

## Legislative Changes Become Effective July 1, 2017

Legislation passed during the 2016 and 2017 Legislative Sessions will take effect July 1, 2017. New members joining SDRS on and after July 1, 2017, will be Generational members under the Generational benefit design. Changes regarding compensation and final average compensation for Foundation members (members joining SDRS prior to July 1, 2017) will also become effective on July 1.

### New SDRS Members to Be Enrolled in Generational Benefit Design

In 2016, legislation was passed for a new benefit design for new members of SDRS with the law going into effect on July 1, 2017. Current members and members joining SDRS prior to July 1, 2017, will be Foundation members under the current benefit design. Members joining SDRS on and after July 1, 2017, will be Generational members under the new benefit design. The details of each benefit design are outlined on page 2 of this newsletter.

While the overall costs of the two benefit designs are the same, the Generational design reduces or eliminates subsidies that exist in the Foundation design, addresses lengthening life expectancies, and allows for flexible benefits through a Variable Retirement Account (VRA). The Generational design also provides greater equity among membership classes and between marital status.

### Final Average Compensation and Caps

Beginning July 1, 2017, Final Average Compensation (FAC) for Foundation members will be determined by averaging the highest specified number of consecutive calendar quarters out of the last 40 quarters of pay. The specified number of quarters used for averaging will be dependent on the member's retirement date as follows:

- Retirements prior to July 1, 2021: Average of highest 12 consecutive quarters of last 40 quarters

- Retirements July 1, 2021, to June 30, 2022: Average of highest 16 consecutive quarters of last 40 quarters
- Retirements after July 1, 2022: Average of highest 20 consecutive quarters of last 40 quarters

Additionally, for Foundation members with compensation after June 30, 2020, a 105 percent compensation cap will apply to each of the years used in determining the member's FAC.

### Compensation Definition and Penalty for False Reporting

It is important to have a consistent application of compensation for SDRS purposes across all employers. As such, the term "compensation" was clarified during the 2017 Legislative Session. SDRS contributions may only be made on compensation that is includable in accordance with the law. Effective July 1, 2017, the reporting of compensation that is inconsistent with the SDRS definition of compensation is a Class 1 misdemeanor. A Class 1 misdemeanor is punishable by up to one year in the county jail and/or a \$2,000 fine. Misdemeanor sentences can also include other conditions as set by a judge.

Compensation includes all earnings and wages, salaries, fees, tips, and other W-2 compensation. It includes overtime pay, normal vacation and sick leave pay (not lump-sum payouts for unused leave or at termination), and longevity pay. Compensation also includes member contributions to SDRS and contributions to other tax-sheltered annuities (IRC Section, 125, 401, 403, 408, 457 and 414(h)(2) plans).

If you ever have questions regarding what type of compensation is included or excluded for SDRS purposes, please call the SDRS office toll-free at 1-888-605-SDRS (7377).

