

## Defining Compensation and Determining Final Average Compensation

The South Dakota Retirement System is structured to consider a consistent definition of includable compensation for all members. Allowing non-includable compensation to be used for SDRS contributions would artificially inflate a member's final average compensation, which in turn would inflate the member's SDRS benefit, resulting in increased liabilities for SDRS that could impair the sustainability of the system for all members.

It is important for SDRS to have an equitable distribution of benefits to its members. It is also important for SDRS to be a sustainable pension plan. Therefore, anomalies in reported pay will be closely monitored by SDRS to ensure contributions are remitted only on compensation as defined in law.

Compensation for SDRS purposes is defined in South Dakota Codified Law 3-12-47.6 as gross wages paid to a member by the employer for personal services rendered during the credited service period. This section of law further elaborates on what is and is not considered compensation. SDRS contributions are to be made only on amounts considered to be compensation. A member's final average compensation is used in calculating SDRS retirement, disability, and survivor benefits.

### What Is Considered Compensation

Compensation includes amounts reported as wages, tips, and other compensation on the member's federal form W-2, except amounts that are excluded by law. Compensation also includes the amount of member contributions made on and after July 1, 1984, and any amount contributed to any tax-deferred retirement plan such as a 401, 403, 408, and 457 plan, including the SDRS Supplemental Retirement Plan (SRP).

Tax-deferred credited service purchase payments

are included as compensation, as well as any amount contributed to a plan described in section 125 of the Internal Revenue Code. It is also important to note that the Internal Revenue Service limits the amount of compensation that SDRS can consider for very highly paid employees hired after June 30, 1996.

### What Is Not Considered Compensation

Compensation does not include travel, meals, lodging, moving or other expenses which are reimbursed by an employer. Lump-sum payments for sick and/or annual leave and payments for insurance coverage of any kind or any other employee benefit by an employer on behalf of an employee or an employee and dependents are not considered compensation.

The definition of compensation also specifically excludes any amount paid in a one-time lump-sum payment or over a period of time based on retirement or an agreement to retire in the future. Additionally, payments made upon dismissal or severance, worker's compensation payments, and payments contingent on a member terminating employment at a specified time in the future, paid or payable in either a lump-sum or over a period of time are not included in compensation.

### How Final Average Compensation is Determined

Final average compensation, or FAC, is used in calculating SDRS benefits. A member's FAC is determined by averaging the highest 12 consecutive calendar quarters of compensation in the last 40 quarters of SDRS membership. This translates to the average of the highest three consecutive years of pay out of the last 10 years of service. It should be noted that a member's FAC is subject to adjustments for extraordinary payments in the final year or quarter of active SDRS membership.



**South Dakota Retirement System**

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## SDRS Programs Promote Financial Planning and Retirement Readiness

SDRS has a variety of programs suitable for members at any stage of their careers and are designed to provide members with valuable information regarding SDRS and its benefits while also highlighting overall financial and retirement planning. Each program offers a unique opportunity for members to be more prepared for retirement. All programs are provided at no cost.

### Individual Counseling Sessions

From Elk Point and Redfield to Hot Springs and Kadoka, SDRS Retirement Planners travel the state to meet one-on-one with members locally. During an individual counseling session, a member can learn more about SDRS benefits, ask questions, review personal account information, and receive benefit estimates.

Individual counseling sessions are generally held at each location from 2:00-8:00 PM; however, the schedule can be extended as necessary to accommodate additional sessions. Sessions are scheduled in 30-minute intervals. Because of limited availability, it is best to schedule an individual counseling session several weeks in advance. A postcard reminder is sent to the member's home address when SDRS will be visiting the area.

The upcoming travel schedule is also posted on the SDRS website, [www.sdrs.sd.gov](http://www.sdrs.sd.gov). Appointments can be scheduled by calling the SDRS office toll-free at 1-888-605-SDRS (7377).

### Pre-Retirement Planning Workshops

For those nearing retirement, this group workshop takes an in-depth look at retirement income sources including SDRS, Social Security, and the SDRS Supplemental Retirement Plan (SRP). Other topics include retirement budgeting, risks, and additional retirement planning considerations. The pre-retirement planning workshops are held at centralized locations throughout the state from 5:30-8:00 PM.

