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## 2019 Proposed Legislation

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**South Dakota Retirement System**

Robert A. Wylie, Executive Director

605-773-3731

# SDRS Fiscal Year 2018 Highlights

<b>Total Membership</b>	<b>88,106</b>
<b>Active Contributing Members</b>	<b>41,180</b>
<b>Inactive Non-contributing Members</b>	<b>18,732</b>
<b>Benefit Recipients</b>	<b>28,194</b>
<b>Net Position (Fair Value of Assets)</b>	<b>\$12.2 billion</b>
<b>Actuarial Accrued Liabilities</b>	<b>\$12.2 billion</b>
<b>Fair Value Funded Ratio</b>	<b>100.0%</b>
<b>Investment Return (Net of Fees)</b>	<b>7.9%</b>
<b>Contributions</b>	<b>\$249.0 million</b>
<b>Annuitant Benefits</b>	<b>\$542.3 million</b>
<b>Refunds</b>	<b>\$21.8 million</b>

The following exhibit presents a schedule of the annualized benefits payable as of July 1, 2018, by SDRS on a county-by-county basis.

County	Annual Benefits	County	Annual Benefits	County	Annual Benefits
Aurora	\$ 1,961,084	Fall River	\$ 4,223,660	McPherson	\$ 971,278
Beadle	\$ 9,049,276	Faulk	\$ 1,503,021	Meade	\$ 11,983,144
Bennett	\$ 783,237	Grant	\$ 3,337,438	Mellette	\$ 594,295
Bon Homme	\$ 4,791,996	Gregory	\$ 2,485,600	Miner	\$ 1,213,800
Brookings	\$ 36,000,664	Haakon	\$ 832,683	Minnehaha	\$ 83,313,411
Brown	\$ 23,780,732	Hamlin	\$ 2,879,142	Moody	\$ 2,870,557
Brule	\$ 2,800,327	Hand	\$ 1,439,439	Oglala Lakota	\$ 312,988
Buffalo	\$ 49,693	Hanson	\$ 971,526	Pennington	\$ 70,167,155
Butte	\$ 4,682,405	Harding	\$ 373,539	Perkins	\$ 1,374,766
Campbell	\$ 947,707	Hughes	\$ 35,333,697	Potter	\$ 1,732,861
Charles Mix	\$ 4,026,400	Hutchinson	\$ 4,313,047	Roberts	\$ 4,297,570
Clark	\$ 1,774,836	Hyde	\$ 836,703	Sanborn	\$ 1,144,490
Clay	\$ 15,595,681	Jackson	\$ 939,647	Spink	\$ 6,342,558
Codington	\$ 17,220,484	Jerauld	\$ 1,043,010	Stanley	\$ 4,958,834
Corson	\$ 672,386	Jones	\$ 767,523	Sully	\$ 793,616
Custer	\$ 6,258,391	Kingsbury	\$ 3,080,819	Todd	\$ 1,112,518
Davison	\$ 10,813,118	Lake	\$ 8,270,461	Tripp	\$ 3,211,879
Day	\$ 3,307,253	Lawrence	\$ 18,986,069	Turner	\$ 3,539,948
Deuel	\$ 1,779,580	Lincoln	\$ 6,582,129	Union	\$ 5,849,086
Dewey	\$ 1,349,137	Lyman	\$ 1,556,874	Walworth	\$ 3,751,642
Douglas	\$ 1,453,367	Marshall	\$ 2,980,139	Yankton	\$ 16,508,519
Edmunds	\$ 1,843,155	McCook	\$ 2,690,690	Ziebach	\$ 345,574

<b>Total SDRS Benefits Payable in South Dakota</b>	<b>\$ 482,758,254</b>
<b>Total SDRS Benefits Payable Outside of South Dakota</b>	<b>\$ 68,728,661</b>
<b>Total SDRS Benefits Payable</b>	<b>\$ 551,486,915</b>

<b>Total Cement Plant Benefits Payable in South Dakota</b>	<b>\$ 4,066,363</b>
<b>Total Cement Plant Benefits Payable Outside South Dakota</b>	<b>\$ 359,676</b>
<b>Total Cement Plant Benefits Payable</b>	<b>\$ 4,426,039</b>

<b>Total SDRS and Cement Plant Benefits Payable</b>	<b>\$ 555,912,954</b>
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## Recodification

### HB 1010

**An Act to recodify, to make certain form and style changes, to clarify, and to repeal certain provisions related to the South Dakota Retirement System.**

#### The Issue

The statutes governing the South Dakota Retirement System are not user-friendly. Additions over the years have resulted in an illogical organization.

#### The Solution

Reorganize the entire chapter of law governing SDRS in a more logical and user-friendly manner.

