

# Up Date

July 2014

An SDRS Publication for Authorized Agents

## Encourage Employees to Save More From Day One

### SDRS-SRP Automatic Enrollment Feature

With costs rising and life expectancies increasing, retirement can be expensive. While SDRS and Social Security provide lifetime retirement benefits, there is a strong possibility members will need additional resources, such as personal savings.

#### An Opportunity Overlooked

Personal savings is a key component for financial security during retirement. One of the most common remarks made by SDRS members nearing retirement is that they wished they had started saving sooner. The SDRS Supplemental Retirement Plan (SRP) offers an easy way to save for retirement, but many do not take advantage of the opportunity. Fortunately, there is an automatic enrollment feature within the SDRS-SRP for new hires to help them get started with their personal savings.

#### Automatic Enrollment Feature Explained

To utilize the automatic enrollment feature, an employer unit must adopt a resolution. SDRS has developed a model resolution that simplifies this process (contact the SDRS office for the model resolution). Once adopted, the employer unit's full-time employees hired on or after the effective date of the resolution will be automatically enrolled in the SDRS-SRP. Each month, \$25 of the employee's compensation will be deferred to the SDRS-SRP (note: for employers operating with a semi-monthly payroll the deferral is \$12.50 each pay period). Contributions are invested in a Qualified Default Investment Alternative (QDIA). The QDIA is an investment option that is selected by the South Dakota Investment Council.

Employees who are automatically enrolled can elect to opt out of the SDRS-SRP within 90 days of their

first pay date and receive a refund of their contributions and any associated gains or losses with no penalties (taxes will be withheld). If employees do not opt out during the initial 90-day timeframe, they may make the election to discontinue deferrals at any time. Employees must notify the SDRS-SRP office any time they wish to increase, decrease, or stop deferrals.

Many SDRS employer units have adopted the SDRS-SRP automatic enrollment feature for their new hires. While there is the option for these employers to opt out of this feature at any time, none have chosen to do so.

#### Savings Rates Show Feature's Positive Impact

There is a very low opt-out rate for the employees who have been auto-enrolled in the SDRS-SRP. Since its inception on July 1, 2009, new enrollments through the auto-enroll feature have totaled 10,416. Only 767 of these employees have opted out, resulting in 92.6 percent of new hires saving additional funds for retirement by remaining in the SDRS-SRP. Many have actually increased contributions above the \$25 minimum!

#### Help Your Employees Save More For Retirement

Retirement can last several decades. Additional personal savings will be a vital asset to provide more financial security for your employees. The SDRS-SRP automatic enrollment feature is a great way to get them on the right track.

*Need more information?*  
Contact the SDRS-SRP office  
in Pierre at (605) 224-2230.





Fielding your questions on...

## GASB 67 & 68: Changes in Financial Reporting

The Government Accounting Standards Board (GASB) is the organization that sets rules for state and local governments to ensure the clarity, consistency, and transparency of financial reporting. A systematic review of GASB Statements 25 and 27 relating to accounting and financial reporting for pension plans revealed a need for improvement.

From the GASB's perspective, pension benefits are a component of the compensation package and employment exchange between the employer and the employee. Employers incur a pension obligation as a result of this exchange. With the revised, and renumbered, GASB Statements 67 and 68, employers must now recognize their proportionate share of the collective net pension liability (asset) and expense on their financial statements.

### What does this all mean?

For employers who prepare their financial statements using the accrual basis of accounting, GASB Statement 68 will require reporting of their proportionate share of SDRS' net pension liability (if applicable) based on SDRS actuarial assumptions, pension expense, and pension-related deferred inflows and outflows. This will require significantly more pension-related information to be disclosed in financial notes and Required Supplementary Information (RSI).

### Is SDRS going to provide me with the necessary information?

SDRS will provide its employer units complete audited pension-related information, including a Schedule of Employer Allocations, after the financial statements are completed by its external auditor and are accepted by the SDRS Board of Trustees at its annual December meeting. While employers are not required to use this information, it will be difficult to calculate independently.

