

AGENDA

JOINT MEETING

SDRS BOARD OF TRUSTEES AND

RETIREMENT LAWS COMMITTEE

South Dakota Retirement System
222 E. Capitol Ave
Pierre, SD 57501

DATE: Wednesday, December 10, 2025

TIME: 9:00 a.m. CST (8:00 a.m. MST)

THIS MEETING WILL BE BROADCAST LIVE AT [HTTPS://WWW.SD.NET/](https://www.sd.net/).

9:00 a.m. Call Meeting to Order – Determination of Quorum*

ITEM 1 Chair's Preliminary Remarks

ITEM 2 Board Conflict Disclosure

ITEM 3 Approval of September 9, 2025, meeting minutes

ITEM 4 Public Comment

ITEM 5 SDRS Financial Statements for the Period Ending June 30, 2025 – Michelle Mikkelsen, Chief Financial Officer, and Nicole Gere, Deputy Financial Officer

ITEM 6 SDRS Financial Audit for the Period Ending June 30, 2025 – Victoria Hinek, SDRS Audit Committee, and Lealan Miller, Partner, Eide Bailly

ITEM 7 SDRS Actuarial Valuation as of June 30, 2025 – Doug Fiddler, Senior Actuary

ITEM 8 SDRS Limited Scope Audit of the June 30, 2025 Actuarial Valuation Report – Larry Langer, Principal and Consulting Actuary, CavMac Actuarial Consulting Services

ITEM 9 Establish Cost-of-Living Adjustment (COLA) Effective July 1, 2026 – Travis Almond, Executive Director

ITEM 10 Establish Variable Retirement Account Contribution Rate for FY 2027 – Travis Almond

ITEM 11 FY 2026 Investment Update – Darci Haug, Senior Portfolio Manager and Danielle Mourer, Portfolio Manager

ITEM 12 SDRS Projected Funded Status as of June 30, 2026 – Doug Fiddler

- ITEM 13** SDRS Member Demographics and Related Workforce Issues – Doug Fiddler
- ITEM 14** State of the System: Executive Director Report – Travis Almond
- ITEM 15** Proposed 2026 Legislation – John Richter, General Counsel, and Sam Koldenhoven, Deputy General Counsel
- ITEM 16** FY 2027 SDRS Budget – Michelle Mikkelsen
- ITEM 17** Old/New Business
- Executive Director Evaluation Process – Jim Appl, Chair of Executive Director Evaluation Committee
 - 2026 Legislative Session Calendar
 - NCTR Conference Wrap-up – Eric Stroeder, Chair
 - Future Meeting Dates

**In some circumstances, the Chair may choose to take agenda items out of the listed order.*

***Note:** All or a portion of an agenda item may be in executive session according to applicable South Dakota Codified Laws' chapters 1-25 & 1-27. Any action taken related to executive session agenda items will take place in open session when the executive session concludes.*

ADA COMPLIANCE: Notice is given to individuals with disabilities that this meeting is being held in a physically accessible location. Please notify the South Dakota Retirement System, (605) 773-3731, at least 72 hours before the meeting if you have a disability for which special arrangements must be made.

FUTURE MEETING DATES

April 1, 2026
June 10, 2026
September 2, 2026
December 9, 2026

BOARD MEETING

SOUTH DAKOTA RETIREMENT SYSTEM

September 9, 2025

The South Dakota Retirement System Board of Trustees held its regular meeting on September 9, 2025. The meeting started 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
LaJena Gruis
Victoria Hinek
Myron Johnson
Jill Lenards
Hank Prim
Shane Roth
Justice Mark Salter
Darin Seeley
Jim Terwilliger
Wes Tschetter
Matt Clark, Ex Officio

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Old/New Business.....	11
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OTHERS IN ATTENDANCE:

John Archer, Nationwide Retirement Solutions
Eric Bastian, Nationwide Retirement Solutions
Randy Blaha, Nationwide Retirement Solutions
Michael Burkhart, Nationwide Retirement Solutions
Jarrod Edelen, SDIO
Eric Glinisky, Nationwide Retirement Solutions
Darci Haug, SDIO
Duncan Koch, BFM
Payton Larsen, SDIO
June Larson, Nationwide Retirement Solutions
Bob Mercer, Keloland News
Danielle Mower, SDIO
Jan Zeck, SDIO

Brittnie Adamson
Travis Almond
Doug Fiddler
Alan Freng
Michelle Humann
Samantha Koldenhoven
Michelle Mikkelsen
Nick Rea
John Richter
Jaime Rutschke
Dawn Smith
Jacque Storm

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

AGENDA ITEM 1
CHAIR'S PRELIMINARY REMARKS

Summary of Discussion

Chair Eric Stroeder introduced Laurie Gronlund as the new board member representing municipal employees.

Board Action

No action was necessary.

AGENDA ITEM 2
CEREMONIAL OATH OF OFFICE

Summary of Discussion

Justice Salter administered the oath of office to reelected and appointed SDRS Board members James Appl, Laurie Gronlund, and Jill Lenards.

Board Action

No action was necessary.

AGENDA ITEM 3
BOARD CONFLICT DISCLOSURES

Summary of Discussion

Chair Eric Stroeder asked the Board for any conflict disclosures. No one reported a conflict.

Ms. Samantha Koldenhoven, SDRS Deputy General Counsel, reviewed the Board's annual conflict disclosure documents. The Board filled out new conflict disclosure forms.

Board Action

No action was necessary.

AGENDA ITEM 4 **OPEN MEETING LAWS**

Summary of Discussion

Mr. John Richter, SDRS General Counsel, stated that South Dakota's open meetings laws embody the principle that the public is entitled to the greatest possible information about public affairs and are meant to promote public participation in government. The open meetings laws apply to all public bodies of the state and its political subdivisions. This includes cities, counties, school boards, and other public bodies created by ordinance or resolution, such as appointed boards, task forces, and committees, if they have the authority to exercise sovereign power.

Referring to what constitutes a meeting, Mr. Richter stated that an official meeting is any gathering of a quorum of a public body during which official business or public policy of that body is discussed or decided. Whether conducted in person, via teleconference, or through electronic means. The definition of an official meeting in SDCL 1-25-12(1) specifically acknowledges "electronic means," which include email, instant messaging, social media, text messaging, and virtual meeting platforms.

Notice requirements for public meetings mandate a 24-hour notice for political subdivisions and a 72-hour notice for state agencies (excluding weekends and holidays). Emergencies may permit a shorter notice, but that's the exception, not the norm. The notices must be posted at the agency's office and on the agency's website.

Mr. Richter stated that public comment is required at every official meeting, except during executive sessions, inaugurations, and annual reports. The law permits the agency to impose time limits on the public comment period. Meetings can also be closed for specific reasons, such as personnel issues, legal consultations, contract negotiations, student matters, and public safety and emergency planning. However, no official action can be taken during executive sessions, and all decisions must be made in open session.

Board transparency includes documentation. All Board meeting materials must be posted or available 24 hours before the meeting. Draft minutes must be available within 10 business days (or 5 if recorded).

Violations can result in a Class 2 misdemeanor, carrying up to 30 days in jail or a \$500 fine, and/or a public reprimand from the Open Meetings Commission. Improperly closed meetings or unposted agendas can also render decisions invalid. The commission acts as the primary accountability body. Their decisions are public and binding. The commission reviews complaints referred by a State's Attorney's office and issues public findings and

reprimands. They evaluate cases and issue public rulings. If a violation is confirmed, a public reprimand is given, but no further prosecution is allowed.

Mr. Richter noted that public bodies must annually review an explanation of the open meetings laws provided by the Attorney General, along with any other material relating to the open meetings laws made available by the Attorney General. Each public body must report in its minutes that the annual review of the open meetings laws was completed.

In conclusion, advised Mr. Richter, transparency safeguards the Board and fosters trust. These laws are designed to assist, not obstruct, the Board's work.

Board Action

IT WAS MOVED BY MR. ROTH, SECONDED BY MR. APPL, THAT THE BOARD OF TRUSTEES ACKNOWLEDGE THAT, IN ACCORDANCE WITH SDCL 1-25-13, WE HAVE CONDUCTED OUR ANNUAL REVIEW OF THE OPEN MEETING LAWS OF THE STATE OF SOUTH DAKOTA. THIS INCLUDES:

1. THE EXPLANATION OF THE OPEN MEETING LAWS PUBLISHED BY THE SOUTH DAKOTA ATTORNEY GENERAL, TITLED *CONDUCTING THE PUBLIC'S BUSINESS IN PUBLIC* (REVISED JULY 2025); AND
2. ANY ADDITIONAL MATERIALS PERTAINING TO OPEN MEETING LAWS PROVIDED BY THE ATTORNEY GENERAL.

THE MOTION PASSED UNANIMOUSLY ON A VOICE VOTE.

AGENDA ITEM 5
PUBLIC COMMENT/TESTIMONY

Summary of Discussion

The Chair explained the policy concerning public comment/testimony.

There was no public comment.

Board Action

No action was necessary.

AGENDA ITEM 6
APPROVAL OF JUNE 4, 2025,
MEETING MINUTES

Board Action

IT WAS MOVED BY MR. OAKLAND, SECONDED BY MR. TERWILLIGER, TO APPROVE THE MINUTES OF THE JUNE 4, 2025, MEETING OF THE SDRS BOARD OF TRUSTEES. THE MOTION PASSED UNANIMOUSLY ON A VOICE VOTE.

AGENDA ITEMS 7 & 8
REPORT FROM NOMINATING COMMITTEE
& ELECTION OF CHAIR & VICE CHAIR

Summary of Discussion

Ms. Penny Brunken, Chair of the Nominating Committee, stated that it was the recommendation of the Nominating Committee to nominate Eric Stroeder for Chair of the SDRS Board of Trustees.

Ms. Brunken stated that the Nominating Committee recommended James Appl for Vice Chair.

Board Action

IT WAS MOVED BY MS. BRUNKEN, SECONDED BY MS. GRUIS, THAT ERIC STROEDER BE NOMINATED FOR THE POSITION OF CHAIR OF THE SDRS BOARD OF TRUSTEES. THE MOTION PASSED UNANIMOUSLY ON A VOICE VOTE.

IT WAS MOVED BY MS. BRUNKEN, SECONDED BY MR. TSCHETTER, THAT JAMES APPL BE NOMINATED FOR THE POSITION OF VICE CHAIR OF THE SDRS BOARD OF TRUSTEES. THE MOTION PASSED UNANIMOUSLY ON A VOICE VOTE.

AGENDA ITEM 9
PUBLIC PENSION LANDSCAPE AND TRENDS

Summary of Discussion

Mr. Alex Brown, Research Manager at the National Association of State Retirement Administrators (NASRA), provided the board with an overview of public pensions in the United States and South Dakota. Mr. Brown stated that as of March 31, 2025, U.S. public pension assets exceeded \$6.0 trillion, with an overall funding level of 76.5 percent. These pensions had 15.3 million active members, representing approximately 10 percent of the nation's workforce. In FY 2024, there were 12.4 million annuitants receiving \$405 billion

in benefits. Contributions to the pensions totaled \$306 billion, with \$74 billion (24 percent) coming from employees and \$232 billion (76 percent) from employers. He also mentioned that out of 4,500 public retirement plans, the top 75 plans hold more than 80 percent of the assets and members.

For South Dakota specifically, noted Mr. Brown, SDRS has \$15.6 billion in assets with 43,784 active members contributing \$352 million—\$170.8 million (49 percent) from employees and \$181.2 million (51 percent) from employers. There were 34,898 annuitants collecting over \$776 million in benefits in FY 2024.

Overall, Mr. Brown stated that funding levels for most public pension plans have improved since FY 2020, leading to an aggregate funding level that has stabilized at a higher point.

Mr. Brown stated that there has been an unprecedented decrease in public pension plan investment return assumptions, dropping from an average of 8 percent to 6.9 percent. Additionally, as public pension plan inflation assumptions align with expectations for actual inflation, most plans are keeping their investment return assumptions steady. After a period of slow payroll growth, rising growth in state and local employment and wages is pushing payroll growth higher.

Mr. Brown pointed out that SDRS' fixed contribution rate of 6 percent for employers is significantly below the median of 16 percent for public pension employers. He mentioned that the employee contribution rate of 6 percent for SDRS is closer to the median of 6.2 percent among other public pension employees. More employers are contributing their full actuarially determined contributions (ADC), while some are contributing more than the ADC. These sufficient and excess contributions have given a strong boost to plans working to reduce their unfunded liabilities more quickly.

Since 2009, advised Mr. Brown, nearly every state has implemented major pension reforms. Until recently, most reforms resulted in reduced benefits, stricter eligibility rules, and higher employee contributions. In recent years, some states have added benefit enhancements, citing concerns about benefit adequacy.

Board Action

No action was necessary.

AGENDA ITEM 10
BOARD OF TRUSTEES FIDUCIARY EDUCATION

Summary of Discussion

Mr. Richter and Ms. Koldenhoven discussed the Board's fiduciary duty. Ms. Koldenhoven explained that a fiduciary is anyone who has discretion over plan administration or assets and is designated as such by law. She pointed out that the SDRS

Board of Trustees fits the definition of a fiduciary both in function and in designation. Fiduciary duties originate from Federal Law, State Law, Common Law, and Plan Documents, each reinforcing the Board's obligation to act in the best interests of members and beneficiaries.

Mr. Richter explained that there are three core fiduciary duties: loyalty, prudence, and following the plan. The duty of loyalty means acting solely in the best interests of members and beneficiaries. Although the board members are elected by different groups, each board member's role is not to represent any one group—it's to serve the system as a whole.

Ms. Koldenhoven stated that the exclusive benefit rule is a requirement at both the federal and state levels. It specifies that everything the Board does must exclusively benefit members and beneficiaries.

Moving to the duty of prudence, Mr. Richter explained that a prudent fiduciary acts with the same care, skill, and caution they would use in managing their own affairs because they are entrusted with someone else's future. The duty of prudence concerns process, not outcomes. It is a test of the fiduciary's conduct, not the result of that conduct.

Ms. Koldenhoven stated that, with the duty to follow plan documents, the Board must adhere to the plan's written terms—statutes, rules, and policies. This includes interpreting them consistently, updating them when necessary, and correcting errors promptly. The responsibility lies with the fiduciary to understand the plan's governing documents and the context in which the plan operates. Breaching fiduciary duty can result in personal liability, removal, loss of immunity, and reputational damage. Additionally, co-fiduciaries can be held liable if they knowingly overlook a breach. Silence is not a defense.

In conclusion, noted Mr. Richter, the Board plays one of the most important public roles in South Dakota – safeguarding the retirement security of thousands of SDRS members and beneficiaries.

Board Action

No action was necessary.

AGENDA ITEM 11 **ANNUAL SDRS INVESTMENT PERFORMANCE REPORT**

Summary of Presentation

Ms. Danielle Mourer, Portfolio Manager, SDIO, informed the Board that SDRS's net annualized time-weighted return for the one-year period ending June 30, 2025, was 5.45 percent.

Ms. Mourer also stated that the return for the capital markets benchmark for the fiscal year was 12.5 percent, a difference of 7.06 percent from the SDRS return.

Ms. Darci Haug, Senior Investment Manager, SDIO, reviewed the performance drivers by category since 1999. She noted that the largest driver has been the public equity category. Asset allocation has frequently been a material positive contributor, but it has been negative in the past three years due to cautious positioning.

Ms. Haug shared multi-year histories of the SDRS returns compared to other state funds and institutional peers, as well as to the benchmark.

Ms. Haug noted that over SDRS's 52-year history, the SDRS total fund returned 9.80 percent compared to the capital markets benchmark of 9.24 percent, for an overperformance of 0.56 percent.

Ms. Jan Zeeck, Senior Investment Manager, SDIO, discussed the main factors behind the performance of the large-cap stock portfolios during FY25. In summary, the funds had less exposure to some of the top-performing sectors, such as technology and industrials, and more to underperforming sectors, such as healthcare and energy.

Mr. Jarrod Edelen, Senior Portfolio Manager, SDIO, discussed the drivers of performance for the US small/mid-cap strategy during FY25. In summary, results for small/mid-caps varied across different quarters. They showed very strong returns in the first and fourth quarters. Companies with growing earnings were rewarded, but small/mid companies overall had flat to declining earnings as a group, which significantly lagged behind large companies.

Board Action

No action was necessary.

AGENDA ITEM 12
UPDATE OF SDRS FY26 INVESTMENT PERFORMANCE

Summary of Presentation

Ms. Haug and Ms. Mourer informed the Board that as of September 5, 2025, the SDRS trust fund had a fiscal year-to-date return rate of approximately 2.50 to 2.75 percent.

Board Action

No action was necessary.

AGENDA ITEM 13
SDRS ESTIMATED FUNDED STATUS

Summary of Presentation

Mr. Doug Fiddler, SDRS Senior Actuary, presented estimated funding status results for June 30, 2025. He noted that the SDRS contribution rates are fixed in statute, while most state retirement plans vary the employer contributions to meet actuarial requirements. The SDRS COLA varies with inflation and affordability and is critical to managing the system on fixed contributions. The statutes also require a recommendation for corrective action if SDRS falls below 100 percent funded.

Mr. Fiddler stated that SDRS's 6 percent fixed contribution rate is considerably below the median of 15.2 percent for public sector general employees. In addition, in fiscal year 2022, South Dakota's spending on pensions as a percent of all direct government spending were 1.78 percent, compared to a median of 4.12 percent and a U.S. average of 5.11 percent.

Mr. Fiddler noted that delivering adequate benefits directly competes with remaining fully funded while spending less than half of the national median on pensions. These are increasingly challenging objectives as retirees live longer and markets provide lower investment returns. SDRS resources are not sufficient to provide COLAs that match inflation during periods of very high inflation. Current SDRS resources are also insufficient to provide the full COLA range, resulting in a restricted maximum COLA. Proposals that impose additional objectives funded by SDRS's limited resources will detract from the ability to provide adequate benefits funded by the fixed, modest contributions.

Mr. Fiddler discussed the impact of the fiscal year 2025 investment return on the 2026 maximum COLA and the projected future COLA ranges, and the likelihood of additional required corrective actions. He stated that due to the fiscal year 2025 money-weighted investment return of 5.45 percent and estimated liability losses of \$90 million, the fair value funded ratio would be 100 percent, but a restricted maximum COLA of approximately 1.56 percent will limit the 2026 COLA, resulting in a COLA that is less than inflation.

Mr. Fiddler stated that actuarial standards now require identifying and assessing future funding risks. The most significant and immediate risk to SDRS is investment risk. 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. Likewise, if investment returns significantly exceed assumptions, the FVFR may reach the Board's criteria for consideration of benefit improvements.

In conclusion, stated Mr. Fiddler, the FVFR will be 100 percent at June 30, 2025 with a restricted maximum COLA of approximately 1.56 percent for the 2026 COLA. Additionally, the COLA is likely to be less than inflation. For fiscal year 2026, the one-year likelihood of additional required corrective action recommendations is approximately 12 percent.

Board Action

No action was necessary.

AGENDA ITEM 14
POTENTIAL 2026 LEGISLATION

Summary of Presentation

Mr. John Richter, SDRS General Counsel, and Ms. Sam Koldenhoven, SDRS Deputy General Counsel, reviewed the potential SDRS 2026 legislation.

Ms. Koldenhoven noted that as staff prepare for the 2026 legislative session, they expect to introduce a targeted set of bills. While the details are still being finalized, each proposal is likely to fall into one of two categories: Supplemental Retirement Plan (SRP) and cleanup.

Ms. Koldenhoven mentioned that staff are reviewing the addition of in-service distributions from SRP to ensure they align with IRS guidance and best practices. Federal law does permit an in-service distribution as early as age 59½. While staff are still discussing the details, they will have a recommendation for the Board in December. The goal is to give members flexibility while maintaining the plan's integrity.

The second item related to SRP is an update to the SECURE 2.0 provision regarding spousal treatment for required minimum distribution (RMD) purposes. SRP has already implemented this law, but SDRS needs to update it in the statutes.

Mr. Richter stated that the second piece of legislation addresses the statutory clean-up. The purpose of this clean-up is to clarify existing statutes, align them with federal law, and enhance administrative efficiency. The main proposals in this legislation include updating the Internal Revenue Code reference, clarifying grievance procedures, updating spousal consent for refunds, and clarifying the disability application deadline. Mr. Richter noted that these are technical but important updates that help staff administer the plan more clearly and consistently, without changing member benefits.

Board Action

No action was necessary.

AGENDA ITEM 15
INTERNAL CONTROLS FRAMEWORK IMPLEMENTATION

Summary of Discussion

Ms. Brittne Adamson, SDRS Director of Internal Audit, stated that internal controls consist of the policies, procedures, and activities that form a control framework designed to ensure risks stay within the risk tolerances set by the risk management process. These controls involve any action taken by management, the board, or other parties to mitigate the risk and enhance the chances of achieving objectives and goals. Control activities are policies, procedures, and rules that provide reasonable assurance that management's control objectives are met, and their risk responses are carried out. The goal is to reduce risk.

She noted that the purpose of internal controls is to promote compliance with policies, rules, regulations, and laws. They also help identify and reduce risk, enhance productivity, improve operational efficiency, safeguard assets, and build trust and confidence with stakeholders.

Ms. Adamson stated that SDRS implemented the South Dakota Internal Control Framework over an eight-week period. Phase one of the project was to identify and classify the risks. Phase two involved assigning the risk impact and priority, and phase three defined the controls for the risks and identified control owners for the risks.

She noted that this is an ongoing process. Control owners will receive a questionnaire twice a year to monitor risks and the control environment. She will then provide a report to the State Board of Internal Control semi-annually regarding the overall assessment, observations and findings, remediation plans approved by agency leadership, and any updates on ongoing remediation efforts from previous assessments.

Board Action

No action was necessary.

AGENDA ITEM 16
OLD/NEW BUSINESS

NCTR Trustee Workshop Wrap-up

Mr. James Appl gave the board a brief synopsis of the NCTR Trustee workshop he attended.

NASRA Conference Wrap-up

Mr. Shane Roth gave the board a brief synopsis of the NASRA conference he attended.

Upcoming Board Meeting Dates

Mr. Almond stated that the proposed meeting dates were listed on the agenda.

Board Action

No action was necessary.

AGENDA ITEM 17
SUPPLEMENTAL RETIREMENT PLAN/SPECIAL PAY PLAN

Summary of Presentation

Annual Service Report

Ms. June Larson, Program Director, and Mr. Michael Burkhart, Executive Relationship Manager, Nationwide Retirement Solutions, reviewed the plan membership information for the Supplemental Retirement Plan and the Special Pay Program.

Mr. Burkhart stated that as of June 30, 2025, the Supplemental Retirement Plan had over \$907 million in assets. He mentioned that 38,396 members had balances in the plan, with the average member balance at \$23,624.

Ms. Larson stated that from July 1, 2024, to June 30, 2025, the local office held 368 in-person or team meetings with members. Over 10,000 calls were received at the local office, with an additional 6,100 calls handled at the Columbus call center. Additionally, there were more than 188,000 website hits.

Ms. Larson stated that during that same period, 2,851 new hires were automatically enrolled in the SRP, and, to date, only 37 of them have opted out of the plan. The number of participants who increased their deferrals during FY 2025 grew from 13,407 to 13,732, and the average deferral amount increased from \$18 to \$19.

Board Action

IT WAS MOVED BY MR. OAKLAND, SECONDED BY MR. TSCHETTER, TO ACCEPT THE SUPPLEMENTAL RETIREMENT PLAN ANNUAL SERVICE REPORT AS PRESENTED BY REPRESENTATIVES OF NATIONWIDE RETIREMENT SOLUTIONS. THE MOTION PASSED UNANIMOUSLY ON A VOICE VOTE.

Investment Portfolio Review

Mr. Payton Larsen, Associate Portfolio Manager, SDIO, advised the Board that the Investment Office has reviewed the SRP investment alternatives and recommends no changes to them.

Current State of Cybersecurity and the Impacts of Artificial Intelligence

This presentation was done in an executive session.

Board Action

IT WAS MOVED BY MR. APPL, SECONDED BY MR. PRIM, TO GO INTO EXECUTIVE SESSION PURSUANT TO SDCL 1-25-2(6)(d) FOR THE PURPOSE OF DISCUSSING MATTERS RELATED TO CYBER SECURITY AND THE PROTECTION OF PUBLIC PROPERTY. THE MOTION PASSED UNANIMOUSLY ON A VOICE VOTE.

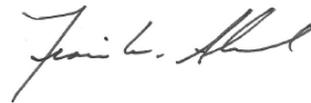
Travis Almond, Nick Rea, Michelle Mikkelsen, Michelle Humann, Brittnie Adamson, Jacque Storm, John Richter, Sam Koldenhoven, Doug Fiddler, Alan Freng, Dawn Smith, Jaime Rutschke, June Larson, Eric Bastain, Eric Glinsky, Michael Burkhart, and John Archer were asked to stay.

THE CHAIR DECLARED THE BOARD OUT OF THE EXECUTIVE SESSION.

ADJOURNMENT

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

Respectfully Submitted,



Travis Almond
Executive Director



South Dakota Retirement System

SDRS Financial Statements

December 10, 2025



FY25 Financial Statements Timeline

- May 2025
 - Start of GASB 68 employer audit
- June 2025
 - 2025 COLA
 - Accounting system pre-year-end procedures
- July 2025
 - FY25 interest update
 - Interim audit fieldwork-SDIO and SDRS
 - Accounting system post-year-end procedures
 - Financial statements preparation



FY25 Financial Statements Timeline

- August 2025
 - Financial statements preparation
 - Accounting system statement procedures
- September 2025
 - Audit fieldwork-SDIO and SDRS
 - Draft financial statements to Eide Bailly
- October 2025
 - Financial statements review-Eide Bailly and Legislative Audit
 - Draft financial statements to the Bureau of Finance and Management



FY25 Financial Statement Timeline

- November 2025
 - Post-audit review with the Trustee audit committee
- December 2025
 - Board presentation of financial statements
 - GASB 68 report to employers
 - Annual Comprehensive Financial Report (ACFR) submitted to GFOA



FY25 Highlights

- SDRS fiduciary net position restricted for pension benefits is **\$15.272B**
- The fiduciary net position increased by **\$350M**
 - Member and employer contributions: **\$355M** (FY24: \$335M)
 - Monthly benefit payments: **\$762M** (FY24: \$735M)
 - Contribution refunds: **\$37M** (FY24: \$29M)
 - Administrative expenses: **\$5.8M** (FY24: \$5.4M), 1.6% of contributions (statutory limit 3% of contributions)
- Net money-weighted investment performance for 2025 was **5.44%**, below the long-term assumed annual return rate of 6.5%
- The fiduciary net position continues to exceed the total pension liability, resulting in a net pension asset of **\$8.5M**



FY25 Plan Statistics

- 510 current employer units
 - 164 School Districts
 - 172 Municipalities
 - 66 Counties
 - 106 Boards and Commissions
 - State of South Dakota
 - Board of Regents
- **105,473 members**
 - 34,961 Retirees and Beneficiaries
 - 26,728 Terminated members
 - 43,784 Current active members



New and Future GASB

- **GASB 101 Compensated Absences**
 - Implemented with FY25 statements
 - Used to accurately recognize and measure vacation and sick leave
 - Prior period adjustment of \$316,989 (Note 13)
 - Additional recognition and measurement (Note 7)
- **GASB 103 Financial Reporting Model Improvements**
 - Effective with FY26 statements
 - Improve and enhance financial reporting for better decision-making and assessing accountability.



Supplemental Retirement Plan (SRP) and Special Pay Plan (SPP)

- SRP

- Net position for plan benefits is \$827M (FY24: \$722M)
- \$35M was paid out to benefit recipients (FY24: \$35M)
- Contributions received were \$51M (FY24: \$49M)
- 379 employers
- 38,398 participants, with 15,102 actively deferring

- SPP

- Net position for plan benefits is \$85M (FY24: \$82M)
- \$12M was paid out to benefit recipients (FY24: \$11M)
- Contributions received were \$12M (FY24: \$9M)
- 149 employers
- 4,807 participants



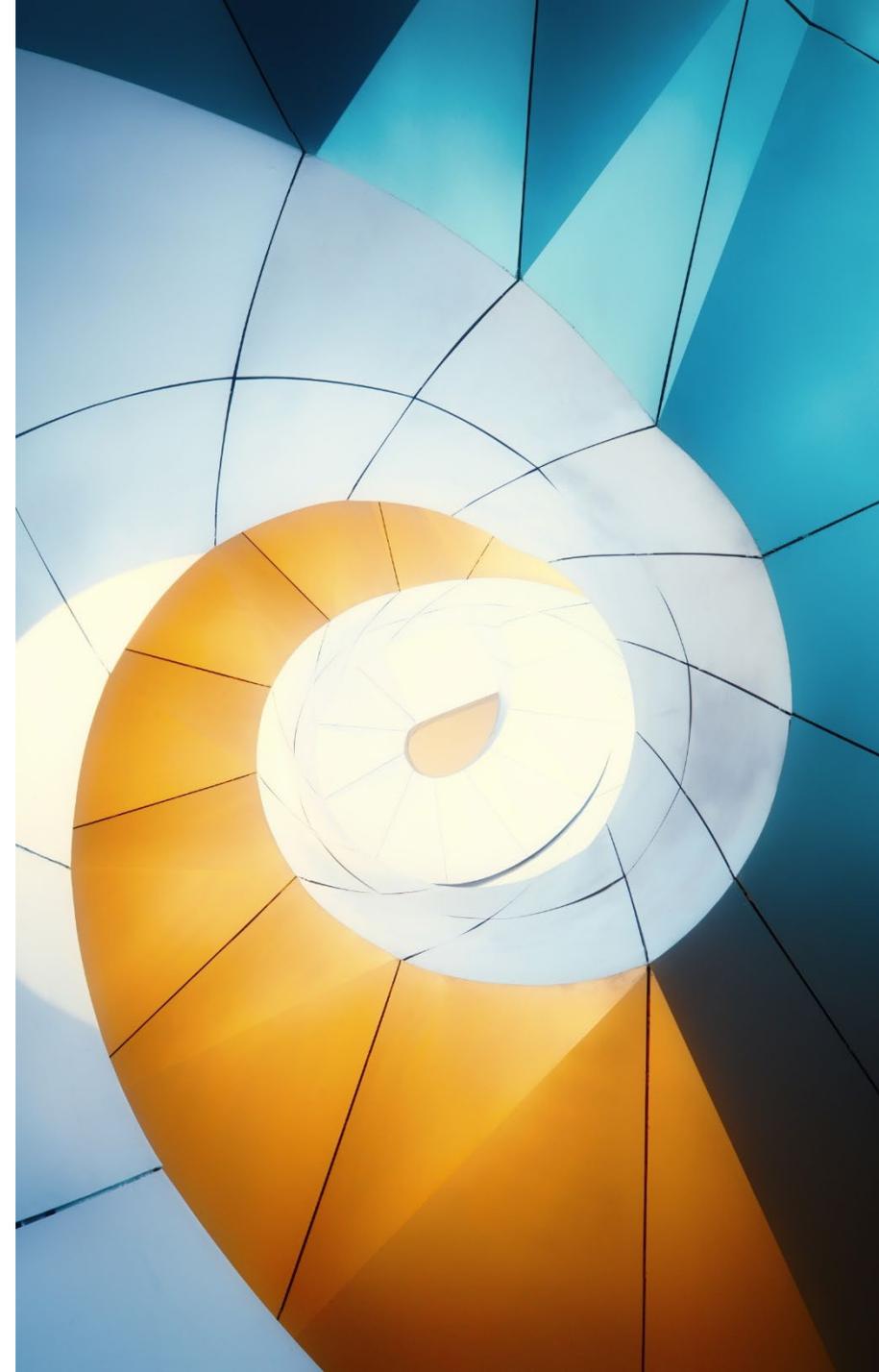
South Dakota Retirement System

Audit Board Presentation



Engagement Team

- **Lealan Miller**, Partner
- **Brad Berls**, Consulting Partner
- **Phillip Millar**, Manager
- **Jack Fudge**, Associate
- **Steven Mahan**, In-House Actuary
- **Additional Resources**, Third Party Pricing



Audit Process and Scope of Work

- Current Year – On-site/remote
- Audited Financial Statements
 - South Dakota Retirement System
 - Supplemental Retirement Plan
 - Special Pay Plan
 - Unmodified Opinions on all Plans
- Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
 - No material weaknesses, significant deficiencies, or control deficiencies

Required Communications

- Audit performed in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*
 - Management is responsible for the financial statements
 - Audit provides reasonable, but not absolute, assurance that the financial statements are not materially misstated
 - Audit does not provide any assurances regarding regulatory compliance
 - Audit is not designed to provide assurances regarding internal control over financial reporting
- Financial statements prepared in accordance with accounting principles generally accepted in the United States of America
- Significant accounting policies – Note A
- Eide Bailly specialists utilized during the audit
 - Internal Actuary for review of actuarial assumptions

Required Communications

- Other written communications
 - Engagement letter
 - Management representation letter
 - Letter to those in charge of governance
- Interaction with management throughout the audit process but report to Audit Committee/Board of Trustees

Required Communications

- There were no:
 - Disagreements with management
 - Consultations with other accountants relating to audit issues
 - Major issues discussed with management prior to retention
 - Difficulties with management
- Adjustments
 - No corrected audit adjustments
 - No uncorrected adjustments

Significant Risks Identified

Management Override of Internal Controls

Contribution Revenue and Receivables

Calculation of Initial Benefit Payments

Valuation of Alternative Investments

Net Pension Liability and Actuarial Information

Independence Matters

- We confirm that, in our professional judgment, for the year ended June 30, 2025, and as of the date of this communication, we are independent with respect to the System, within the meaning of the standards promulgated by the American Institute of Certified Public Accountants' Code of Professional Conduct, and its interpretations and rulings.