# Overview of SDRS Benefit Designs

## Foundation Members

Joined SDRS prior to July 1, 2017

## Generational Members

Joined SDRS on/after July 1, 2017

<p><b>Normal Retirement Age</b></p> <ul style="list-style-type: none"> <li>Age 65 for Class A and B Judicial</li> <li>Age 55 for Class B Public Safety</li> </ul>	<p><b>Normal Retirement Age</b></p> <ul style="list-style-type: none"> <li>Age 67 for Class A and B Judicial</li> <li>Age 57 for Class B Public Safety</li> </ul>
<p><b>Special Early Retirement</b></p> <ul style="list-style-type: none"> <li>Class A: Rule of 85</li> <li>Class B Judicial: Rule of 80</li> <li>Class B Public Safety: Rule of 75</li> </ul>	<p>No Special Early Retirement</p>
<p><b>Early Retirement Age: 3%/year reduction in benefit</b></p> <ul style="list-style-type: none"> <li>Age 55 for Class A and B Judicial</li> <li>Age 45 for Class B Public Safety</li> </ul>	<p><b>Early Retirement Age: 5%/year reduction in benefit</b></p> <ul style="list-style-type: none"> <li>Age 57 for Class A and B Judicial</li> <li>Age 47 for Class B Public Safety</li> </ul>
<p><b>Benefit Multipliers</b> For service prior to July 1, 2008</p> <ul style="list-style-type: none"> <li>Class A: 1.7%</li> <li>Class B Public Safety: 2.4%</li> <li>Class B Judicial: 3.733%/ 2.4%</li> </ul> <p>For service after July 1, 2008</p> <ul style="list-style-type: none"> <li>Class A: 1.55%</li> <li>Class B Public Safety: 2%</li> <li>Class B Judicial: 3.333%/ 2%</li> </ul>	<p><b>Benefit Multipliers</b></p> <ul style="list-style-type: none"> <li>Class A: 1.8%</li> <li>Class B Public Safety: 2%</li> <li>Class B Judicial: 3.33%/ 2%</li> </ul>
<p>No Variable Retirement Account (VRA)</p>	<p><b>Variable Retirement Account (VRA):</b> Annual contribution of up to 1.5% of compensation; credited with South Dakota Investment Council earnings; available to member at retirement, disability, or death</p>
<p><b>Cost-of-Living Adjustment (COLA)</b> Indexed to CPI-W and based on SDRS funded status</p> <ul style="list-style-type: none"> <li>Minimum: 0.5%</li> <li>Maximum: 3.5%</li> </ul>	<p><b>Cost-of-Living Adjustment (COLA)</b> Indexed to CPI-W and based on SDRS funded status</p> <ul style="list-style-type: none"> <li>Minimum: 0.5%</li> <li>Maximum: 3.5%</li> </ul>
<p><b>Final Average Compensation (FAC)</b> Average of highest specified number of consecutive years of compensation out of the last 10 years, dependent on retirement date:</p> <ul style="list-style-type: none"> <li>Retirements prior to July 1, 2021: 3 of last 10 years</li> <li>Retirements from July 1, 2021, to June 30, 2022: 4 of last 10 years</li> <li>Retirements after July 1, 2022: 5 of last 10 years</li> </ul>	<p><b>Final Average Compensation (FAC)</b> Average of highest 5 consecutive years of compensation out of last 10 years</p>
<p><b>Other Features</b></p> <ul style="list-style-type: none"> <li>Three-year vesting</li> <li>60% post-retirement survivor benefit</li> <li>Refund: 100% of member contributions; 85% of employer contributions (50% if not vested)</li> </ul>	<p><b>Other Features</b></p> <ul style="list-style-type: none"> <li>Three-year vesting</li> <li>Single life benefit; 60% or 100% post-retirement survivor benefit available with cost covered by a reduction in member's monthly benefit</li> <li>Refund: 100% of member contributions; 85% of employer contributions (50% if not vested)</li> </ul>

## Coming Soon: Updated Website, New Forms and Publications

The SDRS website, [www.sdrs.sd.gov](http://www.sdrs.sd.gov), is receiving extensive updates to accommodate new Generational members joining the system. The homepage will now feature three main navigation areas: Foundation members, Generational members, and Employers and Authorized Agents. After entering each area of the website, navigation will be consistent with the look and feel of the existing website. The employer contribution reporting login location will remain in the upper right hand corner.

With the new Generational benefit design and other legislative changes becoming effective July 1, 2017, many updates are being made to SDRS publications. The new Class handbooks are available for use. Please take note that SDRS will have separate Class handbooks for Foundation and Generational members, as follows:

- Class A Foundation Member Handbook: 07/17
- Class A Generational Member Handbook: 07/17
- Class B Public Safety Foundation Member Handbook: 07/17
- Class B Public Safety Generational Member Handbook: 07/17

- Class B Judicial Foundation Member Handbook: 07/17
- Class B Judicial Generational Member Handbook: 07/17

These publications will soon be available on the updated SDRS website. In the interim, please call or email the SDRS office to request a supply.

