



South Dakota Retirement System

Projected Funded Status as of June 30, 2018

**Legislative Research Council Executive Board
May 21, 2018**



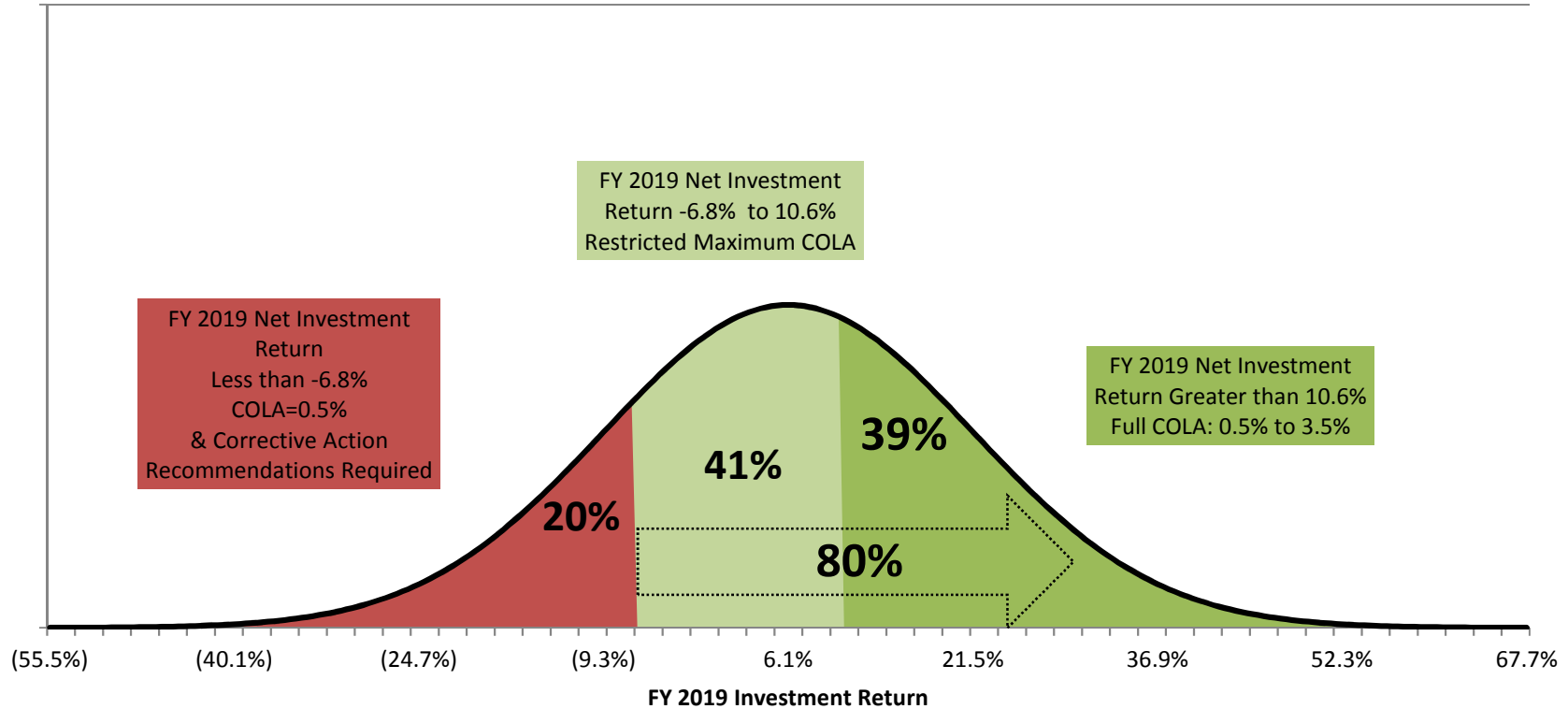
Projected Funded Status

SDRS' Fair Value Funded Ratio (the current value of assets as a percent of the plan's current accrued liability) is expected to remain at 100% for FY 2018 and most years thereafter, based on the 2016 and 2017 legislative changes that enhanced the plan's sustainability

- SDRS will remain among the most fiscally sound and well-funded retirement plans in the nation
- If inflation continues at the current pace through the third calendar quarter, and the FY 2018 net investment return is approximately the assumed rate of 6.5%, the 2019 COLA will likely be near 2%
- The new flexible benefit design matches the long-term investment process and the fixed statutory contribution rates, and results in improved risk management



