

MINUTES

Retirement Laws



Senator Jim White, Chair
Representative Larry Zikmund, Vice Chair

**Second Meeting, 2019 Interim
Monday, December 02, 2019**

**Room 412 – State Capitol
Pierre, South Dakota**

The second meeting of the Retirement Laws committee for the 2019 Interim was called to order by Senator Jim White at 4:00 p.m. (CST), on December 2, 2019 in Room 412 of the State Capitol, Pierre, South Dakota.

A quorum was determined with the following members answering roll call: Senators Jim Bolin, Reynold Nesiba, V.J. Smith, Jim White (Chair), and Susan Wismer (via phone); and Representatives Steven McCleerey and Larry Zikmund (Vice Chair). Representatives Linda Duba (via phone) and Tim Rounds (via Skype) joined the meeting after roll call. Representative Carl Perry was excused.

Staff members present were Jeff Mehlhaff, Senior Fiscal and Program Analyst; and Rachael Person, Senior Legislative Secretary.

NOTE: *For purpose of continuity, the following minutes are not necessarily in chronological order. Also, all referenced documents distributed at the meeting are attached to the original minutes on file in the Legislative Research Council office. This meeting was web cast live. The archived web cast is available at the LRC website at sdlegislature.gov.*

Approval of Minutes

A motion was made by Representative Zikmund, seconded by Senator Bolin, to approve the minutes of the May 22, 2019 Retirement Laws meeting. The motion prevailed on a voice vote.

Opening Remarks and Introductions

Senator White welcomed everyone to the meeting and introduced, **Mr. Travis Almond, Executive Director of the South Dakota Retirement System (SDRS)**. Mr. Almond gave the committee an overview of his background and experience and spoke of the SDRS perspective and the future for SDRS.

Projected SDRS Funded Status

Mr. Doug Fiddler, Senior Actuary, SDRS, provided the committee with an update on the funded status, projections for the future, and the potential changes that could occur ([Document 1](#)).

Mr. Fiddler acknowledged Mr. Matt Clark and the Investment Council for the work they do and commented on the success of SDRS. He stated the Investment Council is consistently near the top and while the state's performance has been better than most systems, the outlook has been conservative.

Mr. Fiddler discussed the funding results for the year and stated SDRS's goal is to be fully funded and able to afford the full Cost of Living Adjustments (COLA). He presented the committee with the COLA calculation process, inflations and SDRS COLAs since 2010, employer contributions and funded status comparisons, government

spending on pensions comparisons, risk analysis, and projected future COLA ranges for the upcoming year and three years in the future.

Senator Nesiba asked why some individuals have cumulative SDRS COLA increases above the actual cumulative inflation amount. Mr. Fiddler responded that 2011 was the first year SDRS started varying the COLA in reaction to the recession in 2008 and 2009. The change put in bands for funded ratios and a different process for the COLA. In the years where SDRS was 100% funded, they would still pay the 3.1 fixed COLA even though inflation was very low. Because of this, change was made to legislation in 2016 so the COLA was not paid ahead of inflation.

Senator Nesiba inquired as to the employee share of contributions. Mr. Fiddler said members contribute 6% of their pay and their employers also contribute 6%.

Senator White asked if there was any deviation from the 6%. Mr. Fiddler mentioned some deviations but most employees that are part of SDRS, and their employers, pay the 6%.

Senator Bolin pointed out one of the strengths of the system was the flexibility and asked if this was distinctive to South Dakota's system in comparison to others. Mr. Fiddler said that is accurate, however more states are adopting similar plans as the importance of sharing the risk is being recognized.

Senator Smith asked what Mr. Fiddler anticipated for the next 5-10 years in terms of member numbers. Mr. Fiddler remarked that the system has been consistently growing at about 1% per year so he estimates there would be roughly 90,000 members in the next 5 years. Mr. Fiddler added the number of retirees compared to the number of active members is growing as life expectancies grow so there is a greater pool of retirees which is a great advantage of maintaining a fully funded system because there is not an overhang of debt that needs to be spread over a relatively smaller group of active members.

Proposed Legislation

Ms. Jackie Storm, Deputy Director/General Counsel, SDRS, presented the committee with the proposed legislation SDRS will bring forward in the 2020 legislative session ([Document 2](#)). The proposed legislation will include general clean-up in current legislation such as updating the reference date for the Internal Revenue Code, defining teachers as certified school employees, clarifying the confidentiality statute to include the Supplemental Retirement Plan and Special Pay Plan, and other clean up legislation.

One of the areas of clarification will be in the voting requirement language to more clearly define the 2/3rds required vote for employers who are not currently a part of SDRS but would like to become members. Another area of clarification would make changes to the family, surviving spouse, and early surviving spouse benefits so the projected compensation will be used in the computation of those benefits.

Senator White asked if any communication has been made to make surviving spouses aware of disability or death benefits. Ms. Storm stated it is reviewed with the individuals when the situation occurs to them. All of the information and benefits are available on the [SDRS website](#) and retirement planners are available to assist individuals with any questions they may have.

Ms. Storm touched on another piece of legislation regarding the surviving spouse benefit that will affect the commencement of the benefit. She also discussed the Qualified Benefit Preservation Arrangement that will be introduced during the upcoming legislative session.

Ms. Storm informed the committee of a bill that will be brought forward by the Department of Labor and Regulation regarding a pension plan within their department and their movement into the SDRS system. Ms. Storm said the assumptions of the plan are more conservative than SDRS's, but they are appropriate. She expects the board will support the legislation.

Senator White inquired as to the number of participants in the plan. Ms. Storm responded there are 194 retirees and 4 active participants. Of the 4 active participants, 2 will be retired by July 1, 2020.

Senator Bolin asked if there were other small plans like this one within state government that they should be aware of. Ms. Storm said there are none they are aware of. SDRS was aware this plan was in place and there is specific statute in SDRS's code that speaks to the plan and the option they had prior to 1980.

Closing Remarks and Adjournment

Senator White commented on the importance of recognizing the importance of the retirement population within the districts. He asked the committee to acknowledge those members of their districts and how important the process is to them, and to make sure they know the SDRS staff is available to help them.

A motion to adjourn was made by Representative McCleerey, seconded by Senator Nesiba. The motion prevailed on a voice vote.

The committee adjourned at 5:04 p.m.