

2022 Legislative Wrap-Up

SDRS received widespread support during the 2022 Legislative Session, but the Session was unusual and not without its challenges.

SDRS Legislative Policy

SDRS has the responsibility to manage the system on fixed resources while meeting lofty funding and benefit adequacy objectives – a difficult task because the fixed member and employer contribution rates result in South Dakota spending the least in the nation on pensions, as a percent of government spending.

SDRS also has the responsibility to provide the Legislature with the information needed to assess the impact of changes to SDRS benefits and other plan features. Much of the success of SDRS is due to the support of the Legislature, beginning with the Retirement Laws Committees who are charged with ensuring SDRS changes follow sound financial principles.

To meet its fiduciary responsibilities, the SDRS Board supports proposed changes to SDRS benefits or provisions only after a careful analysis of their long-term financial and policy implications.

Even a small change can make a significant financial impact on future Cost of Living Adjustments (COLAs) paid to retirees, or ultimately the sustainability of the system. Also, the Board evaluates the equity of any change and opposes any change that benefits only some members at the expense of others. This transparent process typically

includes discussion at SDRS Board meetings and input from interested parties and has led to sound public retirement policy in South Dakota. In short, it is one of the major reasons why SDRS is so well funded compared to many other pension plans.



SDRS Bills

The two bills recommended by the Board of Trustees and introduced by the Senate Retirement Laws Committee on behalf of SDRS passed with overwhelming support of the Legislature and were signed by the Governor.

Senate Bill 56 adds administrative efficiencies for members, their families, and the operations of the retirement system. Member benefits are not affected by this legislation.

Senate Bill 57 adds gaming enforcement agents to Class B Public Safety membership. The Department of Revenue submitted the request to SDRS, and the request was approved by the Board of Trustees following the SDRS evaluation procedure.

SDRS Opposed Two Other Bills

SDRS opposed two bills this Session because they were introduced without the benefit of a thorough analysis. The SDRS fiduciary responsibilities include protecting the system and our members' benefits from unintended or harmful consequences.

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SDRS Travel Schedule

INDIVIDUAL RETIREMENT COUNSELING SCHEDULE

DATE	LOCATION	ADDRESS FOR IN-PERSON COUNSELING SESSIONS	30-MINUTE SESSION TIMES AVAILABLE
04/13/2022	Lemmon, Dakota Lodge	5 10th Street E	2:00—8:00 PM (MT)
05/03/2022	Sioux Falls (other than school employees), SE Tech	2001 N Career Avenue	2:00—8:00 PM (CT)
05/04/2022	Sioux Falls (other than school employees), SE Tech	2001 N Career Avenue	8:00 AM—8:00 PM (CT)
05/10/2022	Webster, Courthouse	711 W 1st Street	2:00—8:00 PM (CT)
05/17/2022	Springfield, Community Room	605 8th Street	2:00—8:00 PM (CT)
05/24/2022	Rapid City (school employees), Hilton Garden Inn	815 E Mall Drive	2:00—8:00 PM (MT)
05/25/2022	Rapid City (school employees), Hilton Garden Inn	815 E Mall Drive	8:00 AM—8:00 PM (MT)
06/01/2022	Milbank, Super 8	East Highway 12	2:00—8:00 PM (CT)
06/13/2022	Mitchell, Highland Conference Center	2000 Highland Way	2:00—8:00 PM (CT)
06/14/2022	Mitchell, Highland Conference Center	2000 Highland Way	8:00 AM—8:00 PM (CT)
06/22/2022	Kadoka, Fire Hall	102 Main Street	2:00—8:00 PM (MT)
06/28/2022	Huron, Crossroads	100 4th Street	2:00—8:00 PM (CT)
06/29/2022	Huron, Crossroads	100 4th Street	8:00 AM—8:00 PM (CT)
07/12/2022	Watertown, Watertown Event Center	1901 9th Avenue SW	2:00—8:00 PM (CT)
07/13/2022	Watertown, Watertown Event Center	1901 9th Avenue SW	8:00 AM—8:00 PM (CT)
07/20/2022	Redfield, Senior Center	728 Main Street	2:00—8:00 PM (CT)

SDRS retirement planners are available for individual counseling sessions in person, by phone, or via virtual meeting with Microsoft Teams during normal office hours of 8:00 AM to 5:00 PM (CT) Monday through Friday and extended hours as indicated above. A complete schedule is available on the SDRS website, <https://sdrs.sd.gov>.

