



South Dakota Retirement System

# Class A Handbook

For Generational Members  
Joining SDRS on or after July 1, 2017



Information About Your  
SDRS Retirement Benefits

July 1, 2019



## **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.

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## **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.

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## **Long-Term Income Replacement Goals**

Provide lifetime income replacement of at least 55 percent of final average compensation for career employees with a cost of living adjustment during retirement that provides partial inflation protection.

Encourage members to establish an individualized lifetime retirement goal that will enable them to maintain their standard of living in retirement. This will typically require lifetime income replacement of at least 85 percent of final average compensation (with at least partial inflation protection during retirement), including income from SDRS, Social Security, and personal retirement savings of at least one year's compensation at retirement.



# South Dakota Retirement System

## Generational Member: Class A Handbook

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## Welcome to SDRS!

The South Dakota Retirement System (SDRS) is a 401(a) defined benefit pension plan that provides retirement, survivor, and disability benefits for South Dakota’s public employees. You are encouraged to learn about the benefits available to you and your family as you plan for your financial future. The information presented in this handbook offers a general overview of SDRS and the benefits it provides. It is neither a legal reference nor a complete statement of South Dakota laws or SDRS administrative rules. In any conflict between the information presented in this handbook and the laws or administrative rules, the laws and administrative rules shall prevail. For more specific information regarding your benefits, please contact the SDRS office.

## Authorized Agent

Each SDRS participating employer unit appoints an Authorized Agent to assist you locally. The Authorized Agent provides the connection between your employer and SDRS and is available to explain your benefits and answer your questions in general.

## Contacting SDRS

If you have any questions as you learn about SDRS benefits, please contact the SDRS office. Retirement planners are available from 8:00 a.m. to 5:00 p.m. (Central Time), Monday through Friday. SDRS looks forward to helping you prepare for your retirement!

<b>Call</b>	<b>Click</b>	<b>Visit</b>
Toll-free: 1-888-605-SDRS (7377) Local: 1-605-773-3731	<a href="http://www.sdrs.sd.gov">www.sdrs.sd.gov</a>	222 E. Capitol, Suite 8 Pierre, SD 57501

## Your SDRS ID

In an effort to protect each member’s identity, SDRS assigns a unique identification number after the member is enrolled in SDRS. Your SDRS ID contains the letter “G” followed by a six-digit number (example: G123456). Once obtained, each member is encouraged to use this ID in any communications with the SDRS office.

## Online Resources and Account Access

The SDRS website, [www.sdrs.sd.gov](http://www.sdrs.sd.gov), is an excellent resource for benefit information, including the most current forms and publications. You can also track your account information through the secure MySDRS site. From the SDRS homepage, click on the MySDRS button in the upper right hand corner to register and log in. Note: Your personal account information will not be available through MySDRS until after your first contribution has been received from your employer and processed by SDRS.

## SDRS Educational Programs

SDRS offers a variety of educational outreach programs. As you work toward your retirement, you are encouraged to attend and participate in these no-cost programs to learn more about your benefits and financial and retirement planning. SDRS educational workshops are designed to target members at the various stages in their careers and are offered at centralized locations throughout the state. Individual counseling sessions provide members the opportunity to meet with an SDRS retirement planner to discuss their benefits and specific questions.

The schedules for SDRS events are available on the SDRS website, [www.sdrs.sd.gov](http://www.sdrs.sd.gov), by clicking on the Events tab.