Projected 2020 SDRS COLA Range* Assuming 6% Net Investment Return for FY18



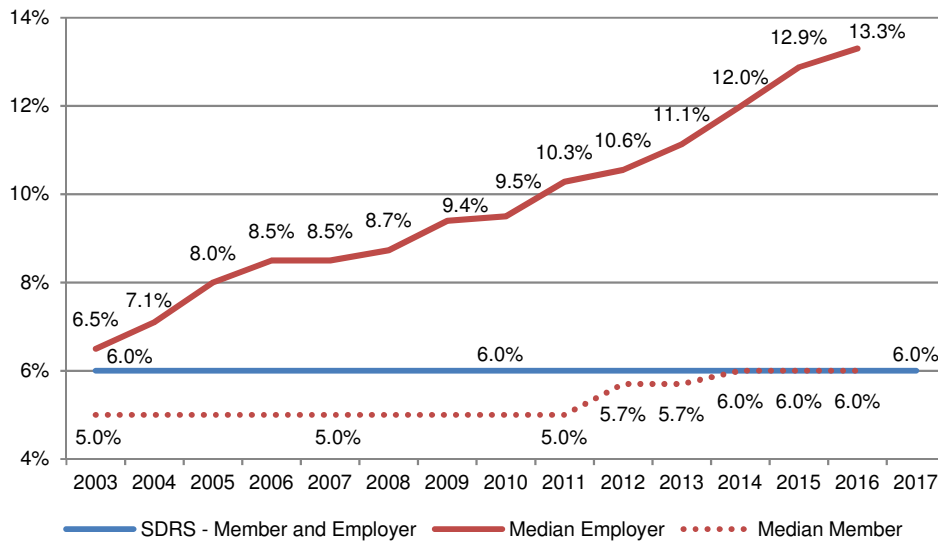
- Following an assumed net investment return of 6% for FY18, the likelihoods for 2020 COLA ranges, which are primarily driven by FY19 investment returns, are:
 - 39% likelihood that the baseline COLA will be payable (CPI-W between 0.5% and 3.5%)
 - 41% likelihood that the COLA will have a restricted maximum (CPI-W between 0.5% and the restricted maximum)
 - 20% likelihood that a 0.5% COLA will be payable and additional Corrective Action recommendations will be required

* Before consideration of liability gains/losses. Likelihoods based on SDIC 2017 investment portfolio statistics.

