

## Terminology

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**Vested:** A member is entitled to lifetime retirement benefits with three years of service.

**Normal Retirement:** Unreduced benefits are available to Class A and Class B Judicial members at age 65 (Class B Public Safety members at age 55).

**Special Early Retirement:** Unreduced benefits are available to Class A and Class B Judicial members as early as age 55 (Class B Public Safety members as early as age 45) when specific combinations of age and credited service are attained. This is also referred to as “Meeting your Rule.” (Class A: Rule of 85; Class B Judicial: Rule of 80; Class B Public Safety: Rule of 75)

**Early Retirement:** Permanently reduced benefits are available up to 10 years prior to a member’s normal retirement age. The amount of reduction is three percent for each year prior to normal retirement age.

**Cost of Living Adjustment (COLA):** Effective July 1 of each year, a COLA increases eligible benefit payments between 0% and 3.5%, depending on the rate of inflation and affordability.

## When to Contact SDRS

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Plan to contact the SDRS office approximately 3-6 months prior to your intended retirement date to speak with a retirement planner. A packet containing a benefit estimate, necessary forms, and additional information will be sent to you.

## Returning to Work After Retirement

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If a retired member returns to employment with an SDRS employer, the member must have three consecutive months of separation from service. The separation period cannot include any kind of relationship or employment with an SDRS participating employer. Returning to work prior to meeting the three-month separation invalidates the member’s retirement status and all retirement benefits must be repaid to SDRS. (Note: A member is exempt from the three-month separation from service if the member was at least age 59 1/2 at retirement and rehired to work less than 1,250 hours during the employer’s fiscal year.)

If you are rehired by an SDRS employer to work more than 1,250 hours during their fiscal year, your benefit will be reduced by 15% and the COLA will be eliminated during the reemployment period. Member contributions go into your SDRS-SRP account. (Exception for Class B Public Safety member returning to work as a Class A member: The 15% benefit reduction and COLA elimination will not be applied.)

If you are rehired by an SDRS employer to work less than 1,250 hours during their fiscal year:

- After meeting the three-month separation, your SDRS benefit will continue without disruption or reduction and no contributions are required. However, if you subsequently work over 1,250 hours, your benefit will be affected prospectively as described above.
- If you were at least age 59 1/2 at retirement, you are exempt from the three-month separation and your benefit will not be affected. However, if you subsequently work over 1,250 hours, your benefit will be suspended prospectively for the duration of the reemployment period.

For a more complete explanation on SDRS return to work provisions, please refer to the SDRS publication, “Returning to Work After Retirement.”



Foundation Member

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## Retirement Planning & Benefit Information



April 2021

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South Dakota Retirement System  
222 East Capitol Avenue, Suite 8  
PO Box 1098  
Pierre, SD 57501  
1-888-605-SDRS (7377)  
sdrs.sd.gov



## Benefit Estimates

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Your benefit estimate is based on your years of credited service and your final average compensation. Until your employer reports your final compensation and contributions to SDRS, the exact amount of your benefit is subject to adjustment.

## Applying for Retirement

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You must file an SDRS Form B-2F, "Application for SDRS Foundation Retirement Benefits," with SDRS at least one complete calendar month prior to your retirement. (Note: If you fail to make timely application for your benefits, you may be eligible to receive up to three months of retroactive benefits to be paid with your first benefit payment. Subsequent benefit payments will revert to the regular benefit amount.)

Prior to your retirement, you must provide SDRS with a legible photocopy of:

- \* Your photo ID
- \* Your birth certificate
- \* Your spouse's birth certificate, if applicable
- \* Your marriage certificate, if applicable
- \* Your divorce decree, if applicable

Your final paycheck from your employer must be prior to the effective date of your retirement. You may not receive your final paycheck and your SDRS benefit in the same month.

It is important to note that SDRS cannot start your Social Security benefit. You must contact the Social Security Administration to initiate your Social Security benefit payments. Visit [ssa.gov](http://ssa.gov) or call 1-800-772-1213 for further information or to find SSA office locations.

## Benefit Payments

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Your SDRS retirement benefit will be paid to you for your lifetime. You cannot outlive your SDRS retirement benefit.

All retirement benefits are effective the first day of the month. Your benefit payments will be made on the 15th of each month. If the 15th falls on a weekend or holiday, your payment will be made on the prior business day. To ensure prompt delivery of your payments, you are encouraged to use direct deposit.

## Level Income Payment Option

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If you are interested in the Level Income Payment Option, you must obtain your Social Security statement that includes your estimated age 62 Social Security benefit. You must furnish SDRS with a copy of your Social Security statement at least one complete calendar month prior to your retirement.

You may obtain your Social Security statement online at [ssa.gov/myaccount](http://ssa.gov/myaccount).

## Surviving Spouse Benefits

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If you die after retirement, a lifetime surviving spouse benefit equal to 60% of the benefit you were receiving at the time of your death will be immediately payable to your qualifying spouse, as defined in SDCL Chapter 3-12C.

If both you and your spouse die before your accumulated contributions have been paid out, your named beneficiary/beneficiaries or estate will receive any remaining balance.

## Federal Income Tax Withholding

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Your benefit payments will be taxable at your retirement. To ensure that SDRS withholds federal income taxes according to your wishes and in accordance with IRS guidelines, it is important for you to complete IRS Form W-4P, "Withholding Certificate for Pension or Annuity Payments," and return it to the SDRS office.

If you do not complete an IRS Form W-4P, SDRS must withhold federal income taxes at the default rate. Please consult with your tax advisor to determine the proper withholding amount for your personal situation.

If you need to change your withholding amount, you will need to complete a new IRS Form W-4P and return it to the SDRS office.

## IRS Form 1099-R

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By January 31 of each year, SDRS will send you an IRS Form 1099-R that reflects the total gross distribution, taxable amount, and any federal income tax withheld for the previous year.

## Safe Harbor Method of Tax Recovery

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If you made contributions to SDRS prior to July 1984, you are entitled to a partial recovery of contributions you made on an after-tax basis. SDRS uses the IRS simplified Safe Harbor method to determine this tax exclusion. The difference between the gross distribution (Box 1 of the 1099-R) and the taxable amount (Box 5 of the 1099-R) represents this partial recovery.