

REPORT OF THE RETIREMENT AD HOC COMMITTEE

HOUSE BILL 4898

H. 4898 -- Reps. Merrill, Anthony, Battle, Bingham, Cobb-Hunter, Pitts, Skelton and White: A BILL TO AMEND SECTION 9-1-10, AS AMENDED, CODE OF LAWS OF SOUTH CAROLINA, 1976, RELATING TO DEFINITIONS UNDER THE SOUTH CAROLINA RETIREMENT SYSTEM (SCRS), SO AS TO PROVIDE FOR "CLASS THREE" MEMBERS OF SCRS WITH "CLASS THREE" MEMBERS MEANING AN EMPLOYEE MEMBER OF SCRS WITH AN EFFECTIVE DATE OF MEMBERSHIP AFTER JUNE 30, 2012; TO AMEND SECTIONS 9-1-10 FURTHER AND 9-1-1550, RELATING TO RETIREMENT BENEFITS UNDER THE SCRS, SO AS TO REVISE THE MANNER IN WHICH RETIREMENT BENEFITS FOR SCRS MEMBERS ARE COMPUTED AFTER JUNE 30, 2012, AND TO PROVIDE FOR AN ALTERNATE CALCULATION OF BENEFITS FOR SCRS MEMBERS AS OF JUNE 30, 2012, WHICH APPLIES IF THE MEMBER'S BENEFIT CALCULATED ON RETIREMENT AFTER JUNE 30, 2012, WOULD RESULT IN A LESSER AMOUNT; BY ADDING SECTION 9-1-1815 SO AS TO PROVIDE FOR THE MANNER IN WHICH RETIRED SCRS MEMBERS AND THEIR SURVIVING ANNUITANTS MAY RECEIVE INCREASED ALLOWANCES AND THE METHOD OF CALCULATING THAT INCREASE; AND TO REPEAL SECTION 9-1-1810 RELATING TO INCREASES IN SCRS RETIREMENT ALLOWANCES BASED ON THE CONSUMER PRICE INDEX; TO AMEND SECTION 9-1-1020, AS AMENDED, RELATING TO DEDUCTIONS FROM THE COMPENSATION OF MEMBERS OF SCRS TO FUND BENEFITS, THE TAX TREATMENT THEREOF, AND OTHER RELATED PROVISIONS, SO AS TO INCREASE ON JULY 1, 2012, THE REQUIRED DEDUCTIONS OF CLASS ONE SCRS MEMBERS TO SIX AND ONE-HALF PERCENT OF EARNABLE COMPENSATION FROM FIVE AND ONE-HALF PERCENT AND THE REQUIRED DEDUCTIONS OF SCRS CLASS TWO AND CLASS THREE MEMBERS TO SEVEN AND ONE-HALF PERCENT OF EARNABLE COMPENSATION FROM SIX AND ONE-HALF PERCENT AND MAKE CONFORMING CHANGES; TO AMEND SECTION 9-1-1140, AS AMENDED, RELATING TO THE PURCHASE OF ADDITIONAL SERVICE CREDIT UNDER SCRS, SO AS TO PROVIDE THAT THE REQUIRED COST IS THE GREATER OF AN ACTUARIALLY NEUTRAL PAYMENT BASED ON THE SCRS MEMBER'S CURRENT AGE AND CREDITABLE SERVICE OR A SET PERCENTAGE OF SALARY AND TO ELIMINATE THE ADDITION OF UNUSED SICK LEAVE IN THE CALCULATION OF CREDITABLE SERVICE AFTER JUNE 30, 2012; TO AMEND SECTION 9-1-1510, AS AMENDED, RELATING TO THE REQUIREMENTS FOR A SCRS RETIREMENT ALLOWANCE, SO AS TO PROVIDE THAT A SCRS CLASS THREE MEMBER MUST HAVE AT LEAST THIRTY YEARS OF CREDITABLE SERVICE TO BE ELIGIBLE TO RETIRE AT ANY AGE WITHOUT A BENEFIT REDUCTION; TO AMEND SECTION 9-1-1515, AS AMENDED, RELATING TO THE REQUIREMENTS FOR EARLY RETIREMENT IN SCRS, SO AS TO CONFORM THE REQUIREMENTS OF THAT SECTION AS IT APPLIES FOR SCRS CLASS THREE MEMBERS; TO AMEND SECTION 9-1-1660, AS AMENDED, RELATING TO THE REQUIREMENTS FOR A NOMINEE OF A DECEASED ACTIVE SCRS MEMBER TO RECEIVE A RETIREMENT ALLOWANCE, SO AS TO CONFORM THE REQUIREMENTS OF THAT SECTION AS IT APPLIES FOR SCRS CLASS THREE MEMBERS; TO AMEND SECTION 9-1-2210, AS AMENDED, RELATING TO THE TEACHER AND EMPLOYEE RETENTION INCENTIVE (TERI) PROGRAM, SO AS TO CLOSE THE PROGRAM FOR SCRS CLASS THREE MEMBERS AND TO CONFORM THE CALCULATION OF RETIREMENT BENEFITS FOR TERI PARTICIPANTS; TO AMEND SECTION 9-9-60, AS AMENDED, RELATING TO RETIREMENT AND RETIREMENT

ALLOWANCES FOR MEMBERS OF THE RETIREMENT SYSTEM FOR MEMBERS OF THE GENERAL ASSEMBLY OF THE STATE OF SOUTH CAROLINA (GARS), SO AS PROSPECTIVELY TO ELIMINATE PROVISIONS ALLOWING MEMBERS OF THE GENERAL ASSEMBLY WHO MEET CERTAIN AGE OR CREDITED SERVICE REQUIREMENTS OR WITH AGE AND CREDITED SERVICE REQUIREMENTS TO RECEIVE A GARS RETIREMENT BENEFIT WHILE CONTINUING TO SERVE IN THE GENERAL ASSEMBLY; TO AMEND SECTIONS 9-11-10 AND 9-11-60, BOTH AS AMENDED, RELATING TO DEFINITIONS AND ELIGIBILITY FOR RETIREMENT UNDER THE SOUTH CAROLINA POLICE OFFICERS RETIREMENT SYSTEM (SCPORS), SO AS TO REVISE THE MANNER IN WHICH RETIREMENT BENEFITS FOR SCPORS MEMBERS RETIRING AFTER JUNE 30, 2012, ARE COMPUTED AND TO PROVIDE FOR AN ALTERNATE CALCULATION OF BENEFITS FOR SCPORS MEMBERS AS OF JUNE 30, 2012, WHICH APPLIES IF THE SCPORS MEMBER'S BENEFIT CALCULATED ON RETIREMENT AFTER JUNE 30, 2012, WOULD RESULT IN A LESSER AMOUNT; BY ADDING SECTION 9-11-312 SO AS TO PROVIDE FOR THE MANNER IN WHICH SCPORS RETIRED MEMBERS AND THEIR SURVIVING ANNUITANTS MAY RECEIVE INCREASED ALLOWANCES AND THE METHOD OF CALCULATING THAT INCREASE; AND TO REPEAL SECTION 9-11-310 RELATING TO COST OF LIVING ADJUSTMENTS UNDER SCPORS BASED ON THE CONSUMER PRICE INDEX; TO AMEND SECTION 9-11-50, AS AMENDED, RELATING TO THE PURCHASE OF ADDITIONAL SERVICE CREDIT UNDER SCPORS, SO AS TO PROVIDE THAT THE REQUIRED COST MUST BE THE GREATER OF AN ACTUARIALLY NEUTRAL PAYMENT BASED ON THE MEMBERS CURRENT AGE AND CREDITABLE SERVICE OR A SET PERCENTAGE OF SALARY AND TO ELIMINATE THE ADDITION OF UNUSED SICK LEAVE IN THE CALCULATION OF CREDITABLE SERVICE AFTER JUNE 30, 2012; TO AMEND SECTION 9-11-210, AS AMENDED, RELATING TO DEDUCTIONS FROM THE COMPENSATION OF MEMBERS OF SCPORS TO FUND BENEFITS, THE TAX TREATMENT THEREOF, AND OTHER RELATED PROVISIONS, SO AS TO INCREASE ON JULY 1, 2012, THE REQUIRED DEDUCTIONS OF SCPORS CLASS TWO MEMBERS TO SEVEN AND ONE-HALF PERCENT OF EARNABLE COMPENSATION FROM SIX AND ONE-HALF PERCENT; BY ADDING SECTION 9-16-335 SO AS TO PROVIDE THAT THE ASSUMED ANNUAL RATE OF RETURN ON THE INVESTMENTS OF THE RETIREMENT SYSTEM MUST BE ESTABLISHED BY THE GENERAL ASSEMBLY AND EFFECTIVE JULY 1, 2012, THE ASSUMED ANNUAL RATE OF RETURN ON RETIREMENT SYSTEM INVESTMENTS IS SEVEN AND ONE-HALF PERCENT; AND TO AMEND SECTIONS 9-1-1135, 9-8-185, 9-9-175, AND 9-11-265, RELATING TO INTEREST ON MEMBER'S CONTRIBUTIONS IN SCRS, GARS, THE RETIREMENT SYSTEM FOR JUDGES AND SOLICITORS, AND SCPORS, SO AS TO PROVIDE THAT INTEREST IS NOT PAID ON INACTIVE ACCOUNTS, AND TO DEFINE "INACTIVE ACCOUNT".

<i>Summary of Bill:</i>	Amends various components of SCRS, PORS, and GARS. See attached Section by Section Summary and Chart of Proposals
<i>Introduced:</i>	2/28/2012
<i>Received by Ways and Means:</i>	2/29/2012
<i>Estimated Fiscal Impact:</i>	Pending/Requested
<i>Subcommittee Recommendation:</i>	Adopted
<i>Full Committee Recommendation:</i>	Pending
<i>Other Notes/Comments:</i>	

House Retirement Ad Hoc Committee Proposed Recommendations

Recommendations	New Employees	Current Employees	SCRS	PORS	GARS
Benefit Adjustment – Benefit adjustment to be granted unless certain revenue triggers are not met. Percentage not to exceed 2.5%. <ul style="list-style-type: none"> • 7.5% rate of return must be met based on 5 year average 	X	X	X	X	N/A
Retirement Age and Service with Full Benefits – New employees must have 30 years of service to receive 100% of eligible benefits.	X	N/A	X	N/A	N/A
AFC – The average final compensation (AFC) will be computed using the 5 highest years rather than the current 3 highest years of compensation.	X	X	X	X	N/A
Leave – Sick leave will no longer be used to add additional service credit. Annual leave will no longer be added to the average final compensation.	X	X	X	X	N/A
Service purchase – Require actuarially neutral service purchase.	X	X	X	X	X
Employee contribution rates – Increase the employee contribution rate by 1%.	X	X	X	X	N/A
Employer contribution rates – Increase the employer contribution rate by 1%. *As adopted by Budget & Control Board on November 3, 2011.*	X	X	X	X	N/A
Earnable compensation –SCRS members will no longer be allowed to use overtime and special pay as earnable compensation.	X	X	X	N/A	N/A
TERI – No longer available for new employees. No action considered for current employees.	X	N/A	X	N/A	N/A
Retirement Benefits and Salary - Eliminate ability for serving Members of the General Assembly to draw retirement benefits as well as salary during service.	N/A	N/A	N/A	N/A	X
Inactive Accounts - Interest will not accrue on inactive accounts.	X	X	X	X	X

SECTION BY SECTION SUMMARY OF H. 4898

Part I South Carolina Retirement System

SECTION 1

Addresses the issuance of Benefit Adjustments (BA). BA will be issued when revenue triggers are met. The trigger will be based on the 5 year average rate of return. If in any single year there is a negative return, a BA will not be awarded. BA will not exceed 2.5% in any year. New and Current Employees will be affected.