Toll-free: 1-888-605-SDRS (7377)

Email: [SDRSweblink@state.sd.us](mailto:SDRSweblink@state.sd.us)

Additionally, all SDRS enrollment forms are being updated. You will be notified when these become available for use. At that time, you are requested to discard any supply of old forms you have and use the new forms with the following revision dates:

- E-1 Application for SDRS Enrollment: 07/17
- E-1A Notice of Return to SDRS Participation: 07/17
- E-2 Notice of Enrollment Change: 07/17
- E-3 Appointment of Authorized Agent: 07/17
- E-4 Election to Participate in SDRS by Elected Official: 07/17
- E-5 Beneficiary Designation Form: 07/17
- E-5A Transfer to Minor Form: 07/17
- B-1 Termination of Contributory Service: 01/17

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## Six Authorized Agent Training Sessions Remaining in 2017

All Authorized Agents are encouraged to attend a training session to learn about the new Generational benefit design and the 2017 legislative changes pertaining to compensation, FAC, and the COLA.

Information will also be presented on other aspects of SDRS, the SDRS Supplemental Retirement Plan (SRP), and the Special Pay Plan (SPP). Time is also allotted for a Question and Answer session.

AUTHORIZED AGENT TRAINING SESSIONS			
DATE	LOCATION	ADDRESS	TIME
06/20/2017	Sioux Falls, Holiday Inn City Centre	100 W 8th Street	1:00—3:00 PM
07/11/2017	Yankton, Kelly Inn	1607 E Highway 50	1:00—3:00 PM
07/17/2017	Pierre, RedRossa	808 W Sioux Avenue	1:00—3:00 PM
08/15/2017	Brookings, Swiftel Center	824 32nd Avenue	1:00—3:00 PM
08/29/2017	Spearfish, Holiday Inn	I-90 Exit 14	1:00—3:00 PM
09/12/2017	Mitchell, Highland Conference Center	2000 Highland Way	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.

# 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.

## INDIVIDUAL RETIREMENT COUNSELING SESSIONS

DATE	LOCATION	ADDRESS	30-MINUTE SESSION TIMES AVAILABLE
06/07/2017	Springfield, Community Room	605 8th Street	2:00—8:00 PM
06/14/2017	Milbank, Super 8	East Highway 12	2:00—8:00 PM
06/27/2017	Kadoka, Fire Hall	102 Main Street	2:00—8:00 PM
07/06/2017	Mitchell, Highland Conference Center	2000 Highland Way	10:00 AM—8:00 PM
07/25/2017	Sioux Falls (other than school employees), Holiday Inn	100 W 8th Street	2:00—8:00 PM
07/26/2017	Sioux Falls (other than school employees), Holiday Inn	100 W 8th Street	8:00 AM—8:00 PM
07/31/2017	Huron, Crossroads	100 4th Street	2:00—8:00 PM
08/01/2017	Huron, Crossroads	100 4th Street	8:00 AM—8:00 PM
08/08/2017	Watertown, Watertown Event Center	1901 9th Avenue SW	2:00—8:00 PM
08/09/2017	Watertown, Watertown Event Center	1901 9th Avenue SW	8:00 AM—8:00 PM
08/14/2017	Redfield, Senior Center	728 Main Street	2:00—8:00 PM
08/22/2017	Parker, Community Building	299 N Main	2:00—8:00 PM

## PRE-RETIREMENT PLANNING WORKSHOPS & RETIREE FORUMS

DATE	LOCATION	ADDRESS	TIME
06/20/2017	Sioux Falls, Holiday Inn City Centre	100 W 8th Street	<b>At Each Location</b> Retiree Forums: 3:00—4:00 PM Pre-Retirement Workshops: 5:30—8:00 PM
07/11/2017	Yankton, Kelly Inn	1607 E Highway 50	
07/17/2017	Pierre, RedRossa	808 W Sioux Avenue	
08/29/2017	Spearfish, Holiday Inn	I-90 Exit 14	

For a complete listing of SDRS events, visit [www.sdrs.sd.gov](http://www.sdrs.sd.gov).



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