To schedule an appointment, please call SDRS toll-free at 1-888-605-SDRS (7377).

ONLINE WORKSHOP & FORUM SCHEDULE

DATE	LOCATION	WORKSHOP/FORUM	FORMAT	TIME
04/11/2022	Yankton	Retiree Forum	In-Person, Kelly Inn	3:00—4:00 PM (CT)
04/11/2022	Yankton	Pre-Retirement Planning Workshop	In-Person, Kelly Inn	5:30—8:00 PM (CT)
04/25/2022	NW Region of SD	Early & Mid-Career Workshop	Online via ZOOM	5:30—8:00 PM (MT)
05/18/2022	NE Region of SD	Pre-Retirement Planning Workshop	Online via ZOOM	5:30—8:00 PM (CT)
06/07/2022	Spearfish	Retiree Forum	In-Person, Holiday Inn	3:00—4:00 PM (MT)
06/07/2022	Spearfish	Pre-Retirement Planning Workshop	In-Person, Holiday Inn	5:30—8:00 PM (MT)
06/21/2022	SW Region of SD	Women & Financial Planning Workshop	Online via ZOOM	5:30—7:30 PM (MT)
07/05/2022	Pierre	Retiree Forum	In-Person, RedRossa	3:00—4:00 PM (CT)
07/05/2022	Pierre	Pre-Retirement Planning Workshop	In-Person, RedRossa	5:30—8:00 PM (CT)
07/19/2022	SW Region of SD	Early & Mid-Career Workshop	Online via ZOOM	5:30—8:00 PM (MT)

To register for a workshop or forum, visit <https://sdrs.sd.gov> or call 1-888-605-SDRS (7377).

The SDRS COLA and Inflation

Test your understanding of the SDRS COLA and inflation by answering if the following statements are true or false:

1. Last years' inflation was the highest in 40 years.
2. The average annual rate of inflation was less than 2 percent over the last 10 years and just over 2 percent for the last 20 years.
3. The 3.5 percent July 2022 COLA will be the highest in SDRS history.
4. SDRS COLA provisions are significantly better than the average for similar plans.
5. Most SDRS retirees have received cumulative COLAs equal to or greater than inflation.
6. The SDRS COLA is not expensive.
7. SDRS can always afford to pay a COLA equal to inflation.

If you answered true to the first five statements, you are correct. However, if you also answered true to the final two statements, you are incorrect. Read on to learn why.

The SDRS COLA

The SDRS COLA provides automatic annual inflation protection after retirement based on the rate of inflation and affordability. It is equal to the rate of inflation up to 3.5 percent, or up to a lower maximum if that COLA range is not affordable long term.

