

SOUTH DAKOTA RETIREMENT SYSTEM

GENERAL OVERVIEW



DISCLAIMER

- The material provided is for informational purposes only and is not intended to provide specific advice.
- This presentation 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.



INCOME REPLACEMENT

- SDRS recommendation: 85% income replacement
 - Combination of income sources: Social Security, SDRS, and additional personal retirement savings
 - You may need more or less to live comfortably; there is no “one-size-fits-all” retirement plan
- SDRS’ goal: to replace approximately 50% of pay for career members (30+ years)



SOUTH DAKOTA RETIREMENT SYSTEM

- SDRS is a defined-benefit plan operated with fixed, statutory contribution rates
 - Matching employee/employer contributions
 - Class A (6% contribution)
 - Class B Public Safety (8% contribution)
- SDRS provides:
 - Lifetime benefits
 - Cost-of-living adjustments (COLA)
 - Survivor, family, and disability benefits



SDRS PARTICIPATION AND VESTING

- Employees who are permanent and full-time must participate
 - Work at least 20 hours/week and 6 months/year
- Members become vested and entitled to lifetime retirement benefits after 3 years of service



SDRS MEMBERSHIP

- SDRS is one plan with two benefit structures

FOUNDATION MEMBERS

- Joined SDRS prior to July 1, 2017

GENERATIONAL MEMBERS

- Joined SDRS after June 30, 2017

- Foundation and Generational benefit structures have approximately the same overall cost
- Foundation members become Generational members if rehired after receiving a refund of contributions



BENEFIT STRUCTURES: CLASS A

FOUNDATION MEMBERS

- Retirement Benefits:
 - Normal Retirement Age: 65
 - Early Retirement Age: 55 with 3% per year reduction
 - Special Early Retirement (Rule of 85)

GENERATIONAL MEMBERS

- Retirement Benefits:
 - Normal Retirement Age: 67
 - Early Retirement Age: 57 with 5% per year reduction
 - No Special Early Retirement
 - Variable Retirement Account paid at retirement



BENEFIT STRUCTURES: CLASS B PUBLIC SAFETY

FOUNDATION MEMBERS

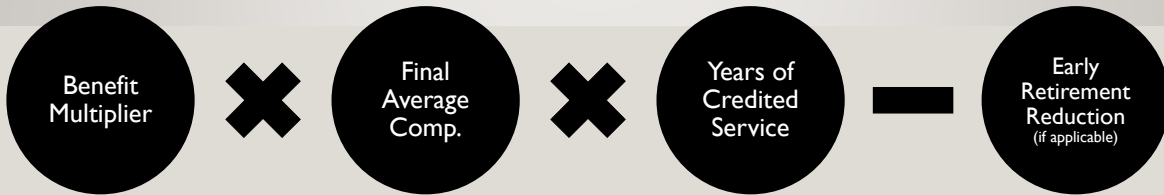
- Retirement Benefits:
 - Normal Retirement Age: 55
 - Early Retirement Age: 45 with 3% per year reduction
 - Special Early Retirement (Rule of 75)

GENERATIONAL MEMBERS

- Retirement Benefits:
 - Normal Retirement Age: 57
 - Early Retirement Age: 47 with 5% per year reduction
 - No Special Early Retirement
 - Variable Retirement Account paid at retirement



BENEFIT FORMULA



BENEFIT MULTIPLIER: CLASS A

FOUNDATION MEMBERS

- Standard Formula
 - 1.7% for service prior to July 1, 2008
- Plus
- 1.55% for service after July 1, 2008

GENERATIONAL MEMBERS¹

- 1.8%

¹ Generational members also receive Variable Retirement Account at retirement, death, or disability.



BENEFIT MULTIPLIER: CLASS B

FOUNDATION MEMBERS

- Standard Formula
 - 2.4% for service prior to July 1, 2008
- Plus
 - 2.0% for service after July 1, 2008

GENERATIONAL MEMBERS¹

- 2.0%

¹ Generational members also receive Variable Retirement Account at retirement, death, or disability.



FINAL AVERAGE COMPENSATION (FAC)

FOUNDATION MEMBERS

- Contributory service concluding
 - Prior to July 1, 2021: Average of highest 12 consecutive quarters of last 40
 - Between July 1, 2021, and June 30, 2022: Average of highest 16 consecutive quarters of last 40
 - After July 1, 2022: Average of highest 20 consecutive quarters of last 40

GENERATIONAL MEMBERS

- Average of highest 20 consecutive quarters of last 40



COMPENSATION CAPS

FOUNDATION MEMBERS

- Currently, compensation in last quarter/average of last 4 quarters capped to 105% of prior highest quarter
- Extending compensation cap to each of the years used in FAC for members with contributory service after June 30, 2020

GENERATIONAL MEMBERS

- Compensation for each of the 5 years used in FAC limited to 105% of highest prior compensation in final 10 years

For all members: Contributions in excess of cap would be paid to member, with actual investment earnings, at retirement.



