

2017 Legislation Signed into Law

During the 2017 Legislative Session, four bills were introduced by the Retirement Laws Committee on behalf of the South Dakota Retirement System (SDRS) Board of Trustees. All four bills passed through each house of the Legislature and were signed into law by the Governor.

House Bill 1016: Cost-of-Living Adjustment

With the actuarial assumption changes adopted in 2016, SDRS was required to recommend corrective actions to the Legislature to bring the plan back into actuarial balance. The cost-of-living adjustment (COLA) eventually affects all SDRS members and has historically provided a benefit in excess of both inflation and the Board of Trustees' goals. As such, making a change to the COLA structure was the most logical and equitable.

HB 1016 revises the COLA to vary directly and automatically with inflation, experience, and affordability. If SDRS is fully funded at 100 percent or greater, the COLA is equal to the change in CPI-W, with a minimum of 0.5 percent and a maximum of 3.5 percent. If SDRS is not fully funded, a restricted COLA maximum is calculated that limits the increases to the amount that can be afforded on a long-term basis. The COLA payable is equal to the change in CPI-W, with a minimum of 0.5 percent and the restricted COLA maximum. The change in COLA structure will be effective July 1, 2018.

House Bill 1017: Definition of Compensation

HB 1017 clarifies and tightens the language relating to what is and is not considered compensation for SDRS purposes. Specifically excluded from compensation are employer-funded benefits, allowances, or reimbursements; payments in lieu of insurance; temporary pay not associated with additional duties; and, payments that incentivize retirement. This bill also makes reporting of compensation inconsistent with the definition a Class 1 misdemeanor.

House Bill 1018: Final Average Compensation

This bill revises the computation of final average compensation (FAC) for Foundation Member benefits from a three-year average to a five-year average, with a significant transition period, as follows:

- Retirements until June 30, 2021, will average the highest three years of compensation out of the last 10 years
- Retirements from July 1, 2021, to June 30, 2022, will average the highest four years of compensation out of the last 10 years
- Retirements after July 1, 2022, will average the highest five years of compensation out of the last 10 years

Additionally, the current 105 percent cap on compensation in the last quarter/average of last four quarters will be extended to each of the years used in FAC for Foundation Members with contributory service after June 30, 2020.

HB 1019: Timing and Process for Executive Director Compensation

HB 1019 extends the timeframe for the Board of Trustees to recommend salary adjustments for the executive director from May 1 to July 1 to be consistent with current state salary policy. As in the past, any additional salary adjustments must be approved by the Legislature's Retirement Laws Committee.

Coming Soon: New Password Requirements

For your protection, SDRS will soon require a "strong" password for both members and employer units logging into the secure side of the SDRS website, www.sdrs.sd.gov. When the website modifications are ready, you will be prompted to update your password and follow the instructions provided to create a new "strong" password.



A Brief History of SDRS Benefits

For the past four decades, the South Dakota Retirement System (SDRS) has provided a financial foundation for its members and their families. From a humble beginning in 1974, SDRS has grown substantially in both membership and benefit payments.

SDRS' objective has always been to provide members the opportunity to achieve financial security at retirement while maintaining a sustainable system for all stakeholders. To accomplish this objective, SDRS has evolved with changing economic conditions. Benefit improvements, cost-of-living adjustments, and, effective July 1, 2017, a new benefit design for new members joining SDRS have all been a part of this evolution. What follows is a brief history of the improvements made to benefits over the years, the stability of the contribution rates that support the benefits, and the evolution of cost-of-living adjustments.

History of Benefit Improvements

SDRS benefits are calculated using a benefit multiplier and a member's final average compensation and years of service. In 1974, the Class A standard benefit multiplier was 1.0 percent. During good economic times, SDRS has improved the benefit multiplier when prudent and affordable under the Board of Trustees' Funding Policy. In total, the

Class A standard benefit multiplier has been improved 11 times. Presently, the Class A standard benefit multiplier is 1.7 percent

Class A Standard Benefit Multiplier	
1974	1.0%
1982	1.1%
1986	1.2%
1989	1.25%
1991	1.30%
1994	1.30%/1.40% for applicable years
1997	1.40% prior to 1997/1.30% thereafter
1998	1.475% prior to 1998/1.30% thereafter
1999	1.55% prior to 2000/1.30% thereafter
2000	1.625% prior to 2002/1.30% thereafter
2002	1.625% prior to 2002/1.55% thereafter
2008	1.70% prior to 2008/1.55% thereafter

for credited service prior to July 1, 2008, and 1.55 percent for credited service after July 1, 2008.

Of further significance is the fact that all benefit improvements were provided not only to contributing members, but also extended to existing retirees, further boosting their benefits in addition to the annual cost-of-living adjustments.

It is important to note that while benefits have been improved numerous times during SDRS' history, contribution rates for Class A members and employers have never been increased to meet the costs of the benefits provided. However, contribution rates for Class A members and employers were increased in 2002 from five percent of compensation to six percent to fund a proportionate increase in future benefits.