The Rate of Inflation

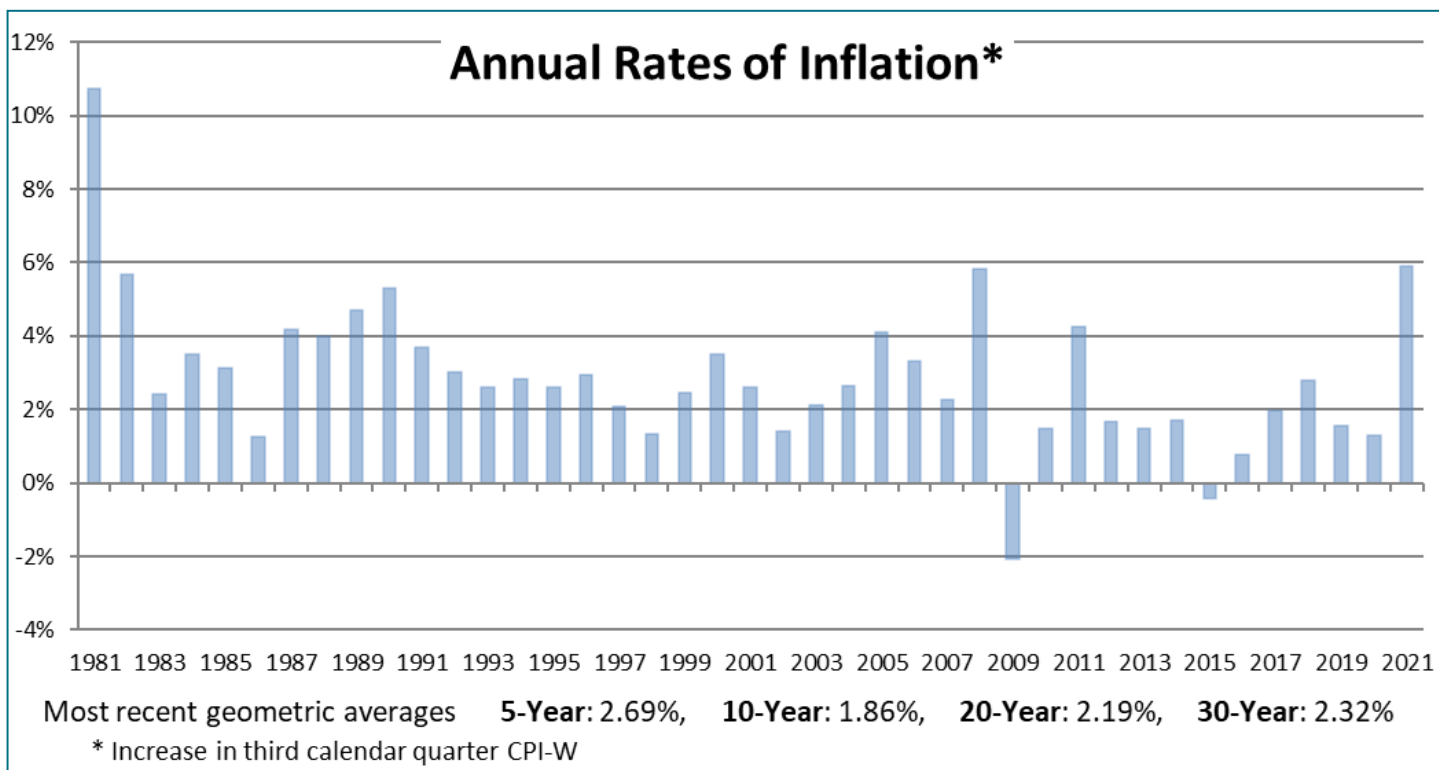
The current rate of inflation is a huge concern and opinions differ on how long the current elevated rate will continue. The rate of inflation last year was unusually high compared to the last 40 years. (See "Annual Rates of Inflation" chart below.)

Wages and retiree income usually don't keep up during periods of high inflation, but the SDRS COLA provides significant inflation protection for retirees.

The SDRS COLAs Compared to Inflation

The SDRS goal is to maintain the purchasing power of the SDRS benefit during retirement. That goal has been accomplished for most SDRS retirees, but the high rate of inflation last year created most of the gap for recent retirees. **As a result:**

- **Members who retired in 2015 and before (65 percent of the SDRS benefit recipients) have received**



cumulative COLAs equal to or greater than inflation

- **Members who retired between 2016 and 2021 (35 percent of the SDRS benefit recipients) have received cumulative COLAs that average 97.5 percent of inflation**

Fortunately for retirees, Social Security COLAs equal inflation with no cap. Since Social Security benefits are a significant part of member's retirement income, the average recent SDRS retiree shortfall is about 1 percent considering total SDRS and Social Security benefits.

The SDRS Board of Trustees monitors the historical progress and future ability of the COLA to match inflation at every meeting. If a shortfall exists and the Board criteria for considering benefit improvements are met, the Board has established addressing that shortfall as a priority.

COLA Comparisons

A recent survey of COLA practices for retirement systems like SDRS indicated:

- 48 percent do not provide an automatic COLA and do not anticipate a COLA will be paid;
 - COLAs may be paid on an ad-hoc basis, usually subject to additional funding;
 - COLAs are infrequent.
- 12 percent provide a set annual COLA regardless of the rate of inflation—none exceed 3 percent.
- 40 percent provide an annual COLA based directly on the rate of inflation;
 - 23 percent base the COLA on less than 100 percent of inflation (e.g. 50 percent of inflation);
 - Almost all have a maximum COLA like SDRS (average of 2.9 percent).

Very few systems will provide a COLA in 2022 equal to the 3.5 percent SDRS COLA. More importantly, few systems have been able to match the SDRS COLAs over the past decades.

Why SDRS Cannot Pay a COLA Equal to Inflation Each Year

SDRS must manage the system based on available resources and meet the Board's funding objectives,

including remaining fully funded. Available resources include employer contributions that are 40 percent of the median rate for similar systems. (See "Employer Contribution Rates" chart at right.)

In addition, as a percent of all state spending, South Dakota spends the least on pensions in the country.