OTHER INFORMATION

- Non-Attest Services
 - Typing, Printing, and Binding of Financial Statements
- IT Review of Internal Controls Over Financial Reporting
 - No significant issues identified
- Audit Completion
- GASB 68 Schedules and Data Census Testing

Questions?

This presentation is presented with the understanding that the information contained does not constitute legal, accounting or other professional advice. It is not intended to be responsive to any individual situation or concerns, as the contents of this presentation are intended for general information purposes only. Viewers are urged not to act upon the information contained in this presentation without first consulting competent legal, accounting or other professional advice regarding implications of a particular factual situation. Questions and additional information can be submitted to your Eide Bailly representative, or to the presenter of this session.



Thank you

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South Dakota Retirement System

Actuarial Valuation as of June 30, 2025

December 10, 2025



Mission and Vision

SDRS Mission Statement:

- To responsibly manage a **financially sustainable system within fixed resources** and prepare our members for retirement.

Vision:

- To be a model retirement system that is fully funded, delivers benefits that meet our long-term benefit goals, and provides members the foundation to achieve financial security during retirement.



Fundamental Pension Funding Equation

$$C + I = B + E$$

Contributions

Member contributions typically fixed; Employer contributions typically determined actuarially

Investment return

Assumptions about unknown future returns must be realistic

Benefits

Monthly retirement benefits, plus refunds of contributions to terminating members

Expenses

Administrative expenses typically trivial compared to benefits



Funding Basics: $C + I = B + E$

- Member and employer **contribution rates are fixed in statute**
- **COLA automatically varies** with inflation and affordability:
 - COLA equals inflation, up to 3.5% when affordable
 - When not affordable, COLA maximum is reduced to COLA that keeps SDRS 100% funded if paid for lifetimes of all members
- SDCL 3-12C-228 requires recommendation, including circumstances and timing, to Legislature and Governor for **corrective action** if:
 - Zero COLA results in funded ratio below 100%, or
 - Fixed, statutory contributions do not meet actuarial requirement



FY 2025 Headline Results

- **Funded status remains at 100%** on fixed member and employer contributions
- Actuarial asset and liability losses reduced affordable COLA to 1.56%:
 - July 2025 COLA was 1.71%
 - Net investment return of 5.44%, less than 6.50% actuarial assumption, results in **actuarial investment loss of (\$157M)**
 - Demographic experience, primarily higher than assumed salary increases, results in **actuarial liability loss of (\$95M)**
 - **July 2026 COLA will be 1.56%**



Valuation Purposes

- Statutory determinations:
 - Baseline Fair Value Funded Ratio (FVFR), restricted maximum COLA, and July 2026 COLA
 - Compliance with statutory funding thresholds
- Review and disclose SDRS assets, liabilities, and funded status:
 - Compare with funding objectives
 - Compare actual and expected experience during FY 2025, report trends in funding measurements
- Disclose GASB accounting measures and LDROM
- Identify, assess, and disclose risks to future SDRS funding

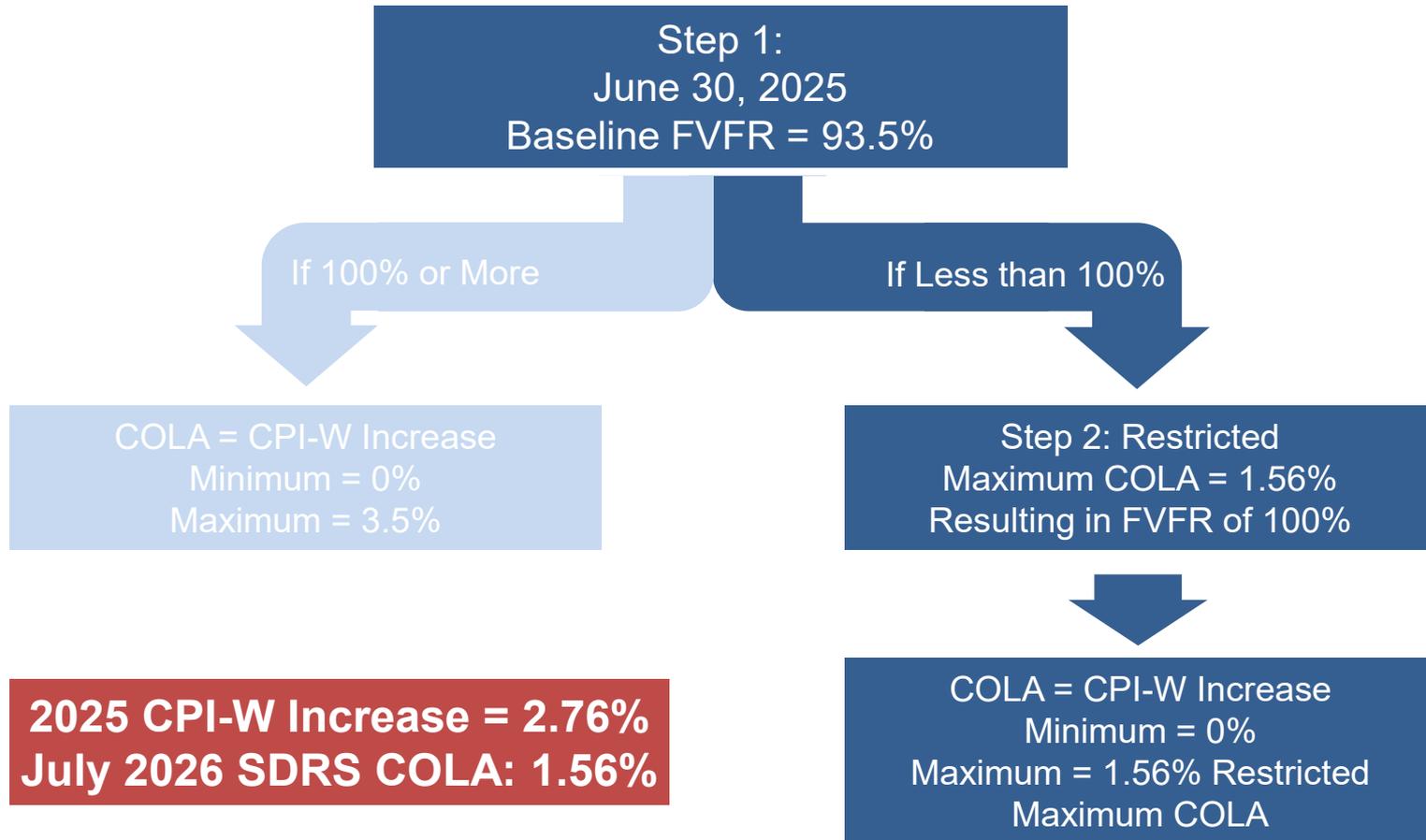


FY 2025 Valuation Inputs

- Data:
 - Member census data as of June 30, 2025, compensation for FY 2025, benefits increased with July 2025 COLA
- Actuarial Assumptions:
 - Demographic and economic assumptions unchanged, except...
 - **Future COLA assumption reduced to 1.56%**, applicable restricted maximum COLA
- Actuarial Methods:
 - No changes, Entry Age Normal, Level Percent of Pay
- Plan Provisions:
 - No changes, plan provisions in effect, reflecting Legislation through 2025 Legislative Session



Statutory Determinations: July 2026 COLA Calculation





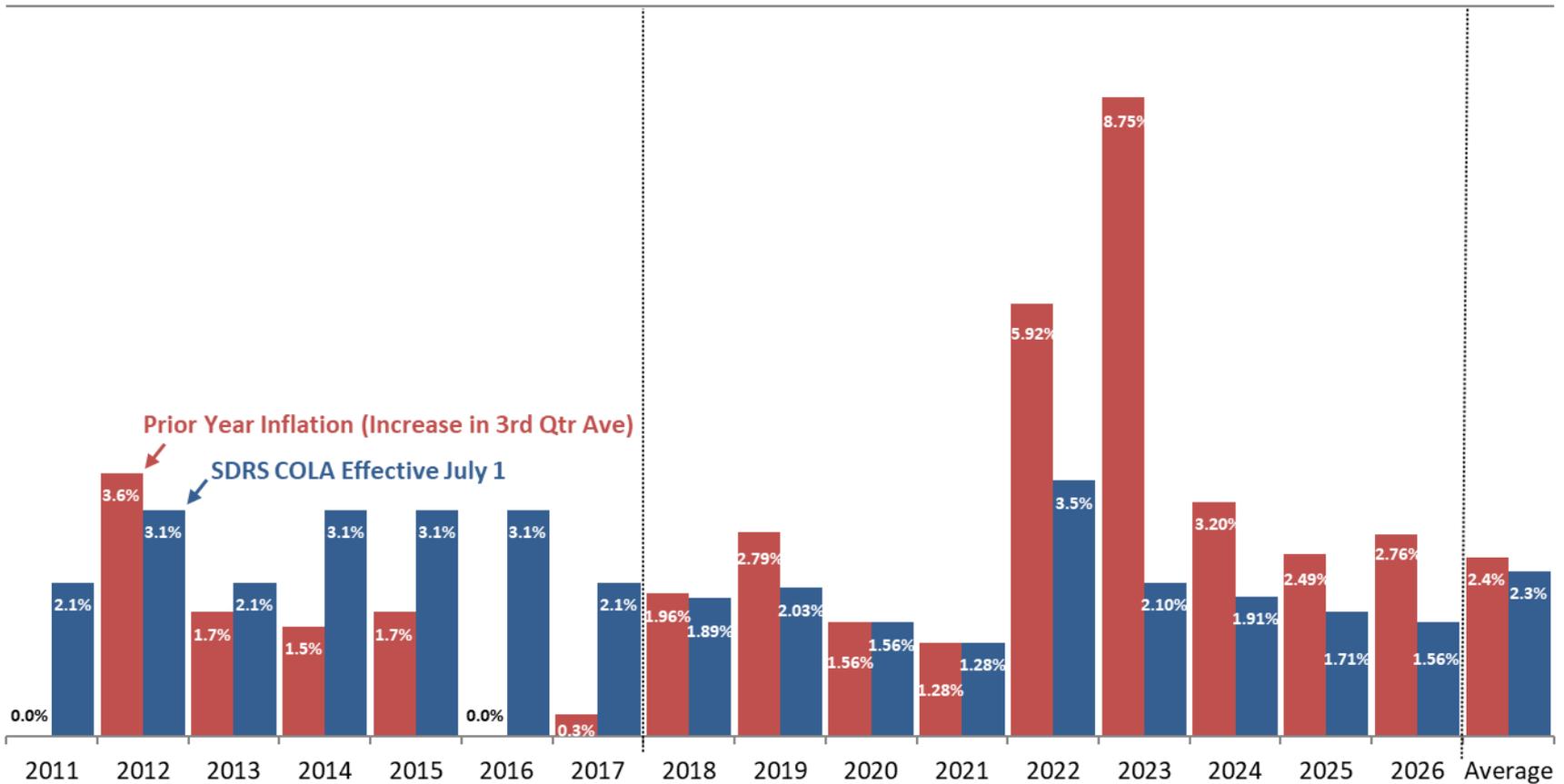
Key Metrics – Funded Status and Affordable COLA

	June 30, 2025	June 30, 2024
Fair Value of Assets	\$ 15.272B	\$ 14.922B
Step 1: Baseline COLA (Assumed Future COLAs = 2.25%)		
Baseline Actuarial Accrued Liability	\$ 16.338B	\$ 15.741B
Baseline Fair Value Funded Ratio	93.5%	94.8%
Step 2: Restricted Maximum COLA		
Future COLA Assumption	1.56%	1.71%
Actuarial Accrued Liability	\$ 15.263B	\$ 14.918B
Fair Value Funded Ratio	100.1%	100.0%
Unfunded Actuarial Accrued Liability	\$ 0	\$ 0



Inflation and SDRS COLAs Since 2010

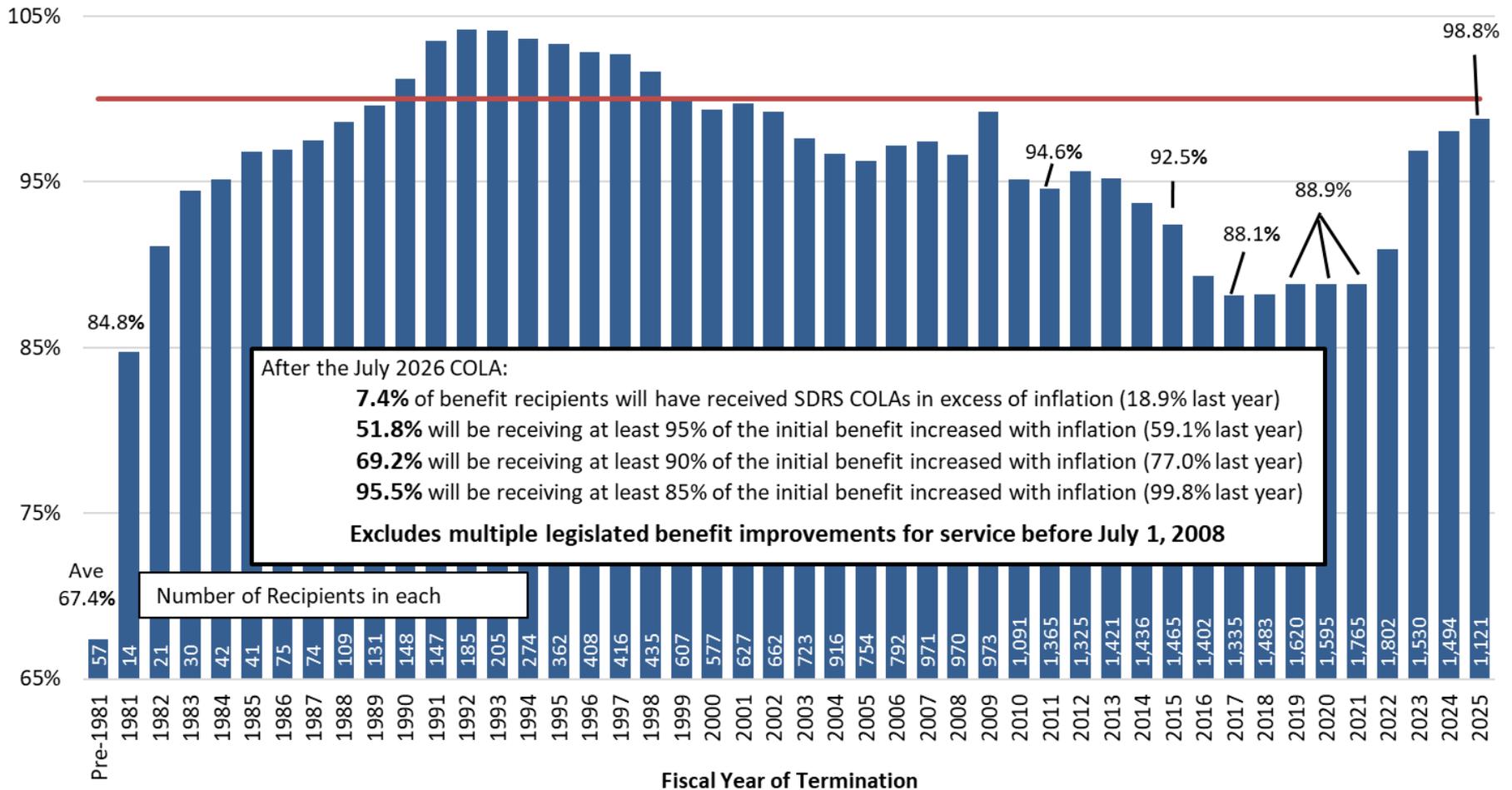
Annual Inflation and SDRS COLA Increases 2011-2026





Cumulative Inflation and SDRS COLAs through July 2026 COLA

Ratio of Current SDRS Benefit to Initial SDRS Benefit Increased with Inflation





Statutory Determinations: SDCL 3-12C-228 Requirements

- Funding must satisfy conditions 1 and 2, or corrective action recommendation is required
- **Condition 1:** FVFR is at least 100%:
 - Based on 1.56% restricted maximum COLA, FVFR = 100.1%
- **Condition 2:** Statutory contribution rate meets or exceeds actuarial requirement:
 - Statutory contribution rate = 12.437%
 - Based on 1.56% restricted maximum COLA, actuarial requirement = 11.339%
- **Both conditions met, no corrective action recommendation required**

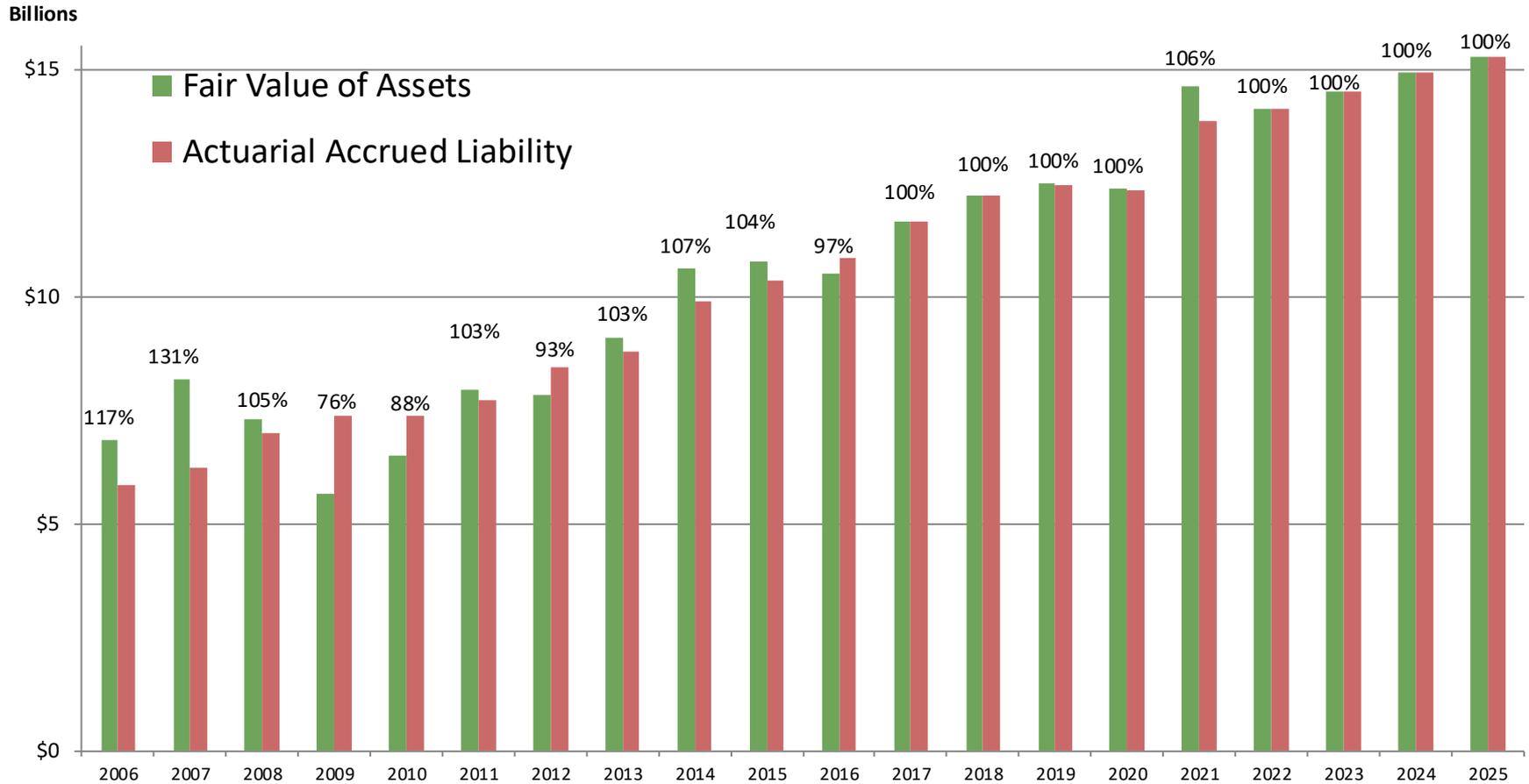


SDRS Funding Objectives

(Considering 1.56% Restricted Maximum COLA)

- ✓ Fair Value Funded Ratio at least 100%
- ✓ No Unfunded Liabilities
- ✓ Actuarially determined variable benefits that are supported by fixed, statutory contributions

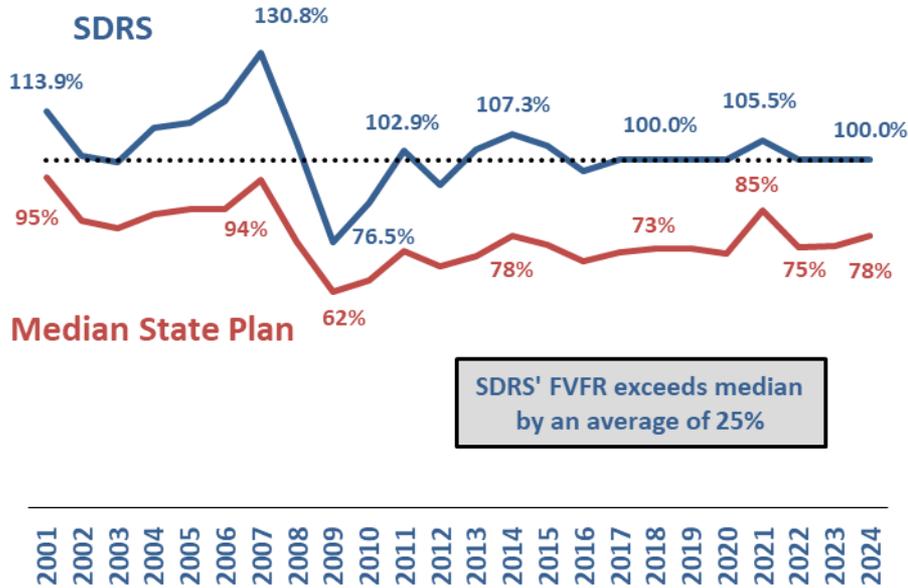
Funded Status History



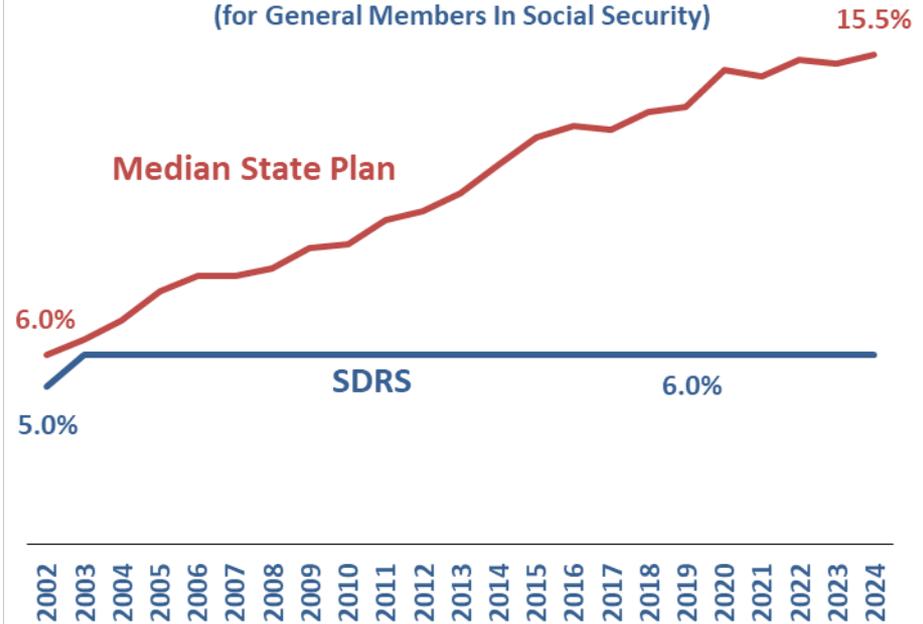


Employer Contributions and Funded Status Comparisons

Fair Value Funded Ratio



Employer Contribution Rates (for General Members In Social Security)



- SDRS COLA varies to maintain 100% Fair Value Funded Ratio (FVFR)
- Employer contribution rates for Class A members are 39% of the national median

Median public sector FVFR from Public Plans Database. Employer contribution rates from NASRA Public Fund Survey, December 2025.



Asset Cash Flow and Gain/(Loss) During FY 2025

	Amount
Fair Value of Assets at Beginning of Year	\$ 14.922B
Non-Investment Cash Flow	(449M)
Percentage of Beginning Assets	(3.0%)
Actual Investment Return (5.44%)	\$ 799M
Less, Expected Investment Return (6.50%)	<u>956M</u>
Actuarial Investment Gain/(Loss)	\$ (157M)



Liability Gain/(Loss) During FY 2025

	Amount ¹	% of AAL
(Loss) due to Compensation Increases	\$ (60M) ²	(0.39%)
(Loss) due to Mortality	(3M)	(0.02%)
Gain due to Retirements	10M	0.07%
Gain due to Terminations and Disabilities	2M	0.02%
(Loss) due to New Members	(23M) ³	(0.15%)
(Loss) due to Rehired Members	(19M) ⁴	(0.13%)
Miscellaneous (Loss)	<u>(2M)</u>	<u>(0.02%)</u>
Total Liability Gain/(Loss)	\$ (95M)	(0.62%)

¹Excludes liability changes caused by changes in actuarial assumptions

²Offset by approximately \$2 million in contribution increases. Net impact to funded status is a loss of approximately \$58 million.

³Offset by approximately \$16 million in contribution increases. Net impact to funded status is a loss of approximately \$7 million.

⁴Offset by approximately \$6 million in contribution increases. Net impact to funded status is a loss of approximately \$13 million.



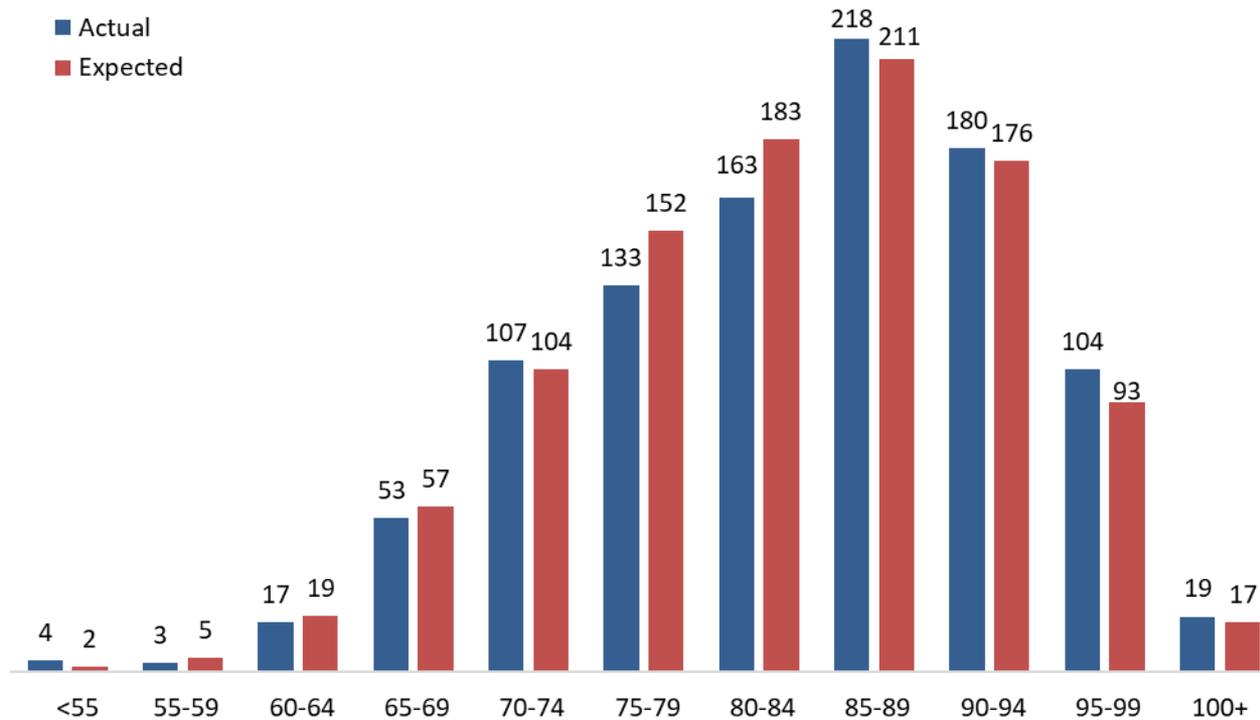
Continuing Active Salary Increases FY 2024 to FY 2025