FOUNDATION CLASS A: STANDARD BENEFIT FORMULA EXAMPLE

- Enhanced benefit

$$1.7\% \times \$30,000 \text{ FAC} \times 23 \text{ Credited Service Before 7/1/2008} = \$11,730$$

- Plus, base benefit

$$1.55\% \times \$30,000 \text{ FAC} \times 7 \text{ Credited Service After 7/1/2008} = \$3,255$$

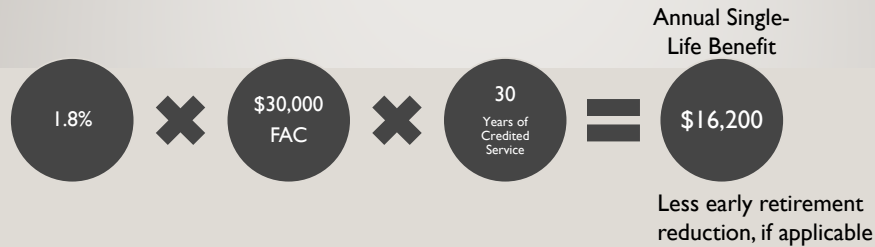
Total annual benefit

\$14,985

Less early retirement reduction, if applicable

* FAC: Final Average Compensation – the average of the highest 12 consecutive calendar quarters of salary out of the last 40 quarters

GENERATIONAL CLASS A:

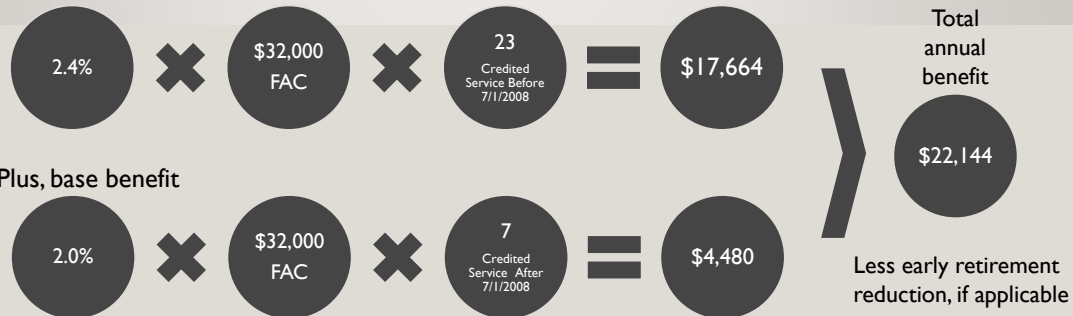


At retirement, a Generational member can elect to take an actuarially-reduced benefit to provide for a surviving spouse benefit equal to 60% or 100% of the member's benefit at death.

Additionally, Generational members will have funds available in their Variable Retirement Account (VRA).

CLASS B PUBLIC SAFETY EXAMPLE

- Enhanced benefit



- Plus, base benefit



* FAC: Final Average Compensation – the average of the highest 12 consecutive calendar quarters of salary out of the last 40 quarters

VARIABLE RETIREMENT ACCOUNT

- Available to Generational members only
- Individual member account credited with 1.5% of pay each year
- Actual investment return credited annually (as of June 30)
 - Contributions and distributions receive partial year investment credit
 - Minimum cumulative return over career of 0%, minimum benefit at retirement lump sum equal to 1.5% of total career pay
- VRA paid only at retirement, disability, or death
 - Lump-sum payment to member
 - Rollover to SRP or other eligible plan
 - Purchase of Supplemental Pension Benefit at retirement
 - Note: Refunding members forfeit VRA



CLASS A BENEFIT STRUCTURE COMPARISON

Illustrations for member hired at age 30 with starting salary \$40,000 and annual salary increases of 3%

Retirement Age	Service	Foundation		Generational			Variable Retirement Account	
		Monthly Benefits ¹	Monthly Benefits			Minimum Lump Sum	Expected Lump Sum ³	
			Life Annuity	or	60% Joint & Survivor ²			
55	25	\$ 2,106						
57	27	2,753	\$ 1,648	or	\$ 1,528	Plus	\$ 25,800 to \$ 62,700	
60	30	3,446	2,601		2,393		30,000 to 80,400	
62	32	3,900	3,396		3,107		33,000 to 94,500	
65	35	4,661	4,871		4,417		38,000 to 119,500	
67	37	5,227	6,070		5,470		41,500 to 139,300	
70	40	6,175	7,171		6,396		47,200 to 174,600	

¹ Life annuity if single, 60% joint and survivor if married.