## SDRS Board of Trustees

### Membership

The SDRS Board of Trustees consists of:

- Two elected teacher members
- Two elected state employee members
- An elected participating municipal employee member
- An elected participating county employee member
- An elected participating classified employee member
- An elected participating Class B Public Safety member
- An elected justice, judge, or magistrate judge
- One head of a principal department or one head of a bureau under the office of executive management appointed by the Governor
- An individual appointed by the Governor
- An elected county commissioner of a participating county
- An elected school district board member
- An elected municipal official of a participating municipality
- An elected retiree
- An elected faculty or administrative member employed by the Board of Regents and not subject to the provisions of Chapter 3-6A
- A representative of the South Dakota Investment Council serves as an ex officio nonvoting member

### Responsibilities

The SDRS Board of Trustees is the governing authority of the system and is responsible for:

- Formulating and communicating a sound pension policy
- Establishing goals and objectives for SDRS
- Ensuring the financial integrity of the system
- Proposing legislative changes believed necessary or beneficial
- Adopting rules necessary to implement the governing statutes
- Adopting an administrative budget and submitting it to the executive and legislative branches of state government for approval
- Appointing an executive director as the chief executive and operations officer of the system

## Participation & Eligibility

If you are a permanent, full-time employee of an SDRS participating employer, you are required to participate in and make contributions to SDRS. Permanent, full-time employees are those working at least 20 hours per week and six months per year. Your membership in SDRS begins with your first contribution.

Class A members include all state administrative employees, Board of Regents employees, teachers and classified employees of participating school districts, and general employees of participating municipalities and counties. All elected officials (except justices and judges) may choose to participate. Ninety-three percent of SDRS' members are Class A members.

Class B members have different benefits, which are described in the Class B Public Safety and Class B Judicial Handbooks. Class B members are justices, judges, and magistrate judges, state law enforcement officers, municipal police officers, firefighters, county sheriffs, deputy county sheriffs, correctional security staff, parole agents, air rescue firefighters, campus security officers, court services officers, juvenile corrections agents, conservation officers, and park rangers.

The following are excluded from membership in SDRS: All personnel in the Department of Labor who were employed before July 1, 1980, and who elected to remain participants in the former plan, and the governing body of any participating county, municipality, or other political subdivision.

Foundation members include all Class A and Class B members that joined SDRS prior to July 1, 2017. Foundation members have a different benefit design, which is described in the Class handbooks for Foundation members.

Generational members include all Class A and Class B members that joined SDRS on and after July 1, 2017. This handbook describes the benefit design for Class A Generational members.

## Contributions & Interest Earnings

You and your employer share the cost of your retirement benefits by contributing a percentage of your salary to the system. For Class A members, your contribution is 6 percent of your salary and your employer's contribution is 6 percent of your salary. Your contributions are deducted from your paycheck each pay period. SDRS contributions are made on a pre-tax basis, meaning that Federal income taxes are not withheld on contributions when they are made to the system. When you begin drawing benefits, your payments will be taxable.

Accumulated contributions are the total of your employee contributions, plus credited interest, and a portion of your employer contributions, plus credited interest (if vested: 85 percent of employer portion; if not vested: 50 percent of employer portion).

All contributions are deposited in the SDRS Trust Fund, which is managed by the South Dakota Investment Council, and invested for the exclusive benefit of SDRS members and beneficiaries. Annual

interest paid on contributions is determined by the Board of Trustees and will be no greater than 90 percent of 91-day U.S. Treasury Bill rate for the prior calendar year. For administrative efficiencies, interest is credited annually on June 30.

Your accumulated contributions are minimum benefits. You, or your beneficiaries, are assured of receiving the full amount of your accumulated contributions if you terminate your employment or die before being eligible for a lifetime retirement benefit. In addition, the minimum amount you and/or your beneficiaries will receive after your retirement equals your accumulated contributions.

## Vesting

You become vested and entitled to SDRS retirement benefits after three years of contributory service, provided you have not withdrawn (refunded) your accumulated contributions.

## Earning Credited Service & Service Purchases

Credited service is the period of time you work for an SDRS-participating employer. It is considered in your eligibility for benefits and the amount of your benefits. Credited service represents complete or partial years of employment. You receive one-fourth of a year of credited service for each calendar quarter in which you make contributions to SDRS.

Credited service includes time spent on authorized military leave of absence for your initial tour of duty, provided that you:

- Are employed before you leave,
- Return to public service within one year of discharge, and
- Remain employed for at least one year after returning.

