



South Dakota Retirement System

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Retirement Planner

SD Association of County Officials

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[Long-Term Goal of SDRS]

Provide lifetime income replacement including Primary Social Security and Personal Savings to meet the basic retirement needs of 85% of final pay for members working a full career.

[Analyze Needs and Wants]

Lifetime Income

- SDRS
- Social Security
- SPB
- Annuities

Essential Expenses

- Food
- Clothing
- Shelter

Managed Income

- SRP
- SPP
- 401k
- 403b

Discretionary Expenses

- Vacations
- Entertainment
- Hobbies

[SDRS Funding]

- Multi-employer defined benefit retirement plan
- Almost all public employees in South Dakota are together in this retirement plan that shares in the costs and benefits
- Long-Term required rate of return of 7.75% is needed to fund system. Many years of stronger returns have provided cushion for leaner years and enhanced base benefits.

[Class A Benefit Formula]

Multiplier X Final Average Compensation X Credited Service

Enhanced Benefit

1.7% X FAC X Credited Service (before 7/1/08)

plus

Base Benefit

1.55% X FAC X Credited Service (after 7/1/08)

less

Early Retirement Reduction (if applicable)

[Ways to Increase SDRS Benefit]

- Increase Final Average Compensation
 - Highest 12 Consecutive Quarters of the last 40 Contributory Quarters
- Increase Credited Service
 - Work Longer
 - Purchase Service
- Any increase in either of these two components will provide a proportional increase to retirement benefits

[Purchasable Service]

- Verified Prior Public Employment
 - Must not be entitled to another benefit
 - Part-Time or Full-Time service
 - In-State, Out-of-State, Federal, Military
 - Requires Verification
- Air Time – limit five years
 - Arbitrary Years w/o verification
 - Need five years of contributory service

- Must be an active contributing member in order to purchase years of service -

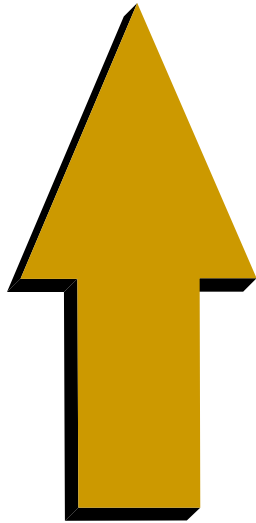
[Purchase Cost]

- Multiplier X Current Salary or FAC X Years
- 7.75% interest rate amortized into monthly cost for financed purchases (10 year max.)
- Multiplier ranges from 12% to 32.3% depending on age at time of purchase
- Payment options depend on employer's enrollment – check with SDRS

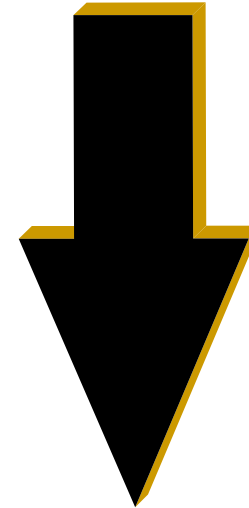
[Supplemental Pension Benefit]

- Creates additional monthly lifetime benefit from SDRS
- One time conversion from SRP or SPP
- \$10,000 minimum transfer
- Must be retired and drawing SDRS monthly benefit

[Should I do a service purchase or
a SPB conversion?]



Increases Lifetime
Income used for
Essential Expenses



Decreases Managed
Income used for
Discretionary
Expenses

[Long-Term vs. Short-Term Budget]

- Budget for 5 years, 10 years, 20 years, maybe 30 years into retirement
- Average Life Expectancy for people retiring at age 65 is roughly age 86
- Figure in cost of inflation as well as SDRS and Social Security Cost of Living Adjustments
- Level Income Option

[Level Income Payment Option]

- May elect if retiring prior to age 62
- Increased SDRS benefit prior to age 62
- Decreased SDRS benefit after age 62
- Does not impact Social Security

[Level Income Example – Age 55]

Without Level Income

SDRS Benefit to age 62:

\$1,800 *

SDRS Benefit after age 62:

\$1,800 *

Social Security at age 62:

\$1,000 *

With Level Income

SDRS Benefit to age 62:

\$2,300 *

SDRS Benefit after age 62:

\$1,300 *

Social Security at age 62:

\$1,000 *

* Hypothetical and used only for illustrative purposes. Each case will vary based on individual circumstances.

[Is Level Income right for me?]

- Have to look at personal budget
- Increases monthly income in the short-term but decreases in the long-term
- Reduces survivor benefits payable after date member would have been age 62
- Ability to work to supplement budget after age 62

[Surviving Spouse Benefit]



- If member is retired at the time of their death, SDRS pays an immediate 60% monthly lifetime benefit.
- If member is employed at the time of their death, SDRS pays at age 65 a projected 60% monthly lifetime benefit.

[Family Benefits]

- No additional contributions needed
- Provides benefits to family if active member passes away
- Pays 40% of member's FAC plus 10% for eligible children under age 19 (maximum of 6)



Cost of Living Adjustment



- Protects all benefits against inflation
- Compounded annually
- Applied to July benefit after first full year
- Between 2.1% and 3.1% depending on Consumer Price Index and SDRS Funded Status

[Retirement Process]

- Complete Purchases
- Review Health Insurance Options
 - COBRA
 - Retiree Insurance
 - Medicare
- Request SDRS Retirement Packet
 - Application Form B-2
 - Benefit Estimate
 - IRS Form W-4P
 - Beneficiary Change Form E-5

SDRS payments are 15th of the month

Federal Income Tax - 2010

Tax Rate	Married Filing Jointly	Single
10%	\$16,750 or less	\$8,375 or less
15%	\$16,750 - \$68,000	\$8,375 - \$34,000
25%	\$68,000 - \$137,300	\$34,000 - \$82,400
28%	\$137,300 - \$209,250	\$82,400 - \$171,850
33%	\$209,250 - \$373,650	\$171,850 - \$373,650
35%	Over \$373,650	\$373,650

Member tells SDRS how much they want withheld based on their marginal tax bracket, other taxable incomes and tax strategy.

[2010 Legislative Changes]



[2010 Legislation]

- Senate Bill 18 – Return to Work
 - Three continuous month termination period
 - Continued elimination of COLA
 - 15% benefit reduction during reemployment
 - No second SDRS benefit accrual
 - Member contributions to SRP
 - Employer contributions to SDRS
 - April 1, 2010 effective date

Eliminates \$5.2 million in annual unanticipated costs

[2010 Legislation]

- Senate Bill 20 – COLA and Refunds
 - Cost of Living Adjustment
 - If SDRS Market Value Funded Ratio is:
 - 100% or more – 3.1% COLA
 - 90% to 99.9% – 2.1% minimum, 2.8% maximum COLA
 - 80% to 89.9% – 2.1% minimum, 2.4% maximum COLA
 - Less than 80% – 2.1% COLA
 - Eliminates all first year pro-rated COLAs for retirees and all other pro-rated benefits
 - Refunds
 - Vested members receive 85% of employer share
 - Non-vested members receive 50% of employer share

Reduces plan liabilities by \$368 million

[2010 Legislation]

- Senate Bill 19 – Optional Spouse
 - Optional Spouse Coverage Changes
 - Increased Contribution Rate – 1.5% of Compensation
 - No new enrollments in the program
 - Reduces \$350,000 annual benefit subsidy
- Senate Bill 21 – Social Investing
 - Strengthens SDRS’s “Exclusive Benefit” rule and prohibits “Social Investing”

Thanks for Coming!

South Dakota Retirement System

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