

# SOUTH DAKOTA RETIREMENT SYSTEM

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GENERAL OVERVIEW



# DISCLAIMER

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- 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

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- 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 55% of pay for career members (30+ years)



# SOUTH DAKOTA RETIREMENT SYSTEM

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- 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

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- 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

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- 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

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## 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

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## 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

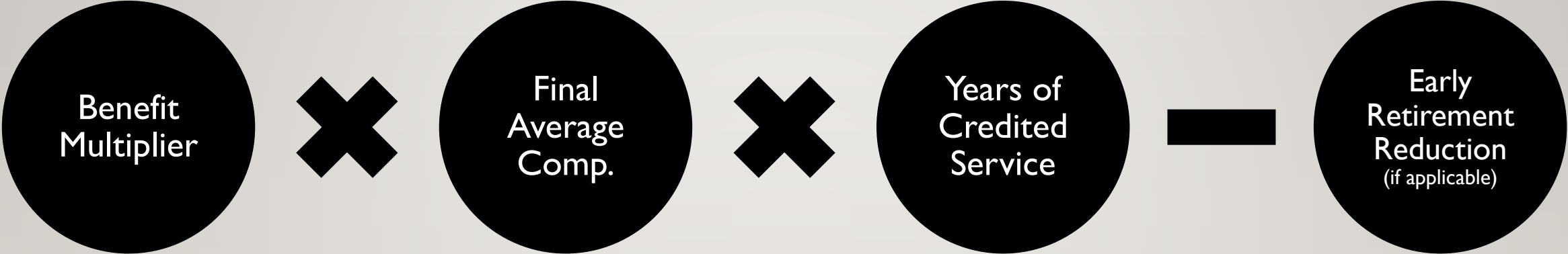
- Retirement Benefits:
  - Normal Retirement Age: 57
  - Early Retirement Age: 47 with 5% per year reduction
  - No Special Early Retirement
  - Variable Retirement Account paid at retirement





# BENEFIT FORMULA

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# VARIABLE RETIREMENT ACCOUNT

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- 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



# FAMILY BENEFITS

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- 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



# SURVIVING SPOUSE BENEFITS

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- 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

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- 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

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- 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 EDUCATIONAL SERVICES

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- Regional Pre-Retirement Planning Workshops
- Women and Financial Planning Workshops
- Early and Mid-Career Workshops
- Individual Retirement Consultations
- SDRS Website: [www.sdrs.sd.gov](http://www.sdrs.sd.gov)
  - MySDRS
  - Events Schedule
  - Publications
  - Calculators



# CONTACT SDRS

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South Dakota Retirement System

222 E. Capitol, Suite 8

P.O. Box 1098

Pierre, SD 57501

Website: [www.sdrs.sd.gov](http://www.sdrs.sd.gov)

Phone/Fax:

Toll-free: 1-888-605-SDRS (7377)

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# SDRS SUPPLEMENTAL RETIREMENT PLAN

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GENERAL OVERVIEW



# SDRS SUPPLEMENTAL RETIREMENT PLAN

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- SDRS-SRP is a 457(b) plan, a cousin to the 401(k) plan
- Available to ALL SDRS members
- No penalty for distribution before age 59 ½
- SDRS-SRP offers:
  - Tax-deferred contributions and earnings
  - After-tax contributions possible if offered by employer
  - Researched investment options selected by the South Dakota Investment Officer
  - Personalized assistance from SDRS-SRP Retirement Specialists



# SDRS – SRP FEATURES

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- Enrollment is easy
  - Decide how much to contribute
  - Name beneficiaries
  - Combine other retirement plans into SRP
- SDRS-SRP is flexible
  - Change your contribution amount or investment options at any time
- Diverse investment options
- Low annual asset fee: 0.16%
- Contributions made through payroll deduction
  - Minimal contribution requirement – just \$25 a month
  - Maximum contribution limit of \$19,500 with greater limits for those nearing retirement



## SDRS ROTH 457 OPTION

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- Contributions are made “after-tax”
  - Taxes are withheld when contribution is made
- Contributions and earnings grow tax deferred
- Distributions are tax-free, assuming:
  - Contributions have been held in account for 5 years; and
  - Distribution is made after 59 ½ or for death, disability, or Roth IRA rollover
- Same features and withdrawal options as traditional pre-tax SDRS-SRP





# AUTO-ENROLLMENT FEATURE

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- All new State of South Dakota permanent, full-time hires are automatically enrolled in the SDRS-SRP
  - As defined by the State of South Dakota
- Empowers employees to establish a long-term retirement savings program
  - After seeing the impact to take-home pay and learning about the benefits of participation, many new hires are likely to let SDRS-SRP do something good for them

# HOW AUTO-ENROLLMENT WORKS

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- \$25 per month (\$12.50 per pay period) will be deducted on a pre-tax basis, effective with first pay date
- What employees need to do:
  - Nothing, unless they want to:
    - Increase deferral amount
    - Opt-out

# AUTO-ESCALATION EXAMPLE

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Employees Joe and Jane start working January 1, 2019.

- As employees of an automatic enrollment employer, they are both automatically enrolled in the SDRS-SRP when hired.
- Both are 30 years old and plan to retire at age 65
- Both stay in the SDRS-SRP and contribute until they retire
  - Joe makes the minimum monthly contribution of \$25 per month
  - Jane elects to auto-escalate her contributions each year

# AUTO-ESCALATION FEATURE

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Assuming a 7% return, how do Joe's and Jane's SDRS-SRP account balances compare at age 65?

JOE	JANE
Total contributions:	Total contributions:
\$10,800	\$86,400
Investment return:	Investment return:
\$37,001.22	\$159,516.77
Ending balance:	Ending balance:
\$47,801.22	\$245,916.77

Jane's ending balance is more than 5 times Joe's.



## WHAT IS THE “OPT-OUT” PERIOD?

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- Day 1 through 90: Employee can opt-out and get all contributions refunded
- Day 91 and beyond: Employee has same rights as all other participants
- Notices are sent to employees during the opt-out period to inform them of their options
- If an auto-enrolled employee makes changes (such as increase deferral or change investment options) during the 90-day period, the employee is considered to have elected to participate in the SDRS-SRP

# SDRS – SRP WITHDRAWAL OPTIONS

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- Multiple withdrawal options upon:
  - Leaving employment and/or retiring
  - Your death (payable to beneficiaries)
- Withdrawals while still employed:
  - Unforeseeable emergency
  - Account balance of \$5,000 or less and no contributions for at least two years

Funds will be taxable at ordinary income tax rates when withdrawn.



# PAYOUT OPTIONS

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- Lump-sum withdrawal\*
- Partial lump-sum withdrawals\*
- Fixed-dollar amount\*
- Fixed-period payment\*
- Purchase a lifetime annuity
- Rollover to another eligible plan or IRA

\*Taxed as ordinary income



## CONTACT SDRS-SRP

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- Call: (605) 224-2230 (Pierre office)  
(800) 959-4457 (Customer service – Ohio)
- Visit: 222 E Capitol, Suite I  
Pierre, SD 57501
- Website: [www.SRP457.com](http://www.SRP457.com)

