



2018 Proposed Legislation

South Dakota Retirement System

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SDRS Fiscal Year 2017 Highlights

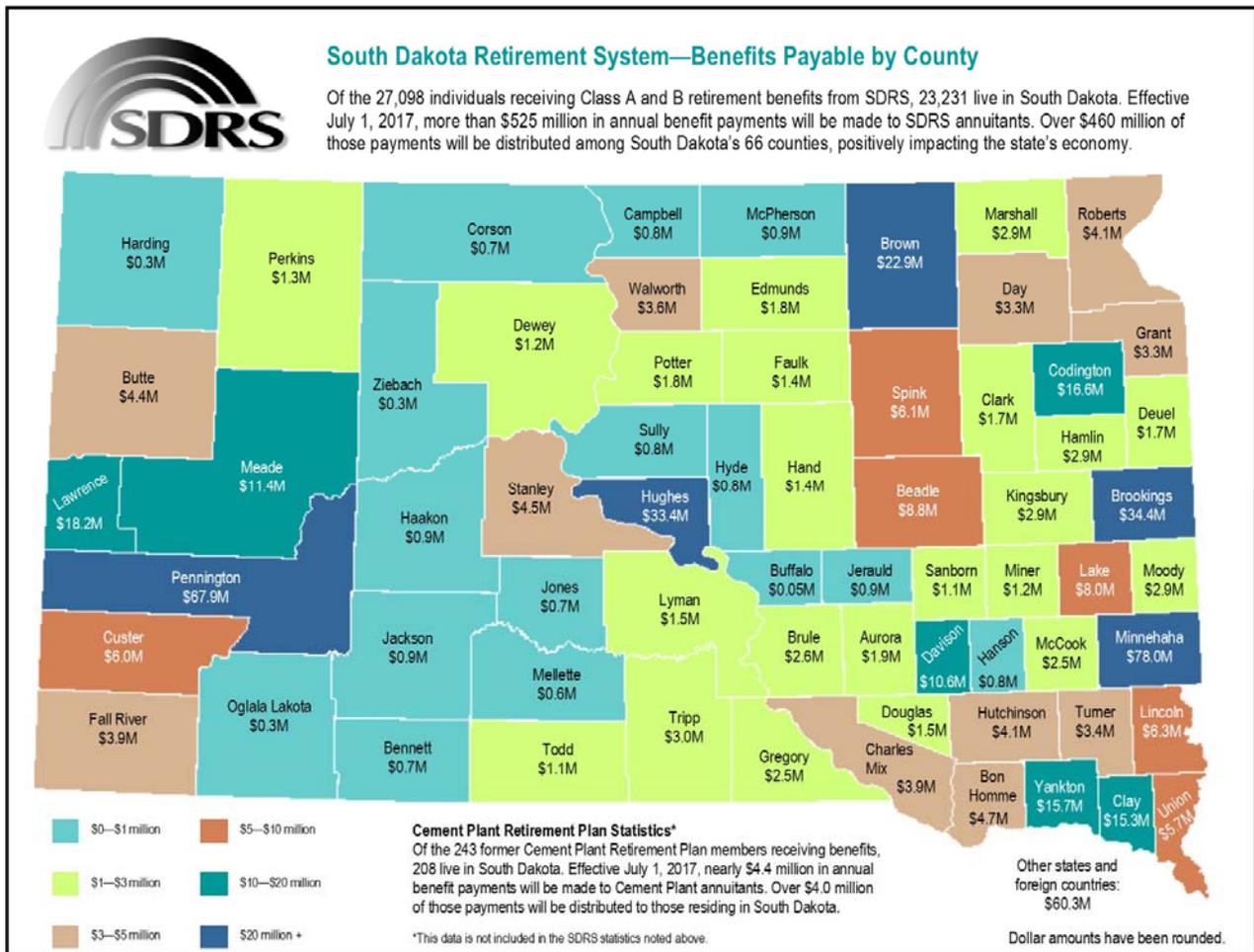
Total Membership	86,251
Active Contributing Members	40,452
Inactive Non-contributing Members	18,458
Benefit Recipients	27,341
Net Position (Fair Value of Assets)	\$11,644,038,604
Actuarial Accrued Liabilities	\$11,634,963,501
Fair Value Funded Ratio	100.1%
Investment Return (Net of Fees)	13.8%
Contributions	
Annuitant Benefits	\$244,052,607
Refunds	\$517,012,353
	\$24,077,032

SDRS Mission Statement

To plan, implement, manage, and efficiently administer financially sustainable retirement income programs within the fixed resources available.

SDRS Core Values

Provide members and their families the opportunity to achieve financial security at retirement, death, or disability by delivering appropriate and equitable benefits, and promote, encourage, and facilitate additional member savings for retirement.



SB 35

An Act to revise the classification of juvenile corrections agents in the South Dakota Retirement System and to revise certain terminology regarding correctional staff.

