~~Indicates Matter Stricken~~

Indicates New Matter

COMMITTEE REPORT

March 31, 2021

**S. 658**

Introduced by Senator Bennett

S. Printed 3/31/21--S. [SEC 4/1/21 3:41 PM]

Read the first time March 11, 2021.

**THE COMMITTEE ON FINANCE**

To whom was referred a Bill (S. 658) to amend Section 1‑11‑710 of the 1976 Code, relating to the Board of Directors of the South Carolina Public Employee Benefit Authority, etc., respectfully

**REPORT:**

That they have duly and carefully considered the same and recommend that the same do pass:

HUGH K. LEATHERMAN, SR. for Committee.

**STATEMENT OF ESTIMATED FISCAL IMPACT**

**Explanation of Fiscal Impact**

**State Expenditure**

This bill specifies a member who is not retired may nominate a contingent beneficiary for receipt of payment on death of the member within all state retirement systems. Currently, only active contributing members may nominate a contingent beneficiary. This bill allows those members who are not an active contributing member, but are not yet retired, to make this nomination. This bill serves as a technical clean-up and provides conforming language for the Public Employee Benefits Authority (PEBA) and the retirement and insurance programs. PEBA anticipates this bill will have no expenditure impact as it does not fiscally or materially alter the responsibilities of PEBA.

Frank A. Rainwater, Executive Director

Revenue and Fiscal Affairs Office

**A** **BILL**

TO AMEND SECTION 1‑11‑710 OF THE 1976 CODE, RELATING TO THE BOARD OF DIRECTORS OF THE SOUTH CAROLINA PUBLIC EMPLOYEE BENEFIT AUTHORITY MAKING INSURANCE AVAILABLE TO ACTIVE AND RETIRED EMPLOYEES, TO PROVIDE THAT THE PUBLIC EMPLOYEE BENEFIT AUTHORITY MAY ESTABLISH RULES FOR ELIGIBILITY AND ENROLLMENT FOR FULLY INSURED INSURANCE PRODUCTS FOR WHICH IT IS THE PLAN SPONSOR AND TO PROVIDE THAT MEDICAL EVIDENCE OF INSURABILITY SHALL NOT BE REQUIRED SOONER THAN THIRTY DAYS FROM THE DATE A PERSON IS FIRST ELIGIBLE TO ENROLL IN A FULLY INSURED INSURANCE PRODUCT; TO AMEND SECTION 9‑1‑1650 OF THE 1976 CODE, RELATING TO AMOUNTS PAID UPON THE TERMINATION OF EMPLOYMENT UNDER THE SOUTH CAROLINA RETIREMENT SYSTEM, TO PROVIDE THAT A MEMBER WHO IS NOT RETIRED MAY NAME CONTINGENT BENEFICIARIES IN THE SAME MANNER AS PRIMARY BENEFICIARIES, TO PROVIDE THAT A CONTINGENT BENEFICIARY DOES NOT HAVE CERTAIN RIGHTS UNLESS ALL PRIMARY BENEFICIARIES HAVE PREDECEASED THE MEMBER AND THE MEMBER’S DEATH OCCURS BEFORE RETIREMENT, AND TO PROVIDE THAT A MEMBER MAY NOT NAME A CONTINGENT BENEFICIARY FOR DEATH BENEFITS UNDER A PRERETIREMENT DEATH BENEFIT PROGRAM; TO AMEND SECTION 9‑8‑110(1) OF THE 1976 CODE, RELATING TO PAYMENTS ON THE DEATH OF A MEMBER OR BENEFICIARY UNDER THE RETIREMENT SYSTEM FOR JUDGES AND SOLICITORS, TO PROVIDE THAT A MEMBER WHO IS NOT RETIRED MAY NAME SECONDARY BENEFICIARIES IN THE SAME MANNER AS PRIMARY BENEFICIARIES, TO PROVIDE THAT A SECONDARY BENEFICIARY DOES NOT HAVE CERTAIN RIGHTS UNLESS ALL PRIMARY BENEFICIARIES HAVE PREDECEASED THE MEMBER AND THE MEMBER’S DEATH OCCURS BEFORE RETIREMENT, AND TO PROVIDE THAT A MEMBER MAY NOT NAME A SECONDARY BENEFICIARY FOR DEATH BENEFITS UNDER A PRERETIREMENT DEATH BENEFIT PROGRAM; TO AMEND SECTION 9‑9‑100(1) OF THE 1976 CODE, RELATING TO PAYMENTS ON THE DEATH OF A MEMBER OR BENEFICIARY UNDER THE RETIREMENT SYSTEM FOR MEMBERS OF THE GENERAL ASSEMBLY, TO PROVIDE THAT A MEMBER WHO IS NOT RETIRED MAY NAME CONTINGENT BENEFICIARIES IN THE SAME MANNER AS PRIMARY BENEFICIARIES, TO PROVIDE THAT A CONTINGENT BENEFICIARY DOES NOT HAVE CERTAIN RIGHTS UNLESS ALL PRIMARY BENEFICIARIES HAVE PREDECEASED THE MEMBER AND THE MEMBER’S DEATH OCCURS BEFORE RETIREMENT, AND TO PROVIDE THAT A MEMBER MAY NOT NAME A CONTINGENT BENEFICIARY FOR DEATH BENEFITS UNDER A PRERETIREMENT DEATH BENEFIT PROGRAM; TO AMEND SECTION 9‑11‑110(3) OF THE 1976 CODE, RELATING TO THE LUMP SUM PAID IN THE EVENT OF A DEATH UNDER THE POLICE OFFICERS RETIREMENT SYSTEM, TO PROVIDE THAT A MEMBER WHO IS NOT RETIRED MAY NAME CONTINGENT BENEFICIARIES IN THE SAME MANNER AS PRIMARY BENEFICIARIES, TO PROVIDE THAT A CONTINGENT BENEFICIARY DOES NOT HAVE CERTAIN RIGHTS UNLESS ALL PRIMARY BENEFICIARIES HAVE PREDECEASED THE MEMBER AND THE MEMBER’S DEATH OCCURS BEFORE RETIREMENT, AND TO PROVIDE THAT A MEMBER MAY NOT NAME A CONTINGENT BENEFICIARY FOR DEATH BENEFITS UNDER A PRERETIREMENT DEATH BENEFIT PROGRAM; AND TO REPEAL CHAPTER 2, TITLE 9 OF THE 1976 CODE, RELATING TO THE RETIREMENT AND PRERETIREMENT ADVISORY PANEL.

