BOARD MEETING

SOUTH DAKOTA RETIREMENT SYSTEM

June 10, 2026

The South Dakota Retirement System Board of Trustees held its regular meeting on June 10, 2026. The meeting began at 9:00 a.m. in the SDRS Board Conference Room.

BOARD MEMBERS IN ATTENDANCE:

Eric Stroeder, Chair
James Appl, Vice Chair
Penny Brunken
Liza Clark
Laurie Gronlund
Victoria Hinek
Myron Johnson
Jill Lenards
Jake Oakland
Shane Roth
Justice Mark Salter
Darin Seeley
Jim Terwilliger
Wes Tschetter
Matt Clark, Ex Officio

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Board members LaJena Gruis and Hank Prim were absent.

OTHERS IN ATTENDANCE:

Anne Cipperley, SDIO
Jarrod Edelen, SDIO
Danielle Mourer, SDIO
Jan Zeeck, SDIO
Brittnie Adamson
Travis Almond
Doug Fiddler
Alan Freng
Michelle Humann
Samantha Koldenhoven

Nick Rea
John Richter
Jaime Rutschke
Jacque Storm

For continuity, these minutes are not necessarily in chronological order.

AGENDA ITEM 1
CHAIR'S PRELIMINARY REMARKS

Summary of Discussion
Mr. Travis Almond, SDRS Executive Director, conveyed greetings from Dawn Smith, retired Board Assistant, and expressed her appreciation to the Board for their support over the years. Mr. Almond also mentioned that he attended the Celebration of Life for Paul Schrader on behalf of the SDRS Board and staff. Paul Schrader was a longtime actuary and trusted advisor for SDRS.

Chair Eric Stroeder reminded the Board that all motions made during the meeting must be clearly stated for the record.

Board Action
No action was necessary.

AGENDA ITEM 2
BOARD CONFLICT DISCLOSURE

Summary of Discussion
Chair Eric Stroeder asked the Board for any conflict disclosures. None were provided.

Board Action
No action was necessary.

AGENDA ITEM 3
APPROVAL OF APRIL 1, 2026, MINUTES

Board Action
IT WAS MOVED BY MR. TSCHETTER, SECONDED BY MR. JOHNSON, TO APPROVE THE MINUTES OF THE SDRS BOARD OF TRUSTEES' APRIL 1, 2026, MEETING. THE MOTION PASSED UNANIMOUSLY ON A VOICE VOTE.

AGENDA ITEM 4
PUBLIC COMMENT

Summary of Discussion
The Chair outlined the policy on public comment and testimony. There was no public comment.

Board Action
No action was necessary.

AGENDA ITEM 5
SDRS BOARD OF TRUSTEES ELECTION RESULTS

Summary of Presentation
Ms. Jaime Rutschke, SDRS Executive/Board Assistant, informed the Board that one board position, the teacher representative, was up for election this year. Two petitions were received, and Penny Brunken won the election with 87 percent of the votes.

Board Action
IT WAS MOVED BY MR. OAKLAND, SECONDED BY MR. APPL, TO APPROVE AND CERTIFY THE RESULTS OF THE 2026 BOARD OF TRUSTEES ELECTION AS PRESENTED, CONFIRMING THE ELECTION OF THE FOLLOWING INDIVIDUAL TO THEIR RESPECTIVE POSITION: PENNY BRUNKEN, TEACHER REPRESENTATIVE. THE MOTION PASSED UNANIMOUSLY ON A VOICE VOTE.

AGENDA ITEM 6
FY28 BUDGET REQUEST

Summary of Discussion
Ms. Michelle Mikkelsen, SDRS Chief Financial Officer, stated that SDRS is not requesting any additional expenditure authority in the Fiscal Year 2028 budget and outlined the implementation timeline.

Board Action
IT WAS MOVED BY MS. BRUNKEN, SECONDED BY MR. ROTH, TO APPROVE THE FISCAL YEAR 2028 BUDGET REQUEST AS PRESENTED. THE MOTION PASSED UNANIMOUSLY ON A VOICE VOTE.

AGENDA ITEM 7
INVESTMENT UPDATE

Summary of Discussion
Ms. Danielle Mourer, SDIC Senior Portfolio Manager, informed the Board that as of June 8, the SDRS trust fund had an estimated fiscal year-to-date return rate of between 10.75 and 11 percent.

Board Action
No action was necessary.

AGENDA ITEM 8
PROJECTED FUNDED STATUS OF THE
SOUTH DAKOTA RETIREMENT SYSTEM

Summary of Presentation
Mr. Doug Fiddler, SDRS Senior Actuary, noted that SDRS contribution rates are fixed by statute and that the statutes require a recommendation, including circumstances and timing, for corrective actions if SDRS funding falls below 100 percent. The SDRS COLA will vary with both inflation and long-term affordability and is critical to managing the system on fixed contributions.

