

Now Available to Employers: New SDRS-SRP Auto-Increase Feature Promotes Personal Retirement Savings

Encourage Your Employees to Save More For Retirement

It takes an entire career to adequately prepare for retirement. It takes planning and money. Due to increasing life expectancies and inflation, people are living longer and spending more during their retirement years. The South Dakota Retirement System (SDRS) provides lifetime pension benefits, as does Social Security, but chances are your employees will need additional income to have a financially secure retirement.

Saving for the Future

It may never seem like an opportune time to save for retirement. However, as an employer, it is important to promote and encourage your employees to plan for their future and utilize personal retirement savings programs within your organization. Your employees will be more successful in retirement if they are prepared for it financially. Even a small amount saved can go a long way, especially if they start saving early. Consider the following examples.

An early saver invests \$25 per month (or \$300 per year) beginning at age 25 and continues making monthly contributions until age 65. The early saver has contributed a total of \$12,000. Assuming an annual investment return of six percent, the early saver would accumulate \$35,821 in earnings. A later saver also invests \$25 per month, but waits until age 45 to start. At age 65, the later saver has made contributions totaling \$6,000. Assuming the same investment return, the later saver would accumulate \$5,367 in earnings.

As employees receive pay raises, they should also consider giving their retirement savings a raise. Consider the previous examples. If both savers were to boost their monthly contributions by \$10 each year, their ending balances would be dramatically different. The early saver would have contributed a total of \$105,600 and earned \$178,631, whereas the later saver would have contributed \$28,800 and earned \$17,145. As the illustration shows,

compound earnings and an annual increase in contributions give an advantage to both savers.

The SDRS-SRP Can Help Employees Save

The SDRS Supplemental Retirement Plan (SRP) is a great way for your employees to boost their retirement savings for added financial security in retirement. With as little as \$25 per month (\$12.50 semi-monthly), your employees can be on their way to saving more for retirement.

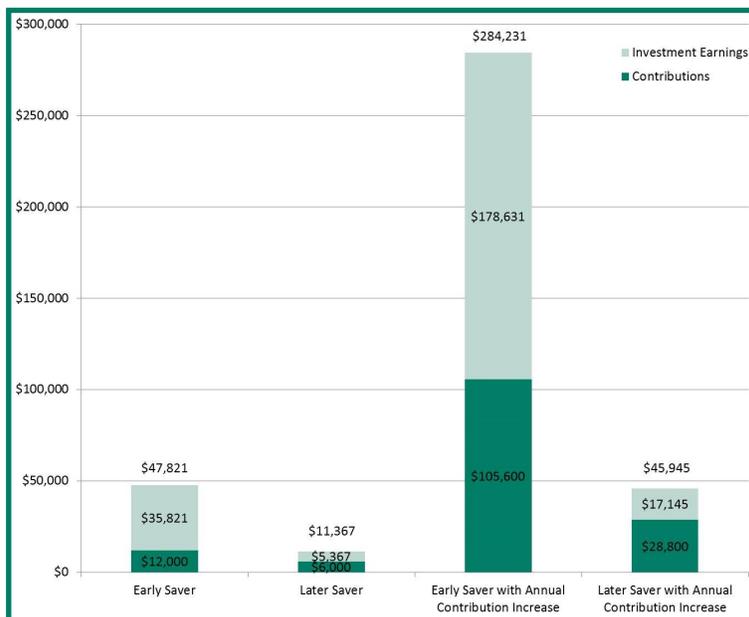
The SDRS-SRP also has an automatic enrollment feature available at the employer level to encourage new employees to begin saving as soon as they are hired. Automatic enrollment has been largely successful for those employers who have already adopted this feature, with 93 percent of auto-enrolled employees choosing to stay in the plan. A new automatic contribution increase feature is now available to complement the automatic enrollment feature. Employers who elect these SDRS-SRP features will be helping their employees build their personal retirement savings. In addition, all SDRS-SRP participants will soon be able to set annual automatic increases as well.

The SDRS-SRP allows contributions to be made on either a pre-tax or an after-tax (Roth) basis so participants can decide when they want contributions, earnings, and retirement income taxed. There are many different investment funds and payout options to fit employees' retirement goals. A low

annual asset fee of 0.21 percent (\$0.21 per \$100) means more funds are available to grow over time. In addition, SDRS-SRP Retirement Specialists are available to help participants every step of the way.

Take Action!

Call the SDRS-SRP office in Pierre at 605-224-2230 to learn more about the SDRS-SRP and its automatic enrollment and increase features.



New Laws Effective July 1, 2015

New laws enacted during the 2014 Legislative Session pertaining to early surviving spouse, disability, and survivor benefits became effective July 1, 2015. Please note that this brief synopsis of these new laws does not encompass all situations; members are encouraged to contact the SDRS office any time they have questions regarding the benefits available to them and their families.

