

SUPREME COURT OF SOUTH CAROLINA

Layman v. State, 368 S.C. 631

630 S.E.2d 265 (2006) · No. No. 26146 · Decided June 1, 2006

SUMMARY

The Supreme Court of South Carolina held that the former statutory TERI program created binding contractual rights for participants who enrolled before July 1, 2005. The State breached those contracts by requiring those participants to make retirement-system contributions under Act 153, and the court ordered refunds with interest. The court held that the former working-retiree statute did not itself create a binding contract but remanded individual working-retiree contract claims for factual determination; on rehearing, it decertified the class and specified refund and remand procedures.

CASE DETAILS

COURT	Supreme Court of South Carolina
WRITING FOR THE COURT	Chief Justice Jean H. Toal; Jean H. Toal; James E. Moore; John W. Burnett; Perry M. Buckner, Acting Justice; D.L. Jefferson, Acting Justice
JURISDICTION	South Carolina
DECIDED	June 1, 2006
DOCKET	No. 26146
DISPOSITION	remanded
PROCEDURAL POSTURE	Petitioners brought a breach-of-contract and constitutional challenge to Act 153 in the Supreme Court of South Carolina's original jurisdiction. The court granted original jurisdiction and class certification, held that Act 153 breached the statutory contract of old TERI participants, and remanded the old working retirees' contract claims for individualized factual proceedings. On rehearing, the court decertified the classes, ordered refunds to eligible old TERI participants, and remanded only petitioner Nancy Ahrens's working-retiree claim to the circuit court.
STANDARD OF REVIEW	The court exercised original jurisdiction and decided the statutory-contract issues as matters of statutory interpretation and law. The working-retiree claim required case-by-case factual determinations and was remanded for further proceedings.

PRECEDENTIAL VALUE	Published South Carolina Supreme Court opinion; precedential
PARTIES	Nancy S. Layman, David M. Fitzgerald, Vicki K. Zelenko, Wyman M. Looney, Nancy Ahrens, the certified class of similarly situated old TERI participants and old working retirees v. The State of South Carolina, The South Carolina Retirement System

TOPICS

breach of contract contracts statutory interpretation civil procedure remedies

PRACTICE AREAS

contracts constitutional law statutory interpretation employment law civil procedure remedies

QUESTIONS PRESENTED

1. Whether the former TERI statutory provisions created a binding contract that prohibited the State from requiring participants enrolled before July 1, 2005, to make retirement-system contributions.
2. Whether the former working-retiree statute created a binding contract prohibiting the State from altering the exemption from further contributions.
3. Whether the State was estopped from requiring the challenged contributions.
4. Whether Act 153 constituted an unconstitutional taking under the South Carolina or United States Constitution.
5. Whether Act 153 violated the Due Process Clause of the South Carolina or United States Constitution.

HOLDINGS

1. The former TERI statute created a binding contract between the State and participants who enrolled before July 1, 2005.
2. The State breached its contract by applying Act 153 to require retirement-system contributions from old TERI participants enrolled before July 1, 2005.
3. The former working-retiree statute, standing alone, did not create a binding contract preventing the State from requiring further contributions.
4. The old working-retirees' breach-of-contract claims required individualized factual determinations and had to be remanded.
5. The court did not reach the estoppel, takings, or due-process issues because its holding that the old TERI statute created a binding contract resolved the relevant dispute.

KEY QUOTATIONS

“Once the bargain is formed, and the obligations set, a contract may only be altered by mutual agreement and for further consideration.” (368 S.C. at 640)

“We hold the State may not unilaterally alter its agreement with old TERI program participants by forcing the old TERI participants to contribute to the retirement system.” (368 S.C. at 642)

“As a result, we hold that the old working retiree statute does not create a binding contract between the State and the old working retirees prohibiting the State from altering the statute exempting old working retirees from further contributions to the retirement system.” (368 S.C. at 643)

FACTUAL BACKGROUND

South Carolina's 2001 TERI statute allowed eligible employees to retire while continuing to work for up to five years, defer receipt of retirement benefits, and make no further employee contributions. The old working-retiree program allowed retired system members who returned to covered employment to receive retirement benefits and earn up to \$50,000 annually without further contributions. Act 153, effective July 1, 2005, required old TERI participants and old working retirees to make employee contributions, and the affected participants challenged that change as a breach of contract and as unconstitutional.

PROCEDURAL HISTORY

The circuit court granted a temporary restraining order preventing collection of retirement contributions from four named petitioners. The matter was certified to the Supreme Court under Rule 204(b), SCACR, which granted original jurisdiction and initially certified a class. The Supreme Court issued its merits opinion on May 4, 2006, and on June 1, 2006 denied rehearing in part, decertified the classes, ordered refunds with interest, and remanded Ahrens's working-retiree claim to the circuit court.

DISPOSITION

remanded

REMAND INSTRUCTIONS

All withheld contributions from old TERI participants enrolled before July 1, 2005 were to be returned with interest, and no further contributions could be required from them. On rehearing, the classes were decertified, and only Nancy Ahrens's working-retiree claim was remanded to Judge John L. Breeden in the circuit court for determination of whether a binding contract existed and for consideration of other issues, including whether to certify a class. The circuit court was also directed to determine whether petitioners could recover reasonable attorney fees as court costs under S.C. Code § 15-77-300.

CASES CITED

- Nat'l R.R. Passenger Corp. v. Atchison, Topeka & Santa Fe Ry. Co., 470 U.S. 451, 465-66 (1985)
- S.C. Pub. Serv. Auth. v. Summers, 282 S.C. 148, 318 S.E.2d 113 (1984)
- Alston v. City of Camden, 322 S.C. 38, 471 S.E.2d 174 (1996)
- South Carolina State Ports Authority v. Jasper County, 629 S.E.2d 624 (S.C. 2006)
- Sloan v. Wilkins, 362 S.C. 430, 608 S.E.2d 579 (2005)
- Sloan v. Sanford, 357 S.C. 431, 593 S.E.2d 470 (2004)