SECTION 2

Creates the Class Three membership of the system. New employees as of July 1, 2012.

Average final compensation will be computed using the 5 highest years rather than the 3 highest years. New and Current Employees will be affected.

Annual leave is no longer used when computing average final compensation. New and Current Employees will be affected.

Overtime and special pay are no longer considered in earnable compensation. New and Current Employees will be affected.

SECTION 3

Employee contribution rate to increase to 7.5%. Conforming language is also inserted regarding annual leave and average final compensation. New and Current Employees will be affected.

SECTION 4

Service purchase must be actuarially neutral. (PORS, GARS, and JSRS to conform to service purchase language.) New and Current Employees will be affected.

Inclusion of sick leave in final compensation calculation is eliminated. New and Current Employees will be affected.

SECTION 5

Codifies calculation of Class Three membership benefits and service time of 30 years. New Employees only

SECTION 6

Early retirement calculation for Class Three membership to conform to 30 years.

SECTION 7

Computation of new members' benefits. New Employees

THE ABOVE CONSTITUTED SUMMARY IS PREPARED BY THE STAFF OF THE SC HOUSE OF REPRESENTATIVES AND IS NOT THE EXPRESSION OF THE LEGISLATION'S SPONSOR(S) OR THE HOUSE OF REPRESENTATIVES. IT IS STRICTLY FOR THE INTERNAL USE AND BENEFITS OF MEMBERS OF THE HOUSE OF REPRESENTATIVES AND IS NOT TO BE CONSTRUCTED BY A COURT OF LAW AS AN EXPRESSION OF LEGISLATIVE INTENT.

SECTION BY SECTION SUMMARY OF H. 4898

Protection of current members' accrued benefit before July 1, 2012. Current Employees

SECTION 8

Conforming language for new members regarding beneficiaries.

SECTION 9

Closes TERI to new members. New Employees only

SECTION 10. Section 9-1-1810 of the 1976 Code is repealed for adjustments after July 1, 2012.

Part II

Retirement System for Members of the General Assembly of the State of South Carolina

SECTION 11

Members of the General Assembly eligible for retirement are no longer allowed to retire and draw salary.

Part III

South Carolina Police Officers Retirement System

SECTION 12

Addresses the issuance of Benefit Adjustments (BA). BA will be issued when revenue triggers are met. The trigger will be based on the 5 year average rate of return. If in any single year there is a negative return, a BA will not be awarded. BA will not exceed 2.5% in any year. New and Current Employees will be affected.

SECTION 13

Average final compensation will be computed using the 5 highest years rather than the 3 highest years. New and Current Employees will be affected.

Annual leave is no longer used when computing average final compensation. New and Current Employees will be affected.

SECTION 14

Service purchase must be actuarially neutral. New and Current Employees will be affected.

Inclusion of sick leave is eliminated. New and Current Employees will be affected.

SECTION 15

SECTION BY SECTION SUMMARY OF H. 4898

Protection of current members' accrued benefit before July 1, 2012. Current Employees

SECTION 16

Employee contribution rate to increase by 1%. Conforming language is also inserted regarding annual leave and average final compensation. New and Current Employees will be affected.

SECTION 17. Section 9-11-310 of the 1976 Code is repealed for adjustments after July 1, 2012.

Part IV

Provisions Application to More Than One Retirement System

SECTION 18

The General Assembly will establish the rate of return. The assumed rate of return as of July 1, 2012 will be 7.5%.

SECTION 19

Interest will no longer be credited on inactive retirement accounts.

Part V

Miscellaneous, Effective Date

SECTION 20. Severability Clause

SECTION 21. Except where otherwise stated, this act takes effect July 1, 2012.

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A BILL

11 TO AMEND SECTION 9-1-10, AS AMENDED, CODE OF
12 LAWS OF SOUTH CAROLINA, 1976, RELATING TO
13 DEFINITIONS UNDER THE SOUTH CAROLINA
14 RETIREMENT SYSTEM (SCRS), SO AS TO PROVIDE FOR
15 "CLASS THREE" MEMBERS OF SCRS WITH "CLASS
16 THREE" MEMBERS MEANING AN EMPLOYEE MEMBER
17 OF SCRS WITH AN EFFECTIVE DATE OF MEMBERSHIP
18 AFTER JUNE 30, 2012; TO AMEND SECTIONS 9-1-10
19 FURTHER AND 9-1-1550, RELATING TO RETIREMENT
20 BENEFITS UNDER THE SCRS, SO AS TO REVISE THE
21 MANNER IN WHICH RETIREMENT BENEFITS FOR SCRS
22 MEMBERS ARE COMPUTED AFTER JUNE 30, 2012, AND
23 TO PROVIDE FOR AN ALTERNATE CALCULATION OF
24 BENEFITS FOR SCRS MEMBERS AS OF JUNE 30, 2012,
25 WHICH APPLIES IF THE MEMBER'S BENEFIT
26 CALCULATED ON RETIREMENT AFTER JUNE 30, 2012,
27 WOULD RESULT IN A LESSER AMOUNT; BY ADDING
28 SECTION 9-1-1815 SO AS TO PROVIDE FOR THE MANNER
29 IN WHICH RETIRED SCRS MEMBERS AND THEIR
30 SURVIVING ANNUITANTS MAY RECEIVE INCREASED
31 ALLOWANCES AND THE METHOD OF CALCULATING
32 THAT INCREASE; AND TO REPEAL SECTION 9-1-1810
33 RELATING TO INCREASES IN SCRS RETIREMENT
34 ALLOWANCES BASED ON THE CONSUMER PRICE INDEX;
35 TO AMEND SECTION 9-1-1020, AS AMENDED, RELATING
36 TO DEDUCTIONS FROM THE COMPENSATION OF
37 MEMBERS OF SCRS TO FUND BENEFITS, THE TAX
38 TREATMENT THEREOF, AND OTHER RELATED
39 PROVISIONS, SO AS TO INCREASE ON JULY 1, 2012, THE
40 REQUIRED DEDUCTIONS OF CLASS ONE SCRS MEMBERS
41 TO SIX AND ONE-HALF PERCENT OF EARNABLE
42 COMPENSATION FROM FIVE AND ONE-HALF PERCENT

1 AND THE REQUIRED DEDUCTIONS OF SCRS CLASS TWO
2 AND CLASS THREE MEMBERS TO SEVEN AND ONE-HALF
3 PERCENT OF EARNABLE COMPENSATION FROM SIX
4 AND ONE-HALF PERCENT AND MAKE CONFORMING
5 CHANGES; TO AMEND SECTION 9-1-1140, AS AMENDED,
6 RELATING TO THE PURCHASE OF ADDITIONAL SERVICE
7 CREDIT UNDER SCRS, SO AS TO PROVIDE THAT THE
8 REQUIRED COST IS THE GREATER OF AN ACTUARIALLY
9 NEUTRAL PAYMENT BASED ON THE SCRS MEMBER'S
10 CURRENT AGE AND CREDITABLE SERVICE OR A SET
11 PERCENTAGE OF SALARY AND TO ELIMINATE THE
12 ADDITION OF UNUSED SICK LEAVE IN THE
13 CALCULATION OF CREDITABLE SERVICE AFTER JUNE
14 30, 2012; TO AMEND SECTION 9-1-1510, AS AMENDED,
15 RELATING TO THE REQUIREMENTS FOR A SCRS
16 RETIREMENT ALLOWANCE, SO AS TO PROVIDE THAT A
17 SCRS CLASS THREE MEMBER MUST HAVE AT LEAST
18 THIRTY YEARS OF CREDITABLE SERVICE TO BE
19 ELIGIBLE TO RETIRE AT ANY AGE WITHOUT A BENEFIT
20 REDUCTION; TO AMEND SECTION 9-1-1515, AS
21 AMENDED, RELATING TO THE REQUIREMENTS FOR
22 EARLY RETIREMENT IN SCRS, SO AS TO CONFORM THE
23 REQUIREMENTS OF THAT SECTION AS IT APPLIES FOR
24 SCRS CLASS THREE MEMBERS; TO AMEND SECTION
25 9-1-1660, AS AMENDED, RELATING TO THE
26 REQUIREMENTS FOR A NOMINEE OF A DECEASED
27 ACTIVE SCRS MEMBER TO RECEIVE A RETIREMENT
28 ALLOWANCE, SO AS TO CONFORM THE REQUIREMENTS
29 OF THAT SECTION AS IT APPLIES FOR SCRS CLASS
30 THREE MEMBERS; TO AMEND SECTION 9-1-2210, AS
31 AMENDED, RELATING TO THE TEACHER AND
32 EMPLOYEE RETENTION INCENTIVE (TERI) PROGRAM, SO
33 AS TO CLOSE THE PROGRAM FOR SCRS CLASS THREE
34 MEMBERS AND TO CONFORM THE CALCULATION OF
35 RETIREMENT BENEFITS FOR TERI PARTICIPANTS; TO
36 AMEND SECTION 9-9-60, AS AMENDED, RELATING TO
37 RETIREMENT AND RETIREMENT ALLOWANCES FOR
38 MEMBERS OF THE RETIREMENT SYSTEM FOR MEMBERS
39 OF THE GENERAL ASSEMBLY OF THE STATE OF SOUTH
40 CAROLINA (GARS), SO AS PROSPECTIVELY TO
41 ELIMINATE PROVISIONS ALLOWING MEMBERS OF THE
42 GENERAL ASSEMBLY WHO MEET CERTAIN AGE OR
43 CREDITED SERVICE REQUIREMENTS OR WITH AGE AND