The ability of SDRS to provide adequate benefits and remain fully funded is not an easy task based on these limited resources. However, by remaining fully funded the entire current contribution rates are available to fund current benefits. The cost of the current benefit structure (including the current COLA) is 99 percent of the available contributions. There are no resources available to provide higher benefits.

COLAs are an essential part of the SDRS benefit structure, but very expensive. For example, the SDRS COLA increases the value of the lifetime benefits at retirement by over 20 percent. This cost is why so many similar systems do not have an automatic COLA provision, or do not provide a COLA equal to that of SDRS.

In short, SDRS is currently providing the maximum benefits that are sustainably affordable with the fixed resources, including a maximum COLA of 3.5 percent.

Summary

SDRS cannot afford to provide a COLA equal to inflation each year and particularly during periods of high inflation. However, SDRS has provided a COLA that has enabled most retirees to keep up with inflation and is superior to the COLA provided by most similar systems.

Upcoming Board Meetings

06/01/2022

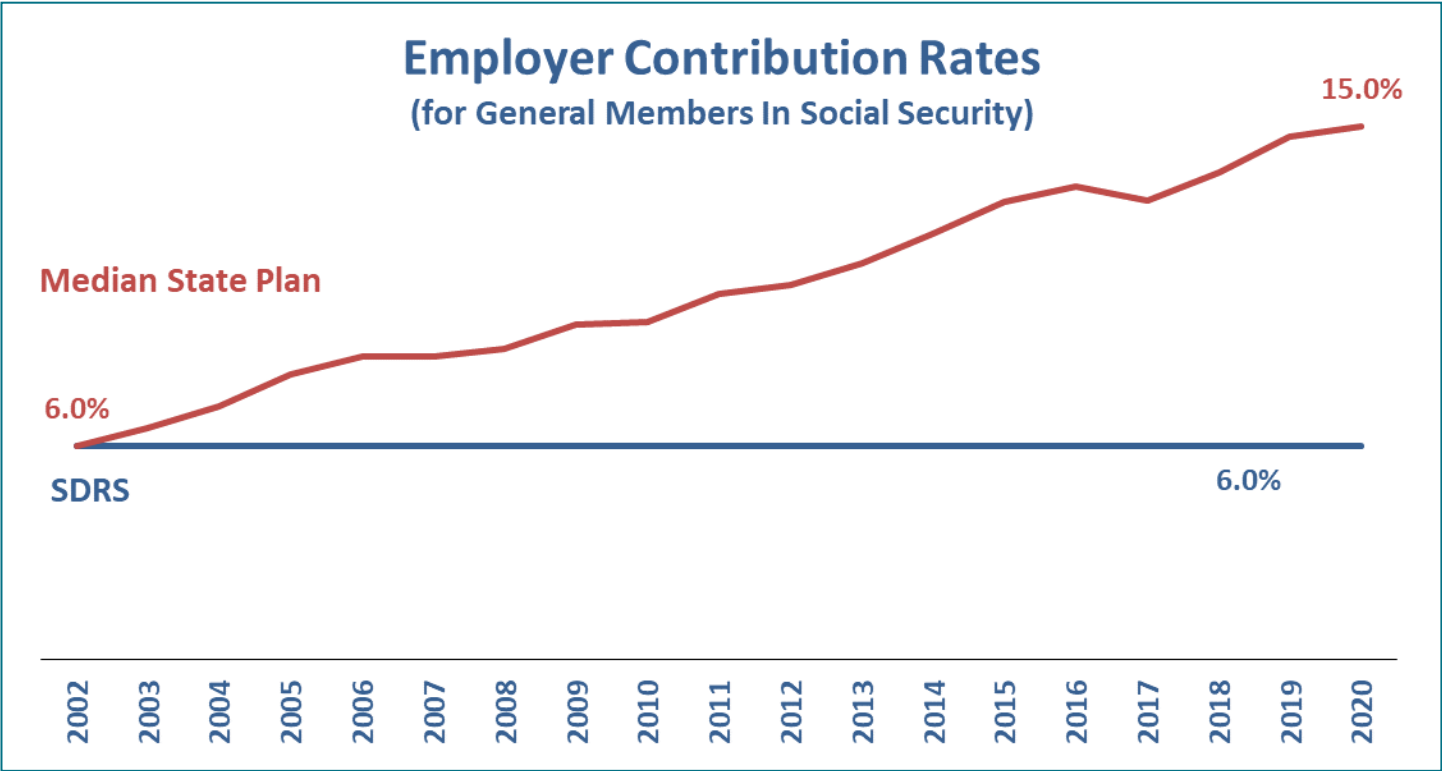
South Dakota Investment Council Office
4009 W 49th St, Ste 300, Sioux Falls