### Early & Mid-Career Workshops

This group workshop targets SDRS' younger generations of members. The early and mid-career workshops get back to basics and focus on financial planning and budgeting. Members can learn the first steps to getting their finances in order so they can

work toward their future retirement. These workshops are held from 6:00-8:00 PM.

### Women & Financial Planning Workshops

Women encounter unique challenges when it comes to financial planning and retirement, including living longer, investing too conservatively, and taking time off work to care for loved ones. This group workshop brings awareness to these issues and more in an effort to strengthen financial wellness. The women and financial planning workshops are conducted from 5:15-7:30 PM.

### Retiree Forums

These informal gatherings bring SDRS retirees together for coffee and conversation. SDRS Retirement Planners are also on hand to answer questions. Retiree forums are held from 3:00-4:00 PM, just prior to scheduled Pre-Retirement Planning workshops.

Members wanting to register for any workshop or forum are encouraged to do so through the SDRS website, [www.sdrs.sd.gov](http://www.sdrs.sd.gov), or by calling the SDRS office toll-free at 1-888-605-SDRS (7377).

## Bring SDRS to Your Workplace!

If you would be interested in offering any or all of these services for your employees at your place of employment, please contact Travis or Alan in the SDRS office toll-free at 1-888-605-SDRS (7377).

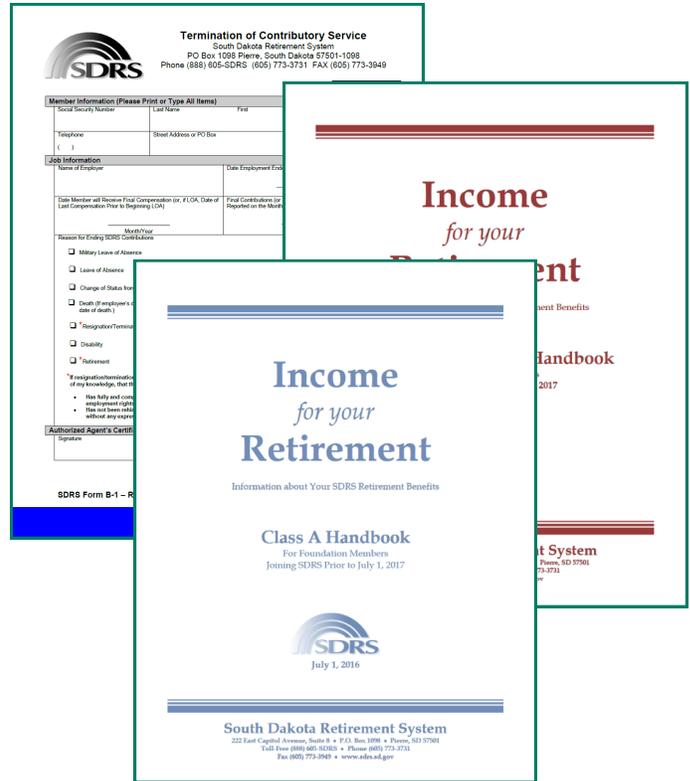


## Updates to SDRS Forms and Publications

SDRS has made updates to several forms and publications used by employers. The most current versions of SDRS forms and publications are available on the SDRS website, [www.sdrs.sd.gov](http://www.sdrs.sd.gov). Please check any supplies of forms and/or publications you have on hand to ensure you are using the most current versions.

SDRS Form B-1, *Termination of Contributory Service*, has been updated. Authorized Agents are encouraged to use the B-1 with a revision date of 07/16 to notify SDRS of employee terminations. The Class handbooks have also been updated as of July 1, 2016.

Over the course of the next year, SDRS will be updating, revising, and creating forms and publications for the new Generational benefit design for members joining SDRS on and after July 1, 2017. SDRS will notify Authorized Agents as these items become available.



## Four Authorized Agent Training Sessions Remaining This Year

All Authorized Agents are encouraged to attend this training session designed specifically for you! These sessions will be covering benefit design that goes into effect for new SDRS members joining SDRS on and after July 1, 2017.

Your presence at the training is vital to learn about these new benefit features. There will also be information presented other aspects of SDRS, the SDRS Supplemental Retirement Plan (SRP), and GASB.