1 CREDITED SERVICE REQUIREMENTS TO RECEIVE A
2 GARS RETIREMENT BENEFIT WHILE CONTINUING TO
3 SERVE IN THE GENERAL ASSEMBLY; TO AMEND
4 SECTIONS 9-11-10 AND 9-11-60, BOTH AS AMENDED,
5 RELATING TO DEFINITIONS AND ELIGIBILITY FOR
6 RETIREMENT UNDER THE SOUTH CAROLINA POLICE
7 OFFICERS RETIREMENT SYSTEM (SCPORS), SO AS TO
8 REVISE THE MANNER IN WHICH RETIREMENT BENEFITS
9 FOR SCPORS MEMBERS RETIRING AFTER JUNE 30, 2012,
10 ARE COMPUTED AND TO PROVIDE FOR AN ALTERNATE
11 CALCULATION OF BENEFITS FOR SCPORS MEMBERS AS
12 OF JUNE 30, 2012, WHICH APPLIES IF THE SCPORS
13 MEMBER'S BENEFIT CALCULATED ON RETIREMENT
14 AFTER JUNE 30, 2012, WOULD RESULT IN A LESSER
15 AMOUNT; BY ADDING SECTION 9-11-312 SO AS TO
16 PROVIDE FOR THE MANNER IN WHICH SCPORS RETIRED
17 MEMBERS AND THEIR SURVIVING ANNUITANTS MAY
18 RECEIVE INCREASED ALLOWANCES AND THE METHOD
19 OF CALCULATING THAT INCREASE; AND TO REPEAL
20 SECTION 9-11-310 RELATING TO COST OF LIVING
21 ADJUSTMENTS UNDER SCPORS BASED ON THE
22 CONSUMER PRICE INDEX; TO AMEND SECTION 9-11-50,
23 AS AMENDED, RELATING TO THE PURCHASE OF
24 ADDITIONAL SERVICE CREDIT UNDER SCPORS, SO AS
25 TO PROVIDE THAT THE REQUIRED COST MUST BE THE
26 GREATER OF AN ACTUARIALLY NEUTRAL PAYMENT
27 BASED ON THE MEMBERS CURRENT AGE AND
28 CREDITABLE SERVICE OR A SET PERCENTAGE OF
29 SALARY AND TO ELIMINATE THE ADDITION OF UNUSED
30 SICK LEAVE IN THE CALCULATION OF CREDITABLE
31 SERVICE AFTER JUNE 30, 2012; TO AMEND SECTION
32 9-11-210, AS AMENDED, RELATING TO DEDUCTIONS
33 FROM THE COMPENSATION OF MEMBERS OF SCPORS TO
34 FUND BENEFITS, THE TAX TREATMENT THEREOF, AND
35 OTHER RELATED PROVISIONS, SO AS TO INCREASE ON
36 JULY 1, 2012, THE REQUIRED DEDUCTIONS OF SCPORS
37 CLASS TWO MEMBERS TO SEVEN AND ONE-HALF
38 PERCENT OF EARNABLE COMPENSATION FROM SIX
39 AND ONE-HALF PERCENT; BY ADDING SECTION 9-16-335
40 SO AS TO PROVIDE THAT THE ASSUMED ANNUAL RATE
41 OF RETURN ON THE INVESTMENTS OF THE RETIREMENT
42 SYSTEM MUST BE ESTABLISHED BY THE GENERAL
43 ASSEMBLY AND EFFECTIVE JULY 1, 2012, THE ASSUMED

1 ANNUAL RATE OF RETURN ON RETIREMENT SYSTEM
2 INVESTMENTS IS SEVEN AND ONE-HALF PERCENT; AND
3 TO AMEND SECTIONS 9-1-1135, 9-8-185, 9-9-175, AND
4 9-11-265, RELATING TO INTEREST ON MEMBER'S
5 CONTRIBUTIONS IN SCRS, GARS, THE RETIREMENT
6 SYSTEM FOR JUDGES AND SOLICITORS, AND SCPORS,
7 SO AS TO PROVIDE THAT INTEREST IS NOT PAID ON
8 INACTIVE ACCOUNTS, AND TO DEFINE "INACTIVE
9 ACCOUNT".

10

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

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Part I

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16

South Carolina Retirement System

17

18 SECTION 1. Article 13, Chapter 1, Title 9 of the 1976 Code is
19 amended by adding:

20

21 "Section 9-1-1815. (A)(1) The retirement allowance received by
22 retirees and their surviving annuitants inclusive of supplemental
23 allowances payable pursuant to the provisions of Sections
24 9-1-1910, 9-1-1920, and 9-1-1930, are subject to an annual
25 adjustment calculated as provided in this subsection. Annually in
26 November the board shall subtract the assumed annual rate of
27 return on the investments of the assets of the South Carolina
28 Retirement System from the five-year average investment return of
29 the South Carolina Retirement System. If the difference of that
30 subtraction is a positive percentage, then retirement allowances
31 paid must be increased by the same percentage, but not more than
32 two and one-half percent. If the annual calculation difference
33 results in a positive percentage, but the actual rate of return on the
34 system's investments for the preceding plan year was less than
35 zero, an increase may not be granted. In no case may the
36 calculation result in an adjustment that decreases benefits. If the
37 annual calculation results in increased retirement allowances, then
38 the board, by December thirty-first following the calculation, by
39 resolution, shall direct the increase.

40

41 (2) For purposes of this subsection, the 'five-year average
42 investment return' means the average of the investment returns of
43 the most recent five plan years ending on June thirtieth before the
November calculation date as determined by the board.

[]

1 (B) An increase in the retirement allowance pursuant to
2 subsection (A) of this section begins the July first immediately
3 following the date of the resolution directing the increase, and all
4 increases in retirement allowances must be granted to those retirees
5 and their surviving annuitants, in receipt of a retirement allowance
6 on July first immediately preceding the effective date of the
7 increase. Any increase in allowance granted pursuant to
8 subsection (A) must be included in the determination of any
9 subsequent increase.”

10
11 SECTION 2. A. Section 9-1-10 of the 1976 Code, as last amended
12 by Act 353 of 2008, is further amended by adding a new item after
13 item (18):

14
15 “(18A) ‘Class Three member’ means an employee member of
16 the system with an effective date of system membership after June
17 30, 2012.”

18
19 B. Section 9-1-10(4) of the 1976 Code, as last amended by Act 387
20 of 2000, is further amended to read:

21
22 “(4)(a) ‘Average final compensation’ with respect to those
23 members retiring on or after July 1, 1986, but before July 1, 2012,
24 means the average annual earnable compensation of a member
25 during the twelve consecutive quarters of his creditable service on
26 which regular contributions as a member were made to the system
27 producing the highest such average; a quarter means a period
28 January through March, April through June, July through
29 September, or October through December. An amount up to and
30 including forty-five days’ termination pay for unused annual leave
31 at retirement may be added to the average final compensation.
32 Average final compensation for an elected official may be
33 calculated as the average annual earnable compensation for the
34 thirty-six consecutive months before the expiration of the elected
35 official’s term of office.

36 (b) ‘Average final compensation’ with respect to members
37 retiring after June 30, 2012, means the average annual earnable
38 compensation of a member during the twenty consecutive quarters
39 of the member’s creditable service on which regular contributions
40 as a member were made to the system producing the highest such
41 average; a quarter means a period January through March, April
42 through June, July through September, or October through

1 December. Termination pay for unused annual leave at retirement
2 may not be added to the average final compensation.”
3

4 C.Section 9-1-10(8) of the 1976 Code, as last amended by Act
5 387 of 2000, is further amended to read:
6

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

13 (b) For work performed by a member after June 30, 2012,
14 earnable compensation does not include any overtime pay not
15 mandated by the employer.”
16

17 SECTION 3. Section 9-1-1020 of the 1976 Code, as last amended
18 by Act 311 of 2008, is further amended to read:
19

20 “Section 9-1-1020. The employee annuity savings fund shall be
21 the account in which shall be recorded the contributions deducted
22 from the earnable compensation of members to provide for their
23 employee annuities. Each employer shall cause to be deducted
24 from the compensation of each member on each and every payroll
25 of such employer for each and every payroll period four percent of
26 his earnable compensation. With respect to each member who is
27 eligible for coverage under the Social Security Act in accordance
28 with the agreement entered into during 1955 in accordance with
29 the provisions of Chapter 7 of this Title; however, such deduction
30 shall, commencing with the first day of the period of service with
31 respect to which such agreement is effective, be at the rate of three
32 percent of the part of his earnable compensation not in excess of
33 four thousand eight hundred dollars, plus five percent of the part of
34 his earnable compensation in excess of four thousand eight
35 hundred dollars. In the case of any member so eligible and
36 receiving compensation from two or more employers, such
37 deductions may be adjusted under such rules as the board may
38 establish so as to be as nearly equivalent as practicable to the
39 deductions which would have been made had the member received
40 all of such compensation from one employer. In determining the
41 amount earnable by a member in a payroll period, the board may
42 consider the rate of annual earnable compensation of such member
43 on the first day of the payroll period as continuing throughout such

1 payroll period and it may omit deduction from earnable
2 compensation for any period less than a full payroll period if a
3 teacher or employee was not a member on the first day of the
4 payroll period.

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

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

	Class One	Class <u>Classes</u> Two and Three
14		
15		
16 Before July 1, 2005	5	6
17 July 1, 2005 through		
18 June 30, 2006	5.25	6.25
19 After June 30, 2006		
20 <u>through June 30, 2012</u>	5.50	6.50
21 <u>After June 30, 2012</u>	<u>6.50</u>	<u>7.50</u>

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

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

1 Payments for unused sick leave, single special payments at
2 retirement, bonus and incentive-type payments, or any other
3 payments not considered a part of the regular salary base are not
4 compensation for which contributions are deductible. Before July
5 1, 2015, contributions are deductible on up to and including
6 forty-five days' termination pay for unused annual leave. If a
7 member has received termination pay for unused annual leave on
8 more than one occasion, contributions are deductible on up to and
9 including forty-five days' termination pay for unused annual leave
10 for each termination payment for unused annual leave received by
11 the member. However, only an amount up to and including
12 forty-five days' pay for unused annual leave from the member's
13 last termination payment ~~shall~~ must be included in a member's
14 average final compensation calculation, for the members eligible to
15 have that pay included in the member's average final
16 compensation calculation."

17
18 SECTION 4. Section 9-1-1140 of the 1976 Code, as last amended
19 by Act 311 of 2008, is further amended to read:

20
21 "Section 9-1-1140. (A) An active member may establish
22 service credit for any period of paid public service by making a an
23 actuarially neutral payment to the system ~~to be~~ as determined by
24 the actuary for the board based on the member's current age and
25 service credit, but not less than sixteen percent of the member's
26 current salary or career highest fiscal year salary, whichever is
27 greater, for each year of credit purchased. A member's career
28 highest fiscal year salary shall include the member's salary while
29 participating in the State Optional Retirement Program, the
30 Optional Retirement Program for Teachers and School
31 Administrators, or the Optional Retirement Program for Publicly
32 Supported Four-Year and Postgraduate Institutions of Higher
33 Education if the member has purchased service rendered under any
34 of these programs pursuant to subsection (F) of this section.
35 Periods of less than a year must be prorated. A member may not
36 establish credit for a period of public service for which the member
37 also may receive a retirement benefit from another defined benefit
38 retirement plan. A member may not establish service credit for
39 public service to the extent such service purchase would violate
40 Section 415 or any other provision of the Internal Revenue Code.

