

*From Hire...
... To Retire*



**An Authorized Agent Guide to the
South Dakota Retirement System**



**7th Edition
November 2013**

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The South Dakota Retirement System fully subscribes to the provisions of the Americans with Disabilities Act of 1990.

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The South Dakota Retirement System (SDRS) provides a foundation for the financial future of over 74,000 members and their families. Its mission is to give SDRS members and their families “. . . the opportunity to achieve financial security at retirement, death or disability by providing an outstanding, appropriate and equitable level of benefits.”

The heart of the system — the means of providing quality benefits — is the SDRS Trust Fund. This pool of money is created by the contributions of both members and employers. These members include:

- Teachers, administrative, and classified employees of South Dakota public school districts
- Legislative, executive, and judicial branch employees of the State of South Dakota
- Faculty, administrative, and classified employees of the South Dakota Board of Regents
- South Dakota municipal employees
- South Dakota county employees

The South Dakota Retirement System is a 401(a) defined benefit public retirement plan operated for the sole benefit of its members and beneficiaries. Elements key to the system are the Board of Trustees, the Retirement Laws Committee of the Legislature, the SDRS staff, and the State Investment Council.

Board of Trustees

SDRS is governed by a board of 14 elected representatives from participating groups, two appointees of the governor, and an ex-officio non-voting representative of the South Dakota Investment Council. The elected representatives of the Board are two teacher members; two State employee members; a participating municipality member; a participating county member; a participating classified employee member; a justice, judge, or magistrate judge; a current contributing Class B member other than a justice, judge, or magistrate judge; a county commissioner of a participating county; a school district board member; an elected municipal official of a participating municipality; a retiree; and a faculty or administrative member employed by the Board of Regents. The two governor's appointees consist of one head of a principal department established pursuant to SDCL 1-32.2, or one head of a bureau under the office of executive management and one individual from the private or public sector.

The Board is responsible for establishing policy in the following areas:

- **Administrative:** The Board has the authority to hire an administrator and set his/her salary. Any salary increase above the across-the-board increase for state employees is subject to confirmation by the Retirement Laws Committee of the Legislature.
- **Budgetary:** With the assistance of the administrator and staff, the Board develops an annual budget for the operation of the system, which is then submitted to the Legislature for approval.

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- **Legislative:** As necessary, the Board submits proposed bills to the Legislature. These bills vary from changes in benefits to modifications in the structure of the system.
 - **Fiduciary:** Trustees are legally responsible for the financial integrity of the South Dakota Retirement System. Consequently, long-term goals are established to control the scope and direction of any benefit improvements; annual audits are performed by an independent auditor; and annual actuarial valuations are completed by an independent actuary.

Retirement Laws Committee

The Retirement Laws Committee of the Legislature reviews the overall performance of SDRS. The committee monitors the system's financial strength and evaluates its administrative performance. During session, the Retirement Laws Committee considers any legislation impacting SDRS and its provisions.

SDRS Staff

The system's chief executive officer is the executive director/administrator. Appointed by the Board of Trustees, the executive director/administrator hires and supervises the system's staff members.

Major responsibilities of the staff include the payment of annual benefits to the system's benefit recipients, the collection and accounting of annual contributions from members and their employers, monitoring and analyzing the system's financial status, communicating with the membership, and assisting the Board in its work with the Legislature.

Investment Council

The South Dakota Investment Council manages the investment of the SDRS' Trust Fund. Composed of the state treasurer, the school and public lands commissioner, an appointee by the SDRS Board of Trustees, and five members at large who have backgrounds in finance, the Council establishes investment strategy and directs the work of the state investment officer and staff.

Role of the Authorized Agent

Each unit of government participating in SDRS designates one of its own employees as the authorized agent for its dealings with the system. As the agent for your unit, you are the connection that links SDRS' administration, the membership, and your employer.

Qualifications of an Authorized Agent

While an authorized agent need not be an officer of the employing unit of government, a full-time employee who is a current, contributing SDRS member is the best choice. Such employees bring to the job their own interest and involvement in the system and its benefits. In addition, the authorized agent should have the following qualifications:

- A close working knowledge of all personnel employed by the unit of government
- Access to personnel records, payroll, and other employee compensation records
- An adequate channel of communication with the local governing body or chief executive officer of the unit
- Sufficient time to perform the local administrative SDRS functions

Preparing for the Job

To do your job well, you need to invest time in learning about SDRS. This manual will be your basic tool in this learning process. Other SDRS publications, such as the newsletters, *UpDate* (written expressly for authorized agents) and *Outlook*, and the general handbook will also provide you with valuable information.

Functions of the Job

A majority of your time as authorized agent will be spent passing on information, collecting information, and reporting contributions. You will be providing members with general information about SDRS and its provisions by distributing the system's booklets, brochures, and applicable forms. Forms are used to collect important information, such as age, social security number, marital status, membership classification, etc. Your accuracy and timeliness in their completion determine the quality of SDRS' data base. SDRS also depends on you to complete your unit's contribution payments, reports, and other critical paperwork in an accurate and timely manner.

Members may also come to you with questions regarding their SDRS benefits. All explanations you give should be factual and should not contain specific recommendations regarding members' decisions on SDRS or other financial matters. You should encourage members to contact SDRS for clarification of issues and detailed explanations. If at any time you are unsure about your response to a member's question or feel that you do not fully understand an issue, do not hesitate to call SDRS.

Contacting SDRS

When you place a call to SDRS about a specific member, be prepared to provide the member's name and Social Security number or SDRS identification number. (Remind your members that they too should have their Social Security or SDRS identification numbers ready when they call SDRS.) SDRS allocates the work flow among the Retirement Planners based on member Social Security numbers. In addition, the Social Security or SDRS identification number is needed so the member's record can be immediately given to the Retirement Planner while he or she is visiting with you on the phone. Although it may seem like the SDRS receptionist is asking you to provide a great deal of information, your cooperation will result in a more effective handling of questions. You may also e-mail SDRS at: SDRSWeblink@state.sd.us.

Participating Units

SDRS is a public employee retirement plan. Law requires all South Dakota public school districts; the state government; and the Board of Regents to participate in SDRS. Many counties, municipalities, and other public entities have entered SDRS, and most school districts have elected to cover their classified employees.

Who Is Eligible to Participate in SDRS?

The participating unit makes the determination of eligibility. As a general guideline, a permanent, full-time employee is one who works at least 20 hours per week and at least 6 months per year. The **expected** hourly requirements are the crucial element. The actual hours worked may be more or less than the hours expected. However, if a part-time employee is consistently working more than 20 hours per week, the position should be reevaluated. Likewise, if a full-time employee is consistently working less than 20 hours per week, the position should be changed to a non-participating status. The expected months the employee will work are to be based on the next 12 months, not the remainder of a calendar year or a school term.

There is no minimum or maximum age for eligibility in SDRS.

Who is Required to Participate in SDRS?

Participation in SDRS is mandatory for all permanent, full-time employees of a participating unit. Both the employee and the employer must make contributions to SDRS. (The only exception is for elected officials, who choose whether to participate.)

If your unit fails to require participation and contributions from an eligible employee, substantial penalties may be levied against the unit. Employees are only entitled to service credit toward their benefit when contributions are made.

Special Eligibility

While the “permanent, full-time employee” standard of at least 20 hours per week and at least six months per year is straightforward, questions often arise about specific situations. This section addresses some of those situations:

A. Probationary Positions

The standard for permanent employees also applies to probationary employees.

B. Employees Working for More Than One Employer

A permanent, full-time employee working for more than one participating unit must participate in SDRS through each unit for which he or she meets the eligibility standard. For example, an individual working for two employers may be required to participate with neither, with one, or with both.

C. Federal- and State-Financed Positions

Persons whose wages and salaries are paid in whole or in part by federal or state grants or reimbursements are considered employees of the participating unit that hires them and directs their work even though another organization funds them. SDRS covers them in the same manner as it does employees paid from local funds.

D. Retired Members (Effective April 1, 2010)

Retired members who return to work in permanent, full-time positions for an SDRS-covered unit must participate in SDRS. Effective April 1, 2010, all retired members must complete three (3) full calendar months of termination from employment before returning to covered SDRS employment. If a member returns to covered employment prior to satisfying the termination period, the member's retirement status will be revoked and all retirement benefits paid to the member must be repaid to the system, with interest.

Effective April 1, 2010: If a retired member is reemployed on a full-time basis after meeting the termination period, their retirement benefit will be affected during their reemployment period.

Early Retirements (Reduced Benefit): a member who retires with a reduced SDRS benefit will have their benefit suspended during the period of reemployment. The member will not be eligible for a COLA until termination of the reemployment period and the full fiscal year requirement has been met. During reemployment, additional service credits will not be earned and required employee contributions will accrue in the SDRS-SRP. Required employer contributions will remain with SDRS to offset unanticipated costs of the retiree's reemployment.

Special Early or Normal Retirements: a member who retires with an unreduced SDRS benefit will have their monthly benefit payment reduced by 15 percent during the period of reemployment. The member will not be eligible for a COLA until termination of the reemployment period and the full fiscal year requirement has been met. During reemployment, additional service credits will not be earned and required employee contributions will accrue in the SDRS-SRP. Required employer contributions will remain with SDRS to offset unanticipated costs of the retiree's reemployment.

Sometimes retired members return to work as independent contractors or consultants. As the authorized agent, you must be sure that there has been a significant change in their working relationship with the participating unit, not just a change in title. (For a more detailed explanation, see the next section, entitled, "Persons Not Eligible to Participate in SDRS.") If there has been no real change in their status, they must again participate in SDRS.

E. Elected Officials

Elected officials may choose to join SDRS at any time during their term. If they choose to participate, they are required to continue until their term ends.

F. Appointed Officials

Appointed officials who are permanent, full-time employees must participate in SDRS. Persons appointed to elected positions are treated as elected officials.

G. County and City Hospital Employees

Employees of county hospitals are reported to SDRS as county employees. Employees of city hospitals are reported as municipal employees.

H. Police Officers and Firefighters

Police officers are any permanent, full-time employees in the police department of a participating municipality holding the rank of patrol officer, including probationary patrol officer, or higher rank, who are subject to educational and training standards set by law. The term “police officer” does not include civilian employees of a police department.

Firefighters are defined as permanent, full-time firefighters. Volunteer firefighters are not eligible to become SDRS members.

Persons Not Eligible to Participate in SDRS

A. General Exclusions

The following persons are excluded from membership in SDRS:

All Department of Labor employees who were hired before July 1, 1980, and elected to remain in the former plan; and members of the governing body of any participating county, municipality, or other political subdivision.

B. Independent Contractors

A person performing services for your unit as an independent contractor is not considered an employee. Sometimes it is difficult to determine whether a person is an independent contractor or an employee. The following general guidelines may aid you in making a determination:

Indicates Person is an Employee:

- Works prescribed hours
- Works at your unit’s office or premises
- Does not offer services to public generally
- Your unit furnishes tools and equipment
- Your unit furnishes assistants
- Paid a salary or hourly wage
- Your unit furnishes fringe benefits, such as sick days, hospital insurance, group life insurance, as is done for other employees
- Your unit carries liability insurance
- Your unit provides Workers’ Compensation

Indicates Person is an Independent Contractor:

- Works at own convenience
- Works in own office or premises
- Offers services to public generally
- Furnishes own tools and equipment
- Hires own assistants and pays them from earnings
- Paid on a per-job basis
- Does not participate in fringe benefits with other employees
- Carries own liability insurance
- No Workers’ Compensation

You should carefully examine the classification of any persons who have worked a substantial amount of time for your unit and are not classified as employees. To secure an official determination, file IRS Form SS-8 with the IRS. IRS Publication 963 provides additional information on this subject.

C. Professional Consultants

Professionals, such as lawyers, engineers, physicians, dentists, and other consultants, who generally offer their services to the public are usually independent contractors and not employees. However, under certain circumstances they may be employees, particularly if they perform services at your unit's office at the time designated by your unit and are paid a salary rather than on a services-rendered basis.

D. Members of Religious Orders (Nuns, Brothers, etc.)

Ordinarily, members of religious orders working for a participating unit and being paid by that unit are considered employees subject to SDRS coverage.

E. Emergency Workers

Employees hired to perform "emergency services" are not eligible to participate in SDRS if the following conditions apply:

- The hiring is necessary because of an emergency that is considered an act of God or a disaster — such as a flood, tornado, fire, or blizzard.
- The employee is hired for a short period and released when the emergency is over.
- The emergency is an unforeseen event calling for immediate action.

F. Jurors

Jurors serving on petit or grand juries are not employees because they are not subject to direction or control in the manner or means of performing their duties. No juror's compensation should be reported to SDRS for any purpose.

G. Patients and Inmates

Hospital patients and inmates are not considered employees, even though they may perform some services. Any compensation they receive should not be reported to SDRS.

H. Work-Relief Programs

SDRS does not cover persons in work-relief programs that do not pay them directly. For instance, if a welfare or public-assistance recipient performs work to qualify for assistance payments, the payments are not subject to SDRS.

I. Athletic Officials

Referees, umpires, and other officials officiating at athletic contests are usually

independent contractors rather than employees. However, officials working in school intramural programs are often employees rather than independent contractors.

Special School-Related Situations

A. Teachers

By definition, a teacher is any person who has a valid teacher's certificate issued by the state of South Dakota and who is employed by a public school district on a permanent, full-time basis. Thus, certified teachers performing classified jobs, such as teacher's aides, must participate in SDRS if they meet the full-time employment standard, even if the district does not cover classified employees.

B. Substitute Teachers

Substitute teachers who do not meet the standard for permanent, full-time employees, even though they may be certified teachers, are not eligible to participate in SDRS.

C. Tutors

Teachers who work as tutors and are paid directly by the student or the student's parent are not considered school employees. Teachers employed by a school district to instruct homebound students may be referred to as tutors, but are in fact teachers and must participate in SDRS if they meet the permanent, full-time employment standard.

D. Classified Employees

If a school district has chosen to cover its classified employees, all employees in positions such as the following must participate in SDRS if they are permanent, full-time employees:

- Teacher's aides and paraprofessionals
- Non-certified professionals
- Bus drivers (in classifying the position, the hours you expect a driver to drive on student trips and similar activities should be considered, as well as normal hours before and after school each day and hours spent in the care and maintenance of the bus.)
- Cafeteria employees
- Custodians
- Security guards employed by the school and not subcontractors working for another business or unit of government
- Crossing guards employed by the school and not by the municipality

Understanding the Class A and Class B Distinctions

All SDRS members belong to one of three credited service categories: Class A, Class B-Public Safety, or Class B-Judicial.