- Total actual salary increase: 5.4%; total expected increase: 4.6%



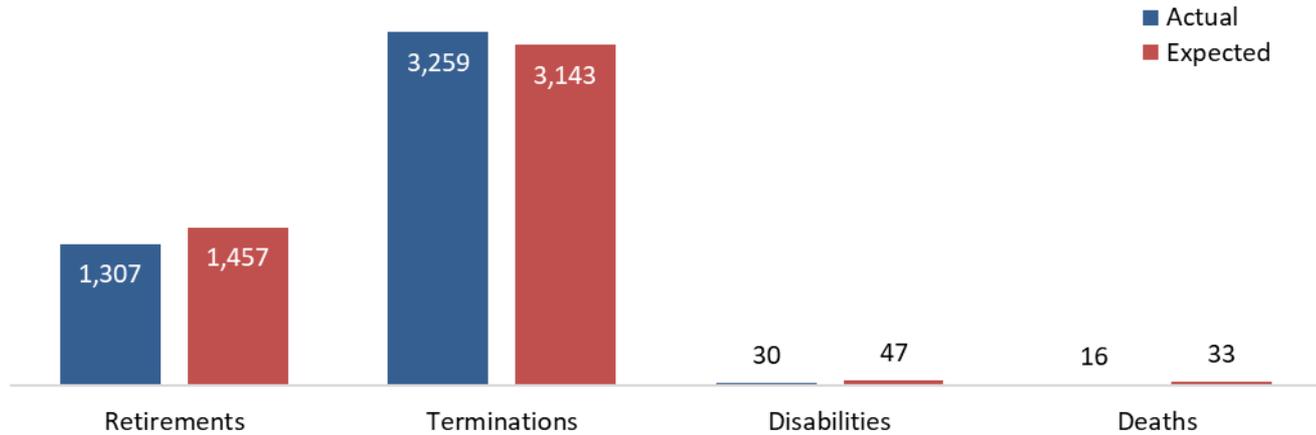
FY 2025 Benefit Recipient Deaths

- Total actual benefit recipient deaths: 1,001; total expected deaths: 1,018

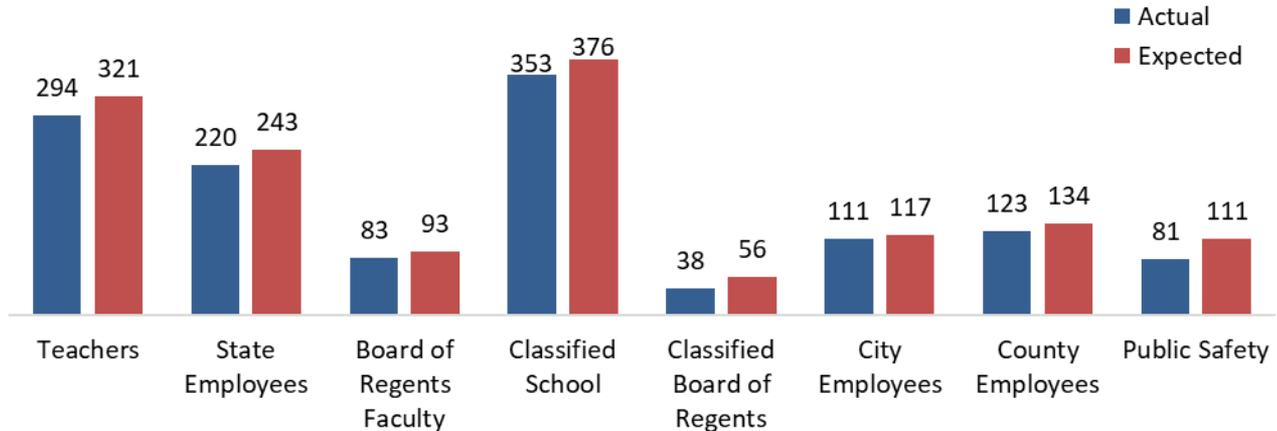


FY 2025 Exits from Active Service

All Exits from Active Service

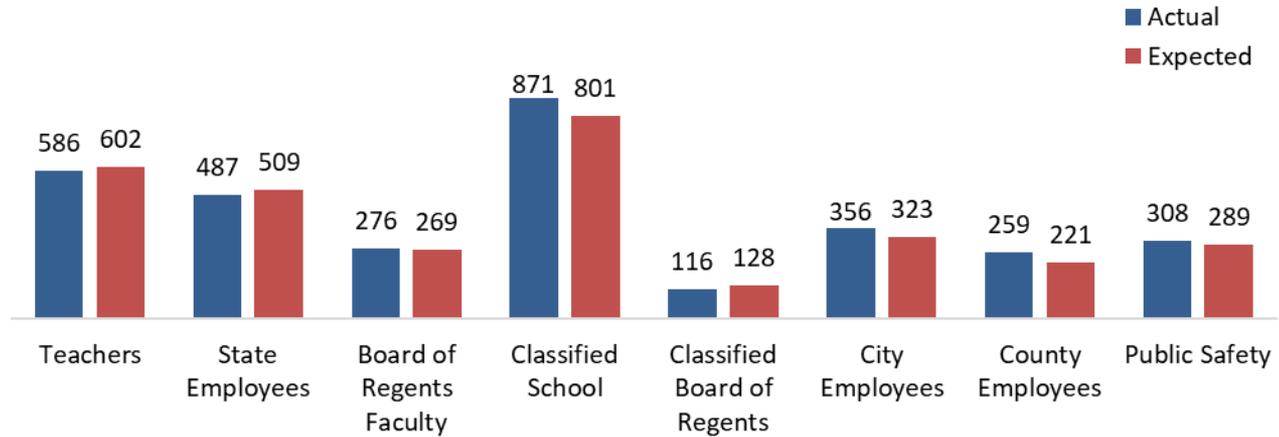


Retirements

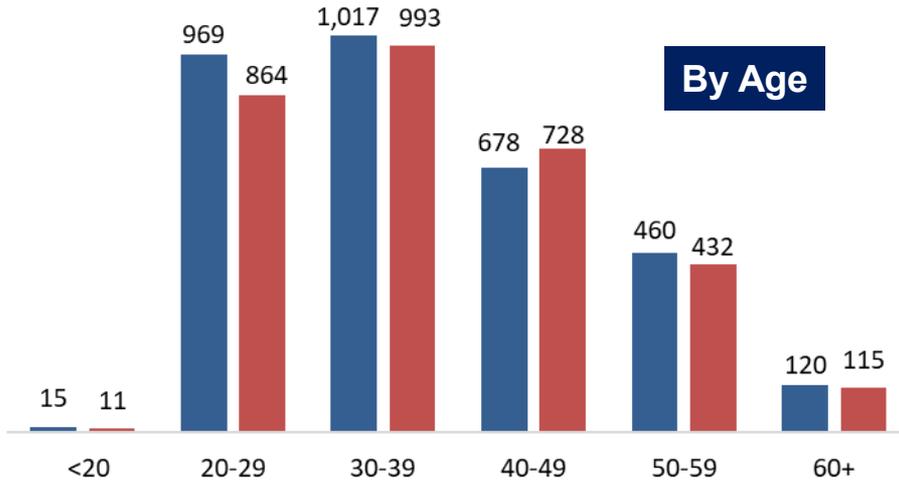


FY 2025 Exits from Active Service

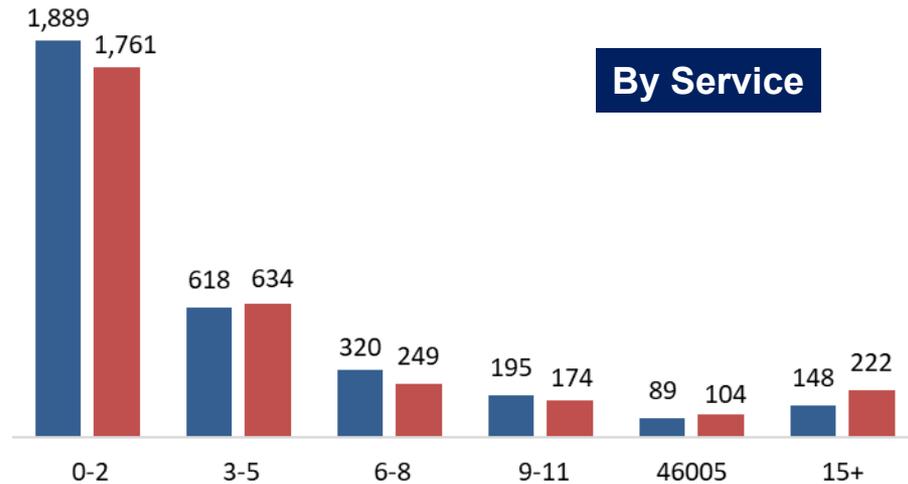
Terminations By Group



By Age



By Service



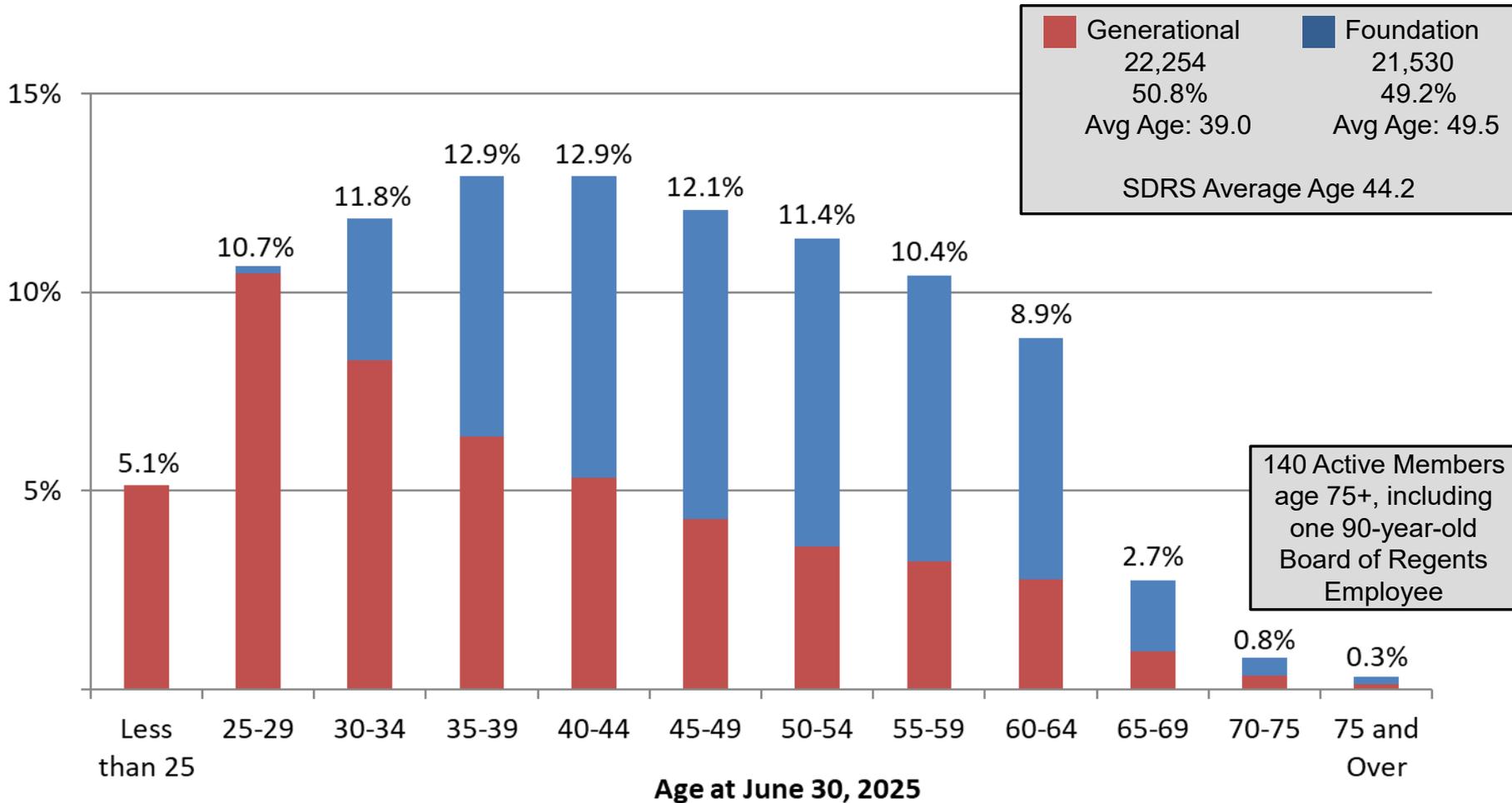


GASB 67 and 68 Summary

- SDRS has a **\$8.5M Net Pension Asset**
 - With deferrals, net asset allocated to employers
- Actuarially Determined Contributions are equal to statutory contributions
- Many more details and exhibits in valuation report

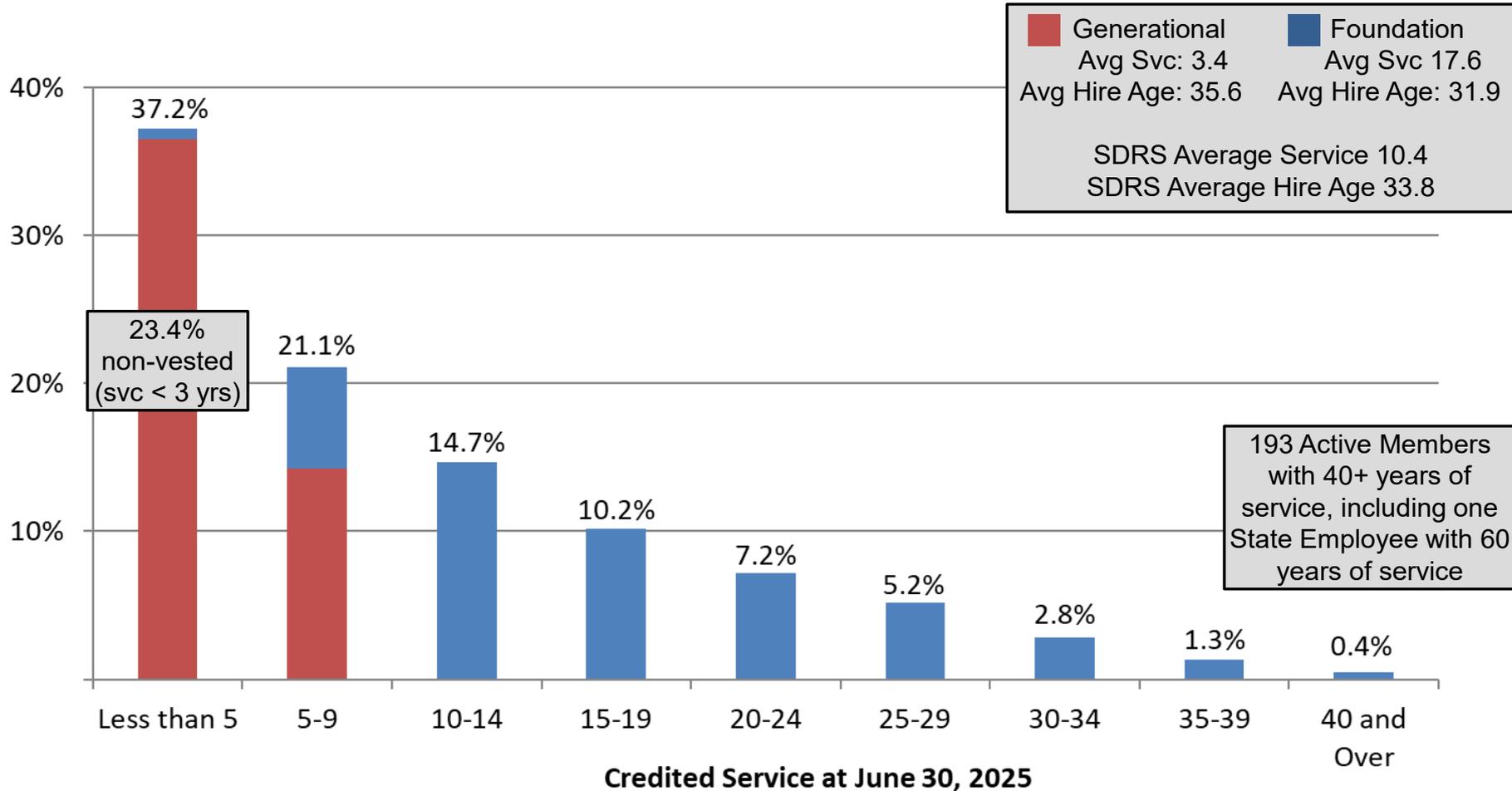


Active Members by Age as of June 30, 2025





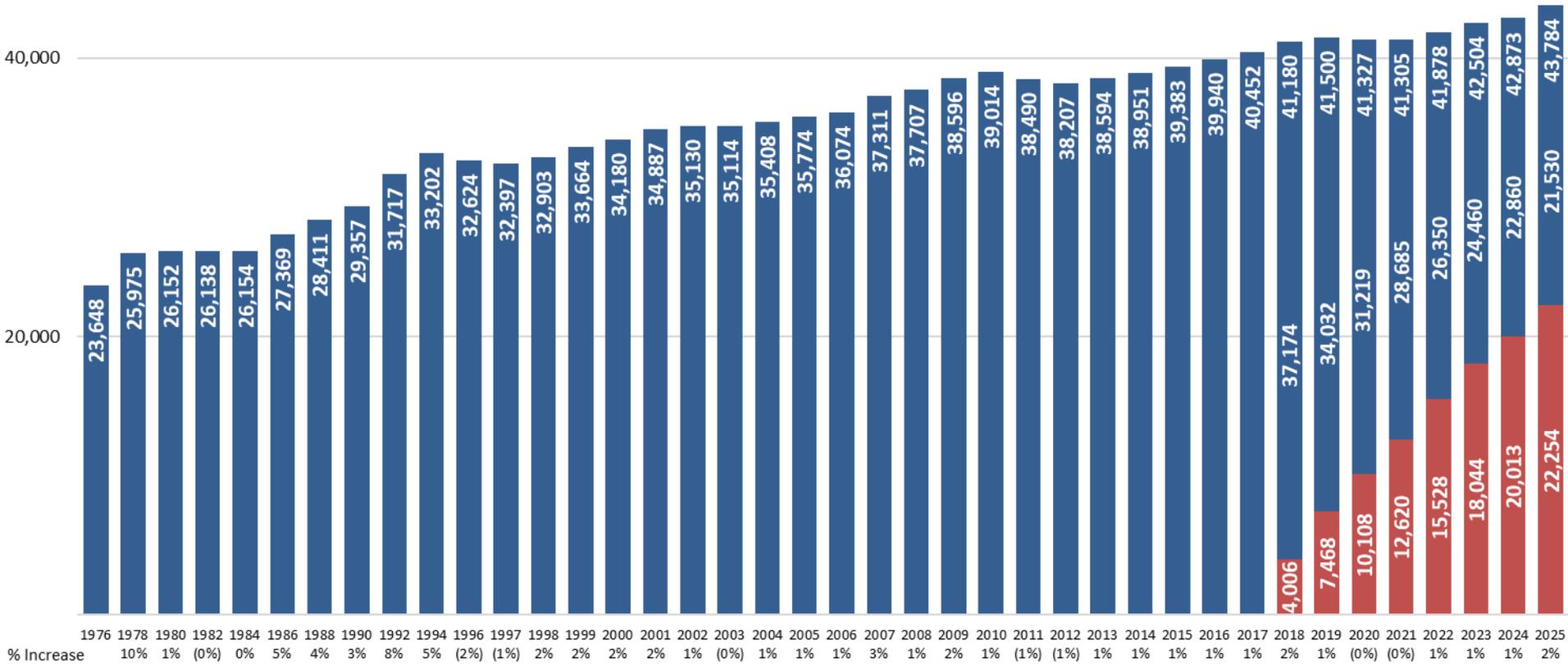
Active Members by Credited Service as of June 30, 2025





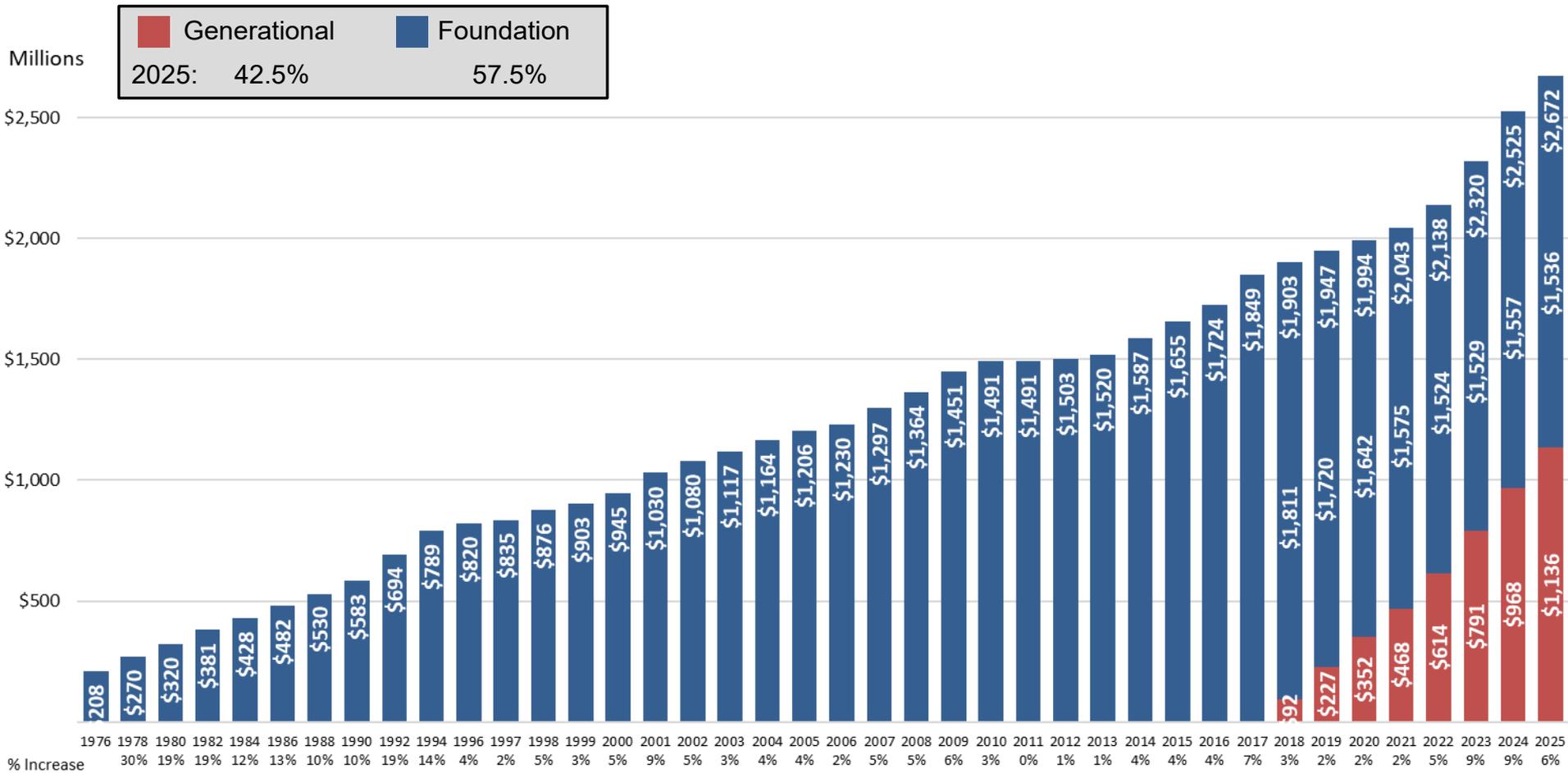
History of Active Membership

■ Generational ■ Foundation
 2025: 50.8% 49.2%





History of Member Compensation





Foundation and Generational Members as of June 30, 2025

	Generational	Foundation	Total
Active Members	22,254 50.8%	21,530 49.2%	43,784 100.0%
Prior Year Compensation	\$ 1,136M 42.5%	\$ 1,536M 57.5%	\$ 2,672M 100.0%
Average Age	39.0	49.5	44.2
Average Service	<u>3.4</u>	<u>17.6</u>	<u>10.4</u>
Average Hire Age	35.6	31.9	33.8
Benefit Recipients	339	34,525	34,864
Annual Benefits in Pay	\$ 1.2M	\$ 773.4M	\$ 774.6M



Foundation and Generational Normal Cost Comparisons

Method 1: All active members, VRA Normal Cost equal to contribution rate	Foundation Benefits	Generational Benefits	Difference
Normal Cost Rate, Middle of Year	12.143%	10.581%	
Variable Retirement Contribution Rate	<u>N/A</u>	<u>1.500%</u>	
Total Normal Cost Rate, Middle of Year	12.143%	12.081%	0.062%

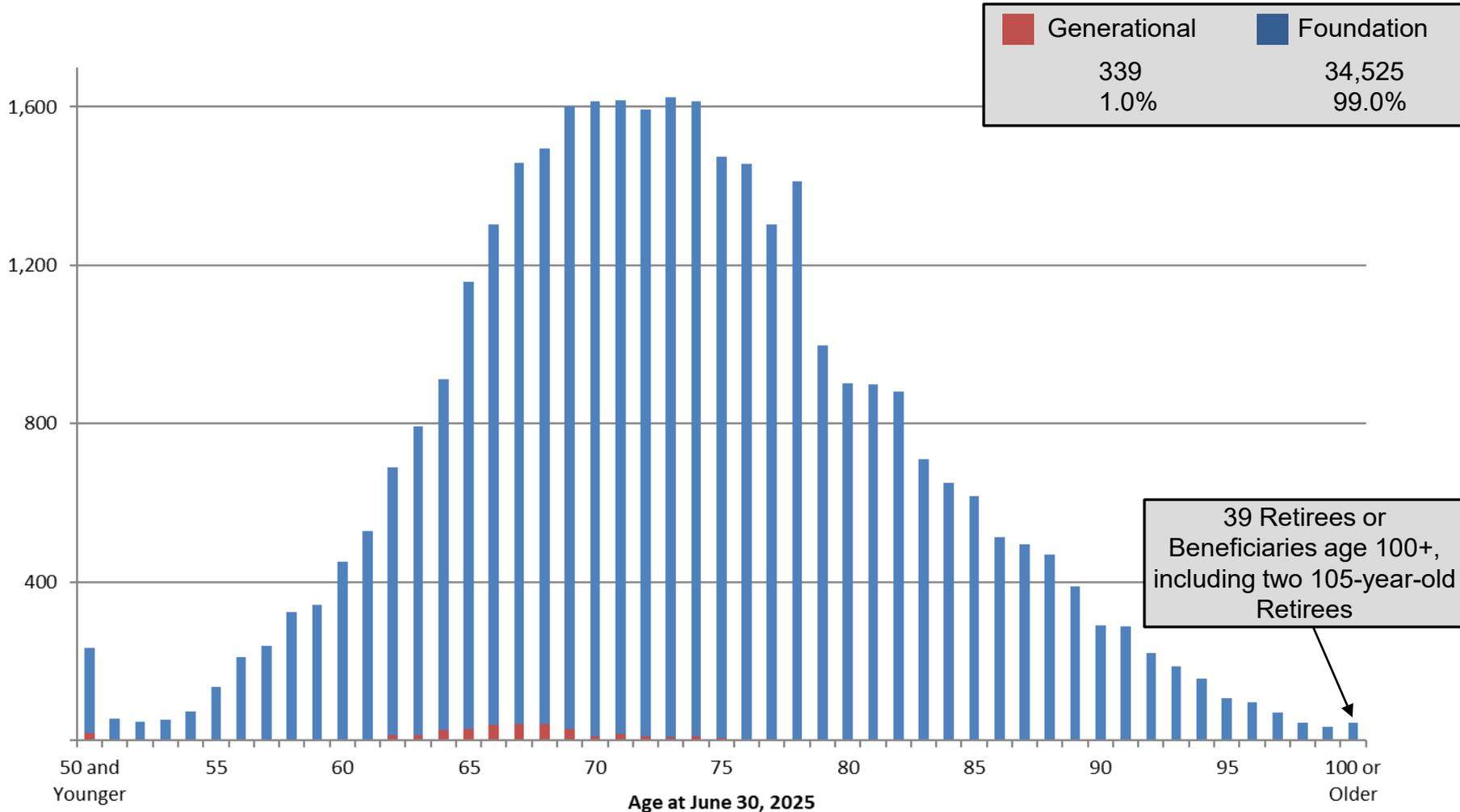
Method 2: Generational Members only, VRA Normal Cost on Entry Age Method	Generational Benefits	Difference
Normal Cost Rate, Middle of Year with Expenses (expected to decrease over time)	12.695%	
Contribution Rate	12.501%	(0.194%)

Entry Age Normal Cost depends on the average hire age of the group. Average hire age, and therefore the Normal Cost, of closed member group (Foundation) and new member group (Generational) will each decline over time. Method 1 calculates the VRA Normal Cost as the VRA contribution rate. Method 2 uses the Entry Age Method Normal Cost for the VRA. Neither method indicates an increase in the VRA contribution rate is affordable.

Staff recommends no change to Variable Retirement Contribution Rate

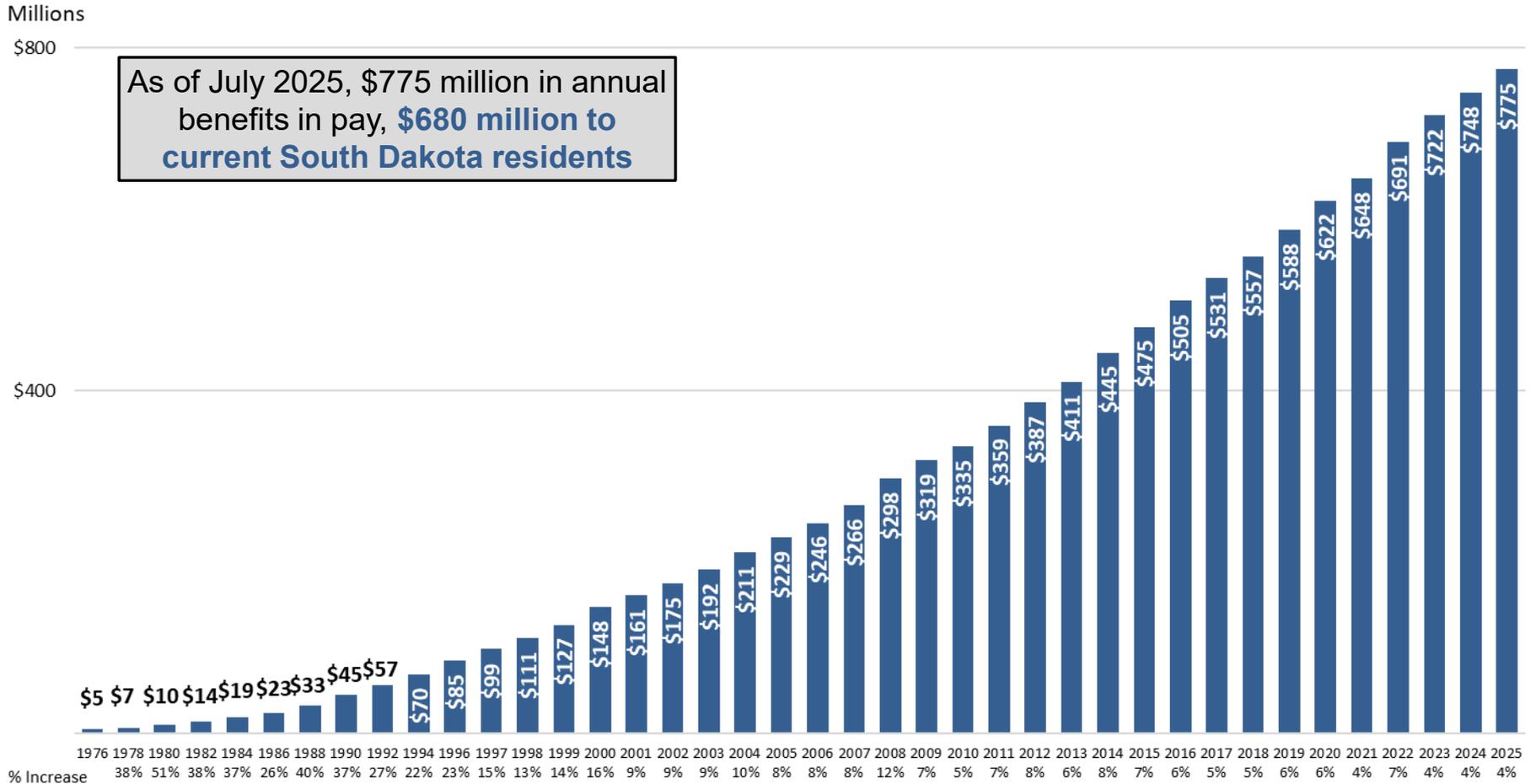


Benefit Recipients by Age as of June 30, 2025





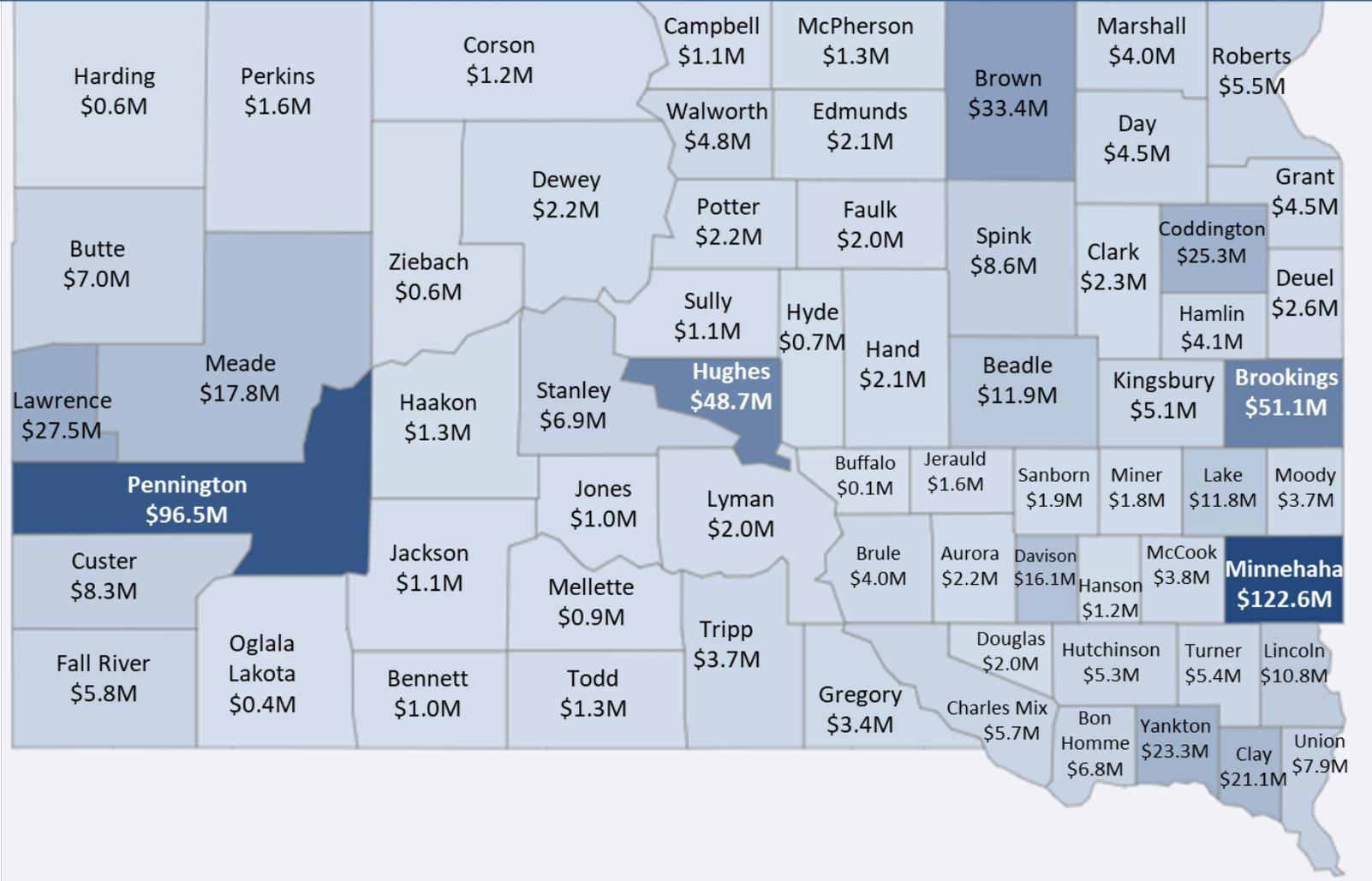
History of Benefits to Retirees, Beneficiaries & Disabled Members