### What additional information will I need to report in my financials?

Extensive note disclosures will need to include:

- Description of benefits
- Contribution requirements
- Link to SDRS financial statements
- Employer's proportionate share of the collected net pension liability (asset), as a percent and an amount
- Assumptions used to measure total pension liability, including discount rate, and the source of assumptions
- Net pension liability using discount rate of +/- 1 percentage point
- Deferred outflows/inflows of resources related to pensions and pension expense/expenditures recognized for current year
- Date of actuarial valuation
- Description of change in assumptions and benefit terms

SDRS will provide templates to employers for the note disclosures and assist in the development of the required information; however, employers are encouraged to discuss these changes in financial reporting with their accountants/auditors to determine if GASB 68 applies to them to ensure all information is accurate and complete for the note disclosures and that all requirements are met in their financial statements.

### How do I find out more?

SDRS has been holding Authorized Agent training sessions throughout the state. There are two sessions remaining (see schedule on page 4). You and the person responsible for preparing your financial statements are encouraged to sign up to receive GASB email updates and communications from SDRS. The email sign-up, GASB links, and additional information can be found on the SDRS website at [www.sdrs.sd.gov/GASB/](http://www.sdrs.sd.gov/GASB/).

## Avoid Having to Make Payroll Corrections

# Deducting SDRS Contributions From Employee Compensation

Generally, SDRS contributions must be deducted from employee compensation, but there are certain payments that are not considered compensation. Here we take a look at what is and what is not considered compensation.

### Compensation Requiring SDRS Contributions

- Regular salary
- Overtime pay
- Pay for additional duties, such as coaching
- Normal vacation/sick leave pay (not lump-sum payout)
- Back pay for services performed in a prior work period
- Longevity pay
- Employee-paid premiums for dependent care
- Wages-in-kind: meals and lodging considered part of an employee's compensation package
- Compensation paid to a survivor or estate after death of employee
- Contributions made to a retirement plan meeting certain federal requirements

### Payments That Do Not Require SDRS Contributions

- Lump-sum payments of vacation/sick/personal leave
- Expense reimbursements/allowances: if an employee is reimbursed for travel/business expenses, SDRS contributions should not be deducted
- Worker's Compensation payments
- Employee benefit payments, except employee-paid premiums for dependent care
- Payments based on retirement, whether lump-sum or over a period of time
- Payments based on termination, whether lump-sum or over a period of time

If you have questions whether to deduct SDRS contributions or not, please call our office toll-free at 1-888-605-SDRS (7377).



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## Prior Download Program Will Eventually Become Obsolete

# New Program for Downloading Contribution Reports

For SDRS employer units that use the download method of contribution reporting, a new program is currently being rolled out. If you are still using a contribution reporting program that is downloaded on your computer, please be advised that program is not being updated and will become obsolete. You will need to start using the new download program.

The new download program simplifies the contribution reporting process for our employers. To register and use the program, go to [www.sdrs.sd.gov](http://www.sdrs.sd.gov). In the Employers section, click on Log-in Employer Reporting. Once you have completed the Employer's Registration Page, click Submit to complete your registration.

From the Online Access for SDRS Employer page,

click Continue, then Contribution Report to gain access to the new download program. You will be able to enter your payroll information for your employees, save your records, and print a contribution report for your records.

The Recap Report will fill in your entered amounts. You will need to confirm these amounts and enter your payment method and date. Print the Recap Report for your records and then Save and Send. Employee information will be carried over for future contribution reports.

If you have any questions or require assistance with the new download program, contact the SDRS office toll-free at 1-888-605-SDRS.

## AUTHORIZED AGENT TRAINING SESSION

DATE	DESCRIPTION	LOCATION	ADDRESS	TIME
19 Aug 2014	Small group training session	Spearfish, Holiday Inn	I-90 Exit 14	1:00—4:00 PM
15 Oct 2014	Small group training session	Brookings, Swiftel Center	824 32nd Avenue	1:00—4:00 PM