Normal retirement for Class A credited service is age 65. Class A contributions are 6 percent of salary from the member, matched by the employer. Ninety-four percent of covered service is Class A credited service. Class A credited service includes teaching, state employment, general employment with participating counties and municipalities, general employment with participating school districts, and general employment with the Board of Regents.

Class B categories of credited service were created to deal with the special circumstances of public safety service and service in the judiciary.

Class B-Public Safety credited service includes service as a state law enforcement officer, municipal police officer, municipal firefighter, county sheriff, deputy county sheriff, penitentiary correctional staff, parole officer, conservation officer, campus security officer, court services officer, air rescue firefighter, park ranger, Custer State Park conservation officer, or approved jailer.

The stressful, physical nature of protecting the public means that service in public safety will be shorter than service in other employment. A higher contribution rate of 8 percent, matched by the employer, ensures adequate payment to provide an earlier normal retirement age of 55 for Class B-Public Safety credited service.

Class B-Judicial credited service (service as a justice, judge, or magistrate judge) carries with it a contribution by the member of 9 percent of salary, an amount matched by the employer. Normal retirement age for Class B-Judicial credited service is 65, but because careers in the judiciary ordinarily begin at a relatively late age, there is a shorter period of time to accumulate retirement benefits.

If a Unit Becomes Privatized

If a participating unit ceases to be a public entity and its functions become privatized (for example, if a public hospital is sold to a private sector company), the unit must pass a resolution designating the date that its employees will cease to be public employees eligible for membership in SDRS. The unit must notify both SDRS and its employees of this date. It is the responsibility of the participating unit to ensure that only its employees are covered by SDRS. Members no longer eligible to participate in SDRS due to the privatization may leave their contributions with SDRS or they may take a refund of their accumulated contributions. In calculating retirement benefits for employees of privatized units, the years of private sector employment with the successor employer count toward vesting and early retirement but do not apply toward credited service.

Much of the work you do as an authorized agent revolves around the completion of forms and distribution of written materials. Some forms and publications you are responsible to provide to the member, while others are available only from SDRS and are to be requested by the member.

To help you understand your responsibilities, this section gives examples of events and tells you which forms and/or publications are applicable. It also explains events when the member should contact SDRS directly.

Forms/Publications That Authorized Agents Distribute

- E-1 Application for SDRS Enrollment
- E-1a Notice of Return to SDRS Participation
- E-2 Notice of Enrollment Change
- E-3 Appointment of Authorized Agent
- E-4 Election to Participate in SDRS by Elected Official
- E-5 Beneficiary Designation Form
- B-1 Termination of Contributory Service (completed by authorized agent)

Supplemental Retirement Plan Enrollment Packet
Income for Your Retirement: Class A
Income for Your Retirement: Class B-Judicial
Income for Your Retirement: Class B-Public Safety
Information for Elected Officials

Forms/Publications That SDRS Distributes

- B-2 Applying for SDRS Benefits
- B-3 Applying for SDRS Survivor Benefit
- B-4 Applying for an SDRS Refund Benefit
- B-5 Applying for SDRS Beneficiary Refund
- B-6 Authorization for Direct Deposit of Benefit Payments
- D-1 Application for SDRS Disability Benefits
- D-2 Physician's Evaluation
- D-3 Authorization for Release of Employer Information
- D-4 Authorization for Release of Medical Information

Disability Brochure
Retirement Planning Brochures
Quick Reference Guides
Outlook

SDRS forms and publications are available online at
www.sdrs.sd.gov.

(The forms link located under the employers section on the SDRS home page.)

New member enrolls

Complete forms:

- E-1
- E-5

Tell member:

- Contributions are tax-deferred.
- Beneficiaries should be kept current.
- About Supplemental Retirement Plan (SRP)

Distribute:

- General handbook
- Supplemental Retirement Plan enrollment packet

Member wants to change beneficiary

Complete form:

- E-5

Tell member:

- If naming a trust, give name of trustee, where trust is held, identifying number and date of trust. Please provide SDRS with a copy of trust papers.
- If a minor is designated, contact SDRS about completion of a Transfer to Minor form.

Member moves/changes address

Complete form:

- E-2

Member gets married/divorced

Complete form:

- E-2

Tell member:

- SDRS needs a copy of the marriage certificate or divorce decree, whichever is applicable.

Member asks to end Optional Spouse Coverage

Complete form:

- E-2

Tell member:

- Contributions are non-refundable.

Elected official enrolls

Complete forms:

- E-4 (At initial enrollment and subsequent terms)
- E-1 (Only at initial enrollment)
- E-5 (Only at initial enrollment or as necessary)

Tell member:

- Election to participate is irrevocable until end of current term.
- Contributions are tax-deferred.
- Beneficiaries should be kept current.
- About Supplemental Retirement Plan (SRP)

Distribute:

- General handbook
- Elected Officials booklet
- Supplemental Retirement Plan enrollment packet

Member ends SDRS employment and/or participation

Complete forms:

- B-1

Ask member:

- If member is on Leave of Absence (LOA), whether they wish to continue contributions and keep disability and survivor coverages in force.

Tell member:

- Member should keep SDRS informed of name, address, and beneficiary changes.
- If member plans to take a refund, they should contact SDRS to obtain a Refund Explanation packet. Members changing to part-time status must wait one year before withdrawing contributions.
- If member plans to leave contributions with SDRS:
 - If non-vested, they can leave contributions with SDRS and draw interest for 10 years. After 11 years, they are forfeited.
 - If vested, they can leave contributions with SDRS indefinitely.

Active member dies

Complete forms:

- B-1

Tell survivor/beneficiary:

- Contact SDRS

Events When Member Should Contact SDRS

Member plans to take a refund of contributions upon termination

Member plans to redeposit contributions

- Redeposit must be made during first two years of reemployment.
- Redeposit cost is amount refunded plus interest to date of redeposit.
- Redeposit must be made in a lump-sum payment.

Member applies for a disability benefit

- Before applying, member must first discuss with their employer the impairment that makes performing the usual duties of their position impossible.

Member requests a benefit estimate

- Member must end employment and receive all final pay in month prior to retirement. If not, the retirement benefit will be postponed.
- Estimate is for planning purposes only. Current salary and projected service will be used. SDRS does not project salary.

Member requests Level Income information

- Only members retiring before age 62 are eligible for the Level Income Payment Option.
- Member will need to obtain Social Security Statement online www.ssa.gov and submit to SDRS. Estimate will be prepared after Statement is received.
- Once the Level Income Payment Option is elected, it cannot be changed.

Member applies for a retirement benefit

- Copies of the member's birth certificate, spouse's birth certificate, and marriage certificate must be submitted to SDRS along with application.
- SDRS will contact the authorized agent in the month prior to the retirement to request the amount of final pay that will be reported on the contribution report. This amount must be accurate in order to calculate the retirement benefit correctly.

Benefit recipient asks to switch to direct deposit

- Benefit check will be electronically deposited in the recipient's bank account the 15th of every month.



Application for SDRS Enrollment

South Dakota Retirement System
 PO Box 1098 Pierre, South Dakota 57501-1098
 Phone (888) 605-SDRS (605) 773-3731 FAX (605) 773-3949

SDRS Form E-1

Member Information (Please Print or Type All Items) (See back of form for Directions and Conditions)

Member's Social Security Number	Last Name	First	MI	Maiden
Telephone ()	Street Address or PO Box	City	State	ZIP Code
Birthplace	Date of Birth	Sex <input type="checkbox"/> Male <input type="checkbox"/> Female	Marital Status <input type="checkbox"/> Single <input type="checkbox"/> Married	
Email Address or Addresses (separated with a comma)				

Spouse Information

Spouse's Social Security Number	Last Name	First	MI	Maiden
Spouse's Birthplace	Date of Birth	Date of Marriage	Date of Marriage	

Naming Your Beneficiary

For your protection SDRS requests that you file a "SDRS Form E-5" to designate your primary and contingent beneficiaries. Please obtain this form from your employer or contact SDRS for assistance. (See back of form for additional information).

Optional Spouse Coverage (See back of form for Coverage Details)

Effective July 1, 2010, this coverage is closed to new applicants.

Eligibility to continue coverage is limited to members who elected coverage prior to July 1, 2010, and are currently covered by this optional protection. If an employee is currently participating in the optional spouse coverage and is changing employment without a break in SDRS credited service, the employee may elect to continue optional spouse coverage by designating their election, as follows:

I elect to continue Optional Spouse Coverage in my new employment

Release of Information and Member Signature

Authorization to Release Information
 I authorize SDRS and my employer to exchange personnel and other records and information regarding my benefits as necessary, and specifically request that no information be otherwise released without authorization of law or my written authorization.

Member Signature _____

Authorized Agent's Signature (To be Completed and Signed by Authorized Agent)

Employer	Phone Number
Title of Member Position	Hire Date: Month Day Year
Date Member Participation Began	Classification of Employee <input type="checkbox"/> Class A <input type="checkbox"/> Class B Public Safety <input type="checkbox"/> Class B Judicial
School and Regent Employees <input type="checkbox"/> Classified <input type="checkbox"/> Teacher/Administrator	
If Member Has Elected to Continue Optional Spouse Coverage I have notified our payroll unit to begin deducting the voluntary additional contributions beginning in _____ Month/Year	
Authorized Agent Signature	Date





Notice of Return to SDRS Participation
 South Dakota Retirement System
 PO Box 1098 Pierre, South Dakota 57501-1098
 Phone (888) 605-SDRS (605) 773-3731 FAX (605) 773-3949

SDRS Form E-1a

Member Information (Please Print or Type All Items)

Member's Social Security Number	Last Name	First	Middle Initial	Maiden
Telephone ()	Street Address or PO Box	City	State	Zip Code

Job Information

Name of Employer	Original Hire Date _____/_____/_____ Month/Day/Year
Date Returning to Work after Leave of Absence _____/_____/_____ Month/Day/Year	Month of First Contributions following Leave of Absence _____/_____ Month/Year

Returning to SDRS Participation from:

*Military Leave of Absence - Attach a copy of the DD214 for verification of military service.

*South Dakota Codified Law 3-12-86 provides for SDRS service credit upon return to employment after military service. § 3-12-86. Service credit for military leave of absence – Return to employment after service. A member shall receive credited service for leave of absence due to military service, authorized in advance by the employer, without contribution by the employee or employer if the member returns to the employ of a participating unit within one year from the member's date of discharge from the member's initial period of military service and the member remains in the employ of a participating unit for at least one year....

Leave of Absence

Change of Status (from non-participating to participating status)

Authorized Agent's Name (Print Name and Signature)

Signature

Date

FORM AVAILABLE ONLINE

www.sdrs.sd.gov



Notice of Enrollment Change

South Dakota Retirement System
PO Box 1098 Pierre, South Dakota 57501-1098
Phone (888) 605-SDRS (605) 773-3731 FAX (605) 773-3949

SDRS Form E-2

Member Information (Please Print or Type All Items) (See back of form for Directions and Conditions)				
Member's Social Security Number	Last Name	First	MI	Maiden
Change Address				
From: Street Address or PO Box	City	State	ZIP Code	
To: Street Address or PO Box	City	State	ZIP Code	
Change Marital Status (Attach Copy of Marriage Certificate or Divorce Decree)				
Spouse's Social Security Number	Last Name	First	MI	Maiden
Spouse's Birthplace	Date of Birth	Date of Marriage	Date of Marriage	
Change Name (Requires Authorized Agent's Signature) (See back of form for Directions and Conditions)				
To: Last Name	First	MI	Maiden	
Optional Spouse Coverage (Requires Authorized Agent's Signature) (See back of form for Directions and Conditions)				
Effective July 1, 2010 (SDCL 3-12-104) No new members of the program may enroll in the program. Eligibility to continue coverage is limited to members who elected coverage prior to July 1, 2010, and are currently covered by this optional protection.				
End Participation <input type="checkbox"/> End Coverage – I want to end my participation in the Optional Spouse Coverage. My reason for ending coverage is: <input type="checkbox"/> Spouse has attained age 65 <input type="checkbox"/> Spouse has died <input type="checkbox"/> Termination of Marriage <input type="checkbox"/> Other				
Member's Signature				
Member Signature				
Authorized Agent's Signature (Complete and Sign for Optional Spouse Coverage and Name Changes)				
Notification I have notified our payroll unit to stop the above member's contributions for the Optional Spouse Coverage as provided by SDCL 3-12-104. The last contributions will be for _____ Month/Day/Year				
Authorized Agent Signature				Date



Appointment of Authorized Agent
South Dakota Retirement System
PO Box 1098 Pierre, South Dakota 57501-1098
Phone (605) 773-3731 FAX (605) 773-3949 TDD (605) 773-3958

SDRS Form E-3

Authorized Agent Information (Please Print or Type All Items)

Name of Participating Unit

Name of Authorized Agent Last

First

Mi

Job Title

Social Security Number

Work Address or PO Box

City

Zip Code

Email Address or Email Address of your designee

Name of your designee

Telephone Number

FAX Number

Type of Appointment – Check One of the Options Below:

Additional Agent

Replacement for Previous Agent Name of previous agent _____

Signature of Official Appointing the Authorized Agent (Official must be signed by the Authorized Agent)

Signature

Date

Date

FORM AVAILABLE ONLINE

www.sdrs.sd.gov



Election to Participate in SDRS by Elected Official

South Dakota Retirement System

PO Box 1098 Pierre, South Dakota 57501-1098

Phone (605) 773-3731 FAX (605) 773-3949 TDD (605) 773-3958

SDRS Form E-4

Elected Official Information (Please Print or Type All Items)

Member's Social Security Number	Last Name	First	Middle Initial	Maiden
Telephone ()	Street Address or PO Box	City	State	Zip Code
Date of Birth	Birthplace	Sex <input type="checkbox"/> Male <input type="checkbox"/> Female	Marital Status <input type="checkbox"/> Single <input type="checkbox"/> Married	
Employer	Elected Office			

**REFERENCE
USE
ONLY**

Elected Official's Certification

- I certify that I have elected to participate in the South Dakota Retirement System and have authorized payroll deductions to be made from my earnings. I understand that this election may not be revoked until the completion of my current term.
- I elect not to participate in SDRS.

