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Legislative update

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South Carolina House of Representatives

Legislative Update

ROBERT W. HARRELL, JR., Speaker of the House

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HOUSE WEEK IN REVIEW

The House of Representatives and the Senate adopted the free conference report on **H.4967** and the bill was enrolled for ratification. The legislation provides for comprehensive **RETIREMENT SYSTEMS REVISIONS** as a means of securing long term financial health for South Carolina's employee pension plans. The legislation revises eligibility criteria for the South Carolina Retirement System (SCRS), which serves public school teachers and most state government employees, by requiring new employees, who become members of the system after June 30, 2012, to attain the age of sixty or satisfy what is known as the "rule of ninety", meaning that their ages and years of service added together must total at least ninety, in order to be eligible to retire with full benefits. Current employees invested in the South Carolina Retirement System retain their twenty-eight year eligibility for full retirement at any age. New employees must have at least eight years of service to become invested in SCRS, but current employees retain their five-year minimum for investment in the system. Eligibility criteria are revised for the Police Officers Retirement System (PORS) to require new employees to have at least eight years of service for investment in the system and at least twenty-seven years of service for full retirement at any age. Current employees retain their five year minimum for investment in PORS and their twenty-five year retirement eligibility.

The legislation increases the employee contribution rate by one percent for both the South Carolina Retirement System and the Police Officers Retirement System, corresponding to a one percent increase in the employer contribution rate recently approved by the Budget and Control Board. The employee contribution rate increase is to be phased in over the course of two years. The legislation includes requirements for both the employer and the employee contribution rates to be increased together should greater contributions be required to keep these pension systems solvent.

The legislation eliminates the current provisions for awarding cost of living adjustments to SCRS retirees that tie COLAs to inflation, and, instead establishes benefit adjustment provisions that award SCRS and PORS retirees a guaranteed 1% annual increase in benefits up to cap of \$500.

The legislation phases out the Teacher and Employee Retention Incentive (TERI) Program so that the program is eliminated by July 1, 2018. New restrictions are placed on those who retire under SCRS or PORS and return to work in state government or another position covered by the pension plans. Such employees would have to wait thirty days, rather than the current fifteen days, before returning to employment. Beginning in 2013, such employees would be subject to a yearly earning limitation of ten thousand dollars. Once this cap is exceeded, retirement allowances would be discontinued for the remainder of the year. These earning limitations do not apply to those who have retired before January 2, 2013, those who have attained at retirement the age of sixty-two in the case of SCRS or fifty-seven in the case of PORS, and to elected and certain appointed public offices.

Anti-spiking measures are applied to those who become members of the system after June 30, 2012, to disallow eleventh hour raises and other steps taken at the end of service that can distort pension benefits. For new employees, the legislation revises the

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method of calculating average final compensation for determining pension benefits by requiring a computation that uses the employee's five highest years of compensation, rather than the current three highest years. For new employees, the legislation eliminates the addition of amounts of unused leave time in the calculations for determining average final compensation. The legislation revises South Carolina Retirement System provisions so that overtime not mandated by the employer will no longer be considered earnable compensation, but these overtime revisions do not apply to the Police Officers Retirement System.

The legislation provides for revisions that make the purchase of service credit actuarially neutral beginning in 2013. Interest will no longer accrue on inactive pension accounts. Provisions for disability retirement benefits are included that make use of the eligibility criteria of federal Social Security disability benefits.

The legislation revises the General Assembly Retirement System by increasing the employee contribution rate by one percent and closing the system to new members. Beginning in 2012, legislators will participate in the South Carolina Retirement System or choose the State Optional Retirement Program.

The legislation creates the Public Employee Benefit Authority to assume responsibility for the day-to-day administration and operation of the state's pension systems, Employee Health Insurance Program, and the Deferred Compensation Program. Policy determinations made by PEBA, such as proposed changes to contribution rates, actuarial assumptions, and insurance coverage and premiums, are subject to approval by the State Budget and Control Board, evidenced by a majority vote of the board. PEBA is to be governed by an eleven-member board of directors composed of gubernatorial and legislative appointees, four of which are representative members participating in the pension systems as either active state employees or retirees and seven of which are nonrepresentative members who must meet qualifications criteria for pertinent academic attainment and expertise in such areas as accounting and financial management of pension or insurance plans. The legislation provides for an Executive Director of PEBA who is ultimately to be appointed by the PEBA board. The legislation revises the Retirement System Investment Commission by expanding its membership to include the Executive Director of PEBA in a non-voting capacity, altering qualifications for serving on the commission, establishing a \$20,000 yearly salary for commissioners plus the payment of mileage, subsistence, and commissions allowed by law, and requiring an annual audit of the commission. The legislation provides for an annual audit of PEBA and requires PEBA to maintain an online transaction register that includes a complete record of all funds expended.

The House adopted the conference report on **H.3066**, the "**SOUTH CAROLINA RESTRUCTURING ACT OF 2012**", but the Senate did not adopt the report, so the legislation can no longer be considered under the terms of **H.5377**, the concurrent resolution authorizing the extension of this year's legislative session. This legislation proposed to eliminate the State Budget and Control Board, devolving most of its functions upon a newly-created Department of Administration in the executive branch of government and transferring select functions to newly-created authorities. The legislation also included provisions for legislative oversight of executive departments authorizing committees of the General Assembly to conduct periodic reviews of state government functions.