Annual Benefits to South Dakota Residents by County

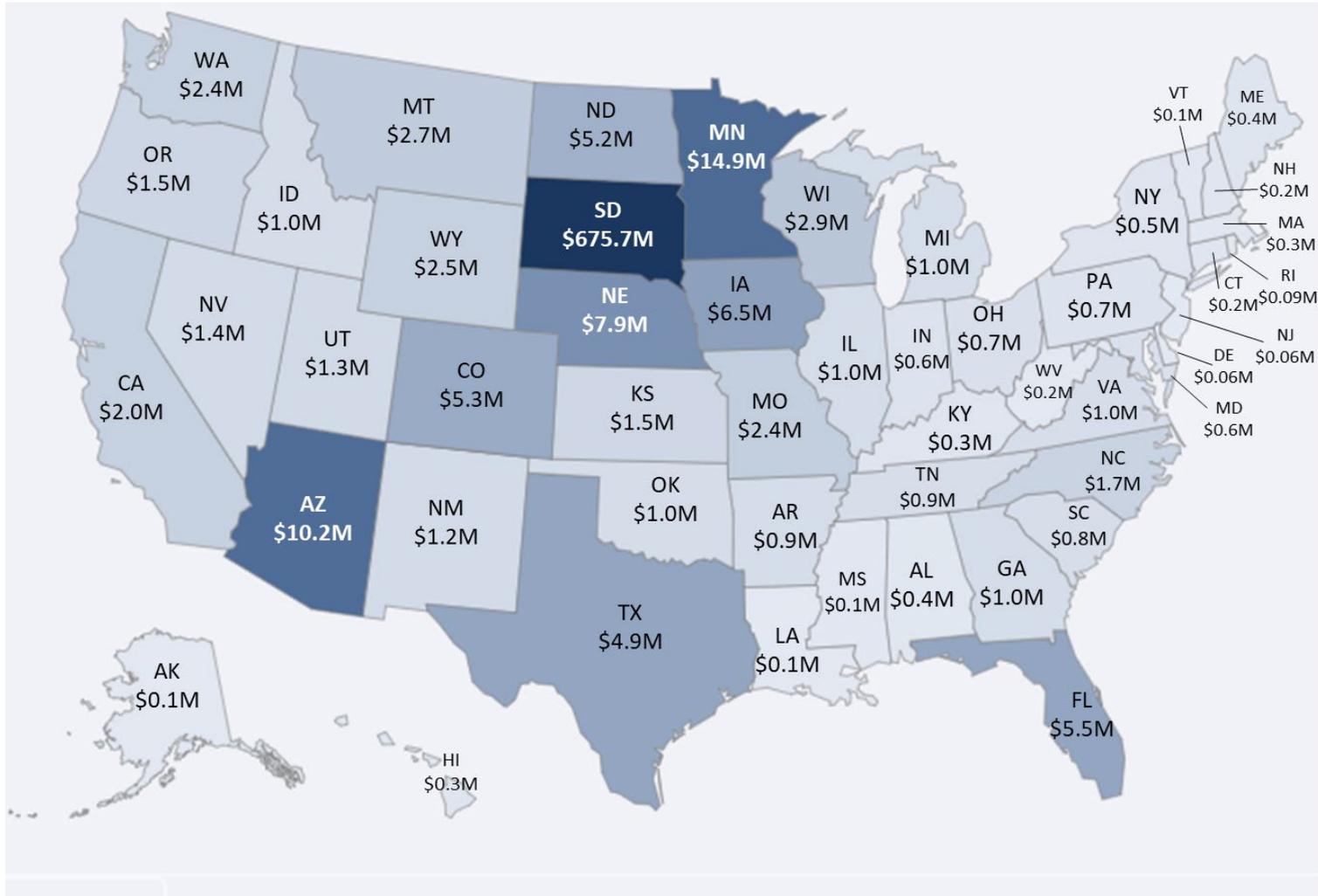
As of July 2025, \$775 million in annual benefits in pay, **\$680 million to current South Dakota residents**





Annual Benefits Nationally by State

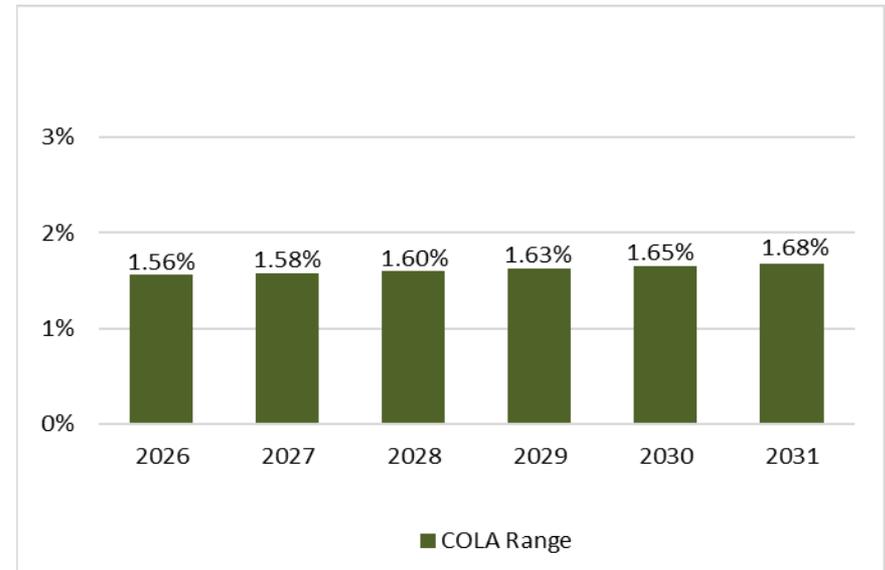
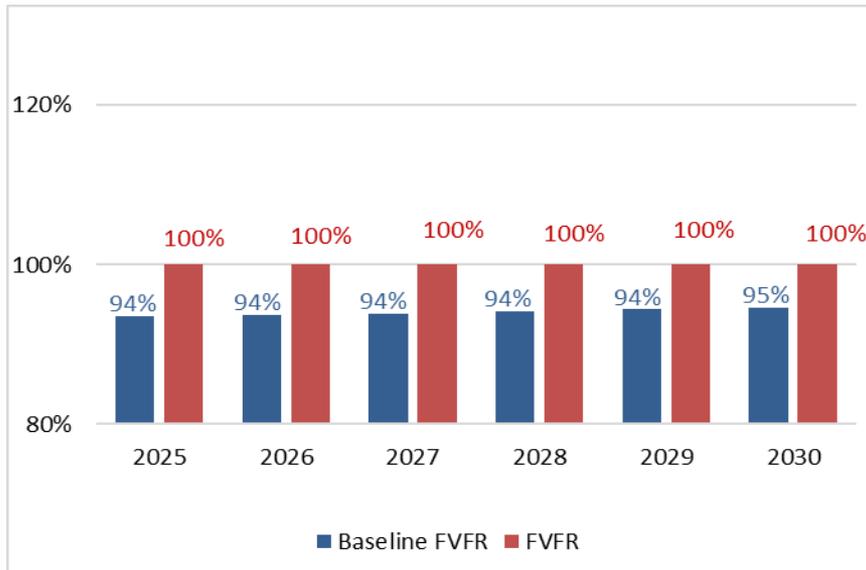
As of July 2025, \$775 million in annual benefits in pay, **\$94 million outside South Dakota**



- **Risk:** Potential of actual future measurements departing from expectations because future experience is different than assumed
- **Investment Risk:** Future investment returns depart from assumed 6.50%:
 - Most significant risk to future SDRS funding
 - COLA variability places large portion of risk on members
 - Significant departure from assumption may require corrective actions
- **Investment Risk Scenario Testing:**
 - Illustration of impact of five years with investment returns equal to 25th and 75th percentile of 15-year expectation on next page
 - Corrective actions required if five-year annual returns less than about **2.8%**
 - Policy threshold for benefit improvements met if five-year annual returns greater than approximately **11.3%**

Investment Risk Scenario Testing

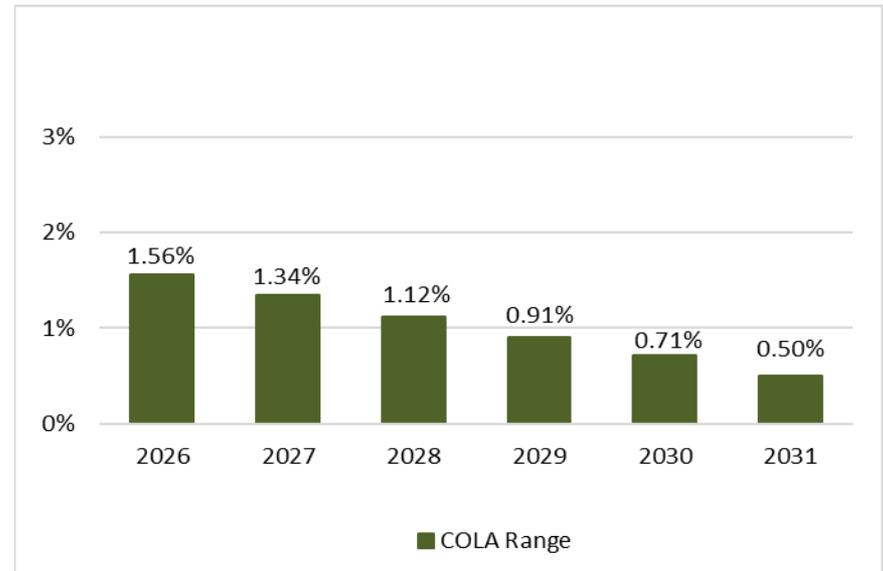
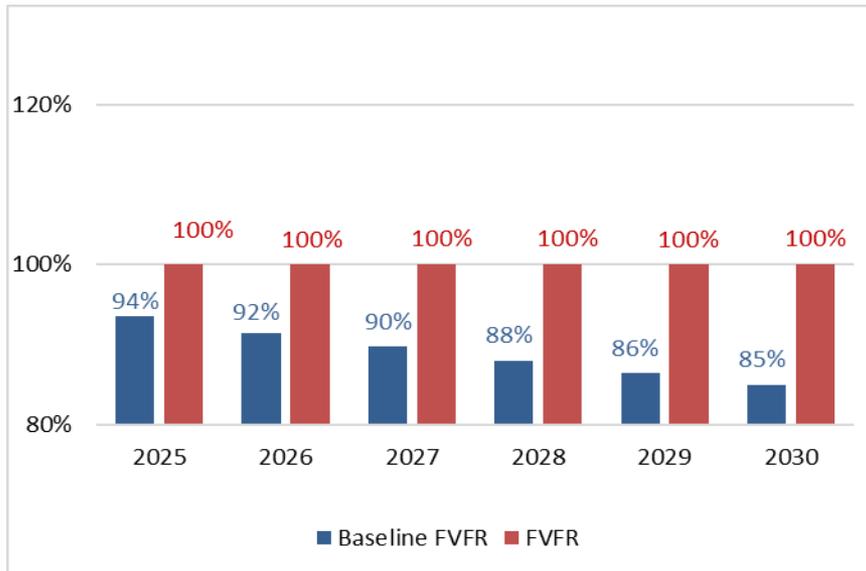
Future Annual Net Investment Return = 6.5% - Assumed Investment Return



Projections assume experience exactly follows assumptions detailed in June 30, 2025 Actuarial Valuation. Based on plan provisions and data as of June 30, 2025. Ranges of investment returns resulting in the full COLA range, a restricted maximum COLA, or corrective action recommendations are detailed in the Projected Funded Status presentation.

Investment Risk Scenario Testing

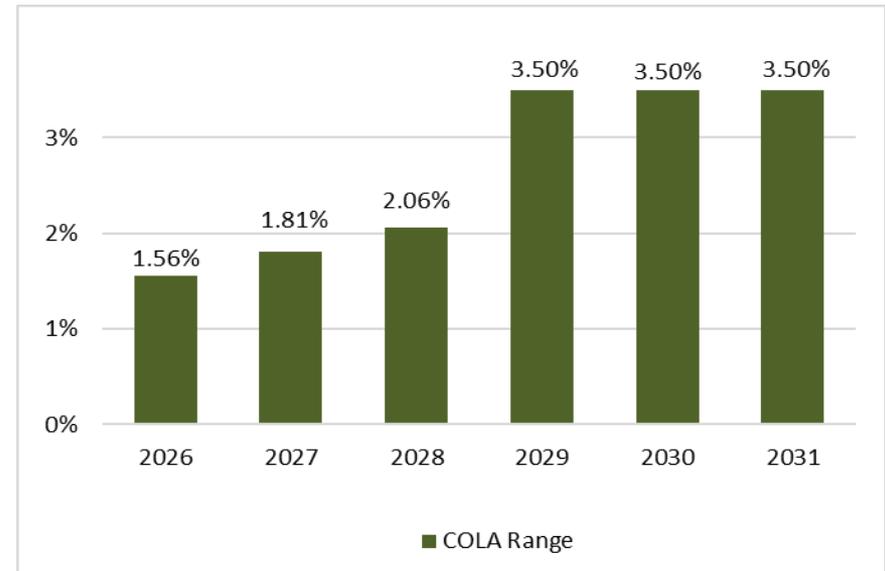
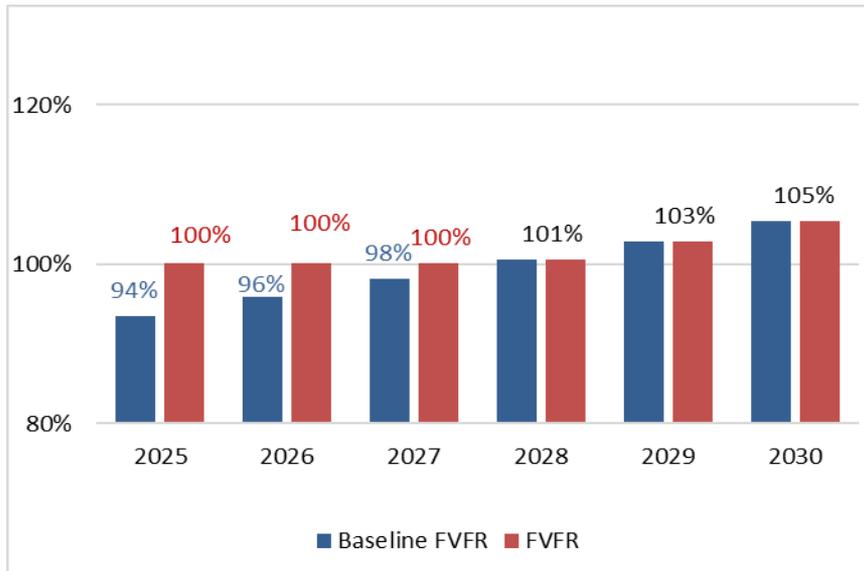
Future Annual Net Investment Return = 4.08% - 25th Percentile Investment Return



Projections assume non-investment experience exactly follows assumptions detailed in June 30, 2025 Actuarial Valuation. Based on plan provisions and data as of June 30, 2025. Ranges of investment returns resulting in the full COLA range, a restricted maximum COLA, or corrective action recommendations are detailed in the Projected Funded Status presentation.

Investment Risk Scenario Testing

Future Annual Net Investment Return = 8.73% - 75th Percentile Investment Return



Projections assume non-investment experience exactly follows assumptions detailed in June 30, 2025 Actuarial Valuation. Based on plan provisions and data as of June 30, 2025. Ranges of investment returns resulting in the full COLA range, a restricted maximum COLA, or corrective action recommendations are detailed in the Projected Funded Status presentation.



Low-Default-Risk Obligation Measure

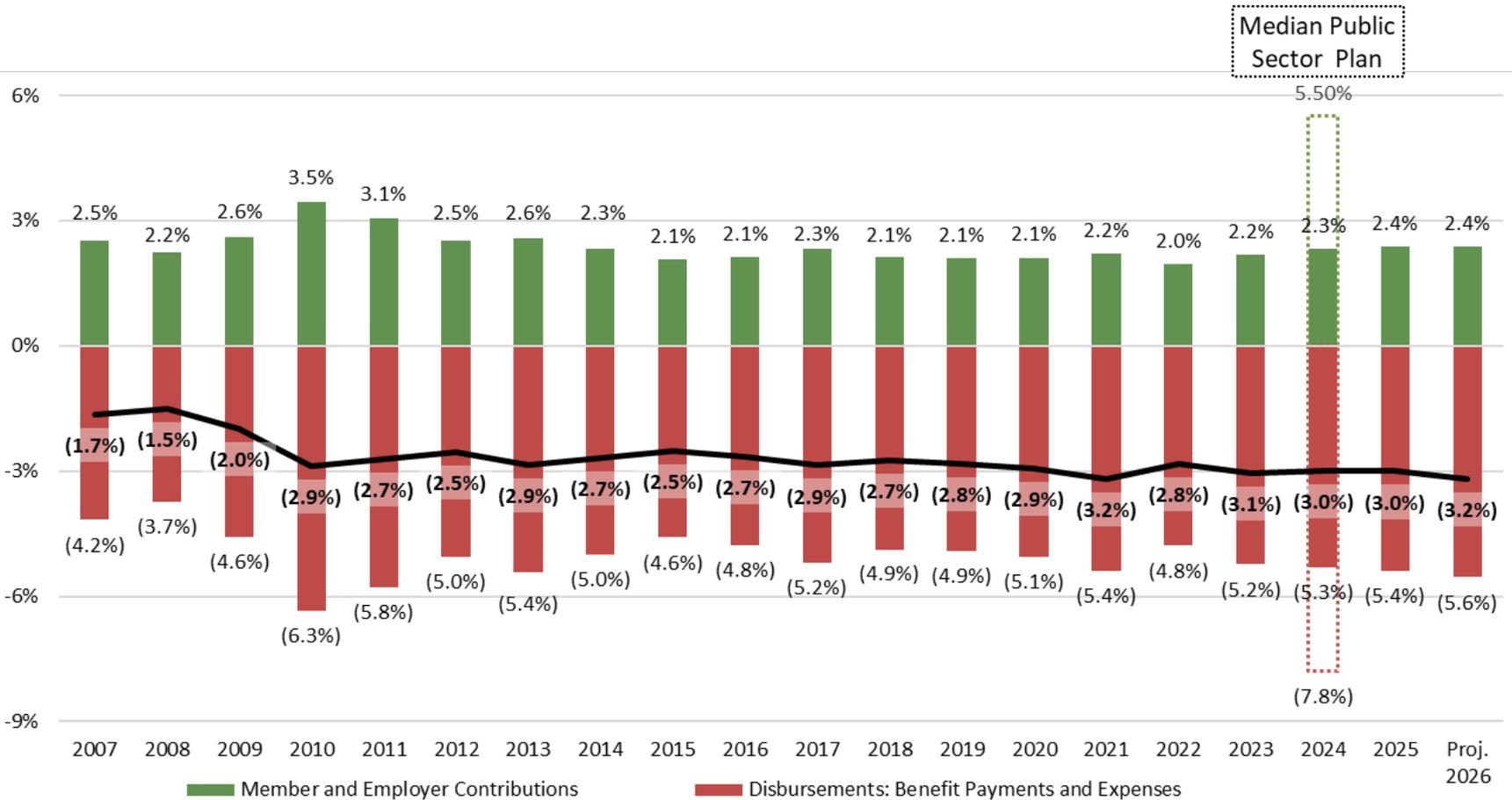
- New required disclosure of **Low-Default-Risk Obligation Measure (LDRM)**:
 - Recalculation of liability using discount rate derived from low-default-risk fixed income securities (LDRFIS) (typically lower than expected investment return)
 - Required commentary on significance of LDRM with respect to plan funded status, plan contributions, and security of member benefits
 - LDRM considers how investing in LDRFIS impacts variable benefits, significant for SDRS COLA
- Discount rate of 5.84%:
 - Single equivalent rate resulting in same present value if projected benefits discounted on Treasury High Quality Corporate Bond Curve for June 2025
- Assumed COLA of 0.71%:
 - Affordable COLA if assets invested entirely in bond portfolio yielding 5.84% and the statutory COLA process is followed recognizing a 5.84% discount rate



Low-Default-Risk Obligation Measure

- Actuarial Accrued Liability as of June 30, 2025:
 - Funding calculations (6.50% discount, 1.56% future COLAs): \$15.263B
 - LDROM (5.74% discount, 0.71% future COLAs): \$15.265B
- Commentary:
 - Funding calculations determine that 1.56% future COLAs are expected to be sustainable based on assumptions, including expected future investment return of 6.5% – there is significant risk that investment returns will fall short of the assumed 6.5%
 - If assets were invested in Low-Default-Risk Fixed Income Securities (LDRFIS) and LDROM calculations are used to determine the affordable future COLA, the affordable COLA would be 0.71%
 - The difference in affordable COLA using funding calculations (1.56%) and LDROM calculations (0.71%) is a current market estimate of future COLAs that are dependent on investment returns above LDRFIS yields

ASOP No. 51 – Negative Cashflow





Valuation Conclusions

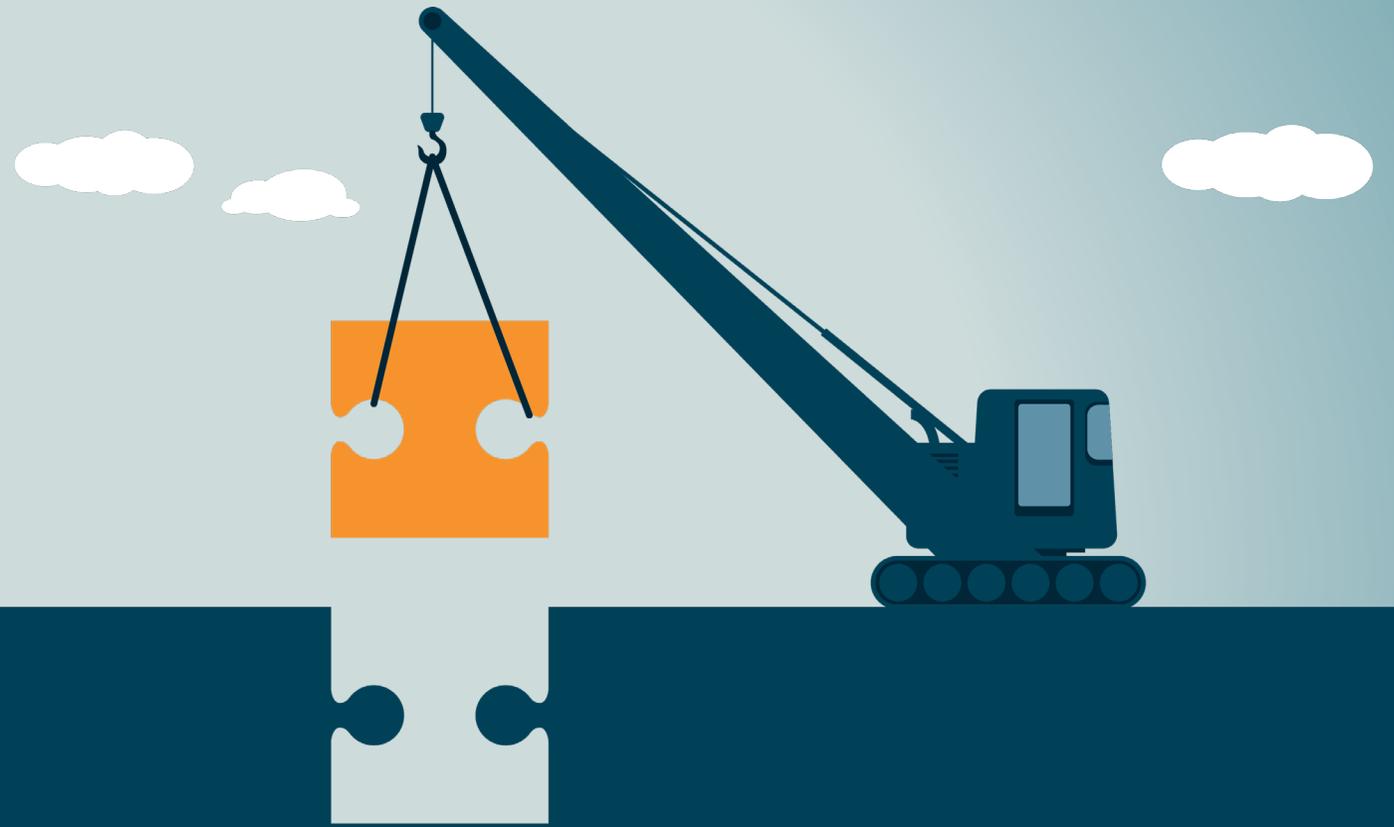
- Money-weighted net investment return was 5.44%
 - Slightly below the assumed 6.50%
 - Actuarial investment losses of \$157M for the year
- Liability losses for the year were \$95, primarily from larger than expected salary increases
- **July 2026 SDRS COLA will be 1.56%**
- **No corrective action recommendations are required**
- June 30, 2025 Fair Value and Actuarial Value **Funded Ratios are 100.0%**

- If future experience matches the actuarial assumptions:
 - FVFR is expected to remain at or above 100%
 - Restricted maximum COLA is expected to remain close to 1.56%
- GASB 67/68 results: Net Pension Asset
- SDRS remains a **fully funded retirement system**, which is a rare accomplishment and significantly better than almost all other statewide retirement systems
- **As of June 30, 2025, SDRS meets all the Board of Trustees' funding objectives**



Important Notes

- This presentation is a summary of results included in the full report of the South Dakota Retirement System Actuarial Valuation as of June 30, 2025
- The valuation was developed based on generally accepted actuarial principles and techniques in accordance with all applicable Actuarial Standards of Practice
- Use of this report for any other purposes or by anyone other than the Board of Trustees and SDRS staff may not be appropriate and may result in mistaken conclusions because of the failure to understand applicable assumptions or methods or the inapplicability of this summary for other purposes
- Doug Fiddler is a Member of the American Academy of Actuaries and meets the Qualification Standards to issue the actuarial opinions contained in this presentation and the full valuation report. He is an employee of SDRS, an Associate of the Society of Actuaries, an Enrolled Actuary and a Fellow of the Conference of Consulting Actuaries and is available to answer any questions on the material contained herein



SOUTH DAKOTA RETIREMENT SYSTEM LIMITED SCOPE AUDIT OF THE JUNE 30, 2025 ACTUARIAL VALUATION REPORT

- 
- Your CavMac Team
 - Purpose of an Actuarial Audit
 - Review of Actuarial Assumptions and Methods
 - Review of Actuarial Valuation Report and Presentation
 - Recommendations and Conclusions
 - About CavMac

YOUR CAVMAC TEAM



Larry Langer
ASA, EA, FCA, MAAA
Principal and Consulting Actuary



Aaron Chochon
ASA, EA, FCA, MAAA
Senior Actuary



Wendy Ludbrook
FSA, EA, FCA, MAAA
Consulting Actuary

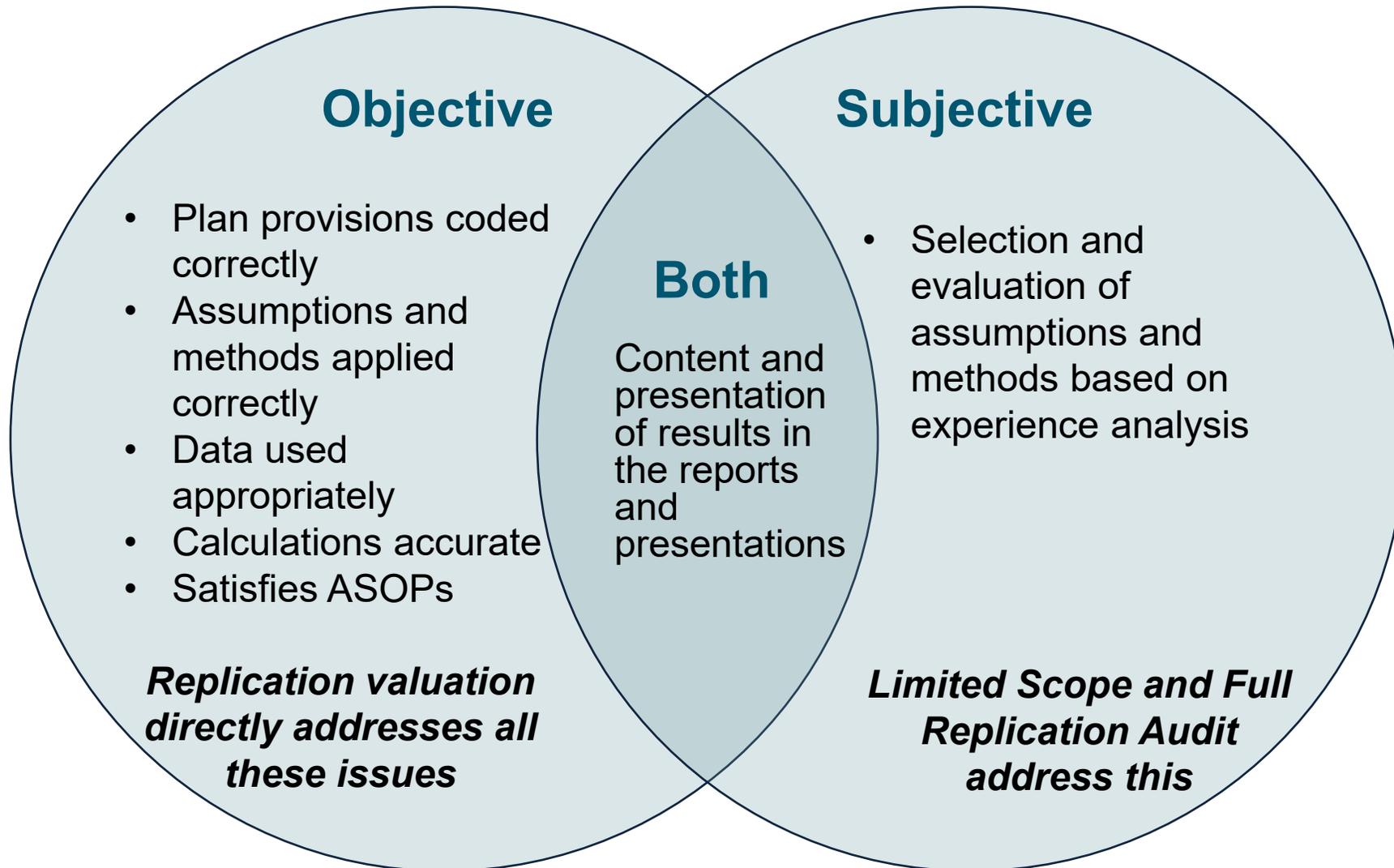


CavMac finds the actuarial assumptions, methods and procedures in the June 30, 2025 actuarial valuation to be reasonable and developed in accordance with applicable Actuarial Standards of Practice. We find that the valuation report also complies with applicable Actuarial Standards of Practice.



