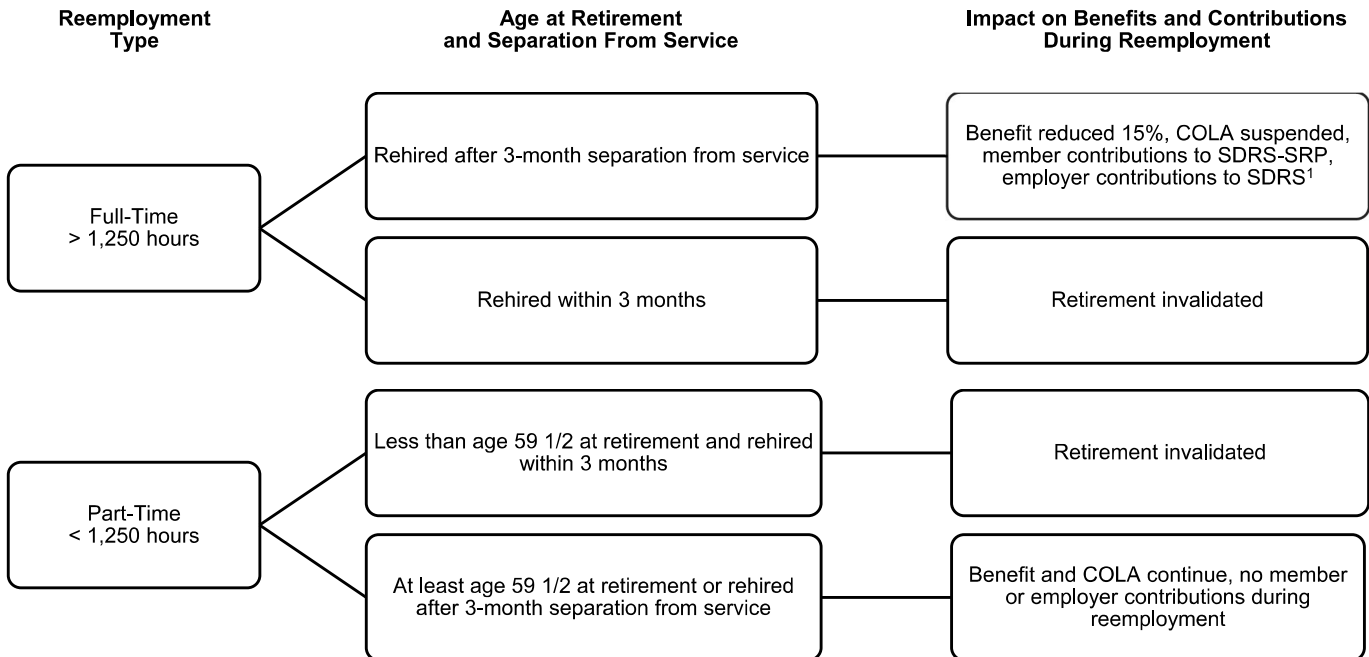


## Reemployment of SDRS Retirees

SDRS must comply with IRS rules and regulations to preserve its tax qualified status, which benefits all SDRS members. The reemployment of an SDRS retiree by a participating employer without a bona fide termination of employment will invalidate the member's retirement and require repayment of SDRS benefits, except as noted below. In certain circumstances, a 10 percent early distribution tax on the member's benefits may also result.

SDRS members and employers should be aware of the impact reemployment of a retiree by a participating employer will have on the member's SDRS benefits. SDRS provisions are designed to give employers and retirees as much flexibility as possible while protecting the tax qualified status of the System and avoid an early distribution tax to members. The following chart details how a retiree's SDRS benefits will be impacted by reemployment.



<sup>1</sup> The 15 percent reduction and suspension of COLA will not apply to Class B retirees who are reemployed in a Class A position.

### Important Details

**Full-time employment:** Employment with a participating employer of 1,250 hours or more in the employer's fiscal year, in any capacity, including temporary, seasonal, contractual, leased, or any other designation.

**Part-time employment:** Employment with a participating employer of less than 1,250 hours in the employer's fiscal year. Note: If the member subsequently works more than 1,250 hours during the employer's fiscal year, the full-time provisions apply prospectively, including the 15 percent benefit reduction and COLA suspension (see top right box above).

**Separation from service:** Three consecutive calendar months with no service performed for the employer in any capacity, including as a part-time, temporary, seasonal, contractual, leased employee, or any other designation. If a retiree is rehired without a separation from service, the retirement will be invalidated, and any benefits received must be repaid to SDRS.

**Exception for part-time reemployment of member who was at least age 59½ at retirement:** SDRS permits a member who was at least age 59½ at retirement and is rehired on a part-time basis without a 3-month separation from service to continue receiving uninterrupted SDRS benefits during the period of part-time reemployment. If the member subsequently works more than 1,250 hours in the employer's fiscal year, the member's benefit will be suspended prospectively for the duration of the reemployment period.

## Optional Spouse Coverage (SDCL 3-12C-1001)

Effective July 1, 2010, this coverage is closed to new enrollments. Employees who are currently participating in the Optional Spouse Coverage may maintain this coverage when changing employment to another South Dakota public employer that participates in SDRS if they continue making the applicable contributions. Upon discontinuing the required contributions and/or termination of covered employment, as defined in 3-12C-111, that results in a break in credited service, the Optional Spouse Coverage will be terminated, and the member will have no future right to reelect or reinstate Optional Spouse Coverage.

In the event of an active covered employee's death, the Optional Spouse Coverage will pay a monthly benefit to the surviving spouse for the span of years not covered by the SDRS survivor benefits. The benefit payable equals 40 percent of the covered member's final average compensation. The benefit is payable from the time all eligible dependent children reach the age of 19 and continues until the surviving spouse reaches age 65.

The cost of the Optional Spouse Coverage is 1.5 percent of salary and will continue until the death of the member or spouse, the termination of covered employment, the dissolution of the marriage, the spouse reaches age 65, or the member's election to terminate the coverage.