41 (B) An active member may establish service credit for any
42 period of paid educational service by making a an actuarially
43 neutral payment to the system determined by the actuary for the

1 board based on the member's current age and service credit, but
2 not less than sixteen percent of the member's current salary or
3 career highest fiscal year salary, whichever is greater, for each year
4 of credit purchased. A member's career highest fiscal year salary
5 shall include the member's salary while participating in the State
6 Optional Retirement Program, the Optional Retirement Program
7 for Teachers and School Administrators, or the Optional
8 Retirement Program for Publicly Supported Four-Year and
9 Postgraduate Institutions of Higher Education if the member has
10 purchased service rendered under any of these programs pursuant
11 to subsection (F) of this section. Periods of less than a year must
12 be prorated. A member may not establish credit for a period of
13 educational service for which the member also may receive a
14 retirement benefit from another defined benefit retirement plan. A
15 member may not establish service credit for educational service to
16 the extent such service purchase would violate Section 415 or any
17 other provision of the Internal Revenue Code.

18 (C) An active member may establish up to six years of service
19 credit for any period of military service, if the member was
20 discharged or separated from military service under conditions
21 other than dishonorable, by making a an actuarially neutral
22 payment to the system to be determined by the actuary for the
23 board based on the member's current age and service credit, but
24 not less than sixteen percent of the member's current salary or
25 career highest fiscal year salary, whichever is greater, for each year
26 of credit purchased. A member's career highest fiscal year salary
27 shall include the member's salary while participating in the State
28 Optional Retirement Program, the Optional Retirement Program
29 for Teachers and School Administrators, or the Optional
30 Retirement Program for Publicly Supported Four-Year and
31 Postgraduate Institutions of Higher Education if the member has
32 purchased service rendered under any of these programs pursuant
33 to subsection (F) of this section. Periods of less than a year must
34 be prorated.

35 (D) An active member on an approved leave of absence from
36 an employer that participates in the system who returns to covered
37 employment within four years may purchase service credit for the
38 period of the approved leave, but may not purchase more than two
39 years of service credit for each separate leave period, by making a
40 an actuarially neutral payment to the system to be determined by
41 the actuary for the board based on the member's current age and
42 service credit, but not less than sixteen percent of the member's
43 current salary or career highest fiscal year salary, whichever is

1 greater, for each year of credit purchased. A member's career
2 highest fiscal year salary shall include the member's salary while
3 participating in the State Optional Retirement Program, the
4 Optional Retirement Program for Teachers and School
5 Administrators, or the Optional Retirement Program for Publicly
6 Supported Four-Year and Postgraduate Institutions of Higher
7 Education if the member has purchased service rendered under any
8 of these programs pursuant to subsection (F) of this section.
9 Periods of less than a year must be prorated.

10 (E) An active member who has five or more years of earned
11 service credit may establish up to five years of nonqualified
12 service by making a an actuarially neutral payment to the system to
13 be determined by the actuary for the board based on the member's
14 current age and service credit, but not less than thirty-five percent
15 of the member's current salary or career highest fiscal year salary,
16 whichever is greater, for each year of credit purchased. A
17 member's career highest fiscal year salary shall include the
18 member's salary while participating in the State Optional
19 Retirement Program, the Optional Retirement Program for
20 Teachers and School Administrators, or the Optional Retirement
21 Program for Publicly Supported Four-Year and Postgraduate
22 Institutions of Higher Education if the member has purchased
23 service rendered under any of these programs pursuant to
24 subsection (F) of this section. Periods of less than a year must be
25 prorated.

26 (F) An active member may establish service credit for any
27 period of service in which the member participated in the State
28 Optional Retirement Program, the Optional Retirement Program
29 for Teachers and School Administrators, or the Optional
30 Retirement Program for Publicly Supported Four-Year and
31 Postgraduate Institutions of Higher Education, by making a an
32 actuarially neutral payment to the system to be determined by the
33 actuary for the board based on the member's current age and
34 service credit, but not less than sixteen percent of the member's
35 current salary or career highest fiscal year salary, whichever is
36 greater, for each year of credit purchased. A member's career
37 highest fiscal year salary shall include the member's salary while
38 participating in the system or in the State Optional Retirement
39 Program, the Optional Retirement Program for Teachers and
40 School Administrators, or the Optional Retirement Program for
41 Publicly Supported Four-Year and Postgraduate Institutions of
42 Higher Education. Periods of less than a year must be prorated. A
43 member may not establish credit for a period of service for which

1 the member also may receive a retirement benefit from another
2 defined benefit retirement plan. A member may not establish
3 service credit under this subsection to the extent such service
4 purchase would violate Section 415 or any other provision of the
5 Internal Revenue Code. Service purchased under this subsection is
6 'earned service' and counts toward the required five or more years
7 of earned service necessary for benefit eligibility. Compensation
8 earned for periods purchased under this subsection while
9 participating in the State Optional Retirement Program, the
10 Optional Retirement Program for Teachers and School
11 Administrators, or the Optional Retirement Program for Publicly
12 Supported Four-Year and Postgraduate Institutions of Higher
13 Education ~~shall~~ must be treated as earnable compensation and ~~shall~~
14 must be used in calculating a member's average final
15 compensation. A member purchasing service under this subsection
16 who has funds invested in a TIAA Traditional account under a
17 TIAA-CREF Retirement Annuity contract ~~shall be~~ is eligible to
18 make a plan to plan transfer in accordance with the terms of that
19 contract.

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

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

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

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

- 39 (1) earned service previously withdrawn and reestablished;
40 (2) service rendered while participating in the State Optional
41 Retirement Program, the Optional Retirement Program for
42 Teachers and School Administrators, or the Optional Retirement
43 Program for Publicly Supported Four-Year and Postgraduate

1 Institutions of Higher Education that has been purchased pursuant
2 to subsection (F); or

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

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

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

13 (M) At retirement, after March 31, 1991, but before July 1,
14 2012, a member shall receive credit for not more than ninety days
15 of his unused sick leave from the member's last employer at no
16 cost to the member. The leave must be credited at a rate where
17 twenty days of unused sick leave equals one month of service.
18 This additional service credit may not be used to qualify for
19 retirement.

20 (N) An employee drawing workers' compensation who is on a
21 leave of absence for a limited period may voluntarily contribute on
22 his contractual salary, to be matched by the employer."
23

24 SECTION 5. Section 9-1-1510 of the 1976 Code, as last amended
25 by Act 1 of 2001, is further amended to read:
26

27 "Section 9-1-1510. (A) A Class One or Class Two member may
28 retire upon written application to the system setting forth at what
29 time, no more than ninety days before nor more than six months
30 after the execution and filing of the application, the member
31 desires to be retired, if the member at the time specified for the
32 member's service retirement has:

- 33 (1) five or more years of earned service;
34 (2) attained the age of sixty years or has twenty-eight or
35 more years of creditable service; and
36 (3) separated from service.

37 (B) A Class Three member may retire upon written application
38 to the system setting forth at what time, no more than ninety days
39 before nor more than six months after the execution and filing of
40 the application, the member desires to be retired, if the member at
41 the time specified for the member's service retirement has:

- 42 (1) five or more years of earned service;

1 (2) attained the age of sixty years or has thirty or more years
2 of creditable service; and

3 (3) separated from service.

4 (C) A member who is an elected official whose annual
5 compensation is less than the earnings limitation pursuant to
6 Section 9-1-1790 and who is otherwise eligible for service
7 retirement may retire for purposes of this section without a break
8 in service.”

9
10 SECTION 6. Section 9-1-1515 of the 1976 Code, as last amended
11 by Act 1 of 2001, is amended to read:

12
13 “Section 9-1-1515. (A)(1) In addition to other types of
14 retirement provided by this chapter, a Class One or Class Two
15 member may elect early retirement if the member:

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

17 (2)(b) has attained the age of fifty-five years;

18 (3)(c) has at least twenty-five years of creditable service;

19 and

20 (4)(d) has separated from service.

21 A member electing early retirement pursuant to this subsection
22 shall apply in the manner provided in Section 9-1-1510(A).

23 (B)(2) The benefits for a member electing early retirement
24 under this ~~section~~ subsection must be calculated in the manner
25 provided in Section 9-1-1550, except that in lieu of any other
26 reduction factor, the member’s early retirement allowance is
27 reduced by four percent a year, prorated for periods less than one
28 year, for each year of creditable service less than twenty-eight.

29 (C)(3) A member who elects early retirement under this
30 ~~section~~ subsection is ineligible to receive any cost-of-living
31 increase provided by law to retirees until the second July first after
32 the date the member attains age sixty; or the second July first after
33 the date the member would have twenty-eight years’ creditable
34 service had ~~he the member~~ not retired, whichever is earlier.

35 (D)(1)(4)(a) Except as provided in ~~item (2)~~ subitem (b) of this
36 ~~subsection~~ item, a member who elects early retirement under this
37 ~~section~~ subsection is not covered by the State Insurance Benefits
38 Plan until the earlier of:

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

40 (b)(ii) the date the member would have twenty-eight
41 years’ creditable service had ~~he the member~~ not retired.

42 (2)(b) A member taking early retirement under this
43 subsection may maintain coverage under the State Insurance

1 Benefits Plan until the date ~~his~~ the member's coverage is reinstated
2 pursuant to ~~item (1)~~ subitem (a) of this ~~subsection~~ item by paying
3 the total premium cost, including the employer's contribution, in
4 the manner provided by the Division of Insurance Services of the
5 State Budget and Control Board.

6 (B)(1) In addition to other types of retirement provided by this
7 chapter, a Class Three member may elect early retirement if the
8 member:

- 9 (a) has five or more years of earned service;
- 10 (b) has attained the age of fifty-five years;
- 11 (c) has at least twenty-five years of creditable service; and
- 12 (d) has separated from service.

13 A member electing early retirement pursuant to this subsection
14 shall apply in the manner provided in Section 9-1-1510(B).

15 (2) The benefits for a member electing early retirement
16 under this subsection must be calculated in the manner provided in
17 Section 9-1-1550, except that in lieu of any other reduction factor,
18 the member's early retirement allowance is reduced by four
19 percent a year, prorated for periods less than one year, for each
20 year of creditable service less than thirty.

