

SDRS Will Pay 3.5 Percent COLA in July 2022

At its December meeting, the South Dakota Retirement System (SDRS) Board of Trustees approved a 3.5 percent annual cost of living adjustment (COLA) for eligible retirees and beneficiaries effective July 2022. The July 2022 COLA is the largest COLA in SDRS history.

The Board's COLA Goals

The Board's goals are to pay a COLA that:

- Maintains the member's standard of living in retirement,
- Is affordable for SDRS on a sustainable basis, and
- Enables SDRS to maintain a funded status of 100 percent or greater in most economic conditions.

The ability of SDRS to meet these goals is dependent upon the funded status of the System and the rate of inflation.

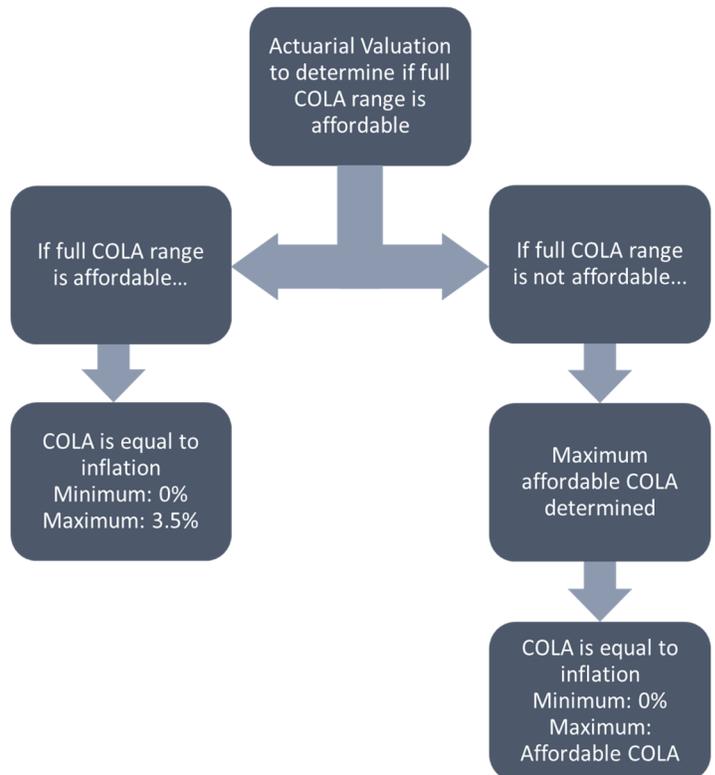
How the COLA is Determined

South Dakota Codified Law defines the process for determining the annual COLA. The SDRS COLA automatically varies with inflation and affordability with a range from a minimum of zero percent and a maximum of 3.5 percent. Each year, an actuarial valuation determines if the full COLA range is affordable.

- When the full COLA range is affordable, the COLA will equal inflation, but no less than zero percent and no greater than 3.5 percent.
- When the full COLA range is not affordable, the COLA will equal inflation, but no less than zero percent and no greater than the maximum affordable COLA.

The July 2022 COLA

The June 30, 2021, actuarial valuation determined that the full COLA range was affordable for the July 2022 COLA. This was primarily because SDRS investment returns for the year were 22.03 percent, which was significantly greater than the long-term investment return assumption of 6.5 percent. Inflation for the year was 5.92 percent and the highest it has been in many years. Therefore, the July 2022 COLA will be 3.5 percent—the maximum permitted by law.



Holiday Office Closures



The SDRS office will be closed Friday, December 24, 2021, and Friday, December 31, 2021, for the holidays. We wish you a happy holiday season and a wonderful new year!



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2022 Legislative Session to Commence January 11

The South Dakota Retirement System (SDRS) Board of Trustees met earlier this month to discuss legislative proposals. The Board will bring two proposals to the Retirement Laws Committee for consideration during the 2022 Legislative Session.

Provision “Clean Up”

This proposal would revise certain provisions related to internal SDRS administrative processes, including:

- Updating the Internal Revenue Code references;
- Removing the 10-day filing requirement for Board members’ oaths of office with the Secretary of State;
- Clarifying the commencement of an alternate payee’s payment under a qualified domestic relations order (QDRO) for a member receiving a disability benefit that started after June 30, 2015;
- Revising the method of payment for benefits paid on behalf of minors;
- Revising and clarifying provisions relating to distributions of variable retirement accounts (VRA);
- Removing suspension language for retirees who retired under early retirement provisions and returned to work prior to July 1, 2010; and
- Allowing members to use contribution credit funds to purchase a Supplemental Pension Benefit.

Gaming Enforcement Agents

The South Dakota Department of Revenue requested and the Board approved a change to move gaming enforcement agents from Class A to Class B public safety membership. This proposal revises the definition of Class B member to include gaming enforcement agent and also defines a gaming enforcement agent.

As the 2022 Legislative Session progresses, additional information regarding SDRS legislation will be available online at sdrs.sd.gov and sdlegislature.gov.

Notice to Annuitants Regarding Federal Income Tax Withholding

The Internal Revenue Service has made significant revisions to the 2022 IRS Form W-4P, “Withholding Certificate for Pension or Annuity Payments.” Please be advised that if you wish to make changes to the federal tax withheld from your SDRS benefit payments, you may continue to use the 2021 W-4P form until July 2022. Effective July 1, 2022, you must use the 2022 W-4P form to make changes to your withholding.

If you do not wish to make changes to your federal tax withholding, no action is necessary.

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.

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