



SDRS Outlook

Membership Newsletter • March 2014

New Laws to Take Effect July 1, 2015

The South Dakota Retirement System (SDRS) legislation proposed by the SDRS Board of Trustees passed unanimously out of both houses of the Legislature and was signed into law by Governor Dugaard. Of significance are new laws pertaining to when a surviving spouse can begin drawing benefits and the calculation of disability benefits and certain survivor benefits. These laws will go into effect July 1, 2015.

Early Surviving Spouse Benefits—Senate Bill 40

Effective July 1, 2015, the surviving spouse of a member who died prior to retirement may choose to begin receiving an early surviving spouse benefit prior to attaining age 65. The surviving spouse benefit is a lifetime benefit with annual cost-of-living adjustments that is currently not available until the surviving spouse attains age 65.

Structured similarly to the early retirement benefit available to a member, the early surviving spouse benefit will allow an eligible surviving spouse to draw an actuarially reduced benefit as early as age 55. The reduction would be five percent for each full year, prorated monthly, between the date the benefit begins and the surviving spouse's 65th birthday.

For example: A surviving spouse eligible to draw a \$1,000 monthly surviving spouse benefit at age 65 may elect to begin the benefit at age 55. The benefit would be reduced by 50 percent (10 years x 5 percent from age 55 to age 65). The monthly benefit payable to the spouse at age 55 would be \$500. While the monthly benefit is lower, the surviving spouse has access to funds for an additional ten years. *This example is hypothetical and for illustrative purposes only.*

Disability Benefits—Senate Bill 43

Members applying for disability on and after July 1, 2015, who are approved for benefits will see a more clear-cut benefit calculation and a steady, predictable benefit payment stream.

Under this new structure, a member approved for disability benefits will receive 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, whichever is greater. The disability benefit would be payable for as long as the disability may last or for the member's lifetime. The disability benefit is calculated at the time of the member's approved disability and therefore is only subject to annual cost-of-living adjustments as approved each year by the SDRS Board of Trustees. Any family or surviving spouse benefit would be based on the benefit received by the member prior to death.

In addition to disability benefits, certain family and surviving spouse benefits payable upon the death of an eligible active member whose death occurs on or after July 1, 2015, will also be calculated using this new structure.

This new structure only applies to disability applications received on and after July 1, 2015, and to eligible active member deaths on and after that date. Members who apply for disability or are receiving disability benefits prior to July 1, 2015, will remain under the law in effect on June 30, 2015. Survivors entitled to family and/or surviving spouse benefits due to the death of a member receiving disability benefits prior to July 1, 2015, will also remain under the law in effect on June 30, 2015.

Other Laws to Take Effect July 1, 2014

Correctional Staff Definition (Senate Bill 41): SDRS retirement classifications will adjust with any changes in penitentiary correctional staff titles.

Optional Lump-Sum Trustee-to-Trustee Transfers Available to Cement Plant Employees (Senate Bill 42): Allows vested State employees of the old South Dakota Cement Plant who are not currently receiving monthly retirement benefits the option to elect a lump-sum transfer of their designated retirement funds to another qualified retirement plan.



South Dakota Retirement System

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How a Bill Becomes Law

Any proposal to change the laws that govern SDRS must go through an intricate legislative process. Most legislative proposals pertaining to SDRS begin with the SDRS Board of Trustees. The SDRS Board of Trustees is the governing authority of SDRS. The Board consists of fourteen elected representatives from all participating groups, two appointees of the governor, and an ex-officio nonvoting representative of the South Dakota Investment Council.

All proposed legislation is discussed and voted on by the Board during a scheduled meeting. If the Board recommends that any legislation be introduced, those bills, like any agency's bills, must be sponsored by a committee of the Legislature. The Retirement Laws Committee typically sponsors the SDRS Board of Trustees' bills. If the House Retirement Laws Committee sponsors the bills, they are given to the Chief Clerk of the House, or if sponsored by the Senate committee, to the Secretary of the Senate.

Each bill is assigned a number, given a First Reading, and referred to committee. SDRS bills are typically referred

to the Retirement Laws Committee where each bill is carefully examined and proponent and opponent testimony is heard. The committee then decides whether to send a bill to the floor of the full House or Senate for further discussion or whether to kill the bill by a motion to table or to defer the bill to the 41st day of the Legislative Session, which also kills the bill because there are no more than 40 legislative days in a session.

If the committee decides to send a bill to the floor, it is debated and voted on by the full House or Senate. If it passes, the bill is forwarded on to the other legislative body, where it goes through the same committee process.

If a bill passes both the House of Representatives and Senate, it is signed by the Speaker of the House and the President of the Senate and is sent to the Governor. If the Governor signs the bill, it becomes law. If the Governor vetoes the bill, it does not become law. However, the Legislature has an opportunity to override the Governor's veto. If the veto is overridden by the Legislature, the bill becomes law.