21 (3) A member who elects early retirement under this
22 subsection is ineligible to receive any cost-of-living increase
23 provided by law to retirees until the second July first after the date
24 the member attains age sixty; or the second July first after the date
25 the member would have thirty years' creditable service had the
26 member not retired, whichever is earlier.

27 (4)(a) Except as provided in subitem (b) of this item, a
28 member who elects early retirement under this subsection is not
29 covered by the State Insurance Benefits Plan until the earlier of:

- 30 (i) the date the member attains age sixty, or
- 31 (ii) the date the member would have thirty years'

32 creditable service had the member not retired.

33 (b) A member taking early retirement under this
34 subsection may maintain coverage under the State Insurance
35 Benefits Plan until the date the member's coverage is reinstated
36 pursuant to subitem (a) of this item by paying the total premium
37 cost, including the employer's contribution, in the manner
38 provided by the Division of Insurance Services of the State Budget
39 and Control Board."

40
41 SECTION 7. Section 9-1-1550 of the 1976 Code, as last amended
42 by Act 1 of 2001, is further amended by adding two new
43 subsections to read:

1
2 “(C) Upon retirement from service after June 30, 2012, a Class
3 Three member shall receive a service retirement allowance
4 computed as follows:

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

10 (2) If the member’s service retirement date occurs before his
11 sixty-fifth birthday and before he completes thirty years of
12 creditable service, his service retirement allowance is computed as
13 in item (1) of this subsection but is reduced by five-twelfths of one
14 percent thereof for each month, prorated for periods less than a
15 month, by which his retirement date precedes the first day of the
16 month coincident with or next following his sixty-fifth birthday.

17 (D) To ensure that a member’s benefit earned and accrued
18 before July 1, 2012, is protected, the benefit provided to a Class
19 One or a Class Two member must be not less than the benefit that
20 would have been provided to the member had the member retired
21 on June 30, 2012, based on the member’s service credit and
22 average final compensation then existing. For purposes of
23 calculating the member’s benefit as if the member retired on June
24 30, 2012:

25 (1) it must be presumed that forty-five days’ termination pay
26 for unused annual leave was paid to the member at retirement
27 based on the member’s career highest salary;

28 (2) the member shall receive service credit for ninety days of
29 unused sick leave; and

30 (3) the member’s average final compensation must be
31 computed using the twelve consecutive quarters of his creditable
32 service ending before July 1, 2012, on which regular contributions
33 as a member were made to the system producing the highest such
34 average.”

35
36 SECTION 8. Section 9-1-1660(A) of the 1976 Code, as last
37 amended by Act 387 of 2000, is further amended to read:

38
39 “(A) The person nominated by a member to receive the full
40 amount of the member’s accumulated contributions if the member
41 dies before retirement may, if the member:

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

43 (2) dies while in service; and

1 (3) has either attained the age of sixty years or has
2 accumulated fifteen years or more of creditable service, elect to
3 receive in lieu of the accumulated contributions an allowance for
4 life in the same amount as if the deceased member had retired at
5 the time of the member's death and had named the person as
6 beneficiary under an election of Option B of Section 9-1-1620(A).
7 For purposes of the benefit calculation, a Class One or Class Two
8 member under age sixty with less than twenty-eight years' credit,
9 or thirty years such credit in the case of a Class Three member, is
10 assumed to be sixty years of age."

11
12 SECTION 9. Section 9-1-2210 of the 1976 Code, as last amended
13 by Act 112 of 2007, is further amended to read:

14
15 "Section 9-1-2210. (A) An active Class One or Class Two
16 contributing member who is eligible for service retirement under
17 this chapter and complies with the requirements of this article may
18 elect to participate in the Teacher and Employee Retention
19 Incentive Program (program). A member electing to participate in
20 the program retires for purposes of the system. The program
21 participant shall agree to continue employment with an employer
22 participating in the system for a program period, not to exceed five
23 years. The member shall notify the system before the beginning of
24 the program period. Participation in the program does not
25 guarantee employment for the specified program period. Class
26 Three members are not eligible to participate in the program.

27 (B) After June 30, 2005, and (1) For a member who elects to
28 participate in the program before July 1, 2012, or a member who
29 elects to participate in the program after June 30, 2012, and who is
30 entitled to a benefit calculated pursuant to Section 9-1-1550(D),
31 notwithstanding the provisions of Section 9-1-10(4), a payment for
32 unused annual leave is not included in calculating a member's
33 deferred program benefit during the program period. The
34 member's average final compensation for the purpose of
35 calculating the deferred program retirement benefit must be solely
36 the average of the member's highest twelve consecutive quarters of
37 earnable compensation at the time the member enters the program.

38 (2) For a member who elects to participate in the program
39 after June 30, 2012, and whose benefit is not calculated pursuant to
40 Section 9-1-1550(D), the member's deferred program retirement
41 benefit must be calculated as a normal service retirement benefit.

42 (3) During the specified program period, receipt of the
43 member's normal retirement benefit is deferred. The member's

1 deferred monthly benefit must be placed in the system's trust fund
2 on behalf of the member. No interest is paid on the member's
3 deferred monthly benefit placed in the system's trust fund during
4 the specified program period.

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

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

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

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

- 34 (1) a lump-sum distribution, paying appropriate taxes; or
35 (2) to the extent permitted under law, a tax sheltered rollover
36 into an eligible plan.

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

1 Upon termination of employment of members who began
2 participation in the program after June 30, 2005, but before July 1,
3 2012, or who began participation after June 30, 2012, and are
4 entitled to a benefit calculated pursuant to Section 9-1-1550(D),
5 the Retirement Systems shall recalculate the average final
6 compensation of the member to determine the benefit the member
7 receives after participation in the program. The average final
8 compensation calculated at the commencement of the program
9 must be increased by an amount up to and including forty-five
10 days' termination pay for unused annual leave received by the
11 member at termination of employment, divided by three. The
12 member's benefit after participation in the program must be
13 calculated in accordance with Section 9-1-1550, utilizing the
14 recalculated average final compensation determined in this
15 subsection, and the member's service credit, including sick leave,
16 as of the date the member began participation in the program, plus
17 any cost-of-living increases declared during the program period
18 with respect to the amount of the member's deferred program
19 benefit. Upon termination of employment of a member who began
20 participation in the program after June 30, 2012, and who is not
21 entitled to a benefit calculated pursuant to Section 9-1-1550(D),
22 there is no recalculation of the member's benefit and the member
23 must receive the previously determined normal retirement benefit
24 based upon the member's average final compensation and service
25 credit at the time the program period began, plus any applicable
26 cost of living increases declared during the program period.

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

- 31 (1) a lump-sum distribution, paying appropriate taxes; or
32 (2) to the extent permitted under law, a tax sheltered rollover
33 into an eligible plan.

34 In accordance with the form of system benefit selected by the
35 member at the time the program commenced, the member's
36 designated beneficiary must receive either a survivor benefit or a
37 refund of contributions from the member's system account. If the
38 member's beneficiary is eligible to, and elects to, receive a
39 survivorship retirement allowance and the member would have
40 been eligible for a recalculation of his benefit upon termination
41 from the program pursuant to subsection (F), the allowance
42 payable to the member's beneficiary must be based on the
43 recalculated benefit provided in subsection (F).

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

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

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

31
32 SECTION 10. Section 9-1-1810 of the 1976 Code is repealed for
33 adjustments after July 1, 2012.

34 35 Part II

36 37 Retirement System for Members of the General Assembly 38 of the State of South Carolina 39

40
41 SECTION 11. A. Section 9-9-60 of the 1976 Code, as last
42 amended by Act 334 of 2002, is further amended to read:
43

1 "Section 9-9-60. (1) A member of the system may retire upon
2 written application to the board setting forth at what time, not more
3 than ninety days before nor more than six months after the
4 execution and filing of the application, the member desires to be
5 retired, if at the time specified for retirement, the member is no
6 longer in the service of the State, whether as a member of the
7 General Assembly or otherwise, except as provided in Section
8 9-9-40(3), and has either attained the age of sixty years or
9 completed thirty years of credited service.

10 (2) Effective July 1, 1989, a retired member shall receive a
11 monthly retirement allowance which is equal to one-twelfth of four
12 and eighty-two hundredths percent of earnable compensation
13 multiplied by the number of years of his credited service prorated
14 for periods less than a year.

15 ~~(3) A member who has attained the age of seventy and one half~~
16 ~~years and has twenty five years of service or who has attained the~~
17 ~~age of 70 or has 30 years of service may retire and draw a~~
18 ~~retirement benefit while continuing to serve in the General~~
19 ~~Assembly upon written application to the board setting forth at~~
20 ~~what time, not more than ninety days before nor more than six~~
21 ~~months after the execution and filing of the application, the~~
22 ~~member desires to be retired. A member who has retired under~~
23 ~~this provision shall make no further contributions to the system,~~
24 ~~shall earn no further service credit, and may not reenter~~
25 ~~membership in the system.~~

26 ~~The member must retire at the beginning of an annual session of~~
27 ~~the General Assembly and the election to receive the member's~~
28 ~~retirement allowance under this system is in lieu of receiving the~~
29 ~~constitutionally mandated per diem salary, currently established at~~
30 ~~ten thousand four hundred dollars for a regular session. This~~
31 ~~election if made is irrevocable and applies for as long as that~~
32 ~~person serves thereafter in the General Assembly including service~~
33 ~~in both regular and extra sessions."~~

34
35 B. A member of the General Assembly who on the effective date of
36 this section is receiving a GARS annuity benefit attributable to that
37 member's credited service in GARS shall continue to receive that
38 benefit as provided by the provisions of Section 9-9-60 in effect
39 immediately before the effective date of this act.

40 41 Part III

42 43 South Carolina Police Officers Retirement System

1
2 SECTION 12. Article 1, Chapter 11, Title 9 of the 1976 Code is
3 amended by adding:
4

5 "Section 9-11-312. (A)(1) The retirement allowance received
6 by retirees and their surviving annuitants pursuant to the provisions
7 of this chapter, inclusive of Section 9-11-140 are subject to an
8 annual adjustment calculated as provided in this subsection.
9 Annually in November the board shall subtract the assumed annual
10 rate of return on the investments of the assets of the South Carolina
11 Police Officers Retirement System from the five-year average
12 investment return of the South Carolina Police Officers Retirement
13 System. If the difference of that subtraction is a positive
14 percentage, then retirement allowances paid must be increased by
15 the same percentage, but not more than two and one-half percent.
16 If the annual calculation percentage results in a positive
17 percentage, but the actual rate of return on the system's
18 investments for the preceding plan year was less than zero, an
19 increase may not be granted. In no case may the calculation result
20 in an adjustment that decreases benefits. If the annual calculation
21 results in an increased retirement allowance, the board, by
22 December thirty-first following the calculation, by resolution, shall
23 direct the increase.

