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Consider Roth contributions or an In-Plan Roth Conversion for tax-free retirement income

One of the key benefits of participation in the SDRS Supplemental Retirement Plan (SRP) is tax-deferred retirement savings. With the SDRS-SRP, contributions can be made on a pre-tax basis. This means that Federal income taxes are calculated after the contribution is made, making your take-home pay higher than if you were to make contributions on an after-tax basis. When you choose to take a distribution, your pre-tax contributions and any earnings will then be taxed as ordinary income.

With the SDRS Roth 457 Option, you can also make after-tax contributions to the SDRS-SRP. This means that Federal income taxes are calculated on your contributions as they are made so you can have tax-free income in retirement. In addition, you may be able to convert your SDRS-SRP pre-tax account over to your SDRS-SRP Roth account through an In-Plan Roth Conversion. Roth conversions, just like Roth contributions, are taxed immediately, but when you take a distribution from your Roth account, you will not be taxed so long as your Roth distribution is qualified.

Qualified Distributions

For a Roth distribution to be qualified and tax-free, two requirements must be met:

1. The Roth contribution or In-Plan Conversion must have been made at least five tax years prior to the year you take a distribution; and
2. The distribution must be made after attaining age 59 ½, or in the event of your death or disability, or for rollover to a Roth IRA.

Specifics Regarding In-Plan Roth Conversions

Your entire SDRS-SRP pre-tax account balance is eligible to be converted to your SDRS-SRP Roth account, with the exception of any Required Minimum Distributions (RMD) if you have attained age 70 ½ and are no longer working. Partial In-Plan Roth Conversions are also allowed; however, there are two important facts to consider before converting your pre-tax account to a Roth account:

1. Under Federal law, once a conversion is processed, it is irrevocable and irreversible.
2. The amount of the conversion is subject to ordinary income taxes in the year the conversion takes place. Therefore, if you are interested in converting all of your pre-tax assets to Roth, you may want to consider converting it over several years to avoid being taxed on the entire amount in one year.

SDRS-SRP Retirement Specialists are available to assist you!



Call the SDRS-SRP office in Pierre at **605-224-2230** or visit the SDRS-SRP website at **SRP457.com**.



Contact us

SDRS Supplemental Retirement Plan

222 E. Capitol Ave., Suite 8
Pierre, SD 57501
800-959-4457
In Pierre 605-224-2230
SRP457.com

The SDRS Supplemental Retirement Plan is a deferred compensation plan regulated by Section 457 of the Internal Revenue Code and offered by the South Dakota Retirement System (SDRS). Plan administration and enrollment services are provided by Nationwide Retirement Solutions.

Contract #: GA-00619

SDRS-SRP Retirement Specialists are Registered Representatives of Nationwide Investment Services Corporation, member FINRA.

Neither Nationwide nor any of its representatives give investment, legal or tax advice. For such guidance, you should consult your own counsel.

Important Fund Change

The South Dakota Investment Officer is responsible for selecting the investment options of the SDRS Supplemental Retirement Plan (SRP). Each year, the Investment Office evaluates each investment option based on Plan Investment Policy guidelines. This year's evaluation resulted in the fund change detailed below.

Fund being added

Effective December 16, 2015, the Vanguard Federal Money Market Fund (VMFXX) will be added to the SDRS-SRP investment options.

Fund being closed

On December 11, 2015, the Vanguard Prime Money Market Fund (VMMXX) will be closed as an SDRS-SRP investment option.

If you are currently allocating any portion of your SDRS-SRP deferrals to and/or have balances in the Vanguard Prime Money Market Fund (VMMXX), you will receive a letter from the SDRS-SRP office to notify you of the opportunity to redirect those funds to your choice of any SDRS-SRP investment option. However, any deferrals/balances that are not redirected from the closing fund will automatically be transferred to the Vanguard Federal Money Market Fund (VMFXX) on December 16, 2015.

Closing Fund:
Vanguard Prime Money Market Fund

Default Replacement Fund:
Vanguard Federal Money Market Fund



Take this opportunity to re-evaluate your SDRS-SRP investment strategy and fund options. If you want to make any changes, contact the SDRS-SRP office in Pierre at 605-224-2230.

Prudential Guaranteed Interest Account*

Prudential has announced a **3.00%** annual effective yield for the fourth quarter of 2015.

Guarantees and protections are based on the claims paying ability of the underwriting insurance company.

**Available option within the SDRS Supplemental Retirement Plan*

Payout Changes

Note: If you are receiving distributions from the Plan, you may be able to change your payout decisions. Call the SDRS Supplemental Retirement Plan office at **605-224-2230** or call **800-959-4457** to review your account and/or payout options.