Elected Official's Signature

Signature	Date
-----------	------

**DO NOT
DUPLICATE**

Directions and Conditions

- If SDRS Form E-1, Application for SDRS Enrollment, has not been previously mailed, it should be transmitted with this form.
- The governing body of any participating county, municipality, or other political sub-division is excluded from membership in SDRS.
- Credited years of service for elected officials include only those years of full-time service for which the individual is eligible.
- A person appointed to a vacant elected position is considered to be an elected official and must also file this form if he or she elects to participate.
- After the elected official has signed and authorized this form, he or she should immediately notify the payroll unit to make the proper payroll deductions from the next payroll earnings.
- Full-time elected officials have the option to participate if their positions normally require the performance of duty for 20 or more hours a week and at least six months a year.

FORM AVAILABLE ONLINE
www.sdrs.sd.gov





Beneficiary Designation Form
 South Dakota Retirement System
 PO Box 1098 Pierre, South Dakota 57501-1098
 Phone (888) 605-SDRS (605) 773-3731 FAX (605) 773-3949

SDRS Form E-5

Member Information (Please print or type all items.)

Member's Social Security Number	Last Name	First	M I	Maiden
Telephone ()	Street Address or PO Box	City	State	Zip Code

Designation of Beneficiary (ies) (See back of form for directions and conditions.)

I am completing this form as a result of a divorce or annulment.

Primary Beneficiary

A primary beneficiary is the person or persons designated by you to receive any SDRS funds payable at your death that are not otherwise specified by governing statutes.

I hereby designate the following person and/or persons as my primary beneficiary (ies) and designate a percentage to each:

Name	Name	Name
Address	Address	Address
Relationship	Share to Each	Relationship
Relationship	Share to Each	Relationship
Relationship	Share to Each	Relationship
Social Security Number	Social Security Number	Social Security Number
D.O.B.	Phone Number	D.O.B.
D.O.B.	Phone Number	D.O.B.
D.O.B.	Phone Number	D.O.B.

Contingent Beneficiary

A contingent beneficiary is a person or persons who are designated by you in the event there are no surviving primary beneficiaries:

I hereby designate the following person and/or persons as my contingent beneficiary (ies) and designate the share percentage to each.

Name	Name	Name
Address	Address	Address
Relationship	Share to Each	Relationship
Relationship	Share to Each	Relationship
Relationship	Share to Each	Relationship
Social Security Number	Social Security Number	Social Security Number
D.O.B.	Phone Number	D.O.B.
D.O.B.	Phone Number	D.O.B.
D.O.B.	Phone Number	D.O.B.

For your protection you should submit a new beneficiary form whenever there is a change in your family status or beneficiary designation. Please contact SDRS for assistance.

Member's Signature

Signature	Date
-----------	------

**REFERENCE
USE
ONLY
DO NOT
DUPLICATE**

FORM AVAILABLE ONLINE
www.sdrs.sd.gov



Termination of Contributory Service
 South Dakota Retirement System
 PO Box 1098 Pierre, South Dakota 57501-1098
 Phone (605) 773-3731 FAX (605) 773-3949 TDD (605) 773-3958

SDRS Form B-1

Member Information (Please Print or Type All Items)

Social Security Number	Last Name	First	Middle Initial	Maiden
Telephone ()	Street Address or PO Box		City	State ZIP Code

Job Information

Name of Employer	Date Employment Ended (or LOA commenced): _____ Month/Day/Year
Date Member will Receive Final Compensation (or, if LOA, Last Compensation Prior to Beginning LOA) _____ Month/Year	Final Contributions (or Last Compensation Prior to LOA) will be Reported on the Monthly Contributions Report for: _____ Month/Year

Reason for Ending SDRS Contributions

- Military Leave of Absence
- Leave of Absence Expected return from LOA _____
- Change of Status from Participating to Non-Participating (to be rehired requires less than 20 hrs per week or 6 months per year.)
- Death (If employee's death occurred while employment relationship existed, the date employment ended should be the same as the date of death.)
- * Resignation/Termination
- Disability
- * Retirement

* If resignation/termination or retirement is indicated as the reason for ending SDRS contributions; I hereby certify under penalties of perjury, that this member:

- Has fully and completely ended employment with this participating unit and unconditionally terminated and forfeited all employment rights, and
- Has not been rehired as a permanent full-time employee, or if rehired, was rehired in an open competitive process without any expressed or implied agreement to be rehired.

Authorized Agent's Certification and Signature

Signature	Date
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The formula for calculating retirement benefits uses fixed multipliers, final average salary, and years of credited service to calculate the benefit amount. Because the multiplier varies among members with Class A, Class B-Public Safety, and Class B-Judicial credited service, these three classes are discussed separately.

Class A Credited Service

How Benefits Are Calculated

Two formulas determine benefits for Class A credited service at normal retirement (age 65) and at delayed retirement (after age 65). Both formulas will be calculated for all members with Class A credited service, and the formula resulting in the larger benefit will be used.

Class A Standard Formula

Enhanced Benefit

1.7% X Final Average Compensation X Credited Service before July 1, 2008

PLUS

Base Benefit

1.55% X Final Average Compensation X Credited Service after July 1, 2008

Class A Alternate Formula

Enhanced Benefit

2.4% X Final Average Compensation X Credited Service before July 1, 2008

PLUS

Base Benefit

2.25% X Final Average Compensation X Credited Service after July 1, 2008

LESS

80% of Primary Social Security

Members eligible for the alternate formula must provide a recent *Personal Earnings and Benefits Estimate Statement* from the Social Security Administration. Members who do not participate in Social Security during SDRS-covered employment are considered to receive maximum PIA as of time of retirement.

Example

A member retires on July 1, 2010, at age 62 with 30 years of Class A credited service and a final average compensation of \$30,000. Because the standard formula generally results in the larger monthly benefit for most members, we will use this formula in our sample calculations.

Enhanced Benefit

.017 (1.7%) X \$30,000 (Final Avg. Compensation) X 28 (Credited Service before 7/1/2008) = \$14,280

Base Benefit

.0155 (1.55%) X \$30,000 (Final Avg. Compensation) X 2 (Credited Service after 7/1/2008) = \$930

Total SDRS Benefit = \$15,210 per year (or \$1,267.50 per month)

When Class A Members Can Retire

Normal Retirement

Normal retirement age is 65 for members who have at least three years of Class A contributory service

Regular Early Retirement

If members have completed at least three years of contributory service, they may retire as early as age 55 and receive benefits from SDRS. However, if members decide to begin receiving benefits before age 65, their monthly lifetime retirement benefits will be reduced, because the payments will be stretched out over a longer period of time. (Special early retirement is an exception to this reduction rule.)

The amount of the reduction depends upon a member's years of credited service and age when payments begin. Benefits will be reduced by 3 percent for each year payments are made before normal retirement age. The chart below shows the percentage of calculated benefits members will receive if they retire before age 65 and payments begin immediately.

Early Retirement — Percent of Benefit Payable

Years of Credited Service	Age										
	55	56	57	58	59	60	61	62	63	64	65
20 and less	70%	73%	76%	79%	82%	85%	88%	91%	94%	97%	100%
21	73	76	79	82	85	88	91	94	97	100	100
22	76	79	82	85	88	91	94	97	100	100	100
23	79	82	85	88	91	94	97	100	100	100	100
24	82	85	88	91	94	97	100	100	100	100	100
25	85	88	91	94	97	100	100	100	100	100	100
26	88	91	94	97	100	100	100	100	100	100	100
27	91	94	97	100	100	100	100	100	100	100	100
28	94	97	100	100	100	100	100	100	100	100	100
29	97	100	100	100	100	100	100	100	100	100	100
30 and more	100	100	100	100	100	100	100	100	100	100	100

Special Early Retirement (Rule of 85)

Under special early retirement, members can retire before age 65 (as early as age 55) and begin receiving monthly lifetime retirement benefit payments immediately with no reduction in the monthly amount. The table below shows the combinations of age and credited service that will produce a full monthly lifetime retirement benefit if members retire early and begin receiving payments immediately.

Requirements for Class A Special Early Retirement

Years of Credited Service	Age									
	55	56	57	58	59	60	61	62	63	64
	30	29	28	27	26	25	24	23	22	21

Class B Credited Service: Public Safety

How Benefits Are Calculated

The following formula is used to determine benefits for Class B-Public Safety credited service at normal retirement (age 55) and at delayed retirement (after age 55):

Enhanced Benefit

2.4% X Final Average Compensation X Credited Service before July 1, 2008

PLUS

Base Benefit

2.0% X Final Average Compensation X Credited Service after July 1, 2008

Example

A member retires July 1, 2010, at age 55 with 30 years of Class B-Public Safety credited service and a final average compensation of \$32,000.

Enhanced Benefit

.024 (2.4%) X \$32,000 (Final Avg. Compensation) X 28 (Credited Service before 7/1/2008) = \$21,504

Base Benefit

.02 (2.0%) X \$32,000 (Final Avg. Compensation) X 2 (Credited Service after 7/1/2008) = \$1280

Total SDRS Benefit = \$22,784 per year (or \$1,899 per month)

When Class B—Public Safety Members Can Retire

Normal Retirement

Normal retirement age is 55 for members who have at least three years of Class B-Public Safety contributory service.

Regular Early Retirement

Members with Class B-Public Safety credited service who have completed at least three years of contributory service may retire as early as age 45 and receive benefits from SDRS. However, if members decide to begin benefits before age 55, their payments will be reduced, because it is expected that they will be made over a longer period of time. Benefits will be reduced by 3 percent for each year payments are made before normal retirement age. (See table below.)

Early Retirement — Percent of Benefit Payable

Years of Credited Service	Age										
	45	46	47	48	49	50	51	52	53	54	55
20 and less	70%	73%	76%	79%	82%	85%	88%	91%	94%	97%	100%
21	73	76	79	82	85	88	91	94	97	100	100
22	76	79	82	85	88	91	94	97	100	100	100
23	79	82	85	88	91	94	97	100	100	100	100
24	82	85	88	91	94	97	100	100	100	100	100
25	85	88	91	94	97	100	100	100	100	100	100
26	88	91	94	97	100	100	100	100	100	100	100
27	91	94	97	100	100	100	100	100	100	100	100
28	94	97	100	100	100	100	100	100	100	100	100
29	97	100	100	100	100	100	100	100	100	100	100
30 and more	100	100	100	100	100	100	100	100	100	100	100

Special Early Retirement (Rule of 75)

Members with Class B-Public Safety credited service who have completed at least three years of contributory service are eligible to retire with no reduction for early retirement when they meet specific combinations of age and years of credited service.

Requirements for Class B-Public Safety Special Early Retirement

Years of Credited Service	Age									
	45	46	47	48	49	50	51	52	53	54
	*	*	28	27	26	25	24	23	22	21

* would require employment before age 18.

Members with Both Class A and Class B Credited Service

If a member with Class B-Public Safety credited service also has Class A credited service, the member's benefit will be calculated in two parts at retirement.

The benefit for Class A credited service will be calculated using the Class A benefit formulas and will be payable at age 65. A reduced benefit is available as early as age 55.

The benefit for Class B credited service will be calculated using the Class B-Public Safety formula above and will be payable at age 55. A reduced benefit is available as early as age 45 if the member has at least three years of Class B-Public Safety credited service.

Class B-Public Safety Service Participation Dates

The following groups were classified as Class A prior to the dates shown:

- penitentiary correctional staff hired before July 1, 1978
- county sheriffs and deputy sheriffs hired before January 1, 1980
- conservation officers hired before July 1, 1983
- certain police officers without law-enforcement certification between July 1, 1983, and June 30, 1988
- certain deputy sheriffs without law-enforcement certification between January 1, 1980, and June 30, 1988
- parole agents hired before July 1, 1991
- air rescue firefighters hired before July 1, 1992
- court services officers hired before July 1, 1993
- certain campus security officers hired before July 1, 1993
- park rangers and Custer State Park conservation officers hired before July 1, 1995
- approved jailers (reclassification dates will vary)
- other full-time firefighters hired before July 1, 2012

If a member belongs to one of these groups and was employed prior to the time the position was changed from Class A to Class B-Public Safety, the member's benefit will be calculated in two parts at retirement.

At retirement, a member's years of Class A and B credited service will be combined to yield the total number of years of credited service. This figure, combined with the member's age, will determine what reduction in benefits, if any, a member will receive for early retirement.

Conversion of Credited Service from Class A to Class B-Public Safety

If a current contributing member with Class B-Public Safety credited service earned Class A credited service in one of the positions listed on the previous page prior to the dates shown, the member has the option of converting that Class A credited service to Class B credited service.

The cost to convert service depends on the member's age and is an actuarially determined percentage of their current salary (or final average compensation, if greater). Payment for conversion may be made in a lump-sum or amortized over a period of up to 10 years.

Participating units have the option of paying all or a portion of the cost of converting credited service for their employees, but it is not mandatory that they do so.

Members are responsible for providing the necessary documentation of prior credited service that is eligible for conversion to SDRS.

The following chart illustrates the cost for converting Class A credited service to Class B-Public Safety credited service. Only current, contributing Class B-Public Safety members are eligible to make this conversion.

Converting Class A Credited Service to Class B-Public Safety Credited Service

Age at Conversion	% of Combined Contributions*	% of Pay
29 and Younger	25%	4.0%
30	36%	5.8%
31	47%	7.5%
32	58%	9.2%
33	68%	10.9%
34	79%	12.6%
35	89%	14.3%
36	100%	16.0%
37	110%	17.6%
38	121%	19.3%
39	131%	21.0%
40 and Older	133%	21.2%

* Class B-Public Safety combined member and employer contributions equal 16% of pay.

Class B Credited Service: Judicial

How Benefits Are Calculated

The following formula is used to determine benefits for Class B-Judicial credited service at normal retirement (age 65) and at delayed retirement (after age 65):

For first 15 years of credited service:

Enhanced Benefit

3.733% X Final Average Compensation X Credited Service before July 1, 2008

PLUS

Base Benefit

3.333% X Final Average Compensation X Credited Service after July 1, 2008

Years of credited service in excess of 15:

Enhanced Benefit

2.4% X Final Average Compensation X Credited Service before July 1, 2008

in excess of 15 years

PLUS

Base Benefit

2.0% X Base Benefit X Credited Service after July 1, 2008 in excess of 15 years

Example

A member retires on July 1, 2010, at age 65 with 25 years of Class B-Judicial credited service and a final average compensation of \$85,000.