- Actuarial services are very important to the South Dakota Retirement System, but highly technical, complex and very specialized.
 - Difficult for Board to evaluate the work of the SDRS Senior Actuary.
 - Yet as fiduciaries, Board is responsible for the accuracy and reliability of the actuarial work.
- Actuarial audits bridge this gap.





Full Replication

Verification of Data

Commentary on Assumptions, Funding
Methods and Procedures

Independent Replication of Detailed
Valuation Results

Reconciliation of Discrepancies

Review of Valuation Report

Limited Scope

Commentary on Assumptions, Funding
Methods and Procedures

Review of Valuation Report

Full Replication

June 30, 2019

June 30, 2022

June 30, 2027

Limited Scope

June 30, 2020

June 30, 2021

June 30, 2023

June 30, 2024

June 30, 2025

June 30, 2026

Experience Study Review

After June 30, 2021 Valuation

After June 30, 2026 Valuation

Maintain
constructive
mindset

Identify
suggestions

Avoid
“nit picky”
comments

Improve the
actuarial
process

- Effective January 1, 2025, the following ASOPs were combined into a single, broader ASOP No. 27. This did not change the requirements of the individual ASOPs:
 - ASOP No. 27 “Selection of Economic Assumptions for Measuring Pension Obligations” and
 - ASOP No. 35 “Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations”
- In May 2025, the Society of Actuaries published the “Pub-2016 Public Retirement Plans Mortality Tables Report”.
 - Use of these tables is not prescribed
 - May be considered with the next experience study in 2027

- The only assumption update was a change in the assumed future COLA assumption from 1.71% to 1.56%.
- In 2022, we performed an Actuarial Audit of the Experience Analysis performed by the SDRS Senior Actuary. We found that the Economic and Demographic Assumptions recommended by the SDRS Senior Actuary were reasonable and developed in accordance with applicable Actuarial Standards of Practice. No issues were identified. There are no changes to our comments from those reviews.
- ***In general, we believe there are no inherent conflicts in the assumptions now in use with the requirements imposed by applicable Actuarial Standards of Practice.***

- Actuarial cost method is Entry Age Normal, the most common method used by public plans
- Asset valuation method is fair market value and is appropriate given SDRS' Funding Policy to manage SDRS benefits on a fixed statutory contribution basis
- Amortization of UAAL policy is not needed based on Board Funding Policy
- ***In our opinion, the Actuarial Methods employed for the SDRS valuation are appropriate and will systematically fund the prospective pension benefits on an actuarially sound basis, if all actuarial assumptions are met in the future.***

- The American Academy of Actuaries has issued several Actuarial Standards of Practice which deal with measuring pension obligations and communicating the results (ASOP No. 4, 23, 27, 41, 44, 51 and 56)
- ***We believe the content and disclosures included in the SDRS valuation report and presentation are in compliance with current Actuarial Standards of Practice (ASOPs).***
- ***In particular, we find that the ASOP 51 risk assessments contained in the materials developed by the SDRS Senior Actuary are quite robust.***

All previous recommendations have been reflected with this valuation.

Two recommendations were made in our report, to be considered with the next experience study:

- ***Consider using the recently published Pub-2016 mortality tables***
- ***Consider increasing the assumed interest on member contributions***

CavMac finds the actuarial assumptions, methods and procedures in the June 30, 2025 actuarial valuation to be reasonable and developed in accordance with applicable Actuarial Standards of Practice. We find that the valuation report also complies with applicable Actuarial Standards of Practice.



We meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained in this report. This report has been prepared in accordance with all applicable Actuarial Standards of Practice, and we are available to answer questions about it.

Larry Langer, ASA, EA, FCA, MAAA
Principal and Consulting Actuary

Wendy Ludbrook, FSA, EA, FCA, MAAA
Consulting Actuary

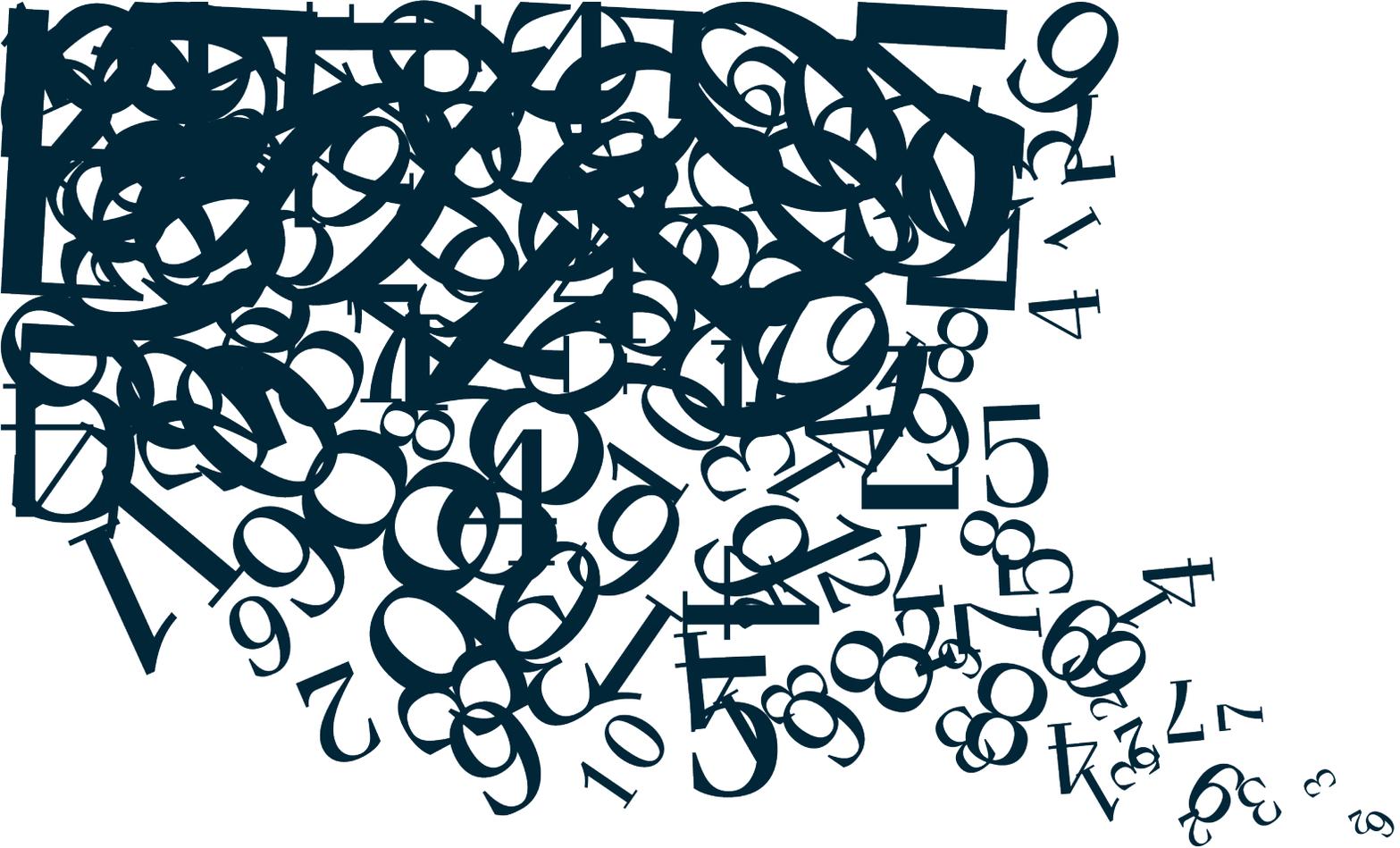
Aaron Chochon, ASA, EA, FCA, MAAA
Senior Actuary

QUESTIONS?

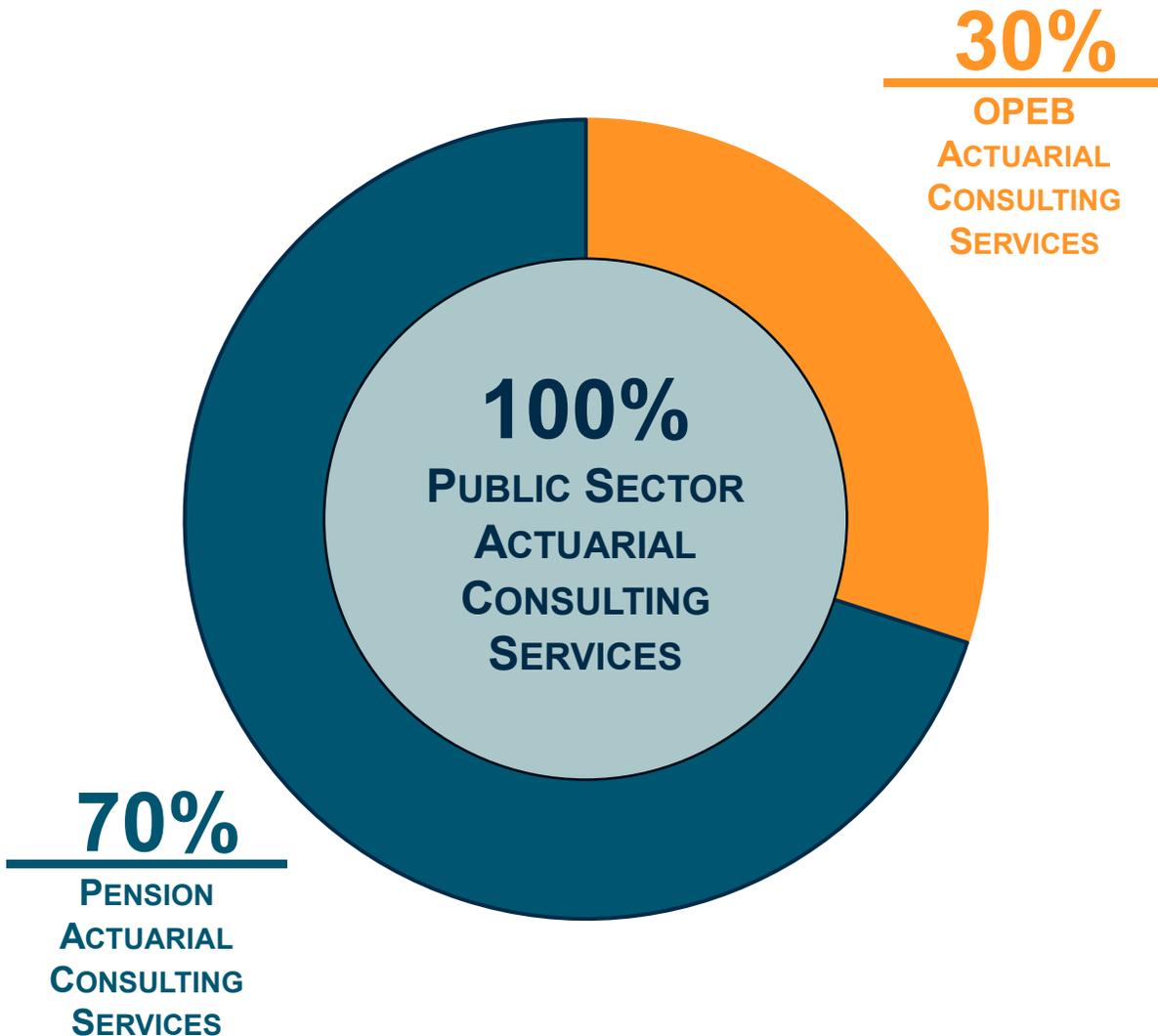




THANK YOU!!



about CavMac



- Founded in 2005
- Second largest actuarial consulting firm serving the public sector in the US*
- Focus on effective communication for our clients
- Dedicated staff with separate teams specializing in Pension and OPEB work

* Per 2023 Reason Foundation Report

LEADERSHIP TEAM



Ed Koebel
EA, FCA, MAAA
Chief Executive Officer



Todd Green
ASA, EA, FCA, MAAA
President



Alisa Bennett
FSA, EA, FCA, MAAA
President



Larry Langer
ASA, EA, FCA, MAAA
Principal and Consulting Actuary



Bryan Hoge
FSA, EA, FCA, MAAA
Principal and Consulting Actuary



Ed Koebel, CEO, is the pension educator for “Actuarial Principles” through the Certificate of Achievement in Public Plan Policy (CAPPP) program of the International Foundation of Employee Benefit Plans.

Alisa Bennett, President, is on the Corporate Advisory Committee of the Public Healthcare Roundtable, is a CAPPP educator and presented at the NCPERS Public Safety Conference.

Todd Green, President, serves on the Corporate Advisory Board of the National Council of Teachers Retirement (NCTR).

Larry Langer, Principal, serves on the Associate Advisory Committee of National Association of State Retirement Administrators (NASRA) and hosts “Actuary Hour” at MAPERS.

Brent Banister, Chief Actuary, serves on various committees with three major actuarial organizations as well as the joint committee which produced the LDROM Toolkit.

Wendy Ludbrook, Consulting Actuary, is a member of the committee that recently released the 2nd edition of the Issue Brief entitled “Actuarial Funding Policies and Practices for Public Pension Plans”.

CavMac communicates with others in the public sector retirement industry through various means. We produce our quarterly **CavMac CHRONICLE** so clients can keep up to date on trends. We are active on LinkedIn – follow us! And finally, visit our website at www.CavMacConsulting for news about CavMac.





GASB Annual Financial Statements and Disclosures

Plan Factors for Retirement Calculations

Attendance at Board Meetings

Consultation Services Regarding Benefit or Assumption Changes

Annual Employee Benefit Statements



Experience Studies

Risk Analysis and Stress Testing

Asset/Liability Forecasting

Actuarial Impact Statements for Proposed Legislation

Medicare Part D Attestation

Premium Rate Setting for Self-Funded Health Plans



Projection Modeling for Pension and Retiree Healthcare Plans

Plan Design Consulting Services

Legislative Testimony

Knowledge of National Public Sector Trends

Individual Benefit Calculations



Telephone or Video-Conferencing at No Charge

Educational Training for Staff and Board

Detailed Gain and Loss Analysis

Review of DROP, PLOP and Retirement Incentive Plans

Impact of Re-Employment of Retirees

- Knowledge of current landscape for public plans
- Strong actuarial knowledge
- Ability to communicate with a variety of audiences
- Dedication to clients
- Awareness of the impact of our work
- Ability to work closely and be a team player



MEMO NO. 2025-10B

TO: MEMBERS OF THE BOARD OF TRUSTEES

FROM: TRAVIS W. ALMOND, EXECUTIVE DIRECTOR *TWA*

SUBJECT: ESTABLISH COST OF LIVING ADJUSTMENT (COLA)
EFFECTIVE JULY 1, 2026

DATE: DECEMBER 1, 2025

The SDRS cost of living adjustment (COLA) is defined in SDCL 3-12C-704 as follows:

3-12C-704. The COLA payable is the baseline COLA or the restricted COLA, as applicable. The baseline COLA is equal to the increase in the consumer price index, but no less than zero percent and no greater than three and one-half percent. The restricted COLA is equal to the increase in the consumer price index, but no less than zero percent and no greater than the restricted COLA maximum as determined in subdivision (2) of this section. The board shall establish the COLA payable for each fiscal year, based on the fair value funded ratio and the minimum actuarial requirement to support benefits as of the prior July first and the increase in the consumer price index for the preceding third calendar quarter compared to the consumer price index for the third calendar quarter for the base year (the previous year in which the consumer price index was the highest), by utilizing one of the following subdivisions, as applicable:

(1) If the system meets the criteria in subdivisions 3-12C-228(1) and (2) based on the baseline COLA assumption adopted by the board, the COLA payable is the baseline COLA; or

(2) If the system does not meet the criteria in subdivisions 3-12C-228(1) and (2) based on the baseline COLA assumption adopted by the board, the system shall calculate a restricted COLA maximum in accordance with the board's funding policy that is equal to the actuarially determined annual COLA rate that results in the criteria in subdivisions 3-12C-228 (1) and (2) being satisfied, if achievable. The COLA payable is the restricted COLA. If the criteria in subdivisions 3-12C-228 (1) and (2) cannot be satisfied, the COLA payable is zero percent.

After review of the COLA process based on SDCL 3-12C-704, considering the results of the June 30, 2025, actuarial valuation and the increase in the consumer price index of 2.76 percent, the restricted COLA maximum is 1.56 percent, making the COLA increase effective for the July 2026 payment 1.56 percent. The board should establish the COLA effective July 2026 at the December board meeting.

Please bring your copy of this memo to the December board meeting, as this will be an agenda item. Please contact us if you have any questions.

TWA:jlr



MEMO NO. 2025-09B

TO: MEMBERS OF THE BOARD OF TRUSTEES

FROM: TRAVIS W. ALMOND, EXECUTIVE DIRECTOR *TWA*

SUBJECT: ESTABLISH VARIABLE RETIREMENT ACCOUNT
CONTRIBUTION RATE FOR FY 2027

DATE: DECEMBER 1, 2025

The SDRS variable retirement account contribution is established in SDCL 3-12C-1302 as follows:

3-12C-1302. Each year the board shall establish the variable retirement contribution for the following fiscal year based on the results of the most current annual actuarial valuation. The variable retirement contribution for any year may be adjusted from zero to one and one-half percent of each contributing generational member's compensation and shall be allocated to each generational member's variable retirement account. The variable retirement contribution for the fiscal year beginning July 1, 2017, shall be one and one-half percent of each contributing member's compensation.

It is the recommendation of the Executive Director and the Senior Actuary that the variable retirement contribution remain at one and one-half percent of each contributing generational member's compensation for the fiscal year beginning July 1, 2026.

Please bring your copy of this memo to the December board meeting, as this will be an agenda item. Please contact us if you have any questions.

TWA:jlr



South Dakota Retirement System

Projected Funded Status as of June 30, 2026

December 10, 2025



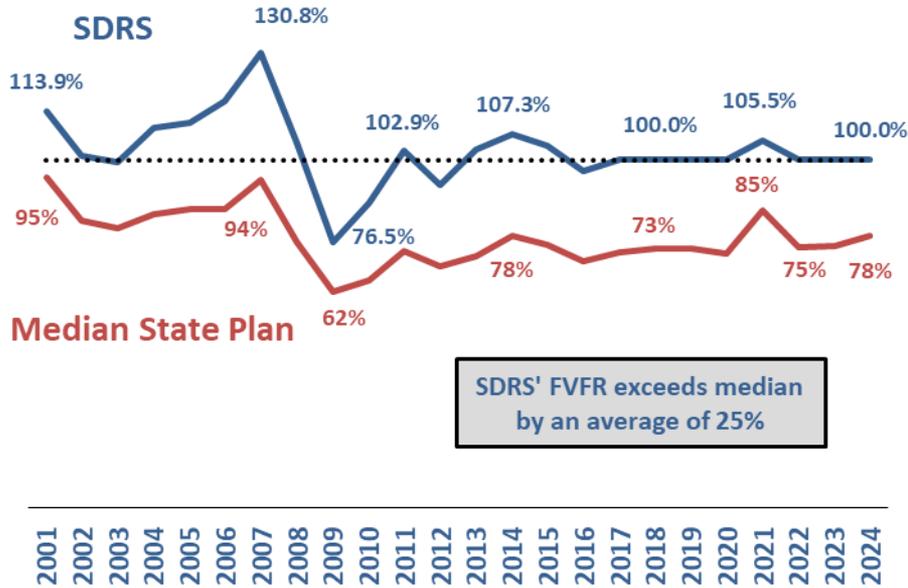
Funding Basics: $C + I = B + E$

- Member and employer **contribution rates are fixed in statute**
- **COLA automatically varies** with inflation and affordability:
 - COLA equals inflation, up to 3.5% when affordable
 - When not affordable, COLA maximum is reduced to COLA that keeps SDRS 100% funded if paid for lifetimes of all members
- SDCL 3-12C-228 requires recommendation, including circumstances and timing, to Legislature and Governor for **corrective action** if:
 - Zero COLA results in funded ratio below 100%, or
 - Fixed, statutory contributions do not meet actuarial requirement

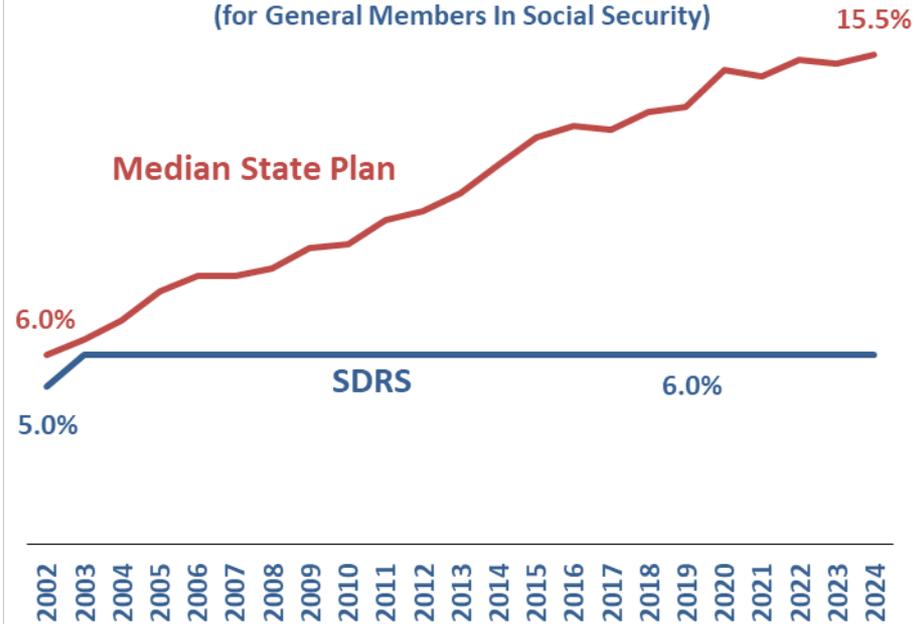


Employer Contributions and Funded Status Comparisons

Fair Value Funded Ratio



Employer Contribution Rates (for General Members In Social Security)



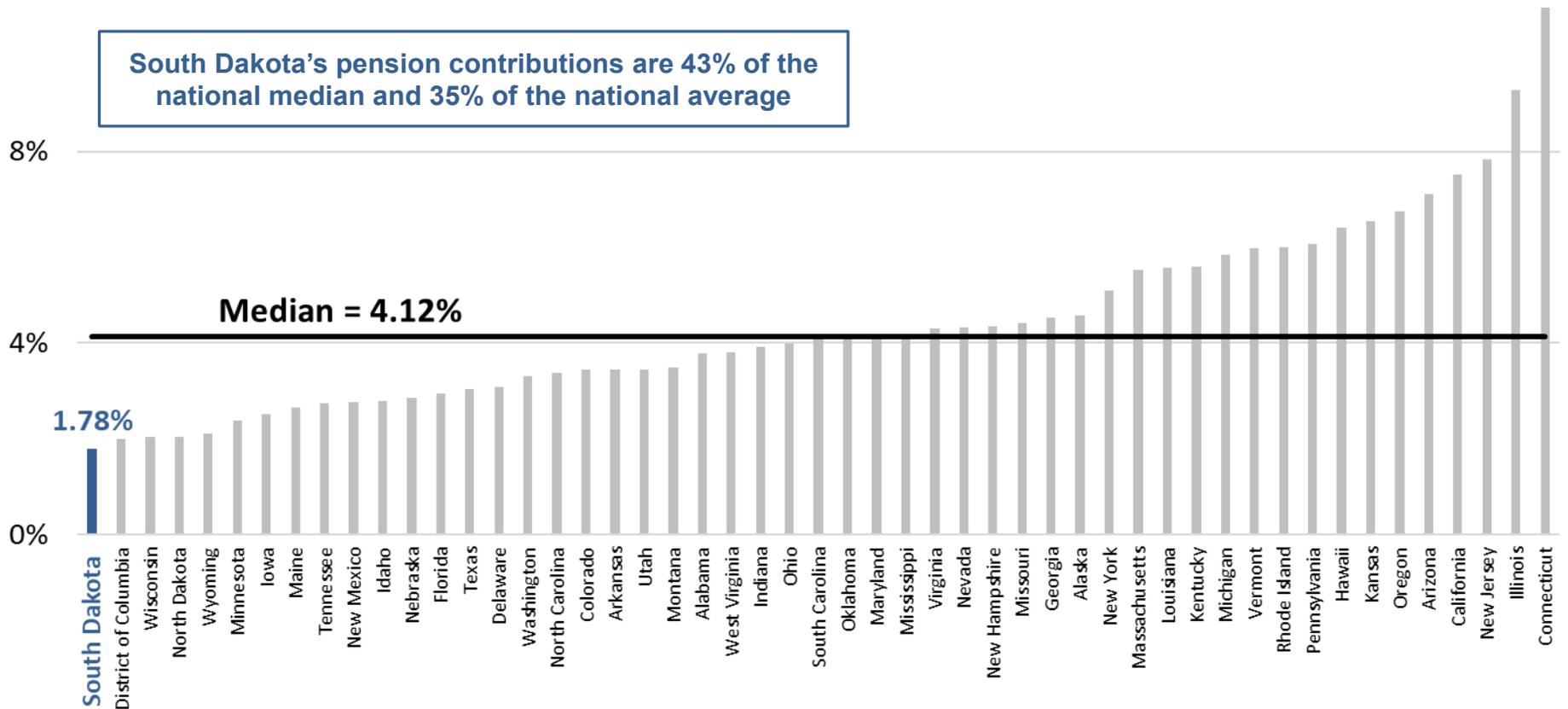
- SDRS COLA varies to maintain 100% Fair Value Funded Ratio (FVFR)
- Employer contribution rates for Class A members are 39% of the national median

Median public sector FVFR from Public Plans Database. Employer contribution rates from NASRA Public Fund Survey, December 2025.



Government Spending on Pensions

Government Contributions to Pensions as a Percent of All Direct Government Spending, FY 2022 (most recently available)

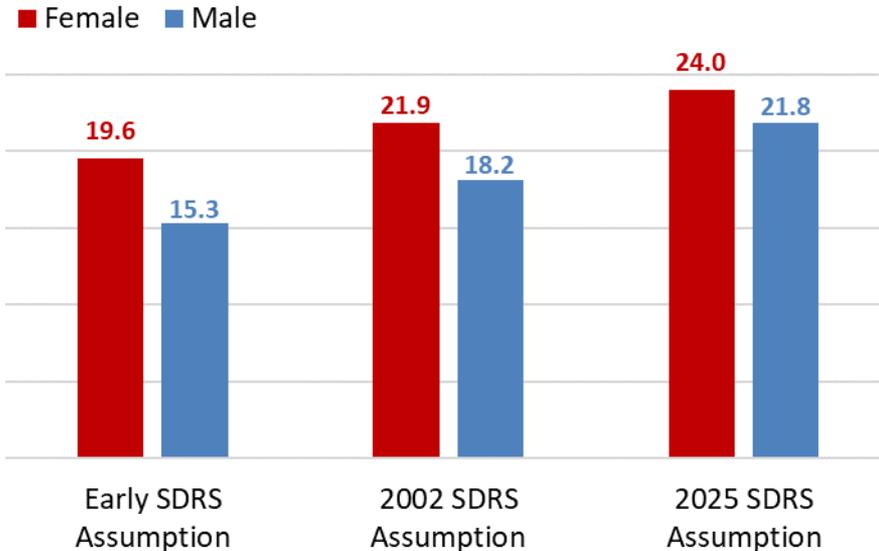


Data from NASRA Issue Brief: State and Local Government Spending on Public Employee Retirement Systems, March 2025

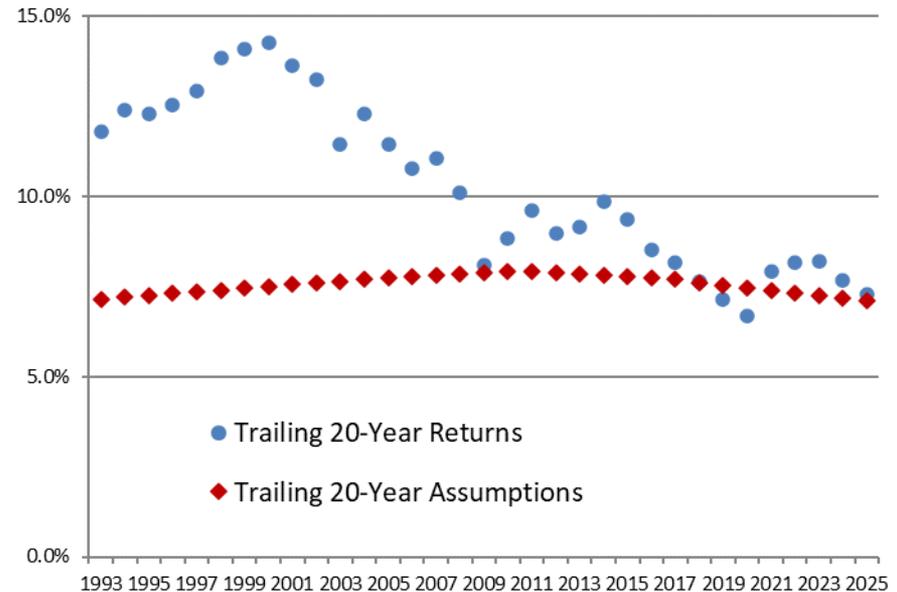
Competing Objectives

- **Delivering adequate benefits directly competes with remaining fully funded while spending a fraction of the national median on pensions:**
 - The challenge is becoming more difficult as retirees live longer, and markets provide lower investment returns

**Future Life Expectancy at Age 65
SDRS Assumptions**



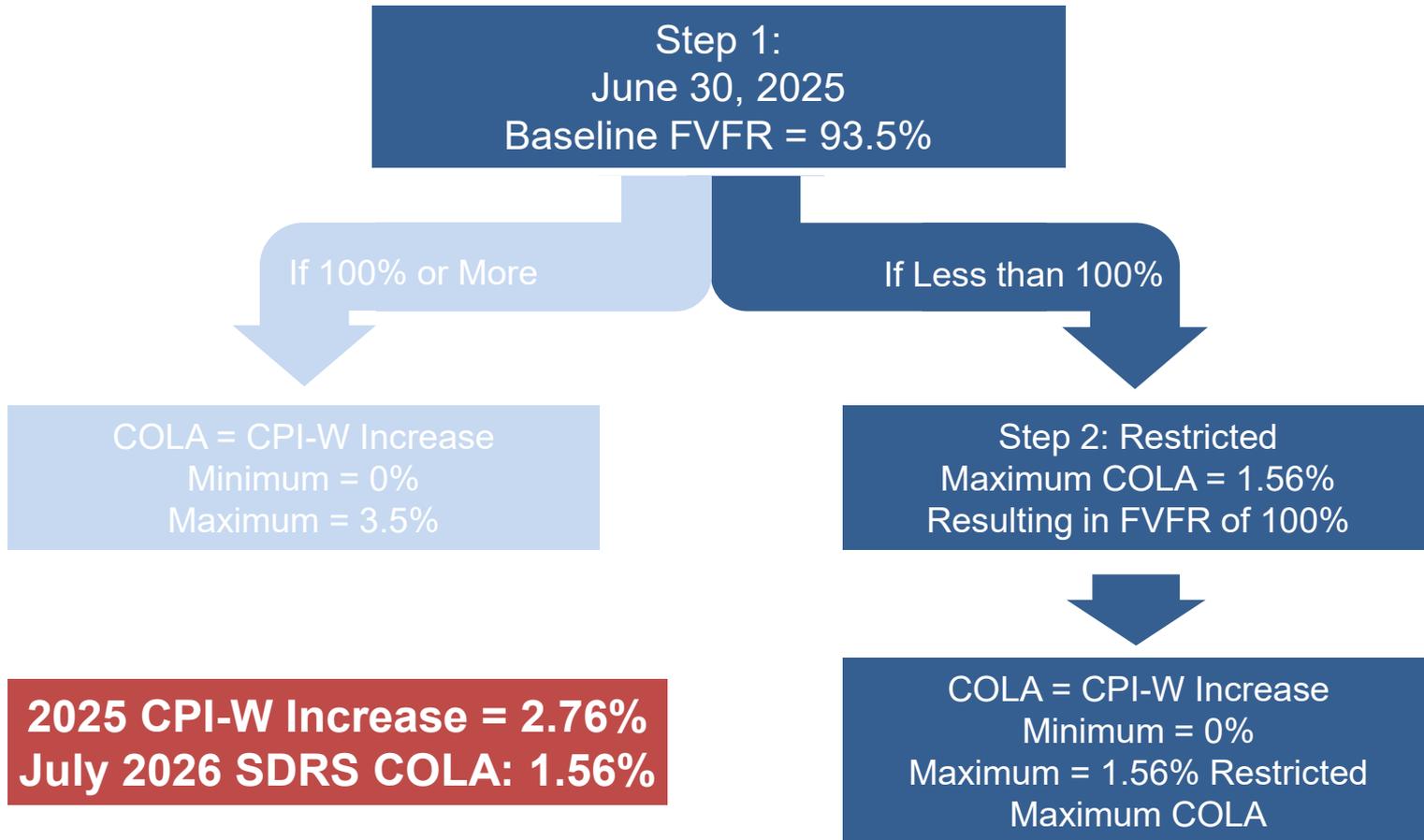
**20-Year Trailing Nominal Returns and
Return Assumptions**



