

South Dakota Retirement System
222 East Capitol Suite 8
PO Box 1098
Pierre, South Dakota 57501-1098
Telephone (605) 773-3731
or (888) 605-SDRS
Fax (605) 773-3949
www.sdrs.sd.gov



South Dakota Retirement System

January 6, 2017

Mr. Robert A. Wylie
Executive Director
South Dakota Retirement System
P.O. Box 1098
222 East Capitol Ave., Suite 8
Pierre, South Dakota, 57501-1098

Re: South Dakota 2017 Legislative Session – House Bill No. 1016

Dear Rob:

House Bill No. 1016 modifies the SDRS Cost of Living Allowance (COLA) within the South Dakota Retirement System. Under the bill, the annual SDRS COLA will equal inflation, with a minimum of 0.5% and a maximum of 3.5% when SDRS is fully funded based on the estimated long-term cost of this benefit. However, the maximum COLA will be reduced as required to maintain a fully funded System.

The Board of Trustees approved changes in the actuarial assumptions which will increase the SDRS accrued liability by \$1.205 billion and the determination of the unfunded liability will change from the actuarial value to the fair value of assets, which recognizes an additional \$338 million of liability, for a total unfunded liability of \$1.543 billion. House Bill No. 1016 will reduce the SDRS accrued liability by approximately \$443 million due to a reduction in the expected long-term average SDRS COLA. In addition, House Bill No. 1016 will reduce the SDRS liabilities when the maximum COLA is required to be reduced. This will vary from year to year depending on the funded status of the System. For example, had the process detailed in the bill been in place for 2016 with the newly adopted economic assumptions, the accrued liabilities of SDRS would have been reduced by an additional \$1.100 billion and the maximum COLA payable July 1, 2017 would have been 1.25%.

Furthermore, if House Bill No. 1018 is also enacted, the SDRS accrued liability will be reduced by \$105 million. Had the provisions of both bills been in place for 2016, the additional reduction in accrued liabilities would have been \$995 million and the maximum COLA payable July 1, 2017 would have been 1.35%.

House Bill No. 1016 will result in a COLA that varies directly with inflation and affordability and will strengthen the ability of SDRS to weather a variety of economic environments.

Sincerely,

Douglas J. Fiddler, A.S.A., E.A., M.A.A.A., F.C.A.
Senior Actuary

c: Ms. Jacquelyn Storm, SDRS
Ms. Jane Beer, SDRS

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Re: South Dakota 2017 Legislative Session – House Bill No. 1017

Dear Rob:

House Bill No. 1017 revises the definition of compensation for the purposes of the South Dakota Retirement System, provides a penalty for falsely reporting compensation and updates references to the Internal Revenue Code.

House Bill No. 1017 will eliminate approximately \$4 million in unanticipated annual costs. It will have no impact on the current liabilities of the System and will enhance equity among all SDRS members.

Sincerely,

A handwritten signature in black ink, appearing to read "Douglas J. Fiddler", is written over a light grey background.

Douglas J. Fiddler, A.S.A., E.A., M.A.A.A., F.C.A.
Senior Actuary

c: Ms. Jacquelyn Storm, SDRS
Ms. Jane Beer, SDRS

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Re: South Dakota 2017 Legislative Session – House Bill No. 1018

Dear Rob:

House Bill No. 1018 revises the calculation of final average compensation for benefits from the South Dakota Retirement System.

House Bill No. 1018 will eliminate approximately \$3 million in unanticipated annual costs, reduce the cost of benefit accruals by approximately \$5 million per year and reduce the liabilities of SDRS by approximately \$105 million. In addition, it will enhance equity among all SDRS members.

Sincerely,

A handwritten signature in black ink, appearing to read "Douglas J. Fiddler", written in a cursive style.

Douglas J. Fiddler, A.S.A., E.A., M.A.A.A., F.C.A.
Senior Actuary

c: Ms. Jacquelyn Storm, SDRS
Ms. Jane Beer, SDRS

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Re: South Dakota 2017 Legislative Session – House Bill No. 1019

Dear Rob:

House Bill No. 1019 revises the provisions relating to the salary of the executive director of the South Dakota Retirement System.

House Bill No. 1019 will have no impact on the liabilities or assets of SDRS.

Sincerely,

A handwritten signature in black ink, appearing to read "Douglas J. Fiddler", is written over a light grey signature line.

Douglas J. Fiddler, A.S.A., E.A., M.A.A.A., F.C.A.
Senior Actuary

c: Ms. Jacquelyn Storm, SDRS
Ms. Jane Beer, SDRS