Enhanced Benefit

.03733 (3.733%) X **\$85,000** (Final Avg. Compensation) X **15** (Years of Service before 7/1/2008) = **\$47,596**

PLUS

Base Benefit

.03333 (3.333%) X **\$85,000** (Final Avg. Compensation) X **0** (Credited Service after 7/1/2008) = **\$0**

Enhanced Benefit

.024 (2.4%) X **\$85,000** (Final Avg. Compensation) X **8** (Additional Years before 7/1/2008) = **\$16,320**

PLUS

Base Benefit

.02 (2.0%) X **\$85,000** (Final Avg. Compensation) X **2** (Years of Credited Service after 7/1/2008) = **\$3,400**

Total Benefit = \$47,596 + \$0 + \$16,320 + \$3,400 = \$67,316 per year (or \$5,610 per month)

When Members Can Retire

Normal Retirement

Normal retirement age is 65 for members with at least three years of Class B-Judicial contributory service.

Regular Early Retirement

Under regular early retirement, members can retire at age 55 and receive a monthly lifetime retirement benefit, as long as they have at least three years of contributory service. Payments will be reduced if members start receiving benefits before age 65.

Class B-Judicial Early Retirement – Percent of Benefit Payable

Years of Credited Service	Age										
	55	56	57	58	59	60	61	62	63	64	65
15 and less	70%	73%	76%	79%	82%	85%	88%	91%	94%	97%	100%
16	73	76	79	82	85	88	91	94	97	100	100
17	76	79	82	85	88	91	94	97	100	100	100
18	79	82	85	88	91	94	97	100	100	100	100
19	82	85	88	91	94	97	100	100	100	100	100
20	85	88	91	94	97	100	100	100	100	100	100
21	88	91	94	97	100	100	100	100	100	100	100
22	91	94	97	100	100	100	100	100	100	100	100
23	94	97	100	100	100	100	100	100	100	100	100
24	97	100	100	100	100	100	100	100	100	100	100
25 and more	100	100	100	100	100	100	100	100	100	100	100

Special Early Retirement (Rule of 80)

Under special early retirement, members can retire as early as age 55 and begin receiving monthly lifetime retirement benefit payments immediately with no reduction in the monthly amount if they have sufficient credited service.

The table below shows the combinations of age and credited service that will produce a full benefit for members who retire early and begin receiving payments immediately.

Requirements for Special Early Retirement

Years of Credited Service	Age									
	55	56	57	58	59	60	61	62	63	64
	25	24	23	22	21	20	19	18	17	16

Provisions Applying to All SDRS Members

Delayed Retirement

Members may elect to continue working beyond normal retirement age, thus delaying their retirement. Retirement benefit payments will begin when they actually retire.

Level Income Payment Option

Members who retire early (before age 62) and wish to receive benefit payments immediately may elect the level income payment option. Because retirement before age 62 means retirement without Social Security, members may find their SDRS benefit alone inadequate to meet their needs. The level income payment option softens the impact of this income loss by increasing the regular SDRS benefit during the pre-Social Security period. Then, when Social Security begins at age 62, the SDRS benefit is decreased. The result is an income that is approximately “level” throughout the retirement years. On average, members who choose the level income payment option receive the same amount in benefits over their life expectancy as members who do not.

Members should, however, realize the impact that the level income payment option could have on a surviving spouse’s benefit. After a retired member’s death, SDRS pays the spouse a benefit equal to 60 percent of the member’s benefit. Under the level income payment option, the spouse will receive 60 percent of the member’s **reduced** payment if the member dies after age 62. If the member dies before age 62, the spouse will receive 60 percent of the current payment, but the payment will be reduced on the date the member would have reached age 62.

Members electing the level income payment option must submit a recent *Personal Earnings and Benefits Estimate Statement* from the Social Security Administration to SDRS. Members can visit the Social Security website at www.ssa.gov to obtain their Social Security statement online.

Some members who have retired under the level income payment option and who are under age 62 may find that reemployment with an SDRS employer defeats the purpose of choosing the option and causes them to lose money overall.

When Payments Begin

Benefits paid upon early, normal, or delayed retirement will begin on the first day of the month following the latest of:

- the date on which a member makes his or her last contribution to SDRS
- thirty days after the written application for retirement benefits is received in the office of the SDRS administrator
- the date specified in the application for retirement

Note: A member **cannot** receive a pay check from his/her employer and a benefit check from SDRS in the same month.

Members who fail to make a timely application for retirement benefits will be limited to three months of retroactive benefits.

Direct Deposit of Benefit Checks (Automatic Clearing House)

With Automatic Clearing House (ACH), SDRS benefits are electronically deposited into the member's bank account on the 15th of each month. Retirees are strongly encouraged to elect this method for benefit payments because it ensures timely delivery of benefits and avoids delays due to postal delivery, stolen or misplaced checks, or travel plans. To apply for direct deposit, retirees must complete SDRS Form B-6 and attach a voided check blank. Members should be advised that if they change banks or account numbers, they must notify SDRS immediately to ensure their funds are deposited correctly.

Cost-of-Living Adjustment

Members' benefits are protected with a shield against inflation. Each July 1st, eligible member benefit payments are increased by a cost-of-living adjustment (COLA). To be eligible for a COLA, a member must have received full benefit payments during the past twelve-month fiscal year period. Cost-of-living adjustments are made to early retirement benefits just as they are to normal retirement benefits.

Personal Benefits Statement

Each year, active and inactive members receive a Personal Benefits Statement showing the value of their SDRS lifetime benefits earned to date, based on their pay and credited service. The statement also shows an estimate of the projected monthly lifetime retirement benefits the member can expect to receive from SDRS if they work until they meet their Special Early retirement age (if applicable) or until they reach normal retirement age.

Retiree Statement

All retired members receive an annual Retiree Statement that shows their total contributions and the amount of total lifetime retirement benefit payments from SDRS. In addition, the statement shows improvements that have been made to members' benefits since retirement. Finally, it reflects the member's total SDRS credited service, both contributory and non-contributory. (Non-contributory service is service granted by law without contributions by either the member or the employer.)

Reemployment of Retirees

In order for a retirement benefit to commence, the member must unconditionally terminate employment. Any agreement to rehire a member negates a termination of employment and the retirement benefit may not commence.

When rehiring a retired member, you must be certain of the following conditions:

- The employee has absolutely and unconditionally resigned; forfeited all continued rights to employment; and is considered a terminated employee for other employee benefits, including any group health or life insurance plan and any similar Section 125 plans or accounts.
- No agreement to rehire has been made informally or formally prior to termination of employment. The employer cannot make any promises or innuendoes that the terminating employee will be rehired and should follow whatever normal practices are used to fill a vacant position.
- Any applicable accumulated vacation leave, sick leave, or early retirement pay has been paid to the member.
- If a commission or board governs your entity, the member's resignation has been accepted in the form of a motion that notes all employment rights are forfeited.
- If the terminating member is obligated under an employment contract that is prematurely terminated due to the resignation, any forfeiture provisions for premature termination must have been activated. If the provisions have been waived, the rationale for waiving them should be included in the motion to accept the resignation.
- If the former member is rehired, and if a commission or board governs your entity, the rehire decision, including the new salary and terms of employment, is stated in a single motion, separate from the termination motion. In order for the separation of service to be valid, the employer must have discretion as to the salary and conditions of reemployment.
- If an employment contract is necessary, the rehire includes a new employment contract with the terms and conditions of the rehire fully specified.
- A criminal background check, if required by law, is completed.

Reemployment of Retirees — Early Retirement

If a member is reemployed before normal retirement age by a participating employer on a permanent, full-time basis after having retired with a **reduced** benefit, the monthly benefit payments will stop while the member is reemployed. When the member re-retires (effective on or after April 1, 2010) they will be subject to the following:

- Member will start receiving their reduced benefit again. However, the benefit will not include any COLA increases during the period of reemployment. The annual COLA will be reinstated once one full fiscal calendar year of retirement benefits have been paid to the member after termination of reemployment.
- Member's employee contributions during the reemployment period were allocated to an SDRS-SRP account in the member's name.

-
- No additional service credits are earned during the reemployment period.

Reemployment of Retirees — Special Early, Normal, or Delayed Retirement

If a member is reemployed at or after normal retirement age (or before normal retirement age under special early retirement) by a participating employer on a permanent, full-time basis after having retired with an **unreduced** benefit, the member's monthly benefit payments will be reduced by 15 percent and the member will not receive COLA increases while reemployed (exception for Class B-Public Safety members who have moved to a Class A job). When the member re-retires (effective on or after April 1, 2010), they will be subject to the following:

- Member will start receiving their unreduced benefit again. However, the benefit will not include any COLA increases during the period of reemployment. The annual COLA will be reinstated once one full fiscal calendar year of retirement benefits have been paid to the member after termination of reemployment.
- Member's employee contributions during the reemployment period were allocated to an SDRS-SRP account in the member's name.
- No additional service credits are earned during the reemployment period.

Reemployment and the Level Income Payment Option

Members who select the level income payment option, retire with a reduced benefit, and are presently under age 62, should be aware that reemployment by a participating unit will negate the advantages of the level income payment option. Specifically, their benefits will be suspended while they are reemployed, denying them the higher SDRS benefits they would have received prior to receiving Social Security. Additionally, the benefit, once reinstated upon termination of reemployment, will not include any COLA increases during the period of reemployment. At age 62, when the member becomes eligible to begin drawing Social Security benefits, the SDRS benefit will decrease under the level income payment option.

Retired members considering returning to covered employment should contact SDRS for specific details.

Survivor Benefits

If a Member Dies While Still Employed

A family benefit or a spouse benefit is paid if a member dies while contributing to SDRS or while receiving an SDRS disability benefit.

Family Benefit

A family benefit is payable when there are unmarried, dependent children under the age of 19 or when there are unmarried, dependent children who are permanently and totally disabled, regardless of age. If there is a surviving spouse, the family benefit equals 40 percent of a member's final average compensation, plus an additional 10 percent per child (up to a maximum of six children.) The family benefit can never exceed 100 percent of the member's final average compensation. If there is no surviving spouse, a benefit equal to 20 percent of the member's final average compensation is paid to each eligible child's legal conservator (up to five children). The actual amount will be this calculated figure, reduced by 75 percent of the member's Primary Social Security benefit. As each child reaches age 19, the payment is reduced accordingly. The payments continue until all children reach the age of 19. (Note exception for disabled children.)

Spouse Benefit

A spouse benefit will be paid when a surviving spouse reaches the age of 65. The spouse benefit is equal to 60 percent of the member's projected lifetime retirement benefit and will be calculated using the normal retirement formula.

The final average compensation used in the formula will be the member's final average compensation, plus annual cost-of-living adjustments through the member's normal retirement age. The credited service used in the formula will be the years of credited service a member would have earned if he or she had been a member of the system until age 65 (age 55 for Class B-Public Safety).

Eligibility

For a member's spouse and family to be eligible for survivor coverage, the member must:

- be a contributing member at the time of death
- have at least one year of credited service
- be less than 65 years old (55 years old for members with Class B-Public Safety credited service) or be receiving disability benefits from SDRS

Optional Spouse Coverage

Effective July 1, 2010, this coverage is closed to new enrollments. For members who are currently covered by this optional protection, the optional spouse coverage will pay a salary continuation benefit to a surviving spouse for the span of years not covered by

the family benefit. This benefit begins when there are no eligible children in the household and continues until the surviving spouse reaches age 65. The optional spouse coverage benefit equals 40 percent of a member's final average compensation.

The optional spouse coverage is closed to new enrollment effective July 1, 2010.

The cost of this coverage is 1.5 percent of pay. A member must have made at least one contribution for optional spouse coverage before the member's death for the coverage to be in effect. Optional spouse coverage contributions must be made until the spouse is no longer eligible for the benefit, the member or the spouse dies, the termination of the member's marriage, the member decides to terminate the coverage, or the member terminates covered employment. Contributions for optional spouse coverage are not refundable if a member terminates employment.

Survivor Benefit After Retirement

If a member dies after retirement, SDRS pays a survivor benefit to the member's surviving spouse. This benefit is equal to 60 percent of the benefit being paid to the retiree at the time of death and continues for the surviving spouse's lifetime. This benefit will also be paid to the surviving spouse of an active member who dies after reaching normal retirement age, even though the member was still employed. The amount will be based upon the benefit the member would have been receiving if he or she had retired.

Members who retired under a predecessor retirement option may have chosen a straight life annuity that does not pay survivor benefits or may have elected an eligible person, other than the surviving spouse, to receive the survivor benefit. If these members are later reemployed by a participating unit, they will be eligible for survivor benefits, but these benefits will be based only upon their new SDRS-covered employment. Previously, SDRS sent two checks in such cases, one for the earlier straight-life annuity without survivor benefits and one for the later retirement benefits including survivor benefits. Now, one check is issued to cover both situations, and includes the survivor benefit as part of its total amount. If both the retired member and the member's spouse die before receiving all contributions made by the member and his or her employer plus interest, the member's named beneficiary or estate will receive the remaining accumulated contributions.

Disability Benefits

Eligibility

If a member cannot work because of a disability that is expected to last one year or longer, the member may be eligible for a monthly benefit from SDRS. This benefit is payable until the member no longer qualifies under SDRS disability criteria or until a member reaches normal retirement age and retirement benefits begin. An exception is made for a member who begins receiving disability benefits after age 60. His or her disability benefits may continue for a period of up to five years before being converted to a retirement benefit. While a member is drawing disability benefits, he or she will continue to earn credited service toward a retirement benefit up to normal retirement age (65 for Class A and Class B-Judicial, 55 for Class B-Public Safety), as if the member had been continuously employed. Employers should note that a member may choose to convert to retirement as early as age 55 (age 45 for Class B-Public Safety) and receive a reduced monthly lifetime retirement benefit.

A member is eligible to apply for disability benefits after three years of consecutive contributory service. If a member is accidentally disabled while performing the usual duties of his or her job, the member is immediately eligible to apply for disability benefits, provided he or she is a contributing member at the time the disability occurs.

A disability is any medically determinable physical or mental impairment that prevents a member from performing the usual duties of his or her job. A member will not qualify for benefits under this plan if the disability is the result of a willful or self-inflicted injury.

For a discussion of the disability approval process, see Appendix.

Amount of Disability Benefit

First 36 Months

For members whose disability benefits started after July 1, 1994, SDRS allows 36 months of SDRS disability payments, equal annually to 50 percent of a member's Final Average Compensation. An additional 10 percent is paid for each dependent child under age 19 (up to a maximum of four children) or for dependent disabled children of any age. This benefit will be paid for three years regardless of disability payments from other public sources, such as Social Security. (However, if disabled members receive earned income that, together with their disability payments, totals more than their Final Average Compensation, SDRS will reduce their disability benefit payments.)