Competing Objectives

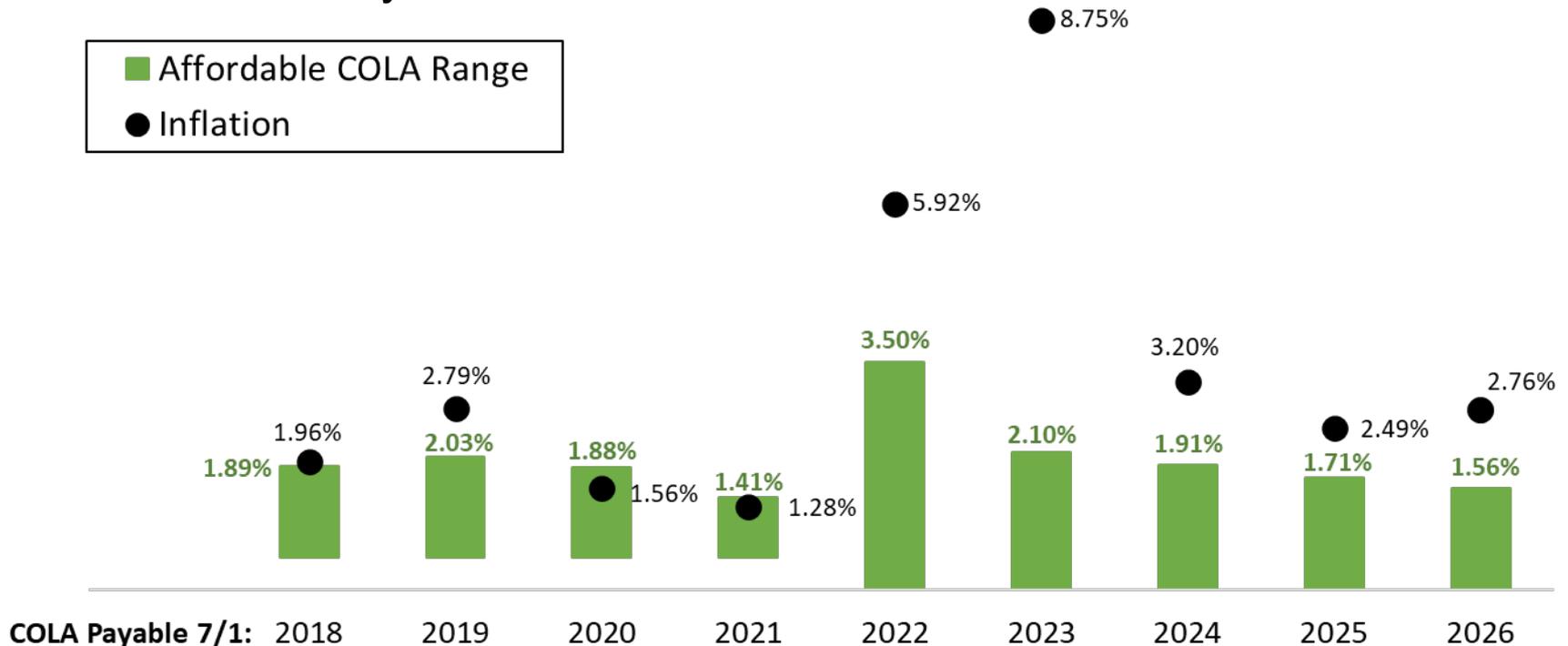
- SDRS management efforts to meet benefit objectives in changing circumstances have included:
 - Service purchase cost
 - Retire-rehire reform
 - Variable COLA process
 - 5-year FAC
 - Pay increase caps
 - Generational design
- **Expect continuing pressure on benefit affordability:**
 - Proposed changes to SDRS must be thoroughly evaluated to ensure they do not endanger future benefits, COLAs, or system sustainability
 - SDRS liabilities are essentially equal to SDRS assets – with fixed contributions, **any expansion, increase, or acceleration of benefits necessarily reduces the COLA paid to retired members**
 - Actuarial assumptions must remain realistic

July 2026 COLA Calculation



Historical COLA Ranges

- Under the current COLA process, the full COLA range has only been affordable for the 2022 COLA
- The 2026 restricted maximum COLA is 1.56%, less than inflation for the fifth consecutive year





Projected Funded Status and COLAs

- The **most significant and immediate risk to SDRS is investment risk**
- Investment returns will **first impact** the affordable COLA range:
 - Less than assumed will reduce restricted maximum COLA; greater than assumed will increase maximum or enable full COLA range
 - The variable COLA may not be sufficient to maintain 100% FVFR in all conditions and additional corrective actions may be required
- One and five-year projections of FVFRs, COLA ranges, and likelihoods of achieving returns shown in subsequent slides:
 - Projections utilize an actuarial model intended to estimate short-term changes in funded ratios and resulting COLA ranges
 - Demographic experience is assumed to match assumptions
 - Likelihoods are calculated based on SDIC's investment portfolio statistics



Projected June 30, 2026 Funded Status & July 2027 COLA Range⁽¹⁾

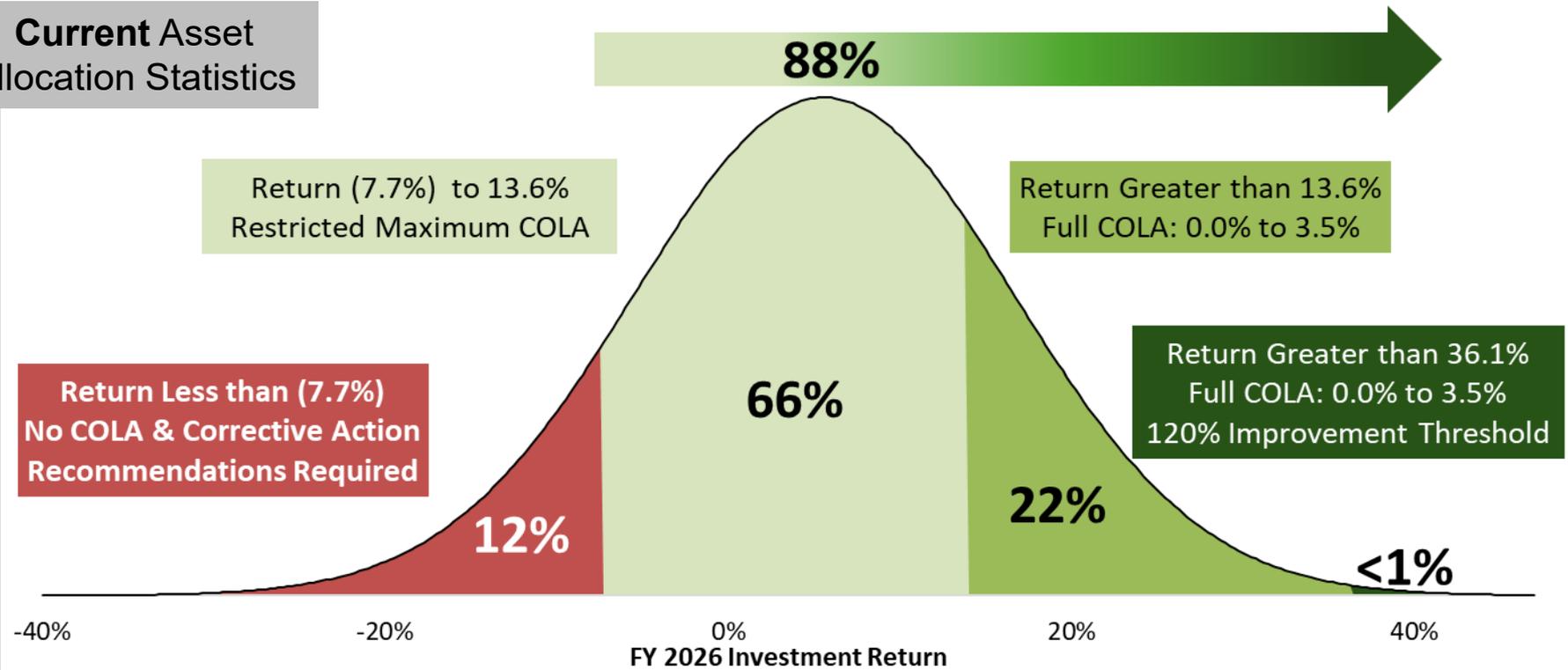
Net Investment Return FYE June 30, 2025	Baseline FVFR	COLA Range	Final FVFR	Applicable Conditions
<= (7.7%)	81.1%	NO COLA	<100%	Corrective Action Recommendation Required
(7.6%)	81.2%	0% to 0.01%	100%	
0.0%	87.9%	0% to 0.90%	100%	Restricted Maximum COLA
6.5%	93.7%	0% to 1.58%	100%	
13.5%	99.9%	0% to 2.24%	100%	
13.6%	100.0%	0% to 3.50%	100%	Full COLA Range
36.0%	119.9%	0% to 3.50%	119.9%	
36.1%	120.0%	0% to 3.50%	120%	120% Benefit Improvement Threshold Met

(1) Before consideration of liability gains/losses for FYE June 30, 2026. June 30, 2025 Baseline FVFR: 93.5% and COLA Range: 0.0% to 1.56%.



Projected 2027 COLA Range and Likelihoods

Current Asset Allocation Statistics



- Ignoring FY 2026 investment returns to date, the preliminary likelihoods for July 2027 COLA ranges, primarily driven by FY 2026 investment returns, are:
 - 12% likelihood: No COLA and corrective action recommendations required
 - 66% likelihood: COLA equals CPI-W increase between 0.0% and a restricted COLA maximum
 - 22% likelihood: COLA equals CPI-W increase between 0.0% and 3.5%; 1% likelihood 120% benefit improvement threshold met

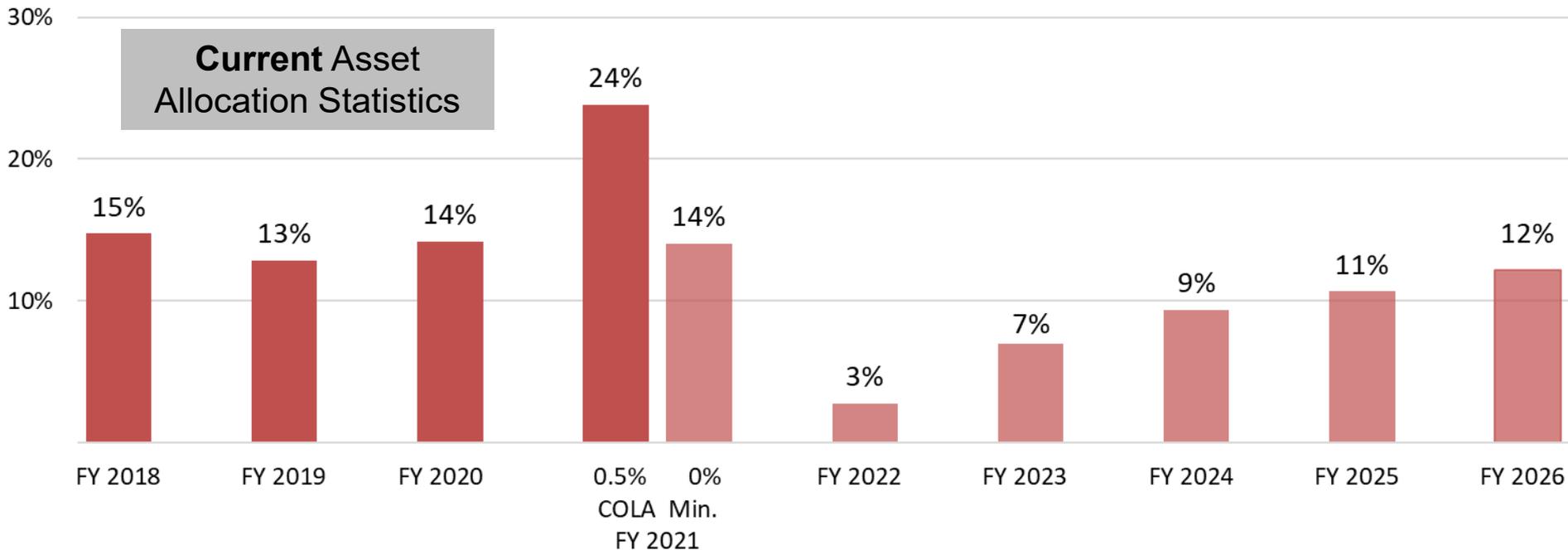
Before consideration of liability gains/losses. Likelihoods based on SDIC FY 2026 current asset allocation investment portfolio statistics (mean = 5.20%, standard deviation = 11.04).



Historical 1-Year Corrective Action Requirement Likelihoods

Investment experience is the primary driver of the likelihood of required corrective action recommendations. Changes in market conditions and expectations for future returns also impact the likelihood.

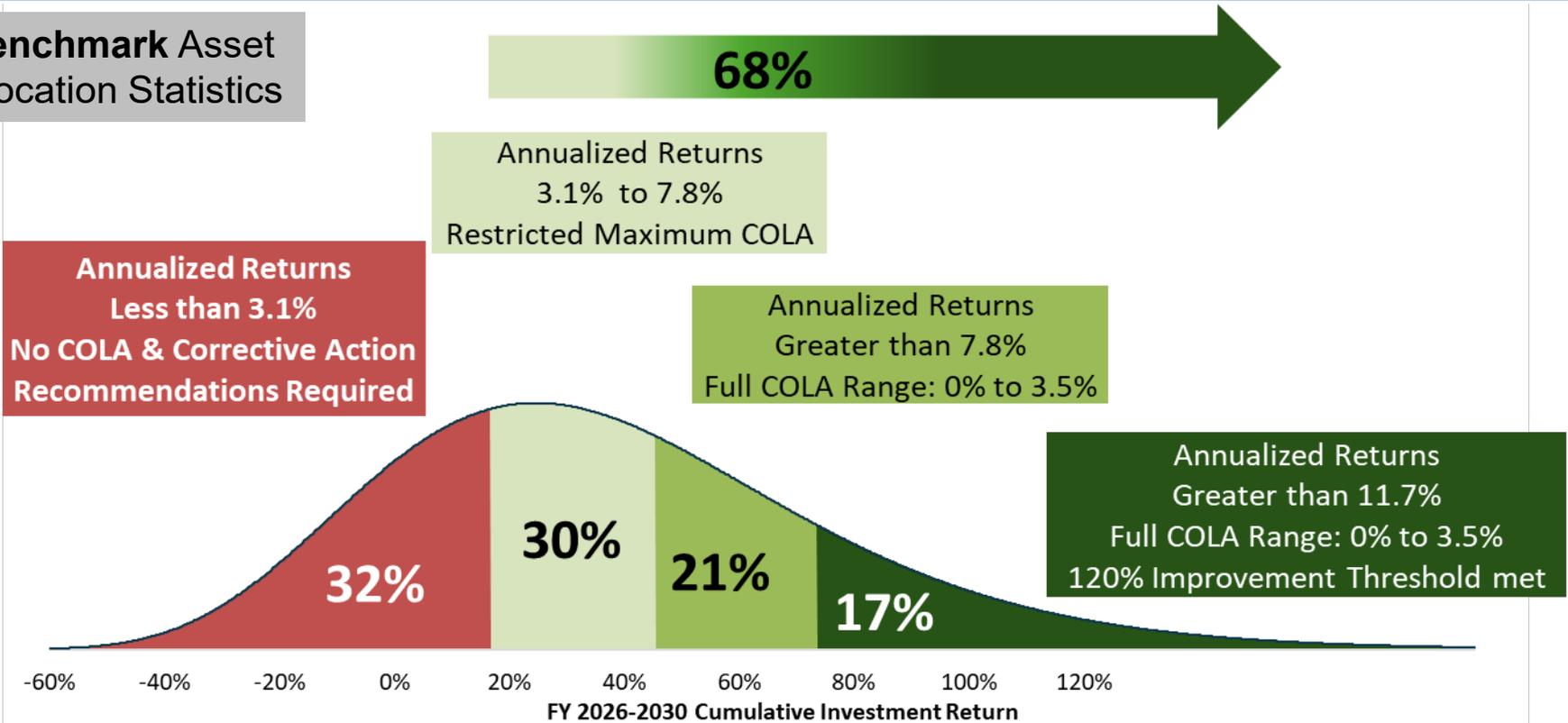
1-Year Likelihoods of Required Corrective Action Recommendations





Projected 2031 COLA Range and Likelihoods

Benchmark Asset Allocation Statistics



- Ignoring FY 2026 investment returns to date, the preliminary likelihoods for July 2031 COLA ranges, primarily driven by FY 2026-2030 investment returns, are:
 - 32% likelihood: No COLA and corrective action recommendations required
 - 30% likelihood: COLA equals CPI-W increase between 0.0% and a restricted COLA maximum
 - 38% likelihood: COLA equals CPI-W increase between 0.0% and 3.5%; 20% likelihood 120% benefit improvement threshold met

Before consideration of liability gains/losses. Likelihoods based on SDIC FY 2025 benchmark asset allocation investment portfolio statistics (mean = 5.89%, 5-year standard deviation = 6.08%).



Projected Funded Status and Risk Analysis Summary

- July 2022 SDRS COLA was 3.5%, the only time the full COLA range has been affordable under the current COLA process:
 - Subsequent COLAs have been: 2.10% (2023); 1.91% (2024); 1.71% (2025); 1.56% (2026)
- FY 2026 estimated investment return thresholds:
 - FY 2026 returns below approximately **negative 7.7% would require a corrective action recommendation**; preliminary 1-year likelihood is 12%
 - FY 2026 returns of approximately **13.6% would make the full COLA range affordable** for the 2027 COLA



South Dakota Retirement System

Member Demographics and Related Workforce Issues

December 10, 2025



Summary

- Baby boom generation continues to impact SDRS demographics:
 - Number and percentage of members now or soon eligible for unreduced benefits below peak
 - 79% of baby boomers retired as of July 2025
- Nevertheless, all South Dakota public employers will continue to face challenges replacing retiring employees in near future
- Median age at retirement is slightly below 65 for Class A and Judicial members for the last few years:
 - Health care cost concerns and eligibility for Medicare are cited by many retirees

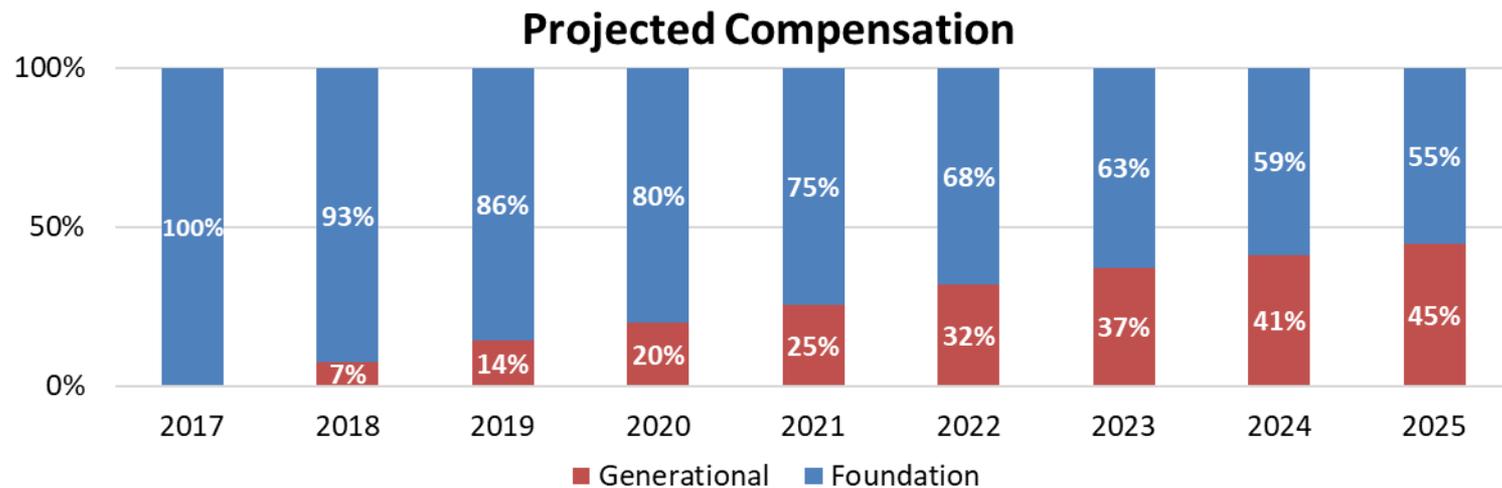
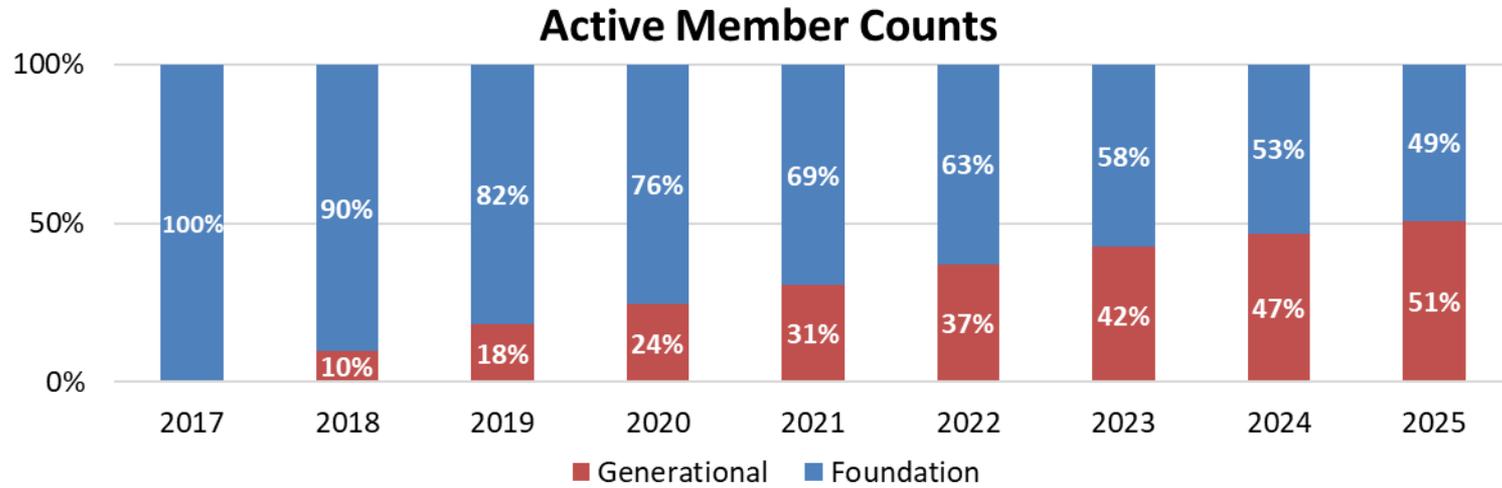


Foundation and Generational Members as of June 30, 2025

	Generational	Foundation	Total
Active Members	22,254	21,530	43,784
	50.8%	49.2%	100.0%
Prior Year Compensation	\$ 1,136M	\$ 1,536M	\$ 2,672M
	42.5%	57.5%	100.0%
Average Age	39.0	49.5	44.2
Average Service	<u>3.4</u>	<u>17.6</u>	<u>10.4</u>
Average Hire Age	35.6	31.9	33.8
Benefit Recipients	339	34,525	34,864
Annual Benefits in Pay	\$ 1.2M	\$ 773.4M	\$ 774.6M

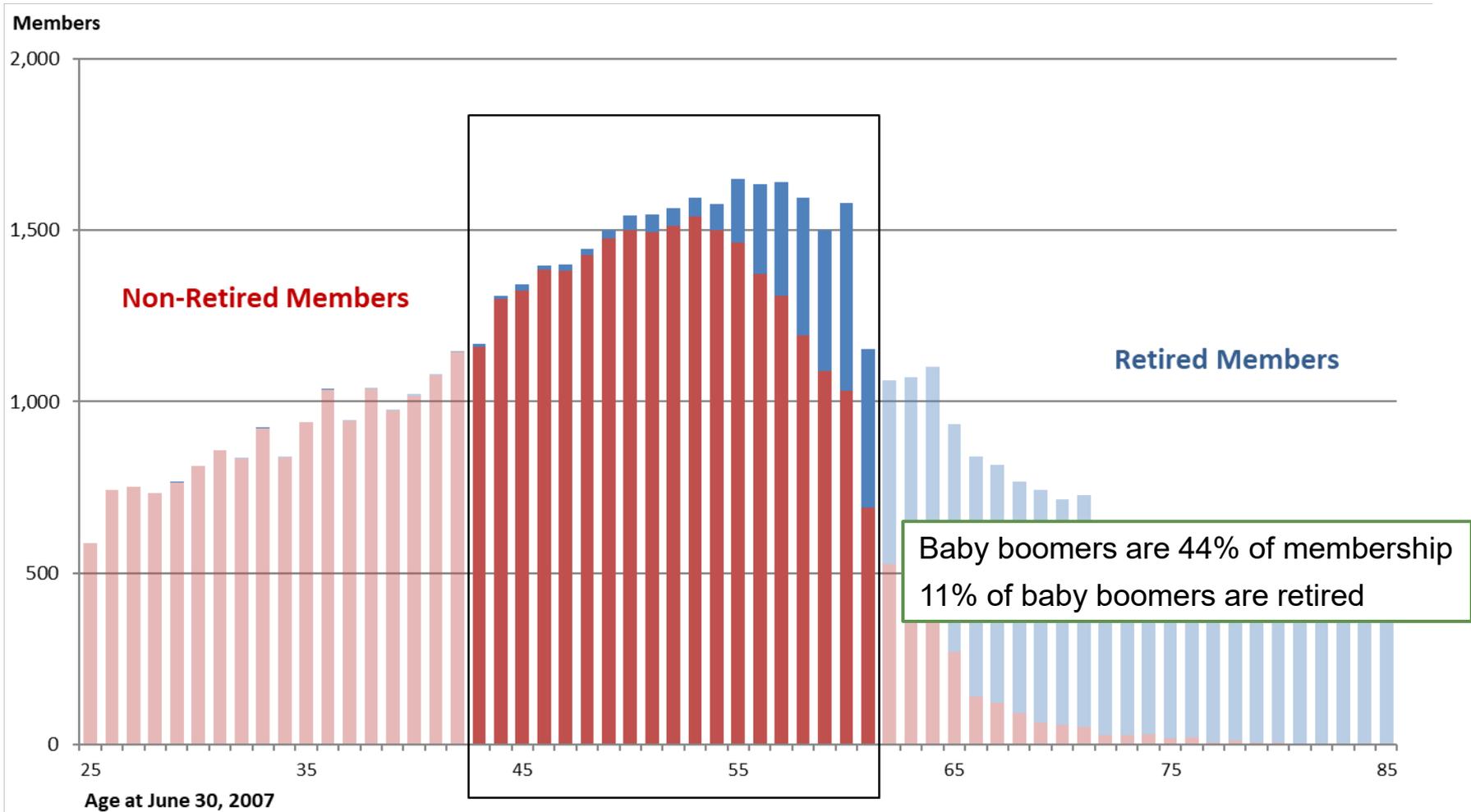


Transition to Generational Membership





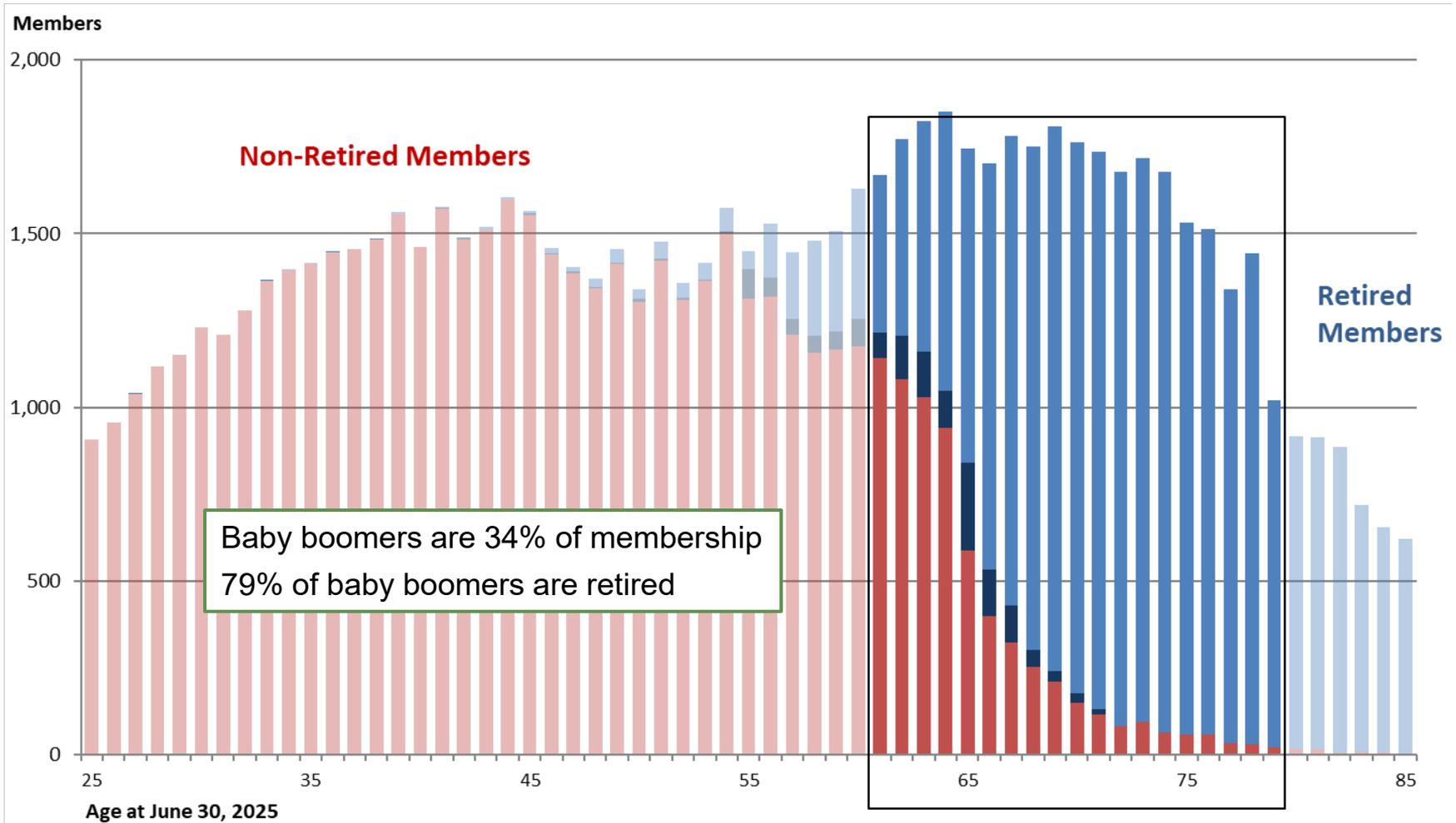
Members by Age as of June 30, 2007



Excludes terminated non-vested members.