² Assumes spouse of same age. 100% joint and survivor available with lower monthly benefit.

³ Assumes average annual net investment return of 6.5%.

CLASS B BENEFIT STRUCTURE COMPARISON

Illustrations for member hired at age 25 with starting salary \$40,000 and annual salary increases of 3%

Retirement Age	Service	Foundation		Generational			
		Monthly Benefits ¹	Monthly Benefits			Variable Retirement Account	
			Life Annuity	or	60% Joint & Survivor ²	Minimum Lump Sum	Expected Lump Sum ³
45	20	\$ 1,544					
47	22	2,111	\$ 1,287	or	\$ 1,222	Plus	\$ 19,500 to \$ 40,400
50	25	3,196	2,078		1,957		23,100 to 52,800
55	30	4,446	4,002		3,728		30,000 to 80,400
57	32	5,032	5,032		4,665		33,000 to 94,500
60	35	6,014	6,014		5,532		38,000 to 119,500
65	40	7,968	7,968		7,225		47,200 to 174,600

¹ Life annuity if single, 60% joint and survivor if married.

² Assumes spouse of same age. 100% joint and survivor available with lower monthly benefit.

³ Assumes average annual net investment return of 6.5%.

PURCHASING SERVICE

- Prior public service
 - In-state, out-of-state, Federal, Military, etc.
 - Verification required
- Air time
 - Any service, no verification needed
 - Must have at least 5 years of service
 - May purchase up to 5 years maximum



FAMILY BENEFITS

- No additional contributions needed
- Employed at time of death with eligible dependent children under age 19
 - Must have at least 3 years of service or die performing usual duties of job
 - Benefit equals greater of 25% of FAC or unreduced accrued retirement benefit at time of death
 - As children reach 19, benefit reallocated to remaining children
 - Benefit stops once all children reach age 19



SDRS FORMS: E-5 AND E-5A

- E-5: Beneficiary Designation
 - Update anytime you have a family status change or change in designation (i.e. marriage, divorce, death, birth, adoption, etc.)
- E-5A: Transfer to Minor
 - SDRS cannot make payments directly to minors
 - If naming a minor child, this form allows you to appoint a custodian and successor custodian
- SDRS forms are available online at sdrs.sd.gov. Click on the Forms tab.



SURVIVING SPOUSE BENEFITS

- Employed at time of death
 - SDRS will pay a monthly lifetime benefit when eligible surviving spouse reaches age 65/67 (Foundation/Generational)
 - Surviving spouse may elect reduced benefit as early as age 55/57 (Foundation/Generational)
 - How benefit is calculated will depend if family benefit was paid

To be eligible, your spouse must be married to you at the time of your death and for both more than 12 months prior to your death and prior to your retirement.



SURVIVING SPOUSE BENEFITS

- Retired at time of death
 - Foundation members:
 - 60% of member's benefit payable to eligible surviving spouse
 - Generational members:
 - Single life benefit
 - If married, member may elect (at retirement) to provide survivor benefit:
 - 60% Joint & Survivor
 - 100% Joint & Survivor
 - Member's retirement benefit actuarially reduced to provide survivor benefit

To be eligible, your spouse must be married to you at the time of your death and for both more than 12 months prior to your death and prior to your retirement.



DISABILITY RETIREMENT BENEFITS

- Eligibility:
 - Disability expected to last a year or longer
 - Must have at least 3 years of consecutive service; immediately eligible if accidentally disabled while performing job duties
 - Must be contributing at time of disability

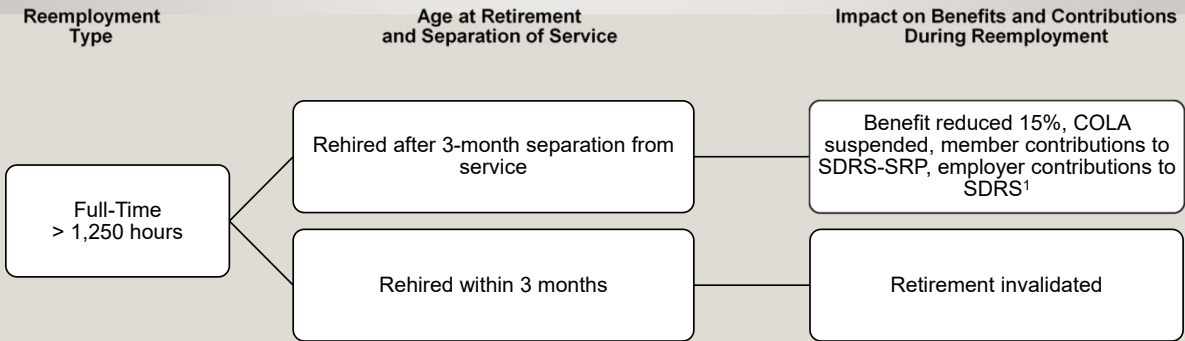


SDRS COST OF LIVING ADJUSTMENT (COLA)