37th Month and After

Beginning with the 37th month, SDRS will adjust the member's disability benefit to coordinate with any Social Security disability payments. SDRS members who qualify for SDRS disability benefits may qualify for Social Security disability payments. Even if a member doesn't qualify under Social Security, SDRS still provides minimum disability

benefits. The amount a member receives from SDRS will depend on whether or not the member is eligible for and receiving Social Security disability benefits.

If the member is receiving Social Security disability benefits, the member will receive from SDRS the greater of:

- the SDRS disability payment the member has been receiving less the amount of the Primary Social Security; **or**
- an amount equal to the member's unreduced earned retirement benefit as of the date of disability (this payment will not affect the member's future retirement benefit)

Regardless, the minimum disability benefit the member will receive from SDRS is 20 percent of the member's Final Average Compensation.

The member who is not eligible for and not receiving Social Security payments at the beginning of the 37th month will receive the greater of:

- an amount equal annually to 20 percent of the member's Final Average Compensation; **or**
- an amount equal to the member's unreduced earned retirement benefit as of the date of disability (this payment will not affect the member's future retirement benefit)

All disability benefits are paid monthly.

Members seeking disability benefits should apply as soon as possible. If a member does not apply within three years of the date contributory service ends, the member will forfeit the right to a disability benefit from SDRS.

Disability and Retirement

While receiving disability payments from SDRS, the member will continue to earn credited service toward a retirement benefit until normal retirement age (65 for Class A and Class B-Judicial, 55 for Class B-Public Safety). Additionally, in most cases, when a member reaches age 65, the disability allowance will be converted to a retirement benefit. In calculating the retirement benefit, SDRS will use the member's Final Average Compensation and will increase it each year the member was on disability by the cost-of-living adjustment.

If a Class A member begins receiving a disability benefit after age 60 (age 50 Class B), he or she may continue to receive disability benefits for five years before converting to a retirement benefit, if eligible.

Termination Benefits

Members who terminate employment can leave their accumulated contributions with the system, or they can withdraw them. Accumulated contributions are all of the contributions a member has made and a portion of the employer's contributions (depending upon length of service) plus accumulated interest. Members interested in taking a refund are urged to contact SDRS for a Refund Explanation packet.

Non-Vested Members Who Leave Their Contributions on Deposit

Members who have contributed to the system for less than three years (non-vested) may leave their contributions with the system for up to 10 years from the date of termination. (This option is often chosen by members who anticipate possible reemployment with a participating unit.) Interest earnings will continue to be credited during that time. The SDRS Board of Trustees sets the interest rate annually. The interest is credited annually.

After 10 years, non-vested members must withdraw their contributions. If SDRS is unable to locate a member to process the mandatory refund, that member's accumulated contributions will revert to the system after 11 years.

Non-Vested Members Who Withdraw Their Contributions

Members with less than three years of contributory service (non-vested) who choose to take a refund will receive 100 percent of their member contributions and 50 percent of their employer contributions, plus interest. Members who withdraw their contributions from the system will forfeit their rights to any other benefit under the system and to any future benefit improvements.

Vested Members Who Leave Their Contributions on Deposit

Members who have at least three years of contributory service are "vested" members. This means they have the right to receive a monthly lifetime retirement benefit at age 65 (age 55 for Class B-Public Safety), or a reduced amount as early as age 55 (age 45 for Class B-Public Safety) if they leave their contributions with SDRS. From the time the member stops working for a participating unit until payments actually begin, the final average compensation (used in the benefit formula) will be increased each year by the COLA, and interest will continue to accrue on contributions.

Vested Members Who Withdraw Their Contributions

Members with three or more years of contributory service (vested) who choose to take a refund will receive 100 percent of their member contributions and 85 percent of their employer contributions, plus interest. Members who withdraw their contributions from the system will forfeit their rights to any other benefit under the system and to any future benefit improvements.

Additional Provisions Applying to All Members Who Withdraw Contributions

Members who withdraw their contributions may direct SDRS to place that withdrawal directly into an IRA or other eligible retirement plan in what is called a rollover.

If members choose to take possession of their refunds themselves, the IRS requires SDRS to withhold 20 percent of all refunds where direct payment to the member is elected. This 20 percent withholding is used to offset the potential tax liability of the refund. These members may still roll their refund over into another eligible retirement plan within 60 days, but to avoid income taxes, they must deposit the entire amount of their refund, including the 20 percent that was withheld.

Members will pay income tax on any part of a refund that they do not roll over into another eligible retirement account. Additionally, a 10 percent penalty for early withdrawals will be assessed by the IRS on anyone under age 59½. (Note: All SDRS member contributions paid before July 1, 1984, were taxed. Refunds of contributions paid by members before July 1, 1984, are not subject to federal income tax because the tax has already been paid on those contributions.)

Reemployment of Former Members

Members who withdraw their contributions when they terminate and are later rehired by a participating unit on a permanent, full-time basis can reinstate past credited service by redepositing those contributions, with interest at the valuation interest rate from the date of withdrawal. This redeposit must be made in a lump-sum during the first two years of reemployment. A contributing member also has the option of purchasing this service.

Credited Service

Credited service consists of complete or partial years of employment in which a member made contributions to SDRS, as well as years of employment credited to a member by SDRS for service in the retirement systems that consolidated into SDRS on July 1, 1974. Credited service is one of the factors used in the calculation of a member's lifetime retirement benefit.

Credited service includes time spent on authorized military leave of absence for a member's initial tour of duty, provided that the member returns to employment with a participating unit within one year of discharge and remains in employment for one year thereafter.

Credited service can also include time spent on an employer-approved leave of absence.

Purchasing Prior Service Credit

Eligible members may buy additional credited service to SDRS. To be eligible, they must be a contributing member and have public employment for which they are not entitled to retirement benefits.

The cost to purchase credited service depends on the member's age at the time of purchase. The cost is an actuarially determined percentage of their current salary (or their final average compensation, whichever is higher). The following tables show the percentages based on age to purchase one year of credited service:

Class A Members

Age at Purchase	% of Combined Contributions*	% of Pay
39 and Younger	100%	12.0%
40	112%	13.4%
41	123%	14.7%
42	133%	16.0%
43	144%	17.3%
44	155%	18.6%
45	166%	19.9%
46	177%	21.2%
47	187%	22.4%
48	198%	23.7%
49	208%	24.9%
50	218%	26.2%
51	228%	27.4%
52	238%	28.6%
53	249%	29.9%
54	259%	31.1%
55 and Older	269%	32.3%

* Class A combined member and employer contributions equal 12% of pay.

Class B-Public Safety Members

Age at Purchase	% of Combined Contributions*	% of Pay
29 and Younger	100%	16.0%
30	111%	17.8%
31	122%	19.5%
32	133%	21.2%
33	143%	22.9%
34	154%	24.6%
35	164%	26.3%
36	175%	28.0%
37	185%	29.6%
38	196%	31.3%
39	206%	33.0%
40	216%	34.6%
41	226%	36.2%
42	237%	37.9%
43	247%	39.5%
44	257%	41.1%
45 and Older	267%	42.7%

* Class B-Public Safety combined member and employer contributions equal 16% of pay.

Class B-Judicial Members

Age at Purchase	% of Combined Contributions*	% of Pay
39 and Younger	100%	18.0%
40	111%	19.9%
41	121%	21.8%
42	132%	23.8%
43	143%	25.7%
44	153%	27.6%
45	164%	29.5%
46	174%	31.3%
47	184%	33.2%
48	195%	35.1%
49	205%	36.9%
50	216%	38.8%
51	226%	40.6%
52	236%	42.4%
53	246%	44.2%
54	256%	46.0%
55 and Older	266%	47.8%

* Class B-Judicial combined member and employer contributions equal 18% of pay.

In some cases, members who terminated, took a refund of their contributions, and are later reemployed by a participating unit may wish to purchase credited service for their previous employment. They may do so, but their purchase will only reinstate the credited service. If they refund again, only the purchase cost will be refunded.

If a member wishes to purchase credited service for time spent working in non-Social-Security-covered employment, the member's ultimate Social Security benefit may be impacted. The member must contact the Social Security Administration to determine if, and by how much, their Social Security benefit will be affected.

Standard Purchase Unit

In a unit not participating in the tax-efficient purchase plan, payment for prior credited service may be made in a lump-sum or amortized over a period of up to 10 years. Members pay by personal check. (Note: some participating units allow payroll deduction.)

If the member terminates employment or dies before completing the purchase, the spouse can complete the remaining payments within 90 days, or the credited service will be adjusted based on the amount paid.

Purchases of prior credited service in these units are NOT tax-deferred.

Tax-Efficient Purchase Unit

Participating units have the option of allowing their members to purchase prior credited service on a tax-deferred basis. This means that purchase payments will be deducted from a member's salary before income tax is calculated, resulting in a smaller tax payment. To take part in this option, employers must submit a written resolution to SDRS and agree to transmit all purchase data by electronic media.

Several restrictions also apply to members in a tax-efficient purchase unit:

- Members may purchase prior credited service only with pre-tax dollars deducted from their salaries. Cash purchases are prohibited.
- All contracts for purchase are irrevocable — i.e., members may not suspend payments before purchases are completed. Only one contract per member is permitted at a time.
- Members who have an existing contract in place when their unit chooses to become a tax-efficient purchase unit have two options: switch to the tax-efficient purchase plan or terminate their contract.

All purchases of credited service must be completed one month before a member retires. A member must plan ahead to ensure that sufficient funds are available to cover the salary reduction. If a member terminates employment before the purchase is completed, the amount of service credited will be prorated based upon the amount of payments completed.

Trustee-to-Trustee Transfer

Instead of purchasing service, the acquisition method uses an agreement to transfer the necessary funds from the trustee of the SRP, a similar § 457 plan, or a § 403(b) plan, directly to SDRS. In order to use this acquisition method, several requirements must be met:

- Members must be contributing to SDRS.
- Members must be participating in the SRP, a similar § 457 plan, or a § 403(b) plan. IRA's do not qualify.
- The transfer must exactly equal the amount necessary to acquire the credited service.
- The transfer must be between the trustees only and never accessible to the member.
- Only verified public employment may be acquired.
- Members must have:
 - Verified service that is not currently credited within SDRS;
 - Withdrawn their contributions from SDRS; **or**
 - Returned to work for an SDRS employer and want to acquire previously uncredited service.

If the transfer is from an entity other than the SRP, receiving the dollars within the specified time period may be difficult. For ease in using a trustee-to-trustee transfer, a member may want to first move their funds to the SRP.

Conversion of Class A Credited Service to Class B-Public Safety Credited Service

The following Class B-Public Safety positions were at one time classified as Class A:

- penitentiary correctional staff member, prior to July 1, 1978
- county sheriff or deputy county sheriff, prior to January 1, 1980
- conservation officer, prior to July 1, 1983
- police officer without law-enforcement certification, hired between July 1, 1983, and June 30, 1988
- sheriff and deputy sheriff without law-enforcement certification, hired between July 1, 1983, and June 30, 1988
- parole agent, prior to July 1, 1991
- air rescue fire fighter, prior to July 1, 1992
- court services officer, prior to July 1, 1993
- certain campus security officers, prior to July 1, 1993
- park ranger and Custer State Park conservation officer, prior to July 1, 1995
- approved jailers (reclassification dates will vary)
- other firefighters

If a current, contributing member with Class B-Public Safety credited service earned Class A credited service in one of these positions prior to the dates listed, the member has the option of converting that Class A credited service to Class B credited service.

Members may also convert certain Class A credited service earned as a public safety employee to Class B-Public Safety credited service. The cost to convert service depends on your age and is an actuarially determined percentage of their current salary (or final average compensation, if greater). The chart below shows the percentages to convert one year of service:

Converting Class A Credited Service to Class B-Public Safety Credited Service (On or After July 1, 2004)

Age at Conversion	% of Combined Contributions*	% of Pay
29 and Younger	25%	4.0%
30	36%	5.8%
31	47%	7.5%
32	58%	9.2%
33	68%	10.9%
34	79%	12.6%
35	89%	14.3%
36	100%	16.0%
37	110%	17.6%
38	121%	19.3%
39	131%	21.0%
40 and Older	133%	21.2%

* Class B Public Safety combined member and employer contributions equal 16% of pay.

Redeposits

Members who terminate their employment and withdraw their contributions forfeit their right to any benefit under the system. If they are later rehired by a participating unit on a permanent, full-time basis, they may reinstate their past credited service by repaying all accumulated contributions they withdrew when they left, plus interest from the date of withdrawal to the date of redeposit. The redeposit must be made in a lump-sum payment during the first two years of reemployment. A trustee-to-trustee transfer is also possible.

Vesting

SDRS members are vested after three years, meaning they are entitled to a lifetime monthly benefit when they reach retirement age. Members who leave SDRS employment after three years and leave their contributions with the system remain vested in the system. They can receive a lifetime monthly retirement benefit at normal retirement age or a reduced benefit if taken early.

Members who terminate employment with SDRS before vesting may leave their contributions in the system for up to ten years. Interest earnings will continue to be credited to them during that time.

Assignment of SDRS Benefits

SDRS is a tax-qualified retirement plan. Under the plan provisions, the rights of a person to a benefit, a refund of accumulated contributions, or any other benefit or right are exempt from process under law and may not be assigned to another party. The only exception is a qualified domestic-relations order (QDRO).

Using a bank as an example, this means:

- A member may not assign SDRS benefits or accumulated contributions to a bank as security for a loan.
- A bank may not foreclose on SDRS benefits or accumulated contributions to recover amounts owed by a member.

When helping a member complete financial statements, take care to explain that, although SDRS benefits are a member asset, they may not be assigned or attached.

Divorces and Qualified Domestic-Relations Orders

In both federal and state law, a qualified domestic-relations order (QDRO) is an exception to the provision that prohibits assignment of SDRS benefits. The value of an SDRS benefit is a marital asset that will be considered in the property settlement associated with any divorce of an SDRS member. In some situations, a member may be required (or wish) to assign part of his or her retirement benefit to satisfy an obligation under a property settlement.

While SDRS benefits constitute a marital asset, placing a value on the benefits is an extremely complex process. SDRS can provide a member the following information:

- the value of accumulated contributions (employer and member contributions with interest) as of a specific date
- an estimated lifetime monthly retirement benefit as of a specific date

For an active member, the monthly benefit is an estimate which may be subject to change depending upon the benefit formula multipliers and cost-of-living provisions existing at the time of retirement. Thus, the accumulated contributions may be a more accurate valuation.