Early Surviving Spouse Benefits

Beginning July 1, 2015, a member's surviving spouse who is eligible to receive a surviving spouse benefit may elect to receive a reduced benefit prior to age 65 and as early as age 55. If an election to begin receiving early surviving spouse benefits is made, the benefit will be reduced by five percent for each year, and prorated for any partial year, the benefit is taken prior to the surviving spouse attaining age 65. The surviving spouse benefit is a lifetime benefit with cost-of-living adjustments.

It is important to note that if a member dies after normal retirement age or after beginning retirement benefits, the member's eligible surviving spouse will receive a benefit equal to 60 percent of the member's benefit immediately, regardless of the surviving spouse's age.

Disability Benefits For Applications Received After June 30, 2015

For members who filed their disability application prior to July 1, 2015, the benefit structure in place at the time of application, including any family and surviving spouse benefits payable upon their subsequent death, will apply. All disability applications received in the SDRS office after June 30, 2015, will be considered under a revised benefit structure.

The disability benefit amount under the new structure is the greater of 25 percent of the member's final average compensation at the time of disability or the unreduced accrued retirement benefit at the time of disability. The disability benefit under this structure is payable for the member's lifetime with cost-of-living adjustments.

Survivor Benefits Including Family and Surviving Spouse Benefits

Survivor benefits for most member deaths occurring on and after July 1, 2015, are also revised. Under the new disability benefit structure described above, the family benefit immediately available upon the death of a member drawing a disability benefit will be equal to the disability benefit the member was receiving at the time of the member's death. For vested members who die while actively employed or active members who die while

performing usual job duties regardless of service length, the family benefit immediately available will be the greater of 25 percent of the member's final average compensation at the time of death or the member's unreduced accrued retirement benefit at the time of death. As each child reaches age 19, the family benefit is reallocated to the member's remaining eligible children. The family benefit ceases once all children reach age 19.

The amount of the surviving spouse benefit under this structure is dependent on whether a family benefit was paid. If a family benefit was paid, the spouse's benefit will be 60 percent of the family benefit paid at the time the family benefit ended, increased by the annual cost-of-living adjustment.

If no family benefit was paid, the amount of the surviving spouse benefit will be 60 percent of the deceased member's disability benefit under the new structure paid at the time of the member's death, increased by the annual cost-of-living adjustment. If no disability benefit was paid, the spouse's benefit will be the greater of 25 percent of the member's final average compensation at the time of the member's death, increased by the annual cost-of-living adjustment, or the member's unreduced accrued retirement benefit at the time of the member's death, increased by the annual cost-of-living adjustment.

The surviving spouse benefit is payable when the spouse reaches age 65; however, the spouse may elect to receive a reduced benefit as early as age 55 under the new early surviving spouse benefit provision.

SDRS-SRP Automatic Contribution Increases

Enacted during the 2015 Legislative Session, this law allows for automatic contribution increases for automatic enrollees of the SDRS Supplemental Retirement Plan (SRP). This new feature is available to all SDRS-participating employers.

If an employer adopts the SDRS-SRP automatic increase feature, auto-enrolled participants of that employer will have the option to automatically increase SDRS-SRP contributions on an annual basis. The amount of increase is established at an additional \$10 contribution per month; however, an auto-enrolled participant may opt-out of the increase or elect a greater or lesser amount. Details are currently being discussed to offer a voluntary automatic increase feature to all SDRS-SRP participants.

Questions regarding the SDRS-SRP and its features can be directed to the SDRS-SRP office in Pierre at 605-224-2230.

Distinguishing Between an Employee and a Contractor

A person performing services for your employer unit as an independent contractor is not considered an employee and is, therefore, not required to contribute to SDRS. In most situations, it is easy to distinguish between an employee and an independent contractor; however, sometimes it can be difficult to determine. The following are general guidelines to help you make that determination:

Indicates person is an employee:

- Works prescribed hours
- Works at your employer unit's office or premises
- Does not offer services to public (generally)
- Employer unit furnishes tools and equipment
- Employer unit furnishes assistants
- Paid an hourly wage or salary
- Employer unit furnishes benefits, such as sick and vacation days, health insurance, life insurance, etc. as is done for other employees
- Employer unit carries liability insurance
- Employer unit provides Workers' Compensation

Indicates person is an independent contractor:

- Works at own convenience
- Works in own office or premises
- Offers services to the public (generally)
- Furnishes own tools and equipment
- Hires own assistants and pays them from earnings
- Paid on a per-job basis
- Does not participate in benefits with other employees
- Carries own liability insurance
- No Workers' Compensation

You should carefully examine the classification of any person who works for your employer unit for a substantial amount of time and is not classified as an employee. To secure an official determination, file IRS Form SS-8 with the Internal Revenue Service. IRS Publication 963 provides additional information on this subject. You may also contact SDRS toll-free at 1-888-605-SDRS (7377) if you have any questions.



