

SOUTH DAKOTA BOARD OF REGENTS

Budget & Finance

AGENDA ITEM: 6 – D

DATE: October 7-8, 2015

SUBJECT: SDRS Supplemental Retirement Plan Auto-Escalation Feature

In 2009, the South Dakota Board of Regents (SDBOR) elected to be an auto-enrollment employer in the SDRS Supplemental Plan (SDRS SRP). Since July 2009, all newly hired benefit-eligible employees have been auto-enrolled into SDRS SRP with a \$25.00 per month deduction; these employees are given the option to opt-out after their first payroll contribution into the plan. SDRS has identified that 93% of auto-enrolled employees stay in the plan and continue contributing. However, 82% of those auto-enrolled never take action to increase their contribution amount over the \$25.00 monthly minimum.

To address this, the SDRS Board of Trustees proposed legislation during the 2015 legislative session. HB 1011 amended §3-13-56 to include a provision that allows for automatic increases for participants who have been auto-enrolled. SDRS SRP has now implemented this auto-escalation feature; employers can elect to participate (see Attachment I) and automatically increase contributions to SDRS SRP auto-enrollees once annually. This is an innovative way that employers can encourage additional retirement savings for employees. Each July, all auto-enrolled employees will see a \$10.00 per month increase to their SDRS SRP contribution. Employees will be given the opportunity to opt-out of the auto-escalation feature on an annual basis, or can choose a different amount to automatically increase their contribution.

Dr. Rush and the human resource leadership from the institutions are supportive of adopting the automatic escalation feature for SDBOR employees in July 2016. Prior to implementation, SDBOR will need to:

1. Collaborate with SDRS SRP on a communication plan to notify those affected by the change of their options;
2. Work with SDRS SRP on a process to identify the effected employees and develop a process update the contribution amounts in the HRIS system;
3. Communicate with institutional human resources and payroll offices regarding the change.

RECOMMENDED ACTION OF THE EXECUTIVE DIRECTOR

I move that the BOR adopt the SDRS Supplemental Retirement Plan auto-escalation feature.



**Employer Election to Add
Automatic Escalation Provision
For the SDRS Supplemental Retirement Plan**

Whereas, SDCL 3-13-56 offered SDRS participating employers the opportunity to choose to add an automatic enrollment provision for the unit's employees that were hired on or after the effective date of July 1, 2009, **OR** that were hired on or after the date of an election by the employer unit, whichever may be later;

Whereas, the South Dakota Board of Regents provided the automatic enrollment provisions and agreed to the terms and conditions as set forth by SDRS, with an effective date of August 22, 2009;

Whereas, effective July 1, 2015, SDRS (pursuant to SDCL 3-13-56) now offers all participating employers that have previously maintained the automatic enrollment provisions the opportunity to add an automatic escalation provision;

Whereas, the South Dakota Board of Regents understands and agrees to the following points;

- The decision to become an automatic enrollment unit with auto escalation shall be made by the elected official, the appointed official, or the governing body in charge of the employer;
- The employer shall add the auto escalation provision on July 1, 2015, or as soon as notice of the decision has been delivered in writing to the system, whichever is later;
- That all permanent full-time employees hired on or after the effective date of the automatic enrollment election have been and shall continue to be automatically enrolled in the SDRS-Supplemental Retirement Plan;
- That all new employee identification data via SDRS Form E-1 will continue to be submitted to SDRS electronically;
- That twenty-five dollars per month shall be initially deferred to the plan from the employee's compensation, effective with the employee's first pay date;
- That the SRP deferral shall continue from the effective date of hire unless the employee officially provides notice to the system of his/her election not to participate;
 - Special Rule for Automatic Enrollees: if the enrollee elects not to participate in the plan within 90 days after his or her first pay date and gives notice of that election to the system, the deferred compensation amount and the associated gains or losses, less federal income tax withholding, shall be refunded to the enrollee within 30 days of receipt of the final contribution.
- If the employer elects January 1 as its annual automatic escalation date, notice of this election must be received by the system no later than September 15; if the employer

elects July 1 as its automatic escalation date, notice of this election must be received by the system no later than March 15.

- That the SRP deferral amount shall annually increase by ten dollars (\$10) per month on the unit's automatic escalation date for each automatically enrolled employee whose hire date is at least one year prior to the automatic escalation date.
- If the employee is eligible for but elects not to participate in the automatic escalation or elects to defer a lesser or greater amount, then the employee must annually provide notice to the system of his/her election no later than December 15 for a January escalation or June 15 for a July escalation.
 - Special Rule for Auto Escalation Enrollees: if the enrollee fails to timely notify SRP each year of his/her desire not to participate in automatic escalation or desire to defer a lesser amount, the enrollee may later notify the system to stop any future deferrals for that year but any additional amount previously deferred will not be refunded to the enrollee.

Now, Therefore, Be It Resolved, that the South Dakota Board of Regents shall elect to add the automatic escalation provisions to its previously maintained automatic enrollment feature as provided under SDCL 3-13, Deferred Compensation Plan for Public Employees, and agrees to the terms and conditions as set forth by SDRS, with an effective date of January 1/July 1 (circle one) for automatic escalation each subsequent year.

Signature

Date



Please return to:
South Dakota Retirement System
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