#### Legislative Summary

- ❖ Bulk transfer of over 200 statutes without change. Section 1.
- ❖ Definitions of convenience revised and renumbered. Section 2.
- ❖ Definitions of substance formerly in definitions of convenience (child, COLA, disability, spouse, terminated, vested, and highest annual compensation) moved to substantive sections. Sections 3-8, 25.
- ❖ Gender specific terms eliminated. Sections 9, 13, 15, 39.
- ❖ Sections better reflecting current practices (frequency and distribution of reports; stale dated checks). Sections 10, 20.
- ❖ Revisions to clarify, simplify, and modernize language. Sections 12, 14, 21, 24, 26, 38, 40-43.
- ❖ Sections no longer necessary (alternative methodology; redeposits). Sections 11, 17.
- ❖ Cross references removed due to repeal of Section 17 (redeposits). Sections 18-19.
- ❖ New sections that were formerly part of a different section (definition of vested; definition of COLA). Sections 22, 23.
- ❖ Application of disability laws effective July 1, 2015, clarified. Sections 27-37.
- ❖ Rules effective until amended by Board of Trustees. Section 44.
- ❖ Code Counsel to create a new chapter and adjust cross references. Section 45.

**The Actuarial Statement:** HB 1010 will have no material impact on the liabilities or assets of SDRS.

## HB 1011

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

#### The Issue

As the statutes were reviewed for reorganization, certain statutes were identified that should be revised to clarify the intent, improve the consistent administration of the system, or remove outdated or obsolete provisions. In addition, recent IRS rulings have indicated that certain SDRS provisions relating to optional participation are not in compliance with IRS qualification requirements.

#### The Solution

Update and revise certain sections of law.

#### Legislative Summary

- ❖ Definition of juvenile corrections agent. Section 1.
- ❖ Participation requirements for full-time elected official. Section 2.
- ❖ Notarization of applications for refunds. Section 3.
- ❖ For members earning over the maximum taxable amount for Social Security, contributions made while on leave of absence must include additional amount for alternate formula. Section 4.
- ❖ Trustee succession if no longer serving in qualifying status. Serve until June 30 of next calendar year; election for 4-year term. Section 5.
- ❖ Trustee succession upon death or resignation. Board appoints successor to serve up to 4 years. Section 6.
- ❖ Process for filling vacancy by appointment. Section 10.
- ❖ Supplemental pension benefit funded with pretax dollars only. Section 7.
- ❖ Automatic enrollment for supplemental retirement plan to include those who formerly contributed. Sections 8, 11, and 12.
- ❖ Outdated contribution maximum removed and reference to Internal Revenue Code added for special pay program. Section 9.
- ❖ *Friendly amendment to be consistent with revisions in Section 2.*

**The Actuarial Statement:** House Bill 1011 will have no material impact on the liabilities or assets of SDRS. Section two of House Bill 1011 would apply the SDRS participation provisions applicable to all other SDRS members to permanent, full-time elected officials and by doing so, eventually eliminate future actuarial losses estimated at approximately \$1 million per year currently.

## Other legislation affecting SDRS

The Board of Regents (BOR) is proposing a bill that revises the definition of the term, campus security officer. As proposed, the Board of Trustees of the South Dakota Retirement System supports this change.

Note that that BOR's bill, Senate Bill 42, was introduced as House Bill 1045 by the chairs of the Retirement Laws Committees, Representative Zikmund and Senator White, to facilitate the bill hearing process.

House Bill 1045 / Senate Bill 42

An Act to revise the definition of campus security officer for purposes of the South Dakota Retirement System.

Section 1. That subdivision (13) of § 3-12-47 be amended to read:

- (13) "Campus security officers," employees of the Board of Regents whose positions are subject to the minimal educational training standards established by the law enforcement standards commission pursuant to chapter 23-3 ~~and~~, who satisfactorily complete the training required by chapter 23-3 within one year of employment, and whose primary duty as sworn law enforcement officers is to preserve the safety of the students, faculty, staff, visitors, and the property of the ~~University of South Dakota and South Dakota State University~~ university. The employer shall file with the system evidence of the appointment as a sworn law enforcement officer at the time of employment and shall file evidence of satisfactory completion of the training program pursuant to chapter 23-3 within one year of employment;

### **Mission Statement**

To plan, implement, manage, and efficiently administer financially sustainable retirement income programs within the fixed resources available in accordance with fiduciary responsibilities and sound public policies.

### **Vision**

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



South Dakota Retirement System  
222 E Capitol, Suite 8  
PO Box 1098  
Pierre, SD 57501

Toll-free: 1-888-605-SDRS (7377)  
Local: 1-605-773-3731