

# SDRS Outlook

Membership Newsletter • November 2014

## South Dakota Receives Recognition for SDRS Accomplishments

The South Dakota Retirement System (SDRS) has quickly rebounded since the Great Recession, thanks to the Board of Trustees' diligent work to protect the system and the outstanding investment returns of recent years. SDRS' accomplishments have not gone unnoticed. Recently, South Dakota received national recognition for SDRS' stature as an exceptional public pension plan.

### NIRS Pensionomics 2014 Study

The National Institute on Retirement Security (NIRS) conducted a study to assess the overall state and national economic impact of the benefits paid to retirees under public pension plans. The study found that SDRS benefit payments provided a significant economic contribution to South Dakota and the state's economy.

In 2012, 26,000 residents of South Dakota received over \$450 million in public pension benefits. The benefits distributed were estimated to support 6,450 jobs in the state and \$887 million in total economic output. The study recognized South Dakota for having the highest total economic output per dollar of pension benefits paid, as well as the highest total economic output per dollar of taxpayer contributions to the plan. In short, the study showed South Dakota received the biggest bang for the buck.

For the complete NIRS Pensionomics 2014 study report, visit the NIRS website at [www.nirsonline.org](http://www.nirsonline.org).

### iiSEARCHES 2014 Public Pension Plan Awards for Excellence

The editors of iiSEARCHES recently announced SDRS and the South Dakota Investment Council as U.S. Mid-Sized Public Fund of the Year. This award recognizes pension funds that have excelled in their investment strategy, implementation, and performance. Low fees and strong

investment returns supported South Dakota's place as the best mid-sized public fund based on fiscal year 2013 results.

For the complete article highlighting SDRS, as published in the Trends & Insights for Investors—2014 Global Money Management Report, visit the Institutional Investor Corporate website, Money Management Intelligence, at [www.moneymanagementintelligence.com](http://www.moneymanagementintelligence.com).

### Loop Capital Markets 2014 Annual Report

The Loop Capital Markets completed an in-depth review of 247 public pension plans across the United States. The report, which is based on fiscal year 2013 data, recognizes South Dakota as one of only two states having a funded level for pension assets versus liabilities at 100 percent. South Dakota has no unfunded actuarial accrued liability (UAAL), which is an important measure in evaluating the actuarial soundness of a pension plan.

The Twelfth Annual Public Pension Funding Review provides an extensive comparison of pension plans and funded levels for fiscal year 2013. A summary of the report is available at [www.loopcap.com](http://www.loopcap.com).

For more information, including direct links to each respective group's report mentioned in this article, visit the "News and Info" section of the SDRS website at [www.sdrs.sd.gov](http://www.sdrs.sd.gov).





## South Dakota Retirement System

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## Important Notes from the SDRS Office

### Preliminary Figures for Fiscal Year 2014

The South Dakota Retirement System (SDRS) ended fiscal year 2014 on a high note. The investment rate of return for June 30, 2014, was 18.9 percent, net of fees. This is well above the assumed investment rate of return of 7.25 percent.

This past fiscal year's outstanding investment returns are expected to boost the SDRS market value funded ratio from 103 percent to approximately 107 percent. The market value funded ratio compares the market value of assets to the actuarial accrued liability. The actuarial value funded ratio, which measures the actuarial value of assets to the actuarial accrued liability, will remain at 100 percent.

SDRS continues to be a well-funded and financially sound system. Fiscal year 2014 results will be finalized in the coming weeks and presented to the SDRS Board of Trustees during their scheduled meeting on December 4, 2014.

### 2015 COLA Expected to be Maximum

The cost-of-living adjustment (COLA) is applied to eligible benefits effective July 1 of each year. How the COLA is determined is defined in South Dakota Codified Law and depends on the SDRS funded status and the consumer price index (CPI). By law, the annual COLA cannot be more than 3.1 percent or less than 2.1 percent.

Because SDRS is fully funded at 100 percent, the COLA to be applied to eligible benefit payments beginning July 2015 is expected to be the maximum of 3.1 percent. The Board of Trustees are expected to take final action to set the 2015 COLA at their December meeting.

Additional information regarding the COLA can be found through the Retirees section of the SDRS website, [www.sdrs.sd.gov](http://www.sdrs.sd.gov).

### 2015 Legislative Session

SDRS is in preparation for the upcoming Legislative Session that begins January 13, 2015. Proposed legislation will be approved by the SDRS Board of Trustees during its scheduled meeting on December 4, 2014. SDRS will offer only limited legislation, including minor changes to existing statutes.

You can stay current on SDRS-related legislation during the 2015 Legislative Session through the South Dakota Legislature website, [www.legis.sd.gov](http://www.legis.sd.gov), and the SDRS website, [www.sdrs.sd.gov](http://www.sdrs.sd.gov).

### New SDRS Staff

For the first time in the system's 40-year history, SDRS has hired an internal actuary. Douglas Fiddler, formerly of Buck Consultants, has joined the SDRS staff as Senior Actuary. Mr. Fiddler will handle all internal actuarial services. Buck Consultants will continue to provide independent actuarial and consulting services.