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

SECTION 1. Section 1‑11‑710 of the 1976 Code is amended by adding an appropriately lettered new subsection to read:

“( ) Notwithstanding the provisions of Section 38‑71‑730(3), for all fully insured insurance products where the South Carolina Public Employee Benefit Authority (PEBA) is the plan sponsor, PEBA may establish rules for eligibility and enrollment, including the timeframes for submitting enrollment elections and required supporting documentation. In no event may medical evidence of insurability be required sooner than thirty days from the date a person is first eligible to enroll in a fully insured insurance product.”

SECTION 2. Section 9‑1‑1650 of the 1976 Code is amended to read:

“Section 9‑1‑1650. (A) If a member ceases to be a teacher or employee except by death or retirement, the member must be paid within six months after the member’s demand for payment, but not less than ninety days after ceasing to be a teacher or employee, the sum of the member’s contributions and the accumulated regular interest on the contributions. If the member has five or more years of earned service or eight or more years of such service for a Class Three member, and before the time the member’s membership would otherwise terminate, elects to leave these contributions in the system, the member, unless these contributions are paid to him as provided by this section before the attainment of age sixty, remains a member of the system and is entitled to receive a deferred retirement allowance beginning at age sixty computed as a service retirement allowance in accordance with Section 9‑1‑1550(A) or (B) for Class One and Class Two members and Section 9‑1‑1550(C) for Class Three members. The employee annuity must be the actuarial equivalent at age sixty of the member’s contributions with the interest credits on the contributions, if any, as allowed by the board. If a member dies before retirement, the amount of the member’s accumulated contributions must be paid to the member’s estate or to the person the member nominated by written designation filed with the board.

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

(C) ~~An active contributing~~ A member who is not retired making the nomination provided under this section also may name contingent beneficiaries in the same manner that primary beneficiaries are named. A contingent beneficiary has no rights under this chapter unless all primary beneficiaries nominated by the member have predeceased the member and the member’s death occurs ~~while in service~~ before retirement. In this instance, a contingent beneficiary is considered the member’s beneficiary for purposes of this section and Section 9‑1‑1660, if applicable. A member may not name a contingent beneficiary with respect to death benefits provided under Section 9‑1‑1770.”

SECTION 3. Section 9‑8‑110(1) of the 1976 Code is amended to read:

“(1) Except as provided in subsections (2) and (3) of this section, upon the death of any member of the system, a lump sum amount must be paid to the persons the member nominated by written designation, filed with the board, otherwise to his estate. This amount must be equal to the amount of the member’s accumulated contributions. ~~An active contributing~~ A member who is not retired making the nomination provided under this section also may name secondary beneficiaries in the same manner that primary beneficiaries are named. A secondary beneficiary has no rights under this chapter unless all primary beneficiaries nominated by the member predecease the member and the member’s death occurs ~~while in service~~ before retirement. In this instance, a secondary beneficiary is considered the member’s beneficiary for purposes of subsections (1), (2), and (3) of this section. A member may not name a secondary beneficiary with respect to death benefits provided under subsections (5) and (7) of this section.”

SECTION 4. Section 9‑9‑100(1) of the 1976 Code is amended to read:

“(1) Upon the death of a member of the system, a lump sum amount must be paid to the person the member nominated by written designation, filed with the board, otherwise to the member’s estate. This lump sum amount must be equal to the amount of the member’s accumulated contributions. ~~An active contributing~~ A member who is not retired making the nomination provided under this item also may name contingent beneficiaries in the same manner that primary beneficiaries are named. A contingent beneficiary has no rights under this chapter unless all primary beneficiaries nominated by the member have predeceased the member and the member’s death occurs ~~while in service~~ before retirement. In this instance, a contingent beneficiary is considered the member’s beneficiary for purposes of this item and item (3) of this section, if applicable. A member may not name a contingent beneficiary with respect to death benefits provided under subsections (4) and (5) of this section.”

SECTION 5. Section 9‑11‑110(3) of the 1976 Code is amended to read:

“(3) ~~An active contributing~~ A member who is not retired making the nomination provided under subsection (1) of this section also may name contingent beneficiaries in the same manner that primary beneficiaries are named. A contingent beneficiary has no rights under this chapter unless all primary beneficiaries nominated by the member have predeceased the member and the member’s death occurs ~~while in service~~ before retirement. In this instance, a contingent beneficiary is considered the member’s beneficiary for purposes of subsection (1) of this section and Section 9‑11‑130, if applicable. A member may not name a contingent beneficiary with respect to death benefits provided under Section 9‑11‑120.”

SECTION 6. A. Chapter 2, Title 9 of the 1976 Code is repealed.

B. This SECTION takes effect on July 1, 2021.

SECTION 7. Except as otherwise provided, this act takes effect upon approval by the Governor.

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