History of Cost-of-Living Adjustments

The objective of the cost-of-living adjustment, or COLA, is to partially protect retirees from the loss of purchasing power during retirement. Each July 1, SDRS benefit recipients receive a COLA that increases their monthly benefit payments. The COLA was initially set at 2.0 percent, simple fixed increase. Since

then, the COLA has been modified seven times, and since 1986 it has exceeded the inflation rate, resulting in a significant "benefit improvement" when compared to increases in the cost of living.

Cost-of-Living Adjustments		
	Inflation Rate	SDRS COLA
1975-2015	3.9%	2.6%
1986-2015	2.6%	2.9%
1996-2015	2.3%	3.0%
2006-2015	2.0%	2.8%
2009-2015	1.2%	2.7%

The most recent modification to the COLA, which passed during the 2017 Legislative Session, strengthens the link between the COLA and the annual inflation rate and ties the COLA to affordability based on SDRS' funded status. It will not decrease any current benefit. Beginning with the COLA effective July 1, 2018, the COLA will range from 0.5 percent to 3.5 percent, compounded annually.

Benefit Design for Future Members

Beginning July 1, 2017, SDRS will be one plan with two benefit designs. While there are differences between the benefits for existing Foundation Members and the benefits for new Generational Members, the overall cost of benefits under each structure is equal.

As fiduciaries and stewards, the SDRS Board of Trustees' mission is "to plan, implement, manage, and efficiently administer financially sustainable retirement income programs within the fixed resources available." This will continue to be the Board's responsibility moving into the future.

Update to SDRS B-1 Form

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 1/17 to notify SDRS of employee terminations. Please discard any B-1 forms with a date prior to 1/17.

As always, the most current versions of SDRS forms and publications are available on the SDRS website, 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 is currently in the process of revising and updating publications for Foundation Members reflecting the legislative changes that become effective July 1, 2017. Additionally, new forms and publications are being created regarding the Generational benefit design for members joining SDRS on and after July 1, 2017. SDRS will notify Authorized Agents once these items become available for distribution.



Register to Attend an Authorized Agent Training Session

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

Your presence at the training is vital to learn about these changes. There will also be information presented on other aspects of SDRS, the SDRS Supplemental Retirement Plan (SRP), and Special Pay Plan (SPP).

AUTHORIZED AGENT TRAINING SESSIONS

DATE	LOCATION	ADDRESS	TIME
04/25/2017	Rapid City, Hilton Garden Inn	815 E Mall Drive	1:00—3:00 PM
05/31/2017	Watertown, Watertown Event Center	1901 9th Avenue SW	1:00—3:00 PM
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. You may also register by emailing 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 or contact SDRS at 1-888-605-SDRS. For a complete listing of SDRS events, visit www.sdrs.sd.gov.

INDIVIDUAL RETIREMENT COUNSELING SESSIONS

DATE	LOCATION	ADDRESS	30-MINUTE SESSION TIMES AVAILABLE
03/28/2017	Sisseton, NESDCAP	104 Ash Street E	2:00—8:00 PM
04/17/2017	Lemmon, Dakota Lodge	5 10th Street E	2:00—8:00 PM
05/02/2017	Webster, Courthouse	711 W 1st Street	2:00—8:00 PM
05/09/2017	Rapid City (School Employees), Hilton Garden Inn	815 E Mall Drive	2:00—8:00 PM
05/10/2017	Rapid City (School Employees), Hilton Garden Inn	815 E Mall Drive	8:00 AM—8:00 PM
05/15/2017	Sioux Falls (School Employees), Holiday Inn	100 W 8th Street	2:00—8:00 PM
05/16/2017	Sioux Falls (School Employees), Holiday Inn	100 W 8th Street	8:00 AM—8:00 PM
05/23/2017	Canton, Canton Depot	600 W 5th Street	2:00—8:00 PM
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

EARLY & MID-CAREER WORKSHOPS

DATE	LOCATION	ADDRESS	TIME
03/27/2017	Mitchell, Highland Conference Center	2000 Highland Way	At Each Location 6:00—8:00 PM
04/11/2017	Aberdeen, Dakota Event Center	720 Lamont Street	
04/12/2017	Pierre, RedRossa	808 W Sioux Avenue	

PRE-RETIREMENT PLANNING WORKSHOPS & RETIREE FORUMS

DATE	LOCATION	ADDRESS	TIME
04/25/2017	Rapid City, Hilton Garden Inn	815 E Mall Drive	At Each Location Retiree Forums: 3:00—4:00 PM Pre-Retirement Workshops: 5:30—8:00 PM
05/31/2017	Watertown, Watertown Event Center	1901 9th Avenue SW	
06/20/2017	Sioux Falls, Holiday Inn	100 W 8th Street	

WOMEN & FINANCIAL PLANNING WORKSHOPS

DATE	LOCATION	ADDRESS	TIME
04/19/2017	Yankton, Kelly Inn	1607 E Highway 50	At Each Location 5:15—7:30 PM
05/03/2017	Mitchell, Highland Conference Center	2000 Highland Way	