The House approved and sent to the Senate a **CONTINUING RESOLUTION, H.5418**. This joint resolution provides for the continuing authority to pay the expenses of state government if the 2012-2013 fiscal year begins without a general appropriations act in effect by extending the current year's funding levels into the upcoming fiscal year.

The House sustained the Governor's veto on **H.3127**, a bill establishing a mechanism to allow for the **EXPUNGEMENT OF CRIMINAL RECORDS FOR INDIVIDUALS RECEIVING PARDONS** for nonviolent offenses.

The House and Senate overrode the Governor's veto on **H.4082**, a bill addressing **FUNDING FOR FORESTRY COMMISSION FIREFIGHTING ACTIVITIES AND EQUIPMENT**, to allow the bill to become law. The legislation provides that, from July 1, 2013, through June 30, 2017, two and one-quarter percent of insurance premium tax revenue must be transferred to the South Carolina Forestry Commission and used by that agency for firefighting and firefighting equipment replacement.

The House and Senate overrode the Governor's veto on **H.4821** to allow the bill to become law. The legislation authorizes the collection of a fee for **FILING COURT DOCUMENTS BY ELECTRONIC MEANS** from a South Carolina Judicial Department integrated electronic filing (e-filing) system. The amount of the fee is to be set by the Chief Justice of the South Carolina Supreme Court and all fees collected must be dedicated to the support of court technology.

The House and Senate overrode the Governor's veto on **H.4033**, relating to **FUNDING DREDGING ACTIVITIES THROUGH THE CAPITAL PROJECT SALES TAX**, to allow the bill to become law. This bill revises the Capital Project Sales Tax Act, to include dredging, dewatering, construction of spoil sites, disposal of spoil materials, and other matters directly related to the act of dredging among the authorized projects that are allowed to be funded by a county capital project sales tax.

The House and Senate overrode the Governor's veto on **S.1167** to allow the bill to become law. The legislation provides for a **TAX INCREMENT FINANCING LAW REVISION** by establishing conditions under which a municipality may modify a redevelopment plan through ordinance.

The House and Senate adopted the conference report on **H.3710**, a bill providing authority for the **ISSUANCE OF TEMPORARY PROFESSIONAL AND OCCUPATIONAL LICENSES TO SPOUSES OF ACTIVE DUTY MILITARY PERSONNEL**, and the bill was enrolled for ratification. The legislation establishes the conditions under which a board or commission that regulates the licensure of a profession or occupation may issue a one-year temporary license to the spouse of an active duty member of the United States Armed Forces assigned to a duty station in this state. In order to obtain a temporary license, an applicant must meet the legislation's requirements, including holding a valid license issued in another jurisdiction and passing applicable criminal background checks.

The House and Senate adopted the conference report on **S.1088** and the bill was enrolled for ratification. This comprehensive legislation makes **REVISIONS TO THE MEMBERSHIP OF BOARDS AND COMMISSIONS TO REFLECT THE ADDITION OF A SEVENTH CONGRESSIONAL DISTRICT**. Generally, the legislation either adds an

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additional seat or converts an existing at-large seat into representation for the seventh congressional district.

The House and Senate adopted the conference report on **H.3400**, pertaining to the **TERMINATION OF A CHILD SUPPORT OBLIGATION**, and the bill was enrolled for ratification. This legislation provides that when child support is terminated due to the child turning eighteen years of age, graduating from high school, or reaching the end of the school year when the child is nineteen, no arrearage may be incurred as to that child after the date of the child's eighteenth birthday, the date of the child's graduation from high school, or the last day of the school year when the child is nineteen, whichever date terminated the child support obligation.

The House and Senate adopted the conference report on **S.1137**, the "**ARCHITECTS' AND ENGINEERS' VOLUNTEER ACT**", and the bill was enrolled for ratification. The legislation provides immunity from legal liability for licensed architects and licensed engineers who provide volunteer services during declared emergencies.

The House and the Senate adopted the conference report on **S.1229** and the bill was enrolled for ratification. The legislation establishes an **EXEMPTION FROM INSURANCE ADJUSTER LICENSING PROVISIONS** covering those entering data into a portable electronics insurance automated claims adjudication system and other support staff for such automated systems, so long as no more than twenty-five such persons are under the supervision of a licensed adjuster or a licensed producer who is otherwise exempt licensure as an adjuster.

The House and the Senate adopted the free conference report on **H.4801** and the bill was enrolled for ratification. This bill revises the qualifications of persons who may be appointed to the governing board of the **PIONEER RURAL WATER DISTRICT** of Oconee and Anderson Counties and the manner of their appointment.

The House adopted the free conference report on **S.45**, which revises the handling of **BOND AND BAIL** issues in the judicial system, but the Senate did not adopt the report, so the legislation can no longer be considered under the terms of **H.5377**, the concurrent resolution authorizing the extension of this year's legislative session.

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