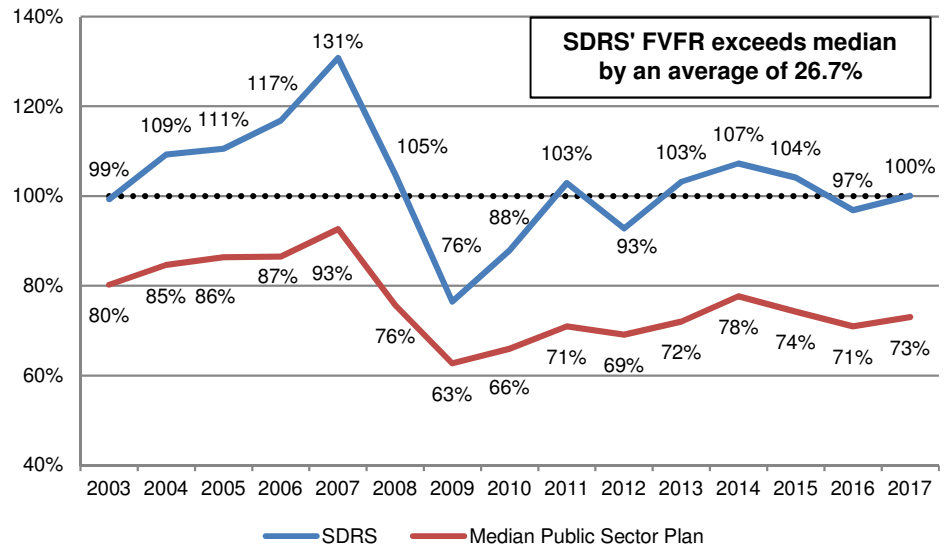


SDRS and Other Public Retirement Systems

Contribution Rates for General Employees



Fair Value Funded Ratio

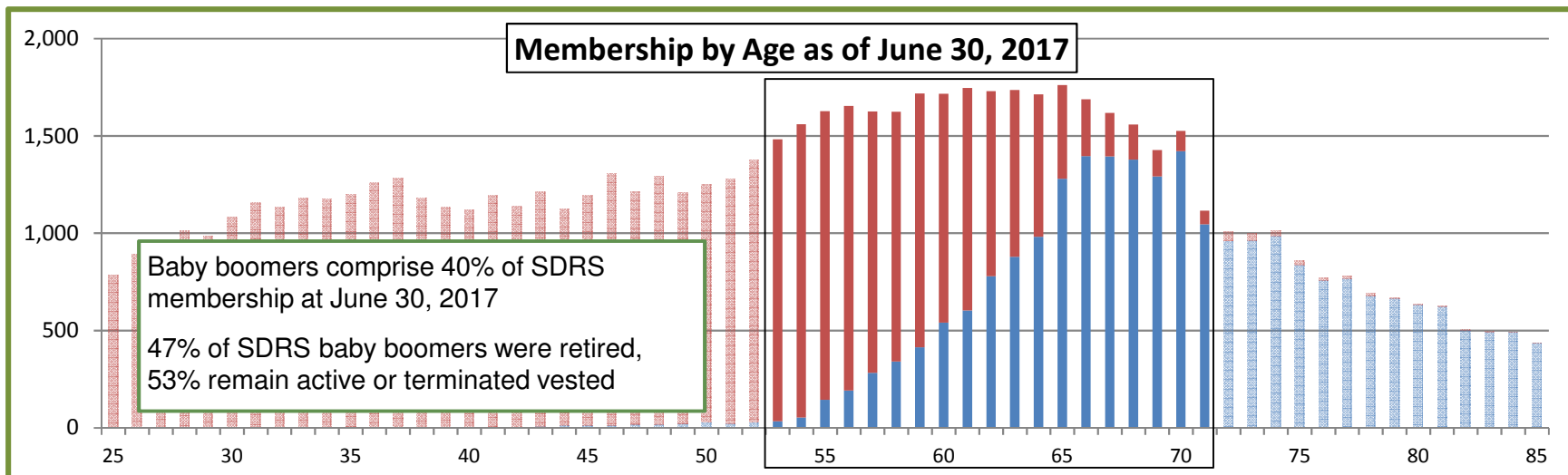
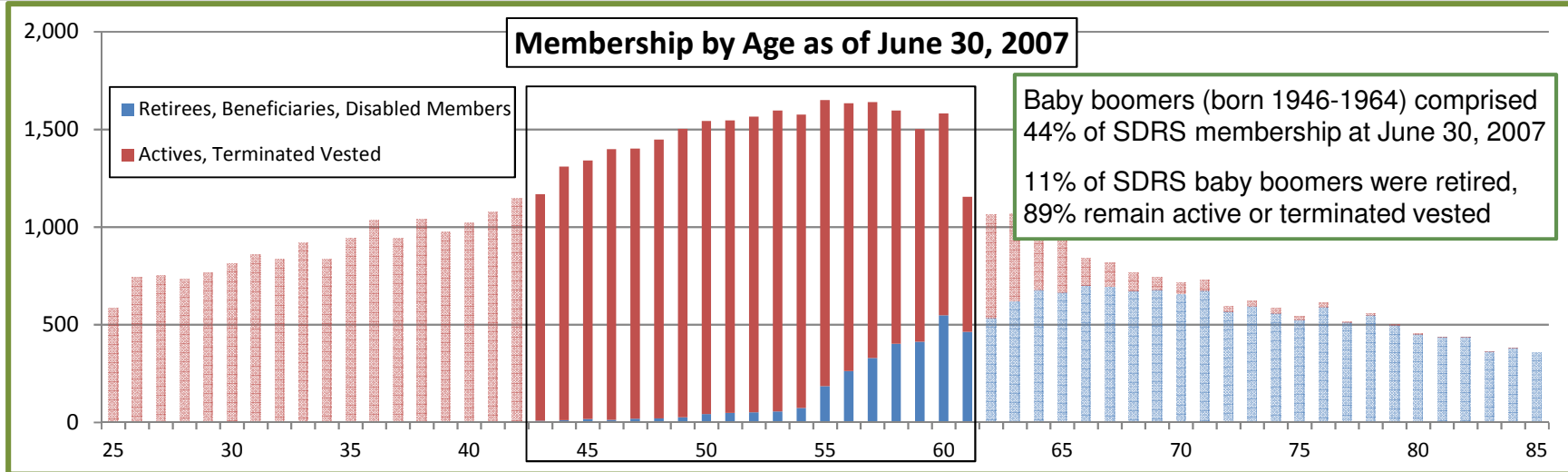


- Since consolidation in 1974, SDRS has been managed within the resources provided by fixed, statutory member and employer contributions
- In recent years, the median employer contribution rate has more than doubled for large public retirement systems whose members participate in Social Security, while the SDRS employer rate has not changed
- During the same period, SDRS has achieved a funded ratio of 100%, while the median funded ratio has declined

Median plan information source: NASRA Public Fund Survey Summary, November 2017. Median 2017 FVFR is estimated.



Baby Boomers and SDRS Membership





Summary

- During the last year, SDRS has been recognized several times as a model public retirement plan
- SDRS has just received an award from the Society of Actuaries as an example of how public retirement plans can be designed to provide both adequate and sustainable retirement income over the next century
- Such awards and recognition are great, but the Board of Trustees is already reviewing the additional steps necessary to keep the system in actuarial balance over all economic conditions
- The SDRS Board of Trustees and staff, the South Dakota Investment Council, the Legislature, the Executive Branch of State government, the members, and all stakeholders can be very proud of the South Dakota Retirement System