Eligible members may purchase additional credited service to enhance their SDRS benefit at retirement. The cost to purchase credited service depends on your age at the time of purchase and is an actuarially-determined percentage of your current salary or Final Average Compensation (see page 10), whichever is higher.

The types of credited service that may be purchased include:

- Prior public employment for which you are not eligible to receive a retirement benefit (subject to verification).
- Nonqualified permissive service (air time) can be purchased after you have attained at least five years of contributory service. A maximum of five years of air time may be purchased.

For more information on purchasing service, please contact the SDRS office.

## Leaves of Absence

During your employment, you may need to take a leave of absence. Some members take leave without pay, while other types of leave require the employer to pay the member a portion of salary or a stipend. If you take an employer-approved leave of absence without pay, you must decide whether to continue SDRS contributions during the leave. Once your employer notifies SDRS of your unpaid leave of absence, SDRS will communicate your options regarding continuation of contributions during the leave period.

## Naming Beneficiaries

When you are hired, you are encouraged to complete SDRS Form E-5, "Beneficiary Designation Form," to name your primary and contingent beneficiaries. Throughout your career, it is advisable to review and update your beneficiary designations any time there is a family status change, such as a marriage, divorce, birth, adoption, or death, or any time there is a change in your designation. A member may change beneficiary designations at any time and as often as necessary.

It is very common for members to name their children as beneficiaries on their SDRS accounts; however, SDRS cannot make payments directly to minor children. Payments must be made to the child's conservator or custodian. The legal process for naming a conservator and/or establishing a trust can be lengthy and expensive. A law known as the Uniform Transfers to Minors Act (UTMA) provides a simple and inexpensive way to make transfers to minors with control held by a responsible adult (custodian) until the minor reaches 19 years of age.

If you have minor children, you may wish to complete SDRS Form E-5A, "Transfer to Minor," which allows you to appoint a custodian and successor custodian for minor children for purposes of SDRS benefit payments.

## Assignment of Benefits/QDRO

You may designate any person or entity as a beneficiary to your SDRS account, except you may not name a person or entity as beneficiary as a means of providing security for a debt or loan (collateral). Your SDRS benefits cannot be assigned in any way, except as required under a qualified domestic relations order (QDRO).

### **Divorce**

In a divorce, a member's accrued benefits under SDRS represent an asset of the marital estate and therefore are subject to equitable division by the Court. If there are not sufficient assets to offset the SDRS benefit so that a portion of the SDRS benefit is assigned to the former spouse, a qualified domestic relations order (QDRO) is required. A QDRO assigns all or a portion of the member's benefit to the former spouse, also known as the alternate payee. If you are involved in a divorce in which a QDRO is considered, contact SDRS for more information.

## Final Average Compensation

Your Final Average Compensation (FAC) is determined by taking your average annual salary during the highest 20 consecutive calendar quarters in the last 40 quarters of SDRS membership (the highest 5 of last 10 years of pay). Annual compensation increases are capped at 105 percent for each of the five years used in determining your FAC. Your FAC is subject to adjustments for extraordinary payments in the final year.

Final Average Compensation is used in calculating all SDRS benefits, including retirement, disability, and survivor benefits.

## Eligibility for Retirement

To be entitled to retirement benefits, you must have a minimum of three years of contributory service. Unreduced retirement benefits are available once you reach your normal retirement age. Reduced retirement benefits can be drawn once you attain your minimum retirement age. No retirement benefits are payable to you before you attain your minimum retirement age.