Employer contribution rates for Class A members are 6 percent, which is 39 percent of the national median of 15.5 percent. At the same time, SDRS' fair value funded ratio of 100 percent exceeds the estimated median FVFR of 82 percent. In addition, as a percent of government spending, South Dakota spends the least in the nation on pensions at 1.75 percent, compared to the median of 3.97 percent and the aggregate of 5.16 percent. South Dakota also has the greatest economic impact per dollar of taxpayer contribution at 10.08 percent compared to the median of 4.53 percent.

SDRS' competing objectives of delivering adequate benefits and remaining fully funded under all economic conditions are a very high standard, especially when funded with fixed contributions that are less than half of the national median. These objectives become even more challenging as retirees live longer, and markets provide lower investment returns. The efforts of SDRS management to meet these objectives have included implementing the variable COLA process, transitioning foundation members to a 5-year final average compensation, establishing pay increase caps, adding the generational design, reforming retire-rehire practices, and initiating other measures to reduce or eliminate subsidies.

Mr. Fiddler noted that the most significant immediate risk to SDRS is investment risk. The investment returns will first impact the variable SDRS COLA. Less than assumed returns will reduce the restricted maximum COLA, while greater than assumed returns will increase the maximum or enable the full COLA range. However, the variable COLA will not be sufficient to maintain 100 percent FVFR in all conditions, and additional corrective actions may be required.

In conclusion, Mr. Fiddler advised that FY 2026 returns below approximately negative 7.7 percent would require a corrective action recommendation, while returns greater than approximately 13.6 percent would result in the full 0 to 3.5 percent COLA range applying for the July 2027 COLA.

Board Action
No action was necessary.

AGENDA ITEM 9
ASSET ALLOCATION

Summary of Presentation
Matt Clark, State Investment Officer; Jarrod Edelen, SDIC Portfolio Manager; Anne Cipperley, SDIC Portfolio Manager, and Ms. Mourer discussed the asset allocation process and application to SDRS. They discussed the recommended benchmark allocation and ranges, expected return and standard deviations, asset category valuation, and the movement of category allocations within ranges based on valuation.

Ms. Cipperley discussed the return and risk assessment of equities and bonds. She presented charts of historic returns, highlighting that equity returns dominate over the long term. She also emphasized the diversification benefit of mixing in some bonds during market downturns.

Mr. Edelen discussed the recommended benchmark level of equity-like and bond-like risk to balance long-term potential returns with drawdown risks in difficult markets. He indicated this was for the benchmark, which should represent what could be adhered to through thick and thin. He discussed the recommended ranges for equity-like and bond-like risk and said the goal is to enter market downturns with below-benchmark risk and increase toward the maximum during the downturn to benefit from an eventual rebound. He added that after getting to minimums and maximums, markets will typically move further, which can be very painful. Therefore, it is essential to be patient for at least three to five years, or longer.

Ms. Cipperly discussed benchmark construction, describing equity-like and bond-like risk-mapping across all asset categories. She outlined specific asset categories to be included in the benchmark: those that are significant and passively implementable. She also discussed other secondary categories that are not in the benchmark but that have permitted ranges. She presented the proposed FY2027 capital market benchmark allocations and the minimum/maximum ranges for each asset category, which are unchanged from the prior year.

Ms. Cipperly reviewed the asset allocation risk/return analysis. The first portion focused on long-term expected returns, expected standard deviations, and asset correlations provided by a Wall Street firm as a proxy for conventional expectations. The analysis was shown again using internal asset category expected returns and internal adjusted risk measures.

Mr. Edelen discussed additional risk control and equity valuation. The equity valuation is based on estimated future cash flows from normal earnings and growth rates, along with a risk-impacted discount rate. He also discussed adjustments to fair value based on monetary conditions and earnings strength.

Ms. Mourer discussed the discount rate. The internal asset allocation model uses numerous components to drive the equity discount rate. The discount rate is used to convert earnings to present value and calculate the current fair value of equities. Additionally, Ms. Mourer discussed the process for implementing asset allocation.

Board Action
No action was necessary.

AGENDA ITEM 10
REVIEW OF LONG-TERM BENEFIT GOALS

Summary of Presentation
Mr. Travis Almond reviewed the SDRS Mission Statement and Vision. He highlighted SDRS' long history of establishing and assessing long-term goals, including specific benefit and funding goals. The purpose of the presentation was to review current benefit and funding goals, evaluate how our benefits compare to those goals today, and consider whether those goals remain appropriate.

Mr. Almond also explained the importance of the Board's fiduciary duties, including the duty of loyalty, the duty of prudence, and the duty to follow the plan.
Mr. Almond and Mr. Fiddler discussed the long-term benefit goals and assessments. Most of the goals have been achieved, except for the Cost-of-Living Adjustment (COLA), which will be discussed in more detail during the next presentation.

Mr. Almond closed by stating that SDRS is sustainably funded today. However, we will need to continuously monitor, conduct risk analyses, and make periodic adjustments to ensure we can evolve and maintain our current benefit structure under this fixed-contribution model.

Board Action
No action was necessary.

