



South Dakota Retirement System

Proposed 2023 Legislation

September 1, 2022



IRC Qualification Requirements

- ❖ Plan qualification under § 401(a) of the Internal Revenue Code provides significant federal tax benefits for plan members
- ❖ Many special provisions and exemptions apply solely to governmental plans
- ❖ In order to preserve qualified status, a governmental plan must comply, both in form and operation, with certain requirements set forth in the Internal Revenue Code and Treasury Regulations
- ❖ SDRS recommends, based on our internal analysis and outside expert legal counsel advice, necessary changes to meet all IRC requirements and preserve our tax qualified status



Clean-up Legislation

- ❑ Internal Revenue Code—Reference updated
 - SDCL 3-12C-101(52) [transfer to separate section]

- ❑ Present value of benefits earned to date—Basis for cost charged employers joining with past service credit revised to align cost with SDRS funding calculations
 - SDCL 3-12C-101(71)

- ❑ Actuarial equivalent—Blend of groups' mortality assumptions used for equivalence, necessary because of new assumptions
 - SDCL 3-12C-102

- ❑ Minimum actuarial requirement to support benefits—Immediate recognition of surplus added to avoid restricting COLA if assets and future contributions sufficient
 - SDCL 3-12C-109



Clean-up Legislation, continued

- Service purchases—Minimum of 5 years of service required
 - SDCL 3-12C-509

- Military leave—Computation of final average compensation clarified
 - SDCL 3-12C-514

- Alternate formula calculation—Participation in federal social security clarified
 - SDCL 3-12-1106

- Variable Retirement Account (VRA)—Waiting period added before payment of account; Eligible spouse clarified
 - SDCL 3-12C-1303