For retired members, the monthly benefit payable at the time of retirement should be payable for the life of the member. Survivor benefits, however, cannot be paid to an ex-spouse or to the spouse of a post-retirement marriage. The ex-spouse should be aware that, if the member dies, the payments cease, regardless of whether the ex-spouse has received the value agreed upon in a property settlement.

In case of divorce, the member or member's attorney should contact the SDRS general counsel. Draft copies of QDROs, which may be used by a member's attorney, are available from SDRS. However, SDRS does not advise members about handling SDRS benefits during a divorce settlement.

If a portion of a member's lifetime retirement benefit is to be assigned to an ex-spouse, a QDRO is required and is subject to approval by SDRS. Members and their attorneys should also be aware that a QDRO may not:

- begin assignment of all or part of a benefit to an ex-spouse prior to the time the benefit is payable to the member
- expand or change an SDRS benefit
- continue an assignment of all or part of an annuity benefit beyond the lifetime of a member.

Military Call-ups

When National Guard units and reservists across the state are called to active duty, the men and women who are public employees will be concerned about the possible effect their call-up may have on their SDRS benefits. Employees who replace those on military leave of absence will want to know their status as possible members of SDRS.

Retirement Benefits

A member called to active duty will earn credited service in SDRS while serving in the armed forces if he or she meets the following requirements:

- secures authorization in advance from his/her employer for a leave of absence for military service;
- returns to the employment of an SDRS participating unit within one year of discharge from his/her initial period of military service; and
- remains in the employment of that same employer for at least one year upon his/her return.

This credited service does not require a contribution from either the employer or the member.

Survivor and Disability Benefits

The continuation of SDRS survivor and disability benefits, however, depends upon the continued classification of an employee as a contributing SDRS member during his or her leave of absence. To meet this requirement, both the member and employer contributions must be made to the system for each pay period of the member's leave of absence. This may be accomplished in at least four ways.

1. An employer may make both member and employer contributions to SDRS, pursuant to SDCL 3-12-85.
2. The employer may compensate the member for vacation, sick and other accumulated personal leave at something less than 40 hours per week. This method will extend the period of compensation allowing contributions to continue, which will have the effect of continuing SDRS survivor and disability benefits until all personal leave is exhausted.
3. A member may make the full member and employer contributions to the system during his/her leave of absence.
4. Employers and members may develop a method that combines Options 1, 2, and 3.

Defining the Status of Temporary Replacements

Many employers have asked whether temporary replacements of activated employees must be enrolled in SDRS. To be a member of SDRS, an employee must be a "permanent, full-time employee." SDCL 3-12-47 (38) specifies three criteria that must be met before an employee is considered permanent and full-time. He or she must:

-
- be placed in a permanent classification;
 - work 20 or more hours per week; **and**
 - work six months or more per year.

In general, temporary replacements will not meet these criteria and, therefore, are not eligible for membership in SDRS. No one knows, however, how long any call-up will last. Consequently, it is possible that if the call-up is for an extended period of time, temporary replacements may become permanent employees as set forth in SDCL 3-12-47 (54). For temporaries working 20 or more hours per week, this point may come after six months of employment. As your temporary employees approach this length of service, please contact SDRS to discuss this situation.

If you have members in your unit who have been called to active military duty, please review their files and the alternatives that may still be open to them. If you have questions about continuing benefits to activated members or SDRS requirements regarding your temporary employees, please call SDRS.

Supplemental Retirement Plan (SRP)

While SDRS benefits and Social Security will provide the majority of retirement income for SDRS members, most will need additional income from personal savings to maintain the standard of living they enjoyed while employed. To make it easier for members to set aside money for their retirement, SDRS offers a voluntary, tax-sheltered, deferred compensation plan called the Supplemental Retirement Plan (SRP). The SRP is a 457(b) plan.

The SRP offers a number of investment alternatives selected by the South Dakota state investment officer. The Board has contracted with Nationwide Retirement Solutions, Inc. (NRS) as the third-party administrator to explain the plan and investment alternatives and to provide other plan services under the supervision of the SDRS Board.

Your responsibility as an authorized agent is to inform members of the availability of the SRP and to provide them with an enrollment packet. The toll-free number to call for more information is 1-800-959-4457 (customer service) or 605-224-2230 (local).

All SDRS participating units participate in the SRP. All SDRS members are eligible to participate in the SRP.

Features of SRP

The plan's investment alternatives range from low-risk money market funds to higher-risk and potentially higher-earning growth funds. Contributions and earnings are not subject to taxation until a member retires and begins receiving benefits. At that time, the member's tax rate will probably be lower than it was during his or her working career. Thus, the tax savings on contributions and earnings can be substantial.

Members should be aware, however, that the SRP is NOT a liquid savings account from which they may withdraw funds at any time. There are limited situations in which funds can be withdrawn:

- upon termination of employment
- upon the death of a member, at which time the beneficiary may begin receiving a benefit
- in the event of an unforeseeable emergency. Unforeseeable emergency is defined in federal law as severe financial hardship as a result of a sudden and unexpected injury or illness. Normal budgetable expenses will not qualify.

The minimum contribution to the SRP is \$25 a month. For current maximum deferral and catch-up contribution amounts, please consult the SRP website at www.srp457.com. Members may change the amount they contribute or suspend contributions at any time. Contributions can be directed into a single investment alternative or as many as the member desires.

At retirement, members may choose one of the following methods of withdrawing their savings from the SRP:

- purchase an SDRS-Supplemental Pension Benefit (SPB)
- a lump-sum (or partial lump-sum) payment
- a lifetime annuity (i.e., a guaranteed dollar amount for life)
- substantially equal periodic payments calculated as:
 - a percentage of the total fund paid over a fixed period of time
 - a monthly fixed dollar amount paid until the funds are depleted

NRS, the plan administrator, provides essential administrative services. To finance the costs of these services, members are required to pay administrative fees. Contact NRS for more information on the fees for the SRP (1-800-959-4457 or 605-224-2230).

Automatic Enrollment Feature of the SRP

While employee participation in the SRP is voluntary, many SDRS participating employers have added the automatic enrollment feature of the SRP to their benefit structure in an effort to encourage additional retirement savings for their newly hired employees. If you have questions about how this feature works or if your employer unit would like to implement the automatic enrollment feature for its new hires, please contact SDRS for more information and a model resolution to adopt this provision.

Special Pay Plan (SPP)

The Special Pay Plan (SPP) is an additional retirement plan funded by an eligible employee's termination pay. Special pay may include unused annual leave, unused sick leave, or other lump-sum termination pay that is eligible for contribution into the SPP. (Note: SDRS contributions are not made on lump-sum termination pay.)

The SPP is designed to offer an additional tax-deferred investment option to eligible employees by delaying income taxation on contributions and earnings until they are withdrawn from the Plan. The SPP is administered by Nationwide Retirement Solutions, Inc. (NRS) and offers the same investment alternatives and payout options as the SRP.

Employees eligible for the SPP include: employees of the State of South Dakota, Board of Regents, or other employers who have elected to participate; employees who are age 55 or have reached the first day of the calendar month prior to their 55th birthday; employees who are receiving special pay of \$600 or more. Contributions to the SPP are subject to Internal Revenue Code Section 415 limits.

NRS, the plan administrator, provides essential administrative services. To finance the costs of these services, members of the SPP are required to pay administrative fees. Contact NRS for more information on the fees for the SPP (1-800-959-4457 or 605-224-2230). Additional information regarding the SPP is available online: www.sdrs.sd.gov/srp.

Supplemental Pension Benefit (SPB)

The Supplemental Pension Benefit (SPB) program offers a method for members to create additional financial security during retirement through guaranteed lifetime monthly benefit payments with cost-of-living adjustments. The SPB is designed to provide members the opportunity to enhance their primary SDRS retirement benefit by allowing them to convert funds from their SRP and/or SPP accounts to establish an additional lifetime benefit. Survivor benefits are also available with the SPB depending on the member's marital status at the time the SPB is established. While the SPB program is voluntary, once a member exercises and establishes an SPB, it becomes irrevocable.

Any SDRS member is eligible to participate in the SPB program if the member:

- have terminated employment, and
- are currently receiving an SDRS monthly retirement benefit, and
- have at least \$10,000 in the SRP or SPP, or in a combination of both plans.

Members who retired and returned to work with an SDRS-covered employer are not allowed to purchase a SPB while employed because IRS law will not allow the transfer of 457 funds unless the member is in termination status.

If a retiring or retired member is interested in purchasing an SPB with their SRP and/or SPP funds, please have the member contact SDRS.

Your duties as an authorized agent include submitting monthly reports to SDRS of members' compensation and contributions, as well as depositing the contributions made by members and your employer. These duties are among the most important elements of your job as authorized agent. This chapter outlines the required contributions and discusses the kinds of compensation that must be reported. It also explains how to complete the Monthly Contribution Report and tells you when reports and contributions are due.

Member Contributions

You must report all compensation and contributions of employees in permanent, full-time classifications (at least 20 hours per week and 6 months per year) who are employed by your unit. In addition, you must report the compensation and contributions of elected officials who have chosen to participate in SDRS.

All certified teachers employed by a public school district who have been placed in a permanent, full-time classification must participate in SDRS, even if they are employed in a non-teaching position (i.e., certified teachers working in the school business office).

For answers to specific questions about participation, see the chapter "Eligibility and Participation".

Employee Classifications and Retirement Contribution Rates

Each member who begins SDRS participation must be placed in an employee classification. You will use that classification's code number in reporting the member's compensation and percentage of compensation deducted each month as the normal retirement contribution.

Code	Description Type	Employee Percent of Earnings
01	Judges, Justices, and Magistrate Judges	9%
02	State Law Enforcement Officers	8%
03	Teachers, Administrative (schools)	6%
04	Board of Regents (non-certified)	6%
05	State Agencies	6%
07	Board of Regents (Professional and Administrative)	6%
08	School Districts (non-certified), Chartered Governmental Units and Public Corporations, Boards and Commissions	6%
09	Municipal General	6%
10	Municipal Law Enforcement and Firefighters	8%
11	County General	6%
12	County Law Enforcement	8%
13	State Penitentiary Guards, Conservation Officers and Park Rangers	8%
17	Campus Police	8%

Optional Member Contributions

You may need to report two optional member contributions:

- **Optional Spouse Coverage:** This coverage is closed to new enrollments effective July 1, 2010. Members who have chosen the optional spouse coverage will have an additional 1.5 percent deducted from their compensation. This amount is NOT to be matched by the employer, is NOT tax-deferred, and is nonrefundable.
- **Prior Service Credit Purchase Payments:** If your unit is a standard purchase plan unit, payroll deductions for purchases of prior service credit are possible if your employer permits. This amount is NOT tax-deferred; it must be deducted from a member's after-tax compensation (after withholding for federal income tax).

If your unit is enrolled in the tax-efficient purchase plan, members must make their purchases of prior service credit with pre-tax dollars deducted from their salaries. The amount must be deducted from their compensation prior to withholding for federal income tax.

Employer Contributions

The employer matches the normal retirement contribution for each participating member. These matching amounts must be reported each month on the Monthly Retirement Contribution Report. (The contributions for state employees are automatically transmitted bi-weekly.) The normal retirement deduction is the ONLY deduction that the employer matches.

By law, effective July 1, 2002, employers who have Class A members earning an annual salary over the Social Security maximum are required to contribute an additional 6.2 percent of the members' compensation. The additional contribution will fully cover the cost of the Class A Alternate Formula multiplier.

Compensation That Must Be Reported

The term "compensation," as used by SDRS, means the same as "wages" as defined in the Social Security Act. Compensation includes all payments for services rendered by an employee. All earnings and wages, salaries, fees, and wages-in-kind must be reported regardless of the source of the funds. If your unit has the final authority to hire, direct, and fire the employee, that employee's compensation must be reported, even if it is funded by another entity (for example: the federal government).

Besides the employee's regular salary, examples of other compensation include:

- **Overtime pay**
- **Vacation pay and Sick pay:** Normal annual leave (vacation) and sick leave pay is compensation subject to SDRS contributions. (Exception: lump-sum payouts of leave balances at member's termination.)

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- **Back pay:** Back pay is the payment to a current or former employee for services performed in an earlier period. It must be reported at the time it is paid. See the definition of back pay in the Appendix.
 - **Longevity pay**
 - **Wages-in-kind:** The value of meals and lodging furnished to an employee is considered SDRS compensation if it is included on the employee's W-2 form as taxable income. However, if travel, meals, or lodging expenses are reimbursed to an employee, the cash reimbursements are not considered SDRS compensation. See the definition of wages-in-kind in the Appendix.
 - **Compensation paid after death:** Compensation paid to a deceased employee's survivor or estate is to be reported as compensation paid to the deceased employee.
 - **Tax-sheltered annuities:** If part of an employee's compensation is applied to a tax-sheltered annuity, the total compensation, including the amount applied to the tax-sheltered annuity, is considered SDRS compensation.

Payments Not Considered SDRS Compensation

The following types of payments are NOT considered SDRS compensation and are not reported as such:

- **Unused Sick and Annual Leave Pay:** A lump-sum payout of accumulated sick and annual leave hours is not considered SDRS compensation. Effective July 1, 2004, the definition of compensation was changed in SDRS law to exclude money that terminating employees receive for lump-sum payouts of unused sick or annual leave. Because SDRS contributions are due only on compensation as defined in SDCL 3-12-47 (20), no contributions are collected from either the employee or the employer on these final sick and annual leave payouts. Additionally, any lump-sum payout of accumulated sick and annual leave paid to active employees is not considered SDRS compensation (such as a personal leave payout at the end of the school year).
- **Expense reimbursement and allowances:** Travel and business expense payments are not considered SDRS compensation if the employer can verify, by expense vouchers or reports, that the amounts were reimbursement for ordinary and necessary expenses actually or reasonably expected to be incurred by the employee or official while performing the employer's business.
- **Allowance for moving expenses:** Payments to employees as reimbursements for moving expenses are not considered SDRS compensation. Moving expenses include only the reasonable expense of moving the household goods and personal effects of the employee and household members from their former residence to their new residence.
- **Worker's Compensation payments:** Payments made to an employee under the Worker's Compensation or Occupational Disease acts for accidental injuries or occupational disease suffered in the course of employment are not considered SDRS compensation.

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- **Employee benefit payments:** Payments for insurance coverage or other employee benefits by an employer on behalf of an employee or an employee and dependents are not considered SDRS compensation. Employee-paid premiums for dependent care are considered SDRS compensation.
 - **Payments based on retirement:** Payments made, whether lump-sum or over a period of time, based on an employee's retirement or agreement to retire in the future, are not considered SDRS compensation.
 - **Payments based on agreement to terminate employment:** Payments made, whether lump-sum or over a period of time, based on an employee's agreement to terminate employment at a specified time in the future are not considered SDRS compensation.