### AUTHORIZED AGENT TRAINING SESSIONS

DATE	LOCATION	ADDRESS	TIME
08/16/2016	Yankton, Kelly Inn	1607 E Highway 50	1:00—3:00 PM
09/15/2016	Spearfish, Holiday Inn	I-90 Exit 14	1:00—3:00 PM
11/01/2016	Mitchell, Highland Conference Center	2000 Highland Way	1:00—3:00 PM
12/13/2016	Brookings, Swiftel Center	824 32nd Avenue	1:00—3:00 PM

To register for an Authorized Agent training session, visit the Events section of the SDRS website at [www.sdrs.sd.gov](http://www.sdrs.sd.gov). You may also register by emailing [SDRSweblink@state.sd.us](mailto:SDRSweblink@state.sd.us) or by calling the SDRS office at 1-888-605-SDRS.

*The information presented in Update is neither a legal reference nor a complete statement of South Dakota laws or administrative rules. In any conflict between this information and South Dakota laws or administrative rules, the laws and administrative rules shall prevail.*

*UpDate is produced to communicate the plan provisions, changes in law, and issues of interest to authorized agents of the South Dakota Retirement System. It is published with funds provided through the contributions of teachers, school boards, state government, state employees, county commissions, county employees, municipal governments, municipal employees, and other local units and employees.*

# Upcoming SDRS Membership Events

To schedule an appointment for an individual retirement counseling session, members may contact SDRS at 1-888-605-SDRS. To register for a workshop, members are encouraged to visit the Events section of the SDRS website at [www.sdrs.sd.gov](http://www.sdrs.sd.gov) or contact SDRS at 1-888-605-SDRS. For a complete listing of SDRS events, visit [www.sdrs.sd.gov](http://www.sdrs.sd.gov).

## INDIVIDUAL RETIREMENT COUNSELING SESSIONS

DATE	LOCATION	ADDRESS	30-MINUTE SESSION TIMES AVAILABLE
08/09/2016	Watertown, Watertown Event Center	1901 9th Avenue SW	2:00—8:00 PM
08/10/2016	Watertown, Watertown Event Center	1901 9th Avenue SW	8:00 AM—8:00 PM
08/30/2016	Redfield, Senior Center	728 Main Street	2:00—8:00 PM
09/13/2016	Parker, Community Building	299 N Main	2:00—8:00 PM
09/20/2016	Brookings, Swiftel Center	824 32nd Avenue	2:00—8:00 PM
09/21/2016	Brookings, Swiftel Center	824 32nd Avenue	8:00 AM—8:00 PM
09/27/2016	Vermillion, Holiday Inn Express	1200 N Dakota	2:00—8:00 PM
09/28/2016	Vermillion, Holiday Inn Express	1200 N Dakota	8:00 AM—8:00 PM

## EARLY & MID-CAREER WORKSHOPS

DATE	LOCATION	ADDRESS	TIME
08/23/2016	Sioux Falls, Holiday Inn City Centre	100 W 8th Street	<b>At Each Location</b> 6:00—8:00 PM
11/07/2016	Rapid City, Hilton Garden Inn	815 E Mall Drive	
12/14/2016	Brookings, Swiftel Center	824 32nd Avenue	

## PRE-RETIREMENT PLANNING WORKSHOPS & RETIREE FORUMS

DATE	LOCATION	ADDRESS	TIME
08/16/2016	Yankton, Kelly Inn	1607 E Highway 50	<b>At Each Location</b> Retiree Forums: 3:00—4:00 PM Pre-Retirement Workshops: 5:30—8:00 PM
09/06/2016	Spearfish, Holiday Inn	I-90 Exit 14	
11/01/2016	Mitchell Highland Conference Center	2000 Highland Way	
12/06/2016	Brookings, Swiftel Center	824 32nd Avenue	

## WOMEN & FINANCIAL PLANNING WORKSHOPS

DATE	LOCATION	ADDRESS	TIME
08/24/2016	Rapid City, Hilton Garden Inn	815 E Mall Drive	<b>At Each Location</b> 5:15—7:30 PM
09/12/2016	Aberdeen, Dakota Event Center	720 Lamont Street	
11/09/2016	Pierre, Red Rossa	808 W Sioux Avenue	
12/05/2016	Spearfish, Holiday Inn	I-90 Exit 14	