**South Carolina General Assembly**

121st Session, 2015-2016

**H. 5007**

**STATUS INFORMATION**

General Bill

Sponsors: Reps. Lucas, Pope, Merrill, Bradley, Finlay, Stringer, Norman, Ballentine, Felder, Mitchell, King and W.J. McLeod

Document Path: l:\council\bills\bbm\9446dg16.docx

Companion/Similar bill(s): 527, 675

Introduced in the House on February 25, 2016

Introduced in the Senate on April 28, 2016

Last Amended on April 26, 2016

Currently residing in the Senate Committee on **Finance**

Summary: SC Retirement System funds

**HISTORY OF LEGISLATIVE ACTIONS**

Date Body Action Description with journal page number

2/25/2016 House Introduced and read first time ([House Journal‑page 72](file:///h:\HJ%20Archive\2016\02-25-16.docx))

2/25/2016 House Referred to Committee on **Ways and Means** ([House Journal‑page 72](file:///h:\HJ%20Archive\2016\02-25-16.docx))

3/2/2016 House Member(s) request name added as sponsor: Ballentine

3/3/2016 House Member(s) request name added as sponsor: Felder

4/20/2016 House Member(s) request name added as sponsor: Mitchell, King

4/20/2016 House Committee report: Favorable with amendment **Ways and Means** ([House Journal‑page 356](file:///h:\HJ%20Archive\2016\04-20-16.docx))

4/21/2016 Scrivener's error corrected

4/26/2016 House Member(s) request name added as sponsor: W.J.McLeod

4/26/2016 House Amended ([House Journal‑page 128](file:///h:\HJ%20Archive\2016\04-26-16.docx))

4/26/2016 House Read second time ([House Journal‑page 128](file:///h:\HJ%20Archive\2016\04-26-16.docx))

4/26/2016 House Roll call Yeas‑101 Nays‑0 ([House Journal‑page 128](file:///h:\HJ%20Archive\2016\04-26-16.docx))

4/27/2016 House Read third time and sent to Senate ([House Journal‑page 18](file:///h:\HJ%20Archive\2016\04-27-16.docx))

4/27/2016 Scrivener's error corrected

4/28/2016 Senate Introduced and read first time ([Senate Journal‑page 13](file:///h:\SJ%20Archive\2016\04-28-16.docx))

4/28/2016 Senate Referred to Committee on **Finance** ([Senate Journal‑page 13](file:///h:\SJ%20Archive\2016\04-28-16.docx))

View the latest [legislative information](http://www.scstatehouse.gov/billsearch.php?billnumbers=5007&session=121&summary=B) at the website

**VERSIONS OF THIS BILL**

[2/25/2016](file:///p:\pprever\2015-16\5007_20160225.docx)

[4/20/2016](file:///p:\pprever\2015-16\5007_20160420.docx)

[4/21/2016](file:///p:\pprever\2015-16\5007_20160421.docx)

[4/26/2016](file:///p:\pprever\2015-16\5007_20160426.docx)

[4/27/2016](file:///p:\pprever\2015-16\5007_20160427.docx)

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Indicates New Matter

AMENDED

April 26, 2016

**H. 5007**

Introduced by Reps. Lucas, Pope, Merrill, Bradley, Finlay, Stringer, Norman, Ballentine, Felder, Mitchell, King and W.J. McLeod

S. Printed 4/26/16--H. [SEC 4/27/16 5:00 PM]

Read the first time February 25, 2016.

**STATEMENT OF ESTIMATED FISCAL IMPACT**

**Fiscal Impact Summary**

This bill would have no immediate expenditure impact to the general fund, federal funds, or other funds. It would, however, result in higher employer and employee contribution rates in a year in which the funding period is between 20 and 30 years and the plan incurred adverse expense.

**Explanation of Fiscal Impact**

**State Expenditure**

This bill amends Section 9-16-335 to require that the current 7.5% assumed annual rate of return on the retirement system investments expires on July 1, 2016, and every four years after, unless the General Assembly amends the assumed rate of return at any time during that four-year period. If the General Assembly does not continue or amend the assumed rate of return prior to expiration, then the assumed rate of return must be set by vote of the State Fiscal Accountability Authority. This bill also amends Section 9-1-1085, which would change the amortization schedule for employer and employee contribution rates to an amortization schedule of no more than the greater of twenty years or the amortization schedule set forth in the system’s actuarial valuation for the prior fiscal year.

**Public Employee Benefit Authority.** The agency indicates that this bill would modify the process for establishing the assumed rate of return used to perform the actuarial valuation of the Retirement Systems. Because the proposed legislation does not actually change the assumed rate of return, there would be no immediate expenditure impact to the Retirement System Funds. In addition, this bill would modify the provisions for determining the contribution rate for the South Carolina Retirement Systems based on the actuarial valuation for the prior fiscal year. If all future assumptions are met to include the investment return rate, then the projected contribution rates under this funding policy would be the same as the current policy. If, however, future assumptions are not met, then we anticipate an expenditure impact to Retirement System Funds. For example, in a year when the funding period is between 20 and 30 years and the plan’s investment return assumption is not met, this bill may require higher employer and employee contribution rates. The bill would have no expenditure impact to the general fund or federal funds.

**State Fiscal Accountability Authority.** This agency indicates there is no expenditure impact to the general fund, federal funds, or other funds.

Frank A. Rainwater, Executive Director

Revenue and Fiscal Affairs Office

**A** **BILL**

TO AMEND SECTION 9‑16‑335, CODE OF LAWS OF SOUTH CAROLINA, 1976, RELATING TO THE ASSUMED RATE OF RETURN FOR RETIREMENT SYSTEM FUNDS, SO AS TO PROVIDE THAT THE ASSUMED RATE OF RETURN EXPIRES EVERY FOUR YEARS UNLESS ACTION IS TAKEN BY THE GENERAL ASSEMBLY, AND IF NOT, THE RATE IS SET BY THE STATE FISCAL ACCOUNTABILITY AUTHORITY; AND TO AMEND SECTION 9‑1‑1085, RELATING TO EMPLOYER AND EMPLOYEE CONTRIBUTION RATES FOR PURPOSES OF THE RETIREMENT SYSTEM, SO AS TO REDUCE THE AMORTIZATION SCHEDULE FROM THIRTY YEARS TO TWENTY YEARS.

Amend Title To Conform

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

SECTION 1. Section 9‑16‑335 of the 1976 Code, as added by Act 278 of 2012, is amended to read:

“Section 9‑16‑335. (A) For all purposes of this title, the assumed annual rate of return on the investments of the Retirement System must be established by the General Assembly pursuant to this section. Effective July 1, 2012, the assumed annual rate of return on retirement system investments is seven and one‑half percent.

(B) The assumed rate of return established in subsection (A) expires on July 1, 2016, and every four years thereafter unless, at any time during that four‑year period, the General Assembly, by joint resolution, amends the assumed rate of return for the remainder of the current four‑year period.

(C) No later than January first of each year in which the assumed rate of return is due to expire, the board shall submit a proposed assumed rate of return for the corresponding four years to the President Pro Tempore of the Senate, the Speaker of the House of Representatives, and the State Fiscal Accountability Authority. The proposed assumed rate of return must be developed in consultation with the board’s actuary. Along with the proposed rate, the board shall submit an actuarially based explanation for the rate proposed.

(D) If the General Assembly does not continue or amend the assumed rate of return prior to expiration, the assumed rate of return must be set by vote of the State Fiscal Accountability Authority.”

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

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