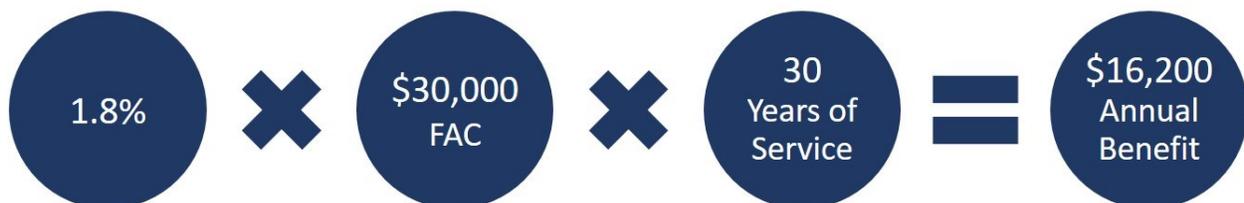
- Class A Normal Retirement (unreduced benefit): Age 67
- Class A Early Retirement (reduced benefit): As early as age 57

## Normal Retirement Benefits (Age 67 or Later)

The formula to calculate your benefits at normal retirement uses a benefit multiplier, your years of credited service, and your Final Average Compensation (FAC).



Normal Retirement Benefit Example: A member retires from SDRS-covered employment on July 1, 2047, at the age of 67 with 30 years of service and a Final Average Compensation of \$30,000. This member's benefit would be calculated as follows:



## Early Retirement Benefits (as Early as Age 57)

If you choose to retire prior to your normal retirement age, your retirement benefit will be permanently reduced by five percent for each year (and prorated for each partial year) that payments are made before age 67. The chart below shows the amount of reduction and the percentage of your earned benefit you will receive if you retire and begin drawing benefits before age 67.

Age	57	58	59	60	61	62	63	64	65	66	67
% of Reduction	50%	45%	40%	35%	30%	25%	20%	15%	10%	5%	0%
% of Benefit Payable	50%	55%	60%	65%	70%	75%	80%	85%	90%	95%	100%

Early Retirement Benefit Example: A member retires from SDRS-covered employment on July 1, 2042, at the age of 62 (5 years prior to normal retirement age) with 30 years of service and a Final Average Compensation of \$30,000. This member’s benefit would be calculated as follows:



## Personal Benefits Statement

Each year you will receive a Personal Benefits Statement that details your estimated retirement benefits at various ages. These estimates are offered at the present value (today’s dollars) of your Final Average Compensation and projected values assuming an annual increase in your Final Average Compensation. All estimates assume continuous employment with an SDRS participating employer. It is important to note that SDRS members may choose alternate retirement dates in addition to those presented in the Personal Benefits Statement.

## Applying for Retirement Benefits

To begin receiving your retirement benefits, you must make application to SDRS. To receive a benefit packet with a benefit estimate and retirement paperwork, contact SDRS.

Once you have applied to receive your retirement benefits, your payments will begin the month following the latest of:

- Your final contribution to SDRS,
- One complete calendar month after SDRS receives your retirement application, or
- The date specified in your retirement application

If you do not make timely application for benefits, you may receive up to a maximum of three months of benefits retroactive to the date your contributory service ended.

## Cost-of-Living Adjustments

To partially protect retirees from a loss of purchasing power after retirement, benefits receive cost-of-living adjustments. A cost-of-living adjustment (COLA) is an annual increase in the amount of monthly benefits effective on July 1 of each year for all eligible member benefit payments. To be eligible for a COLA, you must have received full benefit payments and not been employed by an SDRS-covered employer during the entire previous fiscal year period (July 1 - June 30).

COLA Examples:

- If you terminate employment and begin receiving retirement benefits in July, you would be eligible to receive the COLA effective July of the following year.
- If you terminate employment and begin receiving retirement benefits in August, you would not have received benefits for a full fiscal year by the following July. Therefore, you would not be eligible for your first COLA until nearly two years after you began benefits.

The amount of the annual COLA is established by the SDRS Board of Trustees. The process to determine the COLA considers affordability based on SDRS' Fair Value Funded Ratio and the annual inflation rate as defined by the Consumer Price Index (CPI-W). The minimum annual COLA is 0.5 percent and the maximum is 3.5 percent.

## Returning to Work After Retirement

Some members may seek employment after retirement. If you are drawing SDRS retirement benefits and are contemplating returning to SDRS-covered employment, it is important to contact SDRS prior to accepting any position to determine if your retirement benefit will be affected.