24 (2) For purposes of this subsection, the 'five-year average
25 investment return' means the average of the investment returns of
26 the most recent five plan years ending on June thirtieth before the
27 November calculation date as determined by the board.

28 (B) An increase in the retirement allowance pursuant to
29 subsection (A) of this section begins the July first immediately
30 following the date of the resolution directing the increase, and all
31 increases in retirement allowances must be granted to those retirees
32 and their surviving annuitants in receipt of a retirement allowance
33 on July first immediately preceding the effective date of the
34 increase. Any increase in allowance granted pursuant to
35 subsection (A) must be included in the determination of any
36 subsequent increase."
37

38 SECTION 13. Section 9-11-10(7) of the 1976 Code, as last
39 amended by Act 387 of 2000, is further amended to read:
40

41 "(7)(a) 'Average final compensation' after July 1, 1986, but
42 before July 1, 2012, means the average annual compensation of a
43 member during the twelve consecutive quarters of the member's

1 creditable service on which regular contributions as a member
2 were made to the system producing the highest average; a quarter
3 means a period January through March, April through June, July
4 through September, or October through December. An amount up to
5 to and including forty-five days' termination pay for unused annual
6 leave at retirement may be added to the average final
7 compensation. Average final compensation for an elected official
8 may be calculated as the average annual earnable compensation for
9 the thirty-six consecutive months prior to the expiration of his term
10 of office.

11 (b) 'Average final compensation' with respect to members
12 retiring after June 30, 2012, means the average annual earnable
13 compensation of a member during the twenty consecutive quarters
14 of the member's creditable service on which regular contributions
15 as a member were made to the system producing the highest such
16 average; a quarter means a period January through March, April
17 through June, July through September, or October through
18 December. Termination pay for unused annual leave at retirement
19 may not be added to the average final compensation."

20
21 SECTION 14. Section 9-11-50 of the 1976 Code, as last
22 amended by Act 311 of 2008, is further amended to read:

23
24 "Section 9-11-50. (A) An active member may establish
25 service credit for any period of paid public service by making a an
26 actuarially neutral payment to the system to be determined by the
27 actuary for the board, based on the member's current age and
28 service credit, ~~board,~~ but not less than sixteen percent of the
29 member's current salary or career highest fiscal year salary,
30 whichever is greater, for each year of credit purchased. Periods of
31 less than a year must be prorated. A member may not establish
32 credit for a period of public service for which the member also
33 may receive a retirement benefit from another defined benefit
34 retirement plan. A member may not establish service credit for
35 public service to the extent such service purchase would violate
36 Section 415 or any other provision of the Internal Revenue Code.

37 (B) An active member may establish service credit for any
38 period of paid educational service by making a an actuarially
39 neutral payment to the system to be determined by the actuary for
40 the board, based on the member's current age and service credit,
41 ~~board,~~ but not less than sixteen percent of the member's current
42 salary or career highest fiscal year salary, whichever is greater, for
43 each year of credit purchased. Periods of less than a year must be

1 prorated. A member may not establish credit for a period of
2 educational service for which the member also may receive a
3 retirement benefit from another defined benefit retirement plan. A
4 member may not establish service credit for educational service to
5 the extent such service purchase would violate Section 415 or any
6 other provision of the Internal Revenue Code.

7 (C) An active member may establish up to six years of service
8 credit for any period of military service, if the member was
9 discharged or separated from military service under conditions
10 other than dishonorable, by making a an actuarially neutral
11 payment to the system to be determined by the actuary for the
12 board, based on the member's current age and service credit,
13 ~~board,~~ but not less than sixteen percent of the member's current
14 salary or career highest fiscal year salary, whichever is greater, for
15 each year of credit purchased. Periods of less than a year must be
16 prorated.

17 (D) An active member on an approved leave of absence from
18 an employer that participates in the system who returns to covered
19 employment within four years may purchase service credit for the
20 period of the approved leave, but may not purchase more than two
21 years of service credit for each separate leave period, by making a
22 an actuarially neutral payment to the system to be determined by
23 the actuary for the board, based on the member's current age and
24 service credit, ~~board,~~ but not less than sixteen percent of the
25 member's current salary or career highest fiscal year salary,
26 whichever is greater, for each year of credit purchased. Periods of
27 less than a year must be prorated.

28 (E) An active member who has five or more years of earned
29 service credit may establish up to five years of nonqualified
30 service by making a an actuarially neutral payment to the system to
31 be determined by the actuary for the board, based on the member's
32 current age and service credit ~~board,~~ but not less than thirty-five
33 percent of the member's current salary or career highest fiscal year
34 salary, whichever is greater, for each year of credit purchased.
35 Periods of less than a year must be prorated.

36 (F) An active member may establish service credit for any
37 period of service in which the member participated in the State
38 Optional Retirement Program, the Optional Retirement Program
39 for Teachers and School Administrators, or the Optional
40 Retirement Program for Publicly Supported Four-Year and
41 Postgraduate Institutions of Higher Education, by making a an
42 actuarially neutral payment to the system to be determined by the
43 actuary for the board, based on the member's current age and

1 service credit, ~~board,~~ but not less than sixteen percent of the
2 member's current salary or career highest fiscal year salary,
3 whichever is greater, for each year of credit purchased. Periods of
4 less than a year must be prorated. A member may not establish
5 credit for a period of service for which the member also may
6 receive a retirement benefit from another defined benefit
7 retirement plan. A member may not establish service credit under
8 this subsection to the extent such service purchase would violate
9 Section 415 or any other provision of the Internal Revenue Code.
10 Service purchased under this subsection is 'earned service' and
11 counts toward the required five or more years of earned service
12 necessary for benefit eligibility. Compensation earned while
13 participating in the State Optional Retirement Program, the
14 Optional Retirement Program for Teachers and School
15 Administrators, or the Optional Retirement Program for Publicly
16 Supported Four-Year and Postgraduate Institutions of Higher
17 Education is not earnable compensation under the system and shall
18 not be used in calculating a member's average final compensation.
19 A member purchasing service under this subsection who has funds
20 invested in a TIAA Traditional account under a TIAA-CREF
21 Retirement Annuity contract shall be eligible to make a plan to
22 plan transfer in accordance with the terms of that contract.

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

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

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

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

42 (1) earned service previously withdrawn and reestablished;

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

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

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

13 (L) At retirement, after March 31, 1991, but before July 1,
14 2012, a member shall receive credit for not more than ninety days
15 of his unused sick leave from the member's last employer at no
16 cost to the member. The leave must be credited at a rate where
17 twenty days of unused sick leave equals one month of service.
18 This additional service credit may not be used to qualify for
19 retirement.

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

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

26

27 SECTION 15. Section 9-11-60(3) of the 1976 Code, as last
28 amended by Act 387 of 2000, is further amended to read:

29

30 "(3) ~~Reserved~~ To ensure that a member's benefit earned and
31 accrued before July 1, 2012, is protected, the benefit provided to a
32 Class One or a Class Two member must be no less than the benefit
33 that would have been provided to the member had the member
34 retired on June 30, 2012, based on his service credit and average
35 final compensation then existing. For purposes of calculating the
36 member's benefit as if the member retired on June 30, 2012:

37 (a) it must be presumed that forty-five days' termination pay
38 for unused annual leave was paid to the member at retirement
39 based on his career highest salary;

40 (b) the member shall receive service credit for ninety days of
41 unused sick leave; and

42 (c) the member's average final compensation must be
43 computed using the twelve consecutive quarters of the member's

1 creditable service before July 1, 2012, on which regular
2 contributions as a member were made to the system producing the
3 highest such average."
4

5 SECTION 16. Subsections (1) and (12) of Section 9-11-210, as
6 last amended by Act 14 of 2005, are further amended to read:
7

8 "(1) Each Class One member shall contribute to the system
9 twenty-one dollars a month during his service after becoming a
10 member. Each Class Two member shall contribute to the system
11 ~~six~~ seven and one-half percent of his compensation.
12

13 (12) Payments for unused sick leave, single special payments at
14 retirement, bonus and incentive-type payments, or any other
15 payments not considered a part of the regular salary base are not
16 compensation for which contributions are deductible. This item
17 does not apply to bonus payments paid to certain categories of
18 employees annually during their work careers. Bonus or special
19 payments applied only during the 'Average Final Compensation'
20 period are excluded as compensation. Before July 1, 2015,
21 contributions are deductible on up to and including forty-five days'
22 termination pay for unused annual leave. If a member has received
23 termination pay for unused annual leave on more than one
24 occasion, contributions are deductible on up to and including
25 forty-five days' termination pay for unused annual leave for each
26 termination payment for unused annual leave received by the
27 member. However, only an amount up to and including forty-five
28 days' pay for unused annual leave from the member's last
29 termination payment shall must be included in a member's average
30 final compensation calculation for those members eligible to have
31 that pay included in that member's average final compensation
32 calculation."
33

34 SECTION 17. Section 9-11-310 of the 1976 Code is repealed for
35 adjustments after July 1, 2012.
36

37 Part IV
38

39 Provisions Application to More Than One Retirement System
40

41 SECTION 18. Article 3, Chapter 16, Title 9 of the 1976 Code is
42 amended by adding:
43

1 "Section 9-16-335. For all purposes of this title, the assumed
2 annual rate of return on the investments of the retirement system
3 must be established by the General Assembly pursuant to this
4 section. Effective July 1, 2012, the assumed annual rate of return
5 on retirement system investments is seven and one-half percent."
6

7 SECTION 19. A. Section 9-1-1135 of the 1976 Code, as added
8 by Act 311 of 2008, is amended to read:
9

10 "Section 9-1-1135. (A) Interest ~~shall~~ must be credited to the
11 account of each member once each year as of June thirtieth, on the
12 basis of the balance in the account of each member as of the
13 previous June thirtieth. Upon the death, retirement, or termination
14 of a member, interest ~~shall~~ must be figured to the end of the month
15 immediately preceding the date of refund or retirement, interest
16 being based on the balance in ~~such~~ the member's account as of the
17 June thirtieth immediately preceding the date of refund or
18 retirement.

19 (B) Notwithstanding subsection (A), interest must not be
20 credited to an inactive member account. For purposes of this
21 subsection, a member account becomes inactive on July first if no
22 contributions were made to the account in the preceding twelve
23 months."
24

25 B. Section 9-8-185 of the 1976 Code, as added by Act 311 of 2008,
26 is amended to read:
27

28 "Section 9-8-185. (A) Interest ~~shall~~ must be credited to the
29 account of each member once each year as of June thirtieth, on the
30 basis of the balance in the account of each member as of the
31 previous June thirtieth. Upon the death, retirement, or termination
32 of a member, interest ~~shall~~ must be figured to the end of the month
33 immediately preceding the date of refund or retirement, interest
34 being based on the balance in ~~such~~ the member's account as of the
35 June thirtieth immediately preceding the date of refund or
36 retirement.