The Issue

The Department of Corrections approached the Board of Trustees about reclassifying juvenile corrections agents from Class A members to Class B Public Safety members. Juvenile corrections agents serve adjudicated youth who have been committed to state custody based on a crime of violence, sex offense, or have otherwise demonstrated a significant risk to public safety. Based on the criteria established by the Board, juvenile corrections agents meet the criteria for Class B Public Safety membership. In addition to the Department of Corrections, the Bureau of Finance and Management and the Bureau of Human Resources also recommend this change.

The Solution

Establish juvenile corrections agents as Class B Public Safety members of SDRS.

Legislative Summary

- ❖ **Add “juvenile corrections agent” to the definition of Class B member.**
- ❖ **Rename “penitentiary correctional staff” to “correctional security staff” recognizing not all Class B correctional staff work in the penitentiary.**
- ❖ **Define “juvenile corrections agent”.**
- ❖ **Make corresponding terminology changes in existing statutes.**

The Actuarial Statement: SB 35 will have no material impact on the assets or liabilities of SDRS.

SB 36

An Act to revise certain provisions regarding the South Dakota Retirement System.

The Issue

Several areas of SDRS law would benefit from updates and revisions. The areas include actuarial terminology, appeal process, refunds, qualified domestic relations orders, and supplemental pension benefits.

The Solution

Update and revise the statutory language.

Legislative Summary

- ❖ Provide that actuarial value of assets is equal to the fair value of assets.
- ❖ Define “actuarially determined contribution rate” for Governmental Accounting Standards Board purposes, not for reporting purposes.
- ❖ Define “minimal actuarial requirement to support benefits” for purposes of the annual valuation and as the measure for corrective action.
- ❖ Refine the appeal process and qualified domestic relations order process.
- ❖ Provide that refunds are permitted only after termination but without a waiting period and that refunds are not allowed after a return to covered employment.
- ❖ Allow a surviving spouse to purchase a supplemental pension benefit if the spouse is a beneficiary and is receiving a benefit.
- ❖ Allow for the purchase of more than one supplemental pension benefit.
- ❖ Update references to the Internal Revenue Code and repealed statutes.

The Actuarial Statement: SB 36 will have no material impact on the assets or liabilities of SDRS.

SB 37

An Act to revise the automatic enrollment provisions of the deferred compensation plan of the South Dakota Retirement System.

The Issue

Legislation for automatic enrollment and automatic escalation into the deferred compensation plan were enacted in 2008 and 2014 respectively. These features, which include individual opt-out provisions, were only made applicable to newly-hired members. Over 90 percent of those new hires enrolled stay in the plan. For those members hired before 2008, the participation rate is significantly lower. The SDRS Board of Trustees considers additional personal savings a key to a successful retirement.

The Solution

Starting July 1, 2019, automatically enroll those state employees who are not currently deferring and allow other participating employers to offer auto enrollment for their employees who are not currently deferring. Allow employees to elect not to participate. Delay implementation to provide additional education and communication related to this voluntary savings program.

Legislative Summary

- ❖ **Revise statutory authority to allow for automatic enrollment of state employees not already deferring, effective July 1, 2019.**
- ❖ **Revise statutory authority to allow employers other than the state to elect automatic enrollment for their employees not already deferring.**
- ❖ **Amend the rule describing automatic enrollment to include state employees not currently deferring and employees of other participating employers who elect auto enrollment for their employees not currently deferring.**
- ❖ **Provide a rule regarding the process by which employers other than the state may elect this enhancement to automatic enrollment.**

The Actuarial Statement: SB 37 will have no material impact on the assets or liabilities of SDRS.

SB 38

An Act to revise the process for establishing the compensation of the executive director of the South Dakota Retirement System.

The Issue

The Board of Trustees establishes the compensation of the executive director but there has been no formal policy in place regarding the executive director's compensation.

The Solution

In anticipation of the Board of Trustees hiring a new Executive Director in less than two years, the Board has established a compensation policy and brings this legislation to codify the process intended to assist in recruitment and retention of the new Executive Director. The policy is similar to the market-based compensation policy for state employees and is based on the average compensation of chief executive officers of the pension plans in the surrounding states and other market and peer group data. The policy would enable the position to reach peer group market average over time.

Amendment

The amendment maintains the current process and confirms that the Retirement Laws Committee must approve any salary adjustment above the state employee salary policy. As a result, the only substantive change in the legislation is the addition of an SDRS compensation policy.

Legislative Summary

- ❖ **The Board of Trustees would establish the compensation of the executive director based on a compensation policy.**
- ❖ **Any change in the compensation above the state employee salary policy would be reported to the Retirement Laws Committee.**
- ❖ **The Retirement Laws Committee must approve any change in compensation above the state employee salary policy.**

The Actuarial Statement: Senate Bill 38 will have no material impact on the assets or liabilities of SDRS.



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