Members by Age as of June 30, 2025



Dark blue shaded portions represent members beginning benefits in FY 2025. Excludes terminated non-vested members.



Trends in Members Nearing Retirement

Member Counts

Eligible for Unreduced Benefits within 10 Years



Eligible for Unreduced Benefits within 5 Years



Currently Eligible for Unreduced Benefits



2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025



Trends in Members Nearing Retirement

Percentage of Active Members

Eligible for Unreduced Benefits within 10 Years



Eligible for Unreduced Benefits within 5 Years



Currently Eligible for Unreduced Benefits

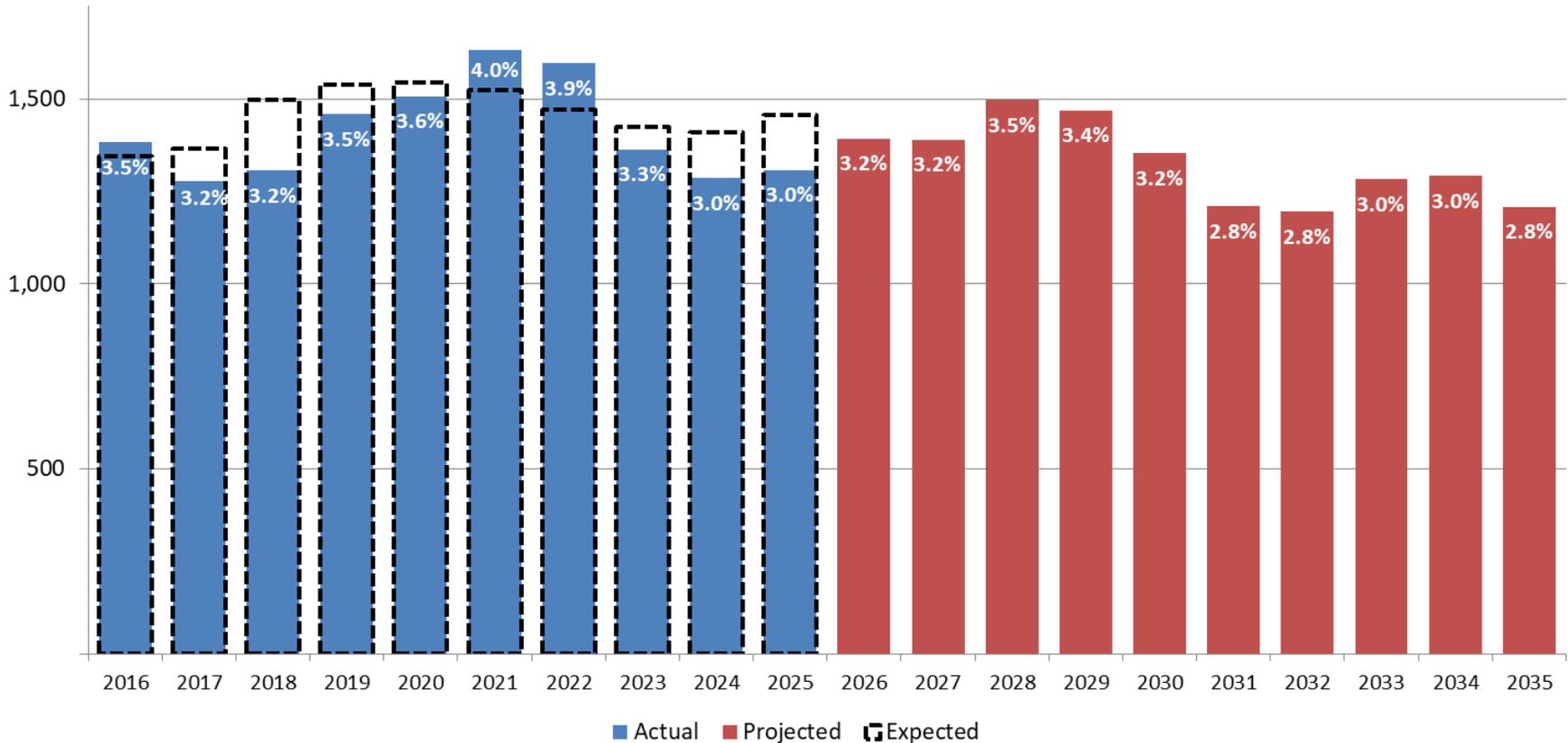


2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025



Historical and Projected Retirements

Retirements by Fiscal Year

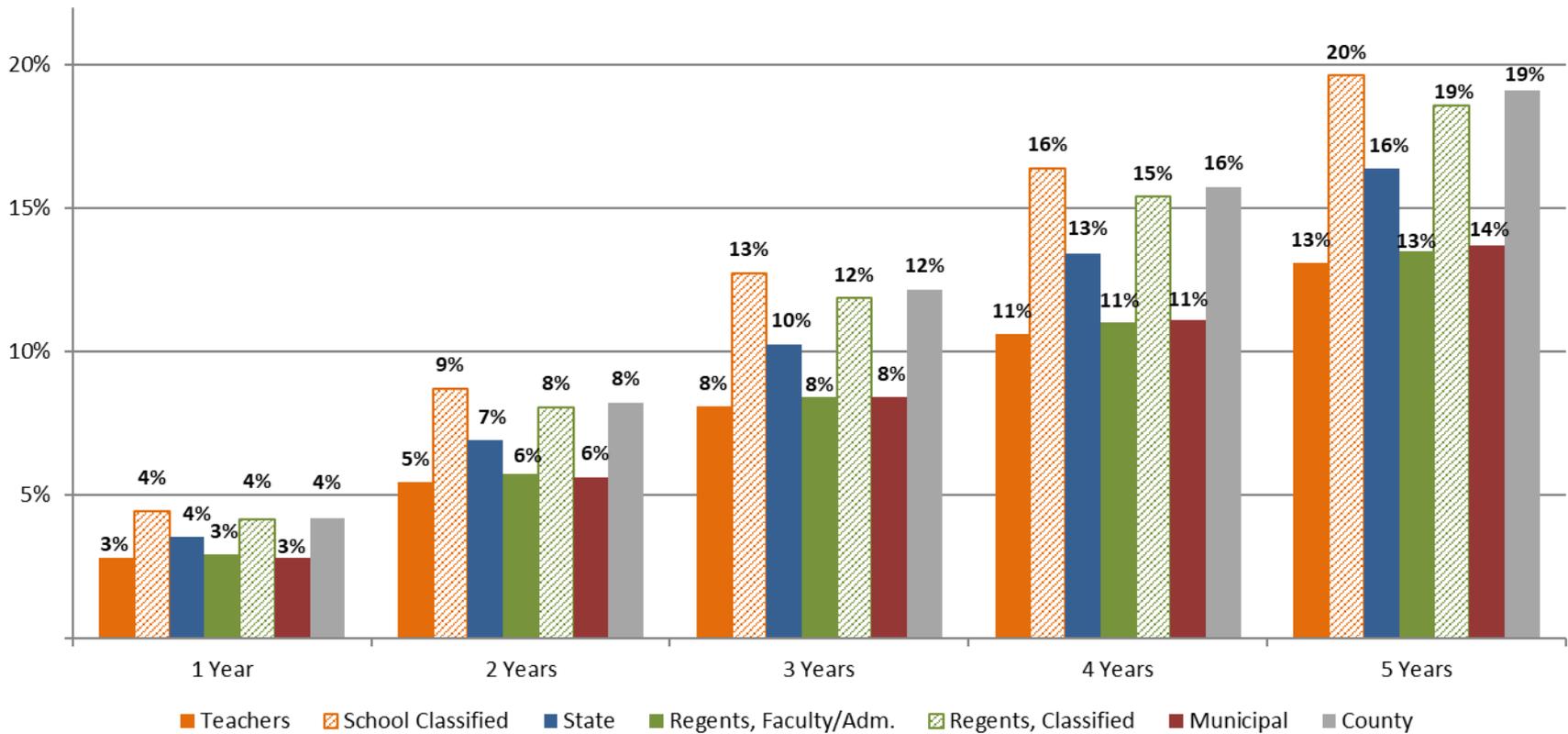


Excludes disabilities and terminated vested benefit commencements. Projected retirements are based on June 30, 2025 data, plan terms and actuarial assumptions. Active population size assumed constant (no growth).



Expected Retirements in Near Future

Percentage of Members Expected to Retire in Next Few Years

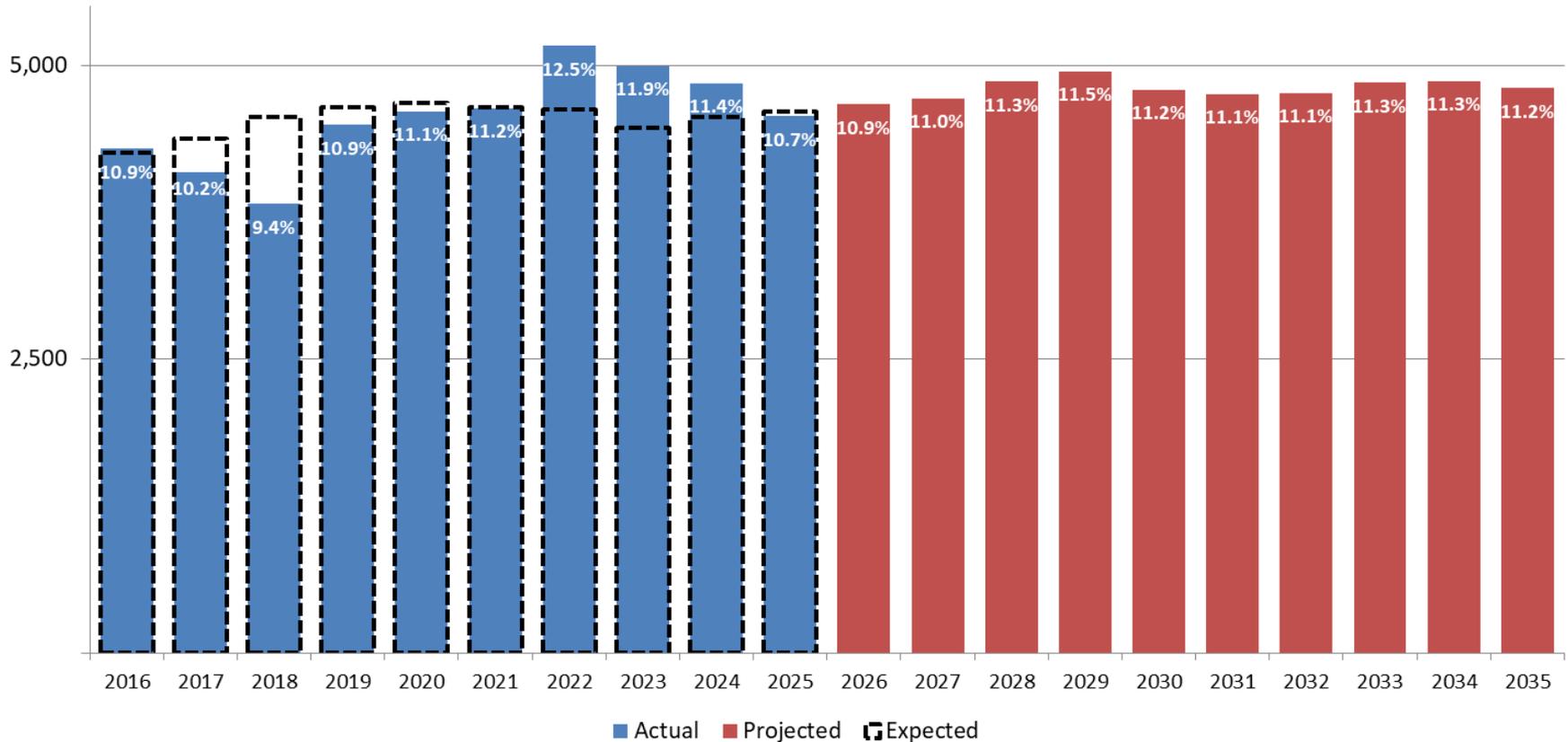


Includes unreduced and reduced (early) retirements. Based on June 30, 2025 member data and actuarial assumptions, excluding pre-retirement exits.



Retirements and Terminations from Active Employment

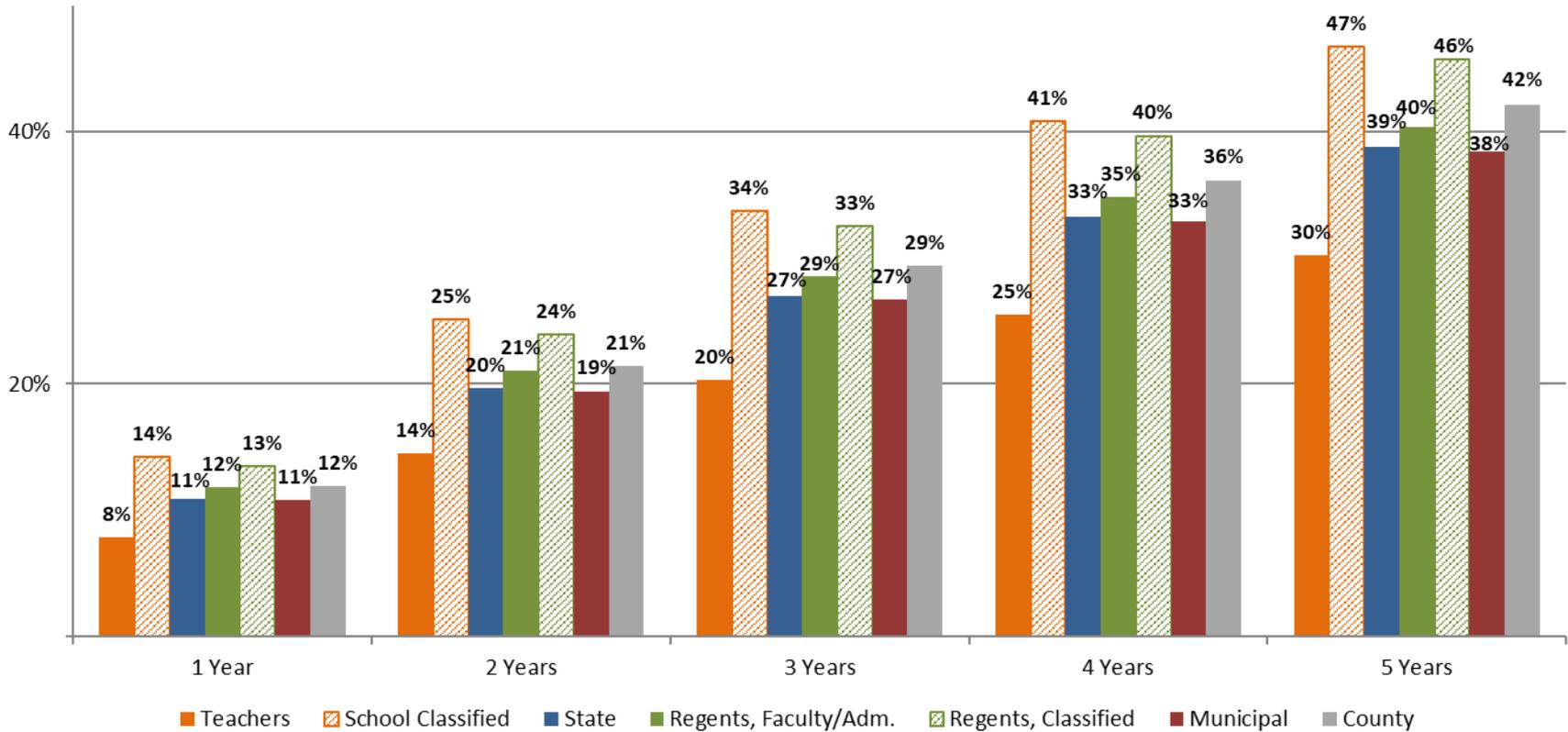
Retirements and Terminations by Fiscal Year



Projected exits are based on June 30, 2025 data, plan terms and actuarial assumptions. Active population size assumed constant (no growth).

Expected Exits in Near Future

Percentage of Members Expected to Exit in Next Few Years

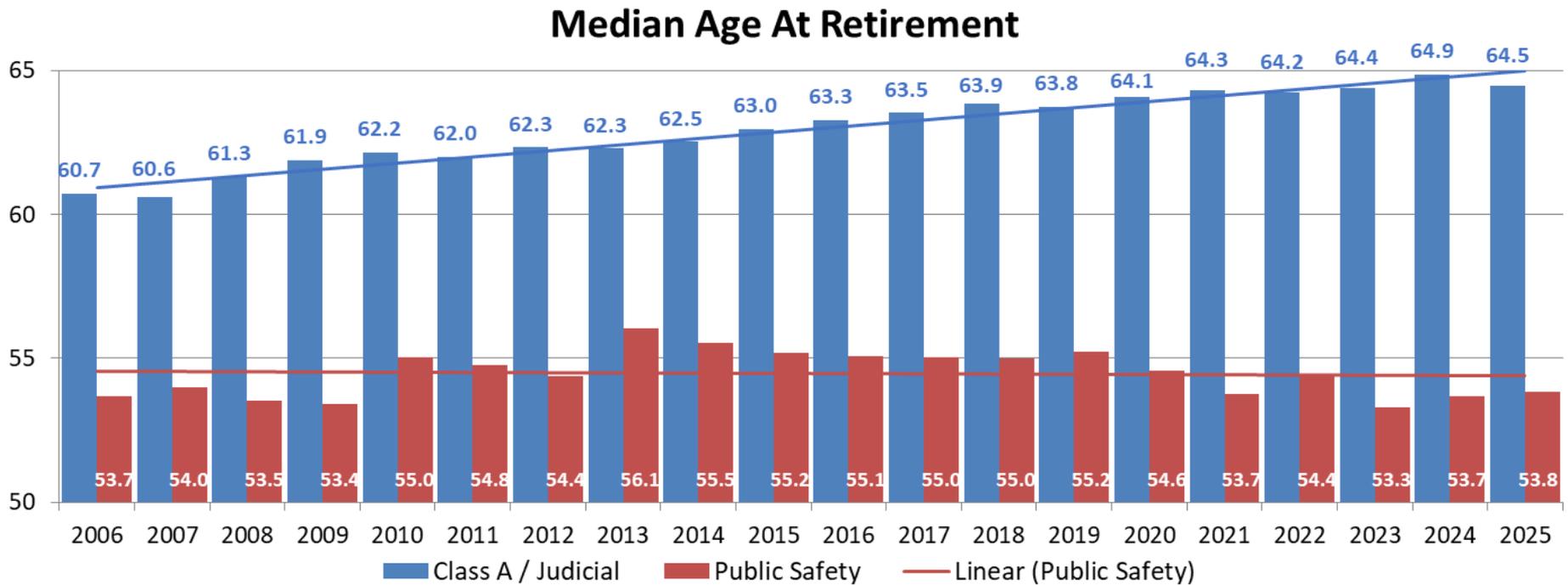


Includes unreduced and reduced (early) retirements. Based on June 30, 2025 member data and actuarial assumptions, including pre-retirement exits.



Retirement Statistics: Retirement Age

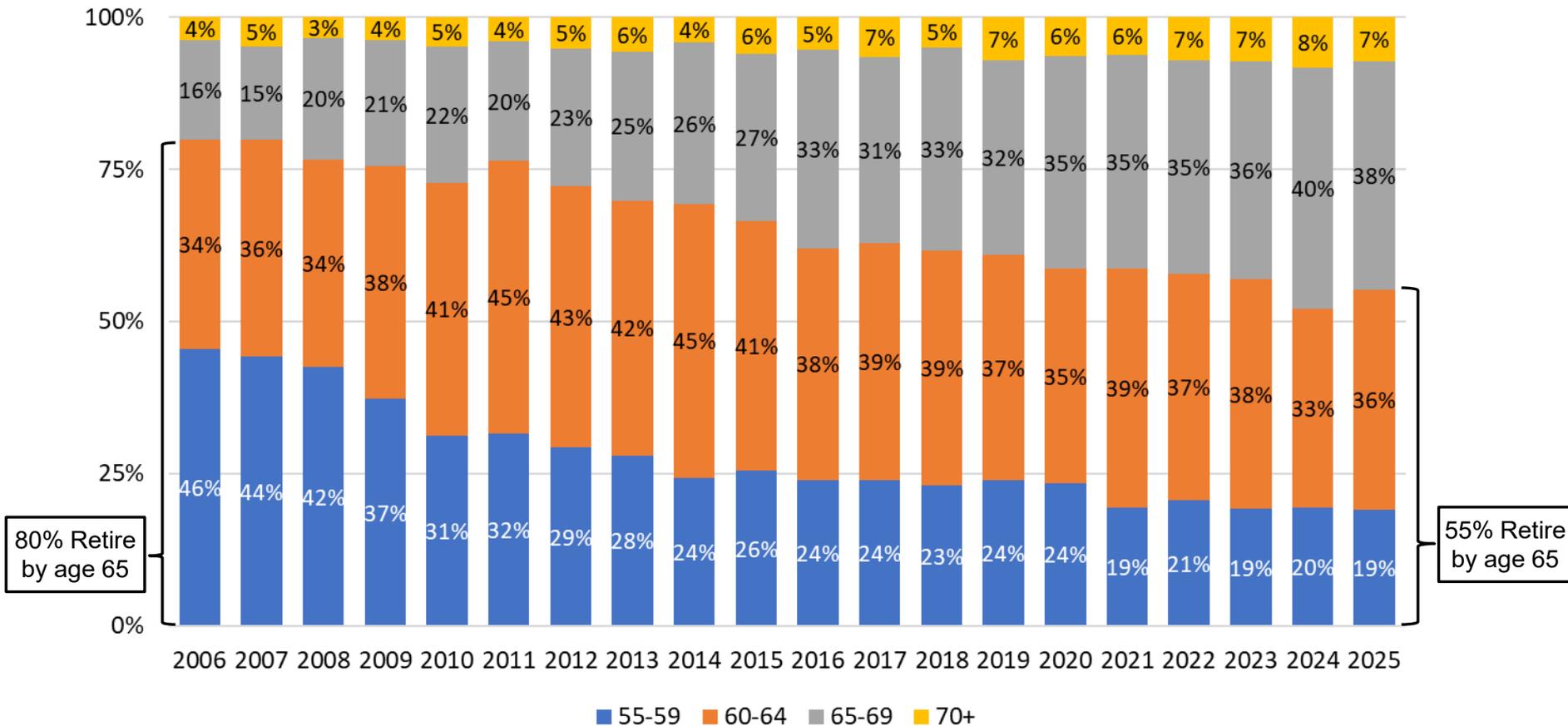
Our membership is retiring later. The median age at retirement for Class A and Judicial members has increased from 60.7 to 64.5 since 2006.



Changing Retirement Patterns

The percentage of members retiring at earlier ages has decreased significantly.

Class A and Judicial Retirements - Percentage of Retirements by Age

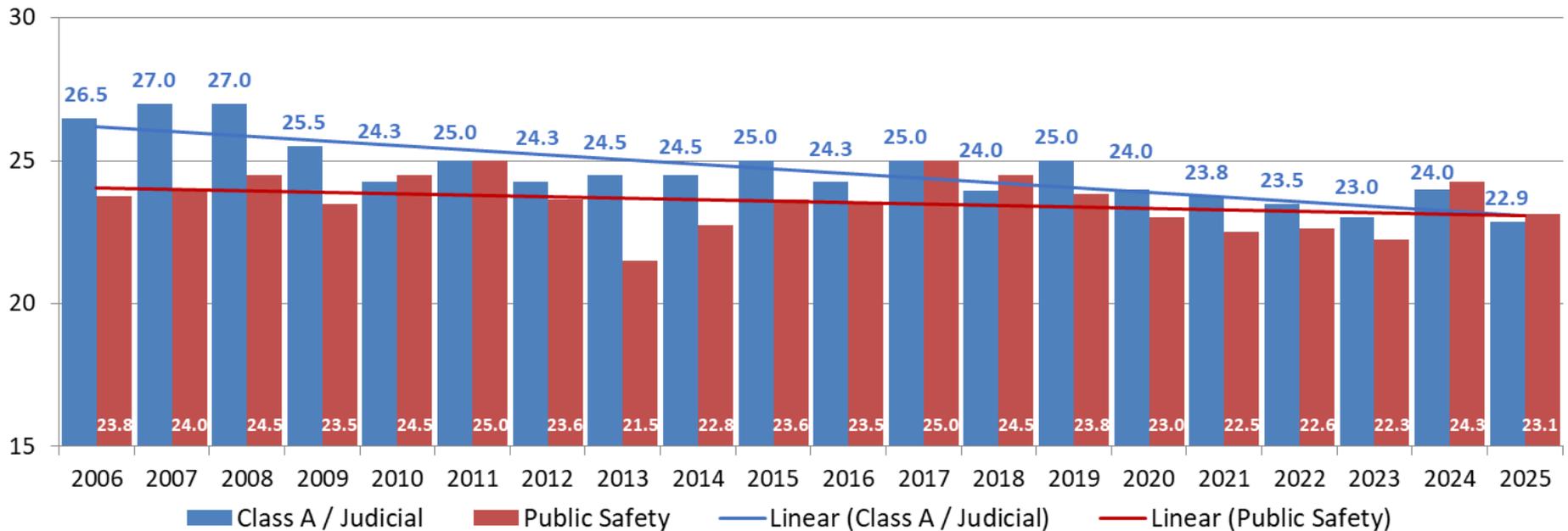




Retirement Statistics: Service

Considering all classes, median service at retirement has decreased from 26.4 to 23.0 since 2006; however, most of the reduction is due to fewer retirees having purchased service during their careers

Median Years of Service At Retirement



35% of FY 2006 retirees had purchased service during their careers, while 2.5% of FY 2025 retirees had done the same. Excluding members with purchases, the median service at retirement has decreased 1.2 years for Class A/Judicial and 0.2 years for Public Safety.

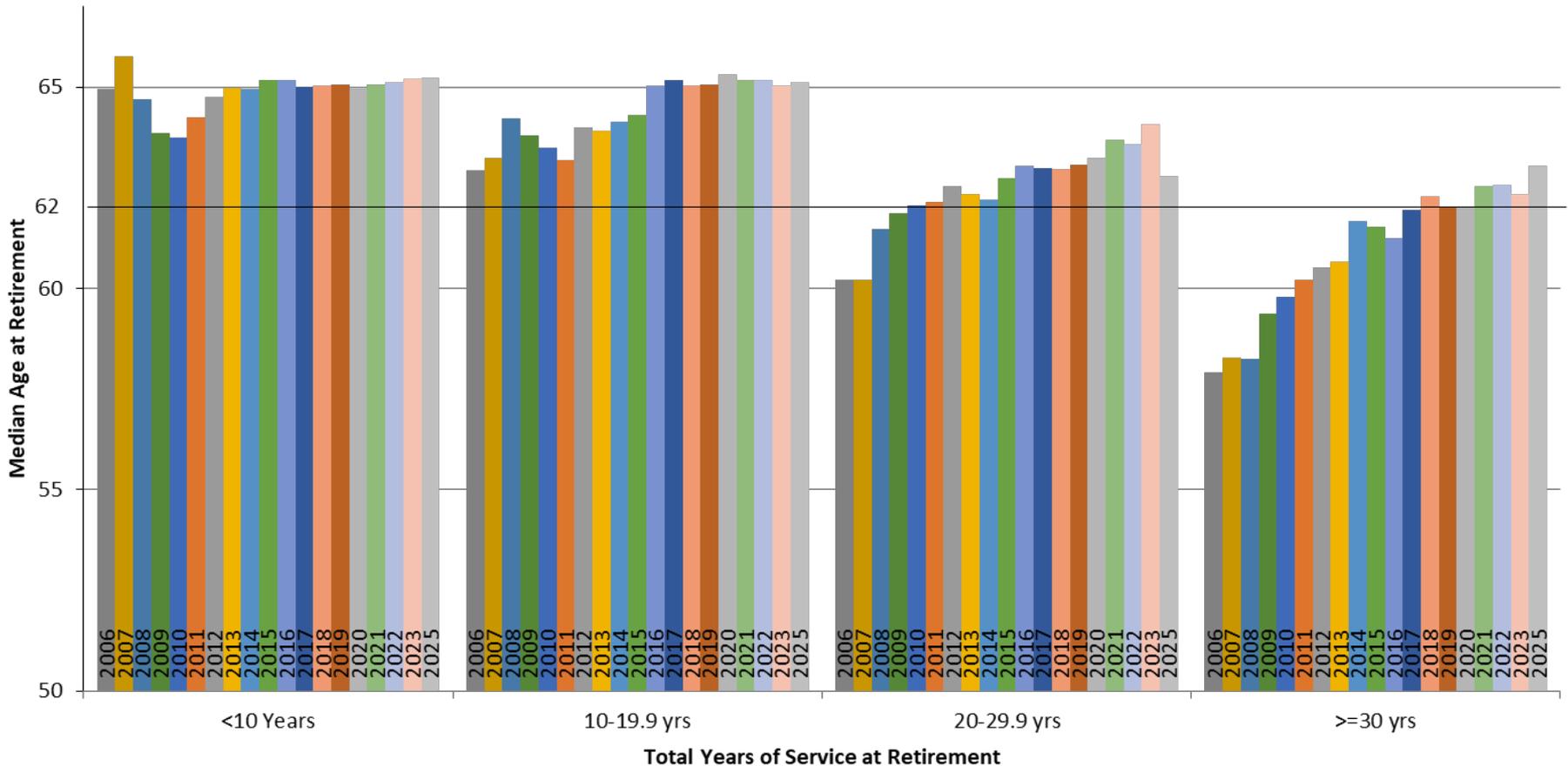


Age at Retirement History

Class A and Judicial Members

Clearer trends are visible when members are grouped by service. The median retirement age has been steadily increasing for all members and is now over age 62 for long service employees compared to 58 in 2006-2008.

