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February 6, 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 1119**

Dear Travis:

House Bill 1119 adds 911 county telecommunicators to Class B membership of the South Dakota Retirement System. This change will be prospective. That is, any service earned by 911 telecommunicators prior to July 1, 2023 will retain the Class A benefit multiplier and normal retirement age (NRA). Only future service will be Class B.

During fiscal year 2022, representatives of the 911 telecommunicators group identified members currently employed in positions that would move to Class B membership under House Bill 1119. We have relied on the identifying information provided to SDRS. If the group of 911 telecommunicators currently participating in SDRS is significantly larger, the fiscal impact of House Bill 1119 will be greater than the cost estimate provided in this letter.

Based on data provided to us to identify these members, House Bill 1119 as introduced will impact approximately 127 current SDRS members employed by county governments. Of these members 76 are Foundation members, who entered SDRS prior to July 1, 2017, and the remainder are Generational members.

If House Bill 1119 is amended to expand this group to 911 telecommunicators employed by all political sub-divisions (as is provided in proposed amendment 1119A) based again on the data provided to us to identify these members, House Bill 1119 will impact approximately 238 current SDRS member, 147 of which are Foundation 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 Public Safety benefits. Based on the introduced House Bill 1119, the 76 Foundation members who will move to Class B, will have an average of 39 percent of their expected career service as Class B service with the earlier NRA. Assuming these members will accelerate their retirements by 3.9 years (39 percent of the 10-year NRA difference), SDRS net costs will increase by approximately \$215,000. However, if the impacted Foundation members do not retire earlier, SDRS will realize a small net cost savings.

If House Bill 1119 is amended as discussed above, the 147 Foundation members who will move to Class B, will have an average of 37 percent of their expected career service as Class B service with the earlier NRA. Assuming these members will accelerate their retirements by 3.7 years (37 percent of the 10-year NRA difference), SDRS net costs will increase by approximately \$390,000. However, if the impacted Foundation members do not retire earlier, SDRS will realize a small net cost savings.

House Bill 1119 moves 911 telecommunicators to Class B for future contributions and future service only and as a result will have a small impact on SDRS liabilities and assets of SDRS that ranges from \$215,000 to \$390,000, based on identifying data provided to SDRS.

Sincerely,



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.