Transfers to Minors: New SDRS Form E-5a Available

It is very common for SDRS members to name their children as beneficiaries on their SDRS accounts. Also if a member passes away while actively contributing, there may be family benefits payable to the member's children. But what if the child is a minor? How are SDRS payments made in these cases?

SDRS cannot make payments directly to minor children. Payments must be made to the child's conservator or custodian. The legal process for naming a conservator and/or establishing a trust can be lengthy and expensive. However, the Uniform Transfers to Minors Act (UTMA) is a law that provides a simple and inexpensive way to make transfers to minors with control held by a responsible adult (custodian) until the minor becomes of age.

SDRS has developed a new form pursuant to the South Dakota UTMA that allows members to appoint a custodian and successor custodian for minor children for purposes of SDRS benefit payments. Having this form completed and on file with SDRS allows a minor to receive assets without requiring trust documents or court appointment of a conservator. Under the provisions of the UTMA, the assets belonging to the minor are controlled and managed by a custodian until the minor reaches 18 years of age.

If any of your employees have minor children, they are encouraged to consider completing SDRS Form E-5A Transfer to Minor Form to name a custodian and successor custodian for each minor child. Any member who previously completed a Transfer to Minor form from SDRS may wish to complete this new form as it now allows for appointment of a successor custodian. The SDRS Form E-5a is available on the SDRS website, www.sdrs.sd.gov, under the Active Members section. Click on Forms to access the SDRS forms, including the new SDRS Form E-5a.

In the near future, SDRS will be sending an email to all Authorized Agents regarding beneficiary designations and the UTMA with a request that the email be forwarded on to the employer's employees. This cost-effective method of communication will help increase awareness of the importance of having up-to-date beneficiary designations on file with SDRS as well as appointing a custodian and successor custodian to handle SDRS payments for minor children in the event the member dies. Thank you in advance for your assistance in forwarding this very important information to all of your employees.

If you or your employees have any questions regarding beneficiary designations or the UTMA, please contact the SDRS office toll-free at 1-888-605-SDRS (7377).

SDRS Membership Event Schedule July - September 2015

To schedule an appointment for an individual retirement counseling session, members may contact SDRS at 1-888-605-SDRS. To register for a workshop, members are encouraged to visit the Training & Registration section of the SDRS website at www.sdrs.sd.gov or contact SDRS at 1-888-605-SDRS.

INDIVIDUAL RETIREMENT COUNSELING SESSIONS

DATE	LOCATION	ADDRESS	30-MINUTE SESSION TIMES AVAILABLE
21 Jul 2015	Mitchell, Highland Conference Center	2000 Highland Way	10:00 AM—8:00 PM
29-30 Jul 2015	Sioux Falls Schools, Holiday Inn City Centre	100 W 8th Street	2:00-8:00 PM/8:00 AM-8:00 PM
04 Aug 2015	Huron, Crossroads	100 4th Street	10:00 AM—8:00 PM
11-12 Aug 2015	Watertown, Event Center	1901 9th Avenue SW	2:00-8:00 PM/8:00 AM-8:00 PM
26 Aug 2015	Redfield, Senior Center	728 Main Street	2:00—8:00 PM
01 Sep 2015	Parker, Community Building	299 N Main	2:00—8:00 PM
15-16 Sep 2015	Brookings, Swiftel Center	824 32nd Avenue	2:00-8:00 PM/8:00 AM-8:00 PM
22-23 Sep 2015	Vermillion, Holiday Inn Express	1200 N Dakota	2:00-8:00 PM/8:00 AM-8:00 PM

EARLY & MID-CAREER WORKSHOPS

DATE	LOCATION	ADDRESS	TIME
09 Sep 2015	Yankton, Kelly Inn	1607 E Highway 50	At Each Location 6:00—8:00 PM
29 Sep 2015	Brookings, Swiftel Center	824 32nd Avenue	

PRE-RETIREMENT PLANNING WORKSHOPS & RETIREE FORUMS

DATE	LOCATION	ADDRESS	TIME
18 Aug 2015	Spearfish, Holiday Inn	I-90 Exit 14	At Each Location Retiree Forums: 3:00—4:00 PM Pre-Retirement Workshops: 5:30—8:00 PM

Register to Attend an Authorized Agent Training Session: Only 3 Remaining this Year

AUTHORIZED AGENT TRAINING SESSIONS

DATE	LOCATION	ADDRESS	TIME
18 Aug 2015	Spearfish, Holiday Inn	I-90 Exit 14	1:00—4:00 PM
15 Oct 2015	Mitchell, Highland Conference Center	2000 Highland Way	1:00—4:00 PM
22 Oct 2015	Brookings, Swiftel Center	824 32nd Avenue	1:00—4:00 PM

To register for an Authorized Agent training session, visit the Training & Registration section of the SDRS website at www.sdrs.sd.gov. You may also register by emailing SDRSweblink@state.sd.us or by calling the SDRS office at 1-888-605-SDRS.



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The information presented in Update 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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