Median Age at Retirement Grouped by Years of Service



- Elevated number of retirements to continue for next 4-5 years as remaining baby boomers retire:
 - Roughly 11% of active members expected to terminate or retire each year
- Members are retiring at later ages, close to age 65 for Class A and Judicial members, with increases likely due to health care cost concerns
- Median service at retirement is decreasing, primarily indicating fewer retiring members had purchased service during their careers
- All SDRS employers will continue to need to replace a significant portion of employees in the next few years



South Dakota Retirement System

State of the System Executive Director Report

December 10, 2025



SDRS in the Beginning

- Formed in 1974
- Consolidation of seven separate systems
- \$49M of assets and 30,000 members
- 40% funded at time of consolidation
- Inadequate benefits with modest COLA
- Sustainability uncertain



SDRS in 2025

- Over \$15B in assets and 105,000 members
- 100% funded (based on restricted COLA) as of June 30, 2025 and in 30 of 35 actuarial valuations since 1986:
 - Funding is measured on a more conservative basis than most public plans
- Benefits generally meet SDRS Board's long-term goals for adequacy:
 - Recent COLAs have lagged the Board's goal to keep pace with inflation
- Variable COLA design outcomes:
 - Benefits automatically and collectively adjust to the maximum sustainably affordable amount within the fixed contribution budget
 - Funding expected to remain at 100% in most economic conditions, with no pension liabilities on employer balance sheets
 - All Board funding objectives met
 - Nationally recognized model system and example of sustainable design



What Hasn't Changed

- Defined benefits
- Fixed, equal member and employer contributions
- Family income protection including survivor and disability benefits
- Early vesting
- COLA providing partial inflation protection after retirement
- Responsible governance and legislative oversight
- Statutory requirements of corrective actions if funding thresholds not met
- Well-funded status achieved within a decade after consolidation and maintained since



What Has Changed

- Features added that benefit members who leave before retirement age
- Improved retirement benefits to meet income replacement needs and adequacy standards
- COLA improved, but lagging inflation and goals in recent years
- Survivor and disability benefits restructured—resulting in greater efficiency and equity
- For Generational Members (hired after 2017), inequities and subsidies addressed and variable benefits added:
 - Improved Class A benefit multiplier
 - Higher normal retirement age reflecting improved life expectancy
 - Elimination of early retirement incentives
 - Variable individual retirement accounts added and funded with portion of employer contributions

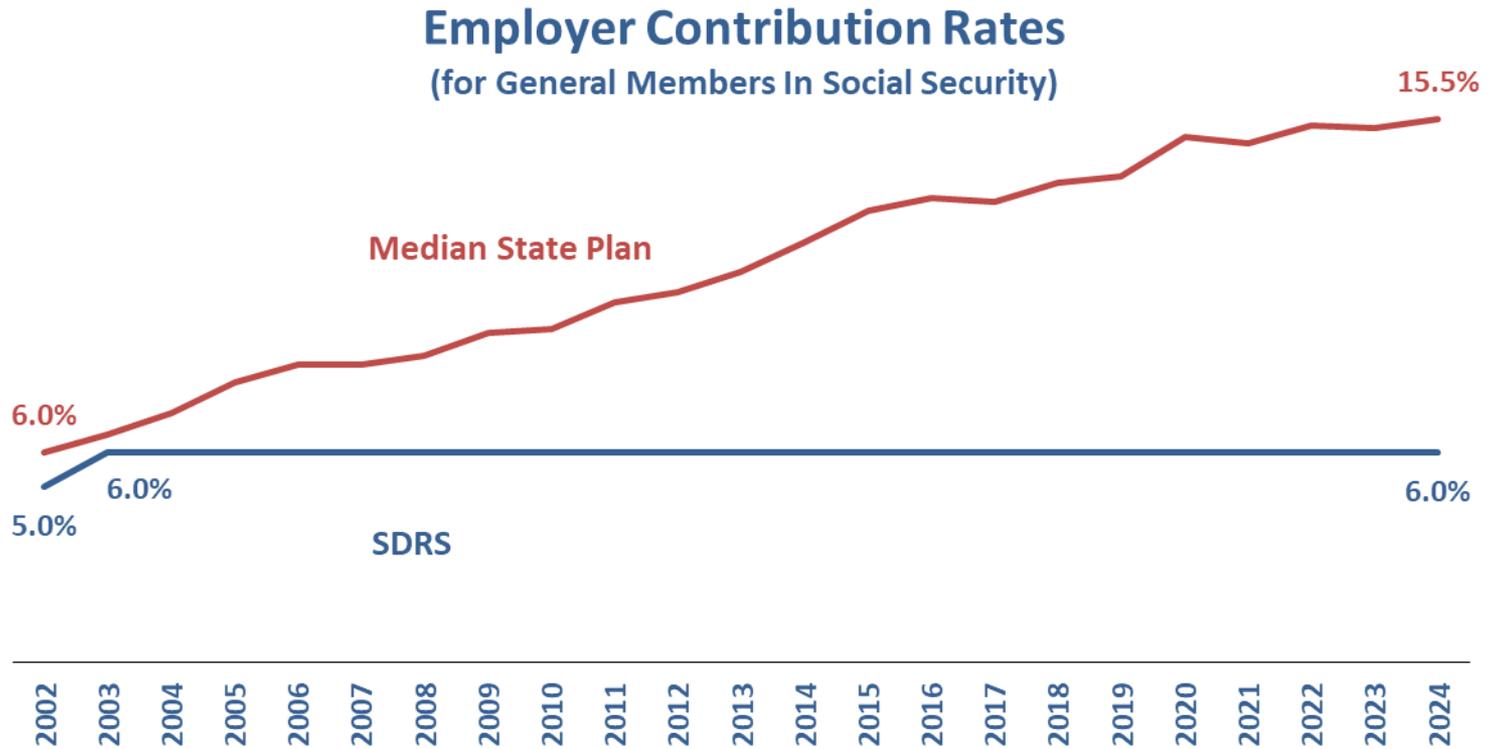


Major Initiatives Adopted

- Expanded benefits for members who leave before retirement age:
 - Minimum benefit of member contributions plus 85% of employer contributions after three years of service (50% before), plus credited interest
 - COLA provided for period before and after benefits begin for vested terminated members
- Variable COLA based on long-term affordability resulting in 100% funded status or better under most economic conditions
- Generational benefit structure adopted in 2017 for new employees, including Variable Retirement Account
- Strengthened investment return assumption aligned with SDIC outlook and early adoption of strengthened mortality assumption with future mortality improvement



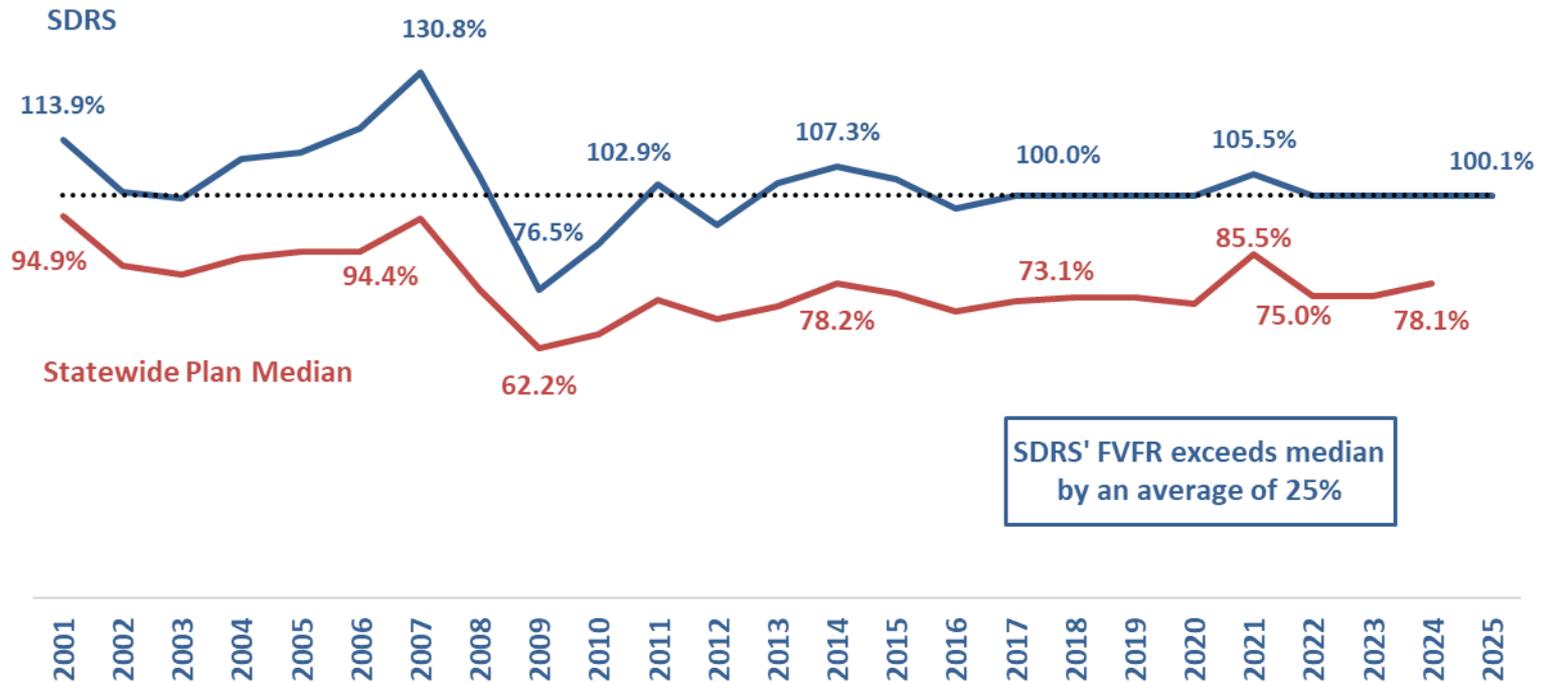
SDRS Fixed Employer Contribution Rates are 39% of National Median





While SDRS Funded Status has Averaged 25% Better than the Median

Fair Value Funded Ratio





Management and Governance

- Goals, board policies, and position papers updated
- Funding and benefit goals and board policies met
- A System Guide to Planning for the Unexpected adopted in 2020; updated in 2024
- Risk measures continue to be refined and expanded
- Continued support from Legislature and Executive Branch
- Governance Manual being compiled



Recent and Continuing Challenges

- Managing liabilities in lower expected investment return environment
- Maintaining benefit adequacy, especially COLA during periods of high inflation
- Transition in leadership—Board, Legislature, and staff
- Effective education, communication, disclosure, and transparency
- Attempts to bypass the disciplined SDRS process when considering changes
- Distinguishing SDRS from struggling defined benefit plans
- Responding to critics of defined benefit plan practices and questioning of reported funded status



Executive Director Objectives

- Listen to and learn from all stakeholders
- Evolve and improve
- Assess what is working and continue, with improvements
- Assess what isn't working as intended and make changes
- Maintain a model retirement system
- Provide clear communication to staff and stakeholders



Executive Director Priorities

- Review and augment our long-term plan
- Encourage staff development in conjunction with succession planning
- Fortify support of, and confidence in, SDRS with Legislature and Executive branch
- Strengthen internal controls/processes/pension administration system
- Utilize technology to better prepare members for retirement
- Enhance communication with all stakeholders
- Maintain professional organization involvement and national presence



Current State of System

- SDRS recognized as model plan
- Fully funded system—rare and exemplary
- Benefit practices meet objectives
- All funding goals met based on realistic actuarial assumptions and full COLA range
- Employers' costs fixed and less than 40% of median
- System Guide to Planning for the Unexpected updated
- Continuous development of strong relationships and support for SDRS' disciplined administration



2026 Potential Legislation

December 10, 2025

2026 Potential Legislation

Background

- As we prepare for the 2026 legislative session, SDRS anticipates introducing a focused and limited set of proposals.
- These proposals are designed to improve plan administration, ensure continued compliance with federal law, and enhance clarity for members and staff.
- The proposals fall into two primary categories: **Supplemental Retirement Plan (SRP) Updates** and **Statutory Clean-Up Items**.

2026 Potential Legislation

SRP Updates

- 1. Revise In-Service Distribution Exceptions.** In accordance with the SECURE 2.0 Act, we are updating our retirement plan to allow in-service distributions beginning at age 59½. This change reduces the previous minimum age requirement, providing eligible participants with earlier access to their retirement funds while they are still employed.
- 2. Update Spousal Treatment for Required Minimum Distributions (RMDs).** This change would align SDRS SRP provisions with recent federal updates regarding spousal beneficiaries and RMD timing. In the event of a member's death, the member's spouse may elect to use the member's age to delay RMD payments. This update ensures compliance and simplifies administration for both members and the plan.

2026 Potential Legislation

Statutory Clean-Up Items

- 1. Update Internal Revenue Code Reference.** This routine update ensures SDRS statutes reflect the most current version of the federal tax code.
- 2. Clarify Disability Application Deadline.** The proposal would clarify the deadline for submitting disability applications to avoid ambiguity and ensure fair treatment.
- 3. Update Member Verification Methods.** This proposal would expand member verification protocols established during the 2025 Legislative Session to include the SDRS refund process, ensuring consistent and secure identity verification across all member interactions.
- 4. Clarify Grievance Procedure.** We propose clearer language around the grievance process to ensure consistency with current practice and transparency for members and staff.

2026 Potential Legislation

Thank you

We're looking forward to a productive 2026 Legislative Session and appreciate your continued support. Each item is designed to strengthen SDRS through thoughtful updates and technical improvements. Please don't hesitate to contact us with any questions.



1 An Act to clarify statutes governing the application for disability benefits.

2 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF SOUTH DAKOTA:

3 **Section 1.** That § 3-12C-816 be AMENDED:

4 **3-12C-816.** Upon receipt of an application for disability benefits after June
5 30, 2015, along with statements from a health care provider and the member's
6 employer, the executive director shall determine whether the member is eligible for
7 disability benefits. The executive director may request the advice of the disability
8 advisory committee with respect to any application. The recommendation of the
9 disability advisory committee is not binding on the executive director. The disability
10 advisory committee or the executive director may require an independent medical
11 examination of the member to be conducted by a disinterested health care provider
12 selected by the disability advisory committee or the executive director to evaluate the
13 member's condition. The disability advisory committee or the executive director may
14 require a functional capacity assessment of the member to be conducted by a licensed
15 professional qualified to administer such an assessment. The assessment may be used
16 to evaluate the member's qualification for benefits. Refusal to undergo an
17 examination or assessment pursuant to this section is cause for denying the
18 application.

19 ~~If the executive director determines that the member is not disabled, a notice~~
20 ~~of the executive director's determination and the reasons for the determination shall~~
21 ~~be sent by certified mail to the member's last known address.~~ The executive director
22 will make a determination approving or denying the member's application for
23 disability benefits and issue an order that will be mailed to the last known address of
24 the member by certified mail.

25

26 **Section 2.** That § 3-12C-817 be AMENDED:

27 **3-12C-817.** ~~If the executive director determines that the member whose~~
28 ~~application was received pursuant to § 3-12C-816, meets the qualifications to receive~~
29 ~~disability benefits, a notice of the executive director's determination shall be sent by~~
30 ~~certified mail to the member's last known address.~~ A member whose application for

1 disability benefits is approved shall receive the benefits beginning with the month
2 following the date on which the member's contributory service terminates. If any
3 member fails to terminate contributory service within one year after receiving notice
4 that the member's application has been approved, the member's application approval
5 expires.

6
7 **Section 3.** That § 3-12C-822 be AMENDED:

8 **3-12C-822.** A member's disability benefits terminate if the member is no
9 longer disabled, as certified by a health care provider. Upon receipt of certification
10 the executive director shall determine whether the member meets the qualifications
11 for disability benefits. In making this determination the executive director shall
12 follow the same procedure used in making the initial determination of disability
13 provided in § 3-12C-816. A member's disability benefits shall be suspended and
14 subject to termination if the member refuses to undergo an examination or assessment
15 requested by the disability advisory committee or the executive director. ~~If the~~
16 ~~executive director finds that the member no longer meets the qualifications for~~
17 ~~disability benefits, the executive director shall notify the member of this finding by~~
18 ~~certified mail and the payment of disability benefits shall terminate thirty days after~~
19 ~~receipt of the notice. The finding by the executive director is subject to appeal and~~
20 ~~review as a contested case.~~ If the executive director makes a determination that the
21 member no longer meets the qualifications for disability benefits, the executive
22 director will issue an order that will be mailed to the last known address of the
23 member by certified mail. Disability benefits will terminate thirty days after the order
24 was mailed to member.

1 An Act to clarify statutes governing SDRS administrative appeals.

2 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF SOUTH DAKOTA:

3 **Section 1.** That § 3-12C-213 be AMENDED:

4 **3-12C-213.** Any person aggrieved by a final determination made by the
5 system's staff may request review of the final determination and a decision by the
6 executive director if the request is made in writing within thirty days after receiving
7 the final determination. The person, if then aggrieved by the executive director's
8 decision, may appeal the decision, if the person files a written notice of appeal with
9 the executive director within thirty days of the date of the decision. The notice shall
10 identify the person appealing and the decision appealed. The appeal shall be
11 conducted by a hearing examiner in accordance with chapter 1-26. The hearing
12 examiner, after hearing the evidence in the matter, shall make proposed findings of
13 fact and conclusions of law, and a proposed decision. The executive director shall
14 accept, reject, or modify the findings, conclusions, and decision of the hearing
15 examiner and such action constitutes the final agency decision. Alternatively, the
16 executive director may appoint the hearing examiner to make the final agency
17 decision. The final agency decision may be appealed to circuit court pursuant to
18 chapter 1-26. The executive director may arrange for the assistance of private counsel
19 throughout the appeal process. Any person aggrieved by an order of the executive
20 director issued pursuant to this chapter and chapters 3-13 and 3-13A may, in writing,
21 request a contested case hearing before the executive director if that individual
22 believes that the order is based upon a mistake of fact or error of law. The written
23 hearing request must be received by the system within thirty days from the date the
24 order was mailed to the individual by certified mail, and must contain a statement
25 indicating the portion of the order being contested and the mistake of fact or error of
26 law the individual believes resulted in an invalid order. If a written request for
27 hearing is not received by the executive director within thirty days from the date the
28 order was mailed to the individual by certified mail, no court has jurisdiction over a
29 suit to contest the order. For purposes of this section, if a written request for hearing

1 is sent by United States mail, the date of the postmark placed by the United States
2 postal service shall be considered the dated received by the executive director.

3 Hearings are conducted and appeals taken pursuant to the provisions of
4 chapters 1-26 and 1-26D. A copy of the hearing examiner's proposed decision, and
5 findings of fact and conclusions of law, shall be served on all parties when furnished
6 to the executive director.

1 An Act to revise certain provisions regarding in-service distributions of the South Dakota
2 Retirement System.

3
4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF SOUTH DAKOTA:

5 **Section 1.** That § 3-13-78 be AMENDED:

6 **3-13-78.** Deferrals may be distributed only if one of the following conditions has
7 occurred:

8 (1) Severance from employment with a participating employer;

9 (2) Death of the participant;

10 (3) An unforeseeable emergency, set forth in § 3-13-82;

11 (4) Requirements are satisfied for an in-service distribution, as set forth in § 3-
12 13-83; ~~or~~

13 (5) A participant is called to perform qualified military service for a period in
14 excess of thirty days; or

15 (6) A participant elects to receive in-service distributions pursuant to Section 2
16 of this Act.

17
18 **Section 2.** That a NEW SECTION be added to chapter 3-13:

19 A participant who has attained fifty-nine and one-half years of age may elect to receive
20 an in-service distribution from the plan in any form permitted under § 3-13-80. The
21 receipt of an in-service distribution pursuant to this section does not preclude the
22 participant from continuing to make deferrals into the plan.

1 An Act to update a reference to the Internal Revenue Code in South Dakota Retirement
2 System statutes.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF SOUTH DAKOTA:

4 **Section 1.** That § 3-12C-113 be AMENDED:

5 **3-12C-113.** For purposes of this chapter, "Internal Revenue Code" or "code"
6 means the United States Internal Revenue Code (January 1, ~~2025~~ 2026).

1 An Act to ensure uniformity in member identification provisions governing SDRS.

2 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF SOUTH DAKOTA:

3 **Section 1.** That § 3-12C-602 be AMENDED:

4 **3-12C-602.** A member who has left covered employment may withdraw the
5 sum of the member's accumulated contributions upon application to the ~~system and~~
6 ~~submission of a copy of the member's current driver license or other picture~~
7 ~~identification card issued by a government agency or tribe~~ executive director on a
8 form approved by the system. If the member is married, the spouse ~~shall sign the~~
9 ~~application and provide a copy of the spouse's current driver license or other picture~~
10 ~~identification card issued by a government agency or tribe~~ must also sign the
11 application.

12 A member who withdraws the member's accumulated contributions pursuant
13 to this section forfeits all credited service and benefits provided in this chapter.

14 The right to withdraw accumulated contributions ceases if the member returns
15 to covered employment with a participating unit.

16

17 **Section 2.** That § 3-12C-1208 be AMENDED:

18 **3-12C-1208.** No retirement benefit may be paid unless the system has
19 received a completed application for a retirement benefit, including the benefit option
20 elected. The application must be ~~signed by the generational member, and the member~~
21 ~~shall provide a copy of the member's current driver license or other picture~~
22 ~~identification card issued by a government agency or tribe~~ made to the executive
23 director on a form approved by the system. If the member is married, the spouse must
24 ~~sign the application and provide a copy of the spouse's current driver license or other~~
25 ~~picture identification card issued by a government agency or tribe~~ also sign the
26 application.

27 A member who is married is not required to obtain the signature of the
28 member's spouse if the member submits a completed form, in which the member
29 certifies, under the penalty of perjury, that the member is unable to obtain the
30 signature of the member's spouse because either:

1 (1) The member does not know where the member's spouse is and has made
2 a good faith effort to locate the spouse; or

3 (2) Exceptional circumstances make it inappropriate for the member to
4 obtain the signature of the member's spouse.

5 If the member is unable to obtain the signature of the member's spouse for
6 either reason, the member must elect the sixty percent joint and survivor benefit
7 pursuant to § 3-12C-1209 and provide documentation to support the assertion of
8 subdivision (1) or (2) of this section.

1 An Act to revise certain provisions regarding the required minimum distribution methods
2 of the South Dakota Retirement System.

3
4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF SOUTH DAKOTA:

5 **Section 1.** That § 3-13-60 be AMENDED:

6 **3-13-60.** If a participant dies on or before December 31, 2021, and before required
7 distribution of the participant's benefits has begun, the participant's interest ~~shall~~must
8 be distributed as follows:

9 (1) If the participant has a surviving spouse, the surviving spouse shall
10 receive benefits over the life of the surviving spouse beginning as soon as
11 administratively possible and effective the month after the participant's death; or

12 (2) If the participant has no surviving spouse, the participant's remaining
13 interest shall be distributed in a lump sum payment to the designated beneficiary
14 within five years from the date of the participant's death.

15
16 **Section 2.** That § 3-13-62 be AMENDED:

17 **3-13-62.** Notwithstanding any contrary provisions, effective for any participant death
18 after December 31, 2021, the following distribution provisions shall take effect
19 subject to any regulations or other guidance issued under the Setting Every
20 Community Up for Retirement Enhancement (SECURE) Act of 2019; and SECURE
21 2.0 Act of 2022:

22 (1) If the participant dies before the distribution of his or her entire account
23 (regardless of whether any distributions had begun before the participant's death) and
24 the participant has a designated beneficiary:

25 (a) The entire account shall be distributed to the designated beneficiary by
26 December thirty-first of the calendar year containing the tenth anniversary
27 of the participant's death;

28 (b) Notwithstanding subsection (a), if the designated beneficiary is an eligible
29 designated beneficiary, the eligible designated beneficiary may elect for
30 the participant's account to be distributed by:

31 (i) December thirty-first of the calendar year containing the tenth
32 anniversary of the participant's death, or

1 (ii) Beginning no later than December thirty-first of the calendar year
2 immediately following the calendar year in which the participant
3 died, over the life of the eligible designated beneficiary or over a
4 period not exceeding the life expectancy of the eligible designated
5 beneficiary. If the eligible designated beneficiary does not elect a
6 method of distribution, the participant's account shall be
7 distributed in accordance with this subsection (b)(ii);

8 (iii) If the eligible designated beneficiary is the surviving spouse,
9 payment under ~~this subsection (b)(ii)~~ is not required until the later
10 of December thirty-first of the calendar year immediately
11 following the calendar year in which the participant died or
12 December thirty-first of the calendar year in which the participant
13 would have attained ~~age seventy and one-half (age seventy-two~~
14 ~~with respect to a participant who would have attained age seventy~~
15 ~~and one-half after December 31, 2019)~~ the applicable age as
16 provided in § 3-13-58. If the eligible designated beneficiary does
17 not elect a method of distribution, the participant's account shall be
18 distributed in accordance with this subsection (b)(ii)The surviving
19 spouse is deemed to have elected treatment in accordance with
20 section 401(a)(9)(B)(iv) of the Internal Revenue Code and
21 applicable Internal Revenue Service guidance, unless the spouse
22 elects otherwise;

23 (c) Upon either the death of an eligible designated beneficiary before
24 distribution of the participant's entire account or the attainment of the age
25 of majority for an eligible designated beneficiary who is a minor child
26 under subsection (4)(b), subsection (1)(b) no longer applies and the
27 remainder of the entire account shall be distributed to the designated
28 beneficiary by December thirty-first of the calendar year containing the
29 tenth anniversary of the ~~participant's death~~ eligible designated beneficiary's
30 death on December 31 of the calendar year containing the tenth
31 anniversary of the date the minor child reached the age of majority;

1 (2) If the participant dies before distributions of his or her account begins and
2 the participant has no designated beneficiary, the participant's account under the plan
3 shall be distributed by December thirty-first of the calendar year containing the fifth
4 anniversary of the participant's death. If the participant dies after distribution of the
5 account begins and the participant has no designated beneficiary, any remaining
6 portion of the account shall continue to be distributed at least as rapidly as under the
7 method of distribution in effect at the time of the participant's death;

8 (3) Any distribution required under the incidental death benefit requirements of
9 Internal Revenue Code section 401(a) shall be treated as distributions required under
10 this section;

11 (4) For purposes of this section, the term, eligible designated beneficiary, means
12 a designated beneficiary who, as of the date of the death of the participant, is:

13 (a) The surviving spouse of the participant;

14 (b) A child of the participant who has not reached the age of majority.

15 However, the child ceases to be an eligible designated beneficiary as of
16 the date the child reaches the age of majority;

17 (c) Disabled within the meaning of Internal Revenue Code section 72(m)(7);

18 (d) Chronically ill within the meaning of Internal Revenue Code section
19 7702B(c)(2) (except that the requirements of subparagraph (A)(i) thereof
20 may only be treated as met if there is a certification that, as of such date,
21 the period of inability described in such subparagraph with respect to the
22 individual is an indefinite one which is reasonably expected to be lengthy
23 in nature); or

24 (e) Any other person who is not more than ten years younger than the
25 participant.

26
27 **Section 3.** That § 3-13A-23.3 be AMENDED:

28 **3-13A-23.3.** If a participant dies on or before December 31, 2021, and before
29 required distribution of the participant's benefits has begun~~commenced~~, the
30 participant's interest ~~shall~~must be distributed as follows:

1 (1) If the participant has a surviving spouse, the surviving spouse shall
2 receive benefits over the life of the surviving spouse beginning as soon as
3 administratively possible and effective the month after the participant's death; or

4 (2) If the participant has no surviving spouse, the participant's remaining
5 interest shall be distributed in a lump sum payment to the designated beneficiary
6 within five years from the date of the participant's death.
7

8 **Section 4.** That § 3-13A-23.5 be AMENDED:

9 **3-13A-23.5.** Notwithstanding any contrary provisions, effective for any participant
10 death after December 31, 2021, the following distribution provisions shall take effect
11 subject to any regulations or other guidance issued under the Setting Every
12 Community Up for Retirement Enhancement (SECURE) Act of 2019; and SECURE
13 2.0 Act of 2022:

14 (1) If the participant dies before the distribution of his or her entire account
15 (regardless of whether any distributions had begun before the participant's death) and
16 the participant has a designated beneficiary:

17 (a) The entire account shall be distributed to the designated beneficiary by
18 December thirty-first of the calendar year containing the tenth anniversary
19 of the participant's death;

20 (b) Notwithstanding subsection (a), if the designated beneficiary is an eligible
21 designated beneficiary, the eligible designated beneficiary may elect for
22 the participant's account to be distributed by:

23 (i) December thirty-first of the calendar year containing the tenth
24 anniversary of the participant's death, or

25 (ii) Beginning no later than December thirty-first of the calendar year
26 immediately following the calendar year in which the participant
27 died, over the life of the eligible designated beneficiary or over a
28 period not exceeding the life expectancy of the eligible designated
29 beneficiary. If the eligible designated beneficiary does not elect a
30 method of distribution, the participant's account shall be
31 distributed in accordance with this subsection (b)(ii);

1 (iii) If the eligible designated beneficiary is the surviving spouse,
2 payment under ~~this~~ subsection (b)(ii) is not required until the later
3 of December thirty-first of the calendar year immediately
4 following the calendar year in which the participant died or
5 December thirty-first of the calendar year in which the participant
6 would have attained ~~age seventy and one-half (age seventy-two~~
7 ~~with respect to a participant who would have attained age seventy~~
8 ~~and one-half after December 31, 2019)~~ the applicable age as
9 provided in § 3-13A-23.1. If the eligible designated beneficiary
10 does not elect a method of distribution, the participant's account
11 shall be distributed in accordance with this subsection (b)(ii)The
12 surviving spouse is deemed to have elected treatment in
13 accordance with section 401(a)(9)(B)(iv) of the Internal Revenue
14 Code and applicable Internal Revenue Service guidance, unless the
15 spouse elects otherwise;

16 (c) Upon either the death of an eligible designated beneficiary before
17 distribution of the participant's entire account or the attainment of the age
18 of majority for an eligible designated beneficiary who is a minor child
19 under subsection (4)(b), subsection (1)(b) no longer applies and the
20 remainder of the entire account shall be distributed to the designated
21 beneficiary by December thirty-first of the calendar year containing the
22 tenth anniversary of the ~~participant's death~~eligible designated beneficiary's
23 death on December 31 of the calendar year containing the tenth
24 anniversary of the date the minor child reached the age of majority;

25 (2) If the participant dies before distributions of his or her account begins and
26 the participant has no designated beneficiary, the participant's account under the plan
27 shall be distributed by December thirty-first of the calendar year containing the fifth
28 anniversary of the participant's death. If the participant dies after distribution of the
29 account begins and the participant has no designated beneficiary, any remaining
30 portion of the account shall continue to be distributed at least as rapidly as under the
31 method of distribution in effect at the time of the participant's death;

1 (3) Any distribution required under the incidental death benefit requirements of
2 Internal Revenue Code section 401(a) shall be treated as distributions required under
3 this section;

4 (4) For purposes of this section, the term, eligible designated beneficiary, means
5 a designated beneficiary who, as of the date of the death of the participant, is:

6 (a) The surviving spouse of the participant;

7 (b) A child of the participant who has not reached the age of majority.

8 However, the child ceases to be an eligible designated beneficiary as of
9 the date the child reaches the age of majority;

10 (c) Disabled within the meaning of Internal Revenue Code section 72(m)(7);

11 (d) Chronically ill within the meaning of Internal Revenue Code section
12 7702B(c)(2) (except that the requirements of subparagraph (A)(i) thereof
13 may only be treated as met if there is a certification that, as of such date,
14 the period of inability described in such subparagraph with respect to the
15 individual is an indefinite one which is reasonably expected to be lengthy
16 in nature); or

17 (e) Any other person who is not more than ten years younger than the
18 participant.

101st SOUTH DAKOTA LEGISLATIVE SESSION CALENDAR

2026  38 Legislative Days



Please refer to the Joint Rules, Chapter 17 for complete information.

	Sun	Monday	Tuesday	Wednesday	Thursday	Friday	Sat
January 2026					1	2	3
	4	5	6	7	8	9	10
	11	12	13 Session Opens 12 Noon(CST) State of the State 1:00 p.m. LD 1	14 State of the Judiciary 10:00 a.m. State of the Tribes 1:00 p.m. LD 2	15	16	17
	18	19 Martin Luther King Jr. Day	20 Executive orders filed (Constitution, Art. IV, Sec. 8) LD 5	21	22 Jt. Memorial Service 3:00pm LD 7	23	24
	25	26	27 Bill and resolution draft requests due to LRC by 5:00pm (for unlimited introduction) LD 9	28	29 Last day for unlimited bill and resolution introduction (JR 6B-3) (TWO HOURS prior to session) LD 12	30	31
February 2026	1	2 All bill and resolution draft requests due to LRC by 5:00pm LD 13	3 Committee bill and resolution draft requests due to LRC by 5:00pm LD 14	4 Last day for introduction of individual bills and resolutions (TWO HOURS prior to session) LD 15	5 Last day for introduction of committee bills and resolutions (TWO HOURS prior to session) LD 16	6	7
	8	9	10	11	12 Last day for JCA selection of general fund revenue targets (JR 7-11.1) LD 21	13	14
	15	16 Presidents' Day	17	18	19	20	21
	22	23 Last day to move required delivery of bills or resolutions by a committee to the house of origin, and Last day to use JR 5-17 LD 26	24 Last day to pass bills or joint resolutions by the house of origin (Crossover Day), and Last day to invoke JR 7-7 in the house of origin LD 27	25	26 Last day for JCA to move required delivery of special appropriation bills to house of origin (JR 17-1) LD 29	27	28
March 2026	1	2 Last day for house of origin to pass special appropriation bills referred from JCA (JR 17-1), and Commemoration requests due to LRC by 5:00pm LD 30	3	4 JR 5-13 in effect, and Last day for introduction of commemorations (TWO HOURS prior to session) LD 32	5 Last day to move required delivery of bills or joint resolutions by a committee to the second house LD 33	6	7
	8	9 Last day for a bill or joint resolution to pass both houses, and Last day to invoke JR 7-7 in the second house LD 34	10	11	12	13	14
	15	16	17	18	19	20	21
April 2026	22	23	24	25	26	27	28
	29	30 Reserved for consideration of gubernatorial vetoes LD 38	31	1	2	3	4