

Proposed Legislation Brought to 2014 Legislature

The South Dakota Retirement System (SDRS) Board of Trustees have proposed four pieces of legislation to the 2014 South Dakota State Legislature.

SB 40: Early Surviving Spouse Benefits

Senate Bill 40 has been proposed to allow the surviving spouse of a member who died before retirement to make an election to begin receiving an early surviving spouse benefit. Under current law, a qualified surviving spouse who is entitled to surviving spouse benefits must wait until attaining the age of 65 before the benefit is payable. Senate Bill 40 would allow that same spouse to begin receiving the benefit as early as age 55, but the benefit would be actuarially reduced by five percent for each full year, prorated on a monthly basis, between the early election date and the spouse's 65th birthday. If passed, the early election would be effective beginning July 1, 2015.

SB 41: Correctional Staff Definition

Senate Bill 41 has been submitted to remove several outdated job titles from the South Dakota Retirement System law regarding the Department of Corrections (DOC) penitentiary correctional staff. Over the years, the DOC has implemented title changes for security personnel at the penitentiary, but the retirement classification of those employees was not addressed in law. Senate Bill 41 would put in place a mechanism for the laws governing retirement to adjust with any changes of penitentiary correctional staff titles.

SB 43: Disability Benefits

Senate Bill 43 is designed to provide a more understandable disability benefit and a more balanced and uninterrupted benefit payment to the members of SDRS. Currently, the disability benefit calculation is complex and subject to many recalculations during the course of a disabled member's eligibility, resulting in potential decreases to the benefit amount and a fluctuating benefit payment stream to the member. For example, disability benefit payment changes

are required after 36 months of disability to include recalculations that are subject to social security offsets, earned income offsets, and are subject to multiple children adjustments. In addition, recalculations are also made when the disabled member reaches normal retirement age, or dies and family benefits and/or surviving spouse benefits are payable.

Senate Bill 43 is a comprehensive bill that would revise how disability benefits, as well as certain survivor benefits are calculated in order to provide a steady and predictable stream of benefit payments to the member and the member's family.

The disability benefit would be the greater of 25 percent of the member's final average compensation at the time of disability or the unreduced accrued retirement benefit at the time of disability. The outside offsets and adjustments currently required by law would be eliminated, so the disability benefit amount, which would be payable for the member's lifetime, would only be subject to annual cost-of-living adjustments. Upon the death of a disabled member the bill further provides for the continuation of the member's benefit for family benefit purposes and for eligible surviving spouse benefits when the spouse reaches age 65.

Senate Bill 43 also proposes that upon the death of an eligible contributing member, any family benefits and surviving spouse benefits be similarly calculated and administered.

If passed, the changes would apply to disability applications received after June 30, 2015, and to eligible contributing member deaths after that same date for family and surviving spouse benefit calculation purposes. Members who apply for disability or are on disability prior to that date would remain under the current disability benefit structure. Similarly, any family and surviving spouse benefits would be calculated under current law if an eligible contributing member or disabled member dies on or prior to June 30, 2015.



South Dakota Retirement System

P.O. Box 1098
Pierre, SD 57501

PRSR STD
US POSTAGE

PAID

OMAHA, NE
PERMIT NO. 449

Proposed Legislation ~ *continued*

SB 42: Optional Lump-Sum Payments for Cement Plant Employees

The state owned and operated cement plant was sold to a private entity in 2001 and the Cement Plant Retirement Fund (CPRF) for the employees was frozen at that time. A frozen retirement plan means that no new contributions are being made to the plan, but the benefit structure must be maintained for the eligible members of the plan. After the sale of the plant, the South Dakota Cement Plant Commission continued administration of the CPRF until the Legislature transferred the administration to SDRS in 2010.

Because the CPRF is a frozen plan, benefit payments are going out to cement plant annuitants, but no contributions are coming in. Over the last several years, the Legislature has appropriated funds to the CPRF to bring assets more in line with liabilities. SDRS, in its administrative capacity over the CPRF, was requested to examine the Cement Plant Retirement Plan to devise options for shortening the benefit stream for this frozen plan.

Many members of the Cement Plant Retirement Plan have accounts that are quite small and would yield a small monthly retirement benefit. Senate Bill 42 would offer vested members of the Cement Plant Retirement Plan who are not currently receiving monthly benefits the option to elect a lump-sum payment in lieu of monthly retirement benefits. Those members who choose the lump-sum payment option must roll the funds over into another eligible retirement plan; cash payments directly to the member would not be allowed. By offering the lump-sum payment, many of the Cement Plant

Retirement Plan members may opt for this option rather than waiting a number of years for a small monthly benefit, thus relieving the administration of the CPRF and potentially shortening the benefit stream.

Governor Dugaard's Proposed Consolidation of the Cement Plant Retirement Plan into SDRS

During the Governor's Budget Address on December 3, 2013, Governor Dugaard brought forth a plan to fully fund the Cement Plant Retirement Plan and then consolidate it into SDRS. The SDRS Board of Trustees voted at its December 4, 2013, meeting to support legislation proposed by Governor Dugaard regarding consolidation of a fully-funded Cement Plant Retirement Plan into SDRS.

The Cement Plant Retirement Plan had a total membership of 337 members as of June 30, 2013. These members would remain under the existing benefit structures of the Cement Plant Retirement Plan, which are different than SDRS' benefit structure.

This proposal, if passed, would not bear any material actuarial impact to SDRS because the Cement Plant Retirement Fund would be fully funded prior to consolidation.

Legislative Information Available Online

This newsletter provides a brief overview of SDRS-related bills. More information can be accessed through the "News & Info" section of the SDRS website—www.sdrs.sd.gov or the South Dakota Legislature website—www.legis.sd.gov.