37 (B) Notwithstanding subsection (A), interest must not be
38 credited to an inactive member account. For purposes of this
39 subsection, a member account becomes inactive on July first if no
40 contributions were made to the account in the preceding twelve
41 months."
42

1 C.Section 9-9-175 of the 1976 Code, as added by Act 311 of 2008,
2 is amended to read:

3
4 "Section 9-9-175. (A) Interest ~~shall~~ must be credited to the
5 account of each member once each year as of June thirtieth, on the
6 basis of the balance in the account of each member as of the
7 previous June thirtieth. Upon the death, retirement, or termination
8 of a member, interest ~~shall~~ must be figured to the end of the month
9 immediately preceding the date of refund or retirement, interest
10 being based on the balance in ~~such~~ the member's account as of the
11 June thirtieth immediately preceding the date of refund or
12 retirement.

13 (B) Notwithstanding subsection (A), interest must not be
14 credited to an inactive member account. For purposes of this
15 subsection, a member account becomes inactive on July first if no
16 contributions were made to the account in the preceding twelve
17 months.

18
19 D.Section 9-11-265 of the 1976 Code, as added by Act 311 of
20 2008, is amended to read:

21
22 "Section 9-11-265. (A) Interest ~~shall~~ must be credited to the
23 account of each member once each year as of June thirtieth, on the
24 basis of the balance in the account of each member as of the
25 previous June thirtieth. Upon the death, retirement, or termination
26 of a member, interest ~~shall~~ must be figured to the end of the month
27 immediately preceding the date of refund or retirement, interest
28 being based on the balance in ~~such~~ the member's account as of the
29 June thirtieth immediately preceding the date of refund or
30 retirement.

31 (B) Notwithstanding subsection (A), interest must not be
32 credited to an inactive member account. For purposes of this
33 subsection, a member account becomes inactive on July first if no
34 contributions were made to the account in the preceding twelve
35 months.

36
37 Part V

38
39 Miscellaneous, Effective Date

40
41 SECTION 20. If any part, section, subsection, paragraph,
42 subparagraph, sentence, clause, phrase, or word of this act is for
43 any reason held to be unconstitutional or invalid, such holding

[]

1 shall not affect the constitutionality or validity of the remaining
2 portions of this act, the General Assembly hereby declaring that it
3 would have passed this act, and each and every part, section,
4 subsection, paragraph, subparagraph, sentence, clause, phrase, and
5 word thereof, irrespective of the fact that any one or more other
6 parts, sections, subsections, paragraphs, subparagraphs, sentences,
7 clauses, phrases, or words hereof may be declared to be
8 unconstitutional, invalid, or otherwise ineffective.

9
10 SECTION 21. Except where otherwise stated, this act takes
11 effect July 1, 2012.

12 ----XX----

A BILL

TO AMEND SECTION 9-1-10, AS AMENDED, CODE OF LAWS OF SOUTH CAROLINA, 1976, RELATING TO DEFINITIONS UNDER THE SOUTH CAROLINA RETIREMENT SYSTEM (SCRS), SO AS TO PROVIDE FOR "CLASS THREE" MEMBERS OF SCRS WITH "CLASS THREE" MEMBERS MEANING AN EMPLOYEE MEMBER OF SCRS WITH AN EFFECTIVE DATE OF MEMBERSHIP AFTER JUNE 30, 2012; TO AMEND SECTIONS 9-1-10 FURTHER AND 9-1-1550, RELATING TO RETIREMENT BENEFITS UNDER THE SCRS, SO AS TO REVISE THE MANNER IN WHICH RETIREMENT BENEFITS FOR SCRS MEMBERS ARE COMPUTED AFTER JUNE 30, 2012, AND TO PROVIDE FOR AN ALTERNATE CALCULATION OF BENEFITS FOR SCRS MEMBERS AS OF JUNE 30, 2012, WHICH APPLIES IF THE MEMBER'S BENEFIT CALCULATED ON RETIREMENT AFTER JUNE 30, 2012, WOULD RESULT IN A LESSER AMOUNT; BY ADDING SECTION 9-1-1815 SO AS TO PROVIDE FOR THE MANNER IN WHICH RETIRED SCRS MEMBERS AND THEIR SURVIVING ANNUITANTS MAY RECEIVE INCREASED ALLOWANCES AND THE METHOD OF CALCULATING THAT INCREASE; AND TO REPEAL SECTION 9-1-1810 RELATING TO INCREASES IN SCRS RETIREMENT ALLOWANCES BASED ON THE CONSUMER PRICE INDEX; TO AMEND SECTION 9-1-1020, AS AMENDED, RELATING TO DEDUCTIONS FROM THE COMPENSATION OF MEMBERS OF SCRS TO FUND BENEFITS, THE TAX TREATMENT THEREOF, AND OTHER RELATED PROVISIONS, SO AS TO INCREASE ON JULY 1, 2012, THE REQUIRED DEDUCTIONS OF CLASS ONE SCRS MEMBERS TO SIX AND ONE-HALF PERCENT OF EARNABLE COMPENSATION FROM FIVE AND ONE-HALF PERCENT AND THE REQUIRED DEDUCTIONS OF SCRS CLASS TWO

AND CLASS THREE MEMBERS TO SEVEN AND ONE-HALF PERCENT OF EARNABLE COMPENSATION FROM SIX AND ONE-HALF PERCENT AND MAKE CONFORMING CHANGES; TO AMEND SECTION 9-1-1140, AS AMENDED, RELATING TO THE PURCHASE OF ADDITIONAL SERVICE CREDIT UNDER SCRS, SO AS TO PROVIDE THAT THE REQUIRED COST IS THE GREATER OF AN ACTUARIALLY NEUTRAL PAYMENT BASED ON THE SCRS MEMBER'S CURRENT AGE AND CREDITABLE SERVICE OR A SET PERCENTAGE OF SALARY AND TO ELIMINATE THE ADDITION OF UNUSED SICK LEAVE IN THE CALCULATION OF CREDITABLE SERVICE AFTER JUNE 30, 2012; TO AMEND SECTION 9-1-1510, AS AMENDED, RELATING TO THE REQUIREMENTS FOR A SCRS RETIREMENT ALLOWANCE, SO AS TO PROVIDE THAT A SCRS CLASS THREE MEMBER MUST HAVE AT LEAST THIRTY YEARS OF CREDITABLE SERVICE TO BE ELIGIBLE TO RETIRE AT ANY AGE WITHOUT A BENEFIT REDUCTION; TO AMEND SECTION 9-1-1515, AS AMENDED, RELATING TO THE REQUIREMENTS FOR EARLY RETIREMENT IN SCRS, SO AS TO CONFORM THE REQUIREMENTS OF THAT SECTION AS IT APPLIES FOR SCRS CLASS THREE MEMBERS; TO AMEND SECTION 9-1-1660, AS AMENDED, RELATING TO THE REQUIREMENTS FOR A NOMINEE OF A DECEASED ACTIVE SCRS MEMBER TO RECEIVE A RETIREMENT ALLOWANCE, SO AS TO CONFORM THE REQUIREMENTS OF THAT SECTION AS IT APPLIES FOR SCRS CLASS THREE MEMBERS; TO AMEND SECTION 9-1-2210, AS AMENDED, RELATING TO THE TEACHER AND EMPLOYEE RETENTION INCENTIVE (TERI) PROGRAM, SO AS TO CLOSE THE PROGRAM FOR SCRS CLASS THREE MEMBERS AND TO CONFORM THE CALCULATION OF RETIREMENT BENEFITS FOR TERI PARTICIPANTS; TO AMEND SECTION 9-9-60, AS AMENDED, RELATING TO RETIREMENT AND RETIREMENT ALLOWANCES FOR MEMBERS OF THE RETIREMENT SYSTEM FOR MEMBERS OF THE GENERAL ASSEMBLY OF THE STATE OF SOUTH CAROLINA (GARS), SO AS PROSPECTIVELY TO ELIMINATE PROVISIONS ALLOWING MEMBERS OF THE GENERAL ASSEMBLY WHO MEET CERTAIN AGE OR CREDITED SERVICE REQUIREMENTS OR WITH AGE AND CREDITED SERVICE REQUIREMENTS TO RECEIVE A GARS RETIREMENT BENEFIT WHILE CONTINUING TO

SERVE IN THE GENERAL ASSEMBLY; TO AMEND SECTIONS 9-11-10 AND 9-11-60, BOTH AS AMENDED, RELATING TO DEFINITIONS AND ELIGIBILITY FOR RETIREMENT UNDER THE SOUTH CAROLINA POLICE OFFICERS RETIREMENT SYSTEM (SCPORS), SO AS TO REVISE THE MANNER IN WHICH RETIREMENT BENEFITS FOR SCPORS MEMBERS RETIRING AFTER JUNE 30, 2012, ARE COMPUTED AND TO PROVIDE FOR AN ALTERNATE CALCULATION OF BENEFITS FOR SCPORS MEMBERS AS OF JUNE 30, 2012, WHICH APPLIES IF THE SCPORS MEMBER'S BENEFIT CALCULATED ON RETIREMENT AFTER JUNE 30, 2012, WOULD RESULT IN A LESSER AMOUNT; BY ADDING SECTION 9-11-312 SO AS TO PROVIDE FOR THE MANNER IN WHICH SCPORS RETIRED MEMBERS AND THEIR SURVIVING ANNUITANTS MAY RECEIVE INCREASED ALLOWANCES AND THE METHOD OF CALCULATING THAT INCREASE; AND TO REPEAL SECTION 9-11-310 RELATING TO COST OF LIVING ADJUSTMENTS UNDER SCPORS BASED ON THE CONSUMER PRICE INDEX; TO AMEND SECTION 9-11-50, AS AMENDED, RELATING TO THE PURCHASE OF ADDITIONAL SERVICE CREDIT UNDER SCPORS, SO AS TO PROVIDE THAT THE REQUIRED COST MUST BE THE GREATER OF AN ACTUARIALLY NEUTRAL PAYMENT BASED ON THE MEMBERS CURRENT AGE AND CREDITABLE SERVICE OR A SET PERCENTAGE OF SALARY AND TO ELIMINATE THE ADDITION OF UNUSED SICK LEAVE IN THE CALCULATION OF CREDITABLE SERVICE AFTER JUNE 30, 2012; TO AMEND SECTION 9-11-210, AS AMENDED, RELATING TO DEDUCTIONS FROM THE COMPENSATION OF MEMBERS OF SCPORS TO FUND BENEFITS, THE TAX TREATMENT THEREOF, AND OTHER RELATED PROVISIONS, SO AS TO INCREASE ON JULY 1, 2012, THE REQUIRED DEDUCTIONS OF SCPORS CLASS TWO MEMBERS TO SEVEN AND ONE-HALF PERCENT OF EARNABLE COMPENSATION FROM SIX AND ONE-HALF PERCENT; BY ADDING SECTION 9-16-335 SO AS TO PROVIDE THAT THE ASSUMED ANNUAL RATE OF RETURN ON THE INVESTMENTS OF THE RETIREMENT SYSTEM MUST BE ESTABLISHED BY THE GENERAL ASSEMBLY AND EFFECTIVE JULY 1, 2012, THE ASSUMED ANNUAL RATE OF RETURN ON RETIREMENT SYSTEM INVESTMENTS IS SEVEN AND ONE-HALF PERCENT; AND TO AMEND SECTIONS 9-1-1135, 9-8-185, 9-9-175, AND

9-11-265, RELATING TO INTEREST ON MEMBER'S CONTRIBUTIONS IN SCRS, GARS, THE RETIREMENT SYSTEM FOR JUDGES AND SOLICITORS, AND SCPORS, SO AS TO PROVIDE THAT INTEREST IS NOT PAID ON INACTIVE ACCOUNTS, AND TO DEFINE "INACTIVE ACCOUNT".