- An annual increase in the amount of eligible monthly benefit payments effective each July 1
 - Provides partial protection against inflation
 - Based on annual inflation rate and the resources SDRS has available to pay for COLA
 - Minimum 0.0%; Maximum 3.5% - maximum may be reduced to affordable annual increase
 - COLA is also applied annually from the time a vested member leaves employment until retirement benefits are initiated

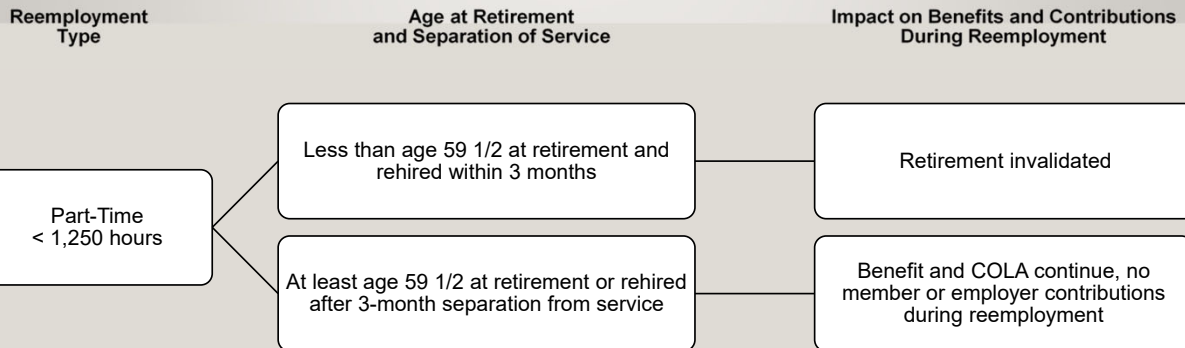


REEMPLOYMENT OF RETIREES



¹ The 15 percent reduction and suspension of COLA will not apply to Class B retirees who are reemployed in a Class A position.

REEMPLOYMENT OF RETIREES



REEMPLOYMENT OF RETIREES

Foundation members who retire and return to work for an SDRS employer on/after July 1, 2017, will remain Foundation members under the Foundation benefit design

Full-time employment: Employment with a participating employer of 1,250 hours or more in the employer's fiscal year, in any capacity, including temporary, seasonal, contractual, leased, or any other designation.

Part-time employment: Employment with a participating employer of less than 1,250 hours in the employer's fiscal year.

REEMPLOYMENT OF RETIREES

Separation from service: Three consecutive calendar months with no service performed for the employer in any capacity, including as a temporary, seasonal, contractual, leased employee, or any other designation. If a retiree is rehired without a three-month period during which no services are performed, the retirement will be invalidated, and any benefits received must be repaid to SDRS.

Exception for part-time reemployment of member who was at least age 59½ at retirement: SDRS permits a member who was at least age 59½ at retirement and is rehired on a part-time basis without a 3-month separation of service to continue receiving uninterrupted SDRS benefits during the period of part-time reemployment. If the member subsequently works more than 1,250 hours in the employer's fiscal year, the benefit will be suspended prospectively for the duration of the reemployment period.

SDRS RETIREMENT BENEFIT APPLICATION PROCESS

- Contact SDRS 3-6 months prior to retirement date
 - Request retirement packet and benefit estimate
- Review other retirement income sources
- Review health insurance options
 - COBRA, retiree insurance, Medicare



SDRS EDUCATIONAL SERVICES

- Pre-Retirement Planning Workshops
- Women and Financial Planning Workshops
- Early and Mid-Career Workshops
- Individual Retirement Consultations
- SDRS Website: sdrs.sd.gov
 - MySDRS
 - Events Schedule
 - Publications
 - Calculators



CONTACT SDRS

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222 E. Capitol, Suite 8
P.O. Box 1098
Pierre, SD 57501

Website: sdrs.sd.gov

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Local in Pierre: 773-3731
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THANK YOU!