Spiking Retirement Benefits

Payments for any of the above items are not considered compensation for the purposes of SDRS contributions, which means they cannot be used to increase a member's lifetime retirement benefit. Including any of these payments as part of a member's final average salary results in an artificially inflated, or spiked, benefit. Because SDRS does not receive contributions to fund a spiked benefit, it is paid for by other members of the system. A member's retirement benefit may only be legally increased by the following:

- a legislative increase in the benefit multiplier
- an increase in the member's final average salary
- an increase in the member's years of credited service

Intentionally raising retirement benefits by any other means is not permitted under the laws governing SDRS.

Specific Questions Relating to Teaching

Teaching compensation includes all payments made for teaching and supervising students, overseeing student activities, and other assignments that are part of the total education program. They include the following and are considered SDRS compensation:

- all compensation paid under a teaching contract
- compensation paid for coaching
- compensation paid for after-school and Saturday teaching, such as driver's education
- compensation paid for supervision of cafeteria, lunchrooms, playground, school bus driving, etc.
- compensation paid for counseling and supervising student clubs/organizations and other student extracurricular activities
- compensation paid for chaperoning student trips, dances, and other student activities and events
- compensation paid for working at school events, such as athletic contests, drama or music performances, etc.

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- compensation for pre-term orientation, workshop and curriculum planning (if part of the school-term contract)
 - compensation of school administrators, including compensation as board secretary, treasurer, clerk, etc.
 - compensation paid for summer-school work, if it is part of a separate contractual agreement

Leave of Absence

Each year, a number of SDRS members take an employer-approved leave of absence. Some leaves are without pay, while others require the employer to pay the member a portion of salary or some type of stipend.

Leave Without Pay

If an employer approves a leave without pay for a member, the member must decide whether to continue retirement contributions during the leave. The member has two options:

Option One

The member may make both the employer and member contributions. The amount will be determined by multiplying the appropriate contribution rate — 12 percent for Class A credited service, 16 percent for Class B-Public Safety credited service, or 18 percent for Class B-Judicial credited service — times the member's annual rate of pay just prior to the leave.

Members who elect to continue contributions will accrue credited service during the leave, and death and disability benefits will continue. Contributions must be sent to the system at least monthly.

Option Two

The member may elect to make no contributions during the leave of absence. Members who elect to make no contributions during the leave period will not accrue credited service during that time. In addition, **disability and death coverage will not continue** if contributions are not made. In other words, if the member becomes disabled during the leave period, he or she will not be eligible for disability benefits. If the member dies, the family will not be entitled to death benefits (other than a withdrawal of the member's accumulated contributions).

When a member who elected not to make contributions during the leave period returns to SDRS-covered employment, he or she may purchase credited service for the period spent on employer-approved leave of absence.

Leave With Pay or Stipend

Employer-approved leaves of absence during which the member receives some type

of payment include sabbatical leave for higher education employees and education leave available to certain state employees. A member who is approved for a leave of absence and receives some type of payment during that leave has the same options regarding continuation of contributions as the member on leave without pay. If the member chooses to continue SDRS membership and coverage during the leave, contributions must be paid on the amount of the **full salary** paid to the member immediately prior to the leave and NOT on the amount paid during the leave period. Employers and members must work out the details of who will pay the contributions.

Example

A member is approved for a one-year educational leave of absence. Prior to the leave, the member was earning \$24,000 per year. While on educational leave, the member will receive a stipend totaling \$12,000 for the year. To continue membership and coverages with SDRS during this leave of absence, the member must make both the member and employer contributions on the \$24,000 salary that was paid immediately prior to the leave.

Leave Following an On-the-Job Injury

Occasionally, a member is granted a leave-of-absence following an on-the-job injury. Members on such employer-approved leave may continue to receive credited service in SDRS by making both the employer and member contributions throughout the leave, thereby maintaining disability and survivor coverage. The level of these contributions is based upon the member's rate of compensation immediately prior to the leave.

When a member takes leave following an on-the-job injury, he or she usually collects Worker's Compensation. Worker's Compensation payments are specifically excluded from compensation for SDRS purposes, and therefore, no contributions are made on those payments. Worker's Compensation pays an amount equal to two-thirds of a member's salary and some employers provide the other third. Because contributions to SDRS prior to the leave were based on the salary paid by the employer, employers and members sometimes erroneously conclude that contributions during a leave are based on the employer's one-third share. This is not the case. The member must make contributions based on the full salary paid by the employer just prior to the leave.

Military Leave of Absence

SDCL 3-12-86 states:

A member shall receive credited service for leave of absence due to military service, authorized in advance by the employer, without contribution by the employee or employer if the member returns to the employ of a participating unit within one year from the member's date of discharge from the member's initial period of active military service and if the member remains in the employ of a participating unit for at least one year. The member may not receive credit for any voluntary extension of military service at the instance of the member beyond the

initial period of enlistment, induction, or call to active duty. No credited service granted under this section may be considered to represent either member contributions or employer contributions for purposes of contribution withdrawals pursuant to this chapter.

Preparing the Monthly Retirement Contribution Report

Participating units of SDRS are required to deposit contributions monthly.

Electronic Contribution Report Method

Currently, there are two methods for transmitting contribution reports electronically.

Download Method

The first method requires downloading a simple, easy-to-use program from the SDRS website. The program consists of a contribution report form that saves member information – names, addresses, Social Security numbers – from month to month. Then each pay period, the employer enters its member's gross wages and SDRS contributions and sends the form to SDRS with a single click of the mouse.

To download:

Log On: www.sdrs.sd.gov

Click On: Employer Contribution Reporting Login

Log In: Employer Log-In Password Required - which will take you to the Welcome Page

Click On: Continue

Scroll: To Download (middle of page)

Click On: Download Retirement.exe program; call SDRS if you need assistance. Place icon on desktop (optional, but recommended).

To use:

Click On: Retirement.exe program (icon on desktop)

Click On: Edit Contribution Report

Use this report to edit employee wages, SDRS contributions, and optional Spouse contributions. You can add new employees or remove terminated employees. At this point the system also produces the required Recap Report. Click on *Create/Print Recap Report* and insert the payment date and payment method. Then print a copy of the Recap Report for your records and click *Exit*. Once you have input all current data, click on *Save* and you will receive a confirmation message that your updates have been saved. The next step is to send the contribution report to SDRS – make sure you are connected to the internet and click *Send Contribution Report*. You will receive a confirmation from SDRS that the contribution report has been received.

Upload Method

The second method requires uploading and is used by employers that prepare their reports within a payroll program.

To use:

Log On: www.sdrs.sd.gov

Click On: Employer Contribution Reporting Login

Log In: Employer Log-In Password Required – which will take you to the Welcome Page

Click On: Continue

Click on *Browse* and locate the file you wish to upload – click the file name and *Open*. When the name of the file appears click *Upload* and the file will be uploaded to SDRS. You will receive a confirmation from SDRS that the contribution report has been received. This method allows an employer to upload the required Recap Report – just click on *Browse* to locate and follow the same process as stated above. ***Please contact the SDRS office if you need any assistance.***

Recap Report (if unable to upload)

You must complete and mail a Retirement Contribution Recap Report each month with the check(s) to the Sioux Falls Remittance Center. The Recap Report assists the Remittance Center staff in ensuring that the checks are credited to the correct account. The Recap Report also serves as a record of payments made.

Deposit Due Date

Based on SDCL 3-12-72 amendments effective January 1, 2009, it is your responsibility to send all employee and employer contributions (check or ACH) and the necessary supporting data (electronic file and Recap Report) by the fifteenth (15th) day following the payroll month in a format determined by SDRS.

For paper check(s): mail the check(s) and Recap Report to the Sioux Falls Remittance Center (allow time for mail delivery) and send the electronic file to SDRS in Pierre.

For ACH: send the electronic file and Recap Report to SDRS in Pierre and ACH payment to SDRS' bank (contact SDRS for bank information).

SDRS strongly encourages all agents to submit these reports as soon as possible after the last day of the payroll month. Early reporting makes it possible to correct errors and omissions before the deadline date.

If all payments for the month are not reported and transmitted with the Contribution Report by the 15th of the following month, interest and penalties will be assessed on the delinquent amount.

In your absence, the person authorized to sign the report should affix your name as authorized agent, add "by" and sign his or her own name.

SOUTH DAKOTA RETIREMENT SYSTEM
(605) 773-3731
FAX (605) 773-3949
RETIREMENT CONTRIBUTION RECAP REPORT

EMPLOYER NAME:

EMPLOYER NUMBER: **a**

BILLING MONTH AND YEAR **b**

TOTAL EARNINGS PAID THIS MONTH: \$

- 1. Total Employee Retirement Contributions \$ **c**
- 2. Total Optional Spouse Contributions \$ **d**
- 3. Total Prior Service Purchase \$ **e**
- 4. Total Employee Prior Report Corrections (As per Attached Statement of Explanation) \$ **g**
- 5. Total Employee Contributions (Add Lines 1, 2, 3 & 4) \$ _____
- 6. Total Employer Matching Contributions (Enter Total of Line 1) \$ _____
- 7. Employer Deficiency Payment \$ **f**
- 8. Total Employer Prior Report Corrections (As Per Attached Statement of Explanation) \$ **g**
- 9. Total Employer Contributions (Add Lines 6, 7 & 8) \$ _____
- 10. Total Amount Due This Report (Add lines 5 & 9) \$ _____

11. Payment Method and Date **h**

Method: _____

Date: _____

*TOTAL AMOUNT OF CHECK(S) REMITTED MUST EQUAL LINE 10 AMOUNT

I hereby certify and warrant that to the best of my knowledge the information recorded above is true and correct.

i

Signature of Authorized Agent

Date

Telephone Number

PLEASE MAIL THIS RECAP REPORT ALONG WITH YOUR CHECK MADE PAYABLE TO THE SOUTH DAKOTA RETIREMENT SYSTEM TO:

SOUTH DAKOTA RETIREMENT SYSTEM
BOX 5055
SIOUX FALLS, SD 57117-5055

Required Recap Report

If your employer is unable to upload, a sample report is provided to illustrate how the required recap report form is to be completed.

- a. Enter the employer number assigned by SDRS here.
- b. Enter the month and year wages are **paid** here.
- c. Enter total employee retirement contributions here.
- d. Enter total spouse option contributions here.
- e. Enter total prior service purchase payments here.
- f. If your employer is making monthly payments for prior service credit for employees, enter that amount here. (This situation usually occurs when a new group enters the system and the employer purchases prior service for all employees.)
- g. If you have found an error in employer contributions in a previous month's reporting, enter the amount that should be paid or deducted in order to correct your account. Attach an explanation of your calculation.
- h. Complete with payment method and date.
- i. Sign and date.

Accumulated Contributions The sum of the following:

- all contributions by a member
- 50 percent of employer contributions if the member has less than three years of credited service, or 85 percent of employer contributions if the member has three or more years of credited service
- amounts that a member has redeposited within the first two years of re-employment to recapture lost service
- the purchase cost if the member has purchased credited service, along with the effective rate of interest credited thereon

Back Pay Payment an employee receives for services performed at an earlier time. Back pay is considered compensation and should be reported at the time it is paid.

Back pay also includes the payment an employee receives after successfully suing an employer under the federal or state laws creating or protecting employment relationships and rights to wages. For example: if an employee who was unlawfully discharged because of age discrimination wins his or her court case, the payment of wages dating back to the time of discharge is back pay and is considered compensation to the employee.

In addition, back pay includes retroactive wage increases and union contract arbitration awards. If an employee receives a raise in June that is retroactive to March 1, the authorized agent must report the increase for the March-to-June period at the time it is paid.

COLA The acronym for cost-of-living adjustment, or the amount by which benefits are increased to compensate for the effects of inflation. Each year, eligible member benefit payments are increased by a cost-of-living adjustment. The COLA takes effect on July 1. The COLA is indexed to the CPI (consumer price index) and based on the SDRS funded status. The COLA can range from no less than 2.1 percent to a maximum of 3.1 percent. To be eligible for a COLA, the member cannot have reentered covered employment and the member must have received benefit payments for the full fiscal year period.

Compensation Gross wages paid to a member by the employer for personal services rendered during the period considered as credited service:

- Compensation includes amounts reported as wages, tips, and other compensation on the member's federal form W-2 wage and tax statement, except as otherwise excluded in this subdivision; the amount of member contributions made by an employer on or after July 1, 1984, pursuant to § 3-12-71; any amount contributed to a member's individual retirement plan which meets the requirements of section 401, 403, 408, or 457 of the Internal Revenue Code of 1986, as amended; and any amount contributed to the system pursuant to §3-12-83.2 in accord with § 414(h)(2) of the Internal Revenue Code as in effect on January 1, 1996;
- Compensation **does not** include travel, meals, lodging, moving, or any other expenses incidental to an employer's business which is reimbursed by the employer; lump-sum payments for sick leave; lump-sum payments for annual leave; 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; any amount paid in a one-time, lump-sum payment or over a period of time and based on or attributable to retirement or an agreement to retire in the future; 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 a lump-sum or over a period of time.

Contribution The percent of a member's annual salary paid into the South Dakota Retirement System for retirement benefits. The member and employer share the cost equally.

Class A members and their employers each contribute 6 percent of salary, Class B-Public Safety members and their employers each contribute 8 percent, and Class B-Judicial members and their employers each contribute 9 percent.

Credited Service Complete or partial years of employment with a participating unit in which a member contributed to SDRS. Years of employment credited to a member by retirement systems prior to consolidation (before July 1, 1974) are also counted.

Credited service includes time spent on authorized military leave of absence, subject to certain restrictions; time spent on authorized leaves of absence, time spent on sick leave or a



temporary lay-off during which a member paid contributions to the system.

Disability Any medically determinable physical or mental impairment that prevents a member from performing the usual duties of his or her job, provided the disability is not the result of a willful or self-inflicted injury. If the member's usual duties for the employer are changed due to a management decision, a request by the member, or for whatever reason, the last duties that the member performed for the employer are the usual duties considered for disability determination.

Eligibility Standard The requirement that an employee must work in a position normally requiring at least 20 hours of work per week for at least six months per year to be eligible for SDRS membership. The employer decides who is a permanent, full-time employee.

Investment Council The group of people who establish the policies for the investment of the SDRS Trust Fund. The council is made up of the state treasurer, the school and public lands commissioner, an appointee by the SDRS Board of Trustees, and five members at large who have backgrounds in finance.

