, however, that in the case of a private or sectarian school, only teaching service will not be treated as nonqualified service;

(c) service as an employee of an association of employees who are described in subitem (a); or

(d) military service, other than qualified military service under Internal Revenue Code Section 414(u), recognized by such governmental plan.

In the case of service described in subitem (a), (b), or (c), such service shall be nonqualified service if recognition of such service would cause a member to receive a retirement benefit for the same service under more than one plan;

(7) in the case of a trustee‑to‑trustee transfer after December 31, 2001, to which Internal Revenue Code Section 403(b)(13)(A) or 457(e)(17)(A) applies, without regard to whether the transfer is made between plans maintained by the same employer:

(a) the limitations of item (5) shall not apply in determining whether the transfer is for the purchase of permissive service credit;

(b) the distribution rules applicable under federal law to the system will apply to such amounts and any benefits attributable to such amounts;

(8) for an eligible member, the limitation of Internal Revenue Code Section 415(c)(1) shall not be applied to reduce the amount of permissive service credit which may be purchased to an amount less than the amount which was allowed to be purchased under the terms of the South Carolina Retirement System as in effect on August 5, 1997. For purposes of this item (8), an eligible member is an individual who first became a member in the system before July 1, 1998.

ARTICLE 17.

TEACHER AND EMPLOYEE RETENTION INCENTIVE PROGRAM

**SECTION 9‑1‑2210.** Teacher and Employee Retention Incentive Program; operation.

(A) An active contributing member who is eligible for service retirement under this chapter and complies with the requirements of this article may elect to participate in the Teacher and Employee Retention Incentive Program (program). A member electing to participate in the program retires for purposes of the system. The program participant shall agree to continue employment with an employer participating in the system for a program period, not to exceed five years. The member shall notify the system before the beginning of the program period. Participation in the program does not guarantee employment for the specified program period.

(B) After June 30, 2005, and notwithstanding the provisions of Section 9‑1‑10(4), a payment for unused annual leave is not included in calculating a member’s deferred program benefit during the program period. The member’s average final compensation for the purpose of calculating the deferred program retirement benefit must be solely the average of the member’s highest twelve consecutive quarters of earnable compensation at the time the member enters the program. During the specified program period, receipt of the member’s normal retirement benefit is deferred. The member’s deferred monthly benefit must be placed in the system’s trust fund on behalf of the member. No interest is paid on the member’s deferred monthly benefit placed in the system’s trust fund during the specified program period.

(C) During the specified program period, the employer shall pay to the system the employer contribution for active members prescribed by law with respect to any program participant it employs, regardless of whether the program participant is a full‑time or part‑time employee, or a temporary or permanent employee. The program participant shall pay to the system the employee contribution as if the program participant were an active contributing member, but the program participant does not accrue additional service credit in the system for these employer and employee contributions. If an employer who is obligated to the system pursuant to this subsection fails to pay the amount due, as determined by the system, the amount must be deducted from any funds payable to the employer by the State.

(D) A program participant is retired from the retirement system as of the beginning of the program period. A program participant is not eligible to receive disability retirement benefits. Accrued annual leave and sick leave used in any manner in the calculation of the program participant’s retirement benefit is deducted from the amount of such leave accrued by the participant.

(E) A program participant is retired for retirement benefit purposes only. For employment purposes, a program participant is considered to be an active employee, retaining all other rights and benefits of an active employee except for grievance rights pursuant to Section 8‑17‑370, and is not subject to the earnings limitation of Section 9‑1‑1790 during the program period.

(F) Upon termination of employment either during or at the end of the program period, the member must receive the balance in the member’s program account by electing one of the following distribution alternatives:

(1) a lump‑sum distribution, paying appropriate taxes; or

(2) to the extent permitted under law, a tax sheltered rollover into an eligible plan.

For members who began participation in the program before July 1, 2005, the member also must receive the previously determined normal retirement benefits based upon the member’s average final compensation and service credit at the time the program period began, plus any applicable cost of living increases declared during the program period. The program participant is thereafter subject to the earnings limitation of Section 9‑1‑1790.

Upon termination of employment of members who began participation in the program after June 30, 2005, the Retirement Systems shall recalculate the average final compensation of the member to determine the benefit the member receives after participation in the program. The average final compensation calculated at the commencement of the program must be increased by an amount up to and including forty‑five days’ termination pay for unused annual leave received by the member at termination of employment, divided by three. The member’s benefit after participation in the program must be calculated in accordance with Section 9‑1‑1550, utilizing the recalculated average final compensation determined in this subsection, and the member’s service credit, including sick leave, as of the date the member began participation in the program, plus any cost‑of‑living increases declared during the program period with respect to the amount of the member’s deferred program benefit.

(G) If a program participant dies during the specified program period, the member’s designated beneficiary must receive the balance in the member’s program account by electing one of the following distribution alternatives:

(1) a lump‑sum distribution, paying appropriate taxes; or

(2) to the extent permitted under law, a tax sheltered rollover into an eligible plan.

In accordance with the form of system benefit selected by the member at the time the program commenced, the member’s designated beneficiary must receive either a survivor benefit or a refund of contributions from the member’s system account.

If a program participant who began participation in the program before July 1, 2005, elected either Option B or Option C under Section 9‑1‑1620, the average final compensation calculated when the member commenced the program must be used in determining the survivor benefit. If a program participant who began participation in the program after June 30, 2005, elected either Option B or C under Section 9‑1‑1620, then the designated survivor beneficiary shall receive a survivor benefit based on a recalculated average final compensation. The average final compensation calculated at the commencement of the program must be increased by an amount up to and including forty‑five days termination pay for unused annual leave received by the member’s legal representative at the member’s death, divided by three. The survivor benefit must be calculated in accordance with Section 9‑1‑1550, utilizing the recalculated average final compensation determined in this subsection, and the member’s service credit, including sick leave, as of the date the member began participation in the program, plus any cost‑of‑living increases declared during the program period with respect to the amount of the member’s deferred program benefit.

(H) A program participant shall terminate employment no later than the day before the fifth annual anniversary of the date the member commenced participation in the program.

(I) A member is not eligible to participate in the program if the member has participated previously in and received a benefit under this program or any other state retirement system. However, a member who has received a disability benefit, but who has been restored to active service and voided his optional benefit selection pursuant to Section 9‑1‑1590 and repaid any benefit received is eligible to participate in the program.