



South Dakota Retirement System

Using Automatic Enrollment and Automatic Escalation to Increase Savings

**Retirement (In)Security Summit
October 2, 2017**



SDRS/SRP Basics

Mission Statement

- To plan, implement, manage and administer financially sustainable retirement income programs within the fixed resources available

Core Values

- Provide members and their families the opportunity to achieve financial security at retirement, death or disability by delivering appropriate and equitable benefits, and promote, encourage and facilitate additional member savings for retirement

The primary responsibilities of the South Dakota Retirement System (SDRS) Board of Trustees surround the defined benefit plan. However, the Board long ago recognized that members will need additional savings for retirement and ultimately established the Supplemental Retirement Plan (SRP) in 1988 under IRS section 457.



Implementation

- The SRP plan experienced slow, but steady growth in participation and assets from 1989 through 2008.
- With the change in IRS rules and the passage of the Pension Protection Act in 2006, automatic enrollment became more prevalent in the private sector
- Building on the success in the private sector, the Board of Trustees brought legislation in 2008 to establish an automatic enrollment program for new hires of the State and SD Board of Regents with availability for the new employees of all SDRS employers that chose to participate
- For the State and Regents and the other employers that offered the program, it has been a great success
- Shortly after the program was implemented, Retirement Made Simpler and the Center for State and Local Government Excellence published a paper “Adopting Automatic Enrollment in the Public Sector” – that paper is currently being updated by the same original authors



Results of Auto-Enrollment

	<u>2008</u>	<u>2017</u>	<u>Change</u>
Total Participants	5,235	23,280	345%
Actively Deferring	2,654	12,372	366%
In Payout	280	1,013	262%
Assets (Millions)	\$135.8	\$387.4	185%
Average Assets (per Member) *	\$25,940	\$16,639	- 36%
Auto-Enrollment Participation Rate	91.3%	93.7%	
Other Employers New Hire Participation	1.0%	<3.0% (estimate)	

Employers with approximately ½ of the active SDRS membership participate in the auto-enrollment program.

*the high number of new enrollments at the default deferral rate lowered the average account balance



Automatic Escalation

In response to the low number of auto-enrollees that annually increased their monthly deferral, the Board of Trustees brought legislation in 2015 to provide for automatic escalation of monthly deferrals. Five years after the implementation, 82% of automatic enrollees were still deferring the minimum monthly amount.

A lower number of employers chose to participate in this program (covered about ¼ of the active SDRS membership)

In the first two years of implementation the auto-escalation results have been very positive.

	<u>2016</u>	<u>2017</u>
Participants	4,421	4,943
Opt Outs	140	77
Participation Rate	96.8%	98.4%



What's Next

- Work with the Center for State and Local Government Excellence to update the original automatic enrollment study
- Continue our efforts to get more South Dakota public employers to participate in these plans
- Offer Legislation to expand the automatic enrollment and escalation programs from just new hires to the whole workforce
- Provide a savings vehicle within the defined benefit plan (2016 legislation reconfigured the SDRS defined benefit plan to establish a variable retirement savings account within the benefit structure)