

AN ACT

ENTITLED, An Act to revise the actuarial reporting procedures by the South Dakota Retirement System and to revise certain actuarial terms.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF SOUTH DAKOTA:

Section 1. That § 3-12-122 be amended to read as follows:

3-12-122. The board shall review the funding of the system and shall make a report to the Governor and the Retirement Laws Committee if any of the following exists as of the latest annual actuarial valuation of the system:

- (1) The contributions do not equal the actuarial requirement for funding;
- (2) The funded ratio is less than eighty percent, or a ratio based on the market value of assets is less than eighty percent; or
- (3) The market value of assets is less than ninety percent of the actuarial value of assets.

The report shall include an analysis of the conditions required for an improvement of the funded status of the system and recommendations for the circumstances and timing for any future benefit changes in actuarial assumptions. If any of the conditions set out by this section exist for a period of three consecutive annual actuarial valuations, benefit reductions, contribution changes, or both, shall be recommended by the board to the Governor and the Retirement Laws Committee, effective as soon as possible, to improve the funded status of the system.

Section 2. That § 3-12-121 be amended to read as follows:

3-12-121. The actuarial valuation required by § 3-12-120 shall be based on actuarial assumptions adopted by the Board of Trustees as a result of an actuarial experience analysis. The board may not make any change in the actuarial assumptions unless the approved actuary retained to make the actuarial valuation certifies that the change is reasonable. If the board makes any such change, it shall report the change to the Governor and to the Retirement Laws Committee. The report shall include

the actuary's and board's analysis of the conditions that led to the change.

Section 3. That subdivision (4) of § 3-12-47 be amended to read as follows:

- (4) "Actuarial requirement," the normal cost and the interest on and amortization of the unfunded actuarial accrued liability accumulated to date over a thirty year period, all expressed in terms of a percentage of covered payroll;

Section 4. That subdivision (5) of § 3-12-47 be amended to read as follows:

- (5) "Actuarial experience analysis," a periodic report which reviews basic experience data and furnishes actuarial analysis which substantiates the assumptions adopted for the purpose of making an actuarial valuation of the system;

Section 5. That subdivision (6) of § 3-12-47 be amended to read as follows:

- (6) "Actuarial valuation," a projection of the present value of all benefits and the current funded status of the system, based upon stated assumptions as to rates of interest, mortality, disability, salary progressions, withdrawal, and retirement as established by a periodic actuarial experience analysis which takes into account census data of all active members, vested terminated members and retired members and their beneficiaries under the system;

Section 6. That subdivision (32) of § 3-12-47 be repealed.

(32)

Section 7. That subdivision (38) of § 3-12-47 be amended to read as follows:

- (38) "Funded ratio," the actuarial value of assets divided by the actuarial accrued liability;

Section 8. That subdivision (46) of § 3-12-47 be repealed.

(46)

Section 9. That subdivision (57) of § 3-12-47 be amended to read as follows:

- (57) "Present value of benefits earned to date," the present value of the benefits currently being

paid to retired members and their beneficiaries and the present value of benefits payable at retirement to active members, based on their earnings and credited service to date of the actuarial valuation;

Section 10. That subdivision (72) of § 3-12-47 be amended to read as follows:

(72) "Unfunded actuarial accrued liability," the actuarial accrued liability less the actuarial value of assets;

Section 11. That § 3-12-47 be amended by adding thereto NEW SUBDIVISIONS to read as follows:

"Actuarial accrued liability," the present value of all benefits less the present value of future normal cost contributions;

"Actuarial value of assets," the total assets of the system, taking market appreciation into account on a rational and systematic basis;

"Normal cost," the expected long-term cost of the system benefits and expenses expressed as a percentage of payroll;

"Market value of assets," the total assets of the system at fair market value;

"Present value of all benefits," the present value of all benefits expected to be paid to all retired, terminated, and active members and beneficiaries, based on past and future credited service and future compensation increases.

Section 12. That § 3-12-69 be amended to read as follows:

3-12-69. Employees of an eligible political subdivision or public corporation not participating in the systems consolidated into the system created by this chapter, may become a participating unit in the system if the unit commits to deposit an amount equal to the present value of the benefits earned to date, based on the employee's prior service to the unit to be covered by the system. The expense of the actuarial determination of this amount shall be borne by the applicant. All eligible

employees of an applicant shall participate in the system upon admission. If the unit is unable to deposit this amount in a single sum, the unit shall have the option to pay the amount by periodic level installments over a period up to twenty years, the value of which, when discounted for interest at the effective rate, is equal to the amount due at the date of participation.

Section 13. That § 3-12-120 be amended to read as follows:

3-12-120. To determine and verify the adequacy of the members and employer contributions to the system, an actuarial valuation of the system shall be made by an approved actuary annually.

The actuarial valuation shall include:

- (1) A demonstration of the relationship of the current member and employer contributions, expressed as a percentage of payroll, to the actuarial requirement; and
- (2) The current year's funded ratio as well as the ratios from the prior actuarial valuations performed after July 1, 1974.

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I certify that the attached Act originated in the

HOUSE as Bill No. 1040

\_\_\_\_\_  
Chief Clerk

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\_\_\_\_\_  
Speaker of the House

Attest:

\_\_\_\_\_  
Chief Clerk

\_\_\_\_\_  
President of the Senate

Attest:

\_\_\_\_\_  
Secretary of the Senate

House Bill No. 1040  
File No. \_\_\_\_\_  
Chapter No. \_\_\_\_\_

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Received at this Executive Office this \_\_\_\_\_ day of \_\_\_\_\_ ,

20\_\_\_\_ at \_\_\_\_\_ M.

By \_\_\_\_\_  
for the Governor

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The attached Act is hereby approved this \_\_\_\_\_ day of \_\_\_\_\_ , A.D., 20\_\_\_\_

\_\_\_\_\_  
Governor

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STATE OF SOUTH DAKOTA,  
ss.

Office of the Secretary of State

Filed \_\_\_\_\_ , 20\_\_\_\_  
at \_\_\_\_\_ o'clock \_\_ M.

\_\_\_\_\_  
Secretary of State

By \_\_\_\_\_  
Asst. Secretary of State