09/01/2022

South Dakota Retirement System Campus
222 E Capitol Avenue, Pierre

12/01/2022

South Dakota Retirement System Campus
222 E Capitol Avenue, Pierre



Keep Your Contact Information Current

SDRS has a fiduciary responsibility to keep accurate data, including contact information, for all its members. This helps us to ensure you receive important information regarding your SDRS benefits. However, every year thousands of pieces of undeliverable mail—benefit statements, tax documents, etc.—are returned to the SDRS office.

process, please contact the SDRS office toll-free at 1-888-605-SDRS (7377). If you previously registered for MySDRS but cannot remember your password, please use the “Forgot Password” link on the login page.

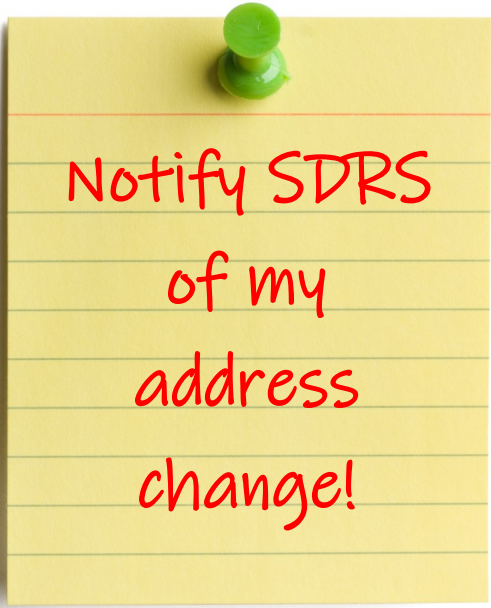
MySDRS is a view-only site; you cannot make changes directly on MySDRS. Any changes to your contact

Update Your Mailing Address

If you move, let the SDRS office know as soon as possible. Notify SDRS of your new address by completing SDRS Form E-2, “Personal Information Change Request.” This form can be obtained through the SDRS website, sdrs.sd.gov. Completed forms can be sent to SDRS, PO Box 1098, Pierre, SD 57501. Be sure to also include a photocopy of your driver license, passport, or government-issued nondriver ID.

Use MySDRS to Check Your Contact Info

Log into your MySDRS account through the SDRS website, sdrs.sd.gov, to view your contact information on file with SDRS. To access MySDRS you must register and create a password. If you require assistance with the registration





222 East Capitol Avenue, Suite 8
PO Box 1098
Pierre, SD 57501

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House Bill 1261 would have made changes to the SDRS retire-rehire provisions that would have reversed prior reforms and increased SDRS liabilities, directly impacting future SDRS COLAs for retirees. The bill was defeated in committee because of concern for the impact it would have on SDRS and retirees.

House Bill 1291 would have made 911 telecommunicators Class B Public Safety members without following the established procedure to determine if the criteria for Class B Public Safety membership are met. The legislative committee defeated the bill and encouraged the proponents to submit their request to SDRS and follow the established procedure.

Summary

The deliberate SDRS process and sound policy decisions by the Board, legislators, and the Governor are key reasons why SDRS has remained 100 percent funded. Other state pension systems have been struggling financially, increasing contributions, and reducing benefits to keep their heads above water. A recent study prepared by the Urban Institute said this about public pension funding problems in some states: “The real culprit is shortsighted policy decisions made by plans and their government sponsors.”

SDRS appreciates the legislators’ strong support of the transparent process and successful policies that have made SDRS a model retirement system. Please reach out to your local legislators and thank them for their ongoing support of SDRS.

The information presented in Outlook is neither a legal reference nor a complete statement of South Dakota laws or administrative rules. In any conflict between this information and South Dakota laws or administrative rules, the laws and administrative rules shall prevail.

Outlook is produced to communicate the plan provisions, changes in law, and issues of interest to members of the South Dakota Retirement System. It is published with funds provided through the contributions of teachers, school boards, state government, state employees, county commissions, county employees, municipal governments, municipal employees, and other local units and employees. 37,500 copies of this document were printed on recycled paper by SDRS at a cost of \$0.116 per document.