As a policy-making board, the Council decides such things as the allocation of assets, investment strategy, and the selection or dismissal of outside investment managers.

Optional Spouse Coverage Effective July 1, 2010, this coverage is closed to new enrollments. Members who have the Optional Spouse coverage pay contributions of 1.5 percent of their salary. The coverage guarantees salary continuation benefits to a surviving spouse for the span of years not covered by the basic survivor benefits.

Optional spouse coverage covers a member's spouse from the time their youngest child reaches age 19 until the spouse reaches age 65. It also pays a benefit to a spouse under age 65 who has no children.

Redeposit Paying back contributions withdrawn from SDRS. Redepositing contributions reinstates the credited service earned during an earlier employment period.

Refund	The refund of accumulated contributions (member contributions and a portion of employer contributions depending upon length of service), plus interest, that a member may receive upon termination of employment. Members who take a refund forfeit all SDRS benefits to which they would otherwise be entitled and all future improvements to those benefits.
Retirement Benefit	Monthly lifetime payment members receive after retirement. Unlike a fixed dollar amount in a savings account, SDRS benefits are never depleted, regardless of how long a member and the member's spouse receive benefits.
SDRS Employer	School boards, the Board of Regents, agencies of state government, and other public entities, such as municipalities and counties.
Special Pay Plan (SPP)	An additional retirement plan funded by an eligible employee's termination pay. Special pay may include unused annual leave, unused sick leave, or other lump-sum termination pay that is eligible for contribution.
Spouse	<p>The person married to a member. To be eligible for spousal benefits, however, that person must have been married to the member prior to retirement and for at least 12 months prior to the member's death.</p> <p>For example, a person who married a member after the member retired would not be eligible for SDRS spouse benefits. Similarly, a person married to a member for only six months before the member's death would also be ineligible for spousal benefits.</p>
Supplemental Pension Benefit (SPB)	A voluntary, additional SDRS lifetime benefit that can be established by converting an SDRS retiree's SRP and/or SPP account funds.
Supplemental Retirement Plan (SRP)	A voluntary, tax-sheltered savings plan offered by SDRS to its members. The plan allows members to invest in one or more of the plan's investment alternatives that range from low-risk money market funds to higher-risk growth stock funds.
Teacher	A person who has a valid teacher's certificate issued by the state of South Dakota and who is employed by a public school district for at least 20 hours a week and six months per year.

Trust Fund The pool of money created by the contributions of members and their employers to fund the benefits for SDRS members and their beneficiaries. In all, over 460 distinct units of government and their employees contribute to the Trust Fund.

By law, the Trust Fund must be used for “the exclusive benefit of members and their beneficiaries.” Trust Fund monies are invested to earn income to pay retirement, death, and disability benefits to members and their survivors.

Uncredited Service Credit for prior part-time or full-time public service, including active duty military service, for which a member is not eligible to receive a retirement benefit. This service may be purchased by contributing SDRS members based on the higher of the member’s current compensation, or the member’s final average compensation, at an actuarially determined percentage.

For example: a member who worked two years for a state agency in Minnesota, and a member who served three years in the U.S. Navy, would be eligible to purchase years of credited service in SDRS equal to those years of public service employment, so long as no retirement benefit is possible from either public entity.

Vested To be entitled to a benefit. SDRS members are vested in the plan, that is, entitled to a retirement benefit, after three years of employment (contributory service) with an SDRS employer.

Wages-in-Kind Things of value an employee receives from an employer instead of actual money. The value of these items — meals and lodging, for example — must be reported as compensation if they are included on the employee’s W-2 form for federal income taxes. Likewise, if a school district furnishes its superintendent with a house, the monthly rental value of the house is considered compensation. Uniform and clothing allowances are also considered wages-in-kind and must be reported as compensation if they are included on the employee’s W-2 as taxable income.

Disability Process

How the Disability Approval Process Works

The disability approval process involves three participants: the member, the employer, and SDRS. Each has distinct responsibilities.

Member Responsibilities

Members must thoroughly discuss with their employers the physical or mental impairment which prevents them from performing the usual duties of their job. Sometimes accommodations can be made, or a comparable level position is available. It is essential that the employer certify the member's inability to perform the duties of his or her present position or that of a comparable level position to support the disability claim. If the member transfers to another position, the usual duties for the purpose of the disability application are the usual duties of the new position.

After the member and the employer discuss the situation, either may contact SDRS for disability application forms. The member should complete and return the disability application forms sent by SDRS as soon as possible. SDRS will then send the member additional forms and a letter explaining how to gather the necessary medical documentation to support the disability claim. It is the member's responsibility to ensure that SDRS receives the necessary documentation.

Employer Responsibilities

After discussing accommodations and/or a comparable level position with the member, the employer must take the following steps:

- Complete and return the Participating Unit Statement and Participating Unit Questionnaire. Other documentation (i.e., job description, performance evaluation, salary history, etc.) must be submitted to SDRS before the case can be evaluated.
- Submit Form B-1, "Termination of Contributory Service," to SDRS.

Note: Disability applicants on sick leave or vacation leave may wait until a decision is reached on their case before terminating contributions to SDRS. However, no disability benefit will be paid until SDRS has received the termination form (B-1) and the final contributions.

SDRS Responsibilities

After receiving a member's disability application, SDRS will perform the following steps:

- Review the disability application to determine eligibility for benefits.
- Compile information submitted by member, employer, and physicians and present to the Disability Advisory Committee (DAC). The DAC will recommend approval or denial of the application to the SDRS administrator. The committee may also defer the case to examine additional records or to request an

Independent Medical Examination, Functional Capacities Assessment, or other valuation before submitting a recommendation.

- The SDRS administrator will approve, deny, or defer the application based on the evidence. If the application is denied, the right of appeal is explained in writing to the member.

If the application is approved, SDRS will verify the end of contributory service and calculate the benefit (including the final contribution amounts). SDRS will review the case, as needed, and recalculate the benefit in the 37th month.

Applying for SDRS disability benefits does not guarantee that the member will receive a benefit. In each SDRS disability case, the burden of proof rests upon the member to provide sufficient evidence to support the disability claim. This means the member must submit medical records including updates of records and subsequent visits and evaluations. Timely submission of information is essential to expedient processing of the claim. The typical processing time for a disability claim is at least three months from the time SDRS receives the application until the time the claim is either approved or denied. If the case is deferred for any reason, the processing time may be significantly increased.

Disability Appeal Process

As outlined in SDCL 3-12-57.1, any member who has been denied disability benefits has 30 days to appeal the decision by filing a written notice of appeal with the administrator. The notice shall identify the member and the decision appealed. The notice of appeal must be sent to SDRS by either the member or the member's attorney. While it is not necessary to use an attorney during an appeal, it is often advisable.

After an appeal letter is received, the member or the member's attorney will be contacted by SDRS. The appeal shall be conducted by a hearing examiner. After hearing the evidence in the matter, the hearing examiner shall make proposed findings of fact and conclusions of law, and a proposed decision [*to the administrator*]. The administrator shall accept, reject, or modify those findings, conclusions, and decision. The administrator may arrange for the assistance of private counsel throughout the administrator's review of the proposal. The administrator's action constitutes the final agency decision.

If the member is successful on appeal and the final agency decision reverses the initial determination, SDRS will calculate the disability benefit and begin making monthly payments, retroactive to the month following the termination of contributions. If the member is unsuccessful in reversing the decision, the administrator's decision can be appealed to the circuit court and ultimately to the Supreme Court.

Criteria for Class B-Public Safety Membership

The following are the criteria which must be met by any group seeking Class B-Public Safety membership in the South Dakota Retirement System. To be recommended for Class B-Public Safety membership, a group must present evidence, satisfactory to the Board of Trustees, that the group as a whole meets all six of these criteria:

1. **Primary Duty Must Be to Preserve the Safety of the General Public and the Protection of Human Life and Both Private and Public Property.**

Comment: The primary duties of Class B-Public Safety members are to protect life, limb, and property. The designation of “law enforcement” is not sufficient, since prosecutors, department of revenue employees, and many others are primarily engaged in law enforcement. Members with Class B-Public Safety credited service must be engaged primarily in preserving the physical safety of individual citizens and their property and these duties must constitute 50 percent or more of the duties of the position.

2. **Age**

Comment: The duties of the group must be such that age reduces the capacity to perform at an acceptable level. The result of the reduced capacity must be that safety of individual citizens and their property is substantially reduced.

3. **Appointing Authority — Justification to Taxpayers**

Comment: The appointing authority for the State of South Dakota is as follows:

- Legislative Branch — Executive Board of the Legislative Research Council
- Judicial Branch — Chief Justice of the Supreme Court
- Executive Branch — The appointing authority as defined in § 3-6A-2; and the Commissioner of the Bureau of Personnel and the Commissioner of the Bureau of Finance and Management.
- The appointing authority for political subdivisions is the governing board or commission of the entity.

The appointing authority must have approved the request and made a judgment that the reduced capacity brought about by age will result in increased danger to individual citizens and their property. The increased cost to the taxpayers can be justified only if the effect of age on the capacity to perform requires that a youthful work force be maintained. Finally, the appointing authority must not be able to expand this group merely by changing job titles without also substantially changing duties. If the appointing authority believes that job duties and responsibilities have changed, which would cause a position or group of positions to no longer qualify for Class B-Public Safety, the appointing authority may request that SDRS review the positions to determine the appropriate action under this criterion.

4. **The Duties Must Be Hazardous, Stressful, and Physically Demanding**

Comment: These are the attributes of the duties which cause the capacity to perform to diminish with age. These duties must constitute 50 percent or more of the duties of the position. While all Class B-Public Safety positions must have these qualifications, many positions that should not be Class B-Public Safety have the same qualities. Class B-Public Safety status is justified only where, because of the decrease of ability to perform, increasing age results in danger to individual citizens and their property.

5. **Full-Time Responsibility**

Comment: Class B Public Safety status is justified only where an individual's responsibility for the safety of individuals and their property is full-time.

6. **Statutory Duties**

Comment: Reference to the statutory duties of a group is useful to the extent that the statute may define the responsibility for the safety of individuals and their property.

Procedure to Consider Requests for Class B Membership

1. Requests for Class B-Public Safety membership will be handled as follows:
 - The SDRS Board of Trustees shall consider all requests submitted in accordance with this procedure.
 - All requests shall be initially submitted to the appointing authority.
2. The appointing authority must have approved the request prior to the submission to SDRS. The appointing authority for the State of South Dakota is as follows:
 - Legislative Branch: Executive Board of Legislative Research Council
 - Judicial Branch: Chief Justice of the Supreme Court
 - Executive Branch: The appointing authority as defined in §3-6A-2; and the Commissioner of the Bureau of Personnel and the Commissioner of the Bureau of Finance and Management
 - The appointing authority for political subdivisions is the governing board or commission of the entity.

Upon receiving approval from the appointing authority, the proponents shall submit their request to the SDRS administrator in letter form, including written documentation of the appointing authority approval.

A written summary of the request, including the following information, should accompany the initial letter or should be submitted separately:

- Name(s) and Social Security number(s) of the position(s) to be considered in the request
 - title of the position(s) to be considered
 - position number(s) or other identifying number(s)
 - an organizational chart of the employer unit identifying the position(s) included in the request, and
 - listing of other position(s) within the employer unit to be excluded from the request including name(s) and Social Security number(s)
3. For each position included in the request, the following information must be submitted:
 - a copy of the current Position Description or its equivalent
 - a copy of the completed Position Description Questionnaire or its equivalent
 - a copy of the salary range
 - a written statement outlining why each position meets each of the Criteria for Class B-Public Safety Membership
 4. Once information, as outlined in this procedure, is received by the SDRS administrator, the request will be evaluated by SDRS staff. Additional information may be requested, as needed.

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5. Upon completion of the staff evaluation, the request will be submitted to the consulting actuary for financial analysis.
 6. The proponents will be asked to make a formal presentation to the SDRS Board of Trustees. The formal presentation will include a general overview of the request, the reasons why Class B-Public Safety membership is appropriate, and an analysis of how each of the criteria for Class B-Public Safety membership is satisfied.
 7. As part of the presentation, the proponents should demonstrate that each person affected by the change understands that if implemented:
 - There will be additional contribution costs for the employer and employees.
 - The change will be prospective only.
 - Members changing to Class B-Public Safety membership may forfeit family benefits after reaching age 55.
 8. Upon completion of the presentation, the request may be referred to an ad hoc committee of the Board of Trustees for further review and recommendation. The ad hoc committee may request that the proponents demonstrate why each position under consideration meets each of the criteria for Class B-Public Safety membership. The ad hoc committee may call on the proponents to respond to questions and may request additional information when deemed appropriate. Upon completion of its review of the request, the ad hoc committee will make a recommendation to the full board as to whether the request should be approved or denied.
 9. If the request is approved by the board and if a law change is necessary, the board will recommend the necessary changes to the appropriate committee of the legislature. It is expected that the proponents will appear at legislative hearings to assist in the testimony.

Member Issues Procedure

SDRS Board Of Trustees – Member Issues Procedure

The Member Issues Procedure is a method for members to introduce issues to the Board of Trustees for debate and consider proposals for changes to SDRS benefits or practices to meet SDRS Long-Term Goals. The Member Issues Procedure operates similarly to the way legislation is introduced, considered, and handled. It works as follows:

A member has an issue that he/she would like considered. (The term “member” is all encompassing and includes members, employers, Board of Trustee members, retirees, interest groups, etc.)

Step 1: The member asks to make a presentation to the Board of Trustees to explain the issue.

Step 2: One or more Trustees agree to sponsor the issue.

Step 3: The issue becomes a Member Issue under consideration if a majority of the Trustees agree that it will meet the SDRS Long-Term Goals or meet other issues not previously identified.

Step 4: Member Issues under consideration are maintained in a working file called the Member Issues File and represent current proposals for change. They are updated after each board meeting.

Step 5: Additional action is taken on a Member Issue when a majority of Trustees agree that:

- The Member Issue and the Long-Term Goal to which it applies is a priority, funding is available, and the Member Issue should be advanced to the legislature for its consideration as a Board-approved proposal; or
- The Member Issue and/or the Long-Term Goal to which it applies is not a priority or funding is not available, but the Member Issue continues to have merit and should remain in the Member Issues File for future consideration; or
- The Member Issue is no longer relevant and should be removed from the Member Issues File.

This process has the added effect of enhancing the discussion on how to prioritize the limited resources of SDRS for the benefit of the entire membership.



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