### **Reemployment with a non-SDRS employer**

If you return to work for an employer that is not covered by SDRS, there will be no change in your SDRS benefit.

### **Reemployment with an SDRS employer: Part-time/non-benefited status**

If you return to work for an SDRS employer in a position that is part-time (less than 20 hours per week) and/or non-benefited, there will be no change in your SDRS benefit.

### **Reemployment with an SDRS employer: Permanent/full-time status**

If you return to work for an SDRS employer in a permanent, full-time position, you must first be retired at least three consecutive months. Returning to work prior to meeting this requirement will result in your retirement status being revoked and you will be required to repay all retirement benefits paid to you, plus interest.

**Early Retirements (reduced benefit):** If you return to work for an SDRS employer on a permanent, full-time basis after having retired with a reduced benefit and meeting the

required termination period of three consecutive months, your benefit payments will stop while you are reemployed and you will not be eligible for a COLA until you have terminated employment and received your full benefit payments for an entire fiscal year period. During reemployment, you will not earn any additional credited service and you will not receive a second SDRS benefit. Your required employee contributions will accrue in the SDRS Supplemental Retirement Plan (SRP) and the employer contributions will remain with SDRS to offset the cost of your reemployment. No employee or employer contributions will be credited to your SDRS accumulated contributions during your period of reemployment.

**Normal Retirements (unreduced benefit):** If you return to work for an SDRS employer on a permanent, full-time basis after having retired with an unreduced benefit and meeting the required termination period of three consecutive months, your monthly benefit payments will be reduced by 15 percent while you are reemployed and you will not be eligible for a COLA until you have terminated employment and received your full benefit payments for an entire fiscal year period. During reemployment, you will not earn any additional credited service and you will not receive a second SDRS benefit. Your required employee contributions will accrue in the SDRS Supplemental Retirement Plan (SRP) and the employer contributions will remain with SDRS to offset the cost of your reemployment. No employee or employer contributions will be credited to your SDRS accumulated contributions during your period of reemployment.

## Variable Retirement Account

In addition to SDRS retirement benefits, Generational members have an additional benefit called a Variable Retirement Account (VRA). The VRA is funded by a monthly contribution of up to 1.5 percent of pay to active Generational members. Investment earnings are credited annually (as of June 30) based on SDRS' net investment return for the fiscal year. (For VRA distributions during the fiscal year, the VRA will be credited with the estimated investment return through the month prior to the distribution.) The investment earnings may be positive or negative, but your VRA will never be less than the sum of all contributions to the account.

The VRA becomes payable at retirement, disability, or death. Generational members may elect payment options to fit their needs: a lump-sum payment, a rollover to the SDRS Supplemental Retirement Plan (SRP) or other eligible plan, or a purchase of a SDRS Supplemental Pension Benefit (SPB) at retirement.

Note: Generational members who terminate employment and refund their accumulated contributions will forfeit their VRA. VRA funds are only payable at a Generational member's retirement, disability, or death.

## Disability Retirement Benefits

If you cannot work because of a disability and it is expected to last one year or longer, you may apply for a monthly benefit from SDRS.

**Eligibility:** You are eligible for disability benefits after three years of consecutive contributory service. However, if you are accidentally disabled while performing the usual duties of your job, you are immediately eligible to apply for benefits. You must be a contributing member at the time you become disabled.

A disability is a medically determinable physical or mental impairment which prevents you from performing the usual duties of your job. Your employer must also certify that it is unable to provide you with comparable level employment. You will not qualify for benefits under this plan if your disability is the result of a willful or self-inflicted injury.

**Amount of Benefit:** If you are approved for a disability retirement benefit, your benefit will be the greater of:

- 25 percent of your Final Average Compensation at the time of disability; or
- Your unreduced accrued retirement benefit at the time of disability

If you remain disabled, the disability retirement benefit will be payable for your lifetime. SDRS disability retirement benefits receive an annual cost-of-living adjustment (COLA). If you recover from your disability, your benefit will terminate 30 days after your healthcare provider certifies that you are no longer disabled.