AGENDA ITEM 11
REVIEW OF LONG-TERM BENEFIT GOALS: COLA DISCUSSION

Summary of Discussion
Mr. Almond highlighted implications for the benefit goals of SDRS, which is funded by fixed contribution rates and must remain sustainable within the fixed budget. He emphasized the importance of balancing benefit features without favoring any membership group and of ensuring that the COLA process and assumptions are sustainable and equitable for all generations of retirees.

Mr. Almond stated that SDRS' long-term goal for the COLA is to provide inflation protection after retirement and after termination of employment, before benefits begin. Recent COLAs have not kept pace with inflation, affecting over 90 percent of members. The language of the COLA goal has been adjusted over time to reflect the challenges of keeping pace with inflation. However, nationwide, no state retirement system's COLA has consistently matched inflation.

Mr. Fiddler explained that, since 2018, the maximum affordable COLA is determined annually based on investment and liability outcomes. Gains increase future COLAs; losses reduce them. Salary changes also impact COLA affordability. The current process provides a COLA equal to the change in CPI-W for the prior year, with a 0 percent minimum and a 3.5 percent maximum when affordable. COLAs significantly increase the cost of retirement benefits – approximately 20 percent of SDRS costs when the full range is affordable, 13 percent of SDRS costs at the current 1.56 percent COLA. Additionally, annual benefit payments will be approximately $800 million in FY26.

Comparing recent COLAs among other regional plans, Mr. Fiddler highlighted that SDRS offers the highest COLA with the lowest contribution rates, the lowest assumed investment return, and no debt. Nationally, systems that pay a higher COLA also have higher contribution rates, higher assumed investment returns, and carry more debt.

Mr. Almond urged the Board to reassess whether the stated goal is consistent with the achievable outcome. After discussion, the inclusion of the word “affordable” to modify inflation protection in the goal was proposed. Suggested changes to the document will be presented to the Board at the September meeting.

Board Action

No action was necessary.

AGENDA ITEM 12
BOARD OF TRUSTEES PROPOSED
POLICIES, COMMITTEES, AND PROCEDURES

Summary of Discussion

Mr. Stroeder outlined several proposed policies, committees, and procedures for the SDRS Board of Trustees. Many of these practices have been used by the Board over the years and will now be formalized to reinforce sound governance. Additional items were included as part of established best practices to support sound governance.

Board Action

IT WAS MOVED BY MR. APPL, SECONDED BY MR. OAKLAND, TO APPROVE THE BOARD OF TRUSTEES’ PROPOSED POLICIES, COMMITTEES, AND PROCEDURES AS PRESENTED.

AGENDA ITEM 13
APPOINTMENT OF EXECUTIVE DIRECTOR
EVALUATION AND COMPENSATION COMMITTEE

Summary of Discussion

Chair Stroeder stated that he has appointed an Executive Director Evaluation and Compensation Committee consisting of himself, Jim Appl, Darin Seeley, Penny Brunken, Matt Clark, and Justice Mark Salter, with himself serving as chair.

Board Action

No action was necessary.

AGENDA ITEM 14
APPOINTMENT OF AUDIT COMMITTEE

Summary of Discussion

Chair Stroeder stated that he has appointed an Audit Committee consisting of Jill Lenards, LaJena Gruis, and Victoria Hinek, with Jill Lenards serving as chair.

Board Action
No action was necessary.

AGENDA ITEM 15
APPOINTMENT OF CLASS B COMMITTEE

Summary of Discussion
Chair Stroeder stated that pursuant to the Board of Trustees' motion at its June 2022 meeting, the Class B Public Safety representative and another member appointed by the Chair shall serve on the Class B Public Safety Committee with certain staff members. He advised that he has appointed Justice Mark Salter to serve on the Class B Public Safety Committee.

Board Action
No action was necessary.

AGENDA ITEM 16
APPOINTMENT OF WAIVER REQUEST COMMITTEE

Summary of Discussion
Chair Stroeder stated that he has appointed a Waiver Request Committee consisting of himself, Jim Appl, and Jim Terwilliger, with himself serving as chair.

Board Action
No action was necessary.

AGENDA ITEM 17
OLD/NEW BUSINESS

Summary of Discussion
Mr. Almond noted that the upcoming meeting dates for 2026 and 2027 are listed at the bottom of the agenda.

Board Action
No action was necessary.

AGENDA ITEM 18
PERSONNEL MATTERS

Summary of Discussion
The Board went into executive session to discuss personnel matters.

Board Action
IT WAS MOVED BY MR. OAKLAND, SECONDED BY MR. JOHNSON, TO GO INTO EXECUTIVE SESSION PURSUANT TO SDCL 1-25-2(1) TO DISCUSS ITEMS RELATING TO PERSONNEL MATTERS.

Potential staff who may be invited to remain include: Travis Almond.

THE CHAIR DECLARED THE BOARD OUT OF EXECUTIVE SESSION.

ADJOURNMENT
IT WAS MOVED BY MR. JOHNSON, SECONDED BY MS. BRUNKEN, THAT THERE BEING NO FURTHER BUSINESS, THE MEETING BE ADJOURNED. THE MOTION PASSED UNANIMOUSLY ON A VOICE VOTE.

Respectfully submitted,

Travis Almond
Executive Director