House: Merrill, Anthony, Battle, Bingham, Cobb-Hunter, Pitts, Skelton, White

Attorney: Cone

Stenographer: Melton

Date: February 28, 2012

Doc Name: L:\COUNCIL\BILLS\BBM\10562HTC12.DOCX

DO NOT WRITE ON THE FACE OF BILL JACKET

Members who wish to be added as a co-sponsor should initial the box beside their name on the form inside the Bill Jacket.

Introduced by Reps. Merrill, Anthony, Battle, Bingham, Cobb-Hunter, Pitts, Skelton, White

A BILL

TO AMEND SECTION 9-1-10, AS AMENDED, CODE OF LAWS OF SOUTH CAROLINA, 1976, RELATING TO DEFINITIONS UNDER THE SOUTH CAROLINA RETIREMENT SYSTEM (SCRS), SO AS TO PROVIDE FOR "CLASS THREE" MEMBERS OF SCRS WITH "CLASS THREE" MEMBERS MEANING AN EMPLOYEE MEMBER OF SCRS WITH AN EFFECTIVE DATE OF MEMBERSHIP AFTER JUNE 30, 2012; TO AMEND SECTIONS 9-1-10 FURTHER AND 9-1-1550, RELATING TO RETIREMENT BENEFITS UNDER THE SCRS, SO AS TO REVISE THE MANNER IN WHICH RETIREMENT BENEFITS FOR SCRS MEMBERS ARE COMPUTED AFTER JUNE 30, 2012, AND TO PROVIDE FOR AN ALTERNATE CALCULATION OF BENEFITS FOR SCRS MEMBERS AS OF JUNE 30, 2012, WHICH APPLIES IF THE MEMBER'S BENEFIT CALCULATED ON RETIREMENT AFTER JUNE 30, 2012, WOULD RESULT IN A LESSER AMOUNT; BY ADDING SECTION 9-1-1815 SO AS TO PROVIDE FOR THE MANNER IN WHICH RETIRED SCRS MEMBERS AND THEIR SURVIVING ANNUITANTS MAY RECEIVE INCREASED ALLOWANCES AND THE METHOD OF CALCULATING THAT INCREASE; AND TO REPEAL SECTION 9-1-1810 RELATING TO INCREASES IN SCRS RETIREMENT ALLOWANCES BASED ON THE CONSUMER PRICE INDEX; TO AMEND SECTION 9-1-1020, AS AMENDED, RELATING TO

DEDUCTIONS FROM THE COMPENSATION OF MEMBERS OF SCRS TO FUND BENEFITS, THE TAX TREATMENT THEREOF, AND OTHER RELATED PROVISIONS, SO AS TO INCREASE ON JULY 1, 2012, THE REQUIRED DEDUCTIONS OF CLASS ONE SCRS MEMBERS TO SIX AND ONE-HALF PERCENT OF EARNABLE COMPENSATION FROM FIVE AND ONE-HALF PERCENT AND THE REQUIRED DEDUCTIONS OF SCRS CLASS TWO AND CLASS THREE MEMBERS TO SEVEN AND ONE-HALF PERCENT OF EARNABLE COMPENSATION FROM SIX AND ONE-HALF PERCENT AND MAKE CONFORMING CHANGES; TO AMEND SECTION 9-1-1140, AS AMENDED, RELATING TO THE PURCHASE OF ADDITIONAL SERVICE CREDIT UNDER SCRS, SO AS TO PROVIDE THAT THE REQUIRED COST IS THE GREATER OF AN ACTUARIALLY NEUTRAL PAYMENT BASED ON THE SCRS MEMBER'S CURRENT AGE AND CREDITABLE SERVICE OR A SET PERCENTAGE OF SALARY AND TO ELIMINATE THE ADDITION OF UNUSED SICK LEAVE IN THE CALCULATION OF CREDITABLE SERVICE AFTER JUNE 30, 2012; TO AMEND SECTION 9-1-1510, AS AMENDED, RELATING TO THE REQUIREMENTS FOR A SCRS RETIREMENT ALLOWANCE, SO AS TO PROVIDE THAT A SCRS CLASS THREE MEMBER MUST HAVE AT LEAST THIRTY YEARS OF CREDITABLE SERVICE TO BE ELIGIBLE TO RETIRE AT ANY AGE WITHOUT A BENEFIT REDUCTION; TO AMEND SECTION 9-1-1515, AS AMENDED, RELATING TO THE REQUIREMENTS FOR EARLY RETIREMENT IN SCRS, SO AS TO CONFORM THE REQUIREMENTS OF THAT SECTION AS IT APPLIES FOR SCRS CLASS THREE MEMBERS; TO AMEND SECTION 9-1-1660, AS AMENDED, RELATING TO THE REQUIREMENTS FOR A NOMINEE OF A DECEASED ACTIVE SCRS MEMBER TO RECEIVE A RETIREMENT ALLOWANCE, SO AS TO CONFORM THE REQUIREMENTS OF THAT SECTION AS IT APPLIES FOR SCRS CLASS THREE MEMBERS; TO AMEND SECTION 9-1-2210, AS AMENDED, RELATING TO THE TEACHER AND EMPLOYEE

RETENTION INCENTIVE (TERI) PROGRAM, SO AS TO CLOSE THE PROGRAM FOR SCRS CLASS THREE MEMBERS AND TO CONFORM THE CALCULATION OF RETIREMENT BENEFITS FOR TERI PARTICIPANTS; TO AMEND SECTION 9-9-60, AS AMENDED, RELATING TO RETIREMENT AND RETIREMENT ALLOWANCES FOR MEMBERS OF THE RETIREMENT SYSTEM FOR MEMBERS OF THE GENERAL ASSEMBLY OF THE STATE OF SOUTH CAROLINA (GARS), SO AS PROSPECTIVELY TO ELIMINATE PROVISIONS ALLOWING MEMBERS OF THE GENERAL ASSEMBLY WHO MEET CERTAIN AGE OR CREDITED SERVICE REQUIREMENTS OR WITH AGE AND CREDITED SERVICE REQUIREMENTS TO RECEIVE A GARS RETIREMENT BENEFIT WHILE CONTINUING TO SERVE IN THE GENERAL ASSEMBLY; TO AMEND SECTIONS 9-11-10 AND 9-11-60, BOTH AS AMENDED, RELATING TO DEFINITIONS AND ELIGIBILITY FOR RETIREMENT UNDER THE SOUTH CAROLINA POLICE OFFICERS RETIREMENT SYSTEM (SCPORS), SO AS TO REVISE THE MANNER IN WHICH RETIREMENT BENEFITS FOR SCPORS MEMBERS RETIRING AFTER JUNE 30, 2012, ARE COMPUTED AND TO PROVIDE FOR AN ALTERNATE CALCULATION OF BENEFITS FOR SCPORS MEMBERS AS OF JUNE 30, 2012, WHICH APPLIES IF THE SCPORS MEMBER'S BENEFIT CALCULATED ON RETIREMENT AFTER JUNE 30, 2012, WOULD RESULT IN A LESSER AMOUNT; BY ADDING SECTION 9-11-312 SO AS TO PROVIDE FOR THE MANNER IN WHICH SCPORS RETIRED MEMBERS AND THEIR SURVIVING ANNUITANTS MAY RECEIVE INCREASED ALLOWANCES AND THE METHOD OF CALCULATING THAT INCREASE; AND TO REPEAL SECTION 9-11-310 RELATING TO COST OF LIVING ADJUSTMENTS UNDER SCPORS BASED ON THE CONSUMER PRICE INDEX; TO AMEND SECTION 9-11-50, AS AMENDED, RELATING TO THE PURCHASE OF ADDITIONAL SERVICE CREDIT UNDER SCPORS, SO AS TO PROVIDE THAT THE REQUIRED COST MUST BE THE

GREATER OF AN ACTUARIALLY NEUTRAL PAYMENT BASED ON THE MEMBERS CURRENT AGE AND CREDITABLE SERVICE OR A SET PERCENTAGE OF SALARY AND TO ELIMINATE THE ADDITION OF UNUSED SICK LEAVE IN THE CALCULATION OF CREDITABLE SERVICE AFTER JUNE 30, 2012; TO AMEND SECTION 9-11-210, AS AMENDED, RELATING TO DEDUCTIONS FROM THE COMPENSATION OF MEMBERS OF SCPORS TO FUND BENEFITS, THE TAX TREATMENT THEREOF, AND OTHER RELATED PROVISIONS, SO AS TO INCREASE ON JULY 1, 2012, THE REQUIRED DEDUCTIONS OF SCPORS CLASS TWO MEMBERS TO SEVEN AND ONE-HALF PERCENT OF EARNABLE COMPENSATION FROM SIX AND ONE-HALF PERCENT; BY ADDING SECTION 9-16-335 SO AS TO PROVIDE THAT THE ASSUMED ANNUAL RATE OF RETURN ON THE INVESTMENTS OF THE RETIREMENT SYSTEM MUST BE ESTABLISHED BY THE GENERAL ASSEMBLY AND EFFECTIVE JULY 1, 2012, THE ASSUMED ANNUAL RATE OF RETURN ON RETIREMENT SYSTEM INVESTMENTS IS SEVEN AND ONE-HALF PERCENT; AND TO AMEND SECTIONS 9-1-1135, 9-8-185, 9-9-175, AND 9-11-265, RELATING TO INTEREST ON MEMBER'S CONTRIBUTIONS IN SCRS, GARS, THE RETIREMENT SYSTEM FOR JUDGES AND SOLICITORS, AND SCPORS, SO AS TO PROVIDE THAT INTEREST IS NOT PAID ON INACTIVE ACCOUNTS, AND TO DEFINE "INACTIVE ACCOUNT".

STEPHEN T. DRAFFIN, DIRECTOR

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