



# South Dakota Retirement System

## Retiree Reemployment Update

September 1, 2022



# 2022 Legislative Session Recap

- House Bill 1261 was introduced last session without any prior communication with SDRS
  - Reversed 2004/2010 reform provisions with a sunset date of June 30, 2025
  - SDRS opposed this bill
- SDRS representatives met with sponsor and proponents and discussed significant amendment
  - Provided an exemption to current benefit and COLA adjustment provisions with a one-year break in service:
    - Concept was to waive benefit and COLA adjustments if rehire was a sufficient period after retirement to avoid interfering with retirement decision
    - SDRS Board concerned that one-year may not be sufficient to prevent incenting members to retire, work elsewhere for a year, and return
    - As a result, SDRS also opposed amended bill which failed in committee



# SDRS Perspective

SDRS summarized rationale for current retire/rehire provisions at June Board of Trustees meeting including:

- Background and history
- Workforce issues related to return to work
- SDRS objectives for retiree reemployment provisions
- SDRS cost/member value examples
- SDRS fiduciary responsibilities to all members



# SDRS Assessment of Current Provisions

- Current retire/rehire provisions do not prevent reemployment, but **provide considerable flexibility to return to work** on a full-time or part-time basis to meet workforce needs
- A retiree can avoid any adjustment to SDRS benefit or COLA by returning to work at less than 1,250 hours per year
- Current provisions result in a **cost-neutral outcome** to SDRS and member
  - Full-time reemployed retirees receive comparable value to active members
- Any factors that encourage earlier retirement increase SDRS costs without current, or similar, provisions and will eventually result in **lower COLAs for all retirees**
- **Current provisions meet SDRS objectives**



# SDRS Initiative

- Invited education representatives to June meeting to present their views of current retire/rehire provisions and respond to the following questions:
  - Objectives for changes to the current retire/rehire provisions.
  - Why do the current provisions not meet employee and employer needs?
  - What are the factors contributing to the current workforce issues and how have they changed?
  - Other initiatives pursued or considered to meet workforce needs.
  - What impact have the past school district early retirement incentives had on workforce issues and do the early retirement incentives continue to exist?
- The education representatives attended the meeting but:
  - Did not present a proposal for changes or respond to the questions
  - Did indicate they would respond by the September Board meeting



# SDRS Additional Initiative

SDRS followed up with the education representatives in July to:

- Summarize the SDRS perspective presented at the June meeting as well as the SDRS objectives and fiduciary responsibilities
- Inform them that retire/rehire will be an agenda item at this meeting
- Invite them again to submit information in writing prior to that meeting including:
  - Responding to questions initially submitted and additional questions raised at June meeting
  - Any disagreement with the SDRS perspective on this subject
  - Specifics on any proposal for change



# Education Representatives Response

- The education representatives have not responded to the Board's questions or presented a rationale for changes to SDRS provisions
- The educational representatives did recently request that the limit on hours retirees may work without impact to their benefit be increased to what would be equal to full-time status for teachers
- Board's response to the request should be evaluated in accordance with the SDRS objectives and fiduciary responsibilities, and the Board will support or oppose the proposal after considering the evaluation



# Observations and Summary

- Workforce issues are exacerbated by school district practices
  - SDRS research indicates **89% of the school districts in the state with at least 50 employees continue to offer an early retirement incentive**
  - In some cases, the incentive is not available to new employees
- Current provisions meet SDRS objectives and offer flexibility to employees and employers for return to work after retirement
- A proposal introduced during the legislative session without prior discussion with SDRS (as happened this year) will, by Board policy, be opposed by SDRS
- Discussion at the June meeting confirmed Board support of the current provisions because they are consistent with the SDRS objectives and fiduciary responsibilities