If you do not apply for disability benefits within three years of termination of your employment, you will forfeit a disability benefit.

While you are receiving SDRS disability benefits you are required to report any changes in your employment status to SDRS.

**When You Reach Normal Retirement Age:** When you reach age 67, your disability retirement benefit will be considered your retirement benefit. At that time, you will be required to complete an application for retirement benefits.

## Survivor Benefits

### If you die while employed by an SDRS employer

**Family Benefit:** If you have three or more years of contributory service and die while actively participating in SDRS (or die while performing the usual duties of your job, regardless of your years of contributory service), a family benefit is payable on behalf of your eligible dependent children under age 19. The family benefit equals the greater of:

- 25 percent of your Final Average Compensation at the time of your death; or

- Your unreduced accrued retirement benefit at the time of your death

The family benefit will be equally apportioned among your eligible dependent children. Payments will be made on behalf of each child to the child's conservator or custodian. As each child reaches age 19, the family benefit will be reallocated to any remaining dependent children. The family benefit payments continue until all eligible dependent children reach age 19.

**Surviving Spouse Benefit:** A surviving spouse benefit is effective and payable when your surviving spouse reaches age 67. The surviving spouse benefit will be calculated as follows, whichever is applicable:

- If a family benefit was paid: 60 percent of the family benefit being paid at the time the family benefit ended, increased by the annual cost-of-living adjustment; or
- If a family benefit was not paid: 60 percent of the following, whichever is greater:
  - \* 25 percent of your Final Average Compensation at the time of your death, increased by the annual cost-of-living adjustment; or
  - \* Your unreduced accrued retirement benefit at the time of your death, increased by the annual cost-of-living adjustment

The surviving spouse benefit is paid in monthly installments for your surviving spouse's lifetime with annual cost-of-living adjustments.

**Early Surviving Spouse Benefit:** Your eligible surviving spouse has the option to elect to start the surviving spouse benefit prior to age 67 and as early as age 57, payable at a reduced rate. The amount of reduction equals 5 percent for each full year (and prorated for partial year) between the date the benefit begins and when your surviving spouse would attain age 67.

## If you die after retirement

A Generational member's normal retirement benefit is a single-life benefit; however, a Generational member may make an election at retirement to provide a survivor benefit to the member's eligible surviving spouse. Depending on the member's election, the benefit may stop upon the member's death or a percentage (60 percent or 100 percent) of the member's benefit may be payable to the member's surviving spouse.

**Single-Life Benefit:** If the member is single or if married and elects a single-life benefit at retirement, the benefit will be payable for the member's lifetime only. No benefit will be payable to the member's surviving spouse, if applicable.

**60 Percent Joint & Survivor Benefit:** If a married member elects a 60 percent Joint & Survivor benefit at retirement, the member's retirement benefit will be actuarially reduced to provide for a surviving spouse benefit after the member's death. The surviving spouse benefit is equal to 60 percent of the benefit being paid at the time of the member's death and will continue for the spouse's lifetime with annual cost-of-living adjustments. Examples are provided on page 16.

**100 Percent Joint & Survivor Benefit:** If a married member elects a 100 percent Joint & Survivor benefit at retirement, the member's retirement benefit will be actuarially reduced to provide for

a surviving spouse benefit after the member's death. The surviving spouse benefit is equal to 100 percent of the benefit being paid at the time of the member's death and will continue for the spouse's lifetime with annual cost-of-living adjustments. Examples are provided below.

If you (and your spouse, if electing a Joint & Survivor benefit) die before your accumulated contributions have been paid out, your named beneficiary or estate will receive any remaining balance.

Note: To qualify for surviving spouse benefits, your spouse must have been married to you prior to your retirement date and for at least 12 months before your death.

