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January 9, 2023

Mr. Travis W. Almond  
Executive Director  
South Dakota Retirement System  
P.O. Box 1098  
222 East Capitol Ave., Suite 8  
Pierre, South Dakota 57501-1098

**Re: South Dakota 2023 Legislative Session – House Bill 1007**

Dear Travis:

House Bill 1007 adds emergency medical services (EMS) personnel to Class B membership of the South Dakota Retirement System. This change will be prospective. That is, any service earned by EMS personnel prior to July 1, 2023 will retain the Class A benefit multiplier and normal retirement age (NRA). Only future service will be Class B.

House Bill 1007 will impact approximately 57 current SDRS members. About half of these members are Foundation members, who entered SDRS prior to July 1, 2017, and the remainder are Generational members.

Benefits in relation to contributions are more favorable for Class B Foundation members. This imbalance was corrected in the Generational benefit structure. For Generational members, Class A and Class B contributions and benefits are balanced and any cost differences are due to demographic differences or actuarial assumptions. Because SDRS is a consolidated system, we do not separate costs by group based on demographics and assumed future experience.

Foundation members have a NRA of 65 for Class A benefits and 55 for Class B benefits. For the 28 Foundation members who will move to Class B, an average of 41 percent of their expected career service will be Class B service with the earlier NRA. Assuming these members will accelerate their retirements by 4.1 years (41 percent of the 10-year NRA difference), SDRS net costs will increase by approximately \$80,000. The expected net impact of this change is equivalent to an asset loss of 0.0006% and is not material to SDRS funding. However, if the impacted Foundation members do not retire earlier, SDRS will realize a small net cost savings.

House Bill 1007 moves emergency medical services personnel to Class B for future contributions and future service only and as a result will have a negligible impact on liabilities and assets of SDRS.

Sincerely,

A handwritten signature in black ink, appearing to read "Douglas J. Fiddler".

Douglas J. Fiddler, A.S.A., E.A., M.A.A.A., F.C.A.  
Senior Actuary

c: Ms. Jacquelyn Storm, SDRS  
Ms. Michelle Mikkelsen, SDRS

Future actuarial results may differ significantly due to plan experience different than assumed or other unanticipated changes. An actuarial model was used for this analysis that in my professional judgement, is sufficient for assessing the impact of this legislation. The signee meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.