## INDIVIDUAL RETIREMENT COUNSELING SCHEDULE

DATE	COUNTY	LOCATION	ADDRESS	30-MINUTE SESSION TIMES AVAILABLE
29 Jul 2014	Beadle, Sanborn	Huron, Crossroads	100 4th Street	1:00—8:00 PM
05 Aug 2014	Codington, Clark, Hamlin	Watertown, Event Center	1901 9th Avenue SW	2:00—8:00 PM
06 Aug 2014	Codington, Clark, Hamlin	Watertown, Event Center	1901 9th Avenue SW	8:00 AM—8:00 PM
12 Aug 2014	Brookings	Brookings, Swiftel Center	824 32nd Avenue	2:00—8:00 PM
13 Aug 2014	Brookings	Brookings, Swiftel Center	824 32nd Avenue	8:00 AM—8:00 PM
09 Sep 2014	Brown, McPherson, Edmunds	Aberdeen, DEC	720 Lamont Street	2:00—8:00 PM
10 Sep 2014	Brown, McPherson, Edmunds	Aberdeen, DEC	720 Lamont Street	8:00 AM—8:00 PM
16 Sep 2014	Clay	Vermillion, Holiday Inn Express	1200 N Dakota	2:00—8:00 PM
17 Sep 2014	Clay	Vermillion, Holiday Inn Express	1200 N Dakota	8:00 AM—8:00 PM
23 Sep 2014	Turner, McCook	Parker, Community Building	299 N Main	2:00—8:00 PM
07 Oct 2014	Yankton	Yankton, Kelly Inn	1607 E Hwy 50	2:00—8:00 PM
08 Oct 2014	Yankton	Yankton, Kelly Inn	1607 E Hwy 50	8:00 AM—8:00 PM
22 Oct 2014	Harding, Butte	Belle Fourche, Community Center	1111 National Street	2:00—8:00 PM
28 Oct 2014	Union	Elk Point, Union County Courthouse	209 E Main	2:00—8:00 PM
10 Nov 2014	Campbell, Walworth, Dewey	Mobridge, Wrangler Inn	820 W Grand Crossing	2:00—8:00 PM
18 Nov 2014	Lawrence	Spearfish, Holiday Inn	I-90 Exit 14	2:00—8:00 PM
19 Nov 2014	Lawrence	Spearfish, Holiday Inn	I-90 Exit 14	8:00 AM—8:00 PM
02 Dec 2014	Lake, Miner, Kingsbury	Madison, Karl Mundt Library	8th & Egan	1:00—8:00 PM

## PRE-RETIREMENT PLANNING WORKSHOPS

DATE	DESCRIPTION	LOCATION	ADDRESS	TIME
19 Aug 2014	Large group—50-100 participants	Spearfish, Holiday Inn	I-90 Exit 14	5:30—8:00 PM
15 Oct 2014	Large group—50-100 participants	Brookings, Swiftel Center	824 32nd Avenue	5:30—8:00 PM

## EARLY & MID-CAREER WORKSHOPS

DATE	DESCRIPTION	LOCATION	ADDRESS	TIME
26 Aug 2014	Large group—50-100 participants	Watertown, Event Center	1901 9th Avenue SW	6:00—8:00 PM
02 Sep 2014	Large group—50-100 participants	Yankton, Kelly Inn	1067 E Highway 50	6:00—8:00 PM
30 Sep 2014	Large group—50-100 participants	Brookings, Swiftel Center	824 32nd Avenue	6:00—8:00 PM
03 Nov 2014	Large group—50-100 participants	Sioux Falls, Holiday Inn City Centre	100 W 8th Street	6:00—8:00 PM
09 Dec 2014	Large group—50-100 participants	Rapid City, Hilton Garden Inn	815 E Mall Drive	6:00—8:00 PM

## WOMEN & FINANCIAL PLANNING WORKSHOPS

DATE	DESCRIPTION	LOCATION	ADDRESS	TIME
20 Oct 2014	Small group—40 participants	Sioux Falls, Holiday Inn City Centre	100 W 8th Street	5:15—7:30 PM
25 Nov 2014	Small group—40 participants	Rapid City, Hilton Garden Inn	815 E Mall Drive	5:15—7:30 PM
08 Dec 2014	Small group—40 participants	Pierre, RedRossa Italian Grille	808 W Sioux Avenue	5:15—7:30 PM
16 Dec 2014	Small group—40 participants	Spearfish, Holiday Inn	I-90 Exit 14	5:15—7:30 PM

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