**60 Percent and 100 Percent Joint & Survivor Benefit Reduction Examples**

In addition to a possible reduction for early retirement (see page 11), the member's retirement benefit will be reduced if a 60 percent or 100 percent Joint & Survivor benefit is elected. At retirement, if a Generational member with a \$1,000 per month single life annuity elects a 60 percent or 100 percent Joint & Survivor benefit, the member's benefit would be the applicable reduced amount shown below and the surviving spouse would receive a lifetime benefit equal to 60 percent or 100 percent of the amount payable to the member at the time of the member's death.

Ages at Retirement		Member's Initial Monthly Benefit (60% Joint & Survivor)	Member's Initial Monthly Benefit (100% Joint & Survivor)
Member	Spouse		
57	52	\$907.78	\$855.20
	57	\$927.13	\$884.17
	62	\$945.17	\$911.84
60	55	\$897.47	\$840.06
	60	\$919.87	\$873.23
	65	\$940.70	\$904.93
62	57	\$890.06	\$829.28
	62	\$914.76	\$865.57
	67	\$937.70	\$900.30
65	60	\$878.16	\$812.18
	65	\$906.76	\$853.69
	70	\$933.34	\$893.63
67	62	\$869.51	\$799.92
	67	\$901.10	\$845.36
	72	\$930.47	\$889.25

## Refunds

Members are not eligible to receive distributions from SDRS until they reach retirement age and/or terminate employment. SDRS does not have loan provisions or allow for hardship withdrawals. If you are employed with an SDRS participating employer, you are not eligible for a refund.

### **If you terminate employment before three years of contributory service**

You are entitled to receive your accumulated contributions (100 percent of your employee contributions plus credited interest and 50 percent of your employer contributions and credited interest) as a refund in the form of a lump-sum distribution if you leave employment prior to attaining three years of contributory service. If you terminate employment and decide to refund your accumulated contributions, you will forfeit funds in your Variable Retirement Account (VRA).

You may choose to leave your accumulated contributions with SDRS for up to 10 years from your date of termination. Interest earnings will continue to be credited for 10 years. If you have not returned to SDRS-covered employment after 10 years, your accumulated contributions must be withdrawn during the 11th year. If you do not withdraw your accumulated contributions during the 11th year and SDRS is not able to locate you, you will forfeit your accumulated contributions.

### **If you terminate employment after three years of contributory service**

If you have at least three years of contributory service, you are a vested member and entitled to retirement benefits and your Variable Retirement Account (VRA) when you reach retirement age. Therefore, if you terminate employment with an SDRS employer after three years of contributory service but before you are eligible for early retirement, you have two options: you may leave the funds with SDRS until you can begin drawing retirement benefits and your VRA or you may forfeit your benefits and take a refund of your accumulated contributions.

If you choose to leave your funds with SDRS, you can receive lifetime retirement benefits when you reach retirement age (unreduced benefits at your normal retirement age 67 or reduced benefits as early as age 57). Your benefit will be based on your Final Average Compensation, increased by the annual cost-of-living adjustment, and your credited service. Generational members who leave their funds with SDRS will also receive their Variable Retirement Account (VRA) at retirement, adjusted with SDRS investment earnings until retirement age, but never less than the contributions made to the VRA.

If you choose to forfeit your lifetime retirement benefit to take a refund of your accumulated contributions, you are entitled to receive 100 percent of your employee contributions plus credited interest and 85 percent of your employer contributions and credited interest in the form of a lump-sum distribution. Generational members who choose to refund their accumulated contributions also forfeit their Variable Retirement Account (VRA).

The right to withdraw accumulated contributions ceases upon returning to employment with an SDRS participating unit.

## SDRS Supplemental Pension Benefit

The SDRS Supplemental Pension Benefit (SPB) program has been designed to provide members with an opportunity to enhance their primary SDRS retirement benefit by allowing them to convert funds from their SDRS Supplemental Retirement Plan (SRP)/SDRS Special Pay Plan (SPP) or, for Generational Members, their Variable Retirement Account (VRA) to establish an additional lifetime benefit.

