



# South Dakota Retirement System

**SDRS Board of Trustees' Revised Mission Statement  
and Income Replacement Goals**

**Report to Retirement Laws Committee**

December 3, 2008



# Assessment of Prior Mission Statement and Goals

## FINDINGS

- SDRS total income replacement goal (70-85% of pay) too low and sometimes misunderstood
- Most SDRS retirees will not achieve goal from SDRS and Social Security
- Necessity of additional employee personal savings for retirement not emphasized

## ACTIONS

- New goal for SDRS benefits established, the total income replacement goal revised, and a goal for personal savings added
- New assessment model considers variations in retirement age and service, Social Security benefits, and future SDRS benefits
- Projections quantify additional personal retirement savings needed to meet goals



# Revised Mission Statement

## SDRS Mission Statement

To plan, implement, and administer income replacement programs, **and to encourage additional savings for retirement, all of which offer** ~~that give~~ SDRS members and their families the **resources and the** opportunity to achieve financial security at retirement, death or disability, by providing an outstanding, appropriate and equitable level of benefits.

The Board of Trustees believes this mission is achievable with the resources available in a progressive working environment, by sound and efficient management, through superior investment performance and by exercising the fiduciary responsibility associated with the proper stewardship of member assets.



# New SDRS Income Replacement Goal

## SDRS Stand-Alone Goal

- Income replacement of at least 55% of final average compensation from SDRS defined benefits
  
- Criteria
  - Class A
    - 30 years of service
  - Class B Judicial
    - 20 years of service
  - Class B Public Safety
    - 25 years of service



# Revised Total Income Replacement Goal and New Personal Savings Goal

## Total Income Replacement Goal Considering All Sources

- At least 85% of final average compensation considering SDRS, Social Security, and additional personal retirement savings

## Additional Personal Retirement Savings Goal

- At least 100% of annual pay at retirement



# Revised SDRS Benefit Improvement Tenets

- Benefit improvements possible because of investment results, not contribution rates
- Actual or expected total cost of benefit improvement must be fully funded **from SDRS reserves**
- Improvements should **generally** relate to a member's investment in SDRS
- Improvement should be shared by all members, active and retired
- Allocation among members **may not be equal, but** should be equitable
- **The SDRS policy and conditions for recommending benefit improvements should be periodically reevaluated and strengthened when appropriate**



# Revised Assessment Model

- Compare lifetime benefits from SDRS with 55% minimum goal
- Compare lifetime benefits from SDRS and Social Security with 85% minimum goal and determine short-fall, or “gap”
- Illustrate additional personal savings needed at retirement to fill gap, and annual savings rates required
- Consider members who meet career and retirement age criteria, as well as other examples
- Model current Social Security benefits and potential reductions
- Expand, refine, and make available for use as a planning tool by members