Any SDRS member is eligible to participate in the SDRS-SPB program if they:

- Have terminated employment, and
- Are currently receiving an SDRS retirement benefit, and
- Have at least \$10,000 in SDRS-SRP/SDRS-SPP funds, or, for Generational Members, in VRA funds

Participation in the SDRS-SPB program is optional. If a retiring member elects to purchase an SDRS-SPB using VRA funds, the conversion of VRA funds to an SDRS-SPB must be completed at retirement or disability. A retired member may elect to purchase an SDRS-SPB using SDRS-SRP and/or SDRS-SPP funds at any time during retirement.

A member who chooses to participate in the SDRS-SPB program will be required to enter into an irrevocable agreement. The member will have the choice of a single-life SDRS-SPB or, if married, a joint/survivor SDRS-SPB with a percentage (60 percent or 100 percent) of the SDRS-SPB payable to the member's surviving spouse. The SDRS-SPB is also partially protected for inflation with an annual cost-of-living adjustment (COLA). The COLA is described on page 12 of this handbook.

Additionally, a surviving spouse is eligible to participate in the SDRS-SPB program if the surviving spouse is a beneficiary to the SDRS member's SDRS-SRP/SDRS-SPP funds or VRA funds (must be \$10,000 or greater) and is receiving an SDRS benefit.

## SDRS Supplemental Retirement Plan

SDRS and Social Security benefits are designed to provide dependable lifetime income. However, many retirees will need additional funds to cover expenses during retirement. The SDRS Supplemental Retirement Plan (SRP) is a 457(b) plan that offers all employees working for SDRS participating employers the opportunity to save additional money for retirement. The SDRS-SRP has many advantages, including:

- Easy enrollment with automatic contributions
- Minimum contribution of \$25 per month
- Pre-tax deferral contributions that reduce your gross taxable income—contributions and earnings grow tax-deferred until withdrawn
- Variety of investment options carefully researched and selected by the South Dakota Investment Officer
- Low annual asset fee
- Withdrawal options to fit your retirement needs and lifestyle

While participation in the SDRS-SRP is voluntary, many SDRS participating employers have added the Automatic Enrollment feature of the SDRS-SRP to their benefit structure in an effort to encourage additional retirement savings for their newly hired employees. If you are an auto-enrolled employee, you will receive a letter from the SDRS-SRP office with more information.

**SDRS Roth 457 Option:** The SDRS-SRP also allows for after-tax Roth contributions. The after-tax Roth 457 option is available to employees of the State of South Dakota, South Dakota Board of Regents, and other SDRS participating employers who have elected to offer this option. With the Roth 457 option, contributions are deducted from your pay on an after-tax basis and any earnings will have the opportunity to grow tax-deferred. Qualified distributions are not subject to federal income taxes.

**For additional information on the SDRS-SRP and the Roth 457 option, please contact the SDRS-SRP office at 605-224-2230 or online at [www.srp457.com](http://www.srp457.com).**

## SDRS Special Pay Plan

The SDRS Special Pay Plan (SPP) is an additional retirement plan funded by an eligible employee's termination pay, which may include unused annual leave, unused sick leave, or other lump-sum termination pay that is eligible for contribution into the SDRS-SPP.

To be eligible for the SDRS-SPP, three criteria must be met:

- Employees who are age 55 and older or have reached the first day of the calendar month prior to their 55th birthday;
- Employees who are receiving termination pay of \$600 or more; and
- Employees of the State of South Dakota, the Board of Regents, or other employers who have elected to participate

Employees who meet the three criteria will have their special pay contributed to the SDRS-SPP. Contributions to the SDRS-SPP are excluded from the employee's gross income for purposes of Social Security (FICA) withholding and SDRS contribution payment. The SDRS-SPP contribution and any income or earnings would not be subject to federal income tax until distributed. There is no cost for the first 12 months the account is open—this cost is paid by your employer. After the first year, you will be responsible for the annual cost.

The SDRS-SPP has the same investment and withdrawal options as the SDRS-SRP.

**For additional information on the SDRS-SPP, please contact the SDRS-SRP office at 605-224-2230 or